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TPL LIFE INSURANCE LIMITED -

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

EY Ford Rhodes
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INDEPENDENT AUDITOR'S REPORT

To the members of TPL Life Insurance Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

e) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

EY Ford Rhodes

Chartered Accountants

Karachi

Date: 22 February 2019

TPL LIFE INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018	Restated (note 5.1) 2017	Restated (note 5.1) 2016
			Rupees in thousand	
Assets				
Property and equipment	6	**16,613**	20,214	23,265
Intangible assets	7	**9,108**	11,477	9,473
Investments				
Government securities	8.1	**192,643**	142,596	124,988
Equity securities	8.2	**-**	37,360	7,239
Mutual funds	8.3	**9,874**	10,359	11,586
Term deposits receipts	8.4	**85,000**	85,000	85,000
Insurance / reinsurance receivables	9	**85,345**	72,216	19,006
Other loans and receivables	10	**12,309**	21,215	13,939
Taxation - payments less provision		**25,606**	23,329	21,451
Prepayments	11	**2,791**	1,353	5,292
Cash and Bank balances	12	**172,205**	95,300	111,763
Total Assets		**611,495**	520,419	433,002
Equity and Liabilities				
Capital and reserves attributable to Company's equity holders				
Authorized share capital				
120,000,000 ordinary shares of Rs. 10 each		**1,200,000**	1,200,000	1,200,000
Ordinary share capital	13	**800,000**	680,000	600,000
Accumulated loss of other than participating business		**(935,391)**	(727,573)	(545,626)
Unappropriated (loss) / profit		**295,069**	287,301	277,067
		159,678	239,728	331,441
Advance against issuance of right shares	1.3	**100,000**	20,000	-
Total Equity		**259,678**	259,728	331,441
Liabilities				
Insurance Liabilities	14	**273,861**	181,118	63,857
Retirement benefit obligations		**-**	-	4,751
Premium received in advance		**3,760**	2,499	7,316
Insurance / reinsurance payables	15	**24,832**	11,586	1,355
Other creditors and accruals	16	**49,365**	65,488	24,282
Total Liabilities		**351,817**	260,691	101,561
Total Equity and Liabilities		**611,495**	520,419	433,002

Contingencies and commitments

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Director

TPL LIFE INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECMEBER 31, 2018

	Note	2018	Restated (note 5.1) 2017
		Rupees in thousand	
Premium Revenue	17	**435,197**	269,832
Premium ceded to reinsurers	17	**(39,844)**	(16,823)
Net premium revenue		**395,353**	253,009
Investment income	18	**15,417**	13,677
Net realised fair value gains on financial assets	19	**617**	1,643
Net fair value gains/(loss) on financial assets at fair value through profit or loss	20	**(3,325)**	(2,319)
Other income	21	**8,109**	7,774
		20,818	20,775
Net income		**416,171**	273,784
Insurance benefits	22	**268,924**	85,451
Recoveries from reinsurers		**(22,440)**	(17,731)
Net insurance benefits		**246,484**	67,720
Net change in insurance liabilties (other than outstanding claims)		**69,424**	98,896
Acquisition expenses	23	**36,161**	32,457
Marketing and administration expenses	24	**260,386**	244,188
Other expenses	25	**3,622**	2,105
Total Expenses		**369,593**	377,646
Results of operating activities		**(199,906)**	(171,582)
Loss before tax		**(199,906)**	(171,582)
Income tax expense	26	**(144)**	(131)
Loss for the period		**(200,050)**	(171,713)
Other comprehensive income:		**-**	-
Total comprehensive income for the period		**(200,050)**	(171,713)

	2018	Restated (note 5.1)
Loss (after tax) per share - Rupees	**(2.73)**	(2.58)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Offer	Director	Director

TPL LIFE INSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECMEBER 31, 2018

	2018	Restated (note 5.1) 2017
	Rupees in thousand	
Operating Cash flows:		
(a) Underwriting activities		
Insurance premium received	423,328	210,464
Claims paid	(237,871)	(54,533)
Surrenders paid	(11,893)	(1,413)
Commission paid	(34,405)	(27,939)
Marketing and administrative expenses paid	(270,471)	(215,302)
Net cash used in underwriting activities	(131,311)	(88,723)
(b) Other operating activities		
Income tax paid	(2,421)	(2,010)
Other operating payments	-	(10,997)
Other operating receipts	6,369	20,470
Net cash flow from other operating activities	3,948	7,463
Total cash used in all operating activities	(127,363)	(81,260)
Investment activities:		
Profit/ return received	22,700	19,390
Dividend received	-	777
Payment for investments / investment properties	(342,777)	(284,366)
Proceeds from investments / investment properties	245,575	236,362
Fixed capital expenditure	(6,230)	(10,837)
Proceeds from sale of property, plant and equipment	-	3,471
Total cash used in investing activities	(80,731)	(35,203)
Financing activities:		
Proceeds from issuance of shares	100,000	80,000
Advance against right shares	100,000	20,000
Total cash flow from financing activities	200,000	100,000
Net cash flow from all activities	(8,094)	(16,463)
Cash and cash equivalents at beginning of period	180,300	111,763
Cash and cash equivalents at end of period	172,205	95,300
Reconciliation to Profit and Loss Account:		
Operating cash flows	(127,363)	(81,260)
Depreciation / amortization expense	(12,207)	(11,504)
Profit/(loss) on disposal of property, plant and equipment	8	1,192
Profit/(loss) on disposal of investments	617	1,644
Dividend and other investment income	4,155	19,245
Increase/(decrease) in assets other than cash	(86,970)	70,741
(Increase)/decrease in liabilities other than borrowings	23,153	(170,268)
Unrealized gain on held for trading investment	(1,443)	(1,503)
Profit or loss after taxation	(200,050)	(171,713)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Director

TPL LIFE INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECMEBER 31, 2018

	Attributable to equity holders of the Company					
	Share Capital	Unappropriated profit / (loss)	Ledger D account	Sub total	Advance against issuance of share	Total
	Rupees in thousand					
Balance as at January 1, 2017						
At beginning of period	600,000	277,067	-	877,067	-	877,067
Effect of changes due to change in presentation	-	-	(545,626)	(545,626)	-	(545,626)
Balance as at January 1, 2017 - restated (note 5.1)	600,000	277,067	(545,626)	331,441	-	331,441
Advance against issuance of shares (note 1.3)	-	-	-	-	20,000	20,000
Right shares issued (note 1.3)	80,000	-	-	80,000	-	80,000
Total comprehensive income for the period						
Deficit for the period retained in statutory fund	-	-	(181,947)	(181,947)	-	(181,947)
Profit for the other than participating business	-	10,235	-	10,235	-	10,235
Other comprehensive income	-	10,235	(181,947)	(171,712)	-	(171,712)
Balance as at December 31, 2017	**680,000**	**287,301**	**(727,573)**	**239,728**	**20,000**	**259,728**
Balance as at January 1, 2018						
At beginning of period	680,000	287,302	-	967,302	20,000	987,302
Effect of changes due to change in presentation	-	-	(727,573)	(727,573)	-	(727,573)
Balance as at January 1, 2018 - restated (note 5.1)	680,000	287,302	(727,573)	239,729	20,000	259,729
Right shares issued (note 1.3)	120,000	-	-	120,000	(20,000)	100,000
Total comprehensive income for the period						
Deficit for the period retained in statutory fund	-	-	(207,818)	(207,818)	-	(207,818)
Profit for the other than participating business	-	7,767	-	7,767	-	7,767
Other comprehensive income	-	7,767	(207,818)	(200,051)	-	(200,051)
Advance against issuance of shares (note 1.3)	-	-	-	-	100,000	100,000
Balance as at December 31, 2018	**800,000**	**295,069**	**(935,391)**	**159,678**	**100,000**	**259,678**

