Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor
Modern Motors House
Beaumont Road,
Karachi – 75530

BDO Ebrahim & Co
Chartered Accountants
2nd Floor, Block C, Lakson Square
Building No. 1, Sarwar Shaheed Road
Karachi - 74200

INDEPENDENT AUDITORS' REPORT

To the members of State Life Insurance Corporation of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **State Life Insurance Corporation of Pakistan (the Corporation)**, which comprise the unconsolidated statement of financial position as at December 31, 2022, and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at December 31, 2022 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial statements* section of our report. We are independent of the Corporation 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 Matters

We draw attention to the following:

- note 4 to the unconsolidated financial statements in respect of restatement on account of error; and

- note 23.1.13 to the unconsolidated financial statements that describes the chargeability of sales tax on premium by provincial revenue authorities.

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

Information Other than the Unconsolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 unconsolidated 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated 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 auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

e) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partners on the audit resulting in this independent auditors' report are Muhammad Khalid Aziz and Tariq Feroz Khan on behalf of Grant Thornton Anjum Rahman and BDO Ebrahim & Co. respectively.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants

Karachi:
Date: June 22, 2023
UDIN: AR202210154G7o8OA3Pj

BDO Ebrahim & Co

BDO Ebrahim & Co
Chartered Accountants

Karachi
Date: June 22, 2023
UDIN: AR202210166iIvA7uko2

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022	Restated 2021
		--------------(Rupees in '000)----------------	
ASSETS			
Property and equipment	5	**1,033,492**	881,186
Investment properties	6	**3,573,082**	3,618,967
Investments in subsidiaries	7	**323,618**	323,618
Investments			
Equity securities	8	**77,799,314**	88,913,774
Mutual funds	9	**7,169,767**	8,554,292
Government securities	10	**1,133,671,503**	910,069,819
Debt securities	11	**10,763,786**	4,091,596
Loans secured against life insurance policies		**171,822,531**	151,464,401
Insurance / reinsurance receivables	12	**78,092,696**	37,430,191
Other loans and receivables	13	**65,281,569**	56,221,789
Taxation - payments less provision		**3,544,796**	3,474,427
Prepayments	14	**66,105**	66,367
Cash & bank	15	**48,345,441**	101,002,030
TOTAL ASSETS		**1,601,487,700**	1,366,112,457
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO CORPORATION'S EQUITY HOLDERS			
Ordinary share capital	16	**6,200,000**	4,900,000
Ledger account C & D		**18,190,546**	8,544,917
Reserves	17	**808,314**	4,725
Unappropriated profit		**2,113,605**	1,854,840
Capital contributed to statutory fund		**100,000**	100,000
TOTAL EQUITY		**27,412,465**	15,404,482
LIABILITIES			
Insurance liabilities	18	**1,522,008,512**	1,307,949,157
Retirement benefit obligations	19	**6,113,662**	6,245,074
Deferred capital grant		**26,692**	15,886
Deferred taxation	20	**9,210,234**	3,489,579
Premium received in advance		**5,326,067**	5,569,399
Insurance / reinsurance payables	21	**1,154,322**	521,942
Other creditors and accruals	22	**30,235,746**	26,916,938
TOTAL LIABILITIES		**1,574,075,235**	1,350,707,975
TOTAL EQUITY AND LIABILITIES		**1,601,487,700**	1,366,112,457
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

CHAIRMAN	DIRECTOR	DIRECTOR	CHIEF FINANCIAL OFFICER
Shoaib Javed Hussain	Moin M. Fudda	Muhammad Aslam Ghauri	Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022	Restated 2021
		-----------(Rupees in '000)-----------	
Premium revenue		244,150,373	162,480,351
Premium ceded to reinsurers		(939,680)	(691,665)
Net premium revenue	24	243,210,693	161,788,686
Investment income	25	114,690,704	96,101,249
Net realized fair value gain on financial assets	26	440,311	58,719
Net fair value loss on financial assets at fair value through profit or loss	27	(13,538,825)	(8,555,366)
Net rental income	28	708,099	412,385
Other income	29	37,758,962	21,452,436
		140,059,251	109,469,423
Net income		383,269,944	271,258,109
Insurance benefits		175,557,029	98,348,335
Recoveries from reinsurers		(261,501)	(324,854)
Claim related expense		25,353	14,410
Net Insurance Benefits	30	175,320,881	98,037,891
Net Change in Insurance Liabilities (other than outstanding claims)		149,856,354	130,887,076
Acquisition expenses	32	22,668,775	19,995,160
Marketing and administration expenses	33	13,994,407	12,642,793
Other expenses	34	765,000	430,318
Total expenses		187,284,536	163,955,347
Profit before tax		20,664,527	9,264,871
Income tax expense	35	(6,936,258)	(2,708,425)
Profit for the year		13,728,269	6,556,446
Other comprehensive income		-	-
Total comprehensive income for the year		13,728,269	6,556,446
Earning (after tax) per share - Rupees	36	279.36	141.75

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

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CHAIRMAN	DIRECTOR	DIRECTOR	CHIEF FINANCIAL OFFICER
Shoaib Javed Hussain	Moin M. Fudda	Muhammad Aslam Ghauri	Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	Restated 2021
Operating Cash flows	-----------(Rupees in '000)-----------	
(a) Underwriting activities		
Insurance premiums received	**194,632,942**	154,323,542
Reinsurance premiums paid	**(307,299)**	(763,675)
Claims paid	**(67,289,302)**	(48,714,429)
Surrenders paid	**(44,064,726)**	(30,062,818)
Reinsurance and other recoveries received	**(59,931)**	539,561
Commissions paid	**(13,978,550)**	(13,330,913)
Other underwriting payments, if any	**(7,096,397)**	(5,286,340)
Net cash flow from underwriting activities	**61,836,737**	56,704,928
(b) Other operating activities		
Income tax paid	**(1,285,969)**	(610,726)
Other operating payments	**(4,703,101)**	(1,500,742)
General management expense paid	**(12,074,441)**	(5,727,123)
Loans secured against life insurance policies - advanced	**(5,707,326)**	(22,351,163)
Loans secured against life insurance policies - repayments received	**18,903,882**	2,181,049
Net cash flow used in other operating activities	**(4,866,955)**	(28,008,705)
Total cash flow from all operating activities	**56,969,782**	28,696,223
Investment activities		
Profit / return received	**94,388,013**	96,959,697
Dividends received	**8,957,406**	7,347,504
Rentals received	**1,379,319**	1,170,773
Payment for investments	**(527,251,160)**	(368,507,053)
Proceeds from disposal of investments	**319,427,779**	283,186,785
Fixed capital expenditure	**(331,132)**	(439,452)
Proceeds from sale of property and equipment	**(12,148)**	1,861
Total cash flow (used in) / generated from investing activities	**(103,441,923)**	19,720,115
Financing activities		
Dividends paid	**(1,720,286)**	(1,460,501)
Total cash flow used in financing activities	**(1,720,286)**	(1,460,501)
Net cash flow (used in) / generated from all activities	**(48,192,427)**	46,955,837
Cash and cash equivalents at beginning of year	**92,894,679**	45,938,842
Cash and cash equivalents at end of year	**44,702,252**	92,894,679

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	Restated 2021
	-----------(Rupees in '000)-----------	
Reconciliation to Profit and Loss Account		
Operating cash flows	**56,969,782**	28,696,223
Depreciation expense	**(121,756)**	(102,992)
Investment income	**140,059,251**	109,470,878
Amortization/capitalization	**541,043**	872,480
Non Cash Adjustments (APL)	**(24,592,135)**	(2,067,304)
Increase in assets other than cash	**62,045,624**	28,420,763
Decrease in liabilities other than running finance	**(65,596,529)**	(25,966,109)
Other adjustments	**(5,720,657)**	(1,880,417)
Net change in insurance liabilities (other than outstanding claims)	**(149,856,354)**	(130,887,076)
Profit for the year after taxation	**13,728,269**	6,556,446

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

CHAIRMAN	DIRECTOR	DIRECTOR	CHIEF FINANCIAL OFFICER
Shoaib Javed Hussain	Moin M. Fudda	Muhammad Aslam Ghauri	Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Attributable to equity holders of the Corporation				Restated	Restated
	Share capital	Capital contributed to Statutory Fund	Revenue reserves General reserves	Ledger Account C & D [Refer Note]	Unappropriated profit	Total
	Rupees in '000					
Balance as at January 1, 2021	4,600,000	-	304,725	3,943,311	1,460,496	10,308,532
Dividend paid for the year December 31, 2020	-	-	-	-	(1,460,496)	(1,460,496)
Total comprehensive income for the year - (restated)	-	-	-	-	6,556,446	6,556,446
Surplus for the year retained in statutory funds - net of tax	-	-	-	4,601,606	(4,601,606)	-
Capital contributed to statutory fund	-	100,000	-	-	(100,000)	-
Transfer for the issuance of share capital	300,000	-	(300,000)	-	-	-
Balance as at December 31, 2021 (Restated)	**4,900,000**	**100,000**	**4,725**	**8,544,917**	**1,854,840**	**15,404,482**
Dividend paid for the year December 31, 2021	-	-	-	-	(1,720,286)	(1,720,286)
Transferred to reserve	-	-	172,615	30,965	(203,580)	-
Transfer to unappropriated profit (refer note 4)	-	-	(69,026)	-	69,026	-
Total comprehensive income for the year	-	-	-	-	13,728,269	13,728,269
Surplus for the year retained in statutory funds - net of tax	-	-	-	11,614,664	(11,614,664)	-
Transferred from ledger to shareholder	-	-	2,000,000	(2,000,000)	-	-
Transfer for the issuance of share capital	1,300,000	-	(1,300,000)	-	-	-
Balance as at December 31, 2022	6,200,000	100,000	808,314	18,190,546	2,113,605	27,412,465

Note: This includes balances maintained in accordance with the requirements of Section 35 of the Insurance Ordinance, 2000 read with Rule 14 of the Insurance Rules, 2017 (previously the SEC Insurance Rules, 2002) to meet solvency margins, which are mandatorily maintained for the carrying on of the life insurance business.

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

CHAIRMAN
Shoaib Javed Hussain

DIRECTOR
Moin M. Fudda

DIRECTOR
Muhammad Aslam Ghauri

CHIEF FINANCIAL OFFICER
Muhammad Rashid

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 01, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 37 zones for individual life business alongwith 7 Regions, 4 zones for group life business and in the gulf countries comprising United Arab Emirates (UAE) through zonal office located at Dubai (UAE).

1.2 The Corporation is engaged in the life insurance business, health, accident insurance business and takaful business.

1.3 The Corporation was issued the certificate of authorization for commencement of Window Takaful Operation under rule 6 of the Takaful rules, 2012 by Securities Exchange Commission of Pakistan vide letter no. 0097, dated September 22, 2016. For the purpose of carrying on the takaful business, the Corporation has formed an Individual Family Participant Takaful Fund (IFPTF) on August 18, 2017 under the Waqf deed and ceded Rs. 1 million to the IFPTF. The Waqf deed governs the relationship of Corporation and participants for management of takaful operations. The Corporation launched the Window Takaful Operations on January 28, 2021.

1.4 In prior year, Privatization Commission (PC) has envisioned to divest the shares of Government of Pakistan held by Ministry of Commerce through an Initial Public Offer (IPO). For this purpose, PC sent the Term of Reference (ToR) to the Corporation vide letter no. PC/SLIC-IPO/B&U/04 dated June 24, 2015 regarding the appointment of lead manager and book runner for public offering through domestic stock exchange transaction, which was been approved by the Board on August 11, 2015.

Moreover, PC also constituted an Evaluation Committee to evaluate technical and financial proposals of bids received. Based on the evaluation process of the Committee, the Board of PC appointed consortium of Habib Bank Limited, Bank Alfalah Limited, Arif Habib Limited and Elixir Securities Pakistan (Private) Limited as lead manager and book runner for IPO as mentioned in the 243rd meeting of the Board of Directors held on February 20, 2016.

The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion), 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company.

After the commencement of this Ordinance, the Federal Government established a Company to be known as State Life Insurance Company Limited by shares under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The National Assembly converted the said Ordinance into bill for the conversion of State Life Insurance Corporation to State Life Insurance Company Limited and sent the bill to Senate for approval and the Senate, instead of passing the bill, proposed few amendments in the bill. For the consideration of the proposed amendments, the matter was moved to National Assembly Standing Committee on Commerce.

Ministry of Commerce (MoC), vide letter No.1(7)/2013-SLIC-INS dated September 10, 2020, informed that the Senate of Pakistan passed the Bill with certain amendments. The Bill was forwarded to the National Assembly (the Assembly), however, the Assembly did not pass the amended Bill within 90 days. Therefore, a request was made to the Ministry of Parliamentary Affairs to the place the same before the Joint Session of the Parliament for consideration. However, Bill was not passed by the Joint Session due to end of Assembly session that day. Hence, in terms of Article 76(3) of the Constitution of Pakistan said Bill has been lapsed, despite the fact that it had been passed by the Senate.

Subsequent to year end, a detailed discussion was held on January 25, 2023 in a Committee Room of MoC, it was unanimously decided that now the Finance Division shall draft a new legislation with the technical support of legal advisors, to enable the requisite amendments/changes ln the legal/regulatory framework of the five selected State Owned Entities (SOEs). The draft shall be shared with the Line Ministries/(SOEs) for their views/concurrence before its submission to the Federal Cabinet and subsequently to the Parliament.

1.5 The Corporation maintains a shareholders' fund and five statutory funds, separately in respect of its each class of life insurance business. The details relating to each fund has been described in note 3.4.

1.6 Summary of significant events and transactions

During the year the Corporation implemented Phase III of Sehat Sahulat Program in the province of Punjab, FATA, Azad Jammu & Kashmir, Tharparkar and Islamabad Capital Territory (ICT) in agreement with Federal and KP Government which aimed to provide health facilities to all the families residing in these areas. Sehat Sahulat Program Phase-III resulted in increase in premium revenue of Rs. 106,597.19 million during the year.

2 BASIS OF PREPARATION

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

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved 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, Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012. In case requirements 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.

As required by Circular 15 of 2019 dated November 18, 2019 issued by the Securities & Exchange Commission of Pakistan (the Commission), the Corporation has prepared and annexed to these financial statements, a standalone set of financial statements for Window Takaful Operations of the Corporation, as if these are carried out by a standalone Takaful Operator.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies mentioned below (refer note 3).

2.3 Functional and presentation currency

These unconsolidated financial statements have been presented in Pakistani Rupee, which is the Corporation's functional and presentation currency. Amounts have been rounded off to the nearest thousand, unless otherwise stated.

2.4 Standards, amendments and interpretations to the published standards that may be relevant to the Corporation and adopted in the current year

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

Standard or Interpretation	Effective Date (Annual period beginning on or after)
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Subsidiary as a First-time Adopter (Amendment to IFRS 1)	January 1, 2022
Taxation in Fair Value Measurements (Amendment to IAS 41)	January 1, 2022
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022

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

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

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

Standard or Interpretation	Effective Date (Annual period beginning on or after)
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure Initiative—Accounting Policies	January 1, 2023
Sale and leaseback transactions (Amendments to IFRS 16)	January 1, 2024

The Corporation is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Corporation.

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

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

Standard or Interpretation	Effective Date (Annual period beginning on or after)
IFRS 17 Insurance Contract (Amendment to Insurance Contract)	January 1, 2023
IFRS 1 'First-time adoption of International Financial Reporting Standard'	January 1, 2024

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts' to be implemented for annual reporting periods on or after January 01, 2023 as per IASB. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Corporation has determined that it is eligible for the temporary exemption option since the Corporation has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Corporation doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Corporation can defer the application of IFRS 9 until the application of IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held-for-trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis; and

b) all other financial assets

Description	2022					
	Fail the SPPI test			Pass the SPPI test		
	Fair Value	Impairment	Change in unrealised Gain / loss during the year	Carrying Value	Impairment	Change in unrealised Gain / loss during the year
	Rupees in '000					
Cash at bank	48,345,441	-	-	-	-	-
Investment in equity securities	77,799,314	(214,778)	42,819,518	-	-	-
Investment in government securities	-	-	-	1,133,671,503	-	-
Investment in debt securities	-	-	-	10,771,359	7,573	-
Investment in mutual funds	7,169,767	-	3,293,130	-	-	-
Other loans and receivables	65,281,569	-	-	-	-	-
Insurance / reinsurance receivables	78,092,696	-	-	-	-	-
Loans secured against life insurance policies	-	-	-	171,822,531	-	-

Description	2022								
	Gross Carrying amount of debt instrument that pass the SPPI test								
	AA	A+	A	AA-	AAA	A-	A-1	A-2	Unrated
	---------- Rupees in '000 ----------								
Investment in Debt Securities	-	-	10,771,359	-	-	-	-	-	7,573
Investment in Govt Securities	-	-	-	-	-	-	-	-	1,133,671,503
Loans secured against life insurance policies	-	-	-	-	-	-	-	-	171,822,531

2.7 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions, estimates and judgments were exercised in application of accounting policies relate to:

a) Classification of investments

In investments classified as "held to maturity", the Corporation has included financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Corporation evaluates its intention and ability to hold such investments to maturity.

b) Provision for outstanding claims (including IBNR)

The Corporation records claims based on the sum assured or other basis set by the Corporation. However, settlement of all the claims is made based on the nature of insured event.

Provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. Actuarial valuation is made on the basis of past trend and pattern of reporting of claims. Actual amount of IBNR may materially differ from the actuarial estimates.

c) Provision for taxation

In making estimates for taxation currently payable by the Corporation, management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) Impairment of other assets, including premium due but unpaid

The Corporation also considers the need for impairment provision against other assets, including premium due but unpaid and provision required there-against. While assessing such a requirement, various factors including delinquency in the account and financial position of the policyholders are considered.

e) Fixed assets, investment properties, depreciation and amortization

In making estimates of depreciation / amortization, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Corporation. The method applied is reviewed at each financial year end and if there is a change in expected pattern of consumption of future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

The Corporation also reviews value of the assets for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of respective items of fixed assets with a corresponding effect on the depreciation / amortization charge and impairment.

f) Staff retirement benefits

Staff retirement benefits are provided as per actuarial valuation or following the actuarial advice which is based upon certain assumptions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated financial statement are same as those applied in the preparation of the annual unconsolidated financial statements of the Corporation for the year ended December 31, 2021.

3.1 Property and equipment

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

Subsequent costs

Subsequent costs are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to statement of comprehensive income currently.

Depreciation

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 4 to the financial statements, after taking into account residual values, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on addition is charged from the month in which the asset is available for use while no depreciation is charged in the month of disposal.

Gain and losses on disposal

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 fixed assets are included in current year's income and expenses respectively.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any and consist of expenditure incurred and advances made in respect of fixed assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of fixed asset when they are available for use.

3.2 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting Standard 40, 'Investment Property' and S.R.O. 938 (1)/2002 dated December 12, 2002 issued by the SECP.

These are carried at cost less accumulated depreciation and impairment losses, if any. Subsequent expenditure, depreciation and gains or losses on disposal are accounted for in the same manner as of operating fixed assets.

3.3 Other assets

Stock of stationery, printed material and maintenance store in hand for investment properties etc. are valued at lower of cost or net realizable value. Cost is determined on 'first in first out' basis.

3.4 Funds

The Corporation maintains a shareholders' fund and five statutory funds, separately in respect of its each class of life insurance business, namely:

- Pakistan Life Fund (ordinary life);
- Overseas Life Fund (ordinary life);
- Pension Fund;
- Accidental and health Insurance Fund; and
- Family Takaful Fund.

Assets, liabilities, revenues and expenses are referable to respective statutory funds or allocated to shareholders' fund.

Expenses of principal office are distributed among all funds on fair and equitable basis.

a) Pakistan Life Fund (ordinary life)

Pakistan Life Fund comprises individual life business and group life business carried out in Pakistan as well as individual life Rupee business conducted outside Pakistan. Policyholders' liabilities as shown in the Pakistan Life Fund are based on an actuarial valuation conducted by the Appointed Actuary as at the reporting date.

Within the Pakistan Life Fund, business can be further classified as individual life conventional business, BANCA business, group insurance business and a small amount of annuity business. Most of the policies contain Discretionary Participation Feature (DPF).

b) Overseas Life Fund (ordinary life)

The Overseas Life Fund entirely consists of individual life conventional business carried out at UAE, Kingdom of Saudi Arabia and Kuwait through zonal office located in Dubai (UAE). Policyholders' liabilities as shown in the Overseas Life Fund are based on an actuarial valuation conducted by the Appointed Actuary as at the reporting date.

