BDO

FINANCIAL STATEMENTS OF

POSTAL LIFE INSURANCE COMPANY LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF POSTAL LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **POSTAL LIFE INSURANCE COMPANY LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, 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 profit or loss, 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 the Company's affairs as at December 31, 2021, and of the profit and other comprehensive income, 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 *Auditors 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 note 19.1 to the accompanying financial statements which describe the contingency regarding chargeability of sales tax on premiums by provincial revenue authorities.

Our opinion is not modified in respect of the above matter.

Information Other than the Financial Statements and Auditors Report Thereon

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

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

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

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 the 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 is 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 judgment 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 profit or loss, 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 and returns;

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

d) investments made, expenditures 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 the Ordinance subsequently to the balance sheet date.

Other Matter

The financial statements of Postal Life Insurance Company Limited for the year ended December 31, 2020, were audited by another firm of Chartered Accountants, who had expressed an unqualified opinion vide their report dated April 23, 2021.

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

ISLAMABAD

Bdo Ebrahim & Co.
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

DATED: 13 MAR 2023
UDIN: AR202110094hprjC3vlc

POSTAL LIFE INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021	2020
		--------(Rupees in '000)--------	
ASSETS			
Property and equipment	6	**10,890**	-
Intangible assets	7	**1,276**	-
Investments in government securities	8	**4,468,793**	-
Loans secured against life insurance policies		**776,364**	-
Receivable from Government of Pakistan	9	**64,786,428**	-
Insurance / reinsurance receivables	10	**252,745**	-
Other loans and receivables	11	**296,968**	21,612
Deferred taxation	12	**750**	-
Prepayments	13	**24**	-
Cash and bank	14	**618,504**	1,700,086
TOTAL ASSETS		**71,212,742**	1,721,698
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Authorized ordinary share capital (400,000,000 ordinary share @ 10 each)		**4,000,000**	4,000,000
Issued subscribed and paid-up share capital	15	**700,000**	700,000
Share deposit money		**3,300,000**	1,000,000
Ledger account attributable to policyholders' fund		**830,871**	-
Unappropriated profit		**190,825**	13,511
TOTAL EQUITY		**5,021,696**	1,713,511
LIABILITIES			
Insurance liabilities	16	**65,883,468**	-
Retirement benefit obligations	17	**2,317**	-
Premium received in advance		**3,792**	-
Insurance / reinsurance payables		**1,005**	-
Other creditors and accruals	18	**253,165**	2,706
Taxation - provision less payments		**47,298**	5,481
TOTAL LIABILITIES		**66,191,046**	8,187
TOTAL EQUITY AND LIABILITIES		**71,212,742**	1,721,698
CONTINGENCIES AND COMMITMENTS	19	-	-

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Director** **Director** **Chief Financial Officer**

POSTAL LIFE INSURANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
		---------(Rupees in '000)--------	
Premium revenue	20	2,493,266	-
Premium ceded to reinsurers		(1,005)	-
Net premium revenue		2,492,261	-
Investment income	21	218,870	-
Other income	22	4,650,992	21,736
		4,869,862	21,736
Net income		7,362,123	21,736
Insurance benefits	23	3,703,872	-
Recoveries from reinsurers		-	-
Claims related expenses		-	-
Net insurance benefits		(3,703,872)	-
Net change in insurance liabilities (other than outstanding claims)		1,990,343	-
Acquisition expenses	24	251,090	-
Marketing and administration expenses	25	315,375	566
Other expenses	26	10,783	2,140
Total expenses		(2,567,591)	(2,706)
Profit before tax		1,090,660	19,030
Income tax expense	27	(82,474)	(5,519)
Profit after tax for the year		1,008,186	13,511
Earning per share - Rupees (Basic)	28	2.73	0.19
Earning per share - Rupees (Diluted)		0.48	0.08

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman | Chief Executive Officer | Director | Director | Chief Financial Officer

POSTAL LIFE INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	----------(Rupees in '000)----------	
Profit after tax for the year	**1,008,186**	13,511
Other comprehensive income	-	-
Total comprehensive income for the year	**1,008,186**	13,511

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Director** **Director** **Chief Financial Officer**

POSTAL LIFE INSURANCE COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021	2020
		----------(Rupees in '000)----------	
Operating Cashflows			
(a) Underwriting activities			
Insurance premium received		2,244,313	-
Insurance benefits paid		(787,550)	-
Commission paid		(394)	-
Marketing and administrative expenses paid		(669,919)	(37)
Net cash generated from / (used in) underwriting activities		786,450	(37)
(b) Other operating activities			
Income tax paid		(93,512)	-
Other operating payments		(763)	(1)
Other operating receipts		93	-
Loans secured against life insurance policies - advanced		(1,754)	-
Net cash flow (used in) other operating activities		(95,936)	(1)
Total cash generated from / (used in) operating activities		690,514	(38)
Investing activities			
Profit received		251,956	124
Payment against investment in Government securities		(15,110,039)	-
Proceeds from investments in Government securities		10,793,187	-
Payment against investment in term deposits		(2,927,000)	-
Proceeds from investments in term deposits		2,933,648	-
Addition to property and equipment		(12,318)	-
Addition to intangible assets		(1,529)	-
Total cash flow (used in) / generated from investing activities		(4,072,096)	124
Financing activities			
Share money received		2,300,000	1,000,000
Issuance of shares		-	700,000
Total cash generated from financing activities		2,300,000	1,700,000
Net (decrease) / increase in cash and cash equivalents		(1,081,582)	1,700,086
Cash and cash equivalents at the beginning of the year		1,700,086	-
Cash and cash equivalents at the end of the year		618,504	1,700,086
Reconciliation to profit and loss account			
Operating cash flows		690,514	(38)
Depreciation expense		(1,428)	-
Amortization expense		(253)	-
Other investment and other income		392,455	124
Increase in assets other than cash		66,095,219	21,649
Increase in liabilities other than borrowings		(66,168,322)	(8,224)
Profit for the year		1,008,186	13,511

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Director** **Director** **Chief Financial Officer**

POSTAL LIFE INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share Capital	Revenue reserves			Total
	Issued, subscribed and paid up capital	Share deposit money	Ledger account attributable to policyholders' fund	Unappropriated profit	
	(Rupees in '000)				
Balance as at January 1, 2020					
Share capital issued at Rs.10 each	700,000	-	-	-	700,000
Share deposit money received	-	1,000,000	-	-	1,000,000
Total comprehensive income for the year	-	-	-	13,511	13,511
Surplus for the year in statutory funds	-	-	-	-	-
Balance as at December 31, 2020	700,000	1,000,000	-	13,511	1,713,511
Share deposit money received	-	**2,300,000**	-	-	**2,300,000**
Total comprehensive income for the year	-	-	-	**1,008,186**	**1,008,186**
Surplus for the year in statutory funds	-	-	**830,871**	**(830,871)**	-
Balance as at December 31, 2021	**700,000**	**3,300,000**	**830,871**	**190,825**	**5,021,696**

The annexed notes from 1 to 38 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Director** **Director** **Chief Financial Officer**

POSTAL LIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1 LEGAL, STATUS AND NATURE OF BUSINESS

1.1 Postal Life Insurance Company Limited (the Company) was incorporated in Pakistan on March 10, 2020 as a public limited company under the Companies Act, 2017. The Company registered under the Securities & Exchange Commission of Pakistan Insurance Division on August 26, 2020. SECP allowed the commencement of business with effect from January 20, 2021. The address of its registered and principal office is DG PPO, G - 8/4, Islamabad.

