



KPMG Taseer Hadi & Co.
Chartered Accountants

**Adamjee Life Assurance Company
Limited**

Financial Statements
For the year ended
31 December 2017



KPMG Taseer Hadi & Co.
Chartered Accountants
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Beaumont Road
Karachi, 75530 Pakistan

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Independent Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of changes in equity;
- (iv) cash flow statement;
- (v) revenue account;
- (vi) statement of premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

of **Adamjee Life Assurance Company Limited** ("the Company") as at 31 December 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the repealed Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2017 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;
- (d) 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; 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.

Date: 19 March 2018

Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Aryn Pirani

Adamjee Life Assurance Company Limited
Balance Sheet
As at 31 December 2017

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Life Family Takaful Unit Linked Business	2017	2016
(Rupees)								
Share capital and reserves								
Authorised share capital								
	150,000,000 (2016: 150,000,000) ordinary shares of Rs. 10 each	1,500,000,000	-	-	-	-	1,500,000,000	1,500,000,000
Issued, subscribed and paid up share capital								
	93,549,400 shares (2016: 93,549,400 shares) ordinary shares of Rs. 10 each	935,494,000	-	-	-	-	935,494,000	935,494,000
	Accumulated surplus	50,881,782	-	-	-	-	50,881,782	72,269,455
		986,375,782	-	-	-	-	986,375,782	1,007,763,455
Less: Capital contribution by shareholders' fund								
		(474,202,498)	-	-	-	-	(474,202,498)	(585,213,190)
		512,173,284	-	-	-	-	512,173,284	422,550,265
Net shareholders' equity								
Balance of statutory fund (including policyholders' liabilities / technical reserves of Rs. 27,096 billion (2016: Rs. 21,251 billion))								
	- Statutory Fund	-	229,038,413	125,539	2,597,366,787	23,705,536,438	1,133,060,926	27,665,128,103
	- Cede money to Waqf	-	-	-	-	500,000	500,000	500,000
		-	229,038,413	125,539	2,597,366,787	23,705,536,438	1,133,560,926	27,665,628,103
								22,166,399,476
Deferred Liabilities								
	- Staff retirement benefits	31,506,361	-	-	-	-	31,506,361	14,361,364
	- Deferred taxation	-	-	-	-	-	-	813,120
Creditors and accruals								
	Outstanding claims	-	113,594,978	-	10,029,353	233,666,208	1,800,019	359,090,558
	Premiums / contributions received in advance	-	20,496,731	8,757	25,783,087	204,798,601	8,636,863	259,924,939
	Amounts due to reinsurers / retakaful	-	10,655,486	-	-	-	1,921,685	12,577,171
	Amounts due to agents	-	13,421,252	35,457	12,147,807	363,068,596	31,246,213	419,919,315
	Accrued expenses	11,420,822	-	-	-	-	2,921,047	14,341,869
	Other creditors and accruals	101,518,290	164,336	-	152,159	87,717,860	2,085,194	191,637,839
	Inter-fund payable	21,187,889	-	-	-	-	49,923,638	71,111,527
	Total liabilities	134,127,001	158,532,783	44,214	48,112,406	889,251,265	98,534,659	1,328,602,328
								991,219,712
Contingencies and Commitments								
		677,806,646	387,571,196	169,753	2,645,479,193	24,594,787,703	1,232,095,584	29,537,910,075
								23,595,343,737
TOTAL EQUITY AND LIABILITIES								

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman

Director

Director

Chief Executive Officer

Adamjee Life Assurance Company Limited
Balance Sheet
As at 31 December 2017

Adamjee Life Assurance Co. Ltd.		Statutory Funds					Aggregate		
Balance Sheet		Shareholders' Fund	Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
As at 31 December 2017		Note	(Rupees)						
13		Cash and bank deposits	345,329	-	-	9,746,048	4,253,898	14,345,275	9,330,819
		Cash and others	3,987,050	98,771,632	167,032	915,102,446	197,402,522	1,337,289,195	1,668,580,800
		Current and other accounts	-	-	-	-	-	-	-
		Deposits maturing within 12 months	-	-	1,100,000,000	9,265,000,000	260,000,000	10,625,000,000	5,500,000,000
			4,332,379	98,771,632	167,032	10,189,848,494	461,656,420	11,976,634,470	7,177,911,619
		Secured loans to employees	8,915,565	-	-	-	-	8,915,565	8,170,923
		Loans secured against life insurance policies	-	-	18,295,033	12,875,026	-	31,170,059	20,447,344
14		Investment property	-	-	-	637,980,940	-	637,980,940	-
15		Investments	-	-	-	-	-	-	-
16.1		Government securities	154,751,602	189,347,167	-	2,911,307,495	208,084,400	3,843,628,462	7,495,389,682
16.6		Other fixed income securities	-	-	-	1,068,145,280	41,809,441	1,212,832,634	698,276,202
16.10		Listed equity securities and units of mutual funds	74,452,045	27,274,571	-	9,170,151,103	484,951,915	10,598,500,302	6,402,474,552
			229,206,647	216,621,738	-	13,149,603,878	734,845,756	15,654,961,398	14,396,140,436
17		Deferred taxation	7,083,789	-	-	-	-	7,083,789	-
		Current assets - others	-	-	-	-	-	-	-
18		Premiums / contributions due but unpaid	-	67,538,896	-	17,864,817	62,711,256	67,538,896	35,610,393
19.1		Accrued income on investments	3,102,173	2,690,734	-	5,166,441	3,105,607	95,207,517	207,211,924
19.2		Amount due from reinsurer / takaful	130,661,056	-	-	-	-	8,271,448	5,418,466
19.3		Taxation - payment less provision	26,692,322	1,442,841	-	40,000,000	355,000,967	130,661,056	68,404,322
19.4		Advances and deposits	52,566,728	-	-	-	-	448,438,531	1,200,530,364
19.5		Prepayments	1,357,022	605,355	-	-	-	52,566,728	37,255,332
		Other receivables	107,205	-	2,721	10,491,000	76,295,466	78,260,543	19,528,175
		Dividend receivable	-	-	2,721	7,120,010	43,377,873	55,325,848	14,415,604
		Inter-fund receivable	-	-	-	-	1,349,770	71,111,527	78,412,261
			214,486,506	72,177,826	2,721	80,642,268	604,479,365	1,007,382,094	1,666,786,841
20		Fixed assets	-	-	-	-	-	-	-
		Tangible	-	-	-	-	-	-	-
		Furniture and fixtures, office equipment, computers and vehicles	140,731,131	-	-	-	-	140,731,131	72,494,716
		Capital work in progress	9,532,695	-	-	-	-	9,532,695	513,535
		Intangibles	-	-	-	-	-	-	-
		Computer softwares	63,517,934	-	-	-	-	63,517,934	52,878,323
			677,806,646	387,571,196	169,753	2,645,479,193	24,594,787,703	1,232,095,584	29,537,910,075
		TOTAL ASSETS	677,806,646	387,571,196	169,753	2,645,479,193	24,594,787,703	1,232,095,584	23,595,343,737

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman

Chairman

Director

Director

Director

Director

Chief Executive Officer

Chief Executive Officer

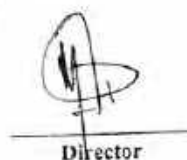
Ali Zeb
Sahib

Adamjee Life Assurance Company Limited
Profit and Loss Account
For the year ended 31 December 2017

	Note	2017 (Rupees)	2016
Investment income not attributable to statutory funds			
Income from trading investments			
Unrealised loss on revaluation of investments	16.13	(320,716)	(251,788)
Dividend income		<u>2,946</u>	<u>93,205</u>
		(317,770)	(158,583)
Income from non-trading investments			
Return on government securities		11,224,422	13,529,097
Return on bank deposits		1,992,255	1,748,106
Dividend income		6,462,290	2,767,366
		<u>19,678,967</u>	<u>18,044,569</u>
		19,361,197	17,885,986
		-	5,772,170
Gain on disposal of non-trading investments			
Provision for impairment in value of investments			
Listed equity securities and units of mutual fund	16.12	(2,441,507)	(26,400)
		<u>16,919,690</u>	<u>23,631,756</u>
Net investment income			
Other revenues			
Gain on disposal of fixed assets	20.4	251,353	494,490
Other income		44,872	8,250,453
		<u>296,225</u>	<u>8,744,943</u>
		17,215,915	32,376,699
Total investment income and other revenues			
Expenses not attributable to statutory funds	21	(46,301,169)	(30,414,644)
(Loss) / profit before appropriation of surplus to shareholders' fund		<u>(29,085,254)</u>	<u>1,962,055</u>
Surplus transferred from statutory funds		-	-
Loss before taxation		<u>(29,085,254)</u>	<u>1,962,055</u>
Taxation	23	7,697,581	(784,369)
Loss after taxation		<u>(21,387,673)</u>	<u>1,177,686</u>
Basic and diluted (loss) / earnings per share	24	<u>(0.23)</u>	<u>0.01</u>

The annexed notes 1 to 37 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Changes in Equity
For the year ended 31 December 2017

	Share Capital	Net accumulated deficit			Aggregate
		Capital contribution (to) / from statutory funds	Accumulated surplus	Net accumulated deficit	
		(Rupees)			
Balance as at 1 January 2016	935,494,000	(655,611,570)	71,091,769	(584,519,801)	350,974,199
Profit for the year ended 31 December 2016	-	-	1,177,686	1,177,686	1,177,686
Capital contribution to statutory funds	-	(114,601,620)	-	(114,601,620)	(114,601,620)
Capital withdrawn from statutory funds	-	185,000,000	-	185,000,000	185,000,000
Balance as at 31 December 2016	<u>935,494,000</u>	<u>(585,213,190)</u>	<u>72,269,455</u>	<u>(512,943,735)</u>	<u>422,550,265</u>
Balance as at 1 January 2017	935,494,000	(585,213,190)	72,269,455	(512,943,735)	422,550,265
Loss for the year ended 31 December 2017	-	-	(21,387,673)	(21,387,673)	(21,387,673)
<i>Transactions with the owners directly recorded in equity</i>					
Capital contribution to statutory funds	-	(88,989,308)	-	(88,989,308)	(88,989,308)
Capital withdrawn from statutory funds	-	200,000,000	-	200,000,000	200,000,000
Balance as at 31 December 2017	<u>935,494,000</u>	<u>(474,202,498)</u>	<u>50,881,782</u>	<u>(423,320,716)</u>	<u>512,173,284</u>

The annexed notes 1 to 37 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement Of Cash Flows
For the year ended 31 December 2017

Note	Shareholders' Fund	Statutory Funds				Aggregate		
		Conventional Business	Accident and Health Business	Non-licensed Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)								
Operating cash flows								
a) Underwriting activities								
Premiums received	-	520,860,070	(43)	377,564,101	11,839,791,502	1,085,062,310	13,824,277,940	11,239,191,693
Payments to Reinsurer	-	(26,041,265)	-	(1,051,914)	(61,534,093)	(5,734,281)	(94,361,553)	-
Claims paid	-	(447,106,287)	-	(261,833,426)	(3,888,446,287)	(101,493,120)	(4,698,879,230)	(3,440,765,480)
Commissions paid	-	(35,517,709)	(102)	(5,341,698)	(1,462,967,186)	(158,118,126)	(1,661,944,821)	(1,369,938,888)
Net cash flow from underwriting activities	-	12,194,709	(145)	109,337,053	6,426,843,936	820,716,783	7,369,092,336	6,428,487,323
b) Other operating activities								
Income tax paid	(62,456,062)	(411,948)	-	(7,439,008)	(64,688,471)	(150,685)	(135,146,174)	(53,433,491)
General management expenses paid	(11,533,648)	(65,308,788)	-	28,689,642	(169,399,182)	(131,704,355)	(349,256,331)	(2,039,662,968)
Other operating payments	4,651,799	(1,403,886)	-	(796,881)	(72,671,409)	62,919,643	(7,300,734)	(418,436,900)
Other operating receipts	-	8,131,608	29	63,157,893	(63,988,796)	-	7,380,734	418,436,900
Net cash flow from other operating activities	(69,337,911)	(58,993,014)	29	83,611,646	(370,747,858)	(68,935,397)	(484,402,605)	(2,093,096,459)
Total cash flow from all operating activities	(69,337,911)	(46,798,305)	(116)	192,948,699	6,056,096,078	751,781,386	6,884,689,831	4,335,390,866
Investment activities								
Profit / return received	20,130,687	12,965,905	-	77,687,558	530,118,709	16,567,713	657,470,572	1,056,025,999
Term deposit placement	-	-	-	(300,000,000)	(480,000,000)	(210,000,000)	(990,000,000)	(425,000,000)
Investments purchased	(159,604,117)	(213,447,243)	-	(7,441,864,127)	(93,363,269,951)	(644,481,148)	(101,822,666,586)	(59,211,430,323)
Proceeds from disposal of investments	156,981,631	129,949,183	-	7,458,577,148	90,720,981,671	187,320,368	98,653,810,801	59,698,097,921
Disbursement of policy loans	-	-	-	-	-	-	-	(19,181,231)
Settlement of policy loans	-	-	-	(1,640,606)	(5,888,861)	-	(8,529,467)	10,625,899
Dividend received	6,377,037	1,647,790	-	63,017,160	477,356,789	15,518,259	563,917,035	58,760,738
Fixed capital expenditure	(130,999,342)	-	-	-	-	-	-	(91,294,183)
Proceeds from disposal of fixed assets	1,030,807	-	-	-	-	-	1,030,807	1,120,752
Total cash flow generated from investing activities	(106,083,297)	(68,884,365)	-	(144,222,867)	(2,121,701,643)	(635,074,808)	(3,075,946,580)	(1,077,725,572)
Financing activities								
Issue of share capital	-	-	-	-	-	-	-	-
Capital payments received by / (from) statutory funds in cash	111,010,692	51,989,308	-	(119,295,791)	(80,704,209)	37,000,000	-	-
Total cash flow from financing activities	111,010,692	51,989,308	-	(119,295,791)	(80,704,209)	37,000,000	-	-
Net cash (outflow) / inflow from all activities	(64,410,516)	(63,693,362)	(116)	(70,569,859)	3,853,690,226	153,706,578	3,808,722,851	5,413,116,438
Cash and cash equivalents at beginning of the year								
	68,742,895	161,464,994	167,148	792,428,472	5,531,158,268	97,949,842	6,652,911,619	1,239,795,381
Cash and cash equivalents at end of the year	13 4,332,379	98,771,632	167,032	721,858,613	9,384,848,494	251,656,420	10,461,634,470	6,652,911,819

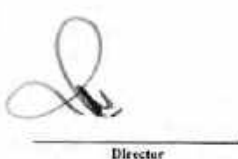
Reconciliation to profit and loss account

Note	2017	2016
(Rupees)		
Operating cash flows	6,884,689,831	4,335,390,866
Depreciation expense	20.1.1 (27,793,711)	(22,742,174)
Amortisation expense	20.3.1 (14,530,990)	(13,268,691)
Bad debts	-	2,671,416
Gain on disposal of fixed assets	251,353	494,490
Operating investment income	(152,114,741)	1,993,422,675
Gain on sale of investments	(223,249,053)	296,508,344
Capital contribution from shareholders' fund	8 111,010,692	(70,398,380)
Increase / decrease in assets other than cash	(640,167,185)	1,192,089,331
Increase in liabilities other than running finance	(5,959,483,869)	(7,714,090,191)
Profit after taxation	(21,387,673)	1,177,686

The annexed notes 1 to 37 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited

Revenue Account

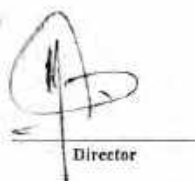
For the year ended 31 December 2017

	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-unitised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Income							
Premiums / contribution less reinsurances / re-takaful	255,819,410	-	376,370,585	11,594,758,086	1,082,161,597	13,309,109,678	10,913,431,620
Net investment income	15,995,696	-	(47,385,971)	(331,228,448)	(29,626,660)	(392,245,383)	2,268,299,263
Total net income	271,815,106	-	328,984,614	11,263,529,638	1,052,534,937	12,916,864,295	13,181,730,883
Claims and expenditure							
Claims net of reinsurance recoveries	212,130,619	-	249,181,889	3,828,996,532	103,293,139	4,393,602,179	3,151,648,042
Management expenses	103,363,831	-	29,697,008	2,491,866,441	288,095,517	2,913,022,797	2,238,562,508
Total claims and expenditure	315,494,450	-	278,878,897	6,320,862,973	391,388,656	7,306,624,976	5,390,210,550
(Shortfall) / excess of income over claims and expenditure	(43,679,344)	-	50,105,717	4,942,666,665	661,146,281	5,610,239,319	7,791,520,333
Add: Policyholders' liabilities at beginning of the year	110,755,996	-	2,370,723,099	18,383,847,745	385,969,255	21,251,296,095	13,855,898,117
Less: Policyholders' liabilities at end of the year	119,064,224	-	2,434,663,112	23,433,236,493	1,109,108,230	27,096,072,059	21,251,296,095
	8,308,228	-	63,940,013	5,049,388,748	723,138,975	5,844,775,964	7,395,397,978
(Deficit) / surplus	(51,987,572)	-	(13,834,296)	(106,722,083)	(61,992,694)	(234,536,645)	396,122,355
Movement in policyholders' liabilities	8,308,228	-	63,940,013	5,049,388,748	723,138,975	5,844,775,964	7,395,397,978
Capital contribution from / (to) shareholders' fund	51,989,308	-	(119,295,791)	(80,704,209)	37,000,000	(111,010,692)	(70,398,380)
Cede Money to Waqf Fund	-	-	-	-	-	-	500,000
Balance of statutory funds at beginning of the year	220,728,449	125,539	2,666,556,861	18,843,573,982	434,914,645	22,165,899,476	14,444,777,523
Balance of statutory funds at end of the year	229,038,413	125,539	2,597,366,787	23,705,536,438	1,133,060,926	27,665,128,103	22,166,399,476
Represented by:							
Capital contributed by shareholders' fund	261,713,508	1,511,464	12,436,334	78,540,336	120,000,856	474,202,498	585,213,190
Money ceded to Waqf Fund	-	-	-	-	-	-	500,000
Qard-e-Hasna from Window Takaful Operator to PTF	-	-	-	-	(5,000,000)	(5,000,000)	(5,000,000)
Qard-e-Hasna received by PTF	-	-	-	-	5,000,000	5,000,000	5,000,000
Policyholders' liabilities	119,064,224	-	2,434,663,112	23,433,236,493	1,109,108,230	27,096,072,059	21,251,296,095
Retained earnings on other than participating business	(151,739,319)	(1,385,925)	150,267,341	193,759,609	(96,048,160)	94,853,546	329,390,191
Balance of statutory funds	229,038,413	125,539	2,597,366,787	23,705,536,438	1,133,060,926	27,665,128,103	22,166,399,476

The annexed notes 1 to 37 form an integral part of these financial statements.

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Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Premiums / Contributions
For the year ended 31 December 2017

	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Gross premiums							
Regular premium / contributions individual policies*							
- first year	(2,400)	-	1,025,000	2,077,108,069	333,288,900	2,411,419,569	2,078,397,009
- second year renewal	(2,400)	-	11,430,955	1,526,261,836	58,139,668	1,595,830,059	1,469,438,278
- subsequent years renewal	3,941,476	-	368,734,569	2,891,840,862	-	3,264,516,907	2,314,002,804
Single premium / contributions individual policies*	-	-	900,000	5,279,094,494	696,330,524	5,976,325,018	5,024,413,627
Group policies without cash values	532,952,768	-	-	-	-	532,952,768	415,461,953
Total gross premiums / contributions	536,889,444	-	382,090,524	11,774,305,261	1,087,759,093	13,781,044,322	11,301,713,671
Less: reinsurance premiums / retakaful contributions ceded							
On individual life first year business	-	-	227,630	61,391,428	4,740,410	66,359,468	64,130,958
On individual life second year business	-	-	736,057	43,508,370	857,086	45,101,513	29,488,066
On individual life subsequent renewal business	32,930	-	4,756,252	74,647,377	-	79,436,559	58,121,379
On group policies	281,037,104	-	-	-	-	281,037,104	236,541,648
Total reinsurance premiums / retakaful contributions ceded	281,070,034	-	5,719,939	179,547,175	5,597,496	471,934,644	388,282,051
Net premiums / contributions	255,819,410	-	376,370,585	11,594,758,086	1,082,161,597	13,309,109,678	10,913,431,620

* Individual policies are those underwritten on an individual basis.

