

43rd Annual Report 2015
We Know Our People



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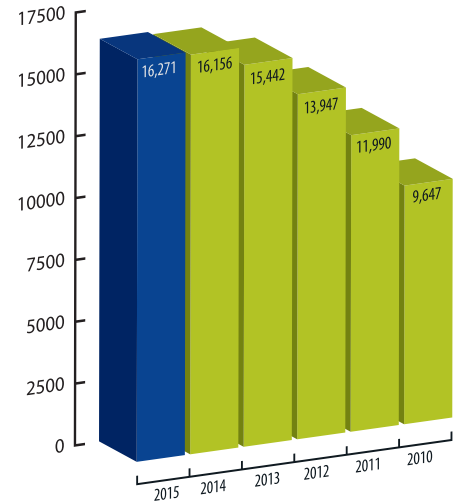
We Know Our People

State Life takes pride in knowing the people of Pakistan and serving them with loyalty and assurance. It targets such a vast population and being the biggest insurance corporation of Pakistan, it markets people of all segments: urban and rural, all classes and are also coming up with more schemes to encompass the variety of people.

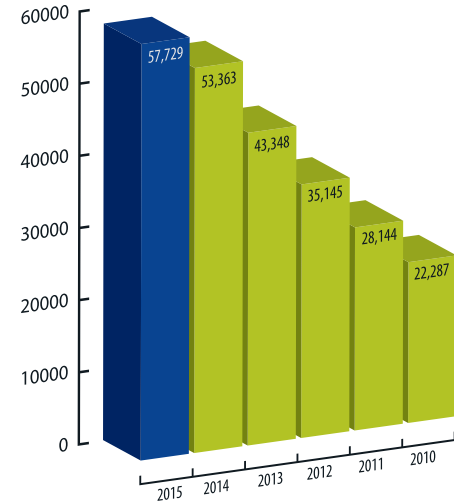


FINANCIAL HIGHLIGHTS

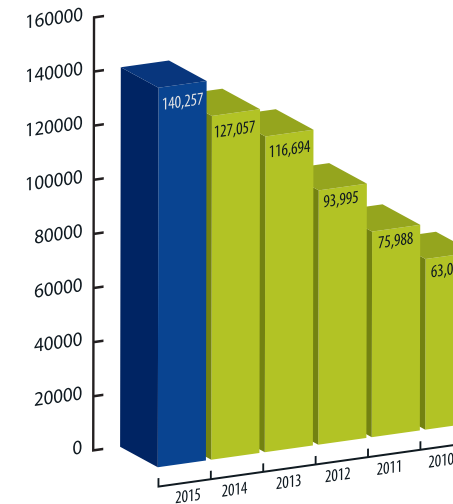
First Year Premium (Rs. in Million)



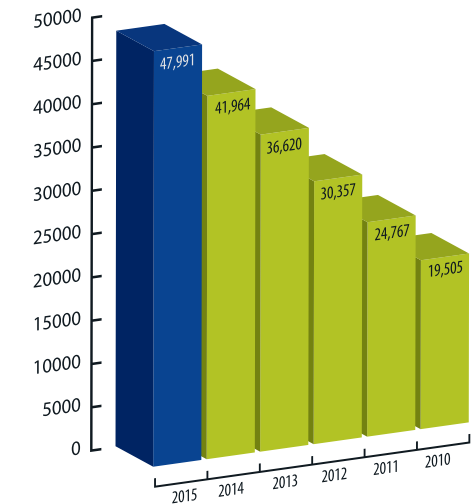
Renewal Premium (Rs. in Million)



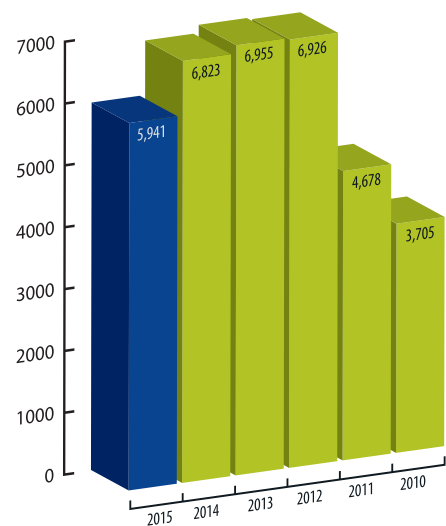
Total Income (Rs. in Million)



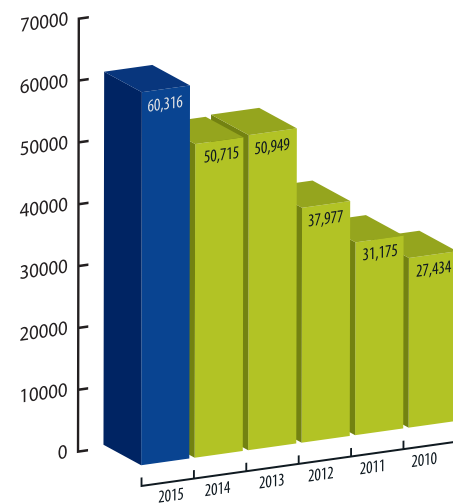
Bonus to Policyholders (Rs. in Million)



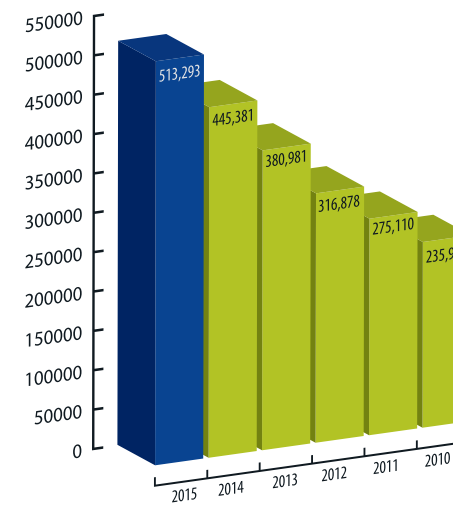
Group Premium (Rs. in Million)



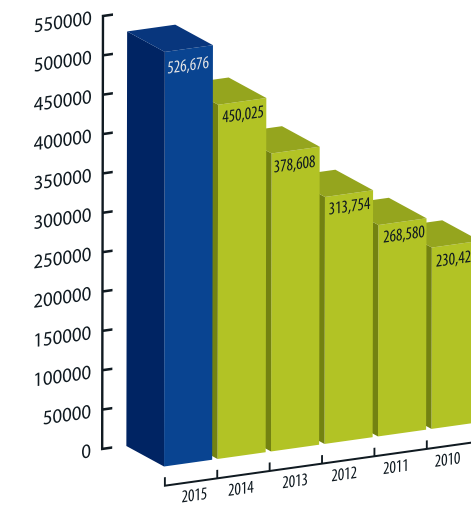
Investment Income (Rs. in Million)



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

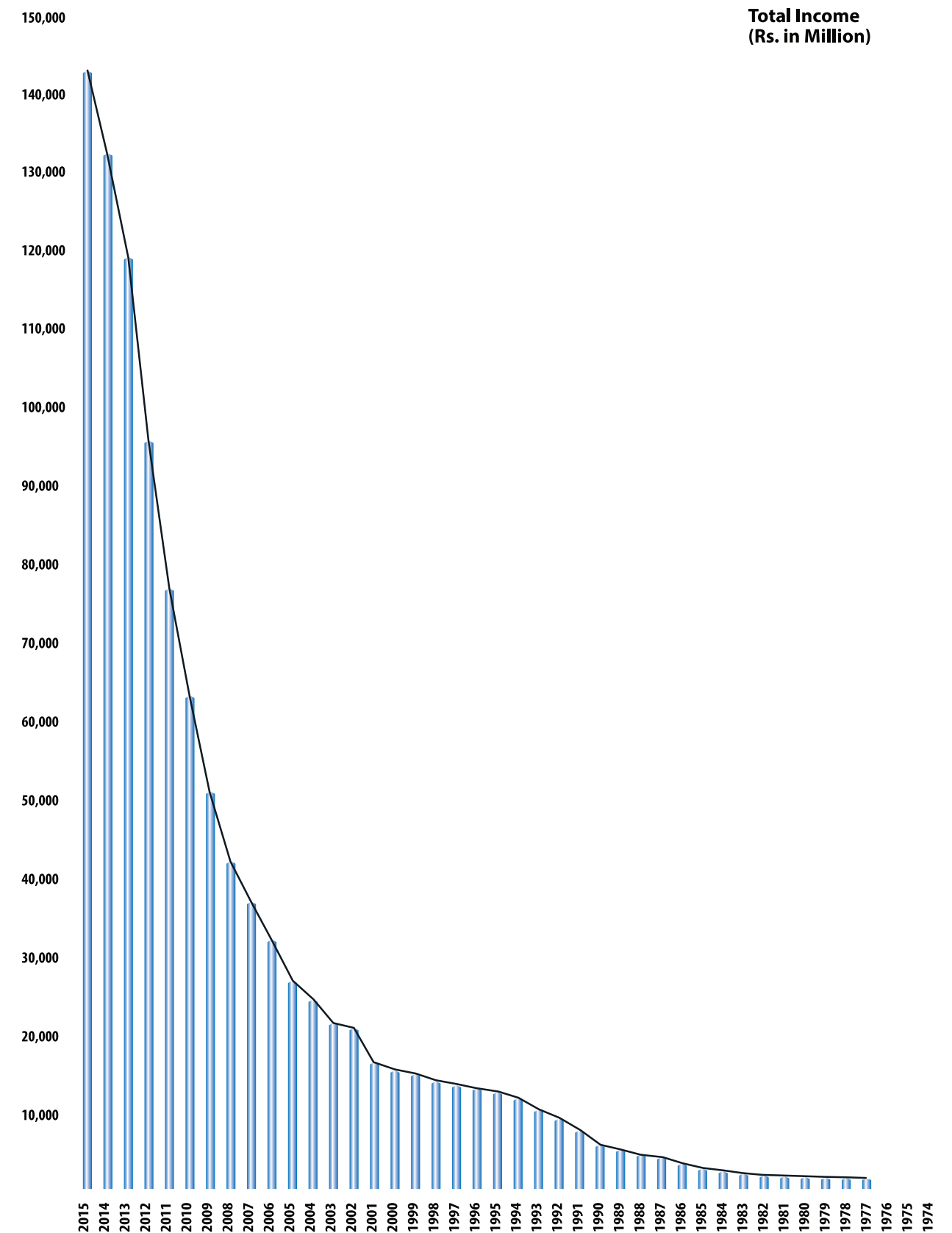
To remain a leading insurer in the country by extending the benefits of life Insurance to all sections of society and meeting our commitments to our policyholders and nation.

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.



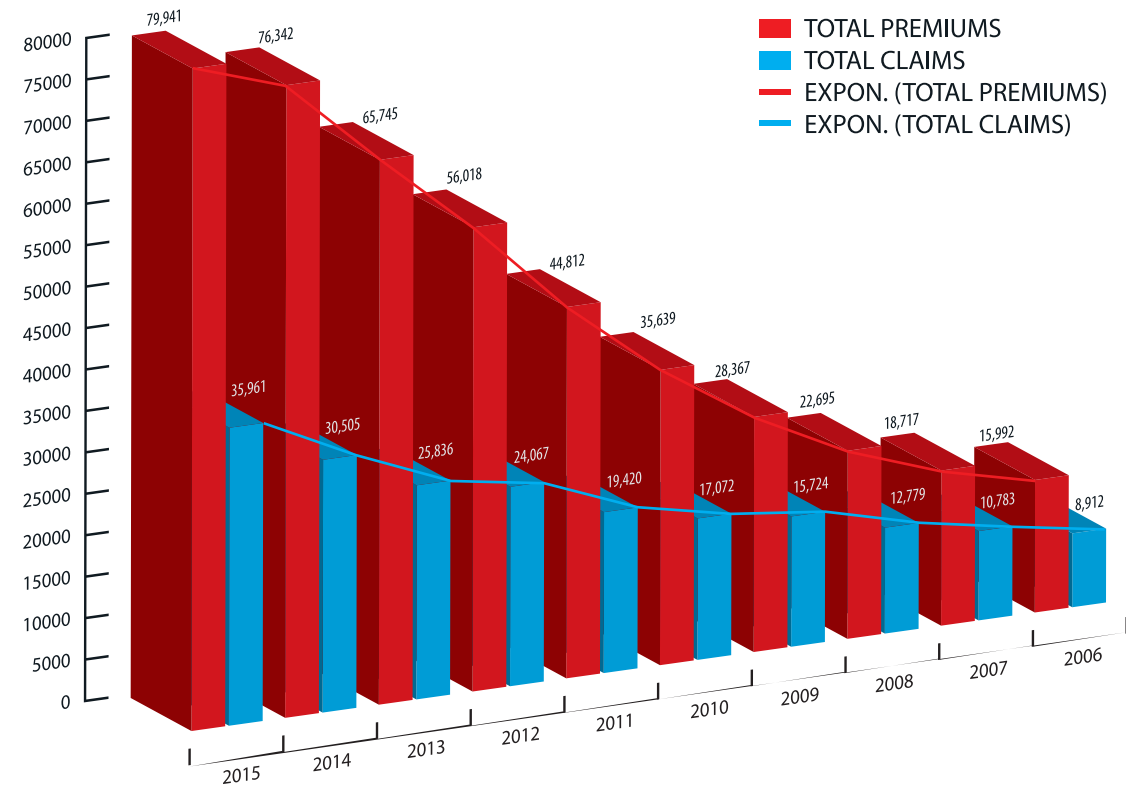
SLIC JOURNEY TO SUCCESS





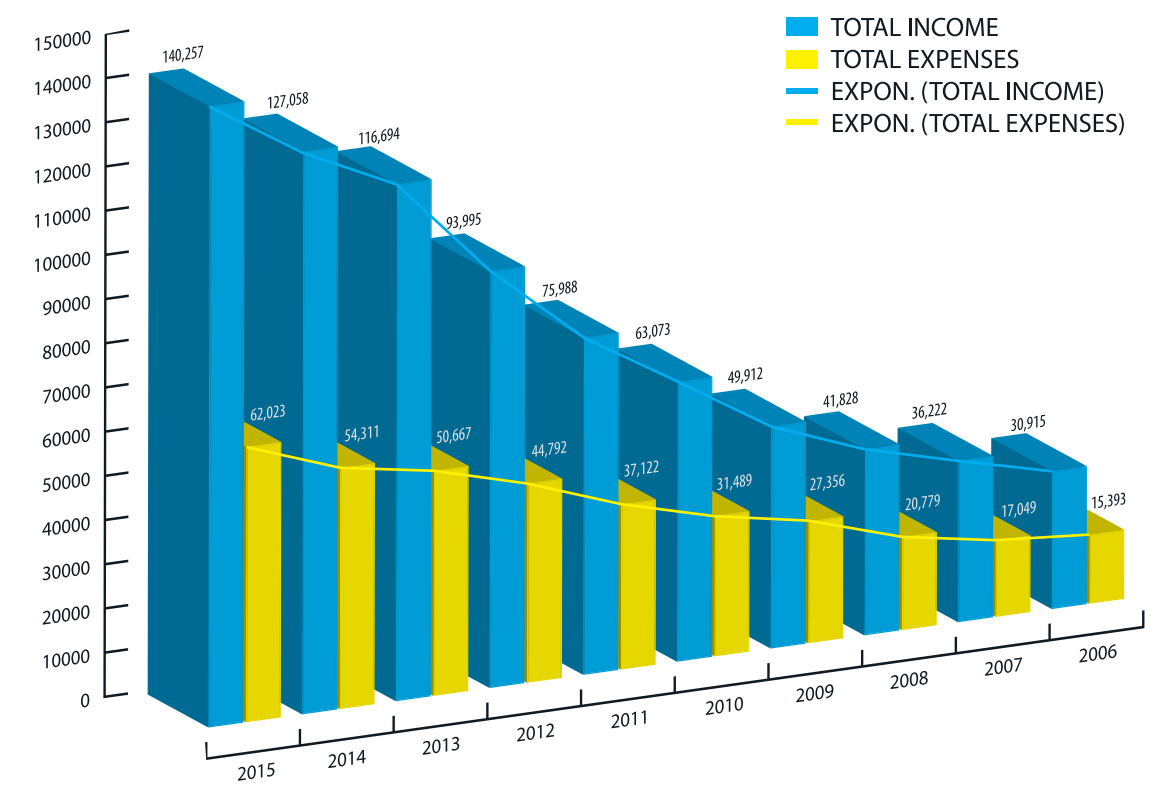
TOTAL PREMIUMS VS. TOTAL CLAIMS 2006 - 2015

(Rs. in Million)



TOTAL INCOME VS. TOTAL EXPENSES 2006 - 2015

(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 6 regions and 33 zones of Individual Life, Real Estate, G&P Division, Health Insurance Division, Bancassurance 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.

POLICYHOLDER SATISFACTION

High quality policyholder service is an integral part of State Life's philosophy and it is our constant endeavor to provide greater services with wider accessibility.

Our corporate slogan is "Policyholder First". We always emphasize on providing the best quality service to our policyholders. We continuously develop and improve policyholder service oriented culture within State Life.

We understand that our commitment to satisfying policyholder needs must be fulfilled with a professional and ethical framework hence knowing our policyholders and their needs is the key to our business success, our managers are well-equipped and well-trained to provide the most efficient and personalized services to our policyholders.

Besides, we also feel that well-updated IT infrastructure is one of the most important tools to provide best services to policyholders. State Life is continuously upgrading its IT infrastructure in line with modern technology in order to have efficient operations and speedy services for policyholders.

We shall continue to look forward to maintain high-level policyholder satisfaction through improvement of strength and values.

CORPORATE INFORMATION

As at December 31, 2015

BOARD OF DIRECTORS

Ms. Nargis Ghaloo
Chairperson
Mr. Saeed Chaman
Director
Mr. Saad Amanullah Khan
Director
Mr. Shafqaat Ahmed
Director
Mr. Naved Arif
Director
Dr. Aliya Hashmi Khan
Director
Mr. Rizwan Bashir Khan
Director

COMPANY SECRETARY

Mr. Akbar Ali Hussain

AUDITORS PAKISTAN

M/s. Riaz Ahmad & Company
Chartered Accountants
M/s. BDO Ebrahim & Company
Chartered Accountants

GULF COUNTRIES

M/s. Nabeel Al-Saie
Public Accountants DMCC

APPOINTED ACTUARY

Mr. Shujaat Siddiqui
MA, FIA, FPSA

RISK MANAGEMENT/ETHICS AND OR COMPLIANCE COMMITTEE

Mr. Saad Amanullah Khan
Chairman
Mr. Saeed Chaman
Member
Mr. Shafqaat Ahmed
Member
Mr. Naved Arif
Member
Mr. Faisal Mumtaz
Non-Member/Secretary

TAKAFUL COMMITTEE

Mr. Saeed Chaman
Chairman
Mr. Shafqaat Ahmed
Member
Mr. Saad Amanullah Khan
Member
Mr. Muhammad Izqar Khan
Member
Mr. Faisal Mumtaz
Member
Mufti Muhammad Hassaan Kaleem
(Shariah Advisor)/Member
Mr. Mehmood H. Malik
Non-Member/Secretary

BOARD AUDIT COMMITTEE

Mr. Saeed Chaman
Chairman
Ms. Nargis Ghaloo
Member
Mr. Rizwan Bashir Khan
Member
Mr. Saad Amanullah Khan
Member
Mr. Shafqaat Ahmed
Member
Mr. Naved Arif
Member
Mr. Muhammad Sohaib Usmani
Non-Member/Secretary

REAL ESTATE COMMITTEE

Mr. Naved Arif
Chairman
Mr. Saad Amanullah Khan
Member
Mr. Shafqaat Ahmed
Member
Mr. Rizwan Bashir Khan
Member
Mr. Jamil Anwar
Member
Mr. Fazal-ur-Rehman
Member
Mr. Riaz Ahmed Shaikh
Non-Member/Secretary

INVESTMENT COMMITTEE

Mr. Shafqaat Ahmed
Chairman
Mr. Saeed Chaman
Member
Dr. Aliya Hashmi Khan
Member
Ms. Nargis Ghaloo
Member
Mr. Muhammad Rashid
CFO/Member
Mr. Shujaat Siddiqui
Appointed Actuary/Member
Mr. Attaullah A. Rasheed
Non-Member/Secretary

UNDERWRITING/CLAIMS SETTLEMENT/REINSURANCE AND CO-INSURANCE COMMITTEE

Mr. Saeed Chaman
Chairman
Mr. Shafqaat Ahmed
Member
Mr. Saad Amanullah Khan
Member
Mr. Jamil Anwar
Member
Mr. Faisal Mumtaz
Member
Mr. Fazal-ur-Rehman
Member
Mr. Iftikhar Ahmed
Non-Member/Secretary

HUMAN RESOURCES & REMUNERATION COMMITTEE

Dr. Aliya Hashmi Khan
Chairperson
Mr. Rizwan Bashir Khan
Member
Mr. Shafqaat Ahmed
Member
Mr. Naved Arif
Member
Mr. Saad Amanullah Khan
Member
Mr. Riaz Ahmed Shaikh
Non-Member/Secretary

