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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

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 December 31, 2019, 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 the notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof confirm with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2019 and of the profit , total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis of Opinion

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

Emphasis of Matter

We draw attention to note 22.1.2 to the financial statements where it is disclosed that the Company has challenged the scope and applicability of Sindh Sales Tax (SST) on life insurance services.

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, we are required to report that fact. We have nothing to report in this regard

Responsibility of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 and the 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 report that in our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) ;

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX 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.

Other Matter

The financial statements of the Company for the year ended December 31, 2018 were audited by another firm of chartered accountants who through their report dated April 03, 2019 expressed a qualified opinion thereon.

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

Deloitte Yousuf Adil
Chartered Accountants

Date: April 20, 2020
Place: Karachi

Adamjee Life Assurance Company Limited

Statement of financial position

As at December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Assets			
Property and equipment	5	501,666	159,490
Intangible assets	6	62,309	81,417
Investment property	7	876,394	855,394
Investments			
Equity securities	8	7,485,912	9,858,380
Government securities	9	5,377,637	1,214,825
Debt securities	10	2,773,969	2,823,948
Term deposits	11	9,585,000	11,070,000
Mutual funds	12	5,855,626	3,815,940
Loan secured against life insurance policies		32,785	34,556
Insurance / reinsurance receivables	13	-	128,484
Other loans and receivables	14	276,164	309,209
Taxation - payment less provision		251,092	180,847
Prepayments	15	37,331	68,149
Cash & bank	16	7,260,559	3,311,653
Total Assets		40,376,444	33,912,292
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	17	935,494	935,494
Money ceded to Waqf fund	1.2	500	500
Deficit on revaluation of available for sale investments		(3,562)	(3,928)
Ledger account D		367,174	138,535
Unappropriated profit		19,685	52,288
Total Equity		1,319,291	1,122,889
Liabilities			
Insurance liabilities	18	36,735,953	31,746,677
Retirement benefit obligations	19	37,026	-
Deferred taxation	20	96,040	40,711
Lease liabilities	3.1	361,378	-
Premium received in advance		261,045	393,180
Insurance / reinsurance payables	13	68,041	-
Other creditors and accruals	21	1,497,670	608,835
Total Liabilities		39,057,153	32,789,403
Total equity and liabilities		40,376,444	33,912,292
Contingencies and commitments	22		

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

Adamjee Life Assurance Company Limited
Profit and Loss Account
For the year ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Premium revenue		12,969,421	13,247,254
Premium ceded to reinsurers		(583,271)	(536,000)
Net premium / contribution revenue	23	12,386,150	12,711,254
Investment income	24	2,539,618	1,585,556
Net realized fair value gain on financial assets	25	119,652	345,508
Net fair value gain / (loss) on financial assets at fair value through profit or loss - unrealized	26	435,397	(1,850,952)
Net rental income		2,250	2,000
Net unrealized gains on investment property	7	21,000	125,900
Other income	27	391,800	126,163
		3,509,717	334,175
Net income		15,895,867	13,045,429
Insurance benefits	29	(7,065,482)	(6,827,889)
Recoveries from reinsurers	29	349,308	523,545
Claim related expenses		(7,708)	(11,242)
Net insurance benefits		(6,723,882)	(6,315,586)
Net Change in Insurance Liabilities (other than outstanding claims)		(5,125,588)	(3,703,340)
Acquisition expenses	31	(2,700,478)	(2,139,988)
Marketing and administration expenses	32	(1,048,405)	(810,067)
Other expenses	33	(8,456)	(3,885)
		(8,882,927)	(6,657,280)
Total expenses		(15,606,809)	(12,972,866)
Finance cost		(7,877)	-
Results of operating activities / Profit before tax		281,181	72,563
Income tax expense	34	(64,075)	(16,475)
Profit for the year		217,106	56,088
Earning (after tax) per share - Rupees	35	2.32	0.60

The annexed notes 1 to 46 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 December 31, 2019

	Note	2019	2018
		—— (Rupees in '000) ——	
Profit after tax		217,106	56,088
Other comprehensive income:			
Item that will not be reclassified subsequently to profit and loss account			
Remeasurement of post retirement defined benefits obligations	19.2.3	(29,676)	15,236
Related deferred tax		8,606	(3,808)
		(21,070)	11,428
Item that will be reclassified subsequently to profit and loss account			
Unrealised gain on revaluation of available for sale investments during the year	28	516	(12,082)
Related deferred tax		(150)	3,515
		366	(8,567)
Total other comprehensive income		(20,704)	2,861
Total comprehensive income for the year		196,402	58,949

The annexed notes 1 to 46 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 December 31, 2019

	Attributable to equity holders of the Company					
	Share capital	Money ceded to Waqf fund	Surplus / (deficit) on revaluation of available for sale investments - net of tax	Ledger account D	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at January 01, 2018	935,494	500	4,639	68,950	54,357	1,063,940
Total comprehensive income for year ended December 31, 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 December 31, 2018	935,494	500	(3,928)	138,535	52,288	1,122,889
Total comprehensive income for the year ended December 31, 2019						
- Profit for the year after tax	-	-	-	-	217,106	217,106
- Other comprehensive income	-	-	366	-	(21,070)	(20,704)
	-	-	366	-	196,036	196,402
Transaction with owners recorded directly in the equity						
Surplus for the year retained in statutory funds	-	-	-	228,639	(228,639)	-
Balance as at December 31, 2019	935,494	500	(3,562)	367,174	19,685	1,319,291

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 46 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 December 31, 2019

		2019	2018
	Operating Cash Flows	— (Rupees in '000) —	
(a)	**Underwriting activities**		
	Insurance premium received	12,814,268	13,490,348
	Reinsurance premium paid	(14,420)	(111,019)
	Claims paid	(7,209,502)	(6,324,062)
	Commission paid	(2,293,410)	(1,951,890)
	Marketing and administrative expenses paid	(322,721)	(922,607)
	Net cash flow from underwriting activities	2,974,215	4,180,770
(b)	**Other operating activities**		
	Income tax paid	(108,832)	(121,018)
	Total cash flow from all operating activities	2,865,383	4,059,752
	Investment activities		
	Profit / return received	1,460,590	1,202,694
	Dividend received	559,426	484,377
	Rental received	2,250	2,000
	Payment for investments / investment properties	(132,821,946)	(82,408,028)
	Proceeds from investments	130,507,455	80,629,772
	Fixed capital expenditure	(65,822)	(104,764)
	Loan to policyholder	1,710	(546)
	Proceeds from sale of property and equipment	4,859	4,763
	Total cash flow from investing activities	(351,477)	(189,732)
	Net cash flow from all activities	2,513,906	3,870,020
	Cash and cash equivalent at the beginning of the year	14,331,653	10,461,635
	Cash and cash equivalent at the end of the year	16,845,559	14,331,655
	Reconciliation to Profit and Loss Account		
	Operating cash flows	2,865,383	4,059,752
	Depreciation and amortization expense	(115,258)	(65,560)
	Financial charge expense	(19,840)	-
	Impact of expenses directly charged to OCI	21,070	-
	(Loss) / gain on disposal of property and equipment	(11,528)	2,882
	Profit on disposal of investment	119,652	345,508
	Rental income	2,250	2,000
	Dividend income	559,902	432,731
	Other investment income / (loss)	2,827,547	(416,692)
	Capital contribution from SHF	(3,240)	-
	(Decrease) / Increase in assets other than cash	(122,102)	178,501
	Decrease in liabilities other than borrowings	(5,907,096)	(4,483,034)
	Revaluation of investment	366	-
	Profit after taxation	217,106	56,088

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive Officer	Director	Director	Chairman

Adamjee Life Assurance Company Limited

Notes to and forming part of Financial Statements

For the year ended December 31, 2019

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 Adamjee House, 3rd and 4th Floor, I.I Chundrigar Road, Karachi. The Company is a fully owned subsidiary of Adamjee Insurance Company Limited.

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-unitized 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 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.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012, shall prevail.

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Insurance rules, 2017 vide its S.R.O. 89(1) / 2017 dated 09 February 2017.

2.1 Basis of measurement

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

2.2 Functional and presentation currency

These financial statements have been presented in Pak Rupee, which is the Company's functional and presentation currency amounts presented have been rounded of to the nearest thousand unless otherwise stated.

2.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2019

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements, except for the affects of IFRS 16 "Leases" which have been disclosed in note 3.1 of these financial statements.

2.4 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the policies and standards disclosed in note 3.1 of these financial statements which have been adopted by the Company during the current year, with the exception of the following new accounting policy adopted by the Company in accordance with the applicability of IFRS 16-"Leases", with effect from January 01, 2019.

3.1 Accounting for leases under IFRS 16

Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing leases guidance, including IAS 17 "Leases".

The Company has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising therefrom are therefore recognized in the opening statement of financial position on January 01, 2019.

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average incremental borrowing rate of the Company applied to lease liabilities on 1 January 2019 was 12.84%.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

Impact on statement of financial position	**(Rupees in '000)**
Movement in right to use asset:	
Balance as at January 01, 2019	-
Adoption of IFRS 16	390,438
Depreciation for the year	(38,696)
Balance as at December 31, 2019	**351,742**
Movement in lease liability:	
Balance as at January 01, 2019	
Adoption of IFRS 16	357,355
Unwinding of interest	19,418
Payments	(15,395)
Balance as at December 31, 2019	**361,378**
The total lease liability recognised as at December31, 2019 of which:	
Current lease liabilities	90,734
Non-current lease liabilities	270,644
	361,378
Impact on Profit and Loss account	
Increase in profit / return expensed - lease liability against right-to-use assets	(19,840)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(38,696)
- Rent expense	36,368
Decrease in profit before tax	(22,168)
Decrease in taxation expense	(6,429)
Decrease in profit after tax	(15,739)
	Rupees
Decrease in earnings per share - basic & diluted	(0.17)

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3.2 During the year IFRS 9 " Financial Instruments" became applicable , however as insurance company , the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 given below:

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

	December 31, 2019			
	Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealized gain / (loss) during the year	Fair value	Change in unrealized gain / (loss) during the year
	(Rupees in '000)			
Financial assets				
Bank	-	-	7,245,160	-
Equity securities	7,485,912	152,965	-	-
Government securities	-	-	5,377,637	328
Debt securities	-	-	2,773,969	(50,242)
Term deposits	-	-	9,585,000	-
Mutual funds	5,855,626	405,471	-	-
Loan to employees	-	-	6,834	-
	13,341,538	558,436	24,988,600	(49,914)

December 31, 2019

Gross carrying amount of financial Assets that pass the SPPI test (in '000)

	AAA	AA+	AA	AA-	A+	A	A-	A-1	A-1+	B3	Unrated	Total
Bank	5,360,233	326,799	772,538	-	352,883	431,829	878	-	-	-	-	7,245,160
Government securities	-	-	-	-	-	-	-	-	-	-	5,377,637	5,377,637
Debt securities	106,810	148,802	1,411,868	903,781	107,878	94,850	-	-	-	-	-	2,773,969
Term deposits	4,100,000	3,350,000	870,000	-	295,000	370,000	600,000	-	-	-	-	9,585,000
Loan to employees	-	-	-	-	-	-	-	-	-	-	6,834	6,834
	9,567,043	3,825,601	3,054,406	903,781	755,761	896,679	600,878	-	-		5,384,471	24,988,600

3.3 **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 reporting date, 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 at the date of reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the 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 reporting date, 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 reporting.

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Liability for claims "Incurred But Not Reported" (IBNR) is included in the 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 reporting date, 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 reporting.

