TPL LIFE INSURANCE LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

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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 2019, and 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 2019 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.

Emphasis of Matter

We draw attention to the note 17 to the financial statements which describe the contingency regarding chargeability of sales tax on premium by Sindh Revenue Board.

Our opinion is not modified in respect of above matter.

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.

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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.

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

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

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

EY Ford Rhodes

Chartered Accountants

Karachi

Date: 29 March 2020

TPL LIFE INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019	2018
		Rupees in thousand	
Assets			
Property and equipment	6.1	**22,816**	16,613
Intangible assets	7	**7,823**	9,108
Investments			
Government securities	8.1	**130,716**	192,643
Mutual funds	8.2	**10,777**	9,874
Term deposits receipts	8.3	**85,000**	85,000
Insurance / reinsurance receivables	9	**286,794**	85,345
Other loans and receivables	10	**15,247**	12,309
Taxation - payments less provision		**29,766**	25,606
Prepayments	11	**1,438**	2,791
Cash and bank balances	12	**386,185**	172,206
Total assets		**976,562**	611,495
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Authorized share capital			
190,000,000 ordinary shares of Rs. 10 each		**1,900,000**	1,200,000
Ordinary share capital	13	**1,100,000**	800,000
Accumulated loss of other than participating business		**(1,233,584)**	(935,391)
Unappropriated profit		**321,996**	295,069
		188,412	159,678
Advance against issuance of right shares	1.4	**100,000**	100,000
Total equity		**288,412**	259,678
Liabilities			
Insurance liabilities	14	**479,803**	273,861
Premium received in advance		**7,576**	3,760
Insurance / reinsurance payables	15	**105,769**	24,832
Other creditors and accruals	16	**95,002**	49,364
Total liabilities		**688,150**	351,817
Total equity and liabilities		**976,562**	611,495
Contingencies and commitments	17		

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 DECEMBER 31, 2019

	Note	2019	2018
		Rupees in thousand	
Premium Revenue	18	753,110	435,197
Premium ceded to reinsurers	18	(110,326)	(39,844)
Net premium revenue		642,784	395,353
Investment income	19	22,341	15,418
Net realised fair value gains on financial assets		-	617
Net fair value gains/(loss) on financial assets at fair value through profit or loss	20	876	(3,325)
Other income	21	18,946	8,109
		42,163	20,819
Net income		684,947	416,171
Insurance benefits	22	411,684	268,924
Recoveries from reinsurers	22	(25,724)	(22,440)
Net insurance benefits		385,960	246,484
Net change in insurance liabilties (other than outstanding claims)		147,035	69,424
Acquisition expenses	23	87,219	36,161
Marketing and administration expenses	24	332,963	260,386
Other expenses	25	1,870	3,622
Total Expenses		569,087	369,593
Results of operating activities		(270,100)	(199,906)
Financial charges		(726)	-
Loss before tax		(270,826)	(199,906)
Income tax expense	26	(438)	(144)
Loss for the period		(271,264)	(200,050)
Other comprehensive income:		-	-
Total comprehensive loss for the period		(271,264)	(200,050)
Loss (after tax) per share - Rupees		(2.91)	(2.73)

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
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	Rupees in thousand	
Operating Cash flows:		
(a) Underwriting activities		
Insurance premium received	555,477	423,328
Reinsurance premium paid	(9,416)	-
Claims paid	(339,330)	(237,871)
Surrenders paid	(7,696)	(11,893)
Commission paid	(57,078)	(34,405)
Marketing and administrative expenses paid	(318,481)	(270,471)
Net cash used in underwriting activities	(176,524)	(131,311)
(b) Other operating activities		
Income tax paid	(4,598)	(2,421)
Other operating payments	-	-
Other operating receipts	18,085	6,369
Net cash flow from other operating activities	13,487	3,948
Total cash used in all operating activities	(163,037)	(127,363)
Investment actlvities:		
Profit/ return received	40,172	22,700
Dividend received	-	-
Payment for investments	(286,974)	(342,777)
Proceeds from investments	347,998	245,575
Fixed capital expenditure	(21,983)	(6,230)
Total cash flow from / (cash used) in investing activities	79,213	(80,731)
Financing activities:		
Proceeds from issuance of shares	200,000	100,000
Advance against right shares	100,000	100,000
Repayment of lease liablities	(2,196)	-
Total cash flow from financing activities	297,804	200,000
Net cash flow from all activities	213,980	(8,094)
Cash and cash equivalents at beginning of period	172,205	180,300
Cash and cash equivalents at end of period	386,185	172,205
Reconciliation to Profit and Loss Account:		
Operating cash flows	(163,037)	(127,363)
Depreciation / amortization expense	(17,066)	(12,207)
Profit on disposal of property, plant and equipment	-	8
Profit on disposal of investments	-	617
Unwinding of discount	(726)	-
Dividend and other investment income	42,163	4,155
Increase/(decrease) in assets other than cash	211,287	(86,970)
(Increase)/decrease in liabilities other than borrowings	(343,884)	23,153
Unrealized gain on held for trading investment	-	(1,443)
Profit or loss after taxation	(271,264)	(200,050)

