

EFU LIFE ASSURANCE LTD

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

March 03, 2020

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Karachi

Dear Sir,

SUBJECT: Transmission of Annual Report for the Year Ended December 31, 2019

Please find enclosed the singed copies of the following for the year ended December 31st, 2019.

- Director's Report 2019.
- Chairman's Review for the year 2019.
- Statement of Compliance with Shariah Principals with the Auditor's Report thereon.
- Shariah Advisory Report.
- Statement of Compliance with CCG along with the Auditor's Report thereon.
- Annual Account 2019 along with the Auditor's report.
- Statement under Section 52(2) of Insurance Ordinance.
- Secretarial Compliance Certificate.
- Auditors Report on Statement of Free Float shares for the year 2019.
- Annual certificate of compliance with Section 11 & 12 of the Insurance Ordinance, 2000.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,



Abbas Hussain
Company Secretary



LIFE

Zaroori Hai



(021) 111-338-111



efulife.com



EFU Life PlanIT



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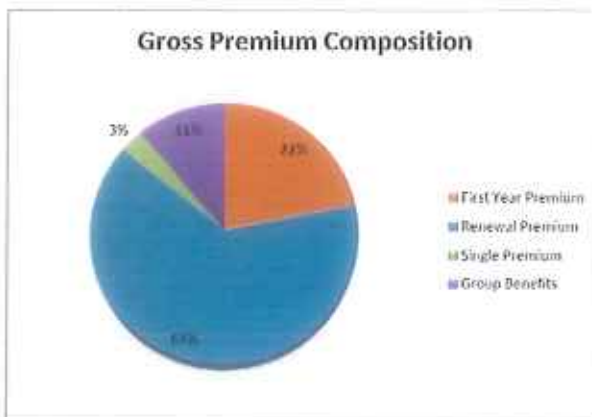
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EFU Life Assurance Ltd Directors' Report – Annual 2019

The Directors of your Company are pleased to present to you the Twenty Eighth Annual Report of the Company for the year ended 31 December 2019.

Business Performance:

Your Company achieved a gross premium (including Takaful contributions) of Rs. 31.75 billion (2018: 30.79 billion). The gross premium composition was as follows:



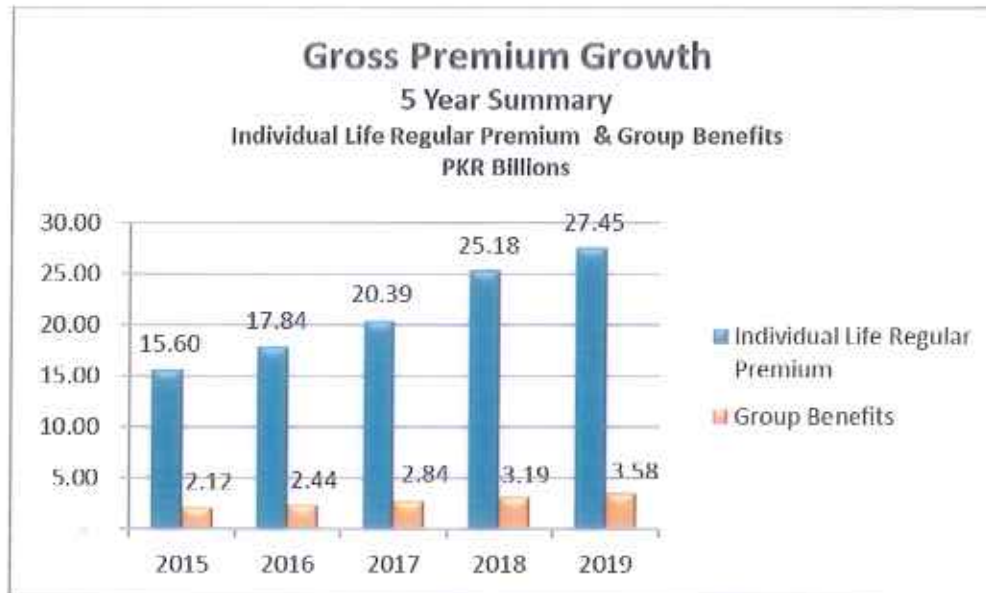
Individual Life regular premiums (including Takaful contributions) grew by 9%, achieving a total premium of Rs.27.45 billion (2018: Rs. 25.18 billion).

Individual life New Business reached a premium of Rs. 6.99 billion (2018: 6.85 billion). Both individual life distribution channels, Sales Force and Bancassurance, have contributed to the new business.

Renewal premium is the life line of individual life business and grew to Rs. 20.45 billion (2018: Rs. 18.33 billion), with a growth of 11.55%. The Company continues to lay significant focus on client retention for both Sale Force and Bancassurance channels, the latter especially demonstrating a good improvement in persistency during the year.

Group Benefits achieved a gross premium, including Takaful contributions, of Rs. 3.58 billion (2018: Rs 3.19 billion), registering a growth of 12.48%.

Over the last 5 years, the Gross Premium growth has followed an increasing trend as follows (including Takaful contributions):

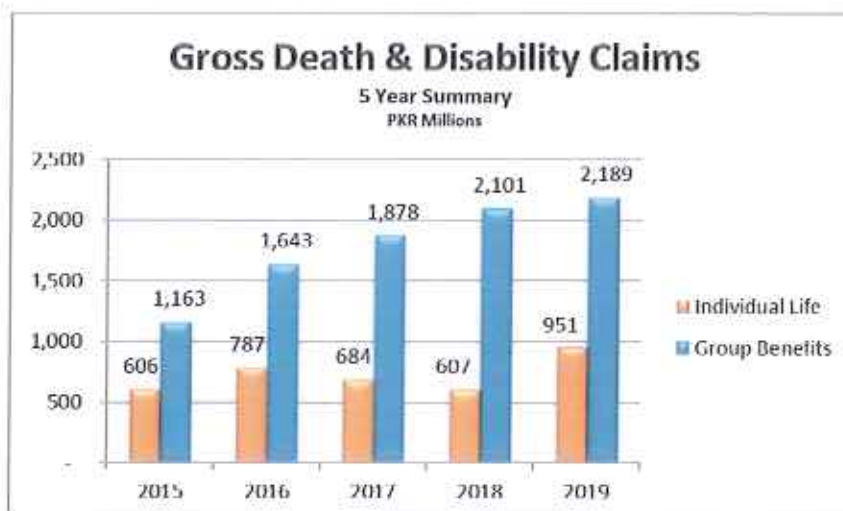


Single Premium was Rs. 950.8 million (2018: 2.59 billion).

The Window Takaful Operations of the Company, Hemayah, have continued to show good growth. During 2019, the company achieved an Individual Family takaful new business of Rs. 1.77 billion (2018: 1.43 billion), a growth of 24%. For Group Family Takaful, the Company recorded a business of Rs. 326 million. (2018: 224 million), a growth of 46% The Company expects this line of business to continue its growth trajectory during 2020.

Claim payments:

Efficient claims settlement is one of the core principles of the Company. In 2019, the Company settled total death and disability claims of Rs. 3.14 billion (2018: 2.71 billion), an increase of 16%. Out of this, Individual Life claims were Rs. 951 million and Group Life claims amounted to Rs. 2.19 billion



Investment Performance:

The Company follows a prudent and pro-active approach for investment management. Following on from 2017 and 2018, 2019 saw significant volatility as the PSX-100 fell from its peak in January to a multi-year low in August, and subsequently recovered to post a 9.9% return for the calendar year. The Policy Rate was raised to 13.25% amidst other economic stabilization measures, the effects of which will materialize over the next few years. The Company repositioned its strategy in 2019 to minimize volatility and earn reasonable returns going forward.

The net asset value of all unit linked funds under management increased from Rs. 104 billion to Rs. 114 in 2019, a growth of 9.6%. At the same time, Net Investment Income was Rs. 7.09 Billion, significantly improving from 2018.

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:

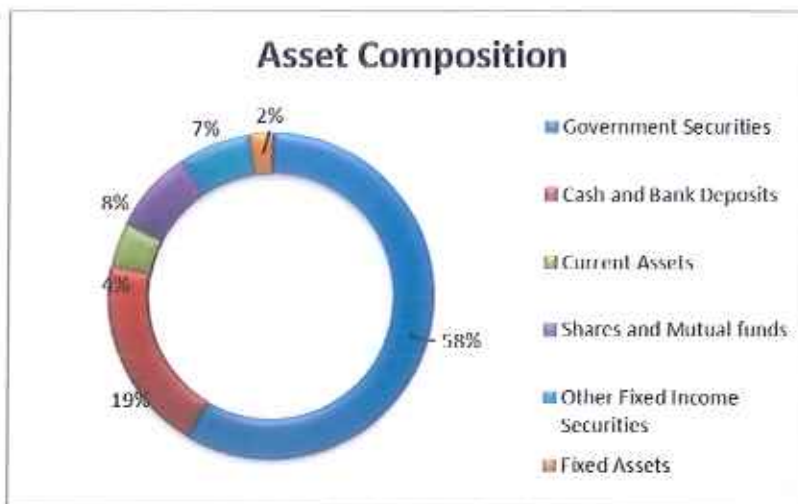
For Conventional unit linked business:

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

For Takaful unit linked business:

- Takaful Growth Fund
- Takaful Aggressive Fund
- Takaful Conservative Fund

The Company has a strong balance sheet size with total assets of Rs. 129.28 billion (2018: Rs. 116.76 Billion), a growth of 10.72%. The composition of assets is as follows:



Profitability:

During the year, the Company's statutory funds generated a surplus of Rs. 2.08 billion.

Out of this surplus, Rs.1.96 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.1.55 billion.

Earnings Per Share

The earnings per share for the year was Rs.15.49 (2018: Rs.15.46)

Appropriation and Dividend:

Your Directors have pleasure in recommending a dividend of Rs. 10.50 (105%) per share to the Shareholders of the Company whose names appear in the Share Register of the Company at the close of business on 20/03/2020. This cash dividend is in addition to interim cash dividend of Rs.4.50 per share (45%) declared during the year.

	Rupees '000
The amount available for appropriation is	
Amount brought forward from previous year	65,648
Profit after tax for the year	1,546,302
Capital Contribution- Window Family Takaful	(12,809)
Retained Earnings on Account of Ledger D – Solvency Margin	<u>(170,707)</u>
Amount available for appropriation	1,428,434
Interim Dividend for 2018 @ 37.5% (2017: 37.5%)	375,000
Final cash dividend for 2018 @ 112.5 % (2017: 112.5%)	1,125,000
Transfer to general reserve	<u>(150,000)</u>
	<u>1,350,000</u>
Unappropriated profit Carried forward	78,434
Profit after tax for the year	1,549,264
Capital Contribution - Window Family Takaful	(106,503)
Retained Earnings on Account of Ledger D – Solvency Margin	<u>55,225</u>
Available for appropriation	1,576,420
The Directors recommend that this amount to be appropriated in the following manner	
Interim Dividend for 2019 @ 4.5% (2018: 37.5%)	(450,000)
Proposed Final Dividend	<u>-</u>
	<u>(450,000)</u>
	<u>1,126,420</u>

Market Share

Based on the figures compiled by the Insurance Association of Pakistan as of 30 September 2019 the Company has a market share of 22% 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, a growing middle class and over 60% of the population under the age of 25 years. The various socio-economic segments are catered to via a wide range of 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 segment up to the high net worth segment. The Company's product range 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.

The Company continued to consolidate its product range by enhancing the existing menu offered through the Sales Force as well as bancassurance partners. In addition, the Company strengthened its presence in the mass market and inclusive insurance segments, and launched innovative financial solutions and distribution models 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.

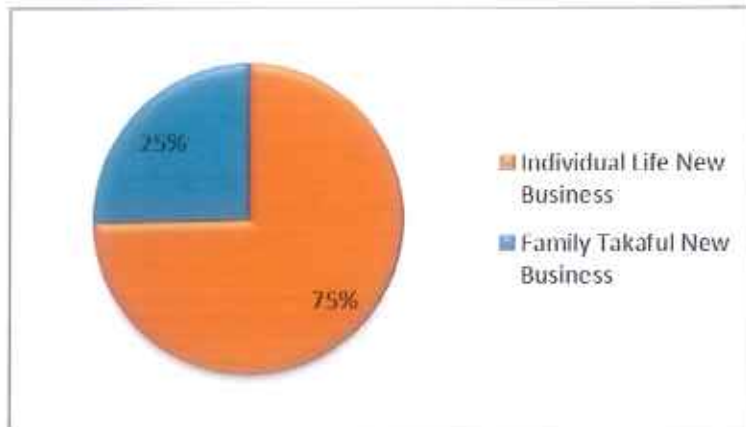
For its Group Lifeline of business, the Company utilizes its dedicated marketing team, commercial banks, and other intermediaries such as telecommunication companies, Branchless Banks, MFIs and MFBS, as well as digital and payment platforms.

The Company has an individual life branch network of over 200 locations across the country, including dedicated branches for Takaful. For Bancassurance, the Company has a partnership with 17 banks.

Family Takaful:

The Company's Window Takaful Operations, Hemayah, continued to expand in 2019 offering a full range of takaful products, being distributed through its individual life and takaful sales force, bank partners and group benefits setup. 2019 is the fifth year of Window Takaful Operations.

During 2019, the new business contribution of takaful in the total Individual Life/Family takaful segment was as follows:



The Company is very positive about the future growth and potential of Takaful business and expects this line of business to contribute positively to the top line as well as bottom line.

Critical performance measures: The Company, over the years has evaluated its performance on the following key defined measures:

- 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 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 is also a confirmation of the fact that the Company is on a strong financial footing and is one of the leading life insurers in terms of 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 2019:

- 'Best Life Insurance Company' at Consumer Choice Award 2019 for the 11th Consecutive time, for excellence in management practice and services quality.
- 'Certificate of Excellence' in the insurance sector by Management Association of Pakistan for the 9th consecutive time
- Blue and Gold Dragon at Dragons of Asia for 'Best Campaign by Country' and the Golden Dragon award for 'Best use of Media' for its Digital webseries 'Humrahi'.
- 'Best Insurance Tech of the Year' at Pakistan Digi Awards for the Chatbot.
- 'Health & Safety Award' at International Environment Health & Safety Award
- 'CSR Award 2019' in the category of Social Impact in recognition of the company's efforts in the areas of health, education and environment.

Operational Efficiency and Technology:

The Company has a strong focus on creating Operational efficiencies using technology as an enabler. Some key developments during 2019 are as follows:

The Company launched "Pakistan's First IBM RPA insurance implementation" as a revolutionary stride in digitization of internal processes, thus increasing operational efficiency many times over resulting in far superior and enriching customer experience.

The Branch infrastructure continued to be upgraded during 2019 and now 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.

In today's digital age, the internet users are highly connected. As more devices and apps deliver instant gratification, the more it sets new standards for customer expectations. The Company launched the first chatbot in the insurance industry, 'EFU LifeBot', on the Facebook platform. 'EFU LifeBot' is a virtual assistant and provides automated responses, creating a better service experience for its clients. It allows for customers to access their policy details, view and pay their policy premium online through debit or credit card.

The Company is in process of implementing & certification of **ISO 27001:2013**, - a specification for an information security management system (ISMS). An ISMS is a framework of policies and procedures which have been developed, includes all legal, physical and technical controls involved in an organization's information risk management processes.

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 Oracle Database 12c is a high-performance, enterprise-class database "the first database designed for the Cloud." The Company has upgraded its databases on Oracle 12c, which fulfill all requirements of next level advance technologies based on cloud.

Human Resource Management:

Your Company continued to keep central to its people strategies the belief that, investing in developing and motivating staff plays a pivotal role in their positive contribution to the current and future success of the Company. During 2019, 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. Building upon the initiatives undertaken in 2018, 2019 saw further development in building capacities at the middle management level and in reinforcement of managerial and leadership capacity. The new performance management system introduced in 2018 proceeded to mature in 2019 with its key emphasis on providing timely and transparent feedback and ensuring productivity. A key development in this regard was the development of a comprehensive Management Development Program (MDP) scheduled for rollout in 2020.

Your Company continues to build and strengthen relationships with Universities and Colleges and professional services providers to maintain the strength of our talent pipeline and inductions. Key initiatives were also taken to ensure that the EFU Life Assurance name continues to be rated amongst the employers of choice for fresh talent. We are also now a popular destination for job seekers on social media, LinkedIn and we are rated highly on Glassdoor.

Capacity enhancement and learning and development activities continued to build upon the progress made over the past two years. Our comprehensive capacity enhancement initiatives were expanded to include senior management and leadership development roles.

The Company conducting employee engagement activities throughout the year to ensure that our team remained motivated, productive and engaged with the Company. Additionally, our employee wellness programs were expanded to include initiatives on the physical, mental and emotional wellness and wellbeing of our employees.

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 2019 of Rs. 25.3 billion (2018: Rs. 19.8 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 (xx) of this Annual Report.

CSR Initiatives

The Company, during 2019, continued to focus 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 2019 are as follows:

Meri Shaan Mera Pakistan: Giving back to the community is at the heart of EFU Life operations with 'Meri Shaan Mera Pakistan' ongoing campaign. EFU Life supported more than twenty organizations in the year 2019 for a greener, more educated, healthier Pakistan and preservation of colonial heritage.

'The Green Future Starts with You'

In celebration of 2019 Insurance Day, EFU Life carried out a "Tree Plantation Drive" and partnered with Urban Forest. Employees attended a session to create awareness about urban forest and to contribute towards an eco-friendly environment before going to the Urban Forest park and planting over 470 trees.

