

# For You, Always & Forever



44th Annual Report 2016

For You, Always & Forever



**STATE LIFE**  
INSURANCE CORPORATION OF PAKISTAN  
State Life Insurance Corporation Of Pakistan  
Principal Office State Life Building No. 9,  
Dr. Ziauddin Ahmed Road, Karachi-75530  
PABX No 021-99202800-9 Lines



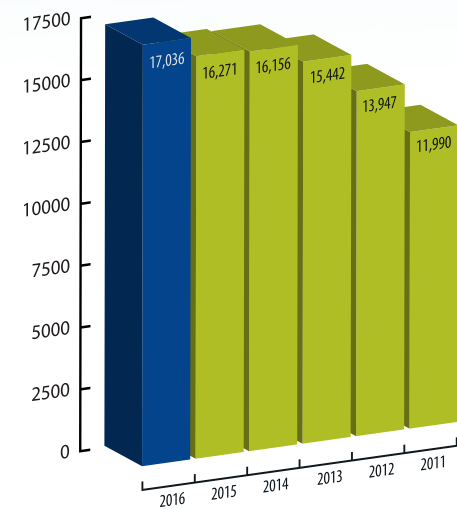
**STATE LIFE**  
INSURANCE CORPORATION OF PAKISTAN



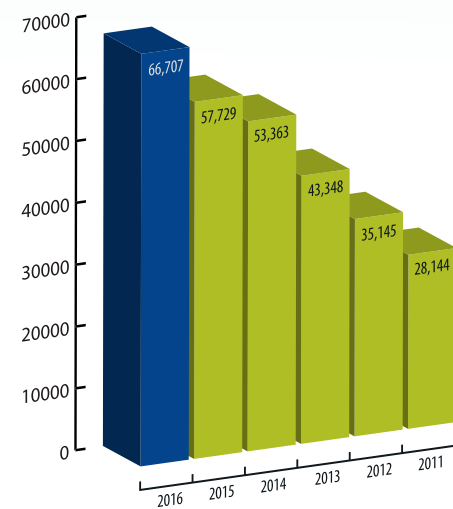
They say life begins when you get married. It is true, because this is when we realize what responsibilities are. Responsibility of having a family, the commitment towards them and living up to the trust they have in us. This is why we choose State Life. It's stability and promise to secure our future makes our lives feel simpler.

## FINANCIAL HIGHLIGHTS

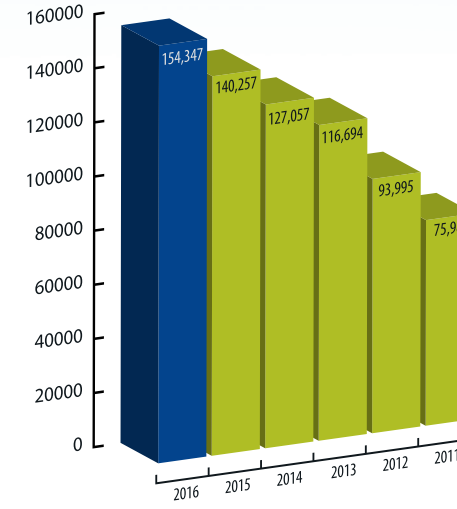
First Year Premium (Rs. in Million)



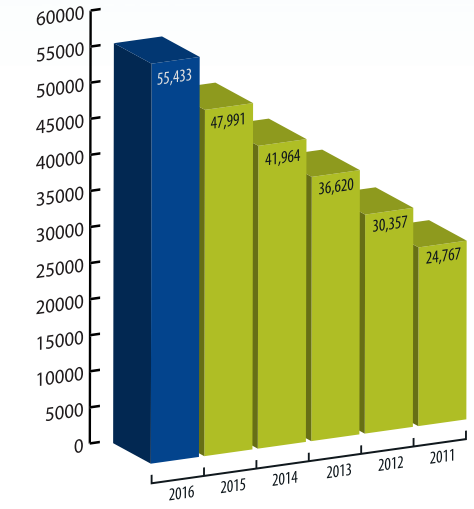
Renewal Premium (Rs. in Million)



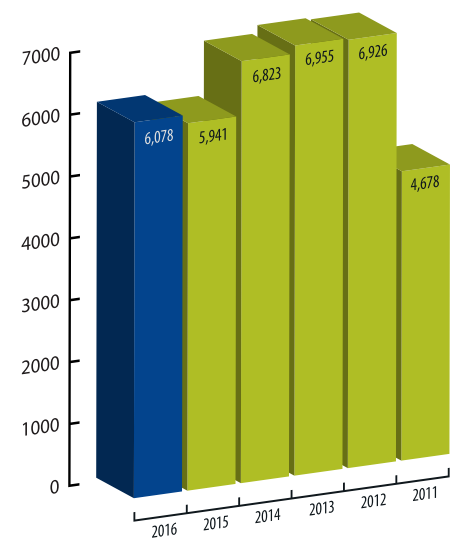
Total Income (Rs. in Million)



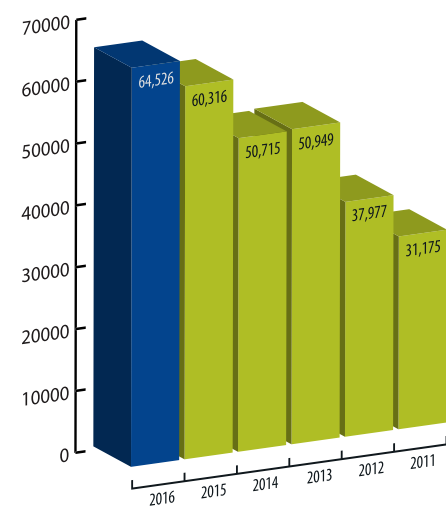
Bonus to Policy Holders (Rs. in Million)



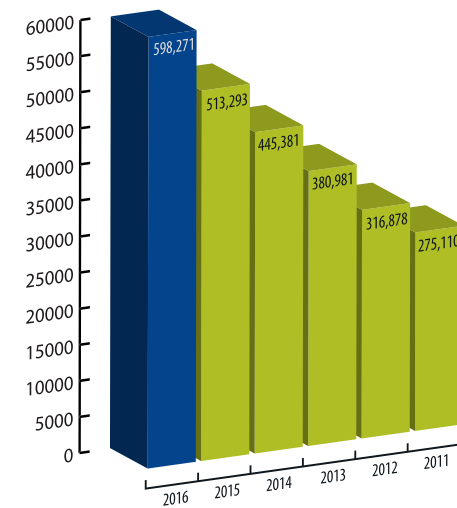
Group Premium (Rs. in Million)



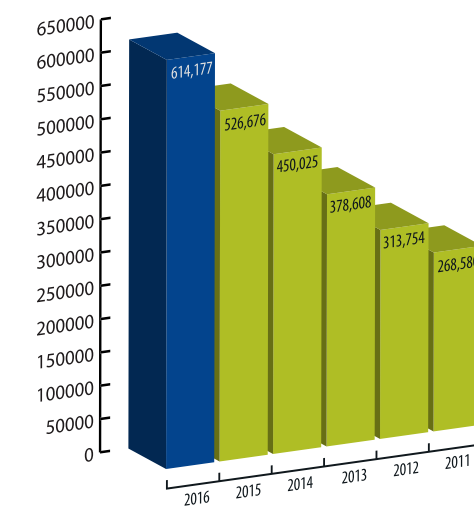
Investment Income (Rs. in Million)



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

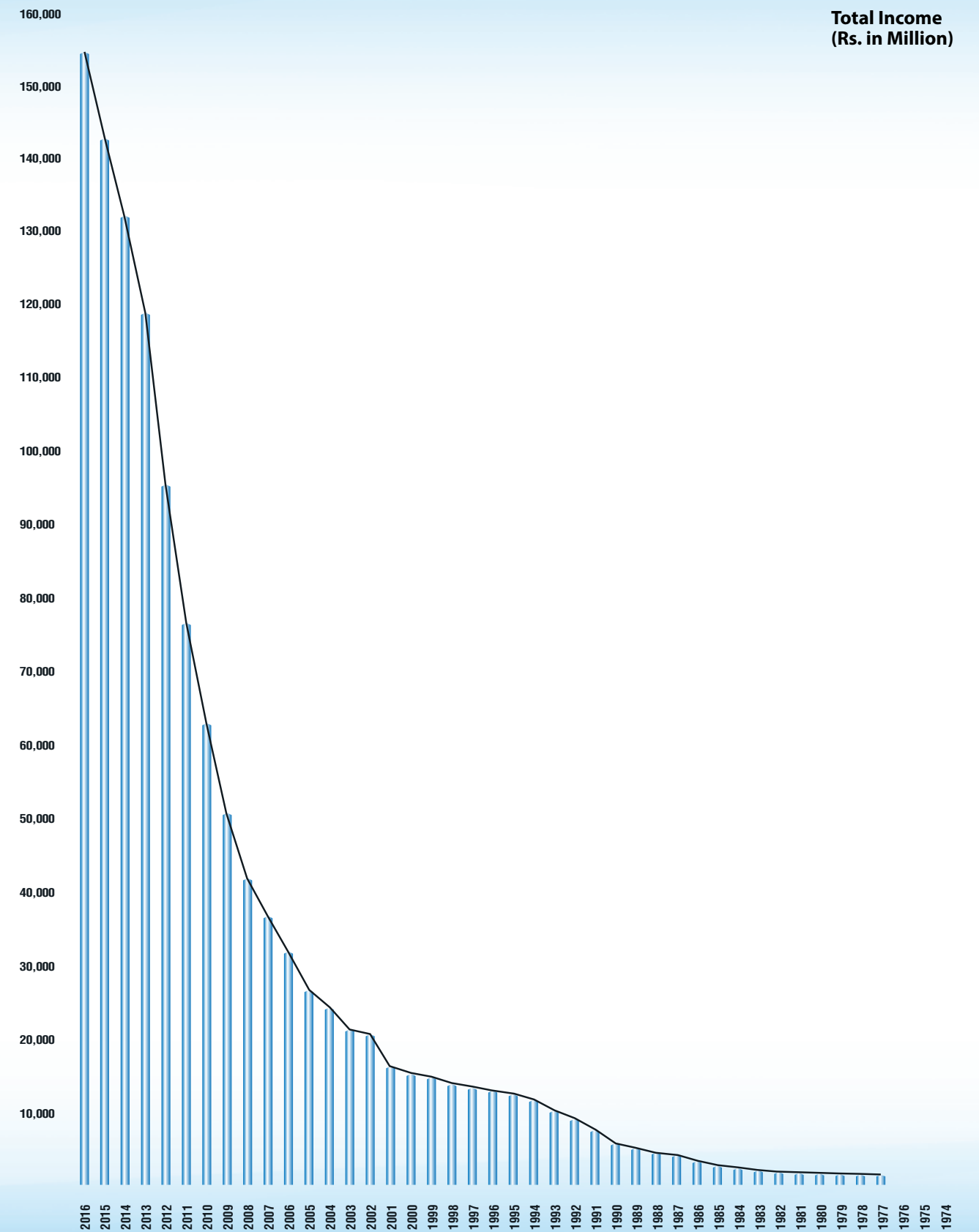
To remain a leading insurer in the country by extending the benefits of life Insurance to all sections of society and meeting our commitments to our policyholders and nation.

## 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.



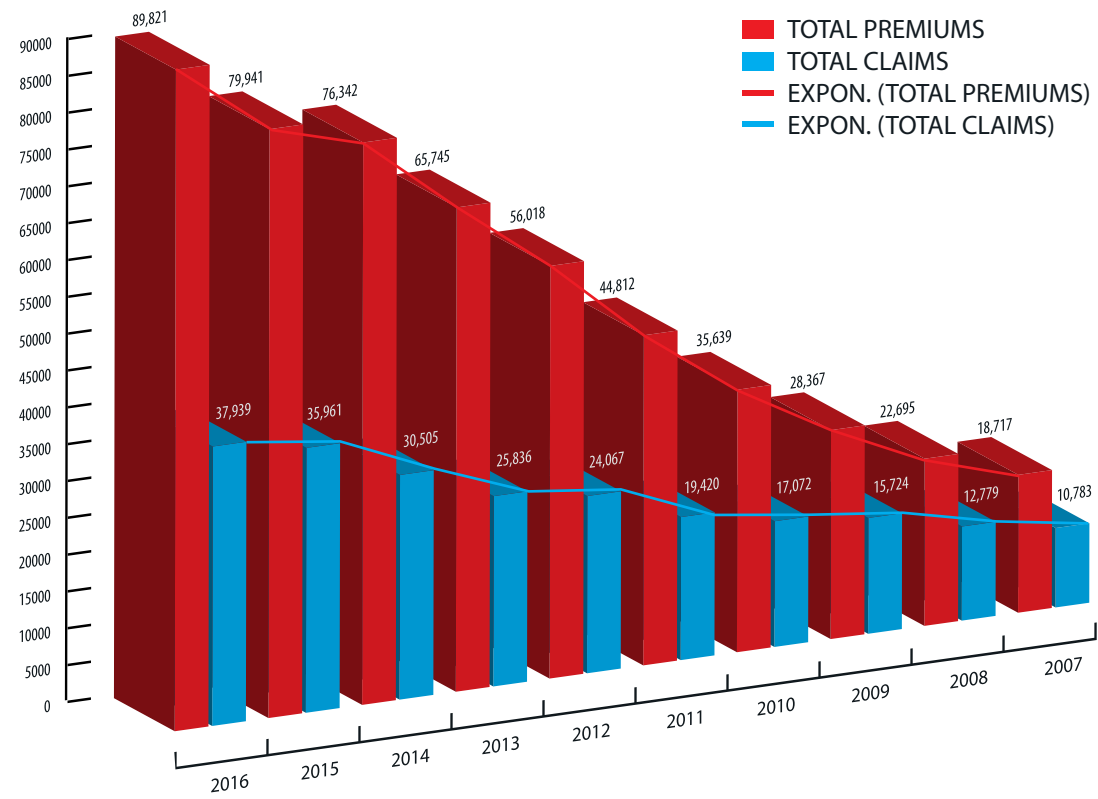
## SLIC JOURNEY TO SUCCESS



For You, Always & Forever

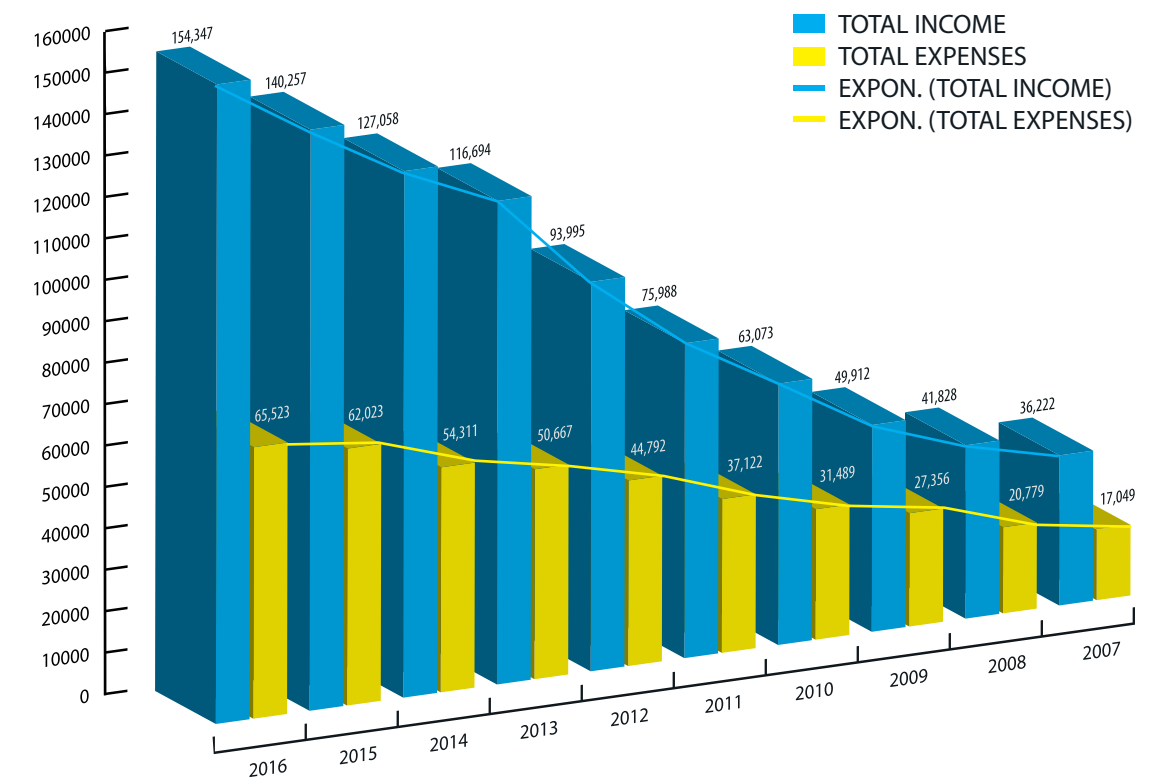
**TOTAL PREMIUMS VS. TOTAL CLAIMS**  
2007 - 2016

(Rs. in Million)



**TOTAL INCOME VS. TOTAL EXPENSES**  
2007 - 2016

(Rs. in Million)



## HUMAN RESOURCE

1. SLIC Human Resource Management (HRM) is the strategic and coherent approach to management, its valued asset. The people working there who individually and collectively contribute to the achievement of the objectives of the business. SLIC Personnel and General Services Division, Principal Office (i.e. Personnel Division, General Services Department, Medical Department and Staff Training Department) monitors and supports activities of P&GS in 7 regions and 34 zones of Individual Life, Real Estate, G&P Division, Health Insurance Division, Bancassurance, Takaful Insurance and G&P zones.
2. The HR policies provide SLIC with a mechanism to manage risk by staying up-to-date with current trends in employment standards and legislation. SLIC HR policies are framed in a manner to achieve the Corporation vision and the human resource helping the Corporation or work towards it at all levels to be benefited and at the same time without deviating from their main objective both development side and non development side of Corporation.
3. SLIC Human Resource Policies are established systems of codified decisions to support administrative personnel functions, performance management, employee relations and resource planning. State Life Employees (Service) Regulation 1973 embeds all the HR Policies and Procedures related to its employees which encompass the following areas:  
  
Health, Safety and Security, Selection and Placement, Wage, Salary and Benefits, Leaves and Attendance, Loans and Advances, Move Over/Upgradation, Promotion, Special Pay and Allowances, Fixation of Pay, General Conduct and Discipline and Travelling Expenses.
4. SLIC Human Resource policies also cover Post Retirement Benefits of its Employees (i.e. Pension, Gratuity, Provident Funds, Compulsory Group Insurance, Voluntary Group Insurance and Medical Facilities for Officers).
5. The established policies help SLIC to demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitment in relation to Collective Bargaining Agents of Unionized Staff, regulation and corporate governance. The established HR Policies set out obligations, standards of behavior and document disciplinary procedures, which is the standard approach to meeting these obligations. SLIC HR Policies are also very effective in supporting and building the desired organizational culture.

## 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, 2016

### BOARD OF DIRECTORS

Mr. Shoaib Mir  
Chairman  
Mr. Saeed Chaman  
Director  
Mr. Saad Amanullah Khan  
Director  
Mr. Shafqaat Ahmed  
Director  
Mr. Naved Arif  
Director  
Dr. Aliya Hashmi Khan  
Director  
Dr. Aamer Ahmed  
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 & OR COMPLIANCE COMMITTEE

Mr. Saad Amanullah Khan  
Chairman  
Mr. Saeed Chaman  
Member  
Mr. Shafqaat Ahmed  
Member  
Mr. Naved Arif  
Member  
Dr. Aamer Ahmed  
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  
Mr. Shoaib Mir  
Member  
Dr. Aamer Ahmed  
Member  
Mr. Saad Amanullah Khan  
Member  
Mr. Shafqaat Ahmed  
Member  
Mr. Naved Arif  
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  
Dr. Aamer Ahmed  
Member  
Mr. Jamil Anwar  
Member  
Mr. Fazal-ur-Rehman  
Member  
Mr. Shafiq Ahmed Shaikh  
Non-Member/Secretary

### INVESTMENT COMMITTEE

Mr. Shafqaat Ahmed  
Chairman  
Mr. Saeed Chaman  
Member  
Mr. Saad Amanullah Khan  
Member  
Dr. Aliya Hashmi Khan  
Member  
Mr. Shoaib Mir  
Member  
Mr. Muhammad Rashid  
CFO/Member  
Mr. Shujaat Siddiqui  
Appointed Actuary/Member  
Mr. Mushtaq Ahmad  
Non-Member/Secretary

### UNDERWRITING/CLAIMS SETTLEMENT/REINSURANCE & 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  
Dr. Aamer Ahmed  
Member  
Mr. Shafqaat Ahmed  
Member  
Mr. Naved Arif  
Member  
Mr. Saad Amanullah Khan  
Member  
Mr. Ghufuran Memon  
Member  
Mr. Shafiq Ahmed Shaikh  
Non-Member/Secretary

### NOMINATION COMMITTEE

Mr. Shoaib Mir  
Chairman  
Dr. Aamer Ahmed  
Member  
Mr. Saeed Chaman  
Member  
Mr. Saad Amanullah Khan  
Member  
Mr. Shafqaat Ahmed  
Member  
Mr. Naved Arif  
Member  
Dr. Aliya Hashmi Khan  
Member  
Mr. Shafiq Ahmed Shaikh  
Non-Member/Secretary

### STANDING COMMITTEE

Mr. Shoaib Mir  
Chairman  
Mr. Saad Amanullah Khan  
Member  
Dr. Aamer Ahmed  
Member  
Mr. Shafiq Ahmed Shaikh  
Non-Member/Secretary

