



# Statement of Changes in Equity

for the year ended December 31, 2011

	(Rupees in '000)		
	Issued, subscribed and paid up share capital	Accumulated surplus	Net shareholders' equity
<b>Balance as at January 01, 2010</b>	1,100,000	318,769	1,418,769
Dividend for the year ended December 31, 2009	-	(318,769)	(318,769)
Profit for the year ended December 31, 2010	-	406,878	406,878
<b>Balance as at December 31, 2010</b>	<u>1,100,000</u>	<u>406,878</u>	<u>1,506,878</u>
Dividend for the year ended December 31, 2010	-	(406,878)	(406,878)
Profit for the year ended December 31, 2011	-	520,223	520,223
<b>Balance as at December 31, 2011</b>	<u><u>1,100,000</u></u>	<u><u>520,223</u></u>	<u><u>1,620,223</u></u>

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

**Shahid Aziz Siddiqi**  
Chairman

**Farooq Hadi**  
Director

**Wazir Ali Khoja**  
Director

**Yasmeen Saud**  
Executive Director (Finance and Accounts)



# Statement of Cash Flows

for the year ended December 31, 2011

(Rupees in '000)

Note	Shareholders' Fund	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
<b>OPERATING ACTIVITIES</b>						
a) Underwriting activities						
Premiums received	-	41,589,045	1,367,285	16,713	42,973,043	34,418,307
Reinsurance premium paid	-	(112,247)	(7,660)	-	(119,907)	(199,838)
Claims paid	-	(13,229,994)	(271,858)	(29,762)	(13,531,614)	(14,804,515)
Surrenders paid	-	(4,609,625)	(219,988)	-	(4,829,613)	(3,560,961)
Reinsurance and other recoveries received	-	14,968	-	-	14,968	138,044
Commissions paid	-	(12,642,390)	(353,585)	(105)	(12,996,080)	(10,112,055)
Net cash flows from/(used in) underwriting activities	-	11,009,757	514,194	(13,154)	11,510,797	5,878,982
b) Other operating activities						
Income tax paid	(265,358)	17,201	-	1	(248,156)	(598,208)
General management expenses paid	(2,923)	(3,588,354)	(166,036)	178	(3,757,135)	(1,298,074)
Loans advanced	(233,850)	(3,183,146)	(18,101)	-	(3,435,097)	(2,244,690)
Loan repayments received	232,657	4,118,691	-	-	4,351,348	2,400,667
Other receipts on operating assets	327,954	35,724	16,532	12,860	393,070	331,366
Net cash (used in)/from other operating activities	58,480	(2,599,884)	(167,605)	13,039	(2,695,970)	(1,408,939)
<b>Total cash flows from/(used in) all operating activities</b>	<b>58,480</b>	<b>8,409,873</b>	<b>346,589</b>	<b>(115)</b>	<b>8,814,827</b>	<b>4,470,043</b>
<b>INVESTING ACTIVITIES</b>						
Profit received	33,294	19,449,348	367,657	15,654	19,865,953	17,593,304
Dividend received	-	4,113,663	5,882	-	4,119,545	3,097,815
Rentals received	-	699,279	-	-	699,279	716,564
Payments for investments	(1,922,423)	(83,283,119)	(781,880)	(25,981)	(86,013,403)	(28,706,536)
Proceeds from disposal of investments	1,311,002	56,598,595	115,933	-	58,025,530	14,429,969
Fixed capital expenditure	-	(343,388)	(1,914)	-	(345,302)	(378,023)
Proceeds from disposal of fixed assets	-	17,081	-	-	17,081	26,572
Total cash (used in)/flows from investing activities	(578,127)	(2,748,541)	(294,322)	(10,327)	(3,631,317)	6,779,665
<b>FINANCING ACTIVITIES</b>						
Surplus appropriated to shareholders' fund	660,646	(648,727)	(11,919)	-	-	-
Dividend paid	(358,053)	-	-	-	(358,053)	(318,769)
Total cash flows from/(used in) financing activities	302,593	(648,727)	(11,919)	-	(358,053)	(318,769)
Net cash flows from/(used in) all activities	(217,054)	5,012,605	40,348	(10,442)	4,825,457	10,930,939
Cash and cash equivalents at the beginning of year	291,648	23,512,131	706,589	14,179	24,524,547	13,593,608
<b>Cash and cash equivalents at the end of year</b>	<b>19</b>	<b>74,594</b>	<b>28,524,736</b>	<b>746,937</b>	<b>3,737</b>	<b>29,350,004</b>
<b>Reconciliation to profit and loss account</b>						
Operating cash flows	58,480	8,409,873	346,589	(115)	8,814,827	4,470,043
Depreciation expense	-	(126,651)	(2,547)	-	(129,198)	(103,660)
Investment income and rental income	127,857	30,445,635	584,248	20,254	31,177,994	27,437,084
Rental income	-	-	-	-	-	-
Amortization/capitalisation/adjustments	(19,231)	395,405	(541)	-	375,633	399,474
Surplus allocation	660,646	(648,727)	(11,919)	-	-	-
Non-cash adjustment	-	(2,827,070)	(39,533)	-	(2,866,603)	(2,232,838)
Increase in assets other than cash	54,527	5,111,384	48,662	16,518	5,231,091	4,141,333
(Increase) in liabilities other than running finance	(362,056)	(3,435,757)	(98,771)	(13,552)	(3,910,136)	(2,728,314)
Revaluation adjustment	-	(15,864)	541	-	(15,323)	-
Profit after tax	520,223	37,308,228	826,729	23,105	38,678,285	31,383,122

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

  
**Shahid Aziz Siddiqi**  
 Chairman

  
**Farooq Hadi**  
 Director

  
**Wazir Ali Khoja**  
 Director

  
**Yasmeen Saud**  
 Executive Director (Finance and Accounts)



# Revenue Account

for the year ended December 31, 2011

(Rupees in '000)

