

AHEAD OF TIMES



EFU LIFE

Report (Un-audited)
Nine Months Ended 30 September 2019



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EFU LIFE ASSURANCE LTD.

ISO 9001: 2015 Certified | Rated AA+ by JCR-VIS



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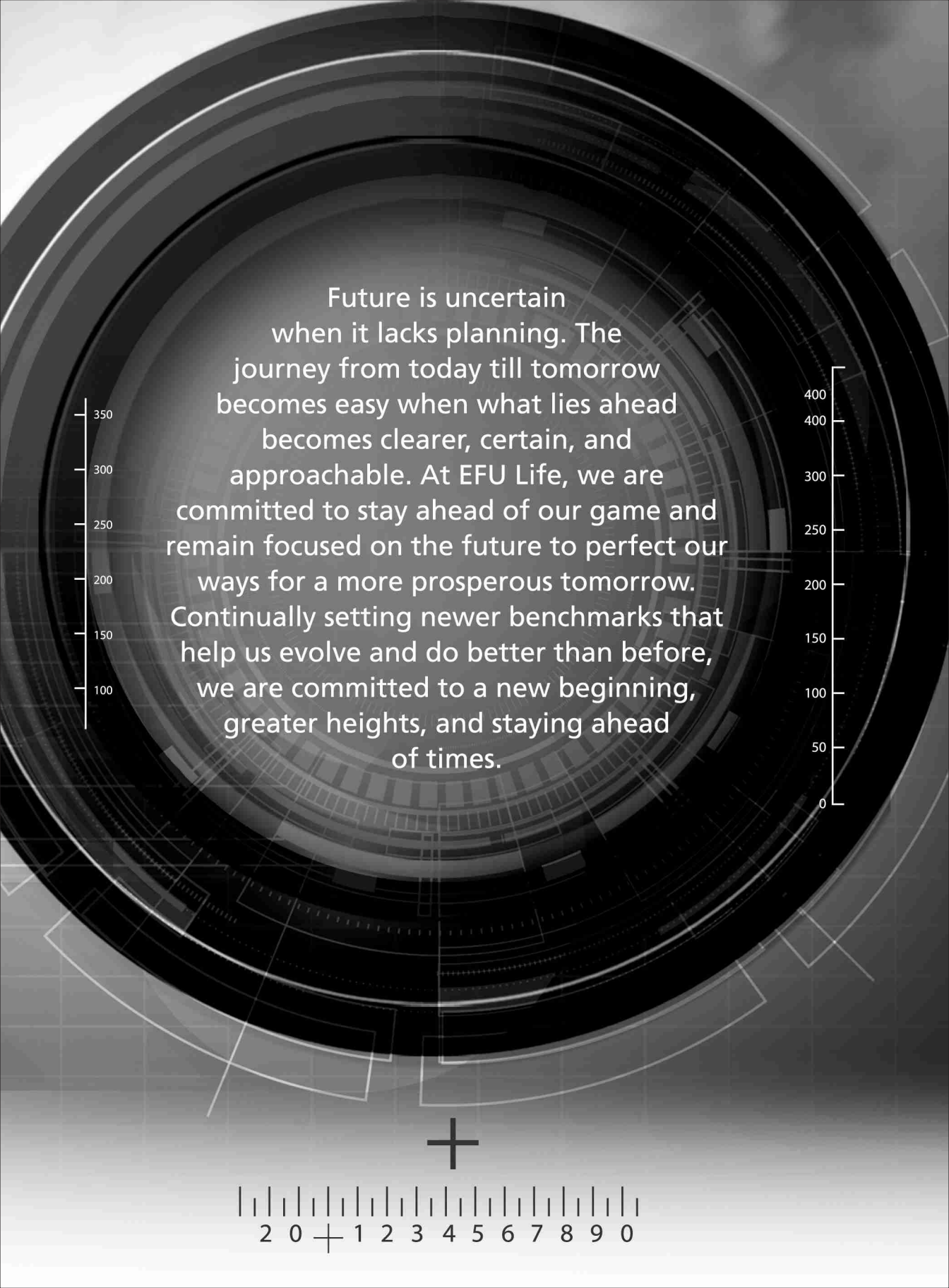
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EFU Life
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Future is uncertain
when it lacks planning. The
journey from today till tomorrow
becomes easy when what lies ahead
becomes clearer, certain, and
approachable. At EFU Life, we are
committed to stay ahead of our game and
remain focused on the future to perfect our
ways for a more prosperous tomorrow.
Continually setting newer benchmarks that
help us evolve and do better than before,
we are committed to a new beginning,
greater heights, and staying ahead
of times.



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Table of Contents

Company Information	03
Directors' Review	04
Directors' Review (Urdu)	05
Condensed Interim Statement of Financial Position	06
Condensed Interim Profit and Loss Account	07
Condensed Interim Statement of Comprehensive Income	08
Condensed Interim Statement of Cash Flows	09
Condensed Interim Statement of Changes in Equity	10
Notes to and Forming Part of the Condensed Interim Financial information	11



Company Information

Chairman

Rafique R. Bhimjee

Managing Director & Chief Executive

Taher G. Sachak

Directors

Saifuddin N. Zoomkawala

Muneer R. Bhimjee

Hasanali Abdullah

Heinz Walter Dollberg

Syed Salman Rashid

Ali Raza Siddiqui

Rukhsana Shah

Company Secretary

Abbas Hussain

Appointed Actuary

Omer Morshed, F.C.A., F.P.S.A., F.I.A.

Legal Advisor

Mohammad Ali Sayeed, M.A.B.L.

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants, Karachi

Rating

Rating Agency: JCR-VIS

Insurer Financial Strength Rating: AA+

Outlook: Stable

Registrar

CDC Share Registrar Services Ltd.

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Main Shahra - e - Faisal

Karachi 74400 - Pakistan

(92-21) 111-111-500

Website:

www.efulife.com

Registered Office

Al-Malik Centre

70 W, F-7/G-7

Jinnah Avenue, (Blue Area)

Islamabad

Main Office

EFU Life House,

Plot No.112, 8th East Street

Phase 1, DHA, Karachi

Shariah Advisor

Mufti Muhammad Ibrahim Essa



Directors' Review, 30 September 2019

The Directors of your Company are pleased to present the Condensed Interim Financial Statements (Un-audited) for the Nine months ended 30 September 2019.

Your Company's Gross premium income was Rs. 21.88 billion during the first nine months of 2019 (2018: Rs. 20.83 billion). New individual life regular premium income was Rs. 4.63 billion (2018: Rs.4.43 billion), an increase of 5%. Renewal premium was Rs. 13.91 billion (2018: Rs. 12.07 billion) an increase of 15%. Inclusive of renewal premium, the total individual life regular premium business increased by 12% to Rs. 18.54 billion (2018: 16.5 billion). Single premium business was Rs. 772 million (2018: Rs. 2.12 billion). Group Benefits business was Rs. 2.56 billion (2018: Rs. 2.21 billion), a growth of 16%.

Your company's window takaful operations are in the fourth year of business. The total family takaful contribution was Rs. 2.74 billion (2018: 2.07 billion). Out of this, Rs. 2.51 billion (2018: Rs. 1.91 billion) was from Individual family takaful business (a growth of 31.57%) while Rs. 229 million (2018: Rs. 154.7 million) was from Group Family Takaful (a growth of 47%). The Company expects this line of business to continue on a growth trajectory during 2019.

Effective January 1, 2019, your Company has adopted IFRS 16, "Leases", which replaces existing leases guidance. The Standard provides a single on Balance Sheet lease accounting model for all leases requiring leases to recognize a right to use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Your Company had a Profit after Tax of Rs.653 million (2018: Rs.971.6 million). The Earnings per Share is Rs.6.53 (2018: Rs.9.72).

Interim Cash Dividend: The Directors have pleasure in declaring an Interim Dividend of Rs.1.50 per share. i.e. 15%. This cash dividend is in addition to Interim Cash Dividend of Rs.3.00/- per share declared and paid during the year 2019.

We would like to thank our valued customers for their continued patronage and to the Securities and Exchange Commission of Pakistan for their guidance, and our main reinsurer Munich Re for its support. Your Directors would also like to place on record their appreciation for the efforts made by the officers, all distribution channels and staff who have contributed to the development, growth and continued success of the Company.

MUNEER R. BHIMJEE
Director

SYED SALMAN RASHID
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 25 October, 2019



ممبران کوڈائزیکٹرز کی رپورٹ (۳۰ ستمبر ۲۰۱۹ء)

آپ کی کمپنی کے ڈائریکٹرز، سال ۲۰۱۹ء کی تیسری سہ ماہی جو ۳۰ ستمبر ۲۰۱۹ء کو اختتام پذیر ہوئی، کمپنی کے (غیر آڈٹ شدہ) مالیاتی گوشواروں کی مختصر مگر جامع عبوری معلومات کے ساتھ، پہلی ششماہی رپورٹ پیش کرنے میں مسرت محسوس کرتے ہیں۔

سال ۲۰۱۹ء کی تیسری سہ ماہی میں آپ کی کمپنی کے مجموعی پریئم کی آمدنی 21.88 ملین روپے رہی (۲۰۱۸ء: 20.83 ملین روپے)۔ نئے انفرادی بیمہ زندگی کے باقاعدہ پریئم کی آمدنی 4.63 ملین روپے تھی (۲۰۱۸ء: 4.43 ملین روپے) یعنی اس میں 5 فیصد کا اضافہ ہوا۔ تجدیدی پریئم 13.91 ملین روپے رہا (۲۰۱۸ء: 12.07 ملین روپے) یعنی اضافہ 15 فیصد رہا۔ بشمول تجدیدی پریئم، ٹوٹل انفرادی لائف ریگولر پریئم برنس 12 فیصد تک بڑھ کر 18.54 ملین روپے ہو گیا (۲۰۱۸ء: 16.5 ملین روپے)۔ سنگل پریئم برنس 772 ملین روپے رہا (۲۰۱۸ء: 2.12 ملین روپے)۔ گروپ بنی فٹس برنس 2.56 ملین روپے رہا (۲۰۱۸ء: 2.21 ملین روپے) تھا یعنی 16 فیصد کا اضافہ حاصل ہوا۔

آپ کی کمپنی ونڈو ٹکافل آپریشنز کے کاروبار کے چوتھے سال میں داخل ہو گئی ہے۔ مجموعی فیملی ٹکافل کاروبار 2.74 ملین روپے رہا (۲۰۱۸ء: 2.07 ملین روپے)۔ اس مجموعے میں سے 2.51 ملین روپے (۲۰۱۸ء: 1.91 ملین روپے) انفرادی فیملی ٹکافل کے کاروبار سے حاصل ہوئے (31.57 فیصد اضافہ) جبکہ 229 ملین روپے (۲۰۱۸ء: 154.7 ملین روپے) گروپ فیملی ٹکافل سے حاصل ہوئے (47 فیصد اضافہ)۔ کمپنی اس کاروبار کی ۲۰۱۹ء میں مزید ترقی جاری رہنے کی امید رکھتی ہے۔

