



FINANCIAL STATEMENTS
OF
TPL LIFE INSURANCE LIMITED
FOR THE YEAR ENDED
DECEMBER 31, 2022

BDO Ebrahim & Co. Chartered Accountants

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INDEPENDENT AUDITORS' REPORT ON AUDIT OF FINANCIAL STATEMENTS TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **TPL LIFE INSURANCE LIMITED** (the Company), which comprise the statement of financial position as at December 31, 2022, the statement of comprehensive income, the cash flows statement, the statement of changes in equity 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, profit and loss account, statement of comprehensive income, the cash flows statement and the statement of changes in equity 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 total comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 17.1.1 to the accompanying financial statements which describe the contingency regarding chargeability of sales tax on premium by Sindh Revenue Board.

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

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

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

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 the Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);



- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the year ended December 31, 2021 were audited by another firm of chartered accountants, who expressed an unmodified opinion on those financial statements vide their report dated March 31, 2022.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: 23 FEB 2023

UDIN: AR202210067fSMNgZmUk

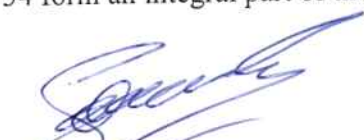
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

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

	Note	2022	2021
(Rupees in "000")			
Assets			
Property and equipment	6	15,057	11,437
Intangible assets	7	27,471	13,765
Investments			
Government securities	8	231,389	237,662
Mutual funds	8	12,297	14,178
Term deposits receipts	8	85,000	235,000
Insurance / reinsurance receivables	9	116,890	136,017
Other loans and receivables	10	48,569	81,936
Taxation - payments less provision		38,320	31,689
Prepayments	11	1,003	603
Cash and bank balances	12	355,722	238,421
Total assets		<u>931,718</u>	<u>1,000,708</u>
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Authorized share capital			
240,000,000 ordinary shares (2021: 190,000,000) of Rs. 10 each	13.1	<u>2,400,000</u>	<u>1,900,000</u>
Issued, subscribed and paid up share capital	13.2	1,910,000	1,750,000
Accumulated loss of other than participating business		(2,048,518)	(1,844,060)
Unappropriated profit		379,466	389,006
		<u>240,948</u>	<u>294,946</u>
Advance against issuance of right shares		50,000	120,000
Total equity		<u>290,948</u>	<u>414,946</u>
Liabilities			
Insurance liabilities	14	178,270	301,332
Premium received in advance		13,940	11,376
Insurance / reinsurance payables	15	215,957	134,923
Other creditors and accruals	16	232,603	138,131
		<u>640,770</u>	<u>585,762</u>
Total liabilities		<u>931,718</u>	<u>1,000,708</u>
Total equity and liabilities		<u>931,718</u>	<u>1,000,708</u>
Contingency and commitments	17		

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


CHAIRMAN


**CHIEF EXECUTIVE
OFFICER**


DIRECTOR


DIRECTOR

TPL LIFE INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022	2021
		(Rupees in "000")	
Gross premium	18	337,345	640,247
Reinsurer premium ceded	18	(146,600)	(99,829)
Net premium revenue		190,745	540,418
Investment income	19	35,110	27,081
Loss on investments - net	20	(33,005)	(9)
Other income - net	21	22,490	37,179
		24,595	64,251
Net income		215,340	604,669
Insurance benefits	22	196,308	789,175
Reinsurance recoveries	22	(102,610)	(132,049)
Net insurance benefits		93,698	657,126
Net change in insurance liabilities (other than outstanding claims)		(29,318)	(296,855)
Acquisition expenses	23	48,056	108,976
Marketing and administration expenses	24	307,285	316,521
Other expenses	25	7,079	4,903
Total expenses		333,102	133,545
Results of operating activities		(211,460)	(186,002)
Financial charges		(2,049)	(470)
Loss before tax		(213,509)	(186,472)
Income tax expense	26	(489)	(5,138)
Loss for the year		(213,998)	(191,610)
Other comprehensive income		-	-
Total comprehensive loss for the year		(213,998)	(191,610)
Loss per share - basic and diluted	27	(1.18)	(1.38)

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


CHAIRMAN


**CHIEF EXECUTIVE
OFFICER**


DIRECTOR


DIRECTOR

TPL LIFE INSURANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 2022 2021
(Rupees in "000")

Operating Cash flows:

(a) Underwriting activities

Insurance premium received	359,037	929,960
Reinsurance premium paid	(9,583)	(15,826)
Claims paid	(238,714)	(837,782)
Surrenders paid	(4,711)	(8,440)
Commission paid	(43,374)	(131,240)
Marketing and administrative expenses paid	(258,914)	(387,568)
Net cash used in underwriting activities	(196,259)	(450,896)

(b) Other operating activities

Income tax paid	(7,121)	(5,294)
Other operating receipts / (payments)	76,091	(3,835)
Net cash generated from / (used in) other operating activities	68,970	(9,129)
Total cash used in all operating activities	(127,289)	(460,025)

Investment activities:

Profit / return received on investment	49,576	38,786
Dividend received	104	461
Purchase of investment	(122,745)	(515,508)
Proceeds from sale of investment	249,862	296,582
Capital expenditure - net	(19,907)	(15,811)
Total cash generated from / (used in) investing activities	156,890	(195,490)

Financing activities:

Proceeds from issuance of shares	40,000	425,000
Advance against right shares	50,000	120,000
Repayment of lease liabilities	(2,300)	(3,290)
Total cash generated from financing activities	87,700	541,710
Net cash generated from / (used in) all activities	117,301	(113,805)
Cash and cash equivalents at beginning of year	238,421	352,226
Cash and cash equivalents at end of year	355,722	238,421

Reconciliation to Profit and Loss Account:

Operating cash flows	(127,289)	(460,025)
Depreciation / amortization expense	24 (9,579)	(12,864)
Gain on disposal of property and equipment	21 44	4,198
Unwinding of discount	(808)	(470)
Dividend and other investment income	2,104	27,072
Return on bank balances	21 17,891	14,922
Increase in assets other than cash	(186)	(229,559)
(Decrease) / increase in liabilities other than borrowings	(96,175)	465,116
Loss after taxation	(213,998)	(191,610)

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


CHAIRMAN


**CHIEF EXECUTIVE
OFFICER**


DIRECTOR

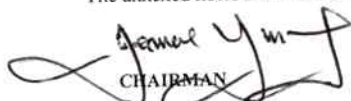

DIRECTOR

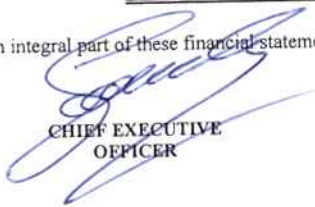
TPL LIFE INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

Attributable to equity holders of the Company

	Share Capital	Unappropriated profit / (loss)	Accumulated losses of other than participating share - Ledger D account	Sub total	Advance against issuance of share	Total
	(Rupees in "000")					
Balance as at January 1, 2021	1,325,000	352,752	(1,616,196)	61,556	-	61,556
At beginning of year						
Right shares issued during the year	425,000	-	-	425,000	-	425,000
Total comprehensive income for the year	-	-	(227,864)	(227,864)	-	(227,864)
Deficit for the year retained in statutory fund	-	36,254	-	36,254	-	36,254
Profit for other than participating business	-	36,254	(227,864)	(191,610)	-	(191,610)
Total comprehensive income / (loss)	-	36,254	(227,864)	(191,610)	-	(191,610)
Advance against issuance of shares	-	-	-	-	120,000	120,000
Balance as at December 31, 2021	1,750,000	389,006	(1,844,060)	294,946	120,000	414,946
Balance as at January 1, 2022	1,750,000	389,006	(1,844,060)	294,946	120,000	414,946
At beginning of year						
Right shares issued during the year	160,000	-	-	160,000	(160,000)	-
Total comprehensive loss for the year	-	-	(204,458)	(204,458)	-	(204,458)
Deficit for the year retained in statutory fund	-	(9,541)	-	(9,541)	-	(9,541)
Loss from other than participating business	-	(9,541)	(204,458)	(213,999)	-	(213,999)
Total comprehensive loss	-	(9,541)	(204,458)	(213,999)	-	(213,999)
Advance against issuance of shares	-	-	-	-	90,000	90,000
Balance as at December 31, 2022	1,910,000	379,466	(2,048,518)	240,947	50,000	290,947

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


CHAIRMAN


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR

TPL LIFE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. STATUS AND NATURE OF BUSINESS

1.1 TPL Life Insurance Limited (the Company) was incorporated on March, 19 2008 under the Repealed Companies Ordinance, 1984 as public limited company and is registered as a life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company obtained license to carry on life and related lines of insurance business on March 2, 2009. The registered office of the Company is situated at 20th Floor, Sky Tower-East Wing, Dolmen City, HC-3, Block -4, Abdul Sattar Edhi Avenue, Clifton, Karachi-74900. The Company is a subsidiary of TPL Corp Limited - Holding Company.