The annexed notes 1 to 37 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Claims
For the year ended 31 December 2017

	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Gross claims							
Claims under individual policies							
- by death	3,000,000	-	17,239,610	296,833,513	-	317,073,123	180,571,660
- by insured event other than death	-	-	(2,042,376)	-	-	(2,042,376)	10,383,348
- by maturity	-	-	-	660,276,290	-	660,276,290	242,399,255
- by surrender	957,950	-	238,400,655	3,026,111,395	103,293,139	3,368,763,139	2,702,966,036
Total gross individual policy claims	3,957,950	-	253,597,889	3,983,221,198	103,293,139	4,344,070,176	3,136,320,299
Claims under group policies							
- by death	427,557,563	-	-	-	-	427,557,563	280,727,538
- by insured event other than death	33,032,180	-	-	-	-	33,032,180	44,745,116
- experience refund	14,957,605	-	-	-	-	14,957,605	19,143,855
Total gross group policy claims	475,547,348	-	-	-	-	475,547,348	344,616,509
Total gross claims	479,505,298	-	253,597,889	3,983,221,198	103,293,139	4,819,617,524	3,480,936,808
Less: Reinsurance recoveries							
- on individual claims	-	-	4,416,000	154,224,666	-	158,640,666	81,820,377
- on group claims	267,374,679	-	-	-	-	267,374,679	247,468,389
	267,374,679	-	4,416,000	154,224,666	-	426,015,345	329,288,766
Net claims	212,130,619	-	249,181,889	3,828,996,532	103,293,139	4,393,602,179	3,151,648,042

The annexed notes 1 to 37 form an integral part of these financial statements.

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Chairman

Director

Director

Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Expenses
For the year ended 31 December 2017

Note

	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-utilised Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Acquisition costs							
Remuneration to insurance / takaful intermediaries on individual policies:							
- Commission on first year premium / contribution	(1,495)	-	448,991	1,000,035,948	129,561,526	1,130,044,970	1,014,702,885
- Commission on second year premium / contribution	(115)	-	522,298	80,144,149	2,906,984	83,573,316	75,484,052
- Commission on subsequent years renewal premium / contribution	98,605	-	3,357,634	71,772,103	-	75,228,342	53,171,506
- Commission on single premium / contribution	-	-	18,000	126,896,836	24,632,593	151,547,429	98,880,486
- Other benefits to insurance intermediaries	(120)	-	3,509,922	229,864,010	16,551,181	249,924,993	184,187,128
	96,875	-	7,856,845	1,508,713,046	173,652,284	1,690,319,050	1,426,426,057
Remuneration to insurance intermediaries on group policies:							
- Commission	33,914,449	-	-	-	-	33,914,449	28,984,406
- Other benefits to insurance intermediaries	3,882,164	-	-	-	-	3,882,164	1,971,740
	37,796,613	-	-	-	-	37,796,613	30,956,146
Branch overheads	-	-	-	157,793,733	-	157,793,733	102,998,844
Other acquisition costs:							
- Policy stamps	899,468	-	8,630	30,354,790	2,610,850	33,873,738	25,372,541
- Medical examination fee	690,213	-	31,030	1,213,512	-	1,934,755	1,185,133
- Others	-	-	-	-	-	-	2,014
	1,589,681	-	39,660	31,568,302	2,610,850	35,808,493	26,559,688
	39,483,169	-	7,896,505	1,698,075,081	176,263,134	1,921,717,889	1,586,940,735
Administrative expenses							
Salaries allowances and other benefits	32,183,689	-	10,701,668	373,687,234	43,254,879	459,827,470	311,975,654
Travelling expenses	834,775	-	234,721	8,095,453	924,931	10,089,880	3,433,850
Actuary's fee	234,185	-	172,954	5,270,196	742,389	6,419,724	5,594,250
Auditor's remuneration	153,363	-	113,263	3,451,394	318,634	4,036,654	3,511,853
Legal and professional charges	1,340,277	-	810,984	25,197,174	4,970,799	32,119,234	19,972,235
Advertisement and publicity	94,290	-	4,458	1,372,447	-	1,471,195	1,904,402
Information technology expenses	1,270,571	-	972,146	29,713,676	2,644,764	34,601,157	40,029,271
Printing and stationery	432,479	-	266,728	12,988,128	2,660,386	16,347,721	8,477,427
Depreciation	874,420	-	411,532	15,400,369	1,788,316	18,474,637	17,067,461
Amortisation	529,466	-	385,349	11,815,234	1,094,437	13,824,486	12,533,162
Rent expense	2,820,215	-	1,377,075	41,785,090	4,411,719	50,394,099	43,124,989
Insurance expense	41,857	-	32,123	978,856	-	1,052,836	1,508,771
Car fuel and maintenance	2,025,479	-	506,669	15,365,403	2,338,861	20,236,412	11,412,924
Postage and courier	1,753,662	-	244,045	19,205,873	3,157,452	24,361,032	16,056,810
Utilities	422,042	-	345,642	11,262,992	890,568	12,921,244	10,752,016
Office maintenance	742,439	-	535,999	17,302,172	1,718,913	20,299,523	10,703,089
Entertainment	173,971	-	93,513	3,307,495	299,687	3,874,666	2,649,298
Bank and brokerage charges	947,241	-	1,111,462	41,685,108	2,966,292	46,710,103	15,595,920
Claim investigation fees	1,990,309	-	106,550	4,608,103	-	6,704,962	4,121,175
Training and development	525,560	-	24,124	11,881,747	3,216,649	15,648,080	17,269,877
Fees and subscription	81,959	-	2,044,164	26,451,050	88,956	28,666,129	35,939,719
Marketing cost	4,068,100	-	680,721	109,025,926	34,531,580	148,306,327	57,538,829
Other expense / (income)	2,805,982	-	624,613	-	(290,372)	3,140,223	(2,671,416)
Money Coded to PTF	-	-	-	-	-	-	500,000
Charity and donations	-	-	-	-	-	-	2,380,464
Miscellaneous	7,734,331	-	-	3,940,240	102,543	11,777,114	239,743
Gross management expenses	63,880,662	-	21,800,503	793,791,360	111,832,383	991,304,908	651,621,773
Total management expenses	103,363,831	-	29,697,008	2,491,866,441	288,095,517	2,913,022,797	2,238,562,508

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman

Director

Director

Chief Executive Officer

Adamjee Life Assurance Company Limited
Statement of Investment Income
For the year ended 31 December 2017

Note	Statutory Funds					Aggregate		
	Conventional Business	Accident and Health Business	Non-united Investment Link Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016	
	(Rupees)							
Income from Property								
Unrealised diminution in value of investment property	15	-	-	-	(42,433,000)	-	(42,433,000)	-
Income from Trading Investments								
Unrealised appreciation / (diminution) in value of government securities	16.5	-	-	14,333	(865,340)	(719,726)	(1,570,733)	(6,320,025)
Unrealised (diminution) / appreciation in value of units of mutual funds		-	-	(50,012,354)	(517,027,419)	(8,363,339)	(575,403,112)	700,358,433
Unrealised (diminution) / appreciation in value of listed equities	16.13	-	-	(187,102,825)	(818,562,329)	(44,562,675)	(1,050,227,829)	251,839,838
		-	-	(237,115,179)	(1,335,589,748)	(52,926,014)	(1,625,630,941)	952,198,271
Unrealised (diminution) / appreciation in value of other fixed income securities	16.9	-	-	(455,156)	(2,056,485)	251,286	(2,260,355)	2,534,735
Return on government securities		-	-	45,570,905	447,491,690	9,480,556	502,543,151	833,421,636
Return on other fixed income securities		-	-	8,078,497	82,409,169	3,292,348	93,780,014	20,084,231
Dividend income		-	-	71,008,160	508,838,064	16,868,029	596,714,253	69,849,994
Gain / (loss) on disposal of trading investments:								
- Units of mutual funds		-	-	3,267,621	(29,199,989)	(14,447,879)	(40,380,247)	85,976,549
- Listed equities		-	-	10,499,880	(199,342,669)	(1,430,879)	(190,273,668)	251,406,299
- Fixed income securities		-	-	340,000	702,781	(5,442)	1,037,339	-
- Government securities		-	-	847,591	5,519,932	-	6,367,523	(47,745,250)
		-	-	14,955,092	(222,319,945)	(15,884,200)	(223,249,053)	289,637,598
Gross investment (loss) / income from trading investments		-	-	(97,943,348)	(564,525,595)	(39,637,721)	(702,106,664)	2,161,406,440
Income from non - trading investments:								
Return on government securities		8,920,656	-	-	-	-	8,920,656	13,068,307
Dividend income		1,647,790	-	-	-	-	1,647,790	-
Return on bank deposits		5,617,107	-	56,411,504	297,407,534	10,161,746	369,597,891	98,216,198
Mark-up on policy loans		-	-	1,615,164	578,084	-	2,193,248	1,686,998
		16,185,553	-	58,026,668	297,985,618	10,161,746	382,359,585	112,971,503
Gain on disposal of non-trading investments:								
- Units of mutual funds		-	-	-	-	-	-	1,098,576
- Government securities		38,101	-	-	-	-	38,101	-
		38,101	-	-	-	-	38,101	1,098,576
Gross investment income from non trading investments		16,223,654	-	58,026,668	297,985,618	10,161,746	382,397,686	114,070,079
Reversal / (provision) of impairment in the value of investments		183,990	-	(30,283)	-	-	153,707	(311,881)
Net investment income from non-trading investment		16,407,644	-	57,996,385	297,985,618	10,161,746	382,551,393	113,758,198
Less: Tax on dividend under FTR		(411,948)	-	(7,439,008)	(64,688,471)	(150,635)	(72,690,112)	(6,865,375)
Net investment income - Total		15,995,696	-	(47,385,971)	(331,218,418)	(29,626,660)	(392,245,383)	2,268,299,263

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman

Director

Director

Chief Executive Officer

Adamjee Life Assurance Company Limited

Notes to the Financial Statements

For the year ended 31 December 2017

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 repealed Companies Ordinance, 1984. The Company started its operations from 24 April 2009. Registered office of the Company is at 1st floor, Islamabad Stock Exchange Towers, 55-B, Jinnah Avenue, Blue Area, Islamabad while its principal place of business is at 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi. The Company is a subsidiary of Adamjee Insurance Company Limited and an associate of IVM Intersurer B.V, each having a holding of 74.28% and 25.72% (2016: 74.28% and 25.72%) respectively in the share capital of the Company. IVM Intersurer B.V. has nominated Hollard Life Assurance Company Limited ("HLA"), an associate company of IVM Intersurer B.V. to act on its behalf in respect of matters relating to the Company. HLA is South Africa's largest private sector insurance company.

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

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

- 1.2 The Company was granted authorization on 4 May 2016 under Rule 6 of Takaful Rules, 2012 to undertake Takaful Window Operations in respect of family takaful products by the Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations from 14 July 2016. The Company formed a Waqf Fund namely the Adamjee Life Assurance Company Limited - Window Takaful Operations Waqf Fund (here-in-after referred to as the Participant Takaful Fund (PTF)) on 22 December 2015 under a Waqf deed executed by the Company with the cede amount of Rs. 500,000. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. Waqf deed also governs the relationship of the Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Company.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan through the Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide S.R.O. 938 (1)/2002 dated 12 December 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and the Takaful Rules, 2012. In case the requirements differ, the provisions of and directives issued thereunder of the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002 and the Takaful Rules, 2012 shall prevail.

The Companies Ordinance 1984, was repealed by enactment of the Companies Act, 2017 on 30 May 2017. The SECP vide its Circular No. 23 of 2017 dated 04 October 2017, has clarified that all those companies whose financial year closes on or before 31 December 2017 shall prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984.

The Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated 9 February 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The application of these Regulations and Rules for the purpose of preparation and presentation of the financial statements was effective from 1 April 2017. However, SECP vide letter ID/OSM/AdamjeeLife/2017/10485, dated 4 August 2017 has granted exemption to the Company to prepare their half yearly accounts for the period ended 30 June 2017, third quarter accounts for the period ended 30 September 2017 and annual audited accounts for the year ended 31 December 2017 in accordance with the requirements of Previous Rules [SEC (Insurance) Rules 2002] and has allowed the application of New Regulations effective from the accounting year commencing from 1 January 2018.

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3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are disclosed in note 32 to these financial statements.

3.3 Functional and presentation currency

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

3.4 Standards, interpretations and amendments effective in current year

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

New, Amended And Revised Standards And Interpretations of IFRSs

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

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- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are not likely to have an impact on Company's financial statements.

- Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 01 July 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The amendments are not likely to have an impact on Company's financial statements.
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and according to circular referred to in note 2, for financial statements purposes would be applicable for the period after 01 January 2018. The Companies Act, 2017 requires certain additional disclosures.
- As referred to in note 2, the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 will be effective for the financial statements for the periods commencing 01 January 2018. The new rules have introduced a single profit and loss account, done away with the separate presentation of revenue accounts of statutory fund (note 8), incorporated ledger account C & D balances (retained earnings on other than participating business) in capital and reserves attributable to Company's equity holders (note 8), require all investments to be valued in accordance with the requirements of the International Financial Reporting Standards (note 16.3.2, 16.12.1) and introduced the concept of other comprehensive income (note 4.6, 16.3.2, 16.12.1).

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- The regulatory returns to be submitted under section 46 of the Insurance Ordinance, 2000 on quarterly basis shall however, continue to be presented and submitted to the Commission on the existing basis of separate presentations of the Shareholder's Fund and Statutory Funds. for the balance sheet, cash flow statement, revenue account, statements of premium, claims, expenses and investment income and such other statements as may be prescribed by the Commission, for the Statutory Funds, and for the Shareholder's Fund, the balance sheet and the profit and loss account, shall be presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

4.1 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 balance sheet 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 to the date of the balance sheet.

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 balance sheet 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 balance sheet.

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 balance sheet 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 balance sheet.

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-unitised Investment Linked Business

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

Revenue recognition

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

Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet 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.

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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 balance sheet.

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 balance sheet 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 balance sheet.

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 34.

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.

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Recognition of policyholders' liabilities

Policyholders' liabilities included in the statutory fund are determined based on the appointed actuary's valuation conducted as at the balance sheet 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 balance sheet.

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

4.2 Reinsurance / Retakaful contracts held

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

4.2.1 Conventional

Reinsurance premium

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

Claim Recoveries

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

Experience Refund

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

Amount due from / to reinsurer

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

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

4.2.2 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.

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Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related Retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related Retakaful contracts as required by the Insurance Ordinance, 2000. Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

4.3 Receivables and payables relating to insurance contracts

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

4.4 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 balance sheet date as required under section 50 of the Insurance Ordinance, 2000.

4.5 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 mortality table and a discounting factor interest rate of 3.75% per annum. This table reflects the recent mortality experience in Pakistan and in line with the requirements of Circular No: 17 of 2013 issued by the SECP Insurance Division on 13 September 2013. The interest rate is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference between the above and actual investment return is intended to be available to the Company for meeting administrative expense and for providing margins against adverse deviations. Policy reserves for both waiver of premium and accidental death riders are based on net unearned premiums.

- Incurred But Not Reported (IBNR) claims

IBNR 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. This approach is being used as the Company has recently started business. 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.

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.

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- 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.

4.6 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 9. 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 measurement differences representing actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost/income are recognised immediately with a charge or credit to the profit and loss and revenue account. International Accounting Standards 19, dealing with Employee Benefits requires that these should be recognised in other comprehensive income (OCI). However, the format of presentation and disclosure of financial statements notified by SECP does not require preparation of statement of comprehensive income, resultantly the charge / credit has been taken to profit and loss and revenue account.

4.7 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.

4.8 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.

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4.9 Takaful Operator Fee

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

4.10 Taxation

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

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned or minimum turnover tax payable under the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet 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 balance sheet date.

4.11 Provisions

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

4.12 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.

4.13 Cash and cash equivalents

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

4.14 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 related Revenue Account. Investment contracts in relation to life insurance has been defined in the Insurance Ordinance, 2000 as those investment contracts, the principal object of which is to have provision of benefits calculated by reference to units, the value of which is related to the market value of a specified class or group of assets of the party by which the benefits are to be provided. Accordingly for that reason, the company's current accounting policy for an investment property acquired to unit linked business is to carry at market value. Nonetheless had these been valued at cost less impairment loss the effect would still have been the same as the company has recognised a loss on the above property (refer note 15).

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

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4.15 Financial Instruments

4.15.1 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 the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 and the reduction is recognised as a provision for impairment in value of financial assets. 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 balance sheet 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 balance sheet 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.

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Derecognition

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

Offsetting of financial assets and liabilities

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

4.15.2 Financial liabilities

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

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

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

4.16 Fixed assets

4.16.1 Tangible assets

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

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

Subsequent Costs

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

Depreciation

Depreciation is charged using the straight line method at the rates specified in note 19 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 balance sheet 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.

4.16.2 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.

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Amortization

Intangible assets are amortised using the straight line method over their estimated useful lives (refer note 20.3). The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

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

4.16.3 Capital work in progress

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

4.17 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.

4.18 Foreign currency translation

Transactions in foreign currencies are translated into the reporting currency at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using the rates of exchange prevailing at the balance sheet 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 / revenue account.

4.19 Other revenue recognition

- Return on fixed income and government securities are recognised on time proportion basis using the effective interest rate method.
- Return on deposits and loans to policyholders are recognised on a time proportion basis.
- Dividend income from investments is recognised when the Company's right to receive the dividend is established.
- Gain or loss on sale of investments is included in the profit and loss account / revenue account in the year in which disposal has been made.
- Gains and losses on disposal of fixed assets are taken to the profit and loss account in the period in which they arise.
- For the purpose of the Statement of Investment Income / Profit and Loss account, all income and expenses on investments, other than those relating to Held to Maturity and Available for Sale are included in the Income from Trading Investments.

4.20 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 4.1 to these financial statements. The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

4.21 Dividend and other appropriations

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

4.22 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.

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5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2017 (Number of ordinary shares)	2016 (Number of ordinary shares)	Note	2017 (Rupees)	2016 (Rupees)
93,549,400	93,549,400	Ordinary shares of Rs. 10 each fully paid in cash	935,494,000	935,494,000

- 5.1 Adanjee Insurance Company Limited and its nominees and IVM Interstar B.V. and its nominees respectively held 69,490,295 (2016: 69,490,295) and 24,059,105 (2016: 24,059,105) ordinary shares of the Company at 31 December 2017.