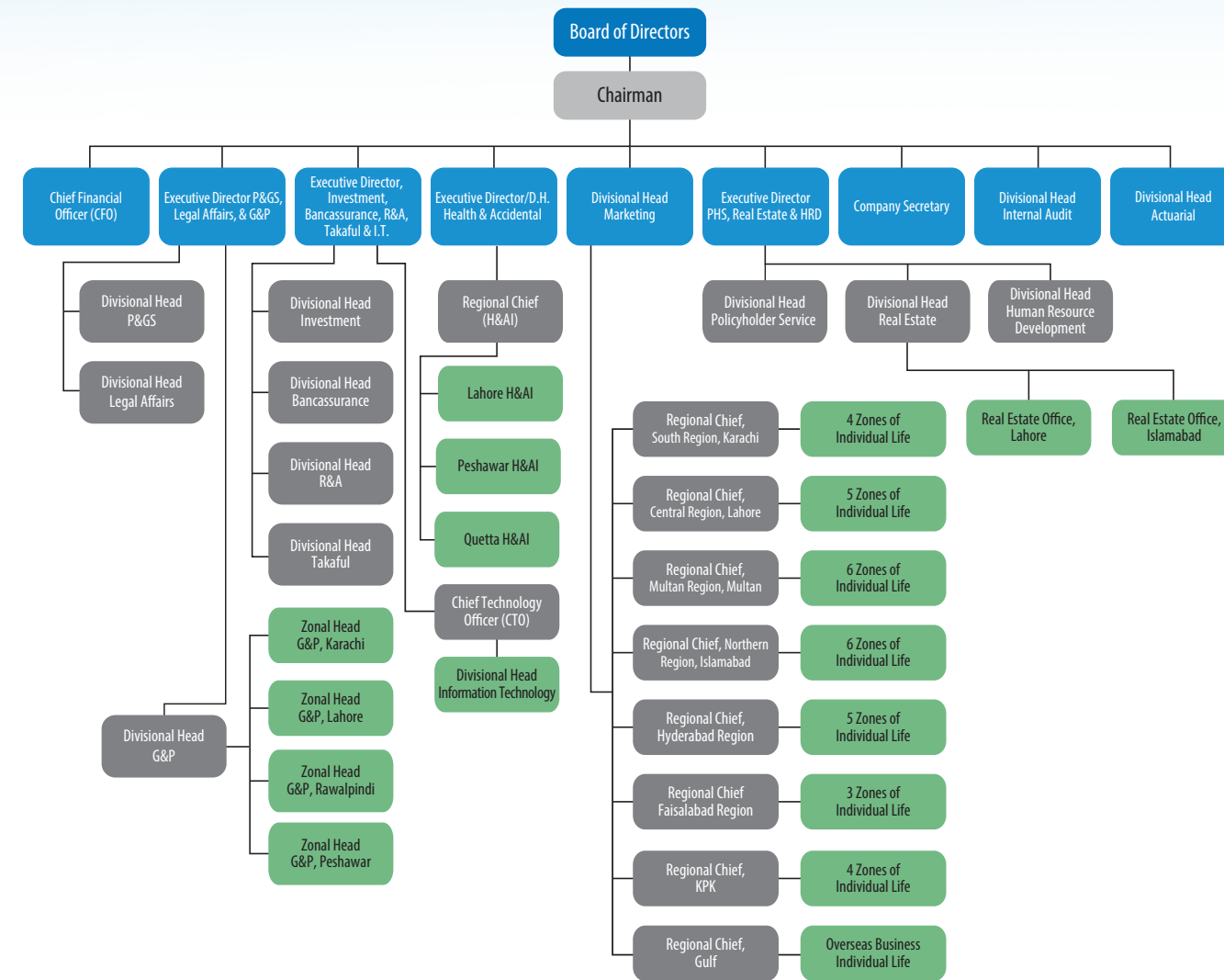
### ETHICS & COMPLIANCE COMMITTEE (E&CC)

Mr. Saad Amanullah Khan  
Chairman  
Mr. Saeed Chaman  
Member  
Mr. Shafqaat Ahmed  
Member  
Mr. Naved Arif  
Member  
Dr. Aamer Ahmed  
Member  
Mr. Fazal-ur-Rehman  
Non-Member/Secretary

### PRINCIPAL OFFICE

State Life Building No. 9,  
Dr. Ziauddin Ahmed Road, Karachi-75530  
Tel: 021-99202800-9 Fax: 021-99202845  
E-mail: edpgs@statelife.com.pk  
Website: www.statelife.com.pk

## ORGANOGRAM OF STATE LIFE - 2016



### MANAGEMENT

#### Chairperson/Chairman

Ms. Nargis Ghaloo	up to 21-09-2016
Mr. Shoaib Mir	from 22-09-2016

#### Executive Directors

Mr. Abdul Ghufuran Memon	
Mr. Jamil Anwar	
Mr. Muhammad Izqar Khan	
Mr. Irfan Anwar Baloch	up to 29-11-2016
Mr. Nadeem Bessey (Additional Charge)	from 04-07-2016

#### Divisional Heads

(Principal Office)	CFO - Finance & Accounts
Mr. Muhammad Rashid	Company Secretary up to 23-09-2016
Mr. Akbar Ali Hussain	Company Secretary Additional Charge from 23-09-2016
Mr. Mushtaq Ahmed	P&GS up to 15-03-2016 & Real Estate up to 21-04-2016
Mr. Riaz Ahmed Shaikh	P&GS from 15-03-2016 to 15-07-2016
Mr. Saeed Sualeh Jumani	P&GS from 15-07-2016 & RED from 21-04-2016 (dual charge)
Mr. Shafiq Ahmed Shaikh	Health & Accidental Insurance
Mr. Nadeem Bessey	PHS and Group & Pension
Mr. Iftikhar Ahmed	Investment up to 20-02-2016
Mr. Attaullah A. Rasheed	Investment from 08-04-2016
Mr. Mushtaq Ahmed	Internal Audit
Mr. Sohaib Usmani	Actuarial
Mr. Faisal Mumtaz	Takaful from 22-02-2016 & HRDD up to 22-02-2016
Mr. Mehmood H. Malik	Marketing up to 04-04-2016
Mr. Mohsin Abbas	Marketing from 07-03-2016
Mr. Azhar Hussain	Legal Affairs
Mr. Fazal-ur-Rehman	Bancassurance
Mr. Gian Chand	Information Technology
Mr. Mohammad Ali	Information Technology - C. T. O. from 08-09-2016
Mr. M. Faisal Younus Bawani	HRDD from 22-02-2016
Mr. Ajaz Ali Zaidi	

#### Chief Medical Officer

Dr. Mrs. Ghazala Nafees	Upto 18-02-2016
Dr. Ali Akbar Dahri	Upto 04-09-2016
Dr. Nisar Ahmed Shah	From 05-09-2016

### INDIVIDUAL LIFE

#### Regional Chiefs

Mr. Tahir Ahmed Khan	Central Region (Lahore)
Ch. Akhtar Hussain	Southern Region (Karachi)
Mr. Khalid Mehmood Shahid	Faisalabad Region (Faisalabad)
Mr. Muhammad Iqbal Gill	Hyderabad Region (Hyderabad)
Mr. M. Dawood Nasir	Multan Region (Mutan)
Ch. Muhammad Ejaz	Northern Region (Islamabad)
Mr. Khalid Mansoor	KPK Region (Peshawar)

#### Bancassurance

Mr. Gian Chand	General Manager
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#### Zonal Chief

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

### ZONAL HEADS

#### Central Region

Ch. Anjum Rashid	Lahore Zone (Central)
Mr. Zulfiqar Ali Gillani	Lahore Zone (Western)
Ch. Inam Ullah	Gujranwala Zone
Mr. Sarfaraz Ahmed	Sialkot Zone
Mr. Rukhsar A. Qaiser	Narowal Zone

#### Faisalabad Region

Ch. Sarfaraz Ahmed	Faisalabad Zone
Mr. Abdul Sattar Javed	Sargodha Zone
Mr. M. Akbar Mughal	Jhang Zone

#### Multan Region

Mr. Liaquat Ali Shahid	Multan Zone
Mr. Muhammad Jamil	Sahiwal Zone
Rana Nisar A. Chiragh	Rahim Yar Khan Zone
Mian Munir Ahmed Abid	Dera Ghazi Khan Zone
Ch. M. Yousuf Mukhtar	Bahawalpur Zone
Mr. M. Tariq Siddique	Vehari Zone

#### Northern Region

Ch. M. Yousaf Farooqi	Rawalpindi Zone
Syed Ashraf H. Rizvi	Mirpur (AK) Zone
Syed Asad Ali Shah	Islamabad Zone
Ch. Muhammad Arshad	Gujrat Zone
Raja Zafar Iqbal	Jhelum Zone
Ms. Sardar Begum	Gilgit Zone

#### KPK Region

Mr. Namaish Khan	Peshawar Zone
Mr. Anwar-ul-Haq	Abbottabad Zone
Syed Abdul Rauf	Swat Zone
Mr. Shahjehan Khan	Kohat Zone

#### Southern Region

Mr. M. Saeed Khan	Karachi Zone (Southern)
Mr. Siddique Akbar	Karachi Zone (Eastern)
Mr. Qazi Fawad Saleem	Karachi Zone (Central)
Mr. Muhammad Aurangzeb	Quetta Zone

#### Hyderabad Region

Mr. Abdul Hussain Kapri	Hyderabad Zone
Mr. Masood Anwer Arain	Mirpurkhas Zone
Mr. Shah Nawaz Soomro	Sukkur Zone
Mr. S. Noor Shah Bukhari	Larkana Zone
Mr. Asghar Ali Khushk	Benazirabad Zone

### GROUP LIFE

#### Zonal Heads

Mr. Adnan Samiullah	Karachi Zone
Dr. Sajjad Zaidi	Lahore Zone
Mr. Abdul Waheed	Rawalpindi Zone
Mr. Shafiqat Hussain Jafri	Peshawar Zone

### HEALTH AND ACCIDENTAL INSURANCE

#### Regional Chief

Mr. Muhammad Ashar	Islamabad
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#### Zonal Heads

Mr. Muhammad Shoaib Khan	Lahore Zone
Mr. Tajammul Hussain Khattak	Peshawar Zone
Dr. G. N. Khosa	Quetta Zone



## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the 2016 Annual Report together with the audited financial statements of the Corporation for the year ended December 31, 2016.

### 1. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

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

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

### 2. OPERATING AND FINANCIAL PERFORMANCE:

During the period under review, overall performance of the Corporation remained satisfactory. An overview of the performance of State Life during the year 2016 as compared to year 2015 is given hereunder:

- Total Income of the State Life increased to Rs.154,353 million in 2016 as against Rs.140,262 million in the preceding year, registering an increase of 10%.
- Management expenses for the year 2016 were Rs. 27,589 million as compared to Rs. 26,062 million in 2015 showing an increase of 6%. Overall management expense ratio to total premium income for the year 2016 was 31% as against 33% for the year 2015.
- Payments to policyholders in the year 2016 were Rs. 37,939 million as against Rs. 35,961 million in 2015, showing an increase of 5.5%.
- Total amount of statutory funds for the year 2016 was Rs. 614,177 million as against Rs. 526,676 million in 2015, showing an increase of 17%.

### 3. BUSINESS PORTFOLIO WISE PERFORMANCE

#### 3.1 Individual Life Business – Pakistan's Operations:

First year gross premium income under Individual Life policies, during the year 2016 is Rs.16,766 million as compared to Rs. 15,918 million in the year 2015, resulting in an increase of 5%. Gross renewal premium was Rs. 65,015 million in 2016 whereas it was Rs. 56,164 million in 2015, resulting in an increase of 16%.

#### 3.2 Individual Life Business – Overseas Operations:

First year gross premium income under Individual Life policies, during the year 2016 was Rs. 304 million as compared to Rs. 389 million in the year 2015, showing a decrease of 22%. Gross renewal premium in 2016 was Rs.1,830 million as compared to Rs. 1,723 million in 2015, showing an increase of 6%.

#### 3.3 Group Life Business:

Gross premium under Group Life policies during the year 2016 was Rs. 5,736 million as compared to Rs. 5,941 million in the year 2015, showing a decrease of 3%.

#### 3.4 Health Insurance Business:

Gross premium under Health Insurance policies during the year 2016 was Rs. 422 million as compared to Rs. 38 million in the year 2015, showing significant increase of 1,008%, mainly due to Health Insurance policies undertaken for the Prime Minister's National Health Insurance Program and Sehat Sahulat Program of the Government of KPK.

#### 3.5 Real Estate:

In the year 2016 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		
	2016	2015	Inc/(Dec)
Rental Income	1,119	971	148
Expenses	627	591	36
Net	492	380	112

The increase in net real estate income by Rs. 112 million is due to added efforts on renting of State Life's building by the Real Estate Division.

#### 3.6 Investment:

Net investment income including capital gains during the year 2016 was Rs. 64,526 million as compared to Rs. 60,316 million in 2015, showing an increase of 7%.

## 4. KEY OPERATING AND FINANCIAL DATA

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

## 5. OTHERS DISCLOSURES

- There is no statutory payment outstanding as on Dec 31, 2016 on account of taxes, duties, levies and charges except as disclosed in notes to the Financial Statements.
- The value of investment made by the employees retirement funds, operated by the Corporation, as per their financial statements as at December 31, 2016, the audit of which are in progress, are as follows:

	Rs. in Million
Pension Fund	18,763.484
Gratuity Fund – Officers	154.970
Provident Fund	3,560.670

## 6. BOARD MEETINGS ATTENDANCE

During the year 2016, eight meetings of the Board of Directors were held and attended as follows:

S. No.	Director's Name	Meetings Attended
1	Ms. Nargis Ghaloo	6
2	Mr. Shoaib Mir	2
3	Mr. Naved Arif	8
4	Mr. Shafqaat Ahmed	8
5	Mr. Saad Amanullah Khan	6
6	Dr. Aliya Hashmi Khan	6
7	Mr. Saeed Chaman	5
8	Dr. Aamer Ahmed	2
9	Mian Asad Hayaud Dini	2
10	Mr. Rizwan Bashir Khan	1

### 6.1 Pattern of Shareholding

As at December 31, 2016

Categories of Shareholders	Shares held
Ministry of Commerce, Government of Pakistan	28.68 million
Benazir Employees Stock Option Scheme Trust (BESOS)	1.32 million
	<b>30 million</b>

## 7 BUSINESS SUPPORTING ACTIVITIES

a. Training plays important role in development of manpower/human resources and success of an organization. State Life Insurance Corporation, a dynamic and leading Public Sector Corporation is maintaining the largest marketing network in Insurance Industry in the country and is continuously providing training for improving the marketing skills of its manpower by arranging seminars and imparting various regular training courses for field force and staff/officers of the Corporation.

b. Region wise detail of the courses conducted in the year 2016 by Human Resource Development Division (HRDD) as under:

### REGION WISE FIELD TRAINING DATA FROM 01-01-2016 TO 31-12-2016

REGIONS	FCAP		MOSC		MMSC		TOTAL	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / P.O	15	318	7	116	02	56	24	490
Hyderabad	51	1,078	15	326	01	17	67	1,421
Central	67	1,555	31	770	03	36	101	2,361
Faisalabad	34	1,128	14	617	02	57	50	1,802
Multan	75	1,883	22	494	04	119	101	2,496
North	63	2,136	23	756	03	75	89	2,967
KPK	16	508	05	142	02	34	23	684
<b>GRAND TOTAL</b>	<b>321</b>	<b>8,606</b>	<b>117</b>	<b>3,221</b>	<b>17</b>	<b>394</b>	<b>455</b>	<b>12,221</b>

### REGION WISE STAFF TRAINING DATA FROM 01-01-2016 TO 31-12-2016

REGIONS	Time Management		Fire Fighting		Customer Service Excellence		Reinsurance Takaful		How to Avoid General Error in Processing Usage of Capital Budget	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / PO	0	0	3	96	1	30	1	30	1	12
Hyderabad	0	0	0	0	0	0	0	0	1	17
Central	1	26	0	0	0	0	0	0	1	23
Faisalabad	0	0	0	0	0	0	0	0	1	17
Multan	1	33	0	0	0	0	0	0	1	24
KPK	0	0	0	0	0	0	0	0	0	0
North	1	26	0	0	0	0	0	0	1	27
<b>TOTAL</b>	<b>3</b>	<b>85</b>	<b>3</b>	<b>96</b>	<b>1</b>	<b>30</b>	<b>1</b>	<b>30</b>	<b>6</b>	<b>120</b>

REGIONS	Customer Service/ PHS Claims/ Surrender/ Loan		Agency Administration and SOPs		PPRA Rules		Computer Course Ms Office (One Week)		TOTAL	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / PO	1	30	0	0	1	40	3	30	11	268
Hyderabad	0	0	0	0	1	30	0	0	2	47
Central	0	0	1	40	1	35	0	0	4	124
Faisalabad	0	0	0	0	1	20	0	0	2	37
Multan	0	0	0	0	1	30	0	0	3	87
KPK	0	0	0	0	1	25	0	0	1	25
North	0	0	0	0	1	25	0	0	3	78
<b>GRAND TOTAL</b>	<b>1</b>	<b>30</b>	<b>1</b>	<b>40</b>	<b>7</b>	<b>205</b>	<b>3</b>	<b>30</b>	<b>26</b>	<b>666</b>

c. 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.

- d. 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 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 support to Corporate Communications Department (CCD); to implement its multimedia advertising campaigns in consultation with the Marketing Division in the year under review. In 2016, CCD launched many mix corporate and plan based campaigns on different prominent terrestrial and leading satellite T.V channels and leading national & regional newspapers in English/Urdu with an intention to highlight the importance of life insurance.

With these Multimedia campaigns; Corporate Image Building, Bonus Announcement for Policyholders, Revival of Policies, Recruitment Campaign and year-end corporate campaign-2016 etc., have 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 2016. Under the slot of corporate social responsibility; State Life also sponsored some major sports and nationwide philanthropic events for corporate image building in 2016 as a part of its participation in social service of the country.

- e. In the year 2016, we recruited 53,512 (2015: 56,624) new Sales Representatives and provided the job opportunities. Our Field Force counts number nearly 2 Lac (Sales Representatives, Sales Officers and Sales Managers) who all are serving the country to provide protection with savings.

#### 8. INSURER FINANCIAL STRENGTH RATING

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.

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

#### 9. THE FUTURE

##### 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. During 2016, PMNHIP commenced in Islamabad, Muzaffarabad, Quetta, Kotli, Baltistan Loralai, Lasbela and Rahim Yar Khan.

##### KPK Sehat Sahulat Program:

The Sehat Sahulat Program was launched in four districts of KP namely Chitral, Malakand, Mardan and Kohat. The scheme 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/treatment per individual for up to seven members in a family per annum. Around 85,000 household were covered under the scheme.

##### Family Takaful

Takaful insurance is another line of business which offers Shariah approved risk coverage through Family Takaful and has 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 has been granted license to start Takaful Window Operations in August, 2016 from the SECP. It is anticipated that by the mid of August, 2017, State Life will be formally able to start Takaful Operations.

#### 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.

IT Division of State Life works with vision to "Achieve organizational goals through the use of Information & Communication Technology (ICT) and to improve productivity and efficiency of process within the organization and enhance delivery of services to all stakeholder". Besides routine IT operations, State Life putting extensive efforts for implementation of newly evolved IT Strategy which includes: Implementation of Prepackaged Software Solution for Core Businesses & supporting functions and deployment of New ICT infrastructure. It will ensure efficiency in business operations and improve service delivery to all stakeholders.

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

#### 10. ACTUARIAL VALUATION

As per 30th actuarial valuation as at 31st December, 2016, the actuarial surplus arising during the intervaluation period on participating policies was Rs. 60,751 million (2015: Rs. 50,757 million). The details of bonuses declared are stated as an appendix.

#### 11. DIVIDEND

After tax profit for the year 2016 is Rs. 1,212.261 million (2015: Rs. 1,047.949 million). After adjustment of Rs. 53.339 million (2015: Rs. 46.110 million) employees share on account of Benazir Employees Stock Option Scheme (BESOS) and setting aside 10% of profit for General Reserve Rs. 121.226 million (2015: Rs. 104.795), dividend payable to Government of Pakistan is Rs. 1,037.695 million (2015: Rs. 897.044 million).

#### 12. AUDITORS

The accounts for the year ended 31st December, 2016 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.

#### 13. 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 wellbeing in the economic and fiscal fields.

On behalf of the Board of Directors

Karachi,  
Date: May 29, 2017



**Naveed Kamran Baloch**  
Chairman

## KEY OPERATING AND FINANCIAL DATA

Appendix-A

(Rs. in Million)

	2016	2015	2014	2013	2012	2011
First Year Premium (Net)	17,036	16,271	16,156	15,442	13,947	11,990
Renewal Premium (Net)	66,708	57,729	53,363	43,348	35,145	28,144
Group Premium (Net)	6,078	5,941	6,823	6,955	6,926	4,678
Investment Income (Net)	64,526	60,316	50,715	50,949	37,977	31,175
Policy Benefits	37,939	35,961	30,505	25,836	24,067	19,240
Surplus Appropriated To Shareholder Fund	1,519	1,269	1,186	1,046	1,019	642
Profit Before Tax	1,831	1,589	1,333	1,178	1,155	767
Taxation	618	541	428	368	388	259
Profit After Tax	1,212	1,048	905	810	767	508
Earnings Per Share (Rs)	40.41	34.93	72.05	73.65	69.75	47.29
Bonus To Policyholders	55,433	47,991	41,964	36,620	30,357	24,767
Life Fund	614,177	526,676	450,025	378,608	313,754	268,580
Investment Portfolio	598,271	513,293	445,381	380,981	316,878	275,110
Total Assets	<b>659,811</b>	571,827	496,689	420,806	349,198	293,707

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016.

Name of the Corporation : State Life Insurance Corporation of Pakistan

Year ended : December 31, 2016

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

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

### 1. At present the Board includes:

<b>Independent Directors</b>	Mr. Saad Amanullah Khan Mr. Shafqaat Ahmed Mr. Naved Arif
<b>Executive Directors</b>	Mr. Shoaib Mir
<b>Non – Executives Directors</b>	Mr. Saeed Chaman Dr. Aamer Ahmed Dr. Aliya Hashmi Khan

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

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

- The directors have confirmed that none of them is serving as a director in more than seven listed companies.
- All the resident directors of the Corporation are registered as taxpayers and none of them have defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being member of stock exchange, has been declared as a defaulter by a stock exchange.
- Casual vacancies occurring on the Board on May 9, 2016, September 17, 2016 and October 21, 2016 was filled up by the Federal Government within 90 days thereof.
- SLIC has prepared a Code of Conduct which has been disseminated among all the employees and directors of the Corporation.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies. Significant policies on risk management, procurement of goods and services, acquisition and disposal of fixed assets are in process of approval of the Board. A complete record of significant policies along with the date on which they were approved has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and term and condition of employment of key officers, have been taken by the Board of Directors. The decision regarding appointment and determination of remuneration and terms and condition of employment of directors are made by the Federal Government. The Corporation has no CEO as the LINO, 1972 has no provision for CEO. The Chairman of the Board is appointed by the Federal Government as per LINO, 1972 who is an Executive Director.
- The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meeting were appropriately recorded and circulated. The Chairman of the Board is appointed by the Federal Government as per LINO, 1972 who is an Executive Director.
- The Board has established a system of sound internal control, which is effectively implemented at all levels within the Corporation. The Corporation has adopted and complied with all the necessary aspects of internal controls given in the code.