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

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

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

1.3 Pursuant to the approval obtained from Securities and Exchange Commission of Pakistan on August 9, 2018 to transact Window Takaful Operations in respect of Family Takaful products, the Company started underwriting Group Family Takaful and Group Accident and Health Takaful from January 2019.

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

- 1.4 As at the year end December 31, 2022, the accumulated losses of the Company are Rs.1,669.052 million (2021: Rs. 1,455.054 million) and loss for the year is Rs.213.99 million (2021: Rs. 191.610 million).

During the year, the Holding Company injected Rs.90 million (2021: Rs. 545 million) through right issue which assisted the Company in meeting the minimum solvency requirements as required under Insurance Ordinance 2000.

Company is looking at various options including but not limited to private investor and initial public offering. Further, as an abundant caution, the Holding Company has also provided a financial commitment to continue its financial support to the Company, if required, for the purposes of ensuring sustainable operations in the foreseeable future and also to meet the minimum solvency requirements.

Based on the above capital injection during the year and financial support from the Holding Company, the management and the Board of Directors of the Company are confident that the Company will continue to operate on sustainable basis.

2. BASIS FOR PRESENTATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2017 vide S.R.O 89(1) / 2017 dated 09 February 2017.

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Takaful Rules, 2012 and Insurance Accounting Regulations, 2017.

Incase requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012 shall prevail.

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

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
- Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

2.3.1 Standard, Interpretations and Amendments

- Amendments to IFRS 16 'Leases' - Lease liability in a sale and	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024

	Effective date (annual periods beginning on or after)
-Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
-Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
-Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

Further, following new standards have been issued by IASB which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP).

Standards

IFRS 1 – First time adoption of IFRSs	January 01, 2004
IFRS 17 – Insurance Contracts	January 01, 2023

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees in thousand, unless otherwise stated.

3. BASIS OF MEASUREMENT

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

4. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

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

a) **Policyholders' liabilities**

Mortality, Morbidity and Interest Bases adopted

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

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

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2022 are as follows:

- a) In respect of Unit Linked policies, the reserve for bid value of allocated units is calculated using the latest bid value of units and the total number of units belonging to policyholders' accounts as at the valuation date. The amount is held as a reserve since it represents the current value of amounts that will be payable to policyholders at the time when a maturity, death or surrender claim is filed. The latest bid value is the last "announced" bid price at the valuation date.
- b) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.
- c) Unearned premium reserves have been maintained for all riders.

- d) Reinsurance premium reserves have been maintained on an unearned premium basis.
- e) Reserves have been maintained for Incurred But Not Reported (IBNR) claims, using the chain ladder method for IBNR reserves.
- f) For unit linked policies unearned premium reserves has been calculated for mortality charges only.
- g) If for any policy the reserve is negative, the negative value is excluded and the reserves for the policies is set equal to zero.

Surrenders

For the purpose of conventional business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits

Claims provision

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

b) Fixed assets and Intangibles - Depreciation and amortization

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

c) Taxation

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

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

d) Impairment

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

e) Contingencies

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. The Company, based on availability of latest information, estimates the value of contingent liabilities, which may differ on the occurrence / non-occurrence of uncertain future event(s).

f) Premium due but unpaid

The Company reviews its overdue premium at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the provisions.

g) Lease term of contract and discount rate

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate lease, if it is reasonably certain not to be exercised. The Company also considers the incremental borrowing rate based on certain internal and external factors.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the adoption of new standard as disclosed in note 2.2 to the financial statements:

5.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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

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

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

Group Insurance contracts

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

Individual Insurance Contracts

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

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

5.1.1 Premiums

- First year individual life and individual accident & health premiums are recognized once the related policy have been issued and premiums received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force.
- Premiums for group life, group health business are recognized as and when due. Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

5.1.2 Reinsurance contracts held

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

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000.

5.1.3 Receivables and payables related to insurance contract

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

5.1.4 Claims

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

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

Claim recoveries

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

Experience refund of premium

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

5.1.5 Policyholders' liabilities

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

5.1.6 Acquisition cost

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

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

5.1.7 Premium deficiency reserve

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

5.1.8 Liability adequacy test

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

5.1.9 Statutory funds

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

5.2 Taxation

Current

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

Deferred

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

5.3 Investments - Debt securities, term deposits and mutual funds

All investments are initially recognized at cost, being the fair value of the consideration given and includes transaction costs except for investments classified as held for trading.

Held to maturity

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

Available-for-sale

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

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

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

Held for trading

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

5.4 Fixed assets

Tangibles

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

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

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

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

Right of use asset and related liability

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

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

Capital work in progress

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

Intangibles

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

Impairment of Non-financial assets

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

5.5 Investment income

- Mark-up / interest income on bank deposits and government securities is recognized on time proportion basis, using effective yield method.

- Interest on fixed income securities is recognized on time proportion basis using effective yield method.
- Gain or loss on sale of investments is included in profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.
- Revaluation gain/loss on investment held 'at fair value through profit and loss' is recognized as income/expense in the profit and loss / revenue account.

5.6 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

5.7 Staff retirement benefits

Defined contribution plan

The Company operates a funded staff provident fund scheme thereby staff and Company share equally at 8.33% of basic salary.

5.8 Dividend

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

5.9 Financial instruments

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

5.10 Off-setting of financial assets and financial liabilities

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

5.11 Foreign currencies

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

5.12 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand, and short term maturing of 3 months term deposit or less from the date of acquisition.

5.13 Revenue recognition

Premium

The revenue recognition policy for premiums is given under note 5.1.1.

Commission income

Commission from reinsurers is deferred and recognized as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognized when the Company's right to receive the same is established.

Investment income

The investment income recognition policy is given under note 5.5.

Dividend income

Dividend income is recognized when right to receive such dividend is established.

5.14 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.

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

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

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

5.15 Prepayments, loans and other receivables

Prepayments, loans and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Exchange gains or losses arising in respect of prepayments, loans and other receivables in foreign currency are added to their respective carrying amounts and charged to profit or loss.

