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INDEPENDENT AUDITOR'S REPORT

To the members of TPL Life Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **TPL Life Insurance Limited**, which comprise the statement of financial position as at **31 December 2021**, and the statement of comprehensive income , the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2021 and of the total comprehensive income or loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to 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 Insurance Ordinance, 2000 and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirement

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017)

b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

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

d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and

e) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Chartered Accountants

Karachi

Date: 31 March 2022

UDIN Number: AR202110076s1tOJ4EjU

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

	Note	2021	2020
		(Rupees in "000")	
Assets			
Property and equipment	6	**11,437**	12,356
Intangible assets	7	**13,765**	5,698
Investments			
Government securities	8	**237,662**	169,048
Mutual funds	8	**14,178**	13,959
Term deposits receipts	8	**235,000**	85,000
Insurance / reinsurance receivables	9	**136,017**	429,003
Other loans and receivables	10	**81,936**	20,204
Taxation - payments less provision		**31,689**	31,533
Prepayments	11	**603**	3,612
Cash and bank balances	12	**238,421**	352,226
Total assets		**1,000,708**	1,122,640
Equity and liabilities			
Capital and reserves attributable to Company's equity holders			
Authorized share capital			
190,000,000 ordinary shares of Rs. 10 each	13.1	**1,900,000**	1,900,000
Issued, subscribed and paid up share capital	13.2	**1,750,000**	1,325,000
Accumulated loss of other than participating business		**(1,844,060)**	(1,616,196)
Unappropriated profit		**389,006**	352,752
		294,946	61,556
Advance against issuance of right shares		**120,000**	-
Total equity		**414,946**	61,556
Liabilities			
Insurance liabilities	14	**301,332**	662,623
Premium received in advance		**11,376**	14,648
Insurance / reinsurance payables	15	**134,923**	175,579
Other creditors and accruals	16	**138,131**	208,234
Total liabilities		**585,762**	1,061,084
Total equity and liabilities		**1,000,708**	1,122,640
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, 2021

	Note	2021	2020
		(Rupees in "000")	
Gross premium	18	640,247	1,130,164
Reinsurer premium ceded	18	(99,829)	(178,325)
Net premium revenue		540,418	951,839
Investment income	19	27,081	27,392
Unrealized (loss) / gain on investment - net	20	(9)	2,637
Other income - net	21	37,179	18,219
		64,251	48,248
Net income		604,669	1,000,087
Insurance benefits	22	789,175	866,250
Reinsurance recoveries	22	(132,049)	(145,410)
Net insurance benefits		657,126	720,840
Net change in insurance liabilities (other than outstanding claims)		(296,855)	81,158
Acquisition expenses	23	108,976	187,844
Marketing and administration expenses	24	316,521	359,437
Other expenses	25	4,903	1,220
Total expenses		133,545	629,659
Results of operating activities		(186,002)	(350,412)
Financial charges		(470)	(929)
Loss before tax		(186,472)	(351,341)
Income tax expense	26	(5,138)	(516)
Loss for the year		(191,610)	(351,857)
Other comprehensive income		-	-
Total comprehensive loss for the year		(191,610)	(351,857)
Loss per share - basic and diluted	27	(1.38)	(2.94)

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, 2021

	Note	2021	2020
		(Rupees in "000")	
Operating Cash flows:			
(a) Underwriting activities			
Insurance premium received		929,960	995,028
Reinsurance premium paid		(15,826)	-
Claims paid		(837,782)	(719,595)
Surrenders paid		(8,440)	(8,098)
Commission paid		(131,240)	(139,568)
Marketing and administrative expenses paid		(387,568)	(321,123)
Net cash used in underwriting activities		(450,896)	(193,356)
(b) Other operating activities			
Income tax paid		(5,294)	(2,283)
Other operating receipts		(3,835)	37,917
Net (used in)/generated from other operating activities		(9,129)	35,634
Total cash used in all operating activities		(460,025)	(157,722)
Investment activities:			
Profit/ return received on investment		38,786	38,646
Dividend received		461	121
Purchase of investment		(515,508)	(113,689)
Proceeds from sale of investment		296,582	80,954
Capital expenditure - net		(15,811)	(3,979)
Total cash flow (used in)/generated from investing activities		(195,490)	2,053
Financing activities:			
Proceeds from issuance of shares		425,000	125,000
Advance against right shares	13.6	120,000	-
Repayment of lease liabilities		(3,290)	(3,290)
Total cash generated from financing activities		541,710	121,710
Net cash flow (used in) from all activities		(113,805)	(33,959)
Cash and cash equivalents at beginning of year		352,226	386,185
Cash and cash equivalents at end of year		238,421	352,226
Reconciliation to Profit and Loss Account:			
Operating cash flows		(460,025)	(157,721)
Depreciation / amortization expense	24	(12,864)	(15,463)
Gain/(loss) on disposal of property, plant and equipment	21	4,198	(1,101)
Unwinding of discount		(470)	(929)
Dividend and other investment income		27,072	30,028
Return on bank balances	21	14,922	18,443
Increase in assets other than cash		(229,559)	187,076
Increase in liabilities other than borrowings		465,116	(412,192)
Loss after taxation		(191,610)	(351,857)

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, 2021

	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, 2020						
At beginning of year	1,100,000	321,996	(1,233,584)	188,412	100,000	288,412
Right shares issued during the year	225,000	-	-	225,000	(100,000)	125,000
Total comprehensive loss for the year						
Deficit for the year retained in statutory fund	-	-	(382,612)	(382,612)	-	(382,612)
Profit for other than participating business	-	30,756	-	30,756	-	30,756
Total comprehensive loss	-	30,756	(382,612)	(351,856)	-	(351,856)
Balance as at December 31, 2020	**1,325,000**	**352,752**	**(1,616,196)**	**61,556**	**-**	**61,556**
Balance as at January 1, 2021						
At beginning of year	1,325,000	352,752	(1,616,196)	61,556	-	61,556
Right shares issued during the year	425,000	-	-	425,000	-	425,000
Total comprehensive loss for the year						
Deficit for the year retained in statutory fund	-	-	(227,864)	(227,864)	-	(227,864)
Profit for other than participating business	-	36,254	-	36,254	-	36,254
Total comprehensive 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**

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

Chairman	Chief Executive Officer	Director	Director

TPL LIFE INSURANCE LIMITED
NOTES TO THE FINANCIALL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 and its head office is situated at 19-B, S.M.C.H.S, Karachi Postal Code: 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 cede money of Rs.0.5 million.