10. No orientation course/training programs were arranged by the Board for its directors during the year to apprise them of their duties and responsibilities, however, the orientation courses/ training programs for the directors will be arranged through the training department in the next year.
11. The Board has approved the appointment of Chief Financial Officer and Head of Internal Audit including their remuneration and terms and conditions of employment. The management of the Corporation, on the retirement of Mr. Akbar Ali (Company Secretary) on September 23, 2016, has given additional charge of Company Secretary to Mr. Mushtaq Ahmed for a period of six month with the approval of the Chairman. The said appointment is not approved by the Board.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Corporation are duly endorsed by the Chairman and CFO before approval of the Board.
14. The directors and executives do not hold any interest in the shares of the Corporation other than disclosed in the pattern of shareholding.
15. The Corporation has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
16. The Board has formed the following Management Committees.

**Underwriting/claims settlement/Reinsurance and Co. Insurance Committee**

Name of Member	Category
Mr. Saeed Chaman	Non-Executive Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Saad Amanullah Khan	Independent Director
Mr. Jamil Anwar	Executive Director (PHS)
Mr. Fazal ur Rehman	Divisional Head/Member
Mr. Faisal Mumtaz	Divisional Head/Member

**Human Resources / Remuneration Committee:**

Name of Member	Category
Dr. Aliya Hashmi Khan	Non-Executive
Dr. Aamer Ahmed	Non-Executive Director
Mr. Saad Amanullah Khan	Independent Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Naved Arif	Independent Director
Mr. Ghufraan Memon	Executive Director (P & GS)

**Nomination Committee:**

Name of Member	Category
Mr. Shoaib Mir	Chairman
Dr. Aamer Ahmed	Non-Executive Director
Mr. Saeed Chaman	Non-Executive Director
Mr. Saad Amanullah Khan	Independent Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Naved Arif	Independent Director
Dr. Aliya Hashmi Khan	Non-Executive Director

**Ethics and/or Compliance Committee:**

Name of Member	Category
Mr. Saad Amanullah Khan	Independent Director
Mr. Saeed Chaman	Non - Executive Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Naved Arif	Independent Director
Dr. Aamer Ahmed	Non-Executive Director

**Risk Management Committee:**

Name of Member	Category
Mr. Saad Amanullah Khan	Independent Director
Mr. Saeed Chaman	Non - Executive Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Naved Arif	Independent Director
Dr. Aamer Ahmed	Non-Executive Director

**Investment Committee:**

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

The above committees have been formed under the Code of Corporate Governance for Insurers, 2016 notified vide S.R.O 160 (I)/2016 dated February 26, 2016. The SECP has subsequently issued another Code of Corporate Governance for Insurer, 2016 notified vide S.R.O 1045(1)/2016 dated November 09, 2016, which supersedes the earlier S.R.O.

The Board has formed Committees as per S.R.O 160 (I)/2016 dated February 26, 2016, however the S.R.O 1045(1)/2016 dated November 09, 2016 required the committees to be segregated between Management and Board committees with certain additional requirement.

The Board has evaluated the changes in the composition of Management and Board Committees required by the Code of Corporate Governance for Insurer, 2016 issued by SECP on November 9, 2016. The Board is aware of the changes required and will ensure that the Board and Management Committee will be reconstituted as per the requirements of the Code of the Corporate Governance 2016 within stipulated time.

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

Name of Member	Category
Mr. Saeed Chaman	Non-Executive Director/Chairman of Audit Committee
Mr. Shoaib Mir	Chairman of the Corporation
Mr. Aamer Ahmed	Non-Executive Director
Mr. Saad Amanullah Khan	Independent Director
Mr. Shafqaat Ahmed	Independent Director
Mr. Naved Arif	Independent Director

18. The meetings of committees, except Human Resource and Remuneration Committee were held at least once in every quarter prior to the approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of the references of Committees have been formed and advised to the Committees for compliance.
19. The Board has set up an effective internal audit function and the member of the internal audit function are considered suitably qualified experienced for the purpose and are conversant with policies and procedures of the Corporation and they are involved in the internal audit function on regular basis.
20. The Chief Financial Officer, Compliance Officer, Company Secretary and Head of Internal Audit possesses such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the insurer also meets the condition as laid down in the said Code. Moreover, the person heading the underwriting, claim, reinsurance, risk management and grievance function possess qualification and experience of direct relevance to their respective function as required under section 12 of the Insurance Ordinance, 2000. The Corporation does not have Head of Risk Management as there is no separate Risk Management department.

Name of Person	Designation
Mr. Muhammad Rashid	Chief Financial Officer
Mr. Fazl ur Rehman	Compliance Officer
Mr. Faisal Mumtaz	Actuary
Mr. Mushtaq Ahmed*	Company Secretary
Mr. Sohaib Usmani	Head of Internal audit
Mr. Sohail Muhammad Qureshi	Head of Underwriting
Mr. Arshad Iraqi	Head of Claims
Mr. Sher Muhammad Abbasi	Head of Reinsurance
Mr. Pervaiz Altaf	Head of Grievance Dept.
---	Head of Risk Management

\* The management of the Corporation, on the retirement of the Mr. Akbar Ali (Company Secretary) on September 23, 2016, has given additional charge of Company Secretary to Mr. Mushtaq Ahmed for a period of six month with the approval of the Chairman.

21. The statutory auditors of the Corporation have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Corporation and that the firm and all its partner are in compliance with the International Federation of Accountants (IFAC) guideline on Code of the Ethics as adopted by the Institute of Chartered Accountant of Pakistan.
22. The statutory auditors or the persons associated with them have not been appointed to provide other services except given in the law and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. The appointed actuary of Corporation has confirmed that he nor his spouse and minor children do not hold shares of the Corporation.
24. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.
25. The Board has approved the investment policy of the Corporation drawn up in accordance with the provisions of Code of Corporate Governance for Insurers, 2016.
26. The Corporation is in the process of establishing risk management system as per the requirement of the Code of Corporate Governance for Insurer, 2016 within the stipulated time.
27. The Corporation will setup a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurer, 2016 within the prescribed timeline.
28. The Board ensures that the Corporation gets itself rated from Pakistan Credit Rating Agency which is being used by the respective Committees as a risk monitoring tool. The rating assigned by the said rating agency at March 31, 2017 is AAA with Stable outlook. However, the Corporation is in the process of establishing risk management system and risk management department as per the requirement of the Code of Corporate Governance for Insurer, 2016 within the stipulated time.

29. The Board has set up a grievance department which complies with the requirements of Code of Corporate Governance for Insurers, 2016.
30. We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied with except for the following, towards which reasonable progress is being made by the Corporation to seek compliance by the end of next accounting year:
- a. Significant policies on risk management, procurement of goods and services, acquisition and disposal of fixed assets are in process of approval of the Board and will be approved within the stipulated time as disclosed in point 6 above.
- b. No orientation course/training programs were arranged by the Board for its directors during the year to apprise them of their duties and responsibilities as disclosed in point 10.
- c. The management of the Corporation, on the retirement of Mr. Akbar Ali (Company Secretary) on September 23, 2016, has given additional charge of Company Secretary to Mr. Mushtaq Ahmed for a period of six month with the approval of the Chairman. The said appointment is not approved by the Board as required by the Code of Corporate Governance for Insurer, 2016 as disclosed in point 11.
- d. The Board has formed Committees as per S.R.O. 160 (I)/2016 dated February 26, 2016, however the S.R.O. 1045(1)/2016 dated November 09, 2016 required the committees to be segregated between Management and Board committees with certain additional requirement as disclosed in paragraph 16.

For and on behalf of the Board of Directors

*Aliya H. Khan*  
**Aliya H. Khan**  
Chairperson

CNIC: 61101-1890612-2  
Date: 29-05-2017

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of State Life Insurance Corporation of Pakistan (the Corporation) for the year ended December 31, 2016 to comply with the requirements of the Code issued by the Securities and Exchange Commission of Pakistan applicable to non-listed insurance companies.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Corporation's compliance, in all material respects, with the best practices contained in the Code as applicable to the Corporation for the year ended December 31, 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the following paragraphs where these are stated in the Statement of Compliance:

Paragraph Reference	Description
Paragraph 6	Significant policies on risk management, procurement of goods and services, acquisition and disposal of fixed assets are in process of approval of the Board.
Paragraph 10	No orientation course/training programs were arranged by the Board for its directors during the year to apprise them of their duties and responsibilities.
Paragraph 11	The management of the Corporation, on the retirement of Mr. Akbar Ali (Company Secretary) on September 23, 2016 has given additional charge of Company Secretary to Mr. Mushtaq Ahmed for a period of six month with the approval of the Chairman. The said appointment is not approved by the Board.
Paragraph 16	The Board has not formed separate Management and Board Committees as per S.R.O. 1045(1)/2016 dated November 09, 2016. The Code requires the committees to be segregated between Management and Board committees with certain additional requirement.



**BDO Ebrahim & Co.**  
Chartered Accountants  
Engagement Partner:  
**Zulfikar Ali Causer**

Dated: 29 May, 2017  
Karachi



**Riaz Ahmad & Company**  
Chartered Accountants  
Engagement Partner:  
**Muhammad Hamid Jan**

## ACTUARIAL VALUATION AS AT DECEMBER 31, 2016

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, 2016:

a. Reversionary bonuses per thousand sum assured per annum (2015 figures are given for comparison).

	2015			2016		
	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 2017, 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 2015 valuation).

d. Special Terminal Bonus will be paid on claims by maturity in 2017, 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 2015 valuation).

e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2017 to policies with risk year 1997 or earlier. The rate will be Rs. 200 per thousand sum assured (same as 2015 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, 2016:

a. Reversionary bonuses per thousand sum assured per annum (2015 figures are given for comparison).

Term:	2015			2016		
	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 2017 to policies with risk year 1997 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 2017 which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2015 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, 2016:

- (a) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2015 figures are given for comparison):

Term:	2015		2016	
	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 2017 subject to the rates and conditions mentioned in II (f) above.

### IV. Super (Table 72), Sunehri (Table 73) & Shehna (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 2017 shall be calculated at 8.98% per annum (10.11% per annum in 2015 valuation) of the Adjusted Opening Cash Value. This rate will be allowed till the next valuation.
- (c) Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies.

### VI. Personal Pension Scheme (Table 71)

- (a) Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2017. This increase will also be available on pension payments commencing in 2017.
- (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 2016 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December, 2016 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, 2016 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefit for these policies will be Rs. 500,000.
- (b) Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2017 to 31st December 2017 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 2015 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 2018 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 2017.

**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 2017, 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 2017.
- (c) Loyalty Terminal Bonus on Whole Life and Endowment paid up policies will be paid on claims by death or maturity in 2017 to policies with risk year 1997 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 2017.

**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 (2015 figures are given for comparison).

	2015		2016	
	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 (2015 figures are given for comparison).

	2015		2016	
	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 2017, 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 2015 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 2017, 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 2015 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 2018 under with profit policies.

**Notes:**

The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2017.

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

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

- I. **The policyholder has actually paid at least three full years' premiums**
- II. **The policy has completed at least three policy years.**

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

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

**CAUTION:**

Terminal, Special Terminal, Loyalty Terminal bonuses and the Specified Major Surgical Benefits are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal, Loyalty Terminal bonuses and Specified Major Surgical Benefit, if any, which may be allowed after the year 2017.

## OPERATING AND FINANCIAL HIGHLIGHTS

### FINANCIAL POSITION

#### Balance Sheet

	Rs. in Million					
	2016	2015	2014	2013	2012	2011
<b>ASSETS</b>						
Cash and Banks	31,349	27,623	20,261	33,112	30,722	30,426
Loans secured against life insurance policies	62,803	50,673	41,303	33,100	27,095	22,596
Loans to employee and field force	803	551	424	420	430	422
Investment properties	2,975	2,949	2,955	2,990	3,028	2,917
Investment in securities	514,447	445,958	390,102	319,279	262,884	218,152
Current assets and others	47,025	43,733	41,312	31,508	24,731	18,950
Fixed assets	409	340	332	397	307	250
<b>Total assets</b>	<b>659,811</b>	<b>571,827</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>
<b>EQUITY AND LIABILITIES</b>						
Issued, subscribed and paid-up capital	3,000	3,000	3,000	1,100	1,100	1,100
Reserve and surplus	948	1,229	840	1,932	1,214	508
Policyholders liability	614,177	526,676	450,025	378,608	313,754	267,848
Employees retirement benefits	3,401	2,960	2,465	2,156	1,688	1,261
Deferred capital grant	27	-	-	-	-	-
Government grant for Health Insurance	-	-	-	-	-	362
Creditors and accruals	38,258	37,962	40,359	37,010	31,441	22,635
<b>Total equity and liability</b>	<b>659,811</b>	<b>571,827</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>
<b>OPERATING AND FINANCIAL TRENDS</b>						
<b>Profit and Loss</b>						
Net Investment Income	311	320	147	132	135	125
Surplus appropriated	1,519	1,269	1,186	1,046	1,019	642
Profit before Tax	1,830	1,589	1,333	1,178	1,155	767
Taxation	618	541	428	368	388	259
<b>Profit After Tax</b>	<b>1,212</b>	<b>1,048</b>	<b>905</b>	<b>810</b>	<b>767</b>	<b>508</b>
<b>Revenue Account</b>						
Premium net of Reinsurance	89,821	79,941	76,342	65,745	56,018	44,812
Net Investment Income	64,214	59,997	50,569	50,817	37,842	31,050
Total Inflow	154,035	139,938	126,911	116,562	93,860	75,863
Total Outflow	65,523	62,019	54,307	50,662	47,296	37,119
Increase Policyholders liability	83,286	74,990	67,030	60,609	36,090	37,137
Surplus before Tax	5,226	2,929	5,574	5,290	10,474	1,606
Taxation	43	-	-	-	-	75
Surplus after Tax	5,183	2,929	5,574	5,290	10,474	1,681
Surplus transfer to P&L	1,519	1,269	1,186	1,046	1,019	642
<b>Cash Flows</b>						
Operating activities	17,029	11,150	17,951	9,714	13,136	8,815
Investing activities	-11,307	(3,126)	(30,522)	(7,357)	(13,220)	(3,631)
Financing activities	-943	(564)	-	-	-	(358)
Cash and cash equivalents at the end of the year	31,197	26,419	18,959	31,531	29,265	29,350

### FINANCIAL RATIOS

	2016	2015	2014	2013	2012	2011
<b>Profitability</b>						
Profit Before Tax/Gross Premium	2.03%	1.98%	1.74%	1.79%	2.05%	1.70%
Profit Before Tax/Net Premium	2.04%	1.99%	1.75%	1.79%	2.06%	1.71%
Profit After Tax/Gross Premium	1.35%	1.31%	1.18%	1.23%	1.36%	1.13%
Profit After Tax/Net Premium	1.35%	1.31%	1.19%	1.23%	1.37%	1.13%
Net Claims/Net Premium (IL)	37.70%	39.67%	34.43%	33.49%	37.46%	37.87%
Net Claims/Net Premium (GL)	104.71%	111.13%	96.32%	88.41%	81.92%	90.26%
Net Commission/Net Premium (IL)	20.64%	22.11%	23.21%	25.65%	27.47%	28.34%
Net Commission/Net Premium (GL)	0.08%	0.06%	0.05%	0.06%	0.07%	0.10%
Area Managers Costs/Net Premium	2.78%	2.66%	2.75%	3.55%	3.52%	3.76%
Total Acquisition Cost/Net Premium	24.46%	25.93%	27.17%	30.60%	32.50%	33.81%
Administration Expenses/Net Premium	7.91%	8.40%	6.29%	10.23%	12.77%	9.14%
<b>Return to Shareholders</b>						
Return on Equity (ROE) Net income/Avg. Equity	29.65%	25.97%	26.34%	30.30%	39.12%	32.62%
Earnings/Loss per Share (Pre Tax)	Rs. 61.02	52.95	106.09	107.14	104.99	69.71
Earnings/Loss per Share (After Tax)	Rs. 40.41	34.93	72.05	73.65	69.75	46.18
Return on Assets (Net Income)/Avg. Total Assets	0.20%	0.20%	0.20%	0.21%	0.24%	0.19%
Paid-up Capital/Total Assets	0.45%	0.52%	0.60%	0.26%	0.32%	0.37%
<b>Market Value</b>						
Face Value per Share	Rs. 100	100	100	100	100	100
Breakup Value per Share	Rs. 131.60	134.93	172.05	173.65	169.75	146.18
Cash Dividend per Share	Rs. 36.37	31.44	72.05	73.65	69.75	46.18
Dividend Yield - DPS/100*100	36.37%	31.44%	72.05%	73.65%	69.75%	46.18%
Dividend Payout	90%	90%	100%	100%	100%	100%

## VERTICAL ANALYSIS

### Balance Sheet

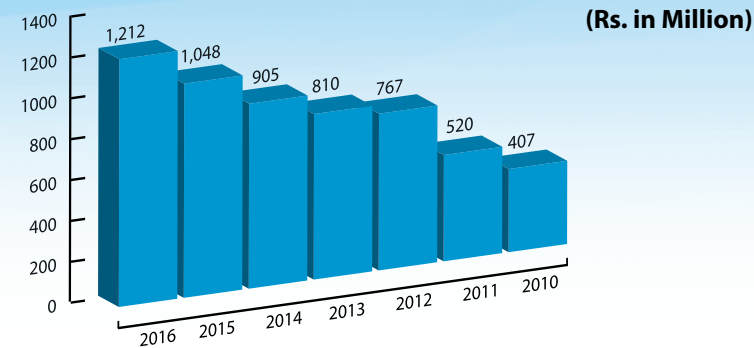
ASSETS	2016		2015		2014		2013		2012		2011	
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
Cash and Banks	31,349	4.75%	27,623	4.83%	20,261	4.08%	33,112	7.87%	30,722	8.80%	30,426	10.36%
Loans secured against life insurance policies	62,803	9.52%	50,673	8.86%	41,303	8.32%	33,100	7.87%	27,095	7.76%	22,596	7.69%
Loans to employee and field force	803	0.12%	551	0.10%	424	0.09%	420	0.10%	430	0.12%	422	0.14%
Investment properties	2,975	0.45%	2,949	0.52%	2,955	0.59%	2,990	0.71%	3,028	0.87%	2,917	0.99%
Investment in securities	514,447	77.97%	445,958	77.99%	390,102	78.54%	319,279	75.87%	262,884	75.28%	218,152	74.27%
Current assets and others	47,025	7.13%	43,733	7.65%	41,312	8.32%	31,508	7.49%	24,731	7.08%	18,950	6.45%
Fixed assets	409	0.06%	340	0.06%	332	0.07%	397	0.09%	307	0.09%	250	0.09%
<b>Total assets</b>	<b>659,811</b>	<b>100%</b>	<b>571,827</b>	<b>100%</b>	<b>496,689</b>	<b>100%</b>	<b>420,806</b>	<b>100%</b>	<b>349,197</b>	<b>100%</b>	<b>293,714</b>	<b>100%</b>
<b>EQUITY AND LIABILITIES</b>												
Issued, subscribed and paid-up capital	3,000	0.45%	3,000	0.52%	3,000	0.60%	1,100	0.26%	1,100	0.32%	1,100	0.37%
Reserve and surplus	948	0.14%	1,229	0.21%	840	0.17%	1,932	0.46%	1,214	0.35%	508	0.17%
Policyholders' liability	614,177	93.08%	526,676	92.10%	450,025	90.60%	378,608	89.97%	313,754	89.85%	267,848	91.19%
Employees Retirement benefits	3,401	0.52%	2,960	0.52%	2,465	0.50%	2,156	0.51%	1,688	0.48%	1,261	0.43%
Deferred capital grant	27	0.04%	-	-	-	-	-	-	-	-	-	-
Government grant for Health Insurance	-	-	-	-	-	-	-	-	-	-	362	.12%
Creditors and accruals	38,258	5.80%	37,962	6.64%	40,359	8.13%	37,010	8.80%	31,441	9.00%	22,635	7.71%
<b>Total equity and liability</b>	<b>659,811</b>	<b>100%</b>	<b>571,827</b>	<b>100.00%</b>	<b>496,689</b>	<b>100.00%</b>	<b>420,806</b>	<b>100%</b>	<b>349,197</b>	<b>100%</b>	<b>293,714</b>	<b>100%</b>
<b>OPERATING AND FINANCIAL TRENDS</b>												
<b>Profit and Loss</b>												
Net Investment Income	311	17%	320	20%	147	11%	132	11%	135	12%	125	16%
Surplus appropriated	1,519	83%	1,269	80%	1,186	89%	1,046	89%	1,019	88%	642	84%
Profit before Tax	1,830	100%	1,589	100%	1,333	100%	1,178	100%	1,155	100%	767	100%
Taxation	618	34%	541	34%	428	32%	368	31%	388	34%	259	34%
<b>Profit after Tax</b>	<b>1,212</b>	<b>66%</b>	<b>1,048</b>	<b>66%</b>	<b>905</b>	<b>68%</b>	<b>810</b>	<b>69%</b>	<b>767</b>	<b>66%</b>	<b>508</b>	<b>66%</b>
<b>Revenue Account</b>												
Premium net of Reinsurance	89,821	58%	79,941	57%	76,342	60%	65,745	56%	56,018	60%	44,812	59%
Net Investment Income	64,214	42%	59,997	43%	50,569	40%	50,817	44%	37,842	40%	31,050	41%
<b>Total Inflow</b>	<b>154,035</b>	<b>100%</b>	<b>139,938</b>	<b>100%</b>	<b>126,911</b>	<b>100%</b>	<b>116,562</b>	<b>100%</b>	<b>93,860</b>	<b>100%</b>	<b>75,863</b>	<b>100%</b>
<b>Total Outflow</b>	<b>65,523</b>	<b>43%</b>	<b>62,019</b>	<b>44%</b>	<b>54,307</b>	<b>43%</b>	<b>50,662</b>	<b>43%</b>	<b>47,296</b>	<b>50%</b>	<b>37,119</b>	<b>49%</b>
Increase Policyholders' liability	83,286	54%	74,990	54%	67,030	53%	60,609	52%	36,090	38%	37,137	49%
Taxation	43	0%	-	-	-	-	-	-	-	-	75	0.10%
<b>Surplus after Tax</b>	<b>5,183</b>	<b>3%</b>	<b>2,929</b>	<b>2%</b>	<b>5,574</b>	<b>4%</b>	<b>5,290</b>	<b>5%</b>	<b>10,474</b>	<b>11%</b>	<b>1,681</b>	<b>2%</b>