6. ANALYSIS OF ACCUMULATED DEFICIT AS SHOWN IN THE BALANCE SHEET

- 6.1 Details of the movement in net accumulated deficit is as follows:

Accumulated surplus in statement of changes in equity at beginning of the year		72,669,455	71,091,769
(Deficit) / surplus in profit and loss account for the year		(21,387,673)	1,177,686
Accumulated surplus in statement of changes in equity before capital contribution by shareholders' fund at the end of the year		50,881,782	72,269,455
Capital contribution balance in statement of changes in equity at beginning of the year		(585,213,190)	(655,611,570)
Capital transfers to statutory fund during the year	6.2	(88,989,308)	(114,601,620)
Capital withdrawn from statutory fund during the year	6.2	200,000,000	185,000,000
Capital contribution balance in statement of changes in equity at end of the year		(474,202,498)	(585,213,190)
Net accumulated deficit as at the end of the year		(423,320,716)	(512,943,735)

- 6.2 Transfers of Rs. 51.989 million (2016: 31.601 million) and Rs. 37 million (2016: 83.001 million) during the current year have been made to Conventional Business Fund and Individual Family Takaful Fund respectively, whereas Rs. 119.296 million (2016: 95 million) and Rs. 80.704 million (2016: Rs. 90 million of capital contribution by shareholders' fund) capital have been withdrawn from Non-unitised Investment Linked Fund and Unit Linked Business Fund respectively as per the advice of the appointed actuary.

7. POLICYHOLDERS' LIABILITIES / TECHNICAL RESERVES

- 7.1 Gross of reinsurance

	Note	Conventional Business	Accident and Health Business	Non-unitised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	Aggregate	
							2017	2016
							(Rupees)	
Actuarial liability relating to future events		196,549,209	-	2,445,134,720	23,470,378,102	1,120,691,465	27,232,753,496	21,503,297,701
Provision for incurred but not reported claims		35,354,695	-	-	-	-	35,354,695	37,177,463
		231,903,904	-	2,445,134,720	23,470,378,102	1,120,691,465	27,268,108,191	21,540,475,164

- 7.2 Net of reinsurance

Actuarial liability relating to future events		105,715,576	-	2,434,663,112	23,433,236,493	1,109,108,230	27,082,723,411	21,237,013,411
Provision for incurred but not reported claims		13,348,648	-	-	-	-	13,348,648	14,282,684
	8	119,864,224	-	2,434,663,112	23,433,236,493	1,109,108,230	27,096,072,059	21,251,296,095

- 7.3 The appointed actuary of the Company has carried out a valuation of the policyholders' liabilities / technical reserves with respect to the Conventional Business, Accident and Health Business, Non-unitised Investment Linked Business, Unit Linked Business and Individual Life Family Takaful Unit Linked Business (Statutory Funds) as per section 50 of the Insurance Ordinance, 2000. Significant assumptions used in the valuations are disclosed in note 30 to these financial statements.

- 7.4 Except in case of conventional business, provision for incurred but not reported claims are included in the actuarial liability for future events.

8. BALANCE OF STATUTORY FUNDS

	Conventional Business	Accident and Health Business	Non-unitised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	Aggregate	
						2017	2016
						(Rupees)	
Policyholders' liabilities / technical reserves							
Balance at beginning of the year	110,755,996	-	2,370,723,099	18,383,847,745	395,969,255	21,251,296,095	13,855,898,117
Increase / (decrease) during the year	8,308,228	-	63,948,013	5,049,388,748	723,138,975	5,844,775,964	7,395,397,978
Balance at end of the year	119,064,224	-	2,434,663,112	23,433,236,493	1,109,108,230	27,096,072,059	21,251,296,095
Retained earnings on other than participating business							
Balance at beginning of the year	(99,751,747)	(1,385,925)	164,181,637	300,481,692	(34,055,466)	329,390,191	(66,722,164)
(Deficit) / surplus for the year	(51,987,572)	-	(13,834,296)	(106,722,083)	(61,992,694)	(234,536,645)	396,122,355
Balance at end of the year	(151,739,319)	(1,385,925)	150,267,341	193,759,609	(96,048,161)	94,853,545	329,390,191
Capital contributed by shareholders' fund							
Balance at beginning of the year	209,724,200	1,511,464	131,732,125	159,244,545	83,000,856	585,213,190	655,611,570
Capital contribution during the year	51,989,308	-	-	-	37,000,000	88,989,308	114,601,620
Capital returned during the year	-	-	(119,295,791)	(80,704,209)	-	(200,000,000)	(185,000,000)
Qard-e-Hasna from Operator's Sub Fund to PTF	-	-	-	-	-	-	(5,000,000)
Qard-e-Hasna received from Operator's Sub Fund by PTF	-	-	-	-	-	-	5,000,000
Balance at end of the year	261,713,508	1,511,464	12,436,334	78,540,336	120,000,856	474,202,498	585,213,190
Balance of statutory funds at year end	229,038,413	125,539	1,597,368,787	23,705,536,438	1,133,060,925	27,665,128,102	22,163,899,476

Balances in retained earnings are primarily maintained in accordance with the SBC Insurance Rules, 2002 to meet the solvency margins. As of 31 December 2017, the Company has retained an aggregate amount of Rs. 455.364 million (2016: Rs. 395.441 million) in the Statutory Funds based on the advice of the appointed actuary.

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9. STAFF RETIREMENT BENEFIT

9.1.1 As stated in note 4.6, the Company operates a funded gratuity scheme covering eligible employees who have completed the minimum qualifying eligible service period of six months. The employees are entitled to gratuity on the basis of last drawn monthly gross salary on normal retirement or on death in service on the number of years of services with the Company. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

9.1.2 Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all trustees are employees of the Company. Details of the Company's obligation under the staff gratuity scheme determined on the basis of an actuarial valuation carried out by an independent actuary as at 31 December 2017 under the Projected Unit Credit Method are as follows:

9.2 Balance sheet reconciliation	Note	Gratuity fund	
		2017	2016
		(Rupees)	
Present value of defined benefit obligations	9.2.1	90,585,531	61,604,023
Fair value of plan assets at 31 December	9.2.2	(59,079,170)	(47,242,859)
Net liability at end of the year	9.2.4	<u>31,506,361</u>	<u>14,361,164</u>
9.2.1 Movement in present value of defined benefit obligations			
Present value of defined benefit obligations at beginning of the year		61,604,023	41,887,724
Current service cost	9.2.3	20,488,311	10,955,765
Interest cost - net	9.2.3	8,278,980	5,574,621
Benefits paid during the year	9.2.2	(6,656,484)	(7,864,834)
Remeasurement loss on obligation:			
- due to unexpected experience		-	8,660,558
- due to changes in financial assumptions		6,870,701	2,390,189
	9.2.3	<u>6,870,701</u>	<u>11,050,747</u>
Present value of defined benefit obligations at end of the year		<u>90,585,531</u>	<u>61,604,023</u>
9.2.2 Movement in fair value of plan assets			
Fair value of plan assets at beginning of the year		47,242,859	32,744,541
Contributions made by the Company to the Fund		23,650,000	16,742,701
Interest income on plan assets	9.2.3	5,652,633	3,967,401
Benefits paid during the year	9.2.1	(6,656,484)	(7,864,834)
Remeasurement (loss) / gain on plan assets	9.2.3	(10,809,838)	1,653,050
Fair value of plan assets at end of the year		<u>59,079,170</u>	<u>47,242,859</u>
9.2.3 Expense recognised in profit and loss / revenue account			
Current service cost	9.2.1	20,488,311	10,955,765
Interest cost	9.2.1	8,278,980	5,574,621
Remeasurement losses on defined benefit obligation	9.2.1	6,870,701	11,050,747
Remeasurement (loss)/ gain on fair value of plan assets	9.2.2	10,809,838	(1,653,050)
Interest income on plan assets	9.2.2	(5,652,633)	(3,967,401)
Expense for the year		<u>40,795,197</u>	<u>21,960,682</u>
9.2.4 Net recognised liability			
Net liability at beginning of the year		14,361,164	9,143,183
Expense recognised in profit and loss account / revenue account	9.2.3	40,795,197	21,960,682
Contributions made to the Fund during the year		(23,650,000)	(16,742,701)
Net liability at end of the year	9.2	<u>31,506,361</u>	<u>14,361,164</u>
9.2.5 Estimated Gratuity Cost for the year ending 31 December 2018, is as follows:			
		2018	
		(Rupees)	
Current service cost		28,751,357	
Net interest cost		4,556,342	
Total expense to be recognised in profit and loss / revenue account		<u>33,307,699</u>	

9.3 Plan assets comprise of following:

	Note	2017		2016	
		(Rupees)	%age	(Rupees)	%age
Bank balance		16,508,701	28%	4,914,201	10%
Mutual Funds	9.3.1	42,570,469	72%	42,328,658	90%
Fair value of plan assets at end of the year		<u>59,079,170</u>	<u>100%</u>	<u>47,242,859</u>	<u>100%</u>

9.3.1 Investments of Rs. 6.35 million (2016: Rs. 6.35 million) in mutual funds are managed by a related party.

9.4 The principal assumptions used in the actuarial valuations carried out as of 31 December 2017, using the 'Projected Unit Credit' method, are as follows:

	Gratuity fund	
	2017	2016
Discount rate per annum	10.75%	10.75%
Expected per annum rate of return on plan assets	10.75%	10.75%
Expected per annum rate of increase in salary level	11.00%	11.00%
Expected mortality rate	LIC 94-96 Mortality table for males (rated down by 3 years for females)	LIC 94-96 Mortality table for males (rated down by 3 years for females)
Expected withdrawal rate	Age dependent	Age dependent

9.4.1 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.

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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 balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

9.5 Sensitivity analysis for actuarial assumptions

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

	2017	2016
	(Rupees)	
Discount rate (1% increase)	<u>(13,630,000)</u>	<u>(9,329,000)</u>
Discount rate (1% decrease)	<u>16,995,000</u>	<u>11,597,000</u>
Future salary increase rate (1% increase)	<u>16,707,000</u>	<u>11,402,000</u>
Future salary increase rate (1% decrease)	<u>(13,649,000)</u>	<u>(9,342,000)</u>

The impact on defined benefit obligation due to increase in life expectancy by 1 year would be Rs. (67,628).

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.

9.6 The weighted average duration of the defined benefit obligation is 19.47 years.

9.7 The expected maturity analysis of undiscounted retirement benefit plan is between 2-3 & 4-5 years and the amount involved is Rs. 0.972 million and Rs. 0.043 million respectively.

9.8 Historical Information

	2017	2016	2015	2014	2013
	(Rupees)				
Present value of defined benefit obligation	90,585,531	61,604,023	41,887,724	28,340,537	15,674,836
Fair value of plan assets	(59,079,170)	(47,242,859)	(32,744,541)	(22,041,783)	-
Deficit	<u>31,506,361</u>	<u>14,361,164</u>	<u>9,143,183</u>	<u>6,298,754</u>	<u>15,674,836</u>

9.8.1 Experience adjustment

	2017	2016	2015	2014	2013
	(Rupees)				
Experience adjustments on obligation	8%	18%	14%	24%	(13%)
Experience adjustments on asset	(18%)	4%	(4%)	2%	-

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10 OUTSTANDING CLAIMS

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	(Rupees)					
Conventional Business						
Notified Claims at the beginning of the year	81,196,067	(54,255,661)	26,940,406	68,695,099	(39,273,562)	29,421,537
Cash paid for claims settled in the year	(447,106,387)	258,696,054	(188,410,333)	(345,696,086)	232,486,290	(113,209,796)
Increase / (decrease) in liabilities:						
Claims intimated during the year	479,505,298	(267,374,679)	212,130,619	358,197,054	(247,468,389)	110,728,665
Notified claims at the end of the year	<u>113,594,978</u>	<u>(62,934,286)</u>	<u>50,660,692</u>	<u>81,196,067</u>	<u>(54,255,661)</u>	<u>26,940,406</u>
Non-unitised Investment Linked Business						
Notified Claims at the beginning of the year	16,264,900	(6,514,396)	11,750,504	13,436,136	(7,387,436)	6,048,700
Cash paid for claims settled in the year	(261,833,436)	5,395,781	(256,437,654)	(189,993,553)	8,454,299	(181,539,254)
Increase / (decrease) in liabilities:						
Claims intimated during the year	253,597,889	(4,416,000)	249,181,889	194,822,317	(7,581,259)	187,241,058
Notified claims at the end of the year	<u>10,029,353</u>	<u>(5,534,615)</u>	<u>4,494,739</u>	<u>16,264,900</u>	<u>(6,514,396)</u>	<u>11,750,504</u>
Unit Linked Business						
Notified Claims at the beginning of the year	138,891,297	(75,339,336)	63,551,961	116,049,701	(64,834,087)	51,215,614
Cash paid for claims settled in the year	(3,888,446,287)	97,311,291	(3,791,134,996)	(2,902,973,522)	63,733,869	(2,839,239,653)
Increase / (decrease) in liabilities:						
Claims intimated during the year	3,983,221,198	(154,224,666)	3,828,996,532	2,925,815,118	(74,239,118)	2,851,576,000
Notified claims at the end of the year	<u>233,666,208</u>	<u>(132,252,711)</u>	<u>101,413,497</u>	<u>138,891,297</u>	<u>(75,339,336)</u>	<u>63,551,961</u>
Window Takaful Operations						
Notified Claims at the beginning of the year	-	-	-	-	-	-
Cash paid for claims settled in the year	(101,493,120)	-	(101,493,120)	(200,000)	-	-
Increase / (decrease) in liabilities:						
Claims intimated during the year	103,293,139	-	103,293,139	200,000	-	-
Notified claims at the end of the year	<u>1,800,019</u>	<u>-</u>	<u>1,800,019</u>	<u>-</u>	<u>-</u>	<u>-</u>

10.1 There are no notified claims outstanding under accident and health as at 31 December 2017.

10.2 As the Company settles its claims obligations within a year, the claim development table has not been presented.

10.3 Statement of Age wise Break up of Unclaimed Insurance Benefits as at 31 December 2017

Circular 11 of 2014 dated 19 May 2014 issued by the Securities and Exchange Commission of Pakistan (SECP) has established requirement for all insurers to disclose age wise break up of unclaimed insurance benefits in accordance with format prescribed in the annexure to the said circular.

The unclaimed benefits is described in the circular as the amounts which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts may fall into the following categories:

Total Amount	Age-wise breakup				
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
	(Rupees)				
Unclaimed maturity benefits	266,656,572	149,172,262	69,040,403	13,704,790	28,538,069
Unclaimed death benefits	45,484,952	30,391,063	15,093,889	-	-
Unclaimed disability benefits	125,580	-	125,580	-	-
Claims not encashed	60,155,378	58,200,359	1,662,519	292,500	-
	<u>372,422,482</u>	<u>237,763,684</u>	<u>85,922,391</u>	<u>13,997,290</u>	<u>28,538,069</u>

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11. OTHER CREDITORS AND ACCRUALS

Note	Shareholders' Fund	Statutory Funds				Unit Linked Business	Individual Family Takaful Unit Linked Business	Aggregate	
		Conventional Business	Accident and Health Business	Non-entitled Investment Linked Business	2017			2016	
		(Rupees)							
Payable against purchase of investment securities	11.5	-	-	-	81,254,678	-	81,254,678	-	
Sundry creditors		72,951,893	160,790	-	64,075	845,451	74,012,408	46,278,927	
Amount due to Holland International - related party	11.3	13,330,370	-	-	-	-	13,330,370	14,938,370	
Other accruals		535,838	3,346	9,806	3,840,722	1,130,823	4,770,564	4,316,415	
Withholding tax payable		4,145,886	-	-	-	50,636	4,216,522	2,217,377	
Amount due to Adunjee Insurance Company Limited - holding company	11.4	3,993,991	-	-	-	-	3,993,991	4,522,746	
Employees' car deposit		3,668,127	-	-	-	-	3,668,127	2,777,553	
Remuneration payable to management company	11.2	-	-	92,878	2,621,207	-	2,714,085	2,614,973	
Workers' Welfare Fund payable		933,918	-	-	-	-	933,918	933,918	
Sindh services tax payable	11.5	868,637	-	-	-	25,172	893,809	665,546	
ECBI employees' contribution payable	11.5	787,030	-	-	-	33,053	820,083	321,314	
Remuneration payable to Trustees - related party	11.1	-	-	49,475	737,136	-	786,611	1,028,433	
Sales tax withholding payable	11.5	260,628	-	-	-	-	260,628	23,051	
		101,518,280	164,336	-	153,199	87,717,860	2,085,394	193,637,619	
								80,838,623	

11.1 This represents trustee fee payable to a related party in respect of the custodial services under a service level agreement.

11.2 This includes Rs. 1,240 million fee payable to a related party in respect of the management of discretionary investment portfolio.

11.3 This represents the technical support fee payable to the related party.

11.4 The balance is unsecured, interest free and is due in respect of the premium payable to them for general insurance coverage and certain expenses shared with them.

11.5 Subsequent to the year end, the amount was paid by the company.

12. CONTINGENCIES AND COMMITMENTS

12.1 CONTINGENCIES

12.1.1 Claims against the Company not acknowledged as debt
Number of cases

	2017	2016
	(Rupees)	
	27,213,983	16,302,533
	7	6

This represents six pending cases initiated against the Company concerning policyholders' claims rejected by the Company on different grounds and a case by a service provider claiming damages against termination of contract. However, management believes that no significant liability is likely to occur in these cases.

12.1.2 For tax years 2011, 2012 and 2013, tax authorities have issued orders under section 221 of Income Tax Ordinance, 2001 (the Ordinance) raising tax demand of Rs. 2.63 million, Rs. 3.04 million and Rs. 2.19 million respectively for these years primarily on the ground of charging WWF under sections 4(4) of the WWF Ordinance, 1971 and full tax credits of tax paid / deducted not allowed due to non verification of tax challans. The Company has filed an appeal against these orders with the Commissioner Inland Revenue - Appeals (CIR(A)). However, CIR(A) has maintained the levy and disposed off the Company's appeal. Now the Company has further filed an appeal against CIR (A) orders which is pending before the Appellate Tribunal Inland Revenue (ATIR). However, based on consultations with the tax advisor, the management considers that the Company has enough grounds for success in appeal before the appellate authorities and the management is confident that the outcome of the appeals would be in their favor. Hence, no provision has been made in these financial statements against the aforesaid tax demand.

12.2 COMMITMENTS

12.2.1 Commitments in respect of ljarah rentals payable in future period as at 31 December 2017 amounted to Rs. 31.78 million (2016: Rs. 31.55 million) for vehicles.

Not later than one year

Later than one year and not later than five years

	10,042,428	8,876,616
	21,738,855	24,623,792
	31,781,283	33,500,413

12.2.2 Commitment in respect of capital expenditure amounts to Rs. 33.90 million (2016: Rs. 6.85 million).

13. CASH AND BANK DEPOSITS

Note	Shareholders' Fund	Statutory Funds				Aggregate	
	Conventional Business	Accident and Health Business	Non-entitled investment linked business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
					(Rupees)		
Cash and others							
Cash in hand	345,329	-	-	-	-	345,329	156,254
Policy stamps in hand	-	-	-	9,746,048	4,253,898	13,999,948	9,174,565
	345,329	-	-	9,746,048	4,253,898	14,345,275	9,330,819
Cash at banks							
- in current account	47,500	18,981,588	-	28,470,090	8,292,433	55,791,611	27,003,118
- in saving accounts	3,939,658	79,798,044	167,032	121,858,513	986,632,356	1,281,497,584	1,641,577,682
	3,987,158	98,771,632	167,032	121,858,513	915,102,446	1,337,289,195	1,668,580,800
Deposit maturing within 12 months							
Term deposit receipts	-	-	-	1,108,000,000	9,265,000,000	10,373,000,000	5,309,000,000
	4,332,379	98,771,632	167,032	1,221,858,513	88,899,848,494	11,876,634,470	7,177,911,619

13.1 These carry mark-up at rates ranging from 3.75% to 8% (2016: 3.1% to 8%) per annum.

13.2 These have tenure of 7 days to 12 months and carrying mark-up rate from 5% to 8.99% (2016: 5.6% to 9.58%) per annum and will mature between 3 January 2018 and 13 November 2018.