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman | Chief Executive Officer | Director | Director

TPL LIFE INSURANCE LIMITED
NOTES TO THE FINANCIALL STATEMENTS
FOR THE YEAR ENDED DECMEBER 31, 2018

1. STATUS AND NATURE OF BUSINESS

1.1 TPL Life Insurance Limited (Formerly known as (the Company) was incorporated on March, 19 2008 under the Repealed Companies Ordinance, 1984 as public limited company and is registered as a life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company obtained license to carry on life and related lines of insurance business on March 2, 2009. The registered office of the Company is situated at 12th Floor, Centerpoint Building, Off Shaheed-e-Millat Expressway, Adjacent to KPT Interchange, Karachi-74900. The Company is a subsidiary of TPL Corp Limited - Holding Company (Formerly TPL Trakker Limited).

SECP has granted Window Takaful license to the Company in August, 2018 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operation in respect of Family Takaful business under the head ordinary life business and accident and health business.

1.2 The Company is engaged in life insurance business including ordinary life business and accidental and health business.

In accordance with the requirement of Insurance Ordinance, 2000, the Company has established a Shareholder Fund and separate Statutory Funds. The Statutory Funds established by the Company, in accordance with the advice of Appointed Actuary are as follow:

- Individual Life Unit Linked
- Conventional Business
- Accidental and Health

1.3 The Board of Directors of the Company in its meeting held on February 06, 2017 authorized the Company to issue 48 million shares at the rate of Rs.10 each. Pursuant to this right issue, 8 million shares were subscribed by the existing shareholders and remaining 40 million shares were resolved to offer through Initial Public Offering. Relevant Statutory approvals from SECP and PSX were obtained however, IPO was not materialized due to market conditions.

Subsequently, the Board of Directors of the Company in its meeting held on October 17, 2017 authorized the Company, where initial public offering not be held for any reason, to issue 2 million shares to meet the minimum capital requirements as at December 31, 2017, as per the SECP Circular 223(I)/2015 dated March 11, 2015. Accordingly, during last year, the Holding Company subscribed 2 million ordinary shares of Rs. 10 each aggregating to Rs.20 million which were allotted to Holding Company during the period.

The Board of Directors further resolved on June 26, 2018 to issue 10 million right shares at par to meet the solvency requirements. Right shares were not subscribed by the existing shareholders and same has been subscribed by commercial bank (the Bank) which was allotted to the Bank.

Further, Board of Directors in their meeting on December 7, 2018, resolved to issue 10 million right shares at par to meet the solvency requirement. Right shares are fully subscribed by TPL Corporation Limited during the year and have been issued to it subsequent to the year end.

Currently, Company is considering fresh approval for IPO from PSX and SECP.

1.4 Due to losses in the business, being its business nature and the consequential increase in solvency requirements on account of new business, the Company has been augmenting its capital over the last few years. Keeping in view the above circumstances and also the financial projections for the future period, the management expects to manage the required solvency margin through injection of additional capital. The Company has initiated the plan, included but not limited to for Initial Public Offering. Further, the Holding Company has provided a firm commitment to provide recurring financial support to the Company to comply with the solvency requirements on a continuous basis and in order for the Company to remain solvent.

Based on the above, the Board of Directors have made an assessment about the going concern status of the Company and are confident that there exist no material uncertainty regarding the going concern status for the foreseeable future.

2. BASIS FOR PRESENTATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

2.1 Statement of compliance

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

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

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

Incase requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation
- IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Improvements to Accounting Standards Issued by the IASB in December 2016

IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

2.3.1 Standard, Interpretations and Amendments	Effective date (accounting periods)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	July 01, 2018
- IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	January 01, 2019
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

2.3.2 The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.3.3 In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (accounting periods)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contract	January 01, 2021

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3. BASIS OF MEASUREMENT

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

4. ACCOUNTING JUDGMENTS AND ESTIMATES

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

Significant areas where assumptions and estimates were exercised in application of accounting policies, otherwise that are disclosed in these financial statements, relate to:

a) ***Policyholders' liabilities***

<u>Mortality, Morbidity and Interest Bases adopted</u>

SECP vide its circular 17/2013 dated September 13, 2013 has stipulated that SLIC(2001-05) Individual Life Mortality Table published by Pakistan Society of Actuaries be used as the minimum valuation basis prescribed under SECP's notification S.R.O 16(1)/2012. A test was previously conducted to compare the existing valuation basis i.e. EFU (1961-66) mortality table with the minimum valuation basis SLIC (2001-05) for the relevant reserves. The test revealed that the existing valuation basis was more prudent than the minimum valuation basis and therefore it was considered to be more appropriate to continue with the existing valuation basis.

The rate of discount was taken as 3.75% in line with the requirements under SECP's notification S.R.O 16(1)/2012, for determining reserves of traditional products and supplementary coverage. Any differential between the assumed rate and the actual rate is intended to be available to the Company for meeting its administrative expenses.

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2018 are as follows:

a) In respect of Unit Linked policies, the reserve for bid value of allocated units is calculated using the latest bid value of units and the total number of units belonging to policyholders' accounts as at the valuation date. The amount is held as a reserve since it represents the current value of amounts that will be payable to policyholders at the time when a maturity, death or surrender claim is filed. The latest bid value is the last "announced" bid price at the valuation date.

b) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.
c) Unearned premium reserves have been maintained for all riders.
d) Reinsurance premium reserves have been maintained on an unearned premium basis.
e) Reserves have been maintained for Incurred But Not Reported (IBNR) claims, using the chain ladder method for IBNR reserves.
f) For unit linked polices unearned premium reserves has been calculated for mortality charges only.
g) If for any policy the reserve is negative, the negative value is excluded and the reserves for the policies is set equal to zero.

Surrenders

For the purpose 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.

Claims provision

a) Provisions have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable.
b) Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims. The IBNR is determined based on chain ladder method that analyses the time lag between the claim occurrence date and claim reported date from the Company's own experience.

b) **Fixed assets and Intangibles - Depreciation and amortization**

In making estimates of depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

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c) **Taxation**

Provision for taxation is based on the assumption that tax assessments will be finalized in accordance with the historical experience of the Company.

Deferred tax asset is recognized based on estimates of future taxable profit of the company.

d) ***Impairment***

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of revalued assets is treated as revaluation decrease.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year except for the following:

5.1 Insurance Rules, 2017 and Insurance Accounting Regulations, 2017

The SECP vide SRO 89(1)/2017 dated February 9, 2017, has issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017 and format for the preparation of the financial statements. The new Insurance Rules are effective for the current period financial statements. The significant changes affecting these financial statements are as follows;

- Changes in the sequence of assets/ liabilities in the statement of financial position;
- Discontinuation of separate statements of revenue account, premiums, claims, expenses and Investment income.