یکم جنوری 2019 سے نافذ العمل آپ کی کمپنی نے ایف آر ایس 16 ”لیز“ پر عملدرآمد شروع کر دیا ہے یہ اس سے قبل والی لیزز رہنمائی کا متبادل ہے۔ یہ بین الاقوامی معیار تمام بیلنس شیٹ پر لیزنگ سے متعلق حسابات کا ایک واحد طریقہ کار مہیا کرتا ہے جس کے ذریعے لیز یافتہ کالیز کئے گئے ان اثاثوں کے استعمال کا استحقاق تسلیم کیا گیا ہے؛ وہ اثاثے جو کہ لیز معاہدے کی بنیاد ہو، اور اس لیز معاہدے کی بدولت لیز کروانے والے کی لیز کی نسبت تمام ادائیگیوں کی ذمہ داری بھی تسلیم کرتا ہے۔

کمپنی نے اس سہ ماہی میں منافع بعد از ٹیکس 653 ملین روپے حاصل کیا (۲۰۱۸ء: 971.6 ملین روپے)۔ فی حصص آمدن 6.53 روپے ہے (۲۰۱۸ء: 9.72 روپے)۔ عبوری نقد منافع منقسمہ: آپ کے ڈائریکٹرز 1.50 روپے فی شیئر یعنی 15 فیصد عبوری ڈیویڈنڈ کا اعلان کرنے میں خوشی محسوس کرتے ہیں۔ یہ نقد منافع منقسمہ ۲۰۱۹ء میں اعلان کردہ عبوری نقد ڈیویڈنڈ 3 روپے فی حصص میں اضافہ ہے۔

ہم اپنے معزز صارفین کا ان کی مستقل سرپرستی اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا ان کی رہنمائی اور ہمارے مرکزی ری انشور میونخ ری کا ان کی معاونت کیلئے شکریہ ادا کرتے ہیں۔ آپ کے ڈائریکٹرز افسران، تمام ڈسٹری بیوٹن چینلز اور عملے کی جانب سے کی جانے والی ان کوششوں پر خراج تحسین پیش کرنا چاہتے ہیں جو انہوں نے کمپنی کی ترقی اور مستقل کامیابی کے ضمن میں کیں۔

رفیق آر۔ بھیم جی
چیئرمین

طاہر جی۔ ساچک
منیجنگ ڈائریکٹر و چیف ایگزیکٹو

سید سلمان راشد
ڈائریکٹر

منیر آر۔ بھیم جی
ڈائریکٹر

کراچی: ۲۵ اکتوبر ۲۰۱۹ء



Condensed Interim Statement of Financial Position as at 30 September 2019 (Unaudited)

(Rupees in '000)

		Aggregate	
		30 September 2019 Unaudited	31 December 2018 Audited
	Note		
Assets			
Properties and equipments	9	2 861 023	2 431 627
Intangible assets	9	17 811	27 038
Investments			
Equity securities	10	11 703 527	33 542 712
Government securities	11	64 512 709	52 972 866
Debt securities	12	10 029 529	4 078 872
Term deposits	13	24 154 000	15 049 100
Mutual funds	14	354 911	177 087
Insurance / reinsurance receivables		237 546	169 600
Other loans and receivables		1 589 277	3 110 438
Taxation - payments less provision		918 884	337 727
Prepayments		44 115	81 182
Cash & Bank	15	3 321 088	4 786 362
Total Assets		119 744 420	116 764 611
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Authorised share capital			
[150 000 000 ordinary shares (2018: 150 000 000) of Rs.10 each]		1 500 000	1 500 000
Ordinary share capital:			
100 000 000(2018:100 000 000) ordinary shares of Rs.10 each		1 000 000	1 000 000
Retained earnings arising from business other than participating business attributable to shareholders (Ledger account D)	16	1 624 912	1 679 255
Reserves		2 000 000	2 150 000
Surplus on revaluation of available for sale investment-net of tax		31 736	75 713
Unappropriated profit		485 804	1 053 434
Total Equity		5 142 452	5 958 402
Liabilities			
Insurance Liabilities	17	110 918 125	107 695 796
Deferred taxation		736 167	681 368
Premium received in advance		782 807	714 419
Insurance / reinsurance payables		282 374	193 218
Other creditors and accruals		1 882 495	1 521 408
		3 683 843	3 110 413
Total Liabilities		114 601 968	110 806 209
Total Equity and Liabilities		119 744 420	116 764 611
Contingency(ies) and commitment(s)	18		

The annexed notes 1 to 35 form an integral part of these financial statements

MUNEER R. BHIMJEE
Director

SYED SALMAN RASHID
Director

SYED SHAHID ABBAS
Chief Financial
Officer

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 25 October, 2019



Condensed Interim Profit and Loss Account

For the nine months period ended 30 September 2019 (Unaudited)

		(Rupees in '000)			
		Aggregate		Aggregate	
		Nine months ended		Three months ended	
		30 September		30 September	
	Note	2019	2018 Re-stated	2019	2018 Re-stated
Premium Revenue		21 876 371	20 834 227	6 599 214	6 786 389
Premium ceded to reinsurers		(513 499)	(540 890)	(154 566)	(136 218)
Net premium revenue	19	21 362 872	20 293 337	6 444 648	6 650 171
Investment income	20	7 910 985	4 831 642	3 091 010	1 613 372
Net realised fair value (losses) on financial assets	21	(7 286 219)	(1 032 732)	(1 718 879)	(315 073)
Net fair value gains / (losses) on financial assets at fair value through profit or loss	22	124 309	(1 998 741)	(897 347)	(1 782 778)
Other income	23	46 554	25 379	15 578	8 624
		795 629	1 825 548	490 362	(475 855)
Net income		22 158 501	22 118 885	6 935 010	6 174 316
Insurance benefits		12 099 417	10 294 304	3 912 947	2 986 820
Recoveries from reinsurers		(332 699)	(325 746)	(115 803)	(102 049)
Claims related expenses		5 843	5 268	1 783	2 086
Net Insurance Benefits	24	11 772 561	9 973 826	3 798 927	2 886 857
Net Change in Insurance Liabilities (other than outstanding claims)		2 861 894	5 155 942	690 864	955 198
Acquisition expenses	25	5 147 486	4 526 120	1 702 628	1 517 743
Marketing and administration expenses	26	1 291 460	1 203 459	441 065	384 003
Other expenses	27	20 211	10 954	6 791	1 651
Total Expenses		9 321 051	10 896 475	2 841 348	2 858 595
Profit before tax		1 064 889	1 248 584	294 735	428 864
Income tax expense	28	(411 862)	(276 943)	(89 532)	(41 691)
Profit for the period		653 027	971 641	205 203	387 173
			(Restated)		(Restated)
Earnings (after tax) per share - Rupees		6.53	9.72	2.05	3.87

The annexed notes 1 to 35 form an integral part of these financial statements

Note:

Profit before tax is inclusive of the amount of the profit before tax of the Shareholder's Fund, the Surplus Transfer from the Revenue Account of the Statutory Funds to the Shareholder's Fund based on the advice of the Appointed Actuary, and the undistributed surplus in the revenue account of the Statutory Funds which also includes the solvency margins maintained in accordance with the Insurance Rules, 2017. For details of the Surplus Transfer from the Revenue Account of the Statutory Funds to the Shareholder's Fund aggregating to Rs. 1,061 million (2018: Rs. 1069 million), please refer to note 30, relating to segmental information - Revenue Account by Statutory Fund.

MUNEER R. BHIMJEE
Director

SYED SALMAN RASHID
Director

SYED SHAHID ABBAS
Chief Financial
Officer

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 25 October, 2019



Condensed Interim Statement of Comprehensive Income

For the nine months period ended 30 September 2019 (Unaudited)

	Aggregate		(Rupees in '000)	
	Nine months ended		Aggregate	
	30 September		Three months ended	
	2019	2018 Re-stated	2019	2018 Re-stated
Profit after tax for the period as per Profit and Loss Account	653 027	971 641	205 203	387 173
Other Comprehensive Income:				
Item that may be classified to profit and loss in subsequent period:				
Change in unrealised gain / (losses) on available-for-sale investments	(61 939)	16 594	(15 522)	(12 895)
Related Tax	17 962	(4 812)	4 501	3 740
	(43 977)	11 782	(11 021)	(9 155)
Total comprehensive income for the period	609 050	983 423	194 182	378 018

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Chairman

Karachi 25 October, 2019



Condensed Interim Statement of Cash Flows

For the nine months period ended 30 September 2019 (Unaudited)

(Rupees in '000)

	Aggregate	
	Nine months ended 30 September	
	2019	2018 Re-stated
Operating cash flows		
a) Underwriting activities		
Insurance premium / contribution received	21 874 019	21 099 260
Reinsurance premium / Retakaful contribution paid	(421 549)	(299 676)
Claims paid	(11 688 685)	(10 210 813)
Reinsurance and other recoveries received	332 700	325 746
Commission paid	(3 459 085)	(3 238 249)
Marketing and Administrative expenses paid	(1 291 460)	(1 203 459)
Other acquisition cost paid	(1 781 158)	(1 440 510)
Net cash flow from underwriting activities	3 564 782	5 032 299
b) Other operating activities		
Income tax paid	(970 557)	(619 811)
Other operating payments	1 697 642	1 077 222
Loans advanced	(64 698)	(52 844)
Loans repayments received	25 248	56 974
Net cash flow from other operating activities	687 635	461 541
Total cash flow from all operating activities	4 252 417	5 493 840
Investment activities		
Profit / Return received	7 549 529	4 225 085
Dividends received	683 434	980 897
Payments for investments	(289 440 387)	(197 385 917)
Proceed from investments	286 310 476	207 736 545
Fixed capital expenditure	(352 088)	(262 045)
Proceeds from sale of property and equipment	61 245	15 276
Total cash flow from investing activities	4 812 209	15 309 841
Financing activities		
Dividends paid	(1 425 000)	(1 375 000)
Total cash flow from financing activities	(1 425 000)	(1 375 000)
Net cash flow from all activities	7 639 626	19 428 681
Cash and cash equivalents at beginning of the period	19 835 462	18 496 913
Cash and cash equivalents at end of the period	27 475 088	37 925 594
Reconciliation to profit and loss account		
Operating cash flows	4 252 417	5 493 840
Depreciation	(341 601)	(153 895)
Amortization	(9 371)	(10 158)
Profit on disposal of property and equipment	25 495	8 782
(Loss) on disposal of investments	(7 286 219)	(1 032 731)
Other revenue	13 571	9 427
Dividend Income	673 865	972 978
Other investment income	7 596 196	4 206 307
Appreciation / (Depreciation) in market value of investments	49 591	(2 156 062)
Provision of impairment in the value of available for sale equity investments	(2 205)	(13 028)
Decrease in assets other than cash	(617 972)	(1 342 756)
Increase in liabilities other than borrowings	(3 700 740)	(5 011 063)
Profit after taxation	653 027	971 641