'Join Hands for a Life' Social Media Campaign

EFU Life has been running a Social Media Campaign for more than five years to create awareness and raise funds for various NGO's. The Company donated Rs.10 for every Like, Comment and Share on its Social Media pages. EFU Life Social Media Campaign in 2019 supported The Sindh Institute of Urology & Transplantation, Layton Rahmatullah Benevolent Trust, Family Educational Services Foundation and Network of Organisations Working for People With Disabilities Pakistan.

Network Organisations Working for People With Disabilities Pakistan

An event was organized by EFU Life and Network of Organisations Working for People With Disabilities Pakistan in which three rickshaws were donated to the beneficiaries. The rickshaw distribution was part of the Rickshaw Project which aims to make underprivileged an inclusive part of the mainstream society. The event was part of the campaign 'Join Hands for a Life' during the month of Ramadan.

Dar-ul-sukoon

During the month of Ramadan, there was a campaign that ran simultaneously with 'Join Hands for a Life' campaign at the Head Office, Dar-ul-Sukun 'Reuse:Donate to Dar-ul-Sukun' Campaign. Reusable and recyclable items were donated by employees to Dar-ul-Sukun, in addition to financial donations.

Omair Sana Foundation

The Company also supported Omair Sana Foundation during Ramadan for Thalassemia patients and their families.

World Blood Donor Day

To commemorate the World Blood Donor Day, EFU Life Assurance Ltd. hosted a Blood Donation Camp, 'Give Blood, Share a Life' at the Head Office with Burhani Blood Bank & Thalassaemia Centre.

The Citizens Foundation

EFU Life and The Citizens Foundation (TCF) have joined hands since 2012 to support the cause of education for the less privileged children in Pakistan through The Citizen's Foundation's "Education Program". As part of our collaboration with TCF, EFU Life will donate Rs. 50 to TCF for every Education Plan sold through Individual Life and Bancassurance sales channels in both Conventional and Takaful business.

In addition to the financial contribution to TCF, the employees of the Company actively participate in the TCF Rahbar and Baghbaan Program.

Family Educational Services Foundation

Employees of EFU Life volunteered for a day at the Deaf Reach Karachi Campus. Employees helped FESF teachers in various activities for Independence Day celebration, served meals to students and brought bags of school supplies for each and every student.

EFU Life also partnered and sponsored "Walk for Shoes" for Family Educational Services Foundation (FESF) in support of providing shoes for the underprivileged deaf students of Deaf Reach Schools in Pakistan. In addition, EFU Life sponsored six students by paying their tuition fee for one year.

Layton Rahmatullah Benevolent Trust

LRBT and EFU Life joined hands to celebrate World Sight Day. EFU Life and its employees donated to raise funds for LRBT to celebrate World Sight Day. LRBT professionals conducted an awareness session at EFU Life on how to best take care of your eyes. Employees and donors attended the session wearing their colorful world sight day band to show their support to LRBT's World Sight Day celebration.

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.1,457 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	4 out of 4
3.	Taher G Sachak	4 out of 4
4.	Ali Raza Siddiqui	2 out of 4
5.	Muneer R Bhimjee	4 out of 4
6.	Hasanali Abdullah	3 out of 4
7.	Heinz Walter Dollberg	3 out of 4
8.	Salman Rashid	4 out of 4
9.	Rukhsana Shah	1 out of 2
	Kamal Afsar (Deceased)	0 out of 1

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. Rukhsana Shah (Chairperson)
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. Rukhsana shah (Chairperson)
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

Corporate and Financial Reporting Framework

- 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, 2019 were the following.

Provident Fund	Rs. 375 Million
Pension Fund	Rs. 225 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 and Substantial Shareholder:

1ST OCTOBER 2019 TO 31ST DECEMBER 2019

PURCHASE OF SHARES	No. Of Shares
EFU General Insurance Ltd.	88,900
Mr. Hasanali Abdullah	50,000
Mrs. Rehana Salman	40,000

SALE OF SHARES	No. Of Shares
Mr. Saifuddin Zoomkawala	5,000

- k) The statement of shareholding in the Company as at 31 December 2019 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. One-year extension was obtained for the year 2019 from SECP to have same auditor, KPMG Taseer Hadi & Co. Chartered Accountants as of our holding company, EFU General Insurance Limited in pursuance to the requirement of CCG 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.

Due to the same reason, the Board has recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants for the year ended December 31st, 2020 because they are the auditor of EFU General Insurance Limited subject to the approval of SECP for further extension.

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. With a significant focus on Financial inclusion, the 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 and a means to an end. With the expansion of the distribution channels, the Company expects the industry players to focus more on improving the productivity.

The Company is optimistic about the growth of Takaful business and expects takaful outreach to expand and contribute positively in increasing the size of the insurance pie. 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.

 Director MBH	 Director HAA	 Managing Director & Chief Executive TGS	 Chairman RBH
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KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**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 2019, 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



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 2019 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 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Date: 25 February 2020

Karachi

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

EFU LIFE ASSURANCE LTD

EFU Life House, Plot No. 112, 8th 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 period from 1 January 2019 to 31 December 2019 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 investments 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: 07 February, 2020



Managing Director
(Chief Executive Officer)



MUFTI MUHAMMAD IBRAHIM ESSA

Graduate from Jamiah Darul Uloom Karachi, Pakistan
Shariah Advisor – Islamic Finance and Takaful/Retakaful

المفتى ابراهيم عيسى

خريج الجامعة دارالعلوم كراتشي
المشير الشرعى للامور المالية الاسلامية

ANNUAL SHARIAH REVIEW REPORT

FOR THE PERIOD ENDED 2019

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 fifth 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 2019:

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 BancaTakaful segment 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.

Shariah Compliance:

As Shari'ah Advisor of EFU Life-WTO and based on my review; 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

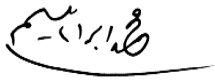
Channels working in their respective fields and I personally felt that participants gained significantly from these training sessions. I hope EFU Life-WTO will continue this practice in the future.

- In order to grow the Takaful business, it is important that Insurance policies under Aitimad Growth Fund be discontinued. Shariah minded clients should be offered coverage under Takaful concept and underline fund should be any Takaful Fund. I will request from BOD and Board Investment committee to consider this important recommendation of undersigned.
- Few cases which were required to be consulted from the Shariah perspective were discussed with the management and duly resolved.

Generally, the Board of Directors and Management of EFU Life-WTO have shown their sincerity to comply with Shariah Rulings, therefore, I am of the view, that overall operations of Takaful in EFU Life are Shariah Compliant up to the best of my knowledge.

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.

والسلام عليكم ورحمة الله وبركاته



Muhammad Ibrahim Essa
Shariah Advisor
EFU Life Window Takaful Operations
4th February, 2020



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Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of EFU Life Assurance Limited

Review Report on the Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019

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, 2019 (combined called 'the Code') prepared by the Board of Directors of EFU Life Assurance Limited ('the Company') for the year ended 31 December 2019 in accordance with the requirements of the Code.

The responsibility for compliance with the Code 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 Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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 Code requires 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.



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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 Code as applicable to the Company for the year ended 31 December 2019.

Date: 25 February 2020

Karachi

KPMG Taseer Hadi & Co.

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

EFU LIFE ASSURANCE LTD

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

EFU Life Assurance Limited Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019, For the year ended 31 December 2019

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and Listed Companies (Code of Corporate Governance) Regulations, 2019 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of Corporate Governance.

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

1. The total number of directors are Nine as per the following, -
 - a. Male: Eight
 - b. Female: One
2. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

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

The independent director meets the criteria of independence under the Code.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, excluding the listed subsidiaries of listed holding companies, including this company.
4. 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 or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
5. A casual vacancy occurring on the Board on 01 April 2019 was filled up by the directors within 27 days thereof i.e. on 27 April 2019.

6. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the Company.
7. 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 approved or amended has been maintained.
8. 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 the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.
9. The meetings of the Board were presided over the Chairman and, in his/her absence, by a director elected by the Board for this purpose and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
10. 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.
11. The Board arranged an Orientation course for all its directors in the form of booklet which was submitted to the Board of Directors during the year to apprise them of their duties and responsibilities and also about changes in Laws and Regulations.
12. 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, 2019.
13. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
14. There was no change of Chief Financial Officer, and Head of Internal Audit during the year 2019. Mr. Abbas Hussain has been appointed as Company Secretary during the year 2019. The Board has approved the remuneration of CFO & Company Secretary and the Head of Internal Audit Department.
15. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and the Listed Companies (CCG) Regulations, 2019 and fully describes the salient matters required to be disclosed.
16. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
17. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
18. The Company has complied with all the corporate and financial reporting requirements of the Code and Listed Companies (CCG) Regulations, 2019.

19. 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 & Co-insurance 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

20. The Board has formed the following Board Committees.

Ethics, Human Resource & Remuneration Committee:

Name of the Member	Category
Rukhsana Shah	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

21. The Board has formed an Audit Committee. It comprises of five members, of whom one is independent director and four are non-executive directors. The chairman of the Committee is an independent director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Rukhsana Shah	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)

22. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
23. 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 Company and as required by the Code. Only Investment committee was held more than once in the third quarter. Ethics, Human Resource and Remuneration Committee meeting was held once during the year.
24. 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.

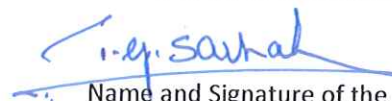
25. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading 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.

26. 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.
27. 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.
28. 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.
29. The Board ensures that the Appointed Actuary complies with the requirements set out for him/her in the Code.
30. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
31. The Board ensures that the risk management system of the Company is in place as per the requirement of the Code.

32. The Company has set up a risk management function / department, which carries out its tasks as covered under the Code
33. The Board ensures that as part of the risk management system, the Company gets rated from 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 15 March 2019 is AA+ with stable outlook. which carries out its tasks as covered under the Code.
34. The Board has set up a grievance department/function, which fully complies with the requirements of the Code.
35. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Code.
36. All directors are either already certified or exempt from the said requirement under Code.
37. 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, 2019.
38. 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 records including basis for inclusion or exclusion of names of persons from the said list.
39. 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.
40. We confirm that all other material principles contained in the Code and the Listed Companies (CCG) Regulations, 2019 have been complied with.

By Order of the Board



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

Date: 07 February 2020



KPMG Taseer Hadi & Co.

EFU Life Assurance Limited

Financial Statements

For the year ended 31 December 2019



KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the members of EFU Life Assurance Limited

Report on the Audit of the Financial Statements

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 2019, 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, 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 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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 opinion.

Emphasis of Matter

We draw attention to note 24 to the financial statements, which describes that the Company has challenged the scope and applicability of the provincial sales tax on services on the premium from life insurance business.



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Our opinion is not modified in respect of this matter.

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.

Following are the key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Insurance Liabilities</p> <p>Refer to note 20 to 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">• 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;• 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;• 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;• Obtained an understanding, evaluated the design and tested the controls related to reinsurance arrangements;



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S. No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> • Obtained understanding of the work performed by the appointed actuary; • 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 • 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.
2.	<p>Insurance Benefits</p> <p>Refer to note 30 to financial statements for 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. 15.68 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 risk that claims 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"> • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • 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 • 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.
3.	<p>Revenue Recognition</p> <p>Refer to note 25 to financial statements for Insurance</p>	<p>Our procedures in respect of this matter included the following:</p>



KPMG Taseer Hadi & Co.

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>Premiums / Contributions Revenue and 26 for investment income.</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>	<ul style="list-style-type: none"> • 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; • 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; • 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 • 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.
4.	<p>Classification, valuation and impairment of investments</p> <p>Refer to note 8 to 12 to financial statements and the accounting policies in notes 3.11 for investments.</p> <p>The Company's investment portfolio comprises of government debt securities, equity securities, other fixed income securities and Term deposits.</p> <p>Investments carried at Fair Value through Profit or loss represent 78% of the total investments while investments classified as</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for classifications and valuation of all investments and for impairment of investments classified as available for sale; • Tested on a sample basis, specific purchases and sale transactions recorded during the year with underlying documentation; • Evaluated designation of securities, recording of investments purchased



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S. No.	Key audit matters	How the matters were addressed in our audit
	<p>Available-for-sale and Held to Maturity represent 22% of total investments.</p> <p>We identified the classification, valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in classification and impairment.</p>	<p>among the statutory funds by testing the individual transactions on a sample basis;</p> <ul style="list-style-type: none">• For a sample of investments we tested the valuation by agreeing the prices with quoted marked yields obtained from Reuters for Government securities, prices quoted on Pakistan Stock Exchange for equity securities and prices quoted by Mutual Funds Association of Pakistan for other debt securities; and• We assessed the appropriateness of impairment in the value of available for sale securities in accordance with the requirements of accounting and reporting standards.

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

Management is responsible for the Other Information. Other Information obtained at the date of this auditor's report is Director's report and Chairman's review, 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.



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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.



KPMG Taseer Hadi & Co.

- 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.



KPMG Taseer Hadi & Co.

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 Zeeshan Rashid.

Date: 25 February 2020


Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

EFU LIFE ASSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019


	Note	31 December	
		2019	2018
		(Rupees in '000)	
			Restated
Assets			
Properties and equipments	6	2,883,687	2,431,627
Intangible assets	7	24,733	27,038
Investments			
Equity securities	8	10,472,542	33,542,712
Government securities	9	76,203,542	52,972,866
Debt securities	10	9,319,491	4,078,872
Term deposits	11	19,659,000	15,049,100
Open-ended mutual funds	12	410,714	177,087
Insurance / reinsurance receivables	13	253,999	169,600
Other loans and receivables	14	3,235,945	3,110,438
Taxation - payments less provision		1,061,222	337,727
Prepayments	16	51,216	81,182
Cash & Bank	17	5,713,548	4,786,362
Total Assets		129,289,639	116,764,611
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:100,000,000(2018:100,000,000) ordinary shares of Rs.10 each	18	1,000,000	1,000,000
Retained earnings arising from business other than participating business attributable to shareholders (Ledger account D)	18.3	1,730,534	1,679,256
Reserves	19	2,000,000	2,150,000
Surplus on revaluation of available for sale investment-net of tax		50,986	75,713
Unappropriated profit		1,126,420	1,053,434
Total Equity		5,907,940	5,958,403
Liabilities			
Insurance Liabilities	20	119,153,655	107,695,796
Deferred taxation	15	743,179	681,367
Premium received in advance		969,354	714,419
Insurance / reinsurance payables	21	258,031	193,218
Other creditors and accruals	22	2,257,480	1,521,408
		4,228,044	3,110,412
Total Liabilities		123,381,699	110,806,208
Total Equity and Liabilities		129,289,639	116,764,611
Contingency(ies) and commitment(s)	24		

The annexed notes 1 to 48 form an integral part of these financial statements.


**Managing Director &
Chief Executive Officer**


**Chief Financial
Officer**


Director
M.B.H.


Director
H.A.A.


Chairman
R.B.H.

EFU LIFE ASSURANCE LIMITED
STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December	
		2019	2018
		(Rupees in '000)	
			Restated
Premium / Contribution Revenue		31,750,084	30,790,407
Premium / retakaful ceded to reinsurers		(608,450)	(626,139)
Net premium revenue	25	31,141,634	30,164,268
Investment income	26	11,589,124	6,942,391
Net realised fair value losses on financial assets	27	(7,807,925)	(3,739,394)
Net fair value gains / (losses) on financial assets at fair value through profit or loss	28	3,074,567	(3,058,297)
Other income	29	64,525	63,277
		6,920,291	207,977
Net income		38,061,925	30,372,245
Insurance benefits		16,115,441	13,589,766
Recoveries from reinsurers		(446,390)	(504,051)
Claims related expenses		8,382	8,736
Net Insurance Benefits	30	15,677,433	13,094,451
Net Change in Insurance Liabilities (other than outstanding claims)	31	11,046,950	6,620,835
Acquisition expenses	32	7,322,986	6,750,979
Marketing and administration expenses	33	1,761,327	1,602,816
Other expenses		26,482	20,227
Reversal of WWF		(127,426)	-
Total Expenses		20,030,319	14,994,857
Profit before tax (Refer note below)		2,354,173	2,282,937
Income tax expense	34	(804,909)	(736,634)
Profit for the year		1,549,264	1,546,303
Earnings per share - Rupees	35	15.49	15.46

The annexed notes 1 to 48 form an integral part of these financial statements.

Note:

Profit before tax is inclusive of the amount of the profit before tax of the Shareholders' Fund, the Surplus Transfer from the Revenue Account of the Statutory Funds to the Shareholders' Fund based on the advice of the Appointed Actuary, and the undistributed surplus in the Revenue Account of the Statutory Funds which also includes the solvency margins maintained in accordance with the Insurance Rules, 2017. For details of the Surplus Transfer from the Revenue Account of the Statutory Funds to the Shareholders' Fund aggregating to Rs. 1,961 million (2018: Rs. 1,992 million), please refer to note 38, relating to segmental information - Revenue Account by Statutory Fund.

U.P.M.A.S.A


**Managing Director &
 Chief Executive Officer**


**Chief Financial
 Officer**


Director
 MBH


Director
 HAA




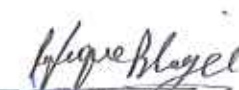

Chairman
 R.B.H.

EFU LIFE ASSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December	
	2019	2018
	----- (Rupees in '000) -----	
Profit for the year - as per Profit and Loss Account	1,549,264	1,546,303
Other Comprehensive Income:		
Items that may be reclassified to profit and loss in subsequent periods:		
Change in unrealised gains / (losses) on available-for-sale financial assets	(48,054)	(30,767)
Reclassification adjustment relating to available-for-sale investments sold during the year	13,227	7,657
	(34,827)	(23,110)
Related deferred tax	10,100	6,702
Other comprehensive income for the year- net of tax	(24,727)	(16,408)
Total comprehensive Income for the year	1,524,537	1,529,895

The annexed notes 1 to 48 form an integral part of these financial statements.

