KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

Adamjee Life Assurance Company Limited

Financial Statements
For the year ended
31 December 2018

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Adamjee Life Assurance Company Limited

Report on the Audit of the Financial Statements

Qualified Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

We draw attention to note 22.1.3 to the financial statements, which more fully explains the fact that life insurance business was exempt from the applicability of Sindh Sales tax up to 30 June 2018. However the exemption was not extended subsequent to that date. The Company has neither billed its customers nor recorded the liability for Sindh Sales tax. The estimated liability for Sindh sales tax based on gross premium as at 31 December 2018 amounts to Rs. 522 million. However the Company has obtained a legal opinion regarding the basis for the calculation of sales tax under the Rules framed under the Sindh Sales Tax on Services Act, 2011, based on which it is of the view that sales tax is chargeable on gross premium charged on 'risk covered' and not on the gross amount received from the policy holders in terms of Rule 31 of the Sindh Sales Tax on Services Rules, 2011. Based on the legal opinion, liability for Sindh Sales tax as of 31 December 2018 has been estimated at Rs. 54 million as per the Company's calculation of the premium on risk coverage. However, the Company along with Insurance Association of Pakistan currently are in negotiations with provincial tax authorities to seek an exemption and to seek clarity as well on interpretation of Rule 31 of the Sales Tax on Services Rules, 2011 with regard to term 'risk covered'.

Resultantly, the Company considers that it is premature to estimate the liability for sales tax on life insurance at this stage. Therefore, it was impracticable for us to quantify the possible effect of provincial sales tax on the financial statements of the Company for the year ended 31 December 2018.

Further, the possible effect of above stated matter on the solvency requirement as required under the Insurance Ordinance, 2001 could not be quantified.

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

Emphasis of matter

We draw attention to note 38.1.1, which mentions that under the Insurance Ordinance 2001 a company is required to have at all times admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement. However, at 31 December 2018, in case of Unit Linked Business and Individual Family Takaful Business for reasons explicitly mentioned in note 38.1.1, admissible assets were short of the solvency requirement by Rs. 80.398 million and Rs. 43.77 million respectively which however, in the latter case was subsequently met.

Our opinion is not modified in this respect.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, then we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

a) except for the possible effects of the matters described in "basis for qualified opinion" section of our report, 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);

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b) except for the possible effects of the matters described in "basis for qualified opinion" section of our report, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary;

d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and

e) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 29 March 2019

Karachi

Adamjee Life Assurance Company Limited
Statement of Financial Position
As at 31 December 2018

	Note	**31 December 2018**	31 December 2017 (Restated)	1 January 2017 (Restated)
		(Rupees in '000)		
Assets				
Property and equipment	5	**159,490**	150,264	73,008
Intangible assets	6	**81,417**	63,518	52,878
Investment property	7	**855,394**	637,981	-
Investments				
Equity securities	8	**9,858,380**	6,881,527	3,157,425
Government securities	9	**1,214,825**	3,845,965	7,569,196
Debt securities	10	**2,823,948**	1,632,833	630,579
Term deposits	11	**11,070,000**	10,625,000	5,500,000
Mutual funds	12	**3,815,940**	3,724,926	3,275,936
Loan secured against life insurance policies		**34,556**	31,170	20,447
Insurance / reinsurance receivables	13	**128,484**	63,233	-
Other loans and receivables	14	**309,209**	266,148	1,449,857
Taxation - payment less provision		**180,847**	130,661	68,404
Prepayments	15	**68,149**	52,567	37,255
Cash and Bank	16	**3,311,653**	1,351,635	1,677,912
Total Assets		**33,912,292**	29,457,428	23,512,897
Equity and Liabilities				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	17	**935,494**	935,494	935,494
Cede money to Waqf		**500**	500	500
(Deficit) / Surplus on revaluation of available for sale investments		**(3,928)**	4,639	25,162
Unappropriated profit		**52,288**	54,357	72,922
Retained earnings arising from business other than participating business attributable to the shareholders (Ledger Account D)		**138,535**	68,950	232,509
Total Equity		**1,122,889**	1,063,940	1,266,587
Liabilities				
Insurance liabilities	18	**31,746,677**	27,451,786	21,487,446
Retirement benefit obligations	20	**-**	31,506	14,361
Premium received in advance		**393,180**	259,923	184,762
Insurance / reinsurance payables		**-**	-	17,138
Deferred tax liability	19	**40,711**	24,374	111,076
Other creditors and accruals	21	**608,835**	625,899	431,527
Total Liabilities		**32,789,403**	28,393,488	22,246,310
Total equity and liabilities		**33,912,292**	29,457,428	23,512,897
Contingencies and commitments	22			

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer | Imran Maqbool. **Director** | **Director** | **Chairman**

Adamjee Life Assurance Company Limited
Profit and Loss Account
For the year ended 31 December 2018

	Note	2018	2017 (Restated)
		(Rupees in '000)	
Premium revenue		13,247,254	13,766,086
Premium ceded to reinsurers		(536,000)	(471,935)
Net premium / contribution revenue	23	12,711,254	13,294,151
Investment income	24	1,585,556	1,460,016
Net rental income		2,000	-
Net realised fair value gains / (loss) on financial assets	25	345,508	(223,287)
Net fair value loss on financial assets at fair value through profit or loss - unrealized	26	(1,738,983)	(1,628,703)
Net unrealised gains / (loss) on investment property	7	125,900	(42,433)
Other income	27	126,163	61,994
		446,144	(372,413)
Net income		13,157,398	12,921,738
Insurance benefits		(6,839,131)	(4,811,365)
Recoveries from reinsurers		523,545	426,015
Net insurance benefits	29	(6,315,586)	(4,385,350)
Net Change in Insurance Liabilities (other than outstanding claims)		(3,703,340)	(5,843,601)
Acquisition expenses	31	(2,139,988)	(1,973,322)
Marketing and administration expenses	32	(810,067)	(887,047)
Investment related expenses		(79,829)	(42,094)
Other expenses	33	(36,025)	(32,476)
		(6,769,249)	(8,778,540)
Total expenses		(13,084,835)	(13,163,890)
Results of operating activities / profit / (loss) before tax		72,563	(242,152)
Income tax expense / income	34	(16,475)	72,403
Profit / (loss) for the year		56,088	(169,749)
		(Rupees)	
Earnings (after tax) per share	35	0.60	(1.81)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

Adamjee Life Assurance Company Limited

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018	2017 (Restated)
		(Rupees in '000)	
Profit / (loss) after tax		**56,088**	(169,749)
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit and loss account			
Remeasurement of post retirement defined benefits obligations	20.2.3	**15,236**	(17,681)
Related deferred tax		**(3,808)**	5,304
		11,428	(12,377)
Items that will be reclassified subsequently to profit and loss account			
Transferred to profit and loss account on disposal of available for sale investments		**2,898**	-
Unrealised loss on revaluation of available for sale investments during the year		**(14,980)**	(29,319)
	28	**(12,082)**	(29,319)
Related deferred tax		**3,515**	8,796
		(8,567)	(20,523)
Total comprehensive income / (loss) for the year		**58,949**	(202,649)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director** **Director** **Chairman**

Adamjee Life Assurance Company Limited
Statement of Changes in Equity
For the year ended 31 December 2018

	Note	Share capital (Refer Note 17.4)	Money ceded waqf fund	Surplus / (deficit) on revaluation of available for sale investments - net of tax	Unappropriated profit	Retained earnings arising from business other than participating business attributable to shareholders (Ledger Account D) Refer Note	Total
		Attributable to equity holders of the Company					
		(Rupees in '000)					
Balance as at 1 January 2017 - previously reported		935,494	500	-	72,269	-	1,008,263
Effect of change in accounting policy for ledger D balance - net of tax	4.1	-	-	-	-	232,114	232,114
Adjustment due to change in accounting policy - relating to investments	4.1	-	-	25,162	653	395	26,210
Balance as at 1 January 2017 - restated		935,494	500	25,162	72,922	232,509	1,266,587
Total comprehensive income the year ended 31 December 2017 - restated							
- Loss for the year after tax - restated		-	-	-	(169,749)	-	(169,749)
- Other comprehensive loss -restated		-	-	(20,523)	(12,377)	-	(32,900)
		-	-	(20,523)	(182,126)	-	(202,649)
Transaction with owners recorded directly in the equity							
Deficit for the year retained in statutory funds		-	-	-	163,559	(163,559)	-
Balance as at 31 December 2017 - restated		935,494	500	4,639	54,355	68,950	1,063,938
Balance as at 1 January 2018 - previously reported		935,494	500	-	50,882	-	986,876
Effect of change in accounting policy for revenue account ledger D balance - met of tax	4.1	-	-	-	-	68,761	68,761
Adjustment due to change in accounting policy - relating to investments	4.1	-	-	4,639	3,475	189	8,303
Balance as at 1 January 2018 - restated		935,494	500	4,639	54,357	68,950	1,063,940
Total comprehensive income the year ended 31 December 2018							
- Profit for the year after tax		-	-	-	56,088	-	56,088
- Other comprehensive income		-	-	(8,567)	11,428	-	2,861
		-	-	(8,567)	67,516	-	58,949
Transaction with owners recorded directly in the equity							
Surplus for the year retained in statutory funds		-	-	-	(69,585)	69,585	-
Balance as at 31 December 2018		935,494	500	(3,928)	52,288	138,535	1,122,889

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

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | **Chairman**

Adamjee Life Assurance Company Limited
Cash Flow Statement
For the year ended 31 December 2018

		2018	2017 (Restated)
		(Rupees in '000)	
	Operating Cash Flows		
(a)	**Underwriting activities**		
	Insurance premium received	13,490,348	13,824,278
	Reinsurance premium paid	(111,019)	(94,362)
	Claims paid	(6,324,062)	(4,705,585)
	Commission paid	(1,951,890)	(1,661,945)
	Marketing and administrative expenses paid	(922,607)	(342,550)
	Net cash flow from underwriting activities	4,180,770	7,019,836
(b)	**Other operating activities**		
	Income tax paid	(121,018)	(135,146)
	Total cash flow from all operating activities	4,059,752	6,884,690
	Investment activities		
	Profit / return received	1,202,694	657,471
	Dividend received	484,377	563,917
	Rental received	2,000	-
	Payment for investments / investment properties	(82,408,028)	(102,812,667)
	Proceeds from investments	80,629,772	98,653,809
	Fixed capital expenditure	(104,764)	(130,999)
	Loan to policy holder	(546)	(8,529)
	Proceeds from sale of property, plant and equipment	4,761	1,031
	Total cash flow from investing activities	(189,734)	(3,075,967)
	Net cash flow from all activities	3,870,018	3,808,723
	Cash and cash equivalent at the beginning of the year	10,461,635	6,652,912
	Cash and cash equivalent at the end of the year	14,331,653	10,461,635
	Reconciliation to Profit and Loss Account		
	Operating cash flows	4,059,752	6,884,690
	Amortisation and depreciation expense	(65,560)	(42,325)
	Profit on disposal of property, plant and equipment	2,882	251
	Profit / (loss) on disposal of investment	345,508	(223,287)
	Rental income	2,000	-
	Dividend income	432,731	604,827
	Other investment loss	(416,692)	(712,110)
	Increase / (decrease) in assets other than cash	178,501	(1,032,184)
	Decrease in liabilities other than borrowings	(4,483,034)	(5,649,611)
	Profit and loss after taxation	56,088	(169,749)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer | **Director** | **Director** | **Chairman**

1. STATUS AND NATURE OF BUSINESS

1.1 Adamjee Life Assurance Company Limited ("the Company") was incorporated in Pakistan on 4 August 2008 as a public unlisted company under the Companies Act, 2017. The Company started its operations from 24 April 2009. Registered office of the Company is at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V, each having a holding of 74.28% and 25.72% (2017: 74.28% and 25.72%) respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited ("HLA"), an associate company of IVM Intersurer B.V. to act on its behalf in respect of matters relating to the Company. HLA is South Africa's largest private sector insurance company.

The Company is engaged in life assurance business carrying on non-participating business only. In accordance with the requirements of the Insurance Ordinance, 2000, the Company has established a shareholders' fund and the following statutory funds in respect of each class of its life assurance business:

- Conventional Business
- Accident and Health Business
- Individual Life Non-unitised Investment Linked Business
- Individual Life Unit Linked Business
- Individual Family Takaful Business *(refer note 1.2)*

1.2 The Company was granted authorization on 4 May 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by the Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations from 14 July 2016. The Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF)) on 22 December 2015 under a Waqf deed executed by the Company with the cede amount of Rs. 500,000. 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.

1.3 IVM Intersurer B.V is in the process of selling its holding in the company to Adamjee Insurance Company Limited after relevant legal formalities.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act 2017, the Insurance Ordinance,2000, the Insurance Rules,2017, the Insurance Accounting Regulations,2017 and Takaful Rules 2012. In case requirements differ, the provisions or directives of the Companies Act,2017, Insurance Ordinance,2000, the Insurance Rules,2017, the Insurance Accounting Regulations, 2017 and Takaful Rules 2012 shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of management estimates and assumption form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are disclosed in note 4 to these financial statements.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional and presentation currency. Amounts presented have been rounded off to the nearest thousands unless otherwise stated.

3.4 Standards, interpretations and amendments effective in current year

During the year, certain new standards and amendments to existing standards became effective. However, they did not have material effect on these financial statements.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company considers that the impact on the adaptation of the standard would not be significant.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company considers that the impact on the adaptation of the standard would not be significant.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company considers that the impact on the adaptation of the standard would not be significant.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 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 is in the process of analyzing the impact on Companys financial statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these financial statements are same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2017, with the exception of following changes brought about by application of Insurance Accounting Regulations, 2017 and Insurance Rules 2017:

- A new format of financial statements has been prescribed where statement of comprehensive income has been added and revenue account, statement of premiums / contributions, statement of claims, statement of expenses and statement of investment income have been done away with;

- Full premiums and claims of insurance business are now being recorded in profit and loss account. Previously only surplus as recommended by the appointed actuary was included in profit and loss account; and

- The accounting policies for investments have been brought in line with requirements of IAS 39 Financial Instruments. Previously these investments were valued at lower of cost or market value.

4.1 During the year, the Company changed its accounting policy for the valuation of the available-for-sale investments to comply with the requirements of the 'Insurance Rules, 2017' issued by Securities and Exchange Commission of Pakistan vide its S.R.O. 89(1)/2017 dated 9 February 2017, which requires the valuation of available-for-sale investments at fair value. In line with the requirements given in the Rules, subsequent to initial recognition, the quoted available-for-sale investments are to be valued at market value and any unrealised gains or losses arising on revaluation of available-for-sale investments is taken to Other Comprehensive Income and transferred to revaluation reserves. On derecognition or impairment of available-for-sale investments, the cumulative gains or losses previously reported in revaluation reserves is reclassified to Profit and Loss Account for the year. This change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Change in Accounting Estimates and Errors and the comparatives have been restated to conform to the changed policy (and the earliest period presented has been changed).

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

	31 December 2018	31 December 2017	01 January 2017
	(Rupees in '000)		
Impact on Statement of Financial Position			
Increase in Investments	**6,602**	10,291	36,996
Decrease in deferred tax asset	**44,982**	31,458	110,263
Decrease in insurance liablities	**(14,200)**	(3,377)	(2,202)
Increase in unappropriated profit and reserves	**-**	3,475	653
Increase in Equity - Ledger Account D balance	**138,535**	68,950	232,509
(Deficit) / Surplus on revaluation of available for sale investments	**(3,928)**	4,639	25,162

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Further the balance of Rs. 230.57 million as at 01 January 2017 representating the ledger D retained earnings balance earlier included in statutory funds have now been included in equity. In addition, due to the change in format of the statement of financial position, interfund receivable and payable balances of Rs. 323.86 million have been netted off against each other.

	For the year ended	
	31 December 2018	31 December 2017
	---------- (Rupees in '000) ----------	
Impact on Profit and Loss Account due to change in accounting policy:		
Gain / loss on other than participating business (Ledger Account D)	**76,968**	(234,538)
Decrease in insurance liablities	**10,823**	1,175
Gain/ loss on remeasurement of post retirement defined benefits obligations	**(15,236)**	17,681
Loss on avaliable for sale investment	**1,666**	2,617
Related deffer tax	**(13,231)**	64,704
	60,990	(148,361)
Impact on Other Comprehensive Income due to change in accounting policy:		
Items that will not be reclassified subsequently to profit and loss account		
Loss on remeasurement of post retirement defined benefits obligations	**15,236**	(17,681)
Related tax impact	**(3,808)**	5,304
	11,428	(12,377)
Items that will be reclassified subsequently to profit and loss account		
Unrealized gain on available for sale investment	**(12,082)**	(29,319)
Related tax impact	**3,515**	8,796
	(8,567)	(20,523)
Total Impact in Other Comprehensive Income	**2,861**	(32,900)
Increase / (decrease) in EPS - Rupees per share	**0.74**	(1.75)

4.2 Types of Insurance / Window Takaful Operations

a) Conventional Business

The Conventional Business includes individual life, group life and group credit life assurance.

i) Individual life

The individual life business segment provides coverage to individuals against deaths and disability under conventional policies issued by the Company. Additional riders are included on the discretion of the policyholder. The business is written through bancassurance, tele-sales and direct sales made by head office.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the earlier of the policy expiry or the date when the intimation of the insured event giving rise to the claim is received. Surrender of conventional business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

ii) Group life and group credit life

Group Life contracts are mainly issued to employers to insure their commitments to their employees as required under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968.