1.2 The Company is engaged in life insurance business in accordance with the requirements of the Insurance Ordinance, 2000.

1.3 Policyholders' portfolio of erstwhile Postal Life Insurance (PLI) Fund of Pakistan Post Office Department has been transferred to PLICL through a promissory note issued by the Government of Pakistan, Finance Division with effect from April 02, 2021.

1.4 In accordance with the requirement on Insurance Ordinance, 2000, the Company has established a Shareholder Fund and separate Statutory Funds in respect of each class of life insurance business. The Statutory Funds established by the Company, in accordance with the advice of Appointed Actuary are as follows:
- Post Office Insurance Fund
- Pakistan Business Fund

2 BASIS FOR PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2017 vide its S.R.O. 89(1)/2017 dated February 09, 2017 as applicable to life insurers.

2.1 Statement of compliance

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

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

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

In case requirements differ, the provisions or directives of the Companies Act 2017, Insurance Ordinance, 2000, Insurance Accounting Regulations 2017 and Insurance Rules, 2017 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (rounded up to thousand) which is the Company's functional and presentation currency. Amounts have been rounded off to the nearest thousand, unless otherwise stated.

3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

3.1 Standards, interpretations and amendments to published accounting standards that are effective during the year

The Company has adopted the standards / amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)		January 01, 2021
IFRS 16	Leases - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021

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

3.2 Standards, interpretations and amendments to accounting standards that are effective but not relevant

There are certain other amendments in standard and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or will not have any significant effects on the Company's operations and therefore not stated in these financial statements.

3.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022

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		Effective date (annual periods beginning on or after)
IAS 16	Property, Plant and Equipment - Proceeds before intended use.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of fulfilling a contract.	January 01, 2022
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2023
IAS 1	Presentation of Financial Statements - Disclosure of Accounting Policies	January 01, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates.	January 01, 2023
IAS 12	Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction.	January 01, 2023

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

		Effective date (annual periods beginning on or after)
Annual improvements to IFRSs (2018 – 2020) Cycle:		
IFRS 1	First-time Adoption of International Financial Reporting Standar	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022

3.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The Company's expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

3.5 Temporary exemption from application of IFRS 9

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2022.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except as stated otherwise.

4.1 Statutory funds

The Company maintains statutory funds for Ordinary Life. 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 financial position date as required by Section 50 of the Insurance Ordinance, 2000.

4.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any.

Subsequent costs

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account as and when incurred. However, major repairs and renewals are capitalized.

Depreciation

Depreciation is calculated on the straight-line method at the rates given in note 6 to the financial statements, after taking into account their respective residual values, if any, so as to write off the historical costs of assets over their estimated useful lives. Full month's depreciation is charged on additions during the month while no depreciation is charged on assets disposed off during the month. When parts of an item of asset have different useful lives, they are accounted for as separate items in property and equipment. Depreciation rates and method are reviewed at financial position date and adjusted, if required.

Gain and losses on disposal

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of fixed assets are included in current year's income and expenses respectively.

4.3 Intangible asset

Intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 7 to the financial statements. The estimate of useful life and amortization method are reviewed at the end of each financial year with the effect of any changes in estimate being accounted for prospectively.

The amortization is charged from the month in which asset is available for use and no amortization is charged in which that asset is disposed off.

4.4 Types of 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 insurance to its clients. The risk underwritten is mainly death, and disability. The group insurance contracts are issued typically on yearly renewable term basis.

Individual Insurance Contracts

Individual life participating policies are regular premium long term policies. Under which all or major portion of the surplus in the respective statutory funds is distributed among the policyholders as bonus.

4.5 Policyholders' liabilities / Technical Reserves

Policyholders' liabilities including IBNR are stated at a value determined by the appointed actuary through an actuarial valuation / advice carried out at each financial position 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.

4.6 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.

The rate of discount was taken as 3.00%.

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2021 are as follows:

a) **Group Policies:**
The liability in respect of group life insurance and riders of all types, was set using the unearned premium method. Unearned premium reserve is held for that portion of premium which has not yet accrued at the financial position date. Due provision was made for the claims incurred but not reported (IBNR).

b) **Individual Life Policies:**
Mathematical Reserves have been determined prospectively in accordance with the Minimum Valuation Basis specified in Annexure V Clause 4 of the SECP Insurance Rules 2017. Method has been briefly stated below:

- For policies with policy term of 20 years or more, we have used Full Preliminary Term (FPT) Method – Net Premium Valuation method with net premiums being determined at time 1.

- For policies with a policy term of 20 years or less, we have used Full Preliminary Term (FPT) Method with adjustment in line with SECP Insurance Rules Annexure V Clause 4 (4).

This adjustment adds the 1/20 * Number of years the policy term is less than 20 years *(Net Premium Reserves - FPT Reserve) to the FPT Reserve.

c) **Reinsurance premium reserves**
Reinsurance premium reserves have been maintained on an unearned premium basis.

4.7 Claims provision and IBNR

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.

4.8 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 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 financial position date in respect of policies in that class of business at the financial position date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognized as a liability.

4.9 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.

4.10 Receivables and payables related to insurance contracts

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

4.11 Loan secured against life insurance policies

Cash loans

The Company provides loans to their policyholders on the basis of payment of premium for three consecutive years. The maximum limit of disbursement is 90 percent of the surrender value and carries a mark-up rate determined by the Company from time to time.

4.12 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, 2017.

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.

4.13 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks in current and other accounts.

4.14 Revenue recognition

Premiums

- First year individual life 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 is 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.

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.

- Gain or loss on sale of investments is included in profit and loss account for investments relating to shareholders fund and statutory funds.

- Revaluation gain/loss on investment held 'at available for sale' is recognized as income/expense in the other comprehensive income.

4.15 Claims

Claim expenses are recognized on the date the insured event is intimated. A liability for outstanding claims is recognized in respect of all claims incurred up to the financial position date, as soon as reliable estimates of the claim amount can be made. The provision 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.

4.16 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 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.

4.17 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 financial position date and adjusted to reflect the current estimate.

4.18 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 statement of financial position liability method in respect of all temporary differences at the year end 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.

4.19 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at December 31, 2021 using the projected unit credit method (refer note 17). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

Accumulated compensated absences

The Company makes provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees, estimated on the basis of actuarial valuation carried out by the Company's actuary.