1.4 As at the year end December 31, 2021, the accumulated losses of the Company are Rs.1,455.054 million and loss for the year is Rs.191.610 million.

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

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.

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 February 09, 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.

In case 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 Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

Standard or Interpretation

- IFRS 16 and IAS 39 - Interest Rate Benchmark Reform Phase 2 (Amendments)
- Covid-19 related rent concessions beyond 30 June 2021 (Amendment to IFRS 16)

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

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

The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

2.3.1 Standard, Interpretations and Amendments	Effective date (annual periods beginning on or after)
- 'Property, Plant and Equipment: Proceeds before Intended Use – 'Amendments to IAS 16	January 01, 2022
- 'Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
- 'Onerous Contracts – Costs of Fulfilling a Contract – 'Amendments to IAS 37	January 01, 2022
- Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 01, 2022
- Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	January 01, 2022
- Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2023
- Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 01, 2023
- IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 01, 2022

	Effective date (annual periods beginning on or after)
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	**IASB Effective date (annual periods beginning on or after)**
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009
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 polices. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

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

a) ***Policyholders' liabilities***

<u>Mortality, Morbidity and Interest Bases adopted</u>

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

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

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2018 are as follows:

a) In respect of Unit Linked policies, the reserve for bid value of allocated units is calculated using the latest bid value of units and the total number of units belonging to policyholders' accounts as at the valuation date. The amount is held as a reserve since it represents the current value of amounts that will be payable to policyholders at the time when a maturity, death or surrender claim is filed. The latest bid value is the last "announced" bid price at the valuation date.

b) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.

c) Unearned premium reserves have been maintained for all riders.

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

e) Reserves have been maintained for Incurred But Not Reported (IBNR) claims, using the chain ladder method for IBNR reserves.

f) For unit linked polices unearned premium reserves has been calculated for mortality charges only.

g) If for any policy the reserve is negative, the negative value is excluded and the reserves for the policies is set equal to zero.

Surrenders

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

Claims provision

a) Provisions have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable.

b) Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims. The IBNR is determined based on chain ladder method that analyses the time lag between the claim occurrence date and claim reported date from the Company's own experience.

b) Fixed assets and Intangibles - Depreciation and amortization

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

c) Taxation

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

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

d) **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).

e) **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, judgment 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

f) **Lease term of contracts 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 the 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 maturity of three months term deposit or less from 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, 2002.

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

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

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

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 recourses 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	2021	2020
		(Rupees in '000)	
Operating assets	6.1	11,437	12,356
		11,437	12,356

6.1 Operating Assets

Tangible assets		Cost				Accumulated Depreciation				Written down value	
Description	Note	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	Rate %
Owned						(Rupees in '000)					
Furniture and fixture		11,699	-	(8,144)	3,555	9,622	833	(7,038)	3,417	138	20
Office and electrical equipment		9,223	17	(4,726)	4,514	7,385	825	(4,214)	3,996	518	20
Computer equipment		20,604	8,685	-	29,289	17,027	3,064	-	20,091	9,198	33
Mobile phones		1,541	567	(16)	2,092	1,328	261	(5)	1,584	508	50
Lease improvements		1,645	-	(1,217)	428	1,292	106	(971)	427	1	20
2021		**44,712**	**9,269**	**(14,103)**	**39,878**	**36,654**	**5,089**	**(12,228)**	**29,515**	**10,363**	
Right of use asset	5.4										
Computer equipment		9,668	-	-	9,668	5,371	3,223	-	8,594	1,074	33
2021		**9,668**	**-**	**-**	**9,668**	**5,371**	**3,223**	**-**	**8,594**	**1,074**	
2021		**54,380**	**9,269**	**(14,103)**	**49,546**	**42,025**	**8,312**	**(12,228)**	**38,109**	**11,437**	

	Cost				Accumulated Depreciation				Written down value	
Description	As at January 01, 2020	Additions	Disposals (Note 6.1.1)	As at December 31, 2020	As at January 01, 2020	Charge for the year	On Disposal	As at December 31, 2020	As at December 31, 2020	Rate %
Owned					(Rupees in '000)					
Furniture and fixture	12,727	-	(1,028)	11,699	8,095	2,355	(828)	9,622	2,077	20
Office and electrical equipment	10,175	9	(961)	9,223	6,546	1,612	(773)	7,385	1,838	20
Computer equipment	18,834	1,770	-	20,604	14,399	2,628	-	17,027	3,577	33
Mobile phones	1,372	201	(32)	1,541	1,059	286	(17)	1,328	213	50
Lease improvements	5,545	-	(3,900)	1,645	3,258	1,044	(3,010)	1,292	353	33
2020	**48,653**	**1,980**	**(5,921)**	**44,712**	**33,357**	**7,925**	**(4,628)**	**36,654**	**8,059**	
Right of use asset										
Computer equipment	9,668	-	-	9,668	2,148	3,223	-	5,371	4,297	33
2020	**9,668**	**-**	**-**	**9,668**	**2,148**	**3,223**	**-**	**5,371**	**4,297**	
2020	**58,321**	**1,980**	**(5,921)**	**54,380**	**35,505**	**11,148**	**(4,628)**	**42,025**	**12,356**	

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

	Original / revalued cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on disposals	Mode of disposal	Particulars of buyers	Location
	(Rupees in '000)							
Owned								
Furniture and fixture	8,144	7,038	1,106	3,496	2,390	Negotiation	Various	Karachi
Office and electrical equipment	4,726	4,214	512	2,396	1,884	Negotiation	Various	Karachi
Mobile phones	16	5	11	15	4	Final settlement	Employee	Karachi
Lease improvements	1,217	971	246	167	(79)	Negotiation	Various	Karachi
2021	14,103	12,228	1,875	6,074	4,199			
2020	5,921	4,628	1,293	192	(1,101)			