The group life business segment provides coverage to members / employees of business enterprises and corporate entities, against death and disability under group life assurance schemes issued by the Company. The group credit life business segment provides coverage to a group of members or subscribers registered under a common platform against death and disability. The business is written mainly through direct sales force and bancaassurance channel.

Revenue recognition

Premiums are recognised as and when due. In respect of certain group policies the Company continues to provide insurance cover even if the premium is received after the grace period. Provision for unearned premiums is included in the policyholders' liabilities.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised on the date the insured event is intimated.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the balance sheet.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

Experience refund of premium

Experience refund of premium payable to policyholders' is included in policyholders' liability in accordance with the policy of the Company and the advice of the appointed actuary.

b) Accident and Health Business

Accident and Health Business provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals. The risk underwritten is mainly related to medical expenses relating to hospitalisation and death by accidental means. This business is written through direct sales by the head office as well as through tele-sales.

Revenue recognition

Premiums are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claims expenses are recognised after the date the insured event is intimated and a reliable estimate of the claim amount can be made.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

c) Non-unitised Investment Linked Business

Individual Life Non-unitised Investment Linked Business provides life assurance coverage to individuals under universal life policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. The risk underwritten is mainly death and disability. This business is written through bancassurance channel.

Revenue recognition

Premiums (including first year, renewal and single premium) are recognised once the related policies have been issued and the premiums have been received.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expense

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of non-unitised investment linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

d) Unit Linked Business

Individual Life Unit Linked Business provides life assurance coverage to individuals under unit-linked investment policies issued by the Company. Benefits are expressed in terms of account value of the policyholder account which is related to the market value of the underlying assets of the investment fund. Various types of riders (Accidental death, family income benefits etc.) are also sold along with the basic policies. Some of these riders are charged through deductions from policyholders fund value, while others are not charged i.e. additional premium is charged there against. The risk underwritten is mainly death and disability. This business is written through bancassurance channel and Company's own agency distribution channel.

Revenue recognition

Premiums (including first year, renewal and single premiums) are recognised once the resulted policies have been issued / renewed against receipt and realization of premiums.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

e) Individual Family Takaful Unit Linked Business

The Company offers Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant Qard-e-Hasna to make good the deficit. Although Qard-e-Hasna shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it and repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund, the amount so given is not reflected as an asset for the benefit of the participant. The detailed disclosures of window takaful operations are presented in note 45.

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.

Revenue recognition

Contribution (including first year, renewal and single contributions) are recognized once the related policies are issued against receipt of contribution.

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the date of financial statement , in accordance with section 50 of the Insurance Ordinance, 2000.

Claim expenses

Claim expenses are recognised on the earlier of the policy expiry or the date when the intimation of the event giving rise to the claim is received.

Surrender of unit linked business policies is made after these have been approved in accordance with the Company's Policy.

Liability for outstanding claims includes amounts in relation to unpaid reported claims and is stated at estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred and reported to the date of the financial statements.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the insurance / policyholders' liabilities in accordance with the estimates recommended by the appointed actuary.

4.3 Reinsurance / Retakaful contracts held

Individual policies (including joint life policies underwritten as such) are reinsured under an individual life reinsurance / retakaful agreement whereas group life and group credit life policies are reinsured under group life and group credit life reinsurance agreements respectively.

4.3.1 Conventional

Reinsurance premium

Reinsurance premium expense is recognised at the same time when the related premium income is recognised. It is measured in line with the terms and conditions of the reinsurance treaties.

Claim Recoveries

Claim recoveries from reinsurers are recognised at the same time when the claim is intimated and giving rise to the right of recovery is recognised in the books of accounts of the Company.

Experience Refund

Experience refund receivable for re-insurance is included in the re-insurance recoveries of claims.

Amount due from / to reinsurer

All receivables (reinsurer's share in claims, commission from reinsurer and experience refund) and payables (reinsurance premium) under reinsurance agreements are recognised on net basis in the Company's financial statements, only under the circumstances that there is a clear legal right of off-set of the amounts.

Amounts due from / to reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

4.3.2 Takaful

Retakaful Contribution

These contracts are entered into by the Company with the 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 contracts issued by it.

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognized in the Revenue Account.

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

Retakaful Expense

Retakaful expenses are recognized as a liability.

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated 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 the Insurance Ordinance, 2000. Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

4.4 Receivables and payables relating to insurance contracts

These include amounts due to and from agents and policyholders' which are recognised when due.

4.5 Statutory funds

The Company maintains statutory funds in respect of each class of life assurance business in which it operates. Assets, liabilities, revenues and expenses of the Company are referable to the respective statutory funds. However, where these are not referable to statutory funds, these are allocated to shareholders' fund on the basis of actuarial advice. Apportionment of assets, liabilities, revenues and expenses, whenever required between funds are made on the basis certified by the appointed actuary of the Company. 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 date of financial statement as required under section 50 of the Insurance Ordinance, 2000.

4.6 Policyholders' liabilities

a) Conventional Business

i) Individual Life

Insurance liabilities constitute the liabilities for basic plans and riders attached to the basic plans and reserves for IBNR Claims.

Policy reserves pertaining to the primary plans are based on Full Preliminary Term - Net Premium method using SLIC (2001-05) Individual Life Ultimate Mortality Table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality experience in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on 13 September 2013. The interest rate is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR liability for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

ii) Group Life and Group Credit Life

Policy reserves for these plans are based on the unearned premium method net of allowances made for acquisition expenses, unexpired reinsurance premium and profit commission. Consideration is also given to the requirement for a Premium Deficiency Reserve. The reserves also comprise allowance for "Incurred But Not Reported" (IBNR) claims. The provision for 'Incurred But Not Reported' (IBNR) claims as included in policyholders' liability is estimated as 25% of the unearned premium for the year. The appointed actuary of the Company determine IBNR in accordance with the claim log patterns for each line of business separately. Appropriate margins will be added to ensure that the reserve set aside are resilient to changes in the experience.

b) Accident and Health Business

Currently there are no policyholders' liabilities to consider in this statutory fund.

c) Non-unitised Investment Linked Business

Policyholders' liabilities constitute the account value of investment linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR liability for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

d) Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of premium, etc.). Reserves for risk only contracts where premiums are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR liability for riders are held as a percentage of rider premium earned in the valuation year in view of grossly insufficient claims experience.

e) Individual Family Takaful Unit Linked Business

Policyholders' liabilities constitute the fund value of unit linked contracts as well as non-investment or risk reserves of these contracts. Risk reserves constitute liabilities held to account for risks such as death and risk only riders (accidental death and disability, monthly income benefit, waiver of contribution, etc.). Reserves for risk only contracts where contribution are level over the term of the contract are based on the Net Premium Method whereas reserves for age related risk contracts are based on net unearned contribution.

- Incurred But Not Reported (IBNR) claims

IBNR liability for riders are held as a percentage of rider contribution earned in the valuation year in view of grossly insufficient claims experience.

4.7 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all permanent, confirmed and full time employees who have completed minimum qualifying eligible service period of six months. Contribution to the fund is made and expense is recognised on the basis of actuarial valuation carried out as at each year end using the Projected Unit Credit Method. The relevant details relating to the fund are disclosed in note 20. Gratuity is based on employees' last drawn gross salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial assumptions.

The Company's obligation under the gratuity schemes are determined through actuarial valuations. Actuarial valuations are conducted annually and the latest valuation was conducted at the date of financial statement (31 December 2018). When the calculation results in a potential asset for the company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. Service costs are recognised in profit and loss in the period in which they occur. Net interest on net defined benefit liability is also recognised in profit and loss. Net of tax remeasurement comprising actuarial gain / loss, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are recognised in other comprehensive income.

4.8 Employees accumulated compensated absences

The Company accounts for the liability in respect of employees accumulated compensated absences in the period in which they are earned. The measurement of the liability is based on an actuarial valuation carried out under the projected unit credit method and the liability so determine is recorded in the profit and loss account. The use of projected unit credit method is adopted for the current year. However the financial impact of the adoption of this method for actuarial valuation is not material.

4.9 Acquisition costs

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

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

4.10 Takaful Operator Fee

The shareholders of the company manage the Window takaful Operations for the participants. Accordingly, the Company is entitled to takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's Fee, termed Wakala fee, is recognised upfront.

4.11 Taxation

Income tax expense for the year comprises current and deferred taxation. Income tax expense is recongnised in the profit and loss account, except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned or minimum turnover tax payable under the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax is calculated using tax rates enacted or substantively enacted at the date of financial statement . The charge for current tax also includes adjustments, where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred taxation is recognised using balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of financial statement.

4.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.13 Other creditors and accruals

Liabilities for creditors and other amounts payable are recognized initially at fair value plus directly attributable transactions costs, if any, and subsequently measured at amortized cost (which approximate to its fair value).

4.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include balances with banks, term deposits with original maturity of three months or less and cash and stamps in hand and highly liquid short term investments that are subject to an insignificant risk of changes in their fair value and which are readily convertible into cash.

4.15 Investment Property

Investment property is the property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property acquired for Investment-Linked (Unit Linked business statutory fund) is initially measured at cost and subsequently at fair value with any change therein recognised in the related profit and loss Account.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

The fair value of investment property is determined by external, independent property valuer (K.G. Traders Private Limited) having appropriate recognised professional qualifications.

4.16 Financial Instruments

4.16.1 Financial assets

The Company has classified its financial assets on initial recognition into the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired.

The Company has classified its income earned on financial assets categorised at fair value through profit or loss as 'income from trading investments' while income earned on financial assets categorised as held to maturity, loans and receivables and available for sale as 'income from non-trading investments.

a) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis and were held for active trading.

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b) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has both the intent and the ability to hold till maturity.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

d) Available for sale

These are non derivative financial assets that are either designated as in this category or not classified in any of the other categories.

Initial recognition and measurement

All financial assets are recognised when the Company becomes a party to the contractual provision of the instrument. Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value plus transaction costs which are directly attributable to the acquisition of the securities. Financial assets classified 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

Subsequent measurement

Financial assets classified as 'at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. Available for sale investments are subsequently measured at fair value and any resulting surplus and deficit is recongnized in other comprehensive income. Any change in the provision for impairment in value of investment is recognised in the profit and loss account. Amortization of premium/ discounts on acquisition of investments is carried out using effective yield method and charged to profit and loss, as appropriate. Investments classified as held to maturity and loans and receivables are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

Fair / market value measurements

For investments in quoted equity securities, the market value is determined by using Stock Exchange quotations at the date of financial statement . For investments in Government securities, the market value is determined using PKRV/PKISRV rates. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP) and the fair value of open end fund is as declared by the relevant fund.

Impairment against financial assets

The Company assesses at each date of financial statement whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the loss - measured as the difference between the carrying value and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account, is taken to the profit and loss account. For financial assets classified as 'loans and receivables' and 'held to maturity', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash inflows, discounted at the original effective interest rate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

4.16.2 Financial liabilities

All financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attribute transaction cost.

Subsequent to initial recognition, these are measured at fair/ market value or amortised cost using the effective interest rate method, as the case may be.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.17 Fixed assets

4.17.1 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work in progress which is stated at cost less impairment losses, if any. All assets having cost exceeding minimum threshold as determined by the management are capitalized. All other assets are charged in the year of acquisition. Cost includes expenditure that is directly attributable to the acquisition of the items.

In accordance with the requirements of Islamic Financial Accounting Standard (IFAS) No. 2 for the accounting and financial reporting of "Ijarah", ijarah arrangements are accounted for as 'Assets held under ijarah' whereby the Bank transfers its usufruct to the Company for an agreed period for an agreed consideration. Assets held by the Company under ijarah are not recognised in the balance sheet of the Company. Rental payments made under these ijarah are recognised as an expense in the Company's profit and loss account on a straight line basis over the ijarah term.

Subsequent Costs

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow towards the Company and the cost of the item can be measured reliably. All other expenses are charged to the profit and loss account / revenue account during the financial year in which they are incurred.

Depreciation

Depreciation is charged using the straight line method (on cost less residual value, if any) at the rates specified in note 5 to these financial statements. Depreciation on additions is charged from the month of addition and on disposals up to the month of disposal. When parts of an item of asset have different useful lives, they are accounted for as separate items in the fixed assets.

The assets' useful lives and depreciation method are reviewed at each date of financial statement and adjusted, if appropriate.

Gains and losses on disposal

An item of tangible assets is derecognised upon disposal or where no future economic benefits are expected to be realised from its use or disposal. Gains or losses of an item of tangible asset is recognised in the profit and loss account.

4.17.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Software development cost are capitalized only to the extent where future economic benefits that are to be derived from such capitalization are expected to flow to the Company.

Subsequent Costs

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to the profit and loss/ revenue account during the financial period in which these are incurred.

Amortization

Intangible assets are amortised using the straight line method over their estimated useful lives (refer note 6). The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each date of financial statement .

Intangible assets having an indefinite useful life are stated at acquisition cost less impairment losses, if any.

4.17.3 Capital work in progress

Capital Work in progress is stated at cost less impairment losses. Cost consists of expenditure incurred and advances made in respect of assets in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.18 Impairment of non financial assets (excluding deferred tax)

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Company estimates the recoverable amount of the assets and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risk specific to the assets. If the recoverable amount of an intangible asset or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognised as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognised.

4.19 Foreign currency translation

Transactions in foreign currencies are translated into the reporting currency at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using the rates of exchange prevailing at the date of financial statement . Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are taken to the profit and loss account / revenue account.

4.20 Other revenue recognition

- Return on fixed income and government securities are recognised on time proportion basis using the effective interest rate method.

- Return on deposits and loans to policyholders are recognised on a time proportion basis.

- Dividend income from investments is recognised when the Company's right to receive the dividend is established.

- Gain or loss on sale of investments is included in the profit and loss account / revenue account in the year in which disposal has been made.

- Gains and losses on disposal of fixed assets are taken to the profit and loss account in the period in which they arise.

- All income on investment other than unrealize gain on available for sale investment are included in profit and loss account. Unrealized income from available for sale investments are included in other comprehensive income.

4.21 Segment Reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

Operating segments are reported in a manner consistent with that provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Company operates in Pakistan only. The Company has five primary business segments for reporting purposes namely; Conventional Business, Accident and Health Business, Non-Unitised Investment Linked Business and Unit Linked Business and Individual Family Takaful Business. The details of all operating segments are described in note 38 to these financial statements. The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

4.22 Dividend and other appropriations

Dividend and appropriations to reserves except appropriations required by law or determined by the appointed actuary or allowed by the Insurance Ordinance, 2000 are recognised in the year in which these are approved.

4.23 Earnings Per Share (EPS)

The Company presents basic and diluted earnings per share (EPS) for the shareholders. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There are no dilution effect on the EPS and as such these are not presented.

