Ref: Cab-4/13/339
April 3, 2019

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Subject: Financial results for the year ended December 31, 2018

Dear Sir,

We have to inform you that the Board of Directors of our Company in their meeting held on April 3, 2019 at 12 Noon at Lahore recommended the following:

CASH DIVIDEND

A final Cash Dividend for the year ended 31-12-2018 at Rs. 1.50 per share i.e. 15%. This is in addition to Interim Dividend already paid at Re. 1.00 per share i.e. 10%.

The financial results of the Company are as follows and also attached.

	Rupees in '000'	
	For the Year Ended	
	31-Dec-2018	**31-Dec-2017**
Profit before taxation	**2,173,500**	**2,120,906**
Income tax expense	**(934,500)**	**(899,678)**
Profit after tax	**1,239,000**	**1,221,228**
Profit and loss appropriation account:		
Balance at the commencement of the year	**11,863,964**	12,093,769
Profit after tax for the year	**1,239,000**	1,221,228
Re-measurement of defined benefit obligation	**(23,806)**	(51,033)
Final dividend for the year ended December 31, 2017 @ 10% (Rupee 1.00 per share) [2016:@25 %(Rupees 2.50 per share)]	**(350,000)**	(875,000)
Interim dividend for the period ended 30 June 2018 @ 10% (Rupee 1.0 per share) [2017:@15 %(Rupees 1.50 per share)]	**(350,000)**	(525,000)
Balance unappropriated profit at the end of the year	**12,379,158**	11,863,964
Earnings (after tax) per share Rupees	**3.54**	3.49

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Adamjee Insurance Company Limited
Regulatory Affairs & Shares: 6th Floor, Adamjee House I.I. Chundrigar Road, Karachi-74000, Pakistan
UAN: (021) 111-242-111 | **Tel:** (021) 32412623 | **Dir:** (021) 32461609 **Fax:** 021-32412627
Email: info@adamjeeinsurance.com | **Web:** www.adamjeeinsurance.com

ANY OTHER PRICE-SENSITIVE INFORMATION

The external auditors of the Company, Messrs KPMG Taseer Hadi & Co., Chartered Accountants have issued qualified opinions in their independent auditors' reports to the members of the Company on the following audited financial statements of the Company for the year ended 31 December 2018 on account of Sales Tax on Group Health and Life Insurance Premiums:

1. Unconsolidated Financial statements of the Company;
2. Financial Statements of Window Takaful Operations of the Company; and
3. Consolidated Financial Statements of the Company.

The qualifications under each Audit Report are reproduced together with the Company's responses, as below:

1. Unconsolidated Financial statements of the Company

The external auditors have issued a qualified audit opinion on the Company's financial statements on account of Sales Tax on Health Insurance Premiums, which is reproduced as follows:

Opinion:

"__Qualified Opinion__

We have audited the annexed unconsolidated financial statements of ***Adamjee Insurance Company Limited (the "Company")****, which comprise the unconsolidated statement of financial position as at 31 December 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

__Basis for Qualified Opinion__

As more fully explained in note 23.1(a) to the unconsolidated financial statements, sales tax liability of Rs. 223.78 million has not been recorded in the unconsolidated financial statements as of 31 December 2018. This amount has not been charged by the Company to its customers since the matter of the renewal of exemption is under discussion with the sales tax authorities. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires that provision should be recognized when the entity has a present legal obligation as a result of past event. Accordingly, had the sales tax liability been recorded, profit after tax for the year and equity of the Company as of 31 December 2018 would have reduced by

Rs. 223.78 million, while the sales tax liability as of the year end would have increased by the same amount (excluding the amount of penalty, if levied).

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 Unconsolidated 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 the 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 qualified opinion."

Company's Response:

As explained in detail in Note 23.1(a) to the financial statements of the Company, under the Sindh Sales Tax Act, 2011, sales tax is payable on premium on corporate health insurance policies written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the Sindh Revenue Board (SRB) and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still in the process of review. The Company and other insurance companies carrying out corporate health insurance have not yet billed their customers for the Sindh Sales Tax. The amount not yet billed by the Company, works out at Rs. 130.10 million and Rs. 93.68 million for the period from 1 July 2016 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively (collectively Rs. 223.78 million).

2. Financial Statements of Window Takaful Operations of the Company

The external auditors have issued a qualified audit opinion on the financial statements of Window Takaful Operations of Adamjee Insurance Company Limited, on account of Sales Tax on Health Insurance Premiums, which is reproduced as follows:

Opinion:

"Qualified Opinion

We have audited the annexed financial statements of ***Adamjee Insurance Company Limited – Window Takaful Operations (the "Company")****, which comprise the statement of financial position as at 31 December 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes forming part thereof,

conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at

31 December 2018 and of the profit, total comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for Qualified Opinion

As more fully explained in note 15 to the financial statements, sales tax liability of Rs. 35.42 million has not been recorded in the financial statements as of 31 December 2018. This amount has not been charged by the Company to its customers since the matter of the renewal of exemption is under discussion with the sales tax authorities. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' requires that provision should be recognized when the entity has a present legal obligation as a result of past event. Accordingly, had the sales tax liability been recorded, profit after tax for the year and fund of the Company as of 31 December 2018 would have reduced by Rs. 35.42 million and sales tax liability would have increased by the same amount (excluding the amount of penalty, if levied).