13.3 Cash and cash equivalents comprise of the following:

	Shareholders' Fund	Statutory Funds				Aggregate		
		Conventional Business	Accident and Health Business	Non-realised investment linked business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
		(Rupees)						
- cash and others	345,329	-	-	-	9,746,048	4,253,898	14,345,275	9,330,819
- cash at bank	3,987,056	98,771,632	167,032	121,858,513	915,102,446	197,482,522	1,337,289,195	1,668,580,800
- term deposits with banks	-	-	-	600,000,000	8,660,000,000	58,000,000	9,118,000,000	4,973,000,000
	4,332,379	98,771,632	167,032	723,858,513	9,384,848,494	181,656,420	10,461,634,470	6,652,911,619

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13.3.1 Cash and cash equivalent are as defined in note 4.13 to these financial statements.

14. LOAN SECURED AGAINST LIFE INSURANCE POLICIES

These loans carry profit rate at 3 month KIBOR plus 4% per annum and are secured against the cash values of the respective policies of the policyholders. These are generally payable within 3 months.

15. INVESTMENT PROPERTY	2017	2016
	(Rupees)	
Cost	680,413,940	-
Less: unrealised (diminution) recognised in profit and loss accounts	(42,433,000)	-
Carrying value	<u>637,980,940</u>	<u>-</u>

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. 637.980 million based on a revaluation carried out by K.G. Traders (Private) Limited as at 27 December 2017, which the management believes also approximates the value as of 31 December 2017 and revaluation loss of Rs. 42.433 million has been recognised in the profit and loss account.

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

Valuation technique

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

16. INVESTMENTS	Note	2017	2016
		(Rupees)	
16.1 Investment in Government Securities			
Financial assets 'at fair value through profit or loss upon initial recognition' (FVTPL)	16.2	3,499,526,693	7,231,682,523
Available for sale (AFS)	16.3	344,101,769	263,707,159
		<u>3,843,628,462</u>	<u>7,495,389,682</u>

16.3.1 Above investments include Rs. 3.48 billion (2016: Rs. 7.07 billion) which are being managed by a related entity and also include Rs. 3.09 billion (2016: Rs. 7.12 billion) held in its US accounts combined with a related party.

16.3	Fund wise breakup of Government Securities - AFS - at lower of cost or market value	Shareholders' Fund	Statutory Funds					Amount in	
			Conventional Banks	Accident and Health Business	Non-Utilized Investment (Linked Bank Sec)	Unit Linked Bank Sec	Individual Family Voluntary Unit Linked Business	2017	2016
	Note					(Rupees)			
			-	34,593,587	-	-	-	34,593,587	89,567,096
	16.3.f	154,754,603	45,593,580	-	-	-	-	230,348,183	156,851,443
			-	-	-	-	-	-	24,818,618
			-	99,310,060	-	-	-	99,310,060	-
	16.4	154,754,603	189,347,167	-	-	-	-	344,181,749	263,767,159
	Market value of government securities as at 31 December 2017	154,754,603	101,685,810	-	-	-	-	346,338,423	260,813,711

163.1 Includes investments with carrying value of Rs. 161.16 million (face value being Rs. 100 million) deposited with the State Bank of Pakistan in accordance with the requirements laid down in section 29 of the Investment Ordinance, 2000.

16.3.3 International Accounting Standard IAS-39 "Financial Instruments: Recognition and Measurement" (as revised) is effective from 1 January 2003. In the said IAS-39, the option of valuing the revaluation gain / (loss) on the available-for-sale securities to income / revenue account has been deleted and all such gain / (loss) is to be taken directly into Other Comprehensive Income. However, the Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2002 had presented the format of presentation and disclosure of financial statements, according to which the statutory funds have no equity accounts, naturally, the changes in IAS-39 were not implemented. Furthermore, under the Insurance Rules 2002, the available for sale investments are valued at lower of cost and market value (which is temporary), whereas under the above referred IAS 39, these are value at fair market value. As such, had the investments classified as available for sale been valued in accordance with the requirements of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", their carrying value would have been higher by Rs. 2.34 million (2016: higher by Rs. 6.13 million).

16.3.3 Above investments include Rs. 60.86 million (2016: Rs. 98.39 million) held in an IPS account maintained with a related party.

16.4 Particulars of Government Securities

Name of the investments	Carrying value (Rupees)	Face value	Tenure	Maturity periods	Principal payment	Coupon rate / yield per annum (%)	Coupon payment
Financial assets 'at fair value through profit or loss upon initial recognition'							
Pakistan Investment Bonds	336,322	301,877	10 years	July 2010 to July 2020	On maturity	12.00%	Half-yearly
	51,901	50,000	10 years	August 2008 to August 2018	On maturity	12.00%	Half-yearly
	358,223	351,877					
	1,808,162	1,750,000	5 years	July 2013 to July 2018	On maturity	11.30%	Half-yearly
Treasury Bills	209,415	210,000	12 months	January 2017 to January 2018	On maturity	5.99%	-
	105,298,578	109,000,000	12 months	August 2017 to August 2018	On maturity	6.02%	-
	103,507,993	109,260,000					
	495,196,500	500,000,000	6 Months	August 2017 to March 2018	On maturity	6.00%	-
	24,930,375	25,000,000	6 Months	July 2017 to January 2018	On maturity	6.00%	-
	520,126,875	525,000,000					
	1,455,814,744	1,461,000,000	3 Months	October 2017 to January 2018	On maturity	6.00%	-
	89,935,540	90,000,000	3 Months	October 2017 to January 2018	On maturity	6.01%	-
	148,895,850	150,000,000	3 Months	November 2017 to Feb 2018	On maturity	6.02%	-
	526,509,274	529,000,000	3 Months	November 2017 to February 2018	On maturity	6.03%	-
	2,610,972,408	2,630,000,000					
Name of the investments	Carrying value (Rupees)	Face value	Tenure	Maturity periods	Principal payment	Coupon rate / yield per annum (%)	Coupon payment
Government of Pakistan (Janah Sukuk Bond)	26,638,350	26,500,000	3 years	December 2015 to December 2018	On maturity	5.90%	Half-yearly
	19,986,882	20,000,000	3 years	June 2015 to June 2018	On maturity	5.24%	Half-yearly
	93,245,000	92,000,000	3 years	February 2016 to 15 February 2019	On maturity	6.10%	Half-yearly
	110,814,000	110,000,000	3 years	March 2016 to March 2019	On maturity	5.59%	Half-yearly
	250,731,032	248,500,000					

Name of the investments	Carrying value (Rupees)	Face value	Term	Maturity period	Principal payment	Coupon rate / yield per annum (%)	Coupon payment
Available for sale							
Following Investment Bonds	24,503,389	25,000,000	5 years	July 2014 to July 2019	On maturity	11.50%	Half -yearly
	194,794,600	154,000,000	5 years	December 2016 to December 2019	On maturity	7.00%	Half -yearly
	65,320,180	65,000,000	3 years	April 2016 to April 2019	On maturity	7.00%	Half -yearly
	220,148,189	210,000,000					
Treasury Bills	99,258,808	100,000,000	3 months	November 2017 to February 2018	On maturity	5.01%	-

16.5 Net attributable (Shareholders') appreciation or re-measurement of Government Securities 'at fair value through profit or loss upon initial recognition'

Market value of investments

Less: Carrying value of investment (before revaluation for the year ended 31 December 2017)

Recognized in Revenue Account

2017					
Shareholders' Fund	Commercial Business	Accident and Health Business	Non-allocated Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
-	-	-	308,154,798	2,911,307,095	263,884,000
-	-	-	(298,128,462)	(2,912,173,818)	(283,884,000)
-	-	-	84,332	(765,240)	(719,780)
-	-	-	-	-	-

Market value of investments

Less: Carrying value of investment (before revaluation for the year ended 31 December 2016)

Recognized in Revenue Account

2016					
Shareholders' Fund	Commercial Business	Accident and Health Business	Non-allocated Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
-	-	-	606,331,067	6,218,348,000	231,382,456
-	-	-	(610,442,143)	(6,215,975,829)	(231,588,276)
-	-	-	(411,076)	(4,126,829)	(282,120)
-	-	-	-	-	-

16.6 Investment in Other fixed income securities

Term Finance Certificates and Sukuk certificates

16.7

1,282,852,254

16.7 Fund with devolving of term finance certificates and sukuk certificates

None

'At fair value through profit or loss upon initial recognition' - at market value

Term Finance Certificates

16.8

Sukuk Certificates

16.8

2017					
Shareholders' Fund	Commercial Business	Accident and Health Business	Non-allocated Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
-	-	-	84,716,373	772,883,377	881,649,760
-	-	-	10,446,540	279,263,363	355,249,884
-	-	-	883,872,013	3,608,146,389	48,989,443
-	-	-	-	-	-

16.8 Particulars of term finance certificates (TFCs)

Non-allocated Investment Linked Business

Term Finance Certificates

Bank Al-Habib Limited

Habib Bank Limited

Sukuk Certificates

Rafiah Fertilizer Company Limited

Unit Linked Business

Term Finance Certificates

Bank Al-Habib Limited

Bank Al-Habib Limited

Fahari Bank Limited

Bank of Punjab

Market value as at 31 December	Maturity year	Term (years)	Profit rate % per annum	Year end applicable rate of profit per annum - (%)	Profit payment	Principal repayment
2017	2016					
(Rupees)						
35,288,838	35,316,218	2021	3 years	6 months KIBOR+1.25%	7.80%	Semi-annually
49,558,515	58,194,713	2026	10 years	6 months KIBOR+0.5%	6.55%	Semi-annually
84,726,471	85,718,021					
18,844,640	-	2021	5 years	6 months KIBOR+1.30%	7.38%	Semi-annually
682,879,013	85,718,021					
85,823,854	87,583,768	2021	5 years	6 months KIBOR+1.25%	7.80%	Semi-annually
56,983,951	55,683,670	2026	10 years	6 months KIBOR+0.9%	6.91%	Semi-annually
50,856,518	58,984,280	2024	10 years	6 months KIBOR+1.75%	7.36%	Semi-annually
254,683,182	-	2026	10 years	6 months KIBOR+1.00%	7.29%	Semi-annually

Bank

First 7.5 years - Rs. 4,000 million per six months and Rs. 24,500 million on last 18th instalment.

First 7 years - Rs. 0.01 million per six months and last two six monthly instalments of Rs. 14,510 million in the 10th year.

Six monthly instalment of Rs. 1,280 million.

First 7.5 years - Rs. 4,000 million per six months and Rs. 24,500 million on last 18th instalment.

First 7 years - Rs. 0.01 million per six months and last two six monthly instalments of Rs. 17,384 million in the 10th year.

First 7 years - Rs. 0.01 million per six months and last two six monthly instalments of Rs. 39,990 million in the 10th year.

First 7 years - Rs. 0.01 million per six months and last two six monthly instalments of Rs. 17,384 million in the 10th year.

	Market value as at 31 December 2017 2016 (Rupees)		Maturity year	Term (years)	Profit rate % per annum	Year end applicable rate of profit per annum - (%)	Period payable	Principal repayment
Soyari Bank Limited	58,889,961	-	2021	8 years	6 months KIBOR+1.35%	7.49%	Semi-annually	From 1.5 years - Rs. 0.56 million per six months and Rs. 49.43 million on the 16th month
Shah Bank Limited	376,347,999	350,796,857	2026	10 years	6 months KIBOR+0.5%	6.63%	Semi-annually	From 5 years - Rs. 6.03 million per six months and from two six months installments of Rs. 119.877 million in the 10th year.
Soyari Card Finance	792,883,337	544,867,771						
Byan Pakistan Pakistan Limited	6,437,374	-	2022	5 years	3 months KIBOR+1.85%	7.21%	Quarterly	12 equal installments of Rs. 9.7 million
Debit Islamic Bank Pakistan	78,585,121	-	2027	10 years	6 months KIBOR+0.5%	6.64%	Semi-annually	Rs. 77 million on maturity
Falcom Power Generation Company Limited	137,179,848	-	2021	5 years	6 months KIBOR+1.10%	7.28%	Semi-annually	12 equal installments of Rs. 4,497 million
Global Glass Limited	52,649,698	-	2023	6 years	3 months KIBOR+1.00%	7.15%	Quarterly	Quarterly installments of Rs. 2.6 million
TPL Tractor Limited	33,621,890	-	2021	5 years	Yearly KIBOR+5.00%	9.48%	Yearly	Four equal installments of Rs. 7.7 million
	225,261,933	-						
	1,048,145,288	544,867,771						
Individual Family Takaful Unit Linked Business								
Meezan Bank Limited	44,209,441	67,697,200	2026	10 years	6 months KIBOR+0.5%	6.65%	Quarterly	Rs. 40 million on maturity

16.9 Not realized appreciation / (diminution) on re-measurement of term deposit certificates at fair value through profit or loss upon initial recognition

	2017 (Rupees)					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-conventional Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
Market value of investments	-	-	-	182,877,942	8,648,145,288	41,809,441
Less: Carrying value of investments (before revaluation for the year ended 31 December 2017)	-	-	-	(43,333,629)	(1,278,288,765)	(41,508,155)
Recognized in Revenue Account	-	-	-	(455,158)	(7,856,488)	(151,384)

	2016 (Rupees)					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-conventional Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
Market value of investments	-	-	-	85,710,934	544,867,771	67,697,500
Less: Carrying value of investments (before revaluation for the year ended 31 December 2016)	-	-	-	(85,218,184)	(543,885,184)	(67,617,969)
Recognized in Revenue Account	-	-	-	(467,250)	(1,915,177)	(69,531)

16.10 Investments in listed equity securities and units of mutual funds

	Note	Shareholders' Fund	Mutual Funds				Aggregate	
			Conventional Business	Accident and Health Business	Non-conventional Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	
Financial assets at fair value through profit or loss upon initial recognition (FVTPL)	16.11	1,325,486	-	-	826,889,847	9,178,151,183	684,951,914	10,499,579,521
Available for sale (AFS)	16.12	79,126,819	27,274,418	-	4,419,438	3,385,349,872	121,316,488	88,929,781
		1,325,486	27,274,418	-	831,309,285	9,178,151,183	806,268,402	11,388,809,302

16.11 Breakup of listed equity securities and units of mutual funds - FVTPL

	Note	Shareholders' Fund	Mutual Funds				Aggregate	
			Conventional Business	Accident and Health Business	Non-conventional Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	
Listed equity securities	16.14	1,325,486	-	-	621,468,823	5,928,348,726	353,755,514	6,907,573,063
Units of open-end mutual funds	16.14	-	-	-	214,695,194	3,246,801,152	3,316,741,971	6,778,292,217
		1,325,486	-	-	836,164,017	9,178,151,183	684,951,914	11,388,809,302

16.12 Breakup of listed equity securities and units of mutual funds - AFS

	Note	Shareholders' Fund	Mutual Funds				Aggregate	
			Conventional Business	Accident and Health Business	Non-conventional Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	
Listed equity securities	16.14	28,327,582	-	-	5,049,934	-	-	33,377,516
Units of open-end mutual funds	16.14	57,799,237	27,274,418	-	5,569,584	-	-	90,642,742
		86,126,819	27,274,418	-	10,619,518	-	-	116,020,755
Provision for impairment in the value of available for sale		(6,441,802)	(89,347)	-	(30,188)	-	-	(6,561,337)
		79,685,017	27,185,071	-	10,589,330	-	-	117,459,418
Market value of listed equity securities and units of mutual fund securities as at 31 December 2017		81,068,243	27,414,499	-	10,619,518	-	-	119,102,270

* against the shares of Kot Adda Power Company Limited, Nishat Power Limited, K-Electric Limited, Self Power Limited, Nishat Bank Limited and units of MCB Pakistan Asset Allocation Fund and Meezan Balanced Fund

Signature

16.32.1 International Accounting Standard IAS-39 "Financial Instruments - Recognition and Measurement" (as revised) is effective from 1 January 2005. In the said IAS-39, the option of taking the revaluation gain / (loss) on the available-for-sale securities in income / revenue account has been deleted and all such gain / (loss) is to be taken directly into Other Comprehensive Income. However, the Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the statutory funds have no equity accounts, therefore, the changes in IAS-39 were not implemented. Furthermore, under the Insurance Rules 2002, the available-for-sale investments are valued at lower of cost and market value (other than temporary), whereas under the above referred IAS 39, these are valued at fair market value. As such, had the investment in available-for-sale securities been valued in accordance with the requirements of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", the carrying value of the above mentioned investments would have been higher by Rs. 8752 million (2016: Rs. 10.85 million).

16.33 Net unrealized (loss)/outflow over/accruals on re-measurement of listed equity securities and open-end mutual funds "at fair value through profit or loss upon initial recognition"

	2017					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-critical Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
	(Rupees)					
Market value of investments	1,325,486	-	-	836,351,017	9,170,151,180	484,983,915
Less: Carrying value of investments (before revaluation for the year ended 31 December 2017)	(1,446,202)	-	-	(1,073,266,189)	(88,605,746,954)	(52,287,9289)
Recognized in profit and loss account / revenue account	(120,716)	-	-	(236,915,172)	(71,335,595,774)	(12,303,014)
	2016					
	Shareholders' Fund	Conventional Business	Accident and Health Business	Non-critical Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business
	(Rupees)					
Market value of investments	1,446,202	-	-	623,616,672	5,192,186,978	72,407,382
Less: Carrying value of investments (before revaluation for the year ended 31 December 2016)	(1,592,990)	-	-	(556,832,372)	(44,715,151,889)	(43,000,086)
Recognized in profit and loss account / revenue account	(146,788)	-	-	(65,715,699)	(37,528,164)	(6,592,704)

16.34 Particulars of listed equity securities and open-end mutual funds

The Company has made investments in the ordinary shares of listed companies and the units of certain mutual funds. The face value of the ordinary shares are of Rs. 10 each except in case of K-Electric Limited, where the face value is Rs. 3.5 each.

