



SPECIAL PURPOSE FINANCIAL STATEMENTS  
OF  
TPL LIFE INSURANCE LIMITED  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

**BDO Ebrahim & Co. Chartered Accountants**

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TPL LIFE INSURANCE LIMITED.

### Report on the Audit of the Special Purpose Financial Statements

#### Opinion

We have audited the special purpose financial statements of TPL Life Insurance Limited (the Company), which comprise the special purpose statement of financial position as at June 30, 2023, and the special purpose statement of profit or loss, the special purpose statement of comprehensive income, the special purpose statement of cash flows, the special purpose statement of changes in equity for the year then ended, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion and to the best of our information and according to the explanations given to us, the special purpose statement of financial position, profit and loss account, statement of comprehensive income, the cash flows statement and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the profit and total comprehensive loss, its cash flows and the changes in equity for the six-month period 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- Basis of Accounting and restriction on distribution and Use

We draw attention to note 2 to the special purpose financial statements, which describe the basis of accounting. The special purpose financial statements are prepared for the purpose of filing within court for documentation related to merger with an existing listed company.

As a result, the special purpose financial statements may not be suitable for any other purpose. Our report is intended solely for the Company and legal team and should not be distributed to or used by parties other than the company or its legal team. Our opinion is not modified in respect of this matter.

## Responsibilities of Management and the Board of Directors for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with International Financial Reporting standards (IFRSs) and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 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 special purpose financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements, including the disclosures, and whether the special purpose 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.

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

KARACHI

DATED: 23 AUG 2023



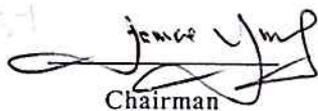
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANT

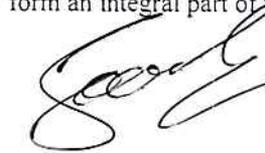


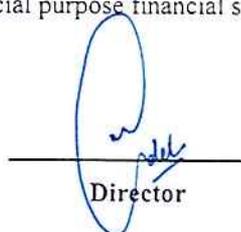
**TPL LIFE INSURANCE LIMITED**  
**SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

	Note	June 30, 2023	December 31, 2022
(Rupees in '000)			
<b>Assets</b>			
Property and equipment	6	12,581	15,057
Intangible assets	7	34,155	27,471
<b>Investments</b>			
Government securities	8	235,585	231,389
Mutual funds	8	12,669	12,297
Term deposits receipts	8	85,000	85,000
Insurance / reinsurance receivables	9	237,301	116,890
Other loans and receivables	10	40,362	48,569
Taxation - payments less provision		39,850	38,320
Prepayments	11	4,131	1,003
Cash & bank	12	401,205	355,722
<b>Total Assets</b>		<u>1,102,839</u>	<u>931,718</u>
<b>Equity and Liabilities</b>			
Capital and reserves attributable to Company's equity holders			
Authorized share capital			
240,000,000 ordinary shares (2022: 240,000,000) of Rs. 10 each	13.1	<u>2,400,000</u>	<u>2,400,000</u>
Ordinary share capital	13.2	1,995,000	1,910,000
Accumulated losses of other than participating business		(2,152,502)	(2,048,518)
Unappropriated profit		<u>388,705</u>	<u>379,466</u>
		231,203	240,948
Advance against issuance of right shares		<u>55,000</u>	<u>50,000</u>
<b>Total Equity</b>		<u>286,203</u>	<u>290,948</u>
<b>Liabilities</b>			
Insurance liabilities	14	192,744	178,270
Premium received in advance		29,268	13,940
Insurance / reinsurance payables	15	284,401	215,957
Other creditors and accruals	16	310,223	232,603
<b>Total Liabilities</b>		<u>816,636</u>	<u>640,770</u>
<b>Total Equity and Liabilities</b>		<u>1,102,839</u>	<u>931,718</u>
Contingencies and commitments	17		

The annexed notes from 1 to 33 form an integral part of these special purpose financial statements.

  
Chairman

  
Chief Executive Officer

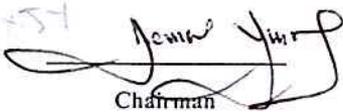
  
Director

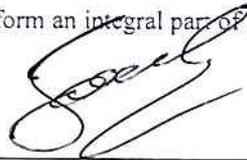
  
Director

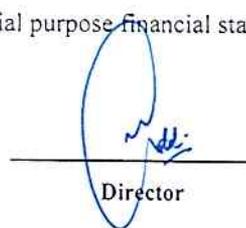
**TPL LIFE INSURANCE LIMITED**  
**SPECIAL PURPOSE STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

	Note	Six months period ended June 30,	
		2023 (Audited)	2022 (Unaudited)
(Rupees in '000)			
Gross premium revenue	18	274,751	179,270
Premium ceded to reinsurers	18	(111,586)	(67,815)
Net premium revenue		163,165	111,455
Investment income	19	18,903	(7,782)
Net fair value gain / (loss) on financial assets at fair value through profit or loss	20	207	(1,523)
Other income	21	12,725	3,117
		31,835	(6,188)
Net income		195,000	105,267
Insurance benefits	22	62,397	145,931
Reinsurance recoveries	22	(33,847)	(64,157)
Net insurance benefits		28,550	81,774
Net change in insurance liabilities (other than outstanding claims)		31,991	(30,451)
Acquisition expenses	23	42,671	15,564
Marketing and administration expenses	24	177,142	133,340
Other expenses	25	1,954	4,095
Total expenses		253,758	122,548
Results of operating activities		(87,308)	(99,054)
Financial charges		(5,851)	(296)
Loss before tax		(93,159)	(99,350)
Income tax expense	26	(1,587)	(205)
Loss for the period		(94,746)	(99,555)
Other comprehensive income		-	-
Total comprehensive loss for the period		(94,746)	(99,555)
Loss per share - basic and diluted		(0.49)	(0.57)

