

Jubilee

LIFE INSURANCE

Ref : JLI/CO.SEC./PSX-KSE/2019/1004

March 28, 2019

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi
UAN Fax # 111 573 329

Subject: ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

Dear Sir

We have to inform you that the Board of Directors of Jubilee Life Insurance Company Limited in their 121st Board Meeting held on March 28, 2019 at 10:00 a.m. at Jubilee Life Head Office Building, 74/1-A, Lalazar, M.T. Khan Road, Karachi, recommended the following:

i) **CASH DIVIDEND**

A Final Cash Dividend for the year ended December 31, 2018 at Rs. 14.50/- per share i.e. 145%. This is in addition to Interim Dividend already paid at Rs.3.00 per share i.e.30%.

ii) **BONUS SHARES**

NIL

iii) **RIGHT SHARES**

NIL

ANY OTHER ENTITLEMENT/ CORPORATE ACTION

NIL

ANY OTHER PRICE- SENSITIVE INFORMATION

The external auditors of the Company, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, Karachi, have issued a qualified opinion in their independent auditors' report to the members of the Company on the audited financial statements of the Company for the year ended December 31, 2018. The qualified opinion is in respect of the provincial sales tax issue, following the discontinuation / withdrawal of exemptions from provincial sales tax on Life and Health insurance by the provinces of Sindh and Punjab on various dates, and is reproduced below:

"QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 cash flow statement and the statement of changes in equity 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 profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As more fully explained in note 26.2 to the financial statements, exemption from provincial Sales Tax on Group Health insurance, Health insurance and life insurance was discontinued / withdrawn on various dates. The Company, notwithstanding the principal stand that life and health insurance are not a service and therefore do not fall within the scope of taxability under the provincial sales tax laws of the provinces, along with Insurance Association of Pakistan is currently in negotiations with provincial tax authorities to seek an exemption and to agree the portion of premium which should be subject to sales tax. The potential liability on Group Health (in Sindh) and Health insurance (in Punjab) is estimated at Rs.739 million. The Company considers that it is premature to estimate the liability for sales tax on life insurance at this stage. We consider that the liability can be estimated based on the current law. Therefore, it was impracticable for us to quantify the full effect of provincial sales tax on the financial statements for the year ended December 31, 2018."

COMPANY'S RESPONSE TO AUDITORS' QUALIFIED OPINION

As explained in detail in note 26.2 to the audited financial statements for the year ended December 31, 2018, the provincial revenue authorities of Sindh and Punjab made significant changes in the provincial sales tax regimes applicable to the insurance industry, making life and corporate health in insurance in Sindh, and life and health insurance in Punjab, subject to provincial sales taxes, by lapsation or withdrawal of the exemptions earlier allowed.

The management of the Company is of the view that life and health insurance is not a service, but infact, an underwriter's promise to pay to the policy holder in the future, a specified sum of money, either on occurrence of an identified event causing loss, or upon maturity of the policy. The management has also sought a legal opinion from the Company's legal advisors, who, in their opinion, have confirmed the management's view. The legal advisors have further expressed the opinion that without prejudice to the main contention that life and health insurance do not constitute a service, even otherwise, any amount allocated for investments on behalf of the policy holder does not belong to the Company and cannot be subjected to provincial sales tax.

This being a collective issue of the industry, the Insurance Association of Pakistan (IAP), of which the Company is a member, has actively taken up the matter with the provincial revenue authorities, including, in the alternate scenario, the basis of charging of such tax, if any. Discussions with the other provincial authorities are also in progress. The provincial revenue authorities, acknowledging the ongoing discussions, have not yet enforced the levy and are allowing time for deliberation and dialogue, despite lapse of the exemption notifications on their respective dates.