Exchange gains and losses on translation of currencies of Overseas Life Fund and Pakistan Life Fund (Rupee business) are taken to revenue account through statement of comprehensive income. Most of the new business written under the Overseas Life Fund contains a Discretionary Participation Feature (DPF).

c) Pension Fund

The Pension Fund consists of funds on account of group pension deposit administration contracts. Policyholders' liabilities as shown in the pension fund are based on an actuarial valuation conducted by the Appointed Actuary as at the reporting date.

d) Accidental and Health Insurance Fund

The Corporation is implementing mega health insurance programs, i.e. Federal Sehat Sahulat Program and KP Sehat Sahulat Program. These programs covered the 150 million population of Pakistan across 90+ districts to provide them with health insurance coverage through a vast network of 1000+ empaneled hospitals. The Federal Sehat Sahulat Program, with expansion to target more than 68 districts across Pakistan, is covering around 30 million families (i.e. 120 million individuals). The growth in the scheme has a massive impact on the quality of health care available to the poor. The scheme is providing the secondary coverage of Rs. 60,000 and Rs. 300,000 under tertiary coverage per annum. The beneficiaries are also paid additional benefits such as cash payments of transportation and funeral charges. Besides pure BISP data, the entire FATA, FR Region, Tharparkar, GB and AJK regions have been covered under this scheme. The coverage was further extended to all the disabled person and registered transgender community of Pakistan. Plans are underway to expand the scheme to cover 100% population of Islamabad and Punjab. The KP Sehat Card Plus Program has covered the entire population of Khyber Pakhtunkhwa, where more than 7 million families would be covered. This scheme has a worth of around 87+ billion in the next five years. The scheme provides inpatient hospitalization secondary coverage of Rs. 40,000 per member and Rs. 400,000 under tertiary coverage per annum. State Life being a public sector organization would strive to extend its services to manage social health programs most efficiently and economically.

e) Family Takaful Fund

The Corporation on receipt of license to start Window Takaful Operations, established a statutory fund namely 'Family Takaful Fund' to offer Family Takaful Contracts. Family Takaful Contract is an arrangement which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and is based on the principles of Wakala Waqf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objective of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operator shall grant an interest free loan (Qard-e-Hasna) to make good the deficit. The loan shall be repayable from the future surpluses generated in the Waqf Fund, without any excess of the actual amount given to it. Repayment of Qard-e-Hasna shall receive priority over surplus distribution to Participants from the Waqf Fund.

3.5 Insurance contracts - classification

The Corporation maintains five statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful Fund

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, group insurance business and a small amount of annuity business.

Most of the new individual life conventional policies written by the Corporation contain a Discretionary Participation Feature (DPF). DPF indicates policies in which the investor receives an additional payment, the amount or timing of which is contractually at the discretion of the issuer.

The Overseas Life Fund entirely consists of individual life conventional business. Most of the new business written under the overseas life fund contains a DPF.

The Pension Fund consists of funds administered under Group Pension Deposit Administration contracts.

The Accident and Health Insurance Fund consists of Group Health and Accident Insurance Contracts.

Family Takaful Operations effective from the date as mentioned in note 1.3.

Considering all the five statutory funds together, the bulk of Corporation business consists of individual life conventional policies. Most of the remaining business consists of group life insurance business. Group Health is a relatively new venture of the Corporation which started in 2012 and has yet to register any significant growth. The Corporation also offers some supplementary benefits attached in the form of riders to the individual life policies and the group life contracts. Each of these classes of business are described in greater detail below.

Contract details and measurement

The insurance contracts offered by the Corporation are described below:

3.5.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide for some death benefit on death during the currency of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

Under these plans a certain amount is set aside from the premium for expenses and meeting the mortality cost and the remainder of the premium is invested to earn some investment return. Investment return is allocated to these products on an annual basis keeping in view the investment earnings of the Pakistan Life Fund.

Term insurance policies

A few products of the Corporation are term insurance plans providing benefits only in case of death. Under these policies no benefit is due if the policy holder survives the duration of the policy. The Corporation sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

The Corporation also has a small number of individual and group life-annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive. Besides, the Corporation offers annuity-certain plans under which periodic income benefit is payable for a stipulated period and is not dependent on the life of the policyholder.

Supplementary riders

The Corporation offers various types of supplementary riders. Some of these riders offer additional life coverage, in some cases they offer accidental death and disability benefits. The benefits can take various forms such as lump sum payment or an income benefit or waiver of premiums due under the host policy contract.

Insured event

Under the individual life insurance policies in most cases the insured event is either death or survival until the maturity date of the policy, except in case of term insurance where there is no maturity benefit. Under the annuity policies the Corporation is exposed to the risk of longevity. In this case the insured event is survival of the life insured for a long duration, exceeding the period normally expected under standard mortality tables.

In case of supplementary rider the insured event is either death or just accidental death or disability whether accidental or natural or both.

Distribution channel

The individual life business of the Corporation is sold through its dedicated sales force which is present all over the country. This field force is organized under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by area manager and a sector head. Presently there are 1,096 area managers and 150 sector heads who are working in 33 different zones and 7 regions throughout country in addition to this there is one zone in Gulf region who is head by Zonal Chief, Gulf. The Gulf zone has it s own marketing team of sector heads, Area Managers and Sales Force.

The individual life policy holders of the Corporation come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. New policyholders have an average age of around 34 years.

3.5.2 Group life policies

Basic coverage

The group life policies are generally one year renewable term insurance contracts. In most cases they provide group coverage to the employees of an employer. Some times the coverage is tied up with loans extended by the employer for house building or purchase of motor vehicles or other household items. In some cases group policies are issued to lending agencies such as banks to provide group coverage to their borrowers. There are also a small number of group endowment policies which provide benefits identical to individual life policies but under the umbrella of a group contract.

Supplementary coverage

In many cases the group policies also provide supplementary coverage which may include accidental or natural disability benefits and additional accidental death benefit. These riders also take the form of one year renewable term insurance policies.

Insured event

Under the group life insurance policies in most cases the insured event is death due to any cause. In case of supplementary coverage the insured event can include accidental death or disability or natural disability.

Distribution channel

The group insurance business is sold through four group and pension zones of the Corporation. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Corporation, however, some of the group business is also procured through individual life field force of the Corporation.

Most of the lives covered under the group insurance consist of industrial and office workers, civil servants and employees of corporations, banks, other financial institutions, army, navy etc.

3.6 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each reporting date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Corporation underwrites are taken into account. The basis used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract, which is in force. Following elements are added to this amount:

a) any reserve required for premiums;
b) reserve for incurred but not reported (IBNR) claims;
c) reserve for income benefit in course of payment; and
d) reserve for potential losses on a policy to policy basis.

The unearned premium liability in respect of group life and health insurance schemes is included in actuarial liability.

3.7 Re-insurance contracts held

3.7.1 Conventional

The Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2021: Rs. 5 million) per policy and for group life is Rs. 5 million (2021: Rs. 5 million) per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.

The claim recoveries arising out of re-insurance contracts are off-set against the claims expenses of respective year.

3.7.2 Takaful

3.7.2.1 Retakaful Contribution

These contracts are entered into by the Corporation with the retakaful operator under which the retakaful operator cedes the Takaful risk assumed during normal course of its business, and according to which the Waqf is compensated for losses on contracts issued by it.

Retakaful contribution is recorded at the time the retakaful is ceded.

Retakaful liabilities represent balances due to retakaful companies. Amounts payable are calculated in a manner consistent with the associated retakaful treaties.

3.7.2.2 Retakaful Expenses

Retakaful expenses are recognized through liability.

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful assets are offset against related Retakaful liabilities under the circumstances only that there is a clear legal right of off-set of the amounts. Income or expenses from retakaful contract are not offset against expenses or income from related Retakaful contracts as required by the Insurance Ordinance, 2000. Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

3.8 Claims

The liability in respect of outstanding claims represents the ascertained value of claims incurred and reported before the end of the accounting year. Incurred but not reported (IBNR) cases are provided on the basis of actuarial advice and included in the policyholders' liabilities.

On May 19, 2014, Securities and Exchange Commission of Pakistan (SECP) has issued Circular No. 11 of 2014 in which they have prohibited all life insurers from writing back the unclaimed insurance benefit amount in any circumstances. The unclaimed insurance benefits are the amount which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts include unclaimed maturity benefits, long outstanding claims and un-intimated or unclaimed death or disability claims. The Corporation has a practice of writing back claims which are outstanding for more than three years from the date from which the claims become payable and an equivalent amount has been placed in 'reserve for unpaid insurance benefits' within the policyholders' liabilities. The Corporation has received letter dated May 22, 2015 from SECP clarifying that the practice to retain the unclaimed insurance benefits in its actuarial reserve is in compliance with the clause 3 of the aforementioned Circular.

3.9 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in future for services.

3.10 Premiums due but unpaid

Premiums due but unpaid are recognized at cost, which is the fair value of consideration to be received less provision for impairment, if any.

3.11 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment, if any.

3.12 Acquisition costs

These are costs incurred in acquiring and maintaining insurance policies and include without limitation all forms of remuneration paid to insurance agents and certain field force staff.

3.13 Expenses of management

Expenses of management represent directly attributable expenses and indirect expenses allocated to statutory funds.

3.14 Staff retirement benefits

a) Provident fund

The Corporation operates a defined contribution plan, a recognized contributory provident fund scheme for all its eligible employees. For employees who have opted for the gratuity scheme, monthly contributions at the rate of 8.33% of their basic salaries are made to the fund by the Corporation. However, in respect of employees who have opted for the pension scheme, no contribution is made by the Corporation to the provident fund.

b) Gratuity fund

Officers

The Corporation maintains a funded defined benefit plan for those officers who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid last month's drawn salary for each completed year of service. Liability for the fund is based on the advice of appointed actuary.

Staff

The Corporation maintains a unfunded defined benefit plan for those staff who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid last month's drawn salary for each completed year of service. Liability for the fund is based on the advice of appointed actuary.

Previously, the Corporation maintained a defined contribution plan in respect of all those officers of the Corporation who initially opted for the unfunded gratuity scheme. At the end of each month, starting from the effective date of admission of a member to the fund, the Corporation used to make a contribution equal to 8.33% of the member's basic salary. However, pursuant to decision of the Board of Directors taken in their 241st meeting held on October 20, 2015, the gratuity scheme of the officers of the Corporation has been revamped from defined contribution plan to defined benefit plan.

c) Pension fund

The Corporation operates a defined benefit plan, a funded pension scheme for its employees opting for the pension scheme established in 1984 and payments are made annually to the extent allowed under the Income Tax Rules, 2002 to meet the obligations there-under on the basis of actuarial valuation. From a previous year pursuant to the order of Honorable Supreme Court of Pakistan, the Corporation has restored its pension scheme, as aforesaid, that was in effect before December 31, 1999. Liability for the fund is based on the advice of appointed actuary.

d) Compensated absences

From the year 2002, the un-availed earned leave balance of officers is encashed to the extent of two third of the leave balance with simultaneously proceeding on leave for one third leave balances, minimum for twelve days. A policy is already in force for the staff on similar lines. For officers leaves upto 60 days can be carried forward upto the date of retirement and can be encashed at retirement. Similarly, in respect of staff leaves upto 180 days can be carried forward upto the date of retirement and can be encashed at retirement.

The liability in respect of compensated absences as at December 31, 2022 amounting to Rs.1,915 million (2021: Rs. 1,805 million) has been provided for in these unconsolidated financial statements based on actuarial valuation.

e) Post retirement medical benefits

The Corporation provides medical facilities to its retired officers and their spouses in accordance with the service regulations. As at December 31, 2022, liability for post retirement medical benefit as computed by the appointed actuary is estimated at Rs. 2,503 million (2021: Rs. 2,799 million) and the same has been provided in these unconsolidated financial statements.

3.15 Loans secured against life insurance policies

Cash loans

Loans in cash against the security of life insurance policies may be extended to the policyholders to the extent of 80% of surrender value of the respective policy, provided the policy has been in force for at least two years.

Automatic non-forfeiture provisions

(a) Automatic Premium Loans secured against surrender value of the policy may be extended to the extent of the surrender value of the respective policy, provided the policyholder has exercised Automated Premium Loan option.

(b) An advance equal to one year premium may be allowed to the policyholder only once, if the policyholder has exercised Auto Paid-up option provided the respective policy has been in force for at least two years.

3.16 Revenue recognition

3.16.1 Premium

(a) Individual life policies

The initial premium is recognized when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the Corporation under the Automatic Non-Forfeiture provisions. However, premiums due in the month of December but not received by 31st December are recognized if the grace period is to expire after the next 1st January.

(b) Group life policies

The premium on group life policies is recognized on a proportionate basis.

3.16.2 Reinsurance Commission

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

3.16.3 Individual Life Family Takaful

First year, renewal and single contributions are recognized once the related policies are issued / renewed against receipt of contribution.

3.16.4 Rental income on investment properties

Rental income is recognized on an accrual basis except where dues are more than six months old in which case income is recognized on a receipt basis, except for the cases that are under litigation.

3.16.5 Investment income

Income on government securities, term finance certificates and other fixed income securities is recognized on an accrual basis for the number of days these are held taking into account effective yield on the instruments.

Dividend income is recognized when the Corporation's right to receive dividend is established. Income on debentures is recognized at the prescribed rates, except where recovery is considered doubtful in which case the income is recognized on a receipt basis.

Capital gain / loss arising on sale of listed securities is recognized on settlement date.

Income on future transactions is taken to income as the difference between ready market purchase price and future sale at settlement of future transactions. Income on reverse repurchase transactions is taken to income at the date of settlement.

3.16.6 Deferred capital grant

Grants received for capital expenditure is credited to "Deferred liabilities". Amount equal to the depreciation charged during the year as per rate applicable to the respective assets is transferred to other income. Grants received in cash for revenue expenditure are treated as income on the basis of expenditure incurred.

3.16.7 Others

All other income are recognized on accrual basis.

3.17 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with prevailing laws (Fourth Schedule to the Income Tax Ordinance, 2001) for taxation of income. All sources of income of the Corporation are taxed as one basket income using prevailing tax rate expected to apply to the profit for the year, if enacted. The charge for the current tax also includes adjustments, where considered necessary, to the provision for tax made in previous years arising from assessments finalized during the current year for such years.

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization on settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.18 Bad and doubtful debts

Known bad debts are written off and impairment loss is recognized for debts / receivables considered doubtful.

3.19 Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.20 Impairment of non financial assets

The carrying amounts of non financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense, for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.21 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at arm's length price determined in accordance with comparable uncontrolled price method.

3.22 Cash and cash equivalents

These include cash and bank balances and deposits maturing within twelve months.

3.23 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

3.24 Earnings per share

The Corporation presents basic and diluted Earnings Per Share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated if there is any potential dilutive effect on the Corporation's reported net profits.

3.25 Segment reporting

Operating segment is a distinguishable component of the Corporation that is engaged in providing services that are subject to risks and returns that are different from those of other operating segments. The Corporation accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Regulations, 2017.

The Corporation's business segments are currently reported five statutory funds, separately in respect of each class of life insurance business.

3.26 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the reporting date. Gains and losses on translations are taken to income currently. Non monetary items that are major in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.27 Leases

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is depreciated on a straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component and not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

3.28 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are recognized initially at cost including associated transaction costs which is the fair value of the consideration given.

The financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Other loans and receivables;
- Held to maturity; and
- Fair value through profit or loss.

Other loans and receivables

Other loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are carried at amortized cost.

Held to maturity

These include held to maturity investments that are financial assets with fixed or determinable payments and fixed maturity and the Corporation has a positive intent and ability to hold these investments till maturity. After initial recognition, these are carried at amortized cost.

Fair value through profit or loss

These are investment are initially recognized at cost being the fair value the of consideration given and its related transaction cost are charged to profit and loss account. These investment are subsequently measured at their market value with any gain or loss in statement of comprehensive income.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

Derecognition

Financial assets are derecognized at the time when the Corporation loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to the statement of comprehensive income immediately.

Off setting

Financial assets and liabilities are off set and the amount is reported in the statement of financial position if the Corporation has a legal right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) / (PKISRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates / Corporate Sukuks, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on reporting date. The fair market value of Term Finance Certificates / Corporate Sukuks and investment in Mutual Fund is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are measured at amortized cost using effective interest method, which approximates to its cost except for policyholders' liabilities and liability for claims incurred but not reported (IBNR) which are measured on the basis of actuarial valuations.

3.29 Investment in subsidiaries and associates

Investment in subsidiaries has been carried at cost less provision for impairment (if any).

The Corporation carries its invesmtent in associates at fair value through profit or loss, considering the investment made through investment-linked insurance funds.

3.30 Takaful Operator's Fee

The shareholders of the Corporation manage the Window Takaful operations for the participants. Accordingly, the Corporation is entitled to Takaful Operator's Fee for the management of Window Takaful Operations under the Waqf Fund, to meet its general and administrative expenses. The Takaful Operator's fee, termed Wakala Fee, is recognized upfront.

4 RESTATEMENT OF FINANCIAL STATEMENT (RECTIFICATION OF ERROR)

As of reporting date December 31, 2021, the Corporation had incorrectly valued the plan assets of its Employees' Pension Fund. Consequently, the Retirement Benefit Obligations as of December 31, 2021 was understated by Rs. 2,761.16 million and related expense was also understated by the same amount. As of the reporting date, the Corporation has corrected the error made in the last year and accounted for the same retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and revised actuarial report.

The effect of change is summarized below:

Effect of error on financial statements for the year ended December 31, 2021.	**Previously Reported**	**Revised Reported**	**Restatement**
	-----------------------Rupees '000	*-----------------------*	
Statement of financial position			
Equity			
Unappropriated profit	**1,923,866**	**1,854,840**	**(69,026)**
Liabilities			
Retirement benefit obligation	**3,483,912**	**6,245,074**	**2,761,162**
Insurance liabilities	**1,310,641,293**	**1,307,949,157**	**(2,692,136)**
Statement of profit or loss			
Net change insurance liabilities	**133,579,212**	**130,887,076**	**(2,692,136)**
Marketing and administration expenses	**9,881,631**	**12,642,793**	**2,761,162**
Profit before tax	**9,333,897**	**9,264,871**	**(69,026)**
Income tax expense	**(2,708,425)**	**(2,708,425)**	**-**
Profit after tax	**6,625,472**	**6,556,446**	**(69,026)**
Number of shares	**46,255**	**46,255**	**-**
EPS	**143.24**	**141.75**	**1.49**
Statement of changes in equity			
Total comprehensive income for the year	**6,625,472**	**6,556,446**	**(69,026)**
Unappropriated profit	**1,923,866**	**1,854,840**	**(69,026)**

5 PROPERTY AND EQUIPMENT

	Note	2022	2021
		------ Rupees in 000 ------	
Operating assets	5.1	1,033,492	881,186

5.1 Operating assets

Description	2022											
	Cost					Depreciation						
	As at 1 January	Additions/ (disposals)	Adjustment	Transfer from Investment Property	As at 31 December	As at 1 January	For the year/ (disposal)	Adjustment	Transfer from Investment Property	As at 31 December	Written down value as at December 31, 2022	Depreciation Rate (%)
	------ Rupees in '000 ------											
Building, roads and structure	634,868	13,604 -	-	-	648,472	155,476	14,809 -	-	-	170,285	478,187	1
Electric installation and fittings	683,806	40,858 (4,937)	-	-	719,727	598,611	32,964 (4,937)	-	-	626,638	93,089	10
Furniture and fixture	631,838	102,342 (4,902)	-	-	729,278	439,629	41,831 (4,898)	-	-	476,562	252,716	10
Office equipment	220,930	16,839 (844)	-	-	236,925	171,436	15,206 (839)	-	-	185,803	51,122	10 to 30
Computer installations-basic	874,461	123,208 (3,302)	-	-	994,367	809,082	38,889 (3,273)	-	-	844,698	149,669	30
Computer installations-peripherals	89,166	5,332 (676)	-	-	93,822	82,011	3,822 (676)	-	-	85,157	8,665	30
Vehicles	199,327	2,564 (7)	-	-	201,884	196,965	4,882 (7)	-	-	201,840	44	20
	3,334,396	304,747 (14,668)	-	-	3,624,475	2,453,210	152,403 (14,630)	-	-	2,590,983	1,033,492	