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 DECEMBER 31, 2019

	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, 2018						
At beginning of period	680,000	287,302	(727,573)	239,729	20,000	259,729
Advance against issuance of shares	-	-	-	-	100,000	100,000
Right shares issued during the year	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)
Balance as at December 31, 2018	800,000	295,069	(935,391)	159,678	100,000	259,678
Balance as at January 1, 2019						
At beginning of period	800,000	295,069	(935,391)	159,678	100,000	259,678
Right shares issued during the year	300,000	-	-	300,000	(100,000)	200,000
Total comprehensive income for the period						
Deficit for the period retained in statutory fund	-	-	(298,193)	(298,193)	-	(298,193)
Profit for the other than participating business	-	26,927	-	26,927	-	26,927
Other comprehensive income	-	26,927	(298,193)	(271,266)	-	(271,266)
Advance against issuance of shares (note 13.4	-	-	-	-	100,000	100,000
Balance as at December 31, 2019	1,100,000	321,996	(1,233,584)	188,412	100,000	288,412

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 DECEMBER 31, 2019

1. STATUS AND NATURE OF BUSINESS

1.1 TPL Life Insurance Limited (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.

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
- Family Takaful Business
- Accidental and Health Takaful

1.3 Pursuant to the approval obtained from Securities and Exchange Commission of Pakistan on August 9, 2018 to transact Window Takaful Operations in respect of Family Takaful products, during the period, the Company has started underwriting Group Family Takaful and Group Accident and Health Takaful.

In accordance with the requirement of Takaful Rules, 2012 read with SECP Circular 8/2014, the Company has transferred Rs. 50 million in separate Islamic bank account for Window Takaful business maintained with schedule bank. For the purpose of Takaful business the Company has established Waqf fund (here-in-after referred to as Participant Takaful Fund) under waqf deed executed by Company with a cede money of Rs. 0.5 million.

1.4 Due to continuing losses and the consequential impact on solvency requirements, the Company has been augmenting its capital over the last few years. Keeping in view the above circumstances and also the future solvency requirements the Company has initiated the plan to raise additional capital through Initial Public Offering in the current year. However, as an abundant caution, the Holding Company has provided a financial commitment to continue its financial support to the Company, if required for the purposes of ensuring sustainable operations in the foreseeable future.

To meet the solvency and other requirements, Company had issued 30 million right shares at Rs.10 per shares aggregating to Rs. 300 million during the year which were subscribed by / alloted to the Holding Company. Further, the Board of Directors resolved on December 17, 2019 to issue 10 million right shares at par to meet the solvency requirements and same have been subscribed by the Holding Company during the year which were allotted to the Holding Company subsequent to the year end.

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, 2017 [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:

2.2.1 IFRS 16 "Leases"

During the year, the company adopted IFRS 16 "Leases" which became effective from January 01, 2019. The details of adoption of IFRS 16 are given in note 5.4 and 6.1 contained in financial statements.

2.2.2 Amendment to IFRS 17 "Insurance Contracts" - Applying IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts"

The Company has taken the benefit of temporary exemption of applying IFRS 9 "Financial Instruments" with IFRS 17 "Insurance Contracts" as allowed under IFRS.

2.2.3 There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for current accounting period. However, these do not have any significant impact on the Company's financial statements and therefore have not been detailed in these 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 - Prepayment Features with Negative Compensation – (Amendments)	
- 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 14 - Regulatory Deferral Accounts	July 01, 2019
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020

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.

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 17 – Insurance Contract	January 01, 2021

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***

Mortality, Morbidity and Interest Bases adopted

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.

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 adoption of new standard as disclosed in note 2.2 to the financial statements:

5.1 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.

5.1.1 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.

5.1.2 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.

5.1.3 Receivables and payables related to insurance contract

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

5.1.4 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.

5.1.5 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.

5.1.6 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.

5.1.7 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.

5.1.8 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.

5.1.9 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.

5.2 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.

5.3 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.

5.4 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.

Right of use asset and related liability
At the inception of the contract, the Company assesses whether a contract is, or contains, a lease. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company uses interest rate implicit in the lease and where it cannot readily be determined, the incremental borrowing rate to measure lease liabilities.

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.

5.5 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.

5.6 **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.

5.7 **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.

5.8 **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.

5.9 **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.

5.10 **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.

5.11 **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.

5.12 **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

Tangible assets

Description	Note	Cost				Accumulated Depreciation				Written down value	Rate
		As at January 01, 2019	Additions	Disposals / Adjustments	As at December 31, 2019	As at January 01, 2019	Charge for the year	On Disposal	As at December 31, 2019	As at December 31, 2019	%
		(Rupees In '000)									
Owned											
Furniture and fixture		12,706	21	-	12,727	5,815	2,280	-	8,095	4,632	20
Office and electrical equipment		9,002	1,173	-	10,175	4,845	1,701	-	6,546	3,629	20
Computer equipment		13,640	5,194	-	18,834	11,853	2,546	-	14,399	4,435	33
Mobile phones		1,037	367	(32)	1,372	654	425	(20)	1,059	313	50
Lease improvements		5,545	-	-	5,545	2,151	1,107	-	3,258	2,287	33
2019		41,930	6,755	(32)	48,653	25,318	8,059	(20)	33,357	15,296	
Right-of-use asset	5.4										
Computer equipment		-	9,668	-	9,668	-	2,148	-	2,148	7,520	33
2019		-	9,668	-	9,668	-	2,148	-	2,148	7,520	
2019		41,930	16,423	(32)	58,321	25,318	10,207	(20)	35,505	22,816	