The annexed notes 1 to 35 form an integral part of these financial statements

MUNEER R. BHIMJEE
Director

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TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 25 October, 2019



Condensed Interim Statement of Changes in Equity

For the nine months period ended 30 September 2019 (Unaudited)

(Rupees in '000)

Retained earnings
arising from
businesses other
than participating
business attributable
to shareholders
(Ledger Account D)
net of tax

Surplus on
revaluation of
available for
sale investment

Note	Share Capital	General Reserves	Retained earnings arising from businesses other than participating business attributable to shareholders (Ledger Account D) net of tax	Surplus on revaluation of available for sale investment	Unappropriated Profit	Total
Balance as at 1 January 2018 (as reported)	1 000 000	1 900 000	1 529 902	92 121	1 440 648	5 962 671
Adjustment due to change in accounting policy 5.1.2	—	—	(34 163)	—	—	(34 163)
Balance as at 1 January 2018 re-stated	1 000 000	1 900 000	1 495 739	92 121	1 440 648	5 928 508
Comprehensive Income for the period ended 30 September 2018						
Income for the period ended 30 September 2018	—	—	152 979	—	818 662	971 641
Other Comprehensive income-						
Fair value realised gain on available for sale investments during the nine months period ended 30 September 2018	—	—	—	11 782	—	11 782
	—	—	152 979	11 782	818 662	983 423
Distribution of Bonus units	—	—	18 702	—	—	18 702
Contribution to increase solvency margin	—	—	4 970	—	(4 970)	—
Transfer to General Reserve	—	250 000	—	—	(250 000)	—
Transactions with shareholders						
Dividend for the year ended 31 December 2017	—	—	—	—	(1 125 000)	(1 125 000)
Interim Dividend-1st Quarter 2018	—	—	—	—	(125 000)	(125 000)
Interim Dividend-2nd Quarter 2018	—	—	—	—	(125 000)	(125 000)
	—	—	—	—	(1 375 000)	(1 375 000)
Balance as at 30 September 2018	1 000 000	2 150 000	1 672 390	103 903	629 340	5 555 633
Balance as at 1 January 2019 (as reported)	1 000 000	2 150 000	1 748 449	75 713	1 053 434	6 027 596
Adjustment due to change in accounting policy 5.1.2	—	—	(69 194)	—	—	(69 194)
	1 000 000	2 150 000	1 679 255	75 713	1 053 434	5 958 402
Comprehensive Income for the period ended 30 September 2019						
Income for the period ended 30 September 2019	—	—	(183 749)	—	836 776	653 027
Other Comprehensive income-						
Fair value realised loss on available for sale investments during the nine months period ended 30 September 2019	—	—	—	(43 977)	—	(43 977)
	—	—	(183 749)	(43 977)	836 776	609 050
Contribution to increase solvency margin	—	—	129 406	—	(129 406)	—
Transfer from General Reserve	—	(150 000)	—	—	150 000	—
Transactions with shareholders						
Dividend for the year ended 31 December 2018	—	—	—	—	(1 125 000)	(1 125 000)
Interim Dividend-1st Quarter 2019	—	—	—	—	(150 000)	(150 000)
Interim Dividend-2nd Quarter 2019	—	—	—	—	(150 000)	(150 000)
	—	—	—	—	(1 425 000)	(1 425 000)
Balance as at 30 September 2019	1 000 000	2 000 000	1 624 912	31 736	485 804	5 142 452

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

The annexed notes 1 to 35 form an integral part of these financial statements

MUNEER R. BHIMJEE
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RAFIQUE R. BHIMJEE
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Karachi 25 October, 2019



Notes to the Condensed Interim Financial Information

For the nine months period ended 30 September 2019 (Unaudited)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 EFU Life Assurance Limited (the Company) was incorporated in Pakistan on 09 August 1992 as a public limited company under the Repealed Companies Ordinance, 1984 and started its operation from 18 November 1992. The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at EFU life house Plot No.112, 8th East street, phase 1, DHA, Karachi.
- 1.2 The Company is a subsidiary of EFU General Insurance Ltd. on the basis of its ability to control the composition of the Board of Directors of EFU Life Assurance Ltd. effective 31 March 2018.
- 1.3 The Company is engaged in life insurance business including ordinary life business, pension fund business and accident and health business and has established following statutory funds, as required by the Insurance Ordinance, 2000:
- Investment Linked business (includes individual life business)
 - Conventional business (includes group life and individual life businesses)
 - Pension business (unit linked)*
 - Accident and health business
 - Family Takaful Investment Linked Business (Refer note 1.4)
 - Family Takaful Protection Business (Refer note 1.4)
- * The Company had discontinued pension business and accordingly no new business has been written under this fund.
- 1.4 The Company was granted authorisation on 19 January 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operation in respect of family takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations on 6 February 2015 under the brand name "Hemayah". For the purpose of carrying on takaful business, the Company has formed a Waqf namely EFU Life - Window Family Takaful Limited Waqf (here-in-after referred to as the Participant Takaful Fund (PTF)) was formed on 6 February 2015 under a Waqf deed executed by the Company with a cede amount of Rs. 2 million. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. Waqf deed also governs the relationship of the Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Company.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial information have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and Takaful Rules 2012; and
 - Islamic Financial Accounting Standards (IFAS) (as a lease) issued by the Institute of Chartered Accountants of Pakistan. As are notified under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and Takaful Rules 2012 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and Takaful Rules 2012, have been followed.

- 2.2 The condensed interim financial information does not include all the information and disclosures required in the annual financial statements. Accordingly, the condensed interim financial information should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2018.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the available for sale investments which are stated at their fair values.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the annual financial statements of the Company for the year ended 31 December, 2018, except as stated below.

5.1 Changes In Accounting Policies

- 5.1.1 On 1 January 2019, the Company adopted IFRS 16 Leases. A number of other new standards/amendments, interpretations are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 12.34% percent.

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Company recognized a lease liability, being the remaining lease payments, including extension options where the renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase, as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019, was Rs. 365.34 million, with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the company has recognized depreciation and interest costs, instead of operating lease expenses. During the nine months period to 30 September 2019, the Company recognized depreciation expense of Rs. 96.45 million and interest expense of Rs. 31.95 million on these leases.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Up to 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments under operating leases were recognized in profit and loss on a straight line basis over term of the lease.

Summary of the effect of this change in accounting policy is as follows:

	(Rupees in '000)
	At 30 September 2019
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	362 090
Decrease in prepayments	(30 397)
	331 693
Increase in other liabilities - lease liability against right-of-use assets	(354 347)
Decrease in net assets - before tax	(22 654)
	Nine months ended 30 September 2019
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(31 946)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(96 455)
- Rent expense	105 747
Decrease in profit before tax	(22 654)

In view of the application of above IFRS, the Company's accounting policy for the Right of use asset and related lease liability is as follows:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

- 5.1.2 During the period the company changed its practice of the presentation of the surplus in the Participant Takaful Fund. Earlier this was included in the ledger account D based on the SECP's circular number SRO 88(1)/2017 dated 09 February 2017 relating to the Insurance Accounting Regulations 2017, as per which, for published financial statements under rule number 6 (i) and 6 (ii) balance in ledger accounts C and D shall be included as part of shareholder's Equity. For this reason the surplus in the Participant Takaful Fund was earlier also included in shareholders Equity. Subsequently in 2019 SECP issued a draft circular and invited the insurers for their comments. In the said draft circular SECP has mentioned that retained earnings of Participant Takaful Fund should be part of insurance liabilities. Accordingly based on the suggestion in the said draft circular and for better presentation, the company has moved retained earnings of Participant Takaful Fund from shareholder's equity to insurance liabilities. The effect of the changes are given in the statement of changes in equity (reduction of ledger D account balance as of 01 January 2018 as earlier reported by Rs. 34.16 million and by Rs. 69.19 million as of 31 December 2018 net of tax). The liability balance as of 31 December 2018 is now stated at Rs. 92.26 million. Similarly profit for previous nine months have reduced by Rs. 24.517 million and EPS is reduced by Rs. 0.25 per share.

6. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2018 except for the change in estimate for lease hold improvements mentioned in 9.1.1 note to these condensed interim financial information.

7. INSURANCE AND FINANCIAL RISK MANAGEMENT

The insurance and financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended 31 December 2018.

8. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

8.1 There are certain new and amended standards, interpretations and amendments that are mandatory for the 'Company's accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or 'do not have any significant effect on the Company (except as mentioned in note 8.2 below) and therefore not 'stated in these financial statements.

8.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year:

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It 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.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduces two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the company can defer the application of IFRS 9 until the application of IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

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

- a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and
- b) all other financial assets.

(Rupees in '000)

30 September 2019 (Unaudited)				
	Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period
Financial assets				
Cash and bank *	–	–	3 310 528	–
Investments in equity securities and mutual funds	11 703 527	(63 220)	–	–
Investments in debt securities	–	–	74 542 238	194 928
Term Deposits	–	–	24 154 000	–
Mutual Funds	354 911	–	–	–
Total	12 058 438	(63 220)	102 006 766	194 928

(Rupees in '000)

30 September 2019 (Unaudited)										
Gross carrying amounts of debt instruments that pass the SPPI test										
	AA+	A+	AA	AA-	AAA	A-	A-1	A-1+	A-2	Unrated
Cash and bank *	–	–	–	–	–	–	–	1 076 960	2 224 143	11 138
Investments in debt securities -	4 538 358	50 000	1 602 322	1 075 865	1 531 979	62 813	–	–	–	958 192
Investments in debt securities - Term Deposits / Certificate of investment	–	100 000	–	–	–	250 000	9 700 000	14 104 000	–	210 000
Total gross carrying amounts of financial assets that pass the SPPI test	4 538 358	150 000	1 602 322	1 075 865	1 531 979	312 813	9 700 000	15 180 960	2 224 143	1 179 330

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

(Rupees in '000)

9. PROPERTIES, EQUIPMENTS AND INTANGIBLE ASSETS	Note	30 September 2019 Unaudited	31 December 2018 Audited
Tangible assets	9.1	2 498 933	2 431 627
Right of use Asset	5.1	362 090	–
Intangible assets	9.2	17 811	27 038
		2 878 834	2 458 665

9.1 Details of additions and disposals during the six months period ended 30 September 2019 are as follows:

(Rupees in '000)

Note	Nine months ended		Nine months ended	
	30 September 2019		30 September 2018	
	Additions	Disposals	Additions	Disposals
Furniture and fixtures	10 394		41 586	–
Office equipments	15 347	189	9 673	430
Computer equipments	104 300	604	15 144	640
Motor vehicles	178 629	87 381	163 130	22 343
Lease hold Improvements	43 274	5 237	–	–
Building			15 000	–
	<u>351 944</u>	<u>93 411</u>	<u>244 533</u>	<u>23 413</u>

9.1.1 Lease hold improvements are now being separately classified. Initially these were included in Furniture and Fixtures and depreciated under the reducing balance method at 10%. After change in the classification with effect from 01 January 2019 these are being depreciated on a straight line method over 1 to 6.5 years. The financial impact of the re-estimation for the current nine months period is Rs. 38.44 million which has been recognised in the profit and loss account as an expense.