NOMINATION COMMITTEE

Ms. Nargis Ghaloo
Chairperson
Mr. Rizwan Bashir Khan
Member
Mr. Saeed Chaman
Member
Mr. Saad Amanullah Khan
Member
Mr. Shafqaat Ahmed
Member
Mr. Naved Arif
Member
Dr. Aliya Hashmi Khan
Member
Mr. Riaz Ahmed Shaikh
Non-Member/Secretary

STANDING COMMITTEE

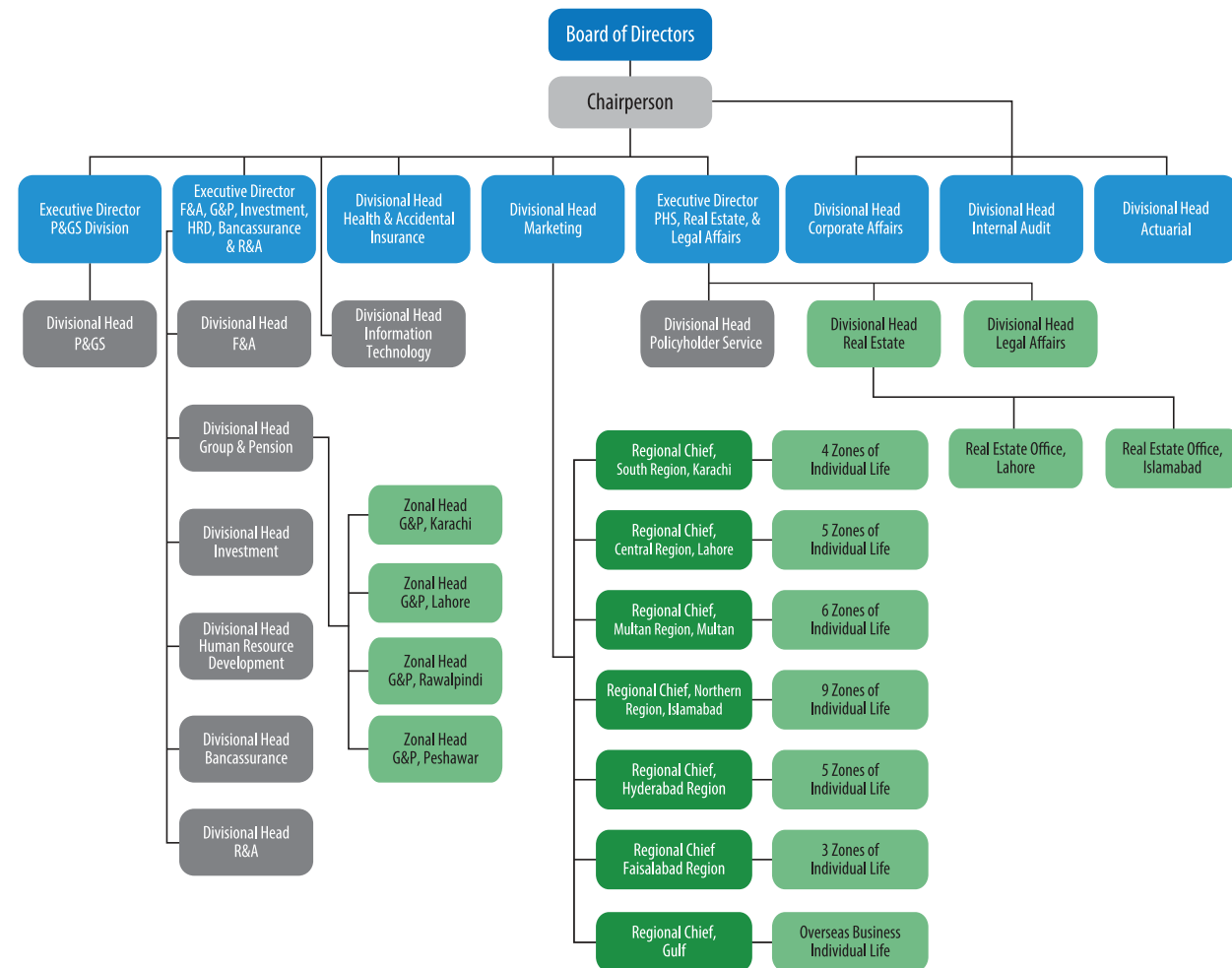
Ms. Nargis Ghaloo
Chairperson
Mr. Saad Amanullah Khan
Member
Mr. Rizwan Bashir Khan
Member
Mr. Riaz Ahmed Shaikh
Non-Member/Secretary

PRINCIPAL OFFICE

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Dr. Ziauddin Ahmed Road, Karachi-75530
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Website: www.statelife.com.pk



ORGANOGRAM OF STATE LIFE - 2015



MANAGEMENT

Chairperson

Ms. Nargis Ghaloo

Executive Directors

Mr. Jamil Anwar
Mr. Muhammad Izqar Khan

Divisional Heads

(Principal Office)
Mr. Akbar Ali Hussain
Mr. Riaz Ahmed Shaikh
Mr. Muhammad Rashid
Mr. Nadeem Bessey
Mr. Iftikhar Ahmed
Mr. Attaullah A. Rasheed
Mr. Sohaib Usmani
Mr. Faisal Mumtaz
Mr. Mehmoed H. Malik
Mr. Mohsin Abbas
Mr. Fazal-ur-Rehman
Mr. Mohammad Ali

Company Secretary
P&GS & Real Estate
Finance & Accounts
Health & Accidental Insurance
PHS and Group & Pension
Investment
Internal Audit
Actuarial
HRDD
Marketing
Legal Affairs
Information Technology

Chief Medical Officer

Dr. Mrs. Ghazala Nafees

INDIVIDUAL LIFE

Regional Chiefs

Mr. Tahir Ahmed Khan
Ch. Akhtar Hussain
Mr. Azhar Hussain
Mr. Muhammad Iqbal Gill
Mr. Dur Muhammad Baladi
Ch. Muhammad Ejaz

Central Region (Lahore)
Multan Region (Multan)
Northern Region (Islamabad)
Southern Region (Karachi)
Hyderabad Region (Hyderabad)
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 Rashid
Mr. Zulfiqar Ali Gillani
Ch. Inam Ullah
Mr. Sarfaraz Ahmed
Mr. Rukhsar A. Qaiser

Lahore Zone (Central)
Lahore Zone (Western)
Gujranwala Zone
Sialkot Zone
Narowal Zone

Faisalabad Region

Mr. M. Akbar Mughal
Ch. Muhammad Arshad
Mr. Maqbool Ahmed Rath

Faisalabad Zone
Sargodha Zone
Jhang Zone

Multan Region

Mr. Z. M. Kamran Shamsi
Mr. Muhammad Jamil
Mr. Noor M. Javed
Mr. Tariq Mehmood Cheema
Mr. Farrukh Raza Bajwa
Ch. M. Yousuf Mukhtar

Multan Zone
Sahiwal Zone
Rahim Yar Khan Zone
Dera Ghazi Khan Zone
Bahawalpur Zone
Vehari Zone

Northern Region

Mr. Khalid Mehmood Shahid
Mr. Syed Ashraf H. Rizvi
Ms. Sardar Begum
Mr. Shafiqat Hussain Jafri
Mr. Anwar Ul Haq
Ch. M. Yousuf Farooqi
Mr. Shah Jehan Khan
Mr. Syed Abdul Rauf
Mr. Raja Zafar Iqbal

Rawalpindi Zone
Mirpur (AK) Zone
Islamabad Zone
Peshawar zone
Abbottabad Zone
Gujrat Zone
Kohat Zone
Swat Zone
Jhelum Zone

Southern Region

Mr. M. Saeed Khan
Mr. Siddique Akbar
Mr. Qazi Fawad Saleem
Mr. Muhammad Aurangzeb

Karachi Zone (Southern)
Karachi Zone (Eastern)
Karachi Zone (Central)
Quetta Zone

Hyderabad Region

Mr. Shahnawaz Soomro
Mr. Abdul Hussain Kapri
Mr. Gulzar Ali Randhawa
Mr. S. Noor Shah Bukhari
Mr. Masood Anwar Arain

Hyderabad Zone
Mirpurkhas Zone
Sukkur Zone
Larkana Zone
Benazirabad Zone

GROUP LIFE

Zonal Heads

Mr. Adnan Samiullah
Mr. Mumtaz Ahmed Qureshi
Mr. M. A. A. Kazmi
Mr. Namaish Khan

Karachi Zone
Lahore Zone
Rawalpindi Zone
Peshawar Zone

HEALTH AND ACCIDENTAL INSURANCE

Regional Chief

Mr. Muhammad Ashar
Islamabad

Zonal Heads

Mr. Muhammad Shoaib Khan
Mr. Tajammul Hussain Khattak
Dr. G. N. Khosa

Lahore Zone
Peshawar Zone
Quetta Zone



DIRECTORS' REPORT AND CHAIRPERSON'S REVIEW

We feel pleasure in presenting the 43rd Annual Report of State Life Insurance Corporation of Pakistan, together with the audited financial statements for the year ended December 31, 2015 prepared in terms of Article 30 of the Life Insurance (Nationalization) Order, 1972 (President's Order No. 10 of 1972).

Accounts for the year 2015 are prepared on the accounting formats in accordance with the accounting regulations issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 938 dated December 12, 2002 under the Insurance Ordinance 2000.

1. OVERALL PERFORMANCE

During the period under review, overall performance of the Corporation remained satisfactory. An overview of the performance of State Life during the year 2015 as compared to year 2014 is given here under:

- 1.1 Total Income of the State Life increased to Rs. 140,262 million in 2015 as against Rs. 127,057 million in the preceding year, registering an increase of 10%.
- 1.2 Management expenses for the year 2015 were Rs. 26,062 million as compared to Rs. 23,807 million in 2014 showing an increase of 9%. Overall management expense ratio to total premium income for the year 2015 was 33% as against 31% for the year 2014.
- 1.3 Payments to policyholders in the year 2015 were Rs. 35,961 million as against Rs. 30,505 million in 2014, showing an increase of 18%.
- 1.4 Total amount of statutory funds for the year 2015 was Rs. 526,676 million as against Rs. 450,025 million in 2014, showing an increase of 17%.

2. BUSINESS PORTFOLIO WISE PERFORMANCE

2.1 Individual Life Business – Pakistan's Operations

First year gross premium income under Individual Life policies, during the year 2015 is Rs. 15,918 million as compared to Rs. 15,695 million in the year 2014, resulting in an increase of 1%. Gross renewal premium was Rs. 56,164 million in 2015 whereas it was Rs. 51,761 million in 2014, resulting in an increase of 9%.

2.2 Individual Life Business – Overseas Operations

First year gross premium income under Individual Life policies, during the year 2015 was Rs. 389 million as compared to Rs. 490 million in the year 2014, showing a decrease of 21%. Gross renewal premium in 2015 was Rs. 1,723 million as compared to Rs. 1,747 million in 2014, showing a decrease of 1%.

2.3 Group Life Business

Gross premium under Group Life policies during the year 2015 was Rs. 5,941 million as compared to Rs. 6,783 million in the year 2014, showing decrease of 12%.

2.4 Health Insurance Business

Gross premium under Health Insurance policies during the year 2015 was Rs. 38 million as compared to Rs. 85 million in the year 2014, showing decreases of 55%. This decrease is due to closure of BISP policy (Waseela-e-Sehat) in September, 2015. Though two other major health insurance policies under the title 'Health Insurance Scheme KPK' and 'Prime Minister National Health Insurance Program' were finalized in 2015 and premium amounting Rs. 58.99 million was also received in 2015 but the same has been recognized as advance premium as contract describes commencement date of both the schemes effective from 2016.

2.5 Real Estate

In the year 2015, Real Estate Division (RED) performed better in the context of Real Estate Management and in overall rental income, breakup of rental income and expenses are stated hereunder:

	Rs. in Million		
	2015	2014	Inc/(Dec)
Rental Income	971	847	124
Expenses	591	571	20
Net	380	276	104

The increase in net income by Rs.104 million is due to added efforts on renting of State Life's building by the Real Estate Division.

The projects, in progress/under construction and under planning are back on track as the competent forum is now available for decision/approval of matters:

- i. The project under construction: State Life Tower – Islamabad
- ii. The projects under planning: Multi-storied building at Rahim Yar Khan, Sargodha, Sahiwal, Sialkot and Benazirabad (Nawabshah).

2.6 Investment

Net investment income including capital gains during the year 2015 was Rs. 59,936 million as compared to Rs. 50,440 million in 2014, showing an increase of 19%.

3. BUSINESS SUPPORTING ACTIVITIES

3.1 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 having largest marketing network in Insurance Industry of Pakistan, is continuously providing training for improving the marketing skills of its manpower by arranging seminars and imparting various regular training courses for field force as well as for staff and officers of the Corporation.

3.2 Region wise detail of the courses conducted in the year 2015 by Human Resource Development Division (HRDD) as under:

REGION WISE FIELD TRAINING DATA FROM 01-01-2015 TO 31-12-2015

REGIONS	FCAP		MOSC		MMSC		TOTAL	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South	20	385	10	148	0	0	30	533
Hyderabad	61	1,422	19	423	0	0	80	1,845
Central	76	2,229	33	959	4	182	113	3,370
Faisalabad	41	1,345	13	588	1	44	55	1,977
Multan	71	2,128	33	821	2	56	106	3,005
North	89	3,098	29	846	5	153	123	4,097
GRAND TOTAL	358	10,607	137	3,785	12	435	507	14,827



REGION WISE STAFF TRAINING DATA FROM 01-01-2015 TO 31-12-2015

REGIONS	Cash Counter		Disbursement and Bank Reconciliation		Centralized Information Sharing Solution (CISSII) By CDC		PHS Underwriters and Claims	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South	2	37	1	19	1	25	2	81
Hyderabad	2	41	0	0	1	34	0	0
Central	3	78	1	19	1	40	0	0
Faisalabad	2	60	0	0	0	0	0	0
Multan	4	99	0	0	1	24	0	0
North	6	135	0	0	1	39	0	0
GRAND TOTAL	19	450	2	38	5	162	2	81

REGIONS	Business Communication		Loan and Surrender		PPRA Rules		Computer Course Ms Office (One Week)		TOTAL	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South	1	20	0	0	0	0	8	80	15	262
Hyderabad	0	0	1	20	1	10	0	0	5	105
Central	1	23	0	0	0	0	0	0	6	160
Faisalabad	0	0	0	0	0	0	0	0	2	60
Multan	0	0	0	0	0	0	0	0	5	123
North	0	0	0	0	0	0	0	0	7	174
GRAND TOTAL	2	43	1	20	1	10	8	80	40	884

3.3 Prime objective of the Policyholders Service Division is to render quality service to the policyholders of the Corporation. In this regard, measures have been taken at the zonal offices level to improve services such as quality underwriting, prompt settlement of claims and handling of complaints of policyholders or their successors on priority basis. These steps have not only increased the level of policyholders' satisfaction but have also contributed towards the retention of our existing policyholders. 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 are available along with contact number of the officials of Policyholders Service Division.

3.4 Advertising plays 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 of the Corporation has provided adequate funds and extended full support to Corporate Communications Department (CCD) for implementation of its multimedia advertising campaigns in consultation with the Marketing Division in the year under review. In 2015, CCD launched many mix corporate and plan based campaigns on different prominent terrestrial and leading satellite TV channels and leading national & regional newspapers in English/Urdu with an intention to highlight the robust business growth.

With these Multimedia campaigns; Corporate Image Building, Bonus Announcement for Policyholders, Revival of Polices, Year-end Corporate Campaign-2015 etc, has also been launched in national and regional newspapers all over Pakistan. Upon achieving 'AAA' rating for the straight sixth 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. Specially produced Radio campaigns in Urdu language have been broadcasted from leading popular FM Channels all over Pakistan. All these multimedia campaigns were effectively carried out during the year 2015. State Life also sponsored some major sports and nationwide philanthropic events for corporate image building as a part of its participation in social service of the country.

3.5 In the year 2015, we recruited 56,624 new Sales Representatives and provided the job opportunities. Our Field Force counts number 193,008 (Sales Representatives, Sales Officers and Sales Managers) who all are serving the country to provide protection with savings.

4. INSURER FINANCIAL STRENGTH RATING

4.1 In 2009, a strategic decision was taken to obtain Insurer Financial Strength (IFS) rating for State Life. This task was assigned to the Pakistan Credit Rating Agency (PACRA). It is a matter of satisfaction for State Life that it has continued to maintain Insurer Financial Strength (IFS) rating of "AAA". The rating denotes State Life's exceptionally strong capacity to meet policyholders and contract obligations. The rating also reflects State Life's leading position in life insurance business in Pakistan, its extensive distribution network, quality management, comprehensive information system and growing business volumes. The rating also represents State Life's robust financial profile emanating from its sound investment portfolio and prudent system of risk management.

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

5. THE FUTURE

5.1 Prime Minister's National Health Insurance Program (PMNHIP)

The Prime Minister's National Health Insurance Program is a milestone towards social welfare reforms. The scheme aims to cover 23 Districts of Pakistan with around 3.1 million families below the poverty line. The coverage includes secondary care of Rs. 50,000/- and priority treatment care of Rs. 250,000/- per family per annum. The scheme is expected to massively impact the quality of health care available to the poor. In the first phase of scheme, it has been launched in Islamabad, Muzaffarabad and Quetta.

5.2 KPK MicroHealth Insurance Scheme

The KPK MicroHealth Insurance Scheme covers Chitral, Malakand, Mardan & Kohat Districts, aimed at supporting the development of social health protections schemes in Khyber Pakhtunkhwa. It will initially provide coverage up to Rs. 25,000/- for covered disease/treatments per individual for up to seven members in a family per annum. Total estimated families to be covered are 100,000.

5.3 Family Takaful

Takaful insurance is another line of business which offers bright prospects in the future. The Takaful rules were published by the Securities and Exchange Commission of Pakistan (SECP) in 2005. In 2012, the SECP issued revised Takaful rules allowing Conventional Insurers to initiate window Takaful operations. State Life's Board has also granted approval for initiating Takaful insurance and State Life is currently in the process of obtaining licensing for window Takaful operation from the SECP. It is anticipated that by the mid of 2016, State Life will be formally able to start Takaful Operations.



5.4 Bancassurance

Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide coverage at lesser cost. During the last quarter of 2012, this channel started its operations after State Life signed an agreement with the United Bank Limited, and in 2013, also signed agreements with First Women Bank Limited and Bank Alfalah. State Life has started to gain firm ground in this channel and negotiations with more banks are underway. Recently, bancassurance agreements have also been signed with National Bank, NIB Bank, Samba Bank and Summit Bank. Bolstered with State Life's reputation in the market, its bancassurance channel is steadily 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.

5.5 Micro-insurance

The SECP took the initiative of realizing the importance and issues of Micro-insurance, its benefits to the masses and the need for regulatory framework to ensure its proper practice and promotion. The regulatory framework has been formulated and finalized in this regard by SECP with the issuance of Micro-insurance rules in 2014. State Life is also looking forward to launch Micro-insurance products such as accidental cover and Micro-insurance endowment cover.

5.6 New Zones/Regions

State Life has further enhanced the network of its zones in Pakistan. In this regard, new zones have been created at Benazirabad, Jhang, Vehari, Gilgit, Kohat, Jhelum and Narowal. Besides, number of regions have also been raised to seven with the inclusion of KPK and Faisalabad Regions. It is expected that these new centres will further contribute in expanding and carrying out the Pakistan business more convincingly.

5.7 Health Insurance

State Life entered into an agreement with the Government of Pakistan to provide Life and Health Insurance services to families covered under the Benazir Income Support Program (BISP). This agreement expired during 2015. However, the experience gained from BISP Health helped State Life to develop invaluable expertise in this area of insurance.

State Life now intends to expand its Health Insurance Operation towards Corporate Health Insurance Schemes as well as individual life insurance packages for general public that would ultimately provide diversification to benchmark services that define State Life Insurance Corporation as the largest insurance provider of the country.

6. ACTUARIAL VALUATION

As per 29th actuarial valuation as at 31st December, 2015, the actuarial surplus arising during the intervaluation period on participating policies was Rs. 47,448 million. The details of bonuses declared are stated as an appendix.

7. DIVIDEND

After tax profit for the year 2015 is Rs.1,047.949 million (2014: Rs. 905.107 million). After adjustment of Rs. 46.110 million (2014: Rs. 95.106 million) employees share on account of Benazir Employees Stock Option Scheme (BESOS) and setting aside 10% of profit for Capital Fluctuation Reserve Rs. 104.795 million (2014: Rs. 181.021 reserved for seed money for window Takaful Operations), dividend payable to Government of Pakistan is Rs. 897.044 million (2014: Rs. 564.181 million).

8. AUDITORS

The accounts for the year ended 31st December, 2015 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.

9. 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. May our future efforts continue to contribute to the nation's well-being in the economic and fiscal fields.