Description	Cost				Accumulated Depreciation				Written down value	Rate
	As at January 01, 2018	Additions	Disposals / Adjustments	As at December 31, 2018	As at January 01, 2018	Charge for the year	On Disposal	As at December 31, 2018	As at December 31, 2018	%
	(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
2018	39,132	2,932	(133)	41,930	18,918	6,432	(33)	25,317	16,613	

7. INTANGIBLES ASSETS

	Note	2019	2018
		(Rupees in '000)	
Computer software	7.1	7,823	7,209
Advance for software		-	1,899
		7,823	9,108

7.1 Computer software

Description - 2019	Cost: As at January 01, 2019	Cost: Additions	Cost: Disposals	Cost: As at December 31, 2019	Accumulated Depreciation: As at January 01, 2019	Accumulated Depreciation: Charge for the year	Accumulated Depreciation: On Disposal	Accumulated Depreciation: As at December 31, 2019	Written down value: As at December 31, 2019	Rate %
	(Rupees in '000)									
Software	33,615	7,470	-	41,085	26,406	6,856	-	33,262	7,823	33

Description - 2018	Cost: As at January 01, 2018	Cost: Additions	Cost: Disposals	Cost: As at December 31, 2018	Accumulated Depreciation: As at January 01, 2018	Accumulated Depreciation: Charge for the year	Accumulated Depreciation: On Disposal	Accumulated Depreciation: 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

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			2019	2018
			(Rupees in '000)	
8.	**INVESTMENTS**			
8.1.	**Government securities**			
	Held to maturity			
	Pakistan Investment Bonds		**91,718**	96,373
	Fair value through profit and loss			
	Treasury Bills		**38,998**	96,270
			130,716	192,643

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
Pakistan Investment Bonds	8.1.1.1	3 years	29-Dec-19	8,000	-	8,047
Pakistan Investment Bonds	8.1.1.1	3 years	29-Dec-19	16,000	-	16,121
Pakistan Investment Bonds	8.1.1.1	3 years	12-Jul-21	5,500	**5,128**	
Pakistan Investment Bonds	8.1.1.1	3 years	19-Sep-22	16,000	**15,154**	-
Pakistan Investment Bonds	8.1.1.1	5 years	21-Apr-21	2,000	**2,005**	2,008
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	62,500	**53,477**	-
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	6,300	**5,892**	-
Pakistan Investment Bonds	8.1.1.1	10 years	19-Jul-22	10,000	**10,062**	10,082
					91,718	96,373

8.1.1.1 The Company has deposited 3 years, 5 years and 10 years Pakistan Investment Bonds having face value of Rs.5.50 million, 86.80 million and 10.00 million respectively (2018: 3 years, 5 years and 10 years Pakistan Investment Bonds having face value of Rs.68 million, 2 million and 10 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. 94.397 million (2018: Rs. 94.216 million) as at year end.

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
Treasury Bills	3 months	28-Feb-19	51,000	-	50,187
Treasury Bills	6 months	11-Apr-19	40,000	-	39,097
Treasury Bills	6 months	12-Mar-20	40,000	**38,998**	-
				38,998	96,270

		2019	2018
8.2	**Mutual Funds**		
	Fair value through profit and loss		
	Open end mutual funds	**10,777**	9,874
8.2.1	**Open end mutual funds**		
	NBP stock fund	**1,713**	1,570
	ABL stock fund	**1,687**	1,484
	MCB Pakistan stock market fund	**1,689**	1,555
	Alfalah GHP stock fund	**777**	691
	Atlas stock market fund	**1,909**	1,707
	HBL energy fund	**1,624**	1,542
	Meezan Islamic Fund	**154**	148
	Meezan Islamic Income Fund	**371**	339
	AKD Islamic Income Fund	**57**	52
	AKD Islamic Stock Fund	**36**	40
	Lakson Equity Fund	**760**	746
		10,777	9,874
8.3	**Term deposit receipts**		
	Deposits maturing within 12 months	**85,000**	85,000

		2019	2018
9.	**INSURANCE / REINSURANCE RECEIVABLES**	(Rupees in '000)	
	Due from insurance contract holders	301,498	99,459
	Less : provision for impairment of receivables from insurance contract holders	14,704	14,114
		286,794	85,345

10.	**OTHER LOANS AND RECEIVABLES**		
	Receivable from related parties	268	-
	Accrued investment income	4,881	2,890
	Security deposit	8,833	7,054
	Advance to supplier	65	50
	Loans to employees	1,059	-
	Other Advances	141	2,316
		15,247	12,310

11.	**PREPAYMENTS**		
	Prepaid rent	390	380
	Prepaid insurance	776	-
	Prepaid miscellaneous expenses	272	250
	Prepaid listing fee	-	2,161
		1,438	2,791

