



POSTAL LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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, 2022, 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, 2022, 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.

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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:

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- 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;

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- 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.

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

ISLAMABAD

DATED: 08 DEC 2023

UDIN: AR202210094m8sA6SD5t

BDO Ebrahim & Co.
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
Iffat Hussain






POSTAL LIFE INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
ASSETS			
Operating fixed assets	6	13,591	10,890
Intangible assets	7	767	1,276
Investments in government securities	8	3,930,013	4,468,792
Loans secured against life insurance policies		783,678	776,364
Receivable from Government of Pakistan	9	55,576,079	57,749,417
Insurance / reinsurance receivables	10	468,338	252,745
Other loans and receivables	11	14,277,433	7,333,980
Deferred taxation	12	7,740	750
Prepayments	13	288	24
Cash and Bank	14	299,519	618,504
TOTAL ASSETS		75,357,446	71,212,742
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	16	3,300,000	3,300,000
Ledger account attributable to policyholders' fund		863,489	830,871
Unappropriated profit		592,942	190,825
TOTAL EQUITY		5,456,431	5,021,696
LIABILITIES			
Insurance liabilities	17	66,773,931	63,836,568
Retirement benefit obligations	18	5,500	2,317
Other creditors and accruals	19	2,642,242	2,300,065
Premium received in advance		316,107	3,792
Insurance / reinsurance payables		2,732	1,005
Taxation - provision less payments		160,503	47,298
TOTAL LIABILITIES		69,901,015	66,191,046
TOTAL EQUITY AND LIABILITIES		75,357,446	71,212,742

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 39 form an integral part of these financial statements.

 Chairman
 Chief Executive Officer
 Director
 Director
 Chief Financial Officer

POSTAL LIFE INSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

		2022	2021
	Note	----- (Rupees in '000) -----	
Premium revenue	21	3,047,197	2,493,266
Premium ceded to reinsurers		(1,726)	(1,005)
Net premium revenue		3,045,471	2,492,261
Investment income	22	610,780	218,870
Other income	23	6,397,166	4,650,992
		<u>7,007,946</u>	<u>4,869,862</u>
Net income		10,053,417	7,362,123
Insurance benefits	24	(5,614,861)	(3,703,872)
Net change in insurance liabilities (other than outstanding claims)	31.1	(2,704,317)	(1,990,343)
Acquisition expenses	25	(429,521)	(251,090)
Marketing and administration expenses	26	(654,242)	(315,375)
Other expenses	27	(21,553)	(10,783)
Total expenses		(3,809,633)	(2,567,591)
Profit before tax		628,923	1,090,660
Income tax expense	28	(196,486)	(82,474)
Profit after tax for the year		432,437	1,008,186
Earning per share - Rupees (Basic)	29	6.21	14.40
Earning per share - Rupees (Diluted)		1.09	2.52

The annexed notes from 1 to 39 form an integral part of these financial statements.

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Chairman


Chief Executive Officer


Director


Director


Chief Financial Officer

**POSTAL LIFE INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022	2021
	------(Rupees in '000)-----	
Profit after tax for the year	432,437	1,008,186
Other comprehensive income		
Remeasurement gain on gratuity	2,299	-
Total comprehensive income for the year	<u>434,735</u>	<u>1,008,186</u>

The annexed notes from 1 to 39 form an integral part of these financial statements. *Notes*


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, 2022

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, 2021	700,000	1,000,000	-	13,510	1,713,510
Share 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
Total comprehensive income for the year	-	-	-	434,735	434,735
Surplus for the year in statutory funds	-	-	32,618	(32,618)	-
Balance as at December 31, 2022	700,000	3,300,000	863,489	592,942	5,456,431

The annexed notes from 1 to 39 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, 2022

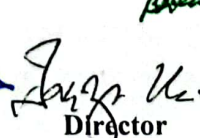
	2022	2021
Note	----- (Rupees in '000) -----	
Operating Cashflows		
(a) Underwriting activities		
Insurance premium received	2,519,289	2,244,313
Insurance benefits paid	(5,381,888)	(787,550)
Commission paid	(9,892)	(394)
Marketing and administration expenses paid	(752,949)	(669,919)
Net cash generated from / (used in) underwriting activities	(3,625,440)	786,450
(b) Other operating activities		
Income tax paid	(83,281)	(93,512)
Other operating payments	(638,300)	(763)
Other operating receipts	2,173,338	93
Loans secured against life insurance policies - advanced	(86,757)	(1,754)
Net cash flow (used in) other operating activities	1,365,000	(95,936)
Total cash (used in) / generated from operating activities	(2,260,440)	690,514
Investing activities		
Profit received	608,722	251,956
Payment against investment in Government securities	(18,637,827)	(15,110,039)
Proceeds from investments in Government securities	19,977,394	10,793,187
Payment against investment in term deposits	(3,141,000)	(2,927,000)
Proceeds from investments in term deposits	3,141,000	2,933,648
Addition to operating fixed assets	(6,834)	(12,318)
Addition to intangible assets	-	(1,529)
Total cash flow generated from / (used in) investing activities	1,941,455	(4,072,096)
Financing activities		
Share money received	-	2,300,000
Total cash generated from financing activities	-	2,300,000
Net decrease in cash and cash equivalents	(318,985)	(1,081,582)
Cash and cash equivalents at the beginning of the year	618,504	1,700,086
Cash and cash equivalents at the end of the year	299,519	618,504
Reconciliation to profit and loss account		
Operating cash flows	(2,260,440)	690,514
Depreciation expense	(4,133)	(1,428)
Amortization expense	(509)	(253)
Other investment and other income	741,100	392,455
Increase in assets other than cash	4,463,689	66,095,219
Increase in liabilities other than borrowings	(2,507,271)	(66,168,322)
Profit for the year	432,437	1,008,185

The annexed notes from 1 to 39 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, 2022

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 the company 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.