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 Chairman

  
 Chief Executive Officer

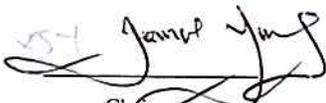
  
 Director

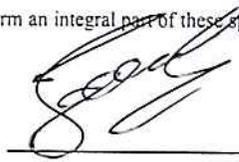
  
 Director

**TPL LIFE INSURANCE LIMITED**  
**SPECIAL PURPOSE STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

	Note	Six months period ended June 30,	
		2023 (Audited)	2022 (Unaudited)
(Rupees in '000)			
<b>Operating Cash flows</b>			
<b>(a) Underwriting activities</b>			
Insurance premium received		169,671	226,905
Claims paid		(87,537)	(165,598)
Surrenders paid		(1,672)	(3,534)
Commission paid		(15,320)	(27,312)
Marketing and administrative expenses paid		(154,186)	(69,792)
Net cash used in underwriting activities		(89,044)	(39,331)
<b>(b) Other operating activities</b>			
Income tax paid		(3,117)	(1,958)
Other operating receipts		35,936	62,072
Net cash generated from other operating activities		32,819	60,114
Total cash (used in) / generated from all operating activities		(56,225)	20,783
<b>Investment activities</b>			
Profit/ return received		23,509	7,215
Purchase of investments		(2,909)	(86,631)
Proceeds from sale of investments		-	208,912
Capital expenditure - net		(8,040)	(18,361)
Proceeds from sale of property and equipment		31	-
Total generated from investing activities		12,756	111,135
<b>Financing activities</b>			
Repayment of lease liabilities		(1,048)	5,615
Advance against right shares		90,000	-
Total cash generated from financing activities		88,952	5,615
Net cash generated from all activities		45,483	137,533
Cash and cash equivalents at beginning of period		355,722	238,421
Cash and cash equivalents at end of period		401,205	375,954
<b>Reconciliation to Profit and Loss Account</b>			
Operating cash flows		(56,225)	20,783
Depreciation / amortization expense	24	(3,831)	(5,544)
Amortization of lease liability		(436)	(296)
Gain / (loss) on disposal of property and equipment	21	31	(429)
Dividend and other investment income / (loss)		31,067	(9,305)
Increase / (decrease) in assets other than cash		101,831	(28,978)
Increase in liabilities other than borrowings		(167,184)	(75,786)
Loss after taxation		(94,746)	(99,555)

The annexed notes from 1 to 33 form an integral part of these special purpose financial statements.

  
 Chairman

  
 Chief Executive Officer

  
 Director

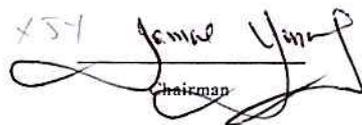
  
 Director

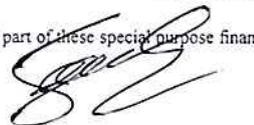
**TPL LIFE INSURANCE LIMITED**  
**SPECIAL PURPOSE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

Attributable to equity holders of the Company

	Share Capital	Unappropriated profit	Accumulated losses of other than participating business	Advance against right issue	Total
-(Rupees in '000)					
Balance as at January 1, 2022					
At beginning of period	1,750,000	389,007	(1,844,061)	120,000	414,946
Advance against issuance of shares	-	-	-	(120,000)	(120,000)
Right shares issued	120,000	-	-	-	120,000
<b>Total comprehensive income for the period</b>					
Deficit for the period retained in statutory fund	-	-	(76,163)	-	(76,163)
Loss for the period from other than participating business	-	(23,392)	-	-	(23,392)
	-	-	(76,163)	-	(99,555)
Balance as at June 30, 2022 (Unaudited)	1,870,000	365,615	(1,920,224)	-	315,391
Balance as at January 1, 2023					
At beginning of period	1,910,000	379,466	(2,048,518)	50,000	290,948
Advance against issuance of shares	-	-	-	90,000	90,000
Right shares issued	85,000	-	-	(85,000)	-
<b>Total comprehensive income for the period</b>					
Deficit for the period retained in statutory fund	-	-	(103,984)	-	(103,984)
Profit for the period from other than participating business	-	9,239	-	-	9,239
	-	9,239	(103,984)	-	(94,745)
Balance as at June 30, 2023 (Audited)	1,995,000	388,705	(2,152,502)	55,000	286,203

The annexed notes from 1 to 33 form an integral part of these special purpose financial statements.

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 Chairman

  
 Chief Executive Officer

  
 Director

  
 Director

**TPL LIFE INSURANCE LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

**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 (now Companies Act, 2017) 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. The Company is a subsidiary of TPL Corp Limited - the Holding Company. The Company is owned 97.324% by TPL Corp Limited.

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 June 30, 2023, the accumulated losses of the Company are Rs. 1,763.797 million (December 31, 2022: Rs. 1,669.052 million) and loss for the six months period ended is Rs. 94.746 million (June 30, 2022: Rs. 99.555 million).

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

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

## **2. BASIS FOR PRESENTATION**

These special purpose financial statements have been prepared for the purpose of merger of the Company with an existing listed company. Therefore, these special purpose financial statements may not be suitable for any other purpose.

### **2.1 Statement of compliance**

These special purpose 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 following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the special purpose financial statements other than certain additional disclosures.

**Effective date  
(annual periods  
beginning on or  
after)**

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding	January 01, 2023

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

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

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

**2.3.1 Standard, Interpretations and Amendments**

Amendments to IFRS 7 'Financial Instruments:	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024

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

<b>Standards</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 1 – First time adoption of IFRSs	January 01, 2004
IFRS 17 – Insurance Contracts	January 01, 2023

#### **2.4 Functional and presentation currency**

These special purpose 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 special purpose 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 special purpose financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

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

a) **Policyholders' liabilities**

**Mortality, Morbidity and Interest Bases adopted**

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

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

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

- a) In respect of Unit Linked policies, the reserve for bid value of allocated units is calculated using the latest bid value of units and the total number of units belonging to policyholders' accounts as at the valuation date. The amount is held as a reserve since it represents the current value of amounts that will be payable to policyholders at the time when a maturity, death or surrender claim is filed. The latest bid value is the last "announced" bid price at the valuation date.
- b) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.
- c) Unearned premium reserves have been maintained for all riders.
- d) Reinsurance premium reserves have been maintained on an unearned premium basis.
- e) Reserves have been maintained for Incurred But Not Reported (IBNR) claims, using the chain ladder method for IBNR reserves.
- f) For unit linked policies unearned premium reserves has been calculated for mortality charges only.
- g) If for any policy the reserve is negative, the negative value is excluded and the reserves for the policies is set equal to zero.

## **Surrenders**

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

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

e) **Contingencies**

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

f) **Premium due but unpaid**

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

g) **Lease term of contract and discount rate**

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

5. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these special purpose 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.

## **Group Insurance contracts**

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

## **Individual Insurance Contracts**

Individual life 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 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 special purpose 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 special purpose 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 whereby staff and Company share equally at 8.33% of basic salary.

## **5.8 Dividend**

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

## **5.9 Financial instruments**

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

## **5.10 Off-setting of financial assets and financial liabilities**

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

## **5.11 Foreign currencies**

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

## **5.12 Cash and cash equivalents**

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

### **5.13 Revenue recognition**

#### **Premium**

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

#### **Commission income**

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

#### **Investment income**

The investment income recognition policy is given under note 5.5.