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	 <hr style="width: 100%;"/> Chief Financial Officer	 <hr style="width: 100%;"/> Director <i>MBH</i>	 <hr style="width: 100%;"/> Director <i>HAA</i>	 <hr style="width: 100%;"/> Chairman <i>RBH</i>
<hr style="width: 100%;"/> Managing Director & Chief Executive Officer				

EFU LIFE ASSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Attributable to the equity holders* of the Company						
	Share Capital	General Reserve	Retained earnings arising from business other than participating business attributable to shareholders (ledger account D)- net of tax *	Surplus on revaluation of available for sale investment	Unappropriated Profit	Total
Note	(Rupees in '000)					
Balance as at 1 January 2018 (as reported)	1,000,000	1,900,000	1,529,902	92,121	1,440,648	5,962,671
Adjustment due to change in accounting policy Balance as at 1 January 2018 re-stated	1,000,000	1,900,000	(34,163)	92,121	1,440,648	(34,163)
Comprehensive Income for the year ended 31 December 2018						
Income for the year ended 31 December 2018 (as reported)	-	-	205,738	-	1,375,695	1,581,333
Adjustment due to change in accounting policy (refer note 3)	-	-	(35,030)	-	-	(35,030)
Other Comprehensive Income	-	-	-	(16,408)	-	(16,408)
Total income for the year ended 31 December 2018-re-stated	-	-	170,708	(16,408)	1,375,695	1,529,895
Contribution to increase solvency margin	-	-	12,809	-	(12,809)	-
Transfer to General Reserve	-	250,000	-	-	(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)
Interim Dividend-2nd Quarter 2018	-	-	-	-	(125,000)	(125,000)
Interim Dividend-3rd Quarter 2018	-	-	-	-	(125,000)	(125,000)
	-	-	-	-	(1,500,000)	(1,500,000)
Balance as at 31 December 2018	1,000,000	2,150,000	1,679,256	75,713	1,053,434	5,958,403
Balance as at 1 January 2019 (as reported)	1,000,000	2,150,000	1,748,449	75,713	1,053,434	6,027,596
Adjustment due to change in accounting policy	1,000,000	2,150,000	(69,193)	75,713	1,053,434	(69,193)
	1,000,000	2,150,000	1,679,256	75,713	1,053,434	5,958,403
Comprehensive Income for the year ended 31 December 2019						
Income for the year ended 31 December 2019	-	-	(55,225)	-	1,604,489	1,549,264
Other Comprehensive Income	-	-	-	(24,727)	-	(24,727)
	-	-	(55,225)	(24,727)	1,604,489	1,524,537
Contribution to increase solvency margin	-	-	106,503	-	(106,503)	-
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)
Interim Dividend-2nd Quarter 2019	-	-	-	-	(150,000)	(150,000)
Interim Dividend-3rd Quarter 2019	-	-	-	-	(150,000)	(150,000)
	-	-	-	-	(1,575,000)	(1,575,000)
Balance as at 31 December 2019	1,000,000	2,000,000	1,730,634	60,986	1,126,420	5,907,940

*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 to meet solvency margins, which are mandatorily maintained for the carrying on of the life insurance business.


The annexed notes 1 to 48 form an integral part of these financial statements.


U.P.M.T.A


 Managing Director &
 Chief Executive Officer


 Chief Financial
 Officer


 Director


 Director


 Chairman

EFU LIFE ASSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December	
	2019	2018
	----- (Rupees in '000) -----	
Operating cash flows		
a) Underwriting activities		
Insurance premium / contribution received	31,930,572	30,790,754
Reinsurance premium / Retakaful contribution paid	(553,589)	(398,806)
Claims paid	(15,704,531)	(13,423,998)
Reinsurance and other recoveries received	446,390	504,051
Commission paid	(4,681,691)	(4,601,893)
Marketing and Administrative expenses paid	(1,761,327)	(1,602,816)
Other acquisition cost paid	(2,252,359)	(1,948,126)
Net cash flow from underwriting activities	7,423,465	9,319,166
b) Other operating activities		
Income tax paid	(1,456,494)	(847,653)
Other operating receipts / (payments)	1,792,155	(605,734)
Loans advanced	(159,777)	(52,844)
Loans repayments received	111,844	22,872
Net cash flow from other operating activities	287,728	(1,483,359)
Total cash flow from all operating activities	7,711,193	7,835,807
Investment activities		
Profit / Return received	9,052,766	6,236,055
Dividends received	916,082	1,483,755
Payments for investments	(399,998,142)	(298,284,716)
Proceed from disposal of investments	389,808,828	286,012,072
Fixed capital expenditure	(464,115)	(516,318)
Proceeds from sale of property and equipment	85,473	71,894
Total cash flow from Investing activities	(599,108)	(4,997,258)
Financing activities		
Dividends paid	(1,575,000)	(1,500,000)
Total cash flow from financing activities	(1,575,000)	(1,500,000)
Net cash flow from all activities	5,537,085	1,338,549
Cash and cash equivalents at beginning of the year	19,835,462	18,496,913
Cash and cash equivalents at end of the year	25,372,547	19,835,462
Reconciliation to profit and loss account		
Operating cash flows	7,711,193	7,835,807
Depreciation expense	(458,824)	(220,306)
Amortization expense	(12,871)	(14,286)
Profit on disposal of property and equipment	33,569	39,990
Loss on disposal of investments	(7,807,925)	(3,739,394)
Other revenue	21,032	14,137
Dividend Income	904,029	1,473,722
Other investment income	10,919,144	5,974,163
Appreciation / (Depreciation) in market value of investments	3,274,840	(3,244,298)
Reversal / (Provision) of impairment in the value of available for sale equity investments	13,350	(14,427)
Increase in assets other than cash	219,697	477,238
Increase in liabilities	(13,267,970)	(7,038,043)
Profit after taxation	1,549,264	1,546,303

The annexed notes 1 to 48 form an integral part of these financial statements.


Managing Director & Chief Executive Officer


Chief Financial Officer


Director


Director


Chairman

MBM *HAA* *RBH*

EFU LIFE ASSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 (now Companies Act, 2017) 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 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;
- 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; 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.

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 and the Takaful Rules 2012 shall prevail.

2.3. 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.

2.4. 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 thousands.

2.5. Standards, Interpretations and Amendments effective in 2019

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's operations and therefore not detailed in these financial statements, except those disclosed in note 5 and note 2.5.1.

2.5.1 IFRS 9 'Financial Instruments' is effective for reporting year ended 31 December 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.

W.P.A.2019

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 defer the application of IFRS 9 until the application IFRS 17.

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

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

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

- 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
- all other financial assets.

Financial assets	31 December 2019			
	Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealized gain or loss during the year	Fair value	Change in unrealized gain or loss during the year
	(Rupees in '000)			
Cash and bank*	-	-	5,713,548	-
Investments in equity securities and mutual funds	10,472,542	2,531,842	-	-
Investments in debt securities	-	-	85,523,033	611,188
Term Deposits	-	-	19,659,000	-
Mutual Funds	410,714	-	-	-
	<u>10,883,256</u>	<u>2,531,842</u>	<u>110,895,681</u>	<u>611,188</u>

	31 December 2019									
	Gross carrying amounts of debt instruments that pass the SPPI test									
	AA+	A+	AA	AA-	AAA	A-	A-1	A-1+	A-2	Unrated
	(Rupees in '000)									
Cash and bank*	-	-	-	-	-	-	1,054,068	4,826,036	8,906	11,138
Investments in equity securities	-	-	-	-	-	-	-	-	-	-
Investments in debt securities	2,570,568	50,000	2,196,459	1,077,809	2,564,430	650,225	-	-	-	-
Term Deposits / Certificate of investment	-	100,000	-	-	-	260,000	5,250,000	14,059,000	-	210,000
Total gross carrying amounts of financial assets that pass the SPPI test	<u>2,570,568</u>	<u>150,000</u>	<u>2,196,459</u>	<u>1,077,809</u>	<u>2,564,430</u>	<u>900,225</u>	<u>6,304,068</u>	<u>18,685,036</u>	<u>8,906</u>	<u>221,138</u>

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

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 2020:

- Amendment to IFRS 3 "Business Combinations" – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 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.

15/01/2020

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 Reinsurance contracts held

The Company has entered into reinsurance / rotakaful (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.

3.7 Receivables and payables related to insurance contracts

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

3.8 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.

3.9 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.

3.10 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.

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

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

3.11 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 and investment related to non-unit linked funds 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.

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- **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).

3.12 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.

3.13 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.

3.14 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.

3.15 Employees' retirement benefits - defined contribution plans

3.15.1 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.

3.15.2 The Company also operate an approved funded contributory pension scheme for all eligible employees, 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 cessation of employment / retirement, employees are paid in full for their contribution, whereas, Company's contribution accumulated in the fund is paid to employees over the period of time in accordance with the rules of the fund.

3.16 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.

3.17 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.

3.18 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.

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3.19 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.

3.20 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.

3.21 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.

3.22 Foreign currency transactions

3.22.1 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.

3.22.2 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.

3.23 Significant Accounting Policies - Window Family Takaful Operations

3.23.1 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.

3.23.2 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.

3.23.3 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.

3.23.4 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.

3.23.5 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.

3.23.6 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 wakafa 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-Ishtismar fee as it manages Participant Investment Fund.

3.23.7 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	3.5 & 20
Provision for outstanding claims	3.20 & 20.1
Classification and impairment of investments	3.11,8,9,10,11,12, 26, 27, 28
Taxation and deferred taxation	3.14,34
Determining the residual value and useful lives of fixed assets	3.1 & 3.2,6 & 7

5 CHANGES IN ACCOUNTING POLICIES

- 5.1 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 KIBOR 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 year ended 31 December 2019, the Company recognized depreciation expense of Rs. 130.8 million and interest expense of Rs. 44.4 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 and lease contracts with lease term of 1 year or less. 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.

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

	At 31 December 2019 (Rupees in '000)
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	378,024
Decrease in prepayments	<u>(56,435)</u>
	321,589
Increase in other liabilities - lease liability against right-of-use assets	<u>(358,646)</u>
Decrease in net assets - before tax	<u>(37,057)</u>
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(44,374)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(131,214)
- Rent expense	<u>138,531</u>
Decrease in profit before tax	<u>(37,057)</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.

- 5.2 During the year 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 circular number 15 dated November 18,2019 In the said 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 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. 34.16 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 year has reduced by Rs. 35.03 million and EPS is reduced by Rs. 0.35 per share. The changes in accounting policies have been applied retrospectively. The effect of the significant changes in accounting policies on the current year and prior period financial statements are summarized below:

	2019	2018	2017
	----- (Rupees in '000) -----		
Impact on statement of Financials Position			
(Decrease) / Increase in Equity- Ledger Account D balance	(122,684)	(69,193)	(34,163)
(Decrease) / Increase in Deferred Tax	(50,110)	(23,065)	(14,641)
Increase / (Decrease) Insurance Liability	172,794	92,258	48,804
Impact on profit and loss Account			
(Decrease) / Increase in profit before tax	(80,635)	(43,454)	(25,612)
Decrease / Increase on current taxation	(27,046)	(8,424)	(7,684)
Decrease / Increase in profit after tax	(53,489)	(35,030)	(17,928)
(Decrease) / Increase in EPS- Rupees per share	(0.53)	(0.35)	(0.18)

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6 PROPERTY AND EQUIPMENT

	Note	31 December 2019	31 December 2018
		(Rupees in '000)	
Operating assets			
Right Of Use Asset	6.1	2,605,661	2,431,627
		378,026	-
		2,983,687	2,431,627

6.1 Operating assets

	31 December 2019								Written down value as at 31 December 2019	Depreciation rate %
	Cost			Depreciation						
	As at 1 January 2019	Additions	Disposals	As at 31 December 2019	As at 1 January 2019	Charge for the year	On Disposals	As at 31 December 2019		
	(Rupees in '000)									
Leasehold land	126,505	-	-	126,505	-	-	-	-	126,505	-
Building	1,333,700	20,418	-	1,354,118	142,739	59,803	-	202,642	1,151,576	5
Office equipment	331,068	26,889	(5,728)	352,229	89,654	26,350	(2,059)	112,955	237,974	10
Computers	199,915	103,967	(1,883)	301,970	128,034	43,171	(1,843)	169,363	132,607	30
Furniture and fixtures	209,282	39,490	-	247,772	76,405	16,277	-	91,682	156,090	10
Leasehold improvement	289,127	71,318	(16,994)	343,451	126,181	62,358	(11,800)	176,737	166,714	
Vehicles	731,604	152,766	(111,238)	773,132	225,651	120,857	(65,640)	277,968	625,164	20
Total	3,219,271	453,549	(135,932)	3,536,888	767,644	337,824	(84,241)	1,011,227	2,605,661	

	31 December 2018								Written down value as at 31 December 2018	Depreciation rate %
	Cost			Depreciation						
	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)									
Leasehold	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	311,613	19,855	(430)	331,038	64,233	25,702	(281)	89,654	241,414	10
Computers	163,128	37,497	(840)	199,785	108,609	21,810	(585)	128,034	71,951	30
Furniture and fixtures	416,643	70,768	-	487,411	173,147	28,421	-	201,568	285,843	10
Vehicles	501,957	334,503	(104,858)	731,604	216,919	81,888	(73,155)	225,651	605,953	20
Total	2,518,578	486,623	(105,928)	2,919,273	641,302	220,306	(74,022)	787,646	2,431,627	

6.1.1 Leasehold 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 due to the adoption of IFRS 16 with effect from 01 January 2018, these are being depreciated on a straight line method over 1 to 6.5 years. The financial impact of the re-estimation for the year ended 31 December 2019 is Rs. 42 million which has been recognised in the profit and loss account as an expense.

6.1.2 The market value of land and building is estimated at Rs. 3,343 million as at 31 December 2019. The valuations have been carried out by independent valuer.

6.1.3 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	1,302	939	363	550	587	Negotiation	Mr. Mahesh Kumar Employee
Vehicles	1,202	918	284	960	556	Negotiation	Mr. Mahmood Ahmed Employee
Vehicles	1,211	861	350	925	565	Negotiation	Mr. Magbool Ahmed Employee
Vehicles	1,703	1,229	474	1,400	926	Negotiation	Mr. Ali Razaan Employee
Vehicles	1,044	735	309	800	491	Negotiation	Mr. Asim Khan External
Vehicles	678	454	224	450	226	Negotiation	Mr. Hanif Raja Employee
Vehicles	1,033	713	320	626	299	Negotiation	Mr. Tauqir Hussain Employee
Vehicles	683	457	226	450	224	Negotiation	Mr. Khawar Ahmed Employee
Vehicles	1,522	1,072	450	1,350	900	Negotiation	Mr. Abdul Jabbar Employee
Vehicles	1,271	802	469	920	451	Negotiation	Mr. Farooq Badruddin Employee
Vehicles	1,652	1,000	652	1,350	664	Negotiation	Mr. Muhammad Aziz External
Vehicles	593	450	143	400	207	Negotiation	Mr. Tufail Durrani Employee
Vehicles	1,652	916	736	1,300	664	Negotiation	Mr. Ali Khan Employee
Vehicles	1,271	750	521	1,000	479	Negotiation	Mr. Muhammad Jawad Employee
Vehicles	1,271	718	553	970	417	Negotiation	Mr. Shazia Shoukat Employee
Vehicles	688	404	284	640	256	Negotiation	Mr. Ali Bux Employee
Vehicles	688	433	255	-	(255)	Company Policy	Mr. Mushlagh Ali (Late) Employee
Vehicles	44	35	9	10	2	Negotiation	Mr. Mazhar Hussain Employee
Vehicles	44	33	11	7	(4)	Negotiation	Mr. Samad Ali Employee
Vehicles	850	753	97	240	143	Negotiation	Mr. Syed Jameel Employee
Vehicles	855	752	103	550	447	Negotiation	Mr. Bilal Hassan Employee
Vehicles	630	540	90	400	319	Negotiation	Mr. Sheikh Irfan Employee
Vehicles	1,370	1,027	343	950	785	Negotiation	Mr. Muhammad Asif External
Vehicles	1,370	1,097	273	950	785	Negotiation	Mr. Muhammad Asif External
Vehicles	1,270	1,097	173	1,000	827	Negotiation	Mr. Azeem Aslam Employee
Vehicles	822	704	118	450	339	Negotiation	Mr. Faisal Ahmed Khan Employee
Vehicles	1,155	914	241	700	438	Negotiation	Mr. Khuram Amin Employee
Vehicles	562	464	98	370	262	Negotiation	Mr. Kashif Waleed External
Vehicles	1,155	914	241	800	558	Negotiation	Mr. Babar Khan Employee
Vehicles	732	593	139	473	334	Negotiation	Mr. Muhammad Zubair Employee
Vehicles	742	585	157	450	293	Negotiation	Mr. Usain Fikri Shakhri Employee
Vehicles	1,342	1,058	284	1,150	866	Negotiation	Mr. Adil Hussain Khichi External
Vehicles	1,435	1,195	240	600	200	Negotiation	Mr. Zahooruddin Babar Employee
Vehicles	1,447	1,105	341	1,000	659	Negotiation	Mr. Zehar Ahmed Employee
Vehicles	1,688	1,232	456	1,200	844	Negotiation	Mr. Danish Turabi External
Vehicles	1,151	878	273	775	522	Negotiation	Mr. Inam Ahmed Employee
Vehicles	1,131	878	253	600	647	Negotiation	Mr. Bilal Hassan Employee
Vehicles	632	475	157	425	268	Negotiation	Ms. Hina Employee
Vehicles	652	507	145	450	305	Negotiation	Mr. Mansoor Bakht External
Vehicles	1,010	772	238	650	412	Negotiation	Mr. Rizwan Ahmed Employee
Vehicles	1,010	785	225	600	375	Negotiation	Mr. Mustafa Hussain Employee
Vehicles	1,005	755	250	575	325	Negotiation	Mr. Tanveer Hussain Employee