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 the 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 qualified opinion."

Company's Response:

As explained in detail in Note 15.1 to the financial statements of the Company's Window Takaful Operations, under the Sindh Sales Tax Act, 2011, sales tax is payable on contribution on corporate health insurance policies/ PMD written in the province of Sindh. 'The Insurance Association of Pakistan' (IAP) on behalf of the insurance companies has taken up the matter with the Sindh Revenue Board (SRB) and has also approached the Honorable Chief Minister, Sindh, for a favorable resolution of the matter. The matter is still in the process of review. The Operator and other insurance companies carrying out corporate health insurance have not yet billed their customers for the Sindh Sales Tax. The amount not yet billed by the Operator, works out at Rs. 19.87 million and Rs. 15.55 million for the period from 1 July 2016 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively.

3. Consolidated Financial Statements of the Company

a) The external auditors have issued a qualified audit opinion on the consolidated financial statements, as the external auditors of the Company's subsidiary, Adamjee Life Assurance Company Limited have issued a qualified audit opinion on account of Sales Tax on Life Insurance Premiums, which is reproduced as follows:

Opinion:

"Qualified Opinion

We have audited the annexed financial statements of ***Adamjee Life Assurance Company Limited (the "Company")****, which comprise the statement of financial position as at 31 December 2018, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the* *statement of cash flows for the year then ended, and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

We draw attention to note 24.1(a) to the financial statements, which more fully explains the fact that life insurance business was exempt from the applicability of Sindh Sales tax up to 30 June 2018. However, the exemption was not extended subsequent to that date. The Company has neither billed its customers nor recorded the liability for Sindh Sales tax. The estimated liability for Sindh sales tax based on gross premium as at 31 December 2018 amounts to Rs.522 million. However the Company has obtained a legal opinion regarding the basis for the calculation of sales tax under the Rules framed under the Sindh Sales Tax on Services Act, 2011, based on which it is of the view that sales tax is chargeable on gross premium charged on 'risk covered' and not on the gross amount received from the policy holders in terms of Rule 31 of the Sindh Sales Tax on Services Rules, 2011. Based on the legal opinion liability for Sindh Sales tax as of 31 December 2018 has been estimated at Rs.54 million as per the Company's calculation of the premium on risk coverage. However, the Company along with Insurance Association of Pakistan currently are in negotiations with provincial tax authorities to seek an exemption and to seek clarity as well on interpretation of Rule 31 of the Sales Tax on Services Rules, 2011 with regard to term 'risk covered'.

Resultantly, the Company considers that it is premature to estimate the liability for sales tax on life insurance at this stage. Therefore, it was impracticable for us to quantify the possible effect of provincial sales tax on the financial statements of the Company for the year ended 31 December 2018.

Further, the possible effect of above stated matter on the solvency requirement as required under the Insurance Ordinance, 2001 could not be quantified."

Company's Response:

As explained in detail in Note 24.1(a) to the consolidated financial statements of the Company, Sales tax imposed on premium from life insurance business was exempt up to 30 June 2018. However, further exemption on this matter had not been given and the matter was also raised with the Sindh Revenue Board (SRB). The matter for renewal of the exemption was taken up at the collective level of the Insurance Association of Pakistan (IAP) with the SRB through its consultants. The discussions on the matter has been conducive and the management is hopeful based on the consultant's positive feedback, that it will be concluded in favor of the industry. Representation from the SECP Commissioner level has also been made to the Chairman, Sindh Revenue Board, to help enable a favorable outcome. In view of the fact that the matter is still under the process of review and negotiations are being made with provincial tax authorities to seek an exemption and to agree the portion of premium which should be subject to sales tax, the Company and other life insurance companies carrying out life insurance business have not yet billed their customers for Sindh Sales Tax (SST) for the period from 01 July 2018 to 31 December 2018 on premium from life insurance coverage.

Further, the Company has obtained a legal opinion regarding the basis for the calculation of sales tax under the Rules framed under the Sindh Sales Tax on Services Act, 2011, based on which it is of the view that sales tax is chargeable on gross premium charged on 'risk covered' and not on the gross amount received from the policy holders in terms of Rule 31 of the Sindh Sales Tax on Services Rules, 2011.

The aggregate amount of sales tax not yet billed based on the total gross amount of premium collected during the period from July 1, 2018 to December 31, 2018 is Rs. 522 million whereas based on the legal opinion, liability for Sindh Sales Tax as of 31 December 2018 has been estimated at Rs. 54 million as per the Company's calculation of the premium on risk coverage.