12.	**CASH AND BANK**			
	Cash and cash equivalent			
	- Cash in hand		16	17
	- Policy & revenue stamps		214	182
	Bank balances			
	- Current account	12.1	77,126	8,877
	- Saving account	12.2 & 12.3	308,829	163,130
			386,185	172,206

12.1 These include Rs.26.70 million deposited with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

12.2 These carry markup ranging from 7.00% to 13.50%.

12.3 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, 2019	December 31, 2018		2019	2018
(No. of shares)			(Rupees in '000)	
		Issued, subscribed and paid up		
80,000,000	68,000,000	Ordinary shares of Rs.10 each issued for cash as at beginning of the year	800,000	680,000
30,000,000	12,000,000	Issued during the year	300,000	120,000
110,000,000	80,000,000	As at end of the year	1,100,000	800,000

13.1 As at December 31, 2019, the shareholdings of the Company is as follows:

	2019		2018	
	Number of shares	shareholding %	Number of shares	shareholding %
TPL Corp. Limited	**90,496**	**82.27%**	60,496	75.62%
Sindh Bank Limited	**10,000**	**9.09%**	10,000	12.50%
Directors	**9,504**	**8.64%**	9,504	11.88%

13.2 The Company had issued 10 million Right Shares of Rs. 10 per shares at par to the Holding Company. These Right Shares were issued pursuant to the resolution passed by the Board of Directors of the Company on December 7, 2018 and were subscribed before closing of the year ended December 31, 2018 and allotted during the year ended December 31, 2019.

13.3 The Company further resolved on June 28, 2019 and November 29, 2019 to issue 10 million and 10 million Right Shares respectively each at par to meet the solvency requirements. Right shares were renunciated by the other shareholders and were fully subscribed by and issued to the Holding Company.

	2019	2018
	(Rupees in '000)	
14. INSURANCE LIABILITIES		
Reported outstanding claims	**125,269**	66,362
Incurred but not reported claims	**4,901**	8,775
Investment component of unit-linked and account value policies	**29,571**	17,668
Liabilities under group insurance contracts (other than Investment linked)	**306,941**	181,055
Other insurance liabilities (premium deficiency reserve)	**13,121**	-
	479,803	273,861
14.1 Reported outstanding claims		
Gross of Reinsurance		
Payable within one year	**138,001**	73,342
Payable over a period of time exceeding one year	-	-
	138,001	73,342
Recoverable from Reinsurance		
Receivable within one year	**12,732**	6,980
Receivable over a period of time exceeding one year	-	-
	12,732	6,980
Net reported outstanding claims	**125,269**	66,362
14.2 Incurred but not reported claims		
Gross of reinsurance	**4,901**	8,775
Reinsurance recoveries	-	-
Net of reinsurance	**4,901**	8,775
14.3 Investment component of unit linked and account value policies		
Investment component of unit linked policies	**29,571**	17,668
Investment component of account value policies	-	-
	29,571	17,668

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		2019	2018
		(Rupees in '000)	
14.4	**Liabilities under Group Insurance Contracts (other than Investment linked)**		
	Gross of reinsurance	353,553	187,023
	Reinsurance recoveries	(46,612)	(5,967)
	Net of reinsurance	306,941	181,055
14.6	**Other insurance liabilities (premium deficiency reserve)**		
	Gross of reinsurance	13,121	-
	Reinsurance recoveries	-	-
	Net of reinsurance	13,121	-
15.	**INSURANCE / REINSURANCE F**		
	Due to other insurers / reinsurers	105,769	24,832
		105,769	24,832
16.	**OTHER CREDITORS AND ACCRUALS**		
	Agent commission payable	39,115	9,990
	Payable to related parties	1,703	445
	Accrued expenses	9,693	17,010
	Income tax liabilities	19,216	6,500
	Sales tax liabilities	619	-
	Other liabilities	922	3
	Payable to vendors	2,215	348
	Obligation under finance lease	6,239	-
	Staff provident fund	15,280	15,068
		95,002	49,364

17. CONTINGENCIES AND COMMITMENTS

During the year, Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated May 8, 2019 extended the exemption on life insurance till June 30, 2019. Subsequent to it, life insurance has been made taxable from July 1, 2019 at the rate of 3% and group life insurance at the rate of 13%. Further, SRB extended exemption on health insurance till June 30, 2020. With effect from November 1, 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Company collectively through the forum of Insurance Association of Pakistan ("IAP") had filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on September 28, 2019 and November 28, 2019 against PRA and SRB respectively.

According to the grounds of the petition the Insurance premium does not fall under the definition of service rather an insurance policy is a financial arrangement, which is in the nature of a contingent contract, and not a service upon which sales tax can be levied (and that an insurance company is not rendering a service).

In view of the above the Company has not started billing sales tax to its customers. The amount of sales tax involved is around Rs. 11.1 million.

Based on the legal opinion obtained, the Company considers that it has a reasonably strong case on the merits in the constitution petition and the writ petition filed in the High Courts.