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

c) Non-unitized 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 reporting date, 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 reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the 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 reporting date, 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 reporting.

Liability for claims "Incurred But Not Reported" (IBNR) is included in the 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 an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund. The detailed disclosures of Window Takaful Operations are presented in note 42.

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 reporting date, 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 reporting.

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

3.4 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.

3.4.1 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.

3.4.2 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.

3.5 Receivables and payables relating to insurance contracts

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

3.6 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 reporting date as required under Section 50 of the Insurance Ordinance, 2000.

3.7 Policyholders' liabilities

a) Conventional Business

i) Individual Life

Policyholders' liabilities constitute the reserves 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 September 13, 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 reserves 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 10% of the unearned premium for the year. Once sufficient experience of claim reporting patterns have built up in the Company's books, the appointed actuary of the Company will determine IBNR in accordance with these 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.

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

3.8 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 19. 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 as at December 31 ,2019. Service costs are recognised in profit and loss in the year 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 are recognised in other comprehensive income.

3.9 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.

3.10 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.

3.11 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.

3.12 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 other other comprehensive income, in which case it is recognised in other comprehensive income.

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 reporting date. 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 reporting.

3.13 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.

3.14 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.

3.15 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, 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.

3.16 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 production or supply of goods or 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 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.

3.17 Financial Instruments

3.17.1 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.

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 / revenue 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 / revenue account. Available for sale investments are subsequently measured at their fair values and gains and losses arising from changes in fair values are included in other comprehensive income. Any change in the provision for impairment in value of investment is recognised in the profit and loss/ revenue account. Amortization of premium/ discounts on acquisition of investments is carried out using effective yield method and charged to profit and loss/ revenue account, 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 reporting date. 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 reporting date 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 cumulative 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 profit and loss / revenue account, as the case may be, is taken to the profit and loss account / revenue 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.

3.17.2 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.

3.18 Fixed assets

3.18.1 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 statement of financial position 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 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 reporting date 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.

3.18.2 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 reporting date .

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

3.18.3 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.

3.19 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 / revenue account 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.

3.20 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 each reporting date. 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 account.

3.21 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 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 year in which they arise.
- All income on investments other than unrealised gain on available for sale investments are included in profit and loss account. Unrealized income from available for sale investments are included in other comprehensive income.

3.22 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.

3.23 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.

3.24 Earning 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting polices. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Policyholders' liabilities and underlying actuarial assumptions	3.7 & 18
Provision for outstanding claims	3.3, 18.1 & 18.2
Taxation and deferred taxation	3.12, 20 & 34
Determining the residual value, impairment and useful lives of fixed assets	3.18 & 5
Acturial assumptions used in computation of staff retirement benefit	3.8
Classification and impairment of investments	3.17.1, 8,9,10,11,12,24,25, & 26

5. PROPERTY AND EQUIPMENT

	Note	2019	2018
		(Rupees in '000)	
Operating assets	5.1	**148,522**	149,047
Capital work in progress	5.3	**1,402**	10,443
Right of use assets	3.1	**351,742**	-
		501,666	159,490

5.1 Operating Assets

2019

	Cost					Rate %	Depreciation				Written down values as at 2019
	As at January 1, 2019	Additions	Transferred from CWIP	(Disposals)	As at 2019		As at January 1, 2019	For the year	(Disposals)	As at 2019	
	(Rupees in '000)						(Rupees in '000)				
Office equipment	**36,802**	**-**	**7,240**	**(6,343)**	**37,699**	**20%**	**19,088**	**6,692**	**(4,754)**	**21,026**	**16,673**
Computer and related equipments	**125,745**	**-**	**6,851**	**-**	**132,596**	**33.3%**	**77,059**	**24,320**	**-**	**101,379**	**31,217**
Furniture and fixtures	**75,684**	**-**	**20,204**	**(40,260)**	**55,628**	**14.3%**	**39,854**	**8,852**	**(32,708)**	**15,998**	**39,630**
Leasehold improvements	**43,779**	**-**	**27,173**	**(10,240)**	**60,712**	**14.3%**	**8,560**	**7,309**	**(3,934)**	**11,935**	**48,777**
Motor vehicles	**18,518**	**5,732**	**1,598**	**(5,230)**	**20,618**	**20%**	**6,920**	**4,218**	**(2,745)**	**8,393**	**12,225**
	300,528	**5,732**	**63,066**	**(62,073)**	**307,253**		**151,481**	**51,391**	**(44,141)**	**158,731**	**148,522**

2018

	Cost					Rate %	Depreciation				Written down values as at 2018
	As at January 1, 2018	Additions	Transferred from CWIP	(Disposals)	As at 2018		As at January 1, 2018	For the year	(Disposals)	As at 2018	
	(Rupees in '000)						(Rupees in '000)				
Office equipment	36,808	1,552	-	(1,558)	36,802	20%	13,983	6,600	(1,495)	19,088	17,714
Computer and related equipments	75,625	45,747	5,925	(1,552)	125,745	33.3%	56,553	21,894	(1,388)	77,059	48,686
Furniture and fixtures	74,958	168	1,479	(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%	6,533	3,701	(3,314)	6,920	11,598
	251,887	47,467	10,175	(9,001)	300,528		111,156	47,404	(7,079)	151,481	149,047

5.1.2 Disposal of fixed assets

	Cost	Accumulated depreciation	Net book value	Sales proceeds	(Loss) / gain on disposal	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Office equipment	1,908	(1,549)	359	72	(287)	Negotiated	Abdul Rashid
	2,340	(1,516)	824	739	(85)	Negotiated	Anatolia Travel Services
	2,095	(1,689)	406	21	(385)	Negotiated	Abdul Rehman
Furniture and fixtures	14,155	(9,713)	4,442	300	(4,142)	Negotiated	Abdul Rashid
	3,760	(1,680)	2,080	1,642	(438)	Negotiated	Anatolia Travel Services
	22,345	(21,315)	1,030	209	(821)	Negotiated	Abdul Rehman
Leasehold improvements	3,098	(717)	2,381	128	(2,253)	Negotiated	Abdul Rashid
	7,142	(3,217)	3,925	720	(3,205)	Negotiated	Anatolia Travel Services
Motor vehicles	1,129	(1,077)	52	1,011	959	Negotiated	Muhammad Rafique (ex - employee)
	1,693	(720)	973	-	(973)	Negotiated	Kaleem Abbas (ex - employee)
	2,363	(905)	1,458	-	(1,458)	Negotiated	Noman Noor (ex - employee)
	45	(43)	2	17	15	Negotiated	Bike sold to Yaseen Traders
2019	**62,073**	**(44,141)**	**17,932**	**4,859**	**(13,073)**		
2018	9,000	7,079	1,881	4,763	2,882		

5.2 Fully depreciated assets having cost of Rs.72.08 million (2018:Rs 72.49 million) are still in use.

5.3 Capital work in progress

	Note	2019	2018
		(Rupees in '000)	
Opening balance		10,443	9,533
Additions		54,025	11,085
Transfer to operating assets	5.1	(63,066)	(10,175)
Closing balance		1,402	10,443

6. INTANGIBLE ASSETS

	2019	2018
	(Rupees in '000)	
Computer software	62,309	81,417

2019

	Cost				Rate %	Depreciation				Written down values as at 2019
	As at 1 January 2019	Additions	Adjustments	As at 2019		As at 1 January 2019	For the year	Adjustments	As at 2019	
	(Rupees in '000)					(Rupees in '000)				
Computer software	161,015	6,065	-	167,080	20%	79,598	25,173	-	104,771	62,309
	161,015	6,065	-	167,080		79,598	25,173	-	104,771	62,309

2018

	Cost				Rate %	Depreciation				Written down values as at 2018
	As at January 1,2018	Additions	Adjustments	As at 2018		As at January 1,2018	For the year	Adjustments	As at 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

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	2019	2018
	----------- (Rupees in '000) -----------	
7. INVESTMENT PROPERTY		
Opening net book value	**855,394**	637,981
Cost incurred against commercialization	**-**	91,513
Unrealized fair value gain	**21,000**	125,900
Closing net book value	**876,394**	855,394

7.1 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. 876.394 million based on a revaluation carried out by K.G. Traders (Private) Limited as at December 20, 2019 which the management believes also approximates the value as of December 31, 2019 and revaluation gain of Rs. 21 million has been recognized in the profit and loss account.

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 analyzed 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.

	Note	2019	2018
		----------- (Rupees in '000) -----------	
8. INVESTMENTS IN EQUITY SECURITIES			
Investments in equity securities - available for sale	8.1	**23,156**	20,459
Investments in equity securities - fair value through profit and loss (held for trading)	8.2	**7,462,756**	9,837,921
		7,485,912	9,858,380

8.1 Investments in equity securities - available for sale

	Note	2019 Cost	2019 (Deficit) / surplus on revaluation	2019 Carrying value	2018 Cost	2018 (Deficit) / surplus on revaluation	2018 Carrying value
		---------- (Rupees in '000) ----------					
Related Parties							
Listed shares	8.1.1	**1,360**	**(270)**	**1,090**	1,360	(276)	1,084
Others							
Listed shares	8.1.1	**19,182**	**2,884**	**22,066**	16,526	2,849	19,375
		20,542	**2,614**	**23,156**	17,886	2,573	20,459

8.1.1 Details of equity securities - available for sale

	2019 No. of Shares	2019 Carrying value in Rupees (000)	2018 No. of Shares	2018 Carrying value in Rupees (000)
Related Party				
Nishat Power Limited	40,000	1,090	40,000	1,084
Other				
Aisha Steel Limited	3,960	43	3,960	46
Attock Cement Limited	24,000	2,481	20,000	2,717
Fatima Fertilizer Limited	-	-	9,000	328
Habib Bank Limited	58,807	9,299	58,807	7,083
K-Electric Limited	130,000	568	130,000	772
Kot Addu Power Company Limited	12,000	378	12,000	595
National Bank of Pakistan Limited	79,062	3,423	79,062	3,325
Pakistan Oilfields Limited	600	268	500	255
Pakistan Petroleum Limited	49	7	36	7
Saif Power Limited	25,000	524	25,000	641
Fauji Foods Limited	9,000	239	-	-
United Bank Limited	29,400	4,836	29,400	3,606
		22,066		19,375

8.2 Investments in equity securities - fair value through profit and loss (held for trading)

	2019 Cost	2019 Deficit on revaluation	2019 Carrying value	2018 Cost	2018 Deficit on revaluation	2018 Carrying value
	(Rupees in '000)					
Related Parties						
Listed shares	1,913,657	(279,886)	1,633,771	1,250,208	(85,708)	1,164,500
Others						
Listed shares	7,672,526	(1,843,541)	5,828,985	10,864,063	(2,190,642)	8,673,421
	9,586,183	(2,123,427)	7,462,756	12,114,271	(2,276,350)	9,837,921

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

	2019 No. of Shares	2019 Carrying value in Rupees (000)	2018 No. of Shares	2018 Carrying value in Rupees (000)
Related party				
D.G. Khan Cement Company Limited	363,900	27,027	373,900	29,968
MCB Bank Limited	5,721,100	1,172,482	4,616,500	893,616
Nishat Chunian Limited	-	-	2,252,500	109,426
Nishat Mills Limited	900	85	1,039,200	131,490
Sui Northern Gas Pipelines Limited	5,700,100	434,177	-	-
		1,633,771		1,164,500
Others				
Abbott Laboratories (Pakistan) Limited	151,800	67,821	100,000	63,105
AGP Limited	6	1	33,006	2,886
Agriauto Industries Limited	341,900	68,380	-	-
Aisha Steel Limited	-	-	2,000,000	21,000
Allied Bank Limited	2,046,900	195,684	-	-
Amreli Steels Limited	200	7	35,200	1,685
Arif Habib Limited	37,386	1,277	1,338,900	55,222
Askari Bank Limited	5,329,964	98,818	6,595,964	157,775
At-Tahur Limited	150,000	3,143	-	-
Attock Petroleum Limited	100	37	58,775	24,303