Description	2021											
	Cost					Depreciation						
	As at 1 January	Additions/ (disposals)	Adjustment	Transfer from Investment Property	As at 31 December	As at 1 January	For the year / (disposals)	Adjustment	Transfer from Investment Property	As at 31 December	Written down value as at December 31, 2021	Depreciation Rate (%)
	Rupees in '000											
Building, roads and structure	630,484	4,384 -	-	-	634,868	148,850	6,626	-	-	155,476	479,392	1
Electric installation and fittings	487,411	196,762 (367)	-	-	683,806	453,243	145,699 (331)	-	-	598,611	85,195	10
Furniture and fixture	591,059	40,982 (203)	-	-	631,838	396,543	43,268 (182)	-	-	439,629	192,209	10
Office equipment	211,023	10,433 (526)	-	-	220,930	157,813	14,096 (473)	-	-	171,436	49,494	10 to 30
Computer installations-basic	848,940	27,690 (2,169)	-	-	874,461	781,579	29,455 (1,952)	-	-	809,082	65,379	30
Computer installations-peripherals	85,627	3,550 (11)	-	-	89,166	77,681	4,340 (10)	-	-	82,011	7,155	30
Vehicles	198,334	993 -	-	-	199,327	186,353	10,612 -	-	-	196,965	2,362	20
	3,052,878	284,794 (3,276)	-	-	3,334,396	2,202,062	254,096 (2,948)	-	-	2,453,210	881,186	

5.2 Assets with zero value

Description of Assets	2022			2021		
	Cost	**Net book value**	**Number of items**	Cost	Net book value	Number of items
	-----(Rupees in '000)-----		**--in '000--**	-----(Rupees in '000)-----		--in '000--
Furniture and fixture	**209,269**	-	**31,473**	185,702	-	33,662
Office equipment	**104,932**	-	**4,409**	76,917	-	4,354
Computer installation - basic	**571,812**	-	**4,963**	559,680	-	4,753
Computer installation - peripheral	**60,166**	-	**1,765**	61,493	-	1,920
Vehicles	**114,800**	-	**121**	101,426	-	118
	1,060,979	**-**	**42,731**	985,218	-	44,807

5.3 There are no assets held by third parties as at reporting date.

6 INVESTMENT PROPERTIES

	Note	2022	2021
		Rupees in '000	
Investment properties	6.1	3,175,533	3,222,331
Less: Provision for impairment in value	6.4	(2,715)	(2,757)
		3,172,818	3,219,574
Capital work in progress	6.8	400,264	399,393
		3,573,082	3,618,967

6.1 Investment Properties

2022

	Cost				Depreciation					
	As at 1 January	Additions/ (Disposals)	Transfer to Property and Equipment	As at 31 December	As at 1 January	For the year	Transfer to Property and Equipment	As at 31 December	Written down value as at December 31, 2022	Depreciation Rate
	Rupees in '000									
Freehold land	274,616	-	-	274,616	-	-	-	-	274,616	-
Leasehold land	332,697	-	-	332,697	121,081	3,865	-	124,946	207,751	1 to 5
Leasehold improvements	19,279	-	-	19,279	11,235	850	-	12,085	7,194	5
Building, roads and structure	2,680,901	13,210 -	-	2,694,111	400,594	22,909	-	423,503	2,270,608	1
Electric installation and fittings	1,626,006	12,304	-	1,638,310	1,178,258	44,688	-	1,222,946	415,364	10
	4,933,499	25,514	-	4,959,013	1,711,168	72,312	-	1,783,480	3,175,533	

2021

	Cost				Depreciation					
	As at 1 January	Additions/ (Disposals)	Transfer to Property and Equipment	As at 31 December	As at 1 January	For the year	Transfer to Property and Equipment	As at 31 December	Written down value as at December 31, 2021	Depreciation Rate
	Rupees in '000									
Freehold land	274,616	-	-	274,616	-	-	-	-	274,616	-
Leasehold land	332,697	-	-	332,697	117,217	3,864	-	121,081	211,616	1 to 5
Leasehold improvements	19,279	-	-	- 19,279	10,987	248	-	11,235	- 8,044	5
Building, roads and structure	1,510,258	1,170,643	-	2,680,901	356,201	44,393	-	- 400,594	- 2,280,307	1
Electric installation and fittings	1,151,983	474,023	-	- - 1,626,006	1,055,289	122,969	-	- - 1,178,258	- - 447,748	10
	3,288,833	1,644,666	-	4,933,499	1,539,694	171,474	-	1,711,168	3,222,331	

6.2 The market value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to **Rs. 109,852 million** (2021: Rs. 64,951 million). The forced sale value of the investment properties, owned by the Corporation as determined by the independent valuers (i.e. K.G Traders (Private) Limited) as at December 31, 2022, amounted to **Rs. 98,867 million** (2021: Rs. 63,002 million).

6.3 The above includes, title deeds of 61 land/buildings, that were taken over by the Corporation under the Life Insurance (Nationalization) Order, 1972 (LINO) dated November 01, 1972 and have been transferred in the name of the Corporation. The title deeds 13 buildings / plots (2021: 14 buildings / plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

6.4 There are properties costing **Rs. 4.269 million** (2021: Rs. 4.269 million) having written down value of **Rs. 2.715 million** (2021: Rs. 2.757 million) to which the Corporation's title is disputed. Against this, a provision of **Rs. 2.715** million (2021: Rs. 2.757 million) exists.

6.5 The Corporation has a plot at Rawalpindi costing **Rs. 0.581 million** (2021: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

6.6 The Corporation has a plot at Mirpur (Azad Kashmir) costing **Rs. 1.192 million** (2021: Rs. 1.192 million) for which execution of title deed remain pending.

6.7 The investment properties also include **Rs. 23 million** (2021: Rs. 23 million) paid by the Corporation to the People Media Foundation (PMF) for acquisition of ground floor measuring 13,000 sq. ft. in PMF Complex (Press Club Building) at G-8, Markaz, Islamabad. The Corporation has taken over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. The management of the Corporation is of the opinion that under irrevocable General Power of Attorney, the Corporation is in a position to freely transfer the title of said property in its own name.

	Note	2022	2021
		-------- Rupees in '000 --------	
6.8 Capital work in progress			
Opening balance		399,393	1,889,898
Additions	6.8.1	871	141,686
Transfer		-	(1,632,191)
Closing balance		400,264	399,393

6.8.1 This mainly represents the amount incurred in respect of Rahim Yar Khan projects.

7 INVESTMENTS IN SUBSIDIARIES

	Note	2022	2021
Alpha Insurance Company Limited	7.1	298,918	298,918
State Life (Lakie Road) Properties (Private) Limited	7.1	12,910	12,910
Less provision for impairment		(12,910)	(12,910)
State Life (Abdullah Haroon Road) Properties (Private) Limited	7.1	26,182	26,182
Less: provision for impairment		(1,482)	(1,482)
		323,618	323,618

7.1 Investment in Subsidiaries

2022	2021	Face value	Company Name	Note	2022	2021
-------- Number of shares --------		Rs.			-------- Rupees in '000 --------	
47,574,843	47,574,843	**10**	Alpha Insurance Company Limited Equity held 95.15% (2021:95.15%)		**298,918**	298,918
414,916	414,916	**10**	State Life (Lakie Road) Properties (Pvt) Limited Equity held 100% (2021:100%)		**12,910**	12,910
779,500	779,500	**10**	State Life (Abdullah Haroon Road) Properties (Pvt) Limited Equity held 100% (2021:100%)		**26,182**	26,182
					338,010	338,010

7.2 The Corporation's interests in its subsidiaries were as follows:

2022

Name	Country of Incorporation	Assets	Liabilities	Break up value per share	Revenues	(Loss) / Profit	% of interest held
		----------	----------	Rupees in '000	----------	----------	
Alpha Insurance Company Limited	Pakistan	**1,154,685**	**466,485**	13.76	**182,580**	**(14,283)**	95.15%
State Life (Lakie Road) Properties (Private) Limited	Pakistan	**3,004**	**9,444**	(15.52)	**121**	**(3,961)**	100%
State Life (Abdullah Haroon Road) Properties (Private) Limited	Pakistan	**33,934**	**1,100**	42.12	**2,500**	**1,232**	100%
Total at the end of 2022		**1,191,623**	**477,029**		**185,201**	**(17,012)**	

2021

Name	Country of Incorporation	Assets	Liabilities	Break up value per share	Revenues	Profit / (Loss)	% of interest held
		----------	----------	Rupees in '000	----------	----------	
Alpha Insurance Company Limited	Pakistan	1,077,606	364,564	14.26	102,878	18,256	95.15%
State Life (Lakie Road) Properties (Private) Limited	Pakistan	3,057	5,568	6.05	121	(293)	100%
State Life (Abdullah Haroon Road) Properties (Private) Limited	Pakistan	31,189	1,100	38.60	2,500	1,422	100%
Total at the end of 2021		1,111,852	371,232		105,499	19,385	

The Board of Directors in their meeting held on March 25, 2015 decided to liquidate State Life (Abdullah Haroon Road) Properties (Private) Limited. The Board of Directors in their 240th meeting held on August 11, 2015 approved the above said transaction and authorized certain persons to appear in all matters concerning purchase and transfer of property. As of the reporting date, the transaction is in the process of being executed.

8 INVESTMENTS IN EQUITY SECURITIES

	Note	2022 Cost	2022 Impairment / provision	2022 Carrying value	2021 Cost	2021 Impairment / provision	2021 Carrying value
		Rupees in '000					
FAIR VALUE THROUGH PROFIT OR LOSS							
Related parties							
Listed shares	8.1	**3,531,054**	**-**	**15,684,413**	3,517,424	-	15,980,374
Unlisted shares		**5,000**	**-**	**5,000**	5,000	-	5,000
Others							
Listed shares	8.2	**31,378,679**	**-**	**62,044,839**	30,414,748	-	72,867,269
Unlisted shares	8.3	**276,097**	**(212,295)**	**63,802**	276,511	(216,855)	59,655
Unlisted preference shares		**3,743**	**(2,483)**	**1,260**	3,743	(2,267)	1,476
		35,194,573	**(214,778)**	**77,799,314**	34,217,426	(219,122)	88,913,774

8.1 This includes carrying value of Pakistan Reinsurance Company Limited (associated company) amounting to Rs. 1,507 million (2021: Rs. 1,640 million).

8.2 This includes 653,995 shares (2021: 653,995) owned by Corporation in National Bank of Pakistan on behalf of Life Insurance Corporation of India (LICI) which has a carrying value of Rs. 15.43 million (2021: Rs. 22.58 million).

8.3 Name of the chief executives of companies which forms majority portion of total investment in unlisted equities is given below :

Company	Chief Executive	Shareholding	No of Shares	Carring Value in Rupees
Peoples Steels Mills Limited	Brig. Shuja Hassan	N/A	1,998,967	12,681,714
Al Baraka Bank Pakistan Limited	Mr.Ahmed Shuja	1.10%	4,941,176	52,522,921
Arabian Sea Country Club Limited	Mr. Arif Ali Khan	N/A	500,000	351,049
State Bank of Pakistan	Mr. Jameel Ahmed	N/A	29,458	3,221,374
Pakistan Emerging Ventures Limited	Mr. Saeed Khan	3.33%	12,500,000	24,771

9 INVESTMENTS IN MUTUAL FUNDS

		2022			2021		
		Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
		Rupees in '000					
FAIR VALUE THROUGH PROFIT OR LOSS							
Listed - Others							
Open & close ended mutual fund	9.1	3,282,447	-	5,613,601	3,282,446	-	6,627,281
Unlisted - Others							
Close end mutual fund	9.2	594,190	-	1,556,166	594,190	-	1,927,011
		3,876,637	-	7,169,767	3,876,636	-	8,554,292

9.1 Open & close ended mutual fund

	2022			2021		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Open ended mutual funds						
Pakistan Life Fund						
National Investment Trust Units	75,996,262	2,304,969	4,394,103	75,996,262	2,304,969	5,278,700
Pak Capital Market Fund	124,603	373	1,302	124,603	373	1,458
NIT Government Bond Fund	28,278,954	300,000	296,847	28,278,954	300,000	288,666
NIT Income Fund	9,831,295	100,000	106,647	9,831,295	100,000	104,084
NIT Islamic Equity Fund	24,320,164	200,000	175,105	23,217,566	200,000	197,814
HBL Growth Fund"B"(PICIC Growth Fund)	12,384,663	-	150,474	12,384,663	-	211,902
HBL Investment Fund -Class"B"	1,663,367	-	9,997	1,663,367	-	14,538
HBL Money Market Fund	610,029	50,000	67,140	610,029	50,000	65,352
Al Meezan Mutual Fund	9,143,431	39,311	142,912	9,143,431	39,311	156,444
Pakistan Capital Market Fund	34,348	962	2,741	34,348	962	3,402
JS Growth Fund	281,952	19,867	39,755	281,952	19,867	46,810
Close ended mutual funds						
HBL Growth Fund"A"(PICIC Growth Fund)	12,024,904	243,312	216,208	12,024,904	243,312	246,150
HBL Investment Fund-Class"A"	1,607,710	23,653	10,370	1,607,710	23,653	11,961
		3,282,447	5,613,601		3,282,447	6,627,281

9.2 Close ended mutual funds

	2022			2021		
Pakistan Life Fund	**Number of units**	**Cost Rs. in '000**	**Carrying value Rs. in '000**	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
NIT Equity Market Opportunity Fund	**10,179,666**	**594,190**	**1,556,166**	10,179,666	594,190	1,927,011
		594,190	**1,556,166**		594,190	1,927,011

10 INVESTMENTS IN GOVERNMENT SECURITIES

	2022					2021	
	Maturity Year	**Effective Yield (%)**	**Amortized Cost**	**Principal Payment**	**Carrying Value**	Effective Yield (%)	Carrying Value
			---------- **Rupees in '000**	----------			Rupees in '000
HELD TO MATURITY							
Pakistan Investment Bond							
3 year Pakistan Investment Bonds	**2023 - 2025**	**15.93% - 16.99%**	**67,234,614**	**72,500,000**	**67,234,614**	11.35% - 11.41%	53,457,214
5 year Pakistan Investment Bonds	**2023 -2027**	**14.60% - 16.99%**	**232,657,424**	**246,075,000**	**232,657,424**	11.38% - 11.44%	148,924,146
10 year Pakistan Investment Bonds	**2024 - 2030**	**13.87% - 16.65%**	**432,458,978**	**447,833,300**	**432,458,978**	11.35% - 11.59%	467,877,767
15 year Pakistan Investment Bonds	**2023 -2035**	**13.62% - 16.99%**	**115,332,892**	**113,377,100**	**115,332,892**	11.38% - 13.55%	115,420,011
20 year Pakistan Investment Bonds	**2024 - 2039**	**13.86% - 16.96%**	**70,655,625**	**69,461,000**	**70,655,625**	11.37% - 12.63%	70,604,408
30 year Pakistan Investment Bonds	**2036 - 2038**	**13.77% -13.78%**	**37,766,082**	**40,050,000**	**37,766,082**	12.20% -12.47%	37,726,056
			956,105,615	**989,296,400**	**956,105,615**		894,009,602
Sukuk Bonds (Takaful)	**2027**		**511,333**	**513,600**	**511,333**		174,886
Islamic Republic of Pakistan Bond			**14,700,870**	**-**	**14,700,870**		9,170,935
Treasury Bills							
1 year Pakistan Treasury Bills	**2023**	**12.95% - 16.99%**	**162,353,685**	**167,755,000**	**162,353,685**		6,714,396
			1,133,671,503	**1,157,565,000**	**1,133,671,503**		910,069,819

10.1 Government securities include **Rs. 501.5 million** (2021: Rs. 485 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

10.2 Market value of government securities carried at amortized cost amounted to **Rs. 999,073 million** (2021: Rs. 847,081 million), which has been done based on PKRV valuation technique taken by MUFAP.

11 INVESTMENT IN DEBT SECURITIES

		2022			2021		
	Note	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
		Rupees in '000					
HELD TO MATURITY - OTHERS							
Debentures	11.1	**7,573**	**(7,573)**	**-**	7,573	(7,573)	-
Foreign fixed income securities	11.2	**10,763,786**	**-**	**10,763,786**	4,091,596	-	4,091,596
		10,771,359	**(7,573)**	**10,763,786**	4,099,169	(7,573)	4,091,596

11.1 Debentures include an amount of **Rs. 7.573 million** (2021: Rs. 7.573 million) pertaining to those companies which are in liquidation process since 1974. Further, a court case is in process against the Colony Textile Mills Limited against debenture loan amounting to **Rs. 0.678 million** (2021: Rs. 0.678 million). The Corporation had made full provision against these debentures.

11.2 It represents investments made by gulf zone of the Corporation.

		Note	2022	2021
			------- Rupees in '000 -------	
12	**INSURANCE / REINSURANCE RECEIVABLES**			
	Unsecured and considered good			
	Due from insurance contract holders		**77,397,131**	37,056,058
	Less: provision for impairment of receivables from Insurance contract holders		**-**	-
	Due from other insurers / reinsurers / retakaful		**695,565**	374,133
	Less: provision for impairment of due from other insurers / reinsurers		**-**	-
			78,092,696	37,430,191
13	**OTHER LOANS AND RECEIVABLES**			
	Accrued investment income		**58,152,076**	52,173,604
	Loans to agents		**86,441**	81,736
	Loans to employees	13.1	**936,969**	953,738
	Advance to contractors & security deposit		**379,491**	432,265
	Other receivables		**5,278,891**	2,034,446
	Deposit against bank guarantee		**447,701**	546,000
			65,281,569	56,221,789

13.1 This represents unsecured interest free short-term advances and loans to employees amounting to Rs. 326.779 million (2021: Rs. 320.128 million). Further, this also includes secured loans to employees amounting to Rs. 610.190 million (2021: Rs. 633.610 million) bearing interest rate of 8% per annum which are secured against documents of property / vehicle.

		Note	2022	2021
			------- Rupees in '000 -------	
14	**PREPAYMENTS**			
	Prepaid miscellaneous expenses		**42,011**	50,438
	Prepaid rent		**24,094**	15,929
			66,105	66,367
15	**CASH & BANK**			
	Cash and cash equivalent			
	- Cash in hand		**644**	1,568
	- Cash in transit		**3,207,642**	33,118
	- Policy & Revenue stamps, Bond papers		**9,608**	8,067
	Cash and bank			
	- Current account		**30,399,795**	30,491,571
	- Saving account	15.2	**11,084,563**	62,360,355
	- Fixed deposits maturing after 12 months		**3,643,189**	8,107,351
			48,345,441	101,002,030
15.1	**Cash and cash equivalent include the following for the purposes of the statement of cash flows:**			
	Cash and cash equivalent			
	- Cash in hand		**644**	1,568
	- Cash in transit		**3,207,642**	33,118
	- Policy & Revenue stamps, Bond papers		**9,608**	8,067
	Balance Brought forward		**3,217,894**	42,753

	Note	2022	2021
		------- Rupees in '000 -------	
Balance Carried forward		3,217,894	42,753
Cash and bank			
- Current account		30,399,795	30,491,571
- Saving account		11,084,563	62,360,355
Cash and cash equivalent		44,702,252	92,894,679

15.2 These carry mark-up ranging from 9.00% to 15.10% (2021: 6.6% to 18.00%) per annum.

16 ORDINARY SHARE CAPITAL

16.1 AUTHORIZED CAPITAL

2022 Number of shares	2021 Number of shares		Note	2022 Rupees in '000	2021 Rupees in '000
80,000,000	50,000,000	Ordinary shares of Rs. 100 each		8,000,000	5,000,000

16.2 Issued, subscribed and paid up share capital

2022 Number of shares	2021 Number of shares		Note	2022 Rupees in '000	2021 Rupees in '000
49,000,000	46,000,000	Ordinary shares of Rs. 100 each fully paid in cash		4,900,000	4,600,000
13,000,000	3,000,000	Issued during the year.	16.3	1,300,000	300,000
62,000,000	49,000,000			6,200,000	4,900,000

16.3 During the year, the Corporation issued share capital amounting to Rs. 1,300 million (2021: 300 million) with the approval of Finance Division wing of Government of Pakistan vide letters dated December 28, 2022.