- Investments are required to be presented in accordance with International Financial Reporting Standards.
- Preparation of single balance sheet and single profit and loss account for statutory funds and shareholder fund.

The effect of changes due to change in presentation are as follows:

	(Rupees in 000)		
	Balance previously reported	Adjustments	Balance (restated)
Shareholder equity as at 31 December 2017			
Share Capital	680,000	-	680,000
Retained Earnings	287,302	-	287,302
Retained earnings on other than participating business	-	(727,573)	(727,573)
	967,302	(727,573)	239,729
Statutory fund/ Retained earnings			
Capital contributed by shareholders' fund	753,812	(753,812)	-
Policyholders' liabilities	138,075	(138,075)	-
Retained earnings on other than participating business	(727,573)	727,573	-
	164,314	(164,314)	-

Statement of profit and loss for the year 31 December 2017	
Net profit	10,235
Change in retained earnings on other than participating business (Ledger C & D)	(181,948)
Restated net profit	(171,713)

	Balance previously reported	Adjustments	Balance (restated)
Shareholder equity as at 31 December 2016			
Share Capital	600,000	-	600,000
Retained Earnings	277,067		277,067
Retained earnings on other than participating business		(545,626)	(545,626)
	877,067	(545,626)	331,441
Statutory fund/ Retained earnings	628,812	(628,812)	-
Capital contributed by shareholders' fund	39,179	(39,179)	-
Policyholders' liabilities	(545,626)	545,626	-
Retained earnings on other than participating business	122,365	(122,365)	-

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5.2 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts where the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts.

The Company enters into insurance contracts with policyholders which are divided into following two major categories:

Group Insurance contracts

The Company offers group life and group health to its clients. The risk underwritten is mainly death, hospitalization and disability. The group insurance contracts are issued typically on yearly renewable term basis.

Individual Insurance Contracts

Individual life unit linked policies are regular life policies, where policy value is determined as per the underlying assets' value. Various types of riders (Accidental Death, Family Income Benefit, etc.) are also sold along with the basic policies.

Individual health contracts are mainly protection policies sold to a wide cross-section of population with different income levels. The risk underwritten is medical expenses related to outpatient services and hospitalization.

5.2.1 Premiums

- First year individual life and individual accident & health premiums are recognized once the related policy have been issued and premiums received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force.
- Premiums for group life, group health business are recognized as and when due. 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.

5.2.2 Reinsurance contracts held

Reinsurance premiums are recognized at the same time when the premium income is recognized. It is measured in line with the terms and condition of the reinsurance treaties.

Reinsurance liabilities represent balances due to reinsurance companies. Reinsurance liabilities are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies which are stated on the basis of amounts receivable under the respective contract after considering any impairment in the value of such assets.

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.

5.2.3 Receivables and payables related to insurance contract

Receivables and payables are recognized when due. These include amounts due to and from agents and policyholders.

5.2.4 Claims

Claim expenses are recognized on the date the insured event is intimated except for individual life unit linked where claim expenses are recognized earlier of the date the policy cease to participate in the earnings of the fund and the date insured event is intimated.

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, as soon as reliable estimates of the claim amount can be made. The liability for claims "Incurred But Not Reported"(IBNR) is included in policyholders' liabilities.

Claim recoveries

Claims recoveries receivable from reinsurers are recognized as assets at the same time when the corresponding claims are recorded in accordance with the terms of the re-insurance contracts.

Experience refund of premium

Experience refund of premium payable / receivable to / from Group policyholders is included in outstanding claims.

5.2.5 Policyholders' liabilities

Policyholders' liabilities including IBNR are stated at a value determined by the appointed actuary through an actuarial valuation / advice carried out at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000. In determining the value both acquired policy values as well as estimated values which will be payable against risks which the Company underwrites are considered. The basis used are applied consistently from year to year. Calculation for premium deficiency reserve and claims incurred but not reported (IBNR) is calculated by the appointed actuary on the basis of assumptions that the claim pattern will follow the historical trend experience.

5.2.6 Acquisition cost

These comprise commission and other costs incurred in acquiring insurance policies and include without limitation all forms of remuneration paid to insurance agents.

These are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except those which are directly referable to the acquisition or renewal of specific contracts that are recognized not later than the period in which the premium to which they refer is recognized as revenue.

5.2.7 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognized as a liability.

5.2.8 Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs, if any, and by subsequently establishing a provision for losses arising from liability adequacy tests.

5.2.9 Statutory funds

The Company maintains statutory funds for Accident and Health business, Conventional business and Individual Life unit linked. Assets, liabilities, revenues and expenses are recorded in the fund, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenue and expenses are allocated to shareholders' funds. Policyholders' liabilities have been included in statutory funds on the basis of actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' funds is recorded as a reduction in the shareholders' equity. However, such capital transfers are eliminated at the entity level.

5.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account rebates and tax credits available, if any in accordance with the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

5.4 **Investments**

All investments are initially recognized at cost, being the fair value of the consideration given and includes transaction costs except for investments designated at fair value through profit and loss.

Held to maturity

Investments with fixed or determinable payments and fixed maturity, where the Company has positive intent and ability to hold to maturity, are classified as Held-to-Maturity Subsequently, these are measured at amortized cost using the effective interest method and taking any discount or premium on acquisition.

Available-for-sale

Available for Sale investments are those non-derivative instruments /contracts that are designated as available for sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale.

These investments are carried at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehesive income. On derecognition or impairment of available-for-sale investments, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

Investments at fair value through profit and loss account

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price are classified as held-for-trading. Subsequent to initial recognition, these are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognized in profit and loss account or the revenue account as the case may be.

5.5 **Fixed assets**

Tangibles

These are stated at cost less accumulated depreciation and any impairment in value. Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals and replacements are capitalized.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset, at the rate specified in note 6 to the financial statements. Depreciation on additions is charged for the full month in which an asset has been purchased and no depreciation is charged for the month in which the asset is disposed off or retired.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of assets, if any, are included in income currently.

Capital work in progress

Capital work in progress is stated at cost less any impairment losses, if any.

Intangibles

These are stated at cost less accumulated amortization and any impairment in value. Costs incurred on the acquisition of intangible assets are capitalized and are amortized over the useful life of the related assets on straight line basis, at the rate specified in note 7 to the financial statements.

Impairment of Non-financial assets

The carrying values of the Company's fixed assets are reviewed at each balance sheet date for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

5.6 Investment income

- Mark-up / interest income on bank deposits and government securities is recognized on time proportion basis, using effective yield method.
- Interest on fixed income securities is recognized on time proportion basis using effective yield method.
- Dividend income is recognized when the Company's right to receive the payment is established.
- Gain or loss on sale of investments is included in profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.
- Revaluation gain/loss on investment held 'at fair value through profit and loss' is recognized as income/expense in the profit and loss / revenue account.

5.7 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.
Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

5.8 Staff retirement benefits

Defined contribution plan

The Company operates an unfunded staff provident fund scheme thereby staff and Company share equally at 8.33% of basic salary. Subsequent to balance sheet date Company registered fund with tax authorities and in process of obtaining fund approval.

5.9 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

5.10 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

5.11 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.12 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees (functional currency) at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

5.13 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes or sub classes of business (statutory funds) as specified under the Insurance Ordinance, 2000 and (Insurance) Rules, 2002.