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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 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, interpretations and amendments to published accounting standards that are relevant to the company and adopted in the current year

The Company has adopted the following new standards / amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or interpretation	Effective date (annual periods beginning on or after)
Onerous Contracts - Cost of fulfilling a contract (Amendment to IAS 37)	January 01, 2022
Property, Plant and equipment : Proceeds before Intended Use (Amendment to IAS 16)	January 01, 2022
Subsidiary as a First-time Adopter (Amendment to IFRS 01)	January 01, 2022
Taxation in fair value measurement (Amendment to IAS 41)	January 01, 2022
Updating a reference to the Conceptual Framework (Amendments to IFRS 3)	January 01, 2022

Adoption of the above standards have no significant effect on the amounts for the period ended December 31, 2022.

3.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the company.

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or interpretation	Effective date (annual periods beginning on or after)
Classification of liabilities as current or non current (Amendment to IAS 1)	January 01, 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	January 01, 2023
Definition of accounting estimates	January 01, 2023
Disclosure Initiative - Accounting Policies	January 01, 2023
Sale and leaseback transactions (Amendment to IFRS 16)	January 01, 2023

The company is in the process of assessing the impact of these standards, amendments and interpretations to the published standards on the financial statement of the corporation.

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

Following new standards have been issued by the International Accounting Standard Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards and Interpretation	Effective date (annual periods beginning on or after)
IFRS 17 Insurance Contract (Amendment to Insurance Contract)	January 01, 2023*
IFRS 9 - Financial Instruments	January 01, 2023**
IFRS 1 'First-time adoption of International Financial Reporting Standard'	January 01, 2024

* IFRS 17 - 'Insurance contracts' has been issued by the IASB to be effective for annual periods beginning on or after January 01, 2023 but is yet to be notified by the Securities and Exchange Commission of Pakistan.

3.4 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.

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 Operating fixed assets

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 operating fixed assets. Depreciation rates and method are reviewed at financial position date and adjusted, if required.

Notes.

Gain and losses on disposal

An item of operating fixed assets 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. *Answer*

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, 2022 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 $\frac{1}{20} * \text{Number of years the policy term is less than 20 years} * (\text{Net Premium Reserves} - \text{FPT Reserve})$ 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.

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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, 2022 using the projected unit credit method (refer note 18). 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".

Refer -

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 whereas expenses not attributable to statutory funds are 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. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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
Operating fixed assets	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

Bhaskar

6 OPERATING FIXED ASSETS

Description	Furniture and fixture	Office equipment	Computer equipment	Total
	Rupees in '000'			
Net carrying value basis				
Year ended December 31, 2022				
Opening net book value (NBV)	3,530	1,981	5,379	10,890
Additions (at cost)	3,407	3,427	-	6,834
Depreciation charge	(1,145)	(810)	(2,178)	(4,133)
Closing net book value	5,792	4,598	3,201	13,591
Gross carrying value basis				
Year ended December 31, 2022				
Cost	7,126	5,493	6,533	19,152
Accumulated depreciation	(1,334)	(895)	(3,332)	(5,561)
Net book value	5,792	4,598	3,201	13,591
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
Depreciation rate per annum				
	20%	20%	33.33%	

Placed

	Note	2022 ----- Rupees in '000' -----	2021
6.1 Depreciation charge has been allocated as follows:			
Acquisition expenses	25	1,033	357
Marketing & administration expenses	26	3,100	1,071
		<u>4,133</u>	<u>1,428</u>
7 INTANGIBLE ASSETS			
Softwares	7.1	<u>767</u>	<u>1,276</u>
7.1 Opening net book value (NBV)		1,276	-
Additions (cost)		-	1,529
Amortization	7.2	<u>(509)</u>	<u>(253)</u>
Closing net book value		<u>767</u>	<u>1,276</u>
Cost		1,529	1,529
Accumulated amortization		<u>(762)</u>	<u>(253)</u>
Net book value		<u>767</u>	<u>1,276</u>
Amortization rate per annum		33.33%	33.33%
7.2 Amortization charge has been allocated as follows:			
Acquisition expenses		127	63
Marketing & administration expenses		382	190
		<u>509</u>	<u>253</u>

8 INVESTMENTS IN GOVERNMENT SECURITIES

Held to maturity

December 31, 2022					
Maturity	Effective Yield	Amortized Cost	Principal Repayment	Carrying Value	
Period	%	----- Rupees in '000' -----			
03 Months Market Treasury	Feb 09, 2023	15.51 - 15.69	3,930,013	4,071,000	4,005,542
			<u>3,930,013</u>	<u>4,071,000</u>	<u>4,005,542</u>

8.1 Allocation of investment comprise of:

- Shareholders funds	3,895,013	4,034,419	3,969,549
- Pakistan business Fund	35,000	36,581	35,993
	<u>3,930,013</u>	<u>4,071,000</u>	<u>4,005,542</u>

December 31, 2021					
Maturity	Effective Yield	Amortized Cost	Principal Repayment	Carrying Value	
Period	%	----- Rupees in '000' -----			
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	
		<u>4,468,792</u>	<u>4,570,000</u>	<u>4,501,089</u>	

8.2 Government securities include Rs. 75 million (2021: Rs. 75 million) placed with the State Bank of Pakistan in accordance with Section 29 of the Insurance Ordinance, 2000.

