

45th annual report 2017



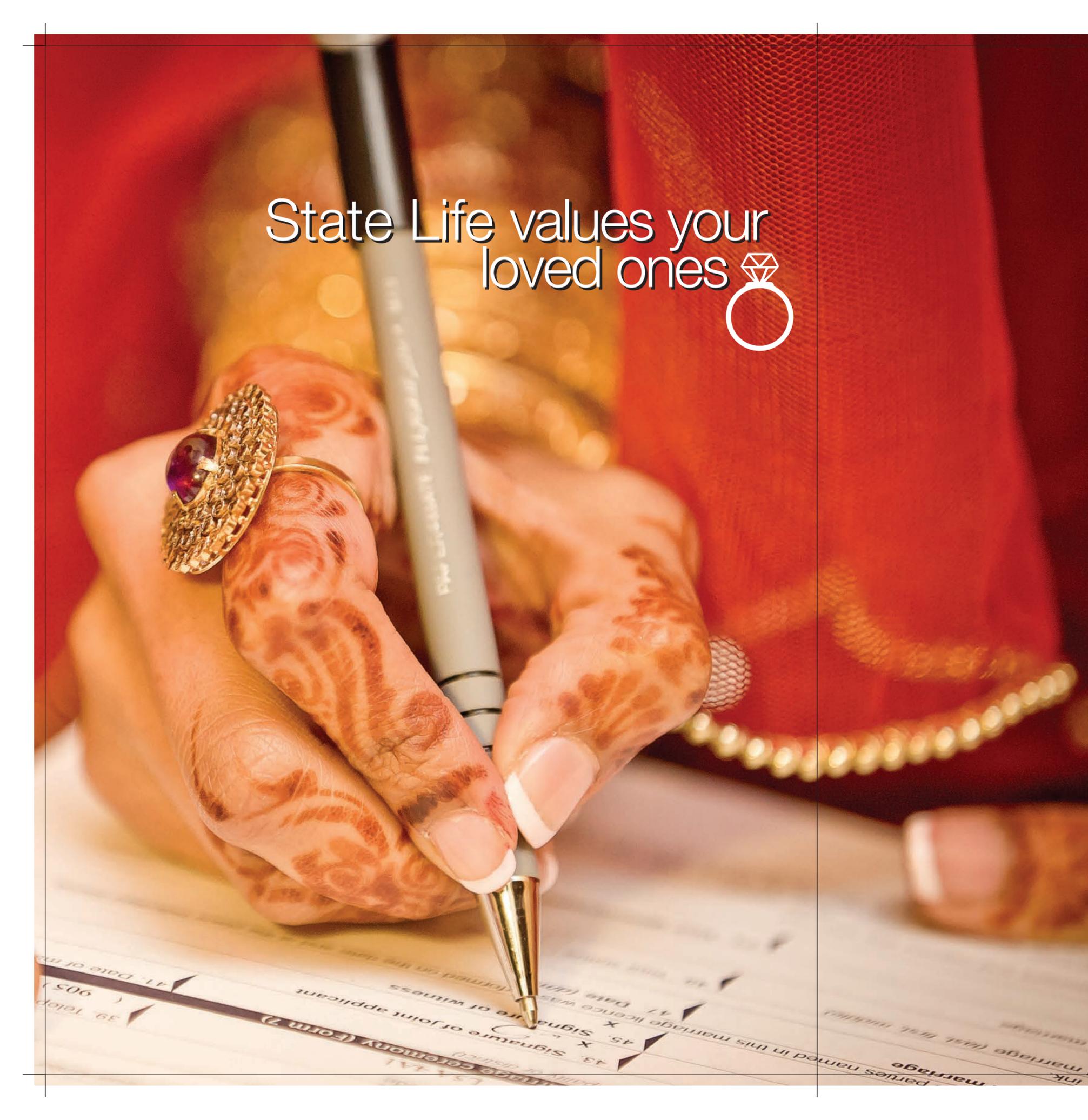
Adding value to life



Principal Office:
State Life Building No. 9, Dr. Ziauddin Ahmed Road,
Karachi-75530, PABX No.: 021-99202800-9 Lines | E-mail: dhgp@statelife.com.pk
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www.statelife.com.pk



A close-up photograph of a woman's hands, adorned with intricate henna designs and several rings, including a large ornate gold ring with a purple gemstone. She is holding a silver pen and signing a document. The document is titled "Marriage Ceremony (Form 7)" and contains fields for "Signature of joint applicant", "Signature of witness", and "Date of marriage". The background is a blurred red fabric with gold jewelry.

State Life values your
loved ones 

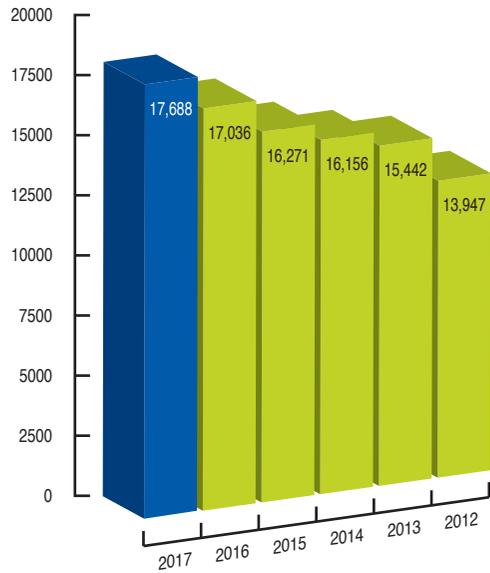
Marriage Plans

As a caretaker, State Life values your loved ones. That's why we offer marriage plans so secure that making your daughter's big day a success is no longer a dream but a wonderful reality that's made possible only by State Life.

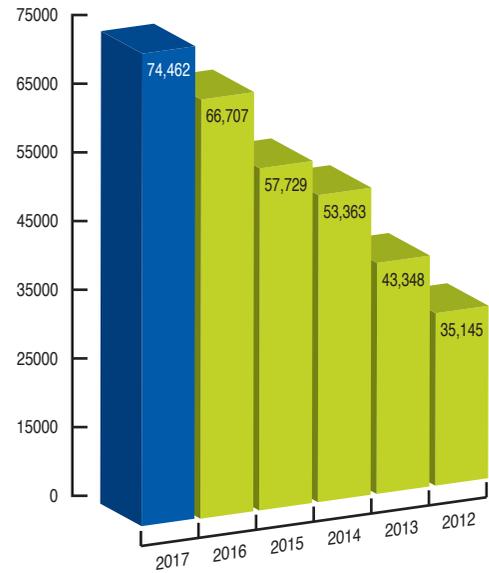


Financial Highlights

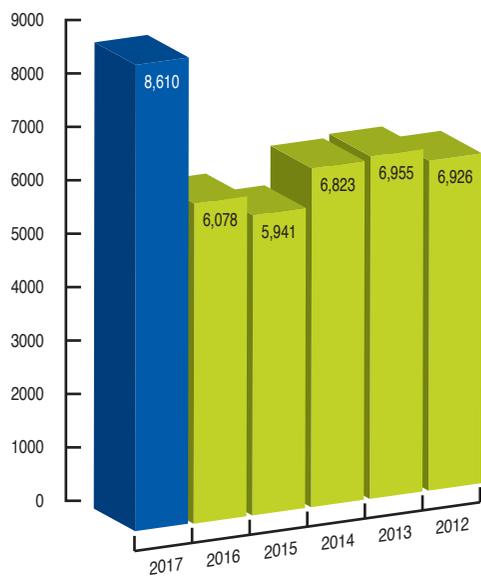
First Year Premium (Rs. in Million)



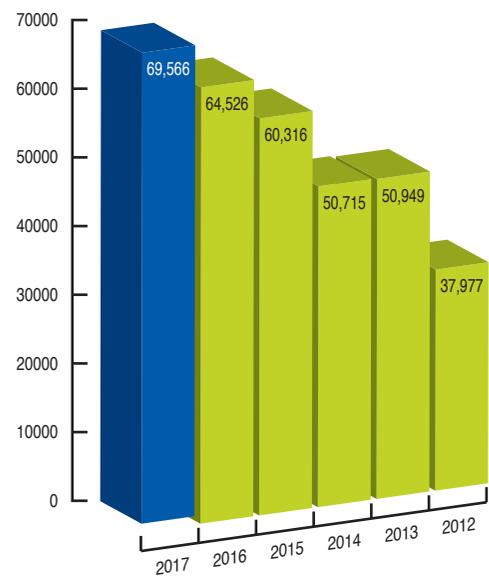
Renewal Premium (Rs. in Million)



Group Premium (Rs. in Million)

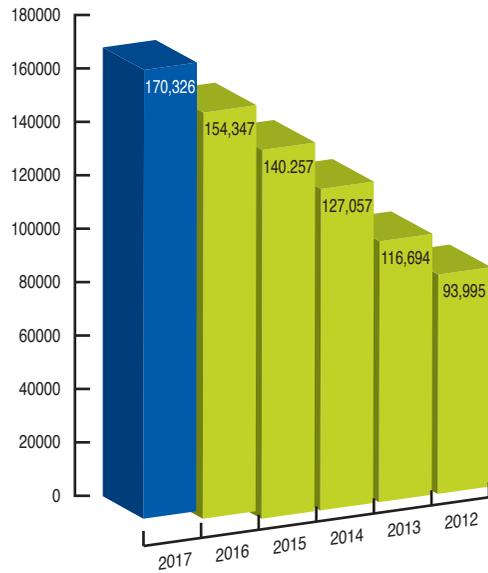


Investment Income (Rs. in Million)

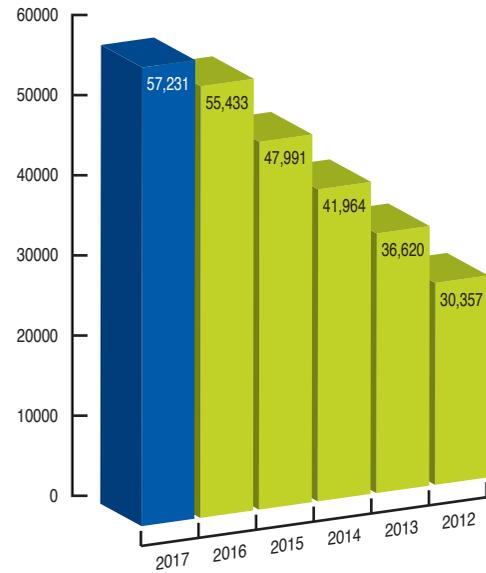




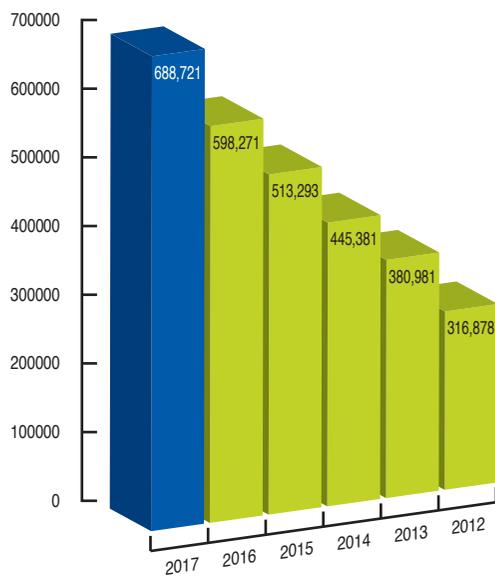
Total Income (Rs. in Million)



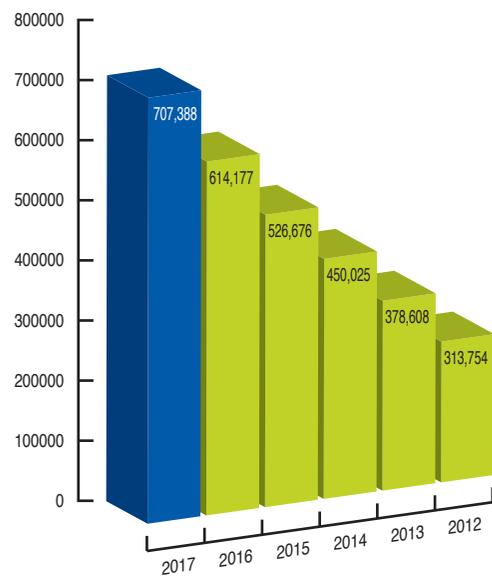
Bonus to Policy Holders (Rs. in Million)



Investment Portfolio (Rs. in Million)



Life Fund (Rs. in Million)



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Core Values

Objectives

To run life Insurance business on sound lines. To provide more efficient services of the policyholders. To maximize the return to the policyholders by economizing expenses and increasing yield on investment.

To make life Insurance a more effective mean of mobilizing national savings.

To widen the area of operation of life Insurance and making it available to as large a section of the population as possible, extending it from comparatively more affluent sections of society to the common man in towns and villages. To use policyholders fund in the wider interest of the community.

Mission

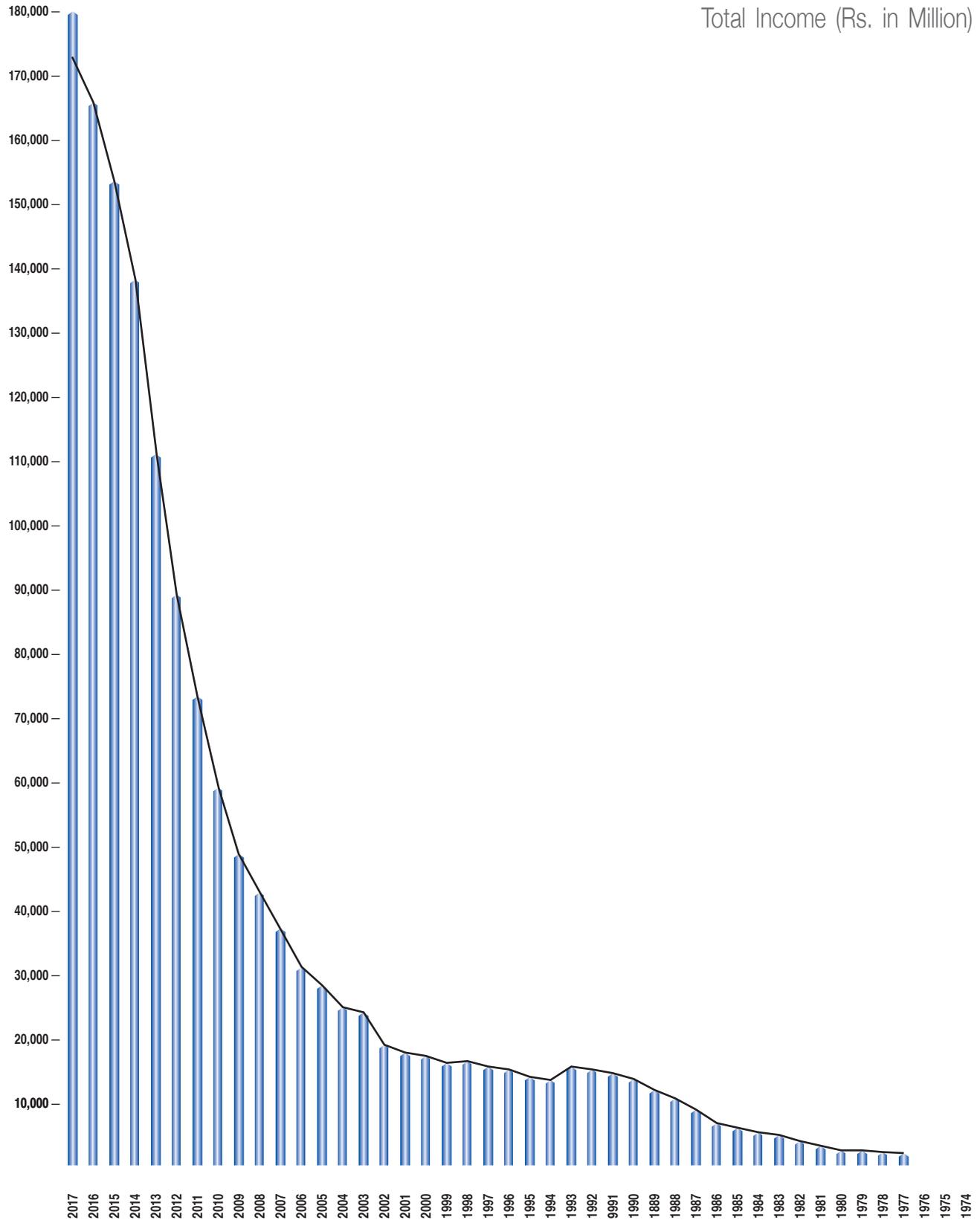
To remain a leading insurer in the country by extending the benefits of life Insurance to all sections of society and meeting our commitments to our policyholders and nation.

Quality Policy

To ensure satisfaction of our valued policyholders in processing new business, providing after sales services and optimizing return on life fund through a quality culture and to maintain our position as the leading insurer in Pakistan.

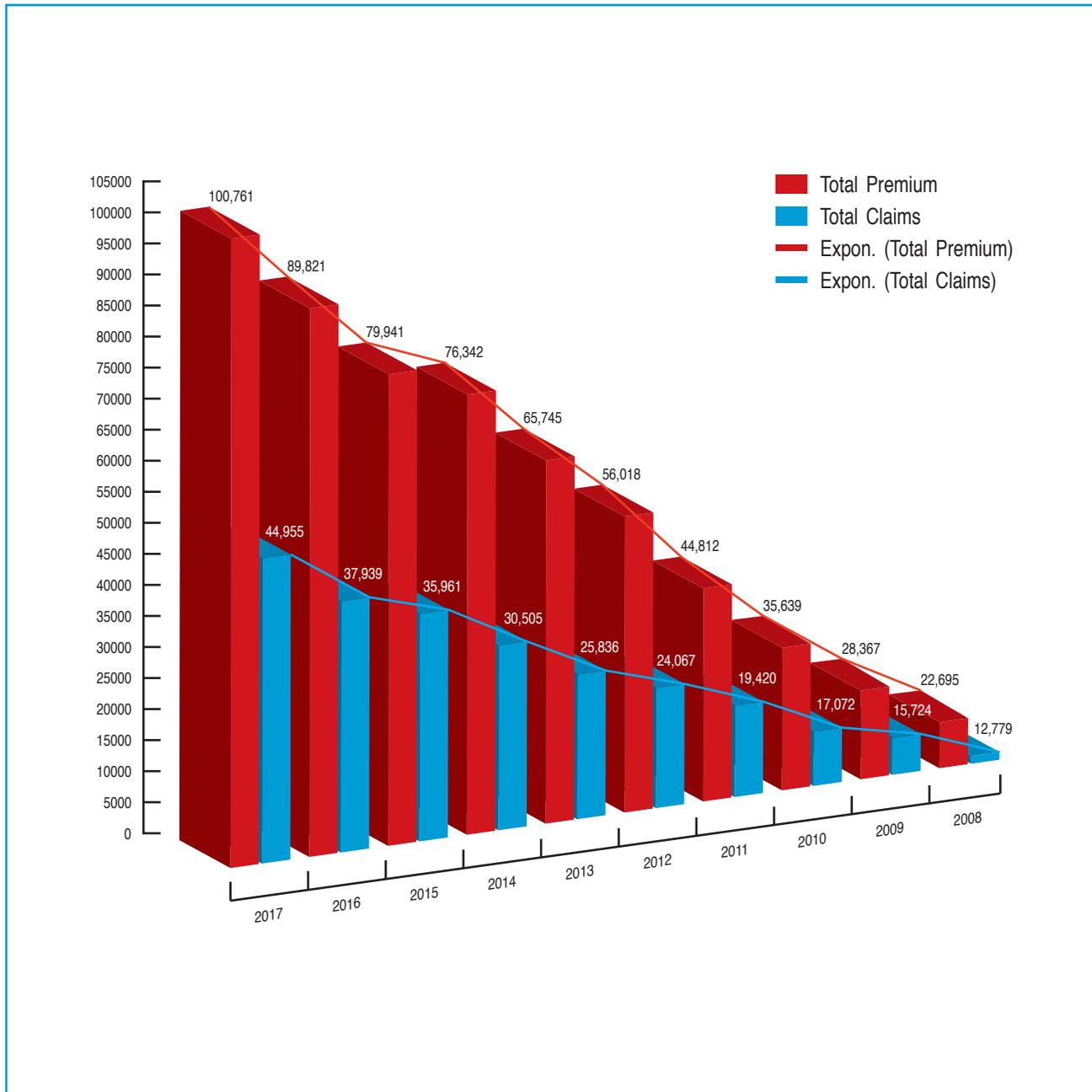


SLIC Journey to Success



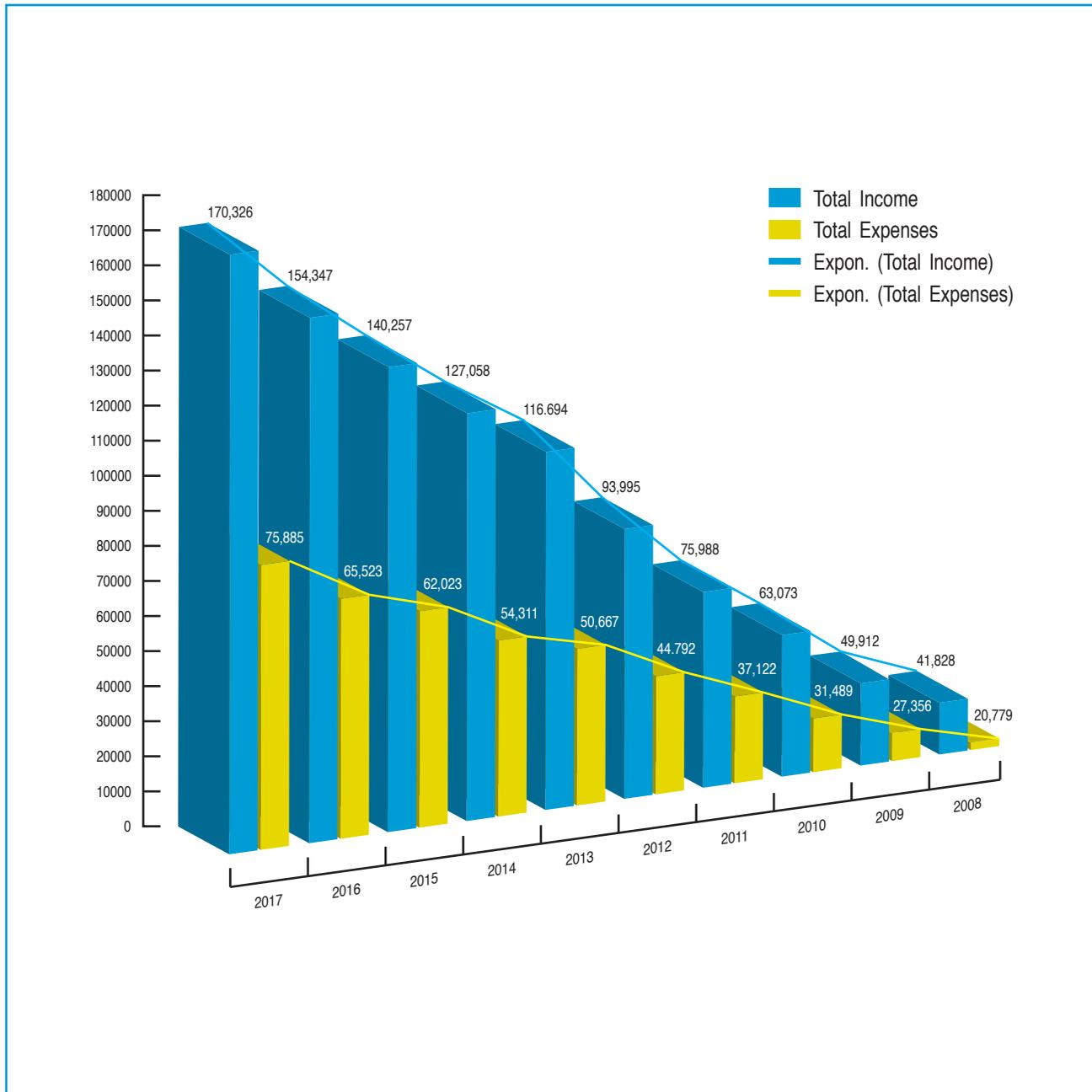


Total Premiums Vs. Total Claims 2008 – 2017 (Rs. in Million)





Total Income Vs. Total Expenses 2008 – 2017 (Rs. in Million)





Human Resource

1. SLIC Human Resource Management (HRM) is the strategic and coherent approach to management, its valued asset. The people working there who individually and collectively contribute to the achievement of the objectives of the business. SLIC Personnel and General Services Division, Principal Office (i.e. Personnel Division, General Services Department, Medical Department and Staff Training Department) monitors and supports activities of P&GS in 7 regions and 34 zones of Individual Life, Real Estate, G&P Division, Health Insurance Division, Bancassurance, Takaful Insurance and G&P zones.
2. The HR policies provide SLIC with a mechanism to manage risk by staying up-to-date with current trends in employment standards and legislation. SLIC HR policies are framed in a manner to achieve the Corporation vision and the human resource helping the Corporation or work towards it at all levels to be benefited and at the same time without deviating from their main objective both development side and non development side of Corporation.
3. SLIC Human Resource Policies are established systems of codified decisions to support administrative personnel functions, performance management, employee relations and resource planning. State Life Employees (Service) Regulation 1973 embeds all the HR Policies and Procedures related to its employees which encompass the following areas:

Health, Safety and Security, Selection and Placement, Wage, Salary and Benefits, Leaves and Attendance, Loans and Advances, Move Over/Upgradation, Promotion, Special Pay and Allowances, Fixation of Pay, General Conduct and Discipline and Travelling Expenses.
4. SLIC Human Resource policies also cover Post Retirement Benefits of its Employees (i.e. Pension, Gratuity, Provident Funds, Compulsory Group Insurance, Voluntary Group Insurance and Medical Facilities for Officers).
5. The established policies help SLIC to demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitment in relation to Collective Bargaining Agents of Unionized Staff, regulation and corporate governance. The established HR Policies set out obligations, standards of behavior and document disciplinary procedures, which is the standard approach to meeting these obligations. SLIC HR Policies are also very effective in supporting and building the desired organizational culture.

Satisfaction of Policyholders

Prime objective of the Policyholders Service Division is to render quality services to its policyholders. In this pursuit certain measures have been taken to improve services such as quality underwriting, prompt settlement of claims and handling of grievances of policyholders/claimants or their successors on priority basis. New and improved online access makes it quick, simple and secure to view and make queries and obtain policy related information. Policyholders can, register for online access, download forms, view policy status, make request for change in address, nomination etc. Further, the details of outstanding maturity claims have been made available on website along with simplified procedure and contact details of concerned officials of Policyholders Service Division. A free of cost e-Alert SMS based value added service has also been started for quick acknowledgement and response on different events to policyholders. These steps have not only increased the level of satisfaction of our policyholders but have also contributed towards growth of business in insurance industry.