		2019	2018
		(Rupees in '000)	
18.	**NET INSURANCE PREMIUM REVENUE**		
	Gross Premiums		
	Regular Premium Individual Policies*		
	First year	**69,234**	28,282
	Second year renewal	**5,305**	1,783
	Subsequent year renewal	**960**	225
	Single premium individual policies	**4,089**	9,262
	Group policies without cash value	**673,522**	395,646
	Total Gross Premiums	**753,110**	435,198
	Less: Reinsurance Premiums Ceded		
	On indivdual life First year business	**2,505**	523
	On group policies	**115,092**	39,321
	Less: Reinsurance commission on risk premiums	**(7,271)**	-
		110,326	39,844
	Net Premiums	**642,784**	395,354

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

		2019	2018
19.	**INVESTMENT INCOME**		
	Income from equity securities		
	- Dividend income	**30**	103
	Income from debt securities		
	- Return on debt securities	**14,176**	10,157
	Income from term deposits		
	- Return on term deposits	**8,135**	5,158
		22,341	15,418
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	**876**	(1,445)
	Total investment income	**876**	(1,445)
	Less: investment related expenses	**-**	1,880
		876	(3,325)
21.	**OTHER INCOME**		
	Return on bank balances	**18,946**	8,101
	Gain on sale of fixed assets	**-**	8
		18,946	8,109

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	2019	2018
	(Rupees in '000)	
22. NET INSURANCE BENEFITS		
Gross Claims		
Claims under individual policies		
by death	-	-
by insured other than death	719	1,144
by surrender	7,696	11,893
Total gross individual policy claims	8,415	13,037
Claims under group policies		
by death	36,035	28,554
by insured other than death	367,234	227,333
Total gross group policy claims	403,269	255,887
Total gross claims	411,684	268,924
Less: Reinsurance recoveries		
On Group life claims	25,724	22,440
	385,960	246,484
23. ACQUISITION EXPENSES		
Remuneration to insurance intermediaries on individual policies.		
- Commission on first year premiums	10,034	6,678
- Commission on second year premiums	263	100
- Commission on subsequent year premiums	21	4
- Commission on single premiums	79	184
- Other benefits to insurance intermediaries	291	-
	10,688	6,966
Remuneration to insurance Intermediaries on group policies.		
- Commission	75,515	28,781
Other acquisition costs		
- Stamp duty	654	291
- Medical fee	362	123
Total acquisition cost	87,219	36,161
24. MARKETING AND ADMINISTRATION EXPENSES		
Employee benefit cost - note 24.1	197,792	156,745
Travelling expenses	3,605	4,560
Advertisements and sales promotion	5,401	10,196
Printing and stationery	6,793	5,265
Depreciation	10,207	6,432
Amortization	6,856	5,775
Rent, rates and taxes	17,455	13,482
Legal and professional charges	16,045	10,167
Electricity, gas and water	5,434	5,642
Entertainment	2,600	1,677
Vehicle running expenses	5,827	5,534
Office repair and maintenance	9,230	7,540
Appointed actuary fees	4,470	4,200
Bank charges	306	165
Postage, telegrams and telephone	12,581	2,349
Annual Supervision fee SECP	540	233
Software rentals	18,148	12,419
Auditors' remuneration - note 24.2	1,809	867
Fees, subscription and periodicals	1,120	612
Insurance	3,326	1,818
Provision for doubtful debts	589	3,084
Miscellaneous	2,829	1,623
	332,963	260,386

		2019	2018
		(Rupees in '000)	
24.1	**Employee benefit cost**		
	Salaries, allowances and other benefits	**191,216**	150,869
	Charges for post employment benefit	**6,576**	5,876
		197,792	156,745
24.2	**Auditors' remuneration**		
	Audit fee	**867**	337
	Special certifications and sundry advisory services	**874**	494
	Out-of pocket expenses	**68**	36
		1,809	**867**
25.	**OTHER EXPENSES**		
	Legal and professional fee other than business related	**1,020**	1,615
	Director fee	**80**	240
	Donations	**770**	2,300
	Workers Welfare Fund	**-**	(534)
		1,870	3,621
26.	**TAXATION**		
	For the year		
	Current	**438**	144
		438	144

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 2019 which is deemed to be an assessment order issued by the Commissioner under the provision of section 120 of the Ordinance.

27. LOSS PER SHARE

	2019	2018
Loss (after tax) for the year	**(271,264)**	(200,050)
	(Number of shares '000)	
Weighted average number of ordinary shares	**93,370**	73,304
	(Rupees)	
Loss per share	**(2.91)**	(2.73)

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.