## HORIZONTAL ANALYSIS

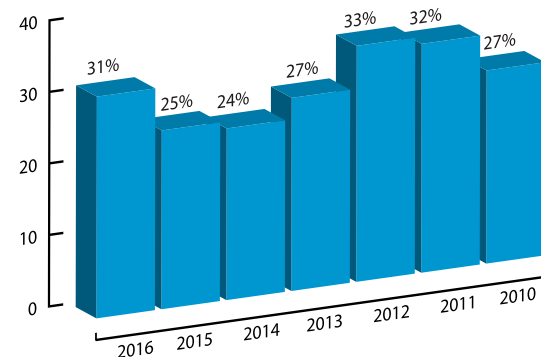
### Balance Sheet

ASSETS	Rupees in Millions						% increase/decrease over preceding year					
	2016	2015	2014	2013	2012	2011	2016	2015	2014	2013	2012	2011
Cash and Banks	31,349	27,623	20,261	33,112	30,722	30,426	13%	36%	-39%	8%	1%	19%
Loans secured against life insurance policies	62,803	50,673	41,303	33,100	27,095	22,596	24%	23%	25%	22%	20%	19%
Loans to employee and field force	803	551	424	420	430	422	46%	30%	1%	-2%	2%	4%
Investment properties	2,975	2,949	2,955	2,990	3,028	2,917	1%	0%	-1%	-1%	4%	7%
Investment in securities	514,447	445,958	390,102	319,279	262,884	218,152	15%	14%	22%	21%	21%	13%
Current assets and others	47,025	43,733	41,312	31,508	24,731	18,950	8%	6%	31%	27%	31%	72%
Fixed assets	409	340	332	397	307	250	20%	2%	-16%	29%	23%	14%
<b>Total assets</b>	<b>659,811</b>	<b>571,827</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>						
<b>EQUITY AND LIABILITIES</b>												
Issued, subscribed and paid-up capital	3,000	3,000	3,000	1,100	1,100	1,100	0%	0%	173%	0%	0%	0%
Reserve and surplus	948	1,229	840	1,932	1,214	508	-23%	46%	-57%	59%	139%	25%
Policyholders' liability	614,177	526,676	450,025	378,608	313,754	267,848	17%	17%	19%	21%	17%	16%
Employees retirement benefits	3,401	2,960	2,465	2,156	1,688	1,261	15%	20%	14%	28%	34%	-11%
Deferred capital grant	27	-	-	-	-	-	100%	-	-	-	-	-
Government grant for Health Insurance	-	-	-	-	-	362	-	-	-	-	-	100%
Creditors and accruals	38,258	37,962	40,359	37,010	31,441	22,635	1%	-6%	9%	18%	39%	25%
<b>Total equity and liability</b>	<b>659,811</b>	<b>571,827</b>	<b>496,689</b>	<b>420,806</b>	<b>349,197</b>	<b>293,714</b>						
<b>OPERATING AND FINANCIAL TRENDS</b>												
<b>Profit and Loss</b>												
Net Investment Income	311	320	147	132	135	125	-3%	118%	11%	-2%	8%	12%
Surplus appropriated	1,519	1,269	1,186	1,046	1,019	642	20%	7%	13%	3%	59%	29%
Profit before Tax	1,830	1,589	1,333	1,178	1,155	767	15%	19%	13%	2%	51%	26%
Taxation	618	541	428	368	388	259	14%	26%	16%	-5%	50%	27%
<b>Profit after Tax</b>	<b>1,212</b>	<b>1,048</b>	<b>905</b>	<b>810</b>	<b>767</b>	<b>508</b>	<b>16%</b>	<b>16%</b>	<b>12%</b>	<b>6%</b>	<b>51%</b>	<b>25%</b>
<b>Revenue Account</b>												
Premium net of Reinsurance	89,821	79,941	76,342	65,745	56,018	44,812	12%	5%	16%	17%	25%	26%
Net Investment Income	64,214	59,997	50,569	50,817	37,842	31,050	7%	19%	-	34%	22%	14%
<b>Total Inflow</b>	<b>154,035</b>	<b>139,938</b>	<b>126,911</b>	<b>116,562</b>	<b>93,860</b>	<b>75,863</b>	<b>10%</b>	<b>10%</b>	<b>9%</b>	<b>24%</b>	<b>24%</b>	<b>20%</b>
<b>Total Outflow</b>	<b>65,523</b>	<b>62,019</b>	<b>54,307</b>	<b>50,662</b>	<b>47,296</b>	<b>37,119</b>	<b>6%</b>	<b>14%</b>	<b>7%</b>	<b>7%</b>	<b>27%</b>	<b>18%</b>
Increase Policyholders' liability	83,286	74,990	67,030	60,609	36,090	37,137	11%	12%	11%	68%	-3%	20%
Taxation	43	-	-	-	-	75	-	-	-	-	-100%	100%
<b>Surplus after Tax</b>	<b>5,183</b>	<b>2,929</b>	<b>5,574</b>	<b>5,290</b>	<b>10,474</b>	<b>1,681</b>	<b>77%</b>	<b>-47%</b>	<b>5%</b>	<b>-49%</b>	<b>523%</b>	<b>249%</b>

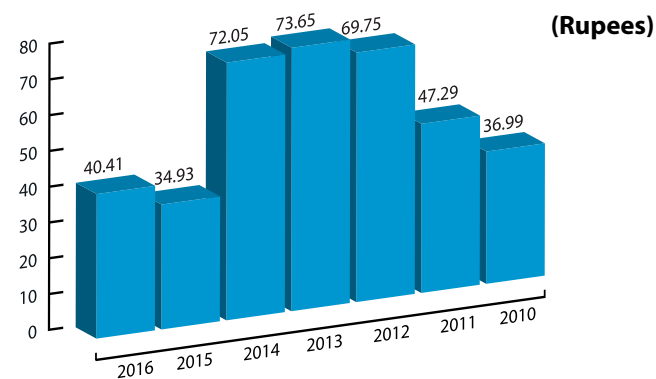
**PROFIT AFTER TAXATION**



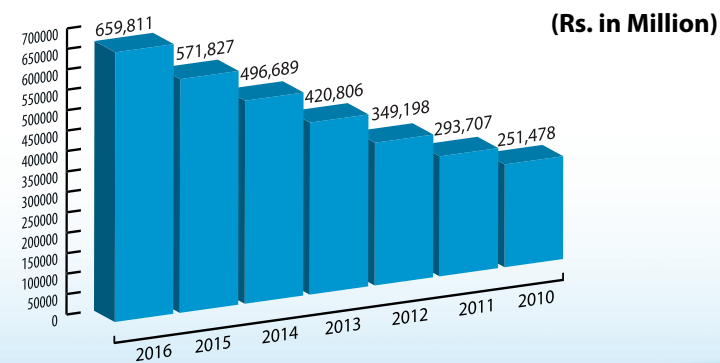
**RETURN ON EQUITY**



**EARNINGS PER SHARE**

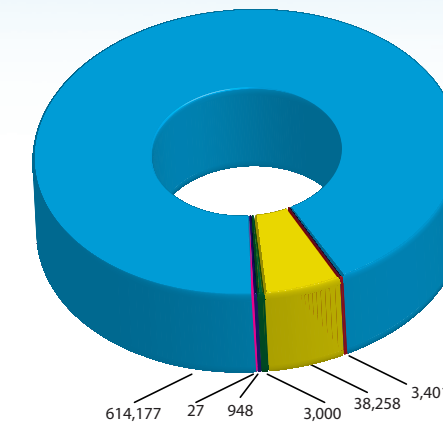


**ASSETS**



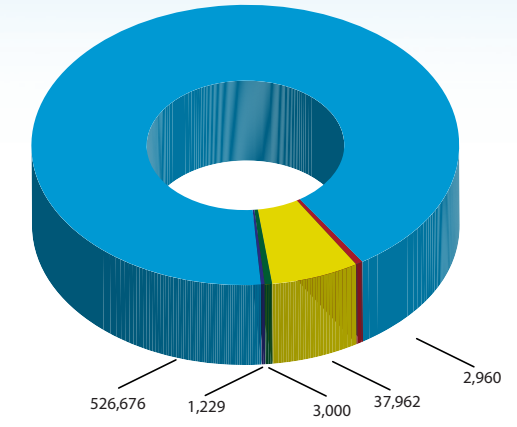
**BALANCE SHEET COMPOSITION**

**Equity & Liabilities - 2016**  
(Rs. in Million)



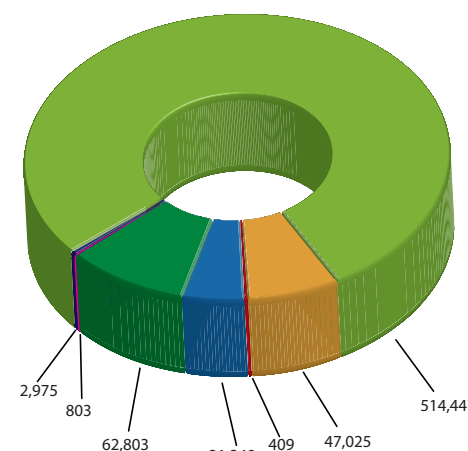
- Policyholders' Liability - 614,177
- Employees Retirement Benefit - 3,401
- Creditors and Accruals - 38,258
- Issued, Subscribed and Paid-up Capital - 3,000
- Reserve and Surplus - 948
- Deferred Capital Grant - 27

**Equity & Liabilities - 2015**  
(Rs. in Million)



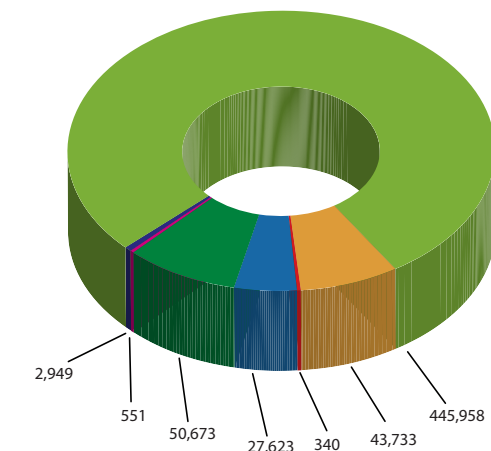
- Policyholders' Liability - 526,676
- Employees Retirement Benefit - 2,960
- Creditors and Accruals - 37,962
- Issued, Subscribed and Paid-up Capital - 3,000
- Reserve and Surplus - 1,229

**Assets - 2016**  
(Rs. in Million)



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

**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



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, 2016 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Corporation's Board of Directors/Management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the 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 affair as at December 31, 2016 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 1.4 to the financial statements, as a consequence of the corporatization, the Corporation is not expected to continue as a going concern. The Company formed shall be taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the Corporation at a specific date which is uncertain. Since there will be no change in operational activities of the Corporation pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities. Our opinion is not modified in respect of this matter.



**BDO Ebrahim & Co.**  
Chartered Accountants  
Name of the engagement partner:  
**Zulfikar Ali Causer**

Dated: 29 May, 2017  
**Karachi**



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

## BALANCE SHEET AS AT DECEMBER 31, 2016


Note	Shareholders' Fund	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>Share capital and reserves</b>								
	4,000,000	-	-	-	-	-	<b>4,000,000</b>	4,000,000
	3,000,000	-	-	-	-	-	<b>3,000,000</b>	3,000,000
	1,212,261	-	-	-	-	-	<b>1,212,261</b>	1,047,949
	-	-	-	-	-	-	-	181,022
	(450,000)	-	-	-	-	-	<b>(450,000)</b>	-
	185,817	-	-	-	-	-	<b>185,817</b>	-
	3,948,078	-	-	-	-	-	<b>3,948,078</b>	4,228,971
<b>Balance of statutory fund</b>								
	-	599,684,109	13,116,977	306,699	968,951	-	<b>614,076,736</b>	526,675,676
	-	-	-	-	-	100,000	<b>100,000</b>	-
	-	599,684,109	13,116,977	306,699	968,951	100,000	<b>614,176,736</b>	526,675,676
<b>Deferred liabilities</b>								
	-	3,386,365	15,506	-	-	-	<b>3,401,871</b>	2,959,600
	-	-	-	-	26,710	-	<b>26,710</b>	-
	-	3,386,365	15,506	-	26,710	-	<b>3,428,581</b>	2,959,600
<b>Creditors and accruals</b>								
	-	15,918,238	216,708	-	136,080	-	<b>16,271,026</b>	17,868,963
	-	6,927,941	154,271	-	906,474	-	<b>7,988,686</b>	7,697,429
	-	217,937	526	-	-	-	<b>218,463</b>	181,436
	-	4,774,015	76,238	-	-	-	<b>4,850,253</b>	4,414,342
	-	2,852,347	61,056	107	101,824	-	<b>3,015,334</b>	2,749,194
	59,116	-	206,874	69,680	177,329	-	<b>512,999</b>	545,564
	440,296	4,931,359	28,876	687	16	-	<b>5,401,234</b>	4,505,552
	499,412	35,621,837	744,549	70,474	1,321,723	-	<b>38,257,995</b>	37,962,480
	499,412	638,692,311	13,877,032	377,173	2,317,384	100,000	<b>655,863,312</b>	567,597,756
	4,447,490	638,692,311	13,877,032	377,173	2,317,384	100,000	<b>659,811,390</b>	571,826,727
<b>Contingencies and commitments</b>								

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

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer

## BALANCE SHEET AS AT DECEMBER 31, 2016


Note	Shareholders' Fund	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>Cash and bank deposits</b>								
	-	119,591	-	-	-	-	<b>119,591</b>	45,677
	-	12,072,512	1,150,394	15,997	770,682	100,000	<b>14,109,585</b>	15,100,249
	713,208	15,614,819	640,158	-	-	-	<b>16,968,185</b>	11,272,714
	-	1,710	149,552	-	-	-	<b>151,262</b>	1,204,842
	713,208	27,808,632	1,940,104	15,997	770,682	100,000	<b>31,348,623</b>	27,623,482
<b>Loans secured against life insurance policies</b>								
	-	61,838,558	964,030	-	-	-	<b>62,802,588</b>	50,673,253
<b>Loans secured against other assets</b>								
	478,508	2,643	-	-	-	-	<b>481,151</b>	233,575
	18,476	6,164	-	-	-	-	<b>24,640</b>	24,877
	-	2,661	-	-	-	-	<b>2,661</b>	2,661
	496,984	11,468	-	-	-	-	<b>508,452</b>	261,113
<b>Unsecured loans</b>								
	250,243	-	-	-	-	-	<b>250,243</b>	246,933
	43,885	812	-	-	-	-	<b>44,697</b>	42,386
	294,128	812	-	-	-	-	<b>294,940</b>	289,319
<b>Investment properties</b>								
	-	4,839,440	-	-	-	-	<b>4,839,440</b>	4,741,571
	-	(687)	-	-	-	-	<b>(687)</b>	(592)
	-	(1,863,819)	-	-	-	-	<b>(1,863,819)</b>	(1,792,042)
	-	2,974,934	-	-	-	-	<b>2,974,934</b>	2,948,937
<b>Investments</b>								
	1,897,934	468,681,507	9,411,578	291,973	1,443,132	-	<b>481,726,124</b>	413,232,678
	-	7,573	803,245	-	-	-	<b>810,818</b>	859,825
	-	31,072,812	-	-	-	-	<b>31,072,812</b>	31,022,132
	-	870,680	-	-	-	-	<b>870,680</b>	872,805
	-	241,609	-	-	-	-	<b>241,609</b>	241,609
	-	(274,549)	-	-	-	-	<b>(274,549)</b>	(271,150)
	1,897,934	500,599,632	10,214,823	291,973	1,443,132	-	<b>514,447,494</b>	445,957,89
<b>Current assets - others</b>								
	-	14,734,634	474,720	56,263	13,240	-	<b>15,278,857</b>	14,480,527
	-	222,057	-	-	-	-	<b>222,057</b>	263,769
	-	208	-	-	-	-	<b>208</b>	208
	-	741,364	135,964	-	-	-	<b>877,328</b>	451,686
	101,158	23,841,635	118,486	10,894	17,251	-	<b>24,089,424</b>	22,545,278
	944,078	2,538,184	-	2,042	-	-	<b>3,484,304</b>	3,431,830
	-	384,428	16,589	-	10,542	-	<b>411,559</b>	412,801
	-	512,999	-	-	-	-	<b>512,999</b>	545,564
	-	2,093,463	5,609	4	4,498	-	<b>2,103,574</b>	1,554,466
	-	44,984	-	-	55	-	<b>45,039</b>	46,440
	1,045,236	45,113,956	751,368	69,203	45,586	-	<b>47,025,349</b>	43,732,569
<b>Fixed assets - tangible</b>								
	-	1,471,326	29,402	-	70,145	-	<b>1,570,873</b>	1,387,690
	-	(1,127,007)	(22,695)	-	(12,161)	-	<b>(1,161,863)</b>	(1,047,535)
	-	344,319	6,707	-	57,984	-	<b>409,010</b>	340,155
	4,447,490	638,692,311	13,877,032	377,173	2,317,384	100,000	<b>659,811,390</b>	571,826,727

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

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	(Rupees in '000)	
		2016	2015
<b>Investment income not attributable to statutory funds</b>			
Return on Government securities		289,532	304,398
Interest income on loans and advances to employees/agents		27,751	19,416
Interest income on bank deposits		234	12
<b>Net investment income</b>		<b>317,517</b>	<b>323,826</b>
Expenses not attributable to statutory funds		(5,849)	(4,281)
Surplus appropriated to shareholders' fund	21.4	1,518,792	1,268,920
Profit before tax		1,830,460	1,588,465
Taxation	16	(618,199)	(540,516)
Profit after tax		1,212,261	1,047,949
Earnings per share - basic and diluted	17	40.41	34.93

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

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED DECEMBER 31, 2016

	(Rupees in '000)	
	2016	2015
Profit after tax for the year	1,212,261	1,047,949
<b>Other comprehensive income for the year</b>	-	-
Total comprehensive income for the year	1,212,261	1,047,949

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

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

	(Rupees in '000)					
	Issued, subscribed and paid-up share capital	Accumulated profit	Reserve for takaful window operation	Capital contributed to statutory fund	General reserve	Net shareholders' equity
<b>Balance as at January 1, 2015</b>	3,000,000	840,308	-	-	-	3,840,308
<b>Transactions with owners recorded directly in equity</b>						
Dividend paid	-	(564,180)	-	-	-	(564,180)
Transferred to BESOS from profit of year ended December 31, 2014	-	(95,106)	-	-	-	(95,106)
Transferred for Window Takaful operation reserve	-	(181,022)	181,022	-	-	-
	-	(840,308)	181,022	-	-	(659,286)
Total comprehensive income for the year ended December 31, 2015						
Profit for the year	-	1,047,949	-	-	-	1,047,949
Other comprehensive income for the year	-	-	-	-	-	-
	-	1,047,949	-	-	-	1,047,949
<b>Balance as at December 31, 2015</b>	3,000,000	1,047,949	181,022	-	-	4,228,971
<b>Transactions with owners recorded directly in equity</b>						
Dividend paid	-	(897,044)	-	-	-	(897,044)
Transferred to BESOS from profit of year ended December 31, 2015*	-	(46,110)	-	-	-	(46,110)
Capital contributed during the year	-	-	(100,000)	(450,000)	-	(550,000)
Transferred to general reserve**	-	(104,795)	(81,022)	-	185,817	-
	-	(1,047,949)	(181,022)	(450,000)	185,817	(1,493,154)
Total comprehensive income for the year ended December 31, 2016						
Profit for the year	-	1,212,261	-	-	-	1,212,261
Other comprehensive income for the year	-	-	-	-	-	-
	-	1,212,261	-	-	-	1,212,261
<b>Balance as at December 31, 2016</b>	3,000,000	1,212,261	-	(450,000)	185,817	3,948,078

\* 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 24, 2016.