Corporate Information as at December 31, 2017

Board of Directors

Mr. Shoaib Mir
Chairman

Mr. Saad Amanullah Khan
Director

Mr. Shafqaat Ahmed
Director

Dr. Aliya Hashmi Khan
Director

Company Secretary

Mr. Mushtaq Ahmed

Auditors - Pakistan

M/s. Riaz Ahmad & Company
Chartered Accountants

M/s. Bdo Ebrahim & Co.
Chartered Accountants

Gulf Countries

M/S. Nabeel Al-saie
Public Accountants Dmcc

Appointed Actuary

Mr. Shujaat Siddiqui
MA, FIA, FPSA,

Risk Management and Compliance Committee

Mr. Saad Amanullah Khan
Chairman

Mr. Shafqaat Ahmed
Member

Dr. Aliya Hashmi Khan
Member

Mr. Fazal Ur Rehman
Member

Mr. Faisal Mumtaz
Non-Member/Secretary

Takaful Committee

Mr. Shoaib Mir
Chairman

Mr. Shafqaat Ahmed
Member

Mr. Saad Amanullah Khan
Member

Takaful Committee

Mr. Muhammad Izqar Khan
Member

Mr. Faisal Mumtaz
Member

Mufti Muhammad Hassaan Kaleem
(Shariah Advisor)/Member

Mr. M.Naseeruddin
Non-Member/Secretary

Board Audit Committee

Mr. Shafqaat Ahmed
Chairman

Mr. Saad Amanullah Khan
Member

Dr. Aliya Hashmi Khan
Member

Mr. Muhammad Sohaib Usmani
Non-Member/Secretary

Real Estate Committee

Mr. Saad Amanullah Khan
Chairman

Mr. Shafqaat Ahmed
Member

Mr. Jamil Anwar
Member

Mr. Manzoor Ali Vighio
Member

Mr. Athar Hussain Khokhar
Non-Member/Secretary

Investment Committee

Mr. Shafqaat Ahmed
Chairman

Mr. Shoaib Mir
Member

Mr. Saad Amanullah Khan
Member

Dr. Aliya Hashmi Khan
Member

Mr. Muhammad Rashid
CFO/Member

Mr. Shujaat Siddiqui
Appointed Actuary/Member

Mr. Attaullah A.Rasheed
Non-Member/Secretary

Claims Settlement Committee

Dr. Aliya Hashmi Khan
Chairperson

Mr. Muhammad Izqar Khan
Member

Mr. Faisal Mumtaz
Member

Dr. Arshad H. Iraqi
Non-Member/Secretary

Ethics, Human Resource & Remuneration Committee

Dr. Aliya Hashmi Khan
Chairperson

Mr. Shafqaat Ahmed
Member

Mr. Saad Amanullah Khan
Member

Mr. Shafique Ahmed Shaikh
Non-Member/Secretary

Standing Committee

Mr. Shoaib Mir
Chairman

Mr. Saad Amanullah Khan
Member

Mr. Shafqaat Ahmed
Member

Mr. Shafique Ahmed Shaikh
Non-Member/Secretary

Underwriting/Reinsurance and Co-insurance Committee

Mr. Saad Amanullah Khan
Chairman

Mr. Shafqaat Ahmed
Member

Mr. Manzoor Ali Vighio
Member

Mr. Sher Muhammad Abbasi
Member

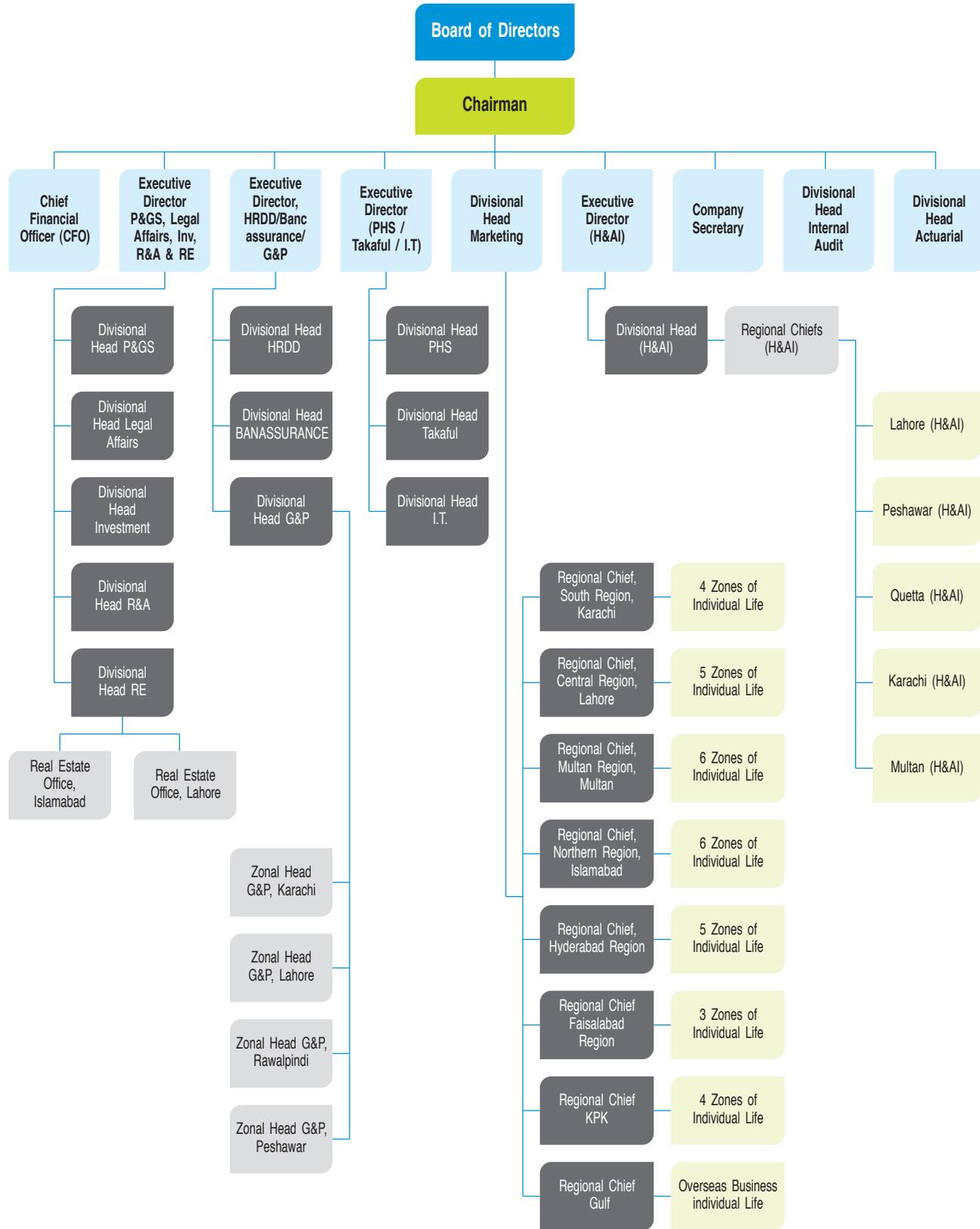
Mr. M. Khalid Awan
Non-Member/Secretary

Principal Office

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Organogram of State Life – 2017





Management

Chairman

Mr. Shoaib Mir

Executive Directors

Mr. Abdul Ghufuran Memon

Mr. Jamil Anwar

Mr. Muhammad Izqar Khan

Mr. Nadeem Bessey
(Additional Charge)

Divisional Heads (Principal Office)

Mr. Muhammad Rashid
Chief Financial Officer

Mr. Nadeem Bessey
Health & Accidental Insurance

Mr. Iftikhar Ahmed
Group & Pension

Mr. Mushtaq Ahmed
Company Secretary

Mr. Shafique Ahmed Shaikh
P&GS

Mr. Athar Hussain Khokhar
RED

Mr. Attaullah A.Rasheed
Investment

Mr. Muhammad Sohaib Usmani
Internal Audit

Mr. Faisal Mumtaz
Actuarial

Mr. Mehmood H.Malik
Takaful

Mr. Manzoor Ali Vighio
Legal Affairs

Mr. Azhar Hussain
Marketing

Mr. Gian Chand
Bancassurance

Mr. Mushtaq Ahmad
Information Technology

Mr. M.Faisal Younus Bawani
Chief Technology Officer

Mr. Sher Muhammad Abbasi
PHS

Mr. Muhammad Ali
HRDD

Chief Medical Officer

Dr. Nisar Ahmed Shah

Individual Life

Regional Chiefs

Mr. Tahir Ahmed Khan
Central Region (Lahore)

Chaudhry Akhtar Hussain
Southern Region (Karachi)

Choudhry Muhammad Ejaz
Northern Region (Islamabad)

Mr. M.Dawood Nasir
Multan Region (Multan)

Mr. Muhammad Iqbal Gill
Hyderabad Region (Hyderabad)

Mr. Khalid Mansoor
KPK Region (Peshawar)

Mr. Khalid Mehmood Shahid
Faisalabad Region (Faisalabad)

Bancassurance

Mr. Gian Chand
General Manager

Zonal Chief

Gulf Countries

Mr. M. Ramzan Shahid
Gulf Zone, UAE-Dubai

Zonal Heads

Central Region

Ch. Anjum Rasheed
Lahore Zone (Central)

Mr. M. Zulfqar Ali Gillani
Lahore Zone (Western)

Ch. Inam Ullah
Gujranwala Zone

Mr. Tahir Mehmood Cheema
Sialkot Zone

Mr. Iftikhar Ali Malik
Narowal Zone

Faisalabad Region

Ch. Sarfaraz Ahmed
Faisalabad Zone

Mr. Abdul Sattar Javed
Sargodha Zone

Mr. M.Akbar Mughal
Jhang Zone

Multan Region

Mr. Liaquat Ali Shahid
Multan Zone

Mr. Mehmood Jaffer
Sahiwal Zone

Multan Region

Rana Nisar A.Chiragh
Rahim Yar Khan Zone

Mian Munir Ahmed
Dera Ghazi Khan Zone

Ch. M.Yousuf Mukhtar
Bahawalpur Zone

Mr. M.Tariq Siddique
Vehari Zone

Northern Region

Ch. M.Yousaf Farooqi
Rawalpindi Zone

Mr. Jalil A.Hashmi
Mirpur (AK) Zone

Syed Asad Ali Shah
Islamabad Zone

Ch. Muhammad Arshad
Gujrat Zone

Raja Zafar Iqbal
Jhelum Zone

Ms. Sardar Begum
Gilgit Zone

KPK Region

Mr. Namaish Khan
Peshawar Zone

Mr. Muhammad Khalid
Abbottabad Zone

Syed Abdul Rauf
Swat Zone

Mr. Shah Jehan Khan
Kohat Zone

Southern Region

Mr. M.Saeed Khan
Karachi Zone (Southern)

Mr. Siddique Akbar
Karachi Zone (Eastern)

Qazi Fawad Saleem
Karachi Zone (Central)

Mr. Muhammad Aurangzeb
Quetta Zone

Hyderabad Region

Mr. Abdul Hussain Kapri
Hyderabad Zone

Mr. Masood Anwer Arain
Mirpurkhas Zone

Mr. Shah Nawaz Soomro
Sukkur Zone

Mr. S.Noor Shah Bukhari
Larkana Zone

Mr. Asghar Ali Khushk
Benazirabad Zone

Group Life

Zonal Heads

Mr. Mumtaz Ahmed Qureshi
Karachi Zone

Dr. Sajjad Hussain Zaidi
Lahore Zone

Mr. Abdul Waheed
Rawalpindi Zone

Mr. Shafiqat Hussain Jafri
Peshawar Zone

Health and Accidental Insurance

Regional Chief

Mr. Muhammad Ashar
Islamabad

Mr. Muhammad Shoaib Khan
Lahore

Zonal Heads

Mr. Muhammad Shoaib Khan
Lahore Zone

Mr. Tajammul Hussain Khattak
Peshawar Zone

Mr. Muhammad Jalaluddin Akbar
Quetta Zone

Mr. Muhammad Ashraf Bhatti
Multan Zone

Mr. Hafeezuddin
Karachi Zone

State Life values
your well-being



Life Insurance

As your partner in life, State Life values your well-being and every journey you embark on. Through our flagship Life Insurance Plans we offer you the best returns which are guaranteed to carry you through the good times and the bad. Rest easy when your family is protected by State Life, the only AAA rated and Pakistan's largest life Insurance Corporation.



Directors' Report to the Shareholders

The Directors are pleased to present the 2017 Annual Report together with the audited financial statements of the Corporation for the year ended December 31, 2017.

1. Compliance with the Code of Corporate Governance for Insurers, 2016

In accordance with SRO 1045(1)/2016 dated 9th November 2016 issued by Securities & Exchange Commission of Pakistan on Corporate Governance rules for Insurers, 2016. The Directors are pleased to confirm the following:

- The financial statements, prepared by the management of State Life Insurance Corporation of Pakistan (the Corporation), present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Corporation have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines/principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- As disclosed in note 1.4 to the financial statements, as a consequence of the corporatization, the Corporation may not be expected to continue as a going concern. The Company formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc of the Corporation at a specific date which is uncertain. Since there will be no change in operational activities of the Corporation pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities;
- There has been no material departure from the best practices of corporate governance;

2. Operating and Financial Performance:

During the period under review, overall performance of the Corporation remained satisfactory. An overview of the performance of State Life during the year 2017 as compared to year 2016 is given hereunder:

- Total Income of the State Life increased to Rs.170,331 million in 2017 as against Rs.154,353 million in the preceding year, registering an increase of 10%.
- Management expenses for the year 2017 were Rs. 30,935 million as compared to Rs.27,589 million in 2016 showing an increase 12%. Overall management expense ratio to total premium income for the year 2017 was 31% as almost the same for the year 2016.
- Payments to policyholders in the year 2017 were Rs.44,955 million as against Rs.37,939 million in 2016, showing an increase of 18%.
- Total amount of statutory funds for the year 2017 was Rs.707,388 million as against Rs. 614,177 million in 2016, showing an increase of 15%.



3. Business Portfolio Wise Performance

3.1 Individual Life Business - Pakistan's Operations:

First year gross premium income under Individual Life policies, during the year 2017 is Rs.17,467 million as compared to Rs.16,766 million in the year 2016, resulting in an increase of 4%. Gross renewal premium was Rs.72,810 million in 2017 whereas it was Rs.65,015 million in 2016, resulting in an increase of 12%.

3.2 Individual Life Business - Overseas Operations:

First year gross premium income under Individual Life policies, during the year 2017 was Rs.260 million as compared to Rs.304 million in the year 2016, showing a decrease of 15%. Gross renewal premium in 2017 was Rs.1,822 million as compared to Rs. 1,830 million in 2016, showing a decrease of 0.44%

3.3 Group Life Business:

Gross premium under Group Life policies during the year 2017 was Rs. 4,774 million as compared to Rs. 5,736 million in the year 2016, showing a decrease of 17%.

3.4 Health Insurance Business:

Gross premium under Health Insurance policies during the year 2017 was Rs.3,912 million as compared to Rs.422 million in the year 2016, showing significant increase of 827%, mainly due to health insurance policies undertaken for the Prime Minister's National Health Insurance Program and Sehat Sahulat Program of the Government of KPK.

3.5 Real Estate:

Rental income was slightly down in the year 2017. However, expenses were slightly increased due to better upkeep and maintenance of building resulting in increased tenancy and rental income in the year to come.

	Rupees in Million		
	2017	2016	Inc/(Dec)
Rental Income	1,104	1,119	-15
Expenses	641	627	14
Net	463	492	-29

3.6 Investment:

Net investment income including capital gains during the year 2017 was Rs. 69,566 million as compared to Rs. 64,526 million in 2016, showing an increase of 8%.

4. Key Operating and financial data

Summarized financial performance for the last six years is shown in the appendix-A



5. Others Disclosures

- There is no statutory payment outstanding as on Dec 31, 2017 on account of taxes, duties, levies and charges except as disclosed in notes to the Financial Statements.
- The value of investment made by the employees retirement funds, operated by the Corporation, as per their financial statements as at December 31, 2017, the audit of which are in progress, are as follows:

	<u>Rupees in Million</u>
Pension Fund	19,242
Gratuity Fund - Officers	134
Provident Fund	3,943

6. Board Meetings Attendance

During the year 2017, five meetings of the Board of Directors were held and attended as follows:

S. No.	Director's Name	Meetings Attended
1	Mr. Shoaib Mir	Nil
2	Mr. Naveed Kamran Baloch	3
3	Mr. Saeed Chaman	Nil
4	Mr. Shafqaat Ahmed	5
5	Mr. Saad Amanullah Khan	5
6	Dr. Aliya Hashmi Khan	4
7	Mr. Naveed Arif	2
8	Dr. Aamer Ahmed	Nil

6.1 Pattern of Shareholding as at December 31, 2017

Categories of Shareholders	Shares held
Government of Pakistan through Ministry of Commerce,	28.68 million
Benazir Employees Stock Option Scheme Trust (BESOS)	1.32 million
Total	30 million



7. Business Supporting Activities

- a. Training plays important role in development of manpower / human resources and success of an organization. State Life Insurance Corporation, a dynamic and leading Public Sector Corporation is maintaining the largest marketing network in Insurance Industry in the country and is continuously providing training for improving the marketing skills of its manpower by arranging seminars and imparting various regular training courses for field force and staff/officers of the Corporation.
- b. Region wise details of the courses conducted in the year 2017 by Human Resource Development Division (HRDD) as under:

Region Wise Field Training Data From 01-01-2017 To 31-12-2017

Regions	Foundation Course		M.O.S.C		M.M.S.C		Total	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / P.O	20	488	9	124	2	29	31	641
Hyderabad	65	1366	19	359	1	24	85	1749
Central	58	1473	26	698	1	21	85	2192
Faisalabad	34	1077	18	691	2	43	54	1811
Multan	88	2438	21	533	6	118	115	3089
North	65	2187	24	613	2	41	91	2841
KPK	12	371	3	73	2	40	17	484
Grand Total	342	9400	120	3091	16	316	478	12807

Region Wise Staff Training Data From 01-01-2017 To 31-12-2017

Regions	Record Keeping		FLMI		ERP		Cash Counter		Underwriting	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South/PO	1	25	2	52	1	23	1	13	0	0
Hyderabad	1	29	0	0	2	83	0	0	1	40
Central	1	15	2	15	2	56	2	37	1	41
Faisalabad	0	0	0	0	0	0	3	95	0	0
Multan	1	43	2	30	1	57	0	0	1	50
KPK	1	20	0	0	0	0	0	0	1	25
North	0	0	2	39	1	59	1	18	1	36
Total	5	132	8	136	7	278	7	163	5	192



Regions	ERP GLAs		PPRA Rules		Medical Rules		Decision Making		Building Effective Relationship	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / P.O	0	0	0	0	0	0	0	0	0	0
Hyderabad	0	0	1	29	0	0	0	0	0	0
Central	1	20	1	15	1	15	1	28	1	14
Faisalabad	0	0	0	0	0	0	0	0	0	0
Multan	0	0	0	0	1	29	0	0	0	0
KPK	0	0	1	28	1	28	0	0	0	0
North	0	0	1	28	1	28	0	0	0	0
GRAND TOTAL	1	20	4	100	4	100	1	28	1	14

Regions	Management Planning		Job Responsibilities		Organizational Skills		Presentation Skills		Currency Features	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South/PO	0	0	0	0	0	0	0	0	0	0
Hyderabad	0	0	1	57	1	43	0	0	0	0
Central	1	15	1	20	0	0	0	0	0	0
Faisalabad	1	30	0	0	0	0	1	27	0	0
Multan	1	39	1	40	0	0	0	0	1	46
KPK	1	16	0	0	1	25	0	0	0	0
North	1	17	1	25	0	0	0	0	0	0
TOTAL	5	117	4	142	2	68	1	27	1	46

Regions	Customer Care		Audit Workshop		Director Program		Grand Total	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / P.O	1	20	0	0	1	10	7	143
Hyderabad	0	0	0	0	0	0	7	281
Central	0	0	0	0	0	0	15	291
Faisalabad	0	0	0	0	0	0	5	152
Multan	1	30	1	27	0	0	11	391
KPK	1	28	0	0	0	0	7	170
North	0	0	1	37	0	0	10	287
GRAND TOTAL	3	78	2	64	1	10	62	1715



8. Satisfaction of Policyholder

Prime objective of the Policyholders Service Division is to render quality services to its policyholders. In this pursuit certain measures have been taken to improve services such as quality underwriting, prompt settlement of claims and handling of grievances of policyholders/claimants or their successors on priority basis. New and improved online access makes it quick, simple and secure to view and make queries and obtain policy related information. Policyholders can, register for online access, download forms, view policy status, make request for changes in address, nomination etc. Further, the details of outstanding maturity claims have been made available on website along-with simplified procedures and contact details of concerned officials of Policyholders Service Division. A free of cost e-alert SMS based value added service has also been started for quick acknowledgement and response on different events to policyholders. These steps have not only increased the level of satisfaction of our policyholders but have also contributed towards growth of business in insurance industry.

9. Advertisement

Advertising plays a very significant role in business development; especially in large commercial Organizations like State Life. In a situation where a large cross section of population is still without life insurance or unaware of the benefits of life insurance, the need of aggressive advertising cannot be understated. The management of State Life being fully aware of advertising needs as the Corporation has provided adequate funds and support to Corporate Communications Department (CCD), to implement its multimedia advertising campaigns in consultation with the Marketing Division in the year under review. In 2017, CCD produced different TVC and launched many mix corporate and plan based campaigns specially Group Insurance plans on different prominent terrestrial and leading satellite T.V channels and leading national & regional newspapers in English / Urdu with an intention to highlight the robust business growth.

Multi-Media campaigns like Corporate Image Building, Bonus Announcement for Policyholders, Group Insurance, Revival of Policies, Recruitment Campaign and Year-end corporate campaign-2017 etc., has also been launched in national and regional newspapers all over Pakistan. Upon achieving 'AAA' rating for the straight seventh year by PACRA; press publicity has been prominently expressed to highlight this achievement. Radio being the most popular medium of publicity especially in the rural and sub urban areas has also been fully utilized. All these multi-media campaigns were effectively carried out during the year 2017. Under the slot of corporate social responsibility; State Life also sponsored some major sports and nation-wide philanthropic events for corporate image building in 2017 as a part of its participation in social service to the country.

In the year 2017, we recruited 49,253 (2016: 53,512) new Sales Representatives and provided the job opportunities throughout the country. Our Field Force counts reached 191,417 (Sales Representatives, Sales Officers and Sales Managers) who all are serving the country to provide protection with savings.

10. Insurer Financial Strength Rating

The rating reflects State Life Insurance Corporation utmost risk absorption capacity on the back of Government of Pakistan (GOP) guarantee for policyholders' liabilities.

The Corporation is pursuing a growth strategy wherein, while focusing on existing business lines, it intends to expand its product offerings - Bank assurance, Window Takaful and Micro insurance. State Life Insurance Corporation has taken up Government initiated health programs, reaching public at grass-root level.

State Life Insurance Corporation's ability to maintain its leadership in the life insurance sector is important. In this regard, successful execution of the envisaged business strategy including diversification and growth is essential. Additionally, implementation of core insurance ERP system will enable efficient business operations with the real time provision of services to all stakeholders.

A rating of "AAA" is the highest possible Financial Strength for an insurer to achieve and State Life stands alone in the life insurance industry have been assigned this rating.



11. The Future

Prime Minister's National Health Insurance Program (PMNHIP)

Prime Minister National Health Program has been implemented in 41 districts across Pakistan and provides protection against catastrophic health expenditures to the poor segment of society.

During its first phase 3.1 million poor families are being targeted in 41 focused districts across Pakistan. They will be provided with health insurance card. Through this card enrolled families can access indoor health care services worth upto Rs. 300,000 from 170+ empaneled hospitals across Pakistan.

The districts in which health care services have been started includes Islamabad (ICT), Muzaffarabad, Kotli (AJK), Skardu, Diamer (GB) Khyber Agency, Bajour Agency (FATA), Quetta, Loralai, Lasbela, Kech, Gwader (Balochistan), Rahim Yar Khan, Khanawal, Narowal, Sargodha, Layyah, Bhakkar, Khushab, Vehari, Hafizabad (Punjab), Kohat, Mardan, Chitral, Abbotabad(KPK), Hyderabad, Thatta, Sujawal, Tando Muhammad Khan, and Jacobabad (Sindh). In these Districts more than 65,000 individuals have been provided with services ranges from minor surgeries to open heart surgeries.

As per recent 3rd party satisfactory survey more than 94% of families who have accessed services are completely satisfied from the program.

The Program is perceived to be expanded to in all districts of Pakistan. State Life insurance Corporation being the largest social health insurance Corporation of Pakistan will seek this opportunity as continuation of its initiatives of corporate social responsibility and expansion of social health market across Pakistan.

KPK Sehat Sahulat Program:

The Social Health Protection Initiative (SHPI) Schemes which started in four districts of Khyber Pakhunkhwa has been extended to all 25 districts of the province. The target population of beneficiaries has been extended to 1.8 million. The coverage has also been enhanced to Rs. 30,000 per person for a family of 8 person maximum under secondary cover. The tertiary care benefit of Rs. 300,000 (Floating) has also been added along with cash payment to cover wage loss, Maternity Tertiary transport and funeral expenses. A total of 1.48 million families have been enrolled. Since the Govt of KP considers it a flagship project therefore action is underway to make it permanent through legislation.

Family Takaful

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 to which rests on key Shariah principles of mutual cooperation, solidarity and well-being of a community, and based on the principles of Wakala Waqaf Model. Under a Takaful arrangement, individuals come together and contribute towards the common objectives of protecting each other against financial losses by sharing the risk on the basis of mutual assistance.

The obligation of Waqf for Waqf participant's liabilities is limited to the amount available in the Waqf Fund. In case there is a deficit in the Waqf Fund, the Window Takaful Operation 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.

State life Insurance Corporation is in the process of launching Takaful Operations under Family Takaful Fund as disclosed in Note 1.3 to these Financial Statements.

Bancassurance

Bancassurance is an alternate distribution channel having divergent needs of the market than the traditional "Agency" sales channel. State Life Bancassurance Division was established to penetrate into untapped Bancassurance Market and to acquire the business due to its cost effectiveness.



State Life Bancassurance started the operation during the last quarter end of 2012 after signing first agreement with United Bank Limited. Further State Life signed agreement with six more banks including FWBL, NBP, NIB, Summit Bank, Samba and Silk Bank for the strategic partnership in distribution of its Bancassurance products. State Life has continued to gain firm ground in this channel and negotiations with more other banks are ongoing.

Reinforced with State Life's reputation in the market, its Bancassurance channel is gradually showing sustainable growth and will undoubtedly contribute significant all-round improvement in the financial performance of State Life in coming years while providing a new avenue for business growth.