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28. **REMUNERATION OF DIRECTORS AND EXECUTIVES**

	Chief Executive 2019	Chief Executive 2018	Directors 2019	Directors 2018	Executives 2019	Executives 2018
	(Rupees in '000)					
Fees	-	-	80	240	-	-
Managerial remuneration	14,323	9,720	-	-	35,302	30,976
Provident fund	1,222	655	-	-	2,603	1,843
Rent and house maintenance	6,445	3,928	-	-	15,886	12,161
Utilities	1,431	1,052	-	-	3,526	3,240
Conveyance	1,260	1,050	-	-	6,678	5,817
	24,681	16,413	80	240	63,995	54,044
Number of persons	1	1	1	1	27	18

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 - Entire Company**

For the year ended December 31, 2019	Statutory funds: Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	Aggregate 2019
	(Rupees in '000)					
Income						
Premium less reinsurances	36,814	43,782	477,748	3,788	80,652	642,784
Net investment income	3,157	147	9,077	49	541	12,971
Total net income	39,971	43,929	486,825	3,837	81,193	655,755
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	7,696	10,311	320,228	-	47,725	385,960
Management expenses less recoveries	162,334	78,155	171,762	882	7,819	420,952
Total claims and expenditure	170,030	88,466	491,990	882	55,544	806,912
Deficit of income over claims and expenditure	(130,059)	(44,537)	(5,165)	2,955	25,649	(151,157)
Add: Policyholders' liabilities at beginning of the year	17,671	10,290	179,538	-	-	207,499
Less: Policyholders' liabilities at end of the year	29,577	19,596	268,001	3,173	34,188	354,535
Deficit	(141,965)	(53,843)	(93,628)	(218)	(8,539)	(298,193)
Movement in policyholders' liabilities	11,906	9,306	88,463	3,173	34,188	147,036
Transfers from shareholders' fund						
- Capital contributions from shareholders' fund	142,000	64,000	88,000	500	8,501	293,001
- Cede money - waqf	-	-	-	-	501	501
Balance of statutory fund at beginning of the year	18,349	10,621	187,948	-	-	216,918
Balance of statutory fund at end of the year	30,290	20,084	270,784	3,455	34,651	359,263
Represented by:						
Capital contributed by shareholders' fund	367,000	126,000	735,812	500	9,002	1,238,314
Policyholders' liabilities	29,577	19,596	268,001	3,173	34,188	354,535
Retained earnings on other than participating business	(366,287)	(125,512)	(733,030)	(218)	(8,539)	(1,233,586)
Balance of statutory fund at end of the year	30,290	20,084	270,783	3,455	34,651	359,263

For the period ended December 31, 2018	Statutory funds: Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	Aggregate 2018
	(Rupees in '000)					
Income						
Premium less reinsurances	25,006	18,040	352,307	-	-	395,353
Net investment income	-	97	10,722	-	-	10,819
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)	(29,460)	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)	(34,736)	(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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29.2 Segment results by line of business - Entire Company

For the year ended December 31, 2019	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	Aggregate 2019
	Statutory funds					
			(Rupees in '000)			
Income						
Gross premiums						
First year individual regular premiums	27,836	-	41,382	-	16	69,234
Individual second year renewal premiums	5,305	-	-	-	-	5,305
Individual subsequent year renewal	960	-	-	-	-	960
Individual single premiums	4,089	-	-	-	-	4,089
Group premiums	-	143,085	437,495	12,306	80,636	673,522
Total gross premiums	38,190	143,085	478,877	12,306	80,652	753,110
Reinsurance premiums						
- Individual business	1,376	-	1,129	-	-	2,505
- Group business	-	99,303	-	8,518	-	107,821
Total reinsurance premiums	1,376	99,303	1,129	8,518	-	110,326
Net premium revenues	36,814	43,782	477,748	3,788	80,652	642,784
Net investment income	3,157	147	9,077	49	541	12,971
Net income	39,971	43,929	486,826	3,837	81,193	655,755
Insurance benefits and expenditures						
Insurance benefits, including bonuses, net of reinsurance	7,696	10,311	320,228	-	47,725	385,960
Management expenses less recoveries	162,334	78,155	171,762	882	7,819	420,952
Total insurance benefits and expenditures	170,030	88,466	491,990	882	55,544	806,912
Excess of income over insurance benefits	(130,059)	(44,537)	(5,164)	2,955	25,649	(151,157)
Add: Policyholders' liabilities at beginning of the period	17,671	10,290	179,538	-	-	207,499
Less: Policyholders' liabilities at end of the period	29,577	19,596	268,001	3,173	34,188	354,534
Deficit before tax	(141,965)	(53,843)	(93,628)	(218)	(8,539)	(298,193)

For the year ended December 31, 2018	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	Aggregate 2018
	Statutory funds					
			(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	25,526	57,360	352,312	-	-	435,197
Reinsurance premiums						
- Individual single premiums	519	-	4	-	-	523
- Group premiums	-	39,321	-	-	-	39,321
Total reinsurance premiums	519	39,321	4	-	-	39,844
Net premium revenues	25,007	18,039	352,308	-	-	395,353
Other income	-	-	-	-	-	-
Net investment income	-	97	10,722	-	-	10,819
Net income	25,007	18,136	363,030	-	-	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)	1,651	-	-	(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	17,871	10,290	179,538	-	-	207,499
Deficit before tax	(113,251)	(34,738)	(59,827)	-	-	(207,818)

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29.3 Window Takaful Operation