Annual leaves covers absences for the purpose of rest, study, relaxation, or leisure up to a maximum of 30 working days per year excluding weekends and national/provincial holidays. Unutilized annual leave will be carried over to the next year up to maximum 10 days per calendar year. Any outstanding annual leave balance will be encashed at the end of the year.

4.20 Impairment of assets

Financial assets

The Company assesses at each reporting date whether there is objective evidence that the financial asset is impaired. In case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is 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 values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Non-financial assets

The Company assesses at each financial position date whether there is any indication that assets except deferred tax 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 values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.21 Dividend distribution

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.

4.22 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.

4.23 Management expenses

Marketing, management and other expenses have been allocated to various statutory funds, expenses are not attributable to statutory funds, charged to Shareholders funds.

4.24 Related party transactions

Transaction with related parties are made at arm's length basis subject to approval of the Board of Directors.

4.25 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 statement of comprehensive income of the current period.

4.26 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial position, 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 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

5.1 Use of critical accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions.

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

	Note
Property and equipment	**4.2**
Policy holders' liabilities / Technical Reserves	**4.5**
Taxation	**4.18**
Staff retirement benefits	**4.19**
Impairment of financial and non financial assets	**4.20**

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6 PROPERTY AND EQUIPMENT

Description	Furniture and fixture	Office equipment	Computer equipment	Total
	---------- Rupees in '000' ----------			
Net carrying value basis				
Year ended December 31, 2021				
Opening net book value (NBV)	-	-	-	-
Additions (at cost)	3,719	2,066	6,533	12,318
Depreciation charge	(189)	(85)	(1,154)	(1,428)
Closing net book value	**3,530**	**1,981**	**5,379**	**10,890**
Gross carrying value basis				
Year ended December 31, 2021				
Cost	3,719	2,066	6,533	12,318
Accumulated depreciation	(189)	(85)	(1,154)	(1,428)
Net book value	**3,530**	**1,981**	**5,379**	**10,890**
Net carrying value basis				
Year ended December 31, 2020				
Opening net book value (NBV)	-	-	-	-
Additions (at cost)	-	-	-	-
Depreciation charge	-	-	-	-
Closing net book value	-	-	-	-
Gross carrying value basis				
Year ended December 31, 2020				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Depreciation rate per annum	**20%**	**20%**	**33.33%**	

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	Note	2021	2020
		----- Rupees in '000' -----	
6.1 Depreciation charge has been allocated as follows:			
Acquisition expenses	24	357	-
Marketing & administration expenses	25	1,071	-
		1,428	

7 INTANGIBLE ASSETS

	Note	2021	2020
Softwares	7.1	1,276	-
7.1 Opening net book value (NBV)			
Additions (cost)		1,529	-
Amortization		(253)	-
Closing net book value		1,276	-
Cost		1,529	-
Accumulated amortization		(253)	-
Net book value		1,276	-
Amortization rate per annum		33%	33%

8 INVESTMENTS IN GOVERNMENT SECURITIES

Held to maturity

	December 31, 2021				
	Maturity	Effective Yield	Amortized Cost	Principal Repayment	Carrying Value
	Period	%	------------ Rupees in '000' ------------		
03 Months Market Treasury Bills	Feb 2022	9.65 - 9.75	3,131,482	3,200,000	3,157,552
	Mar 2022	10.60 - 10.66	1,337,310	1,370,000	1,343,537
			4,468,793	4,570,000	4,501,089

8.1 Allocation of investment comprise of:

- Shareholders funds	4,433,793	4,533,925	4,465,558
- Pakistan business Fund	35,000	36,075	35,531
	4,468,793	4,570,000	4,501,089

	December 31, 2020				
	Maturity	Effective Yield	Amortized Cost	Principal Repayment	Carrying Value
	Period	%	------------ Rupees in '000' ------------		
None	-	-	-	-	-
			-	-	

8.2 Government securities include Rs. 75 million (2020: Nil) placed with the State Bank of Pakistan in accordance with Section 29 of the Insurance Ordinance, 2000.

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	Note	2021	2020
		----- Rupees in '000' -----	

9 RECEIVABLE FROM GOVERNMENT OF PAKISTAN

	Note	2021	2020
Receivable against Postal Life Fund	9.1	**60,309,021**	-
Interest on Postal Life Fund	9.3	**4,477,407**	-
		64,786,428	

9.1 Receivable against Postal Life Fund

	Note	2021	2020
Receivable as per actuarial valuation	9.2	**59,936,005**	-
Less: Net movement in funds during the months of November and December 2020		**(17,727)**	-
Add: Mark up accrued for the months of November and December 2020		**1,028,199**	-
Balance as on January 01, 2021		**60,946,477**	-
Less: Net movement in funds during the year by Pakistan Post Office Department		**(2,168,861)**	-
Add: Mark up for the period from January 01, 2021 to March 31, 2021		**1,531,406**	-
Balance as on December 31, 2021		**60,309,021**	

9.2 The Finance Division, Government of Pakistan committed to provide funds to the Company through Ministry of Communication to pay authenticated and certified claims / liabilities of the bonafied and valid insurance policies under Postal Life Insurance Scheme amounting to Rs. 48 billion as of October 31, 2020 and an additional amount as may be determined through actuarial valuation by the Ministry of Communication along with all interests accrued on the average outstanding balance of the principal amount. The amount assessed by the appointed actuary of the Company against the policies issued under Postal Life Insurance Scheme is estimated at Rs. 59.936 billion as of October 31, 2020.

9.3 This amount is calculated on monthly PLI principal fund balance carrying interest rate @ 10.30% based on circular issued through Ministry of Finance (Budget Wing). This mark up has been taken for a period of nine months from April 01, 2021 to December 31, 2021 as the promisory note was issued with effect from that date. Prior periods mark up has been charged to prior periods to arrive at the opening balance.

	2021	2020
	-------- Rupees in '000' --------	

10 INSURANCE / REINSURANCE RECEIVABLES

	2021	2020
Due from insurance contract holder	**252,745**	-

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	2021	2020
	-------- Rupees in '000' --------	

11 OTHER LOANS AND RECEIVABLES

	2021	2020
Accrued investment income	32,296	-
Accrued on bank deposits	19,770	21,612
Security deposit	348	-
Receivable from Pakistan Post (Premium Collection)	244,159	-
Advance to agents	395	-
	296,968	21,612

12 DEFERRED TAXATION

	2021	2020
Deferred debits arising in respect of:		
Fixed Assets	(550)	-
	(550)	-
Deferred credits arising in respect of:		
Provision for gratuity	672	-
Provision (Compensated absence payable)	628	-
	1,300	-
	750	-

	Balance as at January 1, 2021	Recognized in Profit and Loss Account	Recognized in other comprehensive	Balance as at December 31, 2021
	---------- Rupees in '000 ----------			
Deferred debits arising in respect of:				
Fixed Assets	-	(550)	-	(550)
Deferred credits arising in respect of:				
Provision for gratuity	-	672	-	672
Provision (Compensated absence payable)	-	628	-	628
Net Deferred Tax (Liabilities) / Asset	-	750	-	750