	Note	2022 ----- Rupees in '000' -----	2021
9 RECEIVABLE FROM GOVERNMENT OF PAKISTAN			
Receivable against Postal Life Fund	9.1	55,576,079	57,749,417
9.1 Receivable against Postal Life Fund			
Balance as on January 01		57,749,417	59,936,005
Less: Net movement in funds during the year by Pakistan Post Office Department		-	(2,186,588)
Add: Markup charge in funds during the year by Pakistan Post Office Department		-	2,559,605
Less: Funds received against GOP balance		(2,173,338)	
Less: Reclassification of accrued interest		-	(2,559,605)
Balance as on December 31		<u>55,576,079</u>	<u>57,749,417</u>

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.

	Note	2022 ----- Rupees in '000' -----	2021
10 INSURANCE / REINSURANCE RECEIVABLES			
Due from insurance contract holder	10.1	<u>468,338</u>	<u>252,745</u>
10.1 This balance pertains to premium receivable from following parties:			
WASA Faisalabad		25,720	16,163
Pakistan Railway employees		282,517	175,386
Pakistan Railway passengers		160,101	61,196
		<u>468,338</u>	<u>252,745</u>

As per

11 OTHER LOANS AND RECEIVABLES

		2022	2021
		----- Rupees in '000' -----	
Accrued investment income		75,529	32,296
Accrued on bank deposits		16,142	19,770
Accrued Interest on GOP Fund	11.1	13,302,238	7,037,012
Security deposit		4,328	348
Receivable from Pakistan Post (Premium Collection)	11.2	877,656	244,159
Advance to agents		651	395
Advance to employees		661	-
Advance to suppliers		200	-
Other receivables		28	-
		<u>14,277,433</u>	<u>7,333,980</u>

- 11.1 This represent interest calculated on balance recievable from government as per the rate 11.2% (2021: 10.3%) issued by the ministry of finance (budget wing).
- 11.2 Receivable from Pakistan Post include amounts paid by the policyholders in GPOs in respect of premiums.

12 DEFERRED TAXATION

Deferred debits arising in respect of:

Fixed Assets

2022	2021
----- Rupees in '000' -----	
(432)	(550)
<u>(432)</u>	<u>(550)</u>

Deferred credits arising in respect of:

Provision for gratuity

Provision (Compensated absence payable)

1,595	672
6,577	628
8,172	1,300
<u>7,740</u>	<u>750</u>

Deferred debits arising in respect of:

Fixed Assets

Deferred credits arising in respect of:

Provision for gratuity

Provision (Compensated absence payable)

Net Deferred Tax Asset

Balance as at January 01, 2022	Recognized in Profit and Loss Account	Recognized in other comprehensive Income	Balance as at December 31, 2022
----- Rupees in '000' -----			
(550)	118	-	(432)
672	923	-	1,595
628	5,949	-	6,577
<u>750</u>	<u>6,990</u>	<u>-</u>	<u>7,740</u>

Review

	Note	2022 ----- Rupees in '000 -----	2021
17 INSURANCE LIABILITIES			
Incurred but not reported claims	17.1	168,531	544,952
Liabilities under individual insurance	17.2	6,039,347	5,804,126
Liabilities under group insurance	17.3	2,324,399	2,326,574
Other insurance liabilities - Technical reserves		58,241,654	55,160,916
		<u>66,773,931</u>	<u>65,883,468</u>
17.1 Incurred but not reported claims			
Gross of reinsurance		168,531	544,952
Reinsurance recoveries		-	-
Net of reinsurance		<u>168,531</u>	<u>544,952</u>
17.2 Liabilities under individual insurance			
Gross of reinsurance		6,039,347	5,804,126
Reinsurance credit		-	-
Net of reinsurance		<u>6,039,347</u>	<u>5,804,126</u>
17.3 Liabilities under group insurance			
Gross of reinsurance		2,324,399	2,326,574
Reinsurance credit		-	-
Net of reinsurance		<u>2,324,399</u>	<u>2,326,574</u>

Balances

17.4 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.

Description	December 31, 2022					
	Total Amount	1-6 Months	7-12 Months	13-24 Months	25-36 Months	Beyond 36 Months
	----- Rupees in '000 -----					
Unclaimed benefits	5,872,434	1,107,633	1,933,079	916,657	665,104	1,249,961
	<u>5,872,434</u>	<u>1,107,633</u>	<u>1,933,079</u>	<u>916,657</u>	<u>665,104</u>	<u>1,249,961</u>

Description	December 31, 2021					
	Total Amount	1-6 Months	7-12 Months	13-24 Months	25-36 Months	Beyond 36 Months
	----- Rupees in '000 -----					
Unclaimed benefits	5,211,620	982,993	1,715,553	813,507	590,261	1,109,306
	<u>5,211,620</u>	<u>982,993</u>	<u>1,715,553</u>	<u>813,507</u>	<u>590,261</u>	<u>1,109,306</u>

18 RETIREMENT BENEFIT OBLIGATIONS

Gratuity Fund Payable

	2022	2021
	----- Rupees in '000 -----	
	<u>5,500</u>	<u>2,317</u>

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, 2022, 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.