9.1.2 Based on the valuations carried out as of 31 December 2018, the market value of land and building is estimated at Rs. 3,322.5 million. The valuations have been carried out by independent valuer.

9.2 During the period additions in intangible assets was Rs. 0.144 million (30 September 2018: Rs.17.512 million).

10. INVESTMENTS IN EQUITY SECURITIES

(Rupees in '000)

	30 September 2019 (Unaudited)			Re-stated 31 December 2018 (Audited)		
	Cost	Impairment / provision	Carrying Value	Cost	Impairment / provision	Carrying Value
Listed Shares	306 470	(268 993)	37 477	334 522	(286 748)	47 774
Others						
Listed Shares	140 317	(18 145)	122 172	168 162	–	162 548
Unlisted Shares	16 008		16 008	16 008	–	16 008
Surplus on revaluation			39 206	–	–	107 914
Fair Value through Profit and Loss (Designated-upon initial recognition)						
Related Parties						
Listed Shares	476 653		473 225	539 276	–	589 347
Others						
Listed Shares	13 340 911		11 015 439	34 961 713	–	32 619 121
	<u>14 280 359</u>	<u>(287 138)</u>	<u>11 703 527</u>	<u>36 019 681</u>	<u>(286 748)</u>	<u>33 542 712</u>

11. GOVERNMENT SECURITIES

(Rupees in '000)

	Note	30 September 2019 Unaudited	31 December 2018 Audited
Held to Maturity	11.1	4 951 900	5 122 953
Fair Value through Profit and Loss (Designated-upon initial recognition)	11.2	59 560 809	47 849 913
		64 512 709	52 972 866

(Rupees in '000)

30 September 2019 (Unaudited)

	Maturity Year	Effective Yield (%)	Amortised Cost	Principal Repayment	Carrying Value
Held to Maturity					
03 Years Pakistan Investment Bond	2021	7.25	62 533	70 000	62 533
10 Years Pakistan Investment Bond	2028	8.75	11 853	15 000	11 853
20 Years Pakistan Investment Bond	2024	10	54 197	53 700	54 197
3 Months Treasury Bills	2019	12.07	4 763 750	4 815 000	4 763 750
3 Years Government Ijara	2019	5.24	59 567	43 000	59 567
			4 951 900	4 996 700	4 951 900
Fair Value through profit and loss (Designated-upon initial recognition)					
03 Years Pakistan Investment Bond	2021	7.25	1 288 734	1 430 000	1 301 586
03 Years Pakistan Investment Bond	2022	9	684 326	750 000	684 075
05 Years Pakistan Investment Bond	2020	9.25	5 012 182	4 987 500	4 884 259
10 Years Pakistan Investment Bond	2022	12	2 124 843	2 100 000	2 066 820
10 Years Pakistan Investment Bond	2024	12	101 925	100 000	98 820
20 Years Pakistan Investment Bond	2024	10	387 865	392 000	360 360
3 Months Treasury Bills	2019	12.25	49 816 450	50 221 000	49 806 132
03 Years Government Ijara	2019	5.24	106 273	107 000	86 490
08 Years Pakistan Water And Power Development Authority	2021	12.01	272 277	272 863	272 267
			59 794 875	60 360 363	59 560 809

11.1 Government securities includes Rs.115 million (2018: Rs. 125 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

12. INVESTMENT IN DEBT SECURITIES

(Rupees in '000)

Fair Value through Profit and Loss (Designated upon initial recognition)

		30 September 2019 (Unaudited)			31 December 2018 (Audited)		
	Note	Cost	Impairment / Provision	Carrying Value	Cost	Impairment / Provision	Carrying Value
Term Finance Certificates	12.1	3 833 972	—	3 833 972	2 730 195	—	2 730 195
Corporate Sukuks	12.2	5 373 570	—	5 373 570	1 138 677	—	1 138 677
Commercial papers	12.3	611 987	—	611 987	—	—	—
Certificates of investment	12.4	210 000	—	210 000	210 000	—	210 000
		10 029 529	—	10 029 529	4 078 872	—	4 078 872

12.1 Term Finance Certificates

(Rupees in '000)

Note	No. of Certificates		Face Value	Value of Certificates	
	30 September 2019 (Unaudited)	31 December 2018 (Audited)		30 September 2019 (Unaudited)	31 December 2018 (Audited)
Engro Fertilizers Ltd		52 000	4	–	91 000
Bank Al Habib	80 100		10	396 229	300 289
Bank Al Habib TIER I	40 000		5	200 000	
Bank Al Habib TIER II	20 000	20 000	5	99 980	
Al Baraka Bank	10 000	10 000	4	14 904	22 189
Byco Oil Pakistan	20 000	20 000	5	81 979	100 000
Bank Al-Falah Ltd	23 063	23 063	10	215 015	115 131
MCB Bank Ltd. (Formerly NIB Bank Limited)	–	20 000	5	–	101 592
Pak Elektron Ltd.	20 000	20 000	10	–	99 994
UBL ADT-1	250 000	250 000	5	1 250 000	1 250 000
Soneri Bank Tier II Perpetual TFC	10 000	10 000	5	50 000	50 000
Askari Bank Ltd. TIER I	500	500	1 000	500 000	500 000
Dubai Islamic TIER I	20 000	20 000	5	100 000	100 000
HBL ADT-1	20 000	–	10	200 000	
JS Bank Limited	5 000	–	100	500 000	
Engro Polymer	5 000	–	20	225 865	–
				3 833 972	2 730 195
12.2 Corporate Sukuks					
Hascol Petroleum	30 000	30 000	7	75 563	99 499
Fatima Fertilizer Company	58 195	9 807	4	–	29 677
K Electric	6 681	7 500	10	978 695	78 361
International brands	100 000	100 000	202	97 648	99 182
Dawood Hercules	2 000	2 000	200	–	200 000
Dawood Hercules Sukuk 1	5 819		89	520 490	–
Dawood Hercules Sukuk 2	6 681		89	606 526	–
Pakistan Services Limited	833	833	100	250 000	131 958
Meezan Bank	100 000	100 000	5	500 000	500 000
Fauji Fertilizer Company Ltd	2 814	–	10	24 675	–
Hub Co 9 Months	5 000	–	100	500 000	–
Hub Co 6 Months	5 000	–	70	350 000	–
HUB Co Sukuk 4 Years	7 000		50 000	350 000	–
Neelum Jhelum	1 000	–	100	1 119 973	–
				5 373 570	1 138 677
12.3 Commercial Paper					
KEL Islamic Commercial Paper (ICP3)	1		100 000	93 407	–
KEL Islamic Commercial Paper (ICPA)	1		500 000	470 671	–
TPL Corp (ICP)	1	–	47 909	47 909	–
				611 987	–
12.4 Certificates of Investment					
First Habib Modarba	1	–	210	210 000	210 000
				10 029 529	4 078 872

12.5 Represents the payment for commercial paper under initial offer. The investment is yet to be issued and carries profit rate at 15.1% per annum. The investment shall mature at 15 January 2020, 28 February 2020 and 19 March 2020.

13. INVESTMENTS IN TERM DEPOSITS

(Rupees in '000)

	30 September 2019 Unaudited	Re-stated 31 December 2018 Audited
Deposit maturing with 12 months	24 154 000	15 049 100

14. INVESTMENTS IN MUTUAL FUNDS

(Rupees in '000)

	30 September 2019 (Unaudited)			Re-stated 31 December 2018 (Audited)		
	Cost	Impairment / Provision	Carrying Value	Cost	Impairment / Provision	Carrying Value
Related Parties						
Mutual Funds (Designated upon initial recognition)	547	–	858	444	–	805
Others						
Mutual Funds (Designated upon initial recognition)	258 844	–	219 939	59 215	–	60 315
Related Parties						
Mutual Funds (Available for sale)	26 717	–	26 717	25 523	–	25 523
Others						
Mutual Funds (Available for sale)	112 133	(12 082)	100 051	100 147	(10 280)	89 867
Surplus on revaluation	–	–	7 346	–	–	577
	<u>398 241</u>	<u>(12 082)</u>	<u>354 911</u>	<u>185 329</u>	<u>(10 280)</u>	<u>177 087</u>

(Rupees in '000)

15. CASH & BANK

	30 September 2019 Unaudited	Re-stated 31 December 2018 Audited
Cash and Cash Equivalent		
Cash in hand	1 713	299
Policy & Revenue stamps	8 847	5 660
Cash at bank		
Current account	371 543	1 231 704
Saving account	2 938 985	3 548 699
	<u>3 321 088</u>	<u>4 786 362</u>

16. RETAINED EARNING LEDGER ACCOUNT D

Opening balance	2 174 946	2 108 700
Contribution to increase solvency margin	129 406	12 809
Change in solvency margin through profit and loss	(149 783)	53 437
	<u>2 154 569</u>	<u>2 174 946</u>
Related Deferred Tax Liability on:		
Opening balance	(495 691)	(578 798)
Reversal / (charge) to profit and loss account	(33 966)	83 107
Closing balance	<u>(529 657)</u>	<u>(495 691)</u>
Net of tax	<u>1 624 912</u>	<u>1 679 255</u>

(Rupees in '000)

	Note	30 September 2019 Unaudited	31 December 2018 Audited
17. INSURANCE LIABILITIES			
Reported outstanding claims	17.1	2 707 041	2 281 165
Incurred but not reported claims	17.2	630 846	515 733
Investment component of unit-linked and account value policies	17.3	106 166 029	103 569 024
Liabilities under individual conventional insurance contracts	17.4	811 269	784 354
Liabilities under group insurance contracts (other than investment linked)	17.5	472 284	453 261
Participant Takaful Fund Balance	17.6	130 656	92 259
		<u>110 918 125</u>	<u>107 695 796</u>
17.1 Reported Outstanding Claims			
Gross of Reinsurance			
Payable within one year		2 328 733	1 918 000
Payable over a period of time exceeding one year		634 279	646 563
		<u>2 963 012</u>	<u>2 564 563</u>
Recoverable from Reinsurers			
Receivable over a period of time exceeding one year		(255 971)	(283 398)
Net Reported Outstanding Claims		<u>2 707 041</u>	<u>2 281 165</u>
17.2 Incurred But Not Reported Claims			
Gross of Reinsurance		760 323	634 042
Reinsurance Recoveries		(129 477)	(118 309)
Net of Reinsurance		<u>630 846</u>	<u>515 733</u>
17.3 Investment Component of Unit Linked and Account Value Policies			
Investment Component of Unit Linked Policies		106 166 029	103 569 024
Investment Component of Account Value Policies		—	—
		<u>106 166 029</u>	<u>103 569 024</u>
17.4 Liabilities under Individual Conventional Insurance Contracts			
Gross of Reinsurance		976 414	952 718
Reinsurance Credit		(165 145)	(168 364)
Net of Reinsurance		<u>811 269</u>	<u>784 354</u>
17.5 Liabilities under Group Insurance Contracts (other than investment linked)			
Gross of Reinsurance		610 695	532 584
Reinsurance Credit		(138 411)	(79 323)
Net of Reinsurance		<u>472 284</u>	<u>453 261</u>

17.6 This comprises of surplus in the Takaful Fund relating to the participants of the Takaful Fund.

18. CONTINGENCIES AND COMMITMENTS

18.1 The Income tax assessment of the Company for tax year 2018 has been finalized. In 2013, Income Tax Department imposed an additional tax demand under section 151(1)(d) on account of non-deduction of withholding tax on surrender and maturity amounting to Rs.13.833 million and Rs.15.014 million for Tax Years 2012 and 2013 respectively. The Company filed an appeal before Commissioner Inland Revenue (Appeals) and the same was dismissed. The Company filed second appeal before the Appellate Tribunal against the order of CIT. The learned Appellate Tribunal Inland revenue has now decided the case in Company's favour. Subsequent to the period, the department has filed review application against the order in Honourable Court of Sindh. The decision is still pending. The Company expects a favourable decision.