5.16 Share capital reserve

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.18 Contingencies

Contingencies are disclosed when Company has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

6. PROPERTY AND EQUIPMENT

Note	2022	2021
	(Rupees in '000)	
	15,057	11,437
	15,057	11,437

Operating Assets

6.1 Operating Assets

Tangible assets

Description	Note	Cost			Accumulated Depreciation			Written down value		Rate %	
		As at January 01, 2022	Additions	Disposals (Note 6.1.1)	As at December 31, 2022	As at January 01, 2022	Charge for the year	As at December 31, 2022	As at December 31, 2022		
(Rupees in '000)											
Owned											
Furniture and fixture		3,555	-	-	3,555	3,417	141	-	3,558	(3)	20
Office and electrical equipment		4,514	-	-	4,514	3,996	338	-	4,335	179	20
Computer equipment		29,289	1,690	(534)	30,445	20,091	3,827	(81)	23,837	6,608	33
Mobile phones		2,092	155	(128)	2,119	1,584	369	(49)	1,903	216	50
Lease improvements		428	-	-	428	427	-	-	427	1	20
2022		39,878	1,845	(662)	41,061	29,514	4,675	(130)	34,059	7,001	

Description	Note	Cost			Accumulated Depreciation			Written down value		Rate %	
		As at January 01, 2022	Additions	Disposals (Note 6.1.1)	As at December 31, 2022	As at January 01, 2022	Charge for the year	As at December 31, 2022	As at December 31, 2022		
(Rupees in '000)											
Right of use asset	5.4										
Computer equipment		9,668	-	-	9,668	8,594	1,074	-	9,668	-	33
Motor Vehicle		9,194	9,194	-	18,862	8,594	1,140	-	1,140	8,055	33
2022		9,668	9,194	-	18,862	8,594	2,214	-	10,807	8,055	
2022		49,546	11,039	(662)	59,923	38,108	6,889	(130)	44,866	15,057	

Description	As at January 01, 2021	Additions	Disposals (Note 6.1.1)	As at December 31, 2021	As at January 01, 2021	Charge for the year	On Disposal	As at December 31, 2021	As at December 31, 2021	Written down value	Rate %
Owned											
Furniture and fixture	11,699	-	(8,144)	3,555	9,622	833	(7,038)	3,417	3,417	138	20
Office and electrical equipment	9,223	17	(4,726)	4,514	7,385	825	(4,214)	3,996	3,996	518	20
Computer equipment	20,604	8,685	-	29,289	17,027	3,064	-	20,091	20,091	9,198	33
Mobile phones	1,541	567	(16)	2,092	1,328	261	(5)	1,584	1,584	508	50
Lease improvements	1,645	-	(1,217)	428	1,292	106	(971)	427	427	1	20
2021	44,712	9,269	(14,103)	39,878	36,654	5,089	(12,228)	29,515	29,515	10,363	

Description	As at January 01, 2021	Additions	Disposals (Note 6.1.1)	As at December 31, 2021	As at January 01, 2021	Charge for the year	On Disposal	As at December 31, 2021	As at December 31, 2021	Written down value	Rate %
Right of use asset											
Computer equipment	9,668	-	-	9,668	5,371	3,223	-	8,594	8,594	1,074	33
2021	9,668	-	-	9,668	5,371	3,223	-	8,594	8,594	1,074	
2021	54,380	9,269	(14,103)	49,546	42,025	8,312	(12,228)	38,109	38,109	11,437	

6.1.1 The details of operating fixed assets disposed off during the year are as follows:

Owned	Original / revalued cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on disposals	Mode of disposal	Particulars of buyers	Location
Computer equipment	534	81	453	453	-	Intercompany transfer	TPL Corp. Limited	Karachi
Mobile phones	128	49	79	123	44	Final settlement	Employee	Karachi
2022	662	130	532	576	44			
2021	14,103	12,228	1,875	6,074	4,199			

7. INTANGIBLES ASSETS

Computer software
Capital work-in-progress

	2022	2021
	Note (Rupees in '000)	
	1,850	4,540
	25,621	9,225
	27,471	13,765

7.1 Computer software

Description - 2022	Cost			Accumulated Depreciation			Written down value	Rate %
	As at January 01, 2022	Additions	Disposals	As at January 01, 2022	Charge for the year	On Disposal December 31, 2022		
Software	46,670	-	-	42,130	2,690	-	1,850	33
	----- (Rupees in '000) -----							
	46,670	-	-	42,130	2,690	-	1,850	33

Description - 2021	Cost			Accumulated Depreciation			Written down value	Rate %
	As at January 01, 2021	Additions	Disposals	As at January 01, 2021	Charge for the year	On Disposal December 31, 2021		
Software	43,277	3,393	-	37,578	4,552	-	4,540	33
	----- (Rupees in '000) -----							
	43,277	3,393	-	37,578	4,552	-	4,540	33

2022	2021
(Rupees in '000)	

8. INVESTMENTS

8.1. Government securities

Held to maturity				
Pakistan Investment Bonds	8.1.1	195,297	197,458	
Held for trading				
Treasury Bills	8.1.2	36,092	40,204	
		231,389	237,662	

8.1.1 Held to maturity Government securities

	Note	Years / Months	Maturity Date	Effective yield	Face Value	Book Value	Book Value
Pakistan Investment Bonds	8.1.1.1	3 years	19-Sep-22	11.30%	16,000	-	15,749
Pakistan Investment Bonds	8.1.1.1	3 years	20-Aug-23	8.53%	50,000	49,527	48,845
Pakistan Investment Bonds	8.1.1.1	3 years	4-Aug-25	13.60%	16,000	14,771	-
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.75%	17,300	16,804	15,965
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.45%	17,800	17,315	16,494
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	12.25%	16,900	16,539	15,922
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.71%	10,500	10,489	10,471
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	11.30%	6,300	6,126	6,039
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	10.30%	7,800	7,702	7,653
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	7.55%	7,100	7,317	7,433
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	8.97%	12,500	12,600	12,653
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	11.25%	5,100	5,150	5,177
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	9.40%	15,500	15,520	15,532
Pakistan Investment Bonds	8.1.1.1	5 years	15-Oct-25	9.05%	5,000	4,812	4,755
Pakistan Investment Bonds	8.1.1.1	5 years	15-Oct-25	9.05%	5,000	4,812	4,755
Pakistan Investment Bonds	8.1.1.1	5 years	29-Apr-27	7.50%	7,000	5,813	-
Pakistan Investment Bonds	8.1.1.1	10 years	19-Jul-22	11.70%	10,000	-	10,015
						195,297	197,458

8.1.1. The Company has deposited 3 years and 5 years Pakistan Investment Bonds having face value of Rs.66 million and 133.8 million respectively (2021: 3 years, 5 years and 10 years Pakistan Investment Bonds having face value of Rs.55.5 million, 128.80 million and 10.00 million respectively) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

8.1.1. The market value of held-to-maturity securities was Rs. 183.249 million (2021: Rs. 192.948 million) as at year end.

8.1.2 Held for trading

Government securities	Years / Months	Maturity Date	Face Value	Market Value	
				2022	2021
				(Rupees in '000)	
Treasury Bills - effective yield 7.60%	6 months	10-Mar-22	41,000	-	40,204
Treasury Bills - effective yield 16.8%	1 year	19-Oct-23	41,000	36,092	-
				<u>36,092</u>	<u>40,204</u>

8.2 Mutual Funds

Fair value through profit and loss

Open end mutual funds

	Cost	Revaluation / (Impairment) 2022	Carrying value	Cost	Revaluation / (Impairment) 2021	Carrying value
	(Rupees in '000)					
					12,299	14,178
8.2.1 Open end mutual funds						
NBP Stock Fund	2,843	(252)	2,591	2,843	270	3,113
ABL Stock Fund	1,792	(310)	1,482	1,792	63	1,855
MCB Pakistan Stock Market Fund	1,811	(343)	1,468	1,811	12	1,823
Alfalah GHP Stock Fund	1,088	(425)	663	1,088	(292)	796
Atlas Stock Market Fund	2,272	(89)	2,183	2,272	317	2,589
HBL Energy Fund	1,867	(649)	1,218	1,867	(579)	1,288
Meezan Islamic Fund	495	68	563	495	133	628
Meezan Islamic Income Fund	1,170	157	1,327	1,170	35	1,205
AKD Islamic Income Fund	63	11	74	63	2	65
AKD Islamic Stock Fund	50	(16)	34	50	(8)	42
Lakson Equity Fund	766	(72)	694	766	8	774
	<u>14,217</u>	<u>(1,919)</u>	<u>12,299</u>	<u>14,217</u>	<u>(40)</u>	<u>14,178</u>