5. PROPERTY AND EQUIPMENT

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Operating assets	5.1	**149,047**	140,731
Capital work in progress	5.3	**10,443**	9,533
		159,490	150,264

5.1 Operating assets

2018

	Cost				Rate %	Depreciation				Written down values as at 30 December 2018
	As at 1 January 2018	Additions	(Disposals)	As at 31 December 2018		As at 1 January 2018	For the year	(Disposals)	As at 31 December 2018	
	(Rupees in '000)					(Rupees in '000)				
Office equipment	36,808	1,552	(1,557)	36,803	20%	13,983	6,600	(1,495)	19,088	17,715
Computer and related equipments	75,625	51,672	(1,552)	125,745	33.3%	56,553	21,894	(1,388)	77,059	48,686
Furniture and fixtures	74,958	1,647	(921)	75,684	14.3%	31,583	9,153	(882)	39,854	35,830
Leasehold improvements	41,008	2,771	-	43,779	14.3%	2,504	6,056	-	8,560	35,219
Motor vehicles	23,488	-	(4,970)	18,518	20%	6,534	3,701	(3,314)	6,921	11,597
	251,887	**57,642**	**(9,000)**	**300,529**		**111,157**	**47,404**	**(7,079)**	**151,482**	**149,047**

2017

	Cost				Rate %	Depreciation				Written down values as at 31 December 2017
	As at 1 January 2017	Additions	(Disposals)	As at 31 December 2017		As at 1 January 2017	For the year	(Disposals)	As at 31 December 2017	
	(Rupees in '000)					(Rupees in '000)				
Office equipment	21,387	16,758	(1,337)	36,808	20%	9,881	4,921	(819)	13,983	22,825
Computer and related equipments	66,264	9,361	-	75,625	33.3%	45,722	10,831	-	56,553	19,072
Furniture and fixtures	54,081	21,390	(513)	74,958	14.3%	25,046	7,009	(472)	31,583	43,375
Leasehold improvements	7,655	33,353	-	41,008	14.3%	172	2,332	-	2,504	38,504
Motor vehicles	8,238	15,947	(697)	23,488	20%	4,309	2,701	(476)	6,534	16,954
	157,625	96,809	(2,547)	251,887		85,130	27,794	(1,767)	111,157	140,731

5.1.1 Disposal of fixed assets

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain/ (Loss) on disposal	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Vehicle	4,970	3,314	1,616	3,915	2,299	Negotiated	Mr Noman Noor (Ex-employee)
Air conditioner							
	249	199	50	32	(18)	Negotiated	SR Cool Center
	141	141	-	8	8	Negotiated	SR Cool Centre
Laptop							
	60	37	23	35	12	Insurance proceeds	Adamjee Insurance Company Limited
	196	162	34	-	(34)	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
	124	124	-	-	-	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
	145	96	49	-	(49)	Negotiated	Mr. Jahanzeb Zafar (Ex employee)
	65	29	36	38	1	Negotiated	Mr. Sadi Syed (Ex employee)
	74	58	16	19	3	Negotiated	Mr. Hasan Askari (Ex employee)
	71	71	-	-	-	Negotiated	Mr. Haider Murtaza (Ex employee)
IT Servers	703	703	-	326	326	Insurance proceeds	Adamjee Insurance Company Limited
Matress	53	16	37	-	(37)	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
Printer	60	57	3	-	(3)	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
Generator							
	89	89	-	-	-	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
	1,066	1,048	18	324	306	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
Mobile phone	56	55	1	-	(1)	Negotiated	Mr. Jahanzeb Zafar (Ex employee)
Various Items At CEO's house							
	192	192	-	-	-	Negotiated	Mr. Fredrik Coenrard De Beer (Ex Chief Executive Officer)
	686	688	(2)	67	69	Negotiated	SR Cool Centre
Total	**9,000**	**7,079**	**1,881**	**4,763**	**2,882**		

5.2 Fully depreciated assets having cost of Rs.72.49 million (2017: Rs 54.5 million) are still in use.

		Note	31 December 2018	31 December 2017
5.3	**Capital work in progress**		(Rupees in '000)	
	Opening balance		**9,533**	514
	Additions		**11,085**	61,810
	Transfer to asset		**(10,175)**	(52,791)
	Closing balance	5.3.1	**10,443**	9,533

5.3.1 This includes advance of Rs. 8.173 million for the purchase of vehicles. Remaining of Rs. 2.265 million is advance for civil work (lease hold improvements).

6. INTANGIBLE ASSETS

	31 December 2018	31 December 2017
Computer Software	**81,417**	63,518

2018

	Cost			Rate %	Depreciation			Written down
	As at 1 January 2018	**Additions**	**As at 31 December 2018**		**As at 1 January 2018**	**For the year**	**As at 31 December 2018**	**values as at 31 December 2018**
	(Rupees in '000)				(Rupees in '000)			
Computer software	**124,973**	**36,042**	**161,015**	20%	**61,455**	**18,143**	**79,598**	**81,417**
	124,973	**36,042**	**161,015**		**61,455**	**18,143**	**79,598**	**81,417**

2017

	Cost			Rate %	Depreciation			Written down
	As at 1 January 2017	Additions	As at 31 December 2017		As at 1 January 2017	For the year	As at 31 December 2017	values as at 31 December 2017
	(Rupees in '000)				(Rupees in '000)			
Computer software	99,802	25,171	124,973	20%	46,924	14,531	61,455	63,518
	99,802	25,171	124,973		46,924	14,531	61,455	63,518

6.1 Fully amortized intangible assets having cost of Rs. 36.087 million (2017: Rs 29.88 million) are still in use.

7. INVESTMENT PROPERTY

	31 December 2018	31 December 2017
	(Rupees in '000)	
Opening net book value	**637,981**	-
Additional cost incurred	**91,513**	680,414
Unrealized fair value gain / (loss)	**125,900**	(42,433)
Closing net book value	**855,394**	637,981

This represents piece and parcel of plot no. 1-A, Main Gulberg, Jail Road, Lahore, measuring 8 kanal 8 marla 203 Sq. ft. of a land bought by the Company for the Unit Linked investment business.

Market value of this investment property amounts to Rs. 855.394 million based on a revaluation carried out by K.G. Traders (Private) Limited as at 28 December 2018, which the management believes also approximates the value as of 31 December 2018 and revaluation gain of Rs. 125.9 million has been recognised in the profit and loss account.

The fair value of the investment property has been categorised as a Level 3 fair value (based on the inputs to the valuation technique used) and which is considered as highest and best use of investment property.

Valuation technique

The valuer has arranged enquiries and verifications from various estate agents, brokers and dealers, the location and condition of the property, size, utilization, and current trends in prices of real estate including assumptions that ready buyers are available in the current scenario and analysed through detailed market surveys, the properties that have recently been sold or purchased or offered / quoted for sale into given vicinity to determine the best estimates of the fair value.

8. INVESTMENTS IN EQUITY SECURITIES

	Note	**31 December 2018**	31 December 2017 (Restated)
		(Rupees in '000)	
Investments in equity securities - available for sale	8.1	**20,459**	29,989
Investments in equity securities - fair value through profit and loss	8.2	**9,837,921**	6,851,538
		9,858,380	6,881,527

8.1 Investments in equity securities - available for sale

	31 December 2018			31 December 2017		
	Cost	**Impairment / provision**	**Carrying value**	Cost	Impairment / provision	Carrying value (Restated)
			(Rupees in '000)			
Related Parties						
Listed Shares	**1,890**	-	**1,890**	1,890	-	1,890
Net deficit on revaluation	-	-	**(806)**	-	-	(530)
	1,890	-	**1,085**	1,890	-	1,360
Others						
Listed Shares	**19,062**	-	**19,062**	21,606	-	21,606
Net surplus on revaluation	-	-	**313**	-	-	7,023
	19,062	-	**19,375**	21,606	-	28,629
	20,952	-	**20,459**	23,496	-	29,989

8.1.1 Details of equity securities - Available for sale

	31 December 2018		31 December 2017	
	No. of shares	**Carrying value rupees in '000**	No. of shares	Carrying value rupees in '000
Related Party				
Nishat Power Limited	**40,000**	**1,084**	40,000	1,360
Others				
Aisha Steel Mills	**3,960**	**46**	3,960	79
Attock Cement	**20,000**	**2,717**	20,000	3,620
Fatima Fertilizer Limited	**9,000**	**328**	9,000	278
Fauji Fertilizer Company Limited	**-**	**-**	37,500	2,967
Habib Bank Limited	**58,807**	**7,083**	58,807	9,826
K-Electric Limited	**130,000**	**772**	130,000	820
Kot Addu Power Company Limited	**12,000**	**595**	12,000	647
National Bank of Pakistan	**79,062**	**3,325**	79,062	3,839
Pakistan Oilfields Limited	**500**	**255**	500	297
Pakistan Petroleum Limited	**36**	**7**	36	7
Saif Power Limited	**25,000**	**641**	25,000	723
United Bank Limited	**29,400**	**3,606**	29,400	5,526
		19,375		28,629

8.2 Investments in equity securities - fair value through profit and loss

	Note	**31 December 2018**			31 December 2017		
		Cost	**Impairment / provision**	**Carrying value**	Cost	Impairment / provision	Carrying value
				(Rupees in '000)			
Related Parties							
Listed shares		**1,250,208**	-	**1,250,208**	687,540	-	687,540
Deficit on revaluation		-	-	**(85,708)**	-	-	(77,088)
		1,250,208	-	**1,164,500**	687,540	-	610,452
Others							
Listed shares		**10,864,063**	-	**10,864,063**	6,999,774	-	6,999,774
Deficit on revaluation		-	-	**(2,190,642)**	-	-	(758,688)
		10,864,063	-	**8,673,421**	6,999,774	-	6,241,086
	8.2.1	**12,114,271**	-	**9,837,921**	7,687,314	-	6,851,538

8.2.1 Details of equity securities - fair value through profit and loss

	Note	31 December 2018 No. of shares	31 December 2018 Carrying value rupees in '000	31 December 2017 No. of shares	31 December 2017 Carrying value rupees in '000
Related parties	8.2.2				
D.G.Khan Cement Limited		**373,900**	**29,968**	373,300	49,918
MCB Bank Limited		**4,616,500**	**893,616**	1,687,500	358,290
Nishat Chunian Limited		**2,252,500**	**109,426**	1,300,000	59,501
Nishat Mills Limited		**1,039,200**	**131,490**	954,800	142,743
			1,164,500		610,452
Others					
Abbott Laboratories (Pakistan) Limited		**100,000**	**63,105**	100,000	69,761
AGP Limited		**33,006**	**2,886**	-	-
Aisha Steel Limited		**2,000,000**	**21,000**	2,020,000	35,835
Allied Bank Limited		**-**	**-**	845,500	71,851
Amreli Steels Limited		**35,200**	**1,685**	737,600	68,346
Archroma Pakistan Limited		**-**	**-**	100,350	53,085
Arif Habib Corporation Limited		**1,338,900**	**55,222**	785,800	30,930
Askari Bank Limited		**6,595,964**	**157,775**	1,964	38
Attock Petroleum Limited		**58,775**	**24,303**	-	-
Attock Refinery Limited		**-**	**-**	260,500	60,988
Bank Al Habib Limited		**3,149,000**	**216,620**	2,100,500	122,585
Bank Alfalah Limited		**12,750,850**	**517,557**	6,286,500	267,176
Bank of Punjab		**28,598,500**	**342,324**	-	-
Byco Petroleum Pakistan Limited		**848,000**	**7,361**	-	-
Century Paper & Board Mills Limited		**-**	**-**	783,200	48,660
Cherat Cement Company Limited		**2,016,592**	**140,456**	17,200	1,908
Cherat Packaging Limited		**239**	**41**	301,414	59,981
Crescent Steel & Allied Products Limited		**397,700**	**22,096**	495,200	63,044
Dawood Hercules Corporation Limited		**100,000**	**11,115**	239,900	26,840
Descon Engineering Limited		**140,000**	**4,033**	-	-
Dewan Cement Limited		**2,663,500**	**30,977**	-	-
Dost Steels Limited		**14,000**	**78**	50,000	503
Engro Corporation Limited		**1,193,400**	**347,375**	926,000	253,557
Engro Fertilizer Limited		**3,698,000**	**255,347**	3,705,500	250,936
Engro Polymer and Chemicals Limited		**14,360,735**	**533,358**	4,817,000	137,574
Fatima Fertilizer Limited		**1,500**	**55**	-	-
Fauji Cement Company Limited		**-**	**-**	211,500	5,290
Fauji Fertilizer Bin Qasim Limited		**57,000**	**2,124**	25,000	889
Fauji Fertilizer Company Limited		**500,000**	**46,425**	501,200	39,650
Fauji Foods Limited		**268,000**	**8,115**	48,000	781
Faysal Bank Limited		**9,974,250**	**240,080**	6,459,500	137,329
Gadoon Textile Mills Limited		**11,500**	**3,083**	13,500	2,804
General Tyre & Rubber Company		**-**	**-**	60,000	11,298
Ghandhara Industries Limited		**1,000**	**275**	20,500	11,318
GlaxoSmithKline Consumer Healthcare Pakistan Limited		**3,500**	**932**	-	-
Gul Ahmed Textile Mills Limited		**2,796,500**	**129,114**	1,342,000	49,761
Habib Bank Limited		**2,117,100**	**255,005**	951,900	159,053
Hascol Petroleum Limited		**9,375**	**1,391**	27,500	6,794
Hi-Tech Lubricants Limited		**3,161,800**	**208,995**	346,400	24,594
Honda Atlas Cars (Pakistan) Limited		**4,400**	**777**	103,200	52,881
Hub Power Company Limited		**1,295,600**	**111,150**	5,018,600	456,294
Hum Network Limited		**10,384,000**	**45,690**	5,356,000	43,759
ICI Pakistan Limited		**7,080**	**5,624**	5,080	3,901
IGI General insurance Limited		**5,980**	**1,203**	6,000	1,757
Indus Motor Company Limited		**8,400**	**10,246**	55,460	93,182
International Industries Limited		**894,800**	**137,844**	767,900	184,380
International Steels Limited		**89,500**	**5,886**	1,639,700	174,415
Ittefaq Iron Industries Limited		**821,700**	**8,217**	922,500	15,627
K-Electric Limited		**5,961,500**	**35,411**	4,875,500	30,764
Kohat Cement Company		**39,000**	**3,313**	15,000	2,130
Kohinoor Textile Mills Limited		**1,401,824**	**63,194**	769,146	50,956
Kot Addu Power Company Limited		**2,690,000**	**133,290**	4,111,500	221,610
Loads Limited		**126,500**	**2,682**	-	-
Lotte Chemical Pakistan Limited		**140,000**	**2,365**	-	-
Lucky Cement Limited		**1,246,750**	**541,925**	966,150	499,896
Maple Leaf Cement Factory Ltd		**2,607,625**	**106,000**	1,094,125	74,882
Mari Petroleum Company Limited		**104,671**	**129,359**	139,310	202,121
Matco Foods Limited		**47,000**	**1,305**	-	-
Meezan Bank Limited		**2,750**	**254**	277,000	18,587
Millat Tractors Limited		**3,600**	**2,995**	-	-
Mughal Iron & Steel Industries Limited		**1,820,500**	**73,639**	986,000	57,287
Murree Brewery Company Limited		**-**	**-**	8,000	6,211
National Bank Of Pakistan		**1,005,000**	**42,240**	1,005,000	48,803
National Foods Limited		**1,622,400**	**317,179**	-	-

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	Note	31 December 2018 No. of shares	31 December 2018 Carrying value rupees in '000	31 December 2017 No. of shares	31 December 2017 Carrying value rupees in '000
National Refinery Limited		**3,000**	**857**	15,000	6,463
Nestle Pakistan Limited		**1,300**	**11,700**	-	-
Netsol Technologies Limited		**584,100**	**40,554**	836,500	52,992
Oil & Gas Development Company Limited		**3,751,400**	**480,179**	2,813,600	457,626
Orix Leasing Pakistan Limited		**600**	**16**	249,000	10,336
Packages Limited		**99,250**	**38,392**	5,000	2,549
Pak Elektron Limited		**5,312,200**	**132,274**	3,044,400	144,579
Pak Suzuki Motor Company Limited		**150**	**26**	116,400	57,940
Pakistan National Shipping Corporation		**4,000**	**230**	27,700	2,874
Pakistan Oilfields Limited		**955,480**	**405,907**	663,400	394,232
Pakistan Petroleum Limited		**2,498,715**	**373,958**	798,200	164,357
Pakistan Reinsurance Co Limited		**64,000**	**2,223**	842,000	35,726
Pakistan State Oil Company Limited		**859,684**	**193,798**	107,010	31,366
Pakistan Telecommunication Company Limited		**1,954,500**	**18,783**	-	-
Pioneer Cement Limited		**106,000**	**4,442**	172,700	10,901
Searle Pakistan Limited		**81,194**	**19,940**	26,330	8,290
Service Industries Limited		**39,960**	**28,977**	14,960	11,220
Shezan International Limited		**1,210**	**560**	-	-
Sui Northern Gas Company Limited		**969,000**	**74,679**	-	-
Sui Northern Gas Pipelines Limited		**3,253,400**	**250,740**	2,936,300	277,803
Sui Southern Gas Company Limited		**560,000**	**12,936**	15,000	457
Summit Bank Limited		**50,000**	**41**	50,000	139
Synthetic Products Enterprises Limited		**2,438,500**	**81,470**	-	-
Synthetic Products Limited		**305,000**	**10,190**	-	-
Systems Limited		**980,500**	**107,728**	1,156,000	85,452
Tariq Glass Industries Limited		**95,000**	**8,283**	409,700	38,917
TRG Pakistan Limited		**40,000**	**892**	-	-
United Bank Limited		**7,654,900**	**938,797**	714,300	134,267
Unity Foods Limited		**107,000**	**2,753**	-	-
			8,673,421		6,241,086

8.2.2 Investments by the statutory fund are in associated companies under the Companies Act ,2017.

	Note	31 December 2018	31 December 2017 (Restated)
9. GOVERNMENT SECURITIES		(Rupees in '000)	
Government Securities - Available for Sale	9.1	**427,260**	346,439
Government Securities - Fair Value Through Profit And Loss	9.2	**787,567**	3,499,526
		1,214,826	3,845,965

9.1 Government Securities - Available for Sale

	Term	Maturity year	Effective yield (%)	Ammortised cost	Principal repayment	Carrying value (market value)
				(Rupees in '000)		
Pakistan Investment Bonds *(refer note 9.1.1)*	3 YR	2019	7.00	**220,073**	-	**220,073**
Pakistan Investment Bonds	5 YR	2019	11.50	**24,811**	-	**24,811**
GOP Treasury Bills	3 months	2019	7.83	**189,911**	-	**189,911**
				434,795	-	**434,795**
Deficit on revaluation				-	-	**(7,535)**
				434,795	-	**427,260**

9.1.1 This include PIB of Rs. 100 million placed with State Bank of Pakistan as per the requirement of section 29 of Insurance Ordinance, 2000 carrying coupon rate of 7% having maturity period of 3 years and will mature on 29 December 2019.