	Note	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
<b>Income</b>						
Premium less reinsurance		43,459,038	1,320,221	33,233	44,812,492	35,638,794
Rental income from investment properties	20	313,684	-	-	313,684	338,674
Net investment income		30,131,951	584,248	20,254	30,736,453	26,983,889
<b>Total net income</b>		<b>73,904,673</b>	<b>1,904,469</b>	<b>53,487</b>	<b>75,862,629</b>	<b>62,961,357</b>
<b>Claims and expenditure</b>						
Claims, including bonuses, net of reinsurance recoveries		18,860,631	529,610	29,762	19,420,003	17,071,522
Management expenses less recoveries		17,162,100	536,211	620	17,698,931	14,414,241
<b>Total claims and expenditure</b>		<b>36,022,731</b>	<b>1,065,821</b>	<b>30,382</b>	<b>37,118,934</b>	<b>31,485,763</b>
Excess of income over claims and expenditure		37,881,942	838,648	23,105	38,743,695	31,475,594
Add: Policyholders' liabilities at the beginning of year	21	222,856,034	5,023,215	153,406	228,032,655	197,038,990
Less: Policyholders' liabilities at the end of year	22	259,363,992	5,652,088	154,068	265,170,148	228,032,655
Surplus before tax		1,373,984	209,775	22,443	1,606,202	481,929
<b>Tax chargeable to statutory funds</b>						
Prior year- reversal of provision		75,013	-	-	75,013	-
<b>Surplus after tax</b>		<b>1,448,997</b>	<b>209,775</b>	<b>22,443</b>	<b>1,681,215</b>	<b>481,929</b>
<b>Movement in policyholders' liabilities</b>						
Transfer to shareholders' fund						
Surplus appropriated to shareholders' fund	21.4	(648,727)	(11,919)	-	(660,646)	(499,350)
<b>Balance of statutory fund at the beginning of year</b>		<b>225,145,747</b>	<b>5,106,224</b>	<b>169,558</b>	<b>230,421,529</b>	<b>199,445,285</b>
<b>Balance of statutory fund at the end of year</b>		<b>262,453,975</b>	<b>5,932,953</b>	<b>192,663</b>	<b>268,579,591</b>	<b>230,421,529</b>
<b>Represented by:</b>						
Policyholders' liabilities	22	259,363,992	5,652,088	154,068	265,170,148	228,032,655
Retained earnings attributable to policyholders	21.2	3,089,983	280,865	38,595	3,409,443	2,388,874
<b>Balance of statutory fund</b>		<b>262,453,975</b>	<b>5,932,953</b>	<b>192,663</b>	<b>268,579,591</b>	<b>230,421,529</b>

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

  
Shahid Aziz Siddiqi  
Chairman

  
Farooq Hadi  
Director

  
Wazir Ali Khoja  
Director

  
Yasmeen Saud  
Executive Director (Finance and Accounts)



# Statement of Premiums

for the year ended December 31, 2011

(Rupees in '000)

	Statutory Funds			Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
<b>Gross premiums</b>					
Regular premium individual policies *					
First year	11,655,945	352,760	-	12,008,705	9,670,210
Second year renewals	8,022,027	237,270	-	8,259,297	6,247,375
Subsequent year renewals	19,241,673	753,183	-	19,994,856	16,153,923
	38,919,645	1,343,213	-	40,262,858	32,071,508
Group policies with cash values	-	-	33,233	33,233	29,003
Group policies without cash values	4,738,721	-	-	4,738,721	3,740,388
<b>Total gross premiums</b>	43,658,366	1,343,213	33,233	45,034,812	35,840,899
Less: Reinsurance premiums ceded					
On individual life first year business	(14,034)	(4,659)	-	(18,693)	(23,647)
On individual life second year business	(16,741)	-	-	(16,741)	(20,797)
On individual life renewal business	(74,679)	(18,333)	-	(93,012)	(93,529)
On group policies	(93,874)	-	-	(93,874)	(64,132)
<b>Total reinsurance premiums ceded</b>	(199,328)	(22,992)	-	(222,320)	(202,105)
<b>Net premiums</b>	43,459,038	1,320,221	33,233	44,812,492	35,638,794

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

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

  
**Shahid Aziz Siddiqi**  
 Chairman

  
**Farooq Hadi**  
 Director

  
**Wazir Ali Khoja**  
 Director

  
**Yasmeen Saud**  
 Executive Director (Finance and Accounts)



# Statement of Claims

for the year ended December 31, 2011

(Rupees in '000)

	Statutory Funds			Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
<b>Gross claims</b>					
Claims under individual policies					
-by deaths	2,030,648	30,672	-	2,061,320	1,817,156
-by insured event other than deaths	137,792	8,990	-	146,782	120,418
-by maturity	7,893,633	269,960	-	8,163,593	7,922,048
-by surrender	4,609,625	219,988	-	4,829,613	3,560,961
-annuity payment	11,552	-	-	11,552	14,414
<b>Total gross individual policy claims</b>	<b>14,683,250</b>	<b>529,610</b>	<b>-</b>	<b>15,212,860</b>	<b>13,434,997</b>
Claims under group policies					
-by deaths	4,052,199	-	29,762	4,081,961	3,545,777
-by insured event other than deaths	46,966	-	-	46,966	38,566
-by maturity	249	-	-	249	-
-by surrender	12	-	-	12	12
-annuity payment	1,252	-	-	1,252	1,575
-experience refund	149,472	-	-	149,472	192,592
<b>Total gross group policy claims</b>	<b>4,250,150</b>	<b>-</b>	<b>29,762</b>	<b>4,279,912</b>	<b>3,778,522</b>
<b>Total gross claims</b>	<b>18,933,400</b>	<b>529,610</b>	<b>29,762</b>	<b>19,492,772</b>	<b>17,213,519</b>
<b>Less: Reinsurance recoveries</b>					
-On individual life first year business claims	(4,580)	-	-	(4,580)	(9,392)
-On individual life second year business claims	(1,313)	-	-	(1,313)	(10,582)
-On individual life renewal business claims	(9,556)	-	-	(9,556)	(34,895)
-On group life claims	(57,320)	-	-	(57,320)	(87,128)
<b>Total reinsurance recoveries</b>	<b>(72,769)</b>	<b>-</b>	<b>-</b>	<b>(72,769)</b>	<b>(141,997)</b>
<b>Net claims</b>	<b>18,860,631</b>	<b>529,610</b>	<b>29,762</b>	<b>19,420,003</b>	<b>17,071,522</b>

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

  
**Shahid Aziz Siddiqi**  
 Chairman

  
**Farooq Hadi**  
 Director

  
**Wazir Ali Khoja**  
 Director

  
**Yasmeen Saud**  
 Executive Director (Finance and Accounts)



# Statement of Expenses

for the year ended December 31, 2011

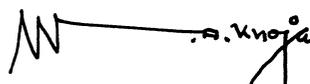
(Rupees in '000)