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	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss) on Sale	Mode of Disposal	Particulars of purchaser	
(Rupees in '000)								
Vehicles	1,005	735	250	600	350	Negotiation	Mr. Syed Melinood	Employee
Vehicles	652	479	173	400	227	Negotiation	Mr. Waqar Ali	Employee
Vehicles	1,010	757	253	650	337	Negotiation	Mr. Abdul Rehman	Employee
Vehicles	1,010	757	253	600	347	Negotiation	Mr. Ajeel Kuran	Employee
Vehicles	1,171	845	326	850	624	Negotiation	Mr. Imtiaz Hussain	Employee
Vehicles	1,171	861	310	800	490	Negotiation	Mr. Syed Bahir Ali	Employee
Vehicles	2,102	1,575	527	1,400	813	Negotiation	Mr. Syed Muvir Ali	Employee
Vehicles	2,037	1,506	531	1,450	849	Negotiation	Mr. Khawaja Mujibur	Employee
Vehicles	1,184	870	314	800	416	Negotiation	Mr. Jami Khan	Employee
Vehicles	652	479	173	425	262	Negotiation	Mr. Mazhar Hussain	Employee
Vehicles	656	472	184	375	191	Insurance Claim	Mr. Abdul Wahab	Employee
Vehicles	1,614	745	269	600	331	Negotiation	Mr. Rizwan Shajil	Employee
Vehicles	654	468	186	460	204	Negotiation	Mr. Zefer Abbas	Employee
Vehicles	1,175	829	346	855	609	Negotiation	Mr. Sofian Khan	Employee
Vehicles	1,552	1,117	435	1,200	768	Negotiation	LIU General Claim	Insurance Claim
Vehicles	1,683	1,211	472	1,375	903	Negotiation	Mr. Raza Rizvi	Employee
Vehicles	683	462	201	450	249	Negotiation	Mr. Haqil Raza	Employee
Vehicles	683	470	213	425	212	Negotiation	Ms. Madeha Tayyibi	Employee
Vehicles	683	493	190	475	235	Negotiation	Mr. Abdul Waheed	External
Vehicles	683	493	190	455	215	Negotiation	Mr. Abdul Wahid	External
Vehicles	683	493	190	425	215	Negotiation	Mr. Shahbaz Ali	Employee
Vehicles	683	470	213	450	237	Negotiation	Mr. Adnan Haider	Employee
Vehicles	683	470	213	430	217	Negotiation	Mr. Asif Miraj	Employee
Vehicles	683	493	190	425	225	Negotiation	Mr. M. Nadeem	Employee
Vehicles	683	470	213	450	237	Negotiation	Mr. Ali Mumtaz	Employee
Vehicles	2,479	1,748	731	1,678	948	Negotiation	Mr. Irfan Ahmad	Employee
Vehicles	683	493	190	425	225	Negotiation	Mr. Fazal Melinood	Employee
Vehicles	683	470	213	380	167	Negotiation	Mr. Zeeshan Sadiq	Employee
Vehicles	683	470	213	600	387	Negotiation	EFU General Ins.Ltd	Insurance Claim
Vehicles	683	493	190	425	235	Negotiation	Ms. Arum Beshari	Employee
Vehicles	1,552	837	715	1,325	610	Negotiation	Mr. Fahim Atzal	Employee
Vehicles	2,026	1,292	733	-	(733)	Company Policy	Mr. Zabeer Aslam (Late)	Employee
Vehicles	1,271	695	576	935	393	Negotiation	Ms. Arna Ibrahim	Employee
Vehicles	1,763	1,006	657	1,260	1,014	Negotiation	Mr. Asmat Khan	External
Vehicles	1,753	1,028	725	1,450	725	Negotiation	Mr. Faisal Misal	Employee
Vehicles	1,039	507	532	750	218	Negotiation	Mr. Ghulam Moiz Ullah	External
Vehicles	1,557	705	763	1,350	589	Negotiation	Mr. Mubashir Ahmed	Employee
Vehicles	1,347	614	733	1,050	317	Negotiation	Mr. Shakesh Ahmed Shaikh	Employee
Vehicles	1,347	614	733	1,000	267	Negotiation	Mr. Daraz Geelgi	Employee
Vehicles	1,347	614	733	1,000	267	Negotiation	Mr. Azeem Abbas	External
Vehicles	1,347	651	696	1,000	304	Negotiation	Ms. Anita Hasan Riaz	Employee
Vehicles	1,347	659	688	900	241	Negotiation	Mr. Muhammad Abbas	Employee
Vehicles	1,567	705	802	1,370	658	Negotiation	Mr. Jamal Hafeez Zaidi	Employee
Vehicles	1,567	645	722	1,375	653	Negotiation	Mr. Shaikh Faraz	Employee
Vehicles	1,567	765	802	1,400	688	Negotiation	Mr. Ahmed Vellari	Employee
Vehicles	1,567	645	722	1,400	676	Negotiation	Mr. Fahad Ali	Employee
Vehicles	2,429	855	1,574	2,150	676	Negotiation	EFU General Ins. Ltd	Insurance Claim
Vehicles	742	206	536	730	181	Negotiation	EFU General Ins.Ltd	Insurance Claim
Vehicles	1,571	202	1,269	1,550	281	Negotiation	EFU General Insurance	Insurance Claim
Vehicles	2,304	234	1,970	2,200	233	Negotiation	Mr. Dilip Hussain	Employee
Vehicles	2,229	223	1,906	2,100	191	Negotiation	Mr. Syed Ali Haza	Employee
Vehicles	3,705	185	3,520	3,600	80	Negotiation	Tajvira Defense Motor	External
Vehicles	650	60	774	668	94	Negotiation	LIU General Ins. Ltd	Insurance Claim
Office Equipment	4,562	1,291	3,271	3,673	402			
Leasehold Improvement	16,985	11,405	5,580	-	(5,580)			
Assets having written down value less than Rs.50,000								
Office Equipment	1,160	795	265	250	(115)	Various		
Computer	1,363	1,836	127	113	(14)	Various		
2019	135,932	84,026	51,904	65,473	33,569			
2018	105,826	74,022	31,804	71,804	39,850			

7 INTANGIBLE ASSETS

	31 December 2019									
	Cost			Accumulated Amortization			Written down value as at 31 December 2019	Amortization rate %		
	As at 1 January 2019	Additions	Disposals	As at 31 December 2019	As at 1 January 2019	Charge for the year			On Disposals	As at 31 December 2019
(Rupees in '000)										
Computer software	107,714	10,666	-	118,280	60,676	12,871	-	95,647	24,733	33

	31 December 2018									
	Cost			Accumulated Amortization			Written down value as at 31 December 2018	Amortization rate %		
	As at 1 January 2018	Additions / Disposal	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)										
Computer software	76,019	29,695	-	107,714	60,300	14,268	-	60,676	27,038	33

7.1 Fully amortized intangible assets

Type	Cost	Depreciation			Total Depreciation	Book value
		2016	2017	2018		
Intangible Asset	7,667	918	2,656	2,656	1,737	7,667

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II INVESTMENTS IN EQUITY SECURITIES	Note	31 December	31 December
		2019	2018
(Rupees in '000)			
Available for Sale	8.1	260,880	334,244
At fair value through profit or loss (Designated - upon initial recognition)	8.2	10,221,662	33,208,468
		<u>10,472,542</u>	<u>33,542,712</u>

8.1 Available for Sale	Note	31 December 2019			31 December 2018		
		Cost	Impairment/ provision	Carrying Value	Cost	Impairment/ provision	Carrying Value
(Rupees in '000)							
Related Party							
Listed Shares		308,470	(254,266)	52,204	334,522	(266,748)	47,774
Others							
Listed Shares		140,317	(18,212)	122,105	168,162	-	168,162
Unlisted Shares	8.4/8.5	16,008	-	508	16,008	-	16,008
Surplus on revaluation		-	-	76,063	-	-	102,300

8.2 Fair Value through Profit and Loss (Designated - upon initial recognition)	Note	Cost	Impairment/ provision	Carrying Value	Cost	Impairment/ provision	Carrying Value
(Rupees in '000)							
Related Parties							
Listed Shares	8.3	476,653	-	587,286	539,276	-	589,347
Others							
Listed Shares		8,514,742	-	9,634,376	34,961,713	-	32,619,121
		<u>10,454,190</u>	<u>(272,478)</u>	<u>10,472,542</u>	<u>36,019,681</u>	<u>(266,748)</u>	<u>33,542,712</u>

Reconciliation of provision for impairment	31 December	31 December
	2019	2018
(Rupees in '000)		
Balance at the beginning of the year	266,748	277,092
(Reversal) / charge for impairment on available for sale investments	(14,270)	9,656
Balance at the end of the year	<u>272,478</u>	<u>266,748</u>

8.3 Listed equities include investment in EFU General Insurance Limited (the Holding Company) at carrying value of Rs. 516.31 million on behalf of Policyholders (2018: Rs. 468.10 million) representing 2.34% (2018: 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 203.79 based on the latest audited annual financial statements available for the year ended December 31, 2018. The Company's holding as at the year end is 0.67% (number of shares: 457,038) [(2018: 0.67%) (number of shares: 457,038)]. The Chief Executive Officer of Security General Insurance Company Limited is M. Farukh Alam.

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 2.52 based on the latest audited financial statements available for the period ended 30 June 2019. The Company's holding as at the year end is 0.28% (number of shares: 50,191) [(2018: 0.28%) (number of shares: 50,191)]. The Chief Executive Officer of PLANET-N (Private) Limited is Mr. Nadeem Hussain.

9. GOVERNMENT SECURITIES	Note	31 December	31 December
		2019	2018
(Rupees in '000)			
Held to Maturity	9.1	5,360,047	5,122,953
Fair value through profit and loss (designated - upon initial recognition)	9.2	70,863,495	47,849,913
		<u>76,203,542</u>	<u>52,972,866</u>

9.1 Held to Maturity	Maturity Year	Effective Yield %	31 December 2019		
			Amortised Cost	Principal Repayment	Carrying Value
(Rupees in '000)					
03 Years Pakistan Investment Bond	2021	7.25	63,463	70,000	63,463
03 Years Pakistan Investment Bond	2022	9	1,269,700	1,350,000	1,269,700
03 Years Pakistan Investment Bond	2022	9	1,410,510	1,500,000	1,410,510
10 Years Pakistan Investment Bond	2026	8.75	11,882	15,000	11,882
20 Years Pakistan Investment Bond	2024	10	54,170	63,700	54,170
3 Months Treasury Bills	2020	13.40	1,523,915	1,550,000	1,523,915
6 Months Treasury Bills	2020	13.40	956,651	1,000,000	956,651
03 Years Government (Ijara)	2020	5.24	59,756	59,280	59,756
			<u>5,360,047</u>	<u>5,697,980</u>	<u>5,360,047</u>

9.2 Fair Value through profit and loss (Designated - upon initial recognition)	Maturity Year	Effective Yield %	31 December 2019		
			Amortised Cost	Principal Repayment	Carrying Value
(Rupees in '000)					
03 Years Pakistan Investment Bond	2021	7.25	12,576,605	13,473,500	12,501,614
03 Years Pakistan Investment Bond	2022	9	14,272,674	15,200,000	14,240,631
05 Years Pakistan Investment Bond	2020	9.25	4,899,353	4,987,500	4,936,341
05 Years Pakistan Investment Bond	2023	8	1,042,195	1,175,000	1,061,032
05 Years Pakistan Investment Bond	2024	9.5	22,002,908	23,850,000	22,559,401
05 Years Pakistan Investment Bond	2021	7.75	533,084	560,000	526,850
05 Years Pakistan Investment Bond	2022	12	2,122,940	2,100,000	2,106,635
10 Years Pakistan Investment Bond	2024	12	101,849	100,000	103,329
10 Years Pakistan Investment Bond	2029	10	4,621,220	5,050,000	4,751,431
10 Years Pakistan Investment Bond	2024	10	368,055	392,000	377,370
20 Years Pakistan Investment Bond	2020	12.25	6,162,432	6,250,000	6,177,172
3 Months Treasury Bills	2020	5.24	89,635	88,920	89,541
03 Years Government (Ijara)	2029	14.88	1,159,367	1,000,000	1,151,091
10 Years Pakistan Energy Sukuk 1	2021	15.65	272,731	571,099	271,167
08 Years Pakistan Water And Power Development Authority			<u>70,365,026</u>	<u>74,798,019</u>	<u>70,863,495</u>

9.3 Market value of government securities carried at amortized cost amounted to Rs. 5,340 million (2018: Rs. 5,105 million).

9.4 Government securities includes Rs.115 million (2018: Rs. 125 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

(Signature)

10. INVESTMENT IN DEBT SECURITIES

Fair Value through Profit and Loss
(Designated upon initial recognition)

Note	31 December 2019			31 December 2018		
	Cost	Impairment/ Provision	Carrying Value	Cost	Impairment/ Provision	Carrying Value
(Rupees in '000)						
Others						
Term Finance Certificates	3,796,562	-	3,796,562	2,730,195	-	2,730,195
Corporate Sukuks	4,677,570	-	4,677,570	1,138,677	-	1,138,677
Commercial papers	635,359	-	635,359	-	-	-
Certificates of investment	210,000	-	210,000	210,000	-	210,000
	9,319,491	-	9,319,491	4,076,872	-	4,076,872

Yield	Maturity	No. Of Certificates		Face Value	Carrying Amount	
		31 December 2019	31 December 2018		31 December 2019	31 December 2018
(Rupees in '000)						
10.1 Term Finance Certificates						
Engro Fertilizers Ltd	-	-	52,000	4	-	91,000
Bank Al Habib	14.67	2026	80,100	10	400,000	300,289
Bank Al Habib	14.50	2028	20,000	5	99,860	-
Bank Al Habib TFC	14.50	2026	80,000	5	392,940	-
Al Baraka Bank	15.15	2021	10,000	4	14,866	22,189
Byco Oil Pakistan	14.56	2022	20,000	5	73,781	100,000
Bank Al-Falah Ltd	15.33	2021	23,063	10	115,015	115,131
MCB Bank Ltd (Formerly NIB Bank Limited)	-	-	20,000	5	-	101,592
PAEL	-	-	20,000	10	-	99,994
United Bank Ltd.	14.89	Perpetual	250,000	5	1,250,000	1,250,000
Soneri Bank	15.50	Perpetual	10,000	5	50,000	50,000
Ankari Bank Ltd.	14.89	Perpetual	500	1,000	500,000	500,000
Dubai Islamic	15.20	Perpetual	20,000	5	100,000	100,000
HDL	14.82	Perpetual	20,000	10	200,000	-
JS Bank Limited	15.73	Perpetual	5,000	100	500,000	-
Bank Attalah Perpetual TFC	15.40	Perpetual	20,000	5	100,000	-
					3,796,562	2,730,195
10.2 Corporate Sukuks						
Hascol Petroleum	15.35	2022	30,000	7	68,006	99,499
Fatima Fertilizer Company	14.70	2021	-	4	-	29,677
K Electric	14.50	2022	7,500	10	885,786	76,361
Dawood Hercules Sukuk	14.50	2022	2,000	200	1,063,717	200,000
Pakistan Services Limited	14.92	2024	833	100	249,990	131,958
Meezan Bank Ltd	15.30	Perpetual	100,000	5	500,000	500,000
Fauji Fertilizer Company Ltd	14.7	2021	2,814	10	19,768	-
Hub Power Company Ltd	14.99	2020	5,000	70	200,000	-
HUB Co Sukuk 4 Years	15.91	2024	7,000	50,000	350,000	-
IBL Sukuk	14.35	2021	100,000	202	72,510	99,162
Engro Polymer	14.54	2026	5,000	20	227,818	-
Neelum Jhelum	15.23	2026	12,500	83	1,039,975	-
					4,677,570	1,138,677
10.3 Commercial Paper						
KEL Islamic Commercial Paper (ICP3)	15.23	2020	1	100,000	96,975	-
KEL Islamic Commercial Paper (ICPA)	15.38	2020	1	500,000	488,660	-
TPL Corp (ICP)	15.53	2020	1	50,000	49,724	-
					635,359	-
10.4 Certificate of Investment						
First Habib Modarba	13.50	2020	1	1	210	210,000
						210,000
						9,319,491
						4,076,872

11. INVESTMENTS IN TERM DEPOSITS

Deposit maturing within 12 months

11.1 These have tenure of one to three months (2018: one to three month) and carry mark-up at the rate 11.75% to 13.8 % (2018: 7.5% to 12%) per annum and includes term deposit receipts of Rs. 5.40 billion (2018: Rs. 5.15 billion) held with JS Bank Limited (a related party) which carries mark-up at the rate 13.45 % (2018: 10 to 11 %).