	Note	2021	2020
		-------- Rupees in '000' --------	

13 PREPAYMENTS

	Note	2021	2020
Prepaid insurance		24	-

14 CASH AND BANK

	Note	2021	2020
Cash in hand		2,115	-
Cash at bank			
- Current account		73,211	-
- Saving account	14.1	543,178	1,700,086
		618,504	1,700,086

14.1 Effective interest rate on saving accounts is 6.25% to 10.50% (2020: 5.50% to 6%) per annum.

		2021	2020
		------- Rupees in '000 -------	

15 ISSUED SUBSCRIBED AND PAID-UP SHARE CAPITAL

Number of ordinary shares of Rs. 10/-each				
2021	**2020**			
---Number in '000'---				
		As at beginning of the year	**700,000**	-
		Issued during the year	-	700,000
70,000	70,000	Fully paid in cash	**700,000**	700,000

15.1 The authorized share capital of the Company is 400,000,000 (2020: 400,000,000) ordinary shares of Rs. 10 each amounting to Rs. 4,000,000,000 (2020: Rs. 4,000,000,000).

	Note	2021	2020
		------- Rupees in '000 -------	
16 INSURANCE LIABILITIES			
Incurred but not reported claims	16.1	**544,952**	-
Liabilities under individual insurance	16.2	**5,804,126**	-
Liabilities under group insurance	16.3	**2,326,574**	-
Other insurance liabilities - Technical reserves		**55,160,916**	-
Other insurance liabilities - Policyholder liabilities		**2,046,900**	-
		65,883,468	-

16.1 Incurred but not reported claims

	2021	2020
Gross of reinsurance	**544,952**	-
Reinsurance recoveries	-	-
Net of reinsurance	**544,952**	-

16.2 Liabilities under individual insurance

	2021	2020
Gross of reinsurance	**5,804,126**	
Reinsurance credit	-	
Net of reinsurance	**5,804,126**	

16.3 Liabilities under group insurance

	2021	2020
Gross of reinsurance	**2,326,574**	-
Reinsurance credit	-	-
Net of reinsurance	**2,326,574**	-

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16.4 Unclaimed insurance benefits

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

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

	December 31, 2021					
Description	**Total Amount**	**1-6 Months**	**7-12 Months**	**13-24 Months**	**25-36 Months**	**Beyond 36 Months**
	---------- Rupees in '000 ----------					
Unclaimed benefits	**5,211,621**	**982,993**	**1,715,553**	**813,507**	**590,261**	**1,109,306**
	5,211,621	**982,993**	**1,715,553**	**813,507**	**590,261**	**1,109,306**

	December 31, 2020					
Description	**Total Amount**	**1-6 Months**	**7-12 Months**	**13-24 Months**	**25-36 Months**	**Beyond 36 Months**
	---------- Rupees in '000 ----------					
Unclaimed benefits	-	-	-	-	-	-
	-	-	-	-	-	-

17 RETIREMENT BENEFIT OBLIGATIONS

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of the last drawn gross salary. The percentage depends on the number of service years with the Company. The annual charge is based on an actuarial valuation carried out as at December 31, 2021, using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Mortality risks – The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit

Withdrawal risks – The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the plan as advised by the actuary.

17.1 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

	2021	2020
Discount rate	**12.75%**	-
Expected rate of increase in salary for the next year	**10.00%**	-
Long term expected rate of increase in salary	**12.75%**	-
Expected mortality rate	**SLIC(2001-05)**	-
Rate of employees turnover	**Light**	-

	Note	2021	2020
		------- Rupees in '000 -------	
17.2 Liability recognized in the statement of financial position			
Present value of defined benefit obligation	17.3	2,317	-
Fair value of plan assets		-	-
(Surplus) / Deficit		2,317	-
17.3 Analysis of present value of defined benefit obligation			
17.3.1 Vested / Non-vested			
Vested benefits	17.3.2	2,317	-
Non-vested benefits		-	-
Total		2,317	-
17.3.2 Types of benefits earned to date			
Accumulated benefit obligation		457	-
Amounts attributable to future salary increase		1,861	-
		2,317	

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	2021	2020
	------- Rupees in '000 -------	
17.4 Charge for the year		
Current service cost	**2,317**	-
Interest cost	-	-
Charge for the year	**2,317**	-

The Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

17.5 Sensitivity analysis

The calculation of the defined benefit obligations sensitive to the assumption set out above. The following table summaries how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

	Increase in Assumption	Decrease in Assumption
	------- Rupees in '000 -------	
Discount rate +0.5% / -0.5%	2,002	2,700
Salary increase +0.5% / -0.5%	2,684	2,009

The charge in respect of defined benefit plan for the year ending December 31, 2022 is estimated to be Rs. 5.482 million. Further the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

	2021	2020
	------- Rupees in '000 -------	
17.6 Undiscounted expected benefit payments from active employees		
1 year	**45**	-
2-5 year	**2,433**	-
6 to 10 years	**5,245**	-

18 OTHER CREDITORS AND ACCRUALS

	2021	2020
Agent commission payable	**116,538**	-
Payable to vendors	**4,078**	-
Accrued expenses	**3,723**	-
Staff salaries & other benefits payable	**76,493**	566
Compensated absence payable	**2,167**	-
Directors fee payable	**665**	1,560
Audit fee payable	**1,086**	580
Actuarial services fee payable	**1,765**	-
Rent payable	**33,665**	-
Zakat payable	**12,287**	-
Other liabilities	**699**	-
	253,165	2,706

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

(i) **Punjab Sales Tax (PST)**: The life insurance as well as takaful operations were exempt from sales tax on services till November 01, 2018 when the Punjab Revenue Authority (PRA) withdrew exemption on both life insurance and takaful operations. However, during the year 2020, the Government of Punjab through Notification # SO(TAX)1-110/220 (COVID-19) dated April 02, 2020, levied "zero percent" tax without any input tax adjustment for life insurance, in order to provide relief to the industry for the damage caused during the pandemic outbreak. The said Notification was effective for the period from April 02, 2020 to June 30, 2020 only. Thereafter, no exemption from sales tax on services are available to life insurers under PST.

Sindh Sales Tax (SST): Similar to PRA, the Sindh Revenue Board also lifted the exemption that was initially provided vide Notification # SRB-3-4/18/2014 dated October 29, 2014, and was extended through different notifications. However, during the year 2019, SRB vide Notification # SRB-3-4/5/2019 dated May 08, 2019, restored the exemption on both life insurance and takaful business for the period from July 01, 2018, to June 2019. This exemption was further extended till June 30, 2020, through Notification # SRB-3-4/13/2020 dated June 22, 2020. Since then, no exemption is available to life insurer under SST.