17 RESERVES

	Note	2022	2021
		------- Rupees in '000 -------	
Revenue reserves			
General reserve		808,314	4,725

18 INSURANCE LIABILITIES

	Note	2022	Restated 2021
		------- Rupees in '000 -------	
Reported outstanding claims (including claims in payment)	18.1	118,667,425	54,464,424
Incurred but not reported claims (IBNR)	18.2	7,672,373	7,264,935
Investment Component of Unit Linked and Account Value Policies	18.3	300,962	73,839
Liabilities under individual conventional insurance contracts	18.4	1,385,674,040	1,238,037,763
Liabilities under group insurance contracts (other than investment linked)	18.5	8,285,685	6,859,785
Other insurance liabilities (premium deficiency reserve)	18.6	1,408,027	1,248,411
		1,522,008,512	1,307,949,157

		Note	2022	Restated 2021
			------- Rupees in '000 -------	
18.1	**Reported outstanding claims (including claims in payment)**			
	Gross of Reinsurance			
	Payable within one year		**118,667,425**	54,464,424
	Payable over a period of time exceeding one year		**-**	-
			118,667,425	54,464,424
	Recoverable from Reinsurance			
	Receivable within one year		**-**	-
	Receivable over a period of time exceeding one year		**-**	-
			-	-
	Net reported outstanding claims		**118,667,425**	54,464,424
18.2	**Incurred but not reported claims (IBNR)**			
	Gross of reinsurance		**7,672,373**	7,264,935
	Reinsurance recoveries		**-**	-
	Net of reinsurance		**7,672,373**	7,264,935
18.3	**Investment Component of Unit Linked and Account Value Policies**			
	Investment Component of Unit Linked Policies		**300,962**	73,839
18.4	**Liabilities under individual conventional insurance contracts**			
	Gross of reinsurance		**1,386,839,056**	1,239,076,704
	Reinsurance credit		**(1,165,016)**	(1,038,941)
	Net of reinsurance		**1,385,674,040**	1,238,037,763
18.5	**Liabilities under group insurance contracts (other than investment linked)**			
	Gross of reinsurance		**8,285,685**	6,859,785
	Reinsurance credit		**-**	-
	Net of reinsurance		**8,285,685**	6,859,785
18.6	**Other insurance liabilities (premium deficiency reserve)**			
	Gross of reinsurance		**1,421,187**	1,250,940
	Reinsurance recoveries		**(13,160)**	(2,529)
	Net of reinsurance		**1,408,027**	1,248,411
19	**RETIREMENT BENEFIT OBLIGATIONS**			
	Post retirement benefit	19.1	**4,198,662**	4,440,074
	Accumulated Compensation Absences	19.2	**1,915,000**	1,805,000
			6,113,662	6,245,074

As stated in note 3.14, the Corporation operates Employees' Pension Fund, Officers' Gratuity Funds, Employees' Unfunded Gratuity Scheme and Employees' Post Retirement Medical benefits.

The latest actuarial valuation of the scheme as at December 31, 2022 was carried out using the projected unit credit method. The results of the actuarial valuation are as follows:

19.1 Post retirement benefit	Employees' Pension Funds		Officers Gratuity Funds		Employees' Unfunded Gratuity Scheme		Employees' PRMB Scheme	
	2022	Restated 2021	2022	2021	2022	2021	2022	2021
	Rupees in '000							
Balance Sheet Reconciliation								
Fair value of plan assets	27,601,890	29,813,680	68,621	97,996	-	-	-	-
Effect of restatement	-	(2,761,162)						
Present value of defined benefit obligations	(29,328,783)	(28,678,679)	(37,293)	(76,328)	-	-	(2,503,097)	(2,798,837)
Arrears	-	(36,745)	-	-	-	-	-	-
Recognized liability	(1,726,893)	(1,662,906)	31,328	21,668	-	-	(2,503,097)	(2,798,837)
Movement in the fair value of plan assets								
Fair value as at January 1	27,052,518	27,954,967	97,996	140,216	-	-	-	-
Expected return on plan assets	3,591,343	2,848,596	9,103	12,550	-	-	-	-
Actuarial gains / (losses)	(2,948,449)	(1,493,303)	(4,436)	(1,107)	-	-	-	-
Employer contributions	(93,522)	(2,257,742)	(19,535)	(39,789)	-	-	-	-
Benefits paid	-	-	(14,508)	(13,874)	-	-	-	-
Fair value as at December 31	27,601,890	27,052,518	68,620	97,996	-	-	-	-
Movement in the defined benefit obligations								
Obligation as at January 1	28,678,677	25,688,070	76,326	98,509	-	-	2,798,838	2,791,529
Service cost	923,897	834,538	1,505	2,238	-	-	106,418	108,629
Interest cost	3,549,174	2,630,244	6,801	8,478	-	-	342,874	283,592
Liability in respect of promotees	-	-	-	-	-	-	-	-
Settlement and Curtailment	-	-	-	-	-	-	-	-
Actuarial losses / (gains)	(2,448,309)	865,247	(13,988)	14,068	-	-	(640,870)	(287,203)
Benefits paid	(1,374,656)	(1,339,422)	(33,351)	(46,965)	-	-	(104,163)	(97,710)
Obligation as at December 31	29,328,783	28,678,677	37,293	76,328	-	-	2,503,097	2,798,837
Cost								
Current service cost	923,897	834,538	1,505	2,238	-	-	106,418	108,629
Interest cost	3,549,174	2,630,244	6,801	8,478	-	-	342,874	283,592
Expected return on plan assets	(3,591,343)	2,848,596	(9,103)	(12,550)	-	-	-	-
Settlement and curtailment	-	-	-	-	-	-	-	-
Recognition of actuarial loss	500,140	(1,387,358)	(9,552)	15,174	-	-	(640,870)	(287,203)
Expense	1,381,868	4,926,020	(10,349)	13,340	-	-	(191,578)	105,018
Actual return on plan assets	642,894	29,310,261	4,667,501	11,443	-	-	-	-

	Employees' Pension Funds		Officers Gratuity Funds		Employees' Unfunded Gratuity Scheme		Employees' PRMB Scheme	
	2022	2021	2022	2021	2022	2021	2022	2021
Principal actuarial assumptions used are as follows:								
Discount rate & expected return on plan assets	14.50%	12.25%	14.50%	12.25%	-	-	14.50%	12.25%
Salary increase rate	12.00%	10.75%	12.00%	10.75%	-	-	12.00%	10.75%
Pension increase rate	9.50%	8.25%	-	-	-	-	-	-

Comparison for five years:	2022	Restated 2021	2020	2019	2018
As at December 31	Rupees in '000				
Fair value of plan assets	(27,670,511)	(27,150,515)	(28,095,183)	(24,126,768)	(18,427,926)
Benefit obligations	31,869,173	31,553,844	28,578,109	27,306,840	23,280,703
Arrears	-	36,745	-	-	-
Deficit	4,198,662	4,440,074	482,926	3,180,072	4,852,777
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	-15%	-6%	-2%	-13%	-26%
Gain / (loss) on plan obligations (as percentage of plan obligations)	13%	5%	2%	12%	21%

The effect of a 1% movement in actuarial assumptions are as follows:

	Employees' Pension Funds		Officers Gratuity Funds		Employees' Unfunded		Employees' PRMB Scheme	
	2022	Restated 2021	2022	2021	2022	2021	2022	2021
	Rupees in '000							
Impact on the defined benefit obligation								
Increase in assumption of discount rate	26,707,808	24,981,307	36,968	75,556	-	-	2,309,106	2,560,923
Decrease in assumption of discount rate	32,312,530	30,958,537	37,625	77,116	-	-	2,726,686	3,076,234
Increase in assumption of long term salary increase	30,337,398	29,038,485	37,463	77,467	-	-	2,603,856	2,915,345
Decrease in assumption of long term salary increase	28,360,784	26,473,584	37,124	75,197	-	-	2,410,679	2,692,424
Increase in assumption of pension increase rate	31,262,640	29,690,339	-	-	-	-	-	-
Decrease in assumption of pension increase rate	27,586,407	25,975,814	-	-	-	-	-	-

Expected contribution for the year.	2023	2023	2023	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current services cost	841,843	679	-	95,538
Interest income / (cost) - net	266,153	(4,495)	-	356,438
	1,107,996	(3,816)	-	451,976

Plan assets comprise of the following:	Employees' Pension Fund				Officers Gratuity Fund			
	2022		2021		2022		2021	
	Rs. In 000	%	Rs. In 000	%	Rs. In 000	%	Rs. In 000	%
Equity	-	-	-	-	-	-	-	-
Debt	27,379,965	99%	29,573,972	99%	59,379	87%	84,798	87%
Others (including cash and bank balances)	221,925	1%	239,708	1%	9,242	13%	13,199	13%
	27,601,890	100%	29,813,680	100%	68,621	100%	97,997	100%

	Note	2022	2021
		Rupees in '000	
19.2 Accumulated Compensation Absences			
Movement in Payable			
Opening Balance		1,805,000	1,613,000
Addition during the year		110,000	192,000
Closing balance of compensated absences		1,915,000	1,805,000

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

20 DEFERRED TAXATION

Deferred tax credit arising in respect of		
On retained balance on Ledger Account D	**9,210,234**	3,489,579

	Balance as at January 1, 2022	**Recognised in the statement of profit or loss**	**Recognised in other comprehensive income**	**Balance as at December 31, 2022**
	---------------------- Rupees in '000 ----------------------			
Deferred credit arising in respect of:				
- on retained balance on Ledger Account D	**3,489,579**	**5,720,655**	**-**	**9,210,234**

	Balance as at January 1, 2021	Recognised in the statement of profit or loss	Recognised in other comprehensive income	Balance as at December 31, 2021
	---------------------- Rupees in '000 ----------------------			
Deferred credit arising in respect of:				
- on retained balance on Ledger Account D	1,610,642	1,878,937	-	3,489,579

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

21 INSURANCE / REINSURANCE PAYABLES

Due to other insurers / reinsurers	**1,154,322**	521,942

22 OTHER CREDITORS AND ACCRUALS

Agents commission payable	**5,815,203**	4,928,208
Accrued expenses	**13,012,469**	10,499,148
Other liabilities	**11,408,074**	11,489,582
	30,235,746	26,916,938

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The Corporation had filed nine appeals on different issues before the Honorable High Court of Sindh contesting the decision of the ATIR for the income years 1992-1993 to 2002-2003 mainly relating to turnover tax and excess perquisites. In addition, the issue of tax rate was raised for the income years 1992-93 to 1996-97. The Inland Revenue Department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Inland Revenue Department re-opened these assessments and rectified to invoke provisions of turnover tax on the ground that the tax paid under Fourth Schedule of the Income Tax Ordinance, 2001 is less than turnover tax and hence, should be paid accordingly. The Corporation then filed aforesaid appeals on the ground that the Fourth Schedule of the Income Tax Ordinance, 2001 restricts taxable income to that portion of actuarial surplus which is attributed to the shareholders fund by the appointed Actuary.

Out of nine appeals, Sindh High Court vide judgement dated November 24, 2020 decided four appeals against the Corporation. Corporation has filed CPLAs before the Honorable Supreme Court of Pakistan against judgement of the Sindh High Court. Honourable Supreme Court of Pakistan has granted leave to appeal in Civil Petitions filed by the Corporation. Management of the Corporation and its tax advisor are confident that ultimate outcome of these matters will be in favour of the Corporation.

23.1.2 In the year 2010, the Inland Revenue Department served legal notices to the Corporation, requiring it to explain why the withholding tax under section 151(1)(d) of the Income Tax Ordinance, 2001 has not been deducted on payments made to the policyholders on the maturity. Those notices were related to tax years 2008 and 2009.

According to those notices, the Inland Revenue Department were of opinion that Corporation was required to withhold Income Tax on maturity claims by virtue of the said section. The Department considered that the total amount of a matured policy given to the policy holder consist of bonuses and the sum assured. The bonuses are given to the policy holder on the basis the amount of premium received during the whole term of the policy which is a form of interest or profit on debt. Hence, the Corporation u/s 151 (1)(d) is liable for deducting withholding tax @ 10% on the amount of bonuses paid to policyholder on maturity. Therefore, the Inland Revenue Department raised demands of Rs. 710.12 million and Rs. 738.51 million as withholding tax for tax year 2008 and 2009 respectively. The Corporation had filed appeals before CIR (A) on the grounds that policy contract as a debt instrument lacks legal sanctity and the definition of debt is being misinterpreted by the tax authorities.

CIR(A) decided the subject appeals in favor of Corporation vide order No. 27 & 28 dated September 29, 2011 on the grounds that the provisions of section 151(1)(d) of the Income Tax Ordinance, 2001 are not attracted to the payments made by way of bonus on the maturity of the policies as the same can not be construed to be interest or profit on debt.

The demand raised by the Department has not been enforced after above judgment of CIR (A), therefore, no payment was made against the demand. Inland Revenue Department filed appeals before the ATIR against the above orders of CIR (A) which were dismissed by learned ATIR vide order No. 506-07/KB/2012 on April 17, 2014.

Inland Revenue Department has filed appeals before High Court of Sindh, Karachi against the orders of ATIR. Management of the Corporation and its tax advisor are confident that ultimate outcome of this matter will be in favor of the Corporation and accordingly, no provision is required in these financial statements on account of this matter.

23.1.3 Inland Revenue Department served a legal notice u/s 122 (5A) on apportionment of expenses under section 67 of the Income Tax Ordinance, 2001 to the dividend income for tax year 2004. The said notice was replied by Corporation but not agreed by the concerned ACIR. Subsequently amended assessment order was passed u/s 122 (5A) which resulted in tax demand of Rs. 164.88 million. The Corporation was not in agreement with said order and preferred appeal before CIR(A). Said appeal was not upheld at this forum. Next appeal was filed before ATIR. Meanwhile the Department adjusted demand amount from the pending refunds for tax year 2010.

Appellate Tribunal Inland Revenue (ATIR) decided the above appeal in favor of Corporation vide order No/ 925/KB/2010 dated July 24, 2012; wherein the addition made u/s 67 has been deleted.

The said issue has already been decided by the Honorable High Court of Sindh, Karachi in an other appeal on the issue reported as Commissioner (Legal) Inland Revenue v/s EFU General Insurance Ltd 2011-PTD-2042.

Inland Revenue Department has passed an order u/s 124 of the Income Tax Ordinance, 2001 to give effect to the appeal Ref. Document # 11/54 dated June 24, 2014 and also issued refund of Rs. 153.75 million to the Corporation. Balance refund of 11.13 million has also been adjusted against tax liability of other tax years. In the year 2013, the Inland Revenue Department filed appeal in the Honorable High Court of Sindh against the decision of ATIR which was dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016. Inland Revenue Department has filed civil appeal before Honorable Supreme Court of Pakistan against the judgement of Honorable High Court of Sindh, Karachi which is pending adjudication.

23.1.4 In the year 2013, Inland Revenue Department issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 22.1.2. These notices were related to Tax Year 2010 to Tax Year 2012 stating that the Department holds a similar stance as described in the said note. Reply was filed by the Corporation through authorized representative which was not accepted by the Department and order u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in total demand of Rs. 1,577.46 million (Rs. 1,249.14 million as withholding tax and Rs. 328.32 million as default surcharge).

The entire principal demand of Rs. 1,249.138 million was paid under protest and without prejudice to its legal right to appeal. The Corporation filed appeals before CIR (A) which was not upheld. The Corporation then filed appeal before ATIR against the above order which has been decided in favour of Corporation vide consolidated order dated February 21, 2017.

Further, LTU, Karachi had also issued notice u/s 161/205 of the Income Tax Ordinance, 2001 similar to the notices issued in the previous years to invoke the section 151 (1)(d) of the Ordinance to recover withholding tax from the Corporation on the amount of bonus paid to the policyholders on the maturity of the polices during the tax year 2013. Reply was filed through tax consultant which was not agreed by Department and order u/s 161/205 was passed and tax demand amounting to Rs. 609.23 million including default surcharge of Rs. 99.11 million was raised which was discharged without prejudice to legal rights to appeal. Appeal was filed before CIR (A) against said order which was upheld vide order # 34 dated March 30, 2015.

Inland Revenue Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. Further, IR Department has adjusted outstanding demand for tax year 2009, 2010 and 2011 at Rs. 10.8 million, 12.58 million and Rs. 56.37 million respectively against pending appeal effect of tax year 2013. As at December 31 2022, appeal effect amounting to Rs. 29.48 million is still pending with the Inland Revenue Department. Inland Revenue Department has filed an appeal before ATIR against the said order of the CIR (A) which is pending till to date.

The management and legal counsel are optimistic that ultimate outcome of the cases shall be decided in favor of the Corporation as ATIR has decided the appeals related to similar issue in previous years in favour of the Corporation.

23.1.5 While assessing the income and tax liability thereon for assessment years 2000-01, 2001-02 and 2002-03, Income Tax Department, AJK disallowed excess perquisites u/s 24(i) of the Income Tax Ordinance, 1979 (repealed) as inadmissible business expense of Corporation. Disallowance of said expense increased taxable income for all the three years and tax liability was worked out accordingly which resulted in additional tax demand. The aggregate additional tax demand involved due to addition of excess perquisites to Corporation's taxable income was Rs. 12.67 million (Assessment year 2000-01 to 2002-03 Rs. 1.46 million, Rs. 9.04 million, Rs. 2.17 million respectively).

In addition, Corporation's assessments were also made at higher tax rate of 43% for assessment year 2000-01 and 2001-02 and at 45% for 2002-03 instead @ 5% being entire dividend income. These assessments at higher rates also multiplied Corporation's tax liability for each assessment year.

Being aggrieved, Corporation preferred appeal before CIR(A), Mirpur-AJK against the alleged assessment orders. Corporation's appeals before CIR(A), Mirpur AJK were not upheld. Thereafter, Corporation had challenged the orders of CIR(A) before Appellate Tribunal Inland Revenue, Mirpur AJK. The learned ATIR upheld all the appeals of the Corporation vide order # ITAT/969-73 dated August 20, 2009.

Income Tax Department, AJK had filed reference against the order of ATIR-AJK before Honorable High Court of AJK. Honorable High Court of AJK vide order dated December 06, 2022 decided these reference applications in favour of the Corporation. Income Tax Department, AJK has filed CPLAs before Honorable Supreme Court of AJK against the judgement of High Court of AJK which are pending adjudication.

23.1.6 Assessment of the Corporation for assessment years 2000-01 and 2001-02 were finalized at tax liability of Rs. 141.06 million and Rs. 216.83 million respectively. Subsequently, above assessments were revised vide orders passed u/s 221 of the Income Tax Ordinance, 2001 on the grounds that surcharge @ 5% as per Part III of First Schedule of the repealed Ordinance was not levied on the tax worked out u/s 80-D of the repealed Ordinance. Accordingly, surcharge amounting to Rs. 7.05 million and Rs. 10.84 million was levied for assessment years 2000-01 and 2001-02 respectively. Corporation, being aggrieved filed appeals before CIR-A against above impugned departmental orders on the grounds that surcharge @ 5% was not leviable in the instant case as tax has been worked out u/s 80-D of the repealed Ordinance. However, CIR-A decided the appeals against the Corporation. Thereafter, the Corporation filed appeals before ATIR against above judgement of CIR-A which were also decided against the Corporation. Subsequently, the Corporation filed reference applications before Honorable Sindh High Court, Karachi which has been decided in favor of the Corporation. Inland Revenue Department has filed civil appeals before Honorable Supreme Court of Pakistan which are pending adjudication. Last hearing in these cases were fixed on February 20, 2020. Next date of hearing is not yet announced.

23.1.7 Inland Revenue Department initiated monitoring of withholding of taxes from tax years 2009 to 2013 vide notices issued u/s 161/205 of the Income Tax Ordinance, 2001.

Based on the reply submitted by Corporation, IR Department passed orders u/s 161/205 of the Ordinance whereby tax demand amounting to Rs. 494.15 million was raised for above tax years (tax year 2009: Rs. 48.08 million, tax year 2010: Rs. 57.43 million, tax year 2011: Rs. 53.44 million, tax year 2012: Rs. 258.17 million and tax year 2013: Rs. 77.03 million). Without prejudice to the legal rights to appeal, Corporation paid above demand under protest.

Being aggrieved, Corporation filed appeals against above departmental orders before Commissioner Inland Revenue -Appeals. CIR (A) has vacated the orders passed by DCIR and directed the concerned DCIR to re-visit the case.

On the directive of CIR (A), DCIR issued notices afresh for above tax years. Corporation referred those notices to its tax consultant for compliance. On the basis of reply submitted by Corporation through consultant, DCIR passed revised orders for tax years 2009 to 2013 whereby tax demand of Rs. 403.18 million was created (tax year 2009: Rs. 58.88 million, tax year 2010: Rs. 70.01 million, tax year 2011: Rs. 64.09 million, tax year 2012: Rs. 100.38 million and tax year 2013: Rs. 109.82 million). Corporation filed appeals against aforesaid orders before CIR-A. Tax demand on account of alleged short deduction on salary and incorrect CPRs and penalty / default surcharge has either been deleted or set-aside by CIR-A. Corporation's appeals are pending before Appellate Tribunal Inland Revenue in respect of above tax years.