#### **Dividend income**

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

### **5.14 Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes or sub classes of business (statutory funds) as specified under the Insurance Ordinance, 2000 and (Insurance) Rules, 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 resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

6. PROPERTY AND EQUIPMENT	Note	30 June	31 December
		2023	2022
		(Rupees in '000)	
Operating Assets	6.1	12,581	15,055
		<u>12,581</u>	<u>15,055</u>

6.1 Operating Assets

Tangible assets

Description	Note	Cost			Accumulated Depreciation			Written down value	Rate %		
		As at January 01, 2023	Additions	Disposals (Note 6.1.1)	As at December 31, 2023	As at January 01, 2023	Charge for the year	On Disposal		As at December 31, 2023	As at December 31, 2023
----- (Rupees in '000) -----											
Owned											
Furniture and fixture		3,555	-	-	3,555	3,558	1	-	3,559	(4)	20
Office and electrical equipment		4,514	-	-	4,514	4,335	139	-	4,474	40	20
Computer equipment		30,445	387	(8,405)	22,427	23,837	1,875	(8,406)	17,306	5,121	33
Mobile phones		2,119	56	(88)	2,087	1,903	125	(70)	1,958	129	50
Lease improvements		428	-	-	428	427	-	-	427	1	20
2023		<u>41,061</u>	<u>443</u>	<u>(8,493)</u>	<u>33,011</u>	<u>34,060</u>	<u>2,140</u>	<u>(8,476)</u>	<u>27,724</u>	<u>5,287</u>	
Right of use asset											
Computer equipment		9,668	-	-	9,668	9,668	-	-	9,668	0	33
Motor Vehicle		9,194	-	-	9,194	1,140	760	-	1,900	7,294	33
2023		<u>18,862</u>	<u>-</u>	<u>-</u>	<u>18,862</u>	<u>10,807</u>	<u>760</u>	<u>-</u>	<u>11,568</u>	<u>7,294</u>	
2023		<u>59,923</u>	<u>443</u>	<u>(8,493)</u>	<u>51,873</u>	<u>44,868</u>	<u>2,900</u>	<u>(8,476)</u>	<u>39,292</u>	<u>12,581</u>	

Description	Cost				Accumulated Depreciation			Written down value		Rate %
	As at January 01, 2022	Additions	Disposals (Note 6.1.1)	As at December 31, 2022	As at January 01, 2022	Charge for the year	On Disposal	As at December 31, 2022	As at December 31, 2022	
(Rupees in '000)										
Owned										
Furniture and fixture	3,555	-	-	3,555	3,417	141	-	3,558	(3)	20
Office and electrical equipment	4,514	-	-	4,514	3,996	338	-	4,335	179	20
Computer equipment	29,289	1,690	(534)	30,445	20,091	3,827	(81)	23,837	6,608	33
Mobile phones	2,092	155	(128)	2,119	1,584	369	(49)	1,903	216	50
Lease improvements	428	-	-	428	427	-	-	427	1	20
2022	39,876	1,845	(662)	41,059	29,515	4,675	(131)	34,059	7,001	
Right of use asset										
Computer equipment	9,668	-	-	9,668	8,594	1,074	-	9,668	-	33
Motor Vehicle	-	9,194	-	9,194	-	1,140	-	1,140	8,055	33
2022	9,668	9,194	-	18,862	8,594	2,214	-	10,807	8,055	
2022	49,544	11,039	(662)	59,921	38,108	6,889	(131)	44,867	15,055	

7. INTANGIBLES ASSETS

	Note	30 June 2023	31 December 2022
(Rupees in '000)			
Computer software	7.1	920	1,850
Capital work-in-progress		33,236	25,621
		34,155	27,471

7.1 Computer software

Description - 2022	Cost				Accumulated Depreciation			Written down value		Rate %
	As at January 01, 2023	Additions	Disposals	As at December 31, 2023	As at January 01, 2023	Charge for the year	On Disposal	As at December 31, 2023	As at December 31, 2023	
(Rupees in '000)										
Software	46,670	-	-	46,670	44,820	931	-	45,751	920	33

Description - 2021	Cost				Accumulated Depreciation			Written down value		Rate %
	As at January 01, 2022	Additions	Disposals	As at December 31, 2022	As at January 01, 2022	Charge for the year	On Disposal	As at December 31, 2022	As at December 31, 2022	
(Rupees in '000)										
Software	46,670	-	-	46,670	42,130	2,690	-	44,820	1,850	33

8. INVESTMENTS	Note	30 June 2023	31 December 2022
		(Rupees in '000)	
8.1. Government securities			
Held to maturity			
Pakistan Investment Bonds	8.1.1	197,236	195,297
Held for trading			
Treasury Bills	8.1.2	38,350	36,092
		<u>235,585</u>	<u>231,389</u>
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	20-Aug-23	8.53%	50,000	49,879	-
Pakistan Investment Bonds	8.1.1.1	3 years	4-Aug-25	13.60%	16,000	14,975	49,527
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.75%	17,300	17,264	14,771
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	13.45%	17,800	17,765	16,804
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	12.25%	16,900	16,874	17,315
Pakistan Investment Bonds	8.1.1.1	5 years	12-Jul-23	8.20%	10,500	10,498	16,539
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	11.30%	6,300	6,172	10,489
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	10.30%	7,800	7,728	6,126
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	7.55%	7,100	7,257	7,702
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	8.97%	2,500	2,514	7,317
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	8.97%	3,000	3,017	12,600
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	8.97%	7,000	7,040	5,150
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	8.85%	5,100	5,136	15,520
Pakistan Investment Bonds	8.1.1.1	5 years	19-Sep-24	9.40%	15,500	15,513	4,812
Pakistan Investment Bonds	8.1.1.1	5 years	15-Oct-25	9.05%	5,000	4,842	4,812
Pakistan Investment Bonds	8.1.1.1	5 years	15-Oct-25	9.05%	5,000	4,842	5,813
Pakistan Investment Bonds	8.1.1.1	5 years	29-Apr-27	12.70%	7,000	5,920	-
						<u>197,236</u>	<u>195,297</u>

8.1.1.1 The Company has deposited 3 years and 5 years Pakistan Investment Bonds having face value of Rs.66.00 million and 133.80 million respectively (2022: 3 years and 5 years Pakistan Investment Bonds having face value of Rs.66.00 million and 133.80 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. 184.772 million (2022: Rs. 183.249 million) as at year end.

**8.1.2 Held for trading**

**Government securities**

	Years / Months	Maturity Date	Face Value	Market Value	
				30 June 2023	31 December 2022
				(Rupees in '000)	
Treasury Bills - effective yield 16.8%	1 year	19-Oct-23	41,000	38,350	36,092
				<u>38,350</u>	<u>36,092</u>

**8.2 Mutual Funds**

**Fair value through profit and loss**

Open end mutual funds

	<u>12,669</u>	<u>12,297</u>
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	Cost	(Impairment) /Revaluation	Carrying value	Cost	(Impairment) /Revaluation	Carrying value
	June 30, 2023			December 31, 2022		
	(Rupees in '000)					
<b>8.2.1 Open end mutual funds</b>						
NBP Stock Fund	2,843	(157.96)	2,685	2,843	(252.49)	2,590
ABL Stock Fund	1,792	(246.49)	1,546	1,792	(310.15)	1,482
MCB Pakistan stock market fund	1,811	(265.67)	1,546	1,811	(342.83)	1,468
Alfalah GHP stock fund	1,088	(408.89)	679	1,088	(424.80)	663
Atlas stock market fund	2,272	(46.63)	2,225	2,272	(88.63)	2,183
HBL energy fund	1,867	(646.99)	1,220	1,867	(647.69)	1,219
Meezan Islamic Fund	495	202.75	698	495	67.97	563
Meezan Islamic Income Fund	1,170	(610.53)	559	1,170	157.04	1,327
AKD Islamic Income Fund	63	1,339.33	1,402	63	11.52	74
AKD Islamic Stock Fund	50	28.29	78	50	(16.03)	34
Lakson Equity Fund	766	(734.60)	31	766	(72.04)	694
	<u>14,217</u>	<u>(1,547)</u>	<u>12,669</u>	<u>14,217</u>	<u>(1,918)</u>	<u>12,297</u>