Karachi,
Date: 24 May, 2016

Ms. Nargis Ghaloo
Chairperson



ACTUARIAL VALUATION AS AT DECEMBER 31, 2015

Appendix

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, 2015:

a. Reversionary bonuses per thousand sum assured per annum (2014 figures are given for comparison).

	2014			2015		
	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	60	110	150
Endowments Term:						
20 years and over	50	94	130	50	94	130
15 to 19 years inclusive	35	81	81	35	81	81
14 years and less	20	66	-	20	66	-

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 2015, 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 2014 valuation).

d. Special Terminal Bonus will be paid on claims by maturity in 2016, where a Family Income Benefit (FIB) is in force 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 2014 valuation).

e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2016 to policies with risk year 1996 or earlier. The rate will be Rs. 200 per thousand sum assured (same as 2014 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.
- 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, 2015:

a. Reversionary bonuses per thousand sum assured per annum (2014 figures are given for comparison).

Term:	2014			2015		
	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.
20 years and over	35	69	100	35	69	100
15 to 19 years inclusive	25	59	59	25	59	59
14 years and less	19	53	-	19	53	-

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 2016 to policies with risk year 1996 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 2016 which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2014 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, 2015:

(a) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2014 figures are given for comparison):

Term:	2014		2015	
	For First Five Policy Years Rs.	From 6th policy year to 16th policy year Rs.	For First Five Policy Years Rs.	From 6th policy year to 16th policy year Rs.
20 years and over	44	86	44	86
15 to 19 years inclusive	31	74	31	74
14 years and less	24	66	24	66



- (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 2016 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 2016 shall be calculated at 10.11% per annum (10.16% per annum in 2014) 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 2016. This increase will also be available on pension payments commencing in 2016.
- (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 2015 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December, 2015 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, 2015 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 intervalation period i.e. from 1st January, 2016 to 31st December, 2016 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 2014 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 2017 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 2016.

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 2016, 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 2016.
- (c) Loyalty Terminal Bonus on Whole Life and Endowment paid up policies will be paid on claims by death or maturity in 2016 to policies with risk year 1996 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 2016.

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 (2014 figures are given for comparison).

	2014		2015	
	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	21	43
Endowments Term:				
20 years and over	17	36	17	36
15 to 19 years inclusive	10	26	10	26
14 years and less	5	19	5	19
Anticipated Endowments Term:				
20 years and over	8	29	8	29
15 to 19 years inclusive	5	20	5	20
14 years and less	3	15	3	15

b. Policies Expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2014 figures are given for comparison).

	2014		2015	
	For First Five Policy Years \$	From Sixth Policy Year Onwards \$	For First Five Policy Years \$	From Sixth Policy Year Onwards \$
Whole Life	23	46	23	46
Endowments Term:				
20 years and over	17	36	17	36
15 to 19 years inclusive	10	25	10	25
14 years and less	5	18	5	18
Anticipated Endowments Term:				
20 years and over	8	26	8	26
15 to 19 years inclusive	5	19	5	19
14 years and less	3	14	3	14

- 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 2016, 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 2014 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 2016, 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 2014 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 2017 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 2015.

C. NO CASH VALUE OF BONUSES UNTIL THREE YEARS' PREMIUMS HAVE BEEN PAID

Surrender Value of Reversionary Bonuses on an in force 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 2016.



OPERATING AND FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

Balance Sheet

	Rs. in Million					
	2015	2014	2013	2012	2011	2010
ASSETS						
Cash and Banks	27,623	20,261	33,112	30,722	30,426	25,522
Loans secured against life insurance policies	50,673	41,303	33,100	27,095	22,596	19,057
Loans to employee and field force	551	424	420	430	422	406
Investment properties	2,949	2,955	2,990	3,028	2,917	2,734
Investment in securities	445,958	390,102	319,279	262,884	218,152	192,539
Current assets and others	43,733	41,312	31,508	24,731	18,950	11,001
Fixed assets	340	332	397	307	250	219
Total assets	571,827	496,689	420,806	349,197	293,714	251,478
EQUITY AND LIABILITIES						
Issued, subscribed and paid-up capital	3,000	3,000	1,100	1,100	1,100	1,100
Reserve and surplus	1,229	840	1,932	1,214	508	407
Policyholders liability	526,676	450,025	378,608	313,754	267,848	230,422
Employees Retirement benefit	2,960	2,465	2,156	1,688	1,261	1,424
Government grant for Health Insurance fund	-	-	-	-	362	-
Creditors and accruals	37,962	40,359	37,010	31,441	22,635	18,126
Total equity and liability	571,827	496,689	420,806	349,197	293,714	251,478
OPERATING AND FINANCIAL TRENDS						
Profit and Loss						
Net Investment Income	320	147	132	135	125	112
Surplus appropriated	1,269	1,186	1,046	1,019	642	499
Profit before Tax	1,589	1,333	1,178	1,155	767	611
Taxation	541	428	368	388	259	204
Profit After Tax	1,048	905	810	767	508	407
Revenue Account						
Premium net of Reinsurance	79,941	76,342	65,745	56,018	44,812	35,639
Net Investment Income	59,997	50,569	50,817	37,842	31,050	27,323
Total Inflow	139,938	126,911	116,562	93,860	75,863	62,961
Total Outflow	62,019	54,307	50,662	47,296	37,119	31,486
Increase Policyholders liability	74,990	67,030	60,609	36,090	37,137	30,994
Surplus before Tax	2,929	5,574	5,290	10,474	1,606	482
Taxation	-	-	-	-	75	-
Surplus after Tax	2,929	5,574	5,290	10,474	1,681	482
Surplus transfer to P&L	1,269	1,186	1,046	1,019	642	499
Cash Flows						
Operating activities	11,150	17,951	9,714	13,136	8,815	4,470
Investing activities	(3,126)	(30,522)	(7,357)	(13,220)	(3,631)	6,780
Financing activities	(564)	-	-	-	(358)	(319)
Cash and cash equivalents at the end of the year	26,419	18,959	31,531	29,265	29,350	24,525

FINANCIAL RATIOS

	2015	2014	2013	2012	2011	2010
Profitability						
Profit Before Tax/Gross Premium	1.98%	1.74%	1.79%	2.05%	1.70%	1.70%
Profit Before Tax/Net Premium	1.99%	1.75%	1.79%	2.06%	1.71%	1.71%
Profit After Tax/Gross Premium	1.31%	1.18%	1.23%	1.36%	1.13%	1.14%
Profit After Tax/Net Premium	1.31%	1.19%	1.23%	1.37%	1.13%	1.14%
Net Claims/Net Premium (IL)	39.67%	34.43%	33.49%	37.46%	37.87%	41.90%
Net Claims/Net Premium (GL)	111.13%	96.32%	88.41%	81.92%	90.26%	99.63%
Net Commission/Net Premium (IL)	22.11%	23.21%	25.65%	27.47%	28.34%	28.65%
Net Commission/Net Premium (GL)	0.06%	0.05%	0.06%	0.07%	0.10%	0.13%
Area Managers Costs/Net Premium	2.66%	2.75%	3.55%	3.52%	3.76%	3.53%
Total Acquisition Cost/Net Premium	25.93%	27.17%	30.60%	32.50%	33.81%	33.80%
Administration Expenses/Net Premium	8.40%	6.29%	10.23%	12.77%	9.14%	9.97%
Return to Shareholders						
Return on Equity (ROE) Net income/Avg. Equity	25.97%	26.34%	30.30%	39.12%	32.62%	27.81%
Earnings/Loss per Share (Pre Tax)	Rs. 52.95	106.09	107.14	104.99	69.71	55.53
Earnings/Loss per Share (After Tax)	Rs. 34.93	72.05	73.65	69.75	46.18	36.99
Return on Assets (Net Income)/Avg. Total Assets	0.20%	0.20%	0.21%	0.24%	0.19%	0.17%
Paid-up Capital/Total Assets	0.52%	0.60%	0.26%	0.32%	0.37%	0.44%
Market Value						
Face Value per Share	Rs. 100	100	100	100	100	100
Breakup Value per Share	Rs. 134.93	172.05	173.65	169.75	146.18	136.99
Cash Dividend per Share	Rs. 31.44	72.05	73.65	69.75	46.18	36.99
Dividend Yield - DPS/100*100	31.44%	72.05%	73.65%	69.75%	46.18%	36.99%
Dividend Payout	90%	100%	100%	100%	100%	100%



VERTICAL ANALYSIS Balance Sheet

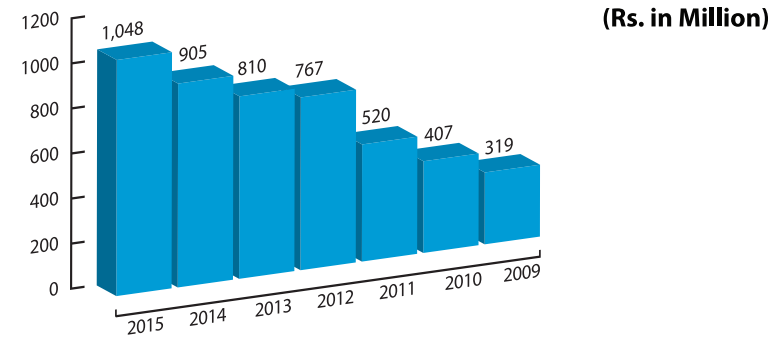
ASSETS	2015		2014		2013		2012		2011		2010	
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
Cash and Banks	27,623	4.83%	20,261	4.08%	33,112	7.87%	30,722	8.80%	30,426	10.36%	25,522	10.15%
Loans secured against life insurance policies	50,673	8.86%	41,303	8.32%	33,100	7.87%	27,095	7.76%	22,596	7.69%	19,057	7.58%
Loans to employee and field force	551	0.10%	424	0.09%	420	0.10%	430	0.12%	422	0.14%	406	0.16%
Investment properties	2,949	0.52%	2,955	0.59%	2,990	0.71%	3,028	0.87%	2,917	0.99%	2,734	1.09%
Investment in securities	445,958	77.99%	390,102	78.54%	319,279	75.87%	262,884	75.28%	218,152	74.27%	192,539	76.56%
Current assets and others	43,733	7.65%	41,312	8.32%	31,508	7.49%	24,731	7.08%	18,950	6.45%	11,001	4.37%
Fixed assets	340	0.06%	332	0.07%	397	0.09%	307	0.09%	250	0.09%	219	0.09%
Total assets	571,827	100%	496,689	100%	420,806	100%	349,197	100%	293,714	100%	251,478	100%
EQUITY AND LIABILITIES												
Issued, subscribed and paid-up capital	3,000	0.52%	3,000	0.60%	1,100	0.26%	1,100	0.32%	1,100	0.37%	1,100	0.44%
Reserve and surplus	1,229	0.21%	840	0.17%	1,932	0.46%	1,214	0.35%	508	0.17%	407	0.16%
Policyholders liability	526,676	92.10%	450,025	90.60%	378,608	89.97%	313,754	89.85%	267,848	91.19%	230,422	91.63%
Employees Retirement benefit	2,960	0.52%	2,465	0.50%	2,156	0.51%	1,688	0.48%	1,261	0.43%	1,424	0.57%
Government grant for Health Insurance fund	-	-	-	-	-	-	-	-	362	0.12%	-	-
Creditors and accruals	37,962	6.64%	40,359	8.13%	37,010	8.80%	31,441	9.00%	22,635	7.71%	18,126	7.21%
Total equity and liability	571,827	100.00%	496,689	100.00%	420,806	100%	349,197	100%	293,714	100%	251,478	100%
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	320	20%	147	11%	132	11%	135	12%	125	16%	112	18%
Surplus appropriated	1,269	80%	1,186	89%	1,046	89%	1,019	88%	642	84%	499	82%
Profit before Tax	1,589	100%	1,333	100%	1,178	100%	1,155	100%	767	100%	611	100%
Taxation	541	34%	428	32%	368	31%	388	34%	259	34%	204	33%
Profit after Tax	1,048	66%	905	68%	810	69%	767	66%	508	66%	407	67%
Revenue Account												
Premium net of Reinsurance	79,941	57%	76,342	60%	65,745	56%	56,018	60%	44,812	59%	35,639	57%
Net Investment Income	59,997	43%	50,569	40%	50,817	44%	37,842	40%	31,050	41%	27,323	43%
Total Inflow	139,938	100%	126,911	100%	116,562	100%	93,860	100%	75,863	100%	62,961	100%
Total Outflow	62,019	44%	54,307	43%	50,662	43%	47,296	50%	37,119	49%	31,486	50%
Increase Policyholders liability	74,990	54%	67,030	53%	60,609	52%	36,090	38%	37,137	49%	30,994	49%
Taxation	-	-	-	-	-	-	-	-	75	0.10%	-	-
Surplus after Tax	2,929	2%	5,574	4%	5,290	5%	10,474	11%	1,681	2%	482	1%

HORIZONTAL ANALYSIS Balance Sheet

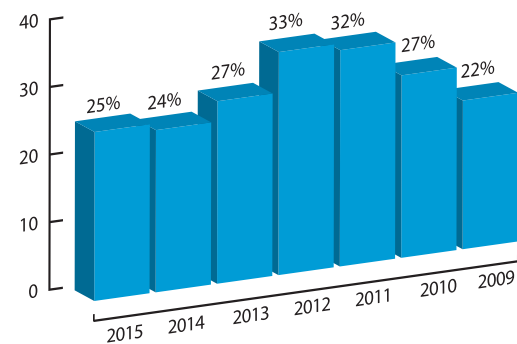
ASSETS	Rupees in Millions						% increase/decrease over preceding year					
	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
Cash and Banks	27,623	20,261	33,112	30,722	30,426	25,522	36%	-39%	8%	1%	19%	71%
Loans secured against life insurance policies	50,673	41,303	33,100	27,095	22,596	19,057	23%	25%	22%	20%	19%	19%
Loans to employee and field force	551	424	420	430	422	406	30%	1%	-2%	2%	4%	14%
Investment properties	2,949	2,955	2,990	3,028	2,917	2,734	0%	-1%	-1%	4%	7%	8%
Investment in securities	445,958	390,102	319,279	262,884	218,152	192,539	14%	22%	21%	21%	13%	10%
Current assets and others	43,733	41,312	31,508	24,731	18,950	11,001	6%	31%	27%	31%	72%	24%
Fixed assets	340	332	397	307	250	219	2%	-16%	29%	23%	14%	39%
Total assets	571,827	496,689	420,806	349,197	293,714	251,478						
EQUITY AND LIABILITIES												
Issued, subscribed and paid-up capital	3,000	3,000	1,100	1,100	1,100	1,100	0%	173%	0%	0%	0%	0%
Reserve and surplus	1,229	840	1,932	1,214	508	407	46%	-57%	59%	139%	25%	28%
Policyholders liability	526,676	450,025	378,608	313,754	267,848	230,422	17%	19%	21%	17%	16%	16%
Employees retirement benefit	2,960	2,465	2,156	1,688	1,261	1,424	20%	14%	28%	34%	-11%	12%
Government grant for health insurance fund	-	-	-	-	362	-	-	-	-	-100%	-	-
Creditors and accruals	37,962	40,359	37,010	31,441	22,635	18,126	-6%	9%	18%	39%	25%	17%
Total equity and liability	571,827	496,689	420,806	349,197	293,714	251,478						
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	320	147	132	135	125	112	118%	11%	-2%	8%	12%	4%
Surplus appropriated	1,269	1,186	1,046	1,019	642	499	7%	13%	3%	59%	29%	28%
Profit before Tax	1,589	1,333	1,178	1,155	767	611	19%	13%	2%	51%	26%	23%
Taxation	541	428	368	388	259	204	26%	16%	-5%	50%	27%	15%
Profit after Tax	1,048	905	810	767	508	407	16%	12%	6%	51%	25%	28%
Revenue Account												
Premium net of Reinsurance	79,941	76,342	65,745	56,018	44,812	35,639	5%	16%	17%	25%	26%	26%
Net Investment Income	59,997	50,569	50,817	37,842	31,050	27,323	19%	-	34%	22%	14%	27%
Total Inflow	139,938	126,911	116,562	93,860	75,863	62,961	10%	9%	24%	24%	20%	26%
Total Outflow	62,019	54,307	50,662	47,296	37,119	31,486	14%	7%	7%	27%	18%	15%
Increase Policyholders liability	74,990	67,030	60,609	36,090	37,137	30,994	12%	11%	68%	-3%	20%	39%
Taxation	-	-	-	-	75	-	-	-	-	-100%	100%	-100%
Surplus after Tax	2,929	5,574	5,290	10,474	1,681	482	-47%	5%	-49%	523%	249%	749%



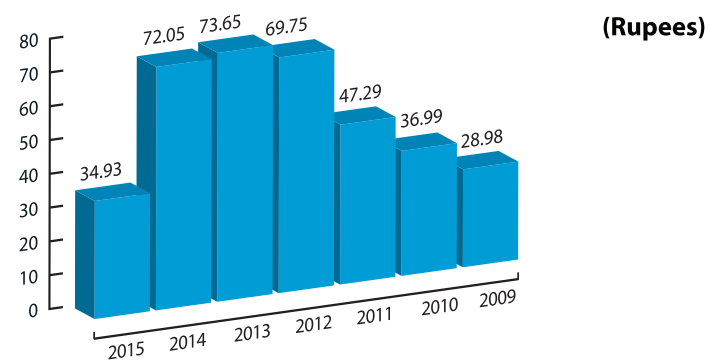
PROFIT AFTER TAXATION



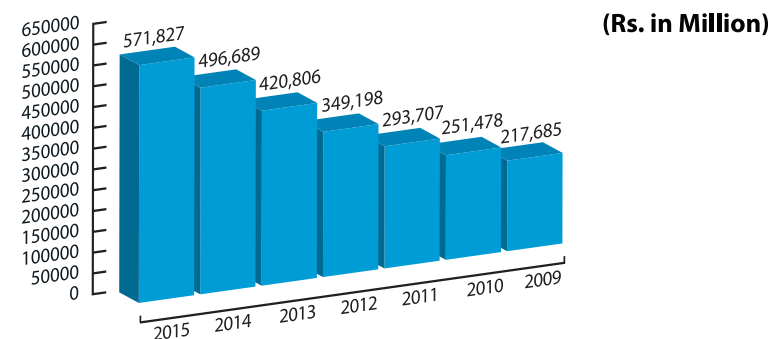
RETURN ON EQUITY



EARNINGS PER SHARE

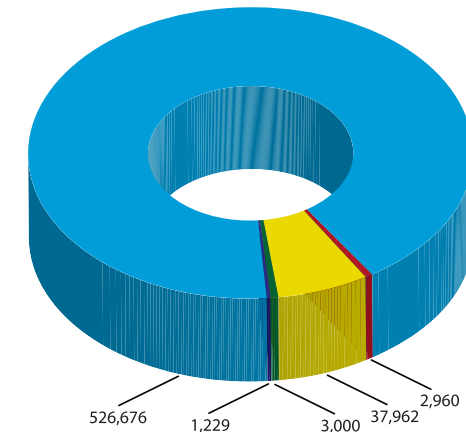


ASSETS



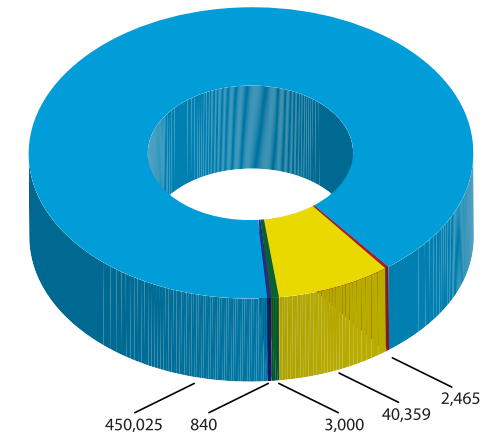
BALANCE SHEET COMPOSITION

Equity & Liabilities - 2015
(Rs. in Million)



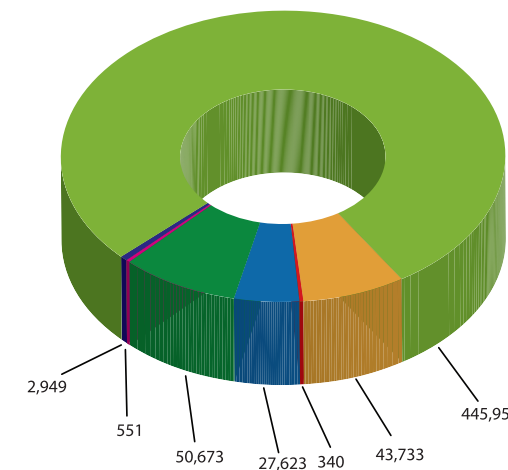
- Policyholders Liability - 526,676
- Employees Retirement Benefit - 2,960
- Creditors and Accruals - 37,962
- Issued, Subscribed and Paid-up Capital - 3,000
- Reserve and Surplus - 1,229

Equity & Liabilities - 2014
(Rs. in Million)