[Initials mark]

	2019		2018	
	No. of Shares	Carrying value in Rupees (000)	No. of Shares	Carrying value in Rupees (000)
Attock Refinery Limited	375	42	-	-
Bank Al Falah Limited	2,697,900	123,294	12,750,850	517,557
Bank Al Habib Limited	4,818,000	366,939	3,149,000	216,620
Byco Petroleum Pakistan Limited	500	3	848,000	7,361
Cherat Cement Company Limited	88,101	4,674	2,016,592	140,456
Cherat Packaging Limited	262	32	239	41
Crescent Steel & Allied Products Limited	900	50	397,700	22,096
Dawood Hercules Corporation Limited	-	-	100,000	11,115
Descon Engineering Services & Technology Limited	300,000	7,056	140,000	4,033
Dewan Cement Limited	13,500	104	2,663,500	30,977
Dost Steels Limited	-	-	14,000	78
Engro Corporation Limited	268,730	92,779	1,193,400	347,375
Engro Fertilizer Limited	2,000,000	146,860	3,698,000	255,347
Engro Polymer And Chemicals Limited	7,585,169	251,903	14,360,735	533,358
Fatima Fertilizer Limited	-	-	1,500	55
Fauji Fertilizer Bin Qasim Limited	-	-	57,000	2,124
Fauji Fertilizer Company Limited	4,004,000	406,132	500,000	46,425
Fauji Foods Limited	6,974,250	132,650	268,000	8,115
Faysal Bank Limited	-	-	9,974,250	240,080
Gadoon Textile Mills Limited	-	-	11,500	3,083
Ghandhara Nissan Limited	-	-	1,000	275
GlaxoSmithKline Pakistan Limited	-	-	3,500	932
Gul Ahmed Textile Mills Limited	7,982,300	344,117	2,796,500	129,114
Habib Bank Limited	377,100	59,363	2,117,100	255,005
Habib Metropolitan Bank Limited	1,487,000	54,852	-	-
Hascol Petroleum Limited	-	-	9,375	1,391
Hi-Tech Lubricants Limited	1,704,300	53,872	3,161,800	208,995
Honda Atlas Cars (Pakistan) Limited	900	197	4,400	777
Hub Power Company Limited	2,565,061	239,448	1,295,600	111,150
Hum Network Limited	8,119,500	26,064	10,384,000	45,690
Interloop Limited	8,774	509	7,080	5,624
IGI Insurance Limited	-	-	5,980	1,203
Indus Motor Company Limited	-	-	8,400	10,246
International Industries Limited	74,811	8,292	894,800	137,844
International Steels Limited	-	-	89,500	5,886
Ittefaq Iron Industries Limited	200	2	821,700	8,217
Ittehad Chemicals Limited	1,000	23	-	-
K-Electric Limited	10,169,500	44,441	5,961,500	35,411
Kohat Cement Company Limited	-	-	39,000	3,313
Kohinoor Textile Mills Limited	337,824	13,199	1,401,824	63,194
Kot Addu Power Company Limited	1,821,000	57,416	2,690,000	133,290
Loads Limited	-	-	126,500	2,682
Lotte Chemical Pakistan Limited	-	-	140,000	2,365
Lucky Cement Limited	910,100	389,887	1,246,750	541,925
Maple Leaf Cement Factory Limited	1,454,125	33,648	2,607,625	106,000
Mari Petroleum Company Limited	239,197	313,372	104,671	129,359
Matco Foods Limited	-	-	47,000	1,305
Meezan Bank Limited	25	2	2,750	254
Millat Tractors Limited	100,626	70,883	3,600	2,995
Mughal Iron & Steel Industries Limited	-	-	1,820,500	73,639
National Bank of Pakistan	1,250,000	54,126	1,005,000	42,240
National Foods Limited	1,272,980	282,614	1,622,400	317,179
National Refinery Limited	-	-	3,000	857
Nestle Pakistan Limited	1,300	10,465	1,300	11,700
Netsol Technologies Limited	1,000	66	584,100	40,554
Oil & Gas Development Company Limited	3,780,200	537,988	3,751,400	480,179
Orix Leasing Pakistan Limited	600	16	600	16
Packages Limited	750	290	99,250	38,392
Pak Elektron Limited	3,000	81	5,312,200	132,274
Pak Suzuki Motor Company Limited	150	36	150	26

	2019		2018	
	No. of Shares	Carrying value in Rupees (000)	No. of Shares	Carrying value in Rupees (000)
Pakistan National Shipping Corporation Limited	-	-	4,000	230
Pakistan Oilfields Limited	575,870	257,253	955,480	405,907
Pakistan Petroleum Limited	3,687,796	505,744	2,498,715	373,958
Pakistan Reinsurance Company Limited	7,500	221	64,000	2,223
Pakistan State Oil Company Limited	7,980	1,529	859,684	193,796
Pakistan Telecommunication Company Limited	11,580	108	1,954,500	18,783
Pioneer Cement Limited	600	18	106,000	4,442
Service Industries Limited	81,738	63,495	39,960	28,977
Shezan International Limited	1,210	606	1,210	560
Sitara Peroxide Limited	277,200	9,674	-	-
Sui Northern Gas Pipelines Limited	-	-	4,222,400	325,421
Sui Southern Gas Company Limited	-	-	560,000	12,936
Summit Bank Limited	-	-	50,000	41
Synthetic Products Limited	1,564,540	54,602	2,743,500	91,660
Systems Limited	64,790	8,053	980,500	107,728
Tariq Glass Industries Limited	102,500	10,968	95,000	8,283
Thal Limited	607,600	171,686	-	-
The Bank of Punjab	3,476,500	39,389	28,598,500	342,324
TRG Pakistan Limited	-	-	40,000	892
The Searle Company Limited	970	183	81,194	19,940
United Bank Limited	875,900	144,066	7,654,900	938,797
Unity Foods Limited	-	-	107,000	2,753
		5,828,986		8,673,421

9. GOVERNMENT SECURITIES

	Note	2019	2018
		(Rupees in '000)	
Government Securities - available for sale	9.1	651,837	427,260
Government Securities - fair value through profit and loss	9.2	4,726,000	787,565
		5,377,837	1,214,825

9.1 Government Securities - available for sale

	Term	Maturity year	Effective yield (%)	Amortized cost	Principal repayment	Carrying value
					(Rupees in '000)	
Pakistan Investment Bonds (rei	3 years	2022	9	93,845	-	93,684
Treasury Bills	3 months	2020	12.9 -13.25	371,498	-	371,167
Treasury Bills	6 months	2020	13.73	145,482	-	145,410
Treasury Bills	12 months	2020	12.95	42,444	-	41,576
			2019	653,269	-	651,837
			2018	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 9.00% having maturity period of 3 years and will mature on September 19, 2022

9.2 Government Securities - fair value through profit and loss (held for trading)

	Term	Maturity year	Effective yield (%)	Amortized cost	Principal repayment	Carrying value
					(Rupees in '000)	
Pakistan Investment Bonds	10 years	2020	12	303	-	300
Pakistan Investment Bonds	10 years	2028	11.25	50,151	-	50,370
Pakistan Investment Bonds	10 years	2029	9.5	141,613	-	141,132
Pakistan Investment Bonds	5 years	2024	9.5 - 10	282,922	-	283,748
Pakistan Investment Bonds	3 years	2022	9	422,764	-	421,573
Treasury Bills	12 months	2020	13.10	3,829,757	-	3,828,877
			2019	4,727,450	-	4,726,000
			2018	795,511	-	787,567

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10. Investment in debt securities - fair value through profit and loss (held for trading)

	Note	2019 Cost	2019 Carrying value	2018 Cost	2018 Carrying value
		(Rupees in '000)			
Advance against the purchase of Term Finance Certificate	10.1	50,000	50,000	350,000	350,000
Term Finance Certificates / Corporate Sukuks	10.2	2,830,850	2,830,850	2,459,644	2,459,644
(Deficit) / surplus		-	(106,881)	-	14,304
		2,830,850	2,723,969	2,459,644	2,473,948
		2,880,850	2,773,969	2,809,644	2,823,948

10.1 This represents Rs.50 million paid to Habib Bank Limited for the issue of term finance certificates.

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

	Yield	Maturity date	2019	2018	Face value per certificate	2019	2018
			(Number of certificates)		(Rupees in '000)		
Askari Bank Limited - TFC	14%	30-Sep-24	41,100	41,000	7	299,979	203,649
Aspin Pharma (Private) Limited - Sukuk	15.69%	30-Nov-23	820	820	100	65,600	82,000
Bank Al Habib Limited - TFC	14.76%	17-Mar-26	39,680	39,680	5	194,655	225,885
Bank Al Falah Limited - TFC	13.19%	20-Feb-21	33,510	33,510	5	167,114	165,545
Bank of Punjab - TFC	15.75%	23-Apr-28	5,960	5,960	100	590,430	589,347
Dawood Hercules Limited - Sukuk	14.64%-14.75%	1-Mar-23	6,780	6,780	90	584,617	678,013
Dubai Islamic Bank Pakistan - Sukuk	13.83%	14-Jul-27	58	58	1,000	58,868	59,065
Engro Polymer & Chemicals Limited	13.89%	11-Jul-26	300	-	300	91,238	-
Ghani Chemical Industries Limited - Sukuk	22.00%	2-Feb-23	600	600	100	29,260	42,489
Habib Bank Limited - TFC	15.00%	19-Feb-26	590	590	100	56,810	57,208
International Brands Limited - Sukuk	14.53%	15-Nov-21	1,000	1,000	100	84,468	98,721
Jahangir Siddiqui Limited - TFC	15.49%	6-Mar-23	30,000	30,000	5	148,862	150,000
Meezan Bank Limited - Sukuk	14.63%	1-Aug-38	290	40	1,000	289,786	40,004
Soneri Bank Limited - TFC	14.76%	8-Jul-23	10,000	10,000	5	49,828	50,144
TPL Tracker Limited - Sukuk	11.00%	12-Apr-21	30	30	1,000	23,352	31,858
			170,718	170,068		2,723,969	2,473,948

	Note	2019	2018
		(Rupees in '000)	
11. INVESTMENT IN TERM DEPOSITS - held to maturity			
Deposits maturing within 12 months	11.1	9,585,000	11,070,000

11.1 This represents term deposits with bank which carries interest rate ranging between 12.25% to 14.5% per annum and maturing between January 2, 2020 to March 30, 2020. This includes term deposits of Rs.150 million maintained with a related party.