Further, Inland Revenue Department issued show cause notices for monitoring of withholding taxes on similar lines for tax year 2014 and 2015. On the basis of reply submitted by Corporation, Inland Revenue Department passed orders whereby tax demand amounting to Rs. 449.94 million and Rs. 572.14 million was raised for the tax year 2014 and 2015 respectively. Above orders were subsequently rectified and revised tax demand of Rs. 212.86 million and Rs. 166.42 million was determined for tax year 2014 and 2015 respectively.

Without prejudice to the legal right to appeal, Corporation has offered adjustment of tax demand for tax year 2014 from available refunds and tax demand for tax year 2015 was paid in cash.

Being aggrieved from the order of DCIR for tax year 2014 and 2015, Corporation has filed an appeal before CIRA on alleged non-provision of tax payment challans and levy of default surcharge and Penalty on account of absence of mens rea and also because of availability of significant tax refunds due to the Corporation during the default period. CIRA has set-aside the orders and directed taxation officer to revisit the issue and levy default surcharge and penalty. Corporation had challenged tax recovery of Rs. 71.31 million and Rs. 11.35 million on arbitrary basis for alleged non provision of tax payment challans in respect of tax year 2014 and 2015 respectively. CIRA has remanded back the issue for adjudication being rectificatory matter. We have written to the taxation officer to pass appeal effect orders and evidence of tax refunds were also provided, however, appeal effect orders are not yet passed.

23.1.8 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated January 02, 2017 to the Corporation for tax year 2016 whereby certain issues regarding deduction claimed on account of provision for impairment in the value of investment properties, deduction claimed on account of gratuity and pension, deduction claimed on account of provision for impairment in shares, rationale for deduction of investment property related expenses, foreign tax credit u/s 103 of the Ordinance claimed in the annual tax return, taxation of dividend income as single basket income, etc were confronted. the Corporation has engaged tax consultant for responding said notice.

Subsequent to the reply filed by the Corporation through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated March 06, 2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 23.78 million was raised u/s 137 of the Income Tax Ordinance.

Since, the Corporation has pending refunds towards Inland Revenue Department, therefore; without prejudice to the legal right to appeal; the Corporation through its tax consultant in said case has requested to adjust the above demand against pending refunds.

the Corporation filed appeal against the impugned order before CIR (A). Issue related to subjecting dividend income to normal tax rate is decided in favor of the Corporation whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and value of investment properties and provision for diminution in value of investment are decided against the Corporation. Further, issue of refund adjustment amounting to Rs. 220 million against pending appeal effect of tax year 2003 were remanded back to concerned ACIR. Inland Revenue Department as well as the Corporation filed appeals before ATIR against order of CIR (A) which are pending till to date. Date of the hearing is not fixed till date.

23.1.9 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated March 13, 2017 to the Corporation for tax year 2015 whereby almost similar issues as stated in note 23.1.8 were raised. Subsequent to the reply filed by the Corporation through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated April 13, 2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 163.5 million was raised u/s 137 of the Income Tax Ordinance. In said order, ACIR has incorrectly adjusted Rs. 446.61 million.

The Corporation, not in agreement with above order, filed application for rectification u/s 221 dated April 24, 2017 through tax consultant which was rejected by concerned ACIR vide letter dated April 28, 2017. Our tax consultant vide letter dated May 05, 2017 again requested for rectification of order. DCIR passed rectified order vide letter DC # 03/117 dated December 21, 2017 whereby refund of Rs. 316.74 million is determined as refundable to the Corporation.

The Corporation filed appeal against the impugned order before CIR (A). Issues related to subjecting dividend income to normal tax rate and disallowance on account of exchange loss related to foreign currency balances are decided in favor of the Corporation whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and provision for bad debts are decided against the Corporation. Further, issue of alleged tax adjustment of Rs. 446.61 million was remanded back to taxation officer. Inland Revenue Department as well as the Corporation filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the hearing is fixed till date.

23.1.10 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated December 31, 2014 to the Corporation for tax year 2012 whereby certain issues regarding reconciliation of commission expense between cash flow statement and monthly withholding tax statements, short withholding of tax under various provisions of the Ordinance, taxation of dividend income as single basket income, provision for IBNR, etc were confronted. Tax consultant responded said notice on behalf of the Corporation. Additional information/explanation were also called vide letters dated Febraury 24, 2015, September 22, 2015 and January 25, 2017. Subsequent to the reply filed by tax consultant ACIR proceeded to amend an assessment and passed an amended assessment order dated March 10, 2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby tax amount of Rs. 100.004 million is determined as refundable.

The Corporation has filed appeal against the impugned order before CIR (A). Issue of subjecting dividend income to normal tax rate, foreign tax credit claimed u/s 103, disallowance of provision for IBNR and disallowance of amount pertaining to investment arrangement between Corporation and Bureau of Emigration and Overseas Employment has been decided by CIR (A) in favor of Corporation vide order dated May 22, 2017. However, CIR (A) has decided the issue relating to disallowance of provision for impairment in value of shares against the Corporation. Further, issues of alleged non-deduction of tax on commission payments, payment for goods and prizes were remanded back to concerned taxation officer. Inland Revenue Department as well as Corporation has filed cross appeal before Appellate Tribunal Inland Revenue against above order of CIR (A) which is still pending till to date. No date for the hearing is fixed till date.

23.1.11 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi also issued notices u/s 122 of the Ordinance to the Corporation related to tax years 2011, 2013 and 2014. Vide Said notices, ACIR confronted almost similar issues as stated at note 23.1.7 and 23.1.9. the Corporation engaged tax advisor for responding these notices. Subsequently, ACIR passed amended orders whereby demand of Rs. 520.63 million was raised (Tax Year 2011: Rs. 56.37 million, Tax Year 2013 Rs. 107.12 million and Tax Year 2014: Rs. 357.14 million). Inland Revenue Department adjusted the demand related to tax year 2011 from pending appeal effect related to tax year 2013. Further, demand related to tax years 2013 and 2014 was adjusted by Inland Revenue Department from pending refund related to tax year 2015. the Corporation, being aggrieved from above orders of ACIR, filed appeals before CIR (A). Issues related to subjecting dividend income to normal tax rate, addition on account of inter-office rent expense, provision for diminution in value of investments and tax on Bureau Fund has been decided in favor of the Corporation by CIR (A). However, issues related to deduction claimed on account of real estate expenses and provision for bad and doubtful debts are decided against the Corporation. Further, issues of interest free loans to employees, alleged short withholding of tax on advertisement and training expenses and reduction in tax liability due to reduction in taxable surplus for tax years 2012 and 2013 were remanded back to concerned ACIR for re-adjudication. Inland Revenue Department as well as the Corporation filed appeals before ATIR against the orders of CIR (A). Further, on the directives of CIR (A), ACIR issued notice dated April 17, 2020 in respect of remand back issues in respect of tax year 2014. the Corporation has duly submitted relevant information along with supporting documents to the ACIR. The ACIR has not yet passed an order in respect of the same.

23.1.12 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 of the Income Tax Ordinance, 2001 dated January 10, 2018 to the Corporation for tax year 2017. Vide Said notice, ACIR confronted issues like investment arrangement between the Corporation and Bureau of Emigration and Overseas Employment, deduction claimed on account of provision for diminution in value of investments, provision for impairment in the value of investment properties, provision for impairment in the value of shares, loans / advances to employees and agents, short withholding of tax under various provisions of the Ordinance. the Corporation engaged tax advisor for responding the notice. Subsequently, ACIR passed amended order whereby demand of Rs. 480.25 million was raised. Corporation, being aggrieved from above amended order, file appeal before CIR (A). Further, Corporation, through its tax consultant, also file application for stay of tax demand vide letter dated April 05, 2018 along with application for out of turn hearing vide letter dated March 28, 2018 before CIR (A). Hearing before CIR (A) was held on April 26, 2018. CIR (A) vide order No. 6 dated May 03, 2018 decided issues which involves major tax impact at Rs. 357.21 million like tax on Bureau Fund, disallowance on account of inter-company rent expenses in favour of the Corporation. However, issue of disallowance on account of real estate expenses and provision against other receivables are decided against the Corporation. Further, issues of interest free loans to employees, alleged short withholding on training expenses and adjustment of tax liability against pending appeal effect for tax year 2010 were remanded back to concerned ACIR. Inland Revenue Department as well as the Corporation filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the hearing is fixed till date.

23.1.13 According to the Sindh Sales Tax on Services Act 2011, sales tax is payable on premium of life and health insurance policies written in the province of Sindh. The Punjab and Baluchistan Revenue Authorities have also introduced sales tax on life and health insurance premium effective from November 01, 2018 and July 03, 2015 respectively.

This being a collective issue of the industry, the Insurance Association of Pakistan (IAP) has actively taken up the matter with the provincial revenue authorities for the exemption on sales tax. The industry's main contention is that life insurance is not a service, but in fact, in sum and substance, a contingent contract under which payment is made on occurrence of an event, specified in the terms of contract or policy and thus is a financial arrangement. Superior courts in foreign jurisdiction have held that insurance is not a service.

In this relation, the tax advisor have also opined that an insurance contract is essentially a financial transaction, which is unrelated to the sale of any identifiable consumer goods or service, and as such, in leading jurisdictions, it has been widely held that insurance is not a service and hence, does not fall within the scope of taxability under the provincial sales tax laws.

Subsequently, life insurance companies collectively filed Constitutional Petitions (CPs) before Hon'ble High Courts of Lahore (writ petition no. 55421/ 2019) and Sindh (C.P. No. D.7677 of 2019) against the levy of sales tax on life and health insurance in Punjab and levy of sales tax on life insurance in Sindh respectively that are pending adjudication. As far as Baluchistan Revenue Authority (BRA) is concerned, no notice or communication has been received by the Corporation in this respect and hence, no petition was filed before any court.

The Hon'ble LHC in its order dated October 03, 2019 has restrained Punjab Revenue Authority (PRA) from taking any coercive measures against applicants. The Corporation has filed another petition at Hon'ble LHC against impugned show cause notice no. PRA/LIFE/PREMIUM/SLCP /1592 issued by the PRA on October 02, 2019. The Hon'ble LHC, in its order dated December 15, 2021, has directed that no final order shall be passed in pursuance of the impugned show cause by PRA and shall not take any coercive measures. This and the connected petitions are then disposed of accordingly.

Hearing in the main petition related to PRA i.e. WP. 55421 of 2019 was fixed on May 12, 2022 and directed the Federation to submit the reply on the subject matter of the petition. Next date of hearing is yet to be announced.

The Hon'ble SHC, in its interim order dated December 02, 2019, directed that the request of the petitioners, seeking exemption in terms of Section 10 of the Sindh Sales Tax Act, 2011, shall be considered by the Sindh Revenue Board (SRB), in accordance with the law

Sindh Revenue Board (SRB) vide notification No.3-4/13/2020 dated June 22, 2020, has exempted life insurance from levy of service tax up to June 30, 2020 subject to the condition that person providing insurance services commences e-depositing the amount of Sindh sales tax due on such services from July, 2020 onwards. The exemption to health insurance has been extended by the SRB up to June 30, 2023, through notification no. SRB-3-4/19/2022 dated June 28, 2022.

Through the Khyber Pakhtunkhwa Finance Act, 2021, the exemption in respect of the sales tax on services of life and health insurance in the province of Khyber Pakhtunkhwa (KP) has been withdrawn from July 01, 2021. As a consequence, life insurance is taxable at the rate of 15% and health insurance is taxable at a reduced rate of 1% without any input tax adjustment. This withdrawal of the exemption was intimated by Khyber Pakhtunkhwa Revenue Authority (KPRA) on July 29, 2021 vide letter no. F. No. 7(10)/KPRA/ADC(HQ)/2021/12114. In reply, the Corporation most respectfully requested KPRA to exempt the levy of sales tax on life and health insurance vide letter no. F&A/KPRA/ST/47 Dated: 9th August, 2021. Moreover, on October 05, 2021, the Corporation sent a letter to the Ministry of Finance, Government of KP, in which the Corporation requested to allow the permanent exemption from sales tax on services under Khyber Pakhtunkhwa Sales Tax on Services Act, 2013. Consequently, the Government of Khyber Pakhtunkhwa has allowed the exemption on health insurance premium vide notification dated 10th August, 2022. However, the exemption related to life insurance is yet to be decided.

In view of the opinion of tax advisor the Corporation has calculated estimated aggregated amount of sales tax liability amounting to Rs. 5,985.72 million (December 31, 2021: Rs. 3,882.37 million), which is calculated based on risk premium and excluding the investment amount allocated to policies. The management contends that should the administrative efforts fail, the amount will be charged to the policyholders.

23.1.14 Additional Commissioner Inland Revenue, Audit Range B, Zone-III, LTU Karachi served notice u/s 122(9) of the Ordinance dated November 26, 2019 to the Corporation in respect of tax year 2019. Vide above notice, ACIR confronted certain issues like deduction claimed on account of unrealized loss on investment, investment in value, investment related expenses, advances to employees at interest rate lower than benchmark rate and adjustment of tax liability against outstanding appeal effect of prior year.

Based on the reply filed by the Corporation through tax consultant, ACIR passed amended order u/s 122(5A) of the Ordinance dated March 13, 2020 and raised demand of Rs. 164.68 million.

Since the Corporation has pending refunds/appeal effects towards Inland Revenue Department, therefore the Corporation through its authorized representative filed application for stay of demand. Further, being aggrieved from above amended order, the Corporation also filed appeal before CIR-A. CIR (A) has passed order dated April 20, 2020 wherein issue related to deduction claimed on account of impairment in value of investment has been decided in favor of Corporation. However, issue of disallowance on account of real estate expenses has been decided against the Corporation. Further, matters related to unrealized loss on financial assets, loans/advances to employees, adjustment of tax liability against prior year appeal effect has been remanded back to concerned ACIR for re-adjudication. Inland Revenue Department as well as the Corporation filed appeals before ATIR against order of CIR (A) which are pending till to date. No date for the hearing is fixed till date.

A notice dated June 09, 2022, was issued by the ACIR under section 124 of the Ordinance, initiating the remand back proceedings against which detailed explanation / information along with relevant supporting documents were submitted. Consequently, the ACIR proceeded to pass an order dated June 28, 2022, under section 124 of the Ordinance giving effect to the first appeal and created an Income Tax demand of Rs. 164.02 million. An appeal against the said order was filed before the CIRA on July 20, 2022. The CIRA vide order dated December 15, 2022, remanded the matter back to the assessing officer with directions to re-analyse the matter as per directions of the CIRA in the first appellate order.

23.1.15 Additional Commissioner Inland Revenue, Audit Range B, Zone-III, LTU Karachi served notice u/s 122(9) of the Ordinance dated April 29, 2020 to the Corporation in respect of tax year 2018. Vide above notice, ACIR confronted certain issues like deduction claimed on account of unrealized loss on financial assets and investment property related expenses, advances to employees at interest rate lower than benchmark rate and difference between profit as per financial statements and as per tax return.

Based on the information/expalanation submitted by the Corporation to tax authorities against above notice, ACIR passed an amended assessment order u/s 122 (5A) whereby tax refundable position of Rs. 1,007.84 million is determined for tax year 2018.

An appeal against all the above-mentioned assessments made by the ACIR was filed by the Corporation before the CIRA on September 29, 2020. The CIRA, on the basis of the facts of the case and the arguments submitted, passed an order dated December 21, 2021. Through the said order, issue of impairment in value of shares is decided in favour of Corporation whereas issue of investment property related expenses is decided against the Corporation. Further, issues of unrealized loss on investments, investment related expenses and interest on loans / advances to employees were remanded back to the concered taxation officer for reassessment. Cross appeals were filed by both the Inland Rvenue Department and the Corporation before the Appellate Tribunal Inland Revenue against the order of the CIRA, which are still pending for hearing. No date for the hearing has been fixed till date.

23.1.16 Additional Commissioner Inland Revenue, Audit Range B, Zone-III, LTU Karachi served notice u/s 122(9) of the Ordinance dated December 10, 2020 to the Corporation in respect of tax year 2020. Vide above notice, ACIR confronted certain issues like deduction claimed on account of investment property related expenses, advances to employees at interest rate lower than benchmark rate, difference between profit as per financial statements and as per tax return, alleged short withholding of tax on commission and advertisement/sales promotion, etc. Based on the information/expalanation submitted by the Corporation to tax authorities against above notice, ACIR passed an amended assessment order u/s 122 (5A) whereby tax demad of Rs. 458.25 million was raised. Out of aforesaid tax demand, recovery of Rs. 306.04 million was not enforced by Inland Revenue Department as Lahore High Court has granted stay to Field Worker's Federation of Pakistan. Balance tax demand amounting to Rs. 152.21 million has been adjusted against tax refund pertaining to tax year 2012. the Corporation has filed appeal before CIR-A against amended assessment order which was fixed for hearing on February 24, 2023.

CIR-A vide order dated March 09, 2023 decided the issues of WHT on sales field office expenses, commission paid outside Pakistan, advertisement expenses paid outside Pakistan, electricity and telephone bills, other benefits to insurance intermediaries (group life business) in favour of the Corporation. However, issue related to additions on account of investment propery related expenses is decided against the Corporation. Further, issues of adjustment of tax liability against prior year refund, loans/advances to employees are remanded back to the concerned tax officer.

23.1.17 Returns of taxable income, being a deemed assessment order u/s 120(1) of the Income Tax Ordinance, 2001 were duly submitted by the Corporation to FBR for tax year 2003 and 2006.

Notices dated August 12, 2008 and May 22, 2012 were issued by the ACIR to the Corporation u/s 122(5A)/122(9) of the Ordinance for tax year 2003 and 2006 respectively for amendment of abovementioned deemed assessment orders on the grounds that surplus attributable to the policyholders was not paid within three years from the year of its appropriation and hence it should be added back in the taxable income of the Corporation under the provisions of section 34(5) of the Ordinance.

The Corporation submitted detailed explanation/information along with relevant supporting documents against above notices to the tax authorities. ACIR passed amended assessment orders u/s 122(5A) of the Ordinance dated September 29, 2008 and June 30, 2012 and determined tax demand of Rs. 2,126.25 million and Rs. 1,401.20 million for tax year 2003 and 2006 respectively.

Appeals against amended assessment orders passed by the ACIR were filed by the Corporation before the CIRA. The CIRA deleted the above tax demands vide orders dated July 04, 2012 and October 31, 2012 for tax years 2003 and 2006 respectively.

Inland Revenue Department filed appeals before Appellate Tribunal Inland Revenue against the orders of CIRA which were also decided in favour of the Corporation vide consolidated order dated September 21, 2016. Inland Revenue Department has filed Income Tax Reference Applications before Honorable High Court of Sindh, Karachi against the order of ATIR which are pending adjudication. Next date of hearing in theses reference applications is June 01, 2023.

23.1.18 Assistant Commissioner, Circle-02 (Companies), Inland Revenue Department Mirpur AJ&K issued notices all dated February 25, 2022 u/s 161 of the Income Tax Ordinance, 2001 to the Corporation for tax years 2014 to 2018. Vide aforesaid notices, it was alleged that Corporation had short deducted withholding tax to the extent of Rs. 19.24 million under various provisions of the Ordinance (Tax Year 2014: Rs. 4.05 million, Tax Year 2015: Rs. 1.07 million, Tax Year 2016: Rs.3.64 million, Tax Year 2017: Rs. 3.57 million and Tax Year 2018: Rs. 6.91 million).

The Corporation raised a legal objection that proceeding for tax years 2014 to 2016 have become time barred. Without prejudice to the legal objection raised with respect to the notices issued for tax years 2014 to 2016, Corporation submitted responses along with supporting documents against all the notices from tax years 2014 to 2018.

Subsequently, Assistant Commissioner passed orders u/s 161 of the Ordinance and raised impugned tax demand of Rs. 13.53 million (Tax Year 2014: Rs. 4.41 million, Tax Year 2015: Rs. 1.15 million, Tax Year 2016: Rs. 2.92 million, Tax Year 2017: Rs. 1.78 million and Tax Year 2018: Rs. 3.27 million).

Being aggrieved, the Corporation has filed appeals before Commissioner Inland Revenue – Appeals, Mirpur AJ&K against above referred impugned orders passed u/s 161 of the Ordinance which are pending adjudication.

23.2 As of reporting date, there are several suits in the nature of civil services of employees, rental disputes etc, where the Corporation is defendant these suits are nominal in value , and has no matarial impact on these unconsolidated financial statements.

23.3 Commitments

The Corporation is committed in respect of capital expenditure contract aggregating to **Rs. 500 million** (2021: Rs. 627.50 million). There were no other commitments at the reporting date.