7. INTANGIBLES ASSETS

	Note	2021	2020
		(Rupees in '000)	
Computer software	7.1	4,540	5,699
Capital work-in-progress		9,225	-
		13,765	5,699

7.1 Computer software

	Cost				Accumulated Depreciation				Written down value	
Description - 2021	As at January 01, 2021	Additions	Disposals	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	Rate %
	(Rupees in '000)									
Software	43,277	3,393	-	46,670	37,578	4,552	-	42,130	4,540	33

	Cost				Accumulated Depreciation				Written down value	
Description - 2020	As at January 01, 2020	Additions	Disposals	As at December 31, 2020	As at January 01, 2020	Charge for the year	On Disposal	As at December 31, 2020	As at December 31, 2020	Rate %
	(Rupees in '000)									
Software	41,085	2,192	-	43,277	33,262	4,316	-	37,578	5,699	33

8. INVESTMENTS

	Note	2021	2020
		(Rupees in '000)	
8.1. Government securities			
Held to maturity			
Pakistan Investment Bonds	8.1.1	**197,458**	128,821
Held for trading			
Treasury Bills	8.1.2	**40,204**	40,227
		237,662	169,048

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	12-Jul-21	8.97%	5,500	-	5,500
Pakistan Investment Bonds	8.1.1.1	3 years	19-Sep-22	11.30%	16,000	**15,749**	15,435
Pakistan Investment Bonds	8.1.1.1	3 years	20-Aug-23	8.53%	50,000	**48,845**	-
Pakistan Investment Bonds	8.1.1.1	5 years	21-Apr-21	7.55%	2,000	-	2,001
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.75%	17,300	**15,965**	15,230
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.45%	17,800	**16,494**	15,773
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	12.25%	16,900	**15,922**	15,374
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.71%	10,500	**10,471**	10,453
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	11.30%	6,300	**6,039**	5,961
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	10.30%	7,800	**7,653**	7,609
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	7.55%	7,100	**7,433**	7,540
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	8.97%	12,500	**12,653**	12,703
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	11.25%	5,100	**5,177**	5,201
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	9.40%	15,500	**15,532**	-
Pakistan Investment Bonds	8.1.1.1	5 years	15-Oct-25	9.05%	5,000	**4,755**	-
Pakistan Investment Bonds	8.1.1.1	5 years	15-Oct-25	9.05%	5,000	**4,755**	-
Pakistan Investment Bonds	8.1.1.1	10 years	19-Jul-22	11.70%	10,000	**10,015**	10,041
						197,458	128,821

8.1.1.1 The Company has deposited 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 (2020: 3 years, 5 years and 10 years Pakistan Investment Bonds having face value of Rs.16 million, 87.70 million and 10.00 million respectively) with State Bank of Pakistan under Section 29 of Insurance Ordinance, 2000.

8.1.1.2 The market value of held-to-maturity securities was Rs. 192.948 million (2020: Rs. 136.183 million) as at year end.

8.1.2 Held for trading

Government securities

	Years / Months	Maturity Date	Face Value	Market Value	Market Value
Treasury Bills - effective yield 7.15%	6 months	8-Apr-21	41,000	-	40,227
Treasury Bills - effective yield 7.60%	6 months	10-Mar-22	41,000	**40,204**	-
				40,204	40,227

8.2 Mutual Funds

Held for trading		
Open end mutual funds	**14,178**	13,959

	2021			2020		
	(Rupees in '000)					
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
8.2.1 Open end mutual funds						
NBP stock fund	**2,843**	-	**3,113**	2,806	-	3,003
ABL stock fund	**1,792**	-	**1,855**	1,768	-	1,814
MCB Pakistan stock market fund	**1,811**	-	**1,823**	1,811	-	1,804
Alfalah GHP stock fund	**1,088**	-	**796**	983	-	804
Atlas stock market fund	**2,272**	-	**2,589**	2,128	-	2,496
HBL energy fund	**1,867**	-	**1,288**	1,867	-	1,412
Meezan Islamic Fund	**495**	-	**628**	495	-	604
Meezan Islamic Income Fund	**1,170**	-	**1,205**	1,108	-	1,138
AKD Islamic Income Fund	**63**	-	**65**	59	-	61
AKD Islamic Stock Fund	**50**	-	**42**	50	-	40
Lakson Equity Fund	**766**	-	**774**	750	-	783
	14,217	-	**14,178**	13,825	-	13,959

8.3 Term deposit receipts	Note	2021	2020
		(Rupees in '000)	
Deposits maturing within 12 months - at the rate of 7.00% to 11.60% (2020: 7.00% p.a)		**235,000**	85,000

		2021	2020
		(Rupees in '000)	
9.	INSURANCE / REINSURANCE RECEIVABLES		
	Due from insurance contract holders	139,671	444,233
	Less : provision for impairment of receivables from insurance contract holders	3,654	1,075
	Less: Balance written off	-	14,155
		136,017	429,003
10.	OTHER LOANS AND RECEIVABLES		
	Receivable from related parties	13,894	2,351
	Accrued investment income	8,647	5,806
	Security deposit	7,393	7,543
	Advance to supplier	135	65
	Receivable from broker	50,164	-
	Loans to employees	1,246	1,084
	Other Advances	457	3,355
		81,936	20,204
11.	PREPAYMENTS		
	Prepaid rent	-	2,090
	Prepaid insurance	245	754
	Prepaid miscellaneous expenses	358	768
		603	3,612

		Note	2021	2020
12.	CASH AND BANK			
	Cash and cash equivalent			
	- Cash in hand		6	20
	- Policy and revenue stamps		105	108
	Bank balances			
	- Current account		305	186,691
	- Saving account	12.1	238,005	165,407
			238,421	352,226