9.2 Government Securities - Fair Value Through Profit and Loss

	Term	Maturity year	Effective yield (%)	Ammortised cost	Principal repayment	Carrying value (market value)
				(Rupees in '000)		
GOP Ijarah Sukuks	3 YR	2019	6.10	**32,053**	-	**32,053**
Pakistan Investment Bonds	10 YR	2020	12.00	**305**	-	**305**
Pakistan Investment Bonds	10 YR	2028	6.85	**50,169**	-	**50,169**
Pakistan Investment Bonds	10 YR	2028	8.55	**301,730**	-	**301,730**
GOP Treasury Bills	3 months	2019	8.70-10.27	**231,383**	-	**231,383**
GOP Treasury Bills	1 YR 3 months	2019	8.70-9.20	**179,871**	-	**179,871**
				795,511	-	**795,511**
Deficit on revaluation				-	-	**(7,944)**
				795,511	-	**787,567**

10. INVESTMENT IN DEBT SECURITIES

Fair value through profit and loss	Note	31 December 2018 Cost	31 December 2018 Impairment / provision	31 December 2018 Carrying value (market value)	31 December 2017 Cost	31 December 2017 Impairment / provision	31 December 2017 Carrying value (market value)
		(Rupees in '000)			(Rupees in '000)		
Advance against the purchase of Term Finance Certificates (TFC's)	10.1	**350,000**	**-**	**350,000**	420,000	-	420,000
Term Finance Certificates/ Corporate Sukkuks	10.2	**2,459,644**	**-**	**2,459,644**	1,177,235	-	1,177,235
Surplus on revaluation of investment		**-**		**14,304**	-		35,598
		2,459,644	**-**	**2,473,948**	1,177,235	-	1,212,833
		2,809,644	**-**	**2,823,948**	1,597,235	-	1,632,833

10.1 This represents Rs.100 million paid to Askari Bank Limited and Rs. 250 million to Meezan Modarba for the issue of sub-ordinated TFCs which are unsecured and sub-ordinated as to the payment of principal and profit to all other indebters of the Bank. The TFCs shall carry approximate profit rate ranging between six months KIBOR plus 1- 1.75% per annum payable on a six monthly basis. Subsequent to the year end TFC's were issued by Askari Bank Limited.

10.2 Details of the term finance certificates and corporate sukkuks are as follows:

	31 December 2018	31 December 2017	Face value per certificate	31 December 2018	31 December 2017
	(Number of certificates)		(Rupees in '000)		
Askari Bank Limited-TFC	**41,000**	10,000	**5**	**203,649**	50,057
Aspin Pharma Pvt Limited- Sukkuk	**820**	-	**100**	**82,000**	-
Bank Al Habib Limited-TFC	**39,680**	10,992	**5**	**225,885**	54,982
Bank Al Falah Limited-TFC	**33,510**	24,023	**5**	**165,545**	122,032
Bank of Punjab-TFC	**5,980**	2,550	**100**	**589,347**	254,643
Byco Petroleum Pakistan Limited- Sukkuk	**-**	60	**100**	**-**	6,037
Dawood Hercules Limited- Sukkuk	**6,780**	-	**100**	**678,013**	-
Dubai Islamic Bank Pakistan- Sukkuk	**58**	77	**1,000**	**59,085**	78,353
Fatima Fertilizer Limited- Sukkuk	**-**	35,358	**4**	**-**	145,321
Ghani Glass Limited- Sukkuk	**600**	600	**71**	**42,489**	52,670
Habib Bank Limited-TFC	**590**	3,290	**100**	**57,208**	325,896
International Brands Limited- Sukkuk	**1,000**	-	**100**	**98,721**	-
Jahangir Siddiqui Limited-TFC	**30,000**	-	**5**	**150,000**	-
Meezan Bank Limited- Sukkuk	**40**	40	**1,000**	**40,004**	41,809
Soneri Bank Limited-TFC	**10,000**	10,000	**5**	**50,144**	50,010
TPL Tracker Limited - Sukkuk	**30**	30	**1,000**	**31,858**	31,023
	170,088	97,020		**2,473,948**	1,212,833

11. INVESTMENT IN TERM DEPOSITS

Held to maturity	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Deposits Maturing within 12 Months	11.1	**11,070,000**	10,625,000

11.1 This represent term deposit with bank which carries interest rate ranging between 8% to 11.75% per anum and maturing between 2 January 2019 to 7 June 2019. This includes term deposit of Rs. 360 million maintained with a related party.

12. INVESTMENTS IN MUTUAL FUNDS

	Note	31 December 2018	31 December 2017
Investments In Mutual Funds - Available For Sale	12.1	**-**	84,864
Investments In Mutual Funds - Fair Value Through Profit And Loss (held for trading)	12.2	**3,815,940**	3,640,062
		3,815,940	3,724,926

12.1 Investments In Mutual Funds

Available for sale	31 December 2018 Cost	31 December 2018 Impairment / provision	31 December 2018 Carrying value	31 December 2017 Cost	31 December 2017 Impairment / provision	31 December 2017 Carrying value (Restated)
	(Rupees in '000)					
Related parties	-	-	-	54,579	-	54,579
Others	-	-	-	30,405	-	30,405
	-	-	-	84,984	-	84,984
Deficit on revaluation of investments	-	-	-	-	-	(120)
	-	-	-	84,984	-	84,864

12.2 Investments In Mutual Funds

Fair value through profit and loss (held for trading)	31 December 2018 Cost	31 December 2018 Impairment / provision	31 December 2018 Carrying value	31 December 2017 Cost	31 December 2017 Impairment / provision	31 December 2017 Carrying value (market value)
	(Rupees in '000)					
Related parties	**3,651,823**	**-**	**3,651,823**	3,011,529	-	3,011,529
Others	**286,805**	**-**	**286,805**	450,902	-	450,902
	3,938,628	**-**	**3,938,628**	3,462,431	-	3,462,431
(Deficit) / surplus on revaluation	**-**	**-**	**(122,688)**	-	-	177,630
	3,938,628	**-**	**3,815,940**	3,462,431	-	3,640,062

12.2.1 Details of Mutual Funds - Fair value through profit and loss (held by the statutory funds)

	Number of units	Market value (Rupees in '000)
Related Parties		
Alhamra Islamic Stock Fund	73,523,568	756,836
MCB Pakistan Stock Market Fund	26,079,928	2,204,074
MCB Dynamic Allocation Fund	5,456,390	401,835
		3,362,745
Others		
Alfalah GHP Money Market Fund (Formerly IGI Money Market Fund)	1,033	101
Faysal Savings And Growth Fund	3,219,548	338,407
Faysal Income & Growth Fund	732	80
Meezan Balanced Fund	508,765	7,326
NAFA Islamic Stock Fund	10,439,355	107,281
		453,195

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
13. INSURANCE / REINSURANCE RECEIVABLES			
Due from insurance contract holders		34,206	67,539
Due from reinsurers		94,278	(4,306)
		128,484	63,233
14. OTHER LOANS & RECEIVABLES			
Secured loans to employees	14.1	10,811	8,916
Accrued income on investments		139,355	95,208
Security deposits		25,463	24,595
Advance to suppliers		12,293	3,573
Receivable from related parties		2,500	1,362
Dividend receivable		3,679	55,326
Receivable against the sale of investment		98,754	76,295
Receivable from Gratuity Fund	20	14,421	-
Other receivables		1,933	873
		309,209	266,148

14.1 This represent interest free loans secured against the gratuity entitlement and are repayable within one year of the disbursement.

	Note	31 December 2018	31 December 2017
15. PREPAYMENTS			
Prepaid rent		48,173	41,226
Prepaid miscellaneous expenses		19,976	11,341
		68,149	52,567
16. CASH AND BANK			
Cash and cash equivalents			
- Cash in hand		285	345
- Policy stamps		9,818	14,000
		10,103	14,345
Cash at bank			
- Current accounts		110,140	55,792
- Saving accounts	16.1	3,191,410	1,281,498
		3,301,550	1,337,290
		3,311,653	1,351,635

16.1 This carries interest rate ranging from 3.85% to 8.20% (2017: 3.75% to 8.00%) per anum.

16.2 Cash and cash equivalents for cash flow purpose comprise of the following:

	31 December 2018	31 December 2017
- Cash and others	10,103	14,345
- Cash at bank	3,301,550	1,337,290
- Term deposits maturing within three months	11,020,000	9,110,000
	14,331,653	10,461,635

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17. SHARE CAPITAL

17.1 Authorized capital

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

17.2 Issued, subscribed and paid up share capital

31 December 2018	31 December 2017		Note	31 December 2018	31 December 2017
(Number of shares in '000)					
93,549	93,549	Ordinary shares of Rs. 10 each fully paid in cash	17.3 & 17.4	**935,494**	935,494

17.3 Adamjee Insurance Company Limited and its nominees and IVM Intersurer B.V. and its nominees respectively hold 69,490,295 (2017: 69,490,295) and 24,059,105 (2017: 24,059,105) ordinary shares of the Company at 31 December 2018.

17.4 Share capital includes Rs. 475.3 million (31 Dec 2017: Rs. 474.2 million) transferred to the statutory funds.

18. INSURANCE LIABILITIES

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Reported outstanding claims (including claims in payment)	*18.1*	**950,643**	359,091
Incurred but not reported claims	*18.2*	**48,012**	23,611
Investment component of unit-linked and account value policies	*18.3*	**30,455,132**	26,834,350
Liabilities under individual conventional insurance contracts	*18.4*	**22,061**	22,603
Liabilities under group insurance contracts (other than investment linked)	*18.5*	**91,027**	83,113
Other insurance liabilities	*18.6*	**194,002**	132,395
Gross insurance liabilities		**31,760,877**	27,455,163
Deficit of Participant Takaful Fund		**(14,200)**	(3,377)
Total Insurance Liabilities		**31,746,677**	27,451,786

18.1 Reported outstanding claims

	31 December 2018	31 December 2017
Gross of Reinsurance		
Payable within one year	**950,643**	359,091
Payable over a period of time exceeding one year	**-**	-
	950,643	359,091
Recoverable from Reinsurers	**(194,926)**	(200,722)
Net Reported Outstanding Claims	**755,717**	158,369

18.2 Incurred but not reported claims

	31 December 2018	31 December 2017
Individual Life		
Gross of Reinsurance	**14,608**	10,303
Reinsurance Recoveries	**(58)**	(40)
Net of Reinsurance	**14,550**	10,263
Group Life		
Gross of Reinsurance	**106,046**	35,355
Reinsurance Recoveries	**(72,584)**	(22,006)
Net of Reinsurance	**33,462**	13,349

18.3 Investment Component of Unit Linked and Account Value Policies

	31 December 2018	31 December 2017
Investment Component of Unit Linked Policies	**30,568,962**	26,875,957
Investment Component of Account Value Policies	**(113,830)**	(41,607)
	30,455,132	26,834,350

18.4 Liabilities under Individual Conventional Insurance Contracts

	31 December 2018	31 December 2017
Gross of Reinsurance	**24,621**	25,412
Reinsurance Credit	**(2,560)**	(2,809)
Net of Reinsurance	**22,061**	22,603

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

	31 December 2018	31 December 2017
	(Rupees in '000)	
Gross of Reinsurance	**189,102**	221,622
Reinsurance Credit	**(98,075)**	(138,509)
Net of Reinsurance	**91,027**	83,113

18.6 Other Insurance Liabilities

	31 December 2018	31 December 2017
Gross of Reinsurance	**225,231**	149,944
Reinsurance Credit	**(31,229)**	(17,549)
Net of Reinsurance	**194,002**	132,395

19. DEFERRED TAX

Deferred tax movement in temporary differences during the year

	Balance as at 01 January 2017 Restated	Recongnised in Profit and Loss Account	Recognised in Equity	**Balance as at 31 December 2017 Restated**	**Recongnised in Profit and Loss Account**	**Recognised in Equity**	**Balance as at 31 December 2018**
	(Rupees in '000)						
Deferred tax liability on taxable temporary difference							
Accelerated tax depreciation	(877)	(2,003)	-	**(2,880)**	**(881)**	**-**	**(3,761)**
Business attributable to shareholders (Ledger Account D)	(99,478)	64,970	5,039	**(29,469)**	**(13,421)**	**(3,618)**	**(46,508)**
Surplus on revaluation AFS investments	(10,785)	-	8,796	**(1,989)**	**-**	**3,515**	**1,526**
	(111,140)	62,967	13,835	**(34,338)**	**(14,302)**	**(103)**	**(48,743)**
Deferred tax asset on deductable temporary difference							
Unused tax losses	-	5,635	265	**5,900**	**2,136**	**(190)**	**7,846**
Accelerated accounting amortization	64	1	-	**65**	**2**	**-**	**67**
Provisions for liabilities	-	3,999	-	**3,999**	**(3,880)**	**-**	**119**
	64	9,635	265	**9,964**	**(1,742)**	**(190)**	**8,032**
	(111,076)	72,602	14,100	**(24,374)**	**(16,044)**	**(293)**	**(40,711)**

19.1 Deferred tax is recorded at the rate 25%,as the management expects to transfer profits to shareholder fund in 2023.

20. RETIREMENT BENEFIT OBLIGATIONS

20.1 As stated in note 4.7, the Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Company. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

20.1.1 Responsibility for the governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all trustees are employees of the Company. Details of the Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at 31 December 2018 under the Projected Unit Credit Method are as follows:

20.2 Balance sheet reconciliation

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Present value of defined benefit obligations	*20.2.1*	**65,465**	90,586
Fair value of plan assets at 31 December	*20.2.2*	**(79,886)**	(59,080)
Net liability at end of the year	*20.2.4*	**(14,421)**	31,506

20.2.1 Movement in present value of defined benefit obligations

Present value of defined benefit obligations at beginning of the year		**90,586**	61,604
Current service cost	*20.2.3*	**28,752**	20,488
Interest cost - net	*20.2.3*	**11,970**	8,279
Benefits paid during the year	*20.2.2*	**(42,601)**	(6,656)
Remeasurement (gain)/loss on obligation:			
- due to changes in financial assumptions	*20.2.3*	**(23,242)**	6,871
Present value of defined benefit obligations at end of the year		**65,465**	90,586

20.2.2 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year		**59,080**	47,243
Contributions made by the Company to the Fund		**64,000**	23,650
Interest income on plan assets	*20.2.3*	**7,413**	5,653
Benefits paid during the year	*20.2.1*	**(42,601)**	(6,656)
Remeasurement loss on plan assets	*20.2.3*	**(8,006)**	(10,810)
Fair value of plan assets at end of the year		**79,886**	59,080

20.2.3 Expense recognised in profit and loss and Other Comprehensive Income

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Current service cost	20.2.1	28,752	20,488
Interest cost	20.2.1	11,970	8,279
Interest income on plan assets	20.2.2	(7,413)	(5,653)
Expense for the year recognised in the profit and loss account		33,309	23,114
Remeasurement losses on defined benefit obligation	20.2.1	(23,242)	6,871
Remeasurement gain on fair value of plan assets	20.2.2	8,006	10,810
Amount recognised in the other comprehensive income		(15,236)	17,681

20.2.4 Net recognised liability

	Note	2018	2017
Net liability at beginning of the year		31,506	14,361
Expense recognised in profit and loss account	20.2.3	33,309	23,114
Expense recognised in other comprehensive income	20.2.3	(15,236)	17,681
Contributions made to the Fund during the year		(64,000)	(23,650)
Net liability at end of the year	20.2	(14,421)	31,506

20.2.5 Estimated Gratuity Cost for the year ending 31 December 2019, is as follows:

	2019 (Rupees in '000)
Current service cost	23,330
Net interest cost	(1,559)
Total expense to be recognised in profit and loss	21,771

20.3 Plan assets comprise of following:

	Note	2018 (Rupees in '000)	2018 %age	2017 (Rupees in '000)	2017 %age
Bank balance	20.3.1	39,356	49%	16,509	28%
Mutual Funds	20.3.1	40,529	51%	42,570	72%
Fair value of plan assets at end of the year		79,885	100%	59,079	100%

20.3.1 The plan assets are represented by cash in the Scheme's bank deposit account with Standard Chartered Bank and mutual funds with MCB Arif Habib, MCB, Al Meezan Investments, ABL, UBL Funds and JS Investments Limited.