	2022	2021
	------- Rupees in '000 -------	
Letter of Guarantee	**447,701**	546,000

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

24 NET PREMIUM REVENUE

	2022	2021
Gross Premiums		
Regular premium individual policies		
First year	**20,169,568**	16,440,728
Second year renewal	**13,686,054**	11,141,186
Subsequent year renewal	**98,108,060**	88,030,192
Group policies with cash values	**62,963**	46,037
Group policies without cash values	**154,305,262**	55,295,480
Less: experience premium refund	**(42,181,534)**	(8,473,272)
Total Gross Premiums	**244,150,373**	162,480,351
Less: Reinsurance Premiums Ceded		
On individual life first year business	**(341,876)**	(97,763)
On individual life second year business	**(53,364)**	(34,725)
On individual life renewal business	**(200,896)**	(186,524)
On group policies	**(446,461)**	(399,957)
-Less: Reinsurance commission on risk premium	**102,917**	27,304
	(939,680)	(691,665)
Net Premiums revenue	**243,210,693**	161,788,686

25 INVESTMENT INCOME

	2022	2021
Income from equity securities		
Fair value through profit or loss		
- Dividend income	**8,875,700**	7,384,070
Income from government and debt securities		
Held to maturity		
- Return on government and debt securities	**105,815,004**	88,717,179
	114,690,704	96,101,249

26 NET REALISED FAIR VALUE GAIN ON FINANCIAL ASSETS

	2022	2021
Fair value through profit or loss		
Realized gain on equity securities	**440,311**	58,719

27 NET FAIR VALUE LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
Net unrealized loss on investments at fair value through profit or loss	**(13,466,390)**	(8,479,407)
Reversal in value	**4,693**	1,385
Reversal related to the (loss) / appreciation on shares held by LICI	**(7,148)**	5,520
Investment related expenses	**(69,980)**	(82,864)
	(13,538,825)	(8,555,366)

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

28 NET RENTAL INCOME

	2022	2021
Rental income	**1,415,340**	1,202,038
Less: Expenses of investment property	**(707,241)**	(789,653)
	708,099	412,385

29 OTHER INCOME

	2022	2021
Return on bank balances	**5,589,446**	3,675,735
Gain on sale of property and equipment	**4,865**	120
Return on loans to employees	**52,217**	52,402
Return on loans to policyholders	**24,592,275**	14,762,419
Exchange gain on revaluation	**7,328,083**	2,758,751
Miscellaneous income	**192,076**	203,009
	37,758,962	21,452,436

30 NET INSURANCE BENEFITS

	2022	2021
Gross Claims		
Claims under individual policies		
- by death	**10,305,093**	10,362,961
- by insured event other than death	**351,804**	360,587
- by maturity	**26,195,186**	21,719,324
- by surrender	**44,064,726**	30,062,818
- annuity payments	**8,895**	13,571
- Bonus in cash	**1,200**	140
Total gross individual policy claims	**80,926,904**	62,519,401
Claims under group policies		
- by death	**7,858,082**	9,400,445
- by insured event other than death	**86,769,620**	26,426,423
- by maturity	**1,574**	283
- by surrender	**281**	1,550
- annuity payments	**568**	233
Total gross group policy claims	**94,630,125**	35,828,934
Total gross claims	**175,557,029**	98,348,335
Less: Reinsurance Recoveries		
-on individual life claims	**(99,055)**	(83,551)
-on group life claims	**(162,446)**	(241,303)
	(261,501)	(324,854)
Claim related expenses	**25,353**	14,410
Net insurance benefit expense	**175,320,881**	98,037,891

30.1 There are various cases pertaining to policyholders in relation to individual and group insurance policies, claiming amount due as per policy amounting to Rs. 2,163.91 million (December 31, 2021: 1,233.35 million) but the Corporation is of the view that such claims are not valid based on the criteria provided in the policy issued. In total there are 183 cases out of which 5 cases are in the Supreme Court of Pakistan, 49 cases are pending in different High Courts of Pakistan and remaining in the lower courts.

30.2 Claim Development

Accident years	2018	2019	2020	2021	**2022**
Estimate of ultimate claims cost: -			Rupees in '000		
At the end of accident year	3,604,515	5,925,268	7,375,218	8,931,670	**7,786,580**
One year later	5,224,038	7,807,899	10,267,204	11,850,302	
Two years later	5,368,949	8,118,495	10,679,255		
Three years later	5,449,955	8,241,852			
Four years later	5,494,623				
Current estimate of cumulative claims	5,494,623	8,241,852	10,679,255	11,850,302	**7,786,580**
Cumulative payments	(5,998,685)	(6,963,095)	(7,058,046)	(10,390,879)	**(10,292,762)**
	(504,062)	1,278,757	3,621,209	1,459,423	**(2,506,182)**
Claim prior to 2018					7,145,455
Liability recognized in the statement of financial position					**4,639,273**

31 UNCLAIMED INSURANCE BENEFIT

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

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

Description	Total Amount	1-6 Months	7-12 Months	13-24 Months	25-36 Months	Beyond 36 Months
			Rupees in '000			
Unclaimed maturity benefits	10,910,528	611,787	6,781,453	2,314,140	1,203,148	-
Unclaimed death benefits	4,639,273	53,033	2,715,250	1,333,923	537,067	-
Unclaimed disability benefits	507,969	4,609	192,969	178,085	132,306	-
Claims not encashed	-					-
Other unclaimed benefits	102,609,655	79,915,532	3,086,098	8,212,414	11,395,612	
	118,667,425	80,584,961	12,775,770	12,038,562	13,268,133	-

32 ACQUISITION EXPENSES

	Note	**2022**	2021
		------- Rupees in '000 -------	
Remuneration to insurance intermediaries on individual policies:			
- commission to agent on first year premiums		**10,344,479**	9,184,111
- commission to agent on second year premiums		**1,861,253**	1,660,417
- commission to agent on subsequent renewal premiums		**3,360,919**	3,248,820
- other benefits to insurance intermediaries		**1,095,217**	607,733
- branch overhead	32.1	**3,701,908**	3,267,127
Total		**20,363,776**	17,968,208
Remuneration to insurance intermediaries on group policies:			
- commission		**4,342**	3,642
- other benefits to insurance intermediaries		**1,385**	586
		5,727	4,228

		Note	2022	2021
			------- Rupees in '000 -------	
	Other acquisition costs:			
	- Stamp duty		**2,192,217**	1,909,498
	- Initial medical fees		**107,055**	113,226
			2,299,272	2,022,724
			22,668,775	19,995,160
32.1	**Branch overhead**			
	Employee benefit cost		**2,710,581**	2,675,292
	Traveling expense		**773,768**	390,220
	Printing & stationary		**10,727**	11,244
	Postage & telephone		**35,789**	32,635
	Electricity, gas and water		**25,469**	24,345
	Rent		**85,171**	78,155
	Prize & awards		**18,495**	18,250
	Conference & meetings		**38,968**	30,857
	Repair & maintenance		**2,940**	6,129
			3,701,908	3,267,127

		Note	2022	Restated 2021
			------- Rupees in '000 -------	
33	**MARKETING AND ADMINISTRATION EXPENSES**			
	Employee benefit cost	33.1	**10,013,132**	10,570,693
	Travelling expenses		**457,585**	308,987
	Advertisements and sales promotion		**217,359**	21,919
	Printing and stationery		**257,144**	129,849
	Depreciation		**121,756**	102,993
	Rent, rates and taxes		**142,154**	124,289
	Legal and professional charges - business related		**2,007,015**	795,502
	Electricity, gas and water		**387,289**	263,147
	Office repairs and maintenance		**62,793**	63,898
	Bank charges		**48,143**	46,704
	Postages, telegrams and telephone		**151,154**	109,845
	Appointed Actuary fees		**8,759**	7,111
	Training expense		**69,853**	47,856
	Annual Supervision fees SECP		**50,271**	50,000
			13,994,407	12,642,793
33.1	**Employee benefit cost**			
	Salaries, allowances and other benefits		**8,650,543**	7,710,390
	Charges for post employment benefit		**1,362,589**	2,860,303
			10,013,132	10,570,693

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

34 OTHER EXPENSES

	Note	2022	2021
Auditors' remuneration	34.1	**17,928**	15,548
Revenue stamps		**59,037**	63,900
Conference and meetings		**137,049**	43,206
Insurance charges		**333,143**	148,082
Office maintenance		**112,317**	91,185
Entertainment		**24,215**	20,943
Other expenses		**81,311**	47,454
		765,000	430,318

34.1 Auditors' remuneration

	2022	2021
Business within Pakistan		
Annual audit and half yearly review fee		
BDO Ebrahim & Co.	**4,028**	3,650
Grant Thornton Anjum Rahman	**5,050**	4,652
	9,078	8,302
Out of Pocket		
BDO Ebrahim & Co.	**840**	825
Grant Thornton Anjum Rahman	**840**	825
	1,680	1,650
Business Outside Pakistan		
Audit fee		
Sajjad Haider and Co	**7,170**	5,597
Out of pocket expenses	**-**	-
	7,170	5,597
	17,928	15,549

35 INCOME TAX EXPENSE

	2022	2021
For the year		
Current	**1,100,804**	829,221
Deferred	**5,720,655**	1,878,937
	6,821,459	2,708,158
For the prior year		
Current	**114,799**	267
Total income tax charge for the year	**6,936,258**	2,708,425

35.1 Relationship between tax expense and accounting profit

	2022	2021
Profit before tax	**20,664,527**	9,264,871
Tax at the applicable rate @ 29% (2021: 29%)	**5,992,713**	2,686,813
Reconciliation:		
Education cess for the year	**2,165**	1,327
Super Tax @ 4%	**826,581**	-
Recognition of prior year provision	**114,799**	267
Others	**-**	20,018
Tax expense for the year	**6,936,258**	2,708,425

	2022	Restated 2021
	------- Rupees in '000 -------	
36 Earning (after tax) per share - Rupees		
Profit (after tax) for the year	**13,728,269**	6,556,446
	------- Numbers in '000 -------	
Weighted average number of ordinary shares outstanding as at year end	**49,142**	46,255
	2022	Restated 2021
	------- Rupees -------	
Earnings per share	**279.36**	141.75

The Corporation has not issued any instrument which would dilute its basic earnings per share when exercised. Therefore, there is no dilutive effect on earnings per share.

37 REMUNERATION OF CHAIRMAN, DIRECTORS AND EXECUTIVES

	Chairman		Directors		Executives	
	2022	2021	**2022**	2021	**2022**	2021
	Rs in '000					
Fees	-	-	-	-	-	-
Managerial remuneration	**24,000**	18,000	**5,713**	6,053	**488,662**	411,001
House rent allowance	-	-	**3,503**	4,996	**275,527**	212,518
Utilities	-	-	**2,745**	2,942	**206,268**	161,352
Special allowance	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Car allowance	-	-	-	-	-	-
Others	-	-	**15,014**	8,275	**85,197**	79,352
Reimbursements	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-
Staff provident fund	-	-	-	-	-	-
	24,000	18,000	**26,975**	22,266	**1,055,654**	864,223
Number of persons	**1**	1	**3**	3	**326**	284

37.1 In addition to the above, Chairman, Directors and Executives are also entitled to the Corporation maintained vehicles and mobile phone facility.

37.2 Fees paid to non executive director during the year amounting to Rs. 5.50 million (2021: Rs. 2.11 million)

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Corporation has related party relationships with provident fund, pension fund scheme, gratuity fund, state owned profit oriented entities and its key management personnel.

Accrual of liability in respect of the funds are made annually. Remuneration to key management personnel are determined in accordance with the terms of their employment / appointment. Certain key management personnel are also provided with free use of the Corporation maintained vehicles and post retirement benefits in accordance with their entitlement under the terms of their employment.

The related parties also comprise subsidiaries, directors, key management personnel and employees' benefits funds. The Corporation in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from chairman and executive directors are disclosed in the relevant notes.

Terms and conditions of transactions with related parties

Transactions with related parties are carried out at the agreed terms as approved by the Board of Directors. There have been no guarantees provided or received for any related party receivables or payables.

Other material transactions and balances with related parties are given below:

	Note	2022	2021
		------- Rupees in '000 -------	
Profit oriented state-controlled entities common ownership			
Investment in shares - State Bank of Pakistan		3,221	3,221
PIBs deposited with State Bank of Pakistan		501,500	485,000
Subsidiaries			
Alpha Insurance Company Limited (95.15% holding)			
Rental income received		3,769	4,642
Group insurance		203	-
Staff retirement fund			
Contribution to provident fund		1,530	2,532
Contribution to pension fund		93,522	2,257,742
Contribution to funded gratuity		19,535	39,789
Expense charged for pension fund		1,381,868	4,926,020
Transactions with associated companies - common directorship			
Dividend received during the year			
Pakistan Reinsurance Company Limited (24.41 % of holding)		146,464	183,081
Fauji Fertilizer Company Limited		1,592,575	1,548,175
Sui Northern Gas Pipelines Company Limited		206,124	164,899
Security Papers Limited		50,225	45,203
Pak Data Communication		5,491	1,248
Pak Cables Limited		22,602	20,091
Shahtaj Sugar Mills Limited		3,785	-
Wah-Nobel Chemicals Limited		4,310	-
Reinsurance premium ceded			
Pakistan Reinsurance Company Limited		265,310	39,178

	Note	2022	2021
		------- Rupees in '000 -------	
Balances with related parties - common directorship			
Investment in units:			
NIT Islamic Equity Fund		175,105	200,000
Balances with related parties			
Retirement benefit obligation - *Restated*		6,113,662	6,245,074
Balances with related parties - common directorship			
Reinsurance payable			
Reinsurance payable - PRCL		-	-
Investment in shares:			
Fauji Fertilizer Company Limited		11,533,611	11,714,718
Sui Southern Gas Company Limited		532,494	536,536
Sui Northern Gas Pipelines Company Limited		1,031,992	919,311
Alpha Insurance Company Limited		298,818	298,918
Pakistan Cables Limited		311,013	394,707
Security Papers Limited		469,856	602,148
Shahtaj Sugar Mills Limited		27,743	40,272
Pak Data Communication Limited		52,152	48,958
Premier Insurance Company Limited		33,997	32,519
Pakistan Reinsurance Company Limited		1,507,119	1,640,401
Arabian Sea Country Club Limited		5,000	5,000
PICIC Insurance Limited		3,156	4,208
Nina Industries Limited		4,500	4,500
Mirpurkhas Sugar Mills Ltd.		39,719	42,096
State Life Abdullah Haroon Road Property (Private) Limited (Subsidiary Company) (100% holding) - net of provision		24,700	24,700
State Life Lackie Road Property (Private) Limited (Subsidiary Company) (100% holding) - net of provision		-	-
Wah-Nobel Chemicals Ltd		137,062	-

39 SEGMENTAL INFORMATION

39.1 Revenue account by statutory fund

	Statutory Funds					Aggregate
For the year ended December 31, 2022	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2022
	Rs in '000					
Income						
Premium less reinsurances	138,987,218	2,554,619	62,963	101,159,575	446,318	243,210,693
Rental income from investment property	708,099	-	-	-	-	708,099
Net investment income	124,261,836	9,047,832	46,617	5,443,693	50,109	138,850,087
Total net income	263,957,153	11,602,451	109,580	106,603,268	496,427	382,768,879
Insurance benefits and expenditure						
Insurance benefits, including bonuses, net of reinsurance recoveries	85,837,673	2,765,486	14,377	86,702,319	1,026	175,320,881
Management expenses less recoveries	34,071,340	507,178	1,729	2,585,078	251,719	37,417,044
Total insurance benefits and expenditure	119,909,013	3,272,664	16,106	89,287,397	252,745	212,737,925
Excess of income over insurance benefits and expenditures	144,048,140	8,329,787	93,474	17,315,871	243,682	170,030,954
Net change in insurance liabilities (other than outstanding claims)	(131,646,225)	(6,071,686)	(1,266)	(55,466)	(330,008)	(138,104,651)
Surplus/ (deficit) before tax	12,401,915	2,258,101	92,208	17,260,405	(86,326)	31,926,303
Movement in policyholders' liabilities	131,646,225	6,071,686	1,266	55,466	330,008	138,104,651
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(2,759,219)	(80,062)	-	-	-	(2,839,281)
- Capital returned to shareholders' fund	-	-	-	-	-	-
-Fund transferred to general reserve	(69,035)	-	-	(2,000,000)	-	(2,069,035)
- Capital contributions from shareholders' fund	-	-	-	-	-	-
Net transfer to/from shareholders' fund	(2,828,254)	(80,062)	-	(2,000,000)	-	(4,908,316)
Balance of statutory fund at beginning of the year	1,225,774,366	26,388,120	501,981	12,757,203	197,559	1,265,619,229
Balance of statutory fund at end of the year	1,366,994,252	34,637,845	595,455	28,073,074	441,241	1,430,741,867

Revenue account by statutory fund	Statutory Funds					Aggregate
For the year ended December 31, 2021	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2021
	Rs in '000					
Income						
Premium less reinsurances	127,270,554	2,145,712	46,037	32,136,624	189,759	161,788,686
Rental income from investment property	412,385	-	-	-	-	412,385
Net investment income	102,001,332	3,848,299	43,134	2,701,818	11,550	108,606,133
Total net income	229,684,271	5,994,011	89,171	34,838,442	201,309	270,807,204
Insurance benefits and expenditure						
Insurance benefits, including bonuses, net of reinsurance recoveries	69,185,780	2,452,456	22,713	26,376,942	-	98,037,891
Management expenses less recoveries	31,518,090	411,848	604	988,677	143,411	33,062,630
Total insurance benefits and expenditure	100,703,870	2,864,304	23,317	27,365,619	143,411	131,100,521
Excess of income over insurance benefits and expenditures	128,980,401	3,129,707	65,854	7,472,823	57,898	139,706,683
Net change in insurance liabilities (other than outstanding claims)	(123,438,728)	(2,083,208)	10,160	(1,041,924)	(84,270)	(126,637,970)
Surplus/(deficit) before tax	5,541,673	1,046,499	76,014	6,430,899	(26,372)	13,068,712
Movement in policyholders' liabilities	123,438,728	2,083,208	(10,160)	1,041,924	84,270	126,637,970
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(2,303,156)	(35,902)	-	-	-	(2,339,058)
- Capital returned to shareholders' fund		-	-	-	-	-
- Capital contributions from shareholders' fund	-	-	-	-	100,000	100,000
- Capital contributions from shareholders' fund	-	-	-	-	-	-
Net transfer to/from shareholders' fund	-	-	-	-	-	
Balance of statutory fund at beginning of the year	1,099,097,115	23,294,315	436,128	5,284,382	39,664	1,128,151,604
Balance of statutory fund at end of the year	1,225,774,360	26,388,120	501,982	12,757,205	197,562	1,265,619,229

39.2 Segmental results by line of business

	Statutory Funds					Aggregate
Income	**Pakistan Life Fund**	**Overseas Life Fund**	**Pension Fund**	**Accidental and Health Insurance Fund**	**Family Takaful**	**2022**
	Rs in '000					
Gross premiums						
- First year	19,623,655	222,593	-	-	323,319	20,169,567
- Second year	13,414,235	145,236	-	-	126,583	13,686,054
- Subsequent year renewal	95,892,124	2,215,936	-	-	-	98,108,060
Group policies with cash value	-	-	62,963	-	-	62,963
Group policies without cash value	11,044,665	-	-	143,260,598	-	154,305,263
Less: experience premium refund	(345,822)	-	-	(41,835,712)	-	(42,181,534)
Total gross premiums	139,628,857	2,583,765	62,963	101,424,886	449,902	244,150,373
Less: reinsurance premiums ceded						
On individual life first year business	(70,608)	(2,375)	-	(265,310)	(3,583)	(341,876)
On individual life second year business	(53,364)	-	-	-	-	(53,364)
On individual life renewal business	(156,784)	(44,112)	-	-	-	(200,896)
On group policies	(446,461)	-	-	-	-	(446,461)
Less : Reinsurance commission on risk premium	85,577	17,340	-	-	-	102,917
	(641,640)	(29,147)	-	(265,310)	(3,583)	(939,680)
Net Premiums	138,987,217	2,554,618	62,963	101,159,576	446,319	243,210,693
Rental income from investment property	708,099	-	-	-	-	708,099
Net investment income	124,261,837	9,047,831	46,617	5,443,693	50,109	138,850,087
Total net income	263,957,153	11,602,449	109,580	106,603,269	496,428	382,768,880
Insurance benefits and expenditures						
Claims, including bonuses, net of reinsurance recoveries	85,837,672	2,765,486	14,377	86,702,319	1,026	175,320,881
Management expenses less recoveries	34,071,339	507,178	1,729	2,585,078	251,719	37,417,044
Total insurance benefits and expenditures	119,909,011	3,272,664	16,106	89,287,397	252,745	212,737,925
Excess of income over insurance benefits	144,048,142	8,329,784	93,474	17,315,872	243,683	170,030,955
Add : Policyholder liabilities at the beginning of year	1,180,781,402	21,672,208	121,054	1,116,926	84,270	1,203,775,860
Less : Policyholder liabilities at the end of year	1,312,427,627	27,743,894	122,320	1,172,392	414,278	1,341,880,511
Surplus/(deficit) before tax	12,401,917	2,258,098	92,208	17,260,406	(86,325)	31,926,304