2022 2021
(Rupees in '000)

8.3 Term deposit receipts

Deposits maturing within 12 months - at the rate of 14.25% to 15.50%
(2021: 7.00% to 11.60% p.a)

85,000 235,000

9. INSURANCE / REINSURANCE RECEIVABLES

Due from insurance contract holders
Less: provision for impairment of receivables from
insurance contract holders

121,125 139,671

4,235 3,654

116,890 136,017

	2022	2021
	(Rupees in '000)	
10. OTHER LOANS AND RECEIVABLES		
Receivable from related parties	13,983	13,894
Accrued investment income	10,000	8,647
Security deposit	9,025	7,393
Advance to supplier	4,569	135
Receivable from broker	7,192	50,164
Loans to employees	3,168	1,246
Other advances	632	457
	<u>48,569</u>	<u>81,936</u>
11. PREPAYMENTS		
Prepaid insurance	871	245
Prepaid miscellaneous expenses	132	358
	<u>1,003</u>	<u>603</u>
12. CASH AND BANK		
Cash and cash equivalent		
- Cash in hand	26	6
- Policy and revenue stamps	103	105
Bank balances		
- Current account	1	305
- Saving account	12.1 355,592	238,005
	<u>355,722</u>	<u>238,421</u>

12.1 These carry markup ranging from 5.50% to 15.51% (2021: 4.40% to 9.95%) per annum.

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

13. SHARE CAPITAL

13.1 Authorized capital

2022	2021		2022	2021
(No. of shares)			(Rupees in '000)	
240,000,000	190,000,000	Ordinary shares of Rs.10 each	2,400,000	1,900,000
<u>240,000,000</u>	<u>190,000,000</u>		<u>2,400,000</u>	<u>1,900,000</u>

13.2 Issued, subscribed and paid-up share capital

2022	2021	Note	2022	2021
(No. of shares)			(Rupees in '000)	
175,000,000	132,500,000	Issued, subscribed and paid up Ordinary shares of Rs.10 each issued for cash as at beginning of the year	1,750,000	1,325,000
16,000,000	42,500,000	Issued during the year	160,000	425,000
<u>191,000,000</u>	<u>175,000,000</u>	As at end of the year	<u>1,910,000</u>	<u>1,750,000</u>

13.3 As at December 31, 2022, the shareholdings of the Company is as follows:

	2022		2021	
	Number of shares	shareholding %	Number of shares	shareholding %
TPL Corp. Limited	185,996	97.38%	169,996	97.14%
Directors	5,002	2.62%	5,002	2.86%
Others	2	0.00%	2	0.00%

13.4 On December 23, 2021, the Board of Directors further resolved issuance of 12 million right shares at par value of Rs. 10 each. These shares were subscribed by and issued during the period to the Holding Company.

13.5 During the year, the Board of Directors further resolved issuance of 4 million right shares at par value of Rs. 10 each. These shares were also subscribed by and issued during the period to the Holding Company.

	Note	2022	2021
		(Rupees in '000)	
14. INSURANCE LIABILITIES			
Reported outstanding claims	14.1	68,750	162,494
Incurred but not reported claims	14.2	18,543	20,446
Investment component of unit-linked and account value policies	14.3	35,942	38,033
Liabilities under group insurance contracts (other than Investment linked)	14.4	55,035	80,359
		<u>178,270</u>	<u>301,332</u>
14.1 Reported outstanding claims			
Gross of Reinsurance			
Payable over a period of time exceeding one year		172,395	219,511
		<u>172,395</u>	<u>219,511</u>
Recoverable from Reinsurance			
Receivable within one year		103,645	57,017
Net reported outstanding claims		<u>68,750</u>	<u>162,494</u>

	Note	2022 (Rupees in '000)	2021
14.2	Incurred but not reported claims		
	Gross of reinsurance	33,159	30,418
	Reinsurance recoveries	14,616	9,972
	Net of reinsurance	<u>18,543</u>	<u>20,446</u>
14.3	Investment component of unit linked and account value policies		
	Investment component of unit linked policies	35,942	38,033
14.4	Liabilities under Group Insurance Contracts (other than Investment linked)		
	Gross of reinsurance	107,896*	110,830
	Reinsurance recoveries	(52,861)	(30,471)
	Net of reinsurance	<u>55,035</u>	<u>80,359</u>
15.	INSURANCE / REINSURANCE PAYABLES		
	Due to other insurers / reinsurers	215,957	134,923
		<u>215,957</u>	<u>134,923</u>
16.	OTHER CREDITORS AND ACCRUALS		
	Agent commission payable	38,747	56,558
	Payable to related parties	45,278	31,654
	Accrued expenses	20,701	18,939
	Withholding tax liabilities	29,791	1,829
	Sales tax liabilities	21	384
	Other liabilities	16.1	19,877
	Payable to vendors	66,512	12,358
	Obligation under finance lease	16.2	6,519
	Staff provident fund	16.3	5,157
		<u>232,603</u>	<u>138,131</u>

16.1 This include Rs. 19.834 million (2021: 15.307 million) in respect of time barred cheques. These time barred cheques include cheques aggregating to Rs. 12.112 million (2021: Rs. 11.991 million) which have been issued by the Company for claim settlement but the same have not been encashed by the claimant.

16.2 Liabilities against assets subject to finance lease

	2022			2021		
	Minimum lease payments	Financial charges for future periods	Principal Outstanding	Minimum lease payments	Financial charges for future periods	Principal Outstanding
	(Rupees in '000)					
Not later than one year	1,974	761	1,213	1,097	40	1,057
Later than one year and not later than five years	5,430	1,001	4,429	-	-	-
	<u>7,404</u>	<u>1,762</u>	<u>5,642</u>	<u>1,097</u>	<u>40</u>	<u>1,057</u>

16.3 Staff provident fund

The investments made in collective investment schemes, listed equity and listed debt securities out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act 2017 and the conditions specified there under.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

- 17.1.1 During the year 2019, Sindh Revenue Board (SRB) vide notification no. SRB 3-4/5/2019 dated 8 May 2019 extended the exemption on life insurance till 30 June 2019. Subsequent to it, life insurance was made taxable from 1 July 2019 at the rate of 3% and group life insurance at the rate of 13%. However, during the year 2020, SRB vide notification no. SRB 3-4/13/2020, extended the exemption on life insurance till 30 June 2020, after which sales tax will be applicable on the said businesses at the same rates as directed in the previous notification. Further, SRB extended exemption on health insurance till 30 June 2022 vide notification no. SRB-3-4/17/2021. With effect from 1 November 2018, the Punjab Revenue Authority (PRA) withdrew its exemption on life and health insurance and made the same subject to Punjab Sales Tax (PST). The Company collectively through the forum of Insurance Association of Pakistan ("IAP") had filed a constitutive petition in the Lahore High Court (LHC) and in the High Court of Sindh at Karachi on 28 September 2019 and 28 November 2019 against PRA and SRB respectively, the proceedings of which are still ongoing.

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

In view of the above the Company has not started billing sales tax to its customers. The amount of sales tax involved is around Rs. 25.780 million (2021: Rs. 76.839 million).

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

- 17.1.2 On January 30, 2020, the Company received a show cause notice from SRB for sales tax demand aggregating to Rs. 459,680/- against reinsurance premium ceded in years 2012-13, falling under the tariff heading 98.13. The Company was able to obtain extension against this notice up till February 2022. However, on January 18, 2022, the Company has received another show cause notice for sales tax demand aggregating to Rs. 457,730/- against reinsurance premium ceded in years 2014-15, falling under the same tariff.

On February 10, 2022, SRB passed an order for deposit of SST amounting to Rs. 457,730/- against which the Company has filed an appeal with the Commissioner (Appeals).