In view of the legal opinion obtained by the Company, the ongoing administrative efforts with the provincial revenue authorities as explained above, the endorsement of the SECP, and the fact that acknowledging the ongoing discussions, the provincial revenue authorities have not enforced the levy and are allowing time for deliberation and dialogue, despite lapse of the exemption notifications the Company has not yet billed its customers for provincial sales tax on life and health insurance since the lapse / withdrawal of the exemptions on their respective dates, nor has it made any provision for provincial sales taxes in the audited financial statements for the year ended December 31, 2018, as the Company considers it premature to estimate any amount of liability on life insurance, given the above facts as elaborated above. In respect of contingent sales tax liability for health insurance, the aggregate contingent liability as at December 31, 2018 of Rs.739 million, has not been provided for in these financial statements, pending the outcome of the administrative efforts.

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FINANCIAL RESULTS

The financial results of the Company are as follows:

	For the Year ended	
	2018	2017
	(Restated)	
	-----Rupees Million-----	
REVENUE		
Premiums / Contributions Revenue	51,887.07	46,816.89
Premiums / Contributions ceded to reinsurers	(1,216.10)	(911.00)
Net premiums / contributions revenue	50,670.97	45,905.89
Fee income	41.81	49.84
Investment income	7,564.52	5,959.85
Net realised fair value gains / (losses) on financial assets	267.07	(1,829.70)
Net fair value loss on financial assets at fair value through profit or loss	(9,744.80)	(8,147.14)
Other income	196.68	152.56
	(1,674.72)	(3,814.59)
Net income	48,996.25	42,091.30
Insurance benefits	17,294.77	14,015.20
Recoveries from reinsurers	(985.89)	(1,050.96)
Claims related expenses	6.84	5.47
Net Insurance Benefits	16,315.72	12,969.71
Net Change in insurance liabilities (other than outstanding claims)	16,349.03	12,902.62
Acquisition expenses	9,795.74	8,506.50
Marketing and administration expenses	2,776.76	2,510.81
Other expenses	29.67	30.69
Total Expenses	28,951.20	23,950.62
Realized loss on derivative financial instrument	(25.20)	(17.24)
Unrealized gain / (loss) on derivative financial instrument	181.79	(27.19)
Finance cost	(120.49)	-
	36.10	(44.43)
Results of operating activities	3,765.43	5,126.54
Share of profit of associate	9.92	8.97
Profit before tax	3,775.35	5,135.51
Income tax expense	(1,345.02)	(1,873.67)
Profit for the year	2,430.33	3,261.84
Earnings (after tax) per share - Rupees	30.64	41.12




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	For the Year ended	
	2018	2017
	(Restated)	
	-----Rupees Million-----	
Profit for the year - as per Profit and Loss Account	2,430.33	3,261.84
Other comprehensive income:		
Items that may be classified to profit and loss in subsequent period		
Currency translation differences (related to net investment in foreign currency)	24.56	5.53
Related deferred tax on currency differences	(5.44)	(1.66)
	19.12	3.87
Change in unrealised losses on available-for-sale financial assets	(11.37)	(107.84)
Reclassification adjustment relating to available-for-sale investments sold during the year	(40.46)	(648.90)
	(51.83)	(756.74)
Related deferred tax	15.25	227.02
Change in unrealised gains/(losses) on available-for-sale financial assets - net of deferred tax	(36.58)	(529.72)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Actuarial gains / (losses) on retirement benefit schemes	1.98	(24.44)
Related deferred tax	(1.62)	7.33
	0.36	(17.11)
Other comprehensive income for the year - net of tax	(17.10)	(542.96)
Total comprehensive income for the year	2,413.23	2,718.88

The Annual General Meeting of the Shareholders of the Company shall be held on Saturday, April 27, 2019 at Auditorium, Ground Floor, Habib Bank Tower, Jinnah Avenue, Islamabad at 11.00 a.m.

The Shares Transfer Books of the Company will be closed from April 21, 2019 to April 27, 2019, (both days inclusive). Transfers received at the Registrar's Office, CDC Shares Registrar Services, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, main Shara-e-Faisal, Karachi 74400, at the close of business on April 20, 2019 will be treated in time for the purpose of above entitlement to the transferees.

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.

Thanking you,

Yours truly

FOR JUBILEE LIFE INSURANCE COMPANY LIMITED


NAJAM UL HASSAN JANJUA
COMPANY SECRETARY