12.1 These carry markup ranging from 4.40% to 9.95% (2020: 3.24% to 7.50%) 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

December 31, 2021	December 31, 2020		2021	2020
(No. of shares)			(Rupees in '000)	
190,000,000	190,000,000	Ordinary shares of Rs.10 each	1,900,000	1,900,000
190,000,000	190,000,000		1,900,000	1,900,000

13.2 Issued, subscribed and paid-up share capital

December 31, 2021	December 31, 2020		Note	2021	2020
(No. of shares)				(Rupees in '000)	
		Issued, subscribed and paid up Ordinary shares of Rs.10 each issued			
132,500,000	110,000,000	for cash as at beginning of the year		1,325,000	1,100,000
42,500,000	22,500,000	issued during the year	1.4	425,000	225,000
175,000,000	132,500,000	As at end of the year		1,750,000	1,325,000

13.3 As at December 31, 2021, the shareholdings of the Company is as follows:

	2021		2020	
	Number of shares	shareholding %	Number of shares	shareholding %
TPL Corp. Limited	**169,996**	**97.14%**	112,996	85.28%
Sindh Bank Limited	**-**	**0.00%**	10,000	7.55%
Directors	**5,002**	**2.86%**	5,003	3.78%
Others	**2**	**0.00%**	4,501	3.40%

13.4 On March 31, 2021, the Board of Directors resolved issuance of 10 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 On June 23, 2021, the Board of Directors resolved issuance of 32.5 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.

13.6 On December 23, 2021, the Board of Directors further resolved issuance of 12 million right shares at par value of Rs. 10 each. The issuance of right shares is currently in process.

		2021	2020
		(Rupees in '000)	
14. INSURANCE LIABILITIES			
Reported outstanding claims	14.1	**162,494**	226,931
Incurred but not reported claims	14.2	**20,446**	39,567
Investment component of unit-linked and account value policies	14.3	**38,033**	37,547
Liabilities under group insurance contracts (other than Investment linked)	14.4	**80,359**	331,211
Other insurance liabilities (premium deficiency reserve)	14.5	**-**	27,367
		301,332	662,623

14.1 Reported outstanding claims

	2021	2020
Gross of Reinsurance		
Payable within one year	**219,511**	276,558
Payable over a period of time exceeding one year	**-**	-
	219,511	276,558
Recoverable from Reinsurance		
Receivable within one year	**57,017**	49,627
Receivable over a period of time exceeding one year		-
	57,017	49,627
Net reported outstanding claims	**162,494**	226,931

14.2 Incurred but not reported claims

	2021	2020
Gross of reinsurance	**30,418**	47,746
Reinsurance recoveries	**9,972**	8,179
Net of reinsurance	**20,446**	39,567

14.3 Investment component of unit linked and account value policies

	2021	2020
Investment component of unit linked policies	**38,033**	37,547
Investment component of account value policies	**-**	-
	38,033	37,547

14.4 Liabilities under Group Insurance Contracts (other than Investment linked)

	2021	2020
Gross of reinsurance	**110,830**	406,381
Reinsurance recoveries	**(30,471)**	(75,170)
Net of reinsurance	**80,359**	331,211

	Note	2021	2020
		(Rupees in '000)	
14.5 Other insurance liabilities (premium deficiency reserve)			
Gross of reinsurance		-	27,367
Reinsurance recoveries		-	-
Net of reinsurance		-	27,367

		Note	2021	2020
			(Rupees in '000)	
15.	INSURANCE / REINSURANCE PAYABLES			
	Due to other insurers / reinsurers		**134,923**	175,579
			134,923	175,579
16.	OTHER CREDITORS AND ACCRUALS			
	Agent commission payable		**56,558**	79,893
	Payable to related parties		**31,654**	47,561
	Accrued expenses		**18,939**	21,371
	Withholding tax liabilities		**1,829**	16,925
	Sales tax liabilities		**384**	772
	Other liabilities	16.1	**15,352**	27,549
	Payable to vendors		**12,358**	9,274
	Obligation under finance lease	16.2	**1,057**	3,878
	Staff provident fund	16.3	**-**	1,011
			138,131	208,234

16.1 This include Rs.15.307 million (2020: Rs.27.385 million) in respect of time barred cheques. These time barred cheques include cheques aggregating to Rs.11.991 million (2020: Rs.21.370 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**

	2021			2020		
	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	**1,097**	**40**	**1,057**	3,290	470	2,821
Later than one year and not later than five years	**-**	**-**	**-**	1,097	40	1,057
	1,097	**40**	**1,057**	4,387	510	3,878

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. 76.839 million (2020: Rs. 36.149 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 2012-2013, 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 2014-2015, 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 intends to file an appeal with the Commissioner (Appeals).

The Company had challenged these show cause notices and had collectively filed a petition through the forum of Insurance Association of Pakistan ("IAP") in Sindh High Court (SHC) against SRB, to obtain a stay order. Pursuant to this, the SHC as per its order issued on February 14, 2022, has restrained SRB from passing any final order.

17.2 **Commitments**

There are no commitments of the Company at the reporting date

	Note	2021	2020
		(Rupees in '000)	
18. NET INSURANCE PREMIUM REVENUE			
Gross Premiums			
Regular Premium Individual Policies*			
First year		**188,727**	181,425
Second year renewal		**3,118**	11,570
Subsequent year renewal		**6,412**	2,115
Single premium individual policies		**-**	1,550
Group policies without cash value	18.1	**441,990**	933,504
Total Gross Premiums		**640,247**	1,130,164
Less: Reinsurance Premiums Ceded			
On individual life first year business		**15,345**	12,266
On group policies		**84,484**	166,059
		99,829	178,325
Net Premiums		**540,418**	951,839

*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. 1.390 million (2020: Rs. 3.946 million).