In 2015 and 2016, The Searle Company Limited issued bonus shares (76,031 shares and 342,480 shares respectively) after withholding 5 percent of bonus shares (3,802 shares and 17,124 shares respectively) and the IBL Healthcare Ltd. issued bonus shares (46,625 shares and 80,311 shares respectively) after withholding 5 percent of bonus shares (2,331 shares and 4,016 shares respectively). In this regard, a constitutional petition had been filed by the Company in Sindh High Court challenging the applicability of withholding tax provision on bonus shares received by the Company. The honorable high court decided the case against the Company. Subsequently, the Company filed an appeal with a larger bench of the Sindh High Court and in response the Sindh High Court has suspended the earlier judgment until the next date of hearing, which has not yet been decided. The Company is of the view that the case will be decided in its favour and no provision has been made for the aforementioned tax. The amount involved is Rs 3.279 million.

18.2 Sindh Revenue Board has granted exemption from sales tax on life insurance premium charged on risk cover till 30 June 2019. However, sales tax on life insurance premium charged on risk cover on policies written in Punjab has been made applicable from November 2018. Further, Balochistan Revenue Authority has also imposed sales tax on life insurance effective 01 July 2015.

The Company obtained a legal opinion which mentions that an insurance policy is a financial arrangement, which is in the nature of a contingent contract, and not a service upon which sales tax can be levied (and that an insurance company is not rendering a service). The opinion also mentions that vast majority of premium received from a policy holder, during the life of the policy, is in fact channeled it to the policy holder's investment account and as such this is critically important in exposing the legal fallacies embodied in the Rules. Accordingly, based on the above view, the Life Insurance Industry has filed a writ petition in Hon'r High Court of Punjab against levy of sales tax on life insurance premiums.

The matter for the renewal of the exemption in Sindh was also taken up at the collective level by the Insurance Association of Pakistan (IAP) with the Sindh Revenue Board. The matter is still under the process of review with the taxation authorities in Sindh and the Company expects a favourable outcome. In view of the above the Company has not started billing sales tax to its customers. The amount of sales tax involved 450 million which nonetheless the Company maintains, based on the legal view, cannot be levied as the insurance is not a service.

18.3 Bank guarantees amounting to Rs.17.27 million has been given in respect of Group Life coverage. These bank guarantees will expire by 16th January 2020.

18.4 There were no capital commitments at the period end.

19. NET INSURANCE PREMIUM / CONTRIBUTION REVENUE

Rupees '000

	Aggregate (Unaudited)		Aggregate (Audited)	
	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Gross premium / contribution				
Regular premium / contribution individual policies				
First year	4 634 537	4 428 143	1 508 806	1 553 862
Second year renewal	3 405 093	2 703 433	1 056 617	903 548
Subsequent year renewal	10 501 678	9 372 189	3 103 611	3 020 300
Single premium / contribution individual policies	771 548	2 122 466	125 430	573 673
Group policies with cash values	41 777	45 923	13 417	13 218
Group policies without cash values	2 708 650	2 306 916	852 795	774 834
Less: Experience Refund	(186 912)	(144 843)	(61 462)	(53 046)
Total gross premium / contribution	21 876 371	20 834 227	6 599 214	6 786 389
Less: Reinsurance premium / retakaful contribution ceded				
On individual life first year business	15 972	37 110	(138)	13 614
On individual life second year business	17 128	28 764	10 541	6 071
On individual life renewal business	99 558	146 390	47 093	38 873
On group policies	419 970	362 378	104 561	88 062
Less: Experience refund from reinsurers	(32 923)	(20 803)	(4 383)	(5 731)
Less: Reinsurance commission on risk premium	(6 206)	(12 949)	(3 108)	(4 671)
Total reinsurance premium / retakaful contribution ceded	513 499	540 890	154 566	136 218
Net premium / contribution	21 362 872	20 293 337	6 444 648	6 650 171
20. INVESTMENT INCOME				
20.1 Income from equity securities				
Fair Value through Profit and Loss				
Dividend income	666 324	965 489	62 806	324 654
Available for Sale				
Dividend income	17 110	15 407	6 551	(8 762)
20.2 Income from debt securities				
Fair Value through Profit and Loss				
Return on debt securities	966 130	302 918	394 245	136 435
On government securities	4 554 237	2 870 844	1 977 684	947 420
Held to Maturity				
On government securities	363 428	211 591	150 753	79 572
20.3 Income from term deposits				
Return on term deposits	1 343 756	465 393	498 971	134 053
	7 910 985	4 831 642	3 091 010	1 613 372

Rupees '000

	Aggregate (Unaudited)		Aggregate (Audited)	
	Nine months ended		Three months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
21. NET REALISED FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS				
Available for sale financial assets				
Realised gains on:				
– Equity securities	29 869	–	(3 141)	–
Realised losses on:				
– Equity securities	(7 316 088)	(1 031 063)	(1 715 738)	(314 454)
– Government securities	–	(1 669)	–	(619)
	<u>(7 286 219)</u>	<u>(1 032 732)</u>	<u>(1 718 879)</u>	<u>(315 073)</u>
22. NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - Unrealised				
Net unrealised losses on investments in financial assets - Government securities and Debt Securities (designated upon initial recognition)	194 928	(701 710)	160 012	(270 857)
Net unrealised gains on investments at fair value through profit or loss (Designated upon initial recognition) - Equity Securities	(63 220)	(1 279 944)	(1 058 029)	(1 501 567)
Total investment income	131 708	(1 981 654)	(898 017)	(1 772 424)
Provision / Reversal of Impairment in value of available for sale securities	(2 205)	(13 028)	1 735	(9 353)
Less: Investment related expenses	(5 194)	(4 059)	(1 065)	(1 001)
	<u>124 309</u>	<u>(1 998 741)</u>	<u>(897 347)</u>	<u>(1 782 778)</u>
23. OTHER INCOME				
Gain on sale of fixed assets	25 495	8 782	8 192	3 462
Return on loans to employees	13 571	9 427	4 617	3 009
Other	7 488	7 170	2 769	2 153
	<u>46 554</u>	<u>25 379</u>	<u>15 578</u>	<u>8 624</u>
24. NET INSURANCE BENEFITS				
Gross claims				
Claims under individual policies				
by death	641 395	442 280	214 544	151 799
by insured event other than death	18 233	7 962	5 703	6 120
by maturity	876 447	1 002 335	273 446	336 444
by surrender	8 887 451	7 302 654	2 876 268	2 015 908
Total gross individual policy claims	10 423 526	8 755 231	3 369 961	2 510 271
Claims under group policies				
by death	1 607 539	1 459 605	522 232	446 748
by insured event other than death	48 707	73 130	18 240	26 397
by maturity	399	114	–	–
by surrender	19 247	6 224	2 517	3 402
Total gross group claims	1 675 892	1 539 073	542 989	476 547
Total gross claims	12 099 418	10 294 304	3 912 950	2 986 818
Less: Reinsurance / retakaful recoveries				
On individual life	99 196	81 869	35 593	42 209
On group claims	233 504	243 877	80 213	59 839
Total reinsurance / retakaful recoveries	332 700	325 746	115 806	102 048
Add: Claims related expenses	5 843	5 268	1 783	2 086
Net insurance benefit expense	<u>11 772 561</u>	<u>9 973 826</u>	<u>3 798 927</u>	<u>2 886 856</u>

25. ACQUISITION EXPENSES

(Rupees '000)

	Aggregate (Unaudited)		Aggregate (Audited)	
	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Remuneration to insurance intermediaries on individual policies:				
– commission to agent on first year premiums	1 831 710	1 869 701	607 600	647 225
– commission to agent on second year premiums	351 406	289 575	55 430	93 603
– commission to agent on subsequent renewal premiums	295 681	234 220	75 441	75 535
– commission to agent on single premiums	21 117	63 985	3 442	16 452
– override commission to supervisors	417 792	387 272	131 693	133 301
– other benefits to insurance intermediaries				
– salaries allowances and other benefits	1 205 749	941 125	463 209	319 332
Remuneration to insurance intermediaries on group policies:				
– commission	301 277	237 466	100 262	52 789
– other benefits to insurance intermediaries	64 841	49 789	23 633	16 009
– Traveling expenses (including cost of contests conventions etc.)	40 055	33 324	10 890	10 170
– Printing and stationery	5 599	5 503	1 066	1 155
– Depreciation	229 625	62 983	84 685	24 512
– Rent rates and taxes	3 302	78 896	700	28 441
– Electricity gas and water	40 098	27 091	20 062	14 003
– Entertainment	29 744	20 384	10 299	7 164
– Vehicle running expenses	8 456	8 851	–	2 668
– Office repairs & maintenance	33 574	15 420	24 408	6 065
– Postages telegrams and telephone	33 527	27 461	12 580	8 358
– Medical fees	15 619	16 927	4 482	4 664
– Finance Cost	26 489	–	5 899	–
– Others	115 012	89 767	43 782	31 969
Other acquisition costs - policy stamps	76 813	66 380	23 065	24 328
	5 147 486	4 526 120	1 702 628	1 517 743