Information Technology

IT Division of State Life works with vision to "Achieve organizational goals through the use of information & Communication Technology (ICT) and to improve productivity and efficiency of process within the organization and enhance quality services to all stake-holder". Besides routine IT operations, State Life putting extensive efforts for implementation of newly evolved IT Strategy which includes: Implementation of Pre-packaged Software Solution for Core Businesses & supporting functions and deployment of New ICT infrastructure.

The successful implementation of IT Strategy will ensure provision of all mandated services online, more efficiently and effectively to all stakeholders including: Policyholders, field staff, senior management and regulators. The ongoing efforts will strengthen internal processes of State Life and facilitate its policyholders by providing them better service delivery mechanism.

12. Actuarial Valuation

As per 31st actuarial valuation as at 31st December 2017, the actuarial surplus arising during the inter-valuation period on participating policies was Rs. 63,195 million (2016: Rs. 60,751 million). The details of bonuses declared are stated as an appendix.

13. Dividend

After tax profit for the year 2017 is Rs.1,269.914 million (2016: Rs.1,212.261 million). After adjustment of Rs.55.876 million (2016: Rs.53.339 million) employees share on account of Benazir Employees Stock Option Scheme (BESOS), dividend payable to Government of Pakistan is Rs. 1,214.038 million (2016: Rs.1,037.695 million).

14. Auditors

The accounts for the year ended 31st December, 2017 were jointly audited by a panel of auditors comprising of (i) M/s. Riaz Ahmad & Company, Chartered Accountants, Karachi and (ii) M/s. BDO Ebrahim & Co., Chartered Accountants, Karachi. The accounts of Gulf Countries zone were audited by M/s. Nabeel Al-Saie, Public Accountants DMCC, Dubai, UAE.

15. Note of Appreciation

We are pleased to place on record the deep appreciation on behalf of the Board of Directors for the efforts made by all the tiers of the field force and devotion to duty of the staff and officers for the overall performance of the Corporation. We are grateful to the Insurance Division, Securities and Exchange Commission of Pakistan for their continued guidance and assistance. May our future efforts continue to contribute to the nation's wellbeing in the economic and fiscal fields.

On behalf of the Board of Directors

Karachi,
Date: April 30, 2018

Shoaib Mir
Chairman



Key Operating and financial data:

	Rupees in Million					
	2017	2016	2015	2014	2013	2012
First Year Premium (Net)	17,688	17,036	16,271	16,156	15,442	13,947
Renewal Premium (Net)	74,462	66,708	57,729	53,363	43,348	35,145
Group Premium Including Health (Net)	8,610	6,078	5,941	6,823	6,955	6,926
Investment Income (Net)	69,566	64,526	60,316	50,715	50,949	37,977
Policy Benefits	44,955	37,939	35,961	30,505	25,836	24,067
Surplus Appropriated To Shareholders' Fund	1,580	1,519	1,269	1,186	1,046	1,019
Profit Before Tax	1,894	1,831	1,589	1,333	1,178	1,155
Taxation	624	618	541	428	368	388
Profit After Tax	1,270	1,212	1,048	905	810	767
Earnings Per Share (Rs)	42.33	40.41	34.93	72.05	73.65	69.75
Bonus To Policy Holders	57,231	55,433	47,991	41,964	36,620	30,357
Life Fund	707,388	614,177	526,676	450,025	378,608	313,754
Investment Portfolio	688,721	598,271	513,293	445,381	380,981	316,878
Total Assets	755,973	659,811	571,827	496,689	420,806	349,198



Statement of Compliance with the Code of Corporate Governance for Insurers, 2016.

Name of the company: [State Life Insurance Corporation of Pakistan \(the Corporation\)](#)

Year ended: 31.12.2017

This statement is being presented to comply with the Code of Corporate Governance for insurers, 2016 for the purpose of establishing a framework of good governance, whereby the Corporation is managed in compliance with the best practices of corporate governance.

The Corporation applied the principles contained in the code of corporate governance in the following manner:-

1. At present the Board includes:

Independent Directors	i. Mr. Saad Amanullah Khan ii. Mr. Shafqaat Ahmed
Executive Directors	i. Mr. Shoab Mir, Chairman
Non - Executive Directors	i. Dr. Aliya Hashmi Khan

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

The directors are appointed by the Federal Government in terms of Article 12 (1) of the LINO, 1972.

- The directors have confirmed that none of them is serving as a director in more than seven listed companies.
- All the resident directors of the Corporation are registered as taxpayers and none of them has defaulted in payment of any loan to banking company. A DFI, or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by s stock exchange.
- Casual vacancy occurred on the Board on 22.03.2017, 14.04.2017 and 15.08.2017, to be filled by the Federal Government in terms of Article 12 (1) LINO, 1972.
- The Corporation has prepared a Code of Conduct which has been disseminated among all the employees and directors of the Corporation.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Corporation. Policies of risk management, procurement of goods and services, acquisition and disposal of fixed assets are in process of approval of the Board. A complete record of significant policies along with the date on which they were approved has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions including appointment, remuneration and terms & conditions of employment of key officers have been taken by the Board of Directors. The decision regarding appointment and determination of remuneration and terms & conditions of Directors are made by the federal government. The corporation has no CEO as the LINO, 1972 has no provision for CEO. The Chairman of the Board is appointed by the federal government as per LINO, 1972 who is an Executive Director.
- The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven (7) days before the meetings. The Minutes of the meetings are appropriately recorded and circulated.



9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the corporation. The corporation has adopted and complied with all the necessary aspects of internal controls given in the code.
10. The orientation course for the directors was conducted on 12.12.2017.
11. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of internal audit including their remuneration and terms and conditions of employment.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Corporation are duly endorsed by the Chairman and CFO before approval of the Board.
14. The directors and executives do not hold any interest in the shares of the Corporation other than disclosed in the pattern of shareholding.
15. The Corporation has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
16. The Board has formed the following management committees. These committees have been formed under the Code of Corporate Governance for Insurers, 2016 notified vide S.R.O 1045 (I)/2016 dated November 09, 2016.

Underwriting/Re-insurance and Co. Insurance Committee

Name of Member	Category
Mr. Saad Amanullah Khan	Independent Director/Chairman
Mr. Shafqaat Ahmed	Independent Director/Member
Mr. Sher Muhammad Abbasi	Divisional Head/Member
Mr. Manzoor Ahmed	Divisional Head/Member
Mr. Faisal Mumtaz	Divisional Head/Member

Claim Settlement Committee:

Name of Member	Category
Dr. Aliya Hashmi Khan	Chairperson
Mr. Muhammad Izqar Khan	Executive Director/ Member
Mr. Nadeem Bessey	Acting Executive Director H&AI/Member
Mr. Iftekhar Ahmed	Divisional Head/Member
Mr. Faisal Ahmed	DGM/Member

**Risk Management and Compliance Committee:**

Name of Member	Category
Mr. Saad Amanullah Khan	Independent Director/Chairman
Mr. Shafqaat Ahmed	Independent Director/Member
Dr. Aliya Hashmi Khan	Non-Executive Director/Member
Mr. Faisal Mumtaz	Divisional Head/Member

17. The Board has formed the following Board Committees.

Ethics, Human Resources / Remuneration Committee:

Name of Member	Category
Dr. Aliya Hashmi Khan	Non-Executive Director
Mr. Saad Amanullah Khan	Independent Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Ghufraan Memon	Executive Director

Nomination Committee:

Nomination committee was not constituted by the Board separately. However its functions and responsibilities have been assigned to Ethics, Human Resource/Remuneration Committee.

Investment Committee:

Name of Member	Category
Mr. Shafqaat Ahmed	Independent Director
Mr. Saad Amanullah Khan	Independent Director
Dr. Aliya Hashmi Khan	Non-Executive Director
Mr. Shujaat Siddiqui	Appointed Actuary/Member
Mr. Muhammad Rashid	CFO/ Member

18. The board has formed an Audit Committee. It comprises of three members, of whom two are independent directors and one is non-executive director. The Chairman of the committee is an independent director. The composition of audit committee is as follows:

Name of Member	Category
Mr. Saad Amanullah Khan	Independent Director/Chairman
Mr. Shafqaat Ahmed	Independent Director/Member
Dr. Aliya Hashmi Khan	Non-Executive Director/Member



19. The meetings of committees except Ethics, Human Resource and Remuneration Committee were held at least once in every quarter prior to approval interim and final result of insurer as required by the Code of Corporate Governance, 2016. The terms of the references of all committees have been formed and advised to the committees for compliance.
20. The Board has setup an effective internal audit function and the members of internal audit functions are considered suitably qualified experienced for the purpose and are conversant with policies and procedures of the corporation and they are involved in the internal audit function on regular basis.
21. The CFO, Compliance Officer, Company Secretary, Head of Internal Audit, Actuary, Head of Underwriting, Head of Claims, Head of Re-insurance, Head of Grievance are qualified and experienced as required under the Code of Corporate Governance for Insurers, 2016. The appointed actuary of the insurer meets the condition as laid down in the said code. Moreover the person heading the underwriting, claim, reinsurance, risk management and grievance function/department possess qualification and experience of direct relevance to their respective functions as required under section 12 of the Insurance Ordinance, 2000.

Name of Person	Designation
Mr. Shoaib Mir	Chairman
Mr. Muhammad Rashid	Chief Financial Officer
Mr. Fazal ur Rehman	Compliance Officer
Mr. Faisal Mumtaz	Actuary
Mr. Mushtaq Ahmad	Company Secretary
Mr. Muhammad Sohaib Usmani	Head of Internal audit
Mr. Muhammad Khalid Awan	Head of Underwriting
Dr. Arshad Iraqi	Head of Claims
Mr. Sher Muhammad Abbasi	Head of Re-insurance
Mr. Faisal Mumtaz	Head of Risk Management
Mr. Pervaiz Altaf	Head of Grievance Dept.

22. The statutory auditors of the Corporation have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Corporation and that the firm and all its partner are in compliance with the International Federation of Accountants (IFAC) guideline on Code of the Ethics as adopted by the ICAP.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except given in the law and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Appointed Actuary of Corporation has confirmed that neither he nor his spouse and children hold shares of the Corporation.
25. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.



26. The Board has approved the investment policy of the Corporation drawn up in accordance with the provisions of Code of Corporate Governance for Insurers, 2016.
27. The Board ensures that the risk management system of the Corporation is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
28. The Corporation has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurer, 2016.
29. The Board ensures that as a part of risk management system, the insurer gets itself rated from Pakistan Credit Rating Agency (PACRA) which is being used by the respective committees as a risk monitoring tool. The rating assigned by the said rating agency at December 04, 2017 is AAA with stable outlook.
30. The Board has set up a grievance department which fully complies with the requirements of Code of Corporate Governance for Insurers, 2016.
31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied.

For and On behalf of the Board of Directors

Shoab Mir
Chairman

CINC: 54400-9420286-7
Date: 30th April, 2018



State Life values your
children's future 

Education Plans

As a guide and mentor, State Life values your children's future. We offer comprehensive savings plans that make your child's higher education journey one to remember. Give your child the best when you're covered with State Life.



Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of State Life Insurance Corporation of Pakistan (the Corporation) for the year ended December 31, 2017 to comply with the requirements of the Code issued by the Securities and Exchange Commission of Pakistan applicable to non-listed insurance companies.

The responsibility for compliance with the Code is that of the Board of Directors of the Corporation. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Corporation's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Corporation's personnel and review of various documents prepared by the Corporation to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Corporation's corporate governance procedures and risks.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Corporation's compliance, in all material respects, with the best practices contained in the Code as applicable to the Corporation for the year ended December 31, 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the Paragraphs 4, 6, 17 and 19 where these are stated in the Statement of Compliance:

Paragraph Reference	Description
Paragraph 4	Casual vacancy occurred on the Board on March 22, 2017, April 14, 2017 and August 15, 2017 are not filled by Federal Government in terms of Article 12 (1) LINO, 1972 which results in only four directors on board as on December 31, 2017.
Paragraph 6	Significant policies on risk management, procurement of goods and services, acquisition and disposal of fixed assets are in process of approval of the Board.
Paragraph 17	Chairman is not a part of Investment committee as required by clause xlv of Code of corporate governance for insurer 2016.
Paragraph 19	Quarterly meetings of Underwriting/Reinsurance and Claim settlement committee were not held as required by Clause Xliii of Code of Corporate Governance for Insurer 2016.

BDO Ebrahim & Co.
Chartered Accountants

Engagement Partner:
Zulfikar Ali Causer

Karachi
Dated: April 30, 2018

Riaz Ahmad & Company
Chartered Accountants

Engagement Partner:
Muhammad Waqas



Actuarial Valuation as at 31st December 2017

The bonus rates declared are as under:

A. Pakistan Rupee Policies

I. Whole Life and Endowment Assurance

Subject to the Notes, for with profit Whole Life and Endowment policies in force for the full sum assured as at 31st December 2017:

- a. Reversionary bonuses per thousand sum assured per annum (2016 figures are given for comparison).

	2016			2017		
	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.
Whole Life	60	110	150	54	99	150
Endowments Term:						
20 years and over	50	94	130	45	84	130
15 to 19 years inclusive	35	81	81	31	72	81
14 years and less	20	66	–	18	59	–

- b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in I(a) above, subject to "C" below.
- c. Terminal Bonus will be paid on claims by death or maturity in 2018, where more than 10 years' premiums have been paid. The rate has been maintained at Rs. 60 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of Rs. 1200 per thousand sum assured (same as 2016 valuation).
- d. Special Terminal Bonus will be paid on claims by maturity in 2018, where a Family Income Benefit (FIB) is inforce at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs. 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of Rs. 200 per thousand basic sum assured (same as 2016 valuation).
- e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2018 to policies with risk year 1998 or earlier. The rate will be Rs.200 per thousand sum assured (same as 2016 valuation).

Notes:

- Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- Big Deal policies will receive bonuses on 25% of the sum assured only.



3. For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

II. Anticipated Endowment Assurance

For with profits Anticipated Endowments/ Three stage/ Three payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2017:

- a. Reversionary bonuses per thousand sum assured per annum (2016 figures are given for comparison).

	2016			2017		
	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.
Term:						
20 years and over	35	69	100	31	62	100
15 to 19 years inclusive	25	59	59	22	53	59
14 years and less	19	53	-	17	47	-

- b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in II (a) above, subject to "C" below.
- c. Terminal Bonus will not be paid on these policies.
- d. Special Terminal Bonus, as mentioned in I(d) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.
- e. Loyalty Terminal Bonus, as mentioned in I(e) above, will be paid on claims by death or maturity in 2018 to policies with risk year 1998 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.
- f. If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2018, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2016 valuation).

Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit
20 years	Rs. 3,165	9 years	Rs. 1,005
18 years	Rs. 2,765	8 years	Rs. 845
16 years	Rs. 2,350	7 years	Rs. 695
14 years	Rs. 1,940	6 years	Rs. 555
12 years	Rs. 1,545	5 years	Rs. 420
10 years	Rs. 1,175	4 years	Rs. 300

Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.



III. Sada-Bahar Plan

Sada-Bahar plan was launched during 2006. For policies in force for the full sum assured as at 31st December 2017:

- a. Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2016 figures are given for comparison):

	2016		2017	
	For first five policy years Rs.	From Sixth policy year to 16th policy year Rs.	For first five policy years Rs.	From Sixth policy year to 16th policy year Rs.
Term:				
20 years and over	44	86	39	77
15 to 19 years inclusive	31	74	27	66
14 years and less	24	66	21	59

- b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in III (a) above, subject to “c” below.
- c. Special Reversionary Bonus will also be paid to all policies under this plan whose Survival Benefits have fallen due in 2018 subject to the rates and conditions mentioned in II (f) above.

IV. Super (Table 72), Sunehri (Table 73) & Shehnai (Table 77) policies

- a. Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.
- b. The rate of bonus is Rs.105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.
- c. Reversionary, Terminal or any other bonuses declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under “VIII” below, if applicable, will be allowed.

V. Committee Policy (Table 79)

- a. Investment Return under this policy is credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The return is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. This return will be credited at the end of each quarter. These returns are payable when the Cash Value under the policy is payable.
- b. The credit rate for each of the quarters falling due in 2018 shall be calculated at 8.00% per annum (8.98% per annum in 2016 valuation) of the Adjusted Opening Cash Value. This rate will be allowed till the next valuation.
- c. Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies.



VI. Personal Pension Scheme (Table 71)

- a. Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2018. This increase will also be available on pension payments commencing in 2018.
- b. The rate of bonus is Rs. 80 per thousand per annum of the pension payments.
- c. Reversionary, Terminal or any other bonuses declared as a result of this valuation, will not be payable under these policies.

VII. Specified Major Surgical Benefit

- a. Specified Major Surgical Benefit was announced for the first time in 1992 Actuarial valuation. This benefit has been retained in 2017 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2017 and have been continuously in force for at least five complete policy years at the date of surgery. The maximum benefit for such policies is Rs. 250,000. However, if the with-profit policies have been in full force as at 31st December 2017 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefit for these policies will be Rs 500,000.
- b. Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2018 to 31st December 2018 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.
- c. If the insured is covered under more than one policy, the maximum amount paid on all the policies together will depend on the number of years the policies have been continuously in full force. For policies that have been continuously in full force for at least five years but less than 10 years, the maximum benefit paid under all such policies together will be limited to Rs 250,000. For policies that are continuously in full force for at least ten years, the maximum benefit payable under each policy is limited to Rs 500,000 or 50% of the sum assured, whichever is less.
- d. The specified surgeries and all other related conditions are the same as those announced in 2016 bonus declaration.

VIII. Family Income Benefits Where Life Assured Has Died

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2019 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2018.

IX. Terminal/ Loyalty Terminal Bonus for (with profit Tables/ Plans) paid-up policies

- a. Terminal Bonus on Whole Life and Endowment paid-up policies will be paid on claims by death or maturity in 2018, where the policy has been on the books for more than 10 years. The rate will be Rs. 60 per thousand paid-up sum assured for each year in excess of 10 years subject to a maximum of Rs. 1200 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- b. The above terminal bonus will also be paid to Anticipated Endowment paid-up policies on claims by death only. No terminal bonus will be paid to anticipated endowment policies on claims by maturity in 2018.



- c. Loyalty Terminal Bonus on Whole Life and Endowment paid up policies will be paid on claims by death or maturity in 2018 to policies with risk year 1998 or earlier. The rate will be Rs.200 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- d. Loyalty Terminal bonus as mentioned above will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2018.

Note: Terminal/ Loyalty Terminal bonus for paid-up policies will be calculated on the paid-up sum assured and not on the basic sum assured.

X. East West Mutual etc.

Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance and former East Pakistani companies will not get Terminal Bonuses, Special Terminal Bonuses, Loyalty Terminal Bonuses and Specified Major Surgical Benefit.

B. Policies Expressed In Uae Dirham And Us Dollar

a. Policies expressed in UAE Dirham:

Reversionary bonuses per thousand sum insured per annum (2016 figures are given for comparison).

	2016		2017	
	For First Five Policy Years Dh	From Sixth Policy Year Onwards Dh	For First Five Policy Years Dh	From Sixth Policy Year Onwards Dh
Whole Life	21	43	4	8
Endowments Term:				
20 years and over	17	36	3	7
15 to 19 years inclusive	10	26	2	5
14 years and less	5	19	1	3
Anticipated				
Endowments Term:				
20 years and over	8	29	1	5
15 to 19 years inclusive	5	20	1	4
14 years and less	3	15	1	3



b. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2016 figures are given for comparison).

	2016		2017	
	For First Five Policy Years \$	From Sixth Policy Year Onwards \$	For First Five Policy Years \$	From Sixth Policy Year Onwards \$
Whole Life	23	46	4	9
Endowments Term:				
20 years and over	17	36	3	7
15 to 19 years inclusive	10	25	2	5
14 years and less	5	18	1	3
Anticipated				
Endowments Term:				
20 years and over	8	26	1	5
15 to 19 years inclusive	5	19	1	3
14 years and less	3	14	1	2

- c. Interim Bonus on death and maturity claims will be allowed till the next bonus declaration, at the rates mentioned in B(a) and B(b) above.
- d. Terminal Bonus will be paid on claims by death or maturity in 2018, where more than 10 years' premiums have been paid. The rate will be USD/AED 10 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of USD/AED 200 (same as 2016 valuation) per thousand sum assured. This bonus shall only be payable on Whole Life and Endowment policies and not Anticipated Endowment policies.
- e. Special Terminal Bonus will be paid to Anticipated Endowment policies on claims by maturity in 2018, where a Family Income Benefit (FIB) is in force at maturity as a supplementary contract and has been in force for more than 10 years. The rate will be 5 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of 100 (same as 2016 valuation) per thousand basic sum assured. This bonus is applicable for both Dollar and Dirham policies.
- f. Family Income Benefit to heirs or nominees of deceased lives assured will be increased by 4% from policy anniversaries in the year 2019 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2018.



C. No Cash Value Of Bonuses Until Three Years' Premiums Have Been Paid

Surrender Value of Reversionary Bonuses on an inforce policy will be payable if at least one of the following two conditions has been fulfilled:

- i) The policyholder has actually paid at least three full years' premiums
- ii) The policy has completed at least three policy years.

However, these conditions will be waived in case of Single Premium policies. These conditions will also be waived in the case of a death claim and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, the surrender value of bonuses will be taken into account.

“Actual payment” means payment in cash/pay order/bank draft/cheque after it has been realized.

Caution:

Terminal, Special Terminal, Loyalty Terminal bonuses and the Specified Major Surgical Benefits are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal, Loyalty Terminal bonuses and Specified Major Surgical Benefit, if any, which may be allowed after the year 2018.



Operating and Financial Highlights

Financial Position

Balance Sheet

	Rupees in Million					
	2017	2016	2015	2014	2013	2012
ASSETS						
Cash and Banks	38,452	31,349	27,623	20,261	33,112	30,722
Loans secured against life insurance policies	76,675	62,803	50,673	41,303	33,100	27,095
Loans to employee and field force	898	803	551	424	420	430
Investment properties	3,185	2,975	2,949	2,955	2,990	3,028
Investment in securities	585,906	514,447	445,958	390,102	319,279	262,884
Current assets and others	50,419	47,025	43,733	41,312	31,508	24,731
Fixed assets	437	409	340	332	397	307
Total assets	755,973	659,811	571,827	496,689	420,806	349,197
EQUITY AND LIABILITIES						
Issued, subscribed and paid up capital	3,000	3,000	3,000	3,000	1,100	1,100
Reserve and surplus	377	948	1,229	840	1,932	1,214
Policy holders liability	707,388	614,177	526,676	450,025	378,608	313,754
Employees Retirement Benefit	3,926	3,401	2,960	2,465	2,156	1,688
Deferred capital grant	22	27	-	-	-	-
Creditors and accruals	41,259	38,258	37,962	40,359	37,010	31,441
Total equity and liability	755,973	659,811	571,827	496,689	420,806	349,197
OPERATING AND FINANCIAL TRENDS						
Profit and Loss						
Net Investment Income	314	311	320	147	132	135
Surplus appropriated	1,580	1,519	1,269	1,186	1,046	1,019
Profit before Tax	1,894	1,830	1,589	1,333	1,178	1,155
Taxation	624	618	541	428	368	388
Profit After Tax	1,270	1,212	1,048	905	810	767
Revenue Account						
Premium net of Reinsurance	100,761	89,821	79,941	76,342	65,745	56,018
Net Investment Income	69,251	64,214	59,997	50,569	50,817	37,842
Total Inflow	170,012	154,035	139,938	126,911	116,562	93,860
Total Outflow	75,885	65,523	62,019	54,307	50,662	47,296
Increase Policyholders liability	87,800	83,286	74,990	67,030	60,609	36,090
Surplus before Tax	6,326	5,226	2,929	5,574	5,290	10,474
Taxation	85	43	-	-	-	-
Surplus after Tax	6,241	5,183	2,929	5,574	5,290	10,474
Surplus transfer to P&L	1,580	1,519	1,269	1,186	1,046	1,019
Cash Flows						
Operating activities	19,025	17,029	11,150	17,951	9,174	13,136
Investing activities	-15,747	-11,307	(3,126)	(30,522)	(7,357)	(13,220)
Financing activities	-1,091	-943	(564)	-	-	-
Cash and cash equivalents at the end of the year	33,385	31,197	26,419	18,959	31,531	29,265



Financial Ratios

	2017	2016	2015	2014	2013	2012
Profitability						
Profit before tax / Gross Premium	1.87%	2.03%	1.98%	1.74%	1.79%	2.05%
Profit before tax / Net Premium	1.88%	2.04%	1.99%	1.75%	1.79%	2.06%
Profit after tax / Gross Premium	1.26%	1.35%	1.31%	1.18%	1.23%	1.36%
Profit after tax / Net Premium	1.26%	1.35%	1.31%	1.19%	1.23%	1.37%
Net Claims / Net Premium (IL)	39.44%	37.70%	39.67%	34.43%	33.49%	37.46%
Net Claims / Net Premium (GL)	100.01%	104.71%	111.13%	96.32%	88.41%	81.92%
Net Commission / Net Premium (IL)	20.15%	20.64%	22.11%	23.21%	25.65%	27.47%
Net Commission / Net Premium (GL)	0.08%	0.08%	0.06%	0.05%	0.06%	0.07%
Area Managers Costs / Net Premium	2.66%	2.78%	2.66%	2.75%	3.55%	3.52%
Total Acquisition Cost / Net Premium	23.80%	24.46%	25.93%	27.17%	30.60%	32.50%
Administration Expenses / Net Premium	8.98%	7.91%	8.40%	6.29%	10.23%	12.77%
Return to Shareholders						
Return on Equity (ROE) Net income / Avg Equity	34.67%	29.65%	25.97%	26.34%	30.30%	39.12%
Earnings / (Loss per Share) - Pre Tax Rs.	63.14	61.02%	52.95%	106.09%	107.14%	104.99%
Earnings / (Loss per Share) - After Tax Rs.	42.33	40.41%	34.93%	72.05%	73.65%	69.75%
Return on Assets (Net Income)/Avg total Assets	0.18%	0.20%	0.20%	0.20%	0.21%	0.24%
Paid up Capital / Total Assets	0.40%	0.45%	0.52%	0.60%	0.26%	0.32%
Market Value						
Face Value per Share Rs.	100	100	100	100	100	100
Break up Value per Share Rs.	112.57	131.60	134.93	172.05	173.65	169.75
Cash Dividend per Share Rs.	42.33	36.37	31.44	72.05	73.65	69.75
Dividend Yield - (DPS/100*100)	42.33%	36.37%	31.44%	72.05%	73.65%	69.75%
Dividend Pay out	100%	90%	90%	100%	100%	100%