	Note	2019	2018
		(Rupees in '000)	
12. INVESTMENTS IN MUTUAL FUNDS			
Investments in mutual funds - fair value through profit and loss (held for trading)	12.1	5,866,826	3,815,940

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12.1 Investments in mutual funds - fair value through profit and loss

	Note	2019 Cost	2019 Surplus/ (deficit) on revaluation	2019 Carrying value	2018 Cost	2018 (Deficit)/ Surplus on revaluation	2018 Carrying value
		(Rupees in '000)					
Related parties	12.1.1	**4,638,276**	**375,950**	**5,014,226**	3,651,822	(289,077)	3,362,745
Others	12.1.1	**934,567**	**(93,167)**	**841,400**	286,805	166,390	453,195
		5,572,843	**282,783**	**5,855,626**	3,938,627	(122,687)	3,815,940

12.1.1 Details of Mutual Funds- fair value through profit and loss (held for trading)

	2019 No. of Units	2019 Carrying value (Rupees in 000)	2018 No. of Units	2018 Carrying value (Rupees in 000)
Related parties				
Alhamra Daily Dividend Fund	**51,565**	**5,156**	-	-
Alhamra Islamic Stock Fund	**141,740,527**	**1,451,376**	73,523,568	756,836
MCB Pakistan Stock Market Fund	**31,957,244**	**2,932,263**	26,079,928	2,204,074
MCB Dynamic Allocation Fund	**5,839,914**	**466,301**	5,456,390	401,835
Alhamra Islamic Income Fund	**373,227**	**40,059**	-	-
Alhamra Islamic Asset Allocation Fund	**1,609,181**	**119,071**	-	-
		5,014,226		3,362,745
Others				
Alfalah GHP Money Market Fund	**1,134**	**111**	1,033	101
Alfalah GHP Islamic Income Fund	**475,513**	**50,020**	-	-
Faysal Savings & Growth Fund	**3,423,470**	**369,695**	3,219,548	338,407
Faysal Income & Growth Fund	**779**	**87**	732	80
Meezan Balanced Fund	**508,765**	**7,885**	508,765	7,326
NBP Islamic Stock Fund	**10,439,355**	**114,753**	10,439,355	107,281
Faysal Money Market Fund	**2,029,159**	**219,622**	-	-
Faysal Financial Value Fund	**261,883**	**26,222**	-	-
Faysal Financial Sector Opportunity Fund	**119,617**	**13,005**	-	-
NBP Islamic Mahana Amdani Fund	**3,789,458**	**40,000**	-	-
		841,400		453,195

	Note	2019	2018
		(Rupees in '000)	

13. INSURANCE / REINSURANCE RECEIVABLES / (PAYABLES)

Due from insurance contract holders		57,224	34,206
(Payable to)/due from reinsurers		(125,265)	94,278
Net insurance / reinsurance (payable) / receivable		(68,041)	128,484

14. OTHER LOANS AND RECEIVABLES

	Note	2019	2018
Secured loans to employees	14.1	6,834	10,811
Accrued income on investments		225,473	139,355
Security deposits		34,127	25,463
Advance to suppliers		3,682	12,293
Receivable from related parties		5	2,500
Dividend receivable		4,155	3,679
Receivable against the sale of investment		-	98,754
Receivable from Gratuity Fund	19.2	-	14,421
Other receivables		1,888	1,933
		276,164	309,209

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

15. PREPAYMENTS

	2019	2018
Prepaid rent	10,293	48,173
Prepaid miscellaneous expenses	27,038	19,976
	37,331	68,149

16. CASH AND BANK

	Note	2019	2018
		(Rupees in '000)	
Cash and cash equivalents			
-Cash in hand		343	285
-Policy stamps		15,056	9,818
		15,399	10,103
Cash at bank			
-Current accounts		155,534	110,140
-Saving accounts	16.1	7,089,626	3,191,410
		7,245,160	3,301,550
		7,260,559	3,311,653

16.1 This carries interest rate ranging from 8.00% to 14.00% (2018: 3.85% to 8.20%) per annum.

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

	2019	2018
- Cash and others	15,399	10,103
- Cash at bank	7,245,160	3,301,550
- Term deposits maturing within three months	9,585,000	11,020,000
	16,845,559	14,331,653

17. ORDINARY SHARE CAPITAL

17.1 Authorized capital

2019	2018				
(Number of shares 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

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 (2018: 69,490,295) and 24,059,105 (2018: 24,059,105) ordinary shares of the Company at December 31, 2019. (Refer note 45.1 to the financial statements)

17.4 Share capital includes Rs. 472.06 million (2018: Rs. 475.3 million) transferred to the statutory funds.

18. INSURANCE LIABILITIES

	Note	2019	2018
		(Rupees in '000)	
Reported outstanding claims (including claims in payment)	18.1	**814,331**	950,643
Incurred but not reported claims	18.2	**54,874**	48,012
Investment component of unit-linked and account value policies	18.3	**35,315,137**	30,455,132
Liabilities under individual conventional insurance contracts	18.4	**29,217**	22,061
Liabilities under group insurance contracts (other than investment linked)	18.5	**128,872**	91,027
Other insurance liabilities	18.6	**406,242**	194,002
Gross insurance liabilities		**36,748,673**	31,760,877
Deficit of Participant Takaful Fund		**(12,720)**	(14,200)
Total Insurance Liabilities		**36,735,953**	31,746,677

18.1 Reported outstanding claims

	2019	2018
Gross of reinsurance		
Payable within one year	**883,486**	1,145,569
Recoverable from reinsurers	**(69,155)**	(194,926)
Net reported outstanding claims	**814,331**	950,643

18.2 Incurred but not reported claims

	2019	2018
Individual life		
Gross of reinsurance	**42,243**	14,608
Reinsurance recoveries	**(19,624)**	(58)
Net of reinsurance	**22,619**	14,550
Group life		
Gross of reinsurance	**94,645**	106,046
Reinsurance recoveries	**(62,390)**	(72,584)
Net of reinsurance	**32,255**	33,462
	54,874	48,012

18.3 Investment component of unit linked and account value policies

	2019	2018
Investment component of unit linked policies	**32,579,678**	30,341,302
Investment component of account value policies	**2,735,458**	113,830
	35,315,137	30,455,132

18.4 Liabilities under individual conventional insurance contracts

	2019	2018
Gross of reinsurance	**31,759**	24,621
Reinsurance credit	**(2,542)**	(2,560)
Net of reinsurance	**29,217**	22,061

18.5 Liabilities under group insurance contracts (other than investment linked)

	2019	2018
Gross of reinsurance	**312,417**	189,102
Reinsurance credit	**(183,545)**	(98,075)
Net of reinsurance	**128,872**	91,027

18.6 Other insurance liabilities

	2019	2018
Gross of reinsurance	**535,217**	225,231
Reinsurance credit	**(128,975)**	(31,229)
Net of reinsurance	**406,242**	194,002

19. RETIREMENT BENEFIT OBLIGATIONS

19.1 As stated in note 3.8, 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 recognized on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

19.1.1 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 December 31, 2019 under the Projected Unit Credit Method are as follows:

	Note	2019	2018
		(Rupees in '000)	
19.2 Balance sheet reconciliation			
Present value of defined benefit obligations	19.2.1	107,094	65,465
Fair value of plan assets at December 31	19.2.2	(70,068)	(79,886)
Net liability at end of the year	19.2.4	37,026	(14,421)

19.2.1 Movement in present value of defined benefit obligations

	Note	2019	2018
Present value of defined benefit obligations at beginning of the year		65,465	90,586
Current service cost	19.2.3	23,330	28,752
Interest cost - net	19.2.3	10,579	11,970
Benefits paid during the year	19.2.3	(14,106)	(42,601)
Remeasurement loss on obligation:			
- due to changes in financial assumptions	19.2.3	21,826	(23,242)
Present value of defined benefit obligations at end of the year		107,094	65,465

19.2.2 Movement in fair value of plan assets

	Note	2019	2018
Fair value of plan assets at beginning of the year		79,886	59,080
Contributions made by the Company to the Fund		-	64,000
Interest income on plan assets	19.2.3	12,138	7,413
Benefits paid during the year	19.2.1	(14,106)	(42,601)
Remeasurement loss on plan assets	19.2.3	(7,850)	(8,006)
Fair value of plan assets at end of the year		70,068	79,886

	Note	2019	2018
		(Rupees in '000)	
19.2.3 Expense recognized in profit and loss and Other Comprehensive Income			
Current service cost	19.2.1	**23,330**	28,752
Interest cost	19.2.1	**10,579**	11,970
Interest income on plan assets	19.2.2	**(12,138)**	(7,413)
Expense for the year recognized in the profit and loss account		**21,771**	33,309
Remeasurement losses on defined benefit obligation	19.2.1	**21,826**	(23,242)
Remeasurement loss on fair value of plan assets	19.2.2	**7,850**	8,006
Amount recognized in the other comprehensive income		**29,676**	(15,236)
19.2.4 Net recognized liability			
Net liability at beginning of the year		**(14,421)**	31,506
Expense recognized in profit and loss account	19.2.3	**21,771**	33,309
Expense recognized in other comprehensive income	19.2.3	**29,676**	(15,236)
Contributions made to the Fund during the year		**-**	(64,000)
Net liability at end of the year	19.2	**37,026**	(14,421)

19.2.5 Estimated Gratuity Cost for the year ending December 31, 2020, is as follows:

	2020
	(Rupees in '000)
Current service cost	**35,925**
Net interest cost	**6,140**
Total expense to be recognized in profit and loss	**42,065**

19.3 Plan assets comprise of following:

	2019		2018	
	(Rupees in '000)	%age	(Rupees in '000)	%age
Bank balance	**46,605**	**67%**	39,357	49%
Mutual Funds	**23,463**	**33%**	40,529	51%
Fair value of plan assets at end of the year	**70,068**	**100%**	79,886	100%

19.3.1 The 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, and ABL.

19.4 The principal assumptions used in the actuarial valuations carried out as of December 31, 2019, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund	
	2019	2018
Discount rate per annum	**11.75%**	13.25%
Expected per annum rate of return on plan assets	**11.75%**	13.25%
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

19.4.1 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.

19.5 Sensitivity analysis for actuarial assumptions

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

	2019	2018
	(Rupees in '000)	
Discount rate (1% increase)	**(9,817)**	(5,382)
Discount rate (1% decrease)	**11,674**	6,340
Future salary increase rate (1% increase)	**12,445**	6,883
Future salary increase rate (1% decrease)	**(10,597)**	(5,907)

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. 0.335 million.

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.

19.6 The weighted average duration of the defined benefit obligation is 10.79 years. Besides the number of employees covered in the scheme at December 31, 2019 were 1,083 (2018: 765).

19.7 The expected maturity analysis of undiscounted retirement benefit plan is between 3-4 & 4-5 years and the amount involved is Rs. 21.654 million and Rs. 6.426 million respectively.

19.8 Historical Information

	2019	2018	2017	2016	2015
	(Rupees in '000)				
Present value of defined benefit obligation	**107,094**	65,465	90,586	61,604	41,888
Fair value of plan assets	**(70,068)**	(79,886)	(59,079)	(47,057)	(32,558)
(Surplus) / deficit	**37,026**	(14,421)	31,507	14,547	9,330

19.9 Experience adjustment

	2019	2018	2017	2016	2015
Experience adjustments on obligation	**20%**	-36%	8%	18%	14%
Experience adjustments on asset	**-11%**	-10%	-18%	4%	-4%

19.10 Gratuity cost to the recognized 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 allow ability 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.