Note	Statutory Funds			Aggregate		
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010	
<b>Acquisition costs</b>						
<b>Remuneration to insurance intermediaries on individual policies:</b>						
- commission on first year premiums	7,996,314	234,085	-	8,230,399	6,658,546	
- commission on second year premiums	1,399,359	24,576	-	1,423,935	1,098,422	
- commission on subsequent renewal premiums	862,260	39,934	-	902,194	714,677	
- other benefits to insurance intermediaries	890,251	7,690	-	897,941	706,604	
	11,148,184	306,285	-	11,454,469	9,178,249	
<b>Remuneration to insurance intermediaries on group policies:</b>						
- commission	3,789	-	105	3,894	3,478	
- other benefits to insurance intermediaries	931	-	-	931	1,290	
	4,720	-	105	4,825	4,768	
<b>Branch overheads</b>	23	1,454,773	53,831	-	1,508,604	1,128,515
<b>Other acquisition cost</b>						
Policy stamps and medical fee		599,165	3,074	-	602,239	480,557
<b>Total acquisition cost</b>		13,206,842	363,190	105	13,570,137	10,792,089
<b>Administration expenses</b>						
Salaries and other benefits	24	2,415,467	101,675	350	2,517,492	2,238,167
Traveling expenses		161,876	7,798	-	169,674	137,441
Auditors' remuneration		2,800	1,172	-	3,972	3,563
Legal expenses		20,226	1,735	-	21,961	15,624
Supervision fee		54,379	-	-	54,379	53,105
Advertisements		64,141	675	-	64,816	80,194
Printing and stationery		97,682	1,069	-	98,751	72,786
Postage and telephone		89,788	7,947	-	97,735	80,840
Utilities		238,785	1,124	35	239,944	214,851
Training		19,021	796	-	19,817	19,406
Computer expenses		9,563	230	-	9,793	8,885
Rental		142,211	8,894	-	151,105	139,942
Gratuity and pension expenses		540,769	3,518	-	544,287	407,954
Bank charges		19,116	11,444	11	30,571	25,001
Depreciation		69,291	2,547	-	71,838	54,389
		3,945,115	150,624	396	4,096,135	3,552,148
Other management expenses		93,486	21,982	-	115,468	102,834
<b>Gross management expenses</b>		17,245,443	535,796	501	17,781,740	14,447,071
Commission from reinsurers		(74,484)	(5,402)	-	(79,886)	(29,837)
Management expenses recovered from/allocated to other funds		(8,859)	5,817	119	(2,923)	(2,993)
<b>Net management expenses</b>		17,162,100	536,211	620	17,698,931	14,414,241

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

  
**Shahid Aziz Siddiqi**  
 Chairman

  
**Farooq Hadi**  
 Director

  
**Wazir Ali Khoja**  
 Director

  
**Yasmeen Saud**  
 Executive Director (Finance and Accounts)



# Statement of Investment Income of Statutory Funds

for the year ended December 31, 2011

(Rupees in '000)

	Note	Statutory Funds			Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
<b>Investment income</b>						
-On Government securities		20,448,272	219,061	19,981	20,687,314	16,834,278
-On other fixed income securities and deposits		2,616,966	78,840	273	2,696,079	2,030,678
-Dividend income		4,115,334	5,882	-	4,121,216	3,104,144
-On loans to policyholders		2,827,070	40,072	-	2,867,142	2,232,685
-On loans to employees		845	62	-	907	802
-Others	25	141,011	252,309	-	393,320	137,875
Total		30,149,498	596,226	20,254	30,765,978	24,340,462
<b>Gain/(loss) on sale of investments</b>		57,365	(8,994)	-	48,371	2,663,145
<b>(Provision)/Reversal of impairment in value of investments and receivables</b>						
Provision for impairment in shares	26	(1,445)	-	-	(1,445)	-
Provision for fixed income securities	26	(50,000)	-	-	(50,000)	-
Reversal of provision in receivables and shares		1,373	-	-	1,373	8,623
<b>Investment related expenses</b>		(24,840)	(2,984)	-	(27,824)	(28,341)
<b>Net investment income</b>		30,131,951	584,248	20,254	30,736,453	26,983,889

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

**Shahid Aziz Siddiqi**  
Chairman

**Farooq Hadi**  
Director

**Wazir Ali Khoja**  
Director

**Yasmeen Saud**  
Executive Director (Finance and Accounts)



# Notes to the Financial Statements

for the year ended December 31, 2011

## 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 26 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** The Corporation is engaged in the life insurance business. During the year, the Corporation has received a grant from Government of Pakistan to launch a new fund "Health & Accident Business".

## 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

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. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, have not been considered in the preparation of these financial statements.

### 2.1.2 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.

During the current year, the Corporation has declared dividend amounting to Rs. 406.878 million, out of which Rs. 48.825 million is payable to the trust for the Benazir Employees' Stock Option Scheme (BESOS).

Had the exemption not been granted, Staff costs of the Corporation for the year would have been higher by Rs. 132 million, profit after taxation would have been lower by Rs. 132 million, earnings per share would have been lower by Rs. 12, accumulated surplus would have been lower by Rs. 132 million and reserves would have been higher by Rs. 132 million.

## **2.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements**

### **2.2.1 Initial application of a standard or an interpretation**

The following standards, amendments and interpretations of approved standards became effective during the year. Adoption of these revised standards did not have any material effect on the financial performance or position of the Corporation. They did, however, in certain cases give rise to additional disclosures.

IFRS 2 (Amendments) "Share-based Payments – Group cash-settled share-based payment transactions".

IAS 1 - Presentation of Financial Statements – Clarification of statement of changes in equity

IAS 24 - Related Party Disclosures (Revised)

IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

### **2.2.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2012:**

The following standards, amendments and interpretations to approved standards, effective for annual accounting periods beginning on or after the dates specified below, are either not relevant to the Corporation's operations or are not expected to have significant impact on the Corporation's financial statements other than enhanced disclosures in certain cases:



Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012).

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012).

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013).

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013).

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013).

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014).

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011).

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013).

IFRS 9 - Financial Instruments: Classification and Measurement - (effective for annual periods beginning on or after January 01, 2013).

### 3 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, 2010:

#### 3.1 Basis of measurement

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

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

#### 3.2 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) Reinsurance 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.

**3.3 Funds**

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

- Pakistan Life Fund (ordinary life);
- Overseas Life Fund (ordinary life); and
- Pension Fund

Assets, liabilities, revenues and expenses are referable to respective statutory funds or allocated to shareholder's 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 balance sheet 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 contains Discretionary Participatory 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 Participatory Features (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 balance sheet date.

#### **3.4 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.

#### **3.5 Reinsurance**

The Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2010: Rs. 5 million) per policy and for group life Rs. 2 million per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.

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

#### **3.6 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.

#### **3.7 Amount due to other insurers/reinsurers**

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



**3.8 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.

**3.9 Amount due from other insurers/reinsurers**

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

**3.10 Acquisition costs**

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

**3.11 Expenses of management**

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

**3.12 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. Previously, the Corporation was also contributing in respect of officers who de-linked themselves from the pension scheme w.e.f. January 01, 2000, through an administrative order no. P&GS/PO/004/2001 on the same basis. However, from the current year, in accordance with the order of Honourable Supreme Court of Pakistan the said pension scheme has been restored and the net assets of the contributory provident fund of the affected officers of Rs.427.62 million are in the course of being transferred to pension fund as stated in note 5.5.

**b) Gratuity fund**

**Officers**

The Corporation established a defined contribution plan, an approved gratuity fund w.e.f. January 01, 2000 in respect of all those officers of the Corporation who initially opted for unfunded gratuity scheme before that date. 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. Previously, the Corporation was also contributing in respect of officers who de-linked themselves from the pension scheme w.e.f. January 01, 2000, through an administrative order no.P&GS/PO/004/2001 on the same basis. However, from the current year, in accordance with the order of Honourable Supreme Court of Pakistan the said pension scheme has been restored and the net assets of the officers gratuity fund of the affected officers of Rs.248.96 million are in the course of being transferred to pension fund as stated in note 5.5.