	30 June 2023	31 December 2022
	(Rupees in '000)	
<b>8.3 Term deposit receipts</b>		
Deposits maturing within 12 months - at the rate of 14.25% to 19.50% p.a. (2022: 14.25% to 15.50% p.a.)	<u>85,000</u>	<u>85,000</u>

	Note	June 30, 2023	December 31, 2022
<b>9. INSURANCE / REINSURANCE RECEIVABLES</b>		(Rupees in '000)	
Due from insurance contract holders		241,535	121,126
Less : provision for impairment of receivables from insurance contract holders		(4,235)	(4,235)
		<u>237,301</u>	<u>116,890</u>
<b>10. OTHER LOANS AND RECEIVABLES</b>			
Receivable from related parties		8,881	13,983
Accrued investment income		15,734	10,000
Security deposit		7,663	9,025
Advance to supplier		816	4,569
Receivable from broker		2,192	7,192
Loans to employees		3,107	3,168
Other advances		1,969	632
		<u>40,362</u>	<u>48,569</u>
<b>11. PREPAYMENTS</b>			
Prepaid rent		-	-
Prepaid insurance		1,117	871
Prepaid miscellaneous expenses		3,013	132
		<u>4,131</u>	<u>1,003</u>
<b>12. CASH AND BANK</b>			
Cash and cash equivalent			
- Cash in hand		21	26
- Policy and revenue stamps		98	103
Bank balances			
- Current account		54,766	1
- Saving account	12.1	346,320	355,593
		<u>401,205</u>	<u>355,722</u>

12.1 These carry markup ranging from 13.75% to 18.50% (2022: 5.50% to 15.21%) 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

June 30, 2023	December 31, 2022		June 30, 2023	December 31, 2022
(No. of shares)			(Rupees in '000)	
		Ordinary shares of Rs.10		
240,000,000	240,000,000	each	2,400,000	2,400,000
<u>240,000,000</u>	<u>240,000,000</u>		<u>2,400,000</u>	<u>2,400,000</u>

#### 13.2 Issued, subscribed and paid-up share capital

June 30, 2023	December 31, 2022			
(No. of shares)				
		Issued, subscribed and paid up		
		Ordinary shares of Rs.10		
191,000,000	175,000,000	each issued for cash as at	1,910,000	1,750,000
		beginning of the year		
8,500,000	16,000,000	issued during the year	85,000	160,000
<u>199,500,000</u>	<u>191,000,000</u>	As at end of the year	<u>1,995,000</u>	<u>1,910,000</u>

13.3 As at June 30, 2023, the shareholdings of the Company is as follows:

	shareholding %	Number of shares	shareholding %
TPL Corp. Limited	97.49%	185,996	97.38%
Directors	2.51%	5,002	2.62%
Others	0.00%	2	0.00%

13.3 On December 26, 2022, the Board of Directors resolved issuance of 5 million right shares at par value of Rs. 10 each. These shares were subscribed by and issued during the period to the Holding Company.

13.4 During the period, the Board of Directors further resolved issuance of 3.5 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.

	Note	June 30, 2023	December 31, 2022
(Rupees in '000)			
<b>14. INSURANCE LIABILITIES</b>			
Reported outstanding claims	14.1	51,233	68,750
Incurred but not reported claims	14.2	15,693	18,543
Investment component of unit-linked and account value policies		29,940	35,942
Liabilities under group insurance contracts (other than Investment linked)	14.3	95,878	55,035
		<u>192,744</u>	<u>178,270</u>
<b>14.1 Reported outstanding claims</b>			
Gross of Reinsurance		145,582	172,395
Recoverable from Reinsurance		(94,349)	(103,645)
Net reported outstanding claims		<u>51,233</u>	<u>68,750</u>
<b>14.2 Incurred but not reported claims</b>			
Gross of reinsurance		34,344	33,159
Reinsurance recoveries		(18,651)	(14,616)
Net of reinsurance		<u>15,693</u>	<u>18,543</u>
<b>14.3 Liabilities under Group Insurance Contracts (other than Investment linked)</b>			
Gross of reinsurance		187,043	107,896
Reinsurance recoveries		(91,165)	(52,861)
Net of reinsurance		<u>95,878</u>	<u>55,035</u>
<b>15. INSURANCE / REINSURANCE PAYABLES</b>			
Due to other insurers / reinsurers		284,401	215,957
		<u>284,401</u>	<u>215,957</u>

	Note	June 30, 2023	December 31, 2022
(Rupees in '000)			
<b>16. OTHER CREDITORS AND ACCRUALS</b>			
Agent commission payable		47,248	38,747
Payable to related parties		48,483	45,278
Accrued expenses		23,135	20,701
Withholding tax liabilities		47,187	29,791
Sales tax liabilities		898	21
Other liabilities	16.1	21,226	19,877
Payable to vendors		102,109	66,512
Obligation under finance lease	16.2	5,908	6,519
Staff provident fund	16.3	14,028	5,157
		310,223	232,603

16.1 This include Rs. 21.169 million (31 December 2022: 19.834 million) in respect of time barred cheques. These time barred cheques include cheques 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

	June 30, 2023			December 31, 2022		
	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	2,156	778	2,934	1,974	761	1,213
Later than one year and not later than five years	2,252	722	2,974	5,430	1,001	4,429
	4,408	1,500	5,908	7,404	1,762	5,642

#### 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 May 8, 2019 extended the exemption on life insurance till June 30, 2019. Subsequent to it, life insurance was made taxable from July 01, 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 June 30, 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 June 30, 2022 vide notification no. SRB-3-4/17/2021. With effect from November 1, 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 September 28, 2019 and November 28, 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.

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

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

On February 10, 2022, SRB passed an order for deposit of SST amounting to Rs. 457,730/- against which the Company filed an appeal with the Commissioner (Appeals). The final hearing before the Commissioner (Appeals), SRB, was conducted and an order No. 19/2023 was passed by the Commissioner (Appeals-II). Through the said order, the Commissioner (Appeals), SRB upheld the stance of the department. Being aggrieved, the Company filed an appeal before the Appellate Tribunal, Sindh Revenue Board against the order passed by Commissioner (Appeals), SRB.

## 17.2 Commitments

There are no commitments of the Company at the reporting date.