	2021	2020
19. INVESTMENT INCOME		
Income from equity securities		
- Dividend income	**461**	121
Income from debt securities		
- Return on debt securities	**20,475**	17,460
Income from term deposits		
- Return on term deposits	**6,145**	9,811
	27,081	27,392

	2021	2020
20. NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS AT HELD FOR TRADING		
Net unrealized gain on investments at held for trading	**77**	2,637
Total investment income	**77**	2,637
Less: investment related expenses	**86**	-
	(9)	2,637

		Note	2021	2020
			(Rupees in '000)	
21.	OTHER INCOME			
	Return on bank balances		**14,922**	18,443
	Surrender charges		**256**	877
	Gain / (loss) on sale of fixed assets		**4,198**	(1,101)
	Other income		**10,000**	-
	Commission on health business		**6,572**	-
	Liabilities no longer payable		**1,231**	-
			37,179	18,219

		2021	2020
22.	NET INSURANCE BENEFITS		
	Gross Claims		
	Claims under individual policies		
	by death	**2,300**	-
	by insured other than death	**54,136**	30,635
	by maturity	**725**	-
	by surrender	**7,714**	8,098
	Total gross individual policy claims	**64,875**	38,733
	Claims under group policies		
	by death	**169,214**	191,961
	by insured other than death	**555,086**	635,556
	Total gross group policy claims	**724,300**	827,517
	Total gross claims	**789,175**	866,250
	Less: Reinsurance recoveries		
	On Individual health claims	**2,563**	-
	On Group life claims	**129,486**	145,410
		657,126	720,840

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.

		2021	2020
23.	ACQUISITION EXPENSES		
	Remuneration to insurance intermediaries on individual policies.		
	- Commission on first year premiums	**64,921**	78,395
	- Commission on second year premiums	**223**	786
	- Commission on subsequent year premiums	**231**	51
	- Commission on single premiums	-	26
	- Other benefits to insurance intermediaries	**24,490**	7,962
		89,865	87,220
	Remuneration to insurance intermediaries on group policies.		
	- Commission	**18,040**	93,126
	Other acquisition costs		
	- Stamp duty	**72**	355
	- Agency salaries	**615**	5,347
	- Medical fee	**384**	1,796
	Total acquisition cost	**108,976**	187,844

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		Note	2021	2020
24.	**MARKETING AND ADMINISTRATION EXPENSES**		(Rupees in '000)	
	Employee benefit cost	24.1	210,347	217,959
	Travelling expenses		2,083	2,939
	Advertisements and sales promotion		13,744	7,004
	Printing and stationery		7,932	10,249
	Depreciation		8,312	11,147
	Amortization		4,552	4,316
	Rent, rates and taxes		15,908	31,061
	Legal and professional charges		10,534	8,607
	Electricity, gas and water		3,472	5,324
	Entertainment		2,255	3,044
	Vehicle running expenses		5,774	5,348
	Office repair and maintenance		6,765	13,092
	Appointed actuary fees		4,746	4,749
	Bank charges		388	486
	Postage, telegrams and telephone		8,462	6,286
	Annual Supervision fee SECP		1,205	870
	Software rentals		1,017	20,055
	Fees, subscription and periodicals		479	846
	Insurance		3,966	2,919
	Provision for doubtful debts		2,580	526
	Training and development		1,441	1,827
	Miscellaneous		559	783
			316,521	359,437
24.1	**Employee benefit cost**			
	Salaries, allowances and other benefits		204,269	211,183
	Charges for post employment benefit		6,078	6,776
			210,347	217,959
25.	**OTHER EXPENSES**			
	Legal and professional fee other than business related		1,450	-
	Auditors' remuneration	25.1	1,516	1,000
	Director fee		1,000	220
	Fees, subscription and periodicals		929	-
	Donations		8	-
			4,903	1,220
25.1	**Auditors' remuneration**			
	Audit fee		1,134	675
	Special certifications and sundry advisory services		124	195
	Out-of-pocket expenses		258	130
			1,516	1,000
26.	**TAXATION**			
	For the year			
	Current		5,138	516
			5,138	516

26.1 The tax rate applicable on the Company for Tax Year 2021 is 29% (2020: 29%).

26.2 Relationship between tax expense and accounting profit is as follows:

Profit attributable to share holder fund	41,385
Tax at applicable rate	12,002
Effect of prior year business losses	(5,080)
Effect of prior year unabsorbed depreciation	(544)
Other affects	(1,240)
	5,138
Effective rate	12%

26.3 Relationship between tax expense and accounting profit is not produced for prior year as the tax charged was based on minimum tax turnover in that year.

26.4 The Company has e-filed the return of income for the tax year 2021 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**

	2021	2020
Loss for the year	(191,610)	(351,857)
	(Number of shares '000)	
Weighted average number of ordinary shares	138,993	119,753
	(Rupees)	
Loss per share	(1.38)	(2.94)

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

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive 2021	Chief Executive 2020	Directors 2021	Directors 2020	Executives 2021	Executives 2020
	(Rupees in '000)					
Fees	-	-	1,000	313	-	-
Managerial remuneration	20,921	14,672	-	-	44,963	30,194
Provident fund	1,663	1,222	-	-	3,476	2,465
Rent and house maintenance	8,199	6,602	-	-	19,780	13,587
Utilities	1,820	1,466	-	-	5,614	3,016
Conveyance	1,260	1,260	-	-	7,894	7,367
	33,863	25,222	1,000	313	81,727	56,629
Number of persons	1	1	2	1	29	17

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

29. SEGMENTAL INFORMATION

29.1 Revenue Account by Statutory Fund - Entire Company

For the year ended December 31, 2021	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	Aggregate 2021
	Statutory funds (Rupees in '000)					
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	471,306
Balance of statutory fund at end of the year	39,179	33,373	86,635	33,799	18,800	211,786
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