**Staff**

The Corporation also maintains an unfunded defined benefit plan for those staff members who opted for gratuity rules. On retirement, resignation, termination or on death they will be paid one month's pay for each completed year of service.

**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 the current 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. (Also refer note 5.5)



**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 that respect of compensated absences as at December 31, 2011 amounts to Rs. 547.699 million (2010: Rs. 584.124 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, 2011, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 798.236 million (2010: Rs. 727.478 million) and the same has been provided in these financial statements.

**3.13 Loans secured against Life Insurance Policies**

**Cash loans**

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

**Automatic non-forfeiture provisions**

- (a) Automatic Premium Loans secured against surrender value of the policy may be extended to the extent of the surrender value of the respective policy, provided the policyholder has exercised Automated Premium Loan option.
- (b) An advance equal to one year premium may be allowed to the policyholder only once, if the policyholder has exercised Auto Paid-up option provided the respective policy has been in force for at least two years.

**3.14 Investment properties**

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

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

**3.15 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.

### **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 on 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.

#### **3.16 Other assets**

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

#### **3.17 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

#### **3.18 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.

### **Investments 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.

### **Others**

All other incomes are recognised on accrual basis.

## **3.19 Taxation**

### **Current**

Current taxation is based on the provisions of the Fourth Schedule to the Income Tax Ordinance, 2001.

### **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 realisation 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 realised.

## **3.20 Bad and doubtful debts**

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

## **3.21 Provisions**

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

## **3.22 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).

**3.23 Related party transactions and transfer pricing**

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

**3.24 Cash and cash equivalents**

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

**3.25 Dividend distributions and appropriations**

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

**3.26 Earnings per share**

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

**3.27 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 (refer note 4.1). 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 three statutory funds, separately in respect of each class of life insurance business.

**3.28 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 balance sheet date. Gains and losses on translations are taken to income currently. Non monetary items that are major in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

**3.29 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.

**3.30 Level of precision**

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



#### 4 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

		(Rupees in '000)	
2011	2010	2011	2010
Number of shares			
11,000,000	11,000,000	1,100,000	1,100,000
Ordinary shares of Rs. 100 each			

#### 5 STAFF RETIREMENT BENEFITS

		(Rupees in '000)	
		Aggregate	
	Note	2011	2010
<b>Defined benefit plans</b>			
- Staff gratuity scheme - unfunded	5.1	102,974	98,399
- Post retirement medical benefits - unfunded	5.1	798,236	727,478
- Compensated absences	5.2	547,698	584,124
		1,448,908	1,410,001
<b>Overseas life fund</b>			
- Staff gratuity		17,443	13,530
		1,466,351	1,423,531

#### 5.1 Reconciliation of payable/(receivable from) to defined benefit plans and other benefits

		(Rupees in '000)					
Note		Unfunded staff gratuity		Employees' pension fund		Post retirement medical benefits	
		2011	2010	2011	2010	2011	2010
	5.1.2	66,405	90,166	7,014,726	4,545,556	629,868	583,820
	5.1.3	-	-	(5,689,738)	(4,222,228)	-	-
		36,569	8,233	1,820	(411,461)	168,368	143,658
		-	-	(957,503)			
		102,974	98,399	369,305*	(88,133)	798,236	727,478

\* The balance is classified as current liabilities under the head "others" as it represents the balance payable to the fund as at year end

#### 5.1.1 Movement in balance payable / (receivable)

Opening balance of payable/(receivable)		98,399	94,745	(88,133)	(500,178)	727,478	647,767
Expense recognised	5.1.5	15,369	13,809	512,677	329,063	92,586	98,883
Refunds/(Contributions) during the year							
-Corporation's contribution/benefits paid		(10,794)	(10,155)	(55,239)	82,982	(21,828)	(19,172)
Closing balance of payable/(receivable)		102,974	98,399	369,305*	(88,133)	798,236	727,478

#### 5.1.2 Reconciliation of the present value of the defined benefit obligation

Present value of obligation as at January 01		90,166	94,745	4,545,556	4,293,798	583,820	628,959
Current service cost		2,497	2,234	206,496	59,376	18,350	20,124
Interest cost		12,872	11,575	912,630	534,794	82,764	78,759
Benefit paid		(10,794)	(10,155)	(325,922)	(260,308)	(21,828)	(19,173)
Past service cost-vested		-	-	723,930	-	-	-
Past service cost-non vested		-	-	1,094,288	-	-	-
Actuarial gains		(28,336)	(8,233)	(142,252)	(82,104)	(33,238)	(124,849)
Present value of the defined benefit obligation		66,405	90,166	7,014,726	4,545,556	629,868	583,820



(Rupees in '000)

	Employees' pension fund	
	2011	2010
<b>5.1.3 Changes in fair values of plan assets</b>		
Net assets as at January 01,	4,222,228	4,307,221
Expected return on plan assets	697,196	536,708
Assets transferred from provident fund and gratuity fund	769,968	-
Contributions made directly by Corporation	55,239	(82,982)
Benefits paid	(325,922)	(260,308)
Actuarial losses/(gains)	271,029	(278,411)
Net assets as at December 31,	<u>5,689,738</u>	<u>4,222,228</u>

(Rupees in '000)

	Employees' pension fund	
	2011	2010
<b>5.1.4 Actual return on plan assets</b>		
Actual return on plan assets	<u>968,225</u>	<u>258,297</u>

### 5.1.5 Charge for defined benefit plans

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

(Rupees in '000)

Note	Unfunded staff gratuity		Employees' pension fund		Post retirement medical benefits	
	2011	2010	2011	2010	2011	2010
	Current service cost	2,497	2,234	206,496	59,376	18,350
Interest cost	12,872	11,575	912,630	534,794	82,764	78,759
Expected return on plan assets	-	-	(697,196)	(536,708)	-	-
Reversal of financial charges	-	-	-	266,507	-	-
Past service cost vested	-	-	47,346	-	-	-
Amortisation of past service cost	-	-	136,786	-	-	-
Charge recognised via pension fund and gratuity fund	-	-	(93,385)	-	-	-
Actuarial gain recognised	-	-	-	5,094	(8,528)	-
	<u>15,369</u>	<u>13,809</u>	<u>512,677</u>	<u>329,063</u>	<u>92,586</u>	<u>98,883</u>

### 5.2 Movement in compensated absences payable

(Rupees in '000)

	Compensated absences payable	
	2011	2010
Balance as at the beginning of year	584,124	526,886
Provision during the year	119,741	168,120
Payments made during the year	(156,167)	(110,882)
Balance as at the end of year	<u>547,698</u>	<u>584,124</u>



### 5.3 Principal actuarial assumptions

The latest actuarial valuations of the employees' pension fund, unfunded staff gratuity and post retirement medical benefits were carried out at December 31, 2011 by the appointed actuary. The principal actuarial assumptions used are as follows:

Note	(Rupees in '000)					
	Unfunded staff gratuity		Employees' pension fund		Post retirement medical benefits	
	2011 (%)	2010 (%)	2011 (%)	2010 (%)	2011 (%)	2010 (%)
Discount rate	13	14.50	13	14.50	13	14.50
Expected rate of return on plan assets	-	-	13	14.50	-	-
Long term salary increase rate (staff only)	12	13.50	11	12.50	12	12.50
Future increase in frozen pension	-	-	-	13.50	-	-
Future increase in pension (after retirement)	-	-	9	10.50	-	-
Pre-retirement mortality			LIC(1975-79)Ult	LIC(1975-79)Ult	LIC(1975-79)Ult	LIC(1975-79)Ult
Post-retirement mortality			PA(90)+1M/F	PA(90)+1M/F	PA(90)+1M/F	PA(90)+1M/F

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Corporation, at the beginning of the year, for returns over the entire life of related obligation.