Vertical Analysis

Balance Sheet

	2017		2016		2015		2014		2013		2012	
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
ASSETS												
Cash and Banks	38,452	5.09%	31,349	4.75%	27,623	4.83%	20,261	4.08%	33,112	7.87%	30,722	8.80%
Loans secured against life insurance policies	76,675	10.14%	62,803	9.52%	50,673	8.86%	41,303	8.32%	33,100	7.87%	27,095	7.76%
Loans to employee and field force	898	0.12%	803	0.12%	551	0.10%	424	0.09%	420	0.10%	430	0.12%
Investment properties	3,185	0.42%	2,975	0.45%	2,949	0.52%	2,955	0.59%	2,990	0.71%	3,028	0.87%
Investment in securities	585,906	77.50%	514,447	77.97%	445,958	77.99%	390,102	78.54%	319,279	75.87%	262,884	75.28%
Current assets and others	50,419	6.67%	47,025	7.13%	43,733	7.65%	41,312	8.32%	31,508	7.49%	24,731	7.08%
Fixed assets	437	0.06%	409	0.06%	340	0.06%	332	0.07%	397	0.09%	307	0.09%
Total assets	755,973	100%	659,811	100%	571,827	100%	496,689	100%	420,806	100%	349,197	100%
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	3,000	0.40%	3,000	0.45%	3,000	0.52%	3,000	0.60%	1,100	0.26%	1,100	0.32%
Reserve and surplus	377	0.05%	948	0.14%	1,229	0.21%	840	0.17%	1,932	0.46%	1,214	0.35%
Policy holders liability	707,388	93.57%	614,177	93.08%	526,676	92.10%	450,025	90.60%	378,608	89.97%	313,754	89.85%
Employees retirement benefit	3,926	0.52%	3,401	0.52%	2,960	0.52%	2,465	0.50%	2,156	0.51%	1,688	0.48%
Deferred capital grant	22	0.003%	27	0.004%	-	-	-	-	-	-	-	-
Creditors and accruals	41,259	5.46%	38,258	5.80%	37,962	6.64%	40,359	8.13%	37,010	8.80%	31,441	9.00%
Total equity and liability	755,973	100%	659,811	100%	571,827	100.00%	496,689	100.00%	420,806	100%	349,197	100%
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	314	17%	311	17%	320	20%	147	11%	132	11%	135	12%
Surplus appropriated	1,580	83%	1,519	83%	1,269	80%	1,186	89%	1,046	89%	1,019	88%
Profit before Tax	1,894	100%	1,830	100%	1,589	100%	1,333	100%	1,178	100%	1,155	100%
Taxation	624	33%	618	34%	541	34%	428	32%	368	31%	388	34%
Profit After Tax	1,270	67%	1,212	66%	1,048	66%	905	68%	810	69%	767	66%
Revenue Account												
Premium net of Reinsurance	100,761	59%	89,821	58%	79,941	57%	76,342	60%	65,745	56%	56,018	60%
Net Investment Income	69,251	41%	64,214	42%	59,997	43%	50,569	40%	50,817	44%	37,842	40%
Total Inflow	170,012	100%	154,035	100%	139,938	100%	126,911	100%	116,562	100%	93,860	100%
Total Outflow	75,885	45%	65,523	43%	62,019	44%	54,307	43%	50,662	43%	47,296	50%
Increase Policyholders liability	87,800	52%	83,286	54%	74,990	54%	67,030	53%	60,609	52%	36,090	38%
Taxation	85	0%	43	0%	-	-	-	-	-	-	-	-
Surplus after Tax	6,241	4%	5,183	3%	2,929	2%	5,574	4%	5,290	5%	10,474	11%



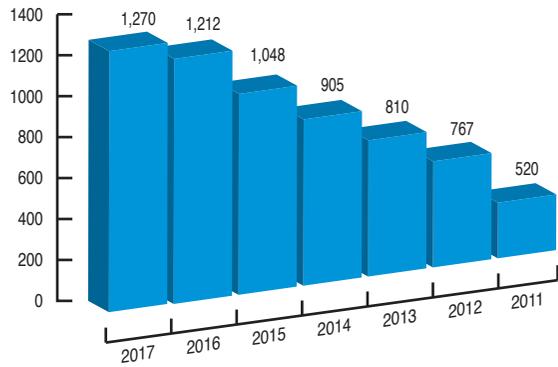
Horizontal Analysis

Balance Sheet

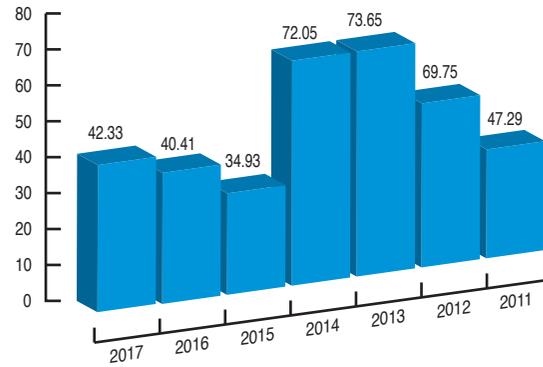
	Rs in million						% increase/decrease over preceding year					
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
ASSETS												
Cash and Banks	38,452	31,349	27,623	20,261	33,112	30,722	23%	13%	36%	-39%	8%	1%
Loans secured against life insurance policies	76,675	62,803	50,673	41,303	33,100	27,095	22%	24%	23%	25%	22%	20%
Loans to employee and field force	898	803	551	424	420	430	12%	46%	30%	1%	-2%	2%
Investment properties	3,185	2,975	2,949	2,955	2,990	3,028	7%	1%	0%	-1%	-1%	4%
Investment in securities	585,906	514,447	445,958	390,102	319,279	262,884	14%	15%	14%	22%	21%	21%
Current assets and others	50,419	47,025	43,733	41,312	31,508	24,731	7%	8%	6%	31%	27%	31%
Fixed assets	437	409	340	332	397	307	7%	20%	2%	-16%	29%	23%
Total assets	755,973	659,811	571,827	496,689	420,806	349,197						
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	3,000	3,000	3,000	3,000	1,100	1,100	0%	0%	0%	173%	0%	0%
Reserve and surplus	377	948	1,229	840	1,932	1,214	-60%	-23%	46%	-57%	59%	139%
Policy holders liability	707,388	614,177	526,676	450,025	378,608	313,754	15%	17%	17%	19%	21%	17%
Employees retirement benefit	3,926	3,402	2,960	2,465	2,156	1,688	15%	15%	20%	14%	28%	34%
Deferred capital grant	22	27	-	-	-	-	100%	100%	-	-	-	-
Creditors and accruals	41,259	38,258	37,962	40,359	37,010	31,441	8%	1%	-6%	9%	18%	39%
Total equity and liability	755,973	659,811	571,827	496,689	420,806	349,197						
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	314	311	320	147	132	135	1%	-3%	118%	11%	-2%	8%
Surplus appropriated	1,580	1,519	1,269	1,186	1,046	1,019	4%	20%	7%	13%	3%	59%
Profit before Tax	1,894	1,830	1,589	1,333	1,178	1,155	3%	15%	19%	13%	2%	51%
Taxation	624	618	541	428	368	388	1%	14%	26%	16%	-5%	50%
Profit After Tax	1,270	1,212	1,048	905	810	767	5%	16%	16%	12%	6%	51%
Revenue Account												
Premium net of Reinsurance	100,761	89,821	79,941	76,342	65,745	56,018	12%	12%	5%	16%	17%	25%
Net Investment Income	69,251	64,214	59,997	50,569	50,817	37,842	8%	7%	19%	-	34%	22%
Total Inflow	170,012	154,035	139,938	126,911	116,562	93,860	10%	10%	10%	9%	24%	24%
Total Outflow	75,885	65,523	62,019	54,307	50,662	47,296	16%	6%	14%	7%	7%	27%
Increase Policyholders liability	87,800	83,286	74,990	67,030	60,609	36,090	5%	11%	12%	11%	68%	-3%
Taxation	85	43	-	-	-	-	99%	-	-	-	-	-100%
Surplus after Tax	6,241	5,183	2,929	5,574	5,290	10,474	20%	77%	-47%	5%	-49%	523%



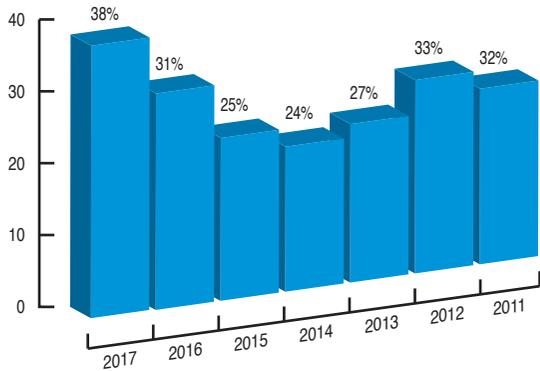
Profit After Taxation (Rs. in Million)



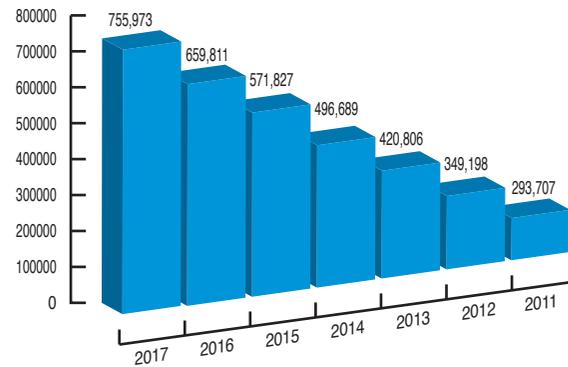
Earnings per Share (Rupees)



Return on Equity (Percentage)



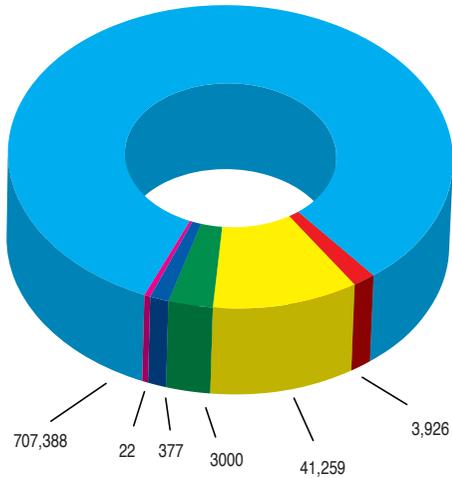
Assets (Rupees in Million)





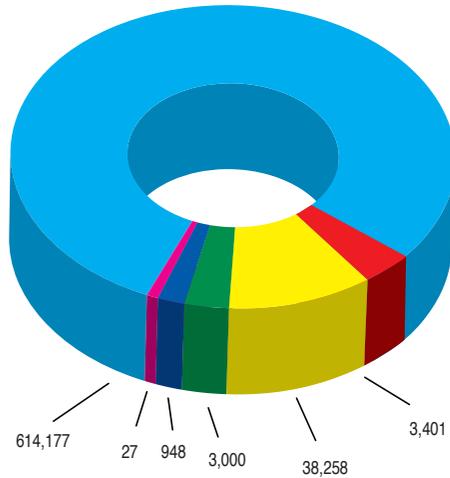
Balance Sheet Composition

Equity & Liabilities – 2017 (Rupees in Million)



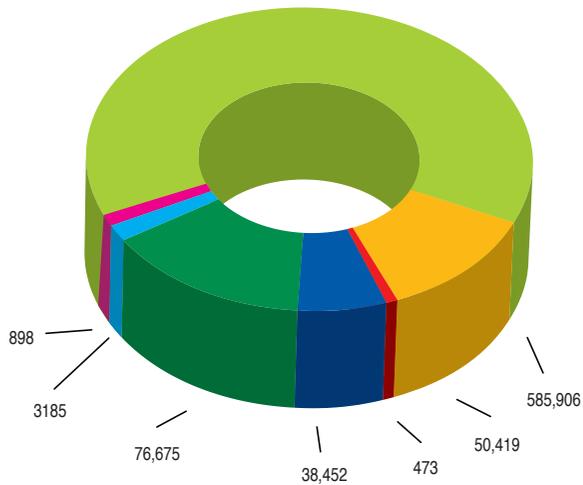
- Policyholders' Liability - 707,388
- Employees Retirement Benefit - 3,926
- Creditors and Accruals - 41,259
- Issued, Subscribed and Paid-up Capital - 3,000
- Reserve and Surplus - 377
- Deferred Capital Grant - 22

Equity & Liabilities – 2016 (Rupees in Million)



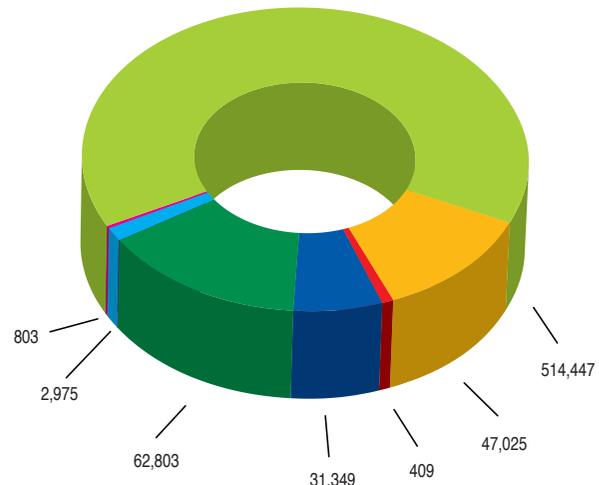
- Policyholders' Liability - 614,177
- Employees Retirement Benefit - 3,401
- Creditors and Accruals - 38,258
- Issued, Subscribed and Paid-up Capital - 3,000
- Reserve and Surplus - 948
- Deferred Capital Grant - 27

Assets – 2017 (Rupees in Million)



- Cash and Banks - 38,452
- Loans Secured against Life Insurance Policies - 76,675
- Loans to Employee and Field Force - 898
- Investment Properties - 3,185
- Investment in Securities - 585,906
- Current Assets and Others - 50,419
- Fixed Assets - 473

Assets – 2016 (Rupees in Million)



- Cash and Banks - 31,349
- Loans Secured against Life Insurance Policies - 62,803
- Loans to Employee and Field Force - 803
- Investment Properties - 2,975
- Investment in Securities - 514,447
- Current Assets and Others - 47,025
- Fixed Assets - 409

financial
statements





Auditors' Report

To the Members of State Life Insurance Corporation of Pakistan

We have audited the annexed financial statements comprising of:

- i. Balance Sheet;
- ii. Profit and Loss Account;
- iii. Statement of Comprehensive Income;
- iv. Statement of Change in Equity;
- v. Cash Flow Statement;
- vi. Revenue Account;
- vii. Statement of Premiums;
- viii. Statement of Claims;
- ix. Statement of Expenses; and
- x. Statement of Investment Income

of the State Life Insurance Corporation of Pakistan ("the Corporation") as at December 31, 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Corporation's Board of Directors/Management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the repealed Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- a) Proper books of accounts have been kept by the Corporation as required by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;
- b) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984, and accurately reflect the books and records of the Corporation and are further in accordance with accounting policies consistently applied;
- c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Corporation's affair as at December 31, 2017 in accordance with International Accounting Standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the repealed Companies Ordinance 1984;



- d) The apportionment of assets, liabilities, revenue and expenses between funds has been performed in accordance with the advice of the appointed actuary; 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.

We draw attention to the contents as detailed in note 1.5 to the financial statements, as a consequence of the corporatization, the Corporation is not expected to continue as a going concern. The Company formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Corporation at a specific date which is uncertain. Since there will be no change in operational activities of the Corporation pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities. Our opinion is not modified in respect of this matter.

BDO Ebrahim & Co.
Chartered Accountants

Engagement Partner:
Zulfikar Ali Causer

Karachi
Dated: April 30, 2018

Riaz Ahmad & Company
Chartered Accountants

Engagement Partner:
Muhammad Waqas



Balance Sheet as at December 31, 2017

Note	Shareholders' Fund	Statutory Funds					(Rupees in '000) Aggregate		
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016	
Share capital and reserves									
	4,000,000	-	-	-	-	-	4,000,000	4,000,000	
Issued, subscribed and paid up share capital	5	3,000,000	-	-	-	-	3,000,000	3,000,000	
Accumulated profit		1,269,914	-	-	-	-	1,269,914	1,212,261	
Capital contributed to statutory fund		(1,200,000)	-	-	-	-	(1,200,000)	(450,000)	
General reserve		307,043	-	-	-	-	307,043	185,817	
Net shareholders' equity		3,376,957	-	-	-	-	3,376,957	3,948,078	
Balance of statutory fund									
Balance of statutory funds-including policyholders' liabilities of Rs. 674,976 million (2016: Rs. 587,176 million)	21	-	690,077,831	14,838,464	365,307	2,021,262	-	707,302,864	614,076,736
Operator sub-fund		-	-	-	-	-	85,513	85,513	100,000
		-	690,077,831	14,838,464	365,307	2,021,262	85,513	707,388,377	614,176,736
Deferred liabilities									
Staff retirement benefits	6	-	3,909,101	17,337	-	-	-	3,926,438	3,401,871
Deferred capital grant		-	-	-	-	21,935	-	21,935	26,710
		-	3,909,101	17,337	-	21,935	-	3,948,373	3,428,581
Creditors and accruals									
Outstanding claims	7	-	15,311,520	307,630	-	1,277,101	-	16,896,251	16,271,026
Premium received in advance		-	7,161,379	186,365	-	1,119,291	-	8,467,035	7,988,686
Amounts due to other insurers / reinsurers		-	405,722	4,986	-	-	-	410,708	218,463
Amount due to agents		-	5,193,083	75,748	-	-	-	5,268,831	4,850,253
Accrued expenses		-	3,692,653	62,471	160	56,403	-	3,811,687	3,015,334
Inter - fund balances		-	-	263,502	52,196	-	20,183	335,881	512,999
Others	8	493,635	5,473,813	30,211	685	70,107	-	6,068,451	5,401,234
		493,635	37,238,170	930,913	53,041	2,522,902	20,183	41,258,844	38,257,995
Total liabilities		493,635	731,225,102	15,786,714	418,348	4,566,099	105,696	752,595,594	655,863,312
Total equity and liabilities		3,870,592	731,225,102	15,786,714	418,348	4,566,099	105,696	755,972,551	659,811,390
Contingencies and commitments	9								

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Balance Sheet as at December 31, 2017

							(Rupees in '000)	
							Aggregate	
Statutory Funds								
Note	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Cash and bank deposits								
10								
	-	184,828	-	-	3	-	184,831	119,591
	-	13,778,581	1,168,292	35,757	1,190,861	105,326	16,278,817	14,109,585
	126,034	16,619,954	174,929	-	-	-	16,920,917	16,968,185
	-	1,710	5,065,824	-	-	-	5,067,534	151,262
	126,034	30,585,073	6,409,045	35,757	1,190,864	105,326	38,452,099	31,348,623
Loans secured against life insurance policies								
11	-	75,428,811	1,245,752	-	-	-	76,674,563	62,802,588
Loans secured against other assets								
	559,820	2,724	-	-	-	-	562,544	481,151
	19,574	6,179	-	-	-	-	25,753	24,640
	-	2,661	-	-	-	-	2,661	2,661
	579,394	11,564	-	-	-	-	590,958	508,452
Unsecured loans								
	262,487	-	-	-	-	-	262,487	250,243
	44,188	812	-	-	-	-	45,000	44,697
	306,675	812	-	-	-	-	307,487	294,940
Investment properties								
12								
	-	5,125,231	-	-	-	-	5,125,231	4,839,440
	-	(687)	-	-	-	-	(687)	(687)
	-	(1,939,316)	-	-	-	-	(1,939,316)	(1,863,819)
	-	3,185,228	-	-	-	-	3,185,228	2,974,934
Investments								
13								
	2,076,922	541,229,203	6,529,953	310,678	2,869,294	-	553,016,050	481,726,124
	-	7,573	796,057	-	-	-	803,630	810,818
	-	31,262,202	-	-	-	-	31,262,202	31,072,812
	-	870,681	-	-	-	-	870,681	870,680
	-	338,010	-	-	-	-	338,010	241,609
	-	(384,122)	-	-	-	-	(384,122)	(274,549)
	2,076,922	573,323,547	7,326,010	310,678	2,869,294	-	585,906,451	514,447,494
Current assets - others								
	-	16,865,516	516,156	61,009	84,260	-	17,526,941	15,278,857
	-	374,766	-	-	-	-	374,766	222,057
	-	208	-	-	-	-	208	208
	-	1,014,756	149,510	-	-	-	1,164,266	877,328
	27,353	25,131,289	106,496	10,904	14,607	283	25,290,932	24,089,424
	630,000	3,091,985	-	-	174,312	87	3,896,384	3,484,304
	-	421,862	18,327	-	81	-	440,270	411,559
	124,214	51,235	-	-	160,432	-	335,881	512,999
	-	1,322,130	9,686	-	9,666	-	1,341,482	2,103,574
	-	47,661	-	-	106	-	47,767	45,039
	781,567	48,321,408	800,175	71,913	443,464	370	50,418,896	47,025,349
Fixed assets - tangible								
15								
	-	1,582,016	31,510	-	91,190	-	1,704,716	1,570,873
	-	(1,213,357)	(25,778)	-	(28,713)	-	(1,267,848)	(1,161,863)
	-	368,659	5,732	-	62,477	-	436,868	409,010
Total assets	3,870,592	731,225,102	15,786,714	418,348	4,566,099	105,696	755,972,551	659,811,390

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Profit and Loss Account for the year ended December 31, 2017

		(Rupees in '000)	
	Note	2017	2016
Investment income not attributable to statutory funds			
Return on Government securities		270,144	289,532
Interest income on loans and advances to employees / agents		44,407	27,751
Interest income on bank deposits		4,116	234
Net investment income		318,667	317,517
Expenses not attributable to statutory funds		(4,343)	(5,849)
Surplus appropriated to shareholders' fund	21.4	1,579,880	1,518,792
Profit before tax		1,894,204	1,830,460
Taxation	16	(624,290)	(618,199)
Profit after tax		<u>1,269,914</u>	<u>1,212,261</u>
Earnings per share - basic and diluted	17	<u>42.33</u>	<u>40.41</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Comprehensive Income for the year ended December 31, 2017

	(Rupees in '000)	
Note	2017	2016
Profit after tax for the year	1,269,914	1,212,261
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>1,269,914</u>	<u>1,212,261</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Changes in Equity for the year ended December 31, 2017

	(Rupees in '000)					
	Issued, subscribed and paid up share capital	Accumulated profit	Reserve for takaful window operation	Capital contributed to statutory fund	General reserve	Net shareholders' equity
Balance as at January 1, 2016	3,000,000	1,047,949	181,022	-	-	4,228,971
Transactions with owners recorded directly in equity						
Dividend paid	-	(897,044)	-	-	-	(897,044)
"Transferred to BESOS from profit for the year ended December 31, 2015"	-	(46,110)	-	-	-	(46,110)
Capital contributed during the year	-	-	(100,000)	(450,000)	-	(550,000)
Transferred for general reserve	-	(104,795)	(81,022)	-	185,817	-
	-	(1,047,949)	(181,022)	(450,000)	185,817	(1,493,154)
"Total comprehensive income for the year ended December 31, 2016"						
Profit for the year	-	1,212,261	-	-	-	1,212,261
Other comprehensive income for the year	-	-	-	-	-	-
	-	1,212,261	-	-	-	1,212,261
Balance as at December 31, 2016	3,000,000	1,212,261	-	(450,000)	185,817	3,948,078
Transactions with owners recorded directly in equity						
Dividend paid	-	(1,037,695)	-	-	-	(1,037,695)
"Transferred to BESOS from profit for the year ended December 31, 2016**"	-	(53,340)	-	-	-	(53,340)
Capital contributed during the year	-	-	-	(750,000)	-	(750,000)
Transferred to general reserve**	-	(121,226)	-	-	121,226	-
	-	(1,212,261)	-	(750,000)	121,226	(1,841,035)
"Total comprehensive income for the year ended December 31, 2017"						
Profit for the year	-	1,269,914	-	-	-	1,269,914
Other comprehensive income for the year	-	-	-	-	-	-
	-	1,269,914	-	-	-	1,269,914
Balance as at December 31, 2017	3,000,000	1,269,914	-	(1,200,000)	307,043	3,376,957

* This represents the amount set aside for shareholders on account of dividend payable to BESOS trust.