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

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>OPERATING ACTIVITIES</b>								
<b>a) Underwriting activities</b>								
	-	79,911,898	2,040,345	60,343	1,351,627	-	<b>83,364,213</b>	76,250,982
	-	(162,299)	(53,729)	-	-	-	<b>(216,028)</b>	(202,025)
	-	(24,394,215)	(442,104)	(81,409)	(346,965)	-	<b>(25,264,693)</b>	(22,203,442)
	-	(13,744,759)	(658,630)	-	-	-	<b>(14,403,389)</b>	(12,013,476)
	-	171,877	993	-	-	-	<b>172,870</b>	67,106
	-	(16,577,412)	(313,244)	-	(60)	-	<b>(16,890,716)</b>	(16,378,966)
	-	(3,100,903)	(55,242)	-	-	-	<b>(3,156,145)</b>	(2,775,103)
	-	22,104,187	518,389	(21,066)	1,004,602	-	<b>23,606,112</b>	22,745,076
<b>b) Other operating activities</b>								
	(1,562,277)	850,708	-	(2,042)	-	-	<b>(713,611)</b>	(1,071,941)
	(5,850)	(5,578,167)	(224,103)	(1,348)	(239,734)	-	<b>(6,049,202)</b>	(10,515,988)
	(593,286)	(7,213,457)	73,909	-	-	-	<b>(7,732,834)</b>	(9,126,391)
	367,893	8,025,644	-	-	-	-	<b>8,393,537</b>	10,012,783
	650,790	(1,284,883)	32,169	31,898	95,138	-	<b>(474,888)</b>	(893,881)
	(1,142,730)	(5,200,155)	(118,025)	28,508	(144,596)	-	<b>(6,576,998)</b>	(11,595,418)
	(1,142,730)	16,904,032	400,364	7,442	860,006	-	<b>17,029,114</b>	11,149,658
<b>INVESTING ACTIVITIES</b>								
	377,155	48,216,679	579,148	29,635	180,523	-	<b>49,383,140</b>	46,852,851
	-	5,714,989	3,615	-	-	-	<b>5,718,604</b>	5,805,774
	-	1,058,688	-	-	-	-	<b>1,058,688</b>	943,635
	(182,832)	(121,756,264)	(3,818,875)	(62,217)	(1,318,233)	-	<b>(127,138,421)</b>	(77,247,880)
	1,635,850	54,866,759	2,790,054	41,137	618,000	-	<b>59,951,800</b>	20,707,134
	-	(230,875)	(3,362)	-	(63,477)	-	<b>(297,714)</b>	(191,497)
	-	14,335	2,329	-	-	-	<b>16,664</b>	4,037
	1,830,173	(12,115,689)	(447,091)	8,555	(583,187)	-	<b>(11,307,239)</b>	(3,125,946)
<b>FINANCING ACTIVITIES</b>								
	(550,000)	-	-	-	450,000	100,000	-	-
	1,518,792	(1,495,629)	(23,163)	-	-	-	-	-
	(943,154)	-	-	-	-	-	<b>(943,154)</b>	(564,180)
	25,638	(1,495,629)	(23,163)	-	450,000	100,000	<b>(943,154)</b>	(564,180)
	713,081	3,292,714	(69,890)	15,997	726,819	100,000	<b>4,778,721</b>	7,459,532
	127	24,514,208	1,860,442	-	43,863	-	<b>26,418,640</b>	18,959,108
	713,208	27,806,922	1,790,552	15,997	770,682	100,000	<b>31,197,361</b>	26,418,640
<b>Reconciliation to profit and loss account</b>								
	(1,142,730)	16,904,032	400,364	7,442	860,006	-	<b>17,029,114</b>	11,149,660
	-	(128,810)	(1,672)	-	(8,552)	-	<b>(139,034)</b>	(124,573)
	317,517	63,210,920	855,402	31,793	116,265	-	<b>64,531,897</b>	60,319,514
	-	-	-	-	-	-	-	-
	(27,751)	628,563	3,291	-	-	-	<b>604,103</b>	552,269
	1,518,792	(1,495,629)	(23,163)	-	-	-	-	-
	-	(6,730,359)	(82,152)	-	-	-	<b>(6,812,511)</b>	(5,903,456)
	592,543	13,436,658	117,321	966	(70,234)	-	<b>14,077,254</b>	10,834,687
	(46,110)	185,817	(65,184)	(31,869)	(1,179,115)	-	<b>(1,136,461)</b>	860,072
	-	8,959	-	-	-	-	<b>8,959</b>	10,066
	1,212,261	86,020,151	1,204,207	8,332	(281,630)	-	<b>88,163,321</b>	77,698,239

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

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer

## REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2016

Note	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>Income</b>							
Premium less reinsurance	87,229,600	2,110,327	59,263	421,779	-	<b>89,820,969</b>	79,941,313
Rental income from investment properties	492,333	-	-	-	-	<b>492,333</b>	380,051
Net investment income	62,718,587	855,402	31,793	116,265	-	<b>63,722,047</b>	59,616,558
<b>Total net income</b>	<b>150,440,520</b>	<b>2,965,729</b>	<b>91,056</b>	<b>538,044</b>	<b>-</b>	<b>154,035,349</b>	139,937,922
<b>Claims and expenditure</b>							
Claims, including bonuses, net of reinsurance recoveries	36,225,196	1,149,798	81,409	482,583	-	<b>37,938,986</b>	35,960,972
Management expenses less recoveries	26,656,605	588,561	1,315	337,091	-	<b>27,583,572</b>	26,057,740
<b>Total claims and expenditure</b>	<b>62,881,801</b>	<b>1,738,359</b>	<b>82,724</b>	<b>819,674</b>	<b>-</b>	<b>65,522,558</b>	62,018,712
<b>Excess of income over claims &amp; expenditure</b>	<b>87,558,719</b>	<b>1,227,370</b>	<b>8,332</b>	<b>(281,630)</b>	<b>-</b>	<b>88,512,791</b>	77,919,210
Add: Policyholders' liabilities at the beginning of the year	492,573,776	10,980,704	218,756	116,374	-	<b>503,889,610</b>	428,899,509
Less: Policyholders' liabilities at the end of the year	575,193,054	11,785,577	190,942	6,469	-	<b>587,176,042</b>	503,889,610
<b>Surplus before tax</b>	<b>4,939,441</b>	<b>422,497</b>	<b>36,146</b>	<b>(171,725)</b>	<b>-</b>	<b>5,226,359</b>	2,929,109
<b>Tax chargeable to statutory funds</b>							
Current year	(42,939)	-	-	-	-	<b>(42,939)</b>	-
<b>Surplus/(deficit) after tax</b>	<b>4,896,502</b>	<b>422,497</b>	<b>36,146</b>	<b>(171,725)</b>	<b>-</b>	<b>5,183,420</b>	2,929,109
<b>Movement in policyholders' liabilities</b>							
Transfer from/(to) shareholders' fund	82,619,278	804,873	(27,814)	(109,905)	-	<b>83,286,432</b>	74,990,101
Transfer from shareholders' fund	-	-	-	450,000	100,000	<b>550,000</b>	-
Surplus appropriated to shareholders' fund	(1,495,629)	(23,163)	-	-	-	<b>(1,518,792)</b>	(1,268,920)
<b>Balance of statutory fund at the beginning of the year</b>	<b>513,663,958</b>	<b>11,912,770</b>	<b>298,367</b>	<b>800,581</b>	<b>-</b>	<b>526,675,676</b>	450,025,386
<b>Balance of statutory fund at the end of the year</b>	<b>599,684,109</b>	<b>13,116,977</b>	<b>306,699</b>	<b>968,951</b>	<b>100,000</b>	<b>614,176,736</b>	526,675,676
<b>Represented by:</b>							
Policyholders' liabilities	575,193,054	11,785,577	190,942	6,469	-	<b>587,176,042</b>	503,889,610
Retained earnings attributable to policyholders	24,491,055	1,331,400	-	-	-	<b>25,822,455</b>	22,022,248
Retained earnings on other than participating business	-	-	115,757	512,482	-	<b>628,239</b>	763,818
Capital contributed by shareholders' fund	-	-	-	450,000	100,000	<b>550,000</b>	-
<b>Balance of statutory fund</b>	<b>599,684,109</b>	<b>13,116,977</b>	<b>306,699</b>	<b>968,951</b>	<b>100,000</b>	<b>614,176,736</b>	526,675,676

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

  
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Director

  
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Muhammad Rashid  
Chief Financial Officer

  
Naveed Kamran Baloch  
Chairman

  
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Director

  
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Director

  
Muhammad Rashid  
Chief Financial Officer

## STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2016

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>Gross premiums</b>							
Regular premium individual policies *							
First year	16,766,406	304,427	-	-	-	<b>17,070,833</b>	16,306,484
Second year renewals	12,365,216	290,264	-	-	-	<b>12,655,480</b>	12,519,908
Subsequent year renewals	52,650,040	1,540,079	-	-	-	<b>54,190,119</b>	45,366,342
Group policies with cash values	-	2,134,770	-	-	-	<b>83,916,432</b>	74,192,734
Group policies without cash values	5,676,550	-	59,263	421,779	-	<b>6,098,329</b>	5,929,647
<b>Total gross premiums</b>	<b>87,458,212</b>	<b>2,134,770</b>	<b>59,263</b>	<b>421,779</b>	<b>-</b>	<b>90,074,024</b>	80,171,629
<b>Less: Reinsurance premiums ceded</b>							
On individual life first year business	(31,120)	(3,807)	-	-	-	<b>(34,927)</b>	(35,532)
On individual life second year business	(25,385)	-	-	-	-	<b>(25,385)</b>	(19,601)
On individual life renewal business	(92,221)	(20,636)	-	-	-	<b>(112,857)</b>	(137,619)
On group policies	(79,886)	-	-	-	-	<b>(79,886)</b>	(37,564)
<b>Total reinsurance premiums ceded</b>	<b>(228,612)</b>	<b>(24,443)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(253,055)</b>	(230,316)
<b>Net premiums</b>	<b>87,229,600</b>	<b>2,110,327</b>	<b>59,263</b>	<b>421,779</b>	<b>-</b>	<b>89,820,969</b>	79,941,313


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

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

## STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2016

	Statutory Funds					Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
						(Rupees in '000)	
<b>Gross claims</b>							
Claims under individual policies							
By death	4,007,914	48,750	-	-	-	4,056,664	3,860,816
By insured event other than death	340,640	1,174	-	-	-	341,814	306,622
By maturity	12,383,724	442,237	-	-	-	12,825,961	13,083,207
By surrender	13,744,759	658,630	-	-	-	14,403,389	12,013,476
Annuity payment	16,575	-	-	-	-	16,575	11,291
<b>Total gross individual policy claims</b>	<b>30,493,612</b>	<b>1,150,791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,644,403</b>	<b>29,275,412</b>
Claims under group policies							
By death	5,324,780	-	52,617	-	-	5,377,397	5,437,681
By insured event other than death	90,393	-	-	287,614	-	378,007	108,889
By maturity	459	-	-	-	-	459	-
By surrender	-	-	28,792	-	-	28,792	-
Annuity payment	2,148	-	-	-	-	2,148	1,000
Experience refund	443,969	-	-	194,969	-	638,938	1,202,597
<b>Total gross group policy claims</b>	<b>5,861,749</b>	<b>-</b>	<b>81,409</b>	<b>482,583</b>	<b>-</b>	<b>6,425,741</b>	<b>6,750,167</b>
<b>Total gross claims</b>	<b>36,355,361</b>	<b>1,150,791</b>	<b>81,409</b>	<b>482,583</b>	<b>-</b>	<b>38,070,144</b>	<b>36,025,579</b>
<b>Less: Reinsurance recoveries</b>							
On individual life first year business claims	(2,095)	-	-	-	-	(2,095)	(27,174)
On individual life second year business claims	-	-	-	-	-	-	108,484
On individual life renewal business claims	(20,248)	(993)	-	-	-	(21,241)	1,424
On group life claims	(45,858)	-	-	-	-	(45,858)	(18,599)
On experience refund of premiums	(61,964)	-	-	-	-	(61,964)	(128,742)
<b>Total reinsurance recoveries</b>	<b>(130,165)</b>	<b>(993)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131,158)</b>	<b>(64,607)</b>
<b>Net claims</b>	<b>36,225,196</b>	<b>1,149,798</b>	<b>81,409</b>	<b>482,583</b>	<b>-</b>	<b>37,938,986</b>	<b>35,960,972</b>

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

  
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Chairman

  
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Director

  
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Director

  
Muhammad Rashid  
Chief Financial Officer

## STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
							(Rupees in '000)	
<b>Acquisition costs</b>								
<b>Remuneration to insurance intermediaries on individual policies:</b>								
Commission on first year premiums		11,238,949	182,882	-	-	-	11,421,831	10,959,299
Commission on second year premiums		2,102,688	31,072	-	-	-	2,133,760	2,079,456
Commission on subsequent renewal premiums		2,239,098	79,856	-	-	-	2,318,954	1,952,637
Other benefits to insurance intermediaries		1,440,115	7,272	-	-	-	1,447,387	1,416,741
		17,020,850	301,082	-	-	-	17,321,932	16,408,133
<b>Remuneration to insurance intermediaries on group policies:</b>								
Commission		3,413	-	-	-	-	3,413	2,896
Other benefits to insurance intermediaries		1,222	-	-	-	-	1,222	825
		4,635	-	-	-	-	4,635	3,721
Branch overheads	23	2,275,437	53,100	-	-	-	2,328,537	1,968,462
<b>Other acquisition cost</b>								
Policy stamps and medical fee		825,467	2,143	-	60	-	827,670	806,641
<b>Total acquisition cost</b>		<b>20,126,389</b>	<b>356,325</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>20,482,774</b>	<b>19,186,957</b>
<b>Administration expenses</b>								
Salaries and other benefits		4,449,319	149,685	824	82,094	-	4,681,922	4,426,887
Traveling expenses		212,247	9,529	119	20,040	-	241,935	201,910
Auditors' remuneration		4,178	3,461	-	-	-	7,639	4,541
Legal expenses	24	47,220	1,301	-	40,404	-	88,925	34,731
Supervision fee		50,000	-	-	-	-	50,000	50,000
Advertisements		86,769	869	-	109,084	-	196,722	148,788
Printing and stationery		103,082	1,704	-	44,673	-	149,459	114,709
Postage and telephone		97,099	8,979	-	7,756	-	113,834	101,159
Utilities		796,762	1,472	127	6,423	-	804,784	491,815
Training		25,819	-	-	818	-	26,637	24,341
Computer expenses		16,627	147	-	1,232	-	18,006	24,122
Rental		216,712	8,925	-	6,794	-	232,431	201,141
Gratuity and pension expenses		88,376	5,353	-	3,081	-	96,810	722,996
Bank charges		36,636	11,351	3	78	-	48,068	42,397
Depreciation		128,810	1,672	-	8,552	-	139,034	124,573
		6,359,656	204,448	1,073	331,029	-	6,896,206	6,714,110
Other management expenses		218,145	26,974	-	4,879	-	249,998	205,827
<b>Gross management expenses</b>		<b>26,704,190</b>	<b>587,747</b>	<b>1,073</b>	<b>335,968</b>	<b>-</b>	<b>27,628,978</b>	<b>26,106,894</b>
Commission from reinsurers		(30,507)	(9,050)	-	-	-	(39,557)	(44,873)
Management expenses recovered from/allocated to other funds		(17,078)	9,864	242	1,123	-	(5,849)	(4,281)
<b>Net management expenses</b>		<b>26,656,605</b>	<b>588,561</b>	<b>1,315</b>	<b>337,091</b>	<b>-</b>	<b>27,583,572</b>	<b>26,057,740</b>

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

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
Director

  
Muhammad Rashid  
Chief Financial Officer

## STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Statutory Funds					(Rupees in '000) Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>Investment income</b>								
On Government securities		49,026,827	697,598	31,251	76,270	-	<b>49,831,946</b>	46,520,740
On other fixed income securities and deposits		750,333	86,726	499	2,848	-	<b>840,406</b>	712,784
Dividend income		5,928,283	3,615	-	-	-	<b>5,931,898</b>	5,744,531
On loans to policyholders		6,730,358	82,152	-	-	-	<b>6,812,510</b>	5,903,456
On loans to employees		90	-	-	-	-	<b>90</b>	133
Others	25	132,587	(9,062)	43	36,565	-	<b>160,133</b>	551,215
<b>Total</b>		<b>62,568,478</b>	<b>861,029</b>	<b>31,793</b>	<b>115,683</b>	<b>-</b>	<b>63,576,983</b>	59,432,859
<b>Gain/(loss) on sale of investments</b>		<b>213,544</b>	<b>(4,674)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208,870</b>	200,665
<b>(Provision)/reversal of impairment in value of investments and receivables</b>								
Provision for impairment in shares		(5,657)	-	-	-	-	<b>(5,657)</b>	(17,671)
Reversal of provision in receivables and shares		1,676	-	-	582	-	<b>2,258</b>	52,192
<b>Investment related expenses</b>		<b>(59,454)</b>	<b>(953)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60,407)</b>	(51,487)
<b>Net investment income</b>		<b>62,718,587</b>	<b>855,402</b>	<b>31,793</b>	<b>116,265</b>	<b>-</b>	<b>63,722,047</b>	59,616,558

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



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Chief Financial Officer

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 1 STATUS AND NATURE OF BUSINESS

**1.1** State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 33 zones for individual life business, 4 zones for group life business and in the gulf countries [comprising United Arab Emirates (UAE), Kingdom of Saudi Arabia and Kuwait] through zonal office located at Dubai (UAE).

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

**1.3** The Corporation was issued the certificate of authorization for commencement of Window Takaful Operation under rule 6 of the Takaful rules, 2012 by SECP vide letter no. 0097, dated September 22, 2016. However, the Corporation is in the process of launching the Window Takaful Operations at the year end i.e, December 31, 2016.

**1.4** The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion), 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. After the commencement of this Ordinance, the Federal Government established a Company namely, State Life Insurance Company Limited under the Companies Ordinance, 1984 (XLVII of 1984) with the objective of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc of the Corporation on fulfillment of the statutory requirements. The National Assembly converted the said Ordinance into Bill for the conversion of State Life Insurance Corporation to State Life Insurance Company Limited and sent the Bill to Senate for approval and the Senate, instead of passing the Bill, proposed few amendments in the Bill. For the consideration of the proposed amendments, the matter was moved to National Assembly Standing Committee on Commerce and the matter is still pending with that Committee. Under the new scheme all the assets, liabilities, contracts, policies, proceedings and undertakings of the Corporation shall stand transferred to and vest in the Company on a specific date which is uncertain. Accordingly, the Corporation is not expected to continue as going concern. Since there will be no change in operational activities of the Corporation pursuant to change in aforesaid legal structure, no adjustments are expected to the carrying amounts of assets and liabilities.

### 2 BASIS OF PREPARATION

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

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the 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 Nil (2015: Rs. 26.4 million), profit before taxation would have been lower by Nil (2015: Rs. 26.4 million), earnings per share would have been lower by Nil (2015: Rs. 0.88), and reserves for the year would have been lower by Nil (2015: Rs. 26.4 million). Further, as per the Ministry of Finance's letter dated May 19, 2014, the Scheme is being revamped.

## 2.2 Basis of Measurement

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

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

## 2.3 Functional and Presentation Currency

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

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

### 3.1 Standards Or Interpretations That Are Effective In Current Year But Not Relevant To The Corporation

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

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 1, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 1, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 1, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 1, 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 1, 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 1, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 1, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 1, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 1, 2016

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

Annual Improvements to IFRSs (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

### 3.2 Amendments Not Yet Effective

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

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 1, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 1, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 1, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 1, 2017
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 1, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against the respective standard are as follows:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

### 3.3 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 Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

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.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Corporation's financial statements for the year ended December 31, 2015:

#### 4.1 Use of Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount 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.

#### 4.2 Funds

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

- Pakistan Life Fund (Ordinary Life);
- Overseas Life Fund (Ordinary Life);
- Pension Fund;
- Health Insurance Fund
- Family Takaful Fund

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

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

##### Pakistan Life Fund (Ordinary Life)

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

Within the Pakistan Life Fund, business can be further classified as Individual Life Conventional Business, Individual Universal Life Business, Group Insurance Business and a small amount of Annuity Business. Most of the policies contain Discretionary Participation Feature (DPF).

##### Overseas Life Fund (Ordinary Life)

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

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

##### Pension Fund

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

##### Health Insurance Fund

The Corporation has entered into an agreement in 2015 with Government of Khyber Pakhtunkhwa (KP) to implement Social Health Protection Initiative.

As per the agreement, the Corporation received 60% of the plan and will receive 40% of the said amount on completion of the plan certified by the consultant firm designated for the said purpose. Under the scheme, about 100,000 households in four districts of KP will be covered for 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 Micro Health Insurance benefits under the prescribed limit of Rs. 250,000/- per household for specialized diseases and Rs. 50,000/- for other diseases.

#### Family Takaful Fund

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

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

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

#### 4.3 Policyholders' Liabilities

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

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

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

#### 4.4 Reinsurance

The Corporation has reinsurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2015: Rs. 5 million) per policy and for group life Rs. 5 million (2015: 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 re-insurance contracts are offset against the claims expenses of respective year.

#### 4.5 Claims

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

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

#### 4.6 Amount Due to Other Insurers/Reinsurers

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

#### 4.7 Premiums Due But Unpaid

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

#### 4.8 Amount Due from Other Insurers/Reinsurers

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

#### 4.9 Acquisition Costs

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

#### 4.10 Expenses of Management

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

#### 4.11 Staff Retirement Benefits

##### a) Provident Fund

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

##### b) Gratuity Fund

###### Officers

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

###### Staff

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

Previously, the Corporation maintained a defined Contribution plan in respect of all those officers of the Corporation who initially opted for the unfunded Gratuity scheme. At the end of each month, starting from the effective date of admission of a member to the fund, the Corporation used to make a contribution equal to 8.33% of the member's basic salary. However, pursuant to decision of the Board of Directors taken in their 241st meeting held on October 20, 2015, the Gratuity scheme of the officers of the Corporation has been revamped from defined Contribution plan to defined benefit plan effective from current year. Had the old scheme of defined contribution plan been followed, the provision for the year and the defined Benefit Liability in respect of Funded Staff Gratuity Scheme would have been lower by Rs. 25.966 million.

##### c) Pension Fund

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

**d) Compensated Absences**

From the year 2002, the 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 upto 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, 2016 amounting to Rs.1,324 million (2015: Rs. 1,140 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, 2016, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 1,964.517 million (2015: Rs. 1,727.875 million) and the same has been provided in these financial statements.

**4.12 Loans Secured Against Life Insurance Policies**

**Cash Loans**

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

**Automatic Non-Forfeiture Provisions**

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

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

**4.13 Investment Properties**

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

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

**4.14 Financial Instruments**

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

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

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

**Financial Assets**

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

- Loans and Receivables;
- Held-to-Maturity; and
- Available-for-Sale Financial Assets.

**Loans and Receivables**

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

**Held-to-Maturity**

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

**Available-for-Sale**

Available for sale financial instruments are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments. Investments intended to be held for indefinite period of time, which may be sold 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.



#### 4.15 Other Assets

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

#### 4.16 Fixed Assets - Tangible

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

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 15 to the financial statements, after taking into account residual values, if any. The useful lives, residual values and Depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on fixed assets is charged on a proportionate basis.

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

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of fixed assets are included in current year's income and expenses respectively.

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

#### 4.17 Revenue Recognition

##### Premium

##### (a) Individual Life Policies

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

##### (b) Group Life Policies

The premium on Group Life policies is recognized on a proportionate basis.

##### Rental Income on Investment Properties

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

##### Investment Income

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

Dividend income is recognized when the Corporation's right to receive dividend is established.

Income on debentures is recognized at the prescribed rates, except where recovery is considered doubtful in which case the income is recognized on a receipt basis.

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

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

##### Deferred Capital Grant

Grants received for capital expenditure is credited to "Deferred liabilities". Amount equal to the depreciation charged during the year as per rate applicable to the respective assets is transferred to other income.

Grants received in cash for revenue expenditure are treated as income on the basis of expenditure incurred.

##### Others

All other income are recognised on accrual basis.

#### 4.18 Taxation

##### Current

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

##### Deferred

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

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

#### 4.19 Bad and Doubtful Debts

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

#### 4.20 Provisions

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

#### 4.21 Impairment of Non-Financial Assets

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

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

#### 4.22 Related Party Transactions and Transfer Pricing

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

#### 4.23 Cash and Cash Equivalents

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

#### 4.24 Dividend Distributions and Appropriations

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

#### 4.25 Earnings Per Share

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

#### 4.26 Segment Reporting

Operating segment is a distinguishable component of the Corporation that is engaged in providing services that are subject to risks and returns that are different from those of other operating segments. The Corporation accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002.

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

#### 4.27 Foreign Currency Translations

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

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

		(Rupees in '000)	
2016	2015	2016	2015
Number of Shares			
<b>30,000,000</b>	30,000,000	<b>3,000,000</b>	3,000,000

Ordinary shares of Rs. 100 each.