17.2 Commitments

There are no commitments of the Company at the reporting date

	Note	2022 (Rupees in '000)	2021
18. NET INSURANCE PREMIUM REVENUE			
Gross Premiums			
Regular Premium Individual Policies*			
First year		132,841	188,727
Second year renewal		100	3,118
Subsequent year renewal		6,653	6,412
Group policies without cash value	18.1	197,751	441,990
Total Gross Premiums		<u>337,345</u>	<u>640,247</u>
Less: Reinsurance Premiums Ceded			
On individual life and health first year business		39,285	15,345
On group policies		113,136	84,484
Less: Reinsurance commission on risk premium		(5,821)	-
		<u>146,600</u>	<u>99,829</u>
Net Premiums		<u>190,745</u>	<u>540,418</u>

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

- 18.1 This include the group insurance policies provided to the employees of the company amounting to Rs. 1.361 million (2021: Rs. 1.390 million).

	<u>2022</u>	<u>2021</u>
	(Rupees in '000)	
19. INVESTMENT INCOME		
Income from equity securities		
- Dividend income	104	461
Income from debt securities		
- Return on debt securities	24,906	20,475
Income from term deposits		
- Return on term deposits	10,100	6,145
	<u>35,110</u>	<u>27,081</u>
20. LOSS ON INVESTMENTS - NET		
Net unrealized (loss) / gain on investments at held for trading	(1,968)	77
Realized loss on sale of investments at held for trading	(31,027)	-
Less: investment related expenses	(10)	(86)
	<u>(33,005)</u>	<u>(9)</u>
21. OTHER INCOME		
Return on bank balances	17,891	14,922
Surrender charges	101	256
Gain / (loss) on sale of fixed assets	44	4,198
Other income	42	10,000
Commission on health business	4,041	6,572
Liabilities no longer payable	371	1,231
	<u>22,490</u>	<u>37,179</u>
22. NET INSURANCE BENEFITS		
Gross Claims		
Claims under individual policies		
by death	3,900	2,300
by insured other than death	27,501	54,136
by maturity	-	725
by surrender	3,210	7,714
Total gross individual policy claims	<u>34,611</u>	<u>64,875</u>

	2022	2021
	(Rupees in '000)	
Claims under group policies		
by death	122,905	169,214
by insured other than death	38,792	555,086
Total gross group policy claims	161,697	724,300
Total gross claims	196,307	789,175
Less: Reinsurance recoveries		
On Individual health claims	-	2,563
On Group life claims	102,610	129,486
	102,610	132,049
	93,697	657,126

22.1 Claim development

For investment linked, conventional and accidental and health business, claim experience over the past 5 years indicates that claims reported after the end of the year in which the claim event occurred were less than 10% threshold therefore, the claim development table for all funds is not disclosed.

For the Window Takaful Operations launched in 2019, as there have been less than 5 year of operations therefore, the Company has not yet developed sufficient credible experience to generate claim development table.

23. ACQUISITION EXPENSES

Remuneration to insurance intermediaries on individual policies.		
- Commission on first year premiums	18,043	64,921
- Commission on second year premiums	5	223
- Commission on subsequent year premiums	17	231
- Outsourcing expenses	21,130	-
- Other benefits to insurance intermediaries	6,460	24,490
	45,655	89,865
Remuneration to insurance intermediaries on group policies.		
- Commission	1,038	18,040
Other acquisition costs		
- Stamp duty	99	72
- Agency salaries	300	615
- Medical fee	964	384
Total acquisition cost	48,056	108,976

	Note	2022 (Rupees in '000)	2021
24. MARKETING AND ADMINISTRATION EXPENSES			
Employee benefit cost	24.1	210,820	210,347
Travelling expenses		2,388	2,083
Advertisements and sales promotion		10,699	13,744
Printing and stationery		4,497	7,932
Depreciation		6,889	8,312
Amortization		2,690	4,552
Rent, rates and taxes		11,550	15,908
Legal and professional charges		9,166	10,534
Electricity, gas and water		3,672	3,472
Entertainment		2,451	2,255
Vehicle running expenses		5,680	5,774
Office repair and maintenance		14,744	6,765
Appointed actuary fees		4,746	4,746
Bank charges		650	388
Postage, telegrams and telephone		3,791	8,462
Annual Supervision fee SECP		1,808	1,205
Software rentals		2,159	1,017
Fees, subscription and periodicals		165	479
Insurance		6,012	3,966
Provision for doubtful debts		581	2,580
Training and development		562	1,441
Miscellaneous		1,565	559
		<u>307,285</u>	<u>316,521</u>
24.1 Employee benefit cost			
Salaries, allowances and other benefits		200,429	204,269
Charges for post employment benefit		10,390	6,078
		<u>210,819</u>	<u>210,347</u>
25. OTHER EXPENSES			
Legal and professional fee other than business related		2,399	1,450
Auditors' remuneration	25.1	1,556	1,516
Director fee		1,500	1,000
Fees, subscription and periodicals		1,381	929
Donations		243	8
		<u>7,079</u>	<u>4,903</u>

	Note	<u>2022</u>	<u>2021</u>
		(Rupees in '000)	
25.1 Auditors' remuneration			
Audit fee		1,124	1,134
Special certifications and sundry advisory services		150	124
Out-of pocket expenses		282	258
		<u>1,556</u>	<u>1,516</u>

26. TAXATION

For the year			
Current		489	5,138
		<u>489</u>	<u>5,138</u>

26.1 The tax rate applicable on the Company for Tax Year 2022 is 29% (2021: 29%).

26.2 Current tax charge represents minimum tax on turnover in accordance with the provisions of section 113 of the Income Tax Ordinance, 2001 (the Ordinance)

26.3 The Company has e-filed the return of income for the tax year 2022 which is deemed to be an assessment order issued by the Commissioner under the provision of section 120 of the Ordinance.

27. LOSS PER SHARE

Loss for the year		<u>(213,998)</u>	<u>(191,610)</u>
		(Number of shares '000)	
Weighted average number of ordinary shares		<u>181,367</u>	<u>138,993</u>
		(Rupees)	
Loss per share		<u>(1.18)</u>	<u>(1.38)</u>

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the balance sheet date. As there are no potential ordinary shares outstanding at reporting date, the basic and diluted EPS are same.

28.

REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	(Rupees in '000)					
Fees	-	-	1,500	1,000	-	-
Managerial remuneration	20,921	20,921	-	-	37,659	44,963
Leave encashment	-	-	-	-	-	-
Bonus	-	-	-	-	4,010	3,476
Provident fund	1,204	1,663	-	-	22,583	19,780
Rent and house maintenance	6,446	8,199	-	-	5,013	5,614
Utilities	1,431	1,820	-	-	-	-
Medical	-	-	-	-	8,855	7,894
Conveyance	105	1,260	-	-	-	-
Others (to be specified, if material)	-	-	-	-	-	-
	30,107	33,863	1,500	1,000	78,120	81,727
Number of persons	1	1	2	2	34	29

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

29.