For the period ended December 31, 2020	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	Aggregate 2020
	Statutory funds (Rupees in '000)					
Income						
Premium less reinsurances	19,616	101,922	658,104	9,281	162,916	951,839
Net investment income	5,661	466	7,084	283	586	14,080
Other income	877	-	-	-	-	877
Total net income	26,154	102,388	665,188	9,564	163,502	966,796
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	8,098	41,813	557,551	5,359	108,019	720,840
Management expenses less recoveries	111,381	111,245	302,121	4,056	18,607	547,410
Total claims and expenditure	119,479	153,058	859,672	9,415	126,626	1,268,250
Deficit of income over claims and expenditure	(93,325)	(50,670)	(194,484)	149	36,876	(301,454)
Add: Policyholders' liabilities at beginning of the year	29,577	19,596	268,001	3,173	34,188	354,534
Less: Policyholders' liabilities at end of the year	37,550	23,851	312,359	2,724	88,470	464,954
Surplus / (Deficit) retained in PTF	-	-	-	(3,952)	(25,309)	(29,261)
Deficit	(101,298)	(54,925)	(238,842)	4,550	7,903	(382,613)
Movement in policyholders' liabilities	7,973	4,255	44,358	(4,401)	28,973	81,159
Transfers from shareholders' fund						
- Capital contributions from shareholders' fund	101,000	55,000	250,000	2,300	5,200	413,500
- Cede money - waqf	-	-	-	-	-	-
Balance of statutory fund at beginning of the year	30,290	20,084	270,783	3,454	34,651	359,261
Balance of statutory fund at end of the year	37,964	24,415	326,298	5,902	76,727	471,308
Represented by:						
Capital contributed by shareholders' fund	468,000	181,000	985,812	2,800	13,700	1,651,312
Cede Money - Waqf	-	-	-	-	501	501
Policyholders' liabilities	37,550	23,851	312,359	(1,228)	63,161	435,693
Retained earnings on other than participating business	(467,585)	(180,439)	(971,870)	4,333	(635)	(1,616,196)
Balance of statutory fund at end of the year	37,965	24,412	326,301	5,905	76,727	471,310

29.2 **Segment results by line of business - Entire Company**

For the year ended December 31, 2021

	Statutory funds					Aggregate
	Individual life unit linked	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 business	619	-	13,539	1,187	-	15,345
- Group business	-	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
Net investment income	2,218	397	4,423	273	918	8,229
Other income	256	386	7,411	6	-	8,059
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)

For the year ended December 31, 2020

	Statutory funds					Aggregate
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2020
	---------------- (Rupees in '000) ----------------					
Income						
Gross premiums						
First year individual regular premiums	5,483	60,739	110,964	-	4,239	181,425
Individual second year renewal premiums	11,570	-	-	-	-	11,570
Individual subsequent year renewal	2,115	-	-	-	-	2,115
Individual single premiums	1,550	-	-	-	-	1,550
Group premiums	-	187,040	558,303	29,484	158,677	933,504
Total gross premiums	20,718	247,779	669,267	29,484	162,916	1,130,164
Reinsurance premiums						
- Individual single premiums	1,102	-	11,164	-	-	12,266
- Group premiums	-	145,856	-	20,203	-	166,059
Total reinsurance premiums	1,102	145,856	11,164	20,203	-	178,325
Net premium revenues	19,616	101,923	658,103	9,281	162,916	951,839
Other income	877	-	-	-	-	877
Net investment income	5,661	466	7,084	283	586	14,080
Net income	26,154	102,389	665,187	9,564	163,502	966,796
Insurance benefits and expenditures						
Insurance benefits, including bonuses, net of reinsurance	8,098	41,813	557,551	5,359	108,019	720,840
Management expenses less recoveries	111,381	111,245	302,121	4,056	18,607	547,410
Total insurance benefits and expenditures	119,479	153,058	859,672	9,415	126,626	1,268,250
Excess of income over insurance benefits	(93,325)	(50,669)	(194,485)	149	36,876	(301,455)
Add: Policyholders' liabilities at beginning of the year	29,577	19,596	268,001	3,173	34,188	354,534
Less: Policyholders' liabilities at end of the year	37,550	23,851	312,359	2,724	88,470	464,954
Surplus / (Deficit) retained in PTF	-	-	-	(3,952)	(25,309)	(29,261)
Deficit before tax	(101,298)	(54,924)	(238,843)	4,550	7,903	(382,614)

29.3 Window Takaful Operation

29.3.1 *Revenue account*

29.3.1.1 Participants' Takaful Fund (PTF)

	TAKFUL STATUTORY FUND		Aggregate	
	Family takaful	Accident & health takaful	2021	2020
	(Rupees in '000)			
Income				
Contribution net of retakaful	33,100	50,981	84,081	172,197
Investment income	205	868	1,073	688
Other income	6	-	6	-
Total net income	33,311	51,849	85,160	172,886
Less: Claims and expenditure				
Claims net of re-takaful recoveries	1,721	112,485	114,206	113,378
Takaful Operator's fee	12,916	15,242	28,158	35,566
Mudarib fee	31	162	193	211
Other expenses	7	9	16	19
Total claims and expenditure	14,675	127,898	142,573	149,174
Excess income over claims and expenditure	18,636	(76,049)	(57,413)	23,712
Technical reserves at beginning of the year	(1,817)	57,093	55,276	31,563
Technical reserves at end of the year	4,142	6,058	10,200	84,536
Surplus / (Deficit) retained in PTF	12,677	(25,014)	(12,337)	(29,261)
Surplus / (Deficit)	(18,636)	76,049	57,413	(23,712)
	-	-	-	-
Movement in technical reserves	18,636	(76,049)	(57,413)	23,712
Transfers from (to)				
Qard-e-Hasna contributed by Window Takaful Operator	-	15,000	15,000	7,500
Balance of PTF at beginning of the year	491	62,323	62,814	31,603
Balance of PTF at end of the year	19,127	1,274	20,401	62,815