12. INVESTMENT IN MUTUAL FUNDS

Related Parties

Mutual Funds (fair value through profit and loss)
designated upon initial recognition)

Others

Mutual Funds (fair value through profit and loss)
Designated upon initial recognition)

Related Parties

Mutual Funds (Available for sale)

Others

Mutual Funds (Available for sale)

Surplus on revaluation

	31 December 2019			31 December 2018		
	Cost	Impairment/ provision	Carrying Value	Cost	Impairment/ provision	Carrying Value
(Rupees in '000)						
Related Parties						
Mutual Funds (fair value through profit and loss) designated upon initial recognition)	547	-	1,033	444	-	805
Others						
Mutual Funds (fair value through profit and loss) Designated upon initial recognition)	253,068	-	264,814	59,215	-	60,315
Related Parties						
Mutual Funds (Available for sale)	26,717	-	26,717	25,523	-	25,523
Others						
Mutual Funds (Available for sale)	116,235	(11,200)	105,035	100,147	(10,280)	89,867
Surplus on revaluation	-	-	13,115	-	-	577
	398,567	(11,200)	410,714	185,329	(10,280)	177,087

Reconciliation of provision for impairment

Balance at the beginning of the year
Charge for impairment on available for sale investments
Balance at the end of the year

	31 December 2019	31 December 2018
(Rupees in '000)		
	10,280	5,509
	920	4,771
	11,200	10,280

(i) p. 10.10.10

13	INSURANCE / REINSURANCE RECEIVABLES	Note	31 December	31 December
			2019	2018
			----- (Rupees in '000) -----	
	Due from insurance contract holders		230,585	156,138
	Due from other insurer / reinsurer		23,414	13,462
			<u>253,999</u>	<u>169,600</u>
14	OTHER LOANS AND RECEIVABLES			
	Accrued investment income		2,760,117	884,760
	Security deposits		54,367	35,329
	Advance to supplier		39,081	108,610
	Loans to agents	14.1	89,744	32,453
	Loans to employees	14.1	82,799	136,737
	Other receivables		209,837	1,912,549
			<u>3,235,945</u>	<u>3,110,438</u>
14.1	This represent housing, vehicle and domestic purpose loans to employees and agents at the interest rate ranging between 8% to 12.5% (2018: 8% to 12.5%) per annum. These loans are recoverable over a period of one to ten years (2018: one to ten years) and are secured against retirement benefit payable to respective employees and security documents of property / vehicle.			
15	DEFERRED TAXATION		31 December	31 December
			2019	2018
			----- (Rupees in '000) -----	
	Deferred credits arising due to:			
	- Fixed assets		135,660	152,900
	- Surplus on revaluation of available for sale investment		22,679	32,777
	- Retained earning ledger Account D		584,840	495,690
			<u>743,179</u>	<u>681,367</u>
16	PREPAYMENTS			
	Prepaid rent		25,643	56,435
	Prepaid Miscellaneous expenses		25,573	24,747
			<u>51,216</u>	<u>81,182</u>
17	CASH AND BANK			
	Cash and Cash Equivalent			
	Cash in hand		41	299
	Policy & Revenue stamps		13,400	5,660
	Cash at bank			
	Current account		3,807,604	1,231,704
	Saving account	17.1	1,892,503	3,548,699
			<u>5,713,548</u>	<u>4,786,362</u>
17.1	These carry mark-up ranging from 9% to 12% (2018: 7.5% to 9%) per annum and include balance of Rs. 204.76 million (2018: Rs. 364.36 million) held with JS Bank Limited (a related party).			
17.2	Cash and cash equivalents for cash flow purpose comprise of the following:		31 December	31 December
			2019	2018
			----- (Rupees in '000) -----	
	- Cash and others		13,441	5,959
	- Cash at bank		5,700,107	4,780,403
	- Term deposits maturing within three months		19,669,000	15,049,100
			<u>25,372,548</u>	<u>19,835,462</u>
18	SHARE CAPITAL			
	Authorised Capital			
			2019	2018
			(Number of Shares)	
	<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,500,000</u>
				<u>1,500,000</u>
	Issued, subscribed and paid-up capital			
		Issued, subscribed and paid-up		
	<u>15,000,000</u>	15,000,000	Ordinary shares of Rs 10 each fully paid in cash	150,000
	<u>85,000,000</u>	85,000,000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	850,000
	<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>
				<u>1,000,000</u>

18.1 As of balance sheet date 43,571,840 (2018: 43,416,840) 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 2019.

Note	31 December 2019	31 December 2018 (Restated)
----- (Rupees in '000) -----		
18.3 RETAINED EARNING LEDGER ACCOUNT D		
Opening balance	2,174,946	2,108,700
Contribution to increase solvency margin	106,503	12,809
Change in solvency margin through profit and loss account	33,923	53,437
	<u>2,315,372</u>	<u>2,174,946</u>
Related Deferred Tax Liability on:		
Opening balance	(495,690)	(578,798)
Reversal / (charge) to profit and loss account	(89,148)	83,108
Closing balance	(584,838)	(495,690)
Net of tax	<u>1,730,534</u>	<u>1,679,256</u>
19 RESERVES		
General reserve	<u>2,000,000</u>	<u>2,150,000</u>
20. INSURANCE LIABILITIES		
Reported outstanding claims	20.1 2,715,505	2,281,165
Incurred but not reported claims	20.2 734,895	515,733
Investment component of unit-linked and account value policies	20.3 114,383,622	103,569,024
Liabilities under individual conventional insurance contracts	20.4 763,786	784,354
Liabilities under group insurance contracts (other than investment linked)	20.5 383,053	453,261
Participant takaful fund balance	20.6 172,794	92,259
	<u>119,153,655</u>	<u>107,695,796</u>
20.1 Reported Outstanding Claims		
Gross of Reinsurance		
Payable within one year	2,328,910	1,918,000
Payable over a period of time exceeding one year	648,115	646,563
	<u>2,977,025</u>	<u>2,564,563</u>
Recoverable from Reinsurers		
Receivable over a period of time exceeding one year	(261,520)	(283,398)
	<u>(261,520)</u>	<u>(283,398)</u>
Net reported outstanding claims	<u>2,715,505</u>	<u>2,281,165</u>
20.2 Incurred But Not Reported Claims		
Gross of reinsurance	863,010	634,042
Reinsurance recoveries	(128,115)	(118,309)
Net of reinsurance	<u>734,895</u>	<u>515,733</u>
20.3 Investment Component of Unit Linked and Account Value Policies		
Investment component of unit linked policies	114,383,622	103,569,024
Investment component of account value policies	-	-
	<u>114,383,622</u>	<u>103,569,024</u>

	31 December 2019	31 December 2018 (Restated)
	----- (Rupees in '000) -----	
20.4 Liabilities under Individual Conventional Insurance Contracts		
Gross of Reinsurance	941,275	952,718
Reinsurance Credit	<u>(177,489)</u>	<u>(168,364)</u>
Net of Reinsurance	<u>763,786</u>	<u>784,354</u>
20.5 Liabilities under Group Insurance Contracts (other than investment linked)		
Gross of Reinsurance	456,072	532,584
Reinsurance Credit	<u>(73,019)</u>	<u>(79,323)</u>
Net of Reinsurance	<u>383,053</u>	<u>453,261</u>
20.6 Participant Takaful Fund Balance	<u>172,794</u>	<u>92,259</u>

20.7 Claim Development

20.7.1 For investment linked, conventional and accidental and health business, claim experience over the past 5 years indicates that claims reported after the end of the year in which the claim event occurred were less than 10% threshold therefore, the claim development table for all funds is not disclosed.

20.7.2 For the Window Takaful Operations launched in 2015, as there have been less than 5 year of operations therefore, the Company has not yet developed sufficient credible experience to generate claim development table.

	31 December 2019	31 December 2018
	----- (Rupees in '000) -----	
21 INSURANCE & REINSURANCE / RETAKAFUL PAYABLES		
Due to reinsurers / retakaful	<u>258,031</u>	<u>193,218</u>
22 OTHER CREDITORS AND ACCRUALS		
Amount due to agents	795,214	726,258
Accrued expenses	751,284	602,191
Unpaid Dividend	2,897	8,570
Unclaimed Dividend	44,540	33,326
Other creditors and accruals	<u>663,545</u>	<u>151,063</u>
	<u>2,257,480</u>	<u>1,521,408</u>

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:

	2019 (Rupees in '000)	%	2018 (Rupees in '000)	%
Size of the fund - total assets	503,437		468,383	
Cost of investments	363,213	72.15	412,738	88.12
Fair value of investments	375,093	74.51	464,256	99.12

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

	2019 (Rupees in '000)	%	2018 (Rupees in '000)	%
Open end mutual fund	104,804	27.94	117,910	25.40
Shares	649	0.17	779	0.17
Government securities	269,640	71.89	345,567	74.43

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.

1.5.2019

23.2 Pension Fund	2019	%	2018	%
	(Rupees in '000)		(Rupees in '000)	
Size of the fund - total assets	342,791		305,708	
Cost of investments	217,460	63.44	277,773	90.86
Fair value of investments	224,810	65.58	302,562	98.97

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

	2019	%	2018	%
	(Rupees in '000)		(Rupees in '000)	
Open end mutual fund	44,407	19.75	65,178	21.54
Shares	193	0.09	263	0.09
Government securities	178,987	79.62	235,900	77.97
Term Finance Certificates	1,222	0.54	1,222	0.40

24. CONTINGENCIES AND COMMITMENTS

24.1 The Income tax assessment of the Company for tax year 2019 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 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. The amount involved is Rs 3.279 million.

24.2 During the year, Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated 8 May 2019 extended the exemption on life insurance till 30 June 2019. Subsequent to it, life insurance has been made taxable from 1 July 2019 at the rate of 3% and group life insurance at the rate of 13%. Further, SRB extended exemption on health insurance till 30 June 2020. With effect from 1 November 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Company collectively through the forum of Insurance Association of Pakistan ('IAP') had filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on 28 September 2019 and 28 November 2019 against PRA and SRB respectively.

According to the grounds of the petition and legal opinion obtained by the Company the insurance premium does not fall under the definition of service rather 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 to the policy holder's investment account and as such this is critically important in exposing the legal fallacies embodied in the Rules.

In view of the above the Company has not started billing sales tax to its customers. The amount of sales tax involved is around Rs. 600 million computed on the basis of risk based premium, as per the advice of legal advisor, which nonetheless the Company maintains, based on the legal view, cannot be levied as the insurance is not a service.

Further subsequent to filing petition, all the provincial tax authorities i.e. SRB, PRA and BRA have called a meeting of the industry representatives on 11 January 2020 in Karachi to discuss the matters relating to sales Tax on premium. The matter was discussed in details and it was agreed to form a joint committee of the industry representatives as well as from all the provincial tax Authorities and agreed in the meeting that the sales tax on Life and Health be kept exempt till 30th June 2020 however a formal notification in this regard has not yet been issued. Further the committee formed met on 5 February 2020 in Lahore at PRA office to work out the way forward.

Based on the legal opinion obtained the Company considers that it has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the High Courts.

24.3 Bank guarantees amounting to Rs. 0.52 million has been given in respect of Group Life coverage. These bank guarantees will expire by 16 January 2020.

24.4 There were no capital commitments at the year end.

(Signature)

	Aggregate	
	31 December	
	2019	2018
	----- (Rupees in '000) -----	
25. NET INSURANCE PREMIUM / CONTRIBUTION REVENUE		
Gross premium / contribution		
Regular premium / contribution individual policies		
First year	6,999,756	6,845,943
Second year renewal	5,084,034	4,267,430
Subsequent year renewal	15,369,434	14,067,312
Single premium / contribution individual policies	950,813	2,588,947
Group policies with cash values	54,046	61,538
Group policies without cash values	3,530,594	3,125,315
Less: Experience refund	(238,593)	(166,078)
Total gross premium / contribution	31,750,084	30,790,407
Less: Reinsurance premium / retakaful contribution ceded		
On individual life first year business	27,073	50,966
On individual life second year business	27,024	39,947
On individual life renewal business	154,994	199,403
On group policies	500,631	469,073
Less: Experience refund from reinsurers	(90,651)	(113,106)
Less: Reinsurance commission on risk premium	(10,621)	(20,144)
Total reinsurance premium / retakaful contribution ceded	608,450	626,139
Net premium / contribution	31,141,634	30,164,268
26. INVESTMENT INCOME		
Income from equity securities		
At fair value through profit and loss (Designated upon initial recognition)		
Dividend income	895,686	1,460,907
Available for Sale		
Dividend income	20,396	22,848
Income from debt securities		
At fair value through profit and loss (Designated upon initial recognition)		
Return on debt securities	1,915,258	524,761
On government securities	6,237,695	3,888,358
Held to maturity		
On government securities	485,416	320,128
Income from term deposits		
Return on term deposits	2,034,673	725,389
	11,589,124	6,942,391

27. NET REALISED FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	Aggregate	
	31 December	
	2019	2018
	----- (Rupees in '000) -----	
Available for sale		
Realised gains on:		
- Equity securities	29,565	2,235,330
Realised losses on:		
- Equity securities	(7,835,917)	(5,971,322)
- Government securities	(1,573)	(3,402)
	<u>(7,807,925)</u>	<u>(3,739,394)</u>
28. 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(fair value through profit and loss designated upon initial recognition)	511,196	(1,174,039)
Net unrealised gains on investments at fair value through profit or loss (designated upon initial recognition)- Equity Securities	<u>2,531,842</u>	<u>(1,889,638)</u>
Total investment income	3,043,038	(3,063,677)
Exchange Gain	23,606	26,908
Provision / (Reversal) of Impairment in value of available for sale securities	13,350	(14,427)
Less: Investment related expenses	(5,427)	(7,101)
	<u>3,074,567</u>	<u>(3,058,297)</u>
29. OTHER INCOME		
Gain on sale of fixed assets	33,569	39,990
Return on loans to employees	21,032	14,137
Fees charged to Policyholders	9,924	9,150
	<u>64,525</u>	<u>63,277</u>
30. NET INSURANCE BENEFITS		
Gross claims		
Claims under individual policies		
by death	930,204	602,244
by insured event other than death	21,269	4,360
by maturity	1,225,700	1,289,748
by surrender	11,712,081	9,577,998
Total gross individual policy claims	<u>13,889,254</u>	<u>11,474,350</u>
Claims under group policies		
by death	2,116,325	1,997,744
by insured event other than death	72,227	102,957
by maturity	399	114
by surrender	37,236	14,601
Total gross group claims	<u>2,226,187</u>	<u>2,115,416</u>
Total gross claims	16,115,441	13,589,766
Less: Reinsurance / retakaful recoveries		
On individual life claims	148,050	106,753
On group life claims	298,340	397,298
Total reinsurance / retakaful recoveries	446,390	504,051
Add: Claims related expenses	8,382	8,736
Net insurance benefit expense	<u>15,677,433</u>	<u>13,094,451</u>

30.1 Statement of Age wise Break up of Unclaimed Insurance Benefits
As on 31 December 2019

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	1 to 6	7 to 12	13 to 24	25 to 35	Beyond 36
	Amount	months	months	months	months	months
	(Rupees in '000)					
Unclaimed Maturity Benefits	235,415	137,558	55,381	33,413	5,716	3,347
Unclaimed Death Benefits	-	-	-	-	-	-
Unclaimed Disability Benefits	-	-	-	-	-	-
Claims not encashed	10,211	7,956	-	2,255	-	-
Other Unclaimed benefits	-	-	-	-	-	-
Total	245,626	145,514	55,381	35,668	5,716	3,347

Aggregate	
31 December	
2019	2018
(Rupees in '000)	

31. ACQUISITION EXPENSES

Remuneration to insurance intermediaries on individual policies:

- Commission to agent on first year premiums / contributions	2,773,833	2,847,314
- Commission to agent on second year premiums / contributions	520,408	451,418
- Commission to agent on subsequent renewal premiums / contributions	426,603	386,606
- Commission to agent on single premiums / contributions	26,025	76,816
- Override commission to supervisors	599,520	546,778
- Other benefits to insurance intermediaries	-	-
- Salaries, allowances and other benefits	1,521,678	1,335,376

Remuneration to insurance intermediaries on group policies:

- Commission	404,258	385,240
- Other benefits to insurance intermediaries	86,710	73,452
- Traveling expenses (including cost of contests, conventions etc.)	141,903	45,382
- Printing and stationery	26,820	17,267
- Depreciation	305,134	94,130
- Rent, rates and taxes	6,311	111,322
- Electricity, gas and water	51,075	35,035
- Entertainment	45,200	30,317
- Vehicle running expenses	20,764	12,310
- Office repairs & maintenance	19,784	22,441
- Postages, telegrams and telephone	51,773	39,601
- Medical fees	20,500	22,967
- Finance Cost	42,888	-
- Others	127,537	128,233
Other acquisition costs - policy stamps	104,262	88,974
	7,322,986	6,750,979

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	Note	Aggregate	
		31 December 2019	2018
----- (Rupees in '000) -----			
32. MARKETING AND ADMINISTRATION EXPENSES			
Employee benefit cost	32.1	758,156	634,886
Traveling expenses		38,114	86,715
Advertisements and sales promotion		116,265	189,438
Printing and stationery		59,683	47,491
Depreciation		153,690	126,176
Amortisation		12,871	14,285
Rent, rates and taxes		22,743	15,987
Legal and Professional charges - business related		104,726	82,971
Electricity, gas and water		36,629	31,627
Entertainment		50,258	33,080
Vehicle running expenses		5,871	7,157
Office repair and maintenance		85,719	62,784
Appointed actuary fees		13,009	11,399
Bank charges		17,158	13,339
Postage, internet and telephone		87,937	76,079
Fees and subscription		33,462	25,541
Annual supervision fee SECP		50,000	50,000
Miscellaneous		115,046	93,861
		<u>1,761,327</u>	<u>1,602,816</u>

32.1 Employee Benefit Cost

Salaries, allowances and other benefits	712,587	626,697
Charges for post employment benefit	45,569	6,189
	<u>758,156</u>	<u>634,886</u>

33. OTHER EXPENSES

Printing and Stationery		1,264	758
Advertisements and publicity		4,088	1,250
Traveling		666	890
Auditor's remuneration	33.1	8,940	7,755
Directors' fee		1,900	2,700
Donation	33.2	9,024	6,865
Fees and Subscription		600	-
		<u>26,482</u>	<u>20,227</u>

33.1 Auditor's remuneration

Annual Audit Fee	1,800	1,650
Half yearly review	250	250
Review of code of corporate governance	275	250
Other certifications	5,756	4,755
Out-of-pocket expenses	850	850
	<u>8,940</u>	<u>7,755</u>

33.2 Donations

Donations include the following in whom the directors are interested:

Name of Directors	Interest in donee	Name and Address of donee	31 December	31 December
			2019	2018
			----- (Rupees in '000) -----	
Saifuddin N. Zomkawa	Board Member	Sindh Institute of Urology and Transplantation, Civil Hospital Karachi	1,939	1,114
Syed Salman Rashid	Spouse (Trustee)	Anjuman Kashana -E- Afzal O Naunihal	50	50
Hafiqe R. Bhimjee	Spouse (Trustee)	The Garage School	-	500
33.3 Donations to a single party exceeding Rs. 500,000				
		The Citizen Foundation	573	-
		Family Educational Services Foundation	997	570
		Dar Ul Sukun	841	848
		Alzasi Memorial Thalassemia Foundation	1,000	1,000
		Layton Rahmatullah Benevolent Trust	1,579	1,080

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- 33.4 In 2017, The Honourable Supreme Court of Pakistan (SCP) passed a judgement declaring the insertion of amendments introduced in the Finance Act pertaining to Workers Welfare Fund Ordinance 1971, as unlawful and thereby striking down such amendments. Pursuant to the SCP judgement, the Company filed a rectification application for assessment year 2006 – 2015 to the tax department. In 2019 the assessment orders were rectified. Based on the revised assessment orders, the Company reversed the expenses previously charged on account of WWF, amounting to Rs. 127 million.