Based on its classification of Insurance contracts issued, the Company has three business segments for reporting purposes namely individual life unit linked business, conventional business and accident and health business.

The Company maintains Statutory Funds in respect of each class of its life insurance business. Assets, liabilities, revenues and expenses of the Company are referable to respective Statutory Funds, however, wherever, these are not referable to Statutory Funds, they are allocated to the Shareholders' Fund.

Apportionment of assets, liabilities, revenues and expenses, wherever required, between the funds are made on a fair and equitable basis and in accordance with the written advice of the Appointed Actuary.

6. PROPERTY AND EQUIPMENT

6.1 Operating Assets NOTE

Tangible assets

Description	Cost: As at January 01, 2018	Additions	Disposals / Adjustments	As at December 31, 2018	Accumulated Depreciation: As at January 01, 2018	Charge for the year	On Disposal	As at December 31, 2018	Written down value: As at December 31, 2018	Rate %
	(Rupees in '000)									
Furniture and fixture	12,525	202	(21)	12,706	3,412	2,411	(8)	5,815	6,891	20
Office and electrical equipment	8,524	478	-	9,002	3,454	1,391	-	4,845	4,157	20
Computer equipment	12,125	1,515	-	13,640	10,679	1,174	-	11,853	1,788	33
Mobile phones	683	467	(113)	1,037	322	357	(25)	654	383	50
Lease improvements	5,275	270	-	5,545	1,051	1,100	-	2,151	3,395	33
Motor vehicles	-	-	-	-	-	-	-	-	-	20
June 30, 2018	39,132	2,932	(133)	41,930	18,918	6,432	(33)	25,317	16,613	

Description	Cost: As at January 01, 2017	Additions	Disposals / Adjustments	As at December 31, 2017	Accumulated Depreciation: As at January 01, 2017	Charge for the year	On Disposal	As at December 31, 2017	Written down value: As at December 31, 2017	Rate %
	(Rupees in '000)									
Furniture and fixture	17,985	1,639	(7,099)	12,525	6,222	2,681	(5,491)	3,412	9,113	20
Office and electrical equipment	12,843	339	(4,658)	8,524	6,131	1,616	(4,293)	3,454	5,070	20
Computer equipment	10,879	1,361	(115)	12,125	10,000	781	(102)	10,679	1,446	33
Mobile phones	505	394	(216)	683	115	258	(51)	322	361	50
Lease improvements	3,581	1,822	(128)	5,275	60	991	-	1,051	4,224	33
Motor vehicles	-	-	-	-	-	-	-	-	-	20
2017	45,793	5,555	(12,216)	39,132	22,528	6,327	(9,937)	18,918	20,214	

7. INTANGIBLES ASSETS

	Note	2018	2017
		(Rupees in '000)	
Computer software	7.1	7,209	9,578
Advance for software		1,899	1,899
		9,108	11,477

7.1 Computer software

Description - 2018	Cost: As at January 01, 2018	Additions	Disposals	As at December 31, 2018	Accumulated Depreciation: As at January 01, 2018	Charge for the year	On Disposal	As at December 31, 2018	Written down value: As at December 31, 2018	Rate %
	(Rupees in '000)									
Software	30,209	3,406	-	33,615	20,631	5,775	-	26,406	7,209	33

Description - 2017	Cost: As at January 01, 2017	Additions	Disposals	As at December 31, 2017	Accumulated Depreciation: As at January 01, 2017	Charge for the year	On Disposal	As at December 31, 2017	Written down value: As at December 31, 2017	Rate %
	(Rupees in '000)									
Software	24,927	5,282	-	30,209	15,454	5,177	-	20,631	9,578	33

		2018	2017
		(Rupees in '000)	
8.	**INVESTMENTS**		
8.1.	**Government securities**		
	Held to maturity		
	Pakistan Investment Bonds	**96,373**	84,803
	Fair value through profit and loss		
	Treasury Bills	**96,270**	57,793
		192,643	142,596

8.1.1 Held to maturity
Government securities

	Note	Years / Months	Maturity Date	Face Value	Book Value	Book Value
Pakistan Investment Bonds	8.1.1.1	3 years	21-Apr-19	60,000	**60,115**	60,477
Pakistan Investment Bonds	8.1.1.1	3 years	29-Dec-19	8,000	**8,047**	8,091
Pakistan Investment Bonds		3 years	29-Dec-19	16,000	**16,121**	16,235
Pakistan Investment Bonds	8.1.1.1	5 years	21-Apr-21	2,000	**2,008**	-
Pakistan Investment Bonds	8.1.1.1	10 years	19-Jul-22	10,000	**10,082**	-
					96,373	84,803

8.1.1.1 The Company has deposited 3 years, 5 years and 10 years Pakistan Investment Bonds having face value of Rs.68 million, 2 million and 10 million respectively (2017: 3 years and 5 years Pakistan Investment Bonds having face value of Rs.68 million and 2 million respectively) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

8.1.1.2 The market value of held-to-maturity securities was Rs. 94.216 million (2017: Rs. 84.662 million)

8.1.2 Fair value through profit and loss

Government securities

	Years / Months	Maturity Date	Face Value	Book Value	Book Value
Treasury Bills	3 months	28-Feb-19	7,100	**6,986**	6,932
Treasury Bills	6 months	18-Jan-18	51,000	**-**	50,861
Treasury Bills	6 months	11-Apr-19	40,000	**39,096**	-
Treasury Bills	3 months	28-Feb-19	51,000	**50,187**	-
				96,270	57,793

		2018	2017
8.2	**Listed equities**		
	Held for tradng		
	Listed equities	-	37,360
8.2.1	**Listed equities**		
	Rafhan maize products ltd.	-	1,360
	Summit Bank Limited (Con) B	-	36,000
		-	37,360
8.3	**Mutual Funds**		
	Fair value through profit and loss		
	Open end mutual funds	**9,874**	10,359
8.3.1	**Open end mutual funds**		
	NAFA stock fund	**1,570**	1,715
	ABL stock fund	**1,484**	1,694
	MCB Pakistan stock market fund	**1,555**	1,718
	Alfalah GHP stock fund	**691**	1,687
	Atlas stock market fund	**1,707**	1,221
	HBL energy fund	**1,542**	1,401
	Meezan Islamic Fund	**148**	311
	Meezan Islamic Income Fund	**339**	612
	AKD Islamic Income Fund	**52**	-
	AKD Islamic Stock Fund	**40**	-
	Lakson Equity Fund	**746**	-
		9,874	10,359
8.4	**Term deposit receipts**		
	Deposits maturing within 12 months	**85,000**	85,000

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		Note	2018	2017
9.	**INSURANCE / REINSURANCE RECEIVABLES**		(Rupees in '000)	
	Due from insurance contract holders		99,459	83,245
	Less : provision for impairment of receivables from insurance contract holders		14,114	11,030
			85,345	72,215
	Due from other insurers / reinsurers		-	-
	Less : provision for impairment of receivables from insurance contract holders		-	-
			-	-
			85,345	72,215
10.	**OTHER LOANS AND RECEIVABLES**			
	Receivable from related parties		-	1,010
	Accrued investment income		2,890	3,265
	Security deposit		7,054	12,963
	Advance to supplier		50	860
	Loans to employees		-	312
	Other Advances		2,316	2,805
			12,309	21,215
11.	**PREPAYMENTS**			
	Prepaid rent		380	889
	Prepaid miscellaneous expenses		250	464
	Prepaid listing fee		2161	1,161
			2,791	1,353
12.	**CASH AND BANK**			
	Cash and cash equivalent			
	- Cash in hand		17	15
	- Policy & revenue stamps		182	431
	Bank balances			
	- Current account		8,877	799
	- Saving account	12.1	163,130	94,055
			172,205	95,300

12.1 These carry markup ranging from 3.75% to 6.5%.

12.2 The above balances include Rs. 50 million earmarked for Window Takaful Operations, as required under Takaful Rules, 2012.