### 5.4 Historical information

	(Rupees in '000)		
	2011	2010	2009
Unfunded staff gratuity			
Defined benefit obligation	66,405	90,166	94,745
Fair value of plan assets	-	-	-
Deficit	66,405	90,166	94,745
Experience adjustment on plan liabilities	36,569	8,233	-
Experience adjustment on plan assets	-	-	-
Employees' pension fund			
Defined benefit obligation	7,014,726	4,545,556	4,293,798
Fair value of plan assets	5,689,738	4,222,228	4,307,221
Deficit	1,324,988	323,328	(13,423)
Experience adjustment on plan liabilities	1,820	(411,461)	(486,755)
Experience adjustment on plan assets	271,029	(278,411)	533,098
Post retirement medical benefit			
Defined benefit obligation	629,868	583,820	628,959
Fair value of plan assets	-	-	-
Deficit	629,868	583,820	628,959
Experience adjustment on plan liabilities	168,368	143,658	18,808
Experience adjustment on plan assets	-	-	-



- 5.5 In the year 2001, the Board of the Corporation revised Officers' Pension Scheme, 1984 (the Pension Scheme) with effect from January 01, 2000, which was implemented through an administrative order vide Circular No. P&GS/PO/004/2001 dated February 12, 2001. Simultaneously, the Corporation established an Officers' Gratuity Fund (the Gratuity Fund) in respect of all those officers who de-linked themselves from the Pension Scheme with effect from January 01, 2000. The Corporation's liability in respect of Officers who were covered previously under the unfunded gratuity scheme was also transferred to the Gratuity Fund. Further, the Corporation's contribution in Employees Contributory Provident Fund (the Officers' Provident Fund) in respect of those affected employees also commenced. Revised pension rules for the Pension Scheme, applicable simultaneously with the Gratuity Fund, with effect from January 01, 2000 were in the process of approval with the Government.

In the year 2006, various retired employees of the Corporation filed a writ petition in Honorable Lahore High Court, Lahore on the ground that the pensionary benefits, lawfully due, are not being allowed to them. The Honorable Court on April 15, 2009 disposed off the petition with the direction that the Corporation shall grant pensionary benefits to the petitioners in accordance with law i.e. State Life Employees (Pension) Regulations, 1986 as amended in the year 1988.

The Corporation filed an appeal before the Honorable Supreme Court of Pakistan against the decision of the Honorable Lahore High Court. The Honorable Supreme Court of Pakistan, through its order dated February 9, 2011 dismissed the appeal on the grounds that how the administrative order can override the regulations.

Consequently, the Corporation, based on actuarial valuation by appointed actuary, determined pension obligation under the State Life Employees (Pension) Regulations, 1986 as amended in the year 1988, which amounted to Rs. 1,818 million (vested and non-vested) as at December 31, 2011. Effects of this liability are as under:

	Note	Rs. in million
Pension obligation – vested and non-vested		1,818.22
Less: Past service cost recognized during the year – vested	5.1.2	(723.93)
Less: Amortization of past service cost during the year – non-vested	5.1.5	(136.79)
Un-recognized past service cost – non-vested (average period until vesting - expected next 7 years)		<u>957.50</u>

The Corporation has charged above vested past service cost of Rs. 723.93 million (refer note 5.1.2) during the year after adjustment of Rs. 676.59 million (refer note 5.1.3)(net charge – Rs. 47.34 million refer note 5.1.5) being contribution paid to the Gratuity Fund (Rs. 248.96 million) and the Officers' Provident Fund (Rs. 427.63 million) related to existing employees for the period from January 01, 2000 to December 31, 2010. Based on the advice of its actuary, the Corporation has recorded charge of Rs. 512.677 million (refer note 5.1.5) during the year on account of pension obligation.

The Corporation believes that amount receivable by the Corporation from the Gratuity Fund and the Officers' Provident Fund, amounting to Rs. 676.59 million as aforesaid, would be transferred to the Pension Fund upon completion of formalities required under the trust deeds of respective funds.

The Corporation also sought a legal advice to support the process adopted by it for discharge of its obligation towards the Pension Scheme under the State Life Employees (Pension) Regulations, 1986 as amended in the year 1988 and transfer of funds from the Gratuity Fund and the Officers' Provident Fund to the Pension Fund.



The amount recognized in these financial statements includes both the effect of current and previous years' pension obligations. Non-recognition of this amount in prior years requires restatement of prior years' financial statements in accordance with the requirements of para 42 of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, the management is of the view that it is impracticable to restate the prior year's financial statements due to allocation of surplus, declaration and payment of bonus to policy holders, declaration and payment of dividend to shareholders, management intent which may have been different for these items and significant time lapsed. Therefore, adjustment has been effected in the current year's financial statements only.

## 6 GOVERNMENT GRANT FOR HEALTH INSURANCE FUND

During the year, the Corporation has received a grant of Rs. 350 million from Government of Pakistan. The Corporation through its letter dated April 29, 2011 requested the SECP to grant permission to establish statutory fund for Health and Accident Business. The SECP granted this permission through its letter dated May 11, 2011. During February 2012, an agreement has been signed between Benazir Income Support Program (BISP) and the Corporation for establishing and implementing the Waseela-e-Sehet Health Insurance Scheme for the benefit of beneficiaries and beneficiary families of the BISP. BISP has requested the Corporation to implement the scheme and make all necessary administrative and other arrangements in this regard.

## 7 OUTSTANDING CLAIMS

	Note	(Rupees in '000)	
		Aggregate	
		2011	2010
Pakistan Life Fund	7.1	10,218,369	9,124,588
Overseas Life Fund	7.2	133,241	95,477
Pension Life Fund	7.3	-	-
		<u>10,351,610</u>	<u>9,220,065</u>
<b>7.1 Pakistan Life Fund</b>			
Outstanding claims at the beginning of year		9,124,588	8,180,615
Cash paid during the year		(17,839,619)	(16,659,798)
Increase in liabilities due to current year claims		18,933,400	17,603,771
Outstanding claims at the end of year		<u>10,218,369</u>	<u>9,124,588</u>
<b>7.2 Overseas Life Fund</b>			
Outstanding claims at the beginning of year		95,477	85,725
Cash paid during the year		(491,846)	(396,306)
Increase in liabilities due to current year claims		529,610	406,058
Outstanding claims at the end of year		<u>133,241</u>	<u>95,477</u>
<b>7.3 Pension Fund</b>			
Outstanding claims at the beginning of year		-	-
Cash paid during the year		(595,440)	(23,584)
Increase in liabilities due to current year claims		595,440	23,584
Outstanding claims at the end of year		<u>-</u>	<u>-</u>



## 8 OTHERS

This includes an amount of Rs. 724.552 million (2010: Rs. 872.657 million) relating to amount payable to the Bureau of Emigration and Overseas Employment.