The relevant details of these investments are as follows:

16.34.1 Shareholders' fund

a. Financial assets "at fair value through profit or loss upon initial recognition" - at market value

Shares of Listed Companies
Arl Habib Corporation Limited
Askari Bank Limited

	2017		2016	
	Number of shares / units	Carrying value	Number of shares / units	Carrying value
	(Rupees)		(Rupees)	
	34,300	1,387,583	36,300	1,597,208
	1,964	27,925	1,964	48,001
		<u>1,415,508</u>		<u>1,645,209</u>

b. Available for sale - at lower of cost or market value

Shares of Listed Companies

Pakistan Petroleum Limited
National Bank of Pakistan
Fatimah Fertilizer Company Limited
Fajri Fertilizer Company Limited
Pakistan Oil Fields Limited
Habib Bank Limited
United Bank Limited
K-Electric Limited
Nishat Power Limited
Kot Addu Power Company Limited
Sui Power Limited
Arco Cement Limited
Aisha Steel Mills (Convertible Preference Shares)
Aisha Steel Mills

	2017	2016
	Number of shares / units	Number of shares / units
	36	36
	79,862	79,862
	9,808	9,808
	27,300	27,300
	300	300
	23,773	23,773
	29,400	29,400
	130,800	130,800
	48,800	48,800
	12,800	12,800
	25,800	25,800
	28,800	28,800
	3,300	3,300
	660	-
	<u>17,091,272</u>	<u>16,316,672</u>

Units of Open end Mutual Funds - at lower of cost or market value

NBL Government Securities Fund
Nestor Balanced Fund
Nestor Islamic Fund
NCB Pakistan Asset Allocation Fund *

	2017	2016
	Number of shares / units	Number of shares / units
	819,608	772,060
	1,013,359	939,609
	95,181	69,929
	381,830	385,329
	<u>56,035,136</u>	<u>52,522,000</u>
	<u>75,725,549</u>	<u>71,138,529</u>

Total of investments in listed companies and units of open end mutual funds

16.14.2 Conventional Business

Available for sale - at lower of cost or market value

Units of Open end Mutual Funds

MCD Pakistan Income Enhancement Fund *

NCB Pakistan Asset Allocation Fund *

	2017	2016
	Number of shares / units	Number of shares / units
	204,090	198,225
	216,744	200,418
	<u>10,919,977</u>	<u>10,509,828</u>
	<u>16,355,446</u>	<u>15,385,648</u>
	<u>27,275,423</u>	<u>25,895,476</u>

16.14.3 Non-critical Investment Linked Business

a. Financial assets "at fair value through profit or loss upon initial recognition" - at market value

Units of Open end Mutual Funds

MCB Pakistan Stock Market Fund *

MCB Pakistan Strategic Allocation Fund *

MCB Cash Management Optimizer *

	2017	2016
	Number of shares / units	Number of shares / units
	1,818,637	1,595,813
	6,355,054	4,688,173
	96,930	-
	<u>137,985,590</u>	<u>178,978,301</u>
	<u>66,728,066</u>	<u>62,761,636</u>
	<u>20,081,528</u>	<u>-</u>
	<u>224,695,184</u>	<u>241,739,937</u>

Shares of Listed Companies

Abbott Laboratories (Pakistan) Limited
Engro Fertilizer Limited
Kot Addu Power Company Limited
Nishat Chemical Limited *

	2017	2016
	Number of shares / units	Number of shares / units
	100,000	100,000
	1,688,000	1,008,800
	1,670,000	1,670,000
	1,300,000	200,000
	908,500	908,500
	4,300,000	-
	2,800,000	-
	100,000	-
	97,500	-
	100,000	-
	300,000	-
	88,600	-
	180,000	-
	<u>69,741,000</u>	<u>95,709,800</u>
	<u>113,749,600</u>	<u>67,938,800</u>
	<u>90,013,000</u>	<u>131,596,600</u>
	<u>59,581,000</u>	<u>12,486,600</u>
	<u>35,953,385</u>	<u>74,106,345</u>
	<u>35,121,000</u>	<u>-</u>
	<u>35,880,000</u>	<u>-</u>
	<u>32,731,000</u>	<u>-</u>
	<u>6,160,512</u>	<u>-</u>
	<u>11,128,000</u>	<u>-</u>
	<u>39,535,000</u>	<u>-</u>
	<u>45,842,526</u>	<u>-</u>
	<u>16,388,000</u>	<u>-</u>
	<u>628,365,825</u>	<u>381,817,345</u>

Total of investments in listed companies and units of open end mutual funds

b. Available for sale - at lower of cost or market value

Shares of Listed Companies

Habib Bank Limited

	2017	2016
	Number of shares / units	Number of shares / units
	33,834	33,034
	<u>5,519,661</u>	<u>3,349,918</u>



16.14.4 Unit linked business

n. Financial assets 'at fair value through profit or loss upon initial recognition' - at market value

Shares of Listed Companies

	2017		2016	
	Number of shares / units	Carrying value (Rupees)	Number of shares / units	Carrying value (Rupees)
Pakistan Petroleum Limited	758,000	156,079,780	800	150,544
HUB Power Company Limited	4,558,400	414,814,400	1,133,700	139,989,276
Maple Leaf Cement Factory Limited	985,000	47,413,400	813,500	103,786,330
Packages Limited	5,000	2,549,158	35,400	30,091,770
Lucky Cement Limited	874,500	426,604,545	297,850	238,015,541
Kot Addu Power Company Limited	2,441,500	131,596,850	2,389,000	188,253,300
Engro Corporation Limited	833,800	228,114,885	202,800	64,103,052
Fauji Foods Limited (Non-Voting)	3,000	40,590	3,000	207,600
Pak Elektron Limited	2,860,000	135,821,400	917,500	65,399,400
Crescent Steel & Allied Products	395,200	50,312,912	58,500	9,019,530
Sui Southern Gas Company Limited	15,000	457,350	500,000	18,175,000
Sui Northern Gas Pipelines Limited	2,027,800	191,849,714	764,000	62,319,480
Dawood Hercules Corporation Limited	139,900	15,652,012	50,000	7,216,500
D.G. Khan Cement Company Limited *	373,300	49,917,676	20,000	4,434,600
Fauji Foods Limited	45,000	740,700	60,000	5,320,200
Hascol Petroleum Limited	27,500	6,793,600	30,000	10,125,600
Mari Petroleum Company Limited	127,890	185,551,764	98,050	134,809,927
Oil & Gas Development Company Limited	2,559,000	416,579,618	1,003,700	165,961,795
Pakistan Cables Limited	-	-	10,000	3,499,400
Pakistan National Shipping Corporation	27,700	2,874,152	40,000	6,455,200
Service Industries Limited	14,960	11,220,000	2,000	2,994,220
Summit Bank Limited	50,000	138,500	50,000	220,000
Pace (Pakistan) Limited	-	-	50,000	564,000
MCB Bank Limited *	1,667,500	358,290,000	1,042,200	247,856,004
Dewan Cement Limited	-	-	282,500	11,028,800
Engro Polymer & Chemicals Limited	4,517,000	129,005,520	250,000	4,615,000
Fauji Fertilizer Company Limited	1,200	94,932	202,700	20,630,306
International Industries Limited	668,600	160,537,546	260,000	52,969,800
International Steel Limited	1,489,700	158,459,389	17,500	1,710,275
Nishat (Chunian) Limited *	-	-	25,000	1,560,750
Aisha Steel Limited	28,000	354,800	50,000	786,500
Systems Limited	1,156,000	85,451,520	433,500	36,674,100
Murree Brewery Company Limited	8,000	6,210,720	8,000	7,421,440
K-Electric Limited	4,875,500	30,764,405	5,547,500	51,980,075
Mughal Iron & Steel Industries	986,000	57,286,600	262,000	23,097,920
National Bank of Pakistan Limited	1,005,000	48,802,800	1,400,000	104,846,000
Pakistan Telecommunication Company Limited	-	-	500	8,590
Attock Refinery Limited	242,000	56,657,040	163,200	69,408,960
Avamecon Limited	-	-	470,000	16,379,500
Faysal Bank Limited	6,459,500	137,328,970	600,000	13,068,000
NetSol Technologies Limited	756,500	47,924,275	716,500	38,891,620
National Refinery Limited	15,000	6,463,050	30,000	45,689,600
GlaxoSmithKline (Pakistan) Limited	-	-	10,000	2,333,000
Engro Fertilizers Limited	2,010,000	136,117,200	2,896,000	196,870,080
United Bank Limited	714,300	134,266,971	642,700	153,541,030
Indus Motors Company Limited	55,460	93,182,228	2,500	4,036,325
ICI Pakistan Limited	5,080	3,901,186	4,500	4,471,785
Pakistan Oilfields Limited	601,000	357,150,260	189,600	101,363,952
Pakistan State Oil Company Limited	107,010	31,365,702	242,400	103,252,504
Amreli Steels Limited	625,900	57,995,894	599,500	39,936,315
Honda Atlas Cars (Pakistan) Limited	103,200	51,880,712	2,000	1,337,280
Habib Bank Limited	951,900	159,051,971	335,000	91,538,750
Gul Ahmed Textile Limited	1,342,000	49,761,360	-	-
Kohinoor Textile Mills Limited	769,146	40,955,923	-	-
Nishat Mills Limited *	929,800	139,005,100	-	-
Cherat Cement Limited	17,200	1,907,652	-	-
Hi-Tech Lubricants	346,400	24,594,400	-	-
Ittefaq Iron Industries Limited	922,500	15,627,150	-	-
Pak Suzuki Motor Company Limited	106,900	53,211,612	-	-
Ghandhara Industries Limited	20,500	11,317,640	-	-
General Tyre & Rubber Company	60,000	11,298,000	-	-
Huon Network Limited	1,056,000	8,627,520	-	-
Archroma Pakistan Limited	99,850	52,820,690	-	-
Allied Bank Limited	845,500	71,850,590	-	-
Bank Alfalah Limited	6,286,500	267,176,250	-	-
Bank Alhabib Limited	2,100,500	122,585,180	-	-
Searle Company Limited	26,330	8,290,264	-	-
Tariq Glass Industries	375,800	35,697,242	-	-
Pakistan Reinsurance Company Limited	842,000	35,726,060	-	-
Arif Habib Corporation Limited	749,500	29,642,725	-	-
Oris Leasing Pakistan Limited	249,000	10,335,990	-	-
Century Paper & Board Mills Limited	783,200	48,660,216	-	-
Cherat Packaging Limited	301,414	59,981,126	-	-
IGI Insurance Limited	6,000	1,757,340	-	-
Kohat Cement Company Limited	15,000	2,129,400	-	-
Pioneer Cement Limited	10,400	656,448	-	-
Dost Steels Limited	50,000	503,000	-	-
Gudoom Textile Mills Limited	13,500	2,803,545	-	-
Fauji Fertilizer Bin Qasim Limited	25,000	888,500	-	-
Tariq Glass Industries Limited	33,900	3,220,162	-	-
		<u>5,925,808,728</u>		<u>2,730,416,426</u>

* Related party / associate

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Note	2017		2016	
	Number of	Carrying value	Number of	Carrying value
	shares / units	(Rupees)	shares / units	(Rupees)
<i>Units of Open end Mutual Funds</i>				
Pakistan Stock Market Fund	21,112,502	1,921,691,645	15,209,490	1,705,717,335
Faysal Saving Growth Fund	3,097,260	322,486,792	2,971,480	307,191,568
Dolmen REIT	616,500	6,781,428	-	-
MCB Islamic Income Fund *	503,759	52,066,205	104,431	10,799,415
Faysal MTS Fund	10,406	1,070,625	9,879	1,004,149
Faysal Islamic Savings Growth Fund	311,743	32,642,583	14,459	1,501,157
Faysal MTS Fund	143,735	14,788,922	39,518	4,071,923
Alfalsh GHP Money Market Fund (formerly IGI money market fund)	27,851	2,783,744	26,553	2,680,904
MCB Pakistan Islamic Stock Fund *	84,764,861	890,030,433	46,670,326	625,849,084
Pakistan International Element Islamic Asset Allocation Fund	-	-	2,032,118	159,480,621
Faysal Balanced Growth Fund - Type B Growth Units	-	-	319,328	23,272,629
Faysal Income & Growth Fund - Type B Growth Units	-	-	93,650	10,006,556
Faysal Asset Allocation Fund - Type B Growth Units	-	-	134,608	10,195,181
		<u>3,344,342,377</u>		<u>2,861,770,552</u>
Total of investment in listed companies and units of open end mutual funds		<u>9,170,151,104</u>		<u>5,592,186,978</u>

16.14.5 Individual Family Takaful Unit Linked Business

a. Financial assets 'at fair value through profit or loss upon initial recognition' - at market value

<i>Units of Open end Mutual Funds</i>				
Alhamra Islamic Stock Fund *	7,186,796	75,461,337	746,688	10,015,768
Alhamra Islamic Asset Allocation Fund *	208,499	14,462,670	-	-
Alhamra Islamic Income Fund *	340,091	35,150,250	-	-
NAFA Islamic Energy Fund	3,976,112	48,231,028	-	-
Meezan Islamic Fund	-	-	138,541	11,537,663
Meezan Balanced Fund	508,765	7,911,296	482,191	8,799,986
NAFA Islamic Stock Fund	-	-	667,235	9,952,144
NAFA Islamic Energy Fund	-	-	721,483	10,125,586
ABL Islamic Stock Fund	-	-	589,229	10,292,768
NIT - Islamic Equity Fund	-	-	800,712	10,273,132
Atlas Islamic Stock Fund	-	-	16,854	10,240,321
		<u>181,216,401</u>		<u>81,237,368</u>

Shares of Listed Companies

Fauji Cement Company Limited	211,500	5,289,619	-	-
Lucky Cement Limited	53,050	27,448,601	-	-
Maple Leaf Cement Limited	109,125	7,468,515	-	-
Pioneer Cement Limited	64,700	4,083,864	-	-
Hub Power Company Limited	280,200	25,498,200	-	-
Mari Petroleum Company Limited	11,429	16,568,935	-	-
Oil & Gas Development Company Limited	254,600	41,446,334	-	-
Pakistan Oilfields Limited	62,400	37,081,824	-	-
Pakistan Petroleum Limited	40,200	8,277,582	-	-
Amreli Steels Limited	111,700	10,350,122	-	-
International Industries Limited	99,300	23,842,923	-	-
International Steel Limited	150,000	15,935,500	-	-
Pak Suzuki Motor Company Limited	9,500	4,728,815	-	-
Pak Elektron Limited	184,400	8,757,154	-	-
Engro Fertilizer Company Limited	15,500	1,049,660	-	-
Engro Corporation Limited	92,200	25,331,950	-	-
Meezan Bank Limited	277,000	18,586,700	-	-
Nishat Mills Limited *	25,000	3,737,500	-	-
Attock Refinery Limited	18,500	4,331,220	-	-
Neisol Technologies Limited	80,000	5,068,000	-	-
Archroma Pakistan Limited	500	264,500	-	-
Engro Polymer & Chemicals Limited	380,000	8,568,000	-	-
		<u>303,735,514</u>		<u>-</u>
Total of investment in listed companies and units of open end mutual funds		<u>484,951,915</u>		<u>81,237,368</u>

* Related party / associate

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16.15 Movement in investment

	Shareholders' Fund		Conventional Business	Accident and health	Non-utilized Investment Linked business		Unit Linked Business		Individual Family Takaful Unit Linked Business	Aggregate	
	At fair value through profit or loss upon initial recognition	Available for sale	Available for sale	Available for sale	At fair value through profit or loss upon initial recognition	Available for sale	At fair value through profit or loss upon initial recognition	Available for sale	At fair value through profit or loss upon initial recognition	2017	2016
(Rupees)											
As at 1 January 2017	1,646,202	230,990,265	130,934,292	-	1,518,858,670	5,549,934	82,347,903,749	-	360,237,324	14,596,148,436	13,682,874,138
Movement during the year:											
Additions	-	159,604,817	213,447,243	-	7,441,864,127	-	92,682,896,011	-	644,481,148	101,142,252,646	59,211,430,323
Disposals / maturity	-	(156,981,631)	(129,911,082)	-	(7,443,622,056)	-	(90,943,301,616)	-	(203,204,568)	(98,877,828,953)	(59,401,389,577)
Amortisation of discount / (premiums) on government securities	-	(2,236,431)	1,947,298	-	39,618,989	-	400,657,307	-	2,695,064	442,592,224	155,602,640
Provision for impairment in value of investments	-	(3,495,159)	183,990	-	-	(30,283)	-	-	-	(3,341,453)	(338,281)
Unrealised (loss) / gain on revaluation	(320,716)	-	-	-	(137,556,001)	-	(1,338,511,573)	-	(69,273,212)	(1,645,661,503)	948,161,193
As at 31 December 2017	1,325,486	227,881,161	216,621,738	-	1,319,163,728	5,519,651	13,149,603,878	-	734,845,756	15,654,961,398	14,596,140,436

17. DEFERRED TAXATION
Taxable temporary differences on:

Accelerated tax depreciation

2017

(Rupees)

2016

(2,880,823)

(877,173)

Deductible temporary differences on:

Losses carried forward

Liabilities outstanding for more than 3 years

Accelerated accounting amortization

5,399,789

-

3,999,111

-

64,912

64,912

7,063,789

(813,120)

17.1 Income of Rs. 7,897 million (2016: charge of Rs. 0,097 million) has been recognised in the profit and loss account (refer note 23).

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18. PREMIUMS DUE BUT UNPAID

Note	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Considered good							
Due from related parties	18.1	9,476,484	-	-	-	9,476,484	14,902,262
Due from others		58,062,412	-	-	-	58,062,412	27,549,631
		67,538,896	-	-	-	67,538,896	42,451,913
Provision for bad and doubtful debts	18.2	-	-	-	-	-	(6,846,520)
Net premium due but unpaid		67,538,896	-	-	-	67,538,896	35,610,393

18.1 Aging of premium due but unpaid from related parties are as follows:

	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
0 to 90 days		5,241,134	-	-	-	5,241,134	13,930,262
91 to 180 days		4,235,150	-	-	-	4,235,150	186,000
181 to 365 days		-	-	-	-	-	491,000
		9,476,484	-	-	-	9,476,484	14,907,262

18.2 Movement in provision of bad and doubtful debts:

Note	2017	2016
(Rupees)		
Opening balance	6,846,520	4,909,772
Written off	(6,846,520)	-
Provision for the year	-	1,936,748
Closing balance	29.2.1.2	6,846,520

19. ACCRUED INCOME ON INVESTMENTS, TAXATION, ADVANCE & DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

19.1 Accrued income on investments

Shareholders' Fund	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Income accrued on Government Securities	3,102,173	2,690,734	-	41,560	3,838,372	10,088,212	121,138,968
Income accrued on fixed income securities	-	-	2,557,195	11,633,080	1,191,591	25,381,866	13,321,872
Income accrued on term deposits and bank balances	-	-	15,266,842	40,662,823	3,886,574	59,737,439	20,249,084
	3,102,173	2,690,734	17,864,017	62,711,256	8,838,537	93,287,517	207,211,924

19.2 This represents tax refundable of Rs.68.37 million and advance tax of Rs. 62.28 million.

19.3 Advances and deposits

Note	Shareholders'	Statutory Funds					Aggregate		
	Fund	Conventional Business	Accident and Health Business	Non-qualified Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016	
(Rupees)									
Security deposits		13,151,502	1,442,841	-	-	967.00	-	24,595,310	15,641,150
Advance against IPO subscriptions	29.3.1	-	-	-	40,000,000	355,000,000	25,000,000	420,000,000	1,180,000,000
Other advances		3,510,820	-	-	-	-	302,481	3,843,221	4,889,214
		26,662,322	1,442,841	-	40,000,000	355,000,967	25,302,481	448,438,531	1,200,530,364

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19.3.1 These represent IPO subscription advance for participating in privately placed sukuk and term finance certificates. Details are as follows:

Particulars of Sukuk and Term Finance Certificates (TFCs)		Face value (Rupees)	Maturity (Years)	Tenor (Years)	Rate of profit per annum (%)	Profit payment	Principal repayment
<u>Non-utilised Investment</u>							
<u>Unit Linked Business</u>							
Sukuk certificate							
Aspin Pharma Limited		40,000,000	30-Nov-23	6 years	3 months KIBOR+1.5%	Quarterly	20 equal installment of Rs. 2 million
<u>Unit Linked Business</u>							
Sukuk certificate							
International Brands Limited		75,000,000	15-Nov-21	4 years	12 months KIBOR+0.5%	Annually	Rs. 75 million on maturity
Aspin Pharma Limited		42,000,000	30-Nov-23	6 years	3 months KIBOR+1.5%	Quarterly	20 equal installment of Rs. 2.1 million
Dawood Hercules Corporation Limited		238,000,000	16-Nov-22	5 years	3 months KIBOR+1%	Quarterly	First six semi annually installments of Rs. 33.8 million and last two semi annually installments of Rs. 47.6 million
		<u>355,000,000</u>					
<u>Individual Family Takaful</u>							
<u>Unit Linked Business</u>							
Sukuk certificate							
International Brands Limited		25,000,000	15-Nov-21	4 years	12 months KIBOR+0.5%	Annually	Rs. 25 million on maturity

19.3.1.1 Subsequent to the year end all the aforementioned certificates have been received by the Company.

19.4 Prepayments

Shareholders' Fund	Statutory Funds					Aggregate	
	Conventional Business	Accident and Health Business	Non-utilised Investment Linked Business	Unit Linked Business	Individual Family Takaful Unit Linked Business	2017	2016
(Rupees)							
Rentals	41,226,142	-	-	-	-	41,226,142	29,903,540
Information Technology	9,962,524	-	-	-	-	9,962,524	5,629,910
Office maintenance	125,229	-	-	-	-	125,229	68,134
Fees and subscription	1,252,833	-	-	-	-	1,252,833	1,033,748
CDC charges	-	-	-	-	-	-	600,000
	<u>52,566,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,566,728</u>	<u>37,255,332</u>

19.5 Other receivables

This includes Rs. 76.195 million (2016: Rs. 9.851 million) against sale of investment securities in respect of Unit Link business (the amount was received subsequent to the year end). Furthermore, it also includes Rs. 1.042 million (2016: Rs. 1.042 million) receivable from the Company's Gratuity Fund in respect of the shareholders' Fund.