20. DEFERRED TAXATION

Deferred tax movement in temporary differences during the year

	Balance as at January 01, 2018	Recognized in profit and loss account	Recognized in OCI	**Balance as at December 31, 2018**	**Recognized in profit and loss account**	**Recognized in OCI**	**Balance as at December 31, 2019**
	(Rupees in '000)						
Deferred tax liability on taxable temporary difference							
Accelerated tax depreciation	(2,880)	(881)	-	**(3,761)**	**1,595**	**-**	**(2,166)**
Business attributable to shareholders (Ledger Account D)	(25,470)	(17,301)	(3,618)	**(46,389)**	**(96,755)**	**-**	**(143,144)**
	(28,350)	(18,182)	(3,618)	**(50,150)**	**(95,160)**	**-**	**(145,310)**
Deferred tax asset on deductible temporary difference							
Unused tax losses	5,900	2,136	(190)	**7,846**	**10,087**	**-**	**17,933**
Accelerated accounting amortization	65	2	-	**67**	**208**	**-**	**275**
Provision for leave encashment & bonus	-	-	-	**-**	**21,080**	**-**	**21,080**
Remeasurement of post retirement defined benefits	-	-	-	**-**	**-**	**8,606**	**8,606**
Surplus on revaluation AFS investments	(1,989)	-	3,515	**1,526**	**-**	**(150)**	**1,376**
	3,976	2,138	3,325	**9,439**	**31,375**	**8,456**	**49,270**
	(24,374)	(16,044)	(293)	**(40,711)**	**(63,785)**	**8,456**	**(96,040)**

20.1 Deferred tax is recorded at the rate 29%,as the management expects to transfer profits to shareholder fund in 2024.

21. OTHER CREDITORS AND ACCRUALS

	2019	2018
	(Rupees in '000)	
Agents commission	**408,264**	357,858
Payable against the purchase of investments	**847,474**	138,863
Accrued expenses	**215,179**	91,834
Payable to related parties	**15,570**	6,833
Other tax payables	**11,183**	8,440
Others	**-**	5,007
	1,497,670	608,835

22. CONTINGENCIES AND COMMITMENTS

22.1 CONTINGENCIES

22.1.1 Claims against the Company not acknowledged as debt	**67,197**	26,014
Number of cases	**45**	43

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 Sales tax on life insurance premium
Sindh Revenue Board (SRB):

The exemption from the Sindh sales tax on life insurance premium has expired on June 30, 2019 and subsequently the sales tax has become applicable on the life insurance premium from July 01, 2019. The matter for renewal of the exemption has been taken-up at the collective level of Insurance Association of Pakistan with the SRB through its consultants. However, as the effort remained unconcluded, the Company, along with the other companies within the industry, through the consultant of Insurance Association of Pakistan (IAP) had filed a Constitution Petition bearing No. D-7677 of 2019, titled 'EFU Life Assurance Limited & Others vs The Province of Sindh & Another' with Sindh High Court. However, High Court in its order issued on December 2, 2019, stated that the Sindh Revenue Board ought to consider approving the exemption on the levy of this tax under Section 10 of Sindh Sales Tax on Services Act, 2011.

In view of the fact that the exemption is still pending, the Company and other life insurance companies have not yet billed their customers for SST for the period commencing from July 01, 2019 on the Premium of life insurance coverage.
The aggregate amount of Sindh Sales Tax not yet billed, based on the risk premium, during the period from July 2019 to December 2019 is Rs.21.49 million.

22.2 COMMITMENTS

22.2.1 Commitments in respect of Ijarah rentals payable in future period as at December 31, 2019 amounted to Rs. 80.59 million (December 31, 2018: Rs. 40.61 million) for vehicles.

	2019	2018
	----------- (Rupees in '000) -----------	
Not later than one year	**22,543**	12,071
Later than one year and not later than five years	**58,045**	28,542
	80,588	40,613

22.2.2 There were no commitments in respect of capital expenditure (2018: Rs.7.20 million) & operating expenditure (2018: Rs.4.50 million).

23. NET INSURANCE PREMIUM REVENUE

	2019	2018
	----------- (Rupees in '000) -----------	
Gross premiums		
Regular premium / contributions individual policies*		
- first year	**3,638,303**	2,792,041
- second year renewal	**2,195,775**	1,872,151
- subsequent years renewal	**4,898,480**	3,809,229
Single premium / contributions individual policies*	**1,599,794**	4,228,194
Group policies without cash values	**670,501**	622,144
Less: Experience refund	**(33,432)**	(76,505)
Total gross premiums / contributions	**12,969,421**	13,247,254
Less: reinsurance premiums / retakaful contributions ceded		
On individual life first year business	**(45,530)**	(46,210)
On individual life second year business	**(46,577)**	(41,202)
On individual life subsequent renewal business	**(114,825)**	(103,849)
On single premium individual policies	**-**	-
On group policies	**(412,104)**	(344,739)
Profit commission on reinsurance	**35,765**	-
	(583,271)	(536,000)
Net premiums / contributions	**12,386,150**	12,711,254

* Individual policies are those underwritten on an individual basis.

	2019	2018
	------ (Rupees in '000) ------	
24. INVESTMENT INCOME		
Income from equity securities		
Dividend income		
Available for sale	735	1,101
Held for trading	559,167	431,630
	559,902	432,731
Income from debt securities - fair value through profit & loss		
Return on other fixed income securities	385,510	197,424
Income from government securities		
Available for sale	35,462	25,581
Held for trading	824,669	491,703
	860,131	517,284
Income from term deposit receipts - held to maturity	772,662	508,518
	2,578,205	1,655,957
Tax on dividend under final tax regime	(38,587)	(70,401)
	2,539,618	1,585,556
25. NET REALISED FAIR VALUE GAINS ON FINANCIAL ASSETS		
Available for sale		
Realized gains / (losses) on:		
- Mutual Funds	-	4,780
- Listed equities	-	(1,626)
- Government securities	81	49
	81	3,203
Held for trading		
Realized gains / (losses) on:		
- Mutual Funds	(6,806)	23,745
- Listed equities	13,639	327,581
- Fixed income securities	-	1,878
- Government securities	112,738	(10,899)
	119,571	342,305
	119,652	345,508
26. NET FAIR VALUE GAIN / (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS - UNREALIZED		
Held for trading		
Net unrealized gains / (losses) on:		
- Mutual Funds	405,471	(300,318)
- Listed equities	152,924	(1,441,370)
- Fixed income securities	(50,242)	12,597
- Government securities	(147)	(9,892)
Investment related expenses	(72,609)	(111,969)
	435,397	(1,850,952)
27. OTHER INCOME		
Return on bank deposits	395,929	103,444
Mark-up on policy loans	3,028	2,840
(Loss) / gain on disposal of fixed assets	(13,073)	2,882
Others	5,916	16,997
	391,800	126,163
28. CHANGE IN UNREALISED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		
- Listed equities	41	(9,674)
- Government securities	475	(2,408)
	516	(12,082)

29. NET INSURANCE BENEFITS

	2019	2018
	(Rupees in '000)	
Gross claims		
Claims under individual policies		
- by death	(296,294)	(279,018)
- by insured event other than death	(2,924)	(2,600)
- by maturity	(1,347,025)	(1,717,972)
- by surrender	(4,986,784)	(4,247,653)
Total gross individual policy claims	(6,633,027)	(6,247,243)
Claims under group policies		
- by death	(451,369)	(547,547)
- by insured event other than death	18,914	(33,099)
Total gross group policy claims	(432,455)	(580,646)
Total gross claims	(7,065,482)	(6,827,889)
Less: Reinsurance recoveries		
- on individual claims	71,781	106,998
- on group claims	277,527	416,547
	349,308	523,545
Net claims	(6,716,174)	(6,304,344)

29.1 Claim development table

29.1.1 Individual life claims

Incident year	Incident reported 2015	2016	2017	2018	2019
	(Rupees in '000)				
Estimate of ultimate claim costs:					
At the end of accident year	87,678	137,326	182,730	174,125	255,186
One year later	128,786	207,118	284,371	253,932	-
Two years later	133,754	213,344	295,982	-	-
Three years later	134,004	215,008	-	-	-
Four years later	134,004	-	-	-	-
Current estimate of cumulative claims	134,004	215,008	295,982	253,932	255,186
Cumulative payments to date	132,234	209,111	275,984	238,612	176,324
Liability recognized in the statement of financial position	1,770	5,897	19,977	15,320	78,861

29.1.2 Group life claims

Incident year	Incident reported 2015	2016	2017	2018	2019
	(Rupees in '000)				
Estimate of ultimate claim costs:	151,607	283,306	413,991	419,348	352,888
At the end of accident year	193,687	325,000	549,012	534,512	-
One year later	194,953	325,487	557,617	-	-
Two years later	194,953	325,487	-	-	-
Three years later	194,953	-	-	-	-
Four years later					
Current estimate of cumulative claims	194,953	325,487	557,617	534,512	352,888
Cumulative payments to date	194,953	325,487	556,060	530,186	316,754
Liability recognized in the statement of financial position			1,558	4,326	36,134

30. Insurance benefits unclaimed at year end

	Total	1-6 months	7-12 months	13-24 months	25-36 months	Beyond 36 months
				(Rupees in '000)		
Unclaimed maturity benefits	572,351	384,642	76,913	110,796	-	-
Unclaimed death benefits	53,689	49,536	3,753	-	400	-
Unclaimed disability benefits	2,794	2,294	-	-	500	-
Claims not encashed	105,087	61,102	18,614	21,417	3,661	293
	733,921	497,574	99,280	132,213	4,561	293

31. ACQUISITION EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Remuneration to insurance / takaful intermediaries on individual policies:			
- Commission on first year contribution / premium		(1,627,575)	(1,255,234)
- Commission on second year contribution / premium		(123,105)	(99,621)
- Commission on subsequent years renewal contribution / premium		(118,629)	(89,043)
- Commission on single contribution / premium		(33,735)	(91,068)
- Other benefits to insurance intermediaries		(373,272)	(318,417)
		(2,276,316)	(1,853,383)
Remuneration to insurance intermediaries on group policies:			
- Commission		(36,345)	(36,057)
- Other benefits to insurance intermediaries		(4,423)	(4,523)
		(40,768)	(40,580)
Other acquisition costs			
- Employee benefit cost		(179,504)	(105,278)
- Traveling expenses		(1,366)	(2,259)
- Information technology expense		(4,449)	(2,383)
- Printing & stationary		(1,400)	(2,100)
- Depreciation		(39,294)	(14,913)
- Amortization		(193)	(97)
- Rentals expense		(8,560)	(24,477)
- Insurance cost		(292)	(124)
- Car fuel & maintenance		(23,632)	(15,815)
- Postage		(3,978)	(1,213)
- Utility cost		(7,594)	(6,523)
- Office maintenance		(19,800)	(12,576)
- Entertainment		(4,907)	(3,556)
- Training & development		(4,988)	(2,116)
- Marketing cost		(24,382)	(16,140)
- Financial charges		(11,963)	(311)
- Brokerage charges		(403)	-
- Legal & professional charges		(176)	-
- Policy stamps		(44,759)	(34,120)
- Medical examination fee		(1,754)	(2,024)
		(383,394)	(246,025)
		(2,700,478)	(2,139,988)

	Note	2019	2018
32. MARKETING AND ADMINISTERATION EXPENSES		---------- (Rupees in '000)	----------
Employee benefit cost	32.1 & 32.2	**(472,456)**	(370,228)
Travelling expenses		**(12,588)**	(9,449)
Advertisements & sales promotion		**(170,845)**	(91,362)
Printing and stationery		**(21,032)**	(23,357)
Depreciation		**(50,791)**	(32,491)
Amortization		**(24,980)**	(18,046)
Rent, rates and taxes		**(63,050)**	(69,162)
Legal and professional charges business related		**(23,884)**	(21,126)
Electricity, gas and water		**(13,757)**	(11,297)
Entertainment		**(5,843)**	(4,545)
Vehicle running expenses		**(36,028)**	(26,744)
Office repairs and maintenance		**(21,159)**	(16,569)
Appointed actuary fees		**(9,927)**	(4,740)
Postages, telegrams and telephone		**(24,448)**	(32,279)
Bank charges		**(2,951)**	(2,736)
Annual supervision fee		**(27,564)**	(22,603)
Information technology expenses		**(51,136)**	(32,961)
Insurance expenses		**(5,262)**	(3,031)
Training & development		**(9,357)**	(11,905)
Miscellaneous		**(1,347)**	(5,436)
		(1,048,405)	(810,067)

32.1 Total number of employees as at December 31, 2019 are 1,144 (2018: 674) which include permanent and contractual employees.