Khyber Pakhtunkhwa Sales Tax (KPST): Furthermore, the Khyber Pakhtunkhwa Revenue Authority (KPRA) through Khyber Pakhtunkhwa Finance Act, 2021 has imposed sales tax on life insurance at the rate of 15% from July 01, 2021 which was previously exempt. The matter has been taken up by the IAP with KPRA explaining that 'Insurance' is a Federal subject and thus, law in respect of insurance should not be made by the Province.

The management of the Company is of the view that life insurance / takaful operation is not a service but infact is an underwriting agreement to pay to the participants in the future, a specified sum of money, either on occurrence of an identified event or upon maturity of the policy, as is also clearly identified in the definition of the term "insurance or takaful" under the Insurance Ordinance, 2000.

In view of the above, the industry through the forum of Insurance Association of Pakistan (IAP) has filed constitutive petitions in the Lahore High Court, Lahore and in the High Court of Sindh, Karachi on September 28, 2019 and November 28, 2019 against PRA and SRB respectively.

Resultantly, a stay order against any coercive actions by SRB and PRA were received from the High Court of Sindh, Karachi and Lahore High Court, Lahore on September 22, 2020 and October 03, 2019 respectively.

In view of the above, the Company is neither billing its customers the provincial sales tax for the time being nor has made any provision for the same in the books of account for the year ended December 31, 2021.

(ii) There were no other contingencies as at the year end.

19.2 Commitments

There were no commitments as at the year end.

		2021	2020
		------- Rupees in '000 -------	
20	**NET INSURANCE PREMIUM REVENUE**		
	Gross premium		
	Regular premium - Individual policies		
	First year	**82,671**	-
	Second year renewal	**132,227**	-
	Subsequent year renewal	**1,600,964**	-
	Group policies without cash value	**677,404**	-
	Total Gross Premiums	**2,493,266**	-
	Less: Reinsurance premiums ceded on individual life first year business	**(1,005)**	-
	Net Premiums revenue	**2,492,261**	-
21	**INVESTMENT INCOME**		
	Held to maturity		
	- Return on government securities	**211,049**	-
	- Return on term deposit certificates	**7,821**	-
		218,870	-
22	**OTHER INCOME**		
	Return on bank balances	**65,120**	21,736
	Return on balance of Promissory Note	**4,477,407**	-
	Interest income on outstanding policyholders loans	**108,372**	-
	Miscellaneous	**93**	-
		4,650,992	21,736
23	**NET INSURANCE BENEFITS**		
	Claims under individual policies		
	by death	**99,236**	-
	by maturity	**2,963,874**	-
	by surrender	**206,647**	-
	Total gross individual policies claims	**3,269,757**	-
	Claims under group policies		
	by death	**432,915**	-
	by insured event other than death	**1,200**	-
	Total gross group policies claims	**434,115**	-
	Total gross claims	**3,703,872**	-
	Less: Reinsurance recoveries	-	-
	Net insurance benefit expense	**3,703,872**	-

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	Note	2021	2020
		------- Rupees in '000 -------	

24 ACQUISITION EXPENSES

Remuneration to insurance intermediaries on individual policies:

	Note	2021	2020
- Commission to agent on first year premiums		**22,170**	-
- Commission to agent on second year premiums		**11,278**	-
- Commission to agent on subsequent renewal premiums		**83,089**	-
		116,537	-
Other acquisition costs			
Stamp duty		**1,650**	-
Medical fee		**3,217**	-
Employee benefit cost	24.1	**92,347**	-
Depreciation	6.1	**357**	-
Amortization		**63**	-
Travel and conveyance		**1,236**	-
Advertisements and sales promotion		**261**	-
Printing and stationery		**739**	-
Rent, rates and taxes		**24,202**	-
Electricity, gas and water		**6,224**	-
Fees, subscription and periodicals		**274**	-
Entertainment		**306**	-
Vehicle running expenses		**847**	-
Repair and maintenance		**385**	-
Postage, telegrams and telephone		**585**	-
Finance charges		**406**	-
Computer expenses		**1,253**	-
Miscellaneous		**203**	-
		134,553	-
		251,090	-

24.1 Employee benefit cost

	2021	2020
Salaries, allowances and other benefits	**84,560**	-
Charges for post employment benefit	**7,786**	-
	92,347	-

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	Note	2021	2020
		----- Rupees in '000 -----	

25 MARKETING AND ADMINISTRATION EXPENSES

	Note	2021	2020
Employee benefit cost	25.1	277,040	566
Travel and conveyance		3,707	-
Advertisements and sales promotion		784	-
Printing and stationery		2,216	-
Depreciation	6.1	1,071	-
Amortization		190	-
Rent, rates and taxes		16,134	-
Electricity, gas and water		4,150	-
Entertainment		204	-
Vehicle running expenses		565	-
Repair and maintenance		1,154	-
Computer expenses		3,758	-
Postage, telegrams and telephone		1,754	-
Fees, subscription and periodicals		821	-
Bank charges		1,219	-
Miscellaneous		609	-
		315,375	566

25.1 Employee benefit cost

		2021	2020
Salaries, allowances and other benefits		253,681	566
Charges for post employment benefit		23,359	-
		277,040	566

26 OTHER EXPENSES

	Note	2021	2020
Legal and professional charges		501	-
Appointed actuary fees		4,706	-
Consultancy charges		1,084	-
Auditors' remuneration	26.1	1,142	580
Directors meeting fee		3,350	1,560
		10,783	2,140

26.1 Auditors' remuneration

		2021	2020
Annual audit fee		850	500
Interim review		100	-
Out of pocket expenses		40	-
Add: Sales tax on services		152	80
		1,142	580

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	Note	2021	2020
		----- Rupees in '000 -----	

27 INCOME TAX EXPENSE

	Note	2021	2020
Current tax		**83,224**	5,519
Deferred tax	12	**(750)**	-
		82,474	5,519

28 EARNING PER SHARE

	2021	2020
Profit (after tax) for the year	**190,825**	13,511
Weighted average number of ordinary shares (For basic EPS)	**70,000**	70,000
Weighted average number of ordinary shares (For diluted EPS)	**400,000**	170,000
Basic Earning per share	**2.73**	0.19
Diluted Earning per share	**0.48**	0.08

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29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2021				2020			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Fees	-	3,350	-	**3,350**	-	1,560	-	**1,560**
Managerial remuneration	9,000	-	34,682	**43,682**	566	-	-	**566**
House rent allowance	2,400	-	9,057	**11,457**	-	-	-	-
Utilities	600	-	2,264	**2,864**	-	-	-	-
Medical	57	-	1,123	**1,180**	-	-	-	-
Car allowance (monetization)	1,151	-	3,664	**4,815**	-	-	-	-
Retirement benefits	813	-	-	**813**	-	-	-	-
Total	**14,021**	**3,350**	**50,790**	**68,161**	**566**	**1,560**	-	**2,126**
Number of persons	1	6	14		1	4	-	