### 6 STAFF RETIREMENT BENEFITS

#### Defined benefit plans

##### Pakistan Life Fund

	Note	2016	2015
Staff gratuity scheme - unfunded	6.1	72,255	78,079
Officers' gratuity scheme - funded	6.1 & 6.9	25,966	-
Post-retirement medical benefits - unfunded	6.1	1,964,517	1,727,875
Compensated absences	6.2	1,323,627	1,140,000
		<b>3,386,365</b>	2,945,954
<b>Overseas Life Fund</b>			
Staff gratuity		15,506	13,646
		<b>3,401,871</b>	2,959,600

### 6.1 Reconciliation of Payable to Defined Benefit Plans and Other Benefits

		(Rupees in '000)							
Note		Unfunded Staff Gratuity		Funded Officers Gratuity		Employees' Pension Fund		Post Retirement Medical	
		2016	2015	2016	2015	2016	2015	2016	2015
	Present value of defined benefit obligations	72,255	78,079	180,940	-	17,215,108	15,774,396	1,964,517	1,727,875
	Fair value of plan assets	-	-	(154,974)	-	(18,763,484)	(16,624,300)	-	-
	Net payable recognised as at the year end	<b>72,255</b>	78,079	<b>25,966</b>	-	<b>(1,548,376)*</b>	(849,904)*	<b>1,964,517</b>	1,727,875

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

#### 6.1.1 Movement in Balance Payable

Opening balance of payable	78,079	94,056	-	-	(849,904)	4,633,484	1,727,875	1,415,309
(Income)/Expense recognised	8,068	20,717	138,012	-	49,368	809,583	286,685	353,029
Contributions made during the year	-	-	(98,217)	-	(747,840)	(6,292,971)	-	-
Liability (transferred to)/transferred from defined contribution gratuity fund	-	(20,084)	(13,829)	-	-	-	-	-
Benefits paid	(13,892)	(16,610)	-	-	-	-	(50,043)	(40,463)
Closing balance of payable	<b>72,255</b>	78,079	<b>25,966</b>	-	<b>(1,548,376)</b>	(849,904)	<b>1,964,517</b>	1,727,875

#### 6.1.2 Reconciliation of the Present Value of Defined Benefit Obligation

Present value of obligation as at January 01	78,079	94,056	-	-	15,774,396	13,684,153	1,727,875	1,415,309
Transferred from defined contribution gratuity fund	-	-	135,642	-	-	-	-	-
Current service cost	2,186	2,644	5,114	-	602,827	567,350	77,602	67,231
Past service cost	-	-	150,632	-	-	-	-	-
Interest cost	7,434	9,892	17,534	-	1,583,460	1,532,855	174,497	158,854
Benefit paid	(13,892)	(16,610)	(110,805)	-	(715,612)	(596,989)	(50,043)	(40,463)
Liability (transferred to)/transferred from defined contribution gratuity fund	-	(20,084)	-	-	-	-	-	-
Actuarial losses	(1,552)	8,181	(17,177)	-	(29,963)	587,027	34,586	126,944
Present value of the defined benefit obligation as at December 31	<b>72,255</b>	78,079	<b>180,940</b>	-	<b>17,215,108</b>	15,774,396	<b>1,964,517</b>	1,727,875

#### 6.1.3 Changes in Fair Value of Plan Assets

	Funded Officers Gratuity		Employees' Pension Fund	
	2016	2015	2016	2015
Net assets as at January 01	-	-	16,624,300	9,050,669
Transferred from defined contribution gratuity fund	149,471	-	-	-
Expected return on plan assets	17,506	-	1,659,069	1,532,855
Contributions received	98,217	-	747,840	6,292,971
Benefits paid	(110,805)	-	(715,612)	(596,989)
Actuarial gains/(losses)	585	-	447,887	344,794
Net assets as at December 31	<b>154,974</b>	-	<b>18,763,484</b>	16,624,300

#### 6.1.4 Actual Return on Plan Assets

Actual return on plan assets	<b>18,091</b>	-	<b>2,106,956</b>	1,877,649
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### 6.1.5 Charge for Defined Benefit Plans

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

	(Rupees in '000)							
	Unfunded Staff Gratuity		Funded Officers Gratuity		Employees' Pension Fund		Post Retirement Medical	
	2016	2015	2016	2015	2016	2015	2016	2015
Current service cost	2,186	2,644	5,114	-	602,827	567,350	77,602	67,231
Past service cost	-	-	150,632	-	-	-	-	-
Interest cost	7,434	9,892	17,534	-	1,583,460	1,532,855	174,497	158,854
Expected return on plan assets	-	-	(17,506)	-	(1,659,069)	(1,532,855)	-	-
Actuarial (gains)/losses recognised	(1,552)	8,181	(17,762)	-	(477,850)	242,233	34,586	126,944
	<b>8,068</b>	<b>20,717</b>	<b>138,012</b>	<b>-</b>	<b>49,368</b>	<b>809,583</b>	<b>286,685</b>	<b>353,029</b>

### 6.1.6 Fair Value of Plan Assets at Year End

	(Rupees in '000)			
	Funded officers gratuity		Pension Fund	
	2016	2015	2016	2015
Government securities	152,991	-	18,604,472	16,617,006
Cash at banks	1,983	-	14,150	7,294
Others	-	-	144,862	-
	<b>154,974</b>	<b>-</b>	<b>18,763,484</b>	<b>16,624,300</b>

### 6.2 Movement in Compensated Absences Payable

	(Rupees in '000)	
	2016	2015
	Balance as at the beginning of the year	1,140,000
Provision made during the year	183,627	462,643
Payments made during the year	-	(267,166)
Balance as at the end of year	<b>1,323,627</b>	<b>1,140,000</b>

### 6.3 Principal Actuarial Assumptions

The latest actuarial valuations of the employees' pension fund, unfunded staff gratuity, funded officers gratuity and post retirement medical benefits were carried out as at December 31, 2016 by the appointed actuary. The principal actuarial assumptions used are as follows:

	(Rupees in '000)							
	Unfunded Staff Gratuity		Funded Officers Gratuity		Employees' Pension Fund		Post-Retirement Medical Benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
Discount rate	9.5	10	9.5	-	9.5	10	9.5	10
Expected rate of return on plan assets	-	-	9.5	-	9.5	10	-	-
Long term salary increase rate (staff only)	8	8.5	8	-	8	8.5	8	8.5
Future increase in pension (after retirement)	-	-	-	-	5.5	6	-	-
Pre-retirement mortality	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	-	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year
Post-retirement mortality	-	-	SLIC(2001-05) - 1 year	-	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year	SLIC(2001-05) - 1 year
Rates of employee turnover	Ultra-Light	Ultra-Light	Ultra-Light	-	Ultra-Light	Ultra-Light	Ultra-Light	Ultra-Light

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

### 6.4 Historical Information

	(Rupees in '000)	
	2016	2015
	<b>Unfunded Staff Gratuity</b>	
Defined benefit obligation	72,255	78,079
Fair value of plan assets	-	-
Deficit	<b>72,255</b>	<b>78,079</b>
<b>Funded Officers Gratuity</b>		
Defined benefit obligation	180,940	-
Fair value of plan assets	(154,974)	-
Deficit	<b>25,966</b>	<b>-</b>
<b>Employees' Pension Fund</b>		
Defined benefit obligation	17,215,108	15,774,396
Fair value of plan assets surplus	(18,763,484)	(16,624,300)
	<b>(1,548,376)</b>	<b>(849,904)</b>
<b>Post Retirement Medical Benefit</b>		
Defined benefit obligation	1,964,517	1,727,875
Fair value of plan assets deficit	-	-
	<b>1,964,517</b>	<b>1,727,875</b>

### 6.5 Sensitivity Analysis

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

	(Rupees in '000)							
	Unfunded Staff Gratuity		Unfunded Officers 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	Present Value of Defined Benefit Obligations	% Change From Base
<b>Base</b>	72,255		180,940		17,215,108		1,964,517	
<b>Discount rate</b>								
Increase by 1%	71,261	-1.38%	178,661	-0.0125953	15,158,023	-11.95%	1,826,665	-7.02%
Decrease by 1%	73,272	1.41%	183,271	0.0128827	19,257,737	11.87%	2,041,866	3.94%
<b>Long term salary increase rate</b>								
Increase by 1%	73,451	1.66%	183,717	0.0153476	18,059,207	4.90%	1,979,482	0.76%
Decrease by 1%	71,078	-1.63%	178,205	-0.0151155	16,066,158	-6.67%	1,882,019	-4.20%
<b>Future increase in pension rate</b>								
Increase by 1%	-	-	-	-	18,242,327	5.97%	-	-
Decrease by 1%	-	-	-	-	15,943,602	-7.39%	-	-

### 6.6 General Description

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

**Mortality risks** - The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

**Investment risks** - The risk of the investment underperforming and not being sufficient to meet the liabilities.

**Final salary risks** - The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefits are calculated on the final salary, the benefit amount increases similarly.

**Withdrawal risks** - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

- 6.7** The charge in respect of unfunded Staff Gratuity Scheme, Funded Officers Gratuity Scheme, Employees Pension Fund and Post Retirement Medical Benefits for the year ending December 31, 2017 are estimated to be Rs. 8.685 million, Rs. 7.206 million, Rs. 460.732 million and Rs. 267.434 million, respectively.
- 6.8** In pursuance of the decision of Honourable Supreme Court of Pakistan dated February 09, 2011, in respect of Employee's Pension Scheme, 1984, which was frozen with effect from December 31, 1999, the Corporation has transferred assets of Employees' Contributory Provident Fund and Officers' Gratuity Fund to the Employees' Pension Fund having fair value of Rs. 627.871 million and Rs. 433.767 million respectively as on December 31, 2012 including contribution made by the Corporation till April, 2012 in Provident fund and Gratuity Fund amounting to Rs. 16.382 million and Rs. 16.382 million, respectively.
- 6.9** Board of Directors in their 241st meeting held on October 20, 2015 decided to restore the Officers' Gratuity Fund on last drawn pay. First supplemental deed of the Corporation Officers' Gratuity Fund was made on January 27, 2016. All gratuity payments made in respect of members under the old rules on cessation of their service prior to January 1, 2016 were revised in accordance with new rules. The revised computations of gratuity are made as if the new rules were applicable from the commencement date.

## 7 OUTSTANDING CLAIMS

Note	Statutory Funds					Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
Outstanding claims at the beginning of year	17,701,851	166,651	-	461	-	17,868,963	16,060,302
Increase in liabilities due to current year claims	36,355,361	1,150,791	81,409	482,583	-	38,070,144	37,280,090
Claims written back during the year	(1,747,229)	(2,312)	-	-	-	(1,749,541)	(1,254,511)
Cash paid during the year	(36,391,745)	(1,098,422)	(81,409)	(346,964)	-	(37,918,540)	(34,216,918)
Outstanding claims at the end of year	15,918,238	216,708	-	136,080	-	16,271,026	17,868,963

### 7.1 Ageing Analysis of Outstanding Claims

	Statutory Funds					Beyond 36 Months
	Total	1 to 6 Months	7 to 12 Months	13 to 24 Months	25 to 36 Months	
Unclaimed death benefits	7,113,020	1,446,715	2,815,577	1,488,275	1,362,453	-
Unclaimed disability/accidental benefits	459,844	138,969	197,392	75,366	48,117	-
Unclaimed maturity benefits	7,582,382	4,755,514	763,028	1,382,304	681,536	-
Other unclaimed benefits	1,115,780	1	10,850	50,663	1,054,266	-
	16,271,026	6,341,199	3,786,847	2,996,608	3,146,372	-

- 7.2** On May 19, 2014, Securities and Exchange Commission of Pakistan (SECP) has issued Circular No. 11 of 2014 in which they have prohibited all life insurers from writing back the unclaimed insurance benefit amount in any circumstances. The Corporation has received letter dated May 22, 2015 from SECP clarifying that the practice to retain the unclaimed insurance benefits in its actuarial reserve is in compliance with the clause 3 of the aforementioned Circular. The Corporation has a practice of writing back unclaimed insurance benefit which are outstanding for more than three years and retains the unclaimed insurance benefit to actuarial reserve.

## 8 OTHERS

This includes an amount of Rs. 3,208.737 million (2015: Rs. 2,627.585 million) relating to amount payable to the Bureau of Emigration and Overseas Employment (the Bureau) as per S.R.O No. 4-9/2003- Emig.I dated February 16th, 2007, for 'Fund Management Agreement' which was signed in the previous years to retain and invest profit commission payable to the Bureau against the insurance policy issued in respect of the Emigrants. The Bureau of Emigration served Fund Management Agreement Termination notice dated April 20, 2011 to the Corporation which was subsequently withdrawn. In the prior year a draft Fund Management Agreement has been submitted for approval and the revised Fund Management Agreement would clearly mention the working methodology of rate of markup to be credited to the Bureau. Until such revised agreement is in place, markup is being accrued at the rate of 6% per annum as per pre-existing terms.

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

- 9.1.1** The 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 the Corporation 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, 2016. 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). Said departmental appeal has been dismissed by Honourable ATIR vide order dated September 21, 2016.

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). The Corporation 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. The Corporation 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. The Corporation has adjusted Rs. 220 million against tax liability for tax year 2016. Balance refund amounting to Rs. 593.3 million is pending with the Inland Revenue Department.

- 9.1.2** 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 1992-1993 to 2002-2003 mainly relating to turnover tax and excess perquisites. In addition, the issue of tax rate was raised for the income years 1992-93 to 1996-97. The 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.

- 9.1.3** 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 can not be construed to be interest or profit on debt.

The demand raised by the department has not been enforced after above judgment of CIR(A), therefore, no payment was made against the demand as at December 31, 2016. Inland Revenue Department has filed appeals before the ATIR against the above orders of CIR(A) which were dismissed by learned ATIR vide order No. 506-507/KB/2012 on April 17, 2014.

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.

- 9.1.4** 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 Corporation adjusted Rs. 8.8 million against demand for Tax year 2014. The refund amounting to Rs. 2.2 million is still pending with the Department. An appeal was filed by Inland Revenue Department before the High Court of Sindh, Karachi. The aforesaid appeal has been dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016.

- 9.1.5** In the year 2013, Income Tax Authorities issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 9.1.3. 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. The Corporation has filed appeal before ATIR against the above order which has been decided in favour of Corporation vide consolidated order dated February 21, 2017.

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

Income Tax Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. As at December 31, 2016, 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.

- 9.1.6** While assessing the income and tax liability thereon for assessment years 2000-01, 2001-02 and 2002-03, Income Tax Department, AJK disallowed excess perquisites u/s 24(i) of the Income Tax Ordinance, 1979 (repealed) as inadmissible business expense of Corporation. Disallowance of said expense increased taxable income for all the three years and tax liability was worked out accordingly which resulted in additional tax demand. The aggregate additional tax demand involved due to addition of excess perquisites to Corporation's taxable income was Rs. 12.669 million (Assessment year 2000-01 to 2002-03 Rs. 1.464 million, Rs. 9.036 million, Rs. 2.169 million respectively).

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

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

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

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

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

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

Deputy Commissioner Inland Revenue on the directive of CIR(A) had issued notices afresh for tax year 2009 to 2013. Corporation has referred these notices to its tax consultant for compliance. Based on the reply filed by the Corporation through consultant for tax year 2011 to 2013, DCIR has passed rectified orders whereby previously created demand has been reduced by Rs. 31 million.

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

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

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

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

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

remained pending till the vendees approached the Corporation in 2006 to execute the sale deed in their favor.

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

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

## 9.2 Commitments

The Corporation is committed in respect of capital expenditure contract aggregating to Rs. 252 million (2015: Rs. 216 million). There were no other commitments as at the balance sheet date.

## 10 CASH AND BANK DEPOSITS

	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	(Rupees in '000)	
							2016	2015
<b>10.1 Cash &amp; Others</b>								
Cash in hand	-	10,075	-	-	-	10,075	6,266	
Cash in transit	-	109,516	-	-	-	109,516	39,411	
	-	119,591	-	-	-	119,591	45,677	
<b>10.2 Current &amp; Other Accounts</b>								
Current accounts	-	11,503,205	1,068,242	15,997	770,682	13,458,126	14,135,862	
PLS accounts	-	569,307	82,152	-	-	651,459	964,387	
	-	12,072,512	1,150,394	15,997	770,682	14,109,585	15,100,249	
<b>10.3 Deposits Maturing Within 12 Months</b>								
<b>Call and SNTD</b>								
Habib Bank Limited	713,205	2,547,644	-	-	-	3,260,849	3,308,795	
United Bank Limited	-	1,000	640,158	-	-	641,158	412,526	
National Bank of Pakistan	-	17	-	-	-	17	17	
The Bank of Punjab	-	51	-	-	-	51	21	
Summit Bank Limited	-	-	-	-	-	-	1	
Bank Al-Falah Limited	3	2	-	-	-	5	3	
<b>PLS Unisaver</b>								
United Bank Limited	-	12,766,086	-	-	-	12,766,086	1,997,046	
<b>Term Deposit Receipts</b>								
United Bank Limited	-	-	-	-	-	-	4,750,000	
<b>Special Saving Accounts</b>								
Samba Bank Limited	-	-	-	-	-	-	201,072	
Standard Chartered Bank Limited	-	-	-	-	-	-	7	
Sindh Bank Limited	-	1	-	-	-	1	1	
NIB Bank Limited	-	1	-	-	-	1	603,208	
Summit Bank Limited	-	300,001	-	-	-	300,001	-	
Bank Al-Falah Limited	-	-	-	-	-	-	2	
Allied Bank Limited	-	16	-	-	-	16	15	
	713,208	15,614,819	640,158	-	-	16,968,185	11,272,714	

## 10.4 Fixed Deposits Maturing After 12 Months

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	(Rupees in '000)	
							2016	2015
Others	-	750	-	-	-	750	750	
Abroad	9.4.1	960	149,552	-	-	150,512	1,204,092	
		1,710	149,552	-	-	151,262	1,204,842	

**10.4.1** These include fixed deposits equivalent to Rs. 0.712 million (2015: Rs. 0.712 million) with the Kenya Commercial Bank Limited, Kenya, Rs. 0.248 million (2015: Rs. 0.248 million) with the Bank of Ceylon and Grindlays Bank Limited, Sri Lanka, as security for policyholders and Rs. 105.177 million (2015: Rs. 105.177 million) deposited as guarantees issued to the Ministry of Economy, Dubai (UAE) against permission for doing life insurance business in UAE.

## 11 LOANS SECURED AGAINST LIFE INSURANCE POLICIES

	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	(Rupees in '000)	
							2016	2015
Cash loans	-	34,599,819	479,305	-	-	35,079,124	29,152,527	
Automatic non-forfeiture provisions	-	27,238,739	484,725	-	-	27,723,464	21,520,726	
	-	61,838,558	964,030	-	-	62,802,588	50,673,253	

## 12 INVESTMENT PROPERTIES

	Note	(Rupees in '000)	
		2016	2015
Investment properties	12.1	2,342,068	2,373,159
Less: Provision for impairment in value	12.6	(687)	(592)
		2,341,381	2,372,567
Capital work in progress	12.2	633,553	576,370
		2,974,934	2,948,937

**12.1 Investment Properties**

(Rupees in '000)

2016	COST			DEPRECIATION/IMPAIRMENT			Written down value as at December 31, 2016	Depreciation Rate (%)
	As at January 01, 2016	Additions/ (Disposals)	As at December 31, 2016	As at January 01, 2016	Adjustments	Charge for the year		
Freehold land	274,341	50	274,391	-	-	-	274,391	-
Leasehold land	332,697	-	332,697	97,889	-	3,870	101,759	1 to 4.2
Leasehold improvements	14,701	1,004	15,705	8,929	-	459	9,388	5
Building, roads & structure	2,055,059	5,163	2,060,222	400,386	185	20,391	420,962	1
Electric installation & fittings	1,488,403	34,822	1,522,872	1,284,838	(351)	47,223	1,331,710	10
		(353)						
	4,165,201	41,039	4,205,887	1,792,042	(166)	71,943	1,863,819	2,342,068
		(353)						

(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		
Freehold land	274,191	150	274,341	-	-	-	274,341	-
Leasehold land	332,697	-	332,697	94,013	-	3,876	97,889	1 to 4.2
Leasehold improvements	13,860	841	14,701	8,498	-	431	8,929	5
Building, roads & structure	2,048,456	6,603	2,055,059	379,864	-	20,522	400,386	1
Electric installation & fittings	1,474,761	14,465	1,488,403	1,239,537	(792)	46,093	1,284,838	10
		(823)						
	4,143,965	22,059	4,165,201	1,721,912	(792)	70,922	1,792,042	2,373,159
		(823)						

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

**12.3** The Corporation occupied approximately 25% (2015: 22%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purposes.

**12.4** The market value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 31,796 million (2015: Rs. 29,780 million). The fair value/forced sale value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 27,039 million (2015: Rs. 23,313 million).

**12.5** The above includes, title deeds of 61 land/buildings, that were taken over by the Corporation under the Life Insurance (Nationalization) Order, 1972 (LINO) dated November 01, 1972 and have been transferred in the name of the Corporation. The title deeds 19 buildings/plots (2015: 19 buildings / plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

**12.6** There are properties costing Rs. 2.042 million (2015: Rs. 1.704 million) having written down value of Rs. 0.687 million (2015: Rs. 0.597 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.687 million (2015: Rs. 0.592 million) exists for loss of assets, if any.

**12.7** The Corporation has a plot at Rawalpindi costing Rs. 0.581 million (2015: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

**12.8** The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 1.192 million (2015: Rs. 1.192 million) for which execution of title deed remained pending.

**12.9** The investment properties also include Rs. 23 million (2015: Rs. 23 million) paid by the Corporation to the People Media Foundation (PMF) for acquisition of ground floor measuring 13,000 sq. ft. in PMF Complex (Press Club Building) at G-8, Markaz, Islamabad. The Corporation has taken over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. The management of the Corporation is of the opinion that under irrevocable General Power of Attorney, the Corporation is in a position to freely transfer the title of said property in its own name.

**13 INVESTMENTS**

	Note	(Rupees in '000) Aggregate	
		2016	2015
Government securities	13.1	481,726,124	413,232,678
Other fixed income securities	13.2	810,818	859,825
Listed equity securities and mutual funds	13.3	31,072,812	31,022,132
Unlisted equity securities and mutual funds	13.4	870,680	872,805
Holding in subsidiary companies	13.5	241,609	241,609
Less: Provision for diminution in value	13.7	(274,549)	(271,150)
		514,447,494	445,957,899

Details of investment portfolio are as under:

**13.1 Government Securities**

(Rupees in '000)

Maturity Year	Effective Yield	Shareholders' Fund	Statutory Funds					Aggregate		
			Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015	
Held-to-maturity										
Pakistan Investment Bonds										
3 Years	2017 - 2019	6.60% - 6.65%	1,369,147	73,187,656	-	-	1,404,895	-	75,961,698	59,848,760
5 Years	2017 - 2021	7.45% - 7.50%	302,637	128,181,887	-	9,584	-	-	128,494,108	111,771,764
10 Years	2018 - 2026	8.35% - 8.40%	52,765	192,789,424	-	222,303	38,237	-	193,102,729	159,874,297
15 Years	2019 - 2023	10.20% - 10.30%	-	12,387,328	-	60,086	-	-	12,447,414	12,377,406
20 Years	2024 - 2031	10.50% - 10.60%	-	24,771,331	-	-	-	-	24,771,331	24,712,909
30 Years	2036 - 2038	10.90% - 11.00%	173,385	37,363,881	-	-	-	-	37,537,266	37,502,986
Islamic Republic of Pakistan-Bonds										
			-	-	9,411,578	-	-	-	9,411,578	7,144,556
			1,897,934	468,681,507	9,411,578	291,973	1,443,132	-	481,726,124	413,232,678

**13.1.1** Accrued interest as at December 31, 2016 on PIBs pertaining to Pakistan Life Fund amounted to Rs. 16,539.081 million (2015: Rs. 16,835.22 million), Shareholders' Fund amounted to Rs. 101.158 million (2015: Rs. 162.552 million), Pension Fund amounted to Rs.10.894 million (2015: Rs. 10.337 million) and Health Fund amounted to Rs.17.251 million (2015: Rs. 38.854 million). Balance of accrued interest purchased as at December 31, 2016 on PIBs pertaining to Pakistan Life Fund during the year amounted to Rs. 56.326 million (2015: Rs. 40.116 million).