	Note	2019	2018
32.2 Employee benefit cost		---------- (Rupees in '000)	----------
Salaries, allowance and other benefits		**(450,685)**	336,919
Charges for post employment benefit	19.2.3	**(21,771)**	33,309
		(472,456)	(370,228)

33. OTHER EXPENSES

	Note	2019	2018
Auditor's remuneration	33.1	**(4,190)**	(3,762)
Fee & subscription		**(3,657)**	(114)
Donations		**(609)**	(9)
		(8,456)	(3,885)

33.1 Auditor's remuneration

	2019	2018
Annual audit fee	**1,907**	1379
Half yearly review	**473**	473
Gratuity fund audit	**43**	55
Other certifications	**1,254**	1,389
Out of pocket	**513**	466
	4,190	**3,762**

34. INCOME TAX EXPENSE

	2019	2018
For the year		
- Current	**290**	431
- Deferred	**63,785**	16,044
	64,075	16,475

35. EARNING PER SHARE

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

	2019	2018
	---------- (Rupees in '000) ----------	
Profit after tax for the year	**217,106**	56,088
	(Number of shares in '000)	
Weighted average number of ordinary share outstanding as at year end	**93,549**	93,549
	------------- (Rupees) -------------	
Basic earning per share	**2.32**	0.60

36. REMUNERATION OF CEO, DIRECTORS AND EXECUTIVES

	Chief executive		Directors		Executives	
	2019	2018	**2019**	2018	**2019**	2018
	---------- (Rupees in '000) ----------					
Managerial remuneration	-	-	-	13,025	**126,134**	100,227
Compensated absence	-	-	-	-	**6,365**	11,887
Bonus	-	-	-	-	**20,046**	20,025
Rent and house maintenance	-	-	-	3,233	**50,454**	40,091
Utilities	-	-	-	2,766	**12,613**	10,023
Medical	-	-	-	-	**10,714**	7,964
Travelling	-	-	-	8,514	-	-
Conveyance, other allowances and benefits	-	-	-	1,280	**52,249**	49,545
	-	-	-	28,818	**278,575**	239,762
Number of persons	1	1	-	1	**113**	95

36.1 No remuneration was paid to CEO during 2019. Cars provided to entitled executives are for private and official use.Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

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:

	Note	2019	2018
Transactions during the year		---------Rupees in 000-------	
Holding company			
Premium written		**5,139**	2,459
Insurance expense		**16,235**	16,459
Claims expense		**23,903**	1,000
AICL Premises rentals expense		**1,436**	1,991
AICL Premises rentals income		**2,250**	-
Associated undertakings			
Premium written		**239,237**	163,559
Claims expense		**75,304**	122,545
Commission and other incentives in respect of Bancassurance		**1,770,676**	1,349,732
Profit on bank deposits		**269,079**	63,414
Bank charges		**1,646**	1,607
Investments purchased		**5,689,281**	2,369,322
Investments sold		**4,667,827**	1,740,865
Dividend income		**159,273**	52,273
Reinsurance claim recoveries		**10,680**	15,674
Reinsurance premium ceded		**1,906**	22,591
		-	
Other related parties			
Premium written		**8,445**	16,979
Claims expense		**459**	14,304
Investment advisor fee		**16,477**	18,407
Trustee fee		**9,530**	10,701
Transactions with key management personnel			
Sale proceeds from sale of fixed assets		-	4,292
Gain on sale of fixed assets		-	2,487
Charge for the year of Gratuity fund		**51,447**	18,073
Contributions made to Gratuity fund		-	64,000
Premium written		**3,433**	3,433
Balances outstanding as at the end of the year			
Holding company			
Premium due but unpaid		-	3
Claims & other payable		**2,913**	5,150
Insurance claims receivable		**47**	47
Associated undertakings			
Premium due but unpaid		**6,526**	1,911
Premium received in advance		-	1,638
Bank deposits		**1,475,870**	1,801,576
Investments held		**6,799,087**	4,888,330
Dividend receivables		**22,814**	-
Accrued Income		**101**	62,903
Commission payable		**337,441**	294,210
Claims payable		**2,370**	7,157
Reinsurance receivable/ (payable)		**1,874**	(6,916)
Other related parties			
Premium due but unpaid		**3,027**	2,779
Premium received in advance		-	11,340
Claims payable		-	41
Remuneration payable for the management of discretionary investment portfolio		**3,792**	1,719
Remuneration payable to Trustee		**486**	512
Other payable/(receivables)		**(892)**	2,500
Staff Retirement Benefit Plan (Gratuity Fund)			
(Payable to) / receivable from Gratuity fund		**(37,026)**	14,421

38. SEGMENTAL INFORMATION

38.1 REVENUE ACCOUNT BY STATUTORY FUND

	Statutory Funds					
	Conventional Business	Accident and Health Business	Non-unitized Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2019
	(Rupees in 000)					
Income						
Premiums / contribution less reinsurances / re-takaful	231,458	-	287,082	9,987,242	1,880,368	12,386,150
Rental income from investment property	-	-	-	2,250	-	2,250
Net investment income	43,903	-	180,145	3,067,868	229,357	3,521,273
Total net income	275,361	-	467,227	13,057,360	2,109,725	15,909,673
Claims and expenditure						
Insurance benefits including bonus net of reinsurance	157,099	-	172,313	6,037,157	357,313	6,723,882
Management expenses less recoveries	98,822	-	21,010	2,852,492	776,139	3,748,463
Total insurance benefits and expenditures	255,921	-	193,323	8,889,649	1,133,452	10,472,345
Excess of income over insurance benefits and expenditures	19,440	-	273,904	4,167,711	976,273	5,437,328
Net change in insurance liabilities (other than outstanding claims)	43,795	-	190,247	3,916,133	975,413	5,125,588
Surplus / (deficit) before tax	(24,355)	-	83,657	251,578	860	311,740
Tax on dividend under FTR	-	-	(5,484)	(31,205)	(1,898)	(38,587)
Surplus/ (deficit) after tax	(24,355)	-	78,173	220,373	(1,038)	273,153
Movement in policyholders' liabilities	43,795	-	190,247	3,916,133	975,413	5,125,588
Capital contribution from / (to) shareholders' fund	4,800	-	-	(13,640)	5,500	(3,240)
Balance of statutory funds at beginning of the year	251,420	126	2,698,121	26,883,672	1,622,012	31,455,350
Balance of statutory funds at end of the year	275,660	126	2,968,541	31,006,638	2,601,887	36,850,851

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REVENUE ACCOUNT BY STATUTORY FUND

	Statutory Funds					
	Conventional Business	Accident and Health Business	Non-unitized Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	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	168,407	-	180,447	5,729,227	237,504	6,315,585
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) 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) 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	27,667,134
Balance of statutory funds at end of the year	251,420	126	2,698,121	26,883,672	1,622,012	31,455,351

38.2 Segmental results by line of business financial year 2019

	Individual life distributed through banks	Other line of businesses	Total current year
	-------------------------	(Rupees in 000)	-------------------------
Income			
Gross premiums			
-First year individual regular premiums	3,302,698	334,489	3,637,187
-Individual renewal premiums	6,754,998	340,373	7,095,371
-Individual single premiums	1,526,123	73,671	1,599,794
-Group premiums	-	637,069	637,069
Total gross premiums	11,583,819	1,385,602	12,969,421
Reinsurance premiums			
-Individual	(158,474)	(12,693.00)	(171,167)
-Group	-	(412,104)	(412,104)
Total reinsurance premiums	11,425,345	960,805	12,386,150
Rental income from investment property	2,113	137	2,250
Net investment income	3,307,543	213,730	3,521,273
Total Net Income	14,735,001	1,174,672	15,909,673
Insurance benefits and expenditures			
Insurance benefits net of reinsurance	6,250,728	473,154	6,723,882
Management expenses less recoveries	3,158,253	590,210	3,748,463
Total insurance benefits and expenditures	9,408,981	1,063,364	10,472,345
Excess of income over insurance benefits and expenditures	5,326,020	111,308	5,437,328
Add: Policyholder liabilities at beginning of year	29,883,684	912,351	30,796,035
Less: Policyholder liabilities at end of year	34,515,226	1,406,397	35,921,623
Surplus / (deficit) for the year- before tax	694,478	(382,738)	311,740
Tax on dividend under FTR	(36,245)	(2,342)	(38,587)
Surplus / (deficit) for the year- after tax	658,233	(385,080)	273,153

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	2,936,554
Total insurance benefits and expenditures	8,064,416	1,187,723	9,252,139
Excess of income over insurance benefits and expenditures	4,070,075	(212,522)	3,857,553
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	666,839	(512,626)	154,213
Tax on dividend under FTR	(65,474)	(4,927)	(70,401)
Surplus / (deficit) for the year- after tax	601,365	(517,553)	83,812

38.3 Segmental Statement of Financial Position 2019

	2019		
	Statutory Funds	**Shareholders Fund**	**Total**
	(Rupees in '000)		
Property and equipment	-	501,666	501,666
Intangible assets	-	62,309	62,309
Investment property	876,394	-	876,394
Investments			
Equity securities	7,466,745	19,167	7,485,912
Government securities	5,060,102	317,535	5,377,637
Debt securities	2,773,969	-	2,773,969
Term deposits	9,585,000	-	9,585,000
Mutual funds	5,855,626	-	5,855,626
Loan secured against life insurance policies	32,785	-	32,785
Insurance / reinsurance receivables	-	-	-
Other loans & receivables	236,370	39,794	276,164
Taxation - payment less provision	206,049	45,043	251,092
Prepayments	-	37,331	37,331
Cash & Bank	7,211,761	48,798	7,260,559
Total Assets	**39,304,801**	**1,071,643**	**40,376,444**
Insurance liabilities	36,735,953	-	36,735,953
Retirement benefit obligations	-	37,026	37,026
Premium / contribution received in advance	261,045	-	261,045
Borrowings	-	361,378	361,378
Insurance / reinsurance payables	68,041	-	68,041
Deferred tax liability	113,606	(17,566)	96,040
Other creditors and accruals	911,725	585,945	1,497,670
Total Liabilities	**38,090,370**	**966,783**	**39,057,153**

	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 and 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	31,746,677	-	31,746,677
Deferred tax liability	-	40,711	40,711
Premium received in advance	393,180	-	393,180
Other creditors and accruals	526,178	82,657	608,835
Total Liabilities	32,666,035	123,368	32,789,403

39. MOVEMENT IN INVESTMENT

	Held to maturity	Available for sale	Fair value through profit and loss	Investment Property	Total
	(Rupees in '000)				
As at January 1, 2018	10,625,000	880,313	15,204,938	637,981	27,348,232
Additions	97,153,299	572,148	83,962,509	91,513	181,779,469
Disposals (sale and redemptions)	(96,708,299)	(992,662)	(80,629,772)		(178,330,733)
Fair value net gains (excluding net realized gains)		(12,082)	(1,272,298)	125,900	(1,158,480)
As at December 31, 2018	11,070,000	447,717	17,265,377	855,394	29,638,488
As at January 1, 2019	**11,070,000**	**447,717**	**17,265,377**	**855,394**	**29,638,488**
Additions	**98,847,476**	**1,459,016**	**132,200,278**	**-**	**232,506,770**
Disposals (sale and redemptions)	**(100,332,476)**	**(1,232,256)**	**(129,155,510)**	**-**	**(230,720,242)**
Fair value net gains (excluding net realized gains)	**-**	**516**	**508,006**	**21,000** **-**	**529,522**
As at December 31, 2019	**9,585,000**	**674,993**	**20,818,151**	**876,394**	**31,954,538**

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk in relation to the financial statements on its balance sheet. The Company's overall risk management seeks to minimize potential adverse effects on the Company's financial performance of such risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

40.1.1 Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments and with respect to products other than unit linked products (where the investment risk is passed on to policyholders). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities and equity. The Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise to match duration of assets and liabilities.