20.4 The principal assumptions used in the actuarial valuations carried out as of 31 December 2018, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund 2018	Gratuity fund 2017
Discount rate per annum	13.25%	10.75%
Expected per annum rate of return on plan assets	13.25%	10.75%
Expected per annum rate of increase in salary level	11.00%	11.00%
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

20.4.1 The plans expose the Company to actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Discount risks

The risk of volatile discount rates over the funding life of the scheme. The final effect could go either way depending on the relative of salary increases, timing of contributions, performance of investments and outgo of benefits.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different from expected. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the retirement benefit plan. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the process used to manage its risks from previous periods. Investments are well diversified.

The expected return on plan assets is assumed to be the same as the discount rate (as required by International Accounting Standard IAS 19). The actual return depends on the assets underlying the current investment policy and their performance. Expected yields on fixed interest investments are based on gross redemption yields as at the date of financial statement . Expected return on equity investments reflect long-term real rates of return experienced in the market.

20.5 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	31 December 2018	31 December 2017
	(Rupees in '000)	
Discount rate (1% increase)	**(5,382)**	(13,630)
Discount rate (1% decrease)	**6,340**	16,995
Future salary increase rate (1% increase)	**6,883**	16,707
Future salary increase rate (1% decrease)	**(5,907)**	(13,649)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. (23,495).

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

20.6 The weighted average duration of the defined benefit obligation is 10.79 years. Besides the number of employees covered in the scheme at 31 December 2018 were 765 (2017: 606).

20.7 The expected maturity analysis of undiscounted retirement benefit plan is between 2-3 & 4-5 years and the amount involved is Rs. 1.029 million and Rs. 0.161 million respectively.

20.8 Historical Information	**2018**	2017	2016	2015	2014
			(Rupees in '000)		
Present value of defined benefit obligation	**65,465**	90,586	61,604	41,888	28,341
Fair value of plan assets	**(79,886)**	(59,079)	(47,057)	(32,558)	(22,042)
(Surplus) / deficit	**(14,421)**	31,507	14,547	9,330	6,299

20.9 Experience adjustment	**2018**	2017	2016	2015	2014
Experience adjustments on obligation	**-36%**	8%	18%	14%	24%
Experience adjustments on asset	-10%	(18%)	4%	(4%)	2%

20.10 Gratuity cost to the recognised in the profit and loss in the next financial year is not necessarily the amount of the contribution for that year. Decision about the contribution is made by the Company based on the allowability under the Insurance Tax Rules, 2002 and the availability of surplus funds, etc.

Nonetheless, efforts shall be to made reduce the deficit in accordance with the admissibility in the law.

21. OTHER CREDITORS AND ACCRUALS

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Agents commission		**357,858**	419,919
Payable against the purchase of investment		**138,863**	81,255
Accrued expenses		**91,834**	97,603
Payable to related parties	21.1	**6,833**	20,825
Withholding tax payable		**8,440**	5,363
Others		**5,007**	934
		608,835	625,899

21.1 This represent the interest free and unsecured amount payable to MCB Arif Habib Limited, Adamjee Insurance Company Limited and MCB Financial Services Limited for fund management remuneration, insurance premium payable and trustee fee, etc.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Claims against the Company not acknowledged as debt	**26,014**	27,213
Number of cases	**43**	7

This represents various cases initiated against the company concerning policyholder claims referred to Court, Federal Insurance Mohtasib and Small Dispute Resolution Committee rejected by the company on different grounds. However, the management believes that no significant liability is likely to occur in these cases.

22.1.2 Securities and Exchange Commission of Pakistan (SECP) had initiated a thematic review of Bancassurance business of insurers in order to check compliance of code of business with the applicable regulations and to ensure adherence towards best practice and ensuring protection of consumer interest. SECP has issued multiple show-cause letters to various companies in the industry. The Company has also received four (4) letters in this regards. These letters mainly charging the Company for deviations on commission payments/ disclosures and compliance with the requirement of maintaining minimum cover multiple. The cumulative penalty envisaged in the said letters was Rs. 4 million.

In addition to above, SECP has concluded the off-site examination of books of accounts of the Company for the year ended 31 December 2016. In this regards, SECP has issued two (2) show cause letters to the Company. The charge in these show cause letters is related to matters covered under section 56 of Insurance Ordinance, 2000 related to self insurance and pre-approval from shareholders of the company against investment made in associated undertakings. The cumulative penalty envisaged in the said letters was Rs. 1.5 million. However, matter relating to self insurance has been disposed on in favour of the Company.

Replies to aforementioned letters have been sent to SECP, to which, SECP has provided the opportunity of being heard to the Company on 28 February 2019, in which, company along with its legal advisor put the Company's view in front of the commissioner. Based on the discussion with the commissioner, management is confident that no penalty will be imposed on the Company and hence, no provision has been made in these financial statements.

22.1.3 Sales tax imposed on premium from life insurance business was exempt up to 30 June 2018. However further exemption on this had not been given and the matter was also raised with Sindh Revenue Board (SRB). The matter for the renewal of the exemption was taken up at the collective level of the Insurance Association of Pakistan with the SRB through its consultants. The discussions on the matter has been conducive and the management is hopeful based on the consultant's positive feedback, that it will be concluded in favour of the industry. Representation from the SECP Commissioner level has also been made to Chairman, Sindh Board of Revenue, to help enable a favourable outcome. In view of the fact that the matter is still under the process of review, the Company and other life insurance companies carrying out life insurance business have not yet billed their customers for SST for the period from 01 July 2018 to 31 December 2018 on premium from life insurance coverage.

There is also an ambiguity in the Sind Sales Tax on Services Act , 2011 and the Rules framed there under about whether the sales tax is intended to be charged on total gross premium or on the premium charged on the actual risk covered.

The aggregate amount of sales tax not yet billed based on the total gross amount of premium collected during the period from July 1, 2018 to December 31, 2018 is Rs. 522 million whereas sales tax not yet billed based on premium charged only on risk covered (in the shape of mortality charges) during the same period works out to Rs. 54 million."

22.2 Commitments

22.2.1 Commitments in respect of Ijarah rentals payable in future period as at 31 December 2018 amounted to Rs. 40.61 million (2017: Rs. 31.78 million) for vehicles.

	31 December 2018	31 December 2017
	(Rupees in '000)	
Not later than one year	**12,071**	10,042
Later than one year and not later than five years	**28,542**	21,739
	40,613	31,781

22.2.2 Commitment in respect of capital expenditure amounting to Rs. 7.20 million (2017: Rs. 33.90 million) and operating expenditure amounting to Rs. 4.50 million (2017: nil)

23. NET INSURANCE PREMIUM REVENUE

	31 December 2018	31 December 2017
Gross premiums	(Rupees in '000)	
Regular premium / contributions individual policies*		
- first year	2,792,041	2,411,420
- second year renewal	1,872,151	1,595,830
- subsequent years renewal	3,809,229	3,264,517
Single premium / contributions individual policies*	4,228,194	5,976,325
Group policies without cash values	622,144	532,952
Less: Experience refund	(76,505)	(14,958)
Total gross premiums / contributions	13,247,254	13,766,086
Less: reinsurance premiums / retakaful contributions ceded		
On individual life first year business	(46,210)	(66,359)
On individual life second year business	(41,202)	(45,102)
On individual life subsequent renewal business	(103,849)	(79,437)
On single premium individual policies	-	-
On group policies	(344,739)	(281,037)
	(536,000)	(471,935)
Net premiums / contributions	12,711,254	13,294,151

* Individual policies are those underwritten on an individual basis.

24. INVESTMENT INCOME

	31 December 2018	31 December 2017
Income from equity securities		
Available for sale		
Listed equity shares	1,101	2,112
Held for trading		
Listed equity shares	416,522	547,972
Mutual Funds	15,108	54,743
	431,630	602,715
	432,731	604,827
Income from debt securities - Fair value through profit & loss		
Return on other fixed income securities	197,424	93,798
Income from Government Securities		
Available for sale		
Return on Government Securities	25,581	21,275
Held for trading		
Return on Government Securities	491,703	502,543
	517,284	523,818
Income from term deposit receipts - held to maturity	508,518	312,369
	1,655,957	1,534,812
Tax on dividend under final tax regime		
Listed equity shares	(68,135)	(67,174)
Mutual Funds	(2,266)	(7,622)
	(70,401)	(74,796)
	1,585,556	1,460,016

25. NET REALISED FAIR VALUE GAINS/ (LOSSES) ON INVESTMENTS

	31 December 2018	31 December 2017
	(Rupees in '000)	
Available for sale		
Realised gains/(losses) on:		
- Mutual Funds	**4,780**	-
- Listed equities	**(1,626)**	-
- Government securities	**49**	(38)
	3,203	(38)
Held for trading		
Realised gains/(losses) on:		
- Mutual Funds	**23,745**	(40,380)
- Listed equities	**327,581**	(190,274)
- Fixed income securities	**1,878**	1,037
- Government securities	**(10,899)**	6,368
	342,305	(223,249)
	345,508	(223,287)

26. NET FAIR VALUE GAINS / (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Held for trading		
Net unrealised gains / (losses) on:		
- Mutual Funds	**(300,318)**	(575,376)
- Listed equities	**(1,441,370)**	(1,049,468)
- Fixed income securities	**12,597**	(2,288)
- Government securities	**(9,892)**	(1,571)
	(1,738,983)	(1,628,703)

27. OTHER INCOME

Return on bank deposits	**103,444**	59,221
Mark-up on policy loans	**2,840**	2,476
Gain / (loss) on disposal of fixed assets	**2,882**	251
Liabilities written back	**16,997**	46
	126,163	61,994

28. CHANGE IN UNREALISED GAINS/(LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

- Mutual Funds	**-**	(18,665)
- Listed equities	**(9,674)**	(6,881)
- Government securities	**(2,408)**	(3,773)
	(12,082)	(29,319)

29. NET INSURANCE BENEFITS

Gross claims		
Claims under individual policies		
- by death	**279,018**	317,373
- by insured event other than death	**2,600**	(2,092)
- by maturity	**1,717,972**	660,276
- by surrender	**4,247,653**	3,368,513
Total gross individual policy claims	**6,247,243**	4,344,070
Claims under group policies		
- by death	**547,547**	427,558
- by insured event other than death	**33,099**	33,032
- experience refund	**76,505**	14,958
Total gross group policy claims	**657,151**	475,548
Claim investigation fees	**11,242**	6,705
Total gross claims	**6,915,636**	4,826,323
Less: Reinsurance recoveries		
- on individual claims	**106,998**	158,851
- on group claims	**416,547**	267,164
	523,545	426,015
Net claims	**6,392,091**	4,400,308

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29.1 Claim development table

29.1.1 Individual life claims

Accident year	2014	2015	2016	2017	2018
	Accident reported				
	(Rupees in '000)				
Estimate of ultimate claim costs:					
At the end of accident year	26,377	82,784	97,154	147,792	143,658
One year later	22,992	31,280	48,037	58,962	-
Two years later	2,956	2,974	4,764	-	-
Three years lator	1,813	102	-	-	-
Four years later	-	-	-	-	-
Current estimate of cumulative claims	54,138	117,140	149,955	206,754	143,658
Cumulative payments to date	(18,633)	(69,193)	(119,226)	(148,567)	(186,804)
Liability recognised in the statement of financial position	35,505	47,947	30,729	58,187	(43,146)

29.1.2 Group life claims

Accident year	2014	2015	2016	2017	2018
	Accident reported				
	(Rupees in '000)				
Estimate of ultimate claim costs:					
At the end of accident year	174,360	173,404	292,840	424,449	455,969
One year later	23,821	46,694	43,458	179,576	-
Two years later	1,625	1,790	2,289	-	-
Three years later	500	35	-	-	-
Four years later	400	-	-	-	-
Current estimate of cumulative claims	200,706	221,923	338,587	604,025	455,969
Cumulative payments to date	(183,567)	(209,055)	(308,990)	(415,789)	(595,185)
Liability recognised in the statement of financial position	17,139	12,868	29,597	188,236	(139,216)

30. Unclaimed Insurance Benefit

	Total	1-6 months	7-12 months	13-24 months	25-36 months	Beyond 36 months
	(Rupees in '000)					
Unclaimed maturity benefits	563,599	340,286	106,424	97,083	11,104	8,702
Unclaimed death benefits	53,904	44,940	6,975	1,525	464	-
Unclaimed disability benefits	2,153	2,153	-	-	-	-
Claims not encashed	48,258	31,961	12,008	3,406	883	-
	667,914	**419,340**	**125,407**	**102,014**	**12,451**	**8,702**

31. ACQUISITION EXPENSES

	31 December 2018	31 December 2017
	(Rupees in '000)	
Remuneration to insurance / takaful intermediaries on individual policies:		
- Commission on first year contribution / premium	**1,255,234**	1,131,284
- Commission on second year contribution / premium	**99,621**	83,573
- Commission on subsequent years renewal contribution / premium	**89,043**	75,228
- Commission on single contribution / premium	**91,068**	151,133
- Other benefits to insurance intermediaries	**296,791**	301,897
	1,831,757	1,743,115
Remuneration to insurance intermediaries on group policies:		
- Commission	**36,057**	32,721
- Other benefits to insurance intermediaries	**4,523**	3,882
	40,580	36,603
Other acquisition costs		
- Employee benefit cost	**126,641**	76,202
- Traveling expenses	**2,259**	1,492
- Legal & professional charges	**263**	96
- Information technology expense	**2,383**	4,963
- Printing & stationary	**2,100**	1,253
- Depreciation	**14,913**	8,250
- Amortization	**97**	194
- Rentals expense	**24,477**	20,472
- Insurance cost	**124**	511
- Car fuel & maintenance	**15,816**	7,790
- Postage	**1,213**	406
- Utility cost	**6,523**	5,536
- Office maintenance	**12,576**	10,036
- Entertainment	**3,556**	2,175
- Bank charges	**-**	1
- Training & development	**2,116**	6,064
- Marketing cost	**16,140**	12,293
- Miscellaneous cost	**311**	61
- Policy stamps	**34,120**	33,874
- Medical examination fee	**2,024**	1,935
	267,651	193,604
	2,139,988	1,973,322

32. MARKETING AND ADMINISTRATION EXPENSES

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Employee benefit cost	32.1	**370,228**	417,516
Travelling expenses		**9,449**	10,571
Advertisements & sales promotion		**91,362**	150,473
Printing and stationery		**23,357**	16,780
Depreciation		**32,491**	19,544
Amortization		**18,046**	14,337
Rent, rates and taxes		**69,162**	52,971
Legal and professional charges business related		**21,126**	17,695
Electricity, gas and water		**11,297**	13,523
Entertainment		**4,545**	4,099
Vehicle running expenses		**26,744**	20,924
Office repairs and maintenance		**16,569**	21,682
Appointed actuary fees		**4,740**	6,420
Postages, telegrams and telephone		**32,279**	24,606
Bank charges		**2,736**	4,739
SECP Annual supervision fee		**22,603**	18,301
Information technology expenses		**32,961**	35,800
Insurance expenses		**3,031**	1,162
Training & development		**11,905**	15,720
Miscellaneous		**5,436**	20,184
		810,067	887,047

32.1 Employee benefit cost

Salaries, allowance and other benefits		**336,919**	394,402
Charges for post employment benefit	20.2.3	**33,309**	23,114
		370,228	417,516

33. OTHER EXPENSES

Auditor's remuneration	33.1	**3,762**	3,571
Fee & subscription		**32,254**	28,905
Donations		**9**	-
		36,025	32,476

33.1 Auditor's remuneration

Annual audit fee	**1,379**	1,313
Half yearly review	**473**	450
Review of code of corporate governance	**166**	158
Gratuity fund audit	**55**	40
Shariah audit	**276**	263
Other certifications	**948**	903
Out of pocket	**466**	444
	3,762	3,571