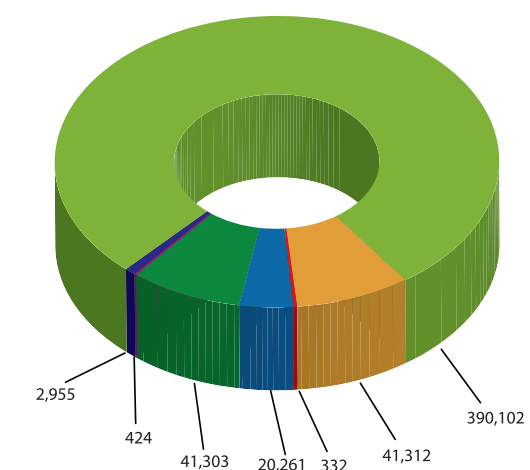
- Policyholders Liability - 450,025
- Employees Retirement - 2,465
- Creditors and Accruals - 40,359
- Issued, Subscribed and Paid-up Capital - 3,000
- Reserve and Surplus - 840

Assets - 2015
(Rs. in Million)



- Cash and Banks - 27,623
- Loans Secured against Life Insurance Policies - 50,673
- Loans to Employee and Field Force - 551
- Investment Properties - 2,949
- Investment in Securities - 445,958
- Current Assets and Others - 43,733
- Fixed Assets - 340

Assets - 2014
(Rs. in Million)



- Cash and Banks - 20,261
- Loans Secured against Life Insurance Policies - 41,303
- Loans to Employee and Field Force - 424
- Investment Properties - 2,955
- Investment in Securities - 390,102
- Current Assets and Others - 41,312
- Fixed Assets - 332



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, 2015 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 requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the 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 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 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 affairs as at December 31, 2015 in accordance with International Accounting Standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the 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 1.3 to the financial statements. As a consequence of the corporatization, the Corporation is not expected to continue as a going concern. The Company to be formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Corporation. As the assets and liabilities of the Corporation shall vest into a Company to be incorporated under the Companies Ordinance, 1984, 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
Name of the engagement partner:
Zulfikar Ali Causer

Dated: 24 May, 2016
Karachi

Riaz Ahmad & Company
Chartered Accountants
Name of the engagement partner:
Muhammad Hamid Jan



BALANCE SHEET AS AT DECEMBER 31, 2015

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
						(Rupees in '000)	
Share capital and reserves							
	4,000,000	-	-	-	-	4,000,000	4,000,000
Issued, subscribed and paid-up share capital	3,000,000	-	-	-	-	3,000,000	3,000,000
Accumulated surplus	1,047,949	-	-	-	-	1,047,949	840,308
Reserve for takaful window operation	181,022	-	-	-	-	181,022	-
Net shareholders' equity	4,228,971	-	-	-	-	4,228,971	3,840,308
Balance of statutory funds - including policyholders' liabilities Rs. 503,890 million (2014: Rs. 428,900 million)							
20	-	513,663,958	11,912,770	298,367	800,581	526,675,676	450,025,386
Deferred liabilities							
Staff retirement benefits	-	2,945,954	13,646	-	-	2,959,600	2,464,753
Creditors and accruals							
Outstanding claims	-	17,701,851	166,651	-	461	17,868,963	16,060,302
Premium received in advance	-	7,500,938	137,501	-	58,990	7,697,429	6,575,896
Amounts due to other insurers/reinsurers	-	151,624	29,812	-	-	181,436	153,145
Amount due to agents	-	4,325,942	88,400	-	-	4,414,342	4,381,454
Accrued expenses	-	2,689,990	56,361	205	2,638	2,749,194	2,736,080
Interfund balances	-	226,225	174,352	37,778	107,209	545,564	2,377,959
Others	394,186	4,082,573	28,149	622	22	4,505,552	8,074,417
	394,186	36,679,143	681,226	38,605	169,320	37,962,480	40,359,253
Total liabilities	394,186	553,289,055	12,607,642	336,972	969,901	567,597,756	492,849,392
Total equity and liabilities	4,623,157	553,289,055	12,607,642	336,972	969,901	571,826,727	496,689,700
Contingencies and commitments							
8							

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

Ms. Nargis Ghaloo
Chairperson

Shafqaat Ahmed
Director

Dr. Aliya Hashmi Khan
Director

Muhammad Rashid
Chief Financial Officer

BALANCE SHEET AS AT DECEMBER 31, 2015

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
						(Rupees in '000)	
Cash and bank deposits							
9	-	45,677	-	-	-	45,677	41,125
	-	13,607,470	1,448,916	-	43,863	15,100,249	10,109,702
	127	10,861,061	411,526	-	-	11,272,714	8,808,281
	-	1,710	1,203,132	-	-	1,204,842	1,301,595
	127	24,515,918	3,063,574	-	43,863	27,623,482	20,260,703
Loans secured against life insurance policies							
10	-	49,754,995	918,258	-	-	50,673,253	41,303,191
Loans secured against other assets							
	230,664	2,911	-	-	-	233,575	235,608
	18,796	6,081	-	-	-	24,877	24,271
	-	2,661	-	-	-	2,661	2,661
	249,460	11,653	-	-	-	261,113	262,540
Unsecured loans							
	246,933	-	-	-	-	246,933	117,865
	41,574	812	-	-	-	42,386	43,926
	288,507	812	-	-	-	289,319	161,791
Investment properties							
11	-	4,741,571	-	-	-	4,741,571	4,677,311
	-	(592)	-	-	-	(592)	(594)
	-	(1,792,042)	-	-	-	(1,792,042)	(1,721,912)
	-	2,948,937	-	-	-	2,948,937	2,954,805
Investments							
12	3,376,858	401,656,418	7,144,556	269,292	785,554	413,232,678	359,652,695
	-	7,573	852,252	-	-	859,825	933,985
	-	31,022,132	-	-	-	31,022,132	28,791,983
	-	872,805	-	-	-	872,805	787,932
	-	241,609	-	-	-	241,609	241,609
	-	(271,150)	-	-	-	(271,150)	(305,671)
	3,376,858	433,529,387	7,996,808	269,292	785,554	445,957,899	390,102,533
Current assets - others							
	-	13,926,526	401,054	57,343	95,604	14,480,527	13,897,898
	-	263,769	-	-	-	263,769	266,268
	-	208	-	-	-	208	208
	-	333,067	118,619	-	-	451,686	472,774
	162,641	22,253,441	80,005	10,337	38,854	22,545,278	20,304,939
	-	3,431,830	-	-	-	3,431,830	2,900,405
	-	393,632	19,061	-	108	412,801	384,277
	545,564	-	-	-	-	545,564	2,377,957
	-	1,546,352	5,254	-	2,860	1,554,466	671,975
	-	46,440	-	-	-	46,440	35,053
	708,205	42,195,265	623,993	67,680	137,426	43,732,569	41,311,754
Fixed assets - tangible							
	-	1,351,777	28,369	-	7,544	1,387,690	1,265,410
	-	(1,019,689)	(23,360)	-	(4,486)	(1,047,535)	(933,027)
	-	332,088	5,009	-	3,058	340,155	332,383
	4,623,157	553,289,055	12,607,642	336,972	969,901	571,826,727	496,689,700
Total assets							
	4,623,157	553,289,055	12,607,642	336,972	969,901	571,826,727	496,689,700

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

Ms. Nargis Ghaloo
Chairperson

Shafqaat Ahmed
Director

Dr. Aliya Hashmi Khan
Director

Muhammad Rashid
Chief Financial Officer



PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	(Rupees in '000)	
		2015	2014
Investment income not attributable to statutory funds			
Return on Government securities		304,398	130,085
Interest income on loans and advances to employees/agents		19,416	20,468
Interest income on bank deposits		12	153
Net investment income		323,826	150,706
Expenses not attributable to statutory funds		(4,281)	(4,234)
Surplus appropriated to shareholders' fund	20.4	1,268,920	1,186,210
Profit before tax		1,588,465	1,332,682
Taxation	15	(540,516)	(427,575)
Profit after tax		1,047,949	905,107
Earnings per share - basic and diluted	16	34.93	72.05

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


Ms. Nargis Ghaloo
Chairperson


Shafqaat Ahmed
Director


Dr. Aliya Hashmi Khan
Director


Muhammad Rashid
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	(Rupees in '000)	
	2015	2014
Profit after tax for the year	1,047,949	905,107
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,047,949	905,107

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


Ms. Nargis Ghaloo
Chairperson


Shafqaat Ahmed
Director


Dr. Aliya Hashmi Khan
Director


Muhammad Rashid
Chief Financial Officer



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

	(Rupees in '000)				
	Issued, subscribed and paid-up share capital	Accumulated surplus	Reserve for takaful window operation	Reserve for issue of share capital	Net shareholders' equity
Balance as at January 1, 2014	1,100,000	810,123	-	1,122,293	3,032,416
Transactions with owners recorded directly in equity					
Transfer to reserve for issue of share capital	-	(777,707)	-	777,707	-
Transferred to BESOS from profit of year ended December 31, 2013*	-	(97,215)	-	-	(97,215)
Issuance of shares	1,900,000	-	-	(1,900,000)	-
Total comprehensive income for the year ended December 31, 2014	1,900,000	(874,922)	-	(1,122,293)	(97,215)
Profit for the year	-	905,107	-	-	905,107
Other comprehensive income for the year	-	905,107	-	-	905,107
Balance as at December 31, 2014	3,000,000	840,308	-	-	3,840,308
Transactions with owners recorded directly in equity					
Dividend paid	-	(564,180)	-	-	(564,180)
Transferred to BESOS from profit of year ended December 31, 2014*	-	(95,106)	-	-	(95,106)
Transferred for takaful window operation reserve**	-	(181,022)	181,022	-	-
Total comprehensive income for the year ended December 31, 2015	-	(840,308)	181,022	-	(659,286)
Profit for the year	-	1,047,949	-	-	1,047,949
Other comprehensive income for the year	-	1,047,949	-	-	1,047,949
Balance as at December 31, 2015	3,000,000	1,047,949	181,022	-	4,228,971

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

** This represents the amount transferred as per Board of Directors resolution dated May 30, 2015.

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

Ms. Nargis Ghaloo
Chairperson

Shafqaat Ahmed
Director

Dr. Aliya Hashmi Khan
Director

Muhammad Rashid
Chief Financial Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
OPERATING ACTIVITIES							
a) Underwriting activities							
	-	74,154,244	2,002,892	34,855	58,991	76,250,982	69,902,286
	-	(168,395)	(33,630)	-	-	(202,025)	(191,916)
	-	(21,812,115)	(332,279)	(52,526)	(6,522)	(22,203,442)	(18,593,800)
	-	(11,623,625)	(389,851)	-	-	(12,013,476)	(10,282,123)
	-	64,108	2,998	-	-	67,106	88,907
	-	(16,030,057)	(348,892)	(17)	-	(16,378,966)	(15,849,502)
	-	(2,707,518)	(67,585)	-	-	(2,775,103)	(2,704,572)
	-	21,876,642	833,653	(17,688)	52,469	22,745,076	22,369,280
b) Other operating activities							
	(540,516)	(531,425)	-	-	-	(1,071,941)	(557,728)
	(4,281)	(10,271,039)	(193,122)	(771)	(46,775)	(10,515,988)	(3,962,076)
	(377,561)	(8,741,705)	(7,125)	-	-	(9,126,391)	(6,183,191)
	270,358	9,742,425	-	-	-	10,012,783	6,689,013
	1,827,558	(2,824,832)	41,159	8,445	53,789	(893,881)	(404,128)
	1,175,558	(12,626,576)	(159,088)	7,674	7,014	(11,595,418)	(4,418,110)
	1,175,558	9,250,066	674,565	(10,014)	59,483	11,149,658	17,951,170
INVESTING ACTIVITIES							
	266,447	45,789,119	686,720	30,326	80,239	46,852,851	32,004,588
	-	5,801,572	4,202	-	-	5,805,774	5,228,046
	-	943,635	-	-	-	943,635	832,785
	(2,150,987)	(74,390,801)	(584,443)	(28,094)	(93,555)	(77,247,880)	(116,127,865)
	-	20,585,474	121,660	-	-	20,707,134	47,624,588
	-	(186,486)	(1,836)	-	(3,175)	(191,497)	(89,533)
	-	4,037	-	-	-	4,037	4,780
	(1,884,540)	(1,453,450)	226,303	2,232	(16,491)	(3,125,946)	(30,522,611)
FINANCING ACTIVITIES							
	20.4	1,268,920	(1,245,871)	(23,049)	-	-	-
	-	(564,180)	-	-	-	(564,180)	-
	-	704,740	(1,245,871)	(23,049)	-	(564,180)	-
Total cash used in financing activities							
	-	(4,242)	6,550,745	877,819	(7,782)	7,459,532	(12,571,441)
Net cash flows generated/(used in) from all activities							
	-	4,369	17,963,463	982,623	7,782	18,959,108	31,530,549
Cash and cash equivalents at the beginning of year							
	18	127	24,514,208	1,860,442	-	26,418,640	18,959,108
Reconciliation to profit and loss account							
	1,175,559	9,250,067	674,565	(10,014)	59,483	11,149,660	17,951,170
	-	(122,436)	(1,109)	-	(1,028)	(124,573)	(125,325)
	323,826	58,676,860	1,201,354	31,180	86,294	60,319,514	50,720,348
	-	-	-	-	-	-	86,441
	(19,416)	569,582	2,103	-	-	552,269	451,750
	1,268,920	(1,245,871)	(23,049)	-	-	-	-
	-	(5,839,942)	(63,514)	-	-	(5,903,456)	(5,093,112)
	(1,043,112)	11,631,706	212,897	14,393	18,803	10,834,687	11,891,969
	(657,828)	1,690,880	(69,183)	(9,041)	(94,756)	860,072	(3,560,519)
	-	10,066	-	-	-	10,066	-
	1,047,949	74,620,912	1,934,064	26,518	68,796	77,698,239	72,322,722

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

Ms. Nargis Ghaloo
Chairperson

Shafqaat Ahmed
Director

Dr. Aliya Hashmi Khan
Director

Muhammad Rashid
Chief Financial Officer



REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2015

Note	Statutory Funds				(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Income						
Premium less reinsurance	77,797,394	2,056,619	49,248	38,052	79,941,313	76,342,055
Rental income from investment properties	380,051	-	-	-	380,051	275,808
Net investment income	58,296,809	1,202,275	31,180	86,294	59,616,558	50,293,062
Total net income	136,474,254	3,258,894	80,428	124,346	139,937,922	126,910,925
Claims and expenditure						
Claims, including bonuses, net of reinsurance recoveries	35,223,195	679,491	52,526	5,760	35,960,972	30,504,566
Management expenses less recoveries	25,384,276	622,290	1,384	49,790	26,057,740	23,802,533
Total claims and expenditure	60,607,471	1,301,781	53,910	55,550	62,018,712	54,307,099
Excess of income over claims & expenditure	75,866,783	1,957,113	26,518	68,796	77,919,210	72,603,826
Add: Policyholders' liabilities at the beginning of the year	419,040,338	9,455,806	210,686	192,679	428,899,509	361,869,357
Less: Policyholders' liabilities at the end of the year	492,573,776	10,980,704	218,756	116,374	503,889,610	428,899,509
Surplus before tax	2,333,345	432,215	18,448	145,101	2,929,109	5,573,674
Tax chargeable to statutory funds						
Current year	-	-	-	-	-	-
Surplus after tax	2,333,345	432,215	18,448	145,101	2,929,109	5,573,674
Movement in policyholders' liabilities	73,533,438	1,524,898	8,070	(76,305)	74,990,101	67,030,152
Transfer from/(to) shareholders' fund						
Transfer from shareholders' fund	-	-	-	-	-	-
Surplus appropriated to shareholders' fund	(1,245,871)	(23,049)	-	-	(1,268,920)	(1,186,210)
Balance of statutory fund at the beginning of the year	439,043,046	9,978,706	271,849	731,785	450,025,386	378,607,770
Balance of statutory fund at the end of the year	513,663,958	11,912,770	298,367	800,581	526,675,676	450,025,386
Represented by:						
Policyholders' liabilities	492,573,776	10,980,704	218,756	116,374	503,889,610	428,899,509
Retained earnings attributable to policyholders	21,090,182	932,066	-	-	22,022,248	20,525,608
Retained earnings on other than participating business	-	-	79,611	684,207	763,818	600,269
Balance of statutory fund	513,663,958	11,912,770	298,367	800,581	526,675,676	450,025,386

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


Ms. Nargis Ghaloo
Chairperson


Shafqaat Ahmed
Director


Dr. Aliya Hashmi Khan
Director


Muhammad Rashid
Chief Financial Officer

STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2015

	Statutory Funds				(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Gross premiums						
Regular premium individual policies *						
First year	15,917,519	388,965	-	-	16,306,484	16,184,745
Second year renewals	12,201,962	317,946	-	-	12,519,908	12,183,415
Subsequent year renewals	43,961,745	1,404,597	-	-	45,366,342	41,324,602
	72,081,226	2,111,508	-	-	74,192,734	69,692,762
Group policies with cash values	-	-	49,248	-	49,248	9,828
Group policies without cash values	5,891,595	-	-	38,052	5,929,647	6,857,973
Total gross premiums	77,972,821	2,111,508	49,248	38,052	80,171,629	76,560,563
Less: Reinsurance premiums ceded						
On individual life first year business	(29,492)	(6,040)	-	-	(35,532)	(28,742)
On individual life second year business	(19,601)	-	-	-	(19,601)	(19,428)
On individual life renewal business	(88,770)	(48,849)	-	-	(137,619)	(125,140)
On group policies	(37,564)	-	-	-	(37,564)	(45,198)
Total reinsurance premiums ceded	(175,427)	(54,889)	-	-	(230,316)	(218,508)
Net premiums	77,797,394	2,056,619	49,248	38,052	79,941,313	76,342,055

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

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


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Muhammad Rashid
Chief Financial Officer



STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2015

	Statutory Funds				(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Gross claims						
Claims under individual policies						
By death	3,840,403	20,413	-	-	3,860,816	3,620,642
By insured event other than death	302,923	3,699	-	-	306,622	254,626
By maturity	12,814,681	268,526	-	-	13,083,207	9,818,118
By surrender	11,623,625	389,851	-	-	12,013,476	10,282,123
Annuity payment	11,291	-	-	-	11,291	9,733
Total gross individual policy claims	28,592,923	682,489	-	-	29,275,412	23,985,242
Claims under group policies						
By death	5,385,155	-	52,526	-	5,437,681	5,892,216
By insured event other than death	103,129	-	-	5,760	108,889	80,199
By maturity	-	-	-	-	-	610
Annuity payment	1,000	-	-	-	1,000	1,396
Experience refund	1,202,597	-	-	-	1,202,597	639,852
Total gross group policy claims	6,691,881	-	52,526	5,760	6,750,167	6,614,273
Total gross claims	35,284,804	682,489	52,526	5,760	36,025,579	30,599,515
Less: Reinsurance recoveries						
On individual life first year business claims	(27,174)	-	-	-	(27,174)	(17,444)
On individual life second year business claims	108,484	-	-	-	108,484	(8,644)
On individual life renewal business claims	4,422	(2,998)	-	-	1,424	(26,293)
On group life claims	(18,599)	-	-	-	(18,599)	(42,568)
On experience refund of premiums	(128,742)	-	-	-	(128,742)	-
Total reinsurance recoveries	(61,609)	(2,998)	-	-	(64,607)	(94,949)
Net claims	35,223,195	679,491	52,526	5,760	35,960,972	30,504,566

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

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Muhammad Rashid
Chief Financial Officer

STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	Statutory Funds				(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Acquisition costs							
Remuneration to insurance intermediaries on individual policies:							
Commission on first year premiums		10,725,451	233,848	-	-	10,959,299	10,814,427
Commission on second year premiums		2,043,763	35,693	-	-	2,079,456	2,079,403
Commission on subsequent renewal premiums		1,880,679	71,958	-	-	1,952,637	1,887,551
Other benefits to insurance intermediaries		1,407,954	8,787	-	-	1,416,741	1,397,501
		16,057,847	350,286	-	-	16,408,133	16,178,882
Remuneration to insurance intermediaries on group policies:							
Commission		2,879	-	17	-	2,896	2,215
Other benefits to insurance intermediaries		825	-	-	-	825	1,181
		3,704	-	17	-	3,721	3,396
Branch overheads	22	1,903,735	64,727	-	-	1,968,462	1,908,353
Other acquisition cost							
Policy stamps and medical fee		803,783	2,858	-	-	806,641	796,220
Total acquisition cost		18,769,069	417,871	17	-	19,186,957	18,886,851
Administration expenses							
Salaries and other benefits		4,265,381	137,936	920	22,650	4,426,887	3,807,209
Traveling expenses		185,120	7,849	119	8,822	201,910	265,056
Auditors' remuneration		3,148	1,393	-	-	4,541	4,013
Legal expenses		29,751	1,485	-	3,495	34,731	26,656
Supervision fee		50,000	-	-	-	50,000	50,128
Advertisements		147,254	516	-	1,018	148,788	25,720
Printing and stationery		110,041	1,841	-	2,827	114,709	86,659
Postage and telephone		92,115	8,361	-	683	101,159	87,316
Utilities		487,934	1,499	127	2,255	491,815	463,332
Training		24,214	20	-	107	24,341	18,902
Computer expenses		23,690	59	-	373	24,122	25,123
Rental		190,990	8,683	-	1,468	201,141	185,312
Gratuity and pension expenses		716,391	3,352	-	3,253	722,996	(504,414)
Bank charges		33,280	9,099	15	3	42,397	50,279
Depreciation		122,436	1,109	-	1,028	124,573	125,325
Bad and doubtful debts-premium written off		-	-	-	-	-	86,441
		6,481,745	183,202	1,181	47,982	6,714,110	4,803,057
Other management expenses		172,382	32,262	-	1,183	205,827	162,876
Gross management expenses		25,423,196	633,335	1,198	49,165	26,106,894	23,852,784
Commission from reinsurers		(25,875)	(18,998)	-	-	(44,873)	(46,017)
Management expenses recovered from/allocated to other funds		(13,045)	7,953	186	625	(4,281)	(4,234)
Net management expenses		25,384,276	622,290	1,384	49,790	26,057,740	23,802,533

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

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STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	Statutory Funds				(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Investment Income							
On Government securities		45,788,770	615,053	30,718	86,199	46,520,740	38,716,580
On other fixed income securities and deposits		635,628	76,599	462	95	712,784	1,287,381
Dividend income		5,740,329	4,202	-	-	5,744,531	5,256,732
On loans to policyholders		5,839,942	63,514	-	-	5,903,456	5,093,112
On loans to employees		133	-	-	-	133	143
Others	24	102,188	449,027	-	-	551,215	(350,852)
Total		58,106,990	1,208,395	31,180	86,294	59,432,859	50,003,096
Gain/(loss) on sale of investments		204,682	(4,017)	-	-	200,665	320,400
(Provision)/reversal of impairment in value of investments and receivables							
(Provision) for impairment in shares	25	(17,671)	-	-	-	(17,671)	(2,728)
Reversal of provision in receivables and shares		52,192	-	-	-	52,192	20,477
Investment related expenses		(49,384)	(2,103)	-	-	(51,487)	(48,183)
Net investment income		58,296,809	1,202,275	31,180	86,294	59,616,558	50,293,062

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


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Director


Muhammad Rashid
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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), out of which 5 new zones and 1 region started their operation subsequent to the year end.