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

9.1.1 The proceedings under section 122(5A) of the Income Tax Ordinance, 2001 were initiated by the Additional Commissioner / Taxation Officer-D, Audit Division, Large Taxpayers Unit (LTU), Karachi for tax years 2003-2007 through notice dated August 12, 2008 on the ground that surplus attributable to policyholders during the said years has not been paid within three years from its appropriation to the policyholders and this should be added back under the provision of section 34 (5) of the Income Tax Ordinance, 2001.

The department proceeded to pass the order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2003 whereby demand of Rs. 2,126 million was raised out of which 25% has been paid under the directives of the Sindh High Court. The Corporation has filed Constitutional Writ Petition in October 2008 before the Honorable High Court of Sindh through its legal advisor to challenge the notice of the Additional Commissioner mainly on the ground that the proceedings initiated under section 122(5A) of the Income Tax Ordinance, 2001 by the Additional Commissioner are ab-initio void, being unlawful jurisdiction. Further, the Fourth Schedule to 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. Therefore, the application of provision of section 34(5) of the Income Tax Ordinance, 2001 lacks legal sanctity. The Honorable High Court admitted the petition for regular hearing and stayed the proceedings till the judgment of the Court. In this respect, the Corporation has paid the amount of Rs. 531.562 million in June 2009 under section 137 of the Income Tax Ordinance, 2001 under the directive of the said Court. Further in 2011 the department has adjusted Rs. 308.211 million from the refund arising in tax year 2010 towards outstanding tax demand for tax year 2003.

Management and the legal advisor are confident that the ultimate outcome of these matters will be in the favour of the Corporation and accordingly, no provision is required in financial statements for the balance demand.

9.1.2 The Corporation has filed appeals against certain cases in the Honorable High Court of Sindh contesting the decision of the Income Tax Appellate Tribunal (ITAT) for the income years 1992-93 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 income tax department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Income Tax Department re-opened these assessments and rectified them 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. Therefore, in pursuance of appeals against turnover tax, management has not provided tax liability for current year on turnover basis and has made provision of taxation with Rs. 499.570 million less if computed on turnover basis.



Management of the Corporation, its tax advisor and legal counsel 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.

- 9.1.3 During the previous year, tax authorities served notices to the Corporation requiring them to explain why 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. For the year 2008 and 2009 tax authorities are of opinion that the Corporation is required to withhold tax on maturity claims by virtue of the said section and they believe that the amount of maturity claim adjusted for the premium received during the whole term of the policy is the profit on debt and hence, withholding tax should be deducted. Accordingly, tax authorities raised demands of Rs. 710.124 million and Rs. 738.514 million for tax year 2008 and 2009 respectively.

However, tax advisor of the Corporation while defending the position of the Corporation explained that the provisions of withholding tax under aforesaid section have never been applied in the past to the Corporation. Further, the consideration of policy contract as a debt instrument lacks legal sanctity and the definition of debt is being misinterpreted by the tax authorities.

Proceedings of the case are pending in the Honorable High Court of Sindh. Management and legal counsel are optimistic that ultimate outcome of the cases shall be in favor of the Corporation. Accordingly no provision has been made regarding such demands in these financial statements.

- 9.1.4 Tax authorities served a notice for reassessment for the tax year 2004, thereby requiring to explain the position related to proration of expenses under section 67 of the Income Tax Ordinance, 2001. Accordingly a demand of Rs. 164.88 million was raised by tax authorities. The Corporation has filed an appeal against the order issued in current year under section 122(5A) of the Income Tax Ordinance, 2001 and explained its stand with reference to section 67 and rule 13 of Income Tax Ordinance, 2001 that proration of expenses is being done on reasonable basis as per aforesaid section and rule and that above demand raised was not justified.

Management of the Corporation, its tax advisor and its legal counsel are of the opinion that the rectification passed by the department is not vibrant and is against the law. Order of the department and decision of Commissioner Inland Revenue (A) has been challenged in ITAT and a favorable decision is expected.

## 9.2 Commitments

There are no commitments as at the year end (2010: Rs. Nil).



## 10 CASH AND BANK DEPOSITS

	Shareholders' Fund	Statutory Funds			(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Life Fund	2011	2010
<b>10.1 Cash and others</b>						
Cash in hand	-	6,474	-	-	6,474	4,699
Cash in transit	-	196,607	-	-	196,607	80,153
	-	203,081	-	-	203,081	84,852
<b>10.2 Current and other accounts</b>						
Current accounts	-	3,714,291	393,568	3,737	4,111,596	3,832,168
PLS accounts	-	351,661	61,462	-	413,123	250,117
	-	4,065,952	455,030	3,737	4,524,719	4,082,285



### 10.3 Deposits maturing within 12 months

Note	Shareholders' Fund	Statutory Funds			(Rupees in '000) Aggregate		
		Pakistan Life Fund	Overseas Life Fund	Pension Life Fund	2011	2010	
<b>Call and SNTD</b>							
Habib Bank Limited	74,594	5,039,022	-	-	5,113,616	5,281,083	
United Bank Limited	-	2,000	291,907	-	293,907	316,743	
Habib Metropolitan Bank Limited	-	1	-	-	1	1	
National Bank of Pakistan	-	533,843	-	-	533,843	5	
The Bank of Punjab	-	16	-	-	16	15	
<b>PLS Unisaver</b>							
United Bank Limited	-	7,205,846	-	-	7,205,846	5,323,045	
<b>Term Deposit Receipts</b>							
Al Baraka Bank (Pakistan) Limited	-	-	-	-	-	495,050	
Habib Bank Limited	-	1,500,000	-	-	1,500,000	1,500,000	
National Bank of Pakistan	-	3,500,000	-	-	3,500,000	4,000,000	
Allied Bank Limited	-	700,000	-	-	700,000	500,000	
MCB Bank Limited	-	1,500,000	-	-	1,500,000	1,050,000	
Summit Bank Limited	-	200,000	-	-	200,000	-	
Soneri Bank Limited	-	200,000	-	-	200,000	-	
Standarad Chartered Bank (Pakistan) Limited	-	25,000	-	-	25,000	-	
Faysal Bank Limited	-	600,000	-	-	600,000	-	
<b>Special Saving Accounts</b>							
Askari Bank Limited	-	234,123	-	-	234,123	1,558,886	
Allied Bank Limited	-	-	-	-	-	2	
National Bank of Pakistan	-	-	-	-	-	1	
KASB Bank Limited	-	45	-	-	45	43	
Bank Al-Falah Limited	-	725,751	-	-	725,751	311,666	
Faysal Bank Limited	-	300,196	-	-	300,196	-	
Al Baraka Bank Pakistan	-	556,932	-	-	556,932	-	
MCB Bank Limited	-	1,123,380	-	-	1,123,380	-	
Soneri Bank Limited	-	309,548	-	-	309,548	-	
Others	-	-	-	-	-	20,870	
		<u>74,594</u>	<u>24,255,703</u>	<u>291,907</u>	<u>-</u>	<u>24,622,204</u>	<u>20,357,410</u>