26. MARKETING AND ADMINISTRATION EXPENSES

Employee benefit cost	545 067	497 088	189 069	180 626
Traveling expenses	54 060	65 385	8 499	14 406
Advertisements and sales promotion	68 283	129 843	24 193	13 022
Printing and stationery	49 809	39 529	16 481	11 140
Depreciation	111 976	90 913	37 619	32 076
Amortisation	9 371	10 158	2 910	3 535
Rent rates and taxes	9 145	12 982	8 154	9 182
Legal and Professional charges - business related	81 422	63 050	22 384	30 575
Electricity gas and water	28 993	22 786	12 569	8 602
Entertainment	32 527	20 648	12 725	5 883
Vehicle running expenses	14 774	3 901	8 707	2 016
Office repair and maintenance	53 495	47 933	20 893	14 286
Appointed actuary fees	9 450	8 550	3 150	2 850
Bank charges	11 914	9 231	2 093	859
Postage internet and telephone	59 738	59 713	17 129	16 826
Fees and subscription	24 783	17 042	9 907	6 100
Annual supervision fee SECP	43 778	41 846	12 974	13 568
Miscellaneous	82 875	62 861	31 609	18 451
	1 291 460	1 203 459	441 065	384 003

Aggregate (Unaudited)		Aggregate (Audited)	
Nine months ended		Three months ended	
30 September 2019	30 September 2018	30 September 2019	30 September 2018
666	890	–	–
1 350	1 800	400	400
300	1 846	–	400
9 794	1 259	5 706	–
127	–	(1)	–
6 526	4 313	555	702
600	–	–	–
848	–	131	(697)
–	846	–	846
20 211	10 954	6 791	1 651
357 063	271 830	108 063	15 310
–	79 170	–	(10)
54 799	(74 057)	(18 530)	26 391
411 862	276 943	89 533	41 691

28. TAXATION

(Rupees '000)

	Held to maturity	Available to Sale	Fair value through profit & loss account	Deposit maturing within 12 months	Total
At beginning of previous year (Re-stated)	3 081 423	446 022	81 992 677	12 439 000	97 959 122
Additions	13 577 932	52 737	186 291 656	97 052 200	296 974 525
Disposals (sale and redemptions)	(12 918 657)	(14 707)	(178 636 608)	(94 442 100)	(286 012 072)
Fair value net gains (excluding net realised gains)	–	(23 110)	(3 063 680)	–	(3 086 790)
Impairment losses	–	(14 148)	–	–	(14 148)
At beginning of current year (Re-stated)	3 740 698	446 794	86 584 045	15 049 100	105 820 637
Additions	9 676 786	3 732 279	161 330 222	123 806 000	298 545 287
Disposals (sale and redemptions)	(10 043 000)	(3 750 000)	(165 102 595)	(114 701 100)	(293 596 695)
Fair value net gains (excluding net realised gains)	–	(61 939)	49 591	–	(12 348)
Impairment losses	–	(2 205)	–	–	(2 205)
At end of current period	3 374 484	364 929	82 861 263	24 154 000	110 754 676

30. SEGMENTAL INFORMATION

30.1 Revenue Account by Statutory Fund

(Rupees in '000)

30 September 2019 (Unaudited)

	Statutory Funds						Aggregate
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended 30 September 2019
Income							
Premium / Contribution less reinsurance / retakaful	16 727 754	1 953 494	620	610	2 488 199	183 783	21 354 460
Policy transfer from other statutory funds	–	–	–	–	8 412	–	8 412
Bonus units transfer to statutory fund	–	–	–	–	50 296	–	50 296
Net investment income / wakala income	391 275	194 505	163	149	220 326	89 525	895 943
Total net income	17 119 029	2 147 999	783	759	2 767 233	273 308	22 309 111
Insurance Benefits and Expenditures							
Claims net of reinsurance recoveries	9 806 583	1 338 246	3 783	(99)	529 538	80 255	11 758 306
Policy transfer from other statutory funds	8 412	–	–	–	–	–	8 412
Bonus units transfer to statutory fund	–	–	–	–	50 296	–	50 296
Management expenses	4 609 965	516 844	68	330	1 454 383	137 865	6 719 455
Total Insurance Benefits and Expenditures	14 424 960	1 855 090	3 851	231	2 034 217	218 120	18 536 469
Excess of income over Insurance Benefits and Expenditures	2 694 069	292 909	(3 068)	528	733 016	55 188	3 772 642
Net Change in Insurance Liabilities (Other than outstanding Claims)	(1 809 707)	(134 557)	3 241	18	(824 671)	(7 524)	(2 773 200)
Surplus / (deficit) before tax	884 362	158 352	173	546	(91 655)	47 664	999 442
Movement in policyholders' liabilities	1 809 707	134 557	(3 241)	(18)	824 671	7 524	2 773 200
Transfer of (surplus) / deficit to shareholders' fund	(862 132)	(176 397)	(240)	(553)	–	(21 212)	(1 060 534)
Capital contribution from share holders' fund	–	–	–	–	129 406	–	129 406
Net Transfer to / from shareholders' fund	(862 132)	(176 397)	(240)	(553)	129 406	(21 212)	(931 128)
Balance of statutory funds at beginning of the period	102 834 817	1 422 896	24 457	1 480	3 559 726	107 368	107 950 744
Balance of statutory funds at end of the period	104 666 754	1 539 408	21 149	1 455	4 422 148	141 344	110 792 258

(Rupees in '000)

	30 September 2018						
	Statutory Funds						Aggregate
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended 30 September 2018
Income							
Premium / Contribution less reinsurances / retakaful	16 583 743	1 702 246	700	621	1 881 529	120 960	20 289 799
Policy transfer from other statutory funds	-	-	-	-	3 538	-	3 538
Bonus units transferred to statutory funds	-	-	-	-	26 718	-	26 718
Net investment income	1 524 598	101 311	1 687	326	201 656	52 573	1 882 151
Total net income	18 108 341	1 803 557	2 387	947	2 113 441	173 533	22 202 206
Insurance Benefits and Expenditures							
Claims net of reinsurance recoveries	8 355 319	1 240 687	214	710	319 767	48 323	9 965 020
Policy transfer from other statutory funds	3 538	-	-	-	-	-	3 538
Bonus units transferred to statutory funds	-	-	-	-	26 718	-	26 718
Management expenses	4 409 525	426 457	56	271	982 137	86 525	5 904 971
Total Insurance Benefits and Expenditures	12 768 382	1 667 144	270	981	1 328 622	134 848	15 900 247
Excess of income over Insurance Benefits and Expenditures	5 339 959	136 413	2 117	(34)	784 819	38 685	6 301 959
Net Change in Insurance Liabilities (Other than outstanding Claims)	(4 227 591)	(93 371)	1 083	391	(772 874)	(32 363)	(5 124 725)
Surplus / (Deficit) before tax	1 112 368	43 042	3 200	357	11 945	6 322	1 177 234
Movement in policyholders' liabilities	4 227 591	93 371	(1 083)	(391)	772 874	32 363	5 124 725
Transfer of (surplus) / deficit to shareholders' fund	(1 065 597)	-	(3 208)	(389)	-	-	(1 069 194)
Capital contribution from share holders' fund	-	4 492	-	-	(3 105)	3 584	4 971
Net Transfer to / from shareholders' fund	(1 065 597)	4 492	(3 208)	(389)	(3 105)	3 584	(1 064 223)
Balance of statutory funds at beginning of the period	97 549 002	1 270 484	25 923	2 090	2 297 280	70 078	101 214 857
Balance of statutory funds at end of the period	101 823 364	1 411 389	24 832	1 667	3 078 994	112 347	106 452 593

	As at 30 September 2019			As at 31 December 2018 (Audited)		
	Statutory Funds	Shareholders Funds	Total	Statutory Funds	Shareholders Funds	Total
30.2 Segment statement of financial position						
Property and equipment	1 272 806	1 588 217	2 861 023	1 317 467	1 114 160	2 431 627
Intangible assets	–	17 811	17 811	–	27 038	27 038
Investments	109 575 726	1 178 950	110 754 676	103 402 211	2 418 426	105 820 637
Insurance / reinsurance receivables	237 546	–	237 546	169 600	–	169 600
Other loans and receivables	1 360 862	228 413	1 589 275	2 928 578	181 860	3 110 438
Taxation - payments less provision	4 136	914 748	918 884	934	336 793	337 727
Prepayments	44 115	–	44 115	81 182	–	81 182
Cash & Bank	3 304 452	16 636	3 321 088	4 768 942	17 420	4 786 362
Total Assets	<u>115 799 643</u>	<u>3 944 775</u>	<u>119 744 418</u>	<u>112 668 914</u>	<u>4 095 697</u>	<u>116 764 611</u>
Insurance Liabilities net of reinsurance recoveries	110 918 125	–	110 918 125	107 695 796	–	107 695 796
Deferred taxation	–	736 167	736 167	–	681 368	681 368
Premium / Contribution received in advance	782 806	–	782 806	714 419	–	714 419
Insurance / reinsurance payables	282 374	–	282 374	193 218	–	193 218
Other creditors and accruals	1 439 969	442 529	1 882 498	1 458 118	63 290	1 521 408
Total Liabilities	<u>113 423 274</u>	<u>1 178 696</u>	<u>114 601 970</u>	<u>110 061 551</u>	<u>744 658</u>	<u>110 806 209</u>

31. RELATED PARTIES TRANSACTIONS

The related parties comprise of holding company, directors, key management personnel, associated companies/associated undertakings, and entities with common directors and retirement benefit fund. Compensation of key management personnel are on employment terms. Contribution to the provident fund is in accordance with the service rules. Change to the defined contribution is in accordance with the actuarial advice. Other transactions are at agreed rates. Details of transactions with related parties during the period, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

		(Rupees in '000)	
		Nine months ended - (Unaudited)	
		30 September 2019	30 September 2018
Transactions			
Holding company			
Premium written		17 765	24 026
Premium paid		46 365	27 763
Claims paid		6 774	8 279
Claims received		7 790	1 215
Dividend paid		619 491	596 641
Dividend received		43 299	40 958
Associated companies			
Premium written		81 498	68 640
Premium paid		23 086	22 232
Claims paid		15 149	11 031
Claims received		—	—
Commission paid		156 316	189 275
Travelling expenses		464	1 441
Donation paid		1 589	1 164
Dividend paid		606 542	575 230
Interest on bank deposit		559 548	152 439
Payments of Car		22 144	—
Investment sold of related party		25 558	209 386
Key management personnel			
Premium written		525	1 970
Loan to Key employees		6 000	—
Loan recovered		3 500	2 787
Compensation paid		117 050	108 846
Dividend paid		9 625	9 227
Employees' funds			
Contribution to provident fund		25 139	23 716
Contribution to pension fund		20 891	18 933
		(Rupees in '000)	
		30 September 2019 Unaudited	31 December 2018 Audited
Balances			
Bank balances		237 783	869 823
Bank deposits		5 400 000	5 150 000
Premium received in advance		2 465	652
Premium receivable		252	1 107
Investment in EFU General Insurance Limited-holding company		422 597	468 096
Investment in related party		117 660	172 190
Claim outstanding- Holding company		1 201	—
Claims outstanding- Related party		15 030	5 935
Loan receivable of key employees		26 044	23 544