18.1 Principal actuarial assumptions

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

	2022	2021
Discount rate	14.25%	12.75%
Long term expected rate of increase in salary	14.25%	12.75%
Expected mortality rate	SLIC(2001-05)-1	SLIC(2001-05)
Rate of employees turnover	Light	Light

Note	2022	2021
	----- Rupees in '000 -----	

18.2 Liability recognized in the statement of financial position

Present value of defined benefit obligation	18.3	5,500	2,317
Fair value of plan assets		-	-
Recognised Liability / (asset)		<u>5,500</u>	<u>2,317</u>

18.3 Analysis of present value of defined benefit obligation

Present value of defined benefit obligation at the beginning of the year		2,317	-
Service cost		4,887	2,317
Interest cost on defined benefit obligation		595	-
Total benefits paid to outgoing members		-	-
Re-measurement: Actuarial (gain) / loss on obligation		(2,299)	-
Present value of defined benefit obligation at the end of the year		<u>5,500</u>	<u>2,317</u>

Rehas

	Note	2022 ----- Rupees in '000 -----	2021
18.3.1 Vested / Non-vested			
Vested benefits	18.3.2	5,500	2,317
Non-vested benefits		-	-
Total		<u>5,500</u>	<u>2,317</u>

18.3.2 Types of benefits earned to date

Accumulated benefit obligation	814	457
Amounts attributable to future salary increase	4,686	1,861
	<u>5,500</u>	<u>2,317</u>

18.4 Charge for the year

Cost recognized in Profit and Loss for the year		
Current service cost	4,887	2,317
Interest cost	595	-
Re-measurements recognised in OCI during the year		
Actuarial gain on obligation	(2,299)	-
Charge for the year	<u>3,183</u>	<u>2,317</u>

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

18.5 The expected expense for the next year amounts to Rs. 5,673 thousand.

18.6 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%	5,050	2,002
Discount rate -0.5%	6,003	2,700
Salary increase +0.5%	6,013	2,684
Salary increase -0.5%	5,037	2,009

2022 2021
----- Rupees in '000 -----

18.7 Undiscounted expected benefit payments from active employees

1 year	156	45
2-5 year	2,795	2,433
6 to 10 years	5,827	5,245

19 OTHER CREDITORS AND ACCRUALS

Agent commission payable	272,571	116,538
Payable to vendors	348	4,078
Accrued expenses	4,629	3,723
Staff salaries & other benefits payable	134,958	76,493
Compensated absence payable	22,680	2,167
Directors fee payable	-	665
Audit fee payable	2,325	1,086
Actuarial services fee payable	5,294	1,765
Rent payable	87,799	33,665
Zakat payable	55,480	12,287
Other insurance liabilities - Policyholder liabilities 19.1	2,046,900	2,046,900
Other liabilities	9,258	699
	2,642,242	2,300,065

19.1 It represents an amount of Rs 2,046 million (2021: Rs 2,046 million) payable to Pakistan Post Office Department (PPOD) in respect of payments made to policyholders from October 2020 to April 2021.

20 CONTINGENCIES AND COMMITMENTS

20.1 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, 2022.

(ii) There were no other contingencies at reporting date.

20.2 Commitments

There were no commitments at reporting date.

2022 2021
----- Rupees in '000 -----

21 NET INSURANCE PREMIUM REVENUE

Gross premium

Regular premium - Individual policies

First year

Second year renewal

Subsequent year renewal

Group policies without cash value

Total Gross Premiums

84,120	82,671
91,684	132,227
2,630,706	1,600,964
240,687	677,404
3,047,197	2,493,266

Less: Reinsurance premiums ceded on individual life first year business

Net Premiums revenue

(1,726)	(1,005)
3,045,471	2,492,261

Review

	2022	2021
	----- Rupees in '000 -----	
22 INVESTMENT INCOME		
Held to maturity		
- Return on government securities	597,198	211,049
- Return on term deposit certificates	13,582	7,821
	<u>610,780</u>	<u>218,870</u>
23 OTHER INCOME		
Return on bank balances	35,927	65,120
Return on balance of GOP	6,266,846	4,477,407
Interest income on outstanding policyholders loans	94,071	108,372
Miscellaneous	322	93
	<u>6,397,166</u>	<u>4,650,992</u>
24 NET INSURANCE BENEFITS		
Claims under individual policies		
by death	478,766	99,236
by maturity	3,498,347	2,963,874
by surrender	1,121,651	206,647
Total gross individual policies claims	5,098,764	3,269,757
Claims under group policies		
by death	516,097	432,915
by insured event other than death	-	1,200
Total gross group policies claims	516,097	434,115
Total gross claims	5,614,861	3,703,872
Less: Reinsurance recoveries	-	-
Net insurance benefit expense	<u>5,614,861</u>	<u>3,703,872</u>
25 ACQUISITION EXPENSES		
Remuneration to insurance intermediaries on individual policies:		
- Commission to agent on first year premiums	25,222	22,170
- Commission to agent on second year premiums	9,168	11,278
- Commission to agent on subsequent renewal premiums	131,535	83,089
	165,925	116,537
Other acquisition costs		
Stamp duty	4,066	1,650
Medical fee	2,931	3,217
Employee benefit cost	25.1 191,671	92,347
Depreciation	6.1 1,033	357

Adnan

2022 2021
----- Rupees in '000 -----

Amortization	127	63
Travel and conveyance	2,767	1,236
Advertisements and sales promotion	826	261
Printing and stationery	2,180	739
Rent, rates and taxes	38,638	24,202
Electricity, gas and water	7,256	6,224
Fees, subscription and periodicals	782	274
Entertainment	625	306
Vehicle running expenses	3,004	847
Repair and maintenance	2,208	385
Postage, telegrams and telephone	1,327	585
Training and development	197	-
Finance charges	357	406
Computer expenses	2,807	1,253
Miscellaneous	792	203
	263,596	134,553
	429,521	251,090

25.1 Employee benefit cost

Salaries, allowances and other benefits	175,411	84,560
Charges for post employment benefit	16,260	7,786
	191,671	92,347