** This represents the amounts transferred as per Board of Directors resolution dated May 29, 2017.

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Cash Flows for the year ended December 31, 2017

	Note	Statutory Funds					(Rupees in '000) Aggregate		
		Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
OPERATING ACTIVITIES									
a) Underwriting activities									
Premiums received		-	86,410,943	1,987,428	60,244	4,053,660	-	92,512,275	83,364,213
Reinsurance premium paid		-	(51,381)	(40,400)	-	-	-	(91,781)	(216,028)
Claims paid		-	(23,661,899)	(453,749)	(37,190)	(2,160,139)	-	(26,312,977)	(25,264,693)
Surrenders paid		-	(17,452,929)	(726,242)	-	-	-	(18,179,171)	(14,403,389)
Reinsurance and other recoveries received		-	-	10,007	-	-	-	10,007	172,870
Commissions paid		-	(17,930,065)	(267,854)	(56)	-	-	(18,197,975)	(16,890,716)
Other underwriting payments		-	(3,263,970)	(49,709)	-	-	-	(3,313,679)	(3,156,145)
Net cash flows from underwriting activities		-	24,050,699	459,481	22,998	1,893,521	-	26,426,699	23,606,112
b) Other operating activities									
Income tax paid / (refund)		(310,212)	(639,088)	-	2,042	(174,312)	(87)	(1,121,657)	(713,611)
General management expenses paid		(4,344)	(6,959,604)	(221,962)	(2,272)	(413,090)	(20,183)	(7,621,455)	(6,049,202)
Loans advanced		(473,340)	(8,740,327)	(111,295)	-	-	-	(9,324,962)	(7,732,834)
Loan repayments received		422,848	9,435,467	-	-	-	-	9,858,315	8,393,537
Other payments / (receipts) on operating assets		(129,988)	1,230,424	52,550	(17,483)	(347,754)	20,183	807,932	(474,888)
Net cash used in other operating activities		(495,036)	(5,673,128)	(280,707)	(17,713)	(935,156)	(87)	(7,401,827)	(6,576,998)
Total cash flows generated from / (used in) all operating activities		(495,036)	18,377,571	178,774	5,285	958,365	(87)	19,024,872	17,029,114
INVESTING ACTIVITIES									
Profit received		366,941	51,148,703	837,021	32,391	167,163	5,413	52,557,632	49,383,140
Dividend received		-	6,667,217	1,597	-	-	-	6,668,814	5,718,604
Rentals received		-	1,100,216	-	-	-	-	1,100,216	1,058,688
Payments for investments		(2,409,062)	(99,724,910)	(4,916,272)	(17,916)	(2,620,548)	-	(109,688,708)	(127,138,421)
Proceeds from disposal of investments		2,211,137	27,165,963	3,474,898	-	1,186,248	-	34,038,246	59,951,800
Fixed capital expenditure		-	(400,653)	(2,109)	-	(21,046)	-	(423,808)	(297,714)
Proceeds from disposal of fixed assets		-	974	-	-	-	-	974	16,664
Total cash flows (used in) / generated from investing activities		169,016	(14,042,490)	(604,865)	14,475	(1,288,183)	5,413	(15,746,634)	(11,307,239)
FINANCING ACTIVITIES									
Capital contribution to statutory fund	21.6	(750,000)	-	-	-	750,000	-	-	-
Surplus appropriated to shareholders' fund	21.4	1,579,880	(1,558,640)	(21,240)	-	-	-	-	-
Dividend paid		(1,091,034)	-	-	-	-	-	(1,091,034)	(943,154)
Total cash flows (used in) / generated from financing activities		(261,154)	(1,558,640)	(21,240)	-	750,000	-	(1,091,034)	(943,154)
Net cash flows generated from / (used in) all activities		(587,174)	2,776,441	(447,331)	19,760	420,182	5,326	2,187,204	4,778,721
cash and cash equivalents at the beginning of the year		713,208	27,806,922	1,790,552	15,997	770,682	100,000	31,197,361	26,418,640
cash and cash equivalents at the end of the year	19	126,034	30,583,363	1,343,221	35,757	1,190,864	105,326	33,384,565	31,197,361
Reconciliation to profit and loss account									
Operating cash flows		(495,036)	18,377,571	178,774	5,285	958,365	(87)	19,024,872	17,029,114
Depreciation expense		-	(100,480)	(1,672)	-	(16,553)	-	(118,705)	(139,034)
Investment income and rental income		318,667	67,555,201	1,501,226	33,189	156,381	5,696	69,570,360	64,531,897
Amortization / capitalisation / adjustments		(44,465)	632,425	9,989	-	750,000	-	1,347,949	604,103
Surplus allocation	21.4	1,579,880	(1,558,640)	(21,240)	-	-	-	-	-
Non-cash adjustment		-	(7,608,042)	(85,127)	-	-	-	(7,693,169)	(6,812,511)
(Increase) / decrease in assets other than cash		(94,909)	15,234,753	327,731	2,700	400,522	87	15,870,884	14,077,254
(Decrease) / increase in liabilities other than running finance		5,777	(2,139,066)	(188,194)	17,434	(1,196,404)	(20,183)	(3,520,636)	(1,136,461)
Others		-	-	-	-	-	-	-	8,959
Profit after tax		1,269,914	90,393,722	1,721,487	58,608	1,052,311	(14,487)	94,481,555	88,163,321

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Revenue Account for the year ended December 31, 2017

	Note	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Income								
Premium less reinsurance		94,746,656	2,037,209	64,989	3,911,863	-	100,760,717	89,820,969
Rental income from investment properties	20	463,724	-	-	-	-	463,724	492,333
Net investment income		67,091,139	1,501,226	33,189	156,381	5,696	68,787,631	63,722,047
Total net income		162,301,519	3,538,435	98,178	4,068,244	5,696	170,012,072	154,035,349
Claims and expenditure								
Claims, including bonuses, net of reinsurance recoveries		40,355,401	1,260,906	37,190	3,301,161	-	44,954,658	37,938,986
Management expenses less recoveries		29,908,469	534,802	2,380	464,772	20,183	30,930,606	27,583,572
Total claims and expenditure		70,263,870	1,795,708	39,570	3,765,933	20,183	75,885,264	65,522,558
Excess of income over claims and expenditure		92,037,649	1,742,727	58,608	302,311	(14,487)	94,126,808	88,512,791
Add: Policyholders' liabilities at the beginning of the year	21.1	575,193,054	11,785,577	190,942	6,469	-	587,176,042	503,889,610
Less: Policyholders' liabilities at the end of the year	21.1	661,928,919	12,780,368	228,198	39,008	-	674,976,493	587,176,042
Surplus before tax		5,301,784	747,936	21,352	269,772	(14,487)	6,326,357	5,226,359
Tax chargeable to statutory funds								
Current year		(85,287)	-	-	-	-	(85,287)	(42,939)
Surplus / (deficit) after tax		5,216,497	747,936	21,352	269,772	(14,487)	6,241,070	5,183,420
Movement in policyholders' liabilities	21.1	86,735,865	994,791	37,256	32,539	-	87,800,451	83,286,432
Transfer from / (to) shareholders' fund								
Transfer from shareholders' fund	21.6	-	-	-	750,000	-	750,000	550,000
Surplus appropriated to shareholders' fund	21.4	(1,558,640)	(21,240)	-	-	-	(1,579,880)	(1,518,792)
Balance of statutory fund at the beginning of the year		599,684,109	13,116,977	306,699	968,951	100,000	614,176,736	526,675,676
Balance of statutory fund at the end of the year		690,077,831	14,838,464	365,307	2,021,262	85,513	707,388,377	614,176,736
Represented by:								
Policyholders' liabilities	21.1	661,928,919	12,780,368	228,198	39,008	-	674,976,493	587,176,042
Retained earnings attributable to policyholders	21.2	28,148,912	2,058,096	-	-	-	30,207,008	25,822,455
Retained earnings on other than participating business	21.5	-	-	137,109	782,254	-	919,363	628,239
Capital contributed by shareholders' fund	21.6	-	-	-	1,200,000	85,513	1,285,513	550,000
Balance of statutory fund		690,077,831	14,838,464	365,307	2,021,262	85,513	707,388,377	614,176,736

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Premiums for the year ended December 31, 2017

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Gross premiums							
Regular premium individual policies *							
First year	17,466,824	260,195	-	-	-	17,727,019	17,070,833
Second year renewals	13,453,065	225,831	-	-	-	13,678,896	12,655,480
Subsequent year renewals	59,356,468	1,596,043	-	-	-	60,952,511	54,190,119
	90,276,357	2,082,069	-	-	-	92,358,426	83,916,432
Group policies with cash values	-	-	64,989	-	-	64,989	59,263
Group policies without cash values	4,709,465	-	-	3,911,863	-	8,621,328	6,098,329
Total gross premiums	94,985,822	2,082,069	64,989	3,911,863	-	101,044,743	90,074,024
Less: Reinsurance premiums ceded							
On individual life first year business	(35,345)	(3,737)	-	-	-	(39,082)	(34,927)
On individual life second year business	(29,533)	-	-	-	-	(29,533)	(25,385)
On individual life renewal business	(98,449)	(41,123)	-	-	-	(139,572)	(112,857)
On group policies	(75,839)	-	-	-	-	(75,839)	(79,886)
Total reinsurance premiums ceded	(239,166)	(44,860)	-	-	-	(284,027)	(253,055)
Net premiums	94,746,656	2,037,209	64,989	3,911,863	-	100,760,717	89,820,969

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

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Claims for the year ended December 31, 2017

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Gross claims							
Claims under individual policies							
by death	5,170,334	33,412	-	13,153	-	5,216,899	4,056,664
by insured event other than death	356,378	558	-	-	-	356,936	341,814
by maturity	12,147,548	510,701	-	-	-	12,658,249	12,825,961
by surrender	17,452,929	726,242	-	-	-	18,179,171	14,403,389
annuity payment	9,886	-	-	-	-	9,886	16,575
Total gross individual policy claims	35,137,075	1,270,913	-	13,153	-	36,421,141	31,644,403
Claims under group policies							
by death	4,711,771	-	37,190	-	-	4,748,961	5,377,397
by insured event other than death	69,006	-	-	2,786,009	-	2,855,015	378,007
by maturity	330	-	-	-	-	330	459
by surrender	825	-	-	-	-	825	28,792
annuity payment	888	-	-	-	-	888	2,148
experience refund of premium	588,215	-	-	501,999	-	1,090,214	638,938
Total gross group policy claims	5,371,035	-	37,190	3,288,008	-	8,696,233	6,425,741
Total gross claims	40,508,110	1,270,913	37,190	3,301,161	-	45,117,374	38,070,144
Less: Reinsurance recoveries							
On individual life first year business claims	-	-	-	-	-	-	(2,095)
On individual life second year business claims	(4,625)	-	-	-	-	(4,625)	-
On individual life renewal business claims	(50,378)	(10,007)	-	-	-	(60,385)	(21,241)
On group life claims	(63,095)	-	-	-	-	(63,095)	(45,858)
On experience refund of premiums	(34,611)	-	-	-	-	(34,611)	(61,964)
Total reinsurance recoveries	(152,709)	(10,007)	-	-	-	(162,716)	(131,158)
Net claims	40,355,401	1,260,906	37,190	3,301,161	-	44,954,658	37,938,986

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Expenses for the year ended December 31, 2017

	Note	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Acquisition costs								
Remuneration to insurance intermediaries on individual policies:								
Commission on first year premiums		11,856,988	157,940	-	-	-	12,014,928	11,421,831
Commission on second year premiums		2,481,261	22,487	-	-	-	2,503,748	2,133,760
Commission on subsequent renewal premiums		2,433,089	81,103	-	-	-	2,514,192	2,318,954
Other benefits to insurance intermediaries		1,571,101	5,834	-	-	-	1,576,935	1,447,387
		18,342,439	267,364	-	-	-	18,609,803	17,321,932
Remuneration to insurance intermediaries on group policies:								
Commission		5,005	-	56	-	-	5,061	3,413
Other benefits to insurance intermediaries		1,689	-	-	-	-	1,689	1,222
		6,694	-	56	-	-	6,750	4,635
Branch overheads	23	2,402,088	47,943	-	-	-	2,450,031	2,328,537
Other acquisition cost								
Policy stamps and medical fee		861,881	1,766	-	-	-	863,647	827,670
Total acquisition cost		21,613,102	317,073	56	-	-	21,930,231	20,482,774
Administration expenses								
Salaries and other benefits		4,814,455	136,865	-	141,742	12,734	5,105,796	4,681,922
Traveling expenses		218,950	9,452	-	20,336	873	249,611	241,935
Auditors' remuneration	24	5,670	4,174	-	-	-	9,844	7,639
Legal expenses		46,060	679	-	206,472	3,035	256,246	88,925
Supervision fee		50,000	-	-	-	-	50,000	50,000
Advertisements		128,468	828	-	4,254	-	133,550	196,722
Printing and stationery		101,008	1,700	-	39,017	143	141,868	149,459
Postage and telephone		93,125	8,982	-	4,815	21	106,943	113,834
Utilities		651,053	1,798	-	11,780	2,008	666,639	804,784
Training		29,305	-	-	159	100	29,564	26,637
Computer expenses		24,618	353	-	1,203	9	26,183	18,006
Rental		232,588	9,633	-	8,161	-	250,382	232,431
Gratuity and pension expenses		1,566,221	4,541	-	2,979	845	1,574,586	96,810
Bank charges		42,715	9,803	1	785	-	53,304	48,068
Depreciation		100,480	1,759	-	16,553	-	118,792	139,034
		8,104,716	190,567	1	458,256	19,768	8,773,308	6,896,206
Other management expenses		242,697	26,814	2,046	4,787	215	276,559	249,998
Gross management expenses		29,960,515	534,454	2,103	463,043	19,983	30,980,098	27,628,978
Commission from reinsurers		(33,691)	(11,458)	-	-	-	(45,149)	(39,557)
Management expenses recovered from / allocated to other funds		(18,355)	11,806	277	1,729	200	(4,343)	(5,849)
Net management expenses		29,908,469	534,802	2,380	464,772	20,183	30,930,606	27,583,572

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement of Investment Income for the year ended December 31, 2017

	Note	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Investment income								
On Government securities		52,160,144	573,187	32,846	130,347	–	52,896,524	49,831,946
On other fixed income securities and deposits		545,663	89,557	341	10,159	5,696	651,416	840,406
Dividend income		6,569,962	1,597	–	–	–	6,571,559	5,931,898
On loans to policyholders		7,608,042	83,988	–	–	–	7,692,030	6,812,510
On loans to employees		19	–	–	58	–	77	90
Others	25	123,917	767,924	2	15,817	–	907,660	160,133
Total		67,007,747	1,516,253	33,189	156,381	5,696	68,719,266	63,576,983
Gain / (loss) on sale of investments		249,638	(4,866)	–	–	–	244,772	208,870
(Provision) / reversal of impairment in value of investments and receivables								
Provision for impairment in shares		(109,573)	–	–	–	–	(109,573)	(5,657)
Reversal of provision in receivables and shares		–	–	–	–	–	–	2,258
Investment related expenses		(56,673)	(10,161)	–	–	–	(66,834)	(60,407)
Net investment income		67,091,139	1,501,226	33,189	156,381	5,696	68,787,631	63,722,047

The annexed notes from 1 to 36 form an integral part of these financial statements.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Notes to the Financial Statements for the year ended December 31, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1** State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 1, 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 33 zones for individual life business, 4 zones for group life business and in the gulf countries (comprising United Arab Emirates (UAE), Kingdom of Saudi Arabia and Kuwait) through zonal office located at Dubai (UAE).
- 1.2** Subsequent to year end, the Board of Directors in its 256th meeting held on January 29, 2018 on recommendation of Risk Management & Compliance Committee approved closure of business operations in Saudi Arabia immediately till operations are regularized in accordance with local laws and regulations.
- 1.3** The Corporation is engaged in the life insurance business and health and accident insurance business.
- 1.4** The Corporation was issued the certificate of authorization for commencement of Window Takaful Operation under rule 6 of the Takaful rules, 2012 by SECP vide letter no. 0097, dated September 22, 2016. However the Corporation is in the process of launching the Window Takaful Operations at the year end i.e, December 31, 2017. For the purpose of carrying on the takaful business, the Operator has formed an Individual Family Participant Takaful Fund (IFPTF) on August 18, 2017 under the Waqf deed and cede Rupees 1 million to the IFPTF. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.
- 1.5** The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 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 namely, State Life Insurance Company Limited under the repealed Companies Ordinance, 1984 (XLVII of 1984) with the objective of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities. etc of the Corporation on fulfillment of the statutory requirements. 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 and the matter is still pending with that Committee.

Under the new scheme all the assets, liabilities, contracts, policies, proceedings and undertakings of the Corporation shall stand transferred to and vest in the Company on a specific date which is uncertain. Accordingly, the Corporation is not expected to continue as going concern. Since there will be no change in operational activities of the Corporation pursuant to change in aforesaid legal structure, no adjustments are expected to the carrying amounts of assets and liabilities.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 {Vide SRO 938 (1)/2002 dated December 12, 2002}.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, Takaful Rules, 2012 and approved accounting standards as applicable to insurance companies in Pakistan.



Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as notified under the provisions of the repealed Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the repealed Companies Ordinance, 1984, Takaful Rules, 2012 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, repealed Companies Ordinance, 1984, Takaful Rules, 2012 or the requirements of the said directives shall take precedence.

During the year, SECP issued Insurance Rules, 2017 and Insurance Accounting Regulations, 2017, which were applicable with effect from February 09, 2017 and April 01, 2017 respectively. However, the Company applied for the exemption dated October 24, 2017 from the applicability of the said rules and regulations for preparation of the financial statements for the year ended December 31, 2017 which was allowed by SECP vide letter ID/OSM/State Life/2017/12500, dated October 26, 2017. Hence, the financial statements for the year ended December 31, 2017 are prepared in accordance with the requirements of SEC (Insurance) Rules, 2002.

During the year, Companies Act, 2017 ("the Act") has been promulgated on May 30, 2017 introducing certain new requirements regarding preparation and filing of financial statements by companies. However, SECP vide Circular No. 23 of 2017 dated October 04, 2017 has directed companies whose financial year closes on or before December 31, 2017 to prepare financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The financial statements of the Company has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of the said circular.

The Securities and Exchange Commission of Pakistan (SECP) has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "available-for-sale" investments. However, after enactment of Insurance Accounting Regulations, 2017, this exemption is no more available. Since the Corporation has been granted exemption from Insurance Accounting Regulations, 2017 as detailed in preceding paragraphs, the requirements of IAS 39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

Had the available for sale investments as disclosed in note 13, been valued at in accordance with IAS 39, the value of the investments would have been higher by Rs. 72,019 million.

As detailed in note 1.4, Window Takaful Operations are yet to be commenced by the Corporation, therefore the statement of financial position of Window Takaful Operations as at December 31, 2017 and its financial performance for the year ended December 31, 2017 are not being presented in these financial statements.

2.1.1 Implications of revised IFRS 2 - Share-based payment on Benazir Employees' Stock Option Scheme (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities including the Corporation on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances. The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP. The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.



The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Corporation, under the provisions of amended International Financial Reporting Standard-2, "Share-based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 07, 2011 to such entities including the Corporation from the application of IFRS 2 to the Scheme.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies mentioned below.

These financial statements have been prepared following the accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Corporation's functional (except for overseas business) and presentation currency.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Corporation

The Corporation has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
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3.2 Amendments not yet effective

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

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
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		Effective date (annual periods beginning on or after)
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	"Applies when IFRS 9 is applied"
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	No stated effective date
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers of property to, or from, investment property	January 01, 2018
The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2018 are as follows: Annual Improvements to IFRSs (2014 – 2016) Cycle:		
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018



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

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2018

3.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

Effective date (annual periods beginning on or after)

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019

The following new standards and interpretations have been issued by the International accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance contracts

The effects of IFRS 15 - Revenues from Contracts with Customers, IFRS 9 - Financial Instruments and IFRS 17 Insurance Contracts are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Corporation expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Corporation's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Corporation's financial statements for the year ended December 31, 2016.

4.1 Use of critical accounting estimates and judgments

The preparation of 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 recognised 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 and estimates 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.

The investments which are not classified as held to maturity are classified as available for sale.

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) Re-insurance recoveries against outstanding claims

Re-insurance recoveries against outstanding claims are accounted for on the basis of estimates of recoverable amounts which can vary upon eventual realization.

d) Provision for income taxes

In making estimates for income taxes 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.

e) Impairment - available-for-sale financial assets

The Corporation determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Corporation evaluates among other factors, normal volatility in prices. In addition, impairment may be appropriate when there is an evidence of deterioration in financial health of the invested industry, sector performance, changes in technology and operational and financial cash flows. The Corporation tests impairment on an aggregated portfolio basis.

f) 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.

g) Fixed assets, investment properties, depreciation and amortisation

In making estimates of depreciation / amortisation, 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 financial year end.



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.

h) Staff retirement benefits

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

4.2 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;
- Health Insurance Fund; and
- Family Takaful Fund.

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

Apportionment of assets, liabilities, revenues and expenses, wherever required, between funds are made on a fair and equitable basis as considered appropriate by the Appointed Actuary.

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, individual universal life business, group insurance business and a small amount of annuity business. Most of the policies contain Discretionary Participation Feature (DPF).

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 investment income. Most of the new business written under the Overseas Life Fund contains a Discretionary Participation Feature (DPF).

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.



Health Insurance Fund

The Corporation has entered into an agreement in 2015 with Government of Khyber Pakhtunkhwa (KP) to implement Social Health Protection Initiative. As per the agreement, the Corporation received 60% of cost of plan and will receive 40% of the said amount on completion of the plan certified by the consultant firm designated for the said purpose. Under the scheme, about 100,000 households in four districts of KP will be covered for micro health insurance benefits under the prescribed limit of Rs. 25,000/- per member per annum. The Corporation has also entered into an agreement with the Federal Government under Prime Minister Health Insurance Program. Under the scheme, about 3,020,000 households which will be covered for micro health insurance benefits under the prescribed limit of Rs. 250,000/- per household for specialized diseases and Rs. 50,000/- for other disease.

Family Takaful Fund

During the year, 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."

The takaful operations under the 'Family Takaful Fund' are expected to start from the next year as disclosed in note 1.3 to these financial statements.

4.3 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.

4.4 Re-insurance

The Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2016: Rs. 5 million) per policy and for group life is Rs. 5 million (2016: 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.



4.5 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.

4.6 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.

4.7 Premiums due but unpaid

These are recognised at cost, which is the fair value of consideration to be received less provision for impairment, if any.

4.8 Amount due from other insurers / reinsurers

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

4.9 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.

4.10 Expenses of management

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

4.11 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 Honourable 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, 2017 amounting to Rs.1,505 million (2016: Rs. 1,324 million) has been provided in these 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, 2017, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 2,301.383 million (2016: Rs. 1,964.517 million) and the same has been provided in these financial statements.

4.12 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.

4.13 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.

4.14 Financial instruments

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

Financial assets and financial liabilities are recognised 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:

- loans and receivables;
- held to maturity; and
- available-for-sale financial assets.

Loans and receivables

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.

Available for sale

Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity investments. Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. The equity securities are stated at lower of cost or market value (market value being taken at lower if the fall is other than temporary) on aggregate portfolio basis. The fixed income securities and debt securities are stated at cost less redemption. Impairment loss is recognized if the fall is other than temporary, if any.



SECP vide letter No. DH/F&A/17-C/2011 dated May 12, 2011 allowed the Corporation to continue its practice of computing and recording impairment on its available for sale equity securities on aggregate portfolio basis. The investments in subsidiary companies/entities have been classified as available for sale investments and are stated at cost. Provision is made for diminution, other than temporary, in the value of investment. As per regulation 4(3) of the Securities and Exchange Commission (Insurance) Rules, 2002 issued by the Securities and Exchange Commission of Pakistan, where the insurer controls other entities as a result of investments made through statutory funds, consolidated published financial statements in respect of such entities are not required to be prepared.

Accordingly, the Corporation has not prepared consolidated financial statements with reference to investments made in subsidiaries.

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 recognised.

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 profit and loss account immediately.

Off setting

Financial assets and liabilities are off set and the amount is reported in the balance sheet 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.

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are measured at amortised 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.

4.15 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.

4.16 Fixed assets - tangible

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

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 15 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 balance sheet date. Depreciation on fixed assets is charged on a proportionate basis.



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 income currently.

An item of fixed asset is derecognised 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 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.

4.17 Revenue recognition

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.

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.

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.

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.



Others

All other income are recognised on accrual basis.

4.18 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 recognised 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.

4.19 Bad and doubtful debts

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

4.20 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.

4.21 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 recognised, 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).

4.22 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.



4.23 Cash and cash equivalents

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

4.24 Dividend distributions and appropriations

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

4.25 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.

4.26 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 SEC (Insurance) Rules, 2002.

The Corporation's business segments are currently reported as shareholders' fund and four statutory funds, separately in respect of each class of life insurance business.

4.27 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.

5. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2017	2016		2017	2016
Number of shares				
<u>30,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs. 100 each	<u>3,000,000</u>	<u>3,000,000</u>

6. STAFF RETIREMENT BENEFITS

Defined benefit plans

Pakistan Life Fund

Staff gratuity scheme - unfunded	6.1	70,954	72,255
Officers' gratuity scheme - funded	6.1 & 6.9	31,764	25,966
Post retirement medical benefits - unfunded	6.1	2,301,384	1,964,517
Compensated absences	6.2	1,504,999	1,323,627
		3,909,101	3,386,365

Overseas Life Fund

Staff gratuity - unfunded		17,337	15,506
		3,926,438	3,401,871



6.1 Reconciliation of payable to defined benefit plans and other benefits

Note	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		
	Staff gratuity scheme – unfunded		Officers gratuity scheme – funded		Employees' pension fund		Post retirement medical benefits - unfunded		
	2017	2016	2017	2016	2017	2016	2017	2016	
Present value of defined benefit obligations	6.1.2	70,954	72,255	184,563	180,940	19,668,024	17,215,108	2,301,384	1,964,517
Fair value of plan assets	6.1.3	-	-	(152,799)	(154,974)	(20,333,061)	(18,763,484)	-	-
Net payable recognised as at the year-end	6.1.1	70,954	72,255	31,764	25,966	(665,037)	(1,548,376)	2,301,384	1,964,517

*The balance is classified as current assets under the head "sundry receivables" as it represents the balance receivable to the fund as at year end.

6.1.1 Movement in balance payable

Note	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		
	Staff gratuity scheme – unfunded		Officers gratuity scheme – funded		Employees' pension fund		Post retirement medical benefits - unfunded		
	2017	2016	2017	2016	2017	2016	2017	2016	
Opening balance of payable	72,255	78,079	25,966	-	(1,548,376)	(849,904)	1,964,517	1,727,875	
(Income) / expense recognised	6.1.5	2,684	8,068	24,444	138,012	1,659,442	49,368	412,862	286,685
Contributions made during the year	-	-	(18,646)	(98,217)	(776,103)	(747,840)	-	-	
Liability (transferred to) / transferred from defined contribution gratuity fund	-	-	-	(13,829)	-	-	-	-	
Benefits paid	(3,985)	(13,892)	-	-	-	-	(75,995)	(50,043)	
Closing balance of payable	70,954	72,255	31,764	25,966	(665,037)	(1,548,376)	2,301,384	1,964,517	

6.1.2 Reconciliation of the present value of defined benefit obligation

Note	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		
	Staff gratuity scheme – unfunded		Officers gratuity scheme – funded		Employees' pension fund		Post retirement medical benefits - unfunded		
	2017	2016	2017	2016	2017	2016	2017	2016	
Present value of obligation as at January 01,	72,255	78,079	180,940	-	17,215,108	15,774,396	1,964,517	1,727,875	
Transferred from defined contribution gratuity fund	-	-	-	135,642	-	-	-	-	
Current service cost	6.1.5	2,008	2,186	4,747	5,114	618,343	602,827	82,546	77,602
Past service cost	6.1.5	-	-	-	150,632	-	-	-	
Interest cost	6.1.5	6,676	7,434	15,836	17,534	1,640,545	1,583,460	188,212	174,497
Benefit paid	(3,985)	(13,892)	(32,429)	(110,805)	(736,406)	(715,612)	(75,995)	(50,043)	
Liability (transferred to) / transferred from defined contribution gratuity fund	-	-	-	-	-	-	-	-	
Actuarial (gain) / losses	6.1.5	(6,000)	(1,552)	15,469	(17,177)	930,434	(29,963)	142,104	34,586
"Present value of the defined benefit obligation as at December 31,"	70,954	72,255	184,563	180,940	19,668,024	17,215,108	2,301,384	1,964,517	



6.1.3 Changes in fair values of plan assets

	(Rupees in '000)		(Rupees in '000)	
	Officers gratuity scheme – funded		Employees' pension fund	
	2017	2016	2017	2016
Net assets as at January 01,	154,974	–	18,763,484	16,624,300
Transferred from defined contribution gratuity fund	–	149,471	–	–
Expected return on plan assets	13,377	17,506	1,778,322	1,659,069
Contributions received	18,646	98,217	776,103	747,840
Benefits paid	(32,429)	(110,805)	(736,406)	(715,612)
Actuarial (losses) / gains	(1,769)	585	(248,442)	447,887
Net assets as at December 31,	152,799	154,974	20,333,061	18,763,484

6.1.4 Actual return on plan assets

Actual return on plan assets	11,608	18,091	1,529,880	2,106,956
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6.1.5 Charge for defined benefit plans

The following amounts have been charged in respect of defined benefit plans and other benefits:

Note	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
	Staff gratuity scheme – unfunded		Officers gratuity scheme – funded		Employees' pension fund		Post retirement medical benefits - unfunded	
	2017	2016	2017	2016	2017	2016	2017	2016
Current service cost	2,008	2,186	4,747	5,114	618,343	602,827	82,546	77,602
Past service cost	–	–	–	150,632	–	–	–	–
Interest cost	6,676	7,434	15,836	17,534	1,640,545	1,583,460	188,212	174,497
Expected return on plan assets	–	–	(13,377)	(17,506)	(1,778,322)	(1,659,069)	–	–
Actuarial (gains) / losses recognised	(6,000)	(1,552)	17,238	(17,762)	1,178,876	(477,850)	142,104	34,586
	2,684	8,068	24,444	138,012	1,659,442	49,368	412,862	286,685

6.1.6 Fair value of plan assets at year end

	(Rupees in '000)		(Rupees in '000)	
	Officers gratuity scheme – funded		Employees' pension fund	
	2017	2016	2017	2016
Government securities	152,991	152,991	20,113,668	18,604,472
Cash at banks	–	1,983	71,990	14,150
Others	(192)	–	147,403	144,862
	152,799	154,974	20,333,061	18,763,484



6.2 Movement in compensated absences payable

	(Rupees in '000)	
	Compensated absences	
	2017	2016
Balance as at the beginning of the year	1,323,627	1,140,000
Provision made during the year	181,372	183,627
Balance as at the end of year	1,504,999	1,323,627

6.3 Principal actuarial assumptions

The latest actuarial valuations of the employees' pension fund, unfunded staff gratuity, funded officers gratuity and post retirement medical benefits were carried out as at December 31, 2017 by the appointed actuary. The principal actuarial assumptions used are as follows:

	Staff gratuity scheme – unfunded		Officers gratuity scheme – funded		Employees' pension fund		Post retirement medical benefits - unfunded	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Discount rate	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Expected rate of return on plan assets	-	-	9.5	9.5	9.5	9.5	-	-
Long term salary increase rate (staff only)	8	8	8	8	8	8	8	8
Future increase in pension (after retirement)	-	-	-	-	5.5	5.5	-	-
Pre-retirement mortality	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year
Post-retirement mortality	-	-	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year	SLIC (2001-05) – 1 year
Rates of employee turnover	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light

The expected return on plan assets is based on market yields on high quality corporate bonds along with asset portfolio of the Corporation, at the beginning of the year, for returns over the entire life of related obligation.