34. INCOME TAX EXPENSE

For the period			
- Current		**431**	167
- Prior year		**-**	32
- Deferred	19	**16,044**	(72,602)
		16,475	(72,403)

34.1 Relationship between tax expenses and accounting profit

Profit for the year before taxation	**72,563**	(242,152)
Tax at the applicable rate of 29% (2017: 30%)	**21,043**	(72,646)
Effect of change in tax rate	**(4,062)**	-
Permanent differences	**(506)**	243
Tax charge for the year	**16,475**	(72,403)

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35. EARNINGS PER SHARE

There are no dilutive affect on the basic earnings per share of the Company which is based on;

	31 December 2018	31 December 2017 (Restated)
	(Rupees in '000)	
Profit / (loss) after tax for the year	**56,088**	(169,749)
	(Number of shares in '000)	
Weighted average number of ordinary share outstanding as at year end	**93,549**	93,549
	(Rupees)	
Basic earnings per share	**0.60**	(1.81)

36. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executives		Directors		Executives	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in 000)					
Managerial remuneration	-	55,496	**13,025**	24,023	**100,227**	98,055
Compensated absence	-	-	-	-	**11,887**	-
Bonus	-	-	-	-	**20,025**	24,482
Rent and house maintenance	-	2,700	**3,233**	792	**40,091**	33,983
Utilities	-	445	**2,766**	204	**10,023**	8,502
Medical	-	-	-	-	**7,964**	6,002
Travelling	-	-	**8,513.95**	-	-	-
Conveyance, other allowances and benefits	-	1,220	**1,280**	605	**49,545**	41,048
	-	59,861	**28,818**	25,624	**239,762**	212,072
Number of persons	**1**	1	**1**	1	**95**	69

36.1 The current Chief executive do not draw any remuneration.

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37. RELATED PARTY TRANSACTIONS

The related parties comprise of the parent company, directors, key management personnel, associated undertakings, and entities with common directors. Related party transactions and balances, other than those disclosed elsewhere in these financial statements are given below:

	31 December 2018	31 December 2017
	(Rupees in '000)	
Transactions during the year		
Holding company		-
Premium written	**2,464**	7,168
Insurance expense	**16,459**	9,806
Claims expense	**1,000**	4,500
AICL Premises rentals expense	**1,991**	3,651
Associated undertakings		
Premium written	**163,559**	111,210
Claims expense	**122,545**	45,611
Commission and other incentives in respect of Bancassurance	**1,349,732**	1,235,295
Profit on bank deposits	**63,414**	40,521
Bank charges	**1,607**	1,502
Investments purchased	**2,369,322**	1,595,838
Investments sold	**1,740,865**	1,052,736
Dividend income	**52,273**	20,154
Reinsurance claim recoveries	**15,674**	-
Reinsurance premium ceded	**22,591**	12,980
Other related parties		
Premium written	**16,979**	23,430
Claims expense	**14,304**	8,375
Commission and other incentives in respect of Bancassurance	**45,788**	-
Profit on bank deposits	**3,455**	-
Investment advisor fee	**18,407**	14,590
Trustee fee	**10,701**	9,935
Investments purchased	**1,547,967**	2,016,432
Investments sold	**1,152,314**	968,005
Dividend income	**4,584**	268,993
Transactions with key management personnel		
Sale Proceeds from sale of fixed assets	**4,293**	-
Gain on sale of fixed assets	**2,487**	-
Salary and other short term benefits- key management personnel		
Chief Executive	**-**	59,860
Executives	**266,378**	82,523
Balances outstanding as at the end of the year		
Holding company		
Premium due but unpaid	**3**	2,871
Claims payable	**1,000**	1,500
Other payables to AICL	**4,150**	3,994
Insurance claims receivable	**47**	186
Other receivable	**-**	98
Associated undertakings		
Premium due but unpaid	**1,911**	5,690
Premium received in advance	**1,638**	-
Bank deposits	**1,801,576**	1,020,368
Investments held	**1,234,532**	710,451
Dividend receivables	**-**	7,984
Accrued Income	**61,049**	137
Technical support fee payable	**-**	13,330
Commission payable	**282,856**	334,945
Claims payable	**7,157**	8,274
Reinsurance expense payable	**6,916**	12,980
Other related parties		
Premium due but unpaid	**2,779**	915
Premium received in advance	**11,340**	2,402
Bank deposits	**-**	-
Investments held	**3,653,798**	3,257,658
Dividend receivable	**-**	2,025
Accrued Income	**1,654**	-
Commission payable	**11,354**	-
Claims payable	**41**	1,406
Remuneration payable for the management of discretionary investment portfolio	**1,719**	1,240
Remuneration payable to Trustee	**512**	798
Other receivables	**2,500**	-
Staff Retirement Benefit Plan (Gratuity Fund)		
Expense for the year recognised in the profit and loss account	**33,309**	23,114
Income / (expense) recognised in the other comprehensive income	**15,236**	(17,681)
Contributions made to Gratuity fund	**64,000**	23,650
Receivable from / Payable to Gratuity fund	**14,421**	(1,042)

Remuneration of the key management personnel are in accordance with the terms of employment. Dividend income and profit on bank balance are recorded at the rates these are declared by the investees / banks. Other transactions are at agreed terms.

38. SEGMENTAL INFORMATION

38.1 Revenue account by statutory fund

For the year ended 31 December 2018

	Statutory Funds					
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	31 December 2018
	(Rupees in 000)					
Income						
Premiums / contribution less reinsurances / re-takaful	200,947	-	320,695	10,990,640	1,198,972	12,711,254
Rental income from investment property	-	-	-	2,000	-	2,000
Net investment income	25,369	-	(2,149)	392,665	(19,447)	396,438
Total net income	226,316	-	318,546	11,385,305	1,179,525	13,109,692
Claims and expenditure						
Insurance benefits including bonus net of reinsurance	168,407	-	180,447	5,729,227	237,504	6,315,585
Policy transfer to other statutory funds	-	-	-	-	-	-
Management expenses less recoveries	79,934	-	18,029	2,354,580	484,010	2,936,553
Total insurance benefits and expenditures	248,341	-	198,476	8,083,807	721,514	9,252,138
Excess of income over insurance benefits and expenditures	(22,025)	-	120,070	3,301,498	458,011	3,857,554
Net change in insurance liabilities (other than outstanding claims)	27,486	-	115,596	3,075,581	484,678	3,703,341
Surplus / (deficit) for the year - before tax	(49,511)	-	4,474	225,917	(26,667)	154,213
Tax on dividend under FTR	-	-	(8,978)	(58,363)	(3,060)	(70,401)
Surplus / (deficit) for the year - after tax	(49,511)	-	(4,504)	167,554	(29,727)	83,812
Movement in policyholders' liabilities	27,486	-	115,596	3,075,581	484,678	3,703,341
Capital contribution from / (to) shareholders' fund	44,500	-	(12,436)	(65,000)	34,000	1,064
Balance of statutory funds at beginning of the year	228,945	126	2,599,466	23,705,537	1,133,061	27,667,135
Balance of statutory funds at end of the year	251,420	126	2,698,121	26,883,672	1,622,012	31,455,351

38.1.1 Under the Insurance Ordinance, 2001 an insurance company is required to have at all times admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement. However, in case of Unit Linked Business and Individual Family Takaful Business, admissable assets were short of the solvency requirement by Rs. 81.210 million and Rs. 34.214 million, respectively. Although the deficiency related to inadmissibility of Rs. 34.214 million in Family Takaful Business was rectified subsequent to the reporting date, the deficiency in Unit Linked Business is attributable to withholding income tax deducted on various investment income, during the current and previous years, which has been claimed as adjustable in the income tax returns filed by the Company but yet to be settled by the income tax authorities. However, on an overall basis i.e all the funds combined, admissible assets of the Company are more than its liabilities.

The effect of Sales Tax on solvency position of the Company, could not be quantified with clarity due to the reasons as explained in note 22.1.3.

	Statutory Funds					
	Conventional business	Accident and health business	Non-unitised investment link business	Unit linked business	Individual family takaful unit linked	31 December 2017
	(Rupees in '000)					
Income						
Premiums / contribution less reinsurances / re-takaful	240,861	-	376,371	11,594,758	1,082,162	13,294,152
Policy transfer from other statutory funds	-	-	-	-	-	-
Rental income from investment property	-	-	-	-	-	-
Net investment income	12,525	-	(42,021)	(306,726)	(30,210)	(366,432)
Total net income	253,386	-	334,350	11,288,032	1,051,952	12,927,720
Claims and expenditure						
Insurance benefits including bonus net of reinsurance	199,162	-	249,289	3,833,605	103,293	4,385,349
Management expenses less recoveries	101,213	-	28,577	2,447,072	287,362	2,864,224
Total Insurance benefits and expenditures	300,375	-	277,866	6,280,677	390,655	7,249,573
Excess of Income over Insurance benefits and expenditures	(46,989)	-	56,484	5,007,355	661,297	5,678,147
Net change in Insurance liabilities (other than outstanding claims)	8,308	-	63,940	5,049,389	721,964	5,843,601
Surplus / (deficit) for the year - before tax	(55,297)	-	(7,456)	(42,034)	(60,667)	(165,454)
Tax chargeable to statutory funds						
Tax on dividend under FTR	(412)	-	(7,439)	(64,688)	(151)	(72,690)
Surplus / (deficit) after tax - after tax	(55,709)	-	(14,895)	(106,722)	(60,818)	(238,144)
Movement in policyholder liabilities	8,308	-	63,940	5,049,389	721,964	5,843,601
Transfer to and from shareholders' fund						
- Surplus appropriated to Shareholders' Fund	-	-	-	-	-	-
- Capital returned to Shareholders' Fund	-	-	(119,296)	(80,704)	-	(200,000)
- Capital contributions from Shareholders' Fund	51,989	-	-	-	37,000	88,989
Net transfer from / (to) Shareholders' Fund	51,989	-	(119,296)	(80,704)	37,000	(111,011)
Balance of statutory fund at beginning of year - (Restated)	224,357	126	2,669,717	18,843,574	434,915	22,172,689
Balance of statutory fund at end of year - (Restated)	228,945	126	2,599,466	23,705,537	1,133,061	27,667,135

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38.2 **Segmental results by line of business financial year 2018**

	Individual life distributed through banks	Other line of businesses	Total Current year
	(Rupees in 000)		
Income			
Gross premiums			
-First year individual regular premiums	2,543,630	248,106	2,791,736
-Individual renewal premiums	5,438,829	242,550	5,681,379
-Individual single premiums	3,972,274	256,226	4,228,500
-Group premiums	-	545,639	545,639
Total gross premiums	11,954,733	1,292,521	13,247,254
Reinsurance premiums			
-Individual	(181,253)	(10,008)	(191,261)
-Group	-	(344,739)	(344,739)
Total reinsurance premiums	11,773,480	937,774	12,711,254
Rental income from investment property	1,812	188	2,000
Net investment income	359,199	37,239	396,438
Total Net Income	12,134,491	975,201	13,109,692
Insurance benefits and expenditures			
Insurance benefits net of reinsurance	5,565,639	749,946	6,315,585
Management expenses less recoveries	2,498,777	437,777	2,936,553
Total insurance benefits and expenditures	8,064,416	1,187,722	9,252,138
Excess of income over insurance benefits and expenditures	4,070,075	(212,521)	3,857,554
Add: Policyholder liabilities at beginning of year	26,480,448	612,247	27,092,695
Less: Policyholder liabilities at end of year	29,883,684	912,351	30,796,035
Surplus / (deficit) for the year - before tax	666,838	(512,625)	154,213
Tax on dividend under FTR	(65,474)	(4,927)	(70,401)
Surplus / (deficit) for the year - after tax	601,364	(517,552)	83,812

Segmental results by line of business financial year 2017

	Individual life distributed through banks	Other line of businesses	Total Current year
	(Rupees in 000)		
Income			
Gross premiums			
-First year individual regular premiums	2,254,756	156,664	2,411,420
-Individual renewal premiums	4,700,321	160,026	4,860,347
-Individual single premiums	5,728,289	248,036	5,976,325
-Group premiums	-	517,995	517,995
Total gross premiums	12,683,366	1,082,721	13,766,087
Reinsurance premiums			
-Individual	183,878	7,020	190,898
-Group	-	281,037	281,037
Total reinsurance premiums	183,878	288,057	471,935
Net premium revenues	12,499,488	794,664	13,294,152
Net investment income	(337,612)	(28,820)	(366,432)
Total Net Income	12,161,876	765,844	12,927,720
Insurance benefits and expenditures			
Insurance benefits net of reinsurance	3,862,075	523,274	4,385,349
Management expenses less recoveries	2,702,390	161,834	2,864,224
Total insurance benefits and expenditures	6,564,465	685,108	7,249,573
Excess of income over insurance benefits and expenditures	5,597,411	80,736	5,678,147
Add: Policyholder liabilities at beginning of year	20,885,167	363,927	21,249,094
Less: Policyholder liabilities at end of year	26,480,448	612,247	27,092,695
Surplus / (deficit) for the year - before tax	2,130	(167,584)	(165,454)
Tax on dividend under FTR	(68,651)	(4,039)	(72,690)
Surplus / (deficit) for the year - after tax	(66,520)	(171,624)	(238,144)

38.3 Segmental Statement of Financial Position as at 31 December 2018

	31 December 2018		
	Statutory Funds	**Shareholders Fund**	**Total**
		(Rupees in '000)	
Property and equipment	-	159,490	159,490
Intangible assets	-	81,417	81,417
Investment property	855,394	-	855,394
Investments			
Equity securities	9,840,690	17,690	9,858,380
Government securities	1,066,709	148,116	1,214,825
Debt securities	2,823,948	-	2,823,948
Term deposits	11,070,000	-	11,070,000
Mutual Funds	3,815,940	-	3,815,940
Loan secured against life insurance policies	34,556	-	34,556
Insurance / reinsurance receivables	128,484	-	128,484
Other loans & receivables	201,175	108,034	309,209
Taxation - payment less provision	-	180,847	180,847
Prepayments	-	68,149	68,149
Cash & Bank	3,295,095	16,558	3,311,653
Total Assets	33,131,991	780,301	33,912,292
Insurance Liabilities			
Insurance liabilities	31,746,677	-	31,746,677
Retirement benefit obligations	-	-	-
Premium / contribution received in advance	393,180	-	393,180
Deferred tax liability	-	40,711	40,711
Insurance / reinsurance payables	-	-	-
Other creditors and accruals	526,178	82,657	608,835
Total Liabilities	32,666,035	123,368	32,789,403

	31 December 2017		
	Statutory Funds	Shareholders Fund	Total
		(Rupees in '000)	
Property and equipment	-	150,264	150,264
Intangible assets	-	63,518	63,518
Investment property	637,981	-	637,981
Investments	-	-	
Equity securities	6,863,110	18,417	6,881,527
Government securities	3,691,211	154,754	3,845,965
Debt securities	1,632,833	-	1,632,833
Term deposits	10,625,000	-	10,625,000
Mutual Funds	3,668,892	56,034	3,724,926
Loan secured against life insurance policies	31,170	-	31,170
Insurance / reinsurance receivables	63,233	-	63,233
Other loans and receivables	224,498	41,650	266,148
Taxation - payment less provision	-	130,661	130,661
Prepayments	-	52,567	52,567
Cash & Bank	1,347,302	4,333	1,351,635
Total Assets	28,785,230	672,198	29,457,428
Insurance liabilities	27,451,786	-	27,451,786
Retirement benefit obligations	-	31,506	31,506
Premium received in advance	259,923	-	259,923
Deferred tax liability	-	24,374	24,374
Other creditors and accruals	523,370	102,529	625,899
Total Liabilities	28,235,079	158,409	28,393,488

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39. MOVEMENT IN INVESTMENT

	Held to maturity	Available for sale	Fair value through profit and loss	Total
	(Rupees)			
As at 1st January 2017	5,500,000	404,490	14,228,646	20,133,136
Additions	41,143,672	373,051	101,449,615	142,966,338
Disposals (sale and redemptions)	(36,018,671)	(286,893)	(98,590,128)	(134,895,692)
Fair value net gains (excluding net realised gains)	-	389,664	(1,245,214)	(855,550)
As at 31 December 2017	10,625,000	880,313	15,842,919	27,348,232
As at 1st January 2018	**10,625,000**	880,313	15,842,919	**27,348,232**
Additions	**97,153,299**	572,148	84,054,022	**181,779,469**
Disposals (sale and redemptions)	**(96,708,299)**	(992,662)	(80,629,772)	**(178,330,733)**
Fair value net gains (excluding net realised gains)	-	(12,082)	(1,146,398)	**(1,158,480)**
As at 31 December 2018	**11,070,000**	**447,717**	**18,120,770**	**29,638,487**

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40. CREDIT RISK RATING

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. Major credit risk arises in credit exposure to group life policyholders on account of premiums due but unpaid and on bank balances, debt securities and mutual funds. The management monitors exposure to credit risk through regular review of credit exposure and assessing credit worthiness of counter parties. Due to the Company's strong standing business relationships with its counterparties and after giving due consideration to their sound financial standing, management does not expect non–performance by these counter parties on their obligations to the Company.