40.1.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

40.1.1.2 Other Price Risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

40.1.1.3 Equity Price Risk

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio. In addition, the Company actively monitors the key factors that affect stock market.

40.1.1.4 Interest Rate Risk Exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has bank balances and deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / markup rates in the currencies in which its cash and investments are denominated.

The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates as of December 31, 2019, whichever is earlier, is as follows:

	2019						
	Interest / Markup Bearing			**Non Interest / Non Markup Bearing**			
On statement of financial position financial instruments	**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	16,839,783	896,823	17,736,606	13,341,538	-	13,341,538	31,078,144
Loans and other receivables	-	-	-	276,164	-	276,164	276,164
Insurance / reinsurance receivables	-	-	-	-	-	-	-
Cash & bank	7,089,626	-	7,089,626	155,534	-	155,534	7,245,160
Loan secured against life insurance policies	32,785	-	32,785	-	-	-	32,785
	23,962,194	**896,823**	**24,859,017**	**13,773,236**	**-**	**13,773,236**	**38,632,253**
Liability							
Other creditors and accruals	-	-	-	1,486,487	-	1,486,487	1,486,487
Insurance reinsurance payable	-	-	-	125,265	-	125,265	125,265
Lease liabilities	90,734	270,644	361,378	-	-	-	361,378
	90,734	**270,644**	**361,378**	**1,611,752**	**-**	**1,611,752**	**1,973,130**
2019	**23,871,460**	**626,179**	**24,497,639**	**12,161,484**	**-**	**12,161,484**	**36,659,123**

	2018						
	Interest / Markup Bearing			Non Interest / Non Markup Bearing			
On statement of financial position financial instruments	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
	17,982,537	352,204	18,334,740	14,232,256	-	14,232,256	32,566,996
Liability							
Other creditors and accruals	-	-	-	599,461	-	599,461	599,461
	-	-	-	599,461	-	599,461	599,461
2018	17,982,537	352,204	18,334,740	13,632,795	-	13,632,795	31,967,535

40.1.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or it encounters difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company is maintaining sufficient liquid assets both in the form of cash deposits and liquid securities to meet its long term and short term cash requirements.

40.1.3 Credit Risk

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. 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 (including Term Deposits) can be assessed with reference to external credit ratings as follows:

Ratings of Banks*

	2019	2018
	-------- (Rupees in '000) --------	
A	801,829	616,566
A-	600,878	618,165
A+	647,883	436,197
AA	1,639,407	2,042,636
AA-	-	-
AA+	3,679,930	3,875,028
AAA	9,460,233	5,021,987
	16,830,160	12,610,579

*Rating of banks performed by PACRA JCR-VIS.

The credit quality of Company's exposure on TFCs and Sukuks can be assessed with reference to rating issued by rating agency as follows:

Issuer of TFC/ Sukuk **	**Rating**	**2019**	2018
		-------- (Rupees in '000) --------	
Askari Bank Limited	AA-	**299,979**	203,649
Aspin Pharma (Private) Limited	A	**65,600**	82,000
Bank Al Habib Limited	AA	**194,655**	225,885
Bank Al Falah Limited	AA	**167,114**	165,545
Bank Of Punjab Limited	AA-	**580,430**	589,347
Dawood Hercules Limited	AA	**584,617**	678,013
Dubai Islamic Bank Pakistan Limited	A+	**58,058**	59,085
Engro Polymer & Chemicals Limited	AA	**91,238**	-
Ghani Chemical Industries Limited	A	**29,250**	42,489
Habib Bank Limited	AAA	**56,810**	57,208
International Brands Limited	AA	**84,458**	98,721
Jahangir Siddiqui Limited	AA+	**148,802**	150,000
Meezan Bank Limited	AA	**289,786**	40,004
Soneri Bank Limited	A+	**49,820**	50,144
TPL Tracker Limited	AA-	**23,352**	31,858
		2,723,969	2,473,948

**Rating of issuers of TFCs & Sukuks performed by PACRA JCR-VIS.
Investment in Government securities are not exposed to any credit risk.

The management monitors exposure to credit risk in premium receivable from group clients through regular review of credit exposure and prudent estimates of provision for doubtful debts. As of December 31, 2019 there was no provision for doubtful premiums as all the premiums receivable were considered good.

41. 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 categorized.

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

	2019								
	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)	651,837	4,725,800	-	-	**5,377,637**	-	5,377,637	-	**5,377,637**
Listed equity securities	23,156	7,462,756	-	-	**7,485,912**	7,485,912	-	-	**7,485,912**
Units of mutual funds	-	5,855,626	-	-	**5,855,626**	5,855,626	-	-	**5,855,626**
Debt securities (listed TFCs and Sukuks)	-	2,773,969	-	-	**2,773,969**	-	2,773,969	-	**2,773,969**
Financial assets not measured at fair value									
- Balances with banks	-	-	7,260,559	-	**7,260,559**				
- Term deposits	-	-	9,585,000	-	**9,585,000**				
- Other financial assets	-	-	321,785	-	**321,785**				
	674,993	**20,818,151**	**17,167,344**	**-**	**38,660,488**				
Financial liabilities not measured at fair value									
Financial liabilities	-	-	-	1,486,487	**1,486,487**				
Insurance liabilities	-	-	-	36,735,953	**36,735,953**				
Insurance / reinsurance payables	-	-	-	68,041	**68,041**				
Premium received in advance	-	-	-	261,045	**261,045**				
Deferred taxation	-	-	-	96,040	**96,040**				
Lease liabilities	-	-	-	361,378	**361,378**				
	-	**-**	**-**	39,008,944	**39,008,944**				

* FVTPL: Fair value through profit and loss

On balance sheet financial instruments

	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
Financial assets not measured at fair value									
- Balances with banks	-	-	3,311,653	-	3,311,653				
- Term deposits	-	-	11,070,000	-	11,070,000				
- Other financial assets	-	-	468,051	-	468,051				
	446,281	17,266,812	14,849,704	-	32,562,797				
Financial liabilities not measured at fair value									
Financial liabilities	-	-	-	599,461	599,461				
Insurance liabilities	-	-	-	31,746,677	31,746,677				
Insurance / reinsurance payables	-	-	-	-	-				
Premium received in advance	-	-	-	393,180	393,180				
Deferred taxation	-	-	-	40,711	40,711				
	-	-	-	32,780,029	32,780,029				

42. INSURANCE RISK AND MANAGEMENT OF INSURANCE RISK

42.1 Conventional business

42.1.1 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 underpricing 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.

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 2019			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in 000)	Percentage	(Rupees in 000)	Percentage
0-200,000	14,013	39.57%	3,807	39.57%
200,000 - 400,000	5,606	15.83%	1,523	15.83%
400,001 - 800,000	4,841	13.67%	1,315	13.67%
800,001 - 1,000,000	510	1.44%	138	1.44%
More than 1,000,000	10,446	29.50%	2,838	29.50%
Total	35,414		9,623	

Rza

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		11,820	

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.

42.1.2 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 underpricing 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 2019**			
	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	592,761,889	100.000%	204,301,760	100.000%
Total	592,761,889		204,301,760	

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	-	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	

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.

R/A

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.

42.2 Non unitized 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 underpricing 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 minimizes 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 2019			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in 000)	Percentage	(Rupees in 000)	Percentage
0-200,000	227,510	8.91%	69,243	10.13%
200,000 - 400,000	297,182	11.64%	91,405	13.37%
400,001 - 800,000	718,533	28.14%	217,492	31.81%
800,001 - 1,000,000	740,372	29.00%	223,161	32.64%
More than 1,000,000	569,440	22.30%	82,441	12.06%
Total	2,553,037		683,742	

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	

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-unitized 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' behavior.

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-unitized 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.

42.3 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 underpricing 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 minimizes 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 2019			
	Total benefits assured			
Rupees	Before reinsurance		After reinsurance	
	(Rupees in 000)	Percentage	(Rupees in 000)	Percentage
0-200,000	9,153,325	8.29%	5,636,878	10.02%
200,000 - 400,000	12,522,371	11.34%	9,121,969	16.22%
400,001 - 800,000	27,073,353	24.51%	18,911,051	33.63%
800,001 - 1,000,000	27,210,735	24.63%	14,001,825	24.90%
More than 1,000,000	34,506,808	31.24%	8,560,398	15.22%
Total	110,466,592		56,232,141	

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	99,340,437		42,023,431	

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 behavior.

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.

RxA

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.

42.4 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 underpricing 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.

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 2019**			
	Total benefits covered			
Rupees	**Before retakaful**		**After retakaful**	
	(Rupees in 000)	**Percentage**	**(Rupees in 000)**	**Percentage**
0-200,000	**1,517,969**	**7.36%**	**1,143,889**	**8.53%**
200,000 - 400,000	**2,072,722**	**10.05%**	**1,967,329**	**14.66%**
400,001 - 800,000	**4,998,960**	**24.23%**	**4,725,553**	**35.22%**
800,001 - 1,000,000	**5,431,737**	**26.33%**	**3,616,272**	**26.95%**
More than 1,000,000	**6,606,294**	**32.03%**	**1,964,029**	**14.64%**
Total	**20,627,682**		**13,417,072**	

Benefits covered per life	Sum assured 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	

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.

d) 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.

42.5 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 investment return assumed for valuation is 3.75% per annum. This rate is prescribed by law. We have valued our liabilities based on the 10-Year PIB rate of 10% to determine adequacy.