SEGMENTAL INFORMATION

29.1

Revenue Account by Statutory Fund - Entire Company

	Statutory funds				Aggregate	
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2022
	(Rupees in '000)					
For the year ended December 31, 2022						
Income						
Premium less reinsurances	6,554	57,724	75,252	31,482	19,733	190,745
Net investment income	1,555	497	15,844	383	161	18,440
Other income	101	-	4,412	-	-	4,513
Total net income	8,210	58,221	95,508	31,865	19,894	213,698
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	4,711	24,336	49,520	12,879	2,253	93,699
Management expenses less recoveries	76,945	67,663	200,723	3,056	5,390	353,777
Total claims and expenditure	81,656	91,999	250,243	15,935	7,643	447,476
Deficit of income over claims and expenditure	(73,446)	(33,778)	(154,735)	15,930	12,251	(233,778)
Add: Policyholders' liabilities at beginning of the year	38,034	32,432	66,359	19,342	(17,330)	138,837
Less: Policyholders' liabilities at end of the year	35,945	17,436	47,810	7,239	10,959	119,389
Surplus / (Deficit) retained in PTF	-	-	-	6,892	(16,761)	(9,869)
Deficit	(71,357)	(18,782)	(136,186)	21,141	723	(204,461)
Movement in policyholders' liabilities	(2,089)	(14,996)	(18,549)	(5,211)	11,528	(29,317)
Transfers from shareholders' fund						
- Capital contributions from shareholders' fund	71,100	20,300	118,100	-	-	209,500
- Cede money - waqf	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	39,179	33,373	86,635	33,799	18,800	211,786
Balance of statutory fund at end of the year	36,833	19,895	50,000	49,729	31,051	187,508
Represented by:						
Capital contributed by shareholders' fund	615,800	245,800	1,232,912	2,800	28,700	2,126,012
Cede Money - Waqf	-	-	-	-	501	501
Policyholders' liabilities	35,945	17,436	47,810	14,131	(5,801)	109,521
Retained earnings on other than participating business	(614,909)	(243,342)	(1,230,719)	32,801	7,651	(2,048,518)
Balance of statutory fund at end of the year	36,836	19,894	50,003	49,732	31,051	187,516

	Statutory funds				Aggregate	
	Individual life unit	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2021
----- (Rupees in '000) -----						
For the period ended December 31, 2021						
Income						
Premium less reinsurances	9,279	108,489	338,568	33,100	50,982	540,418
Net investment income	2,218	397	4,423	273	918	8,229
Other income	256	386	7,411	6	-	8,059
Total net income	11,753	109,272	350,402	33,379	51,900	556,706
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	8,440	43,913	490,567	1,721	112,485	657,126
Management expenses less recoveries	78,798	100,901	228,498	3,761	12,342	424,300
Total claims and expenditure	87,238	144,814	719,065	5,482	124,827	1,081,426
Deficit of income over claims and expenditure	(75,485)	(35,542)	(368,663)	27,897	(72,927)	(524,720)
Add: Policyholders' liabilities at beginning of the year	37,550	23,851	312,359	(1,228)	63,161	435,693
Less: Policyholders' liabilities at end of the year	38,034	32,432	66,359	6,666	7,684	151,175
Surplus / (Deficit) retained in PTF	-	-	-	12,676	(25,014)	(12,338)
Deficit	(75,969)	(44,123)	(122,663)	7,327	7,564	(227,864)
Movement in policyholders' liabilities	484	8,581	(246,000)	20,570	(80,491)	(296,856)
Transfers from shareholders' fund						
- Capital contributions from shareholders' fund	76,700	44,500	129,000	-	15,000	265,200
- Cede money - waqf	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	37,964	24,415	326,298	5,902	76,727	471,305
Balance of statutory fund at end of the year	39,179	33,373	86,635	33,799	18,800	211,785
Represented by:						
Capital contributed by shareholders' fund	544,700	225,500	1,114,812	2,800	28,700	1,916,512
Cede Money - Waqf	-	-	-	-	501	501
Policyholders' liabilities	38,034	32,433	66,359	19,343	(17,331)	138,838
Retained earnings on other than participating business	(543,553)	(224,562)	(1,094,533)	11,659	6,928	(1,844,061)
Balance of statutory fund at end of the year	39,181	33,371	86,638	33,802	18,798	211,790

29.2 Segment results by line of business - Entire Company

	Statutory funds				Aggregate	
	Individual life unit	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2022
----- (Rupees in '000) -----						
For the year ended December 31, 2022						
Income						
Gross premiums						
First year individual regular premiums	-	2,645	113,085	60	17,052	132,841
Individual second year renewal premiums	100	-	-	-	-	100
Individual subsequent year renewal	6,653	-	-	-	-	6,653
Individual single premiums	-	-	-	-	-	-
Group premiums	-	153,053	1,244	40,772	2,681	197,751
Total gross premiums	6,753	155,698	114,329	40,832	19,733	337,345
Reinsurance premiums						
- Individual business	199	-	39,077	10	-	39,286
- Group business	-	103,796	-	9,340	-	113,136
- Commission	-	(5,822)	-	-	-	(5,822)
Total reinsurance premiums	199	97,974	39,077	9,350	-	146,600
Net premium revenues	6,554	57,724	75,252	31,482	19,733	190,745
Net investment income	1,555	497	15,844	383	161	18,440
Other income	101	-	4,412	-	-	4,513
Net income	8,210	58,221	95,508	31,865	19,894	213,698
Insurance benefits and expenditures						
Insurance benefits, including bonuses, net of reinsurance	4,711	24,336	49,520	12,879	2,253	93,699
Management expenses less recoveries	76,945	67,663	200,723	3,056	5,390	353,777
Total insurance benefits and expenditures	81,656	91,999	250,243	15,935	7,643	447,476
Excess of income over insurance benefits	(73,446)	(33,778)	(154,735)	15,930	12,251	(233,778)
Add: Policyholders' liabilities at beginning of the year	38,034	32,432	66,359	19,342	(17,330)	138,837
Less: Policyholders' liabilities at end of the year	35,945	17,436	47,810	7,239	10,959	119,389
Surplus / (Deficit) retained in PTF	-	-	-	6,892	(16,761)	(9,869)
Deficit before tax	(71,357)	(18,782)	(136,186)	21,141	722	(204,461)

For the year ended December 31, 2021	Statutory funds				Aggregate	
	Individual life unit	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2021
	----- (Rupees in '000) -----					
Income						
Gross premiums						
First year individual regular premiums	368	32,981	137,817	2,178	15,383	188,727
Individual second year renewal premiums	3,118	-	-	-	-	3,118
Individual subsequent year renewal	6,412	-	-	-	-	6,412
Individual single premiums	-	-	-	-	-	-
Group premiums	-	154,684	214,290	37,418	35,598	441,990
Total gross premiums	9,898	187,665	352,107	39,596	50,981	640,247
Reinsurance premiums						
- Individual single premiums	619	-	13,539	1,187	-	15,345
- Group premiums	-	79,175	-	5,309	-	84,484
Total reinsurance premiums	619	79,175	13,539	6,496	-	99,829
Net premium revenues	9,279	108,490	338,568	33,100	50,981	540,418
Other income	256	386	7,411	6	-	8,059
Net investment income	2,218	397	4,423	273	918	8,229
Net income	11,753	109,273	350,402	33,379	51,899	556,706
Insurance benefits and expenditures						
Insurance benefits, including bonuses, net of reinsurance	8,440	43,913	490,567	1,721	112,485	657,126
Management expenses less recoveries	78,798	100,901	228,498	3,761	12,342	424,300
Total insurance benefits and expenditures	87,238	144,814	719,065	5,482	124,827	1,081,426
Excess of income over insurance benefits	(75,485)	(35,541)	(368,663)	27,897	(72,928)	(524,720)
Add: Policyholders' liabilities at beginning of the year	37,550	23,851	312,359	(1,228)	63,161	435,693
Less: Policyholders' liabilities at end of the year	38,034	32,432	66,359	6,666	7,684	151,175
Surplus / (Deficit) retained in PTF	-	-	-	12,676	(25,014)	(12,338)
Deficit before tax	(75,969)	(44,122)	(122,663)	7,327	7,563	(227,864)

29.3 Window Takaful Operation

29.3.1 Revenue account

29.3.1.1 Participants' Takaful Fund (PTF)

	TAKAFUL STATUTORY		Aggregate	
	Family takaful	Accident & health takaful	2022	2021
	----- (Rupees in '000) -----			
Income				
Contribution net of retakaful	31,482	19,733	51,215	84,081
Investment income	366	146	512	1,073
Other income	-	-	-	6
Total net income	31,848	19,879	51,727	85,160
Less: Claims and expenditure				
Claims net of re-takaful recoveries	12,879	2,253	15,132	114,206
Takaful Operator's fee	28,419	8,133	36,552	28,158
Mudarib fee	-	-	-	193
Other expenses	21	91	112	16
Total claims and expenditure	41,319	10,477	51,796	142,573
(Deficit) / surplus income over claims and expenditure	(9,471)	9,402	(69)	(57,413)
Technical reserves at beginning of the year	16,818	(18,957)	(2,139)	55,276
Technical reserves at end of the year	455	7,206	7,661	10,200
Surplus / (Deficit) retained in PTF	6,892	(16,761)	(9,869)	(12,337)
	9,471	(9,402)	69	57,413
Surplus / (Deficit)	-	-	-	-
Movement in technical reserves	(9,471)	9,402	(69)	(57,413)