13. **ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

December 31, 2018	December 31, 2017		2018	2017
(No. of shares)			(Rupees in '000)	
		Issued, subscribed and paid up Ordinary shares of Rs.10 each issued for cash		
68,000,000	60,000,000	As at beginning of the year	680,000	600,000
12,000,000	8,000,000	Issued during the year	120,000	80,000
80,000,000	68,000,000	As at end of the year	800,000	680,000

13.1 As at December 31, 2018, the shareholdings of the Company is as follows:

	2018		2017	
	Number of shares	shareholding %	Number of shares	shareholding %
TPL Corp. Limited	60,496	75.62%	58,496	86.02%
Sindh Bank Limited	10,000	12.50%	-	0.00%
Directors	9,504	11.88%	9,504	13.98%

14. **INSURANCE LIABILITIES**

	Note	2018	2017
		(Rupees in '000)	
Reported outstanding claims	14.1	66,362	43,043
Incurred but not reported claims	14.2	8,775	4,895
Investment component of unit-linked and account value policies	14.3	17,668	15,000
Liabilities under individual conventional insurance contracts	14.4	-	-
Liabilities under group insurance contracts (other than Investment l	14.5	181,055	117,975
Other insurance liabilities (premium deficiency reserve)	14.6	-	205
		273,861	181,118

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		2018	2017
		(Rupees in '000)	
14.1	**Reported outstanding claims**		
	Gross of Reinsurance		
	Payable within one year	73,342	54,181
	Payable over a period of time exceeding one year	-	-
		73,342	54,181
	Recoverable from Reinsurance		
	Receivable within one year	6,980	11,138
	Receivable over a period of time exceeding one year	-	-
		6,980	11,138
	Net reported outstanding claims	66,362	43,043
14.2	**Incurred but not reported claims**		
	Gross of reinsurance	8,775	4,895
	Reinsurance recoveries	-	-
	Net of reinsurance	8,775	4,895
14.3	**Investment component of unit linked and account value policies**		
	Investment component of unit linked policies	17,668	15,000
	Investment component of account value policies	-	-
		17,668	15,000
14.4	**Liabilities under individual conventional insurance contracts**		
	Gross of reinsurance	-	-
	Reinsurance recoveries	-	-
	Net of reinsurance	-	-
14.5	**Liabilities under Group Insurance Contracts (other than investment linked)**		
	Gross of reinsurance	187,023	124,938
	Reinsurance recoveries	(5,967)	(6,963)
	Net of reinsurance	181,055	117,975
14.6	**Other insurance liabilities (premium deficiency reserve)**		
	Gross of reinsurance	-	205
	Reinsurance recoveries	-	-
	Net of reinsurance	-	205
15.	**INSURANCE / REINSURANCE PAYABLES**		
	Due to insurance contract holders	-	-
	Due to other insurers / reinsurers	24,832	11,586
		24,832	11,586
16.	**OTHER CREDITORS AND ACCRUALS**		
	Agent commission payable	9,990	9,894
	WWF	-	534
	Payable to related parties	445	15,318
	Accrued expenses	17,010	21,682
	Income tax liabilities	6,500	1,946
	Other liabilities	3	797
	Payable to vendors	348	5,481
	Staff provident fund	15,068	9,836
		49,365	65,488

	2018	2017
	(Rupees in '000)	
17. NET INSURANCE PREMIUM REVENUE		
Gross Premiums		
Regular Premium Individual Policies*		
First year	28,282	16,733
Second year renewal	1,783	850
Subsequent year renewal	225	-
Single premium individual policies	9,262	13,384
Group policies without cash value	395,646	238,866
Total Gross Premiums	435,197	269,833
Less: Reinsurance Premiums Ceded		
On indivdual life First year business	523	348
On group policies	39,321	16,476
	39,844	16,824
Net Premiums	395,353	253,009

*Individual policies are those underwritten on an individual basis, and include joint life policies underwritten as such.

	2018	2017
18. INVESTMENT INCOME		
Income from equity securities		
- Dividend income	103	777
Income from debt securities		
- Return on debt securities	10,157	8,090
Income from term deposits		
- Return on term deposits	5,158	4,810
	15,417	13,677
19. NET REALISED FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS		
Fair value through profit and loss		
Realized gains on:		
- Equity securities	274	1,886
- Mutual funds	343	(242)
	617	1,643
20. NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Net unrealized gains / (losses) on investments at fair value through profit or loss	(1,445)	(1,502)
Total investment income	(1,445)	(1,502)
Less: investment related expenses	1,880	817
	(3,325)	(2,319)
21. OTHER INCOME		
Return on bank balances	8,101	6,306
Gain on sale of fixed assets	8	1,192
Administrative services income	-	276
	8,109	7,774

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		2018	2017
		(Rupees in '000)	
22.	**NET INSURANCE BENEFITS**		
	Gross Claims		
	Claims under individual policies		
	by death	-	-
	by insured other than death	1,144	2,976
	by surrender	11,893	1,413
	Total gross individual policy claims	13,037	4,389
	Claims under group policies		
	by death	28,554	22,663
	by insured other than death	227,333	58,399
	Total gross group policy claims	255,887	81,062
	Total gross claims	268,924	85,451
	Less: Reinsurance recoveries		
	On Group life claims	22,440	17,731
		246,484	67,720
23.	**ACQUISITION EXPENSES**		
	Remuneration to insurance intermediaries on individual policies.		
	- Commission on first year premiums	6,678	6,003
	- Commission on second year premiums	100	29
	- Commission on subsequent year premiums	4	-
	- Commission on single premiums	184	462
		6,966	6,494
	Remuneration to insurance intermediaries on group policies.		
	- Commission	28,781	25,770
	Other acquisition costs		
	- Stamp duty	291	103
	- Initial medical fee	123	90
	Total acquisition cost	36,161	32,457
24.	**MARKETING AND ADMINISTRATION EXPENSES**		
	Employee benefit cost - note 24.1	156,745	135,300
	Travelling expenses	4,560	2,598
	Advertisements and sales promotion	10,196	12,641
	Printing and stationery	5,265	4,448
	Depreciation	6,432	6,327
	Amortization	5,775	5,177
	Rent, rates and taxes	13,482	17,374
	Legal and professional charges	10,167	8,232
	Electricity, gas and water	5,642	5,008
	Entertainment	1,677	4,163
	Vehicle running expenses	5,534	4,235
	Office repair and maintenance	7,540	6,746
	Appointed actuary fees	4,200	4,200
	Bank charges	165	139
	Postage, telegrams and telephone	2,349	3,574
	Annual Supervision fee SECP	233	869
	Software rentals	12,419	13,761
	Auditors' remuneration - note 24.2	867	2,362
	Fees, subscription and periodicals	612	2,387
	Insurance	1,818	1,028
	Provision for doubtful debts	3,084	2,285
	Miscellaneous	1,623	1,314
		260,386	244,188
24.1	**Employee benefit cost**		
	Salaries, allowances and other benefits	150,869	131,449
	Charges for post employment benefit	5,876	3,851
		156,745	135,300