26 MARKETING AND ADMINISTRATION EXPENSES

Employee benefit cost	26.1	575,014	277,040
Travel and conveyance		8,302	3,707
Advertisements and sales promotion		2,478	784
Printing and stationery		6,541	2,216
Depreciation	6.1	3,100	1,071
Amortization		382	190
Rent, rates and taxes		25,759	16,134
Electricity, gas and water		4,838	4,150
Entertainment		416	204
Vehicle running expenses		2,002	565
Repair and maintenance		6,625	1,154
Computer expenses		8,421	3,758
Postage, telegrams and telephone		3,982	1,754
Fees, subscription and periodicals		2,346	821
Bank charges		1,071	1,219
Miscellaneous		2,965	609
		654,242	315,375

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	Note	2022 ----- Rupees in '000 -----	2021
26.1 Employee benefit cost			
Salaries, allowances and other benefits		526,234	253,681
Charges for post employment benefit		48,781	23,359
		<u>575,015</u>	<u>277,040</u>
27 OTHER EXPENSES			
Legal and professional charges		925	501
Appointed actuary fees		7,059	4,706
Consultancy charges		9,230	1,084
Auditors' remuneration	27.1	1,439	1,142
Directors meeting fee		2,900	3,350
		<u>21,553</u>	<u>10,783</u>
27.1 Auditors' remuneration			
Annual audit fee		980	650
Interim review		200	100
Other certifications		-	200
Out of pocket expenses		70	40
Add: Sales Tax on services		189	152
		<u>1,439</u>	<u>1,142</u>
28 INCOME TAX EXPENSE			
Current tax		203,476	83,224
Deferred tax	12	(6,990)	(750)
		<u>196,486</u>	<u>82,474</u>
29 EARNING PER SHARE			
Profit after tax for the year		<u>434,735</u>	<u>1,008,186</u>
Weighted average number of ordinary shares (For basic EPS)		<u>70,000</u>	<u>70,000</u>
Weighted average number of ordinary shares (For diluted EPS)		<u>400,000</u>	<u>400,000</u>
Basic Earning per share (Rupees)		<u>6.21</u>	<u>14.40</u>
Diluted Earning per share (Rupees)		<u>1.09</u>	<u>2.52</u>

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30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

2022				2021			
Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Rupees							

Fees	-	2,900	-	2,900	-	3,350	-	3,350
Managerial remuneration	6,750	-	45,195	51,945	9,000	-	34,682	43,682
House rent allowance	1,800	-	19,650	21,450	2,400	-	9,057	11,457
Utilities	450	-	9,825	10,275	600	-	2,264	2,864
Medical	329	-	1,982	2,311	57	-	1,123	1,180
Car allowance (monetization)	863	-	3,930	4,793	1,151	-	3,664	4,815
Retirement benefits	2,133	-	-	2,133	813	-	-	813

Total	12,325	2,900	80,582	95,807	14,021	3,350	50,790	68,161
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Number of persons	1	5	27	1	6	14
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As at

31 SEGMENTAL INFORMATION

31.1 Revenue Account by Statutory Fund

	Statutory funds		Aggregate	
	Pakistan Business Fund	Post office Business Fund	2022	2021
	-----Rs in '000'-----			
Income				
Premium less reinsurances	174,078	2,871,393	3,045,471	2,492,261
Net investment income	5,319	6,360,917	6,366,236	4,585,779
Total net income	179,397	9,232,310	9,411,707	7,078,040
Insurance benefits and expenditure				
Insurance benefits including bonuses, net of reinsurance recoveries	-	(5,614,861)	(5,614,861)	(3,703,872)
Management expenses less recoveries	(74,277)	(974,922)	(1,049,199)	(549,704)
Total insurance benefits and expenditure	(74,277)	(6,589,783)	(6,664,060)	(4,253,576)
Surplus of income over claims and expenditure	105,120	2,642,527	2,747,647	2,824,464
Add: Policyholders' liabilities at beginning of the year	6,085	55,699,783	55,705,868	53,715,525
Less: Policyholders' liabilities at end of the year	6,746	58,403,439	58,410,185	55,705,868
Excess / (Deficit)	104,459	(61,129)	43,330	834,120
Movement in policyholders' liabilities	661	2,703,656	2,704,317	1,990,343
Less: Transferred to shareholders fund	(10,712)	-	(10,712)	(3,249)
Add: Surplus appropriated to policyholders	2,661	2,577,436	2,580,097	2,998,300
Less: Surplus allocated to policyholders' fund	(2,661)	(2,577,436)	(2,580,097)	(2,998,300)
Balance of statutory fund at beginning of the year	32,516	56,504,223	56,536,739	53,715,525
Balance of statutory fund at end of the year	126,924	59,146,750	59,273,674	56,536,739

Review

31.2 Segment Statement of financial position

	Statutory funds		Aggregate	
	Ordinary Life			
	Pakistan Business Fund	Post office Business Fund	2022	2021
Shareholders' fund				
	Rs in '000			
Operating fixed assets				
Intangible assets	13,591	-	13,591	10,890
Investments in Government securities	767	-	767	1,276
Receivable from Government of Pakistan	3,895,013	35,000	3,930,013	4,468,793
Loans secured against life insurance policies	-	-	55,576,079	64,786,428
Insurance / reinsurance receivables	-	-	783,678	776,364
Other loans and receivables	96,888	-	468,338	252,745
Deferred taxation	7,740	-	14,180,545	296,968
Prepayments	288	-	7,740	750
Cash and Bank	57,768	-	288	24
Total Assets	4,072,055	35,000	299,519	618,504
			75,357,446	71,212,742
Insurance liabilities				
Premium received in advance	-	6,746	66,767,185	66,773,931
Insurance / reinsurance payables	316,107	-	-	65,883,468
Retirement benefit obligations	-	2,731	-	3,792
Other creditors and accruals	5,500	-	-	1,005
Taxation - provision less payments	595,342	-	2,046,900	2,317
Total Liabilities	1,077,453	-	160,503	2,300,065
			69,901,015	47,298
	9,477	68,814,085	66,191,046	66,191,046

Bureau

32 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.