	Note	2017	2016
		(Rupees)	
20. FIXED ASSETS			
Tangible	20.1	140,731,131	72,494,716
Capital work in progress	20.2	9,532,695	513,535
Intangible assets	20.3	63,517,934	52,878,323
		<u>213,781,760</u>	<u>125,886,574</u>

20.1 Tangible assets

	2017									
	Cost				Rate %	Depreciation				Written Down Value as at 31 December 2017
	As at 1 January 2017	Additions	(Disposals)	As at 31 December 2017		As at 1 January 2017	For the year	(Disposals)	As at 31 December 2017	
	(Rupees)				(Rupees)					
Office equipments	21,386,883	16,757,860	(1,136,574)	36,808,169	20%	9,880,963	4,921,036	(819,182)	13,982,817	22,825,352
Computer and related equipments	66,264,075	9,361,365	-	75,625,440	33.33%	45,722,324	18,830,685	-	56,553,009	19,872,431
Furniture and fixtures	54,081,058	21,390,353	(513,073)	74,958,338	14.3%	25,845,934	7,009,223	(471,780)	31,583,377	43,374,961
Leasehold improvements (rented premises)	7,654,830	33,352,699	-	41,007,529	14.3%	171,867	2,331,790	-	2,503,657	38,503,872
Motor vehicles	8,237,723	15,947,304	(697,170)	23,487,857	20%	4,388,765	2,708,977	(476,400)	6,533,342	16,954,515
	157,624,569	96,809,581	(2,546,817)	251,887,333		85,129,853	27,793,711	(1,767,362)	111,156,202	140,731,131
	2016									
	Cost				Rate %	Depreciation				Written Down Value as at 31 December 2016
	As at 1 January 2016	Additions	(Disposals)	As at 31 December 2016		As at 1 January 2016	For the year	(Disposals)	As at 31 December 2016	
	(Rupees)				(Rupees)					
Office equipments	16,520,210	4,925,736	(59,063)	21,386,883	20%	6,851,814	3,065,079	(35,930)	9,880,963	11,505,920
Computer and related equipments	50,713,620	17,131,687	(1,581,232)	66,264,075	33.33%	35,932,830	11,370,726	(1,381,232)	45,722,324	20,541,751
Furniture and fixtures	42,480,616	11,765,077	(164,635)	54,081,058	14.3%	19,007,472	6,203,097	(164,635)	25,045,934	29,033,124
Leasehold improvements (rented premises)	-	7,654,830	-	7,654,830	14.3%	-	171,867	-	171,867	7,482,963
Motor vehicles	10,366,673	-	(2,128,950)	8,237,723	20%	3,001,171	1,931,405	(1,525,811)	4,308,765	3,928,958
	120,081,119	41,477,330	(3,933,880)	157,624,569		65,695,287	22,742,174	(3,307,608)	85,129,853	72,494,716

20.1.1 The depreciation charge for the year has been allocated as follows:

	Note	2017	2016
		(Rupees)	(Rupees)
Depreciation expense not related to Statutory Funds	21	1,069,376	730,809
Depreciation expense related to Statutory Funds		16,686,321	16,320,779
Depreciation expense related to Takeful Funds		1,788,316	746,682
Depreciation expense related to Branch overheads	22	8,249,703	4,943,904
		<u>27,793,711</u>	<u>22,742,174</u>

20.2 This represents advance given to contractors for leasehold improvements.

20.3 Intangible Assets

	2017									
	Cost				Rate %	Amortisation				Written Down Value as at 31 December 2017
	As at 1 January 2017	Additions	(Disposals)	As at 31 December 2017		As at 1 January 2017	For the year	(Disposals)	As at 31 December 2017	
	(Rupees)					(Rupees)				
Computer Softwares	99,802,421	25,170,601	-	124,973,022	20%	46,924,098	14,538,990	-	61,463,088	63,517,934
	<u>99,802,421</u>	<u>25,170,601</u>	<u>-</u>	<u>124,973,022</u>		<u>46,924,098</u>	<u>14,538,990</u>	<u>-</u>	<u>61,463,088</u>	<u>63,517,934</u>
	2016									
	Cost				Rate %	Amortisation				Written Down Value as at 31 December 2016
	As at 1 January 2016	Additions	(Disposals)	As at 31 December 2016		As at 1 January 2016	For the year	(Disposals)	As at 31 December 2016	
	(Rupees)					(Rupees)				
Computer Softwares	49,985,568	49,816,853	-	99,802,421	20%	33,655,407	13,268,691	-	46,924,098	52,878,323
	<u>49,985,568</u>	<u>49,816,853</u>	<u>-</u>	<u>99,802,421</u>		<u>33,655,407</u>	<u>13,268,691</u>	<u>-</u>	<u>46,924,098</u>	<u>52,878,323</u>

20.3.1 The amortisation charge for the year has been allocated as follows:

	Note	2017	2016
		(Rupees)	(Rupees)
Amortisation expense not related to Statutory Funds	21	512,292	590,284
Amortisation expense related to Statutory Funds		12,730,949	12,102,817
Amortisation expense related to Takeful Funds		1,094,437	430,345
Amortisation expense related to Branch overheads	22	194,212	145,245
		<u>14,538,990</u>	<u>13,268,691</u>

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20.4 Disposals / write-off of fixed assets

Disposal of fixed assets during the year having net book value of Rs. 50,000 and above are as follows:

	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyers
	(Rupees)						
Motor vehicle	697,170	(476,400)	220,770	263,954	43,184	Company policy	Mr. Tanveer Bilal - (Employee of the Company)
	<u>697,170</u>	<u>(476,400)</u>	<u>220,770</u>	<u>263,954</u>	<u>43,184</u>		

Disposal of fixed assets during the year having net book value not exceeding Rs. 50,000 each are as follows:

	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain on disposal
	(Rupees)				
Furniture and fixtures	513,073	(471,780)	41,293	86,500	45,207
Office and other equipments	1,336,574	(819,183)	517,391	680,353	162,962
	<u>1,849,647</u>	<u>(1,290,963)</u>	<u>558,684</u>	<u>766,853</u>	<u>208,169</u>
Total	<u>2,546,817</u>	<u>(1,767,363)</u>	<u>779,453</u>	<u>1,030,807</u>	<u>251,353</u>

21. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS

Note

2017

2016

(Rupees)

Salaries allowance and other benefits		26,971,521	18,763,563
Others		5,266,385	294,909
Legal and professional		2,952,053	2,280,940
Rent		2,577,247	1,975,294
Office maintenance		1,382,917	912,380
Information technology		1,199,098	996,077
Depreciation	20.1.1	1,069,371	730,809
Car fuel and maintenance		687,214	229,095
Marketing		647,661	417,773
Utilities		602,025	478,091
Amortisation	20.3.1	512,292	590,284
Travelling		480,654	300,825
Auditor's remuneration	27.1	458,116	439,635
Printing and stationery		432,167	347,794
Postage and courier		245,388	571,662
Fee and subscription		239,676	239,258
Entertainment		224,381	172,567
Bank charges		123,107	163,275
Insurance		109,362	387,549
Training and development		72,248	12,179
Advertisement and publicity		48,286	69,938
Workers Welfare Fund		-	40,747
		<u>46,301,169</u>	<u>30,414,644</u>

21.1 The above expenses represent allocation in accordance with the advice of the appointed actuary as approved by the Board of Directors.

22. BRANCH OVERHEADS - Unit Linked Business	Note	2017	2016
		(Rupees)	
Override and incentives		12,575,449	15,088,082
Administrative expenses			
Salaries allowance and other benefits		63,626,186	41,619,259
Rent		20,471,819	11,549,369
Marketing		12,292,981	9,092,007
Office maintenance		10,035,689	5,077,329
Depreciation	20.1.1	8,249,703	4,943,904
Car fuel and maintenance		7,790,398	3,219,495
Training and development		6,063,571	2,770,800
Utilities		5,535,917	3,964,367
Information technology		4,962,538	1,505,061
Entertainment		2,174,624	1,262,863
Travelling		1,492,076	1,025,003
Printing and stationery		1,253,388	928,352
Insurance		510,961	255,862
Postage and courier		406,089	217,570
Amortisation	20.3.1	194,212	145,245
Legal and professional charges		96,070	95,000
Others		60,795	-
Bank charges		1,267	161,646
Advertisement and publicity		-	77,630
		145,218,284	87,910,762
Branch Overheads - Total		157,793,733	102,998,844

23. TAXATION

Current			
- for the year		167,182	554,435
- for prior year	17	32,146	132,712
Deferred	23.1	(7,896,909)	97,222
		(7,697,581)	784,369

23.1 Relationship between tax expense and accounting profit

Profit before taxation		(29,085,254)	1,962,055
Tax at applicable rate of 30% (2016: 31%)		(8,725,576)	608,237
Tax effect on unrealised diminution / appreciation in the value of quoted securities		828,667	86,238
Prior year		32,146	132,712
Income charged at lower rate / exempted income			
Impact of reduced tax rate		-	(42,818)
Minimum tax		167,182	-
Tax (credit) / charge for the year		(7,697,581)	784,369

23.2 Tax Contingencies

Return of income has been filed for the tax year 2017, which is deemed to be assessed unless selected for audit or otherwise by the taxation authorities. Refer note 12.1.2 also.

24. BASIC AND DILUTED EARNINGS PER SHARE

	2017	2016
	(Rupees)	
(Loss) / profit for the year	(21,387,673)	1,177,686
Weighted average number of ordinary shares outstanding at year end	93,549,400	93,549,400
Earnings per share - basic and diluted	(0.23)	0.01

25. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to the Chief Executive and executives of the Company are as follows:

	2017		2016	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration including bonus	55,495,704	122,537,446	59,766,012	53,695,125
House rent allowance	2,699,600	33,983,255	4,898,376	21,478,101
Utilities	444,919	8,501,602	881,741	5,369,489
Medical expenses	-	6,001,500	-	3,625,549
Incentive payments and other allowances	1,219,738	41,048,374	3,308,268	23,831,364
	<u>59,859,961</u>	<u>212,072,177</u>	<u>68,854,397</u>	<u>107,999,628</u>
Number of persons	<u>* 1</u>	<u>69</u>	<u>1</u>	<u>42</u>

Remuneration of the Chief Executive is inclusive of running cost of Company maintained vehicle and furnished accommodation. In addition, certain executives are provided with free use of Company maintained vehicles in accordance with Company policy.

* The Company's earlier Chief Executive worked upto 13 October 2017 and the remuneration amount represents salary and other benefits earned by him for the period from 1 January 2017 to 13 October 2017. Current Chief Executive do not draw any salary from the Company.

26. NUMBER OF EMPLOYEES AND AVERAGE NUMBER OF EMPLOYEES

	2017	2016
	(Numbers)	
Number of employees at 31 December		
- Permanent employees	333	248
- Contractual employees	333	252
- Outsourced employees	43	26
	<u>709</u>	<u>526</u>
Average number of employees 31 December	<u>534</u>	<u>392</u>

	Note	2017	2016
		(Rupees)	
27. AUDITORS' REMUNERATION			
Audit fees		1,365,000	1,300,000
Shariah compliance audit - window takaful operations		367,500	350,000
Fees for other certifications and services		2,249,641	1,970,000
Out of pocket expenses		512,629	331,488
		<u>4,494,770</u>	<u>3,951,488</u>

27.1 The auditors' remuneration for the year has been allocated as follows:

	21	2017	2016
Not related to statutory fund		458,116	439,635
Related to statutory fund		<u>4,036,654</u>	<u>3,511,853</u>
		<u>4,494,770</u>	<u>3,951,488</u>

28. FINANCIAL INSTRUMENTS BY CATEGORY

	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Aggregate	
					2017	2016
Financial Assets						
(Rupees)						
Cash and bank deposits						
Cash and others	-	-	-	14,345,275	14,345,275	9,330,819
Current and other accounts	-	-	-	1,337,289,195	1,337,289,195	1,668,580,800
Deposits maturing within 12 months	-	-	-	10,625,000,000	10,625,000,000	5,500,000,000
Unsecured loans to employees	-	-	-	8,915,565	8,915,565	8,170,923
Loans secured against Life Insurance Policies	-	-	-	31,170,059	31,170,059	20,447,344
Investments						
Government securities	3,499,526,693	344,101,769	-	-	3,843,628,462	7,495,389,682
Other fixed income securities	1,212,832,634	-	-	-	1,212,832,634	698,276,202
Listed equity securities and units of mutual funds	10,492,579,521	105,920,781	-	-	10,598,500,302	6,402,474,552
	15,204,938,848	450,022,550	-	-	15,654,961,398	14,596,140,436
Current assets - others						
Premium due but unpaid	-	-	-	67,538,896	67,538,896	35,610,393
Accrued income on investments	-	-	-	95,207,517	95,207,517	207,211,924
Amounts due from reinsurer	-	-	-	8,271,448	8,271,448	5,418,466
Advances and deposits	-	-	-	448,438,531	448,438,531	1,200,252,845
Other receivable	-	-	-	78,260,543	78,260,543	18,486,391
Dividend receivable	-	-	-	55,325,848	55,325,848	14,415,604
	-	-	-	753,042,783	753,042,783	1,481,395,623
	15,204,938,848	450,022,550	-	12,769,762,977	28,424,724,275	23,284,065,945

	2017	2016
Financial liabilities at amortised cost		
(Rupees)		
Outstanding claims	359,090,558	238,352,264
Amounts due to reinsurers/re takaful	12,577,171	58,166,443
Amounts due to agents	419,919,325	341,173,034
Accrued expenses	14,341,869	9,514,970
Other creditors and accruals	184,480,225	76,642,443
	990,409,148	723,849,154

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is also responsible for developing and monitoring of the Company's risk management policies.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

29.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: foreign currency risk, interest rate risk and price risk.

29.1.1 Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to any significant foreign currency risk as its operations are geographically restricted to Pakistan and its transactions are mainly carried out in Pakistani Rupees.

29.1.2 Interest rate risk exposure

The Company invests in government securities, other fixed income securities and term deposit and demand deposit with bank that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring the changes in interest rates affecting its bank balances and investments.

Long

Yield / interest rate sensitivity position for on and off balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates as of 31 December 2017, whichever is earlier is as follows:

		2017								
	Effective yield / interest rate %	Up to 1 month	Over 1 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Non-interest bearing financial instruments	Total
(Rupees)										
On balance sheet financial instruments										
Financial assets										
Cash and bank deposits										
Cash and others		-	-	-	-	-	-	-	14,345,275	14,345,275
Current and other accounts	3.75-6%	1,281,497,584	-	-	-	-	-	-	55,791,611	1,337,289,195
Deposits maturing within 12 months	5.00-8.99%	8,418,888,000	1,415,000,888	808,888,000	-	-	-	-	-	10,632,800,888
Unsecured loan to employees		-	-	-	-	-	-	-	8,915,565	8,915,565
Loans secured against Life Insurance Policies	10.81%-10.51%	-	91,170,059	-	-	-	-	-	-	91,170,059
Investments										
Government securities	5.24-12.88%	1,970,911,877	1,268,647,624	133,838,789	448,987,769	20,323,283	-	-	-	3,843,628,462
Other fixed income securities	6.64-9.48%	-	1,312,832,634	-	-	-	-	-	-	1,312,832,634
Limited equity securities and units of mutual funds		-	-	-	-	-	-	-	10,598,500,382	10,598,500,382
Current assets - others										
Premium due but unpaid		-	-	-	-	-	-	-	67,538,896	67,538,896
Accrued income on investments		-	-	-	-	-	-	-	93,387,517	93,387,517
Amount due from reinsurer		-	-	-	-	-	-	-	8,271,448	8,271,448
Advances and deposits		-	-	-	-	-	-	-	448,438,531	448,438,531
Other receivables		-	-	-	-	-	-	-	78,268,543	78,268,543
Dividend receivable		-	-	-	-	-	-	-	55,325,848	55,325,848
		11,662,408,661	3,928,658,317	933,838,789	448,987,769	20,323,283	-	-	11,438,595,326	28,424,734,276
Financial liabilities										
Outstanding claims		-	-	-	-	-	-	-	389,091,658	389,091,658
Amounts due to reinsurers/retailers		-	-	-	-	-	-	-	12,573,171	12,573,171
Amounts due to agents		-	-	-	-	-	-	-	419,919,325	419,919,325
Accrued expenses		-	-	-	-	-	-	-	14,341,869	14,341,869
Other creditors and accruals		-	-	-	-	-	-	-	184,488,125	184,488,125
		-	-	-	-	-	-	-	990,409,148	990,409,148
On balance sheet gap		11,662,408,661	3,928,658,317	933,838,789	448,987,769	20,323,283	-	-	10,448,186,188	27,434,315,128
Off balance sheet financial instruments										
Contingencies and commitments		-	-	-	-	-	-	-	92,896,916	92,896,916
Off balance sheet gap		-	-	-	-	-	-	-	92,896,916	92,896,916
Total yield / interest rate risk sensitivity gap		11,662,408,661	3,928,658,317	933,838,789	448,987,769	20,323,283	-	-	10,541,083,104	27,527,212,844
Cumulative yield / interest rate risk sensitivity gap		11,662,408,661	15,591,898,978	16,524,897,767	16,973,885,536	16,994,128,739	16,994,128,739	16,994,128,739	27,527,212,843	

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2016									
Effective yield / interest rate %	Exposed to yield / interest rate risk							Non-interest bearing financial instruments	Total
	Up to 1 month	Over 1 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		
(Rupees)									
On balance sheet financial instruments									
Financial assets									
Cash and bank deposits		-	-	-	-	-	-	9,330,819	9,330,819
Cash and others		-	-	-	-	-	-	-	-
Current and other accounts	3.5-8%	1,641,577,682	-	-	-	-	-	27,003,118	1,668,580,800
Deposits maturing within 12 months	5.65-9.5%	4,675,000,000	725,000,000	100,000,000	-	-	-	-	5,500,000,000
Unsecured loan to employees		-	-	-	-	-	-	8,170,923	8,170,923
Loans secured against Life Insurance Policies	10.01%-10.51%	-	20,447,344	-	-	-	-	-	20,447,344
Investments									
Government securities	4.13-12.92%	480,119,103	1,353,173,423	1,945,725,845	2,852,749,091	838,972,348	24,649,872	-	7,495,389,682
Other fixed income securities	6.53-7.28%	-	698,276,202	-	-	-	-	-	698,276,202
Listed equity securities and units of mutual funds		-	-	-	-	-	-	6,402,474,352	6,402,474,352
Current assets - others									
Premium due but unpaid		-	-	-	-	-	-	35,610,393	35,610,393
Accrued income on investments		-	-	-	-	-	-	207,211,924	207,211,924
Amounts due from reinsurer		-	-	-	-	-	-	3,418,466	3,418,466
Advances and deposits		-	-	-	-	-	-	1,200,252,845	1,200,252,845
Other receivables		-	-	-	-	-	-	18,486,391	18,486,391
Dividend receivable		-	-	-	-	-	-	14,415,608	14,415,608
		6,796,696,785	2,796,896,969	2,045,725,845	2,852,749,091	838,972,348	24,649,872	7,928,375,835	23,284,065,945
Financial liabilities									
Outstanding claims		-	-	-	-	-	-	238,352,264	238,352,264
Amounts due to reinsurers/cedants		-	-	-	-	-	-	58,166,443	58,166,443
Amounts due to agents		-	-	-	-	-	-	341,173,034	341,173,034
Accrued expenses		-	-	-	-	-	-	9,514,970	9,514,970
Other creditors and accruals		-	-	-	-	-	-	76,642,443	76,642,443
		-	-	-	-	-	-	723,349,154	723,349,154
On balance sheet gap		6,796,696,785	2,796,896,969	2,045,725,845	2,852,749,091	838,972,348	24,649,872	7,204,525,831	22,560,716,791
Off balance sheet financial instruments									
Contingencies and commitments		-	-	-	-	-	-	39,599,413	39,599,413
Off balance sheet gap		-	-	-	-	-	-	39,599,413	39,599,413
Total yield / interest rate risk sensitivity gap		6,796,696,785	2,796,896,969	2,045,725,845	2,852,749,091	838,972,348	24,649,872	7,244,125,244	22,599,816,204
Cumulative yield / interest rate risk sensitivity gap		6,796,696,785	9,593,593,754	11,639,319,599	14,492,068,690	15,331,041,038	15,355,690,910	22,599,816,204	

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Sensitivity analysis

(a) Sensitivity analysis for variable rate instruments

Presently, the Company holds GoP Ijarah Sukuk and Term Finance Certificates exposing it to cash flow interest rate risk. In case of 100 basis points increase/decrease in interest yield on 31 December 2017 with all other variables held constant, the net assets of the statutory funds of the Company and net income of the statutory funds for the year would have been higher/lower by Rs. 3.221 million (2016: Rs. 1.542 million).