29.3.1.2 Operators' Sub Fund (OSF)

	TAKFUL STATUTORY FUND		Aggregate	
	Family takaful	Accident & health takaful	2021	2020
	(Rupees in '000)			
Income				
Takaful Operators' Fee	12,916	15,242	28,158	35,566
Mudarib Fee	31	162	193	211
Investment Income	68	50	118	181
Total net Income	13,015	15,454	28,469	35,957
Less: Expenditure				
Acquisition cost	1,258	9,833	11,091	17,648
Administration cost	2,497	2,499	4,996	4,995
Total Management cost	3,755	12,332	16,087	22,643
Excess of income over expenditure	9,260	3,122	12,382	13,314
Technical reserves at beginning of the year	589	6,068	6,657	5,798
Technical reserves at end of the year	2,524	1,626	4,150	6,657
	(1,935)	4,442	2,507	(859)
Surplus / (Deficit)	7,325	7,564	14,889	12,455
Movement in technical reserves	1,935	(4,442)	(2,507)	859
Contribution received from Shareholder's Fund	-	15,000	15,000	7,500
Qard-e-Hasna contributed to Participants' Takaful Fund	-	(15,000)	(15,000)	(7,500)
Balance of operator's fund at beginning of the year	7,613	24,304	31,917	6,503
Balance of operator's fund at end of the year	16,873	27,426	44,299	19,817

29.4 Segment results by line of business - Entire Company

	Statutory funds						Aggregate	
	Shareholder's fund	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	2021	2020
	(Rupees in '000)							
Property and equipment	11,437	-	-	-	-	-	**11,437**	12,356
Intangible assets	13,765	-	-	-	-	-	**13,765**	5,699
Investments	252,428	39,177	25,000	170,235	-	-	**486,840**	268,007
Insurance / reinsurance receivables	-	-	39,885	65,874	14,521	15,737	**136,017**	429,003
Other loans and receivables	70,605	24	34	11,192	81	-	**81,936**	20,204
Taxation - payments less provision	28,743	364	121	2,127	76	257	**31,688**	31,533
Prepayments	603	-	-	-	-	-	**603**	3,612
Cash & Bank	179,653	2,914	25,882	25,726	2,666	1,580	**238,421**	352,226
Interfund balances	(151,708)	1,175	88,024	15,625	24,543	22,341	-	-
Total assets	**405,526**	**43,654**	**178,946**	**290,779**	**41,887**	**39,915**	**1,000,707**	1,122,640
Insurance liabilities net of reinsurance recoveries	-	38,034	58,039	189,107	21,696	(5,544)	**301,332**	662,623
Premium received in advance	-	2,106	689	6,812	805	964	**11,376**	14,648
Insurance / reinsurance payables	-	2,797	101,991	26,248	3,887	-	**134,923**	175,579
Other creditors and accruals	63,532	(429)	17,289	48,334	1,040	8,366	**138,132**	208,234
Total Liabilities	**63,532**	**42,508**	**178,008**	**270,501**	**27,428**	**3,786**	**585,763**	1,061,084

30. MOVEMENT IN INVESTMENTS

	Held to maturity	Held for trading	2021	2020
	(Rupees in '000)			
At beginning of the year	128,822	54,185	**183,007**	141,493
Additions	73,567	161,306	**234,873**	126,814
Disposals (sale and redemptions)	(7,500)	(163,107)	**(170,607)**	(94,944)
Fair value net gains (including net realized gains)	2,569	1,998	**4,567**	9,644
	197,458	**54,382**	**251,840**	183,007

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Management of insurance and financial risk

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

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

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

31.2 Insurance risk

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

31.2.1 Individual life unit linked

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

The Company manages these risks through its underwriting, reinsurance, claims handling policy and other related controls. The Company has a well defined medical under-writing policy and avoids selling policies to high risk individuals. This puts a check on anti-selection. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Reinsurance contracts have been purchased by the Company to limit the maximum exposure on any one policyholder. To avoid poor persistency the Company applies quality controls on the standard of service provided to policyholders and has placed checks to curb mis-selling and improvement in standard of service provided to the policyholders. For this, a regular monitoring of lapsation rates is conducted. On the claims handling side, the Company has procedures in place to ensure that payment of any fraudulent claims is avoided. For this, Claims Committee with variable materiality limits review all claims for verification and specific and detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. The Company maintains adequate liquidity in each unit fund to cater for potentially sudden and high cash requirement. The Company reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

a) Frequency and severity of claims

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

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

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

c) Process used to decide on assumptions

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

d) **Changes in assumptions**

There has been no change in assumptions during the year.

31.2.2 Group life

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

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

a) **Frequency and severity of claims**

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

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

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

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

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

d) **Changes in assumptions**

There has been no change in assumptions during the year.

31.2.3 Accident & Health

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

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

a) **Frequency and severity of claims**

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

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

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

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

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

d) **Changes in assumptions**

There has been no change in assumptions.

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

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

	Change in claims assumption	Impact on gross liabilities	Impact on balance sheet	Impact on revenue account
		---------(Rupees in '000)--------		
31 December 2021				
Current claims	+10%	13,710	(13,710)	(13,710)
	-10%	(13,710)	13,710	13,710
31 December 2020				
Current claims	+10%	20,714	(20,714)	(20,714)
	-10%	(20,714)	20,714	20,714

31.3 Financial risk

31.3.1 Market risk

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

(a) **Interest rate risk exposure**

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

Fair value sensitivity analysis for fixed rate instruments

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

Fair value sensitivity analysis for variable rate instruments

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

	Profit and loss account		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	-----(Rupees in '000)-----		-----(Rupees in '000)-----	
31 December 2021				
Cash flow sensitivity	**4,698**	**(4,698)**	**4,698**	**(4,698)**
31 December 2020				
Cash flow sensitivity	2,504	(2,504)	2,504	(2,504)

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) as of December 31, 2021 is as follows:

On balance sheet financial instruments	2021 Interest / markup bearing Within one year	More than one year	Sub Total	Non-interest bearing financial instruments	Total	2020 Interest / markup bearing Within one year	More than one year	Sub Total	Non-interest bearing financial instruments	Total
	(Rupees in '000)									
Financial assets										
Investments	300,969	171,693	472,662	14,178	486,840	127,228	126,820	254,048	13,959	268,007
Insurance / reinsurance receivables	-	-	-	136,017	136,017	-	-	-	429,003	429,003
Other loans and receivables	-	-	-	81,936	81,936	-	-	-	20,204	20,204
Cash & Bank	238,005	-	238,005	416	238,421	165,407	-	165,407	186,819	352,226
	538,974	171,693	710,667	232,547	943,214	292,635	126,820	419,455	649,985	1,069,440
Financial liabilities										
Insurance Liabilities	-	-	-	301,332	301,332	-	-	-	662,623	662,623
Premium received in advance	-	-	-	11,376	11,376	-	-	-	14,648	14,648
Insurance / reinsurance payables	-	-	-	134,923	134,923	-	-	-	175,579	175,579
Other creditors and accruals	-	-	-	138,131	138,131	-	-	-	208,234	208,234
	-	-	-	585,762	585,762	-	-	-	1,061,084	1,061,084
On balance sheet gap	538,974	171,693	710,667	(353,215)	357,452	292,635	126,820	419,455	(411,099)	8,356

(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. 1.418 million (2020: Rs. 1.396 million).

31.3.2 **Fair value**

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

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

	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	-	-
	14,178	237,662	-

	2020 Fair value measurement using Level 1	Level 2	Level 3
	(Rupees in '000)		
Government securities (fair value only disclosed)	-	128,821	-
Government securities (measured at fair value)	-	40,227	-
Open end mutual funds (measured at fair value)	13,959	-	-
	13,959	169,048	-

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 Risk Management function is regularly conducting detailed analysis on sectors / industries and identifying the degree by which the company's policy holder and their businesses have been impacted amid COVID-19. Keeping in view short term and long term outlook of each sector, management has taken into consideration the factors while determining required provisions against financial assets where required.

The maximum exposure to credit risk before any credit enhancements as at December 31, 2021 is the carrying amount of the financial assets as set out below:

Nature of financial assets	2021	2020
	(Rupees in '000)	
Investments	**249,178**	98,959
Insurance / reinsurance receivables	**136,017**	429,003
Other loans and receivables	**81,936**	20,204
Cash & Bank	**238,421**	352,226
	705,552	900,392

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	**112,650**	422,152
1 - 3 years	**27,021**	22,080
Impaired	**3,654**	1,075
Written off	**-**	14,155

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:

	2021	2020
	(%)	(%)
Government organization	**(0.03)**	1.76
Telecom	**0.97**	0.32
Financial Institution	**32.66**	33.17
Education	**10.90**	3.09
Automobile	**1.52**	6.04
Media	**3.77**	6.98
Travel & Transport	**3.41**	2.49
Textile	**0.73**	2.77
Hotel	**3.63**	2.93
Oil & Gas	**(0.35)**	3.19
Engineering	**0.45**	2.42
Construction material	**0.62**	0.57
Others	**41.72**	34.27
	100.00	100.00

Capital risk managements

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

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

	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	-	-	-
	585,762	585,762	569,244	-	-	-

	2020					
	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	662,623	662,623	662,623	-	-	-
Premium received in advance	14,648	14,648	14,648	-	-	-
Insurance / reinsurance payables	175,579	175,579	175,579	-	-	-
Other creditors and accruals	208,234	208,234	205,704	2,530	-	-
	1,061,084	1,061,084	1,058,554	2,530	-	-

Due to COVID-19 outbreak company's policy holders and their businesses has been adversely impacted. The management is continuously monitoring the liquidity position and solvency position and is taking necessary precautionary measures where needed.

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	2021	2020
			(Rupees in '000)	
TPL Corp Limited	Holding Company	Administrative cost charged	53,314	40,784
		Administration cost incurred	2,444	-
		Premium written during the period	2,195	6,736
		Outstanding Balances		
		Payable against administrative cost	24,869	45,079
		Premium receivable	(121)	-
TPL Trakker Limited	Associated undertaking	Administrative cost charged	24,406	65,969
		Administration cost incurred	2,702	2,816
		Premium written during the period	4,944	12,711
		Claims incurred during the period	3,450	250
		Outstanding Balances		
		Payable against administrative cost	-	53
		Advance against administrative cost	8,034	-
		Premium receivable	(562)	(515)
		Outstanding claims	3,674	750
TPL Insurance Limited	Associated undertaking	Administrative cost charged	14,458	3,857
		Administration cost incurred	18,055	1,930
		Premium written during the period	3,606	9,204
		Claims incurred during the period	-	11,088
		Insurance premium	-	139
		Outstanding Balances		
		Payable against administrative cost	651	9
		Premium receivable	-	729
		Outstanding claims	10,731	11,088
TPL Securities Services (Private) Limited	Associated undertaking	Services received	-	782
		Administration cost incurred	71	2
		Premium written during the period	1,336	2,941
		Claims incurred during the period	500	500
		Outstanding Balances		
		Advance paid	3,657	642
		Premium receivable	(134)	1,396
		Outstanding claims	500	-
TPL Property Management (Private) Limited	Associated undertaking	Reimbursement of expenses	4,957	4,395
		Administration cost incurred	-	4
		Premium written during the period	3,227	3,591
		Claims incurred during the period	174	-
		Outstanding Balances		
		Payable for expenses incurred for the Compan!	6,134	2,420
		Advance paid	-	-
		Premium receivable	(6)	(43)
		Outstanding claims	174	-
TPL Logistics (Private) Limited	Associated undertaking	Administration cost incurred	494	-
		Premium written during the period	683	810
		Claims incurred during the period	-	-

Name of related party	Relationship with the company	Nature of transactions	2021	2020
			(Rupees in '000)	
		Outstanding Balances		
		Receivable against administration cost	494	-
		Premium receivable	83	4
TPL E-Ventures (Private) Limited	Associated undertaking	Administration cost incurred	-	1
		Outstanding Balances		
		Receivable against administration cost	1,709	1,709
		Key Management Personnel	78,622	59,004
		Director Fee	1,000	220

33. Number of Employees

The total average number of employees during the year end as at December 31, 2021 and 2020 are as follows:

	2021	2020
At year end	118	110
Average during the year	114	105

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on ____________________.

Chairman	Chief Executive Officer	Director	Director