	TAKAFUL STATUTORY		Aggregate	
	Family takaful	Accident & health takaful	2022	2021
	----- (Rupees in '000) -----			
Transfers from (to)				
Qard-e-Hasna contributed by Window Takaful Operator	-	-	-	15,000
Balance of PTF at beginning of the year	19,127	1,273	20,400	62,814
Balance of PTF at end of the year	9,656	10,675	20,331	20,401

29.3.1.2 Operators' Sub Fund (OSF)

	TAKAFUL STATUTORY		Aggregate	
	Family takaful	Accident & health takaful	2022	2021
	----- (Rupees in '000) -----			
Income				
Takaful Operators' Fee	28,419	8,133	36,552	28,158
Mudarib Fee	-	-	-	193
Investment Income	17	16	32	118
Total net income	28,436	8,149	36,584	28,469
Less: Expenditure				
Acquisition cost	539	2,754	3,293	11,091
Administration cost	2,496	2,500	4,996	4,996
Total Management cost	3,035	5,254	8,289	16,087
Excess of income over expenditure	25,401	2,895	28,295	12,382
Technical reserves at beginning of the year	2,524	1,626	4,150	6,657
Technical reserves at end of the year	6,783	3,754	10,537	4,150
	(4,259)	(2,128)	(6,386)	2,507
Surplus / (Deficit)	21,142	768	21,909	14,889
Movement in technical reserves	4,259	2,127	6,386	(2,507)
Contribution received from Shareholder's Fund	-	-	-	15,000
Qard-e-Hasna contributed to Participants' Takaful Fund	-	-	-	(15,000)
Balance of operator's fund at beginning of the year	16,874	27,425	44,299	31,917
Balance of operator's fund at end of the year	42,275	30,320	72,594	44,299

	Shareholder's fund	Statutory funds					Aggregate	
		Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2022	2021
Property and equipment	15,056	-	-	-	-	-	15,056	11,437
Intangible assets	27,470	-	-	-	-	-	27,470	13,765
Investments	145,903	37,297	-	145,486	-	-	328,686	486,840
Insurance / reinsurance receivables	-	-	37,602	42,113	13,737	23,438	116,890	136,017
Other loans and receivables	29,567	238	92	18,192	102	378	48,569	81,936
Taxation - payments less provision	34,895	425	196	2,391	134	280	38,321	31,688
Prepayments	1,003	-	-	-	-	-	1,003	603
Cash & Bank	302,966	5,615	32,347	9,746	3,422	1,625	355,721	238,421
Interfund balances	(185,214)	(247)	143,639	(5,327)	26,708	20,441	-	-
Total assets	371,646	43,328	213,876	212,601	44,103	46,162	931,716	1,000,707
Insurance liabilities net of reinsurance recoveries	-	35,945	50,266	90,382	6,606	(4,929)	178,270	301,332
Premium received in advance	-	3,088	191	8,497	616	1,549	13,941	11,576
Insurance / reinsurance payables	-	2,996	147,637	65,323	-	-	215,956	134,923
Other creditors and accruals	158,694	409	13,323	46,206	1,281	12,690	232,603	138,132
Total Liabilities	158,694	42,438	211,417	210,408	8,503	9,310	640,770	585,763

30. MOVEMENT IN INVESTMENTS

	At beginning of the year	Held to maturity		Held for trading		2022	2021
Additions		197,458	289,382	486,840	183,007		
Disposals (sale and redemptions)		5,713	122,745	128,458	234,873		
Fair value net gains (including net realized gains)		(10,000)	(249,862)	(259,862)	(170,607)		
		2,127	(28,877)	(26,750)	4,567		
		195,298	133,388	328,686	251,840		

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Management of insurance and financial risk

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

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

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

31.2 Insurance risk

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

31.2.1 Individual life unit linked

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Company may get exposed to poor risks due to unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency. The Company may also face the risk of poor investment return, inflation of business expenses and liquidity issues on monies invested in the fund. The Company faces the risk of under-pricing particularly due to the fact that these contracts are long term. Additionally, the risk of poor persistency may result in the Company being unable to recover expenses incurred at policy acquisition.

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder.

To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

a) Frequency and severity of claims

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

b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long – term unit linked insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder’s behavior.

c) Process used to decide on assumptions

For long-term unit linked insurance contracts, assumptions are made in two stages. At inception of the contract, the Company determines assumptions on future mortality, persistency, administrative expenses and investment returns. At regular intervals, profit testing is conducted on main policies.

d) Changes in assumptions

There has been no change in assumptions during

31.2.2 Group life

The main risk written by the Company is mortality. The Company may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, difficulty of verification of claims, fraudulent claims or a catastrophe. The Company also faces risk such as that of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature.

The Company manages these risks through underwriting, reinsurance, effective claims handling and other related controls. The Company has a well defined medical under-writing policy and avoids writing business for groups with overly hazardous exposure. Pricing is done in line with the actual experience of the Company. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the appointed actuary for large groups. The Company also maintains an MIS to track the adequacy of the premium charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure to any life. At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Company ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor claim experience. Writing business of known hazardous groups is also avoided. On the claims handling side, the Company ensures that payment of any fraudulent claims is avoided. For this, a claims committee reviews all large claims for verification. Strict monitoring is in place in order to keep the outstanding balances of premium at a minimum, especially the ones that are overdue. The bulk of the assets held against liabilities of this line of business have a short duration, thus mitigating the risk of asset value deterioration.

a) **Frequency and severity of claims**

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

b) **Sources of uncertainty in the estimation of future benefits payments and premium receipts**

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

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

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

d) **Changes in assumptions**

There has been no change in assumptions during

31.2.3 Accident & Health

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

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids writing business for groups with potentially high health related risk exposure such as Government Schemes. Any pre-existing conditions are screened at this stage. Pricing is done as per actual experience of the Company's portfolio. The premium charged takes into account the actual experience of the client and an MIS is maintained to track the adequacy of the premium charged.

a) **Frequency and severity of claims**

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

b) **Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate morbidity for future years because of the short duration of the contracts.

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

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

d) **Changes in assumptions**

There has been no change in assumptions.