	2018	2017
	(Rupees in '000)	

24.2 Auditors' remuneration

	2018	2017
Audit fee	337	337
Fee for audit of provident, pension, gratuity and other funds	-	-
Special certifications and sundry advisory services	494	2,010
Tax services	-	-
Out-of pocket expenses	36	36
	867	2,382

25. OTHER EXPENSES

	2018	2017
Legal and professional fee other than business related	1,615	1,905
Auditors' remuneration	-	-
Director fee	240	200
Registration fee	-	-
Expenses on bonus issue	-	-
Donations	2,300	-
Workers Welfare Fund	(534)	-
	3,622	2,105

26. TAXATION

	2018	2017
	(Rupees in '000)	
For the year		
Current	144	131
Deferred	-	-
	144	131

26.1 Current tax charge represents minimum tax on turnover in accordance with the provisions of section 113 of the Income Tax Ordinance, 2001 (the Ordinance) The numerical reconciliation between the average tax rate and applicable tax rate has not been presented as the Company has accumulated tax losses in respect of prior periods.

26.2 The Company has e-filed the return of income for the tax year 2017 which is deemed to be an assessment order issued by the Commissioner under the provision of section 120 of the Ordinance.

26.3 As of December 31, 2018 the carry forward tax loss amount to Rs.210 million (2017: Rs. 270 million). Deferred tax asset arising due to carry forward tax losses and timing differences calculated at the current rate of taxation amounts to Rs.63 million (2017: Rs. 84 million). Deferred tax asset has not been recognized in these financial statements due to uncertainty of realisibility of the amount based on financial projections prepared by the Company.

27. LOSS PER SHARE

	2018	2017
	(Rupees in '000)	
(Loss) (after tax) for the year	(200,050)	(171,713)
	(Number of shares '000)	
Weighted average number of ordinary shares	73,304	66,663
	(Rupees)	
Loss per share	(2.73)	(2.58)

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the balance sheet date.

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fees	-	-	240	200	-	-
Managerial remuneration	9,729	14,330	-	-	30,976	26,765
Provident fund	655	-	-	-	1,843	-
Rent and house maintenance	3,928	4,475	-	-	12,161	6,831
Utilities	1,052	1,003	-	-	3,248	1,531
Conveyance	1,050	945	-	-	5,817	3,496
	16,413	20,753	240	200	54,044	38,622
Number of persons	1	1	1	1	18	13

Also disclose short term employee benefits post employment benefits, other long term benefits, termination benefits and share (stock options) based payment.

Executives mean employees, other than the chief executive and directors as defined under the Code of Corporate Governance.

29. SEGMENTAL INFORMATION

29.1 Revenue Account by Statutory Fund

For the year ended December 31, 2018

	Statutory funds			Aggregate
	Individual life unit linked	Conventional business	Accident & health business	2018
	(Rupees in '000)			
Income				
Premium less reinsurances	25,006	18,040	352,307	395,353
Net investment income	-	97	10,722	10,819
Other income	-	-	-	-
Total net income	25,006	18,137	363,029	406,172
Claims and expenditure				
Claims, including bonuses, net of reinsurance recoveries	11,893	6,574	228,017	246,484
Management expenses less recoveries	123,696	41,023	133,362	298,081
Total claims and expenditure	135,589	47,597	361,379	544,565
Deficit of income over claims and expenditure	(110,583)	(29,461)	1,650	(138,394)
Add: Policyholders' liabilities at beginning of the year	15,002	5,013	118,060	138,074
Less: Policyholders' liabilities at end of the year	17,671	10,290	179,538	207,499
Deficit	(113,253)	(34,738)	(59,828)	(207,819)
Movement in policyholders' liabilities	2,670	5,277	61,478	69,425
Transfers from shareholders' fund				
- Capital contributions from shareholders' fund	113,500	29,000	48,500	191,000
Balance of statutory fund at beginning of the year	15,432	11,082	137,798	164,312
Balance of statutory fund at end of the year	18,349	10,621	187,948	216,918
Represented by:				
Capital contributed by shareholders' fund	225,000	72,000	647,812	944,811
Policyholders' liabilities	17,671	10,290	179,538	207,499
Retained earnings on other than participating business	(224,322)	(71,669)	(639,401)	(935,392)
Balance of statutory fund at end of the year	18,349	10,621	187,948	216,918

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For the period ended December 31, 2017	Statutory funds: Individual life unit linked	Statutory funds: Conventional business	Statutory funds: Accident & health business	Aggregate 2017
	(Rupees in '000)			
Income				
Premium less reinsurances	21,294	9,580	222,135	253,009
Net investment income	(330)	189	8,445	8,304
Total net income	20,964	9,769	230,580	261,313
Claims and expenditure				
Claims, including bonuses, net of reinsurance recoveries	1,413	5,036	61,271	67,720
Management expenses less recoveries	98,338	27,526	150,780	276,644
Total claims and expenditure	99,751	32,562	212,051	344,364
Deficit of income over claims and expenditure	(78,787)	(22,793)	18,529	(83,051)
Add: Policyholders' liabilities at beginning of the year	1,281	328	37,570	39,179
Less: Policyholders' liabilities at end of the year	15,002	5,013	118,060	138,075
Deficit	(92,508)	(27,478)	(61,961)	(181,947)
Movement in policyholders' liabilities	13,721	4,685	80,490	98,896
Transfers from shareholders' fund				
- Capital contributions from shareholders' fund	92,500	32,500	-	125,000
Balance of statutory fund at beginning of the year	1,721	1,374	119,270	122,365
Balance of statutory fund at end of the year	15,434	11,081	137,799	164,314
Represented by:				
Capital contributed by shareholders' fund	111,500	43,000	599,312	753,812
Policyholders' liabilities	15,002	5,013	118,060	138,075
Retained earnings on other than participating business	(111,068)	(36,932)	(579,573)	(727,573)
Balance of statutory fund at end of the year	15,434	11,081	137,799	164,314

29.2 Segment results by line of business

For the year ended December 31, 2018	Statutory funds: Individual life unit linked	Statutory funds: Conventional business	Statutory funds: Accident & health business	Aggregate 2018
	(Rupees in '000)			
Income				
Gross premiums				
First year individual regular premiums	14,256	-	14,026	28,282
Individual second year renewal premiums	1,783	-	-	1,783
Individual Subsequent year renewal	225	-	-	225
Individual single premiums	9,262	-	-	9,262
Group premiums	-	57,360	338,286	395,646
Total gross premiums	25,525	57,360	352,311	435,197
Reinsurance premiums				
- Individual business	519	-	4	523
- Group business	-	39,321	-	39,321
Total reinsurance premiums	519	39,321	4	39,844
Net premium revenues	25,006	18,040	352,307	395,353
Net investment income	0	97	10,722	10,819
Net income	25,006	18,137	363,029	406,172
Insurance benefits and expenditures				
Insurance benefits, including bonuses, net of reinsurance	11,893	6,574	228,017	246,484
Management expenses less recoveries	123,696	41,023	133,362	298,081
Total insurance benefits and expenditures	135,589	47,597	361,379	544,565
Excess of income over insurance benefits	(110,582)	(29,461)	1,650	(138,393)
Add: Policyholders' liabilities at beginning of the period	15,002	5,013	118,060	138,074
Less: Policyholders' liabilities at end of the period	17,671	10,290	179,538	207,499
Deficit before tax	(113,252)	(34,738)	(59,828)	(207,818)