	June 30, 2023	December 31, 2022
	(Rupees in '000)	
<b>18. NET INSURANCE PREMIUM REVENUE</b>		
Gross Premiums		
Regular Premium Individual Policies*		
First year	142,912	63,617
Second year renewal	-	100
Subsequent year renewal	2,799	3,928
Group policies without cash value	129,040	111,625
Total Gross Premiums	<u>274,751</u>	<u>179,270</u>
Less: Reinsurance Premiums Ceded		
On individual life and health first year business	23,378	10,828
On group policies	88,208	62,810
Less: Reinsurance commission on risk premium	-	(5,823)
	<u>111,586</u>	<u>67,815</u>
Net Premiums	<u>163,165</u>	<u>111,455</u>

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

## 19. INVESTMENT INCOME

Income from equity securities		
- Dividend income	165	(31,037)
Income from debt securities		
- Return on debt securities	12,422	11,297
Income from term deposits		
- Return on term deposits	6,316	11,958
	<u>18,903</u>	<u>(7,782)</u>

## 20. NET FAIR VALUE GAINS / (LOSSES) ON FINANCIAL ASSETS AT HELD FOR TRADING

Net unrealized (losses) / gains on investments at held for trading	207	(1,523)
Less: investment related expenses	-	-
	<u>207</u>	<u>(1,523)</u>

	June 30, 2023	December 31, 2022
	(Rupees in '000)	
<b>21. OTHER INCOME</b>		
Return on bank balances	11,956	-
Surrender charges	-	51
Gain / (loss) on sale of fixed assets	31	(429)
Other income	-	2
Commission on health business	738	3,494
	<u>12,725</u>	<u>3,117</u>
<b>22. NET INSURANCE BENEFIT:</b>		
Gross Claims		
Claims under individual policies		
by death	2,111	2,100
by insured other than death	16,574	19,482
by surrender	1,673	2,035
Total gross individual policy claims	<u>20,358</u>	<u>23,617</u>
Claims under group policies		
by death	27,222	80,835
by insured other than death	14,817	41,479
Total gross group policy claims	<u>42,039</u>	<u>122,314</u>
Total gross claims	<u>62,397</u>	<u>145,931</u>
Less: Reinsurance recoveries		
On Group life claims	(33,847)	(64,157)
	<u>28,550</u>	<u>81,774</u>
<b>23. ACQUISITION EXPENSES</b>		
Remuneration to insurance intermediaries on individual policies.		
- Commission on first year premiums	21,811	11,279
- Commission on second year premiums	-	5
- Commission on subsequent year premiums	-	17
- Outsourcing expenses	374	(6,892)
- Other benefits to insurance intermediaries	1,369	6,512
	<u>23,555</u>	<u>10,921</u>

	Note	June 30, 2023	December 31, 2022
(Rupees in '000)			
Remuneration to insurance intermediaries on group policies.			
- Commission		640	(12,151)
Other acquisition costs			
- Stamp duty		324	21
- Agency salaries		-	300
- Medical fee		18,151	16,472
Total acquisition cost		<u>42,671</u>	<u>15,564</u>
<b>24. MARKETING AND ADMINISTRATION EXPENSES</b>			
Employee benefit cost	24.1	115,296	85,999
Travelling expenses		1,101	1,740
Advertisements and sales promotion		12,277	5,499
Printing and stationery		3,414	1,535
Depreciation		2,900	3,882
Amortization		931	1,662
Rent, rates and taxes		8,579	3,815
Legal and professional charges		2,046	4,616
Electricity, gas and water		1,676	812
Entertainment		2,029	1,158
Vehicle running expenses		4,370	3,124
Office repair and maintenance		14,606	7,803
Appointed actuary fees		2,373	2,373
Bank charges		84	299
Postage, telegrams and telephone		1,611	1,454
Software rentals		-	1,854
Fees, subscription and periodicals		217	1,546
Insurance		2,189	3,300
Training and development		595	255
Miscellaneous		848	614
		<u>177,142</u>	<u>133,340</u>
<b>24.1 Employee benefit cost</b>			
Salaries, allowances and other benefits		111,112	84,178
Charges for post employment benefit		4,184	1,821
		<u>115,296</u>	<u>85,999</u>

	Note	June 30, 2023	December 31, 2022
(Rupees in '000)			
<b>25. OTHER EXPENSES</b>			
Legal and professional fee other than business related		512	3,295
Auditors' remuneration		397	-
Director fee		660	800
Fees, subscription and periodicals		384	-
		<u>1,954</u>	<u>4,095</u>
<b>26. TAXATION</b>			
For the year			
Current		1,587	205
		<u>1,587</u>	<u>205</u>
26.1	The tax rate applicable on the Company for Tax Year 2023 is 29% (2022: 29%).		
<b>27. LOSS PER SHARE</b>			
Loss for the year		<u>(94,746)</u>	<u>(99,555)</u>
		(Number of shares '000)	
Weighted average number of ordinary shares		<u>192,256</u>	<u>175,658</u>
		(Rupees)	
Loss per share	27.1	<u>(0.49)</u>	<u>(0.57)</u>
27.1	Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the balance sheet date. As there are no potential ordinary shares outstanding at reporting date, the basic and diluted EPS are same.		

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 2022
	(Rupees in '000)					
Fees	-	-	660	800	-	-
Managerial remuneration	8,549	6,148	-	-	33,504	-
Leave encashment	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Provident fund	806	559	-	-	2,735	-
Rent and house maintenance	4,210	3,018	-	-	16,189	-
Utilities	935	670	-	-	3,594	-
Medical	-	-	-	-	-	-
Conveyance	-	105	-	-	356	-
	<u>14,501</u>	<u>10,500</u>	<u>660</u>	<u>800</u>	<u>56,377</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>47</u>	<u>29</u>

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

	Statutory funds					Aggregate
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	June 30, 2023
	----- (Rupees in '000) -----					
<b>29. SEGMENTAL INFORMATION</b>						
<b>29.1 Revenue Account by Statutory Fund - Entire Company</b>						
<b>For the period ended June 30, 2023</b>						
Income						
Premium less reinsurances	2,784	51,419	76,139	20,561	12,262	163,165
Net investment income	2,947	352	8,852	241	75	12,467
Other income	-	-	738	-	-	738
<b>Total net income</b>	<b>5,731</b>	<b>51,771</b>	<b>85,728</b>	<b>20,802</b>	<b>12,337</b>	<b>176,370</b>
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	1,672	9,195	12,192	125	5,365	28,551
Management expenses less recoveries	43,651	38,224	130,862	1,068	6,008	219,814
<b>Total claims and expenditure</b>	<b>45,323</b>	<b>47,420</b>	<b>143,054</b>	<b>1,194</b>	<b>11,374</b>	<b>248,365</b>
Deficit of income over claims and expenditure	(39,593)	4,352	(57,326)	19,609	963	(71,995)
Add: Policyholders' liabilities at beginning of the period	40,739	25,441	44,761	13,797	(16,352)	108,386
Less: Policyholders' liabilities at end of the period	29,943	42,844	65,780	9,006	10,239	157,812
Surplus / (Deficit) retained in PTF	-	-	-	(7,302)	869	(6,433)
<b>Deficit</b>	<b>(28,797)</b>	<b>(13,052)</b>	<b>(78,345)</b>	<b>31,702</b>	<b>(26,496)</b>	<b>(114,988)</b>