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

1.3 Subsequent to the year end, Presidential Order dated April 06, 2016 was issued by the Government of Pakistan Ministry of Law and Justice to provide for reorganization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. As soon as may be after the commencement of this Ordinance, the Federal Government shall establish a Company, namely, State Life Insurance Company Limited, by shares and cause, to be incorporated under the Companies Ordinance, 1984 (XLVII of 1984), with the principal object of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities etc. The Corporation is under the process of reorganization and conversion into a Public Limited Company. Accordingly, the Corporation is not expected to continue as going concern. 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 the date specified. Accordingly, 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 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.

2.1.1 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 repurchase 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.

Had the exemption not been granted, Staff costs of the Corporation for the year would have been higher by Rs. 26.4 million, profit before taxation would have been lower by Rs. 26.4 million, earnings per share would have been lower by Rs. 0.88 and reserves for the year would have been lower by Rs. 26.4 million.

2.2 New Standards, Interpretations and Amendments to Published Approved Accounting Standards

2.2.1 Standards or Interpretations that are Effective in Current Year But Not Relevant to the Corporation

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633 (I)/2014 dated July 10, 2014 with effect from following dates. The Corporation has adopted these accounting standards and interpretations which do not have significant impact on the Corporation's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

	Effective date (annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements	January 1, 2015
IFRS 11 Joint Arrangements	January 1, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 Fair Value Measurement	January 1, 2015
IAS 27 Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28 Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

2.2.2 Amendments that are Effective in Current Year But Not Relevant to the Corporation

The Corporation has adopted the amendments to the following accounting standards which became effective during the year:

	Effective date (annual periods beginning on or after)
IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	January 1, 2014

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after 1 January, 2015 are as follows:

Annual Improvements to IFRSs (2010 – 2012) Cycle:

IFRS 2	Share - based payments
IFRS 3	Business Combinations
IFRS 8	Operating Segments

IFRS 13	Fair Value Measurement
IAS 16	Property Plant and Equipment
IAS 24	Related Party Disclosures
IAS 38	Intangible Assets

Annual Improvements to IFRSs (2011 – 2013 Cycle):

IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

2.2.3 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:

	Effective date (annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and application of the consolidation exception	January 01, 2016
IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27 Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
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 and the application of the consolidation exception	January 01, 2016
IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41 Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after 1 January, 2016 are as follows:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting



2.2.4 Standards or Interpretations Not Yet Effective

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
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

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

These standards, interpretations and the amendments 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 certain additional disclosures.

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, 2015:

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

Reinsurance 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 four 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; and
- Health Insurance 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 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 reporting date.

Health Insurance Fund

The Health Insurance Fund has established for the commencement of Health Insurance business primarily for micro social health insurance schemes. The first health insurance scheme under the fund was BISP Waseela-e-Sehat Programme which was initiated in 2012 and was concluded in 2014. The Corporation has entered into an agreement in 2015 with Government of Khyber Pakhtunkhwa (KP) to implement Social Health Protection Initiative. Under the scheme, about 100,000 households in four districts of KP will be covered for MicroHealth 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 MicroHealth Insurance benefits under the prescribed limit of Rs. 250,000/- per household for specialized diseases and Rs. 50,000/- for other disease.

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 reinsurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2014: Rs. 5 million) per policy and for group life Rs. 5 million (2014: Rs. 5 million) per person of risk. Reinsurance premium is recorded as an expense evenly over the period of the reinsurance contract and is off-set against the premium income of the respective year.

The claim recoveries arising out of reinsurance 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.

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 undaimed insurance benefit amount in any circumstances. The undaimed 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 undaimed amounts include undaimed maturity benefits, long outstanding claims and un-intimated or undaimed death or disability claims. The Corporation has received letter dated May 22, 2015 from SECP clarifying that the practice to retain the undaimed insurance benefits in its actuarial reserve is in compliance with the clause 3 of the aforementioned Circular.

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.

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.

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. Liability for the fund is based on the advice of appointed actuary.

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 thereunder 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 (also refer note 5.5). Liability for the fund is based on the advice of appointed actuary.

d) Compensated Absences

From the year 2002, the unavailed 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 up to 60 days can be carried forward up to the date of retirement and can be encashed at retirement. Similarly, in respect of staff leaves up to 180 days can be carried forward up to the date of retirement and can be encashed at retirement.

The liability in respect of compensated absences as at December 31, 2015 amounting to Rs. 1,140.000 million (2014: Rs. 944.523 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, 2015, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 1,727.875 million (2014: Rs. 1,415.309 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. 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 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.

Offsetting

Financial assets and liabilities are offset 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 realizable 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 14 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.

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.

Others

All other income are recognised on accrual basis.



3.19 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. The charge for the current tax is calculated using prevailing tax rates or tax rates 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.

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 balances and deposits maturing within twelve months.

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. 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.

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

3.29 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 of 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)	
2015	2014	2015	2014
Number of shares			
30,000,000	30,000,000	3,000,000	3,000,000
Ordinary shares of Rs. 100 each.			

4.1 In the prior year, vide Gazette notification dated April 1, 2014 the Federal Government had notified the increase in the Corporation's authorised and issued share capital to Rs. 4,000 million and Rs. 3,000 million. The authorised and issued share capital was approved by the Board of Directors in their meeting held on December 1, 2014 and the issued share capital was increased by Rs. 1,900 million.

5 STAFF RETIREMENT BENEFITS

Defined benefit plans

Pakistan Life Fund

Staff gratuity scheme - unfunded	5.1	78,079	94,056
Post retirement medical benefits - unfunded	5.1	1,727,875	1,415,309
Compensated absences	5.2	1,140,000	944,523
		2,945,954	2,453,888

Overseas Life Fund

Staff gratuity		13,646	10,865
		2,959,600	2,464,753



5.1 Reconciliation of Payable to Defined Benefit Plans and Other Benefits

Note	(Rupees in '000)					
	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	2015	2014	2015	2014	2015	2014
Present value of defined benefit obligations	78,079	94,056	15,774,396	13,684,153	1,727,875	1,415,309
Fair value of plan assets	-	-	(16,624,300)	(9,050,669)	-	-
Net payable recognised as at the year-end	78,079	94,056	(849,904)*	4,633,484*	1,727,875	1,415,309

* The balance is classified as current assets (2014: current liabilities) under the head "others" as it represents the balance receivable (2014: payable) to the fund as at year end.

5.1.1 Movement in Balance Payable

Note	2015	2014	2015	2014	2015	2014
Opening balance of payable	94,056	78,095	4,633,484	5,018,952	1,415,309	1,237,600
(Income)/Expense recognised	20,717	25,558	809,583	(455,339)	353,029	208,330
Contributions made during the year	-	-	(5,695,982)	(23,941)	-	-
Liability transferred to DC gratuity fund	(20,084)	-	-	-	-	-
Return payable by SLIC for the year	-	-	-	645,939	-	-
Benefits paid	(16,610)	(9,597)	(596,989)	(552,127)	(40,463)	(30,621)
Closing balance of payable	78,079	94,056	(849,904)	4,633,484	1,727,875	1,415,309

5.1.2 Reconciliation of the Present Value of Defined Benefit Obligation

Note	2015	2014	2015	2014	2015	2014
Present value of obligation as at January 01	94,056	78,095	13,684,153	12,359,549	1,415,309	1,237,600
Current service cost	2,644	2,209	567,350	496,593	67,231	60,602
Interest cost	9,892	9,617	1,532,855	1,570,136	158,854	157,439
Benefit paid	(16,610)	(9,597)	(596,989)	(552,127)	(40,463)	(30,621)
Liability transferred to DC gratuity fund	(20,084)	-	-	-	-	-
Actuarial losses	8,181	13,732	587,027	(189,998)	126,944	(9,711)
Present value of the defined benefit obligations as at December 31	78,079	94,056	15,774,396	13,684,153	1,727,875	1,415,309

5.1.3 Changes in Fair Value of Plan Assets

	(Rupees in '000)	
	2015	2014
Net assets as at January 01	9,050,669	7,340,597
Expected return on plan assets	1,532,855	1,570,136
Contributions received	5,695,982	23,941
Return receivable from SLIC for the year	-	(645,939)
Actuarial gains	344,794	761,934
Net assets as at December 31	16,624,300	9,050,669

5.1.4 Actual Return on Plan Assets

	2015	2014
Actual return on plan assets	1,877,649	1,686,131

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)					
	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	2015	2014	2015	2014	2015	2014
Current service cost	2,644	2,209	567,350	496,593	67,231	60,602
Interest cost	9,892	9,617	1,532,855	1,570,136	158,854	157,439
Expected return on plan assets	-	-	(1,532,855)	(1,570,136)	-	-
Actuarial (gains)/losses recognised	8,181	13,732	242,233	(951,932)	126,944	(9,711)
	20,717	25,558	809,583	(455,339)	353,029	208,330

Other relevant details of above funds are as follows:

5.1.6 Fair Value of Plan Assets at Year End

	(Rupees in '000)	
	2015	2014
Government securities	16,617,006	9,015,547
Cash at banks	7,294	30,440
Others	-	4,682
	16,624,300	9,050,669

5.2 Movement in Compensated Absences Payable

	(Rupees in '000)	
	2015	2014
Balance as at the beginning of the year	944,523	821,757
Provision made during the year	462,643	360,179
Payments made during the year	(267,166)	(237,413)
Balance as at the end of year	1,140,000	944,523

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 as at December 31, 2015 by the appointed actuary. The principal actuarial assumptions used are as follows:

	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Discount rate	10	11.25	10	11.25	10	11.25
Expected rate of return on plan assets	-	-	10	11.25	-	-
Long term salary increase rate (staff only)	8.5	9.75	8.5	9.75	8.5	9.75
Future increase in pension (after retirement)	-	-	6	7.25	-	-
Preretirement 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
Postretirement mortality	-	-	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

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.



5.4 Historical Information

	(Rupees in '000)	
	2015	2014
Unfunded Staff Gratuity		
Defined benefit obligation	78,079	94,056
Fair value of plan assets	-	-
Deficit	78,079	94,056
Employees' Pension Fund		
Defined benefit obligation	15,774,396	13,684,153
Fair value of plan assets	(16,624,300)	(9,050,669)
Deficit	(849,904)	4,633,484
Post Retirement Medical Benefit		
Defined benefit obligation	1,727,875	1,415,309
Fair value of plan assets	-	-
Deficit	1,727,875	1,415,309

5.5 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)					
	Unfunded Staff Gratuity		Employees' Pension Fund		Post Retirement Medical Benefits	
	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	78,079		15,774,396		1,727,875	
Discount rate						
Increase by 1%	90,870	16.38%	14,017,599	-11.14%	1,634,585	-5.40%
Decrease by 1%	97,431	24.79%	17,919,578	13.60%	1,829,772	5.90%
Long term salary increase rate						
Increase by 1%	97,890	25.37%	16,810,805	6.57%	1,775,407	2.75%
Decrease by 1%	90,385	15.76%	14,851,904	-5.85%	1,682,704	-2.61%
Future increase in pension rate						
Increase by 1%	-	-	16,915,553	7.23%	-	-
Decrease by 1%	-	-	14,793,129	-6.22%	-	-

5.6 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 is 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.

5.7 The charge in respect of Staff Gratuity Scheme, Employees Pension Fund and Post Retirement Medical Benefits for the year ending December 31, 2016 are estimated to be Rs. 9.620 million, Rs. 527.217 million and Rs. 252.099 million, respectively.

5.8 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 OUTSTANDING CLAIMS

	(Rupees in '000)				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Outstanding claims at the beginning of year	15,852,787	206,292	-	1,223	16,060,302	14,336,709
Increase in liabilities due to current year claims	35,284,804	682,489	52,526	5,760	36,025,579	30,599,515
Cash paid during the year	(33,435,740)	(722,130)	(52,526)	(6,522)	(34,216,918)	(28,875,922)
Outstanding claims at the end of year	17,701,851	166,651	-	461	17,868,963	16,060,302

7 OTHERS

This includes an amount of Rs. 2,627.585 million (2014: Rs. 1,878.461 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. During the 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 markup to be credited to the Bureau.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 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 to 2007 vide notice dated August 12, 2008 on the ground that surplus attributable to policyholders during the said years has not been paid within a period of three years from the year of 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. The Corporation challenged orders of ACIR through a Constitutional Writ Petition in October 2008 through its legal advisor along with application of stay order against the demand. The Honourable High Court granted stay against the demand to SLIC through an interim order with the directive to also pay 25% of demand amount.

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 Honourable 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.

The Honourable High Court of Sindh has dismissed the above petition. On the dismissal of petition, the balance 75% of outstanding demand was deposited in the State Treasury and no demand for tax year 2003 is outstanding as at December 31, 2015. However, Corporation had filed a parallel appeal before Commissioner Inland Revenue (Appeal) (CIR (A)) which has been decided in favor of the Corporation through order dated April 07, 2012 and the addition made under section 34(5) is deleted and assessment framed under section 122(5A) is annulled.



At present, the income tax department has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above order of CIR(A). Management and the legal advisor are confident that the ultimate outcome of these matters will be in the favour of the Corporation.

In 2013, the Income Tax Department issued a refund amounting to Rs. 1,000 million out of Rs. 2,126.2 million on July 2, 2013 after the judgement of CIR (A). SLIC has adjusted Rs. 38.8 million against tax liability for tax year 2013. Further, adjustment of Rs. 210.1 million was made in 2014 against demand raised u/s 161 read with section 205 related to tax year 2013. SLIC has adjusted Rs. 187 million against tax liability for tax year 2014 and tax year 2015. However, adjustment claim at Rs. 123 million from pending appeal affect against annual tax liability for tax year 2015 was not allowed, as a result balance refund has been increased with the same amount to Rs. 813.3 million. Balance refund amounting to Rs. 813.3 million is pending with the Inland Revenue Department. Departmental appeal before ATIR is pending to date.

8.1.2 Inland Revenue Department has served notice u/s 122 (9)/122 (5A) ref. ACIR-B/Zone-III/Audit/2012 dated May 22, 2012 for tax year 2006. Department had issued said notice to the Corporation on similar lines for tax year 2003 that surplus attributable to policyholders during the said year has not been paid within a period of three years from the year of its appropriation to the policyholders hence should be added back to the taxable income under the provision of section 34 (5) of the Income Tax Ordinance, 2001. ACIR in its notice has intended to add back Rs. 9,444.6 million in the taxable income of the Corporation which was allowed as deduction in the year ended December 31, 2001. In reply of said notice filed by the Corporation through tax consultant dated June 16, 2012 which was not agreed by Income Tax Department and resultantly, demand of Rs. 1,401.2 million was raised u/s 122 (5A) of the Income Tax Ordinance, 2001.

Being aggrieved, Corporation instantly filed appeal before CIR (A) against the impugned order which was decided in favor of SLIC vide order No. 13/12 dated October 31, 2012 within 15 days of issuance of demand, thereby demand did not remain enforced for payment and accordingly not paid after said order.

Presently, Inland Revenue Department had filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the above order passed by CIR (A) which is still pending before ATIR.

8.1.3 The Corporation has filed appeals on different issues in the Honourable High Court of Sindh contesting the decision of the ATIR 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 reopened 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.

8.1.4 In the year 2010, the Income Tax Authorities 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 Income Tax Authorities 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 policyholder consist of bonuses and the sum assured. The bonuses are given to the policyholder 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 Income Tax Authorities 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 cannot 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 as at December 31, 2015.

The Income Tax 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.

The Corporation has not received any intimation from High Court of Sindh or even from Large Taxpayer Unit (LTU), Karachi that any appeal against the orders of ATIR has been filed. Corporation is optimistic that ultimate outcome of the cases shall be in favor. Accordingly, no provision has been made regarding such demands in these financial statements.

8.1.5 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 appeals 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 Honourable 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 Honourable High Court of Sindh against the decision of ATIR in the above cases. During the 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 refund amounting to Rs. 11.13 million is still pending with the department. The said appeal is also pending before the High Court of Sindh, Karachi. Management of the Corporation, its tax advisor and legal counsel are of the opinion that the action taken by the Department is not viable and is against the law.

8.1.6 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 8.1.4. 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 a 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 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. At present, the Corporation has filed appeal before ATIR. Appeals related to tax years 2010 to 2012 are pending before ATIR.

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 SLIC 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. As at December 31, 2015, appeal effect amounting to Rs. 109.23 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.



8.1.7 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 admissible 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 SLIC vide order # ITAT/969-73 dated August 20, 2009.

Income Tax Department, AJK had filed reference against the order of ATIR-AJK before Honourable High Court of AJK. At present, Departmental references are still pending before High Court of Mirpur, Azad Jammu and Kashmir.

8.1.8 In 2015, Income Tax Department initiated monitoring of withholding of taxes for previous five years 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 SLIC 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 revisit the case and pass order afresh.

8.1.9 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 nul 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.

8.2 Commitments

The Corporation is committed in respect of capital expenditure contract aggregated to Rs. 216 million. There were no other commitments as at the balance sheet date (2014: nil).

9 CASH AND BANK DEPOSITS

Note	Shareholders' Fund	Statutory Funds				(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
9.1 Cash & Others							
Cash in hand	-	6,266	-	-	-	6,266	7,070
Cash in transit	-	39,411	-	-	-	39,411	34,055
		<u>45,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,677</u>	<u>41,125</u>
9.2 Current & Other Accounts							
Current accounts	-	12,707,915	1,384,084	-	43,863	14,135,862	9,505,628
PLS accounts	-	899,555	64,832	-	-	964,387	604,074
		<u>13,607,470</u>	<u>1,448,916</u>	<u>-</u>	<u>43,863</u>	<u>15,100,249</u>	<u>10,109,702</u>
9.3 Deposits Maturing Within 12 Months							
Call and SNTD							
Habib Bank Limited	124	3,308,671	-	-	-	3,308,795	997,727
United Bank Limited	-	1,000	411,526	-	-	412,526	368,497
Habib Metropolitan Bank Limited	-	-	-	-	-	-	1
National Bank of Pakistan	-	17	-	-	-	17	1
The Bank of Punjab	-	21	-	-	-	21	20
Summit Bank Limited	-	1	-	-	-	1	1
Bank Al-Falah Limited	3	-	-	-	-	3	3
PLS Unisaver							
United Bank Limited	-	1,997,046	-	-	-	1,997,046	4,440,707
Term Deposit Receipts							
United Bank Limited	-	4,750,000	-	-	-	4,750,000	-
Bank Alfalah Limited	-	-	-	-	-	-	500,000
Special Saving Accounts							
Samba Bank Limited	-	201,072	-	-	-	201,072	700,935
Faysal Bank Limited	-	7	-	-	-	7	600,115
Al Baraka Bank Pakistan	-	-	-	-	-	-	2
MCB Bank Limited	-	-	-	-	-	-	96
Sindh Bank Limited	-	1	-	-	-	1	600,000
NIB Bank Limited	-	603,208	-	-	-	603,208	-
Askari Bank Limited	-	-	-	-	-	-	14
Bank Al-Falah Limited	-	2	-	-	-	2	2
Allied Bank Limited	-	15	-	-	-	15	600,160
	127	<u>10,861,061</u>	<u>411,526</u>	<u>-</u>	<u>-</u>	<u>11,272,714</u>	<u>8,808,281</u>
9.4 Fixed Deposits Maturing After 12 Months							
Others	-	750	-	-	-	750	750
Abroad	9.4.1	960	1,203,132	-	-	1,204,092	1,300,845
		<u>1,710</u>	<u>1,203,132</u>	<u>-</u>	<u>-</u>	<u>1,204,842</u>	<u>1,301,595</u>

9.4.1 These include fixed deposits equivalent to Rs. 0.712 million (2014: Rs. 0.712 million) with the Kenya Commercial Bank Limited, Kenya, Rs. 0.248 million (2014: Rs. 0.248 million) with the Bank of Ceylon and Grindlays Bank Limited, Sri Lanka, as security for policyholders and Rs. 105.177 million (2014: Rs. 105.177 million) deposited as guarantees issued to the Ministry of Economy, Dubai (UAE) against permission for doing life insurance business in UAE.