32.1 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 policyholder's behavior.

32.2 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.

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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 <i>Reduction</i>	0.5% reduction in rate	4.77%

32.3 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

	December 31, 2022				December 31, 2021					
	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	3,930,013	-	3,930,013	-	3,930,013	4,468,793	-	4,468,793	-	4,468,793
Loans secured against life insurance policies	-	783,678	783,678	-	783,678	-	776,364	776,364	-	776,364
Receivable from Govt. of Pakistan	1,000,000	54,576,079	55,576,079	-	55,576,079	6,000,000	58,786,428	64,786,428	-	64,786,428
Insurance / reinsurance receivables	-	-	-	468,338	468,338	-	-	-	252,745	252,745
Other loans and receivables	-	-	-	14,277,433	14,277,433	-	-	-	296,968	296,968
Prepayments	-	-	-	288	288	-	-	-	24	24
Cash & Bank	291,516	-	291,516	8,003	299,519	543,178	-	543,178	75,326	618,504
Financial liabilities	5,221,529	55,359,757	60,581,286	14,754,062	75,335,348	11,011,971	59,562,792	70,574,763	625,063	71,199,826
Insurance Liabilities	-	66,773,931	66,773,931	-	66,773,931	-	65,877,383	65,877,383	-	65,877,383
Premium received in advance	-	-	-	316,107	316,107	-	-	-	3,792	3,792
Insurance / reinsurance payables	-	-	-	2,731	2,731	-	-	-	1,005	1,005
Other creditors and accruals	-	-	-	2,642,242	2,642,242	-	-	-	253,165	253,165
On balance sheet gap	5,221,529	(11,414,174)	(6,192,645)	11,792,981	5,600,336	11,011,971	(6,314,591)	4,697,380	367,100	5,064,480

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32.4 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.

32.5 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.

32.6 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, 2022 is the carrying amount of the financial assets as set out below:

	2022	2021
	----- (Rupees in '000') -----	
Financial Assets		
Investments in government securities	3,930,013	4,468,793
Loans secured against life insurance policies	783,678	776,364
Insurance / reinsurance receivables	468,338	252,745
Other loans and receivables	14,277,433	296,968
Cash and Bank	299,519	618,504
	<u>19,758,981</u>	<u>6,413,374</u>

Rs. Cro.

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 Agency	2022	2021
	Short Term	Long Term		----- (Rupees in '000) -----	
National Bank of Pakistan	AAA	A1+	PACRA	56,790	97,088
United Bank Limited	AAA	A1+	JCR-VIS	7,025	73,211
Allied Bank Limited	AAA	A1+	PACRA	234,726	446,091
				<u>298,541</u>	<u>616,390</u>

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.

32.7 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, 2022.

32.8 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, 2022			
	Carrying amount	Six to twelve months	Two to five years	More than five years
----- (Rupees '000')-----				
Non-derivative Financial liabilities				
Insurance liabilities	66,773,931	-	-	-
Premium received in advance	316,107	-	-	-
Insurance / reinsurance payables	2,731	-	-	-
Other creditors and accruals	2,642,242	-	-	-
	<u>69,735,012</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2021			
	Carrying amount	Six to twelve months	Two to five years	More than five years
----- (Rupees '000')-----				
Non-derivative Financial liabilities				
Insurance liabilities	65,883,468	-	-	-
Premium received in advance	3,792	-	-	-
Insurance / reinsurance payables	1,005	-	-	-
Other creditors and accruals	253,165	-	-	-
	<u>66,141,430</u>	<u>-</u>	<u>-</u>	<u>-</u>

33 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

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, 2022				
Fair value measurement using				
Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----				
Investments	in	government	-	-
securities			-	-
			-	-
			-	-
December 31, 2021				
Fair value measurement using				
Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----				
Investments	in	government	-	-
securities			-	-
			-	-
			-	-

Refer

34 STATEMENT OF SOLVENCY

	Shareholders Fund	Pakistan Business Fund	Post Office Business Fund	December 31, 2022	December 31, 2021
Assets					
	Rupees in '000				
Operating fixed assets	13,591	-	-	13,591	10,890
Intangible assets	767	-	-	767	1,276
Investments in government securities	3,895,013	35,000	-	3,930,013	4,468,793
Receivable from Govt. of Pakistan	-	-	55,576,079	55,576,079	64,786,428
Loans secured against life insurance policies	-	-	783,678	783,678	776,364
Insurance / reinsurance receivables	-	-	468,338	468,338	252,745
Other loans and receivables	97,539	-	14,179,894	14,277,433	296,968
Deferred tax	7,740	-	-	7,740	750
Prepayments	288	-	-	288	24
Cash and Bank	57,768	-	241,751	299,519	618,504
Total Assets (A)	4,072,706	35,000	71,249,740	75,357,446	71,212,742
Inadmissible Assets					
Operating fixed assets	13,591	-	-	13,591	10,890
Intangible assets	767	-	-	767	1,276
Deferred tax	7,740	-	-	7,740	750
Prepayments	288	-	-	288	24
Total of In-admissible assets (B)	22,386	-	-	22,386	12,940
Total Admissible Assets (C=A-B)	4,050,320	35,000	71,249,740	75,335,060	71,199,802
Total Liabilities					
Insurance liabilities	-	6,746	66,767,185	66,773,931	65,883,468
Retirement benefit obligations	5,500	-	-	5,500	2,317
Premium received in advance	316,107	-	-	316,107	3,792
Insurance / reinsurance payables	-	2,731	-	2,731	1,005
Other creditors and accruals	595,342	-	2,046,900	2,642,242	253,165
Taxation - provision less payments	160,503	-	-	160,503	47,298
Total Liabilities (D)	1,077,453	9,477	68,814,085	69,901,015	66,191,045
Total Net Admissible Assets (E=C-D)	2,972,867	25,523	2,435,655	5,434,045	5,008,757
Net Admissible Assets in shareholders fund				2,972,867	4,278,836
Minimum Solvency Requirement					
Shareholders fund				165,000	165,000
Policyholders Statutory Fund				2,669,670	2,717,624
Total solvency margin required				2,834,670	2,882,624
Excess in Net Admissible Assets over Minimum Requirements				138,197	1,396,212