6.4 Historical information

	2017	2016
	(Rupees in '000)	
Staff gratuity scheme – unfunded		
Defined benefit obligation	70,954	72,255
Fair value of plan assets	-	-
Deficit	70,954	72,255
Officers gratuity scheme – funded		
Defined benefit obligation	184,563	180,940
Fair value of plan assets	(152,799)	(154,974)
Deficit	31,764	25,966
Employees' pension fund		
Defined benefit obligation	19,668,024	17,215,108
Fair value of plan assets	(20,333,061)	(18,763,484)
Surplus	(665,037)	(1,548,376)



	2017	2016
	(Rupees in '000)	
Post retirement medical benefit – unfunded		
Defined benefit obligation	2,301,384	1,964,517
Fair value of plan assets	–	–
Deficit	2,301,384	1,964,517

6.5 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
	Staff gratuity scheme – unfunded		Officers gratuity scheme – funded		Employees' pension fund		Post retirement medical benefits - unfunded	
	Present value of defined benefit obligations	% change from base	Present value of defined benefit obligations	% change from base	Present value of defined benefit obligations	% change from base	Present value of defined benefit obligations	% change from base
Base	70,954	–	184,563	–	19,668,024	–	2,301,384	–
Discount rate								
Increase by 1%	70,236	-1.01%	182,644	-1.04%	17,580,258	-10.62%	2,177,621	-5.38%
Decrease by 1%	71,688	1.03%	186,520	1.06%	22,204,061	12.89%	2,436,511	5.87%
Long term salary increase rate								
Increase by 1%	71,860	1.28%	186,970	1.30%	20,834,934	5.93%	2,362,126	2.64%
Decrease by 1%	70,060	-1.26%	182,185	-1.29%	18,621,358	-5.32%	2,243,532	-2.51%
Future increase in pension rate								
Increase by 1%	–	–	–	–	21,083,649	7.20%	–	–
Decrease by 1%	–	–	–	–	18,450,429	-6.19%	–	–

6.6 General description

The Corporation faces the following risks on account of staff retirement benefits:

- Mortality risks - The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.
- Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities.
- Final salary risks - The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefits are calculated on the final salary, the benefit amount increases similarly.
- Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

6.7 The charge in respect of staff gratuity scheme - unfunded, officers gratuity scheme- funded, employees pension fund and post retirement medical benefits - unfunded for the year ending December 31, 2018 are estimated to be Rs. 7.316 million, Rs. 7.319 million, Rs. 652.087 million and Rs. 317.614 million, respectively.



- 6.8** In pursuance of the decision of Honourable Supreme Court of Pakistan dated February 09, 2011, in respect of Employee's Pension Scheme, 1984, which was frozen with effect from December 31, 1999, the Corporation has transferred assets of Employees' Contributory Provident Fund and Officers' Gratuity Fund to the Employees' Pension Fund having fair value of Rs. 627.871 million and Rs. 433.767 million respectively as on December 31, 2012 including contribution made by the Corporation till April 2012 in Provident fund and Gratuity Fund amounting to Rs. 16.382 million and Rs. 16.382 million, respectively.
- 6.9** Board of Directors in their 241th meeting held on October 20, 2015 decided to restore the officers' gratuity fund on last drawn pay. First supplemental deed of the Corporation officers' gratuity fund was made on January 27, 2016. All gratuity payments made in respect of members under the old rules on cessation of their service prior to January 1, 2016 were revised in accordance with new rules. The revised computations of gratuity are made as if the new rules were applicable from the commencement date.

7. OUTSTANDING CLAIMS

	Note	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Outstanding claims at the beginning of year		15,918,238	216,708	-	136,080	-	16,271,026	17,868,963
Increase in liabilities due to current year claims		40,508,110	1,270,913	37,190	3,301,161	-	45,117,374	38,070,144
Claims written back during the year	7.2	(1,217,352)	-	-	-	-	(1,217,352)	(1,749,541)
Cash paid during the year		(39,897,476)	(1,179,991)	(37,190)	(2,160,140)	-	(43,274,797)	(37,918,540)
Outstanding claims at the end of year		15,311,520	307,630	-	1,277,101	-	16,896,251	16,271,026

7.1 Ageing analysis of outstanding claims

	Total	Statutory Funds				
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
Unclaimed death benefits	3,142,150	1,782,025	518,026	496,937	345,162	-
Unclaimed disability / accidental benefits	1,078,280	883,684	56,373	85,618	52,605	-
Unclaimed maturity benefits	7,312,670	4,526,337	812,464	1,019,042	954,827	-
Other unclaimed benefits	5,363,151	1,810,593	835,711	1,089,414	1,627,433	-
	16,896,251	9,002,639	2,222,574	2,691,011	2,980,027	-

- 7.2** 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 Corporation has a practice of writing back unclaimed insurance benefit which are outstanding for more than three years and retains the unclaimed insurance benefit to actuarial reserve. 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.



8. OTHERS

This includes an amount of Rs. 3,544.688 million (2016: Rs. 3,208.737 million) relating to amount payable to the Bureau of Emigration and Overseas Employment (the Bureau) as per S.R.O No. 4-9/2003- Emig. I dated February 16th 2007, for 'Fund Management Agreement' which was signed in the previous years to retain and invest profit commission payable to the Bureau against the insurance policy issued in respect of the Emigrants. The Bureau of Emigration served Fund Management Agreement Termination notice dated April 20, 2011 to the Corporation which was subsequently withdrawn. In the prior year a draft Fund Management Agreement has been submitted for approval and the revised Fund Management Agreement would clearly mention the working methodology of rate of mark up to be credited to the Bureau. Until such revised agreement is in place, mark up is being accrued at the rate of 6% per annum as per pre-existing terms.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 The Corporation has filed appeals on different issues in 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.

All the appeals are still pending before High Court of Sindh, Karachi and management of the Corporation and its tax advisor are confident that ultimate outcome of these matters will be decided in favour of the Corporation and accordingly, no provision is required in financial statements on account of these matters.

9.1.2 In the year 2010, the Inland Revenue Department served legal notices to the Corporation, requiring it to explain why the withholding tax has not been deducted on payments made to the policyholders on the maturity under section 151(1)(d) of the Income Tax Ordinance, 2001. Those notices were related to tax year 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. 710.124 million and Rs. 738.514 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) has 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 has filed appeals before the ATIR against the above orders of CIR (A) which were dismissed by learned ATIR vide order No. 506-507/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.

- 9.1.3** Tax authorities 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 has adjusted demand amount from the pending refunds for tax year 2010.

Appellate Tribunal Inland Revenue (ATIR) has 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.

In the year 2013, the Inland Revenue Department has filed appeal in the Honorable High Court of Sindh against the decision of ATIR in the above cases. In previous year, 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. The Corporation adjusted Rs. 8.8 million against demand for Tax year 2014. The refund amounting to Rs. 2.2 million is still pending with the Department. An appeal was filed by Inland Revenue Department before the High Court of Sindh, Karachi. The aforesaid appeal has been dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016. During the year, 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.

- 9.1.4** In the year 2013, Income Tax Authorities issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 9.1.2. 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 of amendment u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in total demand of Rs. 1,577.456 million (Rs. 1,249.138 million as withholding tax and Rs. 328.318 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 then filed appeals before CIR (A) which have not been upheld. The Corporation has 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 policies 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.

Income Tax Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. Further, Inland Revenue Department adjusted outstanding demand for Tax Year 2009, 2010 and 2011 at Rs. 10.8 million, Rs. 12.5 million and Rs. 56.3 million respectively against pending appeal effect of Tax Year 2013. As at December 31, 2017, appeal effect amounting to Rs. 29.4 million relating to Tax Year 2013 is still pending with the Income Tax Department. Inland Revenue Department has filed an appeal before ATIR against the said order of the CIR (A).

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.



9.1.5 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. 12.669 million (Assessment year 2000-01 to 2002-03 Rs. 1.464 million, Rs. 9.036 million, Rs. 2.169 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. At present, Departmental references are still pending before High Court of Mirpur, Azad Jammu and Kashmir.

9.1.6 In 2015, Income Tax Department initiated monitoring of withholding of taxes from tax year 2009 to 2013 u/s 161/205 of the Income Tax Ordinance, 2001. During the course of monitoring certain payment to insurance agents were held liable to withholding of tax u/s 233 as deemed commission for the first time. In addition payment evidence of withholding taxes under various sections of law were taken into scrutiny.

Reply filed by the Corporation were not agreed by the Department and aggregate demand amounting to Rs. 494 million was raised for all tax years u/s 161, 182 and 205 (tax year 2009: Rs. 48 million, tax year 2010: Rs. 58 million, tax year 2011: Rs. 53 million, tax year 2012: Rs. 258 million and tax year 2013: Rs. 77 million). Corporation has paid the above demand under protest and without prejudice to the legal rights to appeal.

Corporation being aggrieved preferred appeals against impugned orders of Income tax Department before Commissioner Inland Revenue -Appeals. CIR (A) vides his order dated July 6, 2015 has vacated the orders passed by Deputy Commissioner Inland Revenue and has directed concerned Deputy Commissioner Inland Revenue Department to re-visit the case and pass order afresh.

Deputy Commissioner Inland Revenue on the directive of CIR (A) had issued notices afresh for tax year 2009 to 2013. Corporation has referred these notices to its tax consultant for compliance. Based on the reply filed by the Corporation through consultant for tax year 2009 to 2013, DCIR has passed rectified orders whereby previously created demand has been reduced by Rs. 7.6 million.

"In prior year, Inland Revenue Department issued show cause notices related to monitoring of withholding taxes on similar lines for tax year 2014 and 2015. Reply filed by the Corporation was not agreed by the Inland Revenue Department and initial demand amounting to Rs. 450 million and Rs. 572 million was raised for the tax year 2014 and 2015 respectively."

On the advice of the consultant Corporation filed application for rectification of order passed by DCIR for tax year 2014 and 2015. DCIR has passed rectified order whereby rectified demand of Rs. 213 million and Rs. 166 million was raised for the tax year 2014 and 2015 respectively.

Without prejudice to the legal right to appeal, Corporation has adjusted demand for tax year 2014 from the pending refund of the tax year 2004 and 2012 and has paid demand amounting to Rs. 150 million for tax year 2015 in cash.

Being aggrieved from the order of DCIR for tax year 2014 and 2015, Corporation has filed an appeal before CIR (A). CIR (A) in its order dated September 19, 2016 has referred back the case to concerned DCIR for re-assessment. At present, the case is being re-assessed by DCIR.



9.1.7 In 1967, one of the defunct insurance company sold a property to certain persons on installments basis on certain agreed terms and conditions. However, later those vendees defaulted in payment of their installments on due dates which render the sale agreement null and void. Although these defaults were committed before Life Insurance Nationalization Order 10, 1972 came into existence, property was recorded in books of defunct insurance company at the time of Nationalization Order, which required all the assets and liabilities of defunct insurance companies to be vested in the Corporation. The matter remained pending till the vendees approached the Corporation in 2006 to execute the sale deed in their favor.

The Corporation had taken advice from their legal advisors who are of the view that since vendees had defaulted in making payment of their installments before Nationalization Order, 1972 came into existence, the above property is the property of the Corporation and vendees are in the possession of said property as licensees.

State Life filed a Suit for possession in respect of State Life Building 102-B, Gulberg, Lahore against vendees in the year 2007 in the Court of Civil judge, Lahore, whereas, the opponent vendee has filed a suit for specific performance. Both the suits have been clubbed and are pending for adjustment. However, management of the Corporation has not recognized the property, which has written down value of Rs. 42,000 as at the balance sheet date, in its books as the said asset does not meet the definition of property, plant and equipment as it arises from past events and its existence will be confirmed by uncertain future events not wholly within the control of the Corporation.

9.1.8 During the year, Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal 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. 23.7 million was raised u/s 137 of the Income Tax Ordinance, 2001.

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. Inland Revenue Department as well as the Corporation filed appeals before ATIR against order of CIR (A) which is pending till to date.

9.1.9 During the year, Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal 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 9.1.8 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. 163.4 million was raised u/s 137 of the Income Tax Ordinance. In said order, ACIR has incorrectly adjusted Rs. 446.6 million against demand raised u/s 161 / 205 of the Ordinance which was actually duly discharged by the Corporation.

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. The Corporation 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. 316.7 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. Inland Revenue Department as well as the Corporation filed appeals before ATIR against order of CIR (A) which are pending till to date.

- 9.1.10** Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal 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 February 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 February 02, 2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby outstanding refund for same year was utilized to adjust the demand of Rs. 39.3 million. After adjustment, balance refunds stands at Rs. 93.3 million.

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 June 22, 2017. However, CIR (A) has decided the issue relating to disallowance of provision for impairment in value of shares against the Corporation. Inland Revenue Department as well as the Corporation has filed cross appeal before Appellate Tribunal Inland Revenue against above order of CIR (A) which is still pending till to date.

- 9.1.11** 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 9.1.7 and 9.1.9. The Corporation engaged A.F. Ferguson & Co. for responding these notices. Subsequently, ACIR passed amended orders whereby demand of Rs. 520.5 million was raised (Tax Year 2011: Rs. 56.3 million, Tax Year 2013: Rs. 107.1 million and Tax Year 2014: Rs. 357.1 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). Appeals related to tax years 2013 and 2014 are pending before CIR (A) till to date. However, appeal related to tax year 2011 has been decided by CIR (A). Issue related to subjecting dividend income to normal tax rate has been decided in favor of the Corporation whereas issue related to deduction claimed on account of real estate expenses is decided against the Corporation. Inland Revenue Department as well as the Corporation filed appeals before ATIR against the order of CIR (A).

- 9.1.12** If the outcome of the above cases is decided against the Corporation, the cumulative impact of all the above mentioned court cases will result in taxation expense amounting to Rs. 2,298 million being charged to the profit and loss account of the Corporation.

9.2 Commitments

The Corporation is committed in respect of capital expenditure contract aggregating to Rs. 127 million (2016: Rs. 252 million). There were no other commitments as at the balance sheet date.



10 CASH AND BANK DEPOSITS

10.1 Cash and others

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
	Cash in hand	-	7,662	-	-	3	-	7,665
Cash in transit	-	177,166	-	-	-	-	177,166	109,516
	-	184,828	-	-	3	-	184,831	119,591

10.2 Current and other accounts

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
	Current accounts	-	13,221,692	1,143,300	35,757	1,190,861	105,326	15,696,936
PLS accounts	-	556,889	24,992	-	-	-	581,881	651,459
	-	13,778,581	1,168,292	35,757	1,190,861	105,326	16,278,817	14,109,585

10.3 Deposits maturing within 12 months

	Note	Statutory Funds						(Rupees in '000) Aggregate	
		Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Call and SNTD									
Habib Bank Limited	126.034	4,819,084	-	-	-	-	4,945,118	3,260,849	
United Bank Limited	-	1,000	174,929	-	-	-	175,929	641,158	
National Bank of Pakistan	-	18	-	-	-	-	18	17	
The Bank of Punjab	-	22	-	-	-	-	22	51	
Bank Al-Falah Limited	-	2	-	-	-	-	2	5	
Soneri Bank Limited	-	2	-	-	-	-	2	-	
Standard Chartered Pakistan Bank	-	2	-	-	-	-	2	-	
Samba Bank Limited	-	2	-	-	-	-	2	-	
Sindh Bank Limited	-	1	-	-	-	-	1	-	
MCB Bank Limited	-	1	-	-	-	-	1	-	
PLS Unisaver									
United Bank Limited	-	11,795,706	-	-	-	-	11,795,706	12,766,086	
Faysal Bank Limited	-	4,114	-	-	-	-	4,114	-	
Special Saving Accounts									
Sindh Bank Limited	-	-	-	-	-	-	-	1	
MCB Bank Limited	-	-	-	-	-	-	-	1	
Summit Bank Limited	-	-	-	-	-	-	-	300,001	
Allied Bank Limited	-	-	-	-	-	-	-	16	
	126.034	16,619,954	174,929	-	-	-	16,920,917	16,968,185	



10.4 Fixed deposits maturing after 12 months

		Statutory Funds						(Rupees in '000) Aggregate	
Note	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016	
Others	-	750	-	-	-	-	750	750	
Abroad	10.4.1	960	5,065,824	-	-	-	5,066,784	150,512	
		1,710	5,065,824	-	-	-	5,067,534	151,262	

10.4.1 These include fixed deposits equivalent to Rs. 0.712 million (2016: Rs. 0.712 million) with the Kenya Commercial Bank Limited, Kenya, Rs. 0.248 million (2016: Rs. 0.248 million) with the Bank of Ceylon and Grindlays Bank Limited, Sri Lanka, as security for policyholders and Rs. 105.177 million (2016: Rs. 105.177 million) deposited as guarantees issued to the Ministry of Economy, Dubai (UAE) against permission for doing life insurance business in UAE.

11. LOANS SECURED AGAINST LIFE INSURANCE POLICIES

		Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016	
Cash loans	-	41,512,638	675,728	-	-	-	42,188,366	35,079,124	
Automatic non-forfeiture provisions	-	33,916,173	570,024	-	-	-	34,486,197	27,723,464	
	-	75,428,811	1,245,752	-	-	-	76,674,563	62,802,588	

12 INVESTMENT PROPERTIES

		(Rupees in '000) Aggregate	
Note	2017	2016	
Investment properties	12.1	2,326,453	2,342,068
Less: Provision for impairment in value	12.6	(687)	(687)
		2,325,766	2,341,381
Capital work in progress	12.2	859,462	633,553
		3,185,228	2,974,934



12.1 Investment properties

(Rupees in '000)

	COST			DEPRECIATION / IMPAIRMENT			Written down		
	As at January 01, 2017	Additions/ (Disposals)	As at December 31, 2017	As at January 01, 2017	Adjustments	Charge for the year	As at December 31, 2017	value as at December 31, 2017	Depreciation Rate (%)
2017									
Freehold land	274,391	225	274,616	-	-	-	-	274,616	-
Leasehold land	332,697	-	332,697	101,759	-	3,865	105,624	227,073	1 to 5
Leasehold improvements	15,705	988	16,693	9,388	-	506	9,894	6,799	5
Building, roads and structure	2,060,222	13,919	2,074,141	420,962	-	20,647	441,609	1,632,532	1
Electric installation and fittings	1,522,872	45,725	1,567,622	1,331,710	(634)	51,113	1,382,189	185,433	10
		(975)							
	4,205,887	60,857	4,265,769	1,863,819	(634)	76,131	1,939,316	2,326,453	
		(975)							

(Rupees in '000)

	COST			DEPRECIATION / IMPAIRMENT			Written down		
	As at January 01, 2016	Additions/ (Disposals)	As at December 31, 2016	As at January 01, 2016	Adjustments	Charge for the year	As at December 31, 2016	value as at December 31, 2016	Depreciation Rate (%)
2016									
Freehold land	274,341	50	274,391	-	-	-	-	274,391	-
Leasehold land	332,697	-	332,697	97,889	-	3,870	101,759	230,938	1 to 5
Leasehold improvements	14,701	1,004	15,705	8,929	-	459	9,388	6,317	5
Building, roads and structure	2,055,059	5,163	2,060,222	400,386	185	20,391	420,962	1,639,260	1
Electric installation and fittings	1,488,403	34,822	1,522,872	1,284,838	(351)	47,223	1,331,710	191,162	10
	-	(353)	-	-	-	-	-	-	-
	4,165,201	41,039	4,205,887	1,792,042	(166)	71,943	1,863,819	2,342,068	
		(353)			-				

12.2 This mainly represents the amount incurred in respect of Islamabad and Rahim Yar Khan project.

12.3 The Corporation occupied approximately 27% (2016: 25%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purposes.

12.4 The market value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 35,079 million (2016: Rs. 31,796 million). The fair value / forced sale value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 29,817 million (2016: Rs. 27,039 million).

12.5 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 16 buildings / plots (2016: 19 buildings / plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

12.6 There are properties costing Rs. 2.042 million (2016: Rs. 2.042 million) having written down value of Rs. 0.687 million (2016: Rs. 0.687 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.687 million (2016: Rs. 0.687 million) exists for loss of assets, if any.

2.7 The Corporation has a plot at Rawalpindi costing Rs. 0.581 million (2016: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

12.8 The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 1.192 million (2016: Rs. 1.192 million) for which execution of title deed remained pending.



12.9 The investment properties also include Rs. 23 million (2016: 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.

13. INVESTMENTS

	Note	(Rupees in '000) Aggregate	
		2017	2016
Government securities	13.1	553,016,050	481,726,124
Other fixed income securities	13.2	803,630	810,818
Listed equity securities and mutual funds	13.3	31,262,202	31,072,812
Unlisted equity securities and mutual funds	13.4	870,681	870,680
Holding in subsidiary companies	13.5	338,010	241,609
Less: Provision for diminution in value	13.6.1	(384,122)	(274,549)
		585,906,451	514,447,494

Details of investment portfolio are as under.

13.1 Government securities

	Maturity year	Effective yield	Shareholders' Fund	Statutory Funds					(Rupees in '000) Aggregate	
				Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Held to maturity										
Pakistan Investment										
Bonds										
3 Years	2017 - 2019	6.60% - 6.65%	1,157,603	79,380,456	-	-	1,631,122	-	82,169,181	75,961,698
5 Years	2017 - 2021	7.45% - 7.50%	300,820	134,759,060	-	9,549	38,172	-	135,107,601	128,494,108
10 Years	2018 - 2026	8.35% - 8.40%	445,023	250,336,070	-	240,614	1,200,000	-	252,221,707	193,102,729
15 Years	2019 - 2023	10.20% - 10.30%	-	13,547,155	-	60,516	-	-	13,607,671	12,447,414
20 Years	2024 - 2031	10.50% - 10.60%	-	25,815,933	-	-	-	-	25,815,933	24,771,331
30 Years	2036 - 2038	10.90% - 11.00%	173,475	37,390,529	-	-	-	-	37,564,004	37,537,266
Islamic Republic of Pakistan-Bonds			-	-	6,529,953	-	-	-	6,529,953	9,411,578
			<u>2,076,921</u>	<u>541,229,203</u>	<u>6,529,953</u>	<u>310,679</u>	<u>2,869,294</u>	<u>-</u>	<u>553,016,050</u>	<u>481,726,124</u>

13.1.1 Accrued interest as at December 31, 2017 on PIBs pertaining to Pakistan Life Fund amounted to Rs. 15,811.169 million (2016: Rs. 16,539.081 million), Shareholders' Fund amounted to Rs. 27.313 million (2016: Rs. 101.158 million), Pension Fund amounted to Rs.10.904 million (2016: Rs. 10.894 million) and Health Fund amounted to Rs.13.922 million (2016: Rs. 17.251 million). Balance of accrued interest purchased as at December 31, 2017 on PIBs pertaining to Pakistan Life Fund during the year amounted to Rs. 200.410 million (2016: Rs. 56.326 million).

13.1.2 Market value of the government securities carried at amortized cost amounted to Rs. 593,730 million (2016: Rs. 534,686 million).

13.1.3 Government securities include Rs. 300 million (2016: Rs. 300 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.