	Statutory funds					Aggregate
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	June 30, 2023
----- (Rupees in '000) -----						
<b>For the period ended June 30, 2023</b>						
Movement in policyholders' liabilities	(10,796)	17,403	21,019	(12,093)	27,459	42,993
Transfers from shareholders' fund						
Capital contributions from shareholders' fund	34,000	20,000	90,500	-	-	144,500
Balance of statutory fund at beginning of the period	36,833	19,895	50,000	49,729	31,051	187,508
Balance of statutory fund at end of the period	31,240	44,247	83,174	69,338	32,013	260,013
<b>Represented by:</b>						
Capital contributed by shareholders' fund	649,800	265,800	1,323,412	2,800	28,700	2,270,512
Cede Money - Waqf	-	-	-	-	501	501
Policyholders' liabilities	29,940	42,847	65,775	8,593	(5,654)	141,501
Retained earnings on other than participating business	(648,500)	(264,400)	(1,306,013)	57,945	8,466	(2,152,502)
Balance of statutory fund at end of the period	31,240	44,247	83,174	69,338	32,013	260,012

	Statutory funds					Aggregate
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	June 30, 2023
----- (Rupees in '000) -----						
<b>For the period ended June 30, 2022</b>						
Income						
Premium less reinsurances	3,954	39,363	46,304	14,758	7,076	111,455
Net investment income	87	265	7,412	221	109	8,094
Other income	51	-	3,494	-	-	3,545
Total net income	4,092	39,628	57,210	14,979	7,185	123,094
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	3,534	18,063	45,492	11,088	3,596	81,773
Management expenses less recoveries	34,488	31,158	81,560	1,416	284	148,906
Total claims and expenditure	38,022	49,221	127,052	12,504	3,880	230,679
Deficit of income over claims and expenditure	(33,930)	(9,593)	(69,842)	2,475	3,305	(107,585)
Add: Policyholders' liabilities at beginning of the period	38,034	32,433	66,359	19,343	(17,331)	138,838
Less: Policyholders' liabilities at end of the period	40,739	25,441	44,761	9,243	6,434	126,618
Surplus / (Deficit) retained in PTF	-	-	-	4,554	(22,786)	(18,232)
Deficit	(36,635)	(2,602)	(48,243)	8,021	2,328	(77,134)
Movement in policyholders' liabilities	2,706	(6,992)	(21,598)	(5,546)	978	(30,452)
<b>For the period ended June 30, 2023</b>						
Transfers from shareholders' fund						
Capital contributions from shareholders' fund	35,000	8,300	30,100	-	-	73,400
Balance of statutory fund at beginning of the period	39,179	33,371	86,635	33,799	18,800	211,783
Balance of statutory fund at end of the period	40,249	32,078	46,893	36,274	22,105	177,598

	Statutory funds					Aggregate
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	June 30, 2023
	----- (Rupees in '000) -----					
<b>Represented by:</b>						
Capital contributed by shareholders' fund	579,700	233,800	1,144,912	2,800	28,700	1,989,912
Cede Money - Waqf	-	-	-	-	501	501
Policyholders' liabilities	40,739	25,441	44,761	13,797	(16,352)	108,386
Retained earnings on other than participating business	(580,189)	(227,162)	(1,142,778)	19,679	9,254	(1,921,197)
Balance of statutory fund at end of the period	40,250	32,078	46,896	36,276	22,103	177,602

29.2 Segment results by line of business - Entire Company

Income

Gross premiums

First period individual regular premiums	-	12,272	99,502	18,876	12,262	142,912
Individual second period renewal premiums	-	-	-	-	-	-
Individual subsequent period renewal	2,799	-	-	-	-	2,799
Group premiums	-	118,171	-	10,868	-	129,039
Total gross premiums	2,799	130,443	99,502	29,744	12,262	274,751

Reinsurance premiums

- Individual business	15	-	23,363	-	-	23,379
- Group business	-	79,025	-	9,183	-	88,208
- Commission	-	-	-	-	-	-
Total reinsurance premiums	15	79,025	23,363	9,182	-	111,586

Net premium revenues

Net premium revenues	2,784	51,419	76,139	20,561	12,262	163,165
Net investment income	2,947	352	8,852	241	75	12,467
Other income	-	-	738	-	-	738
Net income	5,731	51,771	85,728	20,802	12,337	176,370

	Statutory funds					Aggregate
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	June 30, 2023
----- (Rupees in '000) -----						
<b>For the period ended June 30, 2023</b>						
<b>Insurance benefits and expenditures</b>						
Insurance benefits, including bonuses, net of reinsurance	1,672	9,195	12,192	125	5,365	28,551
Management expenses less recoveries	43,651	38,224	130,862	1,068	6,008	219,814
Total insurance benefits and expenditures	45,323	47,420	143,054	1,194	11,374	248,365
Excess of income over insurance benefits	(39,593)	4,352	(57,326)	19,609	963	(71,995)
Add: Policyholders' liabilities at beginning of the period	40,739	25,441	44,761	13,797	(16,352)	108,386
Less: Policyholders' liabilities at end of the period	29,943	42,844	65,780	9,006	10,239	157,812
Surplus / (Deficit) retained in PTF	-	-	-	(7,302)	869	(6,433)
Deficit before tax	(28,797)	(13,052)	(78,345)	31,702	(26,497)	(114,988)
<b>For the period ended June 30, 2022</b>						
<b>Income</b>						
<b>Gross premiums</b>						
First period individual regular premiums	-	2,591	54,671	40	6,314	63,617
Individual second period renewal premiums	100	-	-	-	-	100
Individual subsequent period renewal	3,928	-	-	-	-	3,928
Group premiums	-	88,934	2,387	19,542	762	111,625
Total gross premiums	4,028	91,525	57,058	19,582	7,076	179,269
Reinsurance premiums						
- Individual single premiums	73	-	10,755	-	-	10,829
- Group premiums	-	57,984	-	4,825	-	62,809
- Commission	-	(5,822)	-	-	-	(5,822)
Total reinsurance premiums	73	52,162	10,755	4,825	-	67,816
Net premium revenues	3,954	39,363	46,304	14,758	7,076	111,454
Net investment income	87	265	7,412	221	109	8,094
Other income	51	-	3,494	-	-	3,544
Net income	4,091	39,628	57,210	14,978	7,185	123,091

**For the period ended June 30, 2022**

Insurance benefits and expenditures

Insurance benefits, including bonuses,  
net of reinsurance

3,534

18,063

45,492

11,088

3,596

81,774

Management expenses less recoveries

34,488

31,158

81,560

1,416

284

148,906

Total insurance benefits and expenditures

38,022

49,221

127,052

12,504

3,881

230,680

Excess of income over insurance benefits

(33,931)

(9,592)

(69,843)

2,474

3,304

(107,588)

Add: Policyholders' liabilities at beginning  
of the period

38,034

32,433

66,359

19,343

(17,331)

138,838

Less: Policyholders' liabilities at end  
of the period

40,739

25,441

44,761

9,243

6,434

126,618

Surplus / (Deficit) retained in PTF

-

-

-

4,554

(22,786)

(18,232)

Deficit before tax

(36,636)

(2,601)

(48,244)

8,020

2,326

(77,137)

**Window Takaful Operation**

**29.3.1 Revenue account**

**29.3.1.1 Participants' Takaful Fund (PTF)**

Income

Contribution net of retakaful

20,561

12,262

32,823

21,834

Investment income

229

58

287

308

Total net income

20,790

12,321

33,110

22,142

Less: Claims and expenditure

Claims net of re-takaful recoveries

125

5,365

5,490

14,684

Takaful Operator's fee

19,396

5,626

25,022

15,070

Other expenses

21

3

24

(36)