Segmental results by line of business	Statutory Funds					Aggregate
Income	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental and Health Insurance Fund	Family Takaful	2021
	Rs in '000					
Gross premiums						
- First year	16,100,449	150,118	-	-	190,161	16,440,728
- Second year	10,974,249	166,937	-	-	-	11,141,186
- Subsequent year renewal	86,172,321	1,857,871	-	-	-	88,030,192
Group policies with cash value	-	-	46,037	-	-	46,037
Group policies without cash value	14,808,378	-	-	40,487,102	-	55,295,480
Less: experience premium refund	(161,972)	-	-	(8,311,300)	-	(8,473,272)
Total gross premiums	127,893,425	2,174,926	46,037	32,175,802	190,161	162,480,351
Less: reinsurance premiums ceded						
On individual life first year business	(56,190)	(1,993)	-	(39,178)	(402)	(97,763)
On individual life second year business	(34,725)	-	-	-	-	(34,725)
On individual life renewal business	(144,350)	(42,174)	-	-	-	(186,524)
On group policies	(399,957)	-	-	-	-	(399,957)
Less : Reinsurance commission on risk premium	12,351	14,953				27,304
	(622,871)	(29,214)	-	(39,178)	(402)	(691,665)
Net Premiums	127,270,554	2,145,712	46,037	32,136,624	189,759	161,788,686
Rental income from investment property	412,385	-	-	-	-	412,385
Net investment income	102,001,332	3,848,299	43,134	2,701,818	11,550	108,606,133
Total net income	229,684,271	5,994,011	89,171	34,838,442	201,309	270,807,204
Insurance benefits and expenditures						
Claims, including bonuses, net of reinsurance recoveries	69,185,780	2,452,456	22,713	26,376,942	-	98,037,891
Management expenses less recoveries	31,518,090	411,848	604	988,677	143,411	33,062,630
Total insurance benefits and expenditures	100,703,870	2,864,304	23,317	27,365,619	143,411	131,100,521
Excess of income over insurance benefits	128,980,401	3,129,707	65,854	7,472,823	57,898	139,706,683
Add : Policyholder liabilities at the beginning of year	1,057,342,636	19,589,000	131,214	75,001	-	1,077,137,851
Less : Policyholder liabilities at the end of year	1,180,781,403	21,672,207	121,054	1,116,926	84,270	1,203,775,860
Surplus/(deficit) before tax	5,541,634	1,046,500	76,014	6,430,898	(26,372)	13,068,674

39.3 Segment Statement of financial position

	Statutory Funds	Shareholders Fund	2022	Statutory Funds	Shareholders Fund	Restated 2021
	Rs in '000					
Assets						
Property and equipment	1,033,492	-	1,033,492	881,186	-	881,186
Investment property	3,573,082	-	3,573,082	3,618,967	-	3,618,967
Investments in subsidiaries	323,618	-	323,618	323,618	-	323,618
Investments	1,229,399,921	4,449	1,229,404,370	1,007,180,734	4,448,747	1,011,629,481
Loans secured against life insurance policies	171,822,531	-	171,822,531	151,464,401	-	151,464,401
Insurance / reinsurance receivables	78,092,696	-	78,092,696	37,430,191	-	37,430,191
Other loans and receivables	65,280,512	1,057	65,281,569	55,165,237	1,056,552	56,221,789
Taxation - payments less provision	3,544,796	-	3,544,796	3,474,427	-	3,474,427
Prepayments	66,105	-	66,105	66,367	-	66,367
Cash & Bank	48,345,441	-	48,345,441	101,002,030	-	101,002,030
Total assets	1,601,482,194	5,506	1,601,487,700	1,360,607,158	5,505,299	1,366,112,457
Liabilities						
Insurance liabilities net of reinsurance recoveries	1,522,008,512	-	1,522,008,512	1,307,949,157	-	1,307,949,157
Retirement benefit obligations	6,113,663	-	6,113,663	6,245,074	-	6,245,074
Deferred capital grant	26,692	-	26,692	15,886	-	15,886
Premium received in advance	5,326,067	-	5,326,067	5,569,399	-	5,569,399
Insurance / reinsurance payables	1,154,322	-	1,154,322	521,942	-	521,942
Deferred tax	3,489,579	5,720,655	9,210,234	1,610,642	1,878,937	3,489,579
Other creditors and accruals	30,235,746	-	30,235,746	26,916,938	-	26,916,938
Total Liabilities	1,568,354,581	5,720,655	1,574,075,236	1,348,829,038	1,878,937	1,350,707,975

40 MOVEMENT IN INVESTMENTS

	Held to Maturity	Fair value through profit and loss	Total
	Rs in '000		
At beginning of previous year	914,161,415	97,468,066	1,011,629,481
Additions	530,712,373	1,001,765	531,714,138
Disposals (sale and redemptions)	(319,403,125)	(24,618)	(319,427,743)
Amortization of premium	18,964,627	-	18,964,627
Reversal during the year	-	4,561	4,561
Unrealized fair value gain	-	(13,480,694)	(13,480,694)
	1,144,435,290	84,969,080	1,229,404,370

41 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

41.1 Insurance risk

41.1.1 Insurance contracts - classification

The Corporation maintains five statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful Fund

Within the Pakistan Life Fund the business can be further classified as individual life conventional business, group insurance business and a small amount of annuity business.

Most of the new individual life conventional policies written by the Corporation contain a Discretionary Participation Feature (DPF).

The Overseas Life Fund entirely consists of individual life conventional business. Most of the new business written under the overseas life fund contains a DPF.

The Pension Fund consists of funds administered under Group Pension Deposit Administration contracts.

The Accident and Health Insurance Fund consists of Group Health and Accident Insurance

Family Takaful Fund is consist of individual family takaful business.

Considering all the five statutory funds together, the bulk of Corporation business consists of individual life conventional policies. Most of the remaining business consists of group life insurance business. Group Health is a relatively new venture of the Corporation which started in 2012 and has yet to register any significant growth. The Corporation also offers some supplementary benefits attached in the form of riders to the individual life policies and the group life contracts. Each of these classes of business are described in greater detail below.

41.1.2 Contract details and measurement

The insurance contracts offered by the Corporation are described below:

41.1.2.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide death benefit on death during the tenure of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

Under these plans a certain amount is set aside from the premium for expenses and meeting the mortality cost and the remainder of the premium is invested to earn some investment return. Investment return is allocated to these products on an annual basis keeping in view the investment earnings of the Pakistan Life Fund.

Term insurance policies

A few products of the Corporation are term insurance plans providing benefits only in case of death. Under these policies no benefit is due if the policy holder survives the duration of the policy. The Corporation sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

The Corporation also has a small number of individual and group life-annuities on its books. Under these contracts a periodic income benefit is payable to the insured life for as long as annuitant is alive. Besides, the Corporation offers annuity-certain plans under which periodic income benefit is payable for a stipulated period and is not dependent on the life of the policyholder.

Supplementary riders

The Corporation offers various types of supplementary riders. Some of these riders offer additional life coverage, in some cases they offer accidental death and disability benefits. The benefits can take various forms such as lump sum payment or an income benefit or waiver of premiums due under the host policy contract.

Insured event

Under the individual life insurance policies in most cases the insured event is either death or survival until the maturity date of the policy, except in case of term insurance where there is no maturity benefit. Under the annuity policies the Corporation is exposed to the risk of longevity. In this case the insured event is survival of the life insured for a long duration, exceeding the period normally expected under standard mortality tables.

In case of supplementary rider the insured event is either death or just accidental death or disability whether accidental or natural or both.

Distribution channel

The individual life business of the Corporation is sold through its dedicated sales force which is present all over the country. This field force is organized under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further grouped over 1243 area offices, more than 166 sector offices, 33 zones and 7 regional offices in addition to one zone for the Gulf Region. The Gulf zone has its own marketing team of sector heads, area managers and sales force.

The individual life policy holders of the Corporation come from all strata of society, with greater representation of the rural areas due to wider outreach of its field force. New policyholders have an average age of around 34 years.

41.1.2.2 Group life policies

Basic coverage

The group life policies are generally one year renewable term insurance contracts. In most cases they provide group coverage to the employees of an employer. Some times the coverage is tied up with loans extended by the employer for house building or purchase of motor vehicles or other household items. In some cases group policies are issued to lending agencies such as banks to provide group coverage to their borrowers. There are also a small number of group endowment policies which provide benefits identical to individual life policies but under the umbrella of a group contract.

Supplementary coverage

In many cases the group policies also provide supplementary coverage which may include accidental or natural disability benefits and additional accidental death benefit. These riders also take the form of one year renewable term insurance policies.

Insured event

Under the group life insurance policies in most cases the insured event is death due to any cause. In case of supplementary coverage the insured event can include accidental death or disability or natural disability.

Distribution channel

The group insurance business is sold through four group and pension zones of the Corporation. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Corporation, however, some of the group business is also procured through individual life field force of the Corporation.

Most of the lives covered under the group insurance consist of industrial and office workers, civil servants and employees of Corporations, banks, other financial institutions, armed forces etc.

41.1.2.3 Pension business

The pension portfolio of the Corporation consists of group deposit administration pension contracts. These are long-term contracts providing pension benefits to the employees of the policyholder. Under these contracts, the Corporation does not retain any insurance risk apart from a nominal investment return guarantee. The services offered by the Corporation include benefit administration, funding advice and investment of the funds.

These contracts do not transfer any significant insurance risk from the policyholders to the Corporation. These are therefore by nature similar to investment contracts.

The distribution channel employed for the pension business is the same as for the group insurance business.

The target market for this business is also similar to the target market for group insurance business.

41.1.2.4 Group Health Business

In 2012, the Corporation entered the Health Insurance Market by signing an agreement with the Benazir Income Support Program (BISP) authorities for providing Health Insurance to the beneficiaries enrolled under BISP Waseela-e-Sehat Program. This contract terminated on June 30, 2015. However, settlement of the Equalization Reserve Fund (ERF) balance is still pending. Consequently, a provision for this has been kept in the Actuarial Reserves.

In the year 2015, the Corporation entered into two other agreements, namely Prime Minister's National Health Insurance Scheme (PMNHIS) and KPK Micro Health Insurance Scheme. However, no health cards were issued under either scheme in 2015. Therefore, no specific liability was kept for these contracts.

Insured event

The PMNHIS and the KPK schemes are aimed at providing the underprivileged sector of the society the access to health care to cope with a variety of health shocks. The schemes provide in-patient health insurance facilities to enrolled families, subject to Rupee limits prescribed under the respective agreements.

41.1.3 Reserving method

41.1.3.1 Individual life policies

The Corporation values its individual life policy liabilities by a modified net level premium method. Under this method the Corporation's future obligations in respect of guaranteed sums assured and declared bonuses are discounted using a conservative interest basis. The policy liabilities are calculated by deducting from this amount the discounted value of future net premiums receivable under the valued policies, using a conservative basis for calculating the net premiums.

41.1.3.2 Universal life policies

For universal life policies the amount of reserve is equal to the actual accumulated value of the portion of premiums invested in the Pakistan Life Fund after accounting for the investment return allocated to these policies.

41.1.3.3 Group life policies

Group life business consists of short duration one year renewable term insurance policies. Besides, it contains a two year life insurance scheme for emigrants. It is the Corporation's policy to record only the earned premium in the revenue account. The Corporation holds reserve for claims incurred but not reported up to the valuation date and provision for experience refunds where applicable.

The Corporation also holds a premium deficiency reserve for this block of business. This reserve is calculated on the basis of the unearned premium reserve. The amount of this reserve reflects the view of the Appointed Actuary regarding the eventual loss ratio expected under group insurance contracts.

41.1.3.4 Supplementary riders

For the supplementary riders attached to individual life policies the Corporation holds a reserve equal to one full year's premium due under these policies. On the other hand, the supplementary riders attached to the group life policies are valued in the same way as the group life policies themselves.

41.1.3.5 Pension plans

The Corporation holds a reserve equal to the market value of the assets backing the pension business statutory fund. Classification of the Government bonds held by this statutory fund as Held to Maturity means that they are valued on an IRR basis, which is currently less than their market value.

41.1.4 Reserves for outstanding claims

The Corporation holds a reserve for all claims which have been reported but are still outstanding at the reporting date. Another estimated reserve is kept within the actuarial liability for claims which have been incurred but have not yet been reported. The pattern of time lag in reporting of claims observed in previous years is used as a means of estimating as accurately as possible the liability expected to arise from the incurred but not reported claims using the chain ladder method of estimation.

41.1.5 Liability adequacy test

The adequacy of liability held by the Corporation has been tested using an alternative reserving method based upon realistic estimates of future mortality, expenses, lapses and investment return. Based on the results of this test the Appointed Actuary considers that the liability being kept by the Corporation is adequate.

41.1.6 Reinsurance contracts held

The Corporation reinsures its Pakistan business under a surplus treaty arrangement. Under this arrangement any insurance risk on a particular life which exceeds the retention is automatically ceded to the reinsurer. The retention level is fixed by the Corporation at a level which it considers optimum and safe.

There is a similar surplus treaty arrangement for reinsurance of the Corporation's Gulf business. The retention level of the Gulf business is fixed by the Corporation which it deems to be safe for that business.

Under both these treaties the re-insurer is not under an obligation to reinsure certain high sum assured cases which exceed the obligatory limit of the reinsurer as specified in the respective treaty. Such cases are reinsured by the Corporation on a facultative basis.

The reinsurers of the Corporation are highly rated companies with a sound credit record.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

The Corporation assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, the Corporation's all reinsurance assets are due from re-insurers with a credit rating of "A or above". The reinsurers maintain a sound credit history and hence no impairment provision is required.

41.1.7 Accounting estimates and judgments and process used for deciding assumptions

41.1.7.1 Mortality and disability

Due to nature of its business the Corporation is exposed to the risk of mortality. The reserving basis utilizes a conservative estimate of mortality. The Corporation carries out a continuous mortality investigation of its individual life and group life business to assess the actual level of mortality experienced by it. The result of this study utilized to ascertain the safety margin built into its reserving basis and the mortality level to be utilized for testing the adequacy of its liability.

The Corporation also has a small exposure to disability risk covered by some of its supplementary contracts. The Corporation constantly monitors its disability experience and an investigation is carried out whenever it assesses that there is an adequate data for arriving at credible results.

41.1.7.2 Investment income

Due to the long term nature of its individual life policies the Corporation is exposed to the risk of adverse fluctuations in interest rates. In particular a long term declining trend in the interest rates can produce a financial strain for the Corporation. To some extent this risk is mitigated by the Corporation's policy to match the duration of its assets with the duration of its liabilities, whenever this is possible. The reserving basis employed by the Corporation for valuing its liabilities contains adequate safeguards to counter any residual interest rate risk.

The past trend in returns available on Government bonds and the relationship of these returns to other financial variables such as inflation rate and short term interest rates is constantly analyzed to form an opinion regarding the investment returns expected to be earned in the future on a medium term and long term basis. These estimates are utilized in testing the adequacy of liabilities on a realistic basis.

41.1.7.3 Expenses

The Corporation is also exposed to the risk of management expenses being beyond the permissible limits or increase in expenses at a pace faster than expected. The Corporation carries out an annual expense analysis to keep track of its expenses. The result of this study is utilized in the estimation of liability under realistic assumptions to ensure the adequacy of the reserves being held.

41.1.8 Frequency and severity of claims

41.1.8.1 Frequency

Since the Corporation covers a large number of lives from diverse backgrounds, which are geographically spread all over the country, the frequency of claims is normally expected to remain relatively stable over time due to the law of large numbers. However, the frequency can be affected in case there is a variation in the mortality rates experienced by the group of lives insured by the Corporation. An unusual catastrophic event such as a disease epidemic, flash floods or a major earthquake can produce a sudden spike in the frequency.

41.1.8.2 Severity

To some extent the Corporation is protected from isolated large claims because the liability for any claim exceeding its retention level is automatically passed on to the reinsurer under the existing treaty arrangements. However, there is also the risk of a large number of small claims occurring due to a catastrophic event. Exposure to catastrophic events is also dependent upon the concentration of risk.

The Corporation is represented by 33 zones which are spread out all over the country. However, as the population of the country is concentrated more in the Punjab and Sindh provinces, the business distribution of the Corporation naturally reflects the same pattern. Nearly 87 % of the Corporation's business emanates from these two provinces.

In addition, there is also some concentration of risk due to the nature of group business. These policies are typically issued to an employer for coverage of all the persons in their employment. Normally, the employees of an employer are distributed over one or more establishments maintained by the employer's business. This produces local concentration of risk wherever such establishments happen to exist. Furthermore, a large number of such establishments can exist in a small geographical area such as an industrial zone or the business district of a major city.

41.1.9 Sources of uncertainty in estimation of future benefit payments and premium receipts

There are many theoretical reasons giving rise to uncertainty in estimation of future benefit payments and premium receipts.

Generally, mortality rates for a large segment of the population are quite stable from year to year but mortality is dependent upon a number of factors. Unhygienic living conditions, inadequate health care facilities, prevalence of general stress in society or emergence of epidemic disease are some socio-economic reasons which may give rise to an adverse trend in mortality rates.

Life insurance also serves as a channel for savings. However, in times of economic recession the savings rate can fall. This can reflect upon the Corporation in the form of lower new business growth and higher lapse rates of existing policies.

41.1.10 Management of insurance risk

The insurance law has laid down some minimum criteria for insurance risk management, which is mandatory for all insurers. This includes guidance regarding minimum capital requirement for insurers, requirement to submit a financial condition report on an annual basis, minimum reserving basis for the financial condition report, minimum solvency requirements and requirement to match the currency of assets and liabilities. Also the law lays down certain restrictions on the assets that may be counted as admissible assets, prescribes guidelines for valuation of assets and liabilities, prescribes reinsurance arrangements and prescribes guidelines for investment of funds.

The Corporation's strategy for management of insurance risk meets the minimum standards laid down by the law in addition to certain other practices which are specified by the Corporation.

41.1.10.1 Financial risk

a) Interest risk

The Corporation values its liabilities at the rate of 3.75% per annum, which is a requirement prescribed by the SECP. However, the actual return earned by the Corporation is much more than this. This large gap between the valuation discount rate and the market rate ensures that there is an adequate margin for the Corporation to absorb any impact of adverse fluctuation in the interest rates.

As a further security mechanism all the guaranteed liabilities of the Corporation are fully backed by the combined value of cash in hand, Government bonds and policy loans. The first two of these asset classes are by definition risk free. Also the policy loans are fully backed by the cash values of the underlying policies. Hence this asset class also does not carry any default risk.

The practice of valuing the assets Held to Maturity by the IRR method precludes any possibility of sudden changes in the investment return for which credit is taken in the accounts. This stability in the returns add another layer of security against interest risk.

b) Expense risk

Expense risk is the risk that the actual expenses of the Corporation will exceed the expense margins built in the premium rates. To cover this risk, a specific provision is kept in the actuarial reserves.

c) Mortality risk

The mortality used in the reserving basis is the mortality prescribed by the SECP, which is the SLIC 2001-2005 table. Due to advancement in health care technology the current mortality levels are lower than the mortality rates of this table. Hence, the reserving basis has adequate margins for absorbing the impact of adverse fluctuation in mortality.

d) Surrenders risk

The reserving basis used by the Corporation does not assume any surrenders. However, the Corporation ensures that the reserves kept by it for each policy are more than its surrender value. This ensures that the Corporation does not suffer any adverse impact in case any policies are surrendered.

e) Inflation risk

To a certain extent some inflation risk is already built into the reserving basis, since the average premium size and the average sum assured per policy tends to increase in line with inflation. Also at each actuarial valuation date the Appointed Actuary reviews the special provisions required to be kept as described under the heading Expense risk, keeping in view the expense level of the Corporation on the valuation date. This provides a mechanism of adjusting for any unanticipated movements in the inflation rate.

f) Catastrophe risk

The business of the Corporation is spread all over the country. However the insurance penetration rate in the country is still very low. This means that for any localized segment of the population only a small proportion of the people would be covered under life insurance. The proportion covered by the Corporation's policies is expected to be even smaller. As a result any localized catastrophic event is not expected to have any significant impact on the Corporation.