13.2 Other fixed income securities

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
	Held to maturity							
Debtures (Note 13.6.2)	-	7,573	-	-	-	-	7,573	7,573
Available for sale								
Foreign fixed income securities	-	-	796,057	-	-	-	796,057	803,245
	-	7,573	796,057	-	-	-	803,630	810,818

13.3 Listed equity securities and mutual funds

	Note	Statutory Funds						(Rupees in '000) Aggregate	
		Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
		Available for sale							
Ordinary shares and stocks	13.3.1	-	28,242,978	-	-	-	-	28,242,978	28,053,588
Preference shares	13.3.2	-	3,743	-	-	-	-	3,743	3,743
Open ended mutual fund	13.3.3	-	3,015,481	-	-	-	-	3,015,481	3,015,481
		-	31,262,202	-	-	-	-	31,262,202	31,072,812



13.3.1 Ordinary shares and stocks

Pakistan Life Fund

(Rupees in '000)

Sector	Aggregate					
	2017			2016		
	Number of shares	Book value	Market value	Number of shares	Book value	Market value
Automobile and parts	1,377,237	33,174	500,722	1,377,237	33,174	850,223
Automobile assembler	3,926,420	182,369	4,006,633	3,890,320	158,129	3,529,555
Cable and electrical goods	5,477,905	61,961	592,863	5,477,905	61,959	947,650
Cement	5,528,722	274,057	899,295	5,512,561	269,839	1,606,007
Chemicals	7,413,080	481,030	2,907,882	8,507,688	542,852	4,090,154
Close - end mutual fund	13,632,614	266,965	362,369	13,632,614	266,965	388,626
Commercial banks	337,922,132	7,292,409	16,662,761	530,401,773	7,426,910	20,128,857
Engineering	3,738,068	114,215	612,242	3,738,068	114,215	706,950
Fertilizer	145,957,823	3,736,741	14,069,971	145,457,823	3,548,823	17,795,367
Food and personal care products	1,942,408	56,022	496,758	1,794,650	56,022	650,760
Glass and ceramics	210,890	4,218	1,667	210,890	4,218	2,513
Insurance	96,612,541	94,804	4,449,432	95,662,391	94,804	4,495,573
Inv. banks / inv. cos. / securities cos.	27,190,540	328,489	81,726	27,190,540	328,489	159,703
Jute	203,154	2,071	662	203,154	2,071	841
Leasing companies	10,586,327	232,340	313,916	7,604,440	127,576	216,654
Leather and tanneries	179,192	5,690	28,421	179,192	5,690	49,584
Miscellaneous	1,058,014	20,875	97,114	1,118,255	21,480	205,032
Modaraba	23,647,449	301,516	202,960	23,647,449	301,516	246,909
Oil and gas marketing companies *	111,644,014	3,387,903	12,338,936	108,117,045	3,368,198	14,777,553
Oil and gas exploration companies	67,181,743	6,876,535	19,967,887	67,181,743	6,876,535	18,449,059
Paper and board	13,171,288	300,771	2,986,469	13,078,971	289,232	4,272,824
Pharmaceuticals	19,667,632	242,787	5,238,930	15,951,977	242,788	7,412,615
Power generation and distribution	33,227,220	1,090,938	2,573,410	33,047,220	1,074,118	3,498,798
Refinery	8,343,892	308,494	1,775,299	9,078,892	315,411	2,407,344
Sugar and allied industries	10,176,721	49,493	456,004	10,353,407	53,433	656,148
Synthetic and rayon	6,881,860	194,887	178,143	6,855,499	194,887	233,980
Technology and communication	57,847,677	1,715,232	792,066	57,847,677	1,715,232	1,053,587
Textile composite	30,904,376	444,311	2,133,766	29,931,846	416,350	2,351,205
Textile spinning	5,134,765	113,616	482,263	5,134,765	113,616	704,613
Textile weaving	640,035	8,218	1,985	640,035	8,218	3,958
Tobacco	343,710	3,699	717,332	343,710	3,699	476,516
Transport	1,253,053	16,603	127,735	1,253,053	16,603	198,735
Vanaspati and allied industries	121,124	545	1,218	121,124	536	1,218
		28,242,978	96,058,837		28,053,588	112,569,111

* These include 5.394 million shares of Pakistan State Oil having market value of Rs. 2,342.13 million which have been frozen by Government of Pakistan for the purpose of Privatization of the Pakistan State Oil.



13.3.2 Preference shares

	(Rupees in '000)			
	Aggregate			
	2017		2016	
	Number of shares	Book value	Number of shares	Book value
Arag Industries Limited	771,612	3,593	771,612	3,593
Saleem Sugar Mills Limited	1,501	150	1,501	150
		<u>3,743</u>		<u>3,743</u>

13.3.3 Open ended mutual funds

	(Rupees in '000)			
	Aggregate			
	2017		2016	
	Number of shares	Book value	Number of shares	Book value
Pakistan Life Fund				
National Investment Trust Units	75,996,262	2,304,969	75,996,262	2,304,969
Pak Capital Market Fund	115,239	373	99,149	373
NIT Government Bond Fund	28,278,954	300,000	28,278,954	300,000
NIT Income Fund	9,831,295	100,000	9,831,295	100,000
NIT Islamic Equity Fund	21,666,912	200,000	20,793,951	200,000
HBL Money Market Fund	536,315	50,000	505,047	50,000
Al Meezan Mutual Fund	8,844,139	39,311	8,447,719	39,311
Pakistan Premier Fund	34,348	962	31,028	962
JS Growth Fund	270,895	19,866	270,895	19,866
		<u>3,015,481</u>		<u>3,015,481</u>

*The market value of these securities as at December 31, 2017 is Rs. 7,602.872 million.

13.4 Unlisted equities and mutual funds

	Note	Statutory Funds					(Rupees in '000)		
		Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	Aggregate	
								2017	2016
Available for sale									
Ordinary shares and stocks									
De-listed companies	13.4.1	-	63,280	-	-	-	63,280	63,279	
Un-listed companies / institutions*	13.4.1	-	213,211	-	-	-	213,211	213,211	
Preference shares									
Open end mutual fund	13.4.2	-	594,190	-	-	-	594,190	594,190	
		<u>-</u>	<u>870,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870,681</u>	<u>870,680</u>	



13.4.1 Ordinary shares and stocks

(Rupees in '000)
Aggregate

	2017		2016	
	Number of shares	Book value	Number of shares	Book value
Pakistan Life Fund				
De-listed companies				
Accord Textile Mills Limited	300,000	3,000	300,000	3,000
Adamjee Industries Limited	174,597	2,001	174,597	2,001
Adamjee Paper Product Limited	120,242	1,047	120,242	1,047
Akbar Textile Mills Limited	39,900	383	39,900	383
Akber Cotton Mills Limited	31,360	314	31,360	314
Alif Textile Mills Limited	10,000	119	10,000	119
Allied Textile Mills Limited	72,634	792	72,634	792
Arag Industries Limited	23,963	118	23,963	118
Automotive Equipment Limited	7,800	92	7,800	92
Baluchistan Foundry Limited	84,520	421	84,520	421
Baluchistan Textile Mills Limited	27,420	267	27,420	267
Bankers Equity Limited	538,995	15,415	538,995	15,415
Bawany Industries Limited	73,774	1,415	73,774	1,415
Chemical Limited	19,544	195	19,544	195
Chemphar Limited	100	1	100	1
Dost Muhammad Textile Mills Limited	14,150	225	14,150	225
Elmac Engineering Limited	100	1	100	1
Fazal Vegetable Ghee Limited	49,500	631	49,500	631
Fullbrite Mills Limited	100	1	100	1
Ghaffar Textile Mills Limited	1,000	10	1,000	10
Gillanders Limited	10,000	100	10,000	100
Grace Industries Limited	50	1	50	1
Harnai Woollen Mills Limited	4,900	53	4,900	53
H. Sheikh M.H Limited	46,100	460	46,100	460
Interasia Leasing Company Limited	115,600	2,863	115,600	2,863
Karachi Road Transport Corporation	6,800	-	6,800	-
Karachi Pipes Limited	20,800	416	20,800	416
Khairpur Textile Mills Limited	6,900	104	6,900	104
Kohinoor Cotton Mills Limited	33,468	324	33,468	324
Madina Textile Mills Limited	40,900	204	40,900	204
Medi Glass	143,437	1,636	143,437	1,636
MLC Construction	28,700	581	28,700	581
Mohib Textile Mills Limited	375,847	13,530	375,847	13,530
Northern Foundries Limited	95,050	1,001	95,050	1,001
Nowshera Engineering Limited	22,125	222	22,125	222
Ocean Industries Limited	2,000	-	2,000	-
Pak Chrome Limited	25,477	552	25,477	552
Pak Paper Corporation Limited	245,644	2,441	245,644	2,441
Pan Islamic	133,700	1,429	133,700	1,429
R C D Ball Bearing Limited	58,031	371	58,031	371
Refrigerator Manufacturing Limited	192,546	1,712	192,546	1,712
Sahrish Textile Mills Limited	62,148	109	62,148	109
Sind Alkali Limited	177,841	1,909	177,841	1,909
Sunshine Cloth Limited	103,200	1,578	103,200	1,578
Sun Publication Limited	2,042	-	2,042	-
Synthetic Chemical Limited	81,500	793	81,500	793
Turbo Tec Limited	104,700	1,460	104,700	1,460
Universal Furnace Oil	29,818	294	29,818	294
Valika Wollen Mills Limited	20,094	293	20,094	293
Zahur Textile Mills Limited	150,000	2,395	150,000	2,395
		63,280		63,280



	(Rupees in '000)			
	Aggregate			
	2017		2016	
	Number of shares	Book value	Number of shares	Book value
Un-listed companies / institutions				
Al Baraka Bank Limited (Formerly Burj Bank Limited)*	4,941,176	84,000	4,941,176	84,000
Arabian Sea Country Club Limited	500,000	5,000	500,000	5,000
Baluchistan Fisheries Limited	20,000	200	20,000	200
Bank of Azad Jammu and Kashmir	10	-	10	-
Burma Soap Limited	2,000	20	2,000	20
Glaxo Healthcons Healthcase Ltd.**	-	-	2,753,004	-
Industrial Development Bank of Pakistan	78,337	8,298	78,337	8,298
Innovative Housing Finance Limited	12,673	14,800	12,673	14,800
Mercantile Enterprises Limited	100	1	100	1
Mercantile Fiber Limited	10,200	99	10,200	99
National Construction Limited	1	-	1	-
Pak Emerging Venture Limited	12,500,000	50,565	12,500,000	50,565
People Steel Mills Limited	1,998,967	19,990	1,998,967	19,990
Schon Refinery Limited	1,350,250	27,005	1,350,250	27,005
State Bank of Pakistan	29,458	3,221	29,458	3,221
Sukkar Commercial Limited	1,200	12	1,200	12
		213,211		213,211

* These shares have been frozen by State Bank of Pakistan and can be sold only with the permission of the State Bank of Pakistan.

** As per the demerger scheme of Glaxo SmithKline Consumer Health Care Pakistan Limited three shares for every ten shares have been issued to every shareholders and have been kept at Rupees : Nil.

13.4.2 Open ended mutual funds

Pakistan Life Fund

	(Rupees in '000)			
	Aggregate			
	2017		2016	
	Number of units	Book value	Number of units	Book value
Unlisted				
NIT Equity Market Opportunity Fund	10,179,666	594,190	10,179,666	594,190



13.5 Holding in subsidiary companies

	% of Holding	Number of shares	Net assets	(Rupees in '000) Aggregate	
				2017 cost	2016 cost
Alpha Insurance Company Limited* State Life (Lakie Road)	94%	47,574,843	656,352	298,918	202,518
Properties (Private) Limited** State Life (Abdullah Haroon Road)	100%	414,916	(1,379)	12,910	12,909
Properties (Private) Limited**	100%	779,500	8,256	26,182	26,182
			663,229	338,010	241,609

*Net assets as of December 31, 2017

**Net assets as of June 30, 2017

The investments in State Life (Lackie Road) Properties (Private) Limited and State Life (Abdullah Haroon Road) Properties (Private) Limited have been carried at cost amounting to Rs. 12.910 million (2016: Rs. 12.909 million) and Rs. 26.182 million (2016: Rs. 26.182 million) respectively. These are wholly owned subsidiaries of the Corporation. As per the latest audited financial statements of these invested companies, the net assets / (liability) are Rs. (1.379) million (2016: Rs. (0.822) million and Rs. 8.256 million (2016: Rs. 9.503 million) respectively. No provision for Rs. 30.836 million (2016: Rs. 30.410 million) being the difference of carrying value of the investments and net assets of the subsidiaries has been made in the financial statements, as management is of view that after taking into account the revalued amount of properties of the subsidiaries that has been carried out by an independent surveyor, net assets of the subsidiaries are higher than carrying amount.

13.5.1 In the prior year, 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.

13.6 The Corporation has made provision for impairment, on certain equity securities, where the investee companies were transferred to the default counter in Pakistan Stock Exchange Limited.

13.6.1 Provision for diminution in value

	Note	Statutory Funds					(Rupees in '000) Aggregate		
		Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Other fixed income securities – Certificate of Investment and Debentures	13.8	-	(7,573)	-	-	-	-	(7,573)	(7,573)
Listed equities (default counter)		-	(200,066)	-	-	-	-	(200,066)	(90,741)
Unlisted / delisted equities		-	(176,483)	-	-	-	-	(176,483)	(176,235)
		-	(384,122)	-	-	-	-	(384,122)	(274,549)



13.6.2 Debentures

Debentures include an amount of Rs. 6.894 million (2016: Rs. 6.894 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 (2016: Rs. 0.678 million). The Corporation had made full provision against these debentures.

13.6.3 Investments by classification

	(Rupees in '000)	
	Aggregate	
	2017	2016
Held-to-maturity		
Government securities	553,016,050	481,726,124
Other fixed income securities	7,573	7,573
	553,023,623	481,733,697
Available-for-sale		
Other fixed income securities	796,057	803,245
Listed equity securities and mutual fund units	31,262,202	31,072,812
Unlisted equity securities and mutual fund units	870,681	870,680
	32,928,940	32,746,737
Holding in subsidiary companies	338,010	241,609
Impairment in the value of equity securities and fixed interest securities	(384,122)	(274,549)
Total Investments - net of provision	585,906,451	514,447,494

14. SUNDRY RECEIVABLES

Other receivables	1,578,107	2,339,839
Provision against other receivables	(236,625)	(236,265)
	1,341,482	2,103,574



15 FIXED ASSETS - TANGIBLE

(Rupees in '000)

2017	COST			DEPRECIATION / IMPAIRMENT			Written down value as at December 31, 2017	Depreciation Rate (%)	
	As at January 01, 2017	Additions/ (Disposals)	As at December 31, 2017	As at January 01, 2017	Adjustments	Charge for the year Additions/ (Disposals)			As at December 31, 2017
Furniture and fixtures	436,958	45,398 (1,057)	481,299	263,119	(462)	28,991	291,648	189,651	10
Office equipment	166,843	15,948 (446)	182,345	106,452	(51)	10,427	116,828	65,517	10 to 30
Computer installations - basic	719,422	41,968 (1,276)	760,114	629,041	(782)	40,958	669,217	90,897	30
Computer installations - peripherals	67,085	5,910 (437)	72,558	56,462	(437)	4,854	60,879	11,679	30
Vehicles	180,565	27,835	208,400	106,789	-	22,487	129,276	79,124	20
	1,570,873	137,059 (3,216)	1,704,716	1,161,863	(1,732)	107,717	1,267,848	436,868	

(Rupees in '000)

2016	COST			DEPRECIATION / IMPAIRMENT			Written down value as at December 31, 2016	Depreciation Rate (%)	
	As at January 01, 2016	Additions/ (Disposals)	As at December 31, 2016	As at January 01, 2016	Adjustments	Charge for the year Additions/ (Disposals)			As at December 31, 2016
Furniture and fixtures	380,205	57,677 (924)	436,958	239,571	(685)	24,233	263,119	173,839	10
Office equipment	146,434	20,962 (553)	166,843	98,509	(805)	8,748	106,452	60,391	10 to 30
Computer installations - basic	669,338	53,564 (3,480)	719,422	555,422	(2,904)	76,523	629,041	90,381	30
Computer installations - peripherals	60,016	7,179 (110)	67,085	53,014	(110)	3,558	56,462	10,623	30
Vehicles	131,697	60,111 (11,243)	180,565	101,019	(11,244)	17,014	106,789	73,776	20
	1,387,690	199,493 (16,310)	1,570,873	1,047,535	(15,748)	130,076	1,161,863	409,010	



15.1 Fixed assets

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Furniture and fixtures								
Cost	-	459,280	13,437	-	8,582	-	481,299	436,958
Accumulated depreciation	-	(278,736)	(11,471)	-	(1,441)	-	(291,648)	(263,119)
Book value	-	180,544	1,966	-	7,141	-	189,651	173,839
Office equipment								
Cost	-	172,791	4,423	-	5,131	-	182,345	166,843
Accumulated depreciation	-	(112,978)	(3,152)	-	(698)	-	(116,828)	(106,452)
Book value	-	59,813	1,271	-	4,433	-	65,517	60,391
Computer installations - basic								
Cost	-	728,945	7,765	-	23,404	-	760,114	719,422
Accumulated depreciation	-	(650,028)	(7,295)	-	(11,894)	-	(669,217)	(629,041)
Book value	-	78,917	470	-	11,510	-	90,897	90,381
Computer installations - peripheral								
Cost	-	72,341	-	-	216	-	72,557	67,085
Accumulated depreciation	-	(60,662)	-	-	(216)	-	(60,878)	(56,462)
Book value	-	11,679	-	-	-	-	11,679	10,623
Vehicles								
Cost	-	148,659	5,885	-	53,857	-	208,401	180,565
Accumulated depreciation	-	(110,953)	(3,860)	-	(14,464)	-	(129,277)	(106,789)
Book value	-	37,706	2,025	-	39,393	-	79,124	73,776
Grand Total								
Cost	-	1,582,016	31,510	-	91,190	-	1,704,716	1,570,873
Accumulated depreciation	-	(1,213,357)	(25,778)	-	(28,713)	-	(1,267,848)	(1,161,863)
Book value	-	368,659	5,732	-	62,477	-	436,868	409,010

16. TAXATION

	(Rupees in '000)	
	2017	2016
Current	569,151	568,329
Prior	55,139	49,870
	624,290	618,199



16.1 Relationship between tax expense and accounting profit

	(Rupees in '000)	
	2017	2016
Profit before tax	1,894,204	1,830,460
Current year tax:		
Tax at the applicable rate @ 30% (2016: 31%)	568,261	567,443
Education cess for the year	890	886
Prior year tax adjustments:	569,151	568,329
Education cess for the year	235	762
Super tax for the year	54,914	49,271
Reversal of excess provision	(10)	(163)
	55,139	49,870
Tax expense for the year	624,290	618,199

16.2. There were no taxable or deductible temporary differences attributable to Shareholders' Fund. Therefore, no provision for deferred tax has been recognised.

17. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax		1,269,914	1,212,261
Weighted average number of ordinary shares	Numbers	30,000,000	30,000,000
Earnings per share - basic and diluted	Rupees	42.33	40.41

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.

18. REMUNERATION OF CHAIRMAN AND EXECUTIVE DIRECTORS

	(Rupees in '000)					
	Chairman		Executive Directors		Aggregate	
	2017	2016	2017	2016	2017	2016
Managerial remuneration	1,265	1,077	5,268	4,518	6,533	5,595
House rent	446	431	2,497	1,807	2,943	2,238
Utilities	466	305	1,786	1,363	2,252	1,668
Other perquisites	3,115	1,815	8,098	6,701	11,213	8,516
	5,292	3,628	17,649	14,389	22,941	18,017
Number of persons	1	1	5	5	6	6

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

Fee paid to non-Executive Directors during the year amounted to Rs. 3.520 million.



19. CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents balances include the following:

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
	Cash in hand	-	7,662	-	-	3	-	7,665
Cash in transit	-	177,166	-	-	-	-	177,166	109,516
Cash at bank in:								
Current accounts	-	13,221,692	1,143,300	35,757	1,190,861	105,326	15,696,936	13,458,126
PLS accounts	-	556,889	24,992	-	-	-	581,881	651,459
Deposits maturing within 12 months	126,034	16,619,954	174,929	-	-	-	16,920,917	16,968,185
	126,034	30,583,363	1,343,221	35,757	1,190,864	105,326	33,384,565	31,197,361

20. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
	Rental income	-	1,104,398	-	-	-	-	1,104,398
Less: Investment property related expenses	-	(640,674)	-	-	-	-	(640,674)	(626,797)
Net rental income from investment property	-	463,724	-	-	-	-	463,724	492,333

21. MOVEMENT IN EQUITY OF STATUTORY FUND

21.1 Policyholders' liability

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
	Balance as at the beginning of year	575,193,054	11,785,577	190,942	6,469	-	587,176,042
Increase / decrease during the year	86,735,865	994,791	37,256	32,539	-	87,800,451	83,286,432
Balance at the end of year	661,928,919	12,780,368	228,198	39,008	-	674,976,493	587,176,042



		Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
21.2	Retained earnings attributable to policyholders (Ledger Account A)							
	Balance at the beginning of year	24,491,055	1,331,400	-	-	-	25,822,455	22,022,248
	Surplus allocated in respect of the year	60,786,975	828,365	-	-	-	61,615,340	59,232,895
	Bonuses allocated during the year	(57,129,118)	(101,669)	-	-	-	(57,230,787)	(55,432,688)
	Balance at the end of year	28,148,912	2,058,096	-	-	-	30,207,008	25,822,455
21.3	Retained earnings on par business attributable to shareholders (Un-distributable - Ledger Account B)							
	Balance at beginning of the year	-	-	-	-	-	-	-
	Surplus allocated in respect of the year	1,558,640	21,240	-	-	-	1,579,880	1,518,792
	Transfer to distributable profits	(1,558,640)	(21,240)	-	-	-	(1,579,880)	(1,518,792)
	Balance at the end of year	-	-	-	-	-	-	-
21.4	Retained earnings on par business attributable to shareholders (Distributable-Ledger Account C)							
	Balance as at beginning of the year	-	-	-	-	-	-	-
	Transfer from undistributable profit	1,558,640	21,240	-	-	-	1,579,880	1,518,792
	Surplus appropriated to shareholders' fund	(1,558,640)	(21,240)	-	-	-	(1,579,880)	(1,518,792)
	Balance at end of the year	-	-	-	-	-	-	-
21.5	Retained earnings on other than participating business (Ledger Account D)							
	Balance at the beginning of year	-	-	115,757	962,482	-	1,078,239	763,818
	Surplus / (deficit) allocated in respect of the year	-	-	21,352	(180,228)	-	(158,876)	(135,579)
	Bonuses allocated during the year	-	-	-	-	-	-	-
	Balance at the end of year	-	-	137,109	782,254	-	919,363	628,239
21.6	Capital contributed by shareholders' fund							
	Balance as at the beginning of year	-	-	-	450,000	100,000	550,000	-
	Capital contributed during the year	-	-	-	750,000	-	750,000	550,000
	Expenses incurred during the year	-	-	-	-	(14,487)	(14,487)	-
	Balance at the end of year	-	-	-	1,200,000	85,513	1,285,513	550,000
21.6.1	The above contribution was made in respect of Family Takaful operations.							



22. POLICYHOLDERS' LIABILITIES

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Gross of Reinsurance							
Actuarial liability relating to future events	654,194,669	12,924,645	228,198	39,008	-	667,386,520	579,737,587
Provision for outstanding reported claims payable over a period exceeding 12 months	4,020,592	1,795	-	-	-	4,022,387	3,620,333
Provision for incurred but not reported (IBNR) claims	4,245,001	23,434	-	-	-	4,268,435	4,414,357
	<u>662,460,262</u>	<u>12,949,874</u>	<u>228,198</u>	<u>39,008</u>	<u>-</u>	<u>675,677,342</u>	<u>587,772,277</u>
Net of Reinsurance							
Actuarial liability relating to future events	653,663,326	12,755,139	228,198	39,008	-	666,685,671	579,141,352
Provision for outstanding reported claims payable over a period exceeding 12 months	4,020,592	1,795	-	-	-	4,022,387	3,620,333
Provision for incurred but not reported (IBNR) claims	-	-	-	-	-	4,268,435	4,414,357
	<u>661,928,919</u>	<u>12,780,368</u>	<u>228,198</u>	<u>39,008</u>	<u>-</u>	<u>674,976,493</u>	<u>587,176,042</u>

23. BRANCH OVERHEADS

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Salaries	1,080,531	6,266	-	-	-	1,086,797	1,216,594
Traveling expenses	312,836	78	-	-	-	312,914	284,363
Printing and stationeries	11,412	10	-	-	-	11,422	13,572
Medical expenses	56,785	1,022	-	-	-	57,807	47,023
Pension	99,926	-	-	-	-	99,926	85,075
Group insurance contribution	9,438	-	-	-	-	9,438	6,569
Postage and telegram	28,957	-	-	-	-	28,957	30,009
Utilities	212,638	-	-	-	-	212,638	20,628
Rent	45,025	15,065	-	-	-	60,090	53,107
Prize and awards	13,807	183	-	-	-	13,990	19,916
Conference and meetings	31,652	-	-	-	-	31,652	34,305
Repairs and maintenance	3,079	-	-	-	-	3,079	3,441
Incentive bonuses	460,847	1,513	-	-	-	462,360	453,614
Persistency bonuses	34,552	-	-	-	-	34,552	30,198
One time Upgradation cost	603	-	-	-	-	603	2,124
Overriding commission of area manager	-	23,806	-	-	-	23,806	27,999
	<u>2,402,088</u>	<u>47,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,450,031</u>	<u>2,328,537</u>



24. AUDITORS' REMUNERATION

	(Rupees in '000)	
	2017	2016
Business within Pakistan		
Annual audit and half yearly review fee		
BDO Ebrahim & Co.	2,185	1,439
Riaz Ahmad & Company	2,185	1,439
	4,370	2,878
Out of pocket expenses		
BDO Ebrahim & Co.	650	650
Riaz Ahmad & Company	650	650
	1,300	1,300
	5,670	4,178
Business Outside Pakistan		
Audit fee		
Nabeel Al-Saie Public Accountants	3,831	2,942
Out of pocket expenses	343	519
	4,174	3,461
	9,844	7,639

25. OTHERS

It includes an amount of Rs. 767.813 million (2016: Rs. (9.062) million) appearing under Overseas Life Fund which represents the resultant effect of translation of income, expenses, assets and liabilities of overseas operations business to Pak Rupees.

26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Financial risk management, objectives and policies

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 balance sheet. 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.

26.2 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.



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

	2017		2016	
	UAE Dirhams	US Dollars	UAE Dirhams	US Dollars
Assets	179,292,200	198,966,955	162,738,594	177,589,396
Liabilities	44,735,922	100,592,792	41,336,449	84,661,884
Reserves	134,556,278	98,374,163	121,402,145	92,927,512

26.2.4. 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 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.

26.3 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	(Rupees in '000)	
		2017	2016
Bank deposits	10	38,267,268	31,229,032
Loans		77,573,008	63,605,980
Investments	13	32,890,401	32,721,370
Premium due but unpaid		17,526,941	15,278,857
Amount due from other insurers / reinsurers		374,766	222,057
Agents balances		208	208
Investment income due but outstanding		1,164,266	877,328
Accrued investment income		25,290,932	24,089,424
Sundry receivables	14	1,341,482	2,103,574
Others		47,767	45,039
Total		194,477,039	170,172,869

Provision is made for receivables against premium due but unpaid in accordance with the Corporation's policies. The remaining past due balances were not impaired as they relate to a number of policyholders from whom there is no history of default.

	(Rupees in '000)	
	2017	2016
The age analysis of premium due but unpaid:		
Up to 1 year	17,526,941	15,278,857

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:

	Rating		Rating agency	(Rupees in '000)	
	Long term	Short term		2017	2016
	Askari Commercial Bank Limited	AA+		A1+	JCR-VIS
Bank Al-Falah Limited	AA+	A1+	PACRA	21,116	33,794
MCB Bank Limited	AAA	A1+	PACRA	308	219,424
Samba Bank Limited	AA	A1	JCR-VIS	24,334	9,072
Habib Bank Limited	AAA	A1+	JCR-VIS	10,263,275	8,481,294
National Bank of Pakistan	AAA	A1+	JCR-VIS	39,244	51,265
United Bank Limited	AAA	A1+	JCR-VIS	23,954,881	20,470,851
The Bank of Punjab	AA	A1+	PACRA	22	21
Habib Metro Bank Limited	AA+	A1+	PACRA	1	1
Al Baraka Bank (Pakistan) Limited	A	A1	PACRA	-	-
Allied Bank of Pakistan Limited	AA+	A1+	PACRA	4,943	16
First Women Bank Limited	A-	A2	PACRA	21,659	6,108
Faysal Bank Limited	AA	A1+	PACRA	4,114	7
Summit Bank Limited	A-	A1	JCR-VIS	85,295	343,963
Sindh Bank Limited	AA	A1+	JCR-VIS	1	1
Standard Chartered Bank (Pakistan) Limited	AAA	A1+	PACRA	100	100
Dubai Islamic Bank Limited	A+	A1	JCR-VIS	105,326	100,000
Silk Bank Limited	A-	A2	JCR-VIS	27,067	6,849
ABN Amro Bank	-	-	-	-	555,838
Emirates National Bank Dubai	-	-	-	723	48,912
Al Ahli Bank Kuwait	-	-	-	38,902	82,152
Soneri Bank Limited	AA-	A1+	PACRA	2	-
Other	-	-	-	3,675,955	797,974
				38,267,268	31,229,032

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

	(Rupees in '000)	
	2017	2016
Amount due from other insurers / reinsurers		
A or above	374,766	222,057

26.4 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.