10 LOANS SECURED AGAINST LIFE INSURANCE POLICIES

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
						(Rupees in '000)	
Cash loans	-	28,681,465	471,062	-	-	29,152,527	24,242,014
Automatic non-forfeiture provisions	-	21,073,530	447,196	-	-	21,520,726	17,061,177
	-	49,754,995	918,258	-	-	50,673,253	41,303,191

11 INVESTMENT PROPERTIES

	Note	2015	2014
Investment properties	11.1	2,373,159	2,422,053
Less: Provision for impairment in value	11.6	(592)	(594)
		2,372,567	2,421,459
Capital work in progress	11.2	576,370	533,346
		2,948,937	2,954,805

11.1 Investment Properties

2015	COST		DEPRECIATION/IMPAIRMENT				Written down value as at December 31, 2015	Depreciation Rate (%)	
	As at January 01, 2015	Additions/ (Disposals)	As at December 31, 2015	As at January 01, 2015	Adjustments	Charge for the year			As at December 31, 2015
	(Rupees in '000)								
Freehold land	274,191	150	274,341	-	-	-	-	274,341	-
Leasehold land	332,697	-	332,697	94,013	-	3,876	97,889	234,808	1 to 4.2
Leasehold improvements	13,860	841	14,701	8,498	-	431	8,929	5,772	5
Building, roads & structure	2,048,456	6,603	2,055,059	379,864	-	20,522	400,386	1,654,673	1
Electric installation & fittings	1,474,761	14,465	1,488,403	1,239,537	(792)	46,093	1,284,838	203,565	10
		(823)							
	4,143,965	22,059	4,165,201	1,721,912	(792)	70,922	1,792,042	2,373,159	
		(823)							

2014	COST		DEPRECIATION/IMPAIRMENT				Written down value as at December 31, 2014	Depreciation Rate (%)	
	As at January 01, 2014	Additions/ (Disposals)	As at December 31, 2014	As at January 01, 2014	Adjustments	Charge for the year			As at December 31, 2014
	(Rupees in '000)								
Freehold land	273,716	475	274,191	-	-	-	-	274,191	-
Leasehold land	332,547	150	332,697	90,137	-	3,876	94,013	238,684	1 to 4.2
Leasehold improvements	13,650	210	13,860	8,080	-	418	8,498	5,362	5
Building, roads & structure	2,044,132	4,324	2,048,456	359,412	2	20,450	379,864	1,668,592	1
Electric installation & fittings	1,469,275	6,163	1,474,761	1,193,929	-	45,945	1,239,537	235,224	10
		(677)			(337)				
	4,133,320	11,322	4,143,965	1,651,558	2	70,689	1,721,912	2,422,053	
		(677)			(337)				

11.2 This mainly represents the amount incurred for the renovation, electrical and civil works in the Corporation's properties located in Islamabad and Gujranwala.

11.3 The Corporation occupied approximately 22% (2014: 22%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purposes.

11.4 The market value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 29,780 million (2014: Rs. 26,562 million). The fair value/forced sale value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 25,313 million (2014: Rs. 23,587 million).

11.5 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 (2014: 19 buildings/plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

11.6 There are properties costing Rs. 1.704 million (2014: Rs. 1.704 million) having written down value of Rs. 0.597 million (2014: Rs. 0.597 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.592 million (2014: Rs. 0.597 million) exists for loss of assets, if any.

11.7 The Corporation has a plot at Rawalpindi costing Rs. 0.431 million (2014: Rs. 0.431 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

11.8 The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 0.242 million (2014: Rs. 0.242 million) for which execution of title deed remained pending.

11.9 The investment properties also include Rs. 23 million (2014: 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.

12 INVESTMENTS

	Note	Aggregate	
		2015	2014
Government securities	12.1	413,232,678	359,652,695
Other fixed income securities	12.2	859,825	933,985
Listed equity securities and mutual funds	12.3	31,022,132	28,791,983
Unlisted equity securities and mutual funds	12.4	872,805	787,932
Holding in subsidiary companies	12.5	241,609	241,609
Less: Provision for diminution in value	12.7	(271,150)	(305,671)
		445,957,899	390,102,533

Details of investment portfolio are as under:

12.1 Government Securities

Maturity Year	Effective Yield	Shareholders' Fund	Statutory Funds				Aggregate		
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014	
			(Rupees in '000)						
Held to maturity									
Pakistan Investment Bonds									
3 Years	2016 - 2018	6.85% - 6.88%	2,847,092	56,254,400	-	-	747,268	59,848,760	53,037,489
5 Years	2016 - 2020	7.98% - 8.00%	304,204	111,458,025	-	9,535	-	111,771,764	81,056,092
10 Years	2016 - 2025	9.05% - 9.15%	52,346	159,583,593	-	200,072	38,286	159,874,297	145,530,756
15 Years	2019 - 2023	10.00% - 10.25%	-	12,317,721	-	59,685	-	12,377,406	12,323,663
20 Years	2024 - 2031	10.25% - 10.50%	-	24,712,909	-	-	-	24,712,909	24,087,532
30 Years	2036 - 2038	10.75% - 11.00%	173,216	37,329,770	-	-	-	37,502,986	37,450,254
Islamic Republic of Pakistan-Bonds									
			-	-	7,144,556	-	-	7,144,556	6,166,909
			3,376,858	401,656,418	7,144,556	269,292	785,554	413,232,678	359,652,695



12.1.1 Accrued interest as at December 31, 2015 on PIBs pertaining to Pakistan Life Fund amounted to Rs. 16,835.22 million (2014: Rs. 14,609.78 million) and on PIBs pertaining to Shareholders' Fund amounted to Rs. 162.552 million (2014: Rs. 62.521 million). Balance of accrued interest purchased as at December 31, 2015 on PIBs pertaining to Pakistan Life Fund during the year amounted to Rs. 40.116 million (2014: Rs. 939.263 million).

12.1.2 Market value of the government securities carried at amortized cost amounted to Rs. 461,964 million (2014: Rs. 386,262 million).

12.1.3 Government securities include Rs. 300 million (2014: Rs. 110 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

12.2 Other Fixed Income Securities

	Maturity Year	Rate of Profit	Shareholders' Fund	Statutory Funds				Aggregate	
				Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Held-to-Maturity									
Certificates of Investments:									
First Dawood Investment									
Bank Ltd.	2009	17%	-	-	-	-	-	-	80,000
Debentures (Note 12.8)			-	7,573	-	-	-	7,573	7,573
Available-for-sale									
Foreign fixed income securities									
			-	-	852,252	-	-	852,252	846,412
			-	7,573	852,252	-	-	859,825	933,985

12.3 Listed Equity Securities and Mutual Funds

	Note	Shareholders' Fund	Statutory Funds				Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Available-for-sale								
Ordinary shares and stocks *								
12.3.1		-	27,892,908	-	-	-	27,892,908	25,862,759
12.3.2		-	113,743	-	-	-	113,743	113,743
12.3.3		-	3,015,481	-	-	-	3,015,481	2,815,481
		-	31,022,132	-	-	-	31,022,132	28,791,983

12.3.1 Ordinary Shares and Stocks

Pakistan Life Fund

Sector	2015			2014		
	Number of Shares	Book Value	Market Value	Number of Shares	Book Value	Market Value
Oil and Gas *	99,140,364	9,796,955	19,140,796	94,524,632	9,750,904	24,181,429
Chemicals	154,394,492	3,875,358	20,543,688	154,394,492	3,875,358	19,457,780
Forestry and paper	8,477,429	63,605	622,514	8,435,575	63,605	577,686
Industrial metals and mining	3,321,624	104,056	367,992	2,881,927	73,540	148,455
Construction and materials	20,958,246	509,199	1,318,553	33,569,653	624,952	1,741,903
General industrials	5,729,371	246,129	2,735,070	5,681,662	239,450	3,022,018
Electronic and electric equipment	2,077,711	6,221	324,025	2,077,711	6,221	322,687
Industrial engineering	2,613,988	87,711	1,285,900	2,594,688	79,783	1,424,548
Industrial transportation	1,230,173	16,440	109,485	1,363,873	17,869	197,786
Automobile and parts	2,786,110	111,232	1,739,311	2,786,110	111,232	2,103,261
Beverages	68,684	1,740	42,015	68,684	1,740	82,915
Food producers	10,614,971	61,361	950,004	10,693,971	62,413	1,079,149
Household goods	7,516,132	124,348	267,308	8,716,699	144,058	242,041
Personal goods	36,973,540	644,822	2,406,518	35,658,594	588,312	2,969,678
Tobacco	343,710	3,699	350,989	343,710	3,699	335,258
Health care equipments and services	-	-	-	143,437	1,637	30
Pharma and bio tech	15,271,722	242,788	6,115,743	14,653,520	185,823	4,576,756
Travel and leisure	22,880	163	194	22,880	170	170
Fixed line telecommunication	57,847,677	1,715,232	1,000,526	57,847,677	1,715,232	1,372,910
Electricity	32,647,220	1,032,082	2,914,439	32,087,220	984,981	2,262,479
Gas water and multiutilities	85,237,316	763,188	2,817,813	85,237,316	763,188	3,028,748
Banks	529,655,273	7,359,979	15,338,340	507,088,618	5,424,686	16,420,556
Non-life insurance	94,045,166	94,804	3,698,720	93,553,368	94,804	3,494,740
Real estate investments and services	375,754	4,019	2,847	375,754	4,019	1,282
Financial services	35,024,557	459,288	361,293	35,025,557	459,301	289,362
Equity investment instruments	37,280,063	568,489	518,015	37,546,226	585,782	548,583
		27,892,908	84,972,098		25,862,759	89,882,210

* These include 5.394 million shares of Pakistan State Oil having market value of Rs. 1,930.57 million which have been frozen by Government of Pakistan for the purpose of Privatization of the Pakistan State Oil.

12.3.2 Preference Shares

	2015		2014	
	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
Silk Bank Limited	44,000,000	110,000	44,000,000	110,000
		113,743		113,743

12.3.3 Open Ended Mutual Funds

Pakistan Life Fund

	2015	2014
National Investment Trust Units	75,996,262	2,304,969
Pak Capital Market Fund	95,530	373
NIT Government Bond Fund	28,278,954	300,000
NIT Income Fund	9,831,295	100,000
NIT Islamic Equity Fund	20,000,000	-
HBL Money Market Fund	505,047	50,000
Al Meezan Mutual Fund	8,079,450	39,311
Pakistan Premier Fund	31,028	962
JS Growth Fund	270,895	19,866
	3,015,481	2,815,481

* The market value of these securities as at December 31, 2015 is Rs. 5,637.257 million.



12.4 Unlisted Equities and Mutual Funds

Note	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	(Rupees in '000)	
						2015	2014
Available-for-sale							
Ordinary shares and stocks							
Delisted companies	12.4.1	-	63,279	-	-	63,279	62,406
Unlisted companies/institutions *	12.4.1	-	215,336	-	-	215,336	131,336
Preference shares							
Open end mutual fund	12.4.2	-	594,190	-	-	594,190	594,190
		-	872,805	-	-	872,805	787,932

12.4.1 Ordinary Shares and Stocks

Pakistan Life Fund

Delisted Companies	(Rupees in '000)			
	2015		2014	
	Number of Shares	Book Value	Number of Shares	Book Value
Adamjee Industries Ltd.	174,597	2,001	174,597	2,001
Adamjee Paper Product Ltd.	120,242	1,047	120,242	1,047
Akbar Textile Mills Ltd.	39,900	383	39,900	383
Akber Cotton Mills Ltd.	31,360	314	31,360	314
Allied Textile Mills Ltd.	72,634	792	72,634	792
Arag Industries Ltd.	23,963	118	23,963	118
Automotive Equipment Ltd.	7,800	92	7,800	92
Baluchistan Foundry Ltd.	84,520	421	84,520	421
Baluchistan Textile Mills Ltd.	27,420	267	27,420	267
Bankers Equity Ltd.	538,995	15,415	538,995	15,415
Bawany Industries Ltd.	73,774	1,415	73,774	1,415
Chemical Ltd.	19,544	195	19,544	195
Chemphar Ltd.	100	1	100	1
Dost Muhammad Textile Mills Ltd.	14,150	225	14,150	225
Elmac Engineering Ltd.	100	1	100	1
Fullbrite Mills Ltd.	100	1	100	1
Ghafar Textile Mills Ltd.	1,000	10	1,000	10
Gillanders Ltd.	1,000	100	1,000	100
Grace Industries Ltd.	50	1	50	1
H.Sheikh M. H. Ltd.	46,100	460	46,100	460
Karachi Road Transport Corporation	6,800	-	6,800	-
Karachi Pipes Ltd.	20,800	416	20,800	416
Khairpur Textile Mills Ltd.	6,900	104	6,900	104
Kohinoor Cotton Mills Ltd.	33,468	324	33,468	324
Madina Textile Mills Ltd.	40,900	204	40,900	204
Mohib Textile Mills Ltd.	375,847	13,530	375,847	13,530
Northern Foundries Ltd.	95,050	1,001	95,050	1,001
Nowshera Engineering Ltd.	22,125	222	22,125	222
Ocean Industries Ltd.	2,000	-	2,000	-
Pak Chrome Ltd.	25,477	552	25,477	552
Pak Paper Corporation Ltd.	245,644	2,441	245,644	2,441
R C D Ball Bearing Ltd.	58,031	371	58,031	371
Refrigerator Manufacturing Ltd.	192,546	1,712	192,546	1,712

Delisted Companies

Sunshine Cloth Ltd.
Sun Publication Ltd.
Synthetic Chemical Ltd.
Universal Furnace Oil
LTV Capital Modaraba
Interasia Leasing Company Ltd.
Valika Wollen Mills Ltd.
Turbo Tec Ltd.
Alif Textile Mills Ltd.
Sind Alkali Ltd.
Harnai Woollen Mills Ltd.
Accord Textile Mills Ltd.
Sahrish Textile Mills Ltd.
Zahur Textile Mills Ltd.
MLC Construction
Fazal Vegetable Ghee Ltd.
Pan Islamic
Medi Glass

	(Rupees in '000)			
	2015		2014	
	Number of Shares	Book Value	Number of Shares	Book Value
103,200	1,578	103,200	1,578	
2,042	-	2,042	-	
81,500	793	81,500	793	
29,818	294	29,818	294	
-	-	458,200	2,192	
115,600	2,863	115,600	2,863	
20,094	293	20,094	293	
104,700	1,460	104,700	1,460	
10,000	119	10,000	119	
177,841	1,909	177,841	1,909	
4,900	53	4,900	53	
300,000	3,000	300,000	3,000	
62,148	109	62,148	109	
150,000	2,395	150,000	2,395	
28,700	581	28,700	581	
49,500	631	49,500	631	
133,700	1,429	-	-	
143,437	1,636	-	-	
	63,279		62,406	

Unlisted Companies/Institutions

Arabian Sea Country Club Ltd.
Baluchistan Fisheries Ltd.
Bank of Azad Jammu and Kashmir
Burj Bank Ltd. *
Burma Soap Ltd.
Industrial Development Bank of Pakistan
Innovative Housing Finance Ltd.
Mercantile Enterprises Ltd.
Mercantile Fiber Ltd.
National Construction Ltd.
Pak Emerging Venture Ltd.
People Steel Mills Ltd.
Schon Refinery Ltd.
State Bank of Pakistan
Sukkar Commercial Ltd.

	(Rupees in '000)			
	2015		2014	
	Number of Shares	Book Value	Number of Shares	Book Value
500,000	5,000	500,000	5,000	
20,000	200	20,000	200	
10	-	10	-	
8,400,000	84,000	-	-	
2,000	20	2,000	20	
78,337	8,298	78,337	8,298	
12,673	14,800	12,673	14,800	
100	1	100	1	
10,200	99	10,200	99	
1	-	1	-	
12,500,000	50,565	12,500,000	50,565	
1,998,967	19,990	1,998,967	19,990	
1,456,500	29,130	1,456,500	29,130	
29,458	3,221	29,458	3,221	
1,200	12	1,200	12	
	215,336		131,336	

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

12.4.2 Open Ended Mutual Funds

Pakistan Life Fund

Unlisted

NIT Equity Market Opportunity Fund

	(Rupees in '000)			
	2015		2014	
	Number of Units	Book Value	Number of Units	Book Value
10,179,666	594,190	10,179,666	594,190	



12.5 Holding in Subsidiary Companies

	% of Holding	Number of Shares	Net Assets	(Rupees in '000)	
				2015 Cost	2014 Cost
Alpha Insurance Company Ltd. *	94%	37,934,843	635,309	202,518	202,518
State Life (Lakie Road) Properties (Private) Ltd. **	100%	414,916	(571)	12,909	12,909
State Life (Abdullah Haroon Road) Properties (Private) Ltd. **	100%	779,500	8,600	26,182	26,182
			643,338	241,609	241,609

* Net assets as of December 31, 2015

** Net assets as of June 30, 2015

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.12.909 million (2014: Rs.12.909 million) and Rs. 26.182 million (2014: 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. (0.571) million (2014: Rs. (0.326) million) and Rs. 8.600 million (2014: Rs. 3.954 million) respectively. No provision for Rs. 31.064 million (2014: Rs. 35.464 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 the carrying amount.

12.5.1 During the year, the Board of Directors in their meeting held on March 25, 2015 decided to liquidate 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.

12.6 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 formerly Karachi Stock Exchange Limited.

12.7 Provision for Diminution in Value

	Note	Shareholders' Fund	Statutory Funds				Aggregate	
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Other fixed income securities- Certificate of Investment & Debentures	12.8	-	(7,573)	-	-	-	(7,573)	(57,573)
Listed equities (default counter)		-	(63,955)	-	-	-	(63,955)	(70,529)
Unlisted/delisted equities		-	(199,622)	-	-	-	(199,622)	(177,569)
		-	(271,150)	-	-	-	(271,150)	(305,671)

12.8 Debentures

Debentures include an amount of Rs. 6.894 million (2014: 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 (2014: Rs. 0.678 million). The Corporation had made full provision against these debentures.