	Aggregate	
	31 December 2019	31 December 2018
	(Rupees in '000)	
		Restated
34. TAXATION		
For the years		
Current	668,367	656,848
Deferred	71,909	(51,366)
For the prior years		
Current	64,633	131,152
	<u>804,909</u>	<u>736,634</u>

	31 December 2019	31 December 2018
	Effective tax rate %	
		Restated
Tax at applicable rate 29% (2018: 29%)	29.00	29.00
Tax effect of income subject to lower tax rates	-	-
Prior year adjustment	2.75	5.74
Others	2.44	(7.47)
Tax charge for the year	<u>34.19</u>	<u>32.27</u>

	31 December 2019	31 December 2018
	(Rupees in '000)	
		Restated
35. EARNINGS PER SHARE		
Profit (after tax) for the year	<u>1,549,264</u>	<u>1,546,303</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>15.49</u>	<u>15.46</u>

36. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	31 December 2019			31 December 2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Fees	-	1,000	-	-	2,700	-
Managerial remuneration	28,794	-	445,376	26,693	-	403,075
Bonus	7,171	-	37,279	8,722	-	38,782
Retirement benefits	4,726	-	27,475	4,382	-	23,655
Utilities	779	-	987	824	-	1,837
Medical expenses	336	-	7,545	872	-	5,762
Leave passage	554	-	1,098	585	-	115
	<u>42,360</u>	<u>1,900</u>	<u>519,760</u>	<u>42,078</u>	<u>2,700</u>	<u>473,126</u>
Number of persons	<u>1</u>	<u>6</u>	<u>62</u>	<u>1</u>	<u>6</u>	<u>62</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. 1.9 million (2018: Rs. 2.7 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. 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:

	For The Year Ended	
	31 December 2019	31 December 2018
	----- (Rupees in '000) -----	
Transactions		
Holding company		
Premium written	18,355	16,479
Premium paid	46,637	10,274
Claims paid	6,774	7,764
Claims received	11,177	1,612
Dividend paid	684,717	650,881
Dividend received	50,320	46,810
Associated companies		
Premium written	95,493	86,076
Premium paid	23,304	38,189
Claims paid	23,222	19,326
Claims received	-	208
Commission paid	215,203	239,150
Travelling expenses	2,685	1,739
Donation paid	1,989	2,903
Dividend paid	670,389	628,480
Interest received	768,185	214,373
Payments of car	19,988	-
Investment bought	500,000	-
Investment sold of related party	25,558	244,483
Key management personnel		
Premium written	1,544	2,930
Loan to key employees	6,000	2,000
Loan recovered	4,400	4,897
Compensation paid	-	-
Dividend paid	10,639	10,072
Employees' funds		
Contribution to provident fund	36,479	31,535
Contribution to pension fund	29,787	(10,023)
Balances		
Bank balances	256,279	869,823
Bank deposits	5,400,000	5,150,000
Premium received in advance	1,459	652
Premium receivable	101	1,107
Investment in EFU General Insurance Limited-from designated unit fund	516,310	468,096
Investment in related party	653,525	172,190
Claim outstandings - Holding company	-	-
Claims outstanding - Related party	17,592	5,935
Loan receivable from key employees	25,144	23,544

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38. SEGMENTAL INFORMATION

38.1 Revenue Account by Statutory Fund

	2019						Aggregate 31 December 2019
	Statutory Funds						
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	
(Rupees in '000)							
Income							
Premium / Contribution less reinsurance / retakaful	24,404,187	2,601,542	661	721	3,848,668	274,608	31,130,387
Policy transfer from other statutory funds	-	-	-	-	11,247	-	11,247
Bonus units transfer to statutory fund	-	-	-	-	50,297	-	50,297
Net investment income / wakala income	6,149,458	261,367	1,334	149	538,581	148,472	7,099,361
Total net income	30,553,645	2,862,909	1,995	870	4,448,793	423,080	38,291,292
Insurance Benefits and Expenditures							
Claims net of reinsurance recoveries	13,025,794	1,782,399	3,783	201	741,955	103,872	15,557,804
Policy transfer from other statutory funds	11,247	-	-	-	-	-	11,247
Bonus units transfer to statutory fund	-	-	-	-	60,297	-	60,297
Management expenses less recoveries	6,454,139	686,325	226	358	2,160,633	219,769	9,530,440
Total Insurance Benefits and Expenditures	19,491,180	2,469,724	4,009	559	2,861,885	323,431	25,249,788
Excess of Income over Insurance Benefits and Expenditures	11,062,465	394,185	(2,014)	311	1,486,908	99,649	13,041,504
Net Change in Insurance Liabilities (Other than outstanding Claims)	(9,300,837)	(144,331)	2,135	167	(1,510,853)	(12,895)	(10,966,414)
Surplus / (deficit) before tax	1,761,628	249,854	121	478	(23,945)	86,954	2,076,090
Movement in policyholders' liabilities	9,300,837	144,331	(2,135)	(167)	1,510,853	12,695	10,966,414
Transfer to and from Shareholder's Fund							
Transfer of (surplus) / deficit to shareholders' fund	(1,636,749)	(251,598)	(171)	(510)	-	(71,602)	(1,960,630)
Capital contribution from share holders' fund	-	-	-	-	106,503	-	106,503
Net Transfer to / from shareholders' fund	(1,636,749)	(251,598)	(171)	(510)	106,503	(71,602)	(1,854,127)
Balance of statutory funds at beginning of the year	102,834,817	1,422,896	24,457	1,488	3,559,726	107,368	107,950,744
Balance of statutory funds at end of the year	112,260,533	1,565,483	22,272	1,281	5,153,137	135,415	119,138,121
2018							
	Statutory Funds						Aggregate
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December 2018
(Rupees in '000)							
Income							
Premium / Contribution less reinsurances / retakaful	24,739,353	2,341,560	941	848	2,887,029	186,791	30,157,142
Policy transfer from other statutory funds	-	-	-	-	7,126	-	7,126
Bonus units transferred to statutory funds	-	-	-	-	26,718	-	26,718
Net investment income	(310,671)	145,914	361	379	367,665	91,410	295,088
Total net income	24,428,682	2,487,524	1,302	1,227	3,280,138	278,201	30,468,074
Insurance Benefits and Expenditures							
Claims net of reinsurance recoveries	10,932,070	1,633,395	394	538	441,307	69,984	13,078,589
Policy transfer from other statutory funds	7,126	-	-	-	-	-	7,126
Bonus units transferred to statutory funds	-	-	-	-	26,718	-	26,718
Management expenses less recoveries	6,308,349	626,905	76	271	1,571,473	149,372	8,658,446
Total Insurance Benefits and Expenditures	17,248,445	2,260,301	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	1,240,640	58,845	8,715,195
Net Change in Insurance Liabilities (Other than outstanding Claims)	(5,209,455)	(118,564)	1,454	552	(1,225,699)	(25,670)	(6,577,382)
Surplus / (Deficit) before tax	1,970,782	106,659	2,286	970	23,941	33,175	2,137,813
Movement in policyholders' liabilities	5,209,455	118,564	(1,454)	(552)	1,225,699	25,670	6,577,382
Transfer to and from Shareholder's Fund							
Transfer of (surplus) / deficit to shareholders' fund	(1,894,421)	(72,810)	(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)	(72,810)	(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	2,052	2,297,278	70,077	101,214,855
Balance of statutory funds at end of the year	102,834,817	1,422,897	24,455	1,481	3,559,727	107,365	107,950,742

LCR (2018)

38.2 Segmental results by Line of Business

	Statutory Funds			Statutory Funds		
	Conventional		Total	Conventional		Total
	Individual Life Direct Sales Force	Individual Life Bancassurance	2019	Individual Life Direct sales Force	Individual Life Bancassurance	2018
(Rupees in '000)						
Income						
Gross Premiums						
- First Year Individual Regular Premiums	2,410,036	2,816,055	5,226,091	2,485,073	2,932,709	5,418,382
- Individual Renewal Premiums	9,792,954	8,719,623	18,512,577	9,320,392	7,838,447	17,158,829
- Individual Single Premiums	370,075	407,410	777,485	577,965	1,681,389	2,259,375
- Group Premiums	-	-	-	-	-	-
Total Gross Premiums	12,573,065	11,943,088	24,516,153	12,384,041	12,452,545	24,836,586
Reinsurance Premiums						
- Individual	154,100	29,456	183,556	119,178	32,007	151,165
- Group	-	-	-	-	-	-
Total Reinsurance Premiums	154,100	29,456	183,556	119,178	32,007	151,165
Net Premium Revenues	12,418,965	11,913,632	24,332,597	12,264,863	12,420,538	24,685,401
Policy Transfers from Other Statutory Funds						
	11,247	-	11,247	-	-	-
Net Investment Income	3,661,407	2,471,763	6,133,160	(174,180)	(135,751)	(309,931)
	3,672,654	2,471,763	6,144,407	(174,180)	(135,751)	(309,931)
Total Net Income	16,091,619	14,385,385	30,477,004	12,090,683	12,284,787	24,375,470
Insurance benefits and Expenditures						
Insurance benefits, including bonuses, net of reinsurance	5,035,550	6,990,244	12,025,794	5,000,081	5,859,083	10,919,164
Policy Transfers to Other Statutory Funds	11,247	-	11,247	7,126	-	7,126
Management Expenses less Recoveries	3,535,758	2,913,102	6,448,860	3,310,550	2,994,301	6,304,851
Total Insurance benefits and Expenditures	9,582,555	9,903,346	19,485,901	8,377,757	8,853,384	17,231,141
Excess of Income over Insurance benefits and Expenditure	6,509,064	4,482,039	10,991,103	3,712,926	3,431,403	7,144,329
Add: Policyholder Liabilities at Beginning of Year	60,243,382	41,054,078	101,297,460	57,593,735	38,495,720	96,089,455
Less: Policyholder Liabilities at End of Year	65,039,307	44,760,427	110,589,734	60,243,382	41,054,078	101,297,460
Surplus Before Tax	913,139	785,690	1,698,829	1,053,279	673,045	1,936,324

38.3 Segment statement of financial position

	As at 31 December 2019			As at 31 December 2018		
	Statutory Funds	Shareholders Funds	Total	Statutory Funds	Shareholders Funds	Total
(Rupees in '000)						
Property and equipment	1,278,082	1,605,605	2,883,687	1,317,467	1,114,160	2,431,627
Intangible assets	-	24,733	24,733	-	27,038	27,038
Investments	115,103,349	951,940	116,055,289	103,402,211	2,418,426	105,820,637
Insurance / reinsurance receivables	253,999	-	253,999	169,600	-	169,600
Other loans and receivables	3,000,983	234,962	3,235,945	2,928,578	181,050	3,110,438
Taxation - payments less provision	6,334	1,054,887	1,061,221	934	336,793	337,727
Prepayments	51,216	-	51,216	81,182	-	81,182
Cash and Bank	5,669,243	44,304	5,713,547	4,768,942	17,420	4,786,362
Total Assets	125,383,206	3,926,431	129,309,637	112,658,914	4,095,697	116,754,611
Insurance Liabilities net of reinsurance recoveries	119,153,655	-	119,153,655	107,695,796	-	107,695,796
Deferred taxation	-	743,179	743,179	-	681,387	681,387
Premium / Contribution received in advance	969,354	-	969,354	714,419	-	714,419
Insurance / reinsurance payables	258,031	-	258,031	193,218	-	193,218
Other creditors and accounts	1,763,076	494,405	2,257,481	1,458,118	63,200	1,521,408
Total Liabilities	122,144,116	1,237,584	123,381,700	110,061,551	744,657	110,806,208

	Held to maturity	Available to Sale	Fair value through profit & loss account	Deposit maturing within 12 months	Total
	(Rupees in '000)				
39 MOVEMENT IN INVESTMENTS					
At beginning of previous year (Re-stated)	3,081,423	446,022	81,992,677	12,439,000	97,959,122
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 year	3,740,698	446,794	86,584,045	15,049,100	105,820,637
Additions	13,050,623	6,647,402	380,300,117	163,450,000	563,448,142
Disposals (sale and redemptions)	(13,358,000)	(5,250,000)	(379,008,661)	(158,840,100)	(556,456,761)
Fair value net gains (excluding net realised gains)	-	(34,827)	3,274,748	-	3,239,921
Impairment losses	-	13,350	-	-	13,350
At end of current year	3,433,321	1,822,719	91,160,249	19,659,000	116,065,289

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:

40.1.1.2.1 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.

(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 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

40.1.1.2.2 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.

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.

40.1.1.2.2

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>Policyholder liabilities on existing valuation basis</u>	<u>Policyholder liabilities using best estimate assumptions</u>
	(Rupees in '000)	
Mortality	116,721,178	116,493,560
Investment returns	116,721,178	116,708,244

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.

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>
	(Rupees in '000)	
'A' or above	23,414	258,031

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 0.062%. Likewise, when mortality rates decrease by 10%, policyholder liabilities decrease by -0.062%.

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.

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:

Sensitivity variable	% change in sensitivity variable	% change In policyholder liabilities
Worsening of mortality and critical illness rates	10%	0.062%
Improvement in mortality and critical illness rates	10%	-0.062%
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.

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 individual's mortality; financial condition, which determines the individual's 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	
Before	After
Reinsurance	Reinsurance
2.08%	2.55%
5.11%	6.10%
1.60%	2.18%
2.06%	2.40%
40.89%	41.16%
48.27%	45.60%

Individual Family Takaful business:

Azad Kashmir
Baluchistan
Gilgit Baltistan
Khyber Pakhtunkhwa
Punjab
Sindh

Diversification of Risk	
Before	After
Reinsurance	Reinsurance
2.22%	2.20%
0.60%	0.60%
0.00%	0.00%
2.74%	4.00%
50.30%	52.58%
44.14%	40.62%

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

Conventional Business

Sindh
Punjab

Diversification of Risk	
Before	After
Reinsurance	Reinsurance
56.54%	53.23%
46.46%	46.77%

Group Family Takaful Business

Sindh
Punjab

83.15%	78.90%
16.85%	21.10%

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.

The following extract, classifies the assets and liabilities of the Company by type of product in each Statutory Fund as at 31 December 2019. The table below also presents details of assets under Shareholder's Fund:

2019	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	73,449,781			73,449,781
- Other fixed income securities	9,276,491			9,276,491
Held to maturity:				
- Government Securities		2,033,997	719,764	2,753,761
- Other fixed income securities		33,000	10,000	43,000
Available for sale:				
- Listed equities	10,340,471	11,014	120,549	10,472,034
- mutual funds	299,595	-	111,119	410,714
- Unlisted equities and mutual funds	-	-	508	508
Loans and receivables			172,543	172,543
- Insurance receivables	-	230,585	-	230,585
Reinsurance assets	-	23,414	-	23,414
Cash and cash equivalents	24,449,950	864,852	44,304	25,359,106
Cash and stamps	13,377	64	-	13,441
Investment income accrued	2,706,588	41,110	12,419	2,760,117
Advances and deposits	95,235	57,216	-	152,451
Income tax asset	3,167	3,167	1,054,887	1,061,221
Prepayments	49,579	1,637	-	51,216
Sundry receivables	76,671	24,165	50,000	150,836
Fixed assets	1,278,082	-	1,630,338	2,908,420
Total assets	122,038,987	3,324,221	3,926,431	129,289,639

	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
----- (Rupees in '000) -----				
Long-term insurance contracts and investment contracts:				
Fixed term	69,309,146	294,573	-	69,603,719
Whole of life	45,676,469	-	-	45,676,469
Short-term insurance contracts	-	1,105,106	-	1,105,106
Riders	-	346,131	-	346,131
Equity	-	-	5,907,940	5,907,940
Other liabilities	7,053,372	1,578,411	(1,981,509)	6,650,274
Total liabilities	122,038,987	3,324,221	3,926,431	129,289,639

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.

