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 | E-mail: dhgp@statelife.com.pk
facebook.com/statelifeinsurancecorporation

www.statelife.com.pk

State Life Insurance Corporation of Pakistan

46th Annual Report 2018

Celebrate Life

46th Annual Report 2018

STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

Make your loved ones smile
and Celebrate Life

Marriage Plan

Everyone deserves a memorable start to a new journey. State Life's Marriage Plan promises to help you demonstrate your love for your kids to tread on a new path with jubilance and celebrate life. State Life, the only AAA rated and Pakistan's largest life Insurance Corporation.

Contents

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 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.