29.2.1 Reconciliation of deficit before tax reported in segment note with amounts reported in profit and loss account:

Deficit of statutory Funds	(207,818)
Profit of Shareholders Fund	7,912
Deficit before tax as reported in profit and loss account	(199,906)

29.2.1.1 The business distributed through banks during the year amounted to Rs. 343,000 (Gross Premium).

For the year ended December 31, 2017	Statutory funds: Individual life unit linked	Statutory funds: Conventional business	Statutory funds: Accident & health business	Aggregate 2017
	(Rupees in '000)			
Income				
Gross premiums				
First year individual regular premiums	7,390	-	9,343	16,733
Individual second year renewal premiums	850	-	-	850
Individual single premiums	13,384	-	-	13,384
Group premiums	-	26,056	212,810	238,866
Total gross premiums	21,624	26,056	222,153	269,833
Reinsurance premiums				
- Individual single premiums	330	-	18	348
- Group premiums	-	16,476	-	16,476
Total reinsurance premiums	330	16,476	18	16,824
Net premium revenues	21,294	9,580	222,135	253,009
Other income	-	-	-	-
Net investment income	(330)	189	8,445	8,304
Net income	20,964	9,769	230,580	261,313
Insurance benefits and expenditures				
Insurance benefits, including bonuses, net of reinsurance	1,413	5,036	61,271	67,720
Management expenses less recoveries	98,338	27,526	150,780	276,644
Total insurance benefits and expenditures	99,751	32,562	212,051	344,364
Excess of income over insurance benefits	(78,787)	(22,793)	18,529	(83,051)
Add: Policyholders' liabilities at beginning of the period	1,281	328	37,570	39,179
Less: Policyholders' liabilities at end of the period	15,002	5,013	118,060	138,075
Deficit before tax	(92,508)	(27,478)	(61,961)	(181,947)

29.2.2 Reconciliation of deficit before tax reported in segment note with amounts reporting in profit and loss account:

Deficit of statutory Funds	(181,947)
Profit of Shareholders Fund	10,365
Deficit before tax as reported in profit and loss account	(171,582)

29.3 Segment results by line of business

	Shareholders' fund	Statutory funds: Individual life unit linked	Statutory funds: Conventional business	Statutory funds: Accident & health business	Aggregate 2018	Aggregate 2017
	(Rupees in '000)					
Property and equipment	16,613	-	-	-	16,613	20,214
Intangible assets	9,108	-	-	-	9,108	11,477
Investments	179,348	16,861	-	91,308	287,517	190,315
Insurance / reinsurance receivables	-	-	11,999	73,346	85,345	72,216
Other loans and receivables	6,780	-	23	5,506	12,309	21,215
Taxation - payments less provision	25,495	20	-	91	25,606	23,329
Prepayments	2,791	-	-	-	2,791	1,353
Cash & Bank	41,610	7,491	30,683	92,422	172,205	180,300
Interfund balances	5,402	(3,111)	(4,648)	2,357	-	-
Total assets	287,147	21,261	38,057	265,030	611,495	520,419
Insurance liabilities net of reinsurance recoveries	-	17,671	13,282	242,908	273,861	181,118
Premium received in advance	-	(397)	292	3,865	3,760	2,499
Insurance / reinsurance payables	-	857	23,624	350	24,832	11,586
Other creditors and accruals	36,891	2,451	527	9,498	49,368	65,488
Total Liabilities	36,891	20,583	37,726	256,620	351,820	260,691

30. MOVEMENT IN INVESTMENTS

	Held to Maturity	Held to Trading	Fair Value Through P & L	Total
	(Rupees in '000)			
At beginning of the year	84,803	37,360	68,152	190,315
Additions	49,993	-	52,947	102,940
Disposals (sale and redemptions)		(37,360)	(52,763)	(90,123)
Fair value net gains (including net realized gains)	-	-	(615)	(615)
	134,796	-	67,721	202,517

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Management of insurance and financial risk

The Company's overall risk management seeks to minimize potential adverse effects on the Company's financial performance of such risk.

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

The risks involved with financial instruments and the Company's approach to managing such risks are discussed below.

31.2 Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is that the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

31.2.1 Individual life unit linked

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. Profit testing is conducted 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. 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 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. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

a) Frequency and severity of claims

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

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 unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behavior.

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.

d) Changes in assumptions

There has been no change in assumptions during the year.

31.2.2 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 rates are certified by the appointed actuary for large groups. The Company also maintains an MIS to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any life. At the same time, due caution is applied in writing business in areas of 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 claim 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, a claims committee reviews all large claims for verification. Strict monitoring is in place in order to keep the outstanding balances of premium at a minimum, especially the ones that are overdue. The bulk of the assets held against liabilities of this line of business have a short duration, thus mitigating the risk of asset value deterioration.

a) Frequency and severity of claims

The risk is affected by several factors e.g. age, occupation, benefit structure and life style. The Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country.

b) Sources of uncertainty in the estimation of future benefits 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

Statistical methods are used to adjust the rates to a best estimate of mortality. Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the group's experience.

d) Changes in assumptions

There has been no change in assumptions during the year.

31.2.3 Accident & Health

The main risk written by the Company is morbidity. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of high exposure in a particular geographical areas, medical expense inflation, fraudulent claims and catastrophic event. The Company potentially faces the risk of lack of adequate claims control (such as for very large groups). The Company also faces a risk of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time.

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 writing business for groups with potentially high health related risk exposure such as Government Schemes. Any pre-existing conditions are screened at this stage. Pricing is done as per actual experience of the Company's portfolio. The premium charged takes into account the actual experience of the client and an MIS is maintained to track the adequacy of the premium charged.

a) Frequency and severity of claims

Company measures risk accumulation in terms of potentially high exposure concentration in a particular geographical area (such as micro insurance policy in northern areas).

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 morbidity for future years because of the short duration of the contracts.

c) **Process used to decide on assumptions**

An investigation into group's experience is performed periodically, and statistical methods are used to adjust the rates to a best estimate of morbidity. Where data is sufficient to be statistically credible, the statistics generated by the data are assigned appropriate credibility factors to account for the group's experience.

d) **Changes in assumptions**

There has been no change in assumptions.

Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provision, if deemed necessary. There are several variable factors that affect the amount and timing of recognized claim liabilities. However the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below:

	Change in claims assumption	Impact on gross liabilities	Impact on balance sheet	Impact on revenue account
		---------(Rupees in '000)--------		
31 December 2018				
Current claims	+10%	6,337	(6,337)	(6,337)
	-10%	(6,337)	6,337	6,337
31 December 2017				
Current claims	+10%	5,418	(5,418)	(5,418)
	-10%	(5,418)	5,418	5,418

31.3 **Financial risk**

31.3.1 **Market risk**

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

(a) **Interest rate risk exposure**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term deposits and deposits in profit and loss sharing accounts with banks.