The credit quality of the Company's bank balances, premium due but unpaid, debt securities and mutual funds held as at December 31, 2018 can be assessed with reference to external credit ratings as follows:

2018

	AAA	AA+	AA	AM1	AM2++	AM2+	AM3+	A3	A-1+	A-1	A+	AA-	A-	A	A2	BBB+	RR1	D	Not rated	Total
										(Rupees in '000)										
31 December 2018																				
Bank balances (including interest)	-	-	-		-	-	-	-	2,981,132	335,343	-	-	-	-	19,568	-	-	-	-	3,336,044
Term Deposits maturing within 12 months (including interest)									9,665,259	832,775	-	-	-	-	605,466	-	-	-	-	11,103,500
Loans secured against Life insurance policies	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,565	34,565
Debt Securities (including interest)	-	-	960,138		-	-	-	-	-	-	32,258	1,178,285	-	52,198	-	-	-	-	652,118	2,874,997
Units of open ended mutual funds	-	101	-			-	-	-	-	-	338,407			7,406	-	-	-	-	3,470,023	3,815,937
Insurance/reinsurance receivables	5,303	295	81	-	-	-	4	-	-	-	26	441	7,983	0	-	64	-	-	114,287	128,484
Loans and other receivables	779	8,534	653	-	-	-	-	-	-	-	188	-	-	100	-	-	-	-	179,915	190,169
	6,082	8,930	960,872	-	-	-	4	-	12,646,391	1,168,118	370,879	1,178,726	7,983	59,704	625,034	64	-	-	4,450,898	21,483,885

2017

	AAA	AA+	AA	AM1	AM2++	AM2+	AM3+	A3	A-1+	A-1	A+	AA-	A-	A	A2	BBB+	RR1	D	Not rated	Total
										(Rupees in '000)										
31 December 2017																				
Bank balances (including interest)	-	-	-	-	-	-	-	-	1,093,371	224,729	-	-		-	21,176	-	-	-		1,339,276
Term deposits maturing within 12 months (including interest)		-	-	-	-	-	-	-	9,637,153	739,035	-	-	-	-	306,562	-	-	-	-	10,682,750
Loan secured against Life Insurance Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,170	31,170
Term finance certificate (including interest)	6,561	333,296	56,337	-	-	-	-	-	-	-	164,151	623,409	-	53,996	-	-	-	-	466	1,238,215
Units of open ended mutual funds	-	-	10,002	77,220	3,247,656	2,784	-	-	-	-	48,502	322,487	-	8,123	-	-	6,782	-	-	3,723,566
Insurance/reinsurance receivables	-	2,913	8,271	-	-	-	988	81	6,143	6,669	203	-	-	687	40	-	-	-	49,815	75,811
Loans and other receivables	-	-	-	-	-	-	-	-	37,008	15,064	-	420,000	-	-	-	-	-	-	117,762	589,824
	6,561	336,209	74,611	77,220	3,247,656	2,784	988	81	10,773,675	985,487	212,856	1,365,896	-	62,805	327,778	-	6,782	-	199,213	17,680,601

- Government securities, equity securities and cash amounting to Rs 34 21 07 million (2017: Rs. 25 02 million) are not exposed to credit risk

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41. MATURITY PROFILE

Maturity profile of financial asset and liabilities are as follows

On balance sheet financial instruments	31 December 2018						
	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**	**Total**
	(Rupees in '000)						
Assets							
Investments	14,756,571	352,204	15,108,774	13,674,320	-	13,674,320	28,783,094
Loans and other receivables	309,209	-	309,209	-	-	-	309,209
Insurance / reinsurance receivables	-	-	-	128,484	-	128,484	128,484
Cash and bank	3,191,410	-	3,191,410	120,243	-	120,243	3,311,653
Loan secured against life insurance policies	34,556	-	34,556	-	-	-	34,556
	18,291,746	**352,204**	**18,643,949**	**13,923,047**	**-**	**13,923,047**	**32,566,996**
Liability							
Other creditors and accruals	-	-	-	**599,461**	-	**599,461**	**599,461**
	-	-	-	**599,461**	-	**599,461**	**599,461**
31 December 2018	**18,291,746**	**352,204**	**18,643,949**	**13,323,586**	**-**	**13,323,586**	**31,967,535**

On balance sheet financial instruments	31 December 2017 (Restated)						
	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	Total
	(Rupees in '000)						
Assets							
Investments	16,103,798	-	16,103,798	10,606,453	-	10,606,453	26,710,251
Loans and other receivables	266,148	-	266,148	-	-	-	266,148
Insurance / reinsurance receivables	-	-	-	63,233	-	63,233	63,233
Cash and bank	1,281,498	-	1,281,498	70,137	-	70,137	1,351,635
Loan secured against life insurance policies	31,170	-	31,170	-	-	-	31,170
	17,682,614	**-**	**17,682,614**	**10,739,823**	**-**	**10,739,823**	**28,422,437**
Liability							
Other creditors and accruals	-	-	-	619,602		619,602	619,602
	-	-	-	**619,602**	-	**619,602**	**619,602**
31 December 2017	**17,682,614**	**-**	**17,682,614**	**10,120,221**	**-**	**10,120,221**	**27,802,835**

42. SENSITIVITY ANALYSIS

(a) Sensitivity analysis for variable rate instruments

Presently, the Company holds GoP Ijarah Sukuk and Term Finance Certificates exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2018 with all other variables held constant, the net assets of the statutory funds of the Company and net income of the statutory funds for the year would have been higher/lower by Rs. 13.670 million (2017: Rs. 3.221 million).

None of the financial instruments of the shareholder's fund are exposed to variable interest rate risk.

(b) Sensitivity analysis for fixed rate instruments

	2018	2017
	(Rupees in '000)	
Shareholder's Fund		
Bank balances	**16,227**	3,940
Investment in Government Securities (PIBs + T-bills)	**148,116**	154,755
	164,343	158,694
Statutory Funds		
Bank balances	**3,175,183**	1,277,558
Deposits maturing within 12 months	**11,070,000**	10,625,000
Investment in Government Securities (PIBs + T-bills+Sukuk)	**1,066,709**	3,688,874
Loans secured against Life Insurance Policies	**34,556**	31,170
	15,346,448	15,622,602

In case of a change of 100 basis points in financial instruments with all other variables held constant, the value of fixed rate financial instruments in shareholder's fund would been effected by Rs. 1.9 million (2017: Rs. 0.0049 million) and in statutory funds by Rs. 4.614 million (2017: Rs. 7.61 million).

Change of interest rate will not have any impact on bank balance and term deposits as these are not classified as fair value through profit and loss account

42.1 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 and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market. In the equity portfolio, the top three sectors by exposure are Oil and Gas, Banks and Mutual Funds.

In case of 5% increase in market prices of equity securities classified as:

a) at fair value through profit or loss, the post tax profit would have increased by Rs. 682.765 million (2017: Rs. 367.239 million);

b) available for sale, the post tax other comprehensive income would have increased by Rs. 0.9511 million (2017: Rs. 2.012 million)

In case of 5% decrease in market prices of equity securities classified as:

a) at fair value through profit or loss, the post tax profit would have decreased by Rs. 682.765 million (2017: Rs. 367.239);

b) available for sale, the net assets of the Company would have decreased by Rs. 0.9511 million (2017: Rs. 5.52 million).

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 categorised.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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).

On balance sheet financial instruments

	31 December 2018								
	Carrying value					Fair value			
	Available for sale	FVTPL *	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000')								
Financial assets measured at fair value									
- Investments									
Government Securities									
(T-bills + PIBs + Sukuks)	427,259	787,566	-	-	1,214,825	-	1,214,825	-	1,214,825
Listed equity securities	19,022	9,839,358	-	-	9,858,380	9,858,380	-	-	9,858,380
Units of mutual funds	-	3,815,940	-	-	3,815,940	3,815,940	-	-	3,815,940
Debt securities (listed TFCs and Sukuks)	-	2,823,948	-	-	2,823,948	-	2,823,948	-	2,823,948
- Balances with banks	-	-	14,371,550	-	14,371,550	-	-	-	-
- Other financial assets	-	-	482,352	-	482,352	-	-	-	-
	446,281	17,266,812	14,853,902	-	32,566,995				
Financial liabilities not measured at fair value									
- Financial liabilities	-	-	-	599,461	599,461				
	-	-	-	599,461	599,461				
	446,281	17,266,812	14,853,902	(599,461)	31,967,534				

* FVTPL: Fair value through profit and loss

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On balance sheet financial instruments

	31 December 2017								
	Carrying value					Fair value			
	Available for sale	FVTPL	Loans and receivables	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000')								
Financial assets measured at fair value									
- Investments									
Government Securities									
(T-bills + PIBs + Sukuks)	346,439	3,499,526	-	-	3,845,965	-	3,845,965	-	3,845,965
Listed equity securities	29,991	6,851,537	-	-	6,881,528	6,881,528	-	-	6,881,528
Units of mutual funds	84,864	3,640,062	-	-	3,724,926	3,724,926	-	-	3,724,926
Debt securities (listed TFCs and Sukuks)	-	1,632,833	-	-	1,632,833	-	1,632,833	-	1,632,833
- Balances with banks	-	-	11,962,289	-	11,962,289	-	-	-	-
- Other financial assets	-	-	374,896	-	374,896	-	-	-	-
	461,294	15,623,958	12,337,185	-	28,422,437				
Financial liabilities not measured at fair value									
- Financial liabilities	-	-	-	619,602	619,602				
	-	-	-	619,602	619,602				
	461,294	15,623,958	12,337,185	(619,602)	27,802,835				

44. INSURANCE RISK AND MANAGEMENT OF INSURANCE RISK

44.1 Conventional business

44.1.1 Individual Life

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that majority of these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

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The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement.

a) Frequency and severity of claims

The Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	**Sum assured at the end of 2018**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**7,272**	**15.38%**	**2,140**	**18.10%**
200,000 - 400,000	**4,939**	**10.45%**	**1,510**	**12.77%**
400,001 - 800,000	**2,783**	**5.89%**	**835**	**7.06%**
800,001 - 1,000,000		**0.00%**		**0.00%**
More than 1,000,000	**32,286**	**68.29%**	**7,336**	**62.06%**
Total	**47,280**		**11,821**	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	2,165	4.43%	547	5.66%
200,000 - 400,000	6,136	8.86%	1,671	11.88%
400,001 - 800,000	10,740	14.52%	2,987	19.92%
800,001 - 1,000,000	1,923	3.41%	508	4.43%
More than 1,000,000	57,086	68.78%	10,212	58.10%
Total	78,050		15,925	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term conventional assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity incidence rates.

The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible. Morbidity incidence rates are taken as a percentage of reinsurer's risk premium rate.

c) Process used to decide on assumptions

For long-term conventional assurance contracts, long-term assumptions are made at the inception of the contract. Keeping the statutory minimum reserving basis in view, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.
- Morbidity incidence rates for morbidity are taken as a percentage of reinsurer's risk premium rate.
- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

- Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the overall liability for individual life conventional business stands at less than 1% of the total policyholder liability held in respect of individual life business. Due to its immateriality, sensitivity analysis has not been conducted.

44.1.2 Group Life

The main risk written by the Company is mortality. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The Management undertakes to write business in line with the limits set by the appointed actuary, especially for large groups having a group assurance policy with annual premium of Rs 2 million or above in accordance with the requirements of Circular 11 of 2013 dated 14 June 2013. The Company also maintains a Management Information System (MIS) to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any one life. At the same time, due caution is applied in writing business in areas with a high probability of terrorism. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Strict monitoring is in place at the Board of Directors level in order to keep the outstanding balances of premium at a minimum, especially the ones that are due for more than 90 days. The bulk of the assets held against liabilities of this line of business are cash to money market with short durations and high liquidity, thus mitigating the risk of asset value deterioration and liability mismatch.

a) Frequency and severity of claims

The Company measures concentration of risk in terms of exposure by geographical area. Concentration of risk arising from geographical area is not a factor of concern as the Company aims to achieve a spread of risks across various parts of the country.

The following table presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above.

The amounts presented are showing total exposure of the company including exposure in respect of riders attached to the main policies.

Benefits assured per client	**Sum assured at the end of 2018**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**-**	**0.000%**	**-**	**0.000%**
200,000 - 400,000	**-**	**0.000%**	**-**	**0.000%**
400,001 - 800,000	**-**	**0.000%**		**0.000%**
800,001 - 1,000,000	**-**	**0.000%**		**0.000%**
More than 1,000,000	**492,953,829**	**100.000%**	**183,729,461**	**100.000%**
Total	**492,953,829**		**183,729,461**	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	-	0.000%	-	0.000%
200,000 - 400,000	-	0.000%	-	0.000%
400,001 - 800,000	3,500	0.005%	3,500	0.012%
800,001 - 1,000,000	-	0.287%	-	0.619%
More than 1,000,000	524,734,052	99.708%	183,397,452	99.370%
Total	524,737,552		183,400,952	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

c) Process used to decide on assumptions

The business is too new for any meaningful investigation into the group's past experience. However, industry experience, the insured group's own past experience and reinsurer risk rates are used to determine the expected level of risk in relation to the SLIC (2001-05) Individual Life Ultimate Mortality Table.

d) Changes in assumptions

There have been no changes in assumptions since the last valuation carried out a year ago.

e) Sensitivity analysis

After reinsurance, the net unearned premium reserve for this business stands at less than 1% of the total policyholder liability. This liability will be on the Company's books for under a year. Due to its immateriality, a sensitivity analysis has not been conducted.

44.2 Non unitised Investment Linked Business

The risk underwritten is mainly death and sometimes disability. The risk of death and disability will vary in degree by age, gender, occupation, income group and geographical location of the assured person. The Company's exposure to poor risks may lead to unexpectedly high severity and frequency in claims' experience. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of inflation of business expenses and liquidity issues on amount invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical underwriting policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one insured person. The Company is developing and intends to eventually have a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to control mis-selling and to track improvements in the standard of service provided to policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in its fund to cater for a potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

There is some concentration by sum assured amounts which may have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of assured benefits across five bands of assured benefits per individual life assured. The benefit assured figures are shown gross and net of the reinsurance contracts described above. The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	Sum assured at the end of 2018			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	224,053	7.91%	66,725	8.81%
200,000 - 400,000	349,389	12.33%	105,897	13.98%
400,001 - 800,000	814,346	28.73%	245,885	32.47%
800,001 - 1,000,000	792,624	27.97%	238,334	31.47%
More than 1,000,000	653,748	23.07%	100,451	13.26%
Total	2,834,160		757,292	

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Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	529,068	9.34%	57,628	6.12%
200,000 - 400,000	927,159	16.05%	142,784	15.58%
400,001 - 800,000	1,827,902	30.48%	287,539	33.73%
800,001 - 1,000,000	1,165,490	19.18%	278,909	31.37%
More than 1,000,000	1,530,409	24.94%	115,640	13.19%
Total	5,980,028		882,499	

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term Non-unitised Investment Linked assurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and morbidity of the insured population and variability in policyholders' behaviour.

Factors impacting future benefit payments and premium receipts are as follows:

- Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term Non-unitised Investment Linked assurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, morbidity, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

- Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

- Morbidity: Incidence rates for morbidity are taken as a proportion of reinsurer's risk rates.

- Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

- Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

- Investment returns: The investment returns are based on the historic performance of different types of assets underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

44.3 Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company charges for mortality risk on a monthly basis for all insurance contracts. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may hinder its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Company including exposure in respect of riders attached to the main policies.