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30 SEGMENTAL INFORMATION

30.1 Revenue Account by Statutory Fund

	Statutory funds		Aggregate	
	Pakistan Business Fund	Post office Business Fund	2021	2020
	Rs in '000'			
Income				
Premium less reinsurances	81,666	2,410,595	2,492,261	-
Net investment income	-	4,585,779	4,585,779	-
Total net income	81,666	6,996,374	7,078,040	-
Insurance benefits and expenditure				
Insurance benefits including bonuses, net of reinsurance recoveries	-	3,703,872	3,703,872	-
Management expenses less recoveries	45,901	503,804	549,704	-
Total insurance benefits and expenditure	(45,901)	(4,207,676)	(4,253,576)	-
Surplus of income over claims and expenditure	35,765	2,788,698	2,824,464	-
Add: Policyholders' liabilities at beginning of the year	-	53,715,525	53,715,525	-
Less: Policyholders' liabilities at end of the year	6,085	55,699,783	55,705,868	-
(Deficit) / Excess	29,680	804,440	834,120	-
Movement in policyholders' liabilities	6,085	1,984,258	1,990,343	-
Less: Transferred to shareholders fund	(3,249)	-	(3,249)	-
Add: Surplus appropriated to policyholders	2,810	2,995,490	2,998,300	-
Less: Surplus allocated to policyholders' fund	(2,810)	(2,995,490)	(2,998,300)	-
	-	-	-	-
Balance of statutory fund at beginning of the year	-	53,715,525	53,715,525	
Balance of statutory fund at end of the year	32,516	56,504,223	56,536,739	-

30.2 Segment Statement of financial position

		Statutory funds		Aggregate	
		Ordinary Life			
	Shareholders' fund	Pakistan Business Fund	Post office Business Fund	2021	2020
	Rs in '000				
Property and equipment	10,890	-	-	10,890	-
Intangible assets	1,276	-	-	1,276	-
Investments in Government securities	4,433,793	35,000	-	4,468,793	-
Receivable from Govt. of Pakistan	-	-	64,786,428	64,786,428	-
Loans secured against life insurance policies	-	-	776,364	776,364	-
Insurance / reinsurance receivables	-	-	252,745	252,745	-
Other loans and receivables	52,414	-	244,554	296,968	21,612
Deffered taxation	750	-	-	750	-
Prepayments	24	-	-	24	-
Cash and Bank	99,202		519,302	618,504	1,700,086
Total Assets	4,598,349	35,000	66,579,393	71,212,742	1,721,698
Insurance liabilities	-	6,085	65,877,383	65,883,468	-
Premium received in advance	3,792	-	-	3,792	-
Insurance / reinsurance payables	-	1,005	-	1,005	-
Retirement benefit obligations	2,317			2,317	-
Other creditors and accruals	253,165	-	-	253,165	2,706
Taxation - provision less payments	47,298	-	-	47,298	5,481
Total Liabilities	306,573	7,090	65,877,383	66,191,046	8,187

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31 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 is a Board Committees for developing risk management policies and its monitoring. The risks involved with insurance and financial instruments and the Company's approach to managing such risks are discussed below.

31.1 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. Uncertainty in the estimation of future benefit payments and premium receipts for long – ordinary life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in

31.2 Ordinary 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.

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. Reinsurance treaty has been arranged to cover the new business 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. Strict monitoring is in place in order to keep the outstanding balances of premium at a minimum, especially the ones that are overdue.

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

For long-term ordinary life 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 being the first year of operations.

e) Sensitivity analysis

Variable Increase	Quantum of Change	% change in Liability
Increase in Mortality	20%	0.20%
Decrease in Mortality	-20%	-0.21%
Increase in Discount Rate	0.5% addition in rate	-4.48%
Decrease in Discount Rate	0.5% reduction in	4.77%

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31.3 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.

Maturity profile of financial assets and liabilities

	31 December, 2021					31 December 2020				
On balance sheet financial instruments	**Maturity upto one year**	**Maturity after one year**	**Sub-Total**	**Non-interest / profit bearing financial instruments**	**Total**	Maturity upto one year	Maturity after one year	Sub Total	Non-interest bearing financial instruments	Total
	(Rupees in '000)									
Financial assets										
Investments	4,468,793	-	4,468,793	-	4,468,793	-	-	-	-	-
Loans secured against life insurance policies	-	776,364	776,364	-	776,364	-	-	-	-	-
Receivable from Govt. of Pakistan	6,000,000	58,786,428	64,786,428	-	64,786,428	-	-	-	-	-
Insurance / reinsurance receivables	-	-	-	252,745	252,745					
Other loans and receivables	-	-	-	296,968	296,968	-	-	-	21,612	21,612
Prepayments	-	-	-	24	24	-	-	-	-	-
Cash & Bank	543,178	-	543,178	75,326	618,504	-	-	-	1,700,086	1,700,086
	11,011,971	59,562,792	70,574,763	625,063	71,199,826	-	-	-	1,721,698	1,721,698
Financial liabilities										
Insurance Liabilities	-	65,877,383	65,877,383	-	65,877,383	-	-	-	-	-
Premium received in advance	-	-	-	3,792	3,792	-	-	-	-	-
Insurance / reinsurance payables	-	-	-	1,005	1,005	-	-	-	-	-
Other creditors and accruals	-	-	-	253,165	253,165	-	-	-	2,706	2,706
	-	65,877,383	65,877,383	257,962	66,135,345	-	-	-	2,706	2,706
On balance sheet gap	11,011,971	(6,314,591)	4,697,380	367,100	5,064,480	-	-	-	1,718,992	1,718,992

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31.4 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.

31.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors.

31.6 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, 2021 is the carrying amount of the financial assets as set out below:

	2021	2020
	---------(Rupees in '000)-----------	
Financial Assets		
Investments in government securities	**4,468,793**	-
Loans secured against life insurance policies	**776,364**	-
Insurance / reinsurance receivables	**252,745**	-
Other loans and receivables	**296,968**	21,612
Cash and Bank	**618,504**	1,700,086
	6,413,374	1,721,698

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 A1+.

	Rating		Rating	2021	2020
	Short Term	Long Term	Agency	---------(Rupees in '000)----------	
National Bank of Pakistan	AAA	A1+	PACRA	**97,088**	1,700,086
United Bank Limited	AAA	A1+	JCR-VIS	**73,211**	-
Allied Bank Limited	AAA	A1+	PACRA	**446,091**	-
				616,390	1,700,086

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 counter parties thereby mitigating any significant concentration of credit risk.

31.7 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.

Currently the Company has a paid up capital of Rs.700 million against the minimum required paid-up capital of Rs. 700 million set by the SECP for the life insurance companies for the year ended December 31, 2021.