35 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	2022	2021
----(Rupees in '000')----				
Government of Pakistan	Holding entity	Receivable against Postal Life Fund	55,576,079	57,749,417
		Interest on Postal Life Fund	13,302,238	7,037,012
		Share deposit money	3,300,000	3,300,000
Pakistan Post Office Department	Collection agent	Premium collection receivable	877,656	244,159
		Rent payable	87,799	33,665

36 CORRESPONDING FIGURE

Corresponding figures have been re-arranged and re-classified, wherever considered necessary, for better presentation. Following major reclassification has been made during the year.

Reclassified from	Reclassified to	Amount
Receivable From Government Of Pakistan	Other loans and receivables	7,037,012
Other insurance liabilities - Policyholder liabilities	Other liabilities	2,406,000

37 NUMBER OF EMPLOYEES

The details of number of employees are as follows;

	2022	2021
Employees on PLICL Contract as at year end	28	22
Pakistan Post deputed employees as at year end	578	612
Average number of employees during the year	601	317

Annex.


38 DATE OF AUTHORISATION FOR ISSUE


These financial statements have been authorized for issue by the Board of Directors of the Company on 08 DEC 2023.


39 GENERAL

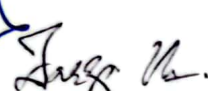
Figures have been rounded off to the nearest thousands.


Revised


Chairman


Chief Executive Officer


Director


Director


Chief Financial Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE FOR INSURERS (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 (the Code) 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, 2022 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 till May 31, 2023 was granted by the commission via Letter Number ID/MDPR/RA-053/2023/2765 dated April 27, 2023 which has not been complied.

Based on our review, except for 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 Regulations as applicable to the Company for the year ended December 31, 2022.

Pls see

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
6	xi (b, and c)	Development of significant policies and materiality policy
26	(xlv) to (xlix)	Investment policy and related clauses
28	(lxix) to (lxxii)	Risk Management System, Risk Management Function and Credit Rating

In respect of the above non-compliances, the company has been granted exemption / relaxation by the SECP till December 31, 2022, under the Letter number ID/PRDD/053-Approvals/2022/2662, dated September 26, 2022.

ISLAMABAD

DATED: 08 DEC 2023
UDIN: CR202210094JSABZsp9t

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

**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, 2022**

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 and non-executive Directors representing minority interests on its Board of Directors. The Board includes:

Category	Names
Independent Directors	<ul style="list-style-type: none">• Mr. Naeem Akhtar Sheikh• Ms. Farzin Khan• Mr. Akif Saeed ¹
Non-Executive Directors	<ul style="list-style-type: none">• Capt. (R) Muhammad Khurram Agha - (Secretary, MOC) ²• Mr. Hasan Akhtar Khan (Director General, Pakistan Post) ³• Amjad Mahmood – Additional Finance Secretary

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

Notes:

- 1) Mr. Akif Saeed resigned from the Directorship of PLICL on 09th December 2022, with immediate effect.

Subsequent to the Balance sheet date, following changes have been occurred:

- 2) Capt. (R) Muhammad Khurram Agha (Secretary, MOC) ceased the directorship of PLICL on 31st October, 2023 and approval of the proposed candidate by SECP is under process.
- 3) Mr. Hasan Akhtar Khan ceased to hold the directorship due to a change in ex-officio (DG-Pakistan Post) and was replaced by Hafiz Shakeel Ahmed Qureshi on 13th June, 2023. Moreover, Hafiz Shakeel Ahmed Qureshi ceased to hold the directorship due to change in ex-officio (DG, Pakistan Post) on 1st December, 2023 and approval of the proposed candidate from SECP is under process.