Total claims and expenditure

19,542

10,995

30,536

29,717

(Deficit) / surplus income over claims and expenditure

1,248

1,326

2,574

(7,576)

Technical reserves at beginning of the period

456

7,206

7,662

(2,138)

Technical reserves at end of the period

9,006

7,663

16,669

8,518

Surplus / (Deficit) retained in PTF

(7,302)

869

(6,433)

(18,232)

	Statutory funds				Aggregate	
	Individual life unit linked	Conventional business	Accident & health business	Family takaful	Accident & health takaful	June 30, 2022
----- (Rupees in '000) -----						
Insurance benefits and expenditures						
Insurance benefits, including bonuses, net of reinsurance	3,534	18,063	45,492	11,088	3,596	81,774
Management expenses less recoveries	34,488	31,158	81,560	1,416	284	148,906
Total insurance benefits and expenditures	38,022	49,221	127,052	12,504	3,881	230,680
Excess of income over insurance benefits	(33,931)	(9,592)	(69,843)	2,474	3,304	(107,588)
Add: Policyholders' liabilities at beginning of the period	38,034	32,433	66,359	19,343	(17,331)	138,838
Less: Policyholders' liabilities at end of the period	40,739	25,441	44,761	9,243	6,434	126,618
Surplus / (Deficit) retained in PTF	-	-	-	4,554	(22,786)	(18,232)
Deficit before tax	(36,636)	(2,601)	(48,244)	8,020	2,326	(77,137)

**TAKAFUL STATUTORY FUND**

**Aggregate**

	Family takaful	Accident & health takaful	June 30, 2023	June 30, 2022
	----- (Rupees in '000) -----			
Income				
Contribution net of retakaful	20,561	12,262	32,823	21,834
Investment income	229	58	287	308
Total net income	20,790	12,321	33,110	22,142
Less: Claims and expenditure				
Claims net of re-takaful recoveries	125	5,365	5,490	14,684
Takaful Operator's fee	19,396	5,626	25,022	15,070
Other expenses	21	3	24	(36)
Total claims and expenditure	19,542	10,995	30,536	29,717
(Deficit) / surplus income over claims and expenditure	1,248	1,326	2,574	(7,576)
Technical reserves at beginning of the period	456	7,206	7,662	(2,138)
Technical reserves at end of the period	9,006	7,663	16,669	8,518
Surplus / (Deficit) retained in PTF	(7,302)	869	(6,433)	(18,232)

	TAKAFUL STATUTORY FUND		Aggregate	
	Family takaful	Accident & health takaful	June 30, 2023	June 30, 2022
	----- (Rupees in '000) -----			
Surplus / (Deficit)	(1,248)	(1,327)	(2,575)	7,576
Movement in technical reserves	-	-	-	-
Balance of PTF at beginning of the period	1,248	1,327	2,575	(7,576)
Balance of PTF at end of the period	9,656	10,675	20,331	20,400
	10,904	12,002	22,906	12,824

#### 29.3.1.2 Operators' Sub Fund (OSF)

Income				
Takaful Operators' Fee	19,396	5,626	25,022	15,070
Investment Income	12	17	29	21
Total net income	19,408	5,643	25,051	15,091
Less: Expenditure				
Acquisition cost	(201)	4,757	4,556	(761)
Administration cost	624	626	1,250	2,498
Total Management cost	423	5,383	5,807	1,737
Excess of income over expenditure	18,985	260	19,244	13,354
Technical reserves at beginning of the period	2,524	1,626	4,150	4,150
Technical reserves at end of the period	3,545	1,292	4,837	7,159
	(1,021)	333	(687)	(3,008)
Surplus / (Deficit)	17,964	595	18,558	10,345
Movement in technical reserves	1,021	(334)	687	3,008
Balance of operator's fund at beginning of the period	16,874	27,425	44,299	44,299
Balance of operator's fund at end of the period	35,859	27,686	63,544	57,653

## **30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

### **30.1 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.

### **30.2 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.

#### **30.2.1 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.

### 30.2.2 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.

**30.2.3 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:

	<b>Change in claims assumption</b>	<b>Impact on gross liabilities</b>	<b>Impact on balance sheet</b>	<b>Impact on revenue account</b>
			------(Rupees in '000)-----	
<b>30 June 2023</b>				
Current claims	+10%	4,141	(4,141)	(4,141)
	-10%	(4,141)	4,141	4,141
<b>31 December 2022</b>				
Current claims	+10%	4,600	(4,600)	(4,600)
	-10%	(4,600)	4,600	4,600

**30.3 Financial risk**

**30.3.1 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.

	<u>Profit and loss account</u>		<u>Equity</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>	<u>100 bp increase</u>	<u>100 bp decrease</u>
	----- <u>(Rupees in '000)</u> -----		----- <u>(Rupees in '000)</u> -----	
30 June 2023				
Cash flow sensitivity	<u>6,669</u>	<u>(6,669)</u>	<u>6,669</u>	<u>(6,669)</u>
31 December 2022				
Cash flow sensitivity	<u>6,720</u>	<u>(6,720)</u>	<u>6,720</u>	<u>(6,720)</u>

The information about Company's exposure to interest rate risk (other than relating to

On balance sheet financial instruments	June 30, 2023					December 31, 2022				
	Interest / markup bearing			Non-interest bearing financial instruments	Total	Interest / markup bearing			Non-interest bearing financial instruments	Total
	Within one year	More than one year	Sub Total			Within one year	More than one year	Sub Total		
	(Rupees in '000)									
<b>Financial assets</b>										
Investments	235,629	84,957	320,585	12,669	333,254	231,766	84,623	316,389	12,297	328,686
Insurance / reinsurance receivables	-	-	-	237,301	237,301	-	-	-	116,890	116,890
Other loans and receivables	-	-	-	40,362	40,362	-	-	-	48,569	48,569
Cash & Bank	346,320	-	346,320	54,886	401,206	355,592	-	355,592	129	355,721
	581,949	84,957	666,906	345,217	1,012,124	587,358	84,623	671,981	177,885	849,866
<b>Financial liabilities</b>										
Insurance Liabilities	-	-	-	192,744	192,744	-	-	-	178,270	178,270
Premium received in advance	-	-	-	39,268	39,268	-	-	-	13,940	13,940
Insurance / reinsurance payables	-	-	-	284,401	284,401	-	-	-	215,957	215,957
Other creditors and accruals	-	-	-	310,223	310,223	-	-	-	232,603	232,603
	-	-	-	816,635	816,635	-	-	-	640,770	640,770
<b>On balance sheet gap</b>	581,949	84,957	666,906	(471,418)	195,489	587,358	84,623	671,981	(462,885)	209,096

**(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. 1.267 million (December 31, 2022: Rs. 2.459 million).

**30.3.2 Fair value**

30.3.2.1 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.