31.8 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:

	December 31, 2021			
Non-derivative Financial liabilities	**Carrying amount**	**Six to twelve months**	**Two to five years**	**More than five years**
Insurance liabilities	**65,883,468**	-	-	-
Premium received in advance	**3,792**	-	-	-
Insurance / reinsurance payables	**1,005**	-	-	-
Other creditors and accruals	**253,165**	-	-	-
	66,141,430	-	-	-

	December 31, 2020			
Non-derivative Financial liabilities	**Carrying amount**	**Six to twelve months**	**Two to five years**	**More than five years**
Insurance liabilities	-	-	-	-
Premium received in advance	-	-	-	-
Insurance / reinsurance payables	-	-	-	-
Other creditors and accruals	**2,706**	-	-	-
	2,706	-	-	-

32 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

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

	December 31, 2021			
	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
	------------(Rupees in '000)-------------			
Investments in government securities	-	4,468,793	-	4,468,793
	-	4,468,793	-	4,468,793

	December 31, 2020			
	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
	------------(Rupees in '000)-------------			
Investments in government securities	-	-	-	-
	-	-	-	-

33 STATEMENT OF SOLVENCY

	Shareholders Fund	Pakistan Business Fund	Post Office Business Fund	December 31, 2021	December 31, 2020
	-----------	-----------	Rupees in '000	-----------	
Assets					
Property and equipment	10,890	-	-	**10,890**	-
Intangible assets	1,276	-	-	**1,276**	-
Investments in government securities	4,433,793	35,000	-	**4,468,793**	-
Receivable from Govt. of Pakistan	-	-	64,786,428	**64,786,428**	-
Loans secured against life insurance policies	-	-	776,364	**776,364**	-
Insurance / reinsurance receivables	-	-	252,745	**252,745**	-
Other loans and receivables	52,414	-	244,554	**296,968**	21,612
Deferred tax	750	-	-	**750**	-
Prepayments	24	-	-	**24**	-
Cash and Bank	99,202	-	519,302	**618,504**	1,700,086
Total Assets (A)	4,598,349	35,000	66,579,393	**71,212,742**	1,721,698
Inadmissible Assets					
Property and equipment	10,890	-	-	**10,890**	-
Intangible assets	1,276	-	-	**1,276**	-
Deferred tax	750	-	-	**750**	-
Prepayments	24	-	-	**24**	-
Total of In-admissible assets (B)	12,940	-	-	**12,940**	-
Total Admissible Assets (C=A-B)	4,585,409	35,000	66,579,393	**71,199,802**	1,721,698
Total Liabilities					
Insurance liabilities	-	6,085	65,877,383	**65,883,468**	-
Retirement benefit obligations	2,317	-	-	**2,317**	
Premium received in advance	3,792	-	-	**3,792**	-
Insurance / reinsurance payables	-	1,005	-	**1,005**	-
Other creditors and accruals	253,165	-	-	**253,165**	2,706
Taxation - provision less payments	47,298	-	-	**47,298**	5,481
Total Liabilities (D)	306,573	7,090	65,877,383	**66,191,046**	8,187
Total Net Admissible Assets (E=C-D)	4,278,836	27,910	702,010	**5,008,756**	1,713,511
Net Admissible Assets				**4,278,836**	1,713,511
Minimum Solvency Requirement					
Shareholders fund				**165,000**	165,000
Policyholders Statutory Fund				**2,717,624**	-
Total solvency margin required				**2,882,624**	165,000
Excess in Net Admissible Assets over Minimum Requirements				**1,396,212**	1,548,511

34 RELATED PARTY TRANSACTION

The Company has related party relationships with state owned profit oriented entities and its key management personnel.

Remuneration to key management personnel are determined in accordance with the terms of their employment / appointment and certain key post retirement benefits in accordance with their entitlement under the terms of their employment.

The related parties also comprise shareholders and premium collection agents. The Company, in the normal course of business, carries out transactions with various related parties. Amounts due from and to related parties are disclosed in the relevant notes.

Name of the related party	Relationship with the company	Nature of the transactions	2021	2020
			-----(Rupees in '000')-------	
Government of Pakistan	Shareholder	Receivable against Postal Life Fund	**60,309,021**	-
		Interest on Postal Life Fund	**4,477,407**	-
		Share deposit money received	**2,300,000**	1,000,000
Pakistan Post Office Department	Collection agent	Premium collection receivable	**244,159**	-
		Rent payable	**33,665**	-

35 CORRESPONDING FIGURE

Corresponding figures have been re-arranged and re-classified, wherever considered necessary, for better presentation. However no significant reclassification has been made during the year.

36 NUMBER OF EMPLOYEES

	2021	2020
The details of number of employees are as follows;		
Employees on PLICL Contract as at year end	22	1
Pakistan Post deputed employees as at year end	612	-
Average number of employees during the year	328	1

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 13 MAR 2023.

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38 GENERAL

Figures have been rounded off to the nearest thousands.

Chairman	Chief Executive Officer	Director	Director	Chief Financial Officer

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules, 2013 (the Code) prepared by the Board of Directors (the Board) of **POSTAL LIFE INSURANCE COMPANY LIMITED** (the Company) for the year ended December 31, 2021, in accordance with the provisions of Clause (lxxvi) of the Code of Corporate Governance for Insurers, 2016.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

As per section xxvii, the insurer shall ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year unless an extension in terms of sub-section (1) of section 51 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) is granted by the Securities and Exchange Commission of Pakistan, in which case the insurer shall circulate the said financial statements on or before the expiry of such extension. However, we have noted that an extension for a period of only one month was granted on April 21, 2022.

Based on our review, except the above-mentioned non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the code as applicable to the Company for the year ended December 31, 2021.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Para Reference	Clause	Description
5	xi (a)	Establishment of Code of Conduct
6	xi (b) & xi (c)	Establishment of Vision and Mission Statement, Corporate Strategy & Significant Policies
10	xix	Orientation course for Directors
19	xliii	Frequency and Holding of Committee meetings
26	Clause (xlv) to (xlix)	Investment policy and related clauses
27	lxix	Risk Management System
28	lxx & lxxi	Risk Management Function
29	Lxxii	Credit Rating

In respect of the above non-compliances, the company has been granted exemption/ relaxation by the SECP till June 30, 2022, under the Letter number ID/MDPRD/053-Approvals/2022/2371 dated March 28, 2022. We have not checked/ reviewed the subsequent position with regard to the above non-compliance between the year end date and the date of our report.

ISLAMABAD

Bdo ebrahim & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Iffat Hussain

DATED: 30 MAR 2023
UDIN: CR202110094VPLBQvjb8

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 & Public Sector Companies (Corporate Governance) Rules, 2013 for the Year ended 31st December, 2021

POSTAL LIFE INSURANCE COMPANY LIMITED

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 and Public Sector Companies (Corporate Governance) Rules, 2013 for the purpose of establishing a framework of good Governance, whereby the Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Akif Saeed Mr. Naeem Akhtar Sheikh Ms. Farzin Khan
Executive Director	Mr. Muhammad Naeem Akhtar – CEO
Non-Executive Directors	Mr. Zafar Hasan Mr. Khalid Javed Mr. Imdad Ullah Bosal

All the independent Directors meet the criteria of independence as laid down under the Code of Corporate Governance for Insurer,2016.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, A Development Financial Institution (DFI) or Non-Banking Financial Institution or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. No casual vacancy occurred.