### 10.4 Deposits maturing after 12 months

Others	-	840	-	-	840	840
Abroad	10.4.1	-	960	1,073,879	-	1,074,839
		<u>-</u>	<u>1,800</u>	<u>1,073,879</u>	<u>-</u>	<u>1,075,679</u>
						<u>997,543</u>

10.4.1 These include fixed deposits equivalent to Rs. 0.712 million (2010: Rs. 0.712 million) with the Kenya Commercial Bank Limited, Kenya, Rs. 0.248 million (2010: Rs. 0.248 million) with the Bank of Ceylon and Grindlays Bank Limited, Sri Lanka, as security for policyholders and Rs. 105.177 million (2010: 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

	Shareholders' Fund	Statutory Funds			(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Life Fund	2011	2010
Cash loans	-	13,702,583	296,284	-	13,998,867	11,850,992
Automatic non-forfeiture provisions	-	8,367,472	229,577	-	8,597,049	7,205,640
	-	22,070,055	525,861	-	22,595,916	19,056,632

## 12 INVESTMENT PROPERTIES

	Note	(Rupees in '000) Aggregate	
		2011	2010
Investment properties	12.1	2,333,845	2,324,247
Less: Provision for impairment in value		(600)	(600)
		2,333,245	2,323,647
Capital work in progress	12.2	584,194	410,232
		2,917,439	2,733,880

### 12.1 Investment properties

	(Rupees in '000)									
	COST			DEPRECIATION / IMPAIRMENT				Written down value as at December 31, 2011	Depreciation Rate (%)	
	As at January 01, 2011	Additions/ (Disposals)	As at December 31, 2011	As at January 01, 2011	Adjustments	Charge for the year	As at December 31, 2011			
<b>2011</b>										
Freehold land	273,169	-	273,169	-	-	-	-	273,169	-	
Leasehold land	330,794	1,753	332,547	78,489	-	3,824	82,313	250,234	1 to 4.2	
Leasehold improvements	12,961	83	13,044	6,716	-	554	7,270	5,774	5	
Building, roads and structure	1,805,196	21,103	1,826,299	300,472	-	18,161	318,633	1,507,666	1	
Electric installation and fittings	1,357,166	49,446 (5,166)	1,401,446	1,069,362	(4,535)	39,617	1,104,444	297,002	10	
	3,779,286	72,385 (5,166)	3,846,505	1,455,039	(4,535)	62,156	1,512,660	2,333,845		
<b>2010</b>										
Freehold land	273,169	-	273,169	-	-	-	-	273,169	-	
Leasehold land	330,794	-	330,794	74,670	-	3,819	78,489	252,305	1 to 4.2	
Leasehold improvements	12,257	704	12,961	6,166	-	550	6,716	6,245	5	
Building, roads and structure	1,772,281	48,587 (15,672)	1,805,196	282,520	2	17,950	300,472	1,504,724	1	
Electric installation and fittings	1,194,158	163,254 (246)	1,357,166	1,038,506	-	30,965	1,069,362	287,804	10	
	3,582,659	212,545 (15,918)	3,779,286	1,401,862	2	53,284	1,455,039	2,324,247		



- 12.2 This mainly represents the amount incurred for the renovation, electrical and civil works in the Corporation's properties located in Islamabad and Gujranwala.
- 12.3 The Corporation occupied approximately 22% (2010: 22%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purpose.
- 12.4 The fair value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 21,622 million (2010: Rs. 21,622 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 19 buildings/plots (2010: 21 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. 1.704 million (2010: Rs. 1.704 million) having written down value of Rs. 0.600 million (2010: Rs. 0.600 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.600 million (2010: Rs. 0.600 million) exists for loss of assets, if any.
- 12.7 The Corporation has a plot at Rawalpindi costing Rs. 0.431 million (2010: Rs. 0.431 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. 0.242 million (2010: Rs. 0.242 million) for which execution of title deed remained pending.
- 12.9 The above also includes Rs. 23 million (2010: 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 took over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. 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

		(Rupees in '000)	
		Aggregate	
	Note	2011	2010
Government securities	13.1	194,451,365	164,137,999
Other fixed income securities	13.2	3,909,676	4,073,630
Listed equity securities and mutual fund units	13.3	24,071,092	23,115,973
Unlisted equity securities and mutual fund units	13.4	1,191,485	1,303,691
Holding in subsidiaries	13.5	141,609	137,148
Less: Provision for diminution in value	13.7	(279,417)	(229,446)
		<u>223,485,810</u>	<u>192,538,995</u>

Details of investment portfolio are as under:



### 13.1 Government securities

(Rupees in '000)

Maturity year	Effective yield	Shareholders' Fund	Statutory Funds			Aggregate		
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010	
Held to maturity								
Pakistan Investment Bonds								
3 years	2013-2014	11.98%-12.44%	9,726	12,953,210	-	-	12,962,936	-
5 years	2015-2016	12.59%-12.97%	-	16,963,153	-	-	16,963,153	3,320,514
10 years	2012-2021	13.05%-13.24%	148,373	79,174,338	-	113,547	79,436,258	69,219,168
15 years	2019-2023	13.13%-13.45%	-	12,190,112	-	58,531	12,248,643	11,945,696
20 years	2024-2028	13.45%-13.54%	-	24,554,325	-	-	24,554,325	24,359,249
30 years	2036-2038	13.54%-13.60%	173,459	37,702,467	-	-	37,875,926	37,864,502
Treasury Bills	2012	11.85%-13.86%	954,495	6,526,424	-	-	7,480,919	6,658,472
Islamic Republic of Pakistan-Bonds			-	-	2,929,205	-	2,929,205	2,099,500
Government Debts -TFC			-	-	-	-	-	8,670,898
			1,286,053	190,064,029	2,929,205	172,078	194,451,365	164,137,999

Market value of the government securities carried at amortized cost amounted to Rs. 188,261 million (2010:Rs. 147,755 million).

During the year, in accordance with the instructions of the Government of Pakistan (GoP) through a notification of finance division dated November 03, 2011, the Corporation has received one year Market Treasury Bills and five year Pakistan Investment Bonds at a purchase price of Rs. 4,562 million and Rs. 4,562 million respectively in settlement of the Term Finance Certificates of Power Holding (Private) Limited amounting to Rs. 3,298 million (Principal of Rs. 3,000 million and accrued mark-up of Rs. 298 million) and National Transmission and Dispatch Company Limited amounting to Rs. 5,827 million (Principal of Rs. 5,000 million and accrued mark-up of Rs. 827 million).