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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 2019, whichever is earlier, is as follows:

On balance sheet financial instruments	31 December 2019						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)							
Assets							
Investments	28,203,756	76,978,277	105,182,033	10,883,256	-	10,883,256	116,065,289
Loans and Other Receivables	24,932	194,529	219,461	3,018,484	-	3,018,484	3,235,945
Insurance Receivables	-	-	-	253,999	-	253,999	253,999
Cash and bank	5,700,148	-	5,700,148	13,400	-	13,400	5,713,548
	33,928,836	77,172,806	111,101,642	14,167,139	-	14,167,139	125,268,781
Liability							
Premium received in advance	-	-	-	909,354	-	909,354	909,354
Insurance / reinsurance payables	-	-	-	258,031	-	258,031	258,031
Other creditors and accruals	-	-	-	2,257,480	-	2,257,480	2,257,480
	-	-	-	3,484,865	-	3,484,865	3,484,865
Interest risk sensitivity gap	33,928,836	77,172,806	111,101,642	10,682,274	-	10,682,274	121,783,916
Cumulative interest risk sensitivity gap	33,928,836	111,101,642					

Off 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)							
Assets							
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	68,088	123,884	2,986,554	-	2,986,554	3,110,438
Insurance Receivables	-	-	-	156,138	-	156,138	156,138
Cash and bank	4,786,362	-	4,786,062	13,462	-	13,462	4,799,824
	65,585,144	11,425,939	77,010,783	36,875,954	-	36,875,954	113,887,037
Liability							
Premium received in advance	-	-	-	714,419	-	714,419	714,419
Insurance / reinsurance payables	-	-	-	193,218	-	193,218	193,218
Other creditors and accruals	-	-	-	1,479,512	-	1,672,730	1,672,730
	-	-	-	2,387,149	-	2,580,367	2,580,367
Interest risk sensitivity gap	65,585,144	11,425,939	77,010,783	34,488,805	-	34,295,587	111,308,670
Cumulative interest risk sensitivity gap	65,585,144	77,011,083					

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

	2019	2018
Saving and other accounts	9% to 12%	7.5% to 9%
Deposits	11.75% to 13.8%	6.5% to 12%
Loans and advances	8% to 12.5%	8% to 12.5%
Investments	12.74% to 13.74%	7.7% to 12.81%

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.

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*	2019	2018
	(Rupees in '000)	
A	1,729,068	1,331,824
A+	5,463,339	723,302
AA	2,657,700	2,165,156
A-	100,000	-
AA-	5,400,000	6,194,290
AA+	2,798,000	3,202,129
AAA	7,211,000	6,212,802
	<u>25,359,107</u>	<u>19,829,503</u>

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

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	2019	2018
			(Rupees in '000)	
Engro Fertilizers Ltd	AA	PACRA	-	91,000
Bank Al Habib ADT 1	AA	PACRA	400,000	300,289
Bank Al Habib ADT 2	AA	PACRA	99,960	-
Bank Al Habib TFC	AA	PACRA	392,940	-
Al Baraka Bank	A-	PACRA	14,866	22,189
Byco Oil Pakistan	AAA	PACRA	73,781	100,000
Bank Al-Falah Ltd	AA	PACRA	115,015	115,131
MCB Bank Ltd.(Formerly NIB Bank Limited)	AAA	PACRA	-	101,592
PAEL	AA-	PACRA	-	99,994
United Bank Ltd.	AAA	VIS	1,250,000	1,250,000
Soneri Bank Tier II Perpetual TFC	A+	PACRA	50,000	50,000
Askari Bank Ltd. TIER I	AA	PACRA	500,000	500,000
Dubal Islamic TIER I	AA	VIS	100,000	100,000
HBL	A1+	VIS	200,000	-
JS Bank Limited	A	PACRA	500,000	-
Bank Alfalah Perpetual TFC	AA	PACRA	100,000	-
			<u>3,796,562</u>	<u>2,730,195</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 2019, 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 2019.

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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42. WINDOW TAKAFUL OPERATIONS

The Statement of financial position of Window Takaful Operations as at 31 December 2019 and its financial performance for the year ended 31 December 2019 are as follows:

42.1 Balance Sheet

	Statutory Funds		Aggregate		
	Shareholders' Fund	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December 2019 Audited	31 December 2018 Audited
(Rupees in '000)					
Share capital and reserves					
Operator's Fund	50,000	-	-	50,000	50,000
Accumulated surplus	(120,579)	-	-	(120,579)	(157,615)
General reserves	-	-	-	-	-
Net shareholders' equity	(70,579)	-	-	(70,579)	(107,615)
Balance of statutory fund					
[Including policyholders' liabilities					
Rs. 4,020.72 million (2018:Rs. 3,496.08 million)					
Statutory Fund	-	-	-	-	-
Participant Investment Fund	56,348	4,876,132	-	4,932,480	3,431,612
Participant Takaful Fund - Waqf	-	228,244	127,828	356,072	235,482
Cede Money - Waqf	-	2,000	-	2,000	2,000
Shareholder's Fund unit holding in PIF	-	39,027	-	39,027	22,201
	56,348	5,145,403	127,828	5,329,579	3,691,295
Creditors and accruals					
Outstanding Claims	-	71,014	41,350	112,364	69,263
Contribution received in advance	-	116,507	4,905	121,412	94,104
Amounts due to retakaful	-	18,269	54,408	72,677	66,301
Amounts due to agents	-	160,255	5,707	165,962	147,570
Accrued expenses	114,522	-	-	114,522	76,692
Other creditors and accruals	314,880	188,342	606,894	1,110,116	980,323
Capital contribution	192,181	-	-	192,181	179,372
Interfund payable	42,093	97,574	-	139,667	198,917
Total liabilities	663,676	651,961	713,264	2,028,901	1,812,542
Total equity and liabilities	649,445	5,797,364	841,092	7,287,901	5,396,022
Cash and bank deposits					
Policy stamps in hand	4	-	-	4	91
Current and other accounts	252,978	1,065,406	63,963	1,382,347	957,097
Deposits maturing within 12 months	78,000	2,396,000	-	2,474,000	1,374,000
	330,982	3,461,406	63,963	3,856,351	2,331,188
Investments					
Government securities	-	849,875	23,094	872,969	326,977
Other Fixed Income	10,000	1,181,589	10,000	1,201,589	480,000
Listed Equities & Mutual Funds	-	147,634	-	147,634	1,148,408
	10,000	2,179,098	33,094	2,222,192	1,955,385
Current assets - others					
Prepayments	9,019	-	-	9,019	6,019
Contributions due but unpaid	-	-	13,276	13,276	13,318
Amount due from retakaful	-	-	-	-	-
Sundry receivables	144,231	75,785	589,883	809,899	818,357
Investment income accrued	897	81,075	1,210	83,182	33,425
Shareholder's Fund unit holding in PIF	39,027	-	-	39,027	22,201
Capital contribution	106,503	-	-	106,503	12,809
Income Tax Assets	6,334	-	-	6,334	933
Advances and deposits	2,452	-	-	2,452	1,470
Interfund Receivable	-	-	139,666	139,666	198,917
	308,463	156,860	744,035	1,209,358	1,109,449
Total assets	649,445	5,797,364	841,092	7,287,901	5,396,022

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42.2 Revenue Account

	Statutory Funds		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2019	2018

(Rupees in '000)

42.2.1 Participants' Investment Fund (PIF)

Income

Allocated contribution	2,188,610	-	2,188,610	1,636,490
Policy transfer to other statutory fund	11,063	-	11,063	7,126
Bonus units transfer to Statutory Fund	50,297	-	50,297	26,718
Net investment (loss) / income	165,244	-	165,244	126,548
Total net income	2,415,214	-	2,415,214	1,796,882

Less: Claims and Expenditure

Investment management charges	58,384	-	58,384	40,166
Bid offer spread	102,106	-	102,106	77,991
Policy admin fee	70,655	-	70,655	49,991
Wakalat-ul-Ishtimar	231,145	-	231,145	168,148
Surrender	700,575	-	700,575	421,919
	931,720	-	931,720	590,067

Excess of income over claims and expenditure

	1,483,494	-	1,483,494	1,206,815
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Add : Technical reserves at the beginning of the year

	3,392,638	-	3,392,638	2,185,823
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Less : Technical reserves at the end of the year

	4,876,132	-	4,876,132	3,392,638
	(1,483,494)	-	(1,483,494)	(1,206,815)

Surplus / (Deficit)

Movement in technical reserves	1,483,494	-	1,483,494	1,206,815
Balance of PIF at the beginning of the year	3,392,638	-	3,392,638	2,185,823
Balance of PIF at the end of the year	4,876,132	-	4,876,132	3,392,638

(a)

42.2.2 Participants' Takaful Fund (PTF)

Income

Contribution net of retakaful recoveries	226,377	274,608	500,985	328,808
Net investment income	29,959	1,522	31,481	12,209
Total net income	256,336	276,130	532,466	341,017

Less: Claims and Expenditure

Claims net of retakaful recoveries	41,380	103,872	145,052	89,373
Wakala fee	69,577	146,950	216,527	136,918
	110,957	250,822	361,579	226,291

Excess of income over claims and expenditure

	145,379	25,508	170,887	114,726
--	---------	--------	---------	---------

Add : Technical reserves at the beginning of the year

	45,103	58,336	103,439	58,888
--	--------	--------	---------	--------

Less : Technical reserves at the end of the year

	72,462	71,031	143,493	103,439
--	--------	--------	---------	---------

**Surplus/(Deficit) Retained Profit
Distribution of surplus**

	118,020	12,813	130,833	70,173
	-	-	-	-

Movement in technical reserves

	(145,379)	(25,508)	(170,887)	(114,726)
--	-----------	----------	-----------	-----------

Surplus / (Deficit) before distribution

	-	-	-	-
--	---	---	---	---

Distribution of surplus

	-	-	-	-
--	---	---	---	---

Surplus / (Deficit) after distribution

	145,379	25,508	170,887	114,726
--	---------	--------	---------	---------

Movement in technical reserves

	145,379	25,508	170,887	114,726
--	---------	--------	---------	---------

Balance of PTF at the beginning of the year

	133,162	102,320	235,482	147,474
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Distribution of Surplus

	(50,297)	-	(50,297)	(26,718)
--	----------	---	----------	----------

Qard-e-Hasna

	-	-	-	-
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Balance of PTF at the end of the Year

	228,244	127,828	356,072	235,482
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(b)

W.M.M.

42.2.3 Shareholders' Sub-Fund

	Statutory Funds		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2019	2018
(Rupees in '000)				
Income				
Un-allocated contribution	1,433,865	-	1,433,865	1,109,122
Net investment income	42,657	-	42,657	15,252
Wakalat-ul-Isliḥmar - PIF	231,145	-	231,145	168,148
Wakala Fee - PTF	69,577	146,950	216,527	136,918
Total net income	1,777,244	146,950	1,924,194	1,429,440
Less: Expenditure				
Acquisition costs	1,632,825	63,370	1,696,195	1,214,531
Administration expenses	236,088	9,438	245,526	201,246
	1,868,913	72,808	1,941,721	1,415,779
(Shortfall) / Excess of income over expenditure	(91,669)	74,142	(17,527)	13,661
Add : Technical reserves at the beginning of the year	-	-	-	-
Less : Technical reserves at the end of the year	-	-	-	-
(Deficit) / surplus transferred to shareholders' fund	(91,669)	74,142	(17,527)	13,661
Movement in technical reserves	-	-	-	-
Transfer to Shareholder's Fund	-	(71,602)	(71,602)	(21,557)
Capital Contribution	106,503	-	106,503	12,809
Qard-e-Hasna	-	-	-	-
Retained earnings on other than participating business	33,927	5,047	38,974	34,061
Balance of shareholders' sub fund at the end of the year	(c) 48,761	7,567	56,348	36,974
Balance of statutory funds at the end of the year	(a+b+c) 5,153,137	135,415	5,288,552	3,667,094

42.3 Statement of contribution

	Statutory Fund		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2019	2018
(Rupees in '000)				
Gross contribution				
Regular contribution individual policies				
First Year	1,773,666	-	1,773,666	1,427,561
Second Year	996,070	-	996,070	693,899
Subsequent year renewal	944,821	-	944,821	482,014
Single contribution individual policies	173,329	-	173,329	329,572
Group policies with cash values	960	-	960	1,494
Group policies without cash values	-	325,696	325,696	223,822
Total gross contribution	3,888,846	325,696	4,214,542	3,158,362
42.3.1 Participants' Investment Fund				
Allocated regular contribution	2,026,344	-	2,026,344	1,314,044
Allocated single contribution	173,329	-	173,329	329,572
Total allocated contribution	2,199,673	-	2,199,673	1,643,616
42.3.2 Participants' Takaful Fund				
Allocated gross contribution	255,309	325,696	681,004	405,624
Less: Retakaful contribution ceded				
On individual life first year business	8,503	-	8,503	23,518
On individual life second year business	9,946	-	9,946	13,170
On individual life subsequent year business	14,095	-	14,095	12,830
On group policies	-	51,088	51,088	37,031
Less: Reinsurance commission on risk premium	(3,613)	-	(3,613)	(9,733)
Total retakaful contribution ceded	28,931	51,088	80,019	76,816
Net Risk Contribution of PTF	226,377	274,608	500,985	328,808
42.3.3 Shareholders' Sub-Fund				
Unallocated regular contribution	1,433,865	-	1,433,865	1,109,122

42.4 Statement of Claims

Claims under Individual Family Takaful
 Claims under Group Family Takaful
 Total Gross Claims

Gross Claims allocated as follows:

Participant's Investment Fund (PIF)

Surrenders / Partial withdrawals under
 Individual Policies

Participant's Takaful Fund (PTF)
 Under individual policies by death
 Under group policies by death
 Under group policies by event other than death
 Total gross claims under PTF

Less: Re-Takaful recoveries under PTF

On individual policies
 On group policies
 Profit commission

Net Claims under PTF

Total Net Claims

	Statutory Fund		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2019	2018
	(Rupees in '000)			
	60,191	-	60,191	465,189
	-	121,661	121,661	84,088
	60,191	121,661	181,852	549,277
	700,575	-	700,575	421,919
	60,191	-	60,191	43,270
	-	116,236	116,236	80,185
	-	5,425	5,425	4,124
	60,191	121,661	181,852	127,579
	18,811	-	18,811	24,101
	-	17,989	17,989	14,105
	-	-	-	-
	18,811	17,989	36,800	38,206
	41,380	103,672	145,052	89,373
	741,955	103,672	845,627	511,292

42.5 Statement of Expenses

Acquisition costs

Shareholders' Sub-Fund

Remuneration to insurance intermediaries
 on individual policies:
 - commission on first year contribution
 - commission on renewal contribution
 - commission on single contribution
 - override commission
 - other benefits to insurance intermediaries

Remuneration to insurance intermediaries
 on group policies:
 - commission
 - other benefits to insurance intermediaries

Branch overheads

Other acquisition costs

- policy stamps
 - Medical fees

Total acquisition cost

Marketing and Administration expenses

Salaries and other benefits
 Travelling expenses
 Advertisements and publicity
 Printing and stationery
 Depreciation
 Amortization
 Rent, rates and taxes
 Legal and professional charges
 Electricity, gas and water
 Entertainment
 Vehicle running Expenses
 Office repairs and maintenance
 Appointed Actuary's fees
 Bank charges
 Postage, telegrams and telephone
 Fees and subscription
 Annual supervision fee SECP
 Miscellaneous
 Gross Management Expenses

Net Management Expenses

	Statutory Fund		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2019	2018
	(Rupees in '000)			
	739,369	-	739,369	619,556
	132,075	-	132,075	90,029
	4,390	-	4,390	8,512
	132,596	-	132,596	91,720
	427,405	-	427,405	271,822
	1,435,835	-	1,435,835	1,081,639
	8	62,144	62,152	52,292
	-	764	764	587
	8	62,908	62,916	52,879
	166,247	-	166,247	59,777
	28,095	228	28,323	19,147
	2,640	234	2,874	1,089
	1,632,825	63,370	1,696,195	1,214,531
	109,503	3,550	113,053	88,740
	9,562	81	9,643	12,322
	6,864	472	7,336	12,051
	9,429	36	9,465	6,558
	19,694	341	20,035	15,138
	1,668	-	1,668	1,851
	1,447	4	1,451	2,194
	4,782	3,971	8,753	7,755
	4,689	158	4,847	3,593
	7,408	94	7,502	3,872
	705	27	732	870
	11,213	5	11,218	8,095
	1,686	-	1,686	1,477
	2,589	4	2,593	2,246
	12,666	37	12,703	10,950
	4,208	50	4,258	3,252
	6,076	509	6,585	4,979
	21,899	99	21,998	15,305
	1,868,913	72,808	1,941,721	1,415,779
	1,868,913	72,808	1,941,721	1,415,779

42.5

42.5 Statement of Investment Income

42.6.1 Participants' Investment Fund (PIF)

Return on government securities
Other fixed income securities
Dividend income
Amortisation of (premium) / discount
Loss on sale of investment
Unrealised gain on investment
Net Investment Income of PIF

	Shahory Fund		Aggregats	
	Family Takaful Linked Business	Family Takaful Protection Business	31 December	
	2019	2018	2019	2018
	(Rupees in '000)			
	1,970	-	1,970	27,610
	322,551	-	322,551	50,509
	26,294	-	26,284	25,515
	(6,200)	-	(6,260)	(342)
	(207,195)	-	(207,195)	(101,520)
	27,420	-	27,420	53,051
(a)	165,344	-	165,344	125,519
42.6.2 Participants' Takaful Fund (PTF)				
Return on government securities	676	-	676	5,273
Other fixed income securities	7,309	1,322	8,681	4,615
Profit on bank deposits	21,924	-	21,924	2,319
(b)	20,009	1,322	31,681	12,207
42.6.3 Shareholders' Sub-Fund				
Return on government securities	18	-	18	164
Other fixed income securities	2,972	-	2,972	500
Dividend income	242	-	242	177
Amortisation of (premium) / discount	(58)	-	(58)	(7)
Loss on sale of investment	(1,500)	-	(1,500)	(672)
Unrealised gain on investment	253	-	253	567
Profit on bank deposits	41,135	-	41,135	14,418
(c)	42,657	-	42,657	15,252
(a+b+c)	237,808	1,622	239,762	154,000