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	**35,934,341**	**35,913,470**
Investment Returns	**35,934,341**	**35,933,336**

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

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43. WINDOW TAKAFUL OPERATIONS

43.1 Statement of Financial Position
As at December 31, 2019

	Operator's Sub Fund	Statutory Fund Individual Family Takaful	Aggregate 2019	Aggregate 2018
	——Rupees in 000——			
Share capital and reserves				
Operator's Fund	159,501	-	159,501	154,001
Accumulated deficit	(120,967)	-	(120,967)	(122,398)
Qard-e-Hasna contributed by Window Takaful Operator	(22,500)	-	(22,500)	(22,500)
Net shareholders' equity	16,034	-	16,034	9,103
Balance of statutory fund [including technical reserves]				
Participants' Investment Fund	-	2,545,272	2,545,272	1,587,292
Participants' Takaful Fund - Waqf [including technical reserves of Rs.30.61 million (2018: Rs.17.32 million)]	-	40,899	40,899	26,117
	-	2,586,171	2,586,171	1,613,409
Creditors and accruals				
Outstanding claims	-	12,241	12,241	11,400
Contribution received in advance	-	51,536	51,536	38,876
Amounts due to retakaful	-	23,923	23,923	10,656
Amounts due to agents	79,772	-	79,772	54,122
Other creditors and accruals	29,912	2,472	32,384	7,835
Inter-fund payable	85,288	-	85,288	57,969
Total liabilities	194,972	90,172	285,144	180,858
Total equity and liabilities	211,006	2,676,343	2,887,349	1,803,370
Cash and bank deposits				
Cash and others	5,989	-	5,989	2,236
Cash and bank deposits	56,282	361,603	417,885	295,984
Deposit maturing within twelve months	100,000	950,000	1,050,000	535,000
	162,271	1,311,603	1,473,874	833,220
Investments				
Government securities	3	-	3	32,006
Other fixed income securities	-	121,726	121,726	64,684
Listed equities and mutual funds	47,838	1,189,084	1,236,922	838,988
	47,841	1,310,810	1,358,651	935,678
Current assets - others				
Investment income accrued	850	8,585	9,435	6,358
Other receivables	-	23	23	10
Advances and deposits	31	-	31	300
Deferred tax asset	-	-	-	-
Taxation - payment less provision	13	-	13	-
Dividend receivable	-	2,556	2,556	831
Inter-fund receivable	-	42,766	42,766	26,973
	894	53,930	54,824	34,472
	211,006	2,676,343	2,887,349	1,803,370

B/A

	Note	2019	2018
		Rupees in 000	

43.2 Revenue Account

43.2.1 Operator's Sub Fund (OSF)

	Note	2019	2018
Income			
Wakala fee	43.3.3	646,359	368,330
Surrender charges		176	57
Tharawat fee		30,916	23,321
Bid offer spread	43.3.3	61,857	42,893
Participants' Takaful fund management income		25,263	11,485
Income against admin cost charged to PIF		1,289	594
Investment income	43.4.3	11,079	2,166
Total net income		776,939	448,846
Less: Expenditures			
Acquisition costs		(594,193)	(350,349)
Administration cost and others		(180,796)	(128,224)
Expenses on behalf of PTF- Tabbarru Dripping		(519)	
Total management cost		(775,508)	(478,573)
Excess of income over expenditure		1,431	(29,727)
Technical reserve at the beginning of the year		-	-
Less: Technical reserve at end of the year		(2,650)	-
Movement in technical reserves		(2,650)	-
Surplus / (deficit) for the year		(1,219)	(29,727)
Movement in technical reserves		2,650	-
Contribution received from Shareholders' Fund		5,500	34,000
Qard-e-Hasna contributed to PTF		-	(17,500)
Balance of Operator's Sub Fund at the beginning of the year		9,103	22,330
Balance of Operator's Sub Fund at end of the year		16,034	9,103
Represented by:			
Capital contributed by shareholders' fund		159,501	154,001
Qard-e-Hasna to PTF		(22,500)	(22,500)
Technical reserve at end of the year		2,650	-
Retained earnings on other than participating business		(97,383)	(104,192)
Adjust: Impact of deferred tax		(26,234)	(18,206)
Balance of statutory funds		16,034	9,103

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43.2.2 Participants' Takaful Fund (PTF)

	Note	2019	2018
		Rupees in 000	
Income			
Allocated contribution	43.3.2	13,289	2,987
Tabarru income		59,298	29,847
Re-Takaful ceded		(27,661)	(14,130)
Total net contribution income/ (loss) net of re-takaful		44,926	18,704
Add: Investment income	43.4.2	5,139	535
Total income		50,065	19,239
Less: Expenditure			
Participants' Takaful fund management charges		(25,263)	(11,485)
Death claim expense net of retakaful recoveries		(9,956)	(6,117)
Other charges		(64)	(268)
		(35,283)	(17,870)
Excess / (shortfall) of income over expenditure		14,782	1,369
Technical reserve at the beginning of the year		3,117	5,125
Less: Technical reserve at end of the year		(30,619)	(17,317)
Add: Deficit retained in technical reserves		12,720	10,823
Movement in technical reserve		(14,782)	(1,369)
Surplus / (deficit) for the year		-	-
Movement in technical reserve		14,782	1,369
Qard-e-Hasna received by PTF		-	17,500
Balance of Participants' Takaful Fund at beginning of the year		26,117	7,248
Balance of Participants' Takaful Fund at end of the year		40,899	26,117
Represented by:			
Money ceded to Waqf Funds		500	500
Qard-e-Hasna received by PTF		22,500	22,500
Policyholders' liabilities		30,619	17,317
Retained earnings on other than participating business		(12,720)	(14,200)
Balance of statutory funds		40,899	26,117

FA

43.2.3 Participants' Investment Fund (PIF)

	Note	2019	2018
		Rupees in 000	
Income			
Allocated contribution	43.3.1	1,186,524	797,266
Investment income	43.4.1	211,241	(27,441)
Total net income		1,397,765	769,825
Less: Claims expense			
Surrender - Regular		(83,347)	(27,054)
Surrender - Top up		(262,735)	(204,167)
Death Claim		(1,432)	(215)
		(347,514)	(231,436)
Less: Expenditures			
Tabarru charges		(59,298)	(29,847)
Thrawat fee - investment management		(30,916)	(23,321)
Admin charges		(1,289)	(594)
Bank charges		(159)	(117)
Other expenses		(609)	(1,201)
		(92,271)	(55,080)
Excess of income over expenditures		957,980	483,309
Technical reserve at the beginning of the year		1,587,292	1,103,983
Technical reserve at the end of the year		2,545,272	1,587,292
Movement in technical reserve		957,980	483,309
Surplus for the year		-	-
Movement in technical reserve		957,980	483,309
Balance of statutory funds at beginning of the year		1,587,292	1,103,983
Balance of statutory funds at end of the year		2,545,272	1,587,292
Represented by:			
Retained earnings on other than participating business		2,545,272	1,587,292
Balance of statutory funds		2,545,272	1,587,292

43.3 Statement of Contribution

		2019	2018
Gross contribution			
Regular contribution individual policies			
First year		1,027,256	644,658
Second year		462,538	234,674
Third and subsequent years		216,497	40,394
Single contribution		201,738	291,750
Total gross contribution		1,908,029	1,211,476

43.3.1 Proportion of gross contribution allocated to Participants' Investment Fund

		2019	2018
Allocated regular contribution		994,296	521,194
Single contribution		-	(6,698)
Top-up contribution		192,228	262,770
	(A)	1,186,524	797,266

43.3.2 Proportion of gross contribution allocated to Participants' Takaful Fund

		2019	2018
Allocated gross contribution	(B)	13,289	2,987

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

		2019	2018
Wakala fees		646,359	368,330
Bid offer spread		61,857	42,893
	(C)	708,216	411,223
Total gross contribution allocated to sub-funds	(A) + (B) + (C)	1,908,029	1,211,476

BA

		2019	2018
		Rupees in 000	

43.4 Statement of Investment Income

43.4.1 Participants' Investment Fund (PIF)

		2019	2018
Return on Government Securities - sukuks		-	10,900
Return on fixed income securities - privately placed sukuks		22,143	4,538
Profit on bank deposits		84,927	28,503
Unrealized gain / (loss) on revaluation of mutual funds		36,032	(27,742)
Unrealized gain / (loss) on revaluation of equity securities		43,771	(72,579)
Unrealized (loss) / gain on revaluation of fixed income securities		(25)	(1,883)
Unrealized loss on revaluation of Government Securities		33	(1,402)
Dividend Income		32,872	21,653
Gain on disposal of investments		(2,640)	15,808
Investment related expenses		(3,974)	-
Less :Tax on dividend under FTR		(1,898)	(5,237)
	(a)	211,241	(27,441)

43.4.2 Participants' Takaful Fund (PTF)

		2019	2018
Dividend Income		157	-
Unrealized gain / (loss) on revaluation of mutual funds		45	-
Profit on bank deposits		4,937	535
	(b)	5,139	535

43.4.3 Operator's Sub-Fund

		2019	2018
Return on Government Securities		70	891
Unrealized loss on revaluation of Government Securities		-	27
Unrealized loss on revaluation of mutual funds		512	(585)
Loss on disposal of investments			(100)
Profit on bank deposits		10,497	1,989
Other investment related expenses		-	(56)
Net investment income of Operator's sub-fund	(c)	11,079	2,166

		2019	2018
Net Investment Income	(a+b+c)	227,459	(24,740)

43.5 Statement of Claims

	2019	2018
	Rupees in 000	
Claims under individual policies		
- by death	11,610	9,706
- by surrender	345,906	231,164
Total gross individual policy claims	357,516	240,870
Add: Claim Investigation fees	464	109
Total gross claims	357,980	240,979
Less: Reinsurance recoveries		
- on individual claims	(667)	(3,474)
Net claims	357,313	237,505

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43.6 **Statement of Expenses**

	2019	2018
	Rupees in 000	
Operator's Sub-Fund		
Acquisition costs		
Remuneration to Takaful intermediaries on individual policies:		
- commission on first year contribution	433,473	263,809
- commission on second year contribution	24,958	11,773
- commission on subsequent year renewal contribution	5,418	1,010
- commission on single contribution	4,369	7,877
- other benefits to insurance intermediaries	61,984	39,200
Total commission cost	530,202	323,669
Other acquisition cost	11,246	6,839
	541,448	330,508
Branch Overheads	52,745	19,841
Total acquisition cost	594,193	350,349
Administrative Expenses		
Salaries allowances and other benefits	89,675	54,363
Travelling expenses	1,581	1,636
Actuary's fee	993	530
Auditor's remuneration	620	478
Legal and professional charges	4,950	3,738
Information technology expenses	5,373	3,317
Printing and stationery	6,396	4,306
Depreciation	6,194	4,156
Amortization	2,501	1,922
Rent expense	6,635	6,985
Insurance expense	526	76
Car fuel and maintenance	4,183	3,658
Postage and courier	4,412	5,330
Utilities	1,583	1,177
Office maintenance	2,121	1,727
Entertainment	826	356
Bank charges	160	278
Training and development	5,497	8,954
Fees and subscription	3,099	1,269
Marketing cost	32,203	20,901
Other expense/(income)	(157)	3,067
Finance cost	1,424	-
Miscellaneous	-	-
	180,777	128,224
Gross management expenses	774,970	478,573

44. GENERAL

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

45. NON ADJUSTING EVENTS

45.1 Subsequent to the balance sheet date, the Share Purchase Agreement for the transfer of 24,059,855 shares from MM Intersurer B.V. Netherlands including its 3 nominees (the Sellers) to Adamjee Insurance Company Limited (the Purchaser) was concluded on 25th January 2020 and the same was also approved by the Board on 26th February 2020 which resulted in increase in the shareholding of Adamjee Insurance Company from 74 to 100 percent.

45.2 The COVID-19 coronavirus is a tragedy of currently unknowable proportions, bringing devastating consequences for individuals, families and communities far beyond its epicentre. As well as the immeasurable social impact, the spread of the virus since early January is affecting business and economic activity, with flow-on implications for financial reporting. For financial statements for the year ended December 31, 2019, there is no visible financial impact and as per requirements of IAS 10 "Events after the Reporting Period", the development and spread of the virus subsequent to 31 December 2019 is a non-adjusting event.

46. 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 March 12, 2020.

Chief Executive Officer	Director	Director	Chairman