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

(b) Sensitivity analysis for fixed rate instruments

	2017	2016
	(Rupees)	
Shareholder's Fund		
Bank balances	3,939,550	68,535,561
Investment in Government Securities (PIBs + T-bills)	154,754,602	158,851,443
	<u>158,694,152</u>	<u>227,387,004</u>
Statutory Funds		
Bank balances	1,277,558,034	1,573,042,121
Deposits maturing within 12 months	10,625,000,000	5,500,000,000
Investment in Government Securities (PIBs + T-bills+Sukuk)	3,688,873,860	7,336,538,239
Loans secured against Life Insurance Policies	31,170,059	20,447,344
	<u>15,622,601,953</u>	<u>14,430,027,704</u>

Above balances also includes available for sale investments of Rs. 344.101 million (2016: Rs. 263.707 million). However, interest rate increase would not have had an effect on the shareholders fund or the statutory funds as the carrying values of the respective available for sale investments are carried at lower of cost or market value in accordance with the requirement of the SEC Insurance Rules, 2002.

In case of a change of 100 basis points in financial instruments other than the above mentioned available for sale investments, with all other variables held constant, the value of fixed rate financial instruments in shareholder's fund would be effected by Rs. 0.0049 million (2016: Rs. 0.0004 million) and in statutory funds by Rs. 7.61 million (2016: Rs. 57.36 million).

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

29.1.3 Price Risk

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market. In the equity portfolio, the top three sectors by exposure are Oil and Gas, Banks and Mutual Funds.

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

- a) at fair value through profit or loss, the post tax profit would increase by Rs. 367.239 million (2016: Rs. 313.941 million);
- b) available for sale, the post tax profits would increase by Rs. 2.012 million (2016: Rs. 0.026 million)

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

- a) at fair value through profit or loss, the post tax profit would increase by Rs. 367.239 million (2016: Rs. 313.941 million);
- b) available for sale, the net assets of the Company would decrease by Rs. 5.52 million (2016: Rs. 0.630 million).

29.2 Credit risk and concentration of 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.

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The credit quality of the Company's bank balances, premium due but unpaid and term finance certificates held as at 31 December 2017 can be assessed with reference to external credit ratings as follows:

	2017																		Not rated	Total
	AAA	AA+	AA	AM1	AM2++	AM2+	AM3+	A3	A-1+	A-1	A+	AA-	A+	A	A2	B	BBB+	BBB		
Bank balances (including interest)	-	-	-	-	-	-	-	-	1,293,371,484	324,328,959	-	-	-	-	31,176,238	-	-	-	-	1,399,276,681
Deposits maturing within 12 months (including interest)	-	-	-	-	-	-	-	-	9,637,162,307	330,634,966	-	-	-	-	386,562,519	-	-	-	-	10,001,759,892
Unsecured loans to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,915,865	8,915,865
Loans secured against Life Insurance Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,178,859	31,178,859
Term finance certificates (including interest)	6,564,574	330,205,543	56,307,137	-	-	-	-	-	-	-	164,151,078	633,488,940	-	57,993,370	-	-	-	-	466,820	1,238,214,901
Units of open-ended mutual funds	-	-	10,081,538	77,819,508	3,347,688,251	2,783,744	-	-	-	-	48,602,130	322,486,793	-	6,122,837	-	-	-	6,281,590	-	3,773,933,000
Premium / contribution due but unpaid	-	2,963,339	-	-	-	-	988,929	81,311	6,848,814	8,648,638	282,940	-	-	686,666	39,911	-	-	-	49,835,139	67,531,896
Amount due from reinsurer / reinsured	-	-	8,271,448	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,271,448
Advances and deposits	-	-	-	-	-	-	-	-	3,643,221	-	-	420,048,008	-	-	-	-	-	-	24,595,310	448,438,531
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78,360,543	78,360,543
Dividend receivable	-	-	-	-	-	-	-	-	33,164,398	13,853,750	-	-	-	-	-	-	-	-	7,107,120	55,325,948
	6,564,574	336,308,921	74,618,233	77,819,508	3,347,688,251	2,783,744	988,929	81,311	10,773,475,164	985,486,307	272,856,148	1,345,899,732	-	62,804,793	327,793,405	-	-	6,781,500	280,329,956	17,681,215,826

	2016																		Not rated	Total
	AAA	AA+	AA	AM1	AM2++	AM2+	AM3+	A3	A-1+	A-1	A+	AA-	A+	A	A2	B	BBB+	BBB		
Bank balances (including interest)	-	-	-	-	-	-	-	-	1,105,245,835	263,929,748	-	-	-	-	-	-	-	-	-	1,469,175,583
Deposits maturing within 12 months	-	-	-	-	-	-	-	-	4,990,273,689	329,068,624	-	-	-	-	-	-	-	-	-	5,319,342,313
Unsecured loans to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,170,923	8,170,923
Loans secured against Life Insurance Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,647,366	30,647,366
Term finance certificates (including interest)	487,308,346	-	26,287,270	-	-	-	-	-	-	-	-	249,873,428	-	-	-	-	-	-	-	713,680,074
Units of open-ended mutual funds	-	2,680,994	-	-	-	-	-	-	-	-	5,686,445	-	317,990,983	10,000,636	-	-	-	-	2,978,968,523	3,264,667,122
Premium due but unpaid	3,338,518	4,154,305	125,276	-	163,969	-	-	-	-	-	4,590,889	34,332	5,835,838	9,239,873	-	-	-	-	12,977,391	33,610,903
Amount due from reinsurer	-	-	5,418,466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,418,466
Advances and deposits	-	-	-	-	-	-	-	-	4,182,438	-	-	1,180,880,860	-	-	-	-	-	-	36,065,411	1,200,252,845
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,486,391	18,486,391
Dividend receivable	-	574,500	2,352,274	-	-	-	-	-	-	-	-	10,130,000	-	-	-	-	-	-	1,368,830	14,415,604
	410,736,884	7,009,739	54,823,286	-	163,969	-	-	-	6,800,506,948	793,016,370	9,583,334	1,439,828,770	323,846,823	14,240,811	-	-	-	-	3,004,428,813	12,676,399,247

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29.2.1 Credit risk

29.2.1.1 Details of the maximum exposure to credit risk at the balance sheet date was as follows:

Carrying values of financial assets other than 'premium due but unpaid' which are neither past due nor impaired.

	2017	2016
	(Rupees)	
Financial Assets		
Cash and bank deposits		
Current and other accounts	1,337,289,195	1,668,580,800
Deposits maturing within 12 months	10,625,000,000	5,500,000,000
Unsecured loans to employees	8,915,565	8,170,923
Loans secured against Life Insurance Policies	31,170,059	20,447,344
Investments		
Other fixed income securities	1,212,832,634	698,276,202
Units of mutual funds	3,723,553,800	3,264,667,823
Current assets - others		
Accrued income on investments	85,119,305	36,072,956
Amount due from reinsurer	8,271,448	5,418,466
Advances and deposits	448,438,531	1,200,252,845
Other receivables	78,260,543	18,486,391
Dividend receivable	55,325,848	14,415,604
	<u>17,614,176,928</u>	<u>12,434,789,354</u>

An age analysis of the carrying value of premiums, 'due but unpaid', that are past due but not impaired are as under:

Up to 30 days	48,506,119	17,999,753
31 to 60 days	6,741,052	4,151,610
61 to 90 days	2,404,292	1,132,994
91 to 180 days	8,165,467	6,491,219
181 to 365 days	1,272,346	2,636,388
Over 365	449,621	3,198,429
	<u>67,538,897</u>	<u>35,610,393</u>
	<u>17,681,715,826</u>	<u>12,470,399,747</u>

Difference between the above total balance and the total balance of financial assets reported in note 28 is due to the fact that the investment in Government securities amounting to Rs. 3,854 million (2016: Rs. 7,667 million), investment in listed equity securities amounting to Rs. 6,874.947 million (2016: Rs. 3,137.807 million) and cash and others amounting to Rs. 14.345 million (2016: Rs. 9.331 million) are not exposed to credit risk.

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29.2.2 Concentration of credit risk

Concentration of credit risk arises when a number of a counterparties have a similar type 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. The Company manages concentration of credit risk through diversification of activities amongst individuals, groups and industry segments.

	2017		2016	
	Carrying Value	%	Carrying Value	%
	----- (Rupees) -----		----- (Rupees) -----	
Banks and financial institutions	13,371,909,725	75.63%	8,188,236,244	65.66%
Mutual Funds	3,723,553,800	21.06%	3,264,667,823	26.18%
Reinsurance company	8,271,448	0.05%	5,418,466	0.04%
Policyholders	31,170,059	0.18%	20,447,344	0.16%
Employees	12,958,949	0.07%	7,644,937	0.06%
Sugar and allied industry	249,301,688	1.41%	4,737,170	0.04%
Fertilizers	1,276,493	0.01%	935,199,236	7.50%
Textile Industry	15,777,810	0.09%	1,262,588	0.01%
Electricity	1,753,903	0.01%	2,302,729	0.02%
Foods and bevarages	874,895	0.00%	381,149	0.00%
Government agency	2,749,462	0.02%	700,000	0.01%
Insurance company	13,947,388	0.08%	10,001,926	0.08%
Leasing Company	2,054,057	0.01%	2,054,052	0.02%
Individuals	10,051,718	0.06%	6,079,724	0.05%
Others	236,064,431	1.34%	21,266,359	0.17%
	<u>17,681,715,826</u>	<u>100%</u>	<u>12,470,399,747</u>	<u>100%</u>

29.3 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2017		
	Total	Not later than 1 month	later than 1 month and not later than 3 months
	----- (Rupees) -----		
Outstanding claims	359,090,558	359,090,558	-
Amounts due to reinsurers	12,577,171	-	12,577,171
Amounts due to agents	419,919,325	419,919,325	-
Accrued expenses	14,341,869	14,341,869	-
Other creditors and accruals	184,480,225	184,480,225	-
	<u>990,409,148</u>	<u>977,831,977</u>	<u>12,577,171</u>

	2016		
	Total	Not later than 1 month	later than 1 month and not later than 3 months
	----- (Rupees) -----		
Outstanding claims	238,352,264	238,352,264	-
Amounts due to reinsurers	58,166,443	-	58,166,443
Amounts due to agents	341,173,034	341,173,034	-
Accrued expenses	9,514,970	9,514,970	-
Other creditors and accruals	76,642,443	76,642,443	-
	<u>723,849,154</u>	<u>665,682,711</u>	<u>58,166,443</u>

29.4 Fair value of financial instruments

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

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

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

On balance sheet financial instruments

	2017				Fair Value			
	Available for Sale	FVTPL	Carrying Value Loans and Receivables	Financial liabilities	Total	Level 1	Level 2	Level 3
					(Rupees)			
Financial assets measured at fair value								
- Investments								
Government Securities (Tbills + PIBs + Sukuk)	319,998,180	3,499,524,693	-	-	3,819,124,873	-	3,819,124,873	-
Listed equity securities	9,070,001	6,852,335,549	-	-	6,861,405,550	6,861,405,550	-	-
Units of mutual funds	31,753,482	3,640,243,992	-	-	3,671,997,454	3,671,997,454	-	-
Debt securities (listed TPCs)	-	1,212,832,634	-	-	1,212,832,634	-	1,212,832,634	-
Financial assets not measured at fair value								
- Investments								
Government Securities (Tbills + PIBs)	24,583,589	-	-	-	24,583,589	-	26,840,250	-
Listed equity securities (at lower of cost or market value)	13,541,023	-	-	-	13,541,023	20,920,625	-	-
Units of mutual funds (at lower of cost or market value)	51,556,274	-	-	-	51,556,274	84,682,315	-	-
- Balances with banks	-	-	11,962,289,195	-	11,962,289,195	-	-	-
- Other financial assets	-	-	807,473,682	-	807,473,682	-	-	-
	450,022,549	15,204,938,848	12,769,762,877	-	28,424,724,274			
Financial liabilities not measured at fair value								
- Financial liabilities								
	-	-	-	990,489,148	990,489,148			
	-	-	-	990,489,148	990,489,148			
	450,022,549	15,204,938,848	12,769,762,877	(990,489,148)	27,434,315,126			

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On balance sheet financial instruments

		2016				2015				
		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 (Tbills + PIBs + Sukuks)	80,574,712	7,231,682,523	-	-	7,312,257,235	-	7,312,257,235	-	-	7,312,257,235
Listed equity securities	945,600	3,113,939,973	-	-	3,114,885,573	3,114,885,573	-	-	-	3,114,885,573
Units of mutual funds	-	3,184,747,247	-	-	3,184,747,247	3,184,747,247	-	-	-	3,184,747,247
Debt securities (listed TFCs)	-	698,276,202	-	-	698,276,202	-	698,276,202	-	-	698,276,202
Financial assets not measured at fair value										
- Investments										
Government Securities (Tbills + PIBs)	183,132,447	-	-	-	183,132,447	-	185,612,736	-	-	185,612,736
Listed equity securities (at lower of cost or market value)	22,921,156	-	-	-	22,921,156	42,566,227	-	-	-	42,566,227
Units of mutual funds (at lower of cost or market value)	79,920,576	-	-	-	79,920,576	91,159,304	-	-	-	91,159,304
- Balances with banks										
	-	-	7,168,580,800	-	7,168,580,800	-	-	-	-	-
- Other financial assets										
	-	-	1,519,344,708	-	1,519,344,708	-	-	-	-	-
	367,494,491	14,228,645,945	8,687,925,508	-	23,284,065,944					
Financial liabilities not measured at fair value										
- Financial liabilities										
	-	-	-	723,849,154	723,849,154					
	-	-	-	723,849,154	723,849,154					
	367,494,491	14,228,645,945	8,687,925,508	(723,849,154)	22,560,216,790					

Investments on the balance sheet are carried at fair value except for investments in available for sale securities of shareholders fund and statutory funds which are stated at lower of cost or market value. The Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or are frequently re-priced.

Financial assets designated as available for sale

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
	(Rupees)		(Rupees)	
Government securities	344,101,769	346,438,432	263,707,159	269,813,717
Listed equities and mutual funds	105,920,781	114,673,941	103,787,332	134,670,530

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30. INSURANCE RISK AND MANAGEMENT OF INSURANCE RISK

30.1 Conventional business

30.1.1 Individual Life

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

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 2017			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	2,164,814	2.77%	547,030	3.44%
200,001 - 400,000	6,135,992	7.86%	1,671,187	10.49%
400,001 - 800,000	10,740,069	13.76%	2,987,371	18.76%
800,001 - 1,000,000	1,922,570	2.46%	507,651	3.19%
More than 1,000,000	57,086,323	73.14%	10,211,750	64.12%
Total	78,049,767		15,924,990	

Benefits assured per life	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	3,447,190	4.43%	876,854	5.66%
200,001 - 400,000	6,892,061	8.86%	1,840,093	11.88%
400,001 - 800,000	11,288,175	14.52%	3,086,226	19.92%
800,001 - 1,000,000	2,648,055	3.41%	686,522	4.43%
More than 1,000,000	53,473,319	68.78%	9,000,017	58.10%
Total	77,748,800		15,489,711	

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.

30.1.2 Group Life

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

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

a) Frequency and severity of claims

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

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

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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

Rupees	Sum assured at the end of 2017			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees	Percentage	Rupees	Percentage
0-200,000	-	0.000%	-	0.000%
200,001 - 400,000	-	0.000%	-	0.000%
400,001 - 800,000	3,500,000	0.001%	3,500,000	0.002%
800,001 - 1,000,000	-	0.000%	-	0.000%
More than 1,000,000	524,734,052,173	99.999%	183,397,451,558	99.998%
Total	524,737,552,173		183,400,951,558	

Benefits assured per life

Rupees	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	Rupees	Percentage	Rupees	Percentage
0-200,000	-	0.000%	-	0.000%
200,001 - 400,000	-	0.000%	-	0.000%
400,001 - 800,000	30,800,000	0.005%	30,800,000	0.012%
800,001 - 1,000,000	1,626,800,000	0.287%	1,626,800,000	0.619%
More than 1,000,000	565,183,993,557	99.708%	216,907,161,695	99.370%
Total	566,841,593,557		218,564,761,695	

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

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

c) Process used to decide on assumptions

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

d) Changes in assumptions

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

e) Sensitivity analysis

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

30.2 Non utilised Investment Linked Business

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

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

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a) Frequency and severity of claims

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

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

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

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

Benefits assured per life	Sum assured at the end of 2017			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
Rupees				
0-200,000	529,067,946	8.85%	57,628,054	6.53%
200,001 - 400,000	927,159,346	15.50%	142,784,283	16.18%
400,001 - 800,000	1,827,901,823	30.57%	287,539,485	32.58%
800,001 - 1,000,000	1,165,490,435	19.49%	278,908,557	31.60%
More than 1,000,000	1,530,408,905	25.59%	115,639,990	13.10%
Total	5,980,028,455		882,500,369	
Benefits assured per life	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
Rupees				
0-200,000	605,863,390	9.34%	63,399,751	6.12%
200,001 - 400,000	1,041,221,279	16.05%	161,318,167	15.58%
400,001 - 800,000	1,977,292,338	30.48%	349,154,521	33.73%
800,001 - 1,000,000	1,244,465,862	19.18%	324,770,712	31.37%
More than 1,000,000	1,618,173,037	24.94%	136,583,577	13.19%
Total	6,487,015,906		1,035,226,728	

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

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

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

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

c) Process used to decide on assumptions

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

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

Sum

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

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.

30.3 Unit Linked Business

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

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

Frequency and severity of claims

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

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

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

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

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

Benefits assured per life

Rupees	Sum assured at the end of 2017			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	3,246,604,374	2.71%	1,269,878,277	3.98%
200,001 - 400,000	12,896,846,032	10.76%	5,050,138,660	15.82%
400,001 - 800,000	27,938,860,550	23.31%	10,141,800,358	31.77%
800,001 - 1,900,000	27,286,613,388	22.77%	8,671,387,121	27.16%
More than 1,900,000	48,479,318,484	40.45%	6,794,111,833	21.28%
Total	119,848,242,828		31,927,316,249	



Benefits assured per life Rupees	Sum assured at the end of 2016			
	Total benefits assured			
	Before reinsurance		After reinsurance	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	2,294,486,361	2.45%	555,423,452	2.84%
200,001 - 400,000	9,559,268,364	10.20%	2,571,816,001	13.17%
400,001 - 800,000	21,823,999,028	23.29%	5,765,259,212	29.53%
800,001 - 1,000,000	22,692,996,303	24.21%	6,091,487,768	31.20%
More than 1,000,000	37,351,150,466	39.85%	4,541,498,597	23.26%
Total	<u>93,721,900,522</u>		<u>19,525,485,030</u>	

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

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

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

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

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

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

d) Changes in assumptions

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

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.