32. WINDOW TAKAFUL OPERATIONS

The Statement of financial position of Window Takaful Operations as at 30 September 2019 and its financial performance for the period ended 30 September 2019 are as follows:

32.1 Balance Sheet

(Rupees '000)

	Statutory Funds			Aggregate	
	Shareholders' Fund	Family Takaful Investment Linked Business	Family Takaful Protection Business	30 September 2019 Unaudited	31 December 2018 Audited
Share capital and reserves					
Operator's Fund	50 000	–	–	50 000	50 000
Accumulated surplus	(170 969)	–	–	(170 969)	(157 815)
General reserves	–	–	–	–	–
Net shareholders' equity	(120 969)	–	–	(120 969)	(107 815)
Balance of statutory fund (including policyholders' liabilities Rs. 4 020.72 million (2018: Rs.3496.08 million))					
Participant Investment Fund	64 778	4 203 916	–	4 268 694	3 431 612
Participant Takaful Fund - Waqf	–	176 194	118 603	294 797	235 482
Cede Money - Waqf	–	2 000	–	2 000	2 000
Shareholder's Fund unit holding in PIF	–	37 991	–	37 991	22 201
	64 778	4 420 101	118 603	4 603 482	3 691 295
Creditors and accruals					
Outstanding Claims	–	78 987	45 906	124 893	69 263
Contribution received in advance	–	62 033	15 117	77 150	94 104
Amounts due to retakaful	–	12 075	49 393	61 468	66 301
Amounts due to agents	–	87 660	6 085	93 745	147 570
Accrued expenses	105 962	–	–	105 962	76 692
Other creditors and accruals	439 560	174 565	721 642	1 335 767	980 323
Capital contribution	192 181	–	–	192 181	179 372
Interfund payable	96 746	28 266	–	125 012	198 917
Total liabilities	834 449	443 586	838 143	2 116 178	1 812 542
Total equity and liabilities	778 258	4 863 687	956 746	6 598 691	5 396 022
Cash and bank deposits					
Policy stamps in hand	442	–	–	442	91
Current and other accounts	123 022	721 070	284 642	1 128 734	957 097
Deposits maturing within 12 months	103 000	2 366 000	–	2 469 000	1 374 000
	226 464	3 087 070	284 642	3 598 176	2 331 188
Investments					
Government securities	1	64 927	–	64 928	326 977
Other Fixed Income	10 000	1 197 435	10 312	1 217 747	480 000
Listed Equities & Mutual Funds	–	376 149	–	376 149	1 148 408
	10 001	1 638 511	10 312	1 658 824	1 955 385
Current assets - others					
Prepayments	391	–	–	391	8 019
Contributions due but unpaid	–	–	23 196	23 196	13 318
Amount due from retakaful	–	–	–	–	–
Sundry receivables	368 707	45 461	513 272	927 440	818 357
Investment income accrued	746	92 645	312	93 703	33 425
Shareholder's Fund unit holding in PIF	37 991	–	–	37 991	22 201
Capital contribution	129 406	–	–	129 406	12 809
Income Tax Assets	4 136	–	–	4 136	933
Advances and deposits	416	–	–	416	1 470
Interfund Receivable	–	–	125 012	125 012	198 917
	541 793	138 106	661 792	1 341 691	1 109 449
Total assets	778 258	4 863 687	956 746	6 598 691	5 396 022

32.2 Revenue Account

(Rupees in '000)

32.2.1 Participants' Investment Fund (PIF)	Statutory Funds		Aggregate		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended 30 September		Three months ended 30 September	
			2019	2018	2019	2018
Income						
Allocated contribution	1 416 889	–	1 416 889	1 105 941	461 409	390 699
Policy transfer to other statutory fund	8 229	–	8 229	3 538	1 100	497
Bonus units transfer to Statutory Fund	50 296	–	50 296	26 718	50 296	–
Net investment (loss) / income	(6 837)	–	(6 837)	48 192	15 730	13 135
Total net income	1 468 577	–	1 468 577	1 184 389	528 535	404 331
Less: Claims and Expenditure						
Investment management charges	40 089	–	40 089	28 721	14 369	10 107
Bid offer spread	64 178	–	64 178	51 137	20 905	17 012
Policy admin fee	45 209	–	45 209	31 085	15 070	11 138
Wakalat-ul-Istismar	149 476	–	149 476	110 943	50 344	38 257
Surrender	507 823	–	507 823	306 052	175 078	110 022
	657 299	–	657 299	416 995	225 422	148 279
Excess of income over claims and expenditure	811 278	–	811 278	767 394	303 113	256 052
Add : Technical reserves at the beginning of the period	3 392 638	–	3 392 638	2 185 823	3 900 803	2 697 165
Less : Technical reserves at the end of the period	4 203 916	–	4 203 916	2 953 217	4 203 916	2 953 217
	(811 278)	–	(811 278)	(767 394)	(303 113)	(256 052)
Surplus / (Deficit)	–	–	–	–	–	–
Movement in technical reserves	811 278	–	811 278	767 394	303 113	256 052
Balance of PIF at the beginning of the period	3 392 638	–	3 392 638	2 185 823	–	–
Balance of PIF at the end of the period (a)	4 203 916	–	4 203 916	2 953 217	303 113	256 052
32.2.2 Participants' Takaful Fund (PTF)						
Income						
Contribution net of retakaful recoveries	144 195	183 783	327 978	206 850	119 294	79 801
Net investment income	15 139	1 140	16 279	5 425	7 313	3 323
Total net income	159 334	184 923	344 257	212 275	126 607	83 124
Less: Claims and Expenditure						
Claims net of retakaful recoveries	21 715	80 255	101 970	62 038	39 162	19 285
Wakala fee	44 291	88 385	132 676	81 177	48 254	32 684
	66 006	168 640	234 646	143 215	87 416	51 969
Excess of income over claims and expenditure	93 328	16 283	109 611	69 060	39 191	31 155
Add : Technical reserves at the beginning of the period	45 103	58 336	103 439	58 886	173 859	96 791
Less : Technical reserves at the end of the period	58 494	65 860	124 354	96 729	124 354	96 729
Surplus / (Deficit) Retained Profit	79 937	8 759	88 696	31 217	88 696	31 217
Distribution of surplus	–	–	–	–	–	–
Movement in technical reserves	(93 328)	(16 283)	(109 611)	(69 060)	(39 191)	(31 155)
Surplus / (Deficit) before distribution	–	–	–	–	–	–
Distribution of surplus	–	–	–	–	–	–
Surplus / (Deficit) after distribution	–	–	–	–	–	–
Movement in technical reserves	93 328	16 283	109 611	69 060	39 191	31 155
Balance of PTF at the beginning of the period	133 162	102 320	235 482	147 473	–	–
Distribution of Surplus	(50 296)	–	(50 296)	(26 718)	–	–
Qard-e-Hasna	–	–	–	14 717	–	(1 717)
Balance of PTF at the end of the period (b)	176 194	118 603	294 797	204 532	39 191	29 438

32.2.3 Shareholders' Sub - Fund

(Rupees in '000)

	Statutory Funds		Aggregate		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended		Three months ended	
			30 September 2019	30 September 2018	30 September 2019	30 September 2018
Income						
Un-allocated contribution	927 298	—	927 298	689 698	309 754	270 505
Net investment income	18 257	—	18 257	8 492	7 519	1 707
Wakalat-ul-Istismar - PIF	149 476	—	149 476	110 943	50 344	38 257
Wakala Fee - PTF	44 291	88 385	132 676	81 177	48 254	32 684
Total net income	1 139 322	88 385	1 227 707	890 310	415 871	343 153
Less: Expenditure						
Acquisition costs	1 095 040	42 412	1 137 452	737 114	411 471	279 714
Administration expenses	165 575	7 069	172 644	139 428	61 230	47 762
	1 260 615	49 481	1 310 096	876 542	472 701	327 476
(Shortfall) / Excess of income over expenditure	(121 293)	38 904	(82 389)	13 768	(56 830)	15 677
Add : Technical reserves at the beginning of the period	—	—	—	—	—	—
Less : Technical reserves at the end of the period	—	—	—	—	—	—
	—	—	—	—	—	—
(Deficit) / surplus transferred to shareholders' fund	(121 293)	38 904	(82 389)	13 768	(56 830)	15 677
Movement in technical reserves	—	—	—	—	—	—
Transfer to Shareholder's Fund	—	(21 212)	(21 212)	—	947	—
Capital Contribution	129 406	—	129 406	479	73 859	(11 832)
Qard-e-Hasna	—	—	—	(14 717)	—	1 717
Retained earnings on other than participating business	33 926	5 047	38 973	34 061	—	2
Balance of shareholders' sub fund at the end of the period (c)	42 039	22 739	64 778	33 591	17 976	5 564
Balance of statutory funds at the end of the period (a+b+c)	4 422 149	141 342	4 563 491	3 191 340	360 280	291 054

32.3 Statement of contribution

(Rupees in '000)

	Statutory Funds		Aggregate		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended		Three months ended	
			30 September 2019	30 September 2018	30 September 2019	30 September 2018
Gross contribution						
Regular contribution individual policies						
First Year	1 156 744	—	1 156 744	903 219	386 149	355 349
Second Year	641 239	—	641 239	445 558	219 061	127 876
Subsequent year renewal	573 273	—	573 273	260 491	187 229	101 348
Single contribution individual policies	141 829	—	141 829	300 877	33 041	116 076
Group policies with cash values	790	—	790	1 224	55	360
Group policies without cash values	—	229 146	229 146	154 705	87 155	60 148
Total gross contribution	2 513 875	229 146	2 743 021	2 066 074	912 690	761 157
32.3.1 Participants' Investment Fund						
Allocated regular contribution	1 283 289	—	1 283 289	808 602	429 468	275 120
Allocated single contribution	141 829	—	141 829	300 877	33 041	116 076
Total allocated contribution	1 425 118	—	1 425 118	1 109 479	462 509	391 196

(Rupees in '000)

	Statutory Funds		Aggregate		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended		Three months ended	
			30 September 2019	30 September 2018	30 September 2019	30 September 2018
32.3.2 Participants' Takaful Fund						
Allocated gross contribution	161 459	229 146	390 605	266 897	140 427	99 456
Less: Retakaful contribution ceded						
On individual life first year business	4 829	—	4 829	14 252	(5 441)	5 503
On individual life second year business	6 013	—	6 013	9 662	6 013	2 654
On individual life subsequent year business	8 477	—	8 477	8 244	8 477	2 616
On group policies	—	45 363	45 363	33 745	13 115	11 264
Less: Reinsurance commission on risk premium	(2 055)	—	(2 055)	(5 856)	(1 030)	(2 382)
Total retakaful contribution ceded	17 264	45 363	62 627	60 047	21 134	19 655
Net Risk Contribution of PTF	144 195	183 783	327 978	206 850	119 293	79 801
32.3.3 Shareholders' Sub-Fund						
Unallocated regular contribution	927 298	—	927 298	689 698	309 754	270 505