The table below gives a break up of the Corporation's assets and liabilities with respect to asset-liability matching allocated to various classes of policyholder liabilities:

	Statutory Funds						(Rupees in '000) Aggregate	
	Shareholders' Fund	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2017	2016
Debt securities								
Available for Sale								
Foreign fixed income securities	-	-	796,057	-	-	-	796,057	803,245
Held to Maturity								
Listed securities	-	-	-	-	-	-	-	-
Unlisted securities	2,076,922	541,229,203	6,529,953	310,678	2,869,294	-	553,016,050	481,726,124
Equity securities								
Available for Sale								
Listed securities	-	31,262,202	-	-	-	-	31,262,202	31,072,812
Unlisted securities	-	870,681	-	-	-	-	870,681	870,680
Loans and Receivables								
Loans	886,069	75,441,187	1,245,752	-	-	-	77,573,008	63,605,980
Reinsurance Assets								
	-	374,766	-	-	-	-	374,766	222,057
Cash and bank deposits								
	126,034	30,585,073	6,409,045	35,757	1,190,864	-	38,346,773	31,248,623
Other Assets								
	781,567	51,461,990	805,907	71,913	505,941	-	53,627,318	50,161,869
Total Assets	3,870,592	731,225,102	15,786,714	418,348	4,566,099	-	755,866,855	659,711,390
Liabilities								
Fixed term	-	644,165,996	12,549,080	-	-	-	656,715,076	568,790,860
Whole of life	-	5,794,934	184,999	-	-	-	5,979,933	5,641,441
Short term insurance contracts	-	4,908,915	-	-	-	-	4,908,915	5,839,968
Riders	-	6,922,432	46,292	-	-	-	6,968,724	6,602,073
Annuities	-	136,644	-	-	-	-	136,644	104,291
Granted investment contracts	-	-	-	228,198	-	-	228,198	190,942
Accident and health contracts	-	-	-	-	39,008	-	39,008	6,496
Others	3,870,592	69,296,181	3,006,343	190,150	4,527,091	-	80,890,357	72,535,319
TOTAL	3,870,592	731,225,102	15,786,714	418,348	4,566,099	-	755,866,855	659,711,390



The following are the contractual maturities of financial liabilities other than policyholders' liabilities, including estimated interest payments on an undiscounted cash flow basis:

	(Rupees in '000)			
	2017			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
Financial liabilities				
Amounts due to other insurers / reinsurers	410,708	410,708	410,708	-
Amount due to agents	5,268,831	5,268,831	5,268,831	-
Accrued expenses	3,811,687	3,811,687	3,811,687	-
Others	6,068,451	6,068,451	6,068,451	-
	15,559,677	15,559,677	15,559,677	-
	2016			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
Financial liabilities				
Amounts due to other insurers / reinsurers	218,463	218,463	218,463	-
Amount due to agents	4,850,253	4,850,253	4,850,253	-
Accrued expenses	3,015,334	3,015,334	3,015,334	-
Others	5,401,234	5,401,234	5,401,234	-
	13,485,284	13,485,284	13,485,284	-

26.5 Fair value

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

	(Rupees in '000)	
	2017	
	Carrying value	Fair value
Government securities	553,016,050	593,729,820
Other fixed income securities	803,630	849,300
Listed equity securities	31,262,202	102,272,527

27 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:

	(Rupees in '000)	
	2017	2016
Accumulated surplus	1,269,914	1,212,261
General reserve	307,043	185,817
Capital contributed to statutory fund	(1,200,000)	(450,000)
Issued, subscribed and paid-up capital	3,000,000	3,000,000
Shareholders' equity	3,376,957	3,948,078

28 INSURANCE RISK

28.1 Insurance contracts

28.1.1 Classification

The Corporation maintains four statutory funds which are as follows:

- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance 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 Contracts.

Considering all the four 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.



28.1.2 Contract details and measurement

The insurance contracts offered by the Corporation are described below:

28.1.2.1 Individual life policies

Individual life conventional products

These are long term contracts with either level or single premiums. These plans generally provide 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 organised 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 1000 area offices, more than 1,200 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.

28.1.2.2 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, army, navy etc.

28.1.2.3 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.

28.1.2.4 Group Health Business

In 2012, the Corporation entered the Health Insurance Market by signing an agreement with the Benazir Income Support Programme (BISP) authorities for providing Health Insurance to the beneficiaries enrolled under BISP Waseela-e-Sehat Programme. This contract terminated on June 30, 2015. However, settlement of the Equalisation 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.

28.1.3 Reserving method

28.1.3.1 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.

28.1.3.2 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.

28.1.3.3 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.

28.1.3.4 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.



28.1.3.5 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.

28.2 Reserves for outstanding claims

The Corporation holds a reserve for all claims which have been reported but are still outstanding on the reporting date. Another estimated reserve is kept within the actuarial liability for claims which has been incurred but has 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.

28.3 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.

28.4 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 re-insurer 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.



28.5 Accounting estimates and judgments and process used for deciding assumptions

28.5.1 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 results of this study are 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 feels that there is an adequate data for arriving at credible results.

28.5.2 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 analysed 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.

28.5.3 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 results of this study are utilized in the estimation of liability under realistic assumptions to ensure the adequacy of the reserves being held.

28.6 Frequency and severity of claims

28.6.1 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.

28.6.2 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 88 % 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.

28.6.3 Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty as to the timing and amount of claims is usually resolved within a period of one year.

28.7 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.

28.8 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.

28.8.1 Financial risk

28.8.1.1 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 adds another layer of security against interest risk.

28.8.1.2 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.

28.8.1.3 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 advances 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.

28.8.1.4 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.

28.8.1.5 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.

28.8.1.6 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 somewhat mitigated 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.



28.8.1.7 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:

	December 31, 2017		December 31, 2016	
	UAE Dirhams	US Dollars	UAE Dirhams	US Dollars
10% increase	402,996,053	1,082,804,412	344,782,092	969,233,950
10% decrease	(402,996,053)	(1,082,804,412)	(344,782,092)	(969,233,950)

28.8.2 Credit risk and asset risk

Management of credit risk and asset risk deals with risks emanating from the assets side of the balance sheet. 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.

28.8.3 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 is commensurate with such risk.

For lives which are otherwise uninsurable, the Corporation offers a special product line known as the non-declature 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 bypasses normal underwriting in return for a suitable extra premium and waiting period.

28.9 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%	0.12%
Decrease in mortality	10%	-0.12%
Increase in discount rate	0.5% addition in rate	-4.16%
Decrease in discount rate	0.5% reduction in rate	4.38%

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.



29 FAIR VALUE OF FINANCIAL INSTRUMENTS

29.1 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, 2017.

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

	(Rupees in '000)			
	As at December 31, 2017		As at December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
– Cash and bank deposits	38,452,099	38,452,099	31,348,623	31,348,623
– Loans to employees	77,573,008	77,573,008	63,605,980	63,605,980
– Investments				
Available-for-sale				
Other fixed income securities	796,057	849,300	803,245	849,300
Listed equity securities and mutual fund units	31,262,202	102,272,527	31,072,812	120,175,735
Unlisted equity securities and mutual fund units	870,681	694,198	870,680	694,445
Held-to-maturity				
Government securities	553,016,050	593,729,820	481,726,124	534,686,212
Other fixed income securities	7,573	–	7,573	–
Holding in subsidiary companies	338,010	338,010	241,609	241,609
Less: Provision for diminution in value	(384,122)	–	(274,549)	–
	585,906,451	697,883,855	514,447,494	656,647,301
– Other receivable- excluding taxation	46,082,243	46,082,243	43,129,486	43,129,486
Financial Liabilities				
– Balance of statutory funds-including policyholders' liabilities	707,388,377	707,388,377	614,076,736	614,076,736
– Staff retirement benefits	3,926,438	3,926,438	3,401,871	3,401,871
– Creditors and accruals	40,922,963	40,922,963	37,744,996	37,744,996

29.2 Fair Value Hierarchy

"The level in the fair value hierarchy within which the asset or liability is categorised 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 categorised:

	(Rupees in '000)			
As at December 31, 2017	Level 1	Level 2	Level 3	
Financial Assets at Carrying Value				
Investments at carrying value– available for sale				
Other fixed income securities	796,057	-	796,057	-
Listed equity securities and mutual fund units	31,262,202	31,262,202	-	-
Unlisted equity securities and mutual fund units	870,681	-	870,681	-
Holding in subsidiary companies	338,010	-	-	338,010
	<u>33,266,950</u>	<u>31,262,202</u>	<u>1,666,738</u>	<u>338,010</u>

	(Rupees in '000)			
As at December 31, 2016	Level 1	Level 2	Level 3	
Financial Assets at Carrying Value				
Investments at carrying value– available for sale				
Other fixed income securities	803,245	-	803,245	-
Listed equity securities and mutual fund units	31,072,812	31,072,812	-	-
Unlisted equity securities and mutual fund units	870,680	-	870,680	-
Holding in subsidiary companies	241,609	-	-	241,609
	<u>32,988,346</u>	<u>31,072,812</u>	<u>1,673,925</u>	<u>241,609</u>

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

Available for sale investments are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002 as disclosed in note 13.3 to these financial statements.

29.3 Transfers during the period

During the year to December 31, 2017:

- 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

29.4 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.

**30. SEGMENT REPORTING**

Class of Business wise assets, liabilities and operating results has been disclosed in the Balance Sheet, Profit and Loss account and Revenue account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

31. DEFINED CONTRIBUTION PLAN

31.1 The Corporation has contributory provident fund scheme for benefit of all its permanent employees under the title of "State Life Corporation of Pakistan - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc., are made by the Trustees independent of the Corporation.

31.2 The Trustees have intimated that the size of the Fund at year end was Rs. 4,561 million (2016: Rs. 4,094 million).

31.3 As intimated by the Trustees, the cost of the investments made at year end was Rs. 3,943.181 million (2016: Rs. 3,560.67 million) which is equal to 87% of the total fund size. The fair value of the investment was Rs. 3,943.181 million (2016: Rs. 3,560.67 million) at that date. The category wise break-up of investment as per section 227 of the repealed Companies Ordinance, 1984 is given below:

	(Rupees in '000)	
	Aggregate	
	2017	2016
Pakistan Investment Bonds	3,785,757	3,418,400
Defence saving certificate	108,464	97,160
Special saving certificate	48,960	45,110
	3,943,181	3,560,670

31.4 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance, 1984 and the rules made there under.

32. RELATED PARTY TRANSACTIONS

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 executives directors are disclosed in the relevant notes.

Terms and conditions of transactions with related parties



Transactions with related parties are made at arms length prices. 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:

	(Rupees in '000)	
	Aggregate	
	2017	2016
Profit oriented state-controlled entities-common ownership		
Investment in shares – State Bank of Pakistan	3,221	3,221
Subsidiaries		
Rental income received	242	2,742
Rental income received	96,400	–
Staff retirement fund		
Contribution to provident fund	6,821	8,210
Contribution to pension fund	362,555	411,555
Contribution to funded gratuity	4,758	5,657
Expense charged for pension fund	736,406	715,612
Transactions with associated companies		
Bonus shares allotted:		
Premier Insurance Company Limited	950	754
Dividend received during the year		
Pakistan Reinsurance Company Limited	219,697	183,081
Transactions with related parties – common directorship		
Investment in units:		
National Islamic Equity Trust	200,000	200,000



	(Rupees in '000) Aggregate	
	2017	2016
Balances with related parties – common directorship		
Investment in shares:		
Fauji Fertilizer Company Limited	61,475	2,504,433
Sui Southern Gas Company Limited	552,256	552,256
Sui Northern Gas Pipelines Company Limited	210,932	210,932
Thatta Cement Company Limited	2	–
Alpha Insurance Company Limited	298,918	202,518
International Industries Limited	11,399	11,399
Pakistan Cables Limited	4,521	4,521
Orix Leasing Pakistan Limited	174,270	69,257
Security Papers Limited	4,894	4,894
Shahtaj Sugar Mills Limited	6,698	6,698
Pak Data Communication Limited	13,202	13,202
Premier Insurance Company Limited	396	396
Pakistan Reinsurance Company Limited	2,400	2,400
Arabian Sea Country Club Limited	5,000	5,000
PICIC Insurance Limited	38,982	38,982
Nina Industries Limited	20,020	20,020
State Life Abdullah Haroon Road Property (Private) Limited (Subsidiary Company)	26,182	26,182
State Life Lackie Road Property (Private) Limited (Subsidiary Company)	12,910	12,910

33 SUBSEQUENT EVENT – NON ADJUSTING

The Board of Directors of the Corporation in their meeting held on April 30, 2018 declared dividend of Rs. 1,214.038 million which do not include dividend pertaining to shareholders covered under the BESOS Trust amounting to Rs. 55.876 million.

These financial statements for the year ended December 31, 2017 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2018.



34. NUMBER OF EMPLOYEES

The number of employees as at December 31 are:

	(Rupees in '000) Aggregate	
	2017	2016
Permanent employees	4,061	4,085
Area managers	1,094	1,092
	<u>5,155</u>	<u>5,177</u>

35. GENERAL

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

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on 30th April, 2018 by the Board of Directors of the Corporation.

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Statement by the Appointed Actuary

Form LM

Required under section 52(2) (a) & (b) of the Insurance Ordinance, 2000

In my opinion,

- a. The policyholders' liabilities included in the balance sheet of State Life Insurance Corporation of Pakistan has 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



Statement of Directors

Form LN

(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 annual statutory accounts of the State Life Insurance Corporation of Pakistan set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000, and the Insurance Rules, 2002; and
- b. State Life Insurance Corporation of Pakistan has at all times in the year complied with the provisions of Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up-capital, solvency and reinsurance arrangement; and
- c. As at December 31, 2017 State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up capital, solvency and reinsurance arrangement.

Section 52(2) (c)

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

Shoaib Mir
Chairman

Shafqaat Ahmed
Director

Saad Amanullah
Director

Muhammad Rashid
Chief Financial Officer



Progress at a Glance since Inception

(Rupees in Million)

	1973	1975	1978	1980	1983	1985	1988	1990	1993	1995	1996	1997	1998	1999	2000	2001
First Year Premium (Net)	48	50	80	110	228	341	678	846	918	2,026	1,698	1,490	1,306	1,275	1,041	1,124
Renewal Premium (Net)	219	244	305	365	606	847	1,515	2,267	3,284	3,935	4,694	4,364	4,413	4,312	4,538	4,565
Group Premium (Net)	50	61	114	164	294	347	880	642	930	1,178	1,266	1,413	1,244	1,251	1,102	1,249
Pension Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Health & Accidental Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Premium (Net)	317	354	500	638	1,128	1,535	3,073	3,755	5,132	7,139	7,658	7,266	6,964	6,838	6,681	6,945
Investment Income	81	122	221	279	562	767	1,323	1,906	3,675	5,066	5,984	5,901	5,996	8,406	7,873	8,492
Total Income	391	504	727	920	1,690	2,307	4,406	5,674	8,814	12,231	13,650	13,177	12,976	15,286	14,592	15,436
Total Outgo	292	307	427	593	1,005	1,342	2,597	2,877	4,138	6,245	7,355	7,477	8,451	8,060	8,745	8,342
Life Fund	1,494	1,735	2,494	3,111	4,660	6,422	11,327	16,321	28,333	39,339	45,582	51,010	55,460	62,484	68,127	75,343
Yield on Life Fund (%)	7	8	10	10	14	14	14	14	15	15	15	13	12	15	13	13
Overall Expense Ratio (%)	33	33	31	34	34	36	34	35	34	43	43	43	54	46	54	40
Renewal Expense Ratio(%)	26	27	26	30	28	25	26	22	26	30	35	39	56	45	57	37
Investment Portfolio	1,401	1,766	2,512	3,155	4,691	6,367	11,140	15,980	27,601	37,969	43,084	48,289	54,017	59,933	64,829	74,029
Policy Benefits (Net)	141	191	271	375	596	796	1,560	1,565	2,391	3,146	4,097	4,341	4,715	4,904	5,136	5,572
No. of Policies in Force (Individual Life)	357,413	379,083	397,158	413,231	489,366	599,423	945,258	1,297,879	1,681,946	2,034,969	2,087,919	2,092,404	2,033,388	1,963,723	1,878,139	1,806,476
No. of Lives Covered (Group Life)	-	1,500,000	2,340,472	2,585,775	2,802,279	3,003,387	3,767,266	4,308,986	4,250,232	4,190,181	4,341,011	4,198,974	4,456,347	3,501,163	3,259,618	3,295,387
Total Business in Force (Sum Assured and Bonuses)	17,899	17,952	30,055	45,847	62,277	77,542	117,726	145,626	311,306	407,296	440,762	489,772	539,751	656,776	499,136	506,245



(Rupees in Million)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Restated	2013	2014	2015	2016	2017	Annual Compound Growth Rates (1973-2017)
1,350	1,797	2,348	2,806	3,327	3,854	5,159	7,196	9,647	11,990	13,947	15,442	16,156	16,271	17,036	17,688	15%
5,489	5,790	6,655	8,454	9,785	12,054	13,993	17,634	22,287	28,144	35,145	43,348	53,363	57,729	66,707	74,462	15%
1,518	2,281	1,997	2,548	2,866	2,796	3,532	3,514	3,676	4,645	6,802	6,832	6,728	5,854	5,597	4,634	11%
8	13	15	12	14	14	11	23	29	33	54	20	10	49	59	65	15%
-	-	-	-	-	-	-	-	-	-	70	104	85	38	422	3,912	124%
8,364	9,881	11,014	13,820	15,992	18,717	22,695	28,367	35,639	44,812	56,018	65,745	76,342	79,941	89,821	100,761	14%
11,200	10,202	13,610	13,106	14,924	17,505	19,133	21,545	27,434	31,175	37,977	50,949	50,715	60,316	64,526	69,566	17%
19,564	20,082	24,624	26,926	30,915	36,222	41,828	49,914	63,073	75,988	93,995	116,694	127,057	140,257	154,347	170,326	15%
8,165	9,938	11,544	12,673	15,393	17,049	20,779	27,356	31,489	37,122	47,296	50,663	54,307	62,019	65,523	75,885	14%
86,211	95,957	108,808	122,775	137,960	156,737	177,459	199,445	230,422	268,580	313,754	378,608	450,025	526,676	614,177	707,388	15%
15	12	14	12	12	13	12	12	14	13	14	16	13	13	12	11	-
38	39	41	36	41	33	35	41	40	39	41	38	31	33	31	31	-
34	35	34	28	34	9	11	19	18	17	16	17	13	16	15	17	-
86,203	96,415	110,488	124,984	142,159	161,966	182,874	205,804	235,935	275,110	316,878	380,981	445,381	513,293	598,271	688,721	16%
5,005	6,123	7,063	7,654	8,912	10,783	12,779	15,724	17,072	19,420	24,067	25,836	30,505	35,961	37,939	44,955	14%
1,801,919	1,849,125	1,926,254	2,044,015	2,183,783	2,348,791	2,568,698	2,895,354	3,317,192	3,774,293	4,202,171	4,641,854	4,996,805	5,251,732	5,478,460	5,694,670	7%
3,443,916	3,632,688	3,898,333	3,731,002	3,915,529	4,061,865	3,879,686	3,754,296	3,835,712	6,043,553	8,421,667	8,644,577	8,732,453	5,023,906	4,104,990	3,266,814	-
629,011	816,210	947,239	1,040,556	1,143,770	1,289,079	1,602,159	1,674,745	2,013,298	2,690,594	3,786,440	4,281,206	4,438,510	4,713,080	4,664,333	5,244,282	14%



State Life Offices In Pakistan And U.A.E.

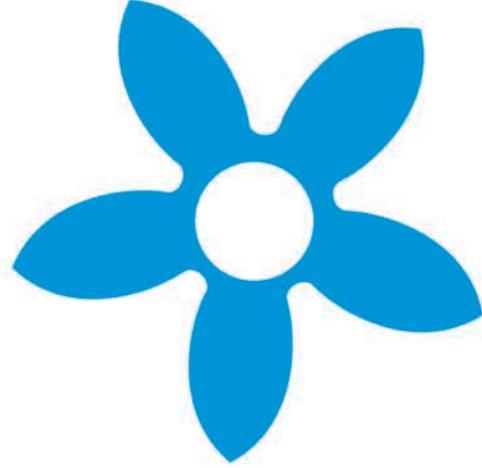
Regional Office (South) State Life Building # 2 10th Floor, Wallace Road, Karachi. Tel. 021-99217035-36	Regional Office (Central) Ground Floor, 15-A, Davis Road, Lahore Tel. 042-99205121-22	Regional Office (North) State Life Building # 9 33-E, Blue Area, Islamabad Tel. 051-9205047	Regional Office (Multan) 4th Floor, State Life Building, Chowk Nawwan, Shaher Abdali Road, Tel. 061-9200670
Karachi South State Life Building # 2 11th Floor, Wallace Road, Karachi. Tel. 021-99217023-24 & 26	Lahore Central State Life Ghazi Ilmuddin Shaheed Road, Lahore Tel. 042-99210269-70	Rawalpindi State Life Building # 1 The Mall, Saddar Rawalpindi Cantt Tel. 051-9271351-2	Multan State Life Building, 3rd Floor Chowk Nawwan, Shaher Abdali Road, Tel. 061-9200676
Karachi Central State Life Building #11 7th Floor, Abdullah Haroon Road, Opp. Zainab Market Saddar, Karachi. Tel. 021-99205123-24	Lahore Western State Life Ghazi Ilmuddin Shaheed Road, Lahore Tel. 042-99211711-642	Mirpur (AK) Barry Mian Plaza, Sector F-1, Kotli Road Tel. 05827-927465	Sahiwal Room # 35, 2nd Floor Sattar Complex, Stadium Road Tel. 040-9200022-23
Karachi Eastern Bungalow # 2, Block 7 & 8, Maqboolabad, Fine House Stop, Sharah-e-Faisal, Karachi Tel. 021-34538095, 34535760	Gujranwala Opp. Quaid-e-Azam Divisional Public School, G.T. Road Tel. 055-9200282-285	Islamabad State Life Bldg No.9, 4th Floor, 33-E, Blue Area, Tel. 051-9206162	Rahim Yar Khan 3rd Floor Iqbal Complex Model Town Tel. 068-9230027
Quetta 2nd Floor, PIA Building, Hali Road Tel. 081-9201520-30	Sialkot Siddique Plaza, Paris Road Tel. 052-9250101-111	Gujrat State Life Building 5th Floor, G.T. Road Tel. 053-9260252-242	Dera Ghazi Khan 1st Floor, Dubai Trade Center Jampur Road Tel. 064-9260048
Regional Office (Hyderabad) State Life Building 3rd Floor, R.C. Sectt. Thandi Sarak, Hyderabad Tel. 022-9200352, 9201482	Narowal City Tower Building 1st Floor New Lahore Road Tel. 0542-411902-6	Jhelum Ch. Ghulam Ahmed Plaza #1, G.T. Road, Jada Jhelum Tel. 0544-274094-92	Bahawalpur Barq Poly Complex, 1st & 2nd Floor, Ahmed Pur Road Tel. 062-9255171-72
Hyderabad State Life Building Thandi Sarak, Tel. 022-9200622	Regional Office (Faisalabad) State Life Bldg. 2, Liaquat Road Tel. 041-9201482-83	Gilgit Jubilee Market, Juttal Main Road Gilgit Tel. 05811-9260252	Vehari ZTBL Building-V, Chowk Vehari Tel. 067-9201131-32
Sukkur State Life Building Minara Road Tel. 071-9310501	Faisalabad State Life Bldg. 2 10th Floor, Liaquat Road Tel. 041-9200390	Regional Office (KPK) State Life Building, 2nd Floor 34-The Mall, Peshawar Cantt. Tel. 091-9210918-19	G&P (Division) State Life Building # 9 7th Floor, Ziauddin A. Road, Karachi Tel. 021-99202890
Mirpurkhas State Life Building M.A. Jinnah Road, Near D.C. Office Tel. 0233-9290295	Sargodha M.M.Plaza, Queen Road Tel. 048-3215517-18	Peshawar State Life Building, 3rd Floor 34-The Mall, Peshawar Cantt. Tel. 091-9212314	G&P Peshawar State Life Building, 2nd Floor 34- The Mall, Peshawar cantt Tel. 091-9211596
Larkana State Life Building Qaim Shah Bukhari Road, Tel. 074-9410801	Jhang New District Courts UBL Chowk, Jhang Saddar Tel. 047-9200390	Abbottabad Mir Alam Plaza, P.O. Jhangi, Mansehra Road Tel. 0992-9310353	G&P Karachi State Life Building # 2 Wallace Road, Karachi Tel. 021-99217060-97
Benazirabad Banglow No. I-A/2 Housing Society Nawab Shah Tel. 0244-9370572	Real Estate (Division) State Life Building # 9 5th Floor, Ziauddin A. Road, Karachi Tel. 021-99202816	Swat State Life, Royal Campus Saidu Sharif Tel. 0946-700504	G&P Lahore State Life Building 15-A, Davis Road, Sir Agha Khan Road, Lahore Tel. 042-99200355-58
Gulf P.O. Box # 11278, Dubai, U.A.E. Tel: 00971-42729061 Fax: 00971-42729051	Real Estate (Islamabad) State Life Building # 5, Basement 33-E, Blue Area, Jinnah Avenue Islamabad Tel. 051-9203347	Kohat Khan Bab Plaza, University Road, Kohat Tel. 292-933600	G&P Rawalpindi State Life Building # 8, Kashmir Road, Rawalpindi Cantt Tel. 051-9272598
	Real Estate (Lahore) State Life Building # 11 15-A Davis Road, Lahore Tel. 042-99200396	Health & Accident Ins. (Div.) State Life Building # 9 6th Floor, Ziauddin A. Road Karachi. Tel. 021-99204941	

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An elderly couple is shown in a field of yellow flowers, laughing joyfully. The man, on the left, has white hair and a mustache, and is wearing a light blue t-shirt. The woman, on the right, has short grey hair and is wearing a pink t-shirt. They are both looking towards the right. The background is a soft-focus green field with trees.

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