30.4 Individual Family Takaful Unit Linked Business

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



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

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 2017			
	Total benefits covered			
	Before retakaful		After retakaful	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	111,622,643	2.69%	77,377,179	4.22%
200,001 - 400,000	361,030,503	8.71%	246,766,544	13.46%
400,001 - 800,000	833,845,810	20.11%	593,505,985	32.37%
800,001 - 1,000,000	904,257,749	21.81%	472,082,249	25.75%
More than 1,000,000	1,935,569,866	46.68%	443,724,978	24.20%
Total	4,146,326,571		1,833,456,935	

Benefits covered per life	Sum assured at the end of 2016			
	Total benefits covered			
	Before retakaful		After retakaful	
	(Rupees)	Percentage	(Rupees)	Percentage
0-200,000	16,528,075	1.62%	4,631,542	2.56%
200,001 - 400,000	84,044,717	8.22%	24,244,821	13.43%
400,001 - 800,000	146,311,589	14.31%	42,064,533	23.29%
800,001 - 1,000,000	202,514,348	19.80%	58,354,028	32.31%
More than 1,000,000	573,399,424	56.06%	51,286,623	28.40%
Total	1,022,798,153		180,581,548	

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.

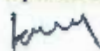
c) Process used to decide on assumptions

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

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.

30.5 Liability Adequacy Test

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

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

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

Assumptions	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
	<hr style="width: 100%; border: 0.5px solid black;"/> (Rupees) <hr style="width: 100%; border: 0.5px solid black;"/>	
Mortality	27,096,072,059	27,079,246,787
Investment Returns	27,096,072,059	27,095,157,503

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

31. REINSURANCE/ RETAKAFUL RISK

In order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other reinsurers.

Reinsurance ceded does not relieve the Company from its obligation to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

In order to manage this risk, the Company obtains reinsurance/ retakaful cover only from companies with sound financial health.

32. ACCOUNTING ESTIMATE AND JUDGEMENT

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates relating to insurance contracts are based on the advice of the appointed actuary. Some of the critical accounting estimates and judgments are as follows:

32.1 Policyholders' liabilities

32.1.1 Valuation discount rate

The valuation of policyholders' liabilities has been based on a discount rate of 3.75% per annum, which is in line with the requirements under the statutory minimum valuation basis and is considerably lower than the actual investment return the Company is managing on its conventional portfolio. The difference each year between the above and the actual investment return is intended to be available to the Company for meeting administrative expenses and to provide margins for adverse deviation.

32.1.2 Mortality assumption

As per Circular No: 17 of 2013 issued by the SECP Insurance Division on 13th September 2013, the SLIC (2001-05) Individual Life Ultimate Mortality Table is to be used in Minimum Valuation Basis for the determination of minimum actuarial reserves for Policyholder Liabilities. In the opinion of the appointed actuary the table matches the recent mortality of the covered population.

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32.1.3 Claims provision

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. This approach is being used as the Company has recently started business. 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.

32.1.4 Surrenders

For the purpose of valuation of conventional business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

32.2 Other assets

Judgment is also involved in assessing the realisability of the asset balances.

32.3 Income Taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on disputed issues in the past. However, the Company has made adequate provision in this respect.

32.4 Impairment in respect of listed securities

The Company determines that listed available for sale securities are impaired when there has been a significant or prolonged decline in fair value below its cost. In making this judgement, the Company evaluates, among other factors, volatility in the share prices in normal course. In addition, impairment may be appropriate when there is evidence of deterioration in financial health of the investee, industry or sector performance.

32.5 Staff retirement benefits

Certain actuarial assumptions have been adopted (as disclosed in note 4.6 to these financial statements) for the actuarial valuation of staff gratuity. Changes in these assumptions in future years may affect the liability under these schemes in those years.

32.6 Premium due but unpaid

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

32.7 Due from reinsurer

Reinsurance liabilities represent balances due to reinsurance companies. Balances payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract. Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire.

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes it as impairment loss.

33. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

- to comply with the minimum capital requirements as set by the Securities and Exchange Commission of Pakistan through Circular 3 of 2007 dated 10 April 2007 and S.R.O. 828(I)/2015 dated 18 August 2015 which currently amounts to Rs 600 million. Above circular also requires that by 30 June 2017, the life insurance companies needs to have a minimum paid capital of Rs. 650 million and by 31 December 2017 Rs. 700 million. The Company meets the minimum capital requirements.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk; and
- to maintain a strong capital base to support the sustained development of its business.

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP, which are fully met by the Company.

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34. Window Takaful Operations

The statement of financial position of Window Takaful Operations as at 31 December 2017 and its financial performance for the year ended 31 December 2017 is as follows:

Balance Sheet As at 31 December 2017

	Shareholders' Fund	Statutory Fund	Aggregate	
	Operator's sub Fund	Individual Family Takaful	2017	2016
	(Rupees)			
Share capital and reserves				
Fund received from Shareholders' Fund	120,000,856	-	120,000,856	83,000,856
Accumulated deficit	(92,671,423)	-	(92,671,423)	(31,853,463)
Qard-e-Hasna contributed by Window Takaful Operator	(5,000,000)	-	(5,000,000)	(5,000,000)
Net shareholders' equity	22,329,433	-	22,329,433	46,147,393
Balance of statutory fund (including technical reserves)				
Participants' Investment Fund	-	1,103,983,201	1,103,983,201	385,057,262
Participants' Takaful Fund - Waqf (including technical reserves of Rs. 5.125 million (2016: 0.912 million))	-	7,248,292	7,248,292	4,209,990
	-	1,111,231,493	1,111,231,493	389,267,252
Creditors and accruals				
Outstanding claims	-	1,800,019	1,800,019	-
Contribution received in advance	-	8,636,863	8,636,863	10,333,645
Amounts due to retakaful	-	1,921,685	1,921,685	2,058,470
Amounts due to agents	31,246,213	-	31,246,213	15,712,055
Accrued expenses	2,921,047	-	2,921,047	30,101
Other creditors and accruals	1,925,147	160,047	2,085,194	492,433
Inter-fund payable	73,415,294	-	73,415,294	4,061,788
Total liabilities	109,507,701	12,518,614	122,026,315	32,688,492
Total equity and liabilities	131,837,134	1,123,750,107	1,255,587,241	468,103,137
Cash and bank deposits				
Cash and others	4,253,898	-	4,253,898	4,567,412
Cash and bank deposits	79,034,095	118,368,427	197,402,522	58,382,430
Deposit maturing within twelve months	20,000,000	240,000,000	260,000,000	35,000,000
	103,287,993	358,368,427	461,656,420	97,949,842
Investments				
Government securities	19,230,900	188,853,500	208,084,400	211,302,456
Other fixed income securities	-	41,809,441	41,809,441	67,697,500
Listed equities and mutual funds	7,911,296	477,040,619	484,951,915	81,237,368
	27,142,196	707,703,560	734,845,756	360,237,324
Current assets - others				
Prepayments	-	-	-	200,000
Investment income accrued	1,004,244	7,834,293	8,838,537	5,076,664
Other receivables	102,700	-	102,700	-
Advances and deposits	300,000	25,002,401	25,302,401	577,519
Dividend receivable	-	1,349,770	1,349,770	-
Inter-fund receivable	-	23,491,656	23,491,656	4,061,788
	1,406,944	57,678,120	59,085,064	9,915,971
	131,837,133	1,123,750,107	1,255,587,240	468,103,137

34.1 Revenue Account
For the year ended 31 December 2017

Individual Family Takaful	
2017	2016
(Rupees)	

34.1.1 Operator's Sub Fund (OSF)

Income		
Wakala fee	166,254,841	70,741,615
Tharawat fee	12,149,621	1,363,939
Bid offer spread	39,906,969	19,203,449
	-	(6,694,140)
Participants' Takaful fund management income	4,626,741	429,323
Income against admin cost charged to PIF	7,500	-
Investment income	1,368,997	3,320,987
Total net Income	224,314,669	88,365,173
Less: Expenditures		
Acquisition costs	176,263,134	74,232,037
Administration cost	108,869,494	45,986,599
Total management cost	285,132,628	120,218,636
Shortfall of income over expenditure	(60,817,959)	(31,853,463)
Contribution received from Shareholders' Fund	37,000,000	50,000,000
Qard-e-Hasna contributed to PTF	-	(5,000,000)
Balance of Operator's Sub Fund at the beginning of the year	46,147,393	-
Balance of Operator's Sub Fund at end of the year	22,329,434	13,146,537
Represented by:		
Capital contributed by shareholders' fund	120,000,857	83,000,856
Qard-e-Hasna to PTF	(5,000,000)	(5,000,000)
Retained earnings on other than participating business	(92,671,423)	(31,853,463)
Balance of statutory funds	22,329,434	46,147,393

34.1.2 Participants' Takaful Fund (PTF)

Income		
Allocated contribution	1,039,971	182,423
Tabarru income	12,194,817	1,046,227
Re-Takaful ceded	(5,597,496)	(2,058,470)
Total net contribution income	7,637,292	(829,820)
Add: Profit on bank deposit	115,253	3,613
Total income	7,752,545	(826,207)
Less: Expenditure		
Participants' Takaful fund management charges	(4,626,741)	(429,323)
Other charges	(87,502)	(34,480)
	(4,714,243)	(463,803)
Excess of income over expenditure	3,038,302	(1,290,010)
Technical reserve at the beginning of the year	911,993	-
Technical reserve at end of the year	5,125,029	911,992
Movement in technical reserve	(4,213,036)	(911,992)
(Deficit) for the year	(1,174,734)	(2,202,002)
Movement in technical reserve	4,213,036	911,992
Money ceded to Waqf	-	500,000
Qard-e-Hasna contributed by Window Takaful Operator	-	5,000,000
Balance of Participants' Takaful Fund at beginning of the year	4,209,990	-
Balance of Participants' Takaful Fund at end of the year	7,248,292	4,209,990

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	2017	2016
	(Rupees)	
34.1.3 Participants' Investment Fund (PIF)		
Income		
Allocated contribution	880,564,312	379,245,751
Investment income	(31,110,910)	10,380,713
Total net income	849,453,402	389,626,464
Less: Claims expense		
Surrender	(103,300,139)	(2,102,319)
Less: Expenditure		
Tabarru charges	(12,194,817)	(1,046,227)
Thrawat fee - Investment Management	(12,149,621)	(1,363,939)
Admin charges	(7,500)	-
Bank charges	(694,053)	(51,899)
Other investment related expenses	(2,181,334)	(4,818)
	(27,227,325)	(2,466,883)
Excess of income over expenditures	718,925,938	385,057,262
Technical reserve at beginning of the year	385,057,263	-
Technical reserve at end of the year	1,103,983,201	385,057,263
Movement in technical reserve	(718,925,938)	385,057,263
Surplus for the year	-	(1)
Movement in technical reserve	718,925,938	385,057,263
Balance of Participants' Investment Fund at beginning of the year	385,057,263	-
Balance of Participants' Investment Fund at end of the year	1,103,983,201	385,057,262

34.2 Statement of Contribution
For the year ended 31 December 2017

	Individual Family Takaful	
	2017	2016
	(Rupees)	
Gross contribution		
Regular contribution individual policies		
First year	333,288,900	127,972,098
Second year	58,139,668	-
Single contribution	696,330,524	334,707,000
Total gross contribution	1,087,759,093	462,679,098
Retakaful contribution ceded		
On individual life first year business	4,740,410	2,058,470
On individual life second year business	857,086	-
	(5,597,496)	(2,058,470)
Total net contribution	1,082,161,597	460,620,628

34.2.1 Proportion of gross contribution allocated to Participants' Investment Fund

Allocated regular contribution	212,263,158	54,474,538
Single contribution	668,301,154	324,771,213
	880,564,312	379,245,751

(A)

34.2.2 Proportion of gross contribution allocated to Participants' Takaful Fund

Allocated gross contribution	(B)	1,039,971	182,423
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34.2.3 Proportion of gross contribution allocated to Operator's Sub Fund

	Individual Family Takaful	
	2017	2016
	(Rupees)	
Wakala fees	166,247,841	70,741,615
Bid offer spread	39,906,969	19,203,449
Contribution towards extra allocation in PIF	-	(6,694,140)
(C)	206,154,810	83,250,924
Total gross contribution allocated to sub-funds	D = (A) + (B) + (C) 1,087,759,093	462,679,098
Retakaful contribution ceded		
On individual life first year business	4,740,410	2,058,470
On individual life second year business	857,086	-
(E)	(5,597,496)	(2,058,470)
Total net contribution	(D) - (E) 1,082,161,597	460,620,628

34.3 Statement of Claims For the year ended 31 December 2017

Gross claims		
Claims under individual policies		
- by surrender	103,300,139	2,102,319
Total gross claims	103,300,139	2,102,319
Net claims	103,300,139	2,102,319

34.4 Statement of Expenses For the year ended 31 December 2017

	Individual Family Takaful	
	2017	2016
	(Rupees)	
Acquisition costs		
Operator's Sub-Fund		
Remuneration to Takaful intermediaries on individual policies:		
- commission on first year contribution	129,561,526	58,805,916
- commission on second year contribution	2,906,984	-
- commission on single contribution	24,632,593	6,694,140
- other benefits to insurance intermediaries	16,551,181	8,097,748
Total commission cost	173,652,284	73,597,804
Other acquisition cost	2,610,850	634,233
Total acquisition cost	176,263,134	74,232,037
Administrative Expenses		
Salaries and other benefits	43,254,879	15,019,572
Travelling expenses	924,931	416,600
Actuary's fee	742,389	235,447
Auditor's remuneration	318,634	508,346
Legal and professional charges	4,970,799	4,560,744
Information technology expenses	2,644,764	3,686,835
Printing and stationery	2,660,386	554,299
Depreciation	1,788,316	746,682
Amortisation	1,094,437	430,345
Rent expense	4,411,719	1,764,135
Car fuel and maintenance	2,338,861	521,601
Postage and courier	3,157,452	-
Utilities	890,568	204,804
Office maintenance	1,718,913	447,196
Entertainment	299,687	99,518
Bank and brokerage charges	2,966,292	65,677
Training and development	3,216,649	1,944,976
Fees and subscription	88,956	97,922
Marketing cost	34,531,580	13,678,919
Other (income) / expense	(290,372)	47,370
Money ceded to PTF	-	500,000
Charities and donations	-	508,693
Miscellaneous	102,543	38,115
Total Administrative Expenses	111,832,383	46,077,796
Net Expenses	288,095,517	120,309,833

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34.5 Statement of Investment Income
For the year ended 31 December 2017

Individual Family Takaful	
2017	2016
(Rupees)	

34.5.1 Participants' Investment Fund (PIF)

Return on Government Securities	8,661,162	1,153,107
Return on fixed income securities	3,292,348	-
Profit on bank deposits	8,552,634	921,986
Unrealized loss / gain on revaluation of equity securities and mutual funds	(51,434,584)	8,437,382
Unrealized loss on revaluation of fixed income securities	251,286	-
Unrealized gain on revaluation of Government Securities	(664,160)	(131,762)
Realized loss on revaluation of equity securities and mutual funds	(15,878,758)	-
Dividend income	16,114,604	-
Loss on sale of investments	(5,442)	-
Net investment (loss) / income of PIF (a)	(31,110,910)	10,380,713

34.5.2 Participants' Takaful Fund (PTF)

Profit on bank deposits (b)	115,253	3,613
	<u>115,253</u>	<u>3,613</u>

34.5.3 Operator's Sub-Fund

Return on Government Securities	819,394	1,749,493
Unrealized loss on revaluation of Government Securities	(55,566)	(80,827)
Unrealized loss on revaluation of mutual funds	(1,491,430)	-
Gain on disposal of Government Securities	-	990,756
Dividend income	753,425	-
Profit on bank deposits	1,493,859	661,565
Net investment income of Operator's sub-fund (c)	1,519,682	3,320,987
Less: Tax on dividend under FTR	(150,685)	-
Net Investment Income (a+b+c)	<u>(29,626,660)</u>	<u>13,705,313</u>

35. INFORMATION ABOUT MAJOR CUSTOMERS

The Company considers its external customers to be individuals and group policyholders. However, premium against individual life unit linked policies, including individual life family takaful policies, from one of the bancassurance arrangements constitutes 70.65% (2016: 75.14%) of the Company's premium from such policies, premium against group life and credit policies from the same bank amounts to 0.76% (2016: 0.73%).

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36. 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:

Transactions during the year		2017	2016
		(Rupees)	
Holding company			
Premium written		7,168,272	4,612,793
Insurance expense		9,806,286	7,047,819
Claims expense		4,500,000	2,500,000
AICL Premises rentals expense		3,651,154	4,754,814
Associated undertakings			
Premium written		111,209,882	72,789,579
Claims expense		45,610,870	46,954,696
Commission and other incentives in respect of Bancassurance		1,235,294,919	1,026,049,987
Profit on bank deposits		40,521,274	31,493,417
Bank charges		1,501,979	378,627
Investments purchased		1,595,837,934	858,022,916
Investments sold		1,052,736,440	506,014,716
Dividend income		20,153,650	10,925,200
Reinsurance expense		12,979,810	-
Other related parties			
Premium written		23,430,286	33,446,641
Claims expense		8,375,033	19,458,553
Investment advisor fee		14,589,639	23,099,406
Trustee fee		9,934,847	10,495,328
Investments purchased		2,016,432,121	2,873,980,418
Investments sold		968,004,916	2,590,389,896
Dividend income		268,993,230	11,173,695
Staff Retirement Benefit Plan (Gratuity Fund)			
Charge for the year	9.2.3	40,795,197	21,960,682
Contributions made to Gratuity fund	9.2.2	23,650,000	16,742,701
Receivable from Gratuity fund		1,041,784	1,041,784
Transactions with key management personnel			
Sale proceeds from sale of fixed assets		-	1,024,557
Gain on sale of fixed assets		-	421,418
Salary and other short term benefits- key management personnel			
Chief Executive		59,859,961	68,854,397
Executives		82,522,606	41,927,974
Balances outstanding as at end of the year			
Holding company			
Premium due but unpaid		2,871,159	318,341
Claims payable		1,500,000	-
Other payables to AICL		3,993,991	4,522,746
Insurance claims receivable		185,975	-
Other receivable		98,465	-
Associated undertakings			
Premium due but unpaid		5,690,104	6,117,792
Premium received in advance		-	1,879,299
Bank deposits		1,020,367,962	1,235,808,893
Investments held		710,451,276	402,763,179
Dividend receivables		7,983,600	-
Accrued income		136,986	-
Commission payable		1,372,458,515	280,607,324
Claims payable		8,274,070	4,300,267
Reinsurance Expense Payable		12,979,810	-
Technical support fee payable		13,330,370	14,938,370
Other receivables		5,355	5,355


Sum


	2017	2016
	(Rupees)	
Other related parties		
Premium due but unpaid	915,221	8,471,129
Premium received in advance	2,402,403	-
Investments held	3,257,658,449	2,813,945,458
Dividend receivable	2,025,000	-
Claims payable	1,406,000	700,500
Remuneration payable for the management of discretionary investment portfolio	1,239,932	2,614,973
Remuneration payable to Trustee	797,553	1,028,433

36.1 Contributions / change to the staff retirement benefit plan as per the actuarial advice.

37. 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 **19 March 2018**.


Chairman


Director


Director


Chief Executive Officer