12.9 Investments by Classification

	(Rupees in '000)	
	2015	2014
Held-to-Maturity		
Government securities	413,232,678	359,652,695
Other fixed income securities	7,573	87,573
	413,240,251	359,740,268
Available-for-Sale		
Other fixed income securities	852,252	846,412
Listed equity securities and mutual fund units	31,022,132	28,791,983
Unlisted equity securities and mutual fund units	872,805	787,932
	32,747,189	30,426,327
Holding in subsidiary companies	241,609	241,609
Impairment in the value of equity securities and fixed interest securities	(271,150)	(305,671)
Total Investments - Net of Provision	445,957,899	390,102,533

13 SUNDRY RECEIVABLES

Other receivables	1,787,434	904,943
Provision against other receivables	(232,968)	(232,968)
	1,554,466	671,975



14 FIXED ASSETS - TANGIBLE

(Rupees in '000)

2015	COST			DEPRECIATION/IMPAIRMENT			Written down value as at December 31, 2015	Depreciation Rate (%)	
	As at January 01, 2015	Additions/ (Disposals)	As at December 31, 2015	As at January 01, 2015	Adjustments	Charge for the year Additions/ (Disposals)			As at December 31, 2015
Furniture and fixtures	344,476	37,562 (1,833)	380,205	220,344	(1,441)	20,668	239,571	140,634	10
Office equipment	138,151	8,721 (438)	146,434	91,519	(330)	7,320	98,509	47,925	10 to 30
Computer installations - basic	621,932	48,171 (765)	669,338	480,987	(487)	74,922	555,422	113,916	30
Computer installations - peripherals	56,237	3,950 (171)	60,016	49,773	(171)	3,412	53,014	7,002	30
Vehicles	104,615	27,089 (7)	131,697	90,404	191	10,424	101,019	30,678	20
	<u>1,265,411</u>	<u>125,493 (3,214)</u>	<u>1,387,690</u>	<u>933,027</u>	<u>(2,238)</u>	<u>116,746</u>	<u>1,047,535</u>	<u>340,155</u>	

(Rupees in '000)

2014	COST			DEPRECIATION/IMPAIRMENT			Written down value as at December 31, 2014	Depreciation Rate (%)	
	As at January 01, 2014	Additions/ (Disposals)	As at December 31, 2014	As at January 01, 2014	Adjustments	Charge for the year Additions/ (Disposals)			As at December 31, 2014
Furniture and fixtures	327,455	18,488 (1,467)	344,476	202,232	(1,226)	19,339	220,344	124,132	10
Office equipment	132,594	5,353 204	138,151	84,651	(39)	6,907	91,519	46,632	10 to 30
Computer installations - basic	596,550	26,625 (1,243)	621,932	404,842	(1,237)	77,382	480,987	140,945	30
Computer installations - peripherals	53,871	2,963 (597)	56,237	46,418	(597)	3,952	49,773	6,463	30
Vehicles	104,830	786 (1,001)	104,615	80,384	(197)	10,217	90,404	14,211	20
	<u>1,215,300</u>	<u>54,215 (4,104)</u>	<u>1,265,411</u>	<u>818,527</u>	<u>(3,296)</u>	<u>117,797</u>	<u>933,027</u>	<u>332,383</u>	

14.1 Fixed Assets

(Rupees in '000)

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Furniture and Fixtures							
Cost	-	365,462	12,685	-	2,057	380,204	344,475
Accumulated depreciation	-	(230,018)	(9,317)	-	(235)	(239,570)	(220,345)
Book value	-	<u>135,444</u>	<u>3,368</u>	-	<u>1,822</u>	<u>140,634</u>	<u>124,130</u>
Office Equipment							
Cost	-	142,545	3,806	-	84	146,435	138,152
Accumulated depreciation	-	(96,023)	(2,469)	-	(18)	(98,510)	(91,518)
Book value	-	<u>46,522</u>	<u>1,337</u>	-	<u>66</u>	<u>47,925</u>	<u>46,634</u>
Computer Installations - Basic							
Cost	-	658,054	6,977	-	4,307	669,338	621,933
Accumulated depreciation	-	(545,612)	(6,673)	-	(3,137)	(555,422)	(480,988)
Book value	-	<u>112,442</u>	<u>340</u>	-	<u>1,170</u>	<u>113,916</u>	<u>140,945</u>
Computer Installations - Peripheral							
Cost	-	59,800	-	-	216	60,016	56,236
Accumulated depreciation	-	(52,798)	-	-	(216)	(53,014)	(49,773)
Book value	-	<u>7,002</u>	-	-	-	<u>7,002</u>	<u>6,463</u>
Vehicles							
Cost	-	125,916	4,901	-	880	131,697	104,614
Accumulated depreciation	-	(95,238)	(4,901)	-	(880)	(101,019)	(90,403)
Book value	-	<u>30,678</u>	-	-	-	<u>30,678</u>	<u>14,211</u>
Grand Total							
Cost	-	1,351,777	28,369	-	7,544	1,387,690	1,265,410
Accumulated depreciation	-	(1,019,689)	(23,360)	-	(4,486)	(1,047,535)	(933,027)
Book value	-	<u>332,088</u>	<u>5,009</u>	-	<u>3,058</u>	<u>340,155</u>	<u>332,383</u>

15 TAXATION

(Rupees in '000)

	2015	2014
Current	540,516	427,575
15.1 Relationship Between Tax Expense and Accounting Profit		
Profit before tax	1,588,465	1,332,682
Current year tax:		
Tax at the applicable rate @ 32% (2014: 33%)	508,406	439,785
Tax effect of capital gain being exempt	(579)	(982)
Tax effect of dividend income being taxable at lower rate	(10,095)	(11,228)
Education cess for the year	782	-
Prior year tax adjustments:	498,514	427,575
Education cess for the year	536	-
Super tax for the year 2014	41,544	-
Reversal of excess provision	(78)	-
	42,002	-
Tax expense for the year	540,516	427,575

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



16 EARNINGS PER SHARE - BASIC AND DILUTED

	(Rupees in '000)	
	2015	2014
Profit after tax	1,047,949	905,107
Weighted average number of ordinary shares	Numbers 30,000,000	12,561,644
Earnings per share - basic and diluted	Rupees 34.93	72.05

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.

17 REMUNERATION OF CHAIRMAN AND EXECUTIVE DIRECTORS

	(Rupees in '000)					
	Chairperson		Executive Directors		Aggregate	
	2015	2014	2015	2014	2015	2014
Managerial remuneration	1,352	224	2,291	3,708	3,643	3,932
House rent	547	94	916	1,483	1,463	1,577
Utilities	502	107	596	986	1,098	1,093
Other perquisites	1,589	303	2,020	4,354	3,609	4,657
	3,990	728	5,823	10,531	9,813	11,259
Number of persons	1	1	2	4	3	5

In addition to the above, chairperson and executive directors are also entitled to the Corporation maintained vehicles and mobile phone facility.

18 CASH AND CASH EQUIVALENTS

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

	(Rupees in '000)						
	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Cash in hand	-	6,266	-	-	6,266	7,070	
Cash in transit	-	39,411	-	-	39,411	34,055	
Cash at bank in:							
- Current accounts	-	12,707,915	1,384,084	43,863	14,135,862	9,505,628	
- PLS accounts	-	899,555	64,832	-	964,387	604,074	
Deposits maturing within 12 months	127	10,861,061	411,526	-	11,272,714	8,808,281	
	127	24,514,208	1,860,442	43,863	26,418,640	18,959,108	

19 RENTAL INCOME FROM INVESTMENT PROPERTIES

Rental income	-	970,511	-	-	970,511	846,726
Less: Investment property related expenses	-	(590,460)	-	-	(590,460)	(570,918)
Net rental income from investment property	-	380,051	-	-	380,051	275,808

20 MOVEMENT IN EQUITY OF STATUTORY FUND

	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
	(Rupees in '000)					
20.1 Policyholders' Liability						
Balance as at the beginning of year	419,040,338	9,455,806	210,686	192,679	428,899,509	361,869,357
Increase during the year	73,533,438	1,524,898	8,070	(76,305)	74,990,101	67,030,152
Balance at the end of year	492,573,776	10,980,704	218,756	116,374	503,889,610	428,899,509
20.2 Retained Earnings Attributable to Policyholders (Ledger Account A)						
Balance at the beginning of year	20,002,708	522,900	-	-	20,525,608	16,227,203
Surplus allocated in respect of the year	48,588,966	898,896	-	-	49,487,862	46,262,157
Bonuses allocated during the year	(47,501,492)	(489,730)	-	-	(47,991,222)	(41,963,752)
Balance at the end of year	21,090,182	932,066	-	-	22,022,248	20,525,608
20.3 Retained Earnings on Par Business Attributable to Shareholders (Distributable - Ledger Account B)						
Balance at beginning of the year	-	-	-	-	-	-
Surplus allocated in respect of the year	1,245,871	23,049	-	-	1,268,920	1,186,210
Transfer to distributable profits	(1,245,871)	(23,049)	-	-	(1,268,920)	(1,186,210)
Balance at the end of year	-	-	-	-	-	-
20.4 Retained Earnings on Par Business Attributable to Shareholders (Distributable - Ledger Account C)						
Balance as at beginning of the year	-	-	-	-	-	-
Transfer from undistributable profit	1,245,871	23,049	-	-	1,268,920	1,186,210
Surplus appropriated to shareholders' fund	(1,245,871)	(23,049)	-	-	(1,268,920)	(1,186,210)
Balance at end of the year	-	-	-	-	-	-
20.5 Retained Earnings on Other Than Participating Business (Ledger Account D)						
Balance at the beginning of year	-	-	61,163	539,106	600,269	511,210
Surplus allocated in respect of the year	-	-	18,448	145,101	163,549	89,059
Bonuses allocated during the year	-	-	-	-	-	-
Balance at the end of year	-	-	79,611	684,207	763,818	600,269



21 POLICYHOLDERS' LIABILITIES

	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
					(Rupees in '000)	
Gross of Reinsurance						
Actuarial liability relating to future events	485,150,606	11,082,099	218,756	116,374	496,567,835	421,894,928
Provision for outstanding reported claims payable over a period exceeding 12 months	3,193,581	7,490	-	-	3,201,071	2,776,188
Provision for incurred but not reported (IBNR) claims	4,615,358	26,314	-	-	4,641,672	4,673,535
	<u>492,959,545</u>	<u>11,115,903</u>	<u>218,756</u>	<u>116,374</u>	<u>504,410,578</u>	<u>429,344,651</u>
Net of Reinsurance						
Actuarial liability relating to future events	484,764,837	10,946,900	218,756	116,374	496,046,867	421,449,786
Provision for outstanding reported claims payable over a period exceeding 12 months	3,193,581	7,490	-	-	3,201,071	2,776,188
Provision for incurred but not reported (IBNR) claims	4,615,358	26,314	-	-	4,641,672	4,673,535
	<u>492,573,776</u>	<u>10,980,704</u>	<u>218,756</u>	<u>116,374</u>	<u>503,889,610</u>	<u>428,899,509</u>

22 BRANCH OVERHEADS

	Statutory Funds				Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
					(Rupees in '000)	
Salaries	926,793	11,070	-	-	937,863	770,589
Traveling expenses	293,715	377	-	-	294,092	384,175
Printing and stationeries	10,503	-	-	-	10,503	20,327
Medical expenses	39,576	1,308	-	-	40,884	38,390
Pension	79,491	-	-	-	79,491	67,211
Group insurance contribution	6,795	-	-	-	6,795	6,673
Postage and telegram	23,200	559	-	-	23,759	27,100
Utilities	15,897	-	-	-	15,897	16,560
Rent	26,124	13,020	-	-	39,144	37,766
Prize and awards	8,851	72	-	-	8,923	7,394
Conference and meetings	25,563	629	-	-	26,192	31,592
Repairs and maintenance	2,578	-	-	-	2,578	2,363
Incentive bonuses	417,273	1,938	-	-	419,211	422,852
Persistency bonuses	27,376	-	-	-	27,376	29,410
Overriding commission of area manager	-	35,754	-	-	35,754	45,951
	<u>1,903,735</u>	<u>64,727</u>	<u>-</u>	<u>-</u>	<u>1,968,462</u>	<u>1,908,353</u>

23 AUDITORS' REMUNERATION

	(Rupees in '000)	
	2015	2014
Business within Pakistan		
Audit Fee		
BDO Ebrahim & Co.	1,049	1,089
Riaz Ahmad & Company	1,049	1,040
	<u>2,098</u>	<u>2,129</u>
Out of Pocket Expenses		
BDO Ebrahim & Co.	500	200
Riaz Ahmad & Company	550	200
	<u>1,050</u>	<u>400</u>
	<u>3,148</u>	<u>2,529</u>
Business Outside Pakistan		
Audit Fee		
Nabeel Al-Saie Public Accountants	1,187	1,187
Out of Pocket Expenses	206	297
	<u>1,393</u>	<u>1,484</u>
	<u>4,541</u>	<u>4,013</u>

24 INVESTMENT INCOME/(EXPENSE) - OTHERS

An amount of Rs. 449.027 million (2014: Rs. (409.784) million) appearing under Overseas Life Fund represents the resultant effect of translation of income, expenses, assets and liabilities of overseas operations business to Pakistan Rupees.

25 PROVISION FOR IMPAIRMENT IN SHARES

This includes provision against investments in shares of certain companies in default counter and unlisted companies.

26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Financial Risk Management, Objectives & 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.

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



26.2.1 Interest Rate Risk

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

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

Interest Rate Risk Exposures from Options and Guarantees Embedded in Insurance Liabilities

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

26.2.2

Note	Effective yield/ Markup rate	2015						Non-interest bearing financial instruments	Total		
		Exposed to yield/interest rate risk									
		Maturity up to 1 year	Maturity from 1 to 2 year	Maturity from 2 to 3 year	Maturity from 3 to 4 year	Maturity from 4 to 5 year	Over 5 year			Sub total	
(Rupees in '000)											
Financial Assets											
Fixed Rate Instruments											
Cash & others	-	-	-	-	-	-	-	45,677	45,677		
Current & other Accounts	9	-	-	-	-	-	-	15,100,249	15,100,249		
Deposits		4.20% to 8.60%	11,272,714	1,204,842	-	-	-	12,477,556	12,477,556		
Loans Secured Against Life Insurance Policies	10	12.50%	11,482,303	3,228,590	2,972,840	2,553,226	5,980,665	24,455,629	50,673,253		
Loan secured against other Assets		6.00%-10.00%	60,057	53,527	52,222	50,917	44,390	261,113	261,113		
Unsecured Loans		-	-	-	-	-	-	289,319	289,319		
Investments	12	6.75% to 13.75%	57,152,721	82,936,671	83,906,256	77,751,874	47,947,116	63,538,040	413,232,678		
Premiums due but not Paid		-	-	-	-	-	-	14,480,527	14,480,527		
Amount due from other insurers/reinsurers		-	-	-	-	-	-	263,769	263,769		
Agents balances		-	-	-	-	-	-	208	208		
Investment income due but outstanding		-	-	-	-	-	-	451,686	451,686		
Investment Income Accrued		-	-	-	-	-	-	22,545,278	22,545,278		
Sundry Receivables	13	-	-	-	-	-	-	1,554,466	1,554,466		
Other Current Assets		-	-	-	-	-	-	46,440	46,440		
Total Financial Assets			79,967,795	87,423,630	86,931,318	80,356,017	53,972,171	87,993,669	476,644,600	87,502,840	564,147,440
Financial Liabilities											
Fixed rate instruments											
Balance of Statutory Funds		-	-	-	-	-	-	526,675,676	526,675,676		
Outstanding Claims	6	-	-	-	-	-	-	17,868,963	17,868,963		
Amount Due to other Insurers/Reinsurers		-	-	-	-	-	-	181,436	181,436		
Amount due to agents		-	-	-	-	-	-	4,414,342	4,414,342		
Accrued expenses		-	-	-	-	-	-	2,749,194	2,749,194		
Others Creditors and Accruals		-	-	-	-	-	-	4,505,552	4,505,552		
Total Financial Liabilities								556,395,163	556,395,163		
On Balance sheet gap			79,967,795	87,423,630	86,931,318	80,356,017	53,972,171	87,993,669	476,644,600	(468,892,323)	(7,752,277)



Note	Effective yield/Markup rate	2014							Non-interest bearing financial instruments	Total	
		Exposed to yield/interest rate risk									
		Maturity up to one year	Maturity from 1 to 2 year	Maturity from 2 to 3 year	Maturity from 3 to 4 year	Maturity from 4 to 5 year	Over 5 year	Sub total			
(Rupees in '000)											
Financial Assets											
Fixed Rate Instruments											
Cash & others	-	-	-	-	-	-	-	-	41,125	41,125	
Current & other Accounts	9	-	-	-	-	-	-	-	10,109,702	10,109,702	
Deposits	5.00% to 10.00%	8,808,282	1,301,594	-	-	-	-	-	10,109,876	10,109,876	
Loans Secured Against Life Insurance Policies	10	12.50%	9,381,574	2,637,958	2,428,995	2,086,144	4,886,574	19,881,946	41,303,191	41,303,191	
Loan secured against other Assets		6.00%-10.00%	60,385	53,820	52,507	51,195	44,633	-	262,540	262,540	
Unsecured Loans		-	-	-	-	-	-	-	161,791	161,791	
Investments	12	8.00% to 13.75%	23,027,180	78,113,831	51,856,458	65,613,634	39,605,024	95,349,658	353,565,785	29,458,281	383,024,066
Premiums due but not Paid		-	-	-	-	-	-	-	13,897,898	13,897,898	
Amount due from other insurers/reinsurers		-	-	-	-	-	-	-	266,268	266,268	
Agents balances		-	-	-	-	-	-	-	208	208	
Investment income due but outstanding		-	-	-	-	-	-	-	472,774	472,774	
Investment Income Accrued		-	-	-	-	-	-	-	20,304,939	20,304,939	
Sundry Receivables	13	-	-	-	-	-	-	-	671,975	671,975	
Other Current Assets		-	-	-	-	-	-	-	35,053	35,053	
Total Financial Assets			<u>41,277,421</u>	<u>82,107,203</u>	<u>54,337,960</u>	<u>67,750,973</u>	<u>44,536,231</u>	<u>115,231,604</u>	<u>405,241,392</u>	<u>75,420,014</u>	<u>480,661,406</u>
Financial Liabilities											
Fixed rate instruments											
Balance of Statutory Funds		-	-	-	-	-	-	-	450,025,386	450,025,386	
Outstanding Claims	6	-	-	-	-	-	-	-	16,060,302	16,060,302	
Amount Due to other Insurers/Reinsurers		-	-	-	-	-	-	-	153,145	153,145	
Amount due to agents		-	-	-	-	-	-	-	4,381,454	4,381,454	
Accrued expenses		-	-	-	-	-	-	-	2,736,080	2,736,080	
Others Creditors and Accruals		-	-	-	-	-	-	-	8,074,417	8,074,417	
Total Financial Liabilities									<u>481,430,784</u>	<u>481,430,784</u>	
On Balance sheet gap			<u>41,277,421</u>	<u>82,107,203</u>	<u>54,337,960</u>	<u>67,750,973</u>	<u>44,536,231</u>	<u>115,231,604</u>	<u>405,241,392</u>	<u>(406,010,770)</u>	<u>(769,378)</u>

26.2.3 Currency Risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. This risk arises if there is a currency mismatch between the assets and liabilities.

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

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

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

	2015		2014	
	UAE Dirhams	US Dollars	UAE Dirhams	US Dollars
Assets	144,014,598	143,585,289	98,597,488	128,820,398
Liabilities	58,581,145	37,317,962	10,956,107	52,938,166
Reserves	85,433,453	106,267,327	87,641,381	75,882,232

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)	
		2015	2014
Bank deposits	9	27,577,805	20,219,578
Loans		51,223,685	41,727,522
Investments	12	32,725,221	30,449,838
Premium due but unpaid		14,480,527	13,897,898
Amount due from other insurers/reinsurers		263,769	266,268
Agents balances		208	208
Investment income due but outstanding		451,686	472,774
Accrued investment income		22,545,278	20,304,939
Sundry receivables	13	1,554,466	671,975
Others		46,440	35,053
Total		150,869,085	128,046,053

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)	
	2015	2014
The Age Analysis of Premium Due but Unpaid:		
Up to 1 year	14,480,527	13,897,898
	14,480,527	13,897,898

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

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

Bank	Rating		Rating Agency	(Rupees in '000)	
	Long Term	Short Term		2015	2014
	Askari Commercial Bank Limited	AA		A1+	PACRA
Bank Alfalah Limited	AA	A1+	PACRA	2,835	519,481
MCB Bank Limited	AAA	A1+	PACRA	722,455	96
Samba Bank Limited	AA-	A-1	JCR-VIS	203,788	700,935
Habib Bank Limited	AAA	A-1+	JCR-VIS	8,085,024	4,491,741
National Bank of Pakistan	AAA	A-1+	JCR-VIS	3,314	1
United Bank Limited	AA+	A-1+	JCR-VIS	16,265,814	11,340,551
The Bank of Punjab	AA-	A1+	PACRA	-	20
Habib Metropolitan Bank Limited	AA+	A1+	PACRA	1	1
Al Baraka Bank (Pakistan) Limited	A	A1	JCR-VIS	-	2
Allied Bank of Pakistan	AA+	A1+	PACRA	113,247	663,208
First Women Bank Limited	BBB+	A-2	PACRA	2,628	1,817
Faysal Bank Limited	AA	A1+	PACRA	7	600,115
Summit Bank Limited	A	A-1	JCR-VIS	6,023	1
Sindh Bank Limited	AA	A-1+	JCR-VIS	1	600,000
Standard Chartered Bank Limited	AAA	A1+	PACRA	100	-
ABN Amro Bank	A2	P-1	MOODY'S	271,265	-
Emirates National Bank Dubai	BAA1	P-2	MOODY'S	27,705	-
Al Ahli Bank Kuwait	A2	P-1	MOODY'S	64,832	-
NIB Bank Limited	AA-	A1+	PACRA	604,672	-
Others	-	-	-	1,204,094	1,301,595
				27,577,805	20,219,578

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)	
	2015	2014
Amount Due From Other Insurers/Reinsurers		
A or above	263,769	266,268

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:

	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	2015	2014
Debt Securities							
Available for Sale							
Listed Securities	-	-	852,252	-	-	852,252	846,412
Held to Maturity							
Listed Securities	-	-	-	-	-	-	-
Unlisted Securities	3,376,858	401,656,418	7,144,556	269,292	785,554	413,232,678	359,652,695
Equity Securities							
Available for Sale							
Listed Securities	-	31,022,132	-	-	-	31,022,132	28,721,451
Unlisted Securities	-	872,805	-	-	-	872,805	851,972
Loans & Receivables							
Loans	537,967	49,767,460	918,258	-	-	51,223,685	41,727,522
Reinsurance Assets							
	-	263,769	-	-	-	263,769	266,268
Cash & Bank Deposits	127	24,515,918	3,063,574	-	43,863	27,623,482	20,260,703
Other Assets	708,205	45,190,553	629,002	67,680	140,484	46,735,924	44,332,674
Total Assets	<u>4,623,157</u>	<u>553,289,055</u>	<u>12,607,642</u>	<u>336,972</u>	<u>969,901</u>	<u>571,826,727</u>	<u>496,659,700</u>
Liabilities							
Fixed Term	-	474,940,739	10,751,203	-	-	485,691,942	410,759,528
Whole of Life	-	5,083,340	175,239	-	-	5,258,579	4,889,230
Short Term Insurance Contracts	-	6,335,348	-	-	-	6,335,348	7,066,843
Riders	-	6,110,837	54,263	-	-	6,165,100	5,681,341
Annuities	-	103,512	-	-	-	103,512	99,201
Granted Investment Contracts	-	-	-	218,756	-	218,756	210,686
Accident and Health Contracts	-	-	-	-	116,374	116,374	192,679
Others	4,623,158	60,715,279	1,626,937	118,215	853,527	67,937,116	67,790,192
TOTAL	<u>4,623,158</u>	<u>553,289,055</u>	<u>12,607,642</u>	<u>336,971</u>	<u>969,901</u>	<u>571,826,727</u>	<u>496,689,700</u>

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)			
	2015			
	Carrying Amount	Contractual Cash Flow	Up to 1 year	More than 1 year
Financial Liabilities				
Amounts due to other insurers/reinsurers	181,436	181,436	181,436	-
Amount due to agents	4,414,342	4,414,342	4,414,342	-
Accrued expenses	2,749,194	2,749,194	2,749,194	-
Others	4,505,552	4,505,552	4,505,552	-
	11,850,524	11,850,524	11,850,524	-

	(Rupees in '000)			
	2014			
	Carrying Amount	Contractual Cash Flow	Up to 1 year	More than 1 year
Financial Liabilities				
Amounts due to other insurers/reinsurers	153,145	153,145	153,145	-
Amount due to agents	4,381,454	4,381,454	4,381,454	-
Accrued expenses	2,736,080	2,736,080	2,736,080	-
Others	8,074,417	8,074,417	8,074,417	-
	15,345,096	15,345,096	15,345,096	-

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)	
	2015	
	Carrying value	Fair value
Government Securities	413,232,678	461,963,669
Other Fixed Income Securities	859,825	936,062
Listed Equity Securities	31,022,132	90,723,105

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.