**13.1.2** Market value of the government securities carried at amortized cost amounted to Rs. 534,686 million (2015: Rs. 461,964 million).

**13.1.3** Government securities include Rs. 300 million (2015: Rs. 300 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

**13.2 Other Fixed Income Securities**

(Rupees in '000)

	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
Held-to-Maturity								
Debentures (Note 13.8)	-	7,573	-	-	-	-	7,573	7,573
Available-for-sale								
Foreign fixed income securities	-	-	803,245	-	-	-	803,245	852,252
	-	7,573	803,245	-	-	-	810,818	859,825

**13.3 Listed Equity Securities and Mutual Funds**

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
							(Rupees in '000)	
Available-for-sale								
Ordinary shares and stocks *	13.3.1	-	28,053,588	-	-	-	28,053,588	27,892,908
Preference shares	13.3.2	-	3,743	-	-	-	3,743	113,743
Open ended mutual fund	13.3.3	-	3,015,481	-	-	-	3,015,481	3,015,481
		-	31,072,812	-	-	-	31,072,812	31,022,132

**13.3.1 Ordinary Shares and Stocks**
**Pakistan Life Fund**

Sector	(Rupees in '000)					
	2016			2015		
	Number of Shares	Book Value	Market Value	Number of Shares	Book Value	Market Value
Automobile and parts	1,377,237	33,174	850,223	1,377,237	33,174	682,449
Automobile assembler	3,890,320	158,129	3,529,555	3,889,620	157,839	2,318,891
Cable and electrical goods	5,477,905	61,959	947,650	5,477,905	61,961	536,673
Cement	5,512,561	269,839	1,606,007	19,714,983	409,530	1,085,147
Chemicals	8,507,688	542,852	4,090,154	8,259,408	465,841	2,172,973
Close - end mutual fund	13,632,614	266,965	388,626	13,632,614	266,965	289,297
Commercial banks	530,401,773	7,426,910	20,128,857	529,655,273	7,359,979	15,338,340
Engineering	3,738,068	114,215	706,950	3,759,251	114,387	468,974
Fertilizer	145,457,823	3,548,823	17,795,367	145,096,123	3,454,551	18,598,630
Food and personal care products	1,794,650	56,022	650,760	1,794,337	56,022	670,467
Glass and ceramics	210,890	4,218	2,513	291,832	4,865	2,747
Insurance	95,662,391	94,804	4,495,573	94,045,166	94,804	3,698,720
Inv. banks/inv. cos./securities cos.	27,190,540	328,489	159,703	27,407,617	331,544	92,887
Jute	203,154	2,071	841	203,154	2,072	624
Leasing companies	7,604,440	127,576	216,654	7,616,940	127,743	268,406
Leather and tanneries	179,192	5,690	49,584	179,192	5,690	37,733
Miscellaneous	1,118,255	21,480	205,032	1,118,255	21,473	171,508
Modaraba	23,647,449	301,516	246,909	23,647,449	301,516	228,717
Oil and gas marketing companies *	108,117,045	3,368,198	14,777,553	108,117,045	3,368,198	10,050,896
Oil and gas exploration companies	67,181,743	6,876,535	18,449,059	67,181,743	6,876,535	10,807,071
Paper and board	13,078,971	289,232	4,272,824	13,078,971	289,232	3,110,327
Pharmaceuticals	15,951,977	242,788	7,412,615	15,271,722	242,788	6,115,743
Power generation and distribution	33,047,220	1,074,118	3,498,798	32,647,220	1,032,082	2,914,439
Refinery	9,078,892	315,411	2,407,344	9,078,892	315,411	1,100,641
Sugar and allied industries	10,353,407	53,433	656,148	10,358,407	53,758	420,979
Synthetic and rayon	6,855,499	194,887	233,980	6,855,499	194,887	136,276
Technology and communication	57,847,677	1,715,232	1,053,587	57,847,677	1,715,234	1,000,526
Textile composite	29,931,846	416,350	2,351,205	28,557,954	392,151	1,554,516
Textile spinning	5,134,765	113,616	704,613	5,134,765	113,616	634,561
Textile weaving	640,035	8,218	3,958	640,035	8,219	1,053
Tobacco	343,710	3,699	476,516	343,710	3,700	350,990
Transport	1,253,053	16,603	198,735	1,253,053	16,604	109,679
Vanaspati and allied industries	121,124	536	1,218	121,124	537	1,218
		28,053,588	112,569,111		27,892,908	84,972,098

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

**13.3.2 Preference Shares**

	(Rupees in '000)			
	2016		2015	
	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
		3,743		113,743

**13.3.3 Open Ended Mutual Funds**
**Pakistan Life Fund**

	(Rupees in '000)			
	2016		2015	
	Number of shares	Book value	Number of shares	Book value
National Investment Trust Units	75,996,262	2,304,969	75,996,262	2,304,969
Pak Capital Market Fund	99,149	373	95,530	373
NIT Government Bond Fund	28,278,954	300,000	28,278,954	300,000
NIT Income Fund	9,831,295	100,000	9,831,295	100,000
NIT Islamic Equity Fund	20,793,951	200,000	20,000,000	200,000
HBL Money Market Fund	505,047	50,000	505,047	50,000
Al Meezan Mutual Fund	8,447,719	39,311	8,079,450	39,311
Pakistan Premier Fund	31,208	962	31,028	962
JS Growth Fund	270,895	19,866	270,895	19,866
		3,015,481		3,015,481

\*The market value of these securities as at December 31, 2016 is Rs. 7,602.872 million.

**13.4 Unlisted Equities and Mutual Funds**

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
							(Rupees in '000)	
Available-for-sale								
Ordinary shares and stocks								
Delisted companies	13.4.1	-	63,279	-	-	-	63,279	63,279
Unlisted companies/institutions *	13.4.1	-	213,211	-	-	-	213,211	215,336
Preference shares								
Open end mutual fund	13.4.2	-	594,190	-	-	-	594,190	594,190
		-	870,680	-	-	-	870,680	872,805



### 13.4.1 Ordinary Shares and Stocks

#### Pakistan Life Fund

Delisted Companies	(Rupees in '000)			
	2016		2015	
	Number of Shares	Book Value	Number of Shares	Book Value
Accord Textile Mills Limited	300,000	3,000	300,000	3,000
Adamjee Industries Limited	174,597	2,001	174,597	2,001
Adamjee Paper Product Limited	120,242	1,047	120,242	1,047
Akbar Textile Mills Limited	39,900	383	39,900	383
Akber Cotton Mills Limited	31,360	314	31,360	314
Alif Textile Mills Limited	10,000	119	10,000	119
Allied Textile Mills Limited	72,634	792	72,634	792
Arag Industries Limited	23,963	118	23,963	118
Automotive Equipment Limited	7,800	92	7,800	92
Baluchistan Foundry Limited	84,520	421	84,520	421
Baluchistan Textile Mills Limited	27,420	267	27,420	267
Bankers Equity Limited	538,995	15,415	538,995	15,415
Bawany Industries Limited	73,774	1,415	73,774	1,415
Chemical Limited	19,544	195	19,544	195
Chemphar Limited	100	1	100	1
Dost Muhammad Textile Mills Limited	14,150	225	14,150	225
Elmac Engineering Limited	100	1	100	1
Fazal Vegetable Ghee Limited	49,500	631	49,500	631
Fullbrite Mills Limited	100	1	100	1
Ghafar Textile Mills Limited	1,000	10	1,000	10
Gillanders Limited	10,000	100	1,000	100
Grace Industries Limited	50	1	50	1
Harnai Woollen Mills Limited	4,900	53	4,900	53
H. Sheikh M. H Limited	46,100	460	46,100	460
Interasia Leasing Company Limited	115,600	2,863	115,600	2,863
Karachi Road Transport Corporation	6,800	-	6,800	-
Karachi Pipes Limited	20,800	416	20,800	416
Khairpur Textile Mills Limited	6,900	104	6,900	104
Kohinoor Cotton Mills Limited	33,468	324	33,468	324
Madina Textile Mills Limited	40,900	204	40,900	204
Medi Glass	143,437	1,636	143,437	1,636
MLC Construction	28,700	581	28,700	581
Mohib Textile Mills Limited	375,847	13,530	375,847	13,530
Northern Foundries Limited	95,050	1,001	95,050	1,001
Nowshera Engineering Limited	22,125	222	22,125	222
Ocean Industries Limited	2,000	-	2,000	-
Pak Chrome Limited	25,477	552	25,477	552
Pak Paper Corporation Limited	245,644	2,441	245,644	2,441
Pan Islamic	133,700	1,429	133,700	1,429
RCD Ball Bearing Limited	58,031	371	58,031	371
Refrigerator Manufacturing Limited	192,546	1,712	192,546	1,712
Sahrish Textile Mills Limited	62,148	109	62,148	109
Sind Alkali Limited	177,841	1,909	177,841	1,909
Sunshine Cloth Limited	103,200	1,578	103,200	1,578
Sun Publication Limited	2,042	-	2,042	-
Synthetic Chemical Limited	81,500	793	81,500	793
Turbo Tec Limited	104,700	1,460	104,700	1,460
Universal Furnace Oil	29,818	294	29,818	294
Valika Wollen Mills Limited	20,094	293	20,094	293
Zahur Textile Mills Limited	150,000	2,395	150,000	2,395
		<b>63,279</b>		<b>63,279</b>

#### Unlisted Companies/Institutions

Al Baraka Bank Limited(Formerly Burj Bank Limited)*
Arabian Sea Country Club Limited
Baluchistan Fisheries Limited
Bank of Azad Jammu and Kashmir
Burma Soap Limited
Glaxo Healthcons Healthcare Limited**
Industrial Development Bank of Pakistan
Innovative Housing Finance Limited
Mercantile Enterprises Limited
Mercantile Fiber Limited
National Construction Limited
Pak Emerging Venture Limited
People Steel Mills Limited
Schon Refinery Limited
State Bank of Pakistan
Sukkar Commercial Limited

	(Rupees in '000)			
	2016		2015	
	Number of Shares	Book Value	Number of Shares	Book Value
4,941,176	84,000	8,400,000	84,000	
500,000	5,000	500,000	5,000	
20,000	200	20,000	200	
10	-	10	-	
2,000	20	2,000	20	
2,753,004	-	-	-	
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	
1,350,250	27,005	1,456,500	29,130	
29,458	3,221	29,458	3,221	
1,200	12	1,200	12	
	<b>213,211</b>		<b>215,336</b>	

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

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

### 13.4.2 Open Ended Mutual Funds

#### Pakistan Life Fund

Unlisted	(Rupees in '000)			
	2016		2015	
	Number of Units	Book Value	Number of Units	Book Value
NIT Equity Market Opportunity Fund	10,179,666	594,190	10,179,666	594,190

### 13.5 Holding in Subsidiary Companies

	% of Holding	Number of Shares	Net Assets	(Rupees in '000)	
				2016 Cost	2015 Cost
Alpha Insurance Company Ltd. *	94%	37,934,843	619,898	202,518	202,518
State Life (Lakie Road) Properties (Private) Ltd. **	100%	414,916	(822)	12,909	12,909
State Life (Abdullah Haroon Road) Properties (Private) Ltd. **	100%	779,500	9,503	26,182	26,182
			628,579	<b>241,609</b>	241,609

\*Net assets as of December 31, 2016

\*\*Net assets as of June 30, 2016

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 (2015: Rs. 12.909 million) and Rs. 26.182 million (2015: 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. (0.822) million (2015: Rs. (0.571) million) and Rs. 9.503 million (2015: Rs. 8.600 million) respectively. No provision for Rs. 30.410 million (2015: Rs. 31.064 million) being the difference of carrying value of the investments and net assets of the subsidiaries has been made in the financial statements, as management is of view that after taking into account the revalued amount of properties of the subsidiaries that has been carried out by an independent surveyor, net assets of the subsidiaries are higher than carrying amount.

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

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

**13.7 Provision for Diminution in Value**

Note	Shareholders' Fund	Statutory Funds					Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
		(Rupees in '000)						
Other fixed income securities - Certificate of Investment & Debentures	-	(7,573)	-	-	-	-	(7,573)	(7,573)
Listed equities (default counter)	-	(90,741)	-	-	-	-	(90,741)	(88,150)
Unlisted/delisted equities	-	(176,235)	-	-	-	-	(176,235)	(175,427)
	-	(274,549)	-	-	-	-	(274,549)	(271,150)

**13.8 Debentures**

Debentures include an amount of Rs. 6.894 million (2015: 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 (2015: Rs. 0.678 million). The Corporation had made full provision against these debentures.

**13.9 Investments by Classification**

	Aggregate	
	2016	2015
<b>Held-to-Maturity</b>		
Government securities	481,726,124	413,232,678
Other fixed income securities	7,573	7,573
<b>Available-for-Sale</b>	481,733,697	413,240,251
Other fixed income securities	803,245	852,252
Listed equity securities and mutual fund units	31,072,812	31,022,132
Unlisted equity securities and mutual fund units	870,680	872,805
	32,746,737	32,747,189
Holding in subsidiary companies	241,609	241,609
Impairment in the value of equity securities and fixed interest securities	(274,549)	(271,150)
<b>Total Investments - Net of Provision</b>	<b>514,447,494</b>	<b>445,957,899</b>

**14 SUNDRY RECEIVABLES**

Other receivables	2,339,839	1,787,434
Provision against other receivables	(236,265)	(232,968)
	<b>2,103,574</b>	<b>1,554,466</b>

**15 FIXED ASSETS - TANGIBLE**

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

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
	<b>1,265,411</b>	<b>125,493 (3,214)</b>	<b>1,387,690</b>	<b>933,027</b>	<b>(2,238)</b>	<b>116,746</b>	<b>1,047,535</b>	<b>340,155</b>	

**15.1 Fixed Assets**

	(Rupees in '000)						
	Shareholders' Fund	Statutory Funds				Aggregate	
		Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016
<b>Furniture and Fixtures</b>							
Cost	-	418,005	12,679	-	6,274	-	436,958
Accumulated depreciation	-	(252,258)	(10,112)	-	(749)	-	(263,119)
Book value	-	165,747	2,567	-	5,525	-	173,839
<b>Office Equipment</b>							
Cost	-	158,196	4,128	-	4,519	-	166,843
Accumulated depreciation	-	(103,561)	(2,725)	-	(166)	-	(106,452)
Book value	-	54,635	1,403	-	4,353	-	60,391
<b>Computer Installations - Basic</b>							
Cost	-	690,781	7,014	-	21,627	-	719,422
Accumulated depreciation	-	(616,213)	(6,800)	-	(6,028)	-	(629,041)
Book value	-	74,568	214	-	15,599	-	90,381
<b>Computer Installations - Peripheral</b>							
Cost	-	66,869	-	-	216	-	67,085
Accumulated depreciation	-	(56,246)	-	-	(216)	-	(56,462)
Book value	-	10,623	-	-	-	-	10,623
<b>Vehicles</b>							
Cost	-	137,475	5,581	-	37,509	-	180,565
Accumulated depreciation	-	(98,729)	(3,058)	-	(5,002)	-	(106,789)
Book value	-	38,746	2,523	-	32,507	-	73,776
<b>Grand Total</b>							
Cost	-	1,471,326	29,402	-	70,145	-	1,570,873
Accumulated depreciation	-	(1,127,007)	(22,695)	-	(12,161)	-	(1,161,863)
Book value	-	344,319	6,707	-	57,984	-	409,010

**16 TAXATION**

		(Rupees in '000)	
		2016	2015
Current		568,329	498,514
Prior		49,870	42,002
		618,199	540,516
Profit before tax		1,830,460	1,588,465
Current year tax:			
Tax at the applicable rate @ 31% (2015: 32%)		567,443	508,406
Tax effect of capital gain being exempt		-	(579)
Tax effect of dividend income being taxable at lower rate		-	(10,095)
Education cess for the year		886	782
Prior year tax adjustments:		568,329	498,514
Education cess for the year		762	536
Super tax for the year 2015		49,271	41,544
Reversal of excess provision		(163)	(78)
		49,870	42,002
Tax expense for the year		618,199	540,516

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

**17 EARNINGS PER SHARE - BASIC AND DILUTED**

	(Rupees in '000)	
	2016	2015
Profit after tax	1,212,261	1,047,949
Weighted average number of ordinary shares	Numbers 30,000,000	30,000,000
Earnings per share - basic and diluted	Rupees 40.41	34.93

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

**18 REMUNERATION OF CHAIRMAN AND EXECUTIVE DIRECTORS**

	(Rupees in '000)					
	Chairman		Executive Directors		Aggregate	
	2016	2015	2016	2015	2016	2015
Managerial remuneration	1,077	1,352	4,518	2,291	5,595	3,643
House rent	431	547	1,807	916	2,238	1,463
Utilities	305	502	1,363	596	1,668	1,098
Other perquisites	1,815	1,589	6,701	2,020	8,516	3,609
	3,628	3,990	14,389	5,823	18,017	9,813
Number of persons	1	1	5	2	6	3

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

**19 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	Family Takaful Fund	2016
Cash in hand	-	10,075	-	-	-	10,075	6,266
Cash in transit	-	109,516	-	-	-	109,516	39,411
Cash at bank in:							
- Current accounts	-	11,503,205	1,068,242	15,997	770,682	13,458,126	14,135,862
- PLS accounts	-	569,307	82,152	-	-	651,459	964,387
Deposits maturing within 12 months	713,208	15,614,819	640,158	-	-	16,968,185	11,272,714
	713,208	27,806,922	1,790,552	15,997	770,682	31,197,361	26,418,640

**20 RENTAL INCOME FROM INVESTMENT PROPERTIES**

Rental income	-	1,119,130	-	-	-	1,119,130	970,511
Less: Investment property related expenses	-	(626,797)	-	-	-	(626,797)	(590,460)
Net rental income from investment property	-	492,333	-	-	-	492,333	380,051

**21 MOVEMENT IN EQUITY OF STATUTORY FUND**

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>21.1 Policyholders' Liability</b>							
Balance as at the beginning of year	492,573,776	10,980,704	218,756	116,374	-	<b>503,889,610</b>	428,899,509
Increase/decrease during the year	82,619,278	804,873	(27,814)	(109,905)	-	<b>83,286,432</b>	74,990,101
Balance at the end of year	<u>575,193,054</u>	<u>11,785,577</u>	<u>190,942</u>	<u>6,469</u>	<u>-</u>	<u><b>587,176,042</b></u>	<u>503,889,610</u>
<b>21.2 Retained Earnings Attributable to Policyholders (Ledger Account A)</b>							
Balance at the beginning of year	21,090,182	932,066	-	-	-	<b>22,022,248</b>	20,525,608
Surplus allocated in respect of the year	58,329,537	903,358	-	-	-	<b>59,232,895</b>	49,487,862
Bonuses allocated during the year	(54,928,664)	(504,024)	-	-	-	<b>(55,432,688)</b>	(47,991,222)
Balance at the end of year	<u>24,491,055</u>	<u>1,331,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>25,822,455</b></u>	<u>22,022,248</u>
<b>21.3 Retained Earnings on Par Business Attributable to Shareholders (Undistributable - Ledger Account B)</b>							
Balance at beginning of the year	-	-	-	-	-	-	-
Surplus allocated in respect of the year	1,495,629	23,163	-	-	-	<b>1,518,792</b>	1,268,920
Transfer to distributable profits	(1,495,629)	(23,163)	-	-	-	<b>(1,518,792)</b>	(1,268,920)
Balance at the end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>21.4 Retained Earnings on Par Business Attributable to Shareholders (Distributable - Ledger Account C)</b>							
Balance as at beginning of the year	-	-	-	-	-	-	-
Transfer from undistributable profit	1,495,629	23,163	-	-	-	<b>1,518,792</b>	1,268,920
Surplus appropriated to shareholders' fund	(1,495,629)	(23,163)	-	-	-	<b>(1,518,792)</b>	(1,268,920)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>21.5 Retained Earnings on Other Than Participating Business (Ledger Account D)</b>							
Balance at the beginning of year	-	-	79,611	684,207	-	<b>763,818</b>	600,269
Surplus/(deficit) allocated in respect of the year	-	-	36,146	(171,725)	-	<b>(135,579)</b>	163,549
Bonuses allocated during the year	-	-	-	-	-	-	-
Balance at the end of year	<u>-</u>	<u>-</u>	<u>115,757</u>	<u>512,482</u>	<u>-</u>	<u><b>628,239</b></u>	<u>763,818</u>
<b>21.6 Capital Contributed by Shareholders' Fund</b>							
Balance as at the beginning of year	-	-	-	-	-	-	-
Capital contributed during the year	-	-	-	450,000	100,000	<b>550,000</b>	-
Balance at the end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>100,000</u>	<u><b>550,000</b></u>	<u>-</u>
<b>21.6.1 The above contribution was made in respect of Family Takaful Operations and Health Insurance Fund.</b>							

**22 POLICYHOLDERS' LIABILITIES**

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
<b>Gross of Reinsurance</b>							
Actuarial liability relating to future events	567,627,846	11,912,330	190,942	6,469	-	<b>579,737,587</b>	496,567,835
Provision for outstanding reported claims payable over a period exceeding 12 months	3,615,786	4,547	-	-	-	<b>3,620,333</b>	3,201,071
Provision for incurred but not reported (IBNR) claims	4,390,094	24,263	-	-	-	<b>4,414,357</b>	4,641,672
	<u>575,633,726</u>	<u>11,941,140</u>	<u>190,942</u>	<u>6,469</u>	<u>-</u>	<u><b>587,772,277</b></u>	<u>504,410,578</u>
<b>Net of Reinsurance</b>							
Actuarial liability relating to future events	567,187,174	11,756,767	190,942	6,469	-	<b>579,141,352</b>	496,046,867
Provision for outstanding reported claims payable over a period exceeding 12 months	3,615,786	4,547	-	-	-	<b>3,620,333</b>	3,201,071
Provision for incurred but not reported (IBNR) claims	4,390,094	24,263	-	-	-	<b>4,414,357</b>	4,641,672
	<u>575,193,054</u>	<u>11,785,577</u>	<u>190,942</u>	<u>6,469</u>	<u>-</u>	<u><b>587,176,042</b></u>	<u>503,889,610</u>