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Email: info@plic.com.pk

Lahore:
PLIC Lahore, Mall Road, GPO Lahore.
042 99210812
042 99210813
Karachi:
Karachi GPO Building, I.I. Chundrigar Road, Karachi.
021 99211102

5. The Company is in process of preparing code of conduct, which will be disseminated among all the directors and employees of the Company. The Company has been allowed relaxation of this clause for the year 2021 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022. Subsequently, the Company has prepared the code of conduct of the Company which is approved by the Board on 21st February, 2022 and will be circulated to the Board & employees accordingly.

6. The Board has developed a vision /mission statement, overall Corporate Strategy and in process of developing significant policies of the Company. A complete record of particulars of significant policies along with the dates will be maintained accordingly. The Company has been allowed relaxation of this clause for the year 2021 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven (07) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code according to the provided timeline.

10. The Company has been allowed relaxation for arranging of orientation course for its Directors for the year 2021 under SECP letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022. Subsequently, the Company has arranged orientation course for its Directors from the Pakistan Institute of Corporate Governance (PICG) on 23rd February, 2022.

11. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The directors, Chief Executive Officer and others executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

1) **Underwriting & Reinsurance Committee:**

Name of the Member	Category
Mr. Muhammad Naeem Akhtar – Director/CEO	Chairman
Representative from Reinsurance function	Member
Mr. Arshadullah Khan – Head of Underwriting	Member & Secretary

2) **Claim Settlement Committee:**

Name of the Member	Category
Mr. Muhammad Naeem Akhtar - Director/CEO	Chairman
Mr. Zahid Karim – CFO	Member
Mr. Taufeeq Hanif (Senior Manager Operations)	Member & Secretary

3) **Risk Management & Compliance Committee**

Name of the Member	Category
Mr. Akif Saeed – Independent Director	Chairman
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Zahid Karim – CFO	Member
Mr. Ajaz Hussain (Risk Management function)	Member
Mr. Sandeep Kumar – Head of Compliance	Member & Secretary

17. The Board has formed the following Board committees:

1) **Ethics, Human Resource, Remuneration and Nominations Committee:**

Name of the Member	Category
Ms. Farzin Khan - Independent Director	Chairperson
Mr. Khalid Javed– Non- Executive Director	Member
Mr. Muhammad Naeem Akhtar – Director/CEO	Member

Mr. Syed Shaharyar Husain – HR department	Secretary

2) **Investment Committee:**

Name of the Member	Category
Mr. Imdad Ullah Bosal– Non- Executive Director	Chairman
Mr. Akif Saeed – Independent Director	Member
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Zahid Karim – CFO	Member
Mr. Ajaz Hussain – Internal actuary	Member
Mr. Sunil Cecil- Chief Investment officer	Member & Secretary

3) **Procurement Committee:**

Name	Status
Mr. Khalid Javed– Non- Executive Director	Chairman
Ms. Farzin Khan - Independent Director	Member
Mr. Muhammad Naeem Akhtar – Director/CEO	Member
Mr. Zahid Karim – CFO	Member
Mr. Atta Hussain Shah Hashmi - Government Liaison & Admin Officer	Secretary

18. The Board has also formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors and the Chairman of the Committee is an independent Director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Mr. Naeem Akhtar Sheikh – Independent Director	Chairman
Mr. Akif Saeed – Independent Director	Member
Mr. Khalid Javed – Non-Executive Director	Member
Mr. Sarfraz Ahmed Sheikh – Head of Internal Audit	Secretary

19. The Company has been allowed relaxation for conducting meetings of Management and Board Committee for the year 2021 under SECP letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022. Subsequently, the Company has prepared the Terms of Reference (TORs) of the respective Committees and Committee meetings are being conducted.

20. The Board has set up an effective internal audit function with suitable qualified and experienced Head of internal Audit who is conversant with the policies and procedures of the Company.

21. The Chief Executive Officer, Chief Financial Officer and Compliance Officer possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000)

Name of the Person	Designation
Mr. Muhammad Naeem Akhtar	Chief Executive Officer
Mr. Zahid Karim Shar	Chief Financial Officer
Mr. Arshadullah Khan	Head of Underwriting
Mr. Hussain Feroz	Appointed Actuary
Mr. Taufeeq Hanif	Senior manager operations (Claims & policyholder services)
Mr. Ajaz Hussain	Manager Actuarial & Risk Management
Mr. Sandeep Kumar	Head of Compliance
Mr. Mukhtar Ahmed	Assistant General Manager (AGM) – Group Insurance Focal point for grievance handling (North region)
Mr. Shoaib Siddique	Assistant General Manager (AGM) - Focal point for grievance handling (South region)

The Company has appointed following executives on resignation made by the following:

Position	Resigned	Appointed
Chief Financial Officer	Mr. Mubashar Naveed	Zahid Karim Shar
Company Secretary	Mr. Fahad Alam	Sandeep Kumar
Compliance Officer	Mr. Fahad Alam	Sandeep Kumar
Actuary	Vacant	Mr. Ajaz Hussain

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000

(Ordinance No, XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. The Appointed Actuary by the Company has confirmed that neither he nor his spouse and minor children hold shares of the Company.

25. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.

26. The Board is under process of developing the investment policy of the Company in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016. The Company has been allowed relaxation of this clause for the year 2021 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022.

27. The Board is under process of establishing the Risk management system of the Company as per the requirement of the Code of Corporate Governance for Insurers,2016. The Company has been allowed relaxation of this clause for the year 2021 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022.

28. The Company is under process to set up a risk management function, which will carry out its tasks as covered under the Code of Corporate Governance for Insurers, 2016. The Company has been allowed relaxation of this clause for the year 2021 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022.

29. The Company is under process to get itself rated from the credit rating agency. The Company has been allowed relaxation of this clause for the year 2021 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2371dated 28th March, 2022

30. The Board has set up a grievance department / function as per the requirement of the Code of Corporate Governance for Insurers, 2016.

31. The Company has obtained exemptions for the year 2021 from the Securities and Exchange Commission of Pakistan under letter No: ID/MDPRD/053-Approvals/2022/2371 dated 28th March, 2022 in respect of the requirements of the Code of Corporate Governance for Insurers, 2016 which are as follows:

Postal Life Insurance Company

#	**Clause reference**	**Title**
1	Clause xi (a, b, and c)	Code of Conduct, development of significant policies and materiality policy
2	Clause (xix)	Orientation course for Directors
3	Clause (xliii)	Frequency and Holding of Committee meetings
4	Clause (xlv) to (xlix)	Investment policy and related clauses
5	Clause (lxix) to (lxxii)	Risk Management System, Risk Management Function and Credit Rating

32. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 and Public Sector Companies (Corporate Governance) Rules, 2013 have been complied except as mentioned above in which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

By order of the Board

Hasan Akhtar Khan
Chief Executive Officer

Naeem Akhtar Sheikh
Independent Director

Date: 13th March, 2023