Fair value sensitivity analysis for fixed rate instruments

Fixed rate financial assets are carried in held to maturity category. Therefore, a change in interest rates at reporting date would not affect profit and loss account.

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased the profit and loss and equity by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant.

	Profit and loss account		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	-----(Rupees in '000)-----		-----(Rupees in '000)-----	
31 December 2018				
Cash flow sensitivity	193	(193)	193	(193)
31 December 2017				
Cash flow sensitivity	1,791	(1,791)	1,791	(1,791)

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) as of December 31, 2018 is as follows:

On balance sheet financial instruments	2018 Interest / markup bearing Within one year	More than one year	Sub Total	Non-interest bearing financial instruments	Total	2017 Interest / markup bearing Within one year	More than one year	Sub Total	Non-interest bearing financial instruments	Total
	-----	-----	-----	-----	(Rupees in '000)	-----	-----	-----	-----	-----
Financial assets										
Investments	275,426	12,091	287,517	-	287,517	190,512	84,803	275,315	-	275,315
Insurance / reinsurance receivables	-	-	-	85,345	85,345	-	-	-	72,216	72,216
Other loans and receivables	-	-	-	12,309	12,309	-	-	-	21,215	21,215
Cash & Bank	172,007	-	172,007	199	172,205	94,854	-	94,854	446	95,300
	447,433	12,091	459,524	97,852	557,376	285,366	84,803	370,169	93,877	464,046
Financial liabilities										
Insurance Liabilities	-	-	-	273,861	273,861	-	-	-	181,118	181,118
Premium received in advance	-	-	-	3,760	3,760	-	-	-	2,499	2,499
Insurance / reinsurance payables	-	-	-	24,832	24,832	-	-	-	11,586	11,586
Other creditors and accruals	-	-	-	49,365	49,365	-	-	-	65,488	65,488
	-	-	-	351,817	351,817	-	-	-	260,691	260,691
On balance sheet gap	447,433	12,091	459,524	(253,964)	205,559	285,366	84,803	370,169	(166,814)	203,355

(b) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

(c) **Equity Price Risk**

The Company's investment in listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company manages equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The Company is exposed to equity price risk with respect to its investments in quoted securities. Change of 10% in equity prices (NAV in case of mutual fund) will result in change in prices of respective equity instruments by Rs. 0.887 million (2017: Rs. 1.172 million).

31.3.2 **Fair value**

31.3.2.1 IFRS 13 defines fair value as an exit price. 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.

31.3.2.2 All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Following are the assets which are either measured at fair value or where fair value is only disclosed and is different from their carrying value:

	2018 Fair value measurement using Level 1	Level 2	Level 3
		(Rupees in '000)	
Government securities	-	192,643	-
Listed securities	-	-	-
Open end mutual funds	9,874	-	-
	9,874	192,643	-

	2017 Fair value measurement using Level 1	Level 2	Level 3
		(Rupees in '000)	
Government securities	-	142,596	-
Listed securities	37,360	-	-
Open end mutual funds	10,359	-	-
	47,719	142,596	-

31.3.3 **Credit risk**

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

The maximum exposure to credit risk before any credit enhancements as at December 31, 2018 is the carrying amount of the financial assets as set out below:

	2018	2017
	(Rupees in '000)	
Nature of financial assets		
Investments	**94,874**	132,719
Insurance / reinsurance receivables	**85,345**	72,216
Other loans and receivables	**12,309**	21,215
Cash & Bank	**172,205**	95,300
	364,733	321,450

Bank balances

The Company maintained its funds with banks having strong credit rating. Currently the funds are kept with banks having rating ranging from AAA to A-.

No assets of the Company are impaired, other than Insurance / reinsurance receivables. The age analysis of premium due but unpaid is as follows:

Past due but not impaired		
Upto 1 year	**82,519**	68,080
1 - 3 years	**16,940**	15,165
Impaired	**14,114**	11,030

Concentration of credit risk

Concentration is the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Company manages such risk by diversifying its portfolio and entering into transactions with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	2018	2017
	(%)	(%)
Government organization	**2.75**	25.66
Telecom	**3.60**	-
Financial Institution	**26.03**	-
Education	**0.58**	-
Automobile	-	11.02
Engineering	-	12.64
Media	**2.48**	8.57
Travel & Transport	**16.16**	1.78
Textile	**3.87**	1.54
Hotel	**2.66**	-
Oil & Gas	**0.04**	-
Engineering	**7.00**	-
Construction material	**0.20**	-
Others	**34.63**	38.79
	100.00	100.00

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Capital risk managements

The Company's objective when managing capital is to safe guard 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; and to maintain a strong capital base to support the sustained development its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

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.

31.3.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2018					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
		-------------- (Rupees in '000) --------------				
Non-derivative						
Financial liabilities						
Insurance Liabilities	273,861	273,861	273,861	-	-	-
Premium received in advance	3,760	3,760	3,760	-	-	-
Insurance / reinsurance payables	24,832	24,832	24,832			
Other creditors and accruals	49,365	49,365	49,365	-	-	-
	351,817	351,817	351,817	-	-	-

	2017					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
		-------------- (Rupees in '000) --------------				
Non-derivative						
Financial liabilities						
Insurance Liabilities	181,118	181,118	181,118	-	-	-
Premium received in advance	2,499	2,499	2,499	-	-	-
Insurance / reinsurance payables	11,586	11,586	11,586	-		
Other creditors and accruals	65,488	65,488	65,488	-	-	-
	260,691	260,691	260,691	-	-	-

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of holding Company, associated companies, staff retirement fund, Directors and key management personnel. The transactions with related parties are in normal course of business. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

Name of related party	Relationship with the company	Nature of transactions	2018 (Rupees in '000)	2017 (Rupees in '000)
TPL Trakker Limited	Associated undertaking	Administrative cost charged	31,196	53,763
		Administration cost incurred	7,532	1,799
		Premium written during the period	3,807	2,208
		Claims incurred during the period	1,000	-
		Outstanding Balances		
		Payable against administrative cost	860	13,757
		Premium receivable	3,807	-
		Outstanding claims	500	-
TPL Insurance Limited	Associated undertaking	Administrative cost charged	6,232	2,309
		Administration cost incurred	10,625	-
		Insurance premium	-	53
		Premium written during the period	1,974	491
		Outstanding Balances		
		Payable against administrative cost	-	1,561
		Receivable against administrative cost incurred	907	160
		Premium receivable	1,974	-
TPL Securities Services (Private) Limited	Associated undertaking	Services received	792	1,122
		Premium written during the period	115	1,150
		Claims incurred during the period	14	500
		Outstanding Balances		
		Payable against services	66	-
		Advance paid	-	160
		Premium receivable	115	-
		Outstanding claims	-	500
Centrepoint Management Services (Private) Limited	Associated undertaking	Reimbursement of expenses	4,536	-
		Premium written during the period	733	235
		Outstanding Balances		
		Payable for expenses incurred for the Company	427	-
		Advance paid	-	850
		Premium receivable	733	235
		Key Management Personnel	70,458	59,375
		Director Fee	240	100

33 GENERAL

33.1 Figures have been rounded off to the nearest thousands.

33.2 Corresponding figures have been re-classified, where necessary, for the purpose of comparison as described in note 5.1 to the financial statements.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 22 FEB 2019.

Chairman	Chief Executive Officer	Director	Director