32.4 Statement of Claims

(Rupees in '000)

	Statutory Funds		Aggregate		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended		Three months ended	
			30 September 2019	30 September 2018	30 September 2019	30 September 2018
Claims under Individual Family Takaful	35 052	—	35 052	338 996	10 970	129 015
Claims under Group Family Takaful	—	97 534	97 534	56 818	34 472	15 170
Total Gross Claims	35 052	97 534	132 586	395 814	45 442	144 185
Gross Claims allocated as follows:						
Participant's Investment Fund (PIF)						
Surrenders / Partial withdrawals under Individual Policies	507 823	—	507 823	306 052	175 078	110 022
Participant's Takaful Fund (PTF)						
Under individual; policies by death	35 052	—	35 052	32 944	10 970	18 993
Under group policies by death	—	92 361	92 361	55 024	32 119	14 362
Under group policies by event other than death	—	5 173	5 173	1 795	2 353	810
Total gross claims under PTF	35 052	97 534	132 586	89 763	45 442	34 165
Less: Re-Takaful recoveries under PTF						
On Individual policies	13 337	—	13 337	19 229	2 045	13 088
On group policies	—	17 279	17 279	8 496	4 235	1 792
Profit commission	—	—	—	—	—	—
	13 337	17 279	30 616	27 725	6 280	14 880
Net Claims under PTF	21 715	80 255	101 970	62 038	39 162	19 285
Total Net Claims	529 538	80 255	609 793	368 090	214 240	129 307

32.5 Statement of Expenses

(Rupees in '000)

	Statutory Funds		Aggregate		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	Nine months ended		Three months ended	
			30 September 2019	30 September 2018	30 September 2019	30 September 2018
Acquisition costs						
Shareholders' Sub-Fund						
Remuneration to insurance intermediaries on individual policies:						
- commission on first year contribution	502 040	–	502 040	390 461	174 422	148 479
- commission on renewal contribution	87 233	–	87 233	54 306	15 240	18 224
- commission on single contribution	3 626	–	3 626	7 985	902	2 914
- override commission	85 625	–	85 625	63 618	28 708	25 679
- other benefits to insurance intermediaries	316 164	–	316 164	139 677	131 470	54 589
	994 688	–	994 688	656 047	350 742	249 885
Remuneration to insurance intermediaries on group policies:						
- commission	8	41 492	41 500	29 791	16 408	11 755
- other benefits to insurance intermediaries	–	619	619	430	207	65
	8	42 111	42 119	30 221	16 615	11 820
Branch overheads	82 930	–	82 930	39 750	38 785	14 428
Other acquisition costs						
- policy stamps	16 400	131	16 531	10 320	4 965	3 176
- Medical fees	1 014	170	1 184	776	364	405
Total acquisition cost	1 095 040	42 412	1 137 452	737 114	411 471	279 714
Marketing and Administration expenses						
Salaries and other benefits	73 354	2 529	75 883	63 306	27 021	23 168
Travelling expenses	10 932	61	10 993	8 386	3 066	1 988
Advertisements and publicity	3 779	275	4 054	1 636	1 355	(1)
Printing and stationery	7 817	26	7 843	5 198	2 122	1 428
Depreciation	13 434	241	13 675	10 860	4 578	3 867
Amortization	1 214	–	1 214	1 317	377	459
Rent rates and taxes	1 168	3	1 171	1 805	1 046	1 333
Legal and professional charges	2 873	3 208	6 081	7 168	1 822	3 083
Electricity gas and water	3 156	127	3 283	2 572	1 438	994
Entertainment	4 159	64	4 223	2 457	1 733	706
Vehicle running Expenses	1 882	11	1 893	459	1 128	251
Office repairs and maintenance	6 888	2	6 890	6 202	2 697	1 849
Appointed Actuary's fees	1 225	–	1 225	1 108	409	369
Bank charges	1 645	1	1 646	3 029	254	602
Postage telegrams and telephone	8 227	12	8 239	8 843	2 242	2 844
Fees and subscription	3 086	49	3 135	2 181	1 258	798
Annual supervision fee SECP	5 097	389	5 486	4 021	1 826	1 411
Miscellaneous	15 639	71	15 710	8 880	6 858	2 613
Gross Management Expenses	1 260 615	49 481	1 310 096	876 542	472 701	327 476
Fees charged to policy holders	–	–	–	–	–	–
Net Management Expenses	1 260 615	49 481	1 310 096	876 542	472 701	327 476

32.6 Statement of Investment Income

(Rupees in '000)

	Statutory Funds		Aggregate Nine months ended		Aggregate Three months ended	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	30 September 2019	30 September 2018	30 September 2019	30 September 2018
32.6.1 Participants' Investment Fund (PIF)						
Return on government securities	60 963	–	60 963	12 699	26 020	4 417
Other fixed income securities	128 026	–	128 026	63 838	62 230	24 033
Dividend income	19 201	–	19 201	13 445	743	5 869
Amortization of (premium) / discount	(982)	–	(982)	(154)	3	456
(Loss) on sale of investment	(190 966)	–	(190 966)	(79 538)	(18 146)	(23 675)
Unrealized gain on investment	(23 080)	–	(23 080)	37 902	(55 122)	2 035
Net investment income of PIF (a)	(6 838)	–	(6 838)	48 192	15 728	13 135
32.6.2 Participants' Takaful Fund (PTF)						
Return on government securities	1 857	1 140	2 997	2 577	771	1 913
Other fixed income securities	3 737	–	3 737	3 397	2 748	1 199
Profit on bank deposits	9 545	–	9 545	(549)	3 793	211
Net investment income of PTF (b)	15 139	1 140	16 279	5 425	7 312	3 323
32.6.3 Shareholders' Sub-Fund						
Return on government securities	561	–	561	94	363	27
Other fixed income securities	1 178	–	1 178	474	806	150
Dividend income	177	–	177	100	73	38
Amortization of (premium) / discount	(9)	–	(9)	(1)	(3)	4
(Loss) on sale of investment	(1 757)	–	(1 757)	(591)	(779)	(136)
Unrealized (loss) on investment	(212)	–	(212)	282	(393)	(10)
Profit on bank deposits	18 319	–	18 319	8 134	7 452	1 634
Net investment income of shareholders' sub-fund (c)	18 257	–	18 257	8 492	7 519	1 707
Net Investment Income (a+b+c)	26 558	1 140	27 698	62 109	30 559	18 165

33. FAIR VALUE

Investments on the balance sheet are carried at fair value except for investments in non unit-linked funds which are stated at lower of cost or market value and unquoted investments which are stated at cost. 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 essentially short term in nature.

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).

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

30 September 2019 Unaudited										(Rupees '000)	
On balance sheet financial instruments											
	Fair value through profit and loss	Available for sale	HTM	Loans and Receivables	Other financial assets	Other financial liabilities	Total	Fair value			Total
								Level 1	Level 2	Level 3	
Financial assets measured at fair value											
- Investments											
Government Securities (T-bills + PIBs + Sukuks)	59 560 809	-	-	-	-	-	59 560 809	-	59 560 809	-	59 560 809
Sukuk Bonds (other than government)	5 373 570	-	-	-	-	-	5 373 570	-	5 373 570	-	5 373 570
Listed equity securities	11 472 656	214 863	-	-	-	-	11 687 519	11 687 519	-	-	11 687 519
Unlisted equity securities	16 008	-	-	-	-	-	16 008	-	-	16 008	16 008
Units of mutual funds	220 797	134 114	-	-	-	-	354 911	-	354 911	-	354 911
Debt securities (Listed TFCs)	4 445 959	-	-	-	-	-	4 445 959	4 445 959	-	-	4 445 959
Financial assets not measured at fair value											
- Government Securities (T-bills + PIBs + Sukuks)	-	-	4 951 900	-	-	-	4 951 900	-	4 929 200	-	4 929 200
- Balances with banks *	27 475 088	-	-	-	-	-	27 475 088	-	-	-	-
- Certificate of Investment	210 000	-	-	-	-	-	210 000	-	-	-	-
- Advances	-	-	-	164 060	281 661	-	445 721	-	-	-	-
- Other assets (excluding markup accrued) *	-	-	-	-	1 425 217	-	1 425 217	-	-	-	-
	108 774 887	348 977	4 951 900	164 060	1 706 878	-	115 946 702	16 133 478	70 218 490	16 008	86 367 976
Financial liabilities not measured at fair value											
- Other liabilities (excluding Liabilities against assets subject to finance lease) *	-	-	-	-	-	3 683 843	3 683 843	-	-	-	-
	108 774 887	348 977	4 951 900	164 060	1 706 878	(3 683 843)	112 262 859	16 133 478	70 218 490	16 008	86 367 976

(Rupees '000)

On balance sheet financial instruments

31 December 2018 Audited

Fair value										
Fair value through profit and loss	Available for sale	HTM	Loans and Receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
– Investments										
Government Securities (T-bills + PIBs + Sukuks)	–	–	–	–	–	51 909 147	–	51 909 147	–	51 909 147
Sukuk Bonds (other than government)	–	–	–	–	–	1 332 919	–	1 332 919	–	1 332 919
Listed equity securities	7 374	–	–	–	–	33 526 704	33 526 704	–	–	33 526 704
Unlisted equity securities	–	–	–	–	–	16 008	–	–	16 008	16 008
Units of mutual funds	–	–	–	–	–	177 087	–	177 087	–	177 087
Debt securities (Listed TFCs)	–	–	–	–	–	2 535 953	2 535 953	–	–	2 535 953
Financial assets not measured at fair value										
– Government Securities (T-bills + PIBs + Sukuks)	–	1 063 719	–	–	–	1 063 719	–	1 047 472	–	1 047 472
– Balances with banks *	–	–	–	–	–	19 829 503	–	–	–	–
– Certificate of Investment	–	–	–	–	–	210 000	–	–	–	–
– Advances	–	–	124 610	884 760	–	1 009 370	–	–	–	–
– Other assets (excluding markup accrued) *	–	–	–	2 695 536	–	2 695 536	–	–	–	–
	7 374	1 063 719	124 610	3 580 296	–	114 305 946	36 062 657	54 466 625	16 008	90 545 290
Financial liabilities not measured at fair value										
– Other liabilities (excluding liabilities against assets subject to finance lease) *	–	–	–	–	3 133 478	3 133 478	–	–	–	–
	7 374	1 063 719	124 610	3 580 296	(3 133 478)	111 172 468	36 062 657	54 466 625	16 008	90 545 290

*The Company has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore their carrying amounts are reasonable approximation of fair value.

34. GENERAL

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

35. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorized for issue by the Board of Directors of the Company in their meeting held on 25 October 2019.

MUNEER R. BHIMJEE
Director

SYED SALMAN RASHID
Director

SYED SHAHID ABBAS
Chief Financial
Officer

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 25 October, 2019

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