

IGI Life Insurance Limited

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IGI|Life

CS/PSX/2019/012
April 01, 2019

The General Manager
Pakistan Stock Exchange
Stock Exchange Building
Stock Exchange Road
Karachi-74000

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

Dear Sir,

We have to inform you that the Board of Directors of our Company in their meeting held at 11.30 am on Friday, March 29, 2019 recommended the following:

CASH DIVIDEND / BONUS SHARES / RIGHT SHARES

1) Cash Dividend

Final cash dividend @ Rs. nil / Share i.e. nil%

2) Right Shares

NIL

3) Bonus Shares

NIL

4) Corporate Action/ Price-Sensitive Information

The external auditors of the Company have issued a qualified opinion in their audit report in respect of the Company not recording a provision of provincial sales tax on life and health insurance premium in the financial statements for the year ended December 31, 2018. The provincial sales tax exemption on Group Health Insurance, Health Insurance and Life Insurance premiums were discontinued / withdrawn on various dates. The qualified opinion in the audit report stated as follows:

“Basis of Qualified Opinion

“The Company has not recorded applicable provincial sales tax liability on premium charged to the policyholders in respect of group health and life insurance in the accompanying financial statements. As more fully explained in note 25.1 to the financial statements, certain provincial revenue authorities had discontinued / withdrawn the sales tax exemption previously available on such premium and therefore sales tax became chargeable on the premiums stated above as a present legal obligation in accordance with the requirements of IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’. Had the sales tax liability been recognised at December 31, 2018, the loss after tax and loss per share for the year would have been higher by Rs. 228.081 million and Rs 3.23 respectively while sales tax liability as at December 31, 2018 would have been higher by Rs. 321.241 million.”



Qualified Opinion

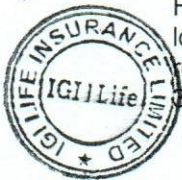
"In our opinion and to the best of our information and according to the explanations given to us, except for effects of the matter described in the basis for qualified opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flows 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 December 31, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended."

Management's Response

As fully explained in note 25.1 to the annual audited financial statements for the year ended December 31, 2018, the provincial sales tax exemption on Group Health Insurance and Life Insurance premiums were discontinued / withdrawn on various dates. The Company has not yet billed its customers for provincial Sales Tax on its life insurance and health insurance premiums since the lapse / withdrawal of exemptions on their respective dates, nor has it made any provision for provincial sales tax in the financial statement for the year ended December 31, 2018.

The Company is of the view that the levy of sales tax on life insurance business needs to be reviewed in the interest of sustainability and growth of Life Insurance business in Pakistan. The matter for renewal of the exemption has been raised with the Sindh Revenue Board (SRB) and the Punjab Revenue Authority (PRA) respectively at industry level by Insurance Association of Pakistan. The Securities and Exchange Commission of Pakistan (SECP) being the apex regulator of the insurance industry has also approached provincial revenue authorities against the application of sales tax on life and health insurance business. SECP has emphasized that the insurance market in Pakistan is serving an integral component of the economy by providing risk mitigating solutions to the corporate sector. They have also pointed out that most of the individual life insurance policies sold in Pakistan have a predominant saving component and that taxing the gross premium of insurance policies would result in taxing the hard earned savings of the policyholders. In view of this, the company is optimistic about positive response of the provincial revenue authorities and no provision in this respect has been made in the financial statements for the year ended December 31, 2018.

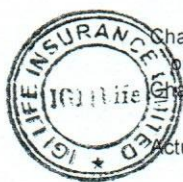
Had the sales tax liability on life insurance and health insurance premium been recorded, the loss after tax and loss per share would have been higher by Rs. 228.081 million and Rs. 3.23 respectively while sales tax liability as at December 31, 2018 would have been higher by Rs. 21.241 million.