30.3.2.2 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:

	June 30, 2023		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Government securities (fair value only disclosed)	-	197,236	-
Government securities (measured at fair value)	-	38,350	-
Open end mutual funds (measured at fair value)	12,669	-	-
	12,669	235,585	-
	December 31, 2022		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Government securities (fair value only disclosed)	-	195,297	-
Government securities (measured at fair value)	-	36,092	-
Open end mutual funds (measured at fair value)	12,299	-	-
	12,299	231,389	-

### 30.3.2.3 Transfers during the year

During the period ended June 30, 2023:

- There were no transfers between Level 1 and Level 2 fair value measurements
- There were no transfers into or out of Level 3 fair value measurements

### 30.3.2.4 Valuation techniques

Fair value of investments classified as held to maturity and fair value through profit or loss are assessed using level 2 inputs usually closing market price as per rates prescribed by Financial Market Association of Pakistan by using PKRV rates at reporting date per certificates multiplied by the number of certificates held.

Fair value of Investments at fair value through profit or loss is determined using level 1 inputs i.e., NAVs of open end mutual funds.

### 30.3.3 Credit risk

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

The maximum exposure to credit risk before any credit enhancements as at June 30, 2023 is the carrying amount of the financial assets as set out below:

	June 30, 2023	December 31, 2022
	(Rupees in '000)	
<b>Nature of financial assets</b>		
Investments	97,669	97,297
Insurance / reinsurance receivables	237,301	116,890
Other loans and receivables	40,362	48,569
Cash & Bank	401,205	355,722
	<u>776,538</u>	<u>618,478</u>
<b>Bank balances</b>		

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:

<b>Past due but not impaired</b>		
Upto 1 year	199,122	59,189
1 - 3 years	33,944	61,992
Impaired	(4,235)	4,235
Written off	-	-

#### **Concentration of credit risk**

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

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

Sector-wise analysis of premium due but

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	(%)	(%)
Government organization	0.00	(0.03)
Telecom	0.56	0.80
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	(%)	(%)
NGO	0.01	(1.53)
Food	0.50	-
Financial Institution	29.75	30.07
Education	7.41	0.65
Automobile	0.02	1.20
Media	2.97	0.46
Travel & Transport	2.31	4.02
Textile	1.94	3.48
Hotel	2.41	2.67
Oil & Gas	0.50	1.85
Engineering	1.56	3.92
Pharmaceutical	0.09	0.24
Construction material	0.02	0.22
Others	49.95	51.98
	<u>100.00</u>	<u>100.00</u>

## **Capital risk managements**

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

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

### **30.3.4 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:

June 30, 2023					
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
----- (Rupees in '000) -----					
<b>Non-derivative</b>					
<b>Financial liabilities</b>					
Insurance Liabilities	192,744	192,744	192,744	-	-
Premium received in advance	29,268	29,268	29,268	-	-
Insurance / reinsurance payables	284,401	284,401	284,401	-	-
Other creditors and accruals	310,223	310,223	159,630	-	-
	<u>816,635</u>	<u>816,635</u>	<u>666,042</u>	<u>-</u>	<u>-</u>
December 31, 2022					
Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
----- (Rupees in '000) -----					
<b>Non-derivative</b>					
<b>Financial liabilities</b>					
Insurance Liabilities	178,270	178,270	178,270	-	-
Premium received in advance	13,940	13,940	13,940	-	-
Insurance / reinsurance payables	215,957	215,957	215,957	-	-
Other creditors and accruals	232,603	232,603	121,613	-	-
	<u>640,770</u>	<u>640,770</u>	<u>529,780</u>	<u>-</u>	<u>-</u>

### 31. 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	June 30,	December 31,		
			2023	2022		
			(Audited)	(Audited)		
			(Rupees in '000)			
TPL Corp Limited	Holding Company	Administrative cost charged	15,256	43,989		
		Administration cost incurred	-	813		
		Premium (refund) / written during the period	(325)	3,695		
		Claims incurred during the period	-	46		
		<b>Outstanding Balances</b>				
		Payable against administrative cost	38,073	30,921		
		Premium (refundable) / receivable	(106)	1,569		
		Outstanding claims	4,640	7,667		
		TPL Trakker Limited	Associated undertaking	Administrative cost charged	10,550	499
				Administration cost incurred	-	7
Premium written during the period	19			6,010		
Claims incurred during the period	1,547			3,913		
<b>Outstanding Balances</b>						
Receivable against administrative cost	1,108			3,042		
Premium receivable	1			1,015		
Outstanding claims	3,918			2,547		
TPL Insurance Limited	Associated undertaking			Administrative cost charged	7,923	32,100
				Administration cost incurred	-	5,399
		Premium written during the period	502	3,913		
		Claims incurred during the period	-	60		
		<b>Outstanding Balances</b>				
		(Payable) / receivable against administrative cost	(2,440)	4,150		
		Premium receivable	-	900		

			June 30, 2023 (Audited)	December 31, 2022 (Audited)		
			(Rupees in '000)			
TPL Securities Services (Private) Limited	Associated undertaking	Administration cost charged	330	1,444		
		Premium (refund) / written during the period	(16)	1,566		
		Claims incurred during the period	1,000	500		
		Advance paid	-	3,704		
		<b>Outstanding Balances</b>				
		Premium (refundable) / receivable	(329)	130		
		Outstanding claims	2,000	1,000		
		Receivable against administrative cost	3,761	3,705		
		TPL Property Management (Private) Limited	Associated undertaking	Administration cost charged	109	3,817
				Administration cost incurred	-	7
Premium written during the period	161			1,904		
Claims incurred during the period	5,042			185		
<b>Outstanding Balances</b>						
Payable against administrative cost	7,971			14,357		
Premium (refundable) / receivable	(16)			327		
Outstanding claims	5,121			312		
TPL Logistics (Private) Limited	Associated undertaking			Premium written during the period	817	695
				Claims incurred during the period	-	400
		<b>Outstanding Balances</b>				
		Receivable against administration cost	1,343	494		
		Premium receivable	-	713		
		Outstanding claims	-	400		

			June 30, 2023 (Audited)	December 31, 2022 (Audited)
			(Rupees in '000)	
TPL E-Ventures (Private) Limited	Associated undertaking	<b>Outstanding Balances</b>		
		Receivable against administration cost	1,709	1,709
TPL REIT Management Company Limited	Associated undertaking	Administration cost incurred	-	1
		Premium written during the period	22	862
		<b>Outstanding Balances</b>		
		Receivable against administration cost	19	863
		Premium receivable	5	-
Astra Location Services (Private) Limited	Associated undertaking	Administration cost incurred	-	18
		Premium written during the period	105	816
		<b>Outstanding Balances</b>		
		Receivable against administration cost	940	18
		Premium (refundable) / receivable	(1)	816
		Key Management Personnel	48,314	63,134
		Director Fee	660	800

31.1 Charges for administrative services is based on the actual cost incurred by the service provider whereas all other transactions with related parties are on arms length basis comparable with market quote.

**32. Number of Employees**

The total average number of employees during the period end and year end as at 30 June 2023 and 31 December 2022 respectively are as follows.

	<u>30 June 2023</u>	<u>31 December 2022</u>
At year end	140	107
Average during the year	123	112

**33. DATE OF AUTHORISATION FOR ISSUE**

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

  
Chairman

  
Chief Executive  
Officer

  
Director

  
Director