Government securities include Rs. 110 million (2010: Rs. 110 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

### 13.2 Other fixed income securities

(Rupees in '000)

Maturity year	Rate of Profit	Shareholders' Fund	Statutory Funds			Aggregate		
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010	
Held to maturity								
Term Finance Certificates:								
-Listed								
Orix Leasing Pakistan Limited (2nd Issue	2012	KIBOR+1.5%	-	33,668	-	-	33,668	101,319
Pakistan Mobile Communication Limited (2nd Issue)	2013	KIBOR+1.65%	-	214,089	-	-	214,089	211,614
Pakistan Mobile Communication Limited (3rd Issue)	2013	KIBOR+2.85%	-	100,139	-	-	100,139	168,247
Engro Chemical Pakistan Limited	2015	KIBOR+1.55%	-	115,164	-	-	115,164	115,378
Engro Chemical Pakistan Limited	2015	KIBOR+1.55%	-	43,289	-	-	43,289	43,341
Engro Chemical Pakistan Limited	2015	KIBOR+1.55%	-	43,107	-	-	43,107	43,015
Pak Arab Fertilizer Limited	2013	KIBOR+1.50%	-	167,216	-	-	167,216	211,069
			-	716,672	-	-	716,672	893,983
-Unlisted								
Government Guarantee Term Finance Facility								
National Investment Trust Limited	2012	KIBOR+1.00	-	2,246,558	-	-	2,246,558	2,241,525
Certificates of Investment								
First Dawood Investment Bank Limited			-	100,000	-	-	100,000	100,000
Debentures (Note 13.8)			-	7,573	-	-	7,573	7,573
Available for sale								
Foreign fixed income securities			-	-	838,873	-	838,873	830,549
			-	3,070,803	838,873	-	3,909,676	4,073,630



### 13.3 Listed equities

(Rupees in '000)

	Note	Shareholders' Fund	Statutory Funds			Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
Available for sale							
Ordinary shares and stocks *	13.3.1	-	23,452,365	-	-	23,452,365	22,536,556
Preference shares	13.3.2	-	23,351	-	-	23,351	23,351
Open end mutual fund	13.3.3	-	595,376	-	-	595,376	555,104
Close end mutual fund	13.3.4	-	-	-	-	-	962
		-	24,071,092	-	-	24,071,092	23,115,973

#### 13.3.1 Ordinary shares and stocks Pakistan Life Fund Listed companies Sectors

	2011			2010		
	Number of shares	Book value	Market value	Number of shares	Book value	Market value
Oil and Gas	69,068,135	8,676,110	14,672,351	65,135,794	8,209,416	15,323,306
Chemicals	110,566,723	3,429,863	13,372,362	84,115,142	3,276,985	10,392,000
Forestry and paper	6,013,224	63,605	159,278	5,927,482	60,373	200,250
Industrial metals and mining	2,604,162	73,540	59,836	2,401,919	63,039	80,000
Construction and materials	35,454,730	601,406	436,212	33,755,186	564,494	410,442
General industrials	6,383,831	241,690	476,934	6,337,712	241,690	668,960
Electronic and electric equipment	2,119,171	6,869	65,027	2,119,171	6,869	110,906
Industrial engineering	2,218,973	77,760	645,160	2,157,574	54,075	891,307
Industrial transportation	1,363,873	17,869	16,164	1,363,873	17,869	47,213
Automobile and parts	4,240,176	137,963	322,376	4,160,894	137,134	371,922
Beverages	51,840	1,740	5,706	51,840	1,747	6,030
Food producers	12,515,643	282,435	2,777,857	12,012,642	286,353	2,284,448
Household goods	7,622,225	126,619	32,972	7,622,225	126,618	72,826
Personal goods	40,166,094	631,934	887,860	37,871,688	624,683	1,106,110
Tobacco	743,869	7,284	39,990	743,869	7,284	78,420
Health care equipments and services	143,437	1,637	30	143,437	1,637	30
Pharma and bio tech	11,158,795	177,086	805,135	9,927,964	177,086	882,210
Travel and leisure	3,939,764	28,050	7,761	3,939,764	28,050	8,904
Fixed line telecommunication	57,912,924	1,721,098	615,646	56,112,879	1,692,318	1,125,712
Electricity	31,467,081	959,506	983,982	28,250,673	833,562	943,993
Gas water and multiutilities	69,551,619	484,784	1,271,688	65,758,084	473,306	1,507,554
Banks	438,571,423	4,509,356	6,094,879	409,297,407	4,326,560	8,409,352
Non-life insurance	93,359,831	94,804	1,450,841	92,255,837	94,805	1,588,965
Real estate investments and services	375,754	4,019	501	375,754	4,019	1,051
Financial services	35,132,761	462,165	66,506	35,132,761	462,164	116,056
Equity investment instruments	42,416,002	633,173	294,568	46,763,322	672,476	338,241
		23,452,365	45,561,622		22,444,612	46,966,208



### 13.3.2 Preference shares Pakistan Life Fund

(Rupees in '000)

	2011		2010	
	Number of units	Book value	Number of units	Book value
Arag Industries Limited	771,612	3,593	771,612	3,593
Saleem Sugar Mills Limited	1,501	150	1,501	150
Maple Leaf Cement Limited	268,034	2,680	268,034	2,680
Nishat Chunian Limited	1,692,848	16,928	1,692,848	16,928
		<u>23,351</u>		<u>23,351</u>

### 13.3.3 Open end mutual fund Pakistan Life Fund

National Investment Trust Units	11,598,572	304,731	11,598,572	304,731
Pak Capital Market Fund	60,006	373	55,563	373
NIT Government Bond Fund	9,816,336	100,000	9,816,336	100,000
NIT Income Fund	9,831,295	100,000	9,831,295	100,000
HBL Money Market Fund	505,047	50,000	505,047	50,000
Al Meezan Mutual Fund	4,347,320	39,310	-	-
Pakistan Premier Fund	86,078	962	-	-
		<u>595,376</u>		<u>555,104</u>

### 13.3.4 Close end mutual fund Pakistan Life Fund

Pakistan Premier Fund	-	-	86,078	962
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### 13.4 Unlisted equities

(Rupees in '000)

	Note	Shareholders' Fund	Statutory Funds			Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	2011	2010
Available for sale							
Ordinary shares and stocks	13.4.1						
- De-listed companies	13.6	-	46,799	-	-	46,799	46,505
- Un-listed companies / institutions			132,186			132,186	132,186
Preference shares							
- Open end mutual fund	13.4.2	-	1,012,500	-	-	1,012,500	1,125,000
		<u>-</u>	<u>1,191,485</u>	<u>-</u>	<u>-</u>	<u>1,191,485</u>	<u>1,303,691</u>