5) Financial Results of the company are given below:

IGI LIFE INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	-----Rupees in 000's-----	
		(Restated)
Premium / contribution revenue	4,793,561	5,617,388
Less: premium / contribution ceded to reinsurers / retakaful operators	137,240	128,916
Net premium / contribution revenue	4,656,321	5,488,472
Investment income	1,077,634	1,072,504
Net realised fair value (losses) / gains on financial assets	(84,687)	39,581
Other income - net	80,821	79,929
	1,073,768	1,192,014
Net income	5,730,089	6,680,486
Insurance benefits	5,154,003	4,392,221
Recoveries from reinsurers / retakaful operators	(31,368)	(73,485)
Net insurance benefits	5,122,635	4,318,736
	607,454	2,361,750
Change in Insurance Liabilities (other than outstanding claims)	(667,716)	919,769
Acquisition expenses	711,544	693,853
Marketing and administration expenses	706,596	545,051
Other expenses	5,636	11,781
Total expenses	756,060	2,170,454
	(148,606)	191,296
Finance costs	1,074	606
Surplus appropriated to Shareholders' Fund from Ledger Account C	15,604	35,285
(Loss) / profit before tax	(134,076)	225,975
Income tax (reversal / expense)	(39,373)	68,204
(Loss) / profit after tax	(94,703)	157,771
(Loss) / earnings per share - Rupees	(1.34)	2.24
(Loss) / profit after tax - as per profit and loss account	(94,703)	157,771
Other comprehensive income / (loss):		
Change in unrealised gains / (losses) on available-for-sale financial assets - net of tax	(590,710)	(378,481)
Change in insurance liabilities - net	554,635	245,506
Actuarial (losses) / gains on retirement benefit scheme	(1,691)	5,692
Other comprehensive loss for the year	(37,766)	(127,283)
Total comprehensive (loss) / income for the year	(132,469)	30,488



IGI LIFE INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Attributable to equity holders of the Company				Total
	Share capital	Unappropriated profit *	Ledger C & D Account	Surplus / (deficit) on revaluation of available for sale investments	
	-----Rupees in 000's-----				
Balance as at December 31, 2016 as previously reported	605,000	813,443	-	-	1,418,443
Effect of changes in accounting policies (note 5)	-	-	77,899	108,208	186,107
Balance as at January 01, 2017 (restated)	605,000	813,443	77,899	108,208	1,604,550
Total comprehensive income					
Profit for the year ended December 31, 2017 (restated)	-	67,906	89,865	-	157,771
Other comprehensive income / (loss) for the year ended December 31, 2017 (restated)	-	-	5,692	(132,975)	(127,283)
	-	67,906	95,557	(132,975)	30,488
Transactions with owners recorded directly in equity					
Final dividend for the year ended December 31, 2016 - Re. 1.5 per share	-	(90,750)	-	-	(90,750)
Issuance of bonus shares - 8%	48,400	(48,400)	-	-	-
Issuance of bonus shares - 8%	52,272	(52,272)	-	-	-
	100,672	(191,422)	-	-	(90,750)
Balance as at December 31, 2017 (restated)	705,672	689,927	173,456	(24,767)	1,544,288
Total comprehensive income					
Profit / (loss) for the year ended December 31, 2018	-	33,272	(127,975)	-	(94,703)
Other comprehensive loss for the year ended December 31, 2018	-	-	(1,691)	(23,473)	(25,164)
	-	33,272	(129,666)	(23,473)	(119,867)
Transactions with owners recorded directly in equity					
Final Dividend for the year ended December 31, 2017 - Re. 1 per share	-	(70,567)	-	-	(70,567)
Balance as at December 31, 2018	705,672	652,632	43,790	(48,240)	1,353,854



The Annual General Meeting (AGM) of the Company will be held at 2.30 pm on Friday, April 26, 2019 at Sunflower hall, Beach Luxury Hotel, M.T Khan Road, Lalazar, Karachi.

The Share Transfer books of the Company will remain closed from April 19 – 26, 2019 (both days inclusive). Transfer received in order by our share registrar, FAMCO Associates (Pvt) Limited, 8-F, next to Faran Hotel, P.E.C.H.S block 6, Shahrah-e-Faisal, Karachi at the close of business on April 18, 2019 will be treated in time for the issue of notice of AGM.

We shall be submitting three hard copies of the annual audited financial statements of the Company as required u/s 223(7) of the Companies Act, 2017, in due course of time.

Yours truly

Yasir Ali Quraishi
Company Secretary



Copy to:

- The Director, Insurance Division, SECP, Islamabad.
- The Director, Securities Market Division, SECP, Islamabad