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

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

	Change in claims assumption	Impact on gross liabilities	Impact on balance sheet	Impact on revenue account
	------(Rupees in '000)-----			
31 December 2022				
Current claims	+10%	4,600	(4,600)	(4,600)
	-10%	(4,600)	4,600	4,600
31 December 2021				
Current claims	+10%	13,710	(13,710)	(13,710)
	-10%	(13,710)	13,710	13,710

31.3 Financial risk

31.3.1 Market risk

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

(a) **Interest rate risk exposure**

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

Fair value sensitivity analysis for fixed rate instruments

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

Fair value sensitivity analysis for variable rate instruments

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

	Profit and loss account		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
------(Rupees in '000)-----				
31 December 2022				
Cash flow sensitivity	6,720	(6,720)	6,720	(6,720)
31 December 2021				
Cash flow sensitivity	4,698	(4,698)	4,698	(4,698)

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) as of December 31, 2022 is as follows:

On balance sheet financial instruments	2022					2021				
	Interest / markup bearing			Non-interest bearing financial instruments	Total	Interest / markup bearing			Non-interest bearing financial instruments	Total
	Within one year	More than one year	Sub Total			Within one year	More than one year	Sub Total		
------(Rupees in '000)-----										
Financial assets										
Investments	231,766	84,623	316,389	12,297	328,686	300,969	171,693	472,662	14,178	486,840
Insurance / reinsurance receivables	-	-	-	116,890	116,890	-	-	-	136,017	136,017
Other loans and receivables	-	-	-	48,569	48,569	-	-	-	81,936	81,936
Cash & Bank	355,592	-	355,592	129	355,722	238,005	-	238,005	416	238,421
	587,358	84,623	671,981	177,885	849,867	538,974	171,693	710,667	232,547	943,214
Financial liabilities										
Insurance Liabilities	-	-	-	178,270	178,270	-	-	-	301,332	301,332
Premium received in advance	-	-	-	13,940	13,940	-	-	-	11,376	11,376
Insurance / reinsurance payables	-	-	-	215,957	215,957	-	-	-	134,923	134,923
Other creditors and accruals	-	-	-	232,603	232,603	-	-	-	138,131	138,131
	-	-	-	640,770	640,770	-	-	-	585,762	585,762
On balance sheet gap	587,358	84,623	671,981	(462,885)	209,097	538,974	171,693	710,667	(353,215)	357,452

(b) **Foreign currency risk**

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

(c) **Equity Price Risk**

The Company's investment in listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company manages equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market. The Company is exposed to equity price risk with respect to its investments in quoted securities. Change of 10% in equity prices (NAV in case of mutual fund) will result in change in prices of respective equity instruments by Rs. 2.459 million (2021: Rs. 1.418 million).

31.3.2 Fair value

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

	2022		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Government securities (fair value only disclosed)	-	195,297	-
Government securities (measured at fair value)	-	36,092	-
Open end mutual funds (measured at fair value)	12,297	-	-
	12,297	231,389	-

	2021		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Government securities (fair value only disclosed)	-	197,458	-
Government securities (measured at fair value)	-	40,204	-
Open end mutual funds (measured at fair value)	14,178	-	-
	<u>14,178</u>	<u>237,662</u>	<u>-</u>

31.3.3 Credit risk

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

The maximum exposure to credit risk before any credit enhancements as at December 31, 2022 is the carrying amount of the financial assets as set out below:

Nature of financial	2022	2021
	(Rupees in '000)	
Investments	97,297	249,178
Insurance / reinsurance receivables	116,890	136,017
Other loans and receivables	48,569	81,936
Cash & Bank	355,722	238,421
	<u>618,478</u>	<u>705,552</u>

Bank balances

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

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

Past due but not impaired		
Upto 1 year	59,189	112,650
1 - 3 years	61,992	27,021
Impaired	4,235	3,654
Written off	-	-

Concentration of credit risk

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

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

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

	<u>2022</u>	<u>2021</u>
	(%)	(%)
Government organization	(0.03)	(0.03)
Telecom	0.80	0.97
NGO	(1.53)	-
Financial Institution	30.07	32.66
Education	0.65	10.90
Automobile	0.60	1.52
Media	0.46	3.77
Travel & Transport	4.02	3.41
Textile	3.48	0.73
Hotel	2.67	3.63
Oil & Gas	1.85	(0.35)
Engineering	3.92	0.45
Pharmaceutical	0.24	-
Automobile	0.60	-
Construction material	0.22	0.62
Others	51.98	41.72
	<u>100.00</u>	<u>100.00</u>

Capital risk managements

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP. The Company's status of compliance with solvency requirements is disclosed in note 1.4 to the financial statements.

31.3.4 Liquidity risk

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

	2022					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	----- (Rupees in '000) -----					
Non-derivative						
Financial liabilities						
Insurance Liabilities	178,270	178,270	178,270	-	-	-
Premium received in advance	13,940	13,940	13,940	-	-	-
Insurance / reinsurance payables	215,957	215,957	215,957	-	-	-
Other creditors and accruals	232,603	232,603	121,613	-	-	-
	<u>640,770</u>	<u>640,770</u>	<u>529,780</u>	-	-	-
	2021					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	----- (Rupees in '000) -----					
Non-derivative						
Financial liabilities						
Insurance Liabilities	301,332	301,332	301,332	-	-	-
Premium received in advance	11,376	11,376	11,376	-	-	-
Insurance / reinsurance payables	134,923	134,923	134,923	-	-	-
Other creditors and accruals	138,131	138,131	121,613	-	-	-
	<u>585,762</u>	<u>585,762</u>	<u>569,244</u>	-	-	-

32. TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Relationship with the company	Nature of transactions	2022	2021		
			(Rupees in '000)			
TPL Corp Limited	Holding Company	Administrative cost charged	43,989	53,314		
		Administration cost incurred	813	2,444		
		Premium written during the year	3,695	2,195		
		Claims incurred during the year	46	-		
		Outstanding Balances				
		Payable against administrative cost	30,921	24,869		
		Premium Receivable / (Refundable)	1,569	(121)		
		Outstanding claims	7,667	-		
		TPL Trakker Limited	Associated undertaking	Administrative cost charged	499	24,406
				Administration cost incurred	7	2,702
Premium written during the year	6,010			4,944		
Claims incurred during the year	4			3,450		
Outstanding Balances						
Advance against administrative cost	3,042			8,034		
Premium Receivable / (Refundable)	1,015			(562)		
Outstanding claims	2,547			3,674		
TPL Insurance Limited	Associated undertaking			Administrative cost charged	32,100	14,458
				Administration cost incurred	5,399	18,055
		Premium written during the year	3,913	3,606		
		Claims incurred during the year	60	-		
		Outstanding Balances				
		Receivable / (payable) against administrative cost	4,150	(651)		
		Outstanding claims	-	10,731		
		Premium Receivable / (Refundable)	900	-		
		TPL Securities Services (Private) Limited	Associated undertaking	Administration cost incurred	1,444	71
				Premium written during the year	1,566	1,336
Claims incurred during the year	500			500		
Outstanding Balances						
Advance paid	3,704			3,657		
Premium Receivable / (Refundable)	130			(134)		
Outstanding claims	1,000			500		
Receivable against Admin Cost	3,705			-		
TPL Property Management (Private) Limited	Associated undertaking			Administration cost charged	3,817	4,957
				Administration cost incurred	7	-
		Premium written during the year	1,904	3,227		
		Claims incurred during the year	185	174		
		Outstanding Balances				
		Payable for expenses incurred for the Company	14,357	6,134		
		Premium Receivable / (Refundable)	327	(6)		
		Outstanding claims	312	174		

Name of related party	Relationship with the company	Nature of transactions	2022	2021		
			(Rupees in '000)			
TPL Logistics (Private) Limited	Associated undertaking	Administration cost incurred	-	494		
		Premium written during the year	695	683		
		Claims incurred during the year	400	-		
		Outstanding Balances				
		Receivable against administration cost	494	494		
		Premium Receivable / (Refundable)	713	83		
TPL E-Ventures (Private) Limited	Associated undertaking	Outstanding Balances				
		Receivable against administration cost	1,709	1,709		
TPL REIT Management Company Ltd.	Associated undertaking	Administration cost incurred	1	-		
		Premium written during the year	862	-		
		Outstanding Balances				
		Receivable against administration cost	863	-		
		Astra Location Services (Private) Limited	Associated undertaking	Administration cost incurred	18	-
				Premium written during the year	816	-
Astra Location Services (Private) Limited	Associated undertaking	Outstanding Balances				
		Receivable against administration cost	18	-		
		Premium Receivable / (Refundable)	816	-		
		Key Management Personnel	63,134	78,622		
		Directors' Fee	1,000	1,000		

33. Number of Employees

The total average number of employees during the year end as at December 31, 2022 and 2021 are as follows.

	2022	2021
At year end	107	118
Average during the year	112	114

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on February 23, 2023.


CHAIRMAN


CHIEF EXECUTIVE
OFFICER


DIRECTOR


DIRECTOR