In the year 2014, the Corporation has increased its authorized capital and paid up capital from Rs. 1,500 million to Rs. 4,000 million and Rs. 1,100 million to Rs. 3,000 million respectively.

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)	
	2015	2014
	Accumulated Surplus	1,047,949
Reserve for takaful window operation	181,022	-
Issued, Subscribed and Paid-up Capital	3,000,000	3,000,000
Shareholders' Equity	4,228,971	3,840,308

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, Individual Universal Life 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's business consists of Individual Life Conventional policies. Most of the remaining business consists of Group Life Insurance business. Individual Universal Life business and Pension Fund business are relatively less significant classes of business in terms of weight of their policy liabilities. Groups Health is relatively a new venture of the Corporation 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 & 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 policyholder survived in the duration of the policy. The Corporation sells both level term insurance and decreasing term insurance also known as mortgage protection plans.



Annuities

The Corporation also has a small number of individual and group 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 is payable for a stipulated period and are 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 under nearly 900 area offices, more than 1200 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 policyholders 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 policy holders 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 has entered the Health Insurance Market by signing an agreement with the Benazir Income Support Programme (BISP) authorities for providing health insurance to beneficiaries enrolled under BISP Waseela-e-Sehat Programme. This contract terminated on 30th June, 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 upon 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 reinsurer is not under an obligation to reinsure certain high sum assured cases which exceed the obligatory limit of the reinsurer as specified in the respective treaty. Such cases are reinsured by the Corporation on a facultative basis.

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

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

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

The Corporation assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, the Corporation's all reinsurance assets are due from reinsurers 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 long term nature of its individual life policies, the Corporation is exposed to the risk of adverse fluctuation of 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 expense 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 services.

28.8.1.3 Mortality Risk

The mortality used in the reserving basis is the mortality prescribed by the SECP, which is the SLIC 2001-05 table. Due to advances in health care technology the current mortality levels are significantly 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 is 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 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 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 up to 10% on the net assets to the revenue account will be as follows:

	UAE Dirhams	US Dollars
December 31, 2015		
10% increase	243,827,075	588,869,199
10% decrease	(243,827,075)	(588,869,199)
December 31, 2014		
10% increase	250,128,501	763,375,254
10% decrease	(250,128,501)	(763,375,254)

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 substandard impaired lives accumulating on its policy portfolio, since extra premium is automatically charged is commensurate with such risk.

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

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%	0.15%
Decrease in mortality	10%	-0.15%
Increase in discount rate	0.5% addition in rate	-4.46%
Decrease in discount rate	0.5% reduction in rate	4.73%

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, 2015.

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

	As at December 31, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash & Bank Deposits	27,577,805	27,577,805	20,219,578	20,219,578
Loan to employees	51,223,685	51,223,685	41,727,522	41,727,522
Investments				
Available-for-sale				
Other fixed income securities	852,252	928,489	846,412	930,909
Listed equity securities & mutual fund units	31,022,132	90,723,105	28,791,983	95,598,226
Unlisted equity securities & mutual fund units	872,805	673,183	787,932	610,363
Held-to-maturity				
Government securities	413,232,678	461,963,669	359,652,695	386,176,039
Other fixed income securities	7,573	-	87,573	145,146
Holding in subsidiary companies	241,609	241,609	241,609	241,609
Less: Provision for diminution in value	(271,150)	-	(305,671)	-
	445,957,899	554,530,055	390,102,533	483,702,292
Other receivable - excluding taxation	40,300,739	40,300,739	38,411,349	38,411,349
Financial Liabilities				
Balance of statutory funds - including policyholder's liabilities	526,675,676	526,675,676	450,025,386	450,025,386
Staff retirement benefits	2,959,600	2,959,600	2,464,753	2,464,753
Creditors and accruals	37,416,916	37,416,916	37,981,296	37,981,296

29.2 Fair Value Hierarchy

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

Financial assets and financial 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 financial instruments 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, 2015	Level 1	Level 2	Level 3
Financial Assets Measured at Fair Value				
Investments at fair value - available-for-sale				
Other fixed income securities	852,252	-	852,252	-
Listed equity securities and mutual fund units	30,958,177	30,958,177	-	-
Unlisted equity securities and mutual fund units	673,183	-	673,183	-
Holding in subsidiary companies	241,609	-	-	241,609
Investments at fair value - held-to-maturity				
Government securities	413,232,678	-	413,232,678	-
	445,957,899	30,958,177	414,758,113	241,609

	(Rupees in '000)			
	As at December 31, 2014	Level 1	Level 2	Level 3
Financial Assets Measured at Fair Value				
Investments at fair value - available-for-sale				
Other fixed income securities	846,412	-	846,412	-
Listed equity securities and mutual fund units	28,721,454	28,721,454	-	-
Unlisted equity securities and mutual fund units	610,363	-	610,363	-
Holding in subsidiary companies	241,609	-	-	241,609
Investments at fair value - held-to-maturity				
Government securities	359,652,695	-	359,652,695	-
	390,072,533	28,721,454	361,109,470	241,609

29.3 Transfers During The Period

During the year to December 31, 2015:

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

Investments at Fair Value Through Profit or Loss - Held for Trading

For level 2 investments at fair value through profit or loss - held for trading, the Fund uses the closing market price as per MUFAP, in respect of T bills and PIBs, and as per rates derived from PKRV rates, in respect of Government securities, at reporting date per certificates multiplied by the number of certificates held.



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 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	
	2015	2014
Profit Oriented State - Controlled Entities - Common Ownership		
Premiums	-	2,535,013
Claims	-	1,886,983
Profit Commission	-	61,077
Fixed Deposits	-	-
Investment in Shares - State Bank of Pakistan	3,221	3,221
Subsidiaries		
Rental Income Received	7,442	4,292
Staff Retirement Fund		
Contribution to Provident Fund	7,912	7,890
Contribution Made Directly by Corporation to Pension Fund	596,988	552,127
Contribution to funded gratuity	36,694	9,597
Expense charged for pension fund	567,350	496,593
Transactions with Associated Companies		
Bonus Shares Allotted:		
Security Papers Limited	42	-
Premier Insurance Company Limited	492	-
Dividend Received During the Year		
Pakistan Reinsurance Company Limited	183,081	183,081
Transactions with Related Parties - Common Directorship		
Investment in Units :		
National Islamic Equity Trust	200,000	-

(Rupees in '000)

Aggregate

2015 2014

Balances with related parties - common directorship

Investment in Shares:

Fauji Fertilizer Company Ltd.	2,504,433	2,504,433
Sui Southern Gas Company Ltd.	552,256	552,256
Sui Northern Gas Pipelines Company Ltd.	210,932	210,932
Thatta Cement Company Ltd.	138,375	138,375
Alpha Insurance Company Ltd.	202,518	202,518
International Industries Ltd.	11,399	11,399
Pak Cables Ltd.	4,521	4,521
Hub Power Ltd.	-	793,164
Orix Leasing Ltd.	69,257	69,257
Security Papers Ltd.	4,894	4,894
Shahtaj Sugar Mills Ltd.	6,698	6,698
Pak Data Communication Ltd.	13,202	13,202
Premier Insurance Company Ltd.	396	396
Pakistan Reinsurance Company Ltd.	2,400	2,400
Arabian Sea Country Club Ltd.	5,000	5,000
PKIC Insurance Ltd.	38,982	38,982
Nina Industries Ltd.	20,020	20,020
State Life Abdullah Haroon Road Property (Pvt) Ltd. (Subsidiary Co.)	26,182	26,182
State Life Lackie Road Property (Pvt) Ltd. (Subsidiary Co.)	12,910	12,910

32 SUBSEQUENT EVENT - NON-ADJUSTING

The Board of Directors of the Corporation in their meeting held on 24 May, 2016 declared dividend of Rs. 897.044 million (2014: 564.180 million) which do not include dividend pertaining to shareholders covered under the BESOS Trust amounting to Rs. 46.11 million (2014: 95.106 million).

These financial statements for the year ended December 31, 2015 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2016.

33 NUMBER OF EMPLOYEES

The number of employees as at December 31 are:

	4,167	4,244
Permanent employees	1,061	1,019
Area managers	5,228	5,263

34 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on 24 May, 2016 by the Board of Directors of the Corporation.

Ms. Nargis Ghaloo
Chairperson

Shafqaat Ahmed
Director

Dr. Aliya Hashmi Khan
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, 2015 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.


 Ms. Nargis Ghaloo
 Chairperson


 Shafqaat Ahmed
 Director


 Dr. Aliya Hashmi Khan
 Director


 Muhammad Rashid
 Chief Financial Officer



PROGRESS AT A GLANCE SINCE INCEPTION

(Rs. in Million)

	1975	1978	1980	1983	1985	1990	1993	1996	1997	1998	1999	2000	2001
First Year Premium (Net)	50	80	110	228	341	846	918	1,698	1,490	1,306	1,275	1,041	1,124
Renewal Premium (Net)	244	305	365	606	847	2,267	3,284	4,694	4,364	4,413	4,312	4,538	4,565
Group Premium (Net)	61	114	164	294	347	642	930	1,266	1,413	1,244	1,251	1,102	1,249
Pension Premium	-	-	-	-	-	-	-	-	-	-	-	-	7
Health & Accidental Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Premium (Net)	354	500	638	1,128	1,535	3,755	5,132	7,658	7,266	6,964	6,838	6,681	6,945
Investment Income	122	221	279	562	767	1,906	3,675	5,984	5,901	5,996	8,406	7,873	8,492
Total Income	504	727	920	1,690	2,307	5,674	8,814	13,650	13,177	12,976	15,286	14,592	15,436
Total Outgo	307	427	593	1,005	1,342	2,877	4,138	7,355	7,477	8,451	8,060	8,745	8,342
Life Fund	1,735	2,494	3,111	4,660	6,422	16,321	28,333	45,582	51,010	55,460	62,484	68,127	75,343
Yield on Life Fund (%)	8	10	10	14	14	14	15	15	13	12	15	13	13
Overall Expense Ratio (%)	33	31	34	34	36	35	34	43	43	54	46	54	40
Renewal Expense Ratio(%)	27	26	30	28	25	22	26	35	39	56	45	57	37
Investment Portfolio	1,766	2,512	3,155	4,691	6,367	15,980	27,601	43,084	48,289	54,017	59,933	64,829	74,029
Policy Benefits (Net)	191	271	375	596	796	1,565	2,391	4,097	4,341	4,715	4,904	5,136	5,572
No. of Policies in Force (Individual Life)	379,083	397,158	413,231	489,366	599,423	1,297,879	1,681,946	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	4,308,986	4,250,232	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)	17,952	30,055	45,847	62,277	77,542	145,626	311,306	440,762	489,772	539,751	656,776	499,136	506,245

(Rs. in Million)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Restated	2013	2014	2015	Annual Compound Growth Rates (1973-2015)
First Year Premium (Net)	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	15%
Renewal Premium (Net)	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	15%
Group Premium (Net)	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	12%
Pension Premium	8	13	15	12	14	14	11	23	29	33	54	20	10	49	15%
Health & Accidental Premium	-	-	-	-	-	-	-	-	-	-	70	104	85	38	-18%
Total Premium (Net)	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	14%
Investment Income	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	18%
Total Income	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	15%
Total Outgo	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	14%
Life Fund	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	15%
Yield on Life Fund (%)	15	12	14	12	12	13	12	12	14	13	14	16	13	13	-
Overall Expense Ratio (%)	38	39	41	36	41	33	35	41	40	39	41	38	31	33	-
Renewal Expense Ratio(%)	34	35	34	28	34	9	11	19	18	17	16	17	13	16	-
Investment Portfolio	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	15%
Policy Benefits (Net)	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	14%
No. of Policies in Force (Individual Life)	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	7%
No. of Lives Covered (Group Life)	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	-
Total Business in Force (Sum Assured and Bonuses)	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	15%



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

Karachi South

State Life Building # 2, 11th floor,
Wallace Road, Karachi.
Tel: 021-99217023-24

Karachi Central

State Life Building # 11, 7th floor,
Abdullah Haroon Road, Opp.
Zainab Market, Saddar, Karachi.
Tel: 021-99205123-24

Karachi Eastern

Bungalow # 11, Block 7 & 8
Fine House Stop,
Sharah-e-Faisal, Karachi.
Tel: 021-34520810, 34536881

Quetta

2nd Floor, PIA Building, Hali Road.
Tel: 081-9201520, 30

Regional Office (Hyderabad)

State Life Building, 3rd Floor,
R. C. Sectt., Thandi Sarak,
Hyderabad.
Tel: 022-9200352, 9201482

Hyderabad

State Life Building, 5th Floor,
Thandi Sarak.
Tel: 022-9200622, 352

Sukkur

State Life Building, Minara Road.
Tel: 071-9310501-525

Mirpurkhas

State Life Building, M. A. Jinnah
Road, Near D. C. Office.
Tel: 0233-9290205

Larkana

State Life Building, Qaim Shah
Bukhari Road.
Tel: 074-9410800-01

Benazirabad

Banglow # A-49, Housing Society,
Nawab Shah.
Tel: 0244-9370571-572

Gulf

P. O. Box # 11276, Dubai, U. A. E.
Tel: 0097142729061
Fax: 0097142729051

Regional Office (Central)

Ground Floor, 15-A, Davis Road,
Lahore.
Tel: 042-99205121-22

Lahore Central

State Life Square, 4-Lytton Road,
Lahore.
Tel: 042-99210269-70

Lahore Western

State Life Square,
4-Lytton Road, Lahore.
Tel: 042-99211711-642

Gujranwala

Opp, Quaid-e-Azam Divisional
Public School, G. T. Road.
Tel: 055-9200282-285

Sialkot

Siddique Plaza, Paris Road.
Tel: 052-9250101-111

Narawal

Circular Road, Jassar Bypass.
Tel: 0542-920060

Regional Office (Faisalabad)

State Life Building # 2,
Liaquat Road.
Tel: 041-9201482-83

Faisalabad

State Life Building # 2, 10th Floor,
Liaquat Road.
Tel: 041-9200390, 636

Sargodha

40-C, Green Plaza, College Road.
Tel: 048-9230311-319

Jhang

New District Courts, Civil Lines,
Jhang Saddar.
Tel: 047-9200390

Real Estate (Division)

State Life Building # 9, 5th Floor,
Ziauddin A. Road, Karachi.
Tel: 021-99202816

Real Estate (Islamabad)

State Life Building # 5, 33-E,
Blue Area, Jinnah Avenue,
Islamabad.
Tel: 051-9203347

Real Estate (Lahore)

State Life Building, 15-A, Davis
Road, Lahore.
Tel: 042-99200396

Regional Office (North)

State Life Building # 9, 33-E, 4th
Floor, Blue Area, Islamabad.
Tel: 051-9204935-47

Rawalpindi

State Life Building # 1,
The Mall, Saddar, Rawalpindi.
Tel: 051-9271351-52

Mirpur (AK)

Barry Mian Plaza,
Sector F-1, Kotli Road.
Tel: 05827-927455-465

Islamabad

State Life Building # 9, 4th Floor,
33-E, Blue Area.
Tel: 051-9205329-6162

Gujrat

State Life Building, 5th Floor,
G. T. Road.
Tel: 053-3860242-252

Jhelum

Ch. Ghulam Ahmed
Plaza # 1, G. T. Road, Jada Jhelum.
Tel: 0544-274094-274092

Gilgit

Jubilee Market, Gujrat.
Tel: 05811-50283

Regional Office (KPK)

State Life Building, 2nd Floor,
34-The Mall, Peshawar Cantt.
Tel: 091-9210918-19

Peshawar

State Life Building, 3rd Floor,
34-The Mall, Peshawar Cantt.
Tel: 091-9212314-312

Abbottabad

Mir Alam Plaza,
P. O. Jhangji, Mansehra Road.
Tel: 0992-9310353-384

Swat

State Life, Royal Campus,
Saidu Sharif.
Tel: 0946-714042

Kohat

Khan Baad Plaza,
Bannu Road, Kohat.
Tel: 0992-512911

Health & Accident Ins. (Div.)

State Life Building # 9, 6th Floor,
Ziauddin A. Road, Karachi.
Tel: 021-99204941

Regional Office (Multan)

4th Floor, State Life Building,
Chowk Nawan Shaher,
Abdali Road.
Tel: 061-9200670-770

Multan

State Life Building, 3rd Floor,
Chowk Nawan Shaher,
Abdali Road.
Tel: 061-9200676-801

Sahiwal

Room # 35, 2nd Floor,
Sattar Complex, Stadium Road.
Tel: 040-9200022-23

Rahim Yar Khan

3rd Floor Iqbal Complex,
Model Town.
Tel: 068-9230027-34

Dera Ghazi Khan

1st Floor, Dubai Trade Center,
Jampur Road.
Tel: 064-2470612-9239130

Bahawalpur

Barq Poly Complex, 1st, 2nd
Floor, Ahmed Pur Road.
Tel: 062-9255171-72

Vehari

ZTBL Building-V, Chowk Vehari.
Tel: 067-9201131-32

G&P (Division)

State Life Building # 9, 7th Floor,
Ziauddin A. Road, Karachi.
Tel: 021-99202890

G&P Peshawar

State Life Building,
34-The Mall, Peshawar.
Tel: 091-9211596

G&P Karachi

State Life Building # 2, Wallace
Road, Karachi.
Tel: 021-99217060-97

G&P Lahore

State Life Building 15-A, Davis
Road, Lahore.
Tel: 042-99200355-58

G&P Rawalpindi

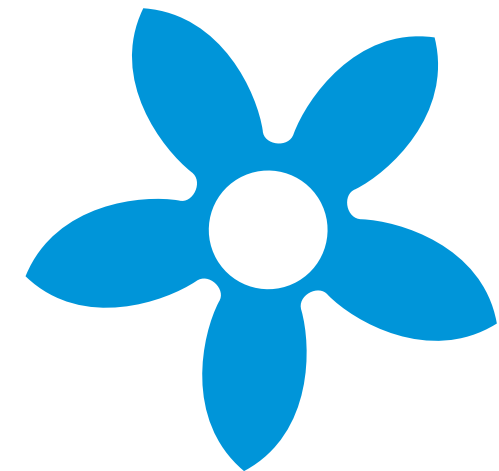
State Life Building # 8,
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