43 FAIR VALUE

Investments on the balance sheet are carried at fair value except for investments in non-unlinked 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 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 designated upon initial recognition	Available for Sale	Held to Maturity	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Fair value			Total
								Level 1	Level 2	Level 3	
31 December 2019											
(Rupees in '000)											
Financial assets measured at fair value											
- Investments											
Government Securities (T-Bills + PIBs + Sukuk)	16,853,495	-	-	-	-	-	16,853,495	-	16,853,495	-	16,853,495
Sukuk Bonds (other than government)	4,677,570	-	-	-	-	-	4,677,570	-	4,677,570	-	4,677,570
Listed equity securities	10,247,217	174,817	-	-	-	-	10,422,034	10,422,034	-	-	10,422,034
Unlisted equity securities	509	-	-	-	-	-	509	-	-	509	509
Units of mutual funds	365,847	144,657	-	-	-	-	510,504	-	410,714	-	410,714
Debt securities (Listed TFCs)	4,431,821	-	-	-	-	-	4,431,821	4,431,921	-	-	4,431,921
Financial assets not measured at fair value											
- Government Securities (T-Bills + PIBs + Sukuk)	-	-	5,350,047	-	-	-	5,350,047	-	5,350,047	-	5,350,047
- Balances with banks *	25,372,519	-	-	-	-	-	25,372,519	-	-	-	25,372,519
- Certificate of Investment	210,000	-	-	-	-	-	210,000	-	-	-	210,000
- Advances	-	-	-	172,543	-	-	172,543	-	-	-	172,543
- Investment income accrued	-	-	-	-	2,760,117	-	2,760,117	-	-	-	2,760,117
- Other loans and receivables (excluding markup accrued)	-	-	-	-	3,053,403	-	3,053,403	-	-	-	3,053,403
	116,102,100	319,684	5,350,047	172,543	5,813,519	-	127,774,893	-	-	-	127,774,893
Financial liabilities not measured at fair value											
- Deferred taxation	-	-	-	-	-	743,179	743,179	-	-	-	743,179
- Premium received in advance	-	-	-	-	-	609,354	609,354	-	-	-	609,354
- Insurance / reinsurance payables	-	-	-	-	-	258,031	258,031	-	-	-	258,031
- Other creditors and accounts	-	-	-	-	-	2,257,480	2,257,480	-	-	-	2,257,480
	-	-	-	-	-	4,228,044	4,228,044	-	-	-	4,228,044
	116,102,100	319,684	5,350,047	172,543	5,823,519	(4,228,044)	127,515,855	-	-	-	127,515,855
31 December 2018											
(Rupees in '000)											
Financial assets measured at fair value											
- Investments											
Government Securities (T-Bills + PIBs + Sukuk)	51,808,147	-	-	-	-	-	51,808,147	-	51,808,147	-	51,808,147
Sukuk Bonds (other than government)	1,332,919	-	-	-	-	-	1,332,919	-	1,332,919	-	1,332,919
Listed equity securities	33,526,220	7,374	-	-	-	-	33,533,594	33,533,704	-	-	33,533,704
Unlisted 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)	2,535,553	-	-	-	-	-	2,535,553	2,535,553	-	-	2,535,553
Financial assets not measured at fair value											
- Government Securities (T-Bills + PIBs + Sukuk)	-	-	1,063,719	-	-	-	1,063,719	-	1,063,719	-	1,063,719
- Balances with banks *	19,829,503	-	-	-	-	-	19,829,503	-	-	-	19,829,503
- Certificate of Investment	210,000	-	-	-	-	-	210,000	-	-	-	210,000
- Advances	-	-	-	124,610	694,700	-	1,009,310	-	-	-	1,009,310
- Other loans and receivables (excluding markup accrued)	-	-	-	-	2,895,538	-	2,895,538	-	-	-	2,895,538
	119,592,947	7,374	1,063,719	124,610	3,590,238	-	124,378,888	-	-	-	124,378,888
Financial liabilities not measured at fair value											
- Deferred taxation	-	-	-	-	-	704,433	704,433	-	-	-	704,433
- Premium received in advance	-	-	-	-	-	714,419	714,419	-	-	-	714,419
- Insurance / reinsurance payables	-	-	-	-	-	193,219	193,219	-	-	-	193,219
- Other creditors and accounts	-	-	-	-	-	1,571,408	1,571,408	-	-	-	1,571,408
	-	-	-	-	-	3,183,479	3,183,479	-	-	-	3,183,479
	119,592,947	7,374	1,063,719	124,610	3,590,238	(3,183,479)	124,124,488	-	-	-	124,124,488

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

44 STATEMENT OF SOLVENCY

	Statutory Fund							Aggregate 31 December 2019
	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business	Accident & Health Business	Individual Family Takaful	Group Family Takaful	
(Rupees in '000)								
Assets								
Property and equipment	1,605,605	1,278,082	-	-	-	-	-	2,883,687
Intangible assets	24,733	-	-	-	-	-	-	24,733
Investments								
Equity securities	232,176	10,467,707	11,014	4,725	-	147,634	-	10,863,256
Government securities	719,764	72,597,880	2,010,903	1,926	-	849,675	23,094	76,203,542
Debt securities	10,000	8,069,902	18,000	-	-	1,186,589	15,000	9,319,491
Term deposits	-	17,075,000	100,000	10,000	-	2,435,000	39,000	19,659,000
Insurance / reinsurance receivables	-	-	240,723	-	-	-	13,276	253,999
Other loans and receivables	1,138,678	3,071,428	97,569	79	38	249,678	24,884	4,582,554
Deferred taxation	1,054,888	-	-	-	-	3,187	3,167	1,061,222
Prepayments	-	40,557	1,630	3	7	9,019	-	51,216
Cash and Banks	44,304	3,767,594	479,894	13,845	25,570	1,161,899	220,452	5,713,548
Total Assets (A)	4,830,148	116,408,240	2,959,733	30,578	25,615	6,043,061	338,873	130,636,248
In-admissible assets as per following clauses of section 32(2)								
32 (2) (a) Interfund	(903,716)	-	-	-	-	-	-	(903,716)
32 (2) (ii) Fixed Asset	(1,605,605)	-	-	-	-	-	-	(1,605,605)
32 (2) (i) Intangible	(24,733)	-	-	-	-	-	-	(24,733)
32 (2) (d) Unsecured Loan	(43,721)	-	-	-	-	-	-	(43,721)
32 (2) (ii) Premium due	-	-	(40,608)	-	-	-	(7,587)	(48,195)
34 (2) (a) Govt Sec	(426)	(8,112)	(4,715)	-	-	-	-	(13,253)
Total In-admissible Assets (B)	(2,578,201)	(8,112)	(45,323)	-	-	-	(7,587)	(2,639,223)
Total Admissible Assets (C=A+B)	2,251,947	116,400,128	2,914,410	30,578	25,615	6,043,061	331,286	127,997,025
Total Liabilities								
Deferred taxation	158,339	-	-	-	-	-	-	158,339
Borrowings	-	-	-	-	-	41,027	-	41,027
Premium received in advance	-	775,809	72,133	-	-	116,507	4,905	969,354
Insurance / reinsurance payables	-	81,390	103,964	-	-	18,269	54,408	258,031
Other creditors and accruals	494,404	3,290,509	1,218,148	8,305	24,338	714,123	144,144	5,893,971
Total Liabilities (D)	652,743	4,147,708	1,394,245	8,305	24,338	889,926	203,457	7,320,722
Total Net Admissible Assets (E= C-D)	1,599,204	112,252,420	1,520,165	22,273	1,277	5,153,135	127,829	120,676,303
Minimum Solvency Requirement								
Shareholder's Fund	165,000	-	-	-	-	-	-	165,000
Policyholders Liability	-	110,567,700	1,039,632	21,930	1,064	4,948,594	71,031	116,649,951
Solvency Margin	-	1,684,718	480,533	343	213	73,995	47,086	2,286,888
Excess / (Deficit) in Net Admissible Assets over minimum requirement	1,434,204	2	-	-	-	130,546	9,712	1,574,464

The Insurance Accounting Regulations, 2017 have retained the Statutory Fund wise accounting for regulatory returns. The Statement of Solvency has been prepared in accordance with the format prescribed in regulatory returns for solvency statement. The transfer of surplus to Shareholders Fund and the related deferred tax implications have been restricted to amount of surplus recommended by the Appointed Actuary for transfer.

Signature

	31 December 2019	31 December 2018
Number of Employees		

45 NUMBER OF EMPLOYEES

Number of employees as at 31 December

<u>2,561</u>	<u>2,229</u>
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Average number of employees as at 31 December

<u>2,395</u>	<u>1,969</u>
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46 GENERAL

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

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

47 SUBSEQUENT EVENTS - NON ADJUSTING

The Board of Directors has proposed a cash dividend of Rs. 10.50 per share (2018: Rs. 11.25/- per share) amounting to Rs. 6050 million (2018: Rs. 1,125 million) at its meeting held on 07 February 2020 for the approval of the members at the Annual General Meeting to be held on 27-03-2020. These financial statements do not reflect this appropriation as explained in note 3.1.18.

48 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 07 February 2020.

				
Managing Director & Chief Executive Officer	Chief Financial Officer	Director MBH	Director HAA	Chairman RBH

Statement under Section 52(2) of Insurance Ordinance 2000

Statement by Appointed Actuary

I have reviewed the Balance Sheet and Revenue Account and related notes prepared by Company for the year ending December 31, 2019. In my opinion:

- a) The policyholder liability included in the balance sheet have been determined in accordance with the provisions of the Insurance Ordinance, 2000 ("the Ordinance"); and
- b) Each statutory fund set up by the company, after accounting for capital contribution, complies with the solvency requirements of the Ordinance.



7/2/2020

OMER MORSHED, FCA, FPSA, FIA
Appointed Actuary

Statement by Directors

(As per the requirement of Section 46(6) and Section 52(2)(c) of the Insurance Ordinance, 2000)

Section 46(6)

- (a) in our opinion the annual statutory accounts of EFU Life Assurance Ltd. set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made there under;
- (b) EFU Life Assurance Ltd. has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements; and
- (c) As at December 31, 2019 EFU Life Assurance Ltd, continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements.

Section 52(2)(c)

- (d) In our opinion each statutory fund of EFU Life Assurance Ltd. complies with the solvency requirement of the Insurance Ordinance, 2000 and the Insurance Rules, 2017.


Director Director Managing Director
MBH HAA & Chief Executive
TGS
Chairman
RBV

Karachi: February 07, 2020

EFU LIFE ASSURANCE LTD

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

Secretarial Compliance Certificate

Name of Company: EFU Life Assurance Ltd.

To:
Enforcement & Monitoring Division
Securities & Exchange Commission of Pakistan
Islamabad

I, Abbas Hussain, Company Secretary of EFU Life Assurance Limited certify to the best of my knowledge and belief that the Secretarial and Corporate requirements of the Insurance Ordinance, 2000 (including the Rules and Regulations made there under), and the Companies Act, 2017 (including the Rules and Regulations made there under) and the Listing regulations have been duly complied with, for the year ended December 31, 2019. And that nothing has been concealed or withheld in this regard.

Date: 07 February 2020

Place: Karachi

Abbas Hussain
CNIC No. 4220199190613

CC: The Commissioner
Securities and Exchange Commission of Pakistan
Insurance Division, NIC Building
63, Jinnah Avenue
Islamabad.

CC: Securities and Exchange Commission of Pakistan
Government of Pakistan
Company Registration Office
1st Floor, State Life Building
7 Blue Area, Islamabad.



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KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

**Independent Reasonable Assurance Report on Statement of Free Float of Shares
to the Chief Executive Officer 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 2019, 30 June 2019, 30 September 2019 and 31 December 2019.

Applicable Criteria

The criteria against which the Statement is assessed is regulation no. 5.7.2(b)(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.

Responsibilities of the Management

Management is responsible for the preparation of the Statement as of 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as management 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 (ISAE) 3000 (Revised), '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 this engagement to obtain reasonable assurance about whether the Statement is free from material statement.

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 risk 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 the 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 records comprising of Central Depository Company statements, forms submitted by the Company with the 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 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 2019, 30 June 2019, 30 September 2019 and 31 December 2019 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(b)(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: 2 March 2020

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

EFU LIFE ASSURANCE LTD

EFU Life House, Plot No. 112, 8th 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 2019

	Quarter-1 31-Mar-19	Quarter-2 30-Jun-19	Quarter-3 30-Sep-19	Quarter-4 31-Dec-19
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	21,375,252	21,402,751	21,403,251	21,488,251
Less: Shares in Physical form (*)	1,327,860	1,327,860	1,327,610	1,327,610
Less: Shares held by Associate companies/ Group Companies (Cross holdings)	65,270,280	65,300,880	65,308,518	65,403,118
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
Free Float	12,019,944	11,961,845	11,953,957	11,774,357

Kemson
Basis of Preparation: This Statement is prepared in accordance with the requirements of Regulation No. 5.7.2(b)(ii) of Pakistan Stock Exchange Limited (PSX Regulations)..

(*) These shares also include physical shares held by directors / sponsors / senior management officers and their associates and by associate companies / group companies (Cross holdings).

(**) This includes shares which belong to two unidentified shareholders

T. G. Sachak
Taber G. Sachak
Managing Director & Chief Executive



Abbas Hussain
Abbas Hussain
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.



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ANNUAL CERTIFICATION OF COMPLIANCE WITH SECTION 11 AND SECTION 12 OF THE INSURANCE ORDINANCE, 2000

This is to certify that EFU Life Assurance Ltd., bearing insurance registration no. I-00973 dated August 09, 1992 has at all times complied with the following provisions of the Insurance Ordinance, 2000 during the period January 01, 2019 till December 31, 2019.

- (a) the provisions of the Ordinance relating to minimum paid-up share capital requirements;
- (b) the provisions of the Ordinance relating to minimum statutory deposits;
- (c) the provisions of the Ordinance relating to minimum solvency requirements;
- (d) the provisions of the Ordinance relating to the obtaining of reinsurance arrangements.

It is further certified that EFU Life Assurance Ltd:

- (a) is, and is likely to continue to be, able to meet its liabilities;
- (b) meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;
- (c) has appointed an auditor from the panel of approved auditors formed by the Commission;
- (d) Undertakes to abide by the decisions of the small disputes resolution committee(s) constituted under section 117 of the Ordinance;
- (e) has appointed an auditor from the panel of approved auditors formed by the Commission;
- (f) has chief executive officer, directors and officers; who are fit and proper person to hold the positions that they hold such that:
 - (i) they possess experience and qualification as are appropriate for the duties for which they are responsible, and they conduct those duties with due diligence and skill;
 - (ii) their association with the insurer is not and is not likely to be detrimental to the interest of the insurer or of its policy holders;



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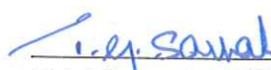



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- (g) is directed and managed by sufficient number of persons who are fit and proper persons to hold the positions which they hold;
- (h) maintains adequate accounting and other records of its business such that;
 - (i) it enables its business of the insurer to be prudently managed; and
 - (ii) it enables the insurer to comply with the obligations imposed on it by or under this Ordinance.
- (i) maintains adequate systems of control of its business and records and the persons who are responsible for the direction and management of the insurer hold responsibilities for those systems;
- (j) is conducting its business in a sound and prudent manner giving due regards to the interests of policy holders and potential policy holders;
- (k) is conducting its business in a sound and prudent manner by:
 - (i) satisfying obligations to which it is subject by virtue of the Ordinance; and
 - (ii) supervising the activities of its subsidiary with due care and diligence and without detriment to its own business.
- (l) has not appointed a managing agent for the conduct of its business.

Dated: February 07, 2020

We hereby undertake that the annual certificate of compliance filled in above, is true to the best of our knowledge, information and belief and nothing has been concealed or misstated therein.


Chief Executive Officer
S.P.S


Director
M.B.K


Director
R.B.H

Chairman's Review

I am pleased to present to you the Twenty-Eight Annual Report of the Company for the year ended 31 December 2019.

Economic review:

Economic volatility continued in 2019, and by June 2019 current account deficit was USD 13.6 Bn (June 2018: USD 19.9 Bn). Moreover, as part of economic stabilization policies, PKR continued to depreciate against the Dollar and State bank increased the policy rate by 325 bps in CY19.

The stabilization policies have begun to correct external account imbalances – the current account deficit over July-December 2019 was considerably lower compared to 2018, foreign currency reserves increased to USD 18 Bn in 2019 (2018: USD 13.8 Bn), and PKR has stabilized. Nonetheless, policy measures, particularly fiscal measures, will affect GDP growth in 2020.

Insurance Opportunity:

Pakistan has tremendous opportunities for life insurance business. With a population of over 200 million, 60% under the age of 25 years, a growing middle class and increasing awareness on financial services, such as banking and insurance, provides 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 formidable 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. Your Company is one of the leading players in the private life insurance sector spanning a period of 27 years of successful life operations. The life insurance industry gross premium has crossed the Rs. 200 Billion mark, registering a 5 year annualized growth of approximately 15%, 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. 31.75 billion. All distribution channels contributed positively to this performance. During the year, the Company's statutory funds generated a surplus of Rs. 2.08 billion. Out of this surplus, Rs. 1.96 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. 1.55 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 take strides in the private life insurance sector of the country. Despite the challenging economic times, 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.



Rafique R. Bhimjee