Benefits assured per life	**Sum assured at the end of 2018**			
	Total benefits assured			
Rupees	**Before reinsurance**		**After reinsurance**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**8,360,048**	**8.42%**	**4,452,501**	**10.60%**
200,000 - 400,000	**10,538,075**	**10.61%**	**6,495,624**	**15.46%**
400,001 - 800,000	**22,708,111**	**22.86%**	**13,295,470**	**31.64%**
800,001 - 1,000,000	**23,308,916**	**23.46%**	**10,364,512**	**24.66%**
More than 1,000,000	**34,425,288**	**34.65%**	**7,415,325**	**17.65%**
Total	**99,340,438**		**42,023,432**	

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	3,246,604	2.71%	1,269,878	3.98%
200,000 - 400,000	12,896,846	10.76%	5,050,139	15.82%
400,001 - 800,000	27,938,861	23.31%	10,141,800	31.77%
800,001 - 1,000,000	27,286,613	22.77%	8,671,387	27.16%
More than 1,000,000	48,479,318	40.45%	6,794,112	21.28%
Total	119,848,242		31,927,316	

a) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long–term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behaviour.

b) Factors impacting future benefit payments and premium receipts are as follows:

Mortality: The expected mortality is assumed to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The business is developing and eventually the Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: The Company exercises a periodic analysis on recent and historic experience and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance is then made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

44.4 Individual Family Takaful Unit Linked Business

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, retakaful, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. The need for profit testing is reviewed on an annual basis to ensure reasonableness of contribution charged. Retakaful contracts have been purchased by the Company to limit the maximum exposure on any one participant. The Company has a good spread of business throughout the country thereby ensuring diversification of geographical risks. To avoid poor persistency the Company applies quality controls on the standard of service provided to participants and has placed checks to curb mis-selling and improve standards of service provided to the participants. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. Further, all payments on account of claims are made after necessary approval of relevant authority as per policy of the Company. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under pricing.

a) Frequency and severity of claims

The Company measures concentration of risk by geographical area. Concentration of risk is not currently a factor of concern as the business is developing and aims to achieve a spread of risks across various parts of the country.

However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

Benefits covered per life	**Sum cover at the end of 2018**			
	Total benefits covered			
Rupees	**Before retakaful**		**After retakaful**	
	(Rupees in '000)	**Percentage**	**(Rupees in '000)**	**Percentage**
0-200,000	**828,522**	**7.73%**	**585,668**	**9.03%**
200,000 - 400,000	**998,139**	**9.32%**	**920,793**	**14.19%**
400,001 - 800,000	**2,325,676**	**21.71%**	**2,128,015**	**32.79%**
800,001 - 1,000,000	**2,703,219**	**25.23%**	**1,747,685**	**26.93%**
More than 1,000,000	**3,858,403**	**36.01%**	**1,107,048**	**17.06%**
Total	**10,713,959**		**6,489,209**	

Benefits covered per life	Sum assured at the end of 2017			
	Total benefits covered			
Rupees	Before retakaful		After retakaful	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
0-200,000	111,623	2.69%	77,377	4.22%
200,000 - 400,000	361,031	8.71%	246,767	13.46%
400,001 - 800,000	833,846	20.11%	593,506	32.37%
800,001 - 1,000,000	904,258	21.81%	472,082	25.75%
More than 1,000,000	1,935,570	46.68%	443,725	24.20%
Total	4,146,328		1,833,457	

b) Sources of uncertainty in the estimation of future benefit payments and contribution receipts

Persistency: The business is developing and eventually the Company intends to conduct periodic analyses on its historic book of business, using statistical methods to determine its persistency experience. Persistency rates are expected to vary by product and more importantly the sales distribution channel. Allowance will then be made for any trend in the data to arrive at best estimates of future persistency rates for each sales distribution channel.

c) Process used to decide on assumptions

For long-term unit linked takaful contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies. Assumptions used for profit testing of the main policies are as follows:

Mortality: The Company assumes the expected mortality to vary between 80% and 120% of SLIC (2001-05) since the current experience for this line of business is not credible.

Persistency: Since the Company has recently started business, it has no own experience to which it can refer. Industry standards for anticipated persistency rates have been used initially. Eventually, a periodic analysis of the Company's recent and historic experience will be performed and persistency will be calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel. An allowance will then be made for any trend in the data to arrive at best estimate of future persistency rates for each sales distribution channel.

Expense levels and inflation: As the business is new, estimates from business projections have been used. Once established, a periodic study will be conducted on the Company's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.

Investment returns: The investment returns are based on the historic performance of the assets and asset types underlying the fund.

d) Changes in assumptions

There are no changes in assumptions.

e) Sensitivity analysis

Periodic sensitivity analyses of the Company's in-force business determine whether any reserve needs to be created or product prices for new business need to be revised in light of changing or anticipated changes in experience from that expected when pricing the existing book of business. The current nature, volume and age of in-force business does not require a detailed sensitivity analysis at this stage.

44.5 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts where necessary, especially those products where actuarial liability estimation is based on conservative assumptions. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. We have compared our valuation mortality assumption (SLIC mortality table) with the mortality of developing Asian countries, namely: India and Malaysia. The comparison suggests that the best estimate assumption is better than the experience reflected in SLIC mortality table.

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

Assumptions	**Policyholder liabilities on existing valuation basis**	**Policyholder liabilities using best estimate assumptions**
	------------ (Rupees in '000)	------------
Mortality	**30,810,235**	**30,796,896**
Investment Returns	**30,810,235**	**30,808,326**

The liabilities evaluated under the assumptions suggest the recognised liabilities are adequate and no further provision is required.

44.6 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.

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44.7 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.

44.8 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.

45. WINDOW TAKAFUL OPERATIONS

Balance Sheet

	Operator's sub Fund	Statutory Fund	Aggregate	
		Individual Family Takaful	31 December 2018	31 December 2017
	(Rupees in '000)			
Share capital and reserves				
Operator's Fund	154,001	-	154,001	120,001
Accumulated deficit	(122,398)	-	(122,398)	(92,671)
Qard-e-Hasna contributed by Window Takaful Operator	(22,500)	-	(22,500)	(5,000)
Net shareholders' equity	9,103	-	9,103	22,329
Balance of statutory fund [including technical reserves]				
Participants' Investment Fund	-	1,587,292	1,587,292	1,103,983
Participants' Takaful Fund - Waqf [including technical reserves of Rs.15.836 million (2017: Rs.5.125 million)]	-	26,117	26,117	7,248
	-	1,613,409	1,613,409	1,111,231
Creditors and accruals				
Outstanding claims	-	11,400	11,400	1,800
Contribution received in advance	-	38,876	38,876	8,637
Amounts due to retakaful	-	10,656	10,656	1,922
Amounts due to agents	54,122	-	54,122	31,246
Accrued expenses	-	-	-	2,921
Other creditors and accruals	5,493	2,163	7,656	2,085
Loan to employees	179	-	179	-
Inter-fund payable	57,969	-	57,969	73,415
Total liabilities	117,763	63,095	180,858	122,026
Total equity and liabilities	126,866	1,676,504	1,803,370	1,255,587
Cash and bank deposits				
Cash and others	2,236	-	2,236	4,254
Cash and bank deposits	79,113	216,871	295,984	197,403
Deposit maturing within twelve months	22,500	512,500	535,000	260,000
	103,849	729,371	833,220	461,657
Investments				
Government securities	15,003	17,003	32,006	208,084
Other fixed income securities	-	64,684	64,684	41,809
Listed equities and mutual funds	7,327	831,661	838,988	484,952
	22,330	913,348	935,678	734,846
Current assets - others				
Investment income accrued	391	5,967	6,358	8,839
Other receivables	(4)	14	10	103
Advances and deposits	300	-	300	25,302
Taxation - payment less provision	-	-	-	-
Dividend receivable	-	831	831	1,349
Inter-fund receivable	-	26,973	26,973	23,492
	687	33,785	34,472	59,084
	126,866	1,676,504	1,803,370	1,255,587

45.1 Revenue Account

For the year ended 31 December 2018

45.1.1 Operator's Sub Fund (OSF)

	Note	Individual Family Takaful 31 December 2018	31 December 2017
		------ (Rupees) ------	
Income			
Wakala fee	45.2.3	**368,330**	166,248
Surrender charges		**57**	-
Tharawat fee		**23,321**	12,150
Bid offer spread	45.2.3	**42,893**	39,907
Participants' Takaful fund management income		**11,485**	4,627
Income against admin cost charged to PIF		**594**	8
Investment income	45.3.3	**2,166**	1,369
Total net income		**448,846**	224,308
Less: Expenditures			
Acquisition costs		**(350,349)**	(176,264)
Administration cost		**(128,224)**	(108,862)
Total management cost		**(478,573)**	(285,126)
Shortfall of income over expenditure - before tax		**(29,727)**	(60,818)
Shortfall of income over expenditure - after tax		**(29,727)**	(60,818)
Contribution received from Shareholders' Fund		**34,000**	37,000
Qard-e-Hasna contributed to PTF		**(17,500)**	-
Balance of Operator's Sub Fund at the beginning of the year		**22,330**	46,147
Balance of Operator's Sub Fund at end of the year		**9,103**	22,330
Represented by:			
Capital contributed by shareholders' fund		**154,001**	120,001
Qard-e-Hasna to PTF		**(22,500)**	(5,000)
Retained earnings on other than participating business		**(122,398)**	(92,671)
Balance of statutory funds		**9,103**	22,330

45.1.2 Participants' Takaful Fund (PTF)

	Note	2018	2017
Income			
Allocated contribution	45.2.2	**2,987**	1,040
Tabarru income		**29,847**	12,195
Re-Takaful ceded		**(14,130)**	(5,597)
Total net contribution income		**18,704**	7,638
Add: Investment income	45.3.2	**535**	115
Total income		**19,239**	7,753
Less: Expenditure			
Participants' Takaful fund management charges		**(11,485)**	(4,627)
Death claim expense net of retakaful recoveries		**(6,117)**	-
Other charges		**(268)**	(88)
		(17,870)	(4,714)
Excess of income over expenditure		**1,369**	3,039
Technical reserve at the beginning of the year		**5,125**	912
Less: Technical reserve at end of the year		**(17,317)**	(5,125)
Deficit retained in technical reserve		**10,823**	1,174
Movement in technical reserve		**(1,369)**	(3,039)
Deficit for the year		**-**	-
Movement in technical reserve		**1,369**	3,039
Qard-e-Hasna received by PTF		**17,500**	-
Balance of Participants' Takaful Fund at beginning of the year		**7,248**	4,209
Balance of Participants' Takaful Fund at end of the year		**26,117**	7,248
Represented by:			
Money ceded to Waqf Funds		**500**	500
Qard-e-Hasna received by PTF		**22,500**	5,000
Policyholders' liabilities		**17,317**	5,125
Retained earnings on other than participating business		**(14,200)**	(3,377)
Balance of statutory funds		**26,117**	7,248

45.1.3 Participants' Investment Fund (PIF)

	Note	31 December 2018	31 December 2017
		------ (Rupees) ------	
Income			
Allocated contribution	45.2.1	**797,266**	880,564
Investment income	45.3.1	**(27,441)**	(31,111)
Total net income		**769,825**	849,453
Less: Claims expense			
Surrender - Regular		**(27,054)**	(103,300)
Surrender - Top up		**(204,167)**	-
Death Claim		**(215)**	-
		(231,436)	(103,300)
Less: Expenditures			
Tabarru charges		**(29,847)**	(12,195)
Thrawat fee - investment management		**(23,321)**	(12,150)
Admin charges		**(594)**	(8)
Bank charges		**(117)**	(694)
Other investment related expenses		**(1,201)**	(2,181)
		(55,080)	(27,228)
Excess of income over expenditures		**483,309**	718,925
Technical reserve at the beginning of the year		**1,103,983**	385,057
Technical reserve at the end of the year		**1,587,292**	1,103,983
Movement in technical reserve		**(483,309)**	718,926
Surplus for the year		**-**	(0)
Movement in technical reserve		**483,309**	718,926
Balance of statutory funds at beginning of the year		**1,103,983**	385,057
Balance of statutory funds at end of the year		**1,587,292**	1,103,983
Represented by:			
Policyholders' liabilities Retained earnings on		**1,587,292**	1,103,983
Balance of statutory funds		**1,587,292**	1,103,983

45.2 Statement of Contribution

For the year ended 31 December 2018

Gross contribution

Regular contribution individual policies

First year		**644,658**	333,289
Second year		**234,674**	58,140
Third and subsequent years		**40,394**	-
Single Premium		**291,750**	696,331
Total gross contribution		**1,211,476**	1,087,760

45.2.1 Proportion of gross contribution allocated to Participants' Investment Fund

Allocated regular contribution		**521,194**	212,263
Single contribution		**(6,698)**	-
Top-up contribution		**282,770**	668,301
	(A)	**797,266**	880,564

45.2.2 Proportion of gross contribution allocated to Participants' Takaful Fund

Allocated gross contribution	(B)	**2,987**	1,040

45.2.3 Proportion of gross contribution allocated to Operator's Sub Fund

Wakala fees		**368,330**	166,248
Bid offer spread		**42,893**	39,908
	(C)	**411,223**	206,156
Total gross contribution allocated to sub-funds	(A) + (B) + (C)	**1,211,476**	1,087,760

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45.3 Statement of Investment Income

For the year ended 31 December 2018

		Individual Family Takaful	
		31 December 2018	31 December 2017
		(Rupees)	
45.3.1 Participants' Investment Fund (PIF)			
Return on Government Securities - sukuks		**10,900**	8,661
Return on fixed income securities - privately placed sukuks		**4,538**	3,292
Profit on bank deposits		**28,503**	8,553
Unrealized gain / (loss) on revaluation of mutual funds		**(27,742)**	(6,872)
Unrealized gain / (loss) on revaluation of equity securities		**(72,579)**	(44,563)
Unrealized (loss) / gain on revaluation of fixed income securities		**(1,883)**	251
Unrealized loss on revaluation of Government Securities		**(1,402)**	(664)
Dividend Income		**21,653**	16,115
Gain on disposal of investments		**15,808**	(15,884)
Other investment related expenses		**(5,237)**	-
Net investment income of PIF	(a)	**(27,441)**	(31,111)
45.3.2 Participants' Takaful Fund (PTF)			
Profit on bank deposits	(b)	**535**	115
45.3.3 Operator's Sub-Fund			
Return on Government Securities		**891**	819
Unrealized loss on revaluation of Government Securities		**27**	(56)
Unrealized loss on revaluation of mutual funds		**(585)**	(1,491)
Dividend Income		**-**	753
Gain/ (loss) on disposal of non trading investments		**(100)**	-
Profit on bank deposits		**1,989**	1,494
Other investment related expenses		**(56)**	-
Net investment income of Operator's sub-fund		**2,166**	1,519
Less: Tax on dividend under FTR		**-**	(151)
	(c)	**2,166**	1,368
Net Investment Income	(a+b+c)	**(24,740)**	(29,628)

45.4 Statement of Claims

For the year ended 31 December 2018

	31 December 2018	31 December 2017
Claims under individual policies		
- by death	**9,706**	-
- by insured event other than death	**-**	-
- by maturity	**-**	-
- by surrender	**231,164**	103,300
Total gross individual policy claims	**240,870**	103,300
Add: Claim investigation fees	**109**	-
Total gross claims	**240,979**	103,300
Less: Reinsurance recoveries		
- on individual claims	**(3,474)**	-
Net claims	**237,505**	103,300

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45.5 **Statement of Expenses**

For the year ended 31 December 2018

	Individual Family Takaful	
	31 December 2018	31 December 2017
	---------------- (Rupees) ----------------	
Operator's Sub-Fund		
Acquisition costs		
Remuneration to Takaful intermediaries on individual policies:		
- commission on first year contribution	**263,809**	129,562
- commission on second year contribution	**11,773**	2,907
- commission on subsequent year renewal contribution	**1,010**	-
- commission on single contribution	**7,877**	24,633
- other benefits to insurance intermediaries	**39,200**	16,551
Total commission cost	**323,669**	173,653
Other acquisition cost	**6,839**	2,611
Total acquisition cost	**330,508**	176,264
Branch Overheads	**19,841**	-
Total acquisition cost	**350,349**	176,264
Administrative Expenses		
Salaries allowances and other benefits	**54,363**	43,255
Travelling expenses	**1,636**	925
Actuary's fee	**530**	742
Auditor's remuneration	**478**	319
Legal and professional charges	**3,738**	4,971
Advertisement and publicity	**-**	-
Information technology expenses	**3,317**	2,645
Printing and stationery	**4,306**	2,660
Depreciation	**4,156**	1,788
Amortisation	**1,922**	1,094
Rent expense	**6,985**	4,412
Insurance expense	**76**	-
Car fuel and maintenance	**3,658**	2,339
Postage and courier	**5,330**	3,157
Utilities	**1,177**	891
Office maintenance	**1,727**	1,719
Entertainment	**356**	300
Bank charges	**278**	2,966
Training and development	**8,954**	3,217
Fees and subscription	**1,269**	89
Marketing cost	**20,901**	31,562
Other expense / (income)	**3,067**	(290)
Miscellaneous	**-**	103
Gross management expenses	**128,224**	108,862
Total management expenses	**478,573**	285,126

46. **CORRESPONDING FIGURES**

Following corresponding figures have been reclassified for the purpose of better presentation and comparison:

- Other loans and receivables to investment in debt securities
- Interfund receivable and payable netted off from each other

47. 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 29 MAR 2019

Chief Executive Officer	Director	Director	Chairman