**23 BRANCH OVERHEADS**

	Statutory Funds					(Rupees in '000) Aggregate	
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Health Insurance Fund	Family Takaful Fund	2016	2015
Salaries	1,208,583	8,011	-	-	-	<b>1,216,594</b>	937,863
Traveling expenses	284,131	232	-	-	-	<b>284,363</b>	294,092
Printing and stationeries	13,572	-	-	-	-	<b>13,572</b>	10,503
Medical expenses	46,360	663	-	-	-	<b>47,023</b>	40,884
Pension	85,075	-	-	-	-	<b>85,075</b>	79,491
Group insurance contribution	6,569	-	-	-	-	<b>6,569</b>	6,795
Postage and telegram	30,009	-	-	-	-	<b>30,009</b>	23,759
Utilities	20,628	-	-	-	-	<b>20,628</b>	15,897
Rent	38,952	14,155	-	-	-	<b>53,107</b>	39,144
Prize and awards	19,313	603	-	-	-	<b>19,916</b>	8,923
Conference and meetings	34,305	-	-	-	-	<b>34,305</b>	26,192
Repairs and maintenance	3,441	-	-	-	-	<b>3,441</b>	2,578
Incentive bonuses	452,177	1,437	-	-	-	<b>453,614</b>	419,211
Persistency bonuses	30,198	-	-	-	-	<b>30,198</b>	27,376
One time Upgradation cost	2,124	-	-	-	-	<b>2,124</b>	-
Overriding commission of area manager	-	27,999	-	-	-	<b>27,999</b>	35,754
	<u>2,275,437</u>	<u>53,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>2,328,537</b></u>	<u>1,968,462</u>



Note	Effective yield/ Markup rate	2015							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)								
<b>Financial Assets</b>										
<b>Fixed Rate Instruments</b>										
Cash & others	-	-	-	-	-	-	-	45,677	45,677	
Current & other Accounts	10	-	-	-	-	-	-	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	11	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	
Unsecured Loans		-	-	-	-	-	-	-	289,319	
Investments	13	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	
Amount due from other insurers/reinsurers		-	-	-	-	-	-	-	263,769	
Agents balances		-	-	-	-	-	-	-	208	
Investment income due but outstanding		-	-	-	-	-	-	-	451,686	
Investment Income Accrued		-	-	-	-	-	-	-	22,545,278	
Sundry Receivables	14	-	-	-	-	-	-	-	1,554,466	
Other Current Assets		-	-	-	-	-	-	-	46,440	
<b>Total Financial Assets</b>		<u>79,967,795</u>	<u>87,423,630</u>	<u>86,931,318</u>	<u>80,356,017</u>	<u>53,972,171</u>	<u>87,993,669</u>	<u>476,644,600</u>	<u>87,502,840</u>	<u>564,147,440</u>
<b>Financial Liabilities</b>										
<b>Fixed rate instruments</b>										
Balance of Statutory Funds		-	-	-	-	-	-	-	526,675,676	526,675,676
Outstanding Claims	7	-	-	-	-	-	-	-	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
<b>Total Financial Liabilities</b>		-	-	-	-	-	-	-	556,395,163	556,395,163
<b>On Balance sheet gap</b>		<u>79,967,795</u>	<u>87,423,630</u>	<u>86,931,318</u>	<u>80,356,017</u>	<u>53,972,171</u>	<u>87,993,669</u>	<u>476,644,600</u>	<u>(468,892,323)</u>	<u>7,752,277</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:

	2016		2015	
	UAE Dirhams	US Dollars	UAE Dirhams	US Dollars
Assets	162,738,594	177,589,396	144,014,598	143,585,289
Liabilities	41,336,449	84,661,884	58,581,145	37,317,962
Reserves	121,402,145	92,927,512	85,433,453	106,267,327

### 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)	
		2016	2015
Bank deposits	10	31,229,032	27,577,805
Loans		63,605,980	51,223,685
Investments	13	32,721,370	32,725,221
Premium due but unpaid		15,278,857	14,480,527
Amount due from other insurers/reinsurers		222,057	263,769
Agents balances		208	208
Investment income due but outstanding		877,328	451,686
Accrued investment income		24,089,424	22,545,278
Sundry receivables	14	2,103,574	1,554,466
Others		45,039	46,440
<b>Total</b>		<u>170,172,869</u>	<u>150,869,085</u>

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.



## 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)	
	2016	
	Carrying value	Fair value
Government Securities	481,726,124	534,686,212
Other Fixed Income Securities	810,818	849,300
Listed Equity Securities	31,072,812	120,175,735

## 27 CAPITAL RISK MANAGEMENT

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

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

Further details are given in the table below:

	(Rupees in '000)	
	2016	2015
Accumulated Surplus	1,212,261	1,047,949
Reserve for Takaful Window Operation	-	181,022
General Reserve	185,817	-
Issued, Subscribed and Paid-up Capital	3,000,000	3,000,000
Shareholders' Equity	3,948,078	4,228,971

## 28 INSURANCE RISK

### 28.1 Insurance Contracts

#### 28.1.1 Classification

The Corporation maintains four statutory funds which are as follows:

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

Within the Pakistan Life Fund, the business can be further classified as Individual Life Conventional business, Group Insurance business and a small amount of Annuity business.

Most of the new Individual Life Conventional policies written by the Corporation contain a Discretionary Participation Feature (DPF).

The Overseas Life Fund entirely consists of Individual Life Conventional business. Most of the new business written under the Overseas Life fund contains a DPF.

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

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

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

### 28.1.2 Contract Details and Measurement

The insurance contracts offered by the Corporation are described below:

#### 28.1.2.1 Individual Life Policies

##### Individual Life Conventional Products

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

##### Universal Life Policies

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

##### Term Insurance Policies

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

##### Annuities

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

##### Supplementary Riders

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

##### Insured Event

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

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

##### Distribution Channel

The Individual Life business of the Corporation is sold through its dedicated sales force which is present all over the country. This field force is organised under a three tier system consisting of sales representatives, sales officers and sales managers. Each sales sector headed by a sector head is further grouped over 1000 area offices, more than 1,200 sector offices, 33 zones and 7 regional offices in addition to one zone for the Gulf Region. The Gulf zone



has its own marketing team of sector heads, area managers and sales force.

The Individual Life 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 policyholders have an average age of around 34 years.

#### 28.1.2.2 Group Life Policies

##### Basic Coverage

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

##### Supplementary Coverage

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

##### Insured Event

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

##### Distribution Channel

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

Most of the lives covered under the Group Insurance consist of industrial and office workers, civil servants and employees of Corporations, banks, other financial institutions, army, navy, etc.

#### 28.1.2.3 Pension Business

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

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

The distribution channel employed for the pension business is the same as for the Group Insurance business.

The target market for this business is also similar to the target market for Group Insurance business.

#### 28.1.2.4 Group Health Business

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

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

##### Insured Event

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

#### 28.1.3 Reserving Method

##### 28.1.3.1 Individual Life Policies

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

##### 28.1.3.2 Universal Life Policies

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

##### 28.1.3.3 Group Life Policies

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

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

##### 28.1.3.4 Supplementary Riders

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

##### 28.1.3.5 Pension Plans

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

#### 28.2 Reserves for Outstanding Claims

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

#### 28.3 Liability Adequacy Test

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

#### 28.4 Reinsurance Contracts Held

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

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

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

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

##### 28.5.3 Expenses

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

#### 28.6 Frequency and Severity of Claims

##### 28.6.1 Frequency

Since the Corporation covers a large number of lives from diverse backgrounds, which are geographically spread all over the country, the frequency of

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

##### 28.6.2 Severity

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

The Corporation is represented by 33 zones which are spread out all over the country. However, as the population of the country is concentrated more in the Punjab and Sindh provinces, the business distribution of the Corporation naturally reflects the same pattern. Nearly 88 % of the Corporation's business emanates from these two provinces.

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

##### 28.6.3 Claims Development

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

#### 28.7 Sources of Uncertainty in Estimation of Future Benefit Payments and Premium Receipts

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

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

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

#### 28.8 Management of Insurance Risk

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

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

##### 28.8.1 Financial Risk

###### 28.8.1.1 Interest Risk

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

As a further security mechanism all the guaranteed liabilities of the Corporation are fully backed by the combined value of cash in hand, Government

bonds and policy loans. The first two of these asset classes are by definition risk free. Also the policy loans are fully backed by the cash values of the underlying policies. Hence, this asset class also does not carry any default risk.

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

#### 28.8.1.2 Expense Risk

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

#### 28.8.1.3 Mortality Risk

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

#### 28.8.1.4 Surrenders Risk

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

#### 28.8.1.5 Inflation Risk

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

#### 28.8.1.6 Catastrophe Risk

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

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

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
<b>December 31, 2016</b>		
10% increase	344,782,092	969,233,950
10% decrease	(344,782,092)	(969,233,950)
<b>December 31, 2015</b>		
10% increase	243,827,075	588,869,199
10% decrease	(243,827,075)	(588,869,199)

#### 28.8.2 Credit Risk and Asset Risk

Management of credit risk and asset risk deals with risks emanating from the assets side of the balance sheet. Management of this risk has already been adequately explained under the heading "Financial Risk Management Objectives and Policies". Hence, no further explanation is deemed to be necessary.

#### 28.8.3 Operational Risk or Pricing Risk

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

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

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

#### 28.9 Sensitivity Analysis

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

Variable	Quantum of Change	% Change in Liability
Increase in mortality	10%	0.14%
Decrease in mortality	10%	-0.14%
Increase in discount rate	0.5% addition in rate	-4.44%
Decrease in discount rate	0.5% reduction in rate	4.70%

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, 2016.

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, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial Assets</b>				
Cash & Bank Deposits	31,348,623	31,348,623	27,623,482	27,623,482
Loan to employees	63,605,980	63,605,980	51,223,685	51,223,685
Investments				
<b>Available-for-sale</b>				
Other fixed income securities	803,245	849,300	852,252	928,489
Listed equity securities & mutual fund units	31,072,812	120,175,735	31,022,132	90,723,105
Unlisted equity securities & mutual fund units	870,680	694,445	872,805	673,183
<b>Held-to-maturity</b>				
Government securities	481,726,124	534,686,212	413,232,678	461,963,669
Other fixed income securities	7,573	-	7,573	-
Holding in subsidiary companies	241,609	241,609	241,609	241,609
Less: Provision for diminution in value	(274,549)	-	(271,150)	-
	514,447,494	656,647,301	445,957,899	554,530,055
Other receivable - excluding taxation	43,129,486	43,129,486	39,887,938	39,887,938
<b>Financial Liabilities</b>				
Balance of statutory funds - including policyholder's liabilities	614,076,736	614,076,736	526,675,676	526,675,676
Staff retirement benefits	3,401,871	3,401,871	2,959,600	2,959,600
Creditors and accruals	37,744,996	37,744,996	37,416,916	37,416,916

### 29.2 Fair Value Hierarchy

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

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

The fair value hierarchy has the following levels:

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

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

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

	(Rupees in '000)			
	As at December 31, 2015	Level 1	Level 2	Level 3
<b>Financial Assets at Carrying Value</b>				
Investments at carrying value - available-for-sale				
Other fixed income securities	852,252	-	852,252	-
Listed equity securities and mutual fund units	31,022,132	31,022,132	-	-
Unlisted equity securities and mutual fund units	872,805	-	872,805	-
Holding in subsidiary companies	241,609	-	-	241,609
	32,988,798	31,022,132	1,725,057	241,609

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

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

### 29.3 Transfers During The Period

During the year to December 31, 2016:

- 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 DEFINED CONTRIBUTION PLAN

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

**31.2** The Trustees have intimated that the size of the Fund at year end was Rs. 4,094 million (2015: Rs. 3,890 million).

**31.3** As intimated by the Trustees, the cost of the investments made at year end was Rs. 3,560.67 million (2015: Rs. 3,202.53 million) which is equal to 87% of the total fund size. The fair value of the investment was Rs. 3,560.67 million (2015: Rs. 3,202.53 million) at that date. The category wise breakup of investment as per section 227 of the Companies Ordinance, 1984 is given below:

	(Rupees in '000)	
	2016	2015
	<b>Aggregate</b>	
Pakistan Investment Bond	3,418,400	3,073,925
Defence Saving Certificate	97,160	87,039
Special Saving Certificate	45,110	41,563
	<b>3,560,670</b>	<b>3,202,527</b>

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

### 32 RELATED PARTY TRANSACTIONS

The Corporation has related party relationships with Provident fund, Pension fund scheme, Gratuity fund, state owned profit oriented entities and its key management personnel.

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

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

#### Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at arms length prices. There have been no guarantees provided or received for any related party receivables or payables.

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

	(Rupees in '000)	
	Aggregate	
	2016	2015
<b>Profit Oriented State - Controlled Entities - Common Ownership</b>		
Investment In Shares - State Bank of Pakistan	3,221	3,221
<b>Subsidiaries</b>		
Rental income received	2,742	7,442
<b>Staff Retirement Fund</b>		
Contribution to provident fund	8,210	7,912
Contribution to pension fund	411,555	596,988
Contribution to funded gratuity	5,657	36,694
Expense charged for pension fund	715,612	567,350
<b>Transactions with Associated Companies</b>		
<b>Bonus Shares Allotted:</b>		
Security Papers Limited	-	42
Premier Insurance Company Limited	754	492
<b>Dividend Received During The Year</b>		
Pakistan Reinsurance Company Limited	183,081	183,081
<b>Transactions With Related Parties - Common Directorship</b>		
<b>Investment in Units :</b>		
National Islamic Equity Trust	-	200,000

#### Balances with Related Parties - Common Directorship

##### Investment in Shares:

	(Rupees in '000)	
	Aggregate	
	2016	2015
Fauji Fertilizer Company Limited	2,504,433	2,504,433
Sui Southern Gas Company Limited	552,256	552,256
Sui Northern Gas Pipelines Company Limited	210,932	210,932
Thatta Cement Company Limited	-	138,375
Alpha Insurance Company Limited	202,518	202,518
International Industries Limited	11,399	11,399
Pakistan Cables Limited	4,521	4,521
Orix Leasing Limited	69,257	69,257
Security Papers Limited	4,894	4,894
Shahtaj Sugar Mills Limited	6,698	6,698
Pak Data Communication Limited	13,202	13,202
Premier Insurance Company Limited	396	396
Pakistan Reinsurance Company Limited	2,400	2,400
Arabian Sea Country Club Limited	5,000	5,000
PICIC Insurance Limited	38,982	38,982
Nina Industries Limited	20,020	20,020
State Life Abdullah Haroon Road Property (Private) Limited. (Subsidiary Company)	26,182	26,182
State Life Lackie Road Property (Private) Limited. (Subsidiary Company)	12,910	12,910

### 33 SUBSEQUENT EVENT - NON-ADJUSTING

The Board of Directors of the Corporation in their meeting held on May 29, 2017 declared dividend of Rs. 1,037.695 million (2015: Rs. 897.044 million) which do not include dividend pertaining to shareholders covered under the BESOS Trust amounting to Rs. 53.34 million (2015: Rs. 46.11 million).

These financial statements for the year ended December 31, 2016 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2017.

### 34 NUMBER OF EMPLOYEES

The number of employees as at December 31 are:


	(Rupees in '000)	
	Aggregate	
	2016	2015
Permanent employees	4,085	4,167
Area managers	1,092	1,061
	5,177	5,228

### 35 GENERAL

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


### 36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on May 29, 2017 by the Board of Directors of the Corporation.

  
Naveed Kamran Baloch  
Chairman

  
Saad Amanullah  
Director

  
Shafqaat Ahmed  
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, 2016 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.



**Naveed Kamran Baloch**  
Chairman



**Saad Amanullah**  
Director



**Shafqaat Ahmed**  
Director



**Muhammad Rashid**  
Chief Financial Officer

## PROGRESS AT A GLANCE SINCE INCEPTION

	(Rs. in Million)														(Rs. in Million)										Annual Compound Growth Rates (1973-2016)				
	1973	1978	1980	1983	1985	1990	1993	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Restated		2013	2014	2015	2016
First Year Premium (Net)	48	80	110	228	341	846	918	1,698	1,490	1,306	1,275	1,041	1,124	1,350	1,797	2,348	2,806	3,327	3,854	5,159	7,196	9,647	11,990	13,947	15,442	16,156	16,271	17,036	15%
Renewal Premium (Net)	219	305	365	606	847	2,267	3,284	4,694	4,364	4,413	4,312	4,538	4,565	5,489	5,790	6,655	8,454	9,785	12,054	13,993	17,634	22,287	28,144	35,145	43,348	53,363	57,729	66,707	15%
Group Premium (Net)	50	114	164	294	347	642	930	1,266	1,413	1,244	1,251	1,102	1,249	1,518	2,281	1,997	2,548	2,866	2,796	3,532	3,514	3,676	4,645	6,802	6,832	6,728	5,854	5,597	12%
Pension Premium	-	-	-	-	-	-	-	-	-	-	-	-	7	8	13	15	12	14	14	11	23	29	33	54	20	10	49	59	15%
Health & Accidental Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	104	85	38	422	57%	
Total Premium (Net)	317	500	638	1,128	1,535	3,755	5,132	7,658	7,266	6,964	6,838	6,681	6,945	8,364	9,881	11,014	13,820	15,992	18,717	22,695	28,367	35,639	44,812	56,018	65,745	76,342	79,941	89,821	14%
Investment Income	81	221	279	562	767	1,906	3,675	5,984	5,901	5,996	8,406	7,873	8,492	11,200	10,202	13,610	13,106	14,924	17,505	19,133	21,545	27,434	31,175	37,977	50,949	50,715	60,316	64,526	17%
Total Income	391	727	920	1,690	2,307	5,674	8,814	13,650	13,177	12,976	15,286	14,592	15,436	19,564	20,082	24,624	26,926	30,915	36,222	41,828	49,914	63,073	75,988	93,995	116,694	127,057	140,257	154,347	15%
Total Outgo	292	427	593	1,005	1,342	2,877	4,138	7,355	7,477	8,451	8,060	8,745	8,342	8,165	9,938	11,544	12,673	15,393	17,049	20,779	27,356	31,489	37,122	47,296	50,663	54,307	62,019	65,523	14%
Life Fund	1,494	2,494	3,111	4,660	6,422	16,321	28,333	45,582	51,010	55,460	62,484	68,127	75,343	86,211	95,957	108,808	122,775	137,960	156,737	177,459	199,445	230,422	268,580	313,754	378,608	450,025	526,676	614,177	15%
Yield on Life Fund (%)	7	10	10	14	14	14	15	15	13	12	15	13	13	15	12	14	12	12	13	12	12	14	13	14	16	13	13	12	-
Overall Expense Ratio (%)	33	31	34	34	36	35	34	43	43	54	46	54	40	38	39	41	36	41	33	35	41	40	39	41	38	31	33	31	-
Renewal Expense Ratio(%)	26	26	30	28	25	22	26	35	39	56	45	57	37	34	35	34	28	34	9	11	19	18	17	16	17	13	16	15	-
Investment Portfolio	1,401	2,512	3,155	4,691	6,367	15,980	27,601	43,084	48,289	54,017	59,933	64,829	74,029	86,203	96,415	110,488	124,984	142,159	161,966	182,874	205,804	235,935	275,110	316,878	380,981	445,381	513,293	598,271	15%
Policy Benefits (Net)	141	271	375	596	796	1,565	2,391	4,097	4,341	4,715	4,904	5,136	5,572	5,005	6,123	7,063	7,654	8,912	10,783	12,779	15,724	17,072	19,420	24,067	25,836	30,505	35,961	37,939	14%
No. of Policies in Force (Individual Life)	357,413	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	1,801,919	1,849,125	1,926,254	2,044,015	2,183,783	2,348,791	2,568,698	2,895,354	3,317,192	3,774,293	4,202,171	4,641,854	4,996,805	5,251,732	5,478,460	7%
No. of Lives Covered (Group Life)	-	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	3,443,916	3,632,688	3,898,333	3,731,002	3,915,529	4,061,865	3,879,686	3,754,296	3,835,712	6,043,553	8,421,667	8,644,577	8,732,453	5,023,906	4,104,990	-
Total Business in Force (Sum Assured and Bonuses)	17,899	30,055	45,847	62,277	77,542	145,626	311,306	440,762	489,772	539,751	656,776	499,136	506,245	629,011	816,210	947,239	1,040,556	1,143,770	1,289,079	1,602,159	1,674,745	2,013,298	2,690,594	3,786,440	4,281,206	4,438,510	4,713,080	4,664,333	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: 021-34538095-34539180

### 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, Thandi Sarak.  
Tel: 022-9200622, 139

### Sukkur

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

### 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

### Narowal

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

M. M Plaza, Queen Road.  
Tel: 048-3215543-44

### 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, Basement  
33-E, Blue Area, Jinnah Avenue,  
Islamabad.  
Tel: 051-9203347

### Real Estate (Lahore)

State Life Building # 11,  
15-A, Davis Road, Lahore.  
Tel: 042-99200396

### Regional Office (North)

State Life Building # 9, 33-E, 4th  
Floor, Blue Area, Islamabad.  
Tel: 051-9204935-5047

### Rawalpindi

State Life Building # 1,  
The Mall, Saddar, Rawalpindi Cantt.  
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: 053-9260252, 242

### Jhelum

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

### Gilgit

Jubilee Market, Main Road, Gujrat.  
Tel: 0307-5151974

### 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: 0344-2890074

### 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, 2nd Floor,  
34-The Mall, Peshawar Cantt.  
Tel: 091-9211596

### G&P Karachi

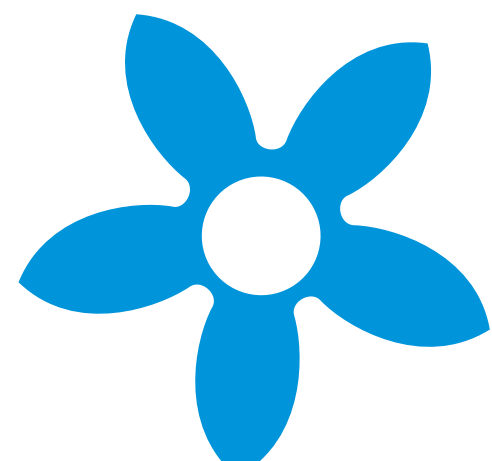
State Life Building # 2, Wallace  
Road, Karachi.  
Tel: 021-99217060-97

### G&P Lahore

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

### G&P Rawalpindi

State Life Building # 8,  
Kashmir Road, Rawalpindi.  
Tel: 051-9272598



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