The situation is a bit different on the group insurance side where there is a higher concentration of risk because by its very nature this business often covers a large number of persons located within a restricted geographical area, such as a building or a factory premises.

This risk is mitigated to an extent due to the presence of reinsurance cover for the individual and group policies. In addition the premium rates of the Corporation are designed to adequately cater for this risk. Premium deficiency reserve held by the Corporation for its group business provides an extra layer of security against this risk.

g) Currency risk

The Corporation deals in only one currency within Pakistan. Hence, this risk is non-existent for the Pakistan Life Fund.

In case of the Gulf business the Corporation writes business in UAE Dirhams and US Dollars. The exchange rate parity between these two currencies is relatively stable. Also, there is a high degree of matching between the assets and liabilities in these two currencies.

The effect of fluctuation of currency risk upto 10% on the net assets to the revenue account will be as follows:

	UAE Dirhams	US Dollars
December 31, 2022		
10% increase	999,711	2,474,017
10% decrease	(999,711)	(2,474,017)
December 31, 2021		
10% increase	766,319	1,894,072
10% decrease	(766,319)	(1,894,072)

41.1.10.2 Credit risk and asset risk

Management of credit risk and asset risk deals with risks emanating from the assets side of the statement of financial position. Management of this risk has already been adequately explained under the heading "Financial risk management objectives and policies". Hence, no further explanation is deemed to be necessary.

41.1.10.3 Operational risk or pricing risk

The Corporation utilizes industry recognized underwriting practices to ensure that only standard risks are written on standard rates. Any sub standard risks identified during the underwriting process are charged suitable extra premiums. This ensures fair and equitable treatment between various risk categories and helps in keeping its standard rates competitive by the insurance industry standards.

This practice also protects the Corporation against the risk of large number of sub-standard impaired lives accumulating on its policy portfolio, since extra premium automatically charged to commensurate with such risk.

For lives which are otherwise uninsurable, the Corporation offers a special product line known as the non-declinature scheme. Individuals who are unable to obtain insurance cover due to their poor state of health can choose to obtain cover under this scheme, which by passes normal underwriting in return for a suitable extra premium and waiting period.

41.1.11 Sensitivity analysis

Mortality rates and the discounting factor are the two most significant variables which can have an impact on the policyholder liabilities. The Corporation has tested the sensitivity of its liabilities to both these variables which is as follows:

Variable	*Quantum of Change*	*% change in liability*
Increase in mortality	10%	0.07%
Decrease in mortality	10%	-0.08%
Increase in discount rate	0.5% addition in rate	-3.49%
Decrease in discount rate	0.5% reduction in rate	3.65%

According to the Life Insurance (Nationalization) Order, 1972, any increase or decrease in the actuarial surplus is shared by the policyholders and the Government as the sole shareholder in the ratio of 97.5% and 2.5% respectively.

41.2 Financial risk

The Corporation is exposed to variety of financial risks: market risk (comprising interest rate risk, currency risk, and other price risk), credit risk and liquidity risk in relation to the financial statements on its statement of financial position. The Corporation's risk management program is geared to ensure the survival of the Corporation as a going concern in the face of all sources of significant identifiable financial risks. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

The Board of Directors has the overall responsibility for establishment and oversight of the Corporation's risk management framework and is responsible for developing risk management policies and its monitoring.

41.2.1 Interest rate risk

		2022						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
	Note	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	8	-	-	-	77,799,314	-	77,799,314	77,799,314
Government securities	10	212,412,158	921,259,345	1,133,671,503	-	-	-	1,133,671,503
Debt securities	11	-	10,763,786	10,763,786	-	-	-	10,763,786
Mutual funds	9	-	-	-	7,169,767	-	7,169,767	7,169,767
Loans secured against life insurance policies		-	171,822,531	171,822,531	-	-	-	171,822,531
Insurance / reinsurance receivables	12	-	-	-	77,397,131	695,565	78,092,696	78,092,696
Other loans and receivables	13	-	-	-	64,902,078	-	64,902,078	64,902,078
Cash & bank	15	11,084,563	3,643,189	14,727,752	33,608,081	-	33,608,081	48,335,834
As at December 31, 2022		223,496,721	1,107,488,851	1,330,985,572	260,876,371	695,565	261,571,936	1,592,557,509
Financial Liabilities								
Insurance liabilities	18	-	-	-	118,667,425	1,403,341,087	1,522,008,512	1,522,008,512
Premium received in advance		-	-	-	5,326,067	-	5,326,067	5,326,067
Insurance / reinsurance payables	21	-	-	-	1,154,322	-	1,154,322	1,154,322
Other creditors and accruals	22	-	-	-	30,234,214	-	30,234,214	30,234,214
As at December 31, 2022		-	-	-	155,382,027	1,403,341,087	1,558,723,115	1,558,723,115
Off Balance Sheet Financial Instrument								
As at December 31, 2022		223,496,721	1,107,488,851	1,330,985,572	105,494,344	(1,402,645,522)	(1,297,151,179)	33,834,394

		2021						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
	Note	Maturity upto one year	Maturity after year	Sub total	Maturity upto one year	Maturity after year	Sub total	Total
		(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	8	-	-	-	88,913,774	-	88,913,774	88,913,774
Government securities	10	124,015,575	786,054,244	910,069,819	-	-	-	910,069,819
Debt securities	11	-	4,091,596	4,091,596	-	-	-	4,091,596
Mutual funds	9			-	8,554,292	-	8,554,292	8,554,292
Loans secured against life insurance policies		-	151,464,401	151,464,401	-	-	-	151,464,401
Insurance / reinsurance receivables	12	-	-	-	37,056,058	374,133	37,430,191	37,430,191
Other loans and receivables- Restated	13	-	-	-	55,789,524	-	55,789,524	55,789,524
Cash & bank	15	62,360,355	8,107,351	70,467,706	30,534,324	-	30,534,324	101,002,030
As at December 31, 2021		186,375,930	949,717,592	1,136,093,522	220,847,972	374,133	221,222,105	1,357,315,627

		2021						
		Interest / Markup bearing			Non-interest / Non-markup bearing			Total
	Note	Maturity upto one year	Maturity after year	Sub total	Maturity upto one year	Maturity after year	Sub total	
		(Rupees in '000)						
Financial Liabilities								
Insurance liabilities	18	-	-	-	54,464,424	1,256,176,869	1,310,641,293	1,310,641,293
Premium received in advance		-	-	-	5,569,399	-	5,569,399	5,569,399
Insurance / reinsurance payables	21	-	-	-	521,942	-	521,942	521,942
Other creditors and accruals	22	-	-	-	25,384,289	-	25,384,289	25,384,289
As at December 31, 2021		-	-	-	85,940,054	1,256,176,869	1,342,116,923	1,342,116,923
Off Balance Sheet Financial Instrument								
As at December 31, 2021		186,375,930	949,717,592	1,136,093,522	134,907,918	(1,255,802,736)	(1,120,894,817)	15,198,704

41.2.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements of prices of financial instruments and securities. Such price movements can arise due to variation of market interest rates, currency exchange rates, industry profitability and other economic factors.

The Corporation's investments are primarily in long term Government bonds. In addition, the Corporation also has a significant exposure to the equity market and invests some funds in corporate term finance certificates. Funds awaiting long term investment are kept in short duration fixed deposits with banks.

41.2.3 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk since it issues insurance policies which are long term in nature. These policies are essentially backed by long term Government bonds and cash at bank.

It is the policy of the Corporation to match the average duration of its investments in Government bonds with the average duration of its policyholders liabilities as much as possible but this is not always possible due to market limitations. This is because sufficient quantities of the Government bonds of longer duration are not available in the market. As a result some mismatch in the average duration of the Corporation's liabilities and assets is possible.

Interest rate risk exposures from options and guarantees embedded in insurance liabilities

The Corporation's deposit administration pension contracts have certain guarantees that transfer interest rate risk to the Corporation. These guarantees include a minimum guaranteed investment return of 0.375% per month on the pension funds being managed by the Corporation. The pension liabilities of the Corporation are a very insignificant proportion of overall liabilities of the Corporation and historically investment return earned on the assets backing these liabilities has never been below the amount of the guaranteed return.

41.2.4 Currency risk

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. This risk arises if there is a currency mismatch between the assets and liabilities.

All assets and liabilities of the Corporation within Pakistan are in Pakistan rupees. This business is therefore not exposed to any currency risk.

The Corporation's Overseas Life Fund undertakes business in US Dollars and UAE Dirhams. It is policy of the Corporation to ensure the maximum possible currency matching between its assets and liabilities in each currency. Historically, UAE Dirham has remained pegged to US Dollar, hence any inadvertent mismatch between these two currencies is not expected to entail any significant currency risk.

Carrying amounts of the Corporation's foreign currency denominated assets, liabilities and reserves are as follows:

	2022		2021	
	UAE Dirhams	**US Dollars**	UAE Dirhams	US Dollars
	--------Rupees '000---------		--------Rupees '000---------	
Assets	**171,079**	**145,529**	214,359	140,378
Liabilities	**9,130**	**36,325**	59,547	34,623
Reserves	**161,949**	**109,204**	154,812	105,755

41.2.5 Other price risk

Other price risk is the risk that equity prices can fluctuate due to speculative investment activity, variations in the profit outlook of industries, interest rates prevailing in the market and general market sentiment, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Corporation's investment in listed securities are exposed to market price risk arising from uncertainties about the future value of investment securities. The Corporation limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity. In addition, the Corporation actively monitors the key factors that affect stock market.

41.2.6 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Corporation. The key areas of exposure to credit risk for the Corporation are in relation to its investment portfolio, reinsurance program and to a lesser extent amounts due from policyholders and intermediaries.

The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Corporation uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers. The Corporation's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. The Corporation extends policy loans to its policyholders. These loans are entirely backed by the cash values of their policies.

The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Corporation does not invest in derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure, as specified below:

	Note	2022	2021
		------- Rupees in '000 -------	
Bank deposits		**45,127,548**	100,959,277
Loans secured against life insurance policies		**171,822,531**	151,464,401
Investments		**1,229,404,370**	1,011,629,481
Insurance / reinsurance receivables	12	**78,092,696**	37,430,191
Other loans and receivables		**64,902,078**	55,789,524
Total		**1,589,349,223**	1,357,272,874

The age analysis of insurance/reinsurance receivable:

	2022	2021
Up to 1 year	**78,092,695**	37,430,191

Subsequent years premium falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the corporation under the Automatic Non-forfeiture provisions. However, premiums due in the month of December but not received are recognized if the grace period is to expire after the next 1st January. Hence the age of outstanding premium is always less than one year.

The credit quality of the Corporation's bank balances can be assessed with reference to external credit ratings as follows:

Bank name	Long term	Short term	Rating Agency	2022	2021
				------Rupees in '000------	
Allied Bank Limited	AAA	A1+	PACRA	**1,384**	1,395
AL Habib Bank Limited	AAA	A1+	JCR-VIS	**-**	1,500,298
Bank Al Falah Limited	AA+	A1+	PACRA	**6,589,001**	4,239,881
Dubai Islamic Bank	AA	A1+	JCR-VIS	**125,670**	69,123
First Women Bank Limited	A-	A2	PACRA	**9,893**	6,993
Habib Bank Limited	AAA	A1+	JCR-VIS	**16,503,855**	65,166,027
MCB Bank Limited	AAA	A1+	PACRA	**2**	1,500,335
Mobilink Micro Finance Bank	-	-	-	**33,900**	-
National Bank of Pakistan	AAA	A1+	PACRA	**87,423**	71,839
Barclays Banks	-	-	-	**20,754**	23,249
NIB Bank Limited	AAA	A1+	PACRA	**23,246**	16,267
The Bank of Punjab	AA+	A1+	PACRA	**3,398,515**	1,513,565
Faysal Bank Limited	AA	A1+	JCR-VIS	**1,545,427**	1,556,651
Samba Bank Limited	AA	A-1	PACRA	**8,191**	8,999
Silk Bank Limited	A-	A-2	JCR-VIS	**15,984**	5,492
Sindh Bank Limited	A+	A1+	JCR-VIS	**1**	1
Soneri Bank Limited	AA	A1+	PACRA	**3,016,150**	1,513,248
Standard Chartered Bank Limited	AAA	A1+	PACRA	**159**	-
Summit Bank Limited		SUSPENDED		**9,469**	17,347
United Bank Limited	AAA	A1+	JCR-VIS	**12,395,464**	21,965,211
Habib Metropolitan Bank	AA+	A1+	PACRA	**9,578**	10,796
Julius Bar Bank	-	-	-	**52,244**	73,341
Al Ahli Bank Kuwait	-	-	-	**18,723**	43,365
Bank of Singapore	-	-	-	**1,262,516**	1,655,854
				45,127,549	100,959,277

The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

Rating Status	2022	2021
	------- Rupees in '000 -------	
A or above	**43,729,943**	**99,146,121**

41.2.7 Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its obligations associated with financial liabilities as they fall due.

The Corporation has adopted an appropriate liquidity risk management framework for the management of the Corporation's liquidity requirements. The Corporation manages liquidity risk by maintaining banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Corporation is exposed to liquidity risk arising from clients on its insurance and investment contracts. The Corporation maintains adequate liquid reserves to meet any eventuality arising from a catastrophe.

Liquidity management ensures that the Corporation has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the Corporation's assets are marketable securities which could be converted into cash when required.

41.2.8 The fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2022	
	Carrying value	**Fair value**
	------- Rupees in '000 -------	
Government securities	**1,133,671,503**	**999,072,761**

	2021	
	Carrying value	Fair value
	------- Rupees in '000 -------	
Government securities	910,069,819	847,081,346

42 CAPITAL RISK MANAGEMENT

The Corporation manages its capital to ensure that it remains financially solvent while maintaining adequate financial strength to sustain business growth. It also complies with the minimum capital requirements of the SECP. The capital structure of the Corporation consists of equity attributable to the Government which is the sole shareholder of the Corporation and accumulated surplus.

There were no changes made to the objectives, policies and processes for managing capital.

Further details are given in the table below:

	2022	Restated 2021
	------- Rupees in '000 -------	
Accumulated surplus	**2,113,605**	1,854,840
Ledger account C & D	**18,190,546**	8,544,917
General reserve	**808,314**	4,725
Capital contributed to statutory fund	**100,000**	100,000
Issued, subscribed and paid-up capital	**6,200,000**	4,900,000
Shareholders' equity	**27,412,465**	15,404,482

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Corporation's financial assets and financial liabilities as at December 31, 2022.

The Corporation considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

	As at December 31, 2022		As at December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	--------------------Rupees in '000--------------------			
Financial Assets				
- Cash and bank deposits	48,345,441	48,345,441	101,002,030	101,002,030
- Loans secured against life insurance policies	171,822,531	171,822,531	151,464,401	151,464,401
- loan to agents	86,441	86,441	81,736	81,736
- loan to employees	936,969	936,969	953,738	953,738
- Other loans and receivables	63,878,669	63,878,669	54,754,050	54,754,050
Investments				
Fair value through Profit and loss				
Listed equity securities and mutual fund units	83,342,853	83,342,853	95,474,924	95,474,924
Unlisted equity securities and mutual fund units	1,626,228	1,626,228	1,993,141	1,993,141
Held to maturity				
Government securities	1,133,671,503	999,072,761	910,069,819	847,081,346
Holding in subsidiary companies	323,618	323,618	323,618	323,618
Other fixed income securities	3,654	4,349	3,654,344	4,348,878
	1,218,967,856	1,084,369,809	1,011,515,846	949,221,907
- Insurance / reinsurance receivables	78,092,696	78,092,696	37,430,191	37,430,191
Financial Liabilities				
- Balance of statutory funds-including policyholders' liabilities	1,522,008,512	1,522,008,512	1,310,641,293	1,310,641,293
- Creditors and accruals	30,234,214	30,234,214	25,384,289	25,384,289
- Premium received in advance	5,326,067	5,326,067	5,569,399	5,569,399
- Insurance / reinsurance payables	1,154,322	1,154,322	521,942	521,942

43.2 FAIR VALUE HIERARCHY

The level in the fair value hierarchy within which the asset or liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Assets and liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	As at December 31, 2022	**Level 1**	**Level 2**	**Level 3**
	-----------------------Rupees in '000----------------------			
Financial Assets at carrying value				
Investments at carrying value Fair value through Profit and loss				
Listed equity securities and mutual fund units	83,342,853	83,343	-	-
Unlisted equity securities and mutual fund units	1,626,228	-	1,626	-
Holding in subsidiary companies	323,618	-	-	323,618
	85,292,699	83,343	1,626	323,618

	As at December 31, 2021	Level 1	Level 2	Level 3
	----------------------Rupees in '000---------------------			
Financial Assets at carrying value				
Investments at carrying value Fair value through Profit and loss				
Listed equity securities and mutual fund units	95,476,400	95,476,400	-	-
Unlisted equity securities and mutual fund units	1,991,666	-	1,991,666	-
Holding in subsidiary companies	325,100	-	-	325,100
	97,793,166	95,476,400	1,991,666	325,100

Carrying values of all other financial assets and liabilities approximate their fair value.

43.3 Transfers during the period

During the year to December 31, 2022:

- 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.

43.4 Valuation techniques

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.

- Unlisted equity securities are carried at cost.

- Investments in subsidiary companies are being carried at cost.

- Fair value of open-ended mutual fund is determined on the basis of closing net assets value taken from MUFAP.

44 CORRESPONDING FIGURES

The corresponding figures of these unconsolidated financial statements has been reclassified for better presentation. Following reclassification is made during the year.

Reclassification From	**Reclassified To**	**-----Rs. '000-----**
- Cash in hand	- Policy & Revenue stamps, Bond papers	8,067

45 SUBSEQUENT EVENTS

The Board of Directors of the Corporation in their meeting held on 18 APR 2023 declared dividend of Rs. 2,000 million (2021: Rs. 1,720.286 million).

These unconsolidated financial statements for the year ended December 31, 2022 do not include the effect of these appropriations and these will be accounted in the unconsolidated financial statements for the year ending December 31, 2023.

46 NUMBER OF EMPLOYEES

The details of number of employees are as follows:

	2022	2021
Permanent employees as at year end	**3,756**	3,650
Area managers	**1,127**	1,247
	4,883	4,897
Average number of employees during the year	**4,890**	4,985

47 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Corporation on 18 APR 2023.

48 GENERAL

Figures in these unconsolidated financial statements have been rounded off to nearest thousand of rupees. In narrative notes, certain figures have been rounded off to million of rupees.

CHAIRMAN	DIRECTOR	DIRECTOR	CHIEF FINANCIAL OFFICER
Shoaib Javed Hussain	Moin M. Fudda	Muhammad Aslam Ghauri	Muhammad Rashid

Form LM

Statement by the Appointed Actuary

required under Section 52(2) (a) & (b) of the Insurance Ordinance, 2000

In my opinion,

a. The policyholder's liabilities / technical liabilities included in the balance sheet of State Life Insurance Corporation of Pakistan as at December 31, 2022 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and

b. Each statutory fund of the State Life Insurance Corporation of Pakistan complies with the solvency requirements of the Insurance Ordinance, 2000.

(Shujaat Siddiqui)
Appointed Actuary of the Corporation

Dated: April 18, 2023

Form LN

Statement of Directors

(As per requirement of Section 46(6) and Section 52(2) (C)
of the Insurance Ordinance, 2000)

Section 46 (6)

a. In our opinion the financial statements of the State Life Insurance Corporation of Pakistan for the year ended December 31, 2022, set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, and any rules made there under;

b. State Life Insurance Corporation of Pakistan has at all times in the period complied with the provisions of the Insurance Ordinance and the Insurance Rules made there under relating to paid-up-capital, solvency and re-insurance / retakaful arrangements; and

c. As at December 31, 2022, State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up-capital, solvency and reinsurance / retakaful arrangements.

Section 52 (2) (C)

d. In our opinion, each statutory fund of the State Life Insurance Corporation of Pakistan complies with the solvency requirements of the Insurance Ordinance, 2000 and the Insurance Rules, 2017.

CHAIRMAN	DIRECTOR	DIRECTOR	CHIEF FINANCIAL OFFICER
Shoaib Javed Hussain	Moin M. Fudda	Muhammad Aslam Ghauri	Muhammad Rashid