29.3.1 *Revenue account*

29.3.1.1 **Participants' Takaful Fund (PTF)**

	TAKFUL STATUTORY FUND		Aggregate	
	Family takaful	Accident & health takaful	2019	2018
	---------------- (Rupees in '000) ----------------			
Income				
Contribution net of retakaful	3,788	80,652	84,440	-
Investment income	46	514	560	-
Other income	-	501	501	-
Total net income	3,834	81,667	85,501	-
Less: Claims and expenditure				
Claims net of re-takaful recoveries	-	47,726	47,726	-
Takaful Operator's fee	2,226	10,140	12,366	-
Mudarib fee	4	101	105	-
Other expenses	-	2	2	-
Total claims and expenditure	2,230	57,969	60,199	-
Excess income over claims and expenditure	1,604	23,698	25,302	-
Technical reserves at beginning of the period	-	-	-	-
Technical reserves at end of the period	2,696	28,867	31,563	-
	2,696	28,867	31,563	-
Surplus / (Deficit)	(1,092)	(5,169)	(6,261)	-
Movement in technical reserves	2,696	28,867	31,563	-
Transfers from (to)				
Qard-e-Hasna contributed by Window Takaful Operator	1,100	5,200	6,300	-
Balance of PTF at beginning of the period	-	-	-	-
Balance of PTF at end of the period	2,704	28,898	31,602	-

29.3.1.2 **Operators' Sub Fund (OSF)**

	TAKFUL STATUTORY FUND		Aggregate	
	Family takaful	Accident & health takaful	2019	2018
	---------------- (Rupees in '000) ----------------			
Income				
Takaful Operators' Fee	2,226	10,140	12,366	-
Mudarib Fee	4	101	105	-
Investment Income	3	27	30	-
Total net income	2,233	10,268	12,501	-
Less: Expenditure				
Acquisition cost	882	7,816	8,698	-
Administration cost	-	-	-	-
Cede Money - Waqf		501	501	
Total Management cost	882	8,317	9,199	-
Excess of income over expenditure	1,351	1,951	3,302	-
Technical reserves at beginning of the period	-	-	-	-
Technical reserves at end of the period	477	5,321	5,798	-
	477	5,321	5,798	-
Surplus / (Deficit)	874	(3,370)	(2,496)	-
Movement in technical reserves	477	5,321	5,798	-
Contribution received from Shareholder's Fund	500	8,501	9,001	-
Qard-e-Hasna contributed to Participants' Takaful Fund	1,100	5,200	6,300	-
Balance of operator's fund at beginning of the period	-	-	-	-
Balance of operator's fund at end of the period	2,951	15,652	18,603	-

29.4 Segment results by line of business - Entire Compar

		Statutory funds					Aggregate	
	Shareholder's fund	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2019	2018
				(Rupees in '000)				
Property and equipment	22,816	-	-	-	-	-	22,816	16,613
Intangible assets	7,823	-	-	-	-	-	7,823	9,108
Investments	119,573	27,768	-	79,152	-	-	226,493	287,517
Insurance / reinsurance receivables	-	-	71,055	178,716	2,373	34,648	286,794	85,345
Other loans and receivables	6,964	682	28	7,572	1	-	15,247	12,309
Taxation - payments less provision	28,676	147	-	884	5	54	29,766	25,606
Prepayments	1,438	-	-	-	-	-	1,438	2,791
Cash & Bank	143,409	6,128	52,538	149,060	10,090	24,960	386,185	172,205
Interfund balances	(10,069)	629	146	9,294	-	-	-	-
Total assets	320,630	35,354	123,767	424,678	12,469	59,662	976,562	611,494
Insurance liabilities net of reinsurance recoveries	-	29,577	24,419	368,182	3,173	54,452	479,803	273,861
Premium received in advance	-	900	292	6,366	12	6	7,576	3,760
Insurance / reinsurance payables	-	1,875	93,832	1,544	8,518	-	105,769	24,832
Other creditors and accruals	44,946	2,289	4,737	37,803	483	4,744	95,002	49,368
Total Liabilities	44,946	34,641	123,280	413,895	12,186	59,202	688,150	351,821

30. MOVEMENT IN INVESTMENTS

	Held to Maturity	Fair Value Through P & L	2019	2018
		(Rupees in '000)		
At beginning of the year	134,796	67,721	202,517	190,315
Additions	78,565	206,684	285,249	102,940
Disposals (sale and redemptions)	(123,831)	(231,122)	(354,953)	(90,123)
Fair value net gains (including net realized gains)	2,188	6,492	8,680	(614)
	91,718	49,775	141,493	202,518

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 2019				
Current claims	+10%	12,045	(12,045)	(12,045)
	-10%	(12,045)	12,045	12,045
31 December 2018				
Current claims	+10%	6,337	(6,337)	(6,337)
	-10%	(6,337)	6,337	6,337

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 2019				
Cash flow sensitivity	3,264	(3,264)	3,264	(3,264)
31 December 2018				
Cash flow sensitivity	193	(193)	193	(193)

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) as of December 31, 2019 is as follows:

On balance sheet financial instruments	2019 Interest / markup bearing Within one year	2019 More than one year	2019 Sub Total	2019 Non-interest bearing financial Instruments	2019 Total	2018 Interest / markup bearing Within one year	2018 More than one year	2018 Sub Total	2018 Non-interest bearing financial instruments	2018 Total
	(Rupees in '000)									
Financial assets										
Investments	123,997	102,496	226,493	-	226,493	275,426	12,091	287,517	-	287,517
Insurance / reinsurance receivables	-	-	-	286,794	286,794	-	-	-	85,345	85,345
Other loans and receivables	-	-	-	15,247	15,247	-	-	-	12,309	12,309
Cash & Bank	308,912	-	308,912	77,273	386,185	172,007	-	172,007	199	172,206
	432,909	102,496	535,405	379,314	914,719	447,433	12,091	459,524	97,853	557,377
Financial liabilities										
Insurance Liabilities	-	-	-	479,803	479,803	-	-	-	273,861	273,861
Premium received in advance	-	-	-	7,576	7,576	-	-	-	3,760	3,760
Insurance / reinsurance payables	-	-	-	105,769	105,769	-	-	-	24,832	24,832
Other creditors and accruals	-	-	-	95,002	95,002	-	-	-	49,365	49,365
	-	-	-	688,150	688,150	-	-	-	351,818	351,818
On balance sheet gap	432,909	102,496	535,405	(308,836)	226,569	447,433	12,091	459,524	(253,965)	205,559

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. 1.078 million (2018: Rs. 0.887 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:

	2019 Fair value measurement using Level 1	Level 2	Level 3
	(Rupees in '000)		
Government securities (fair value only disclosed)	-	130,716	-
Listed securities (measured at fair value)	-	-	-
Open end mutual funds (measured at fair value)	10,777	-	-
	10,777	130,716	-

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

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, 2019 is the carrying amount of the financial assets as set out below:

	2019	2018
	(Rupees in '000)	
Nature of financial assets		
Investments	**95,777**	94,874
Insurance / reinsurance receivables	**286,794**	85,345
Other loans and receivables	**15,247**	12,309
Bank	**386,169**	172,188
	783,987	364,716

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:

	2019	2018
Past due but not impaired		
Upto 1 year	**284,346**	82,519
1 - 3 years	**17,152**	16,940
Impaired	**14,704**	14,114

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:

	2019	2018
	(%)	(%)
Government organization	**17.77**	2.75
Telecom	**0.73**	3.60
Financial Institution	**29.18**	26.03
Education	**10.23**	0.58
Automobile	**9.67**	-
Media	**8.85**	2.48
Travel & Transport	**2.16**	16.16
Textile	**1.51**	3.87
Hotel	**0.21**	2.66
Oil & Gas	**0.13**	0.04
Engineering	**2.53**	7.00
Construction material	**0.75**	0.20
Others	**16.28**	34.63
	100.00	100.00

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. The Company's status of compliance with solvency requirments is disclosed in note

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:

	2019					
	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	479,803	479,803	479,803	-	-	-
Premium received in advance	7,576	7,576	7,284	-	292	-
Insurance / reinsurance payables	105,769	105,769	105,769	-	-	-
Other creditors and accruals	95,002	95,002	92,404	2,233	365	-
	688,150	688,150	685,260	2,233	657	-

	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	-	-	-
	351,818	351,818	351,818	-	-	-

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	2019	2018
			(Rupees in '000)	
TPL Trakker Limited	Associated undertaking	Administrative cost charged	66,779	31,196
		Administration cost incurred	10,972	7,532
		Premium written during the period	10,043	3,807
		Claims incurred during the period	4,723	1,000
		Outstanding Balances		
		Payable against administrative cost	1,578	860
		Premium receivable	-	3,807
		Outstanding claims	3,179	500
TPL Insurance Limited	Associated undertaking	Administrative cost charged	2,654	6,232
		Administration cost incurred	3,511	10,625
		Premium written during the period	3,993	1,974
		Claims incurred during the period	1,058	-
		Insurance premium	96	-
		Outstanding Balances		
		Payable against administrative cost	125	-
		Receivable against administrative cost incurred	-	907
		Premium receivable	510	1,974
		Outstanding claims	723	
TPL Securities Services (Private) Limited	Associated undertaking	Services received	2,028	792
		Premium written during the period	1,198	115
		Claims incurred during the period	626	14
		Outstanding Balances		
		Payable against services	-	66
		Advance paid	90	-
		Premium receivable	-	115
		Outstanding claims	126	-
Centrepoint Management Services (Private)	Associated undertaking	Reimbursement of expenses	4,929	4,536
		Administration cost incurred	150	-
		Premium written during the period	1,789	733
		Claims incurred during the period	639	-
		Outstanding Balances		
		Payable for expenses incurred for the Compan	-	427
		Advance paid	179	-
		Premium receivable	20	733
		Outstanding claims	331	-
TPL Logistics (Private) Limited	Associated undertaking	Premium written during the period	233	-
		Claims incurred during the period	113	-
		Outstanding Balances		
		Premium receivable	233	-
		Key Management Personnel	67,137	70,458
		Director Fee	80	240

33. GENERAL

33.1 Figures have been rounded off to the nearest thousands.

33.2 Corresponding figures have been re-arranged, where necessary, for the purpose of comparison, however there is no material reclassification to report.

34. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorized for issue by the Board of Directors of the Company on 24 February 2020.

Chairman	Chief Executive Officer	Director	Director