Resultantly, the management considers that it is premature to estimate the liability for sales tax on life insurance at this stage.

b) The external auditors have also mentioned an emphasis of matter paragraph in the audit report of the consolidated financial statements of the Company, as the external auditors of the Company's subsidiary, Adamjee Life Assurance Company Limited have mentioned the same on account of shortfall in admissible assets for solvency purposes in case of Unit Linked Business and Individual Family Takaful Business, which is reproduced as follows:

"Emphasis of matter

We draw attention to note 38.1.1, which mentions that under the Insurance Ordinance 2001 a company is required to have at all times admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement. However, at 31 December 2018, in case of Unit Linked Business and Individual Family Takaful Business for reasons explicitly mentioned in note 38.1.1, admissible assets were short of the solvency requirement by Rs. 80.398 million and Rs. 43.77 million, respectively, which; however, in the latter case was subsequently met.

Our opinion is not modified in this respect."

The Annual General Meeting of the Company will be held on Monday, April 29, 2019 at 11:00 am at The Nishat Hotel, Trade and Finance Centre Block, Near Expo Centre, Abdul Haq Road, Johar Town, Lahore.

The above entitlement will be paid to the shareholders whose names will appear in the Register of Members on April 18, 2019.

The Share Transfer Books of the Company will be closed from April 19, 2019 to April 29, 2019 (both days inclusive). Transfers received at the Shares Registrar, Central Depository Company of Pakistan

Limited, CDC House, 99-B, Block 'B', Main Shahra-e-Faisal, Karachi at the close of business on April 18, 2019 will be treated in time for the purpose of above entitlement to the transferee.

The Annual Report of the Company will be transmitted through PUCARS at least 21 days before holding of Annual General Meeting.

Thanking you,

Yours Sincerely,

Tameez-ul-Haque
Secretary

Copy to :

The Commissioner Securities & Exchange Commission of Pakistan NIC Building, Jinnah Avenue, Blue Area, Islamabad	The Director Insurance Division Securities & Exchange Commission of Pakistan Islamabad

Adamjee Insurance Company Limited

Consolidated Profit and Loss Account

For the year ended 31 December 2018

	2018	2017
	------ (Rupees in thousand) ------	
		(Restated)
Net insurance premium	**26,593,540**	24,844,109
Net insurance claims	**(14,777,843)**	(11,834,136)
Premium deficiency	**-**	121,553
Net commission and other acquisition costs	**(3,419,564)**	(3,063,374)
Insurance claims and acquisition expenses	**(18,197,407)**	(14,775,957)
Management expenses	**(4,134,615)**	(3,462,940)
Net change in insurance liabilities (other than outstanding claims)	**(3,703,340)**	(5,843,601)
Underwriting results	**558,178**	761,611
Investment income	**3,215,720**	2,730,507
Net fair value loss on financial assets at fair value through profit or loss	**(1,738,983)**	(1,628,703)
Net unrealised gains / (loss) on investment property	**125,900**	(42,433)
Rental income	**8,906**	8,564
Other income	**226,606**	163,828
Other expenses	**(229,213)**	(181,217)
Results of operating activities	**2,167,114**	1,812,157
Profit from 'Window Takaful Operations - Operator's Fund'	**78,949**	66,598
Profit before tax	**2,246,063**	1,878,755
Income tax expense	**(950,975)**	(827,275)
Profit after tax	**1,295,088**	1,051,480
Profit attributable to:		
Equity holders of the parent	**1,280,662**	1,095,139
Non-controlling interest	**14,426**	(43,659)
	1,295,088	1,051,480
	--------------- (Rupees) ---------------	
		(Restated)
Earnings (after tax) per share - Rupees	**3.66**	3.13

ADAMJEE INSURANCE CO. LTD. ★ Head Office

Adamjee Insurance Company Limited

Unconsolidated Profit and Loss Account

For the year ended 31 December 2018

	2018	2017
	------ (Rupees in thousand) ------	
Net insurance premium	**13,805,781**	11,534,999
Net insurance claims	**(8,385,752)**	(7,433,828)
Premium deficiency	**-**	121,553
Net commission and other acquisition costs	**(1,279,576)**	(1,090,052)
Insurance claims and acquisition expenses	**(9,665,328)**	(8,402,327)
Management expenses	**(3,324,548)**	(2,575,893)
Underwriting results	**815,905**	556,779
Investment income	**1,284,656**	1,493,778
Rental income	**6,906**	8,564
Other income	**100,443**	101,834
Other expenses	**(113,359)**	(106,647)
Results of operating activities	**2,094,551**	2,054,308
Profit from 'Window Takaful Operations - Operator's Fund'	**78,949**	66,598
Profit before tax	**2,173,500**	2,120,906
Income tax expense	**(934,500)**	(899,678)
Profit after tax	**1,239,000**	1,221,228
	------------- (Rupees) -------------	
Earnings (after tax) per share - Rupees	**3.54**	3.49

ADAMJEE INSURANCE CO. LTD.
Head Office