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. A casual vacancy occurred on the Board on 08th December, 2022 and is under process of appointment.
5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with supporting policies and procedures.
6. The Board has developed a vision /mission statement, overall Corporate Strategy and is in the 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 2022 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2662 dated 26th September, 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 arranged an orientation course for its directors during the year to apprise them of their duties & responsibilities.
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 other 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 requirements except financial reporting requirement 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. Hasan Akhtar Khan – Director/CEO ³	Chairman
Representative from Reinsurance function	Member
Mr. Ajaz Hussain – Senior Manager Actuarial & Risk management ⁴	Member
Syed Arshadullah – Head of Underwriting ⁵	Member & Secretary

2) Claim Settlement Committee:

Name of the Member	Category
Mr. Hasan Akhtar Khan – Director/CEO ³	Chairman
Mr. Zahid Karim – CFO	Member
Mr. Taufeeq Hanif (Senior Manager Operations) ⁶	Member & Secretary

3) Risk Management & Compliance Committee

Name of the Member	Category
Mr. Akif Saeed – Independent Director ¹	Chairman
Mr. Hasan Akhtar Khan – Director/CEO ³	Member
Mr. Zahid Karim – CFO	Member
Mr. Ajaz Hussain (Risk Management function) ⁴	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. Hasan Akhtar Khan – Director/CEO ³	Member
Mr. Ata Hussain Shah Hashmi– HR department ⁷	Secretary

2) **Investment Committee:**

Name of the Member	Category
Mr. Amjad Mahmood – Non- Executive Director	Chairman
Mr. Akif Saeed – Independent Director ¹	Member
Mr. Hasan Akhtar Khan – Director/CEO ³	Member
Mr. Zahid Karim – CFO	Member
Mr. Ajaz Hussain – Internal actuary ⁴	Member
Mr. Sunil Cecil- Chief Investment officer ⁸	Member & Secretary

3) **Procurement Committee:**

Name	Status
Mr. Hasan Akhtar Khan – Director/CEO ²	Chairman
Ms. Farzin Khan - Independent Director	Member
Mr. Zahid Karim – CFO	Member
Mr. Atta Hussain Shah Hashmi - Government Liaison & Admin Officer ⁷	Secretary

Notes:

Subsequent to the Balance sheet date, following changes have been occurred:

- 4) Mr. Ajaz Hussain (Internal actuary & Risk Management) left the Company on 29th May, 2023 and Mr. Rizwan Saleem (Senior Manager – Finance) has been given the acting charge of Internal Actuary and Mr. Sandeep Kumar (Head of Compliance) has been given acting charge of Risk Management function.
- 5) Syed Arshadullah (Head of Underwriting) left the Company on 17th November, 2023.
- 6) Mr. Taufeeq Hanif (Senior Manager- Operations) left the Company on 05th April, 2023

- 7) Mr. Ata Hussain Shah Hashmi– left the Company on 13th July, 2023, and Mr. Zahid Karim Shar (CFO) has been given the acting charge of Secretary to HR Committee.
- 8) Mr. Sunil Cecil (Chief Investment Officer) left the Company on 09th December, 2022 and Mr. Zahid Karim Shar (CFO) has been given the acting charge of Chief Investment Officer.
- 9) Mr. Sarfraz Ahmed Sheikh left the Company on 31st January, 2023, and Mr. Kamran Gul has been given the acting charge of Head of Internal Audit.
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. Nacem Akhtar Sheikh – Independent Director	Chairman
Mr. Akif Saeed – Independent Director ¹	Member
Mr. Hasan Akhtar Khan – Director/CEO ³	Member
Mr. Sarfraz Ahmed Sheikh – Head of Internal Audit ⁹	Secretary

19. The meetings of the Committee were held as required by the Code of Corporate Governance for Insurers, 2016. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
20. The Board has set up an effective internal audit function with a suitable qualified and experienced Head of Internal Audit who is conversant with the policies and procedures of the Company. During the year, Head of Internal Audit resigned from his position and is under process to fill the position.
21. The Chief Executive Officer, Chief Financial Officer and Compliance Officer possess such qualifications 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. Hasan Akhtar Khan	Chief Executive Officer ³
Mr. Zahid Karim Shar	Chief Financial Officer
Mr. Arshadullah Khan	Head of Underwriting ⁵

Mr. Hussain Feroz	Appointed Actuary
Mr. Taufeeq Hanif	Senior manager operations (Claims & policyholder services) ⁶
Mr. Ajaz Hussain	Senior Manager Actuarial & Risk Management ⁴
Mr. Sandeep Kumar	Head of Compliance & Company Secretary
Mr. Mukhtar Ahmed	Assistant General Manager (AGM) – Group Insurance Focal point for grievance handling (North region)
Mr. Bhutio Menghwar	Director (AGM) - Focal point for grievance handling (South region)

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

Position	Change	Appointed
Chief Executive Officer	Mr. Muhammad Naeem Akhtar	Hasan Akhtar Khan

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 the 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 2022 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2662 dated 26th September, 2022. Subsequently, the Company has developed the Investment Policy of the Company which is approved by the Board on 13th March, 2023.
27. The Board is under the 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 2022 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2662 dated 26th September, 2022. Subsequently, the Company has developed risk management policies which is approved by the Board of Directors on 13th March, 2023

28. The Board has set up a risk management function of the Company and in process to 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 2022 from SECP under letter No: ID/MDPRD/053-Approvals/2022/2662 dated 26th September, 2022.
29. The Board ensures that as part of Risk Management system, Company gets itself rated from the Pakistan Credit Rating Agency Limited (PACRA) which is being used by its risk management function and respective Committee as a risk monitoring tool. The rating assigned by the PACRA on 21st October, 2022 is A+ with Stable outlook
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 2022 from the Securities and Exchange Commission of Pakistan under letter No: ID/MDPRD/053-Approvals/2022/2662 dated 26th September, 2022 in respect of the requirements of the Code of Corporate Governance for Insurers, 2016 which are as follows:

Sr.No	Clause reference	Title
1	Clause xi (b, and c)	Development of significant policies and materiality policy
2	Clause (xlv) to (xlix)	Investment policy and related clauses
3	Clause (lxix) to (lxxii)	Risk Management System, Risk Management Function and Credit Rating

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



Hafiz Shakil Ahmed Qureshi
Chief Executive Officer



Naem Akhtar Sheikh
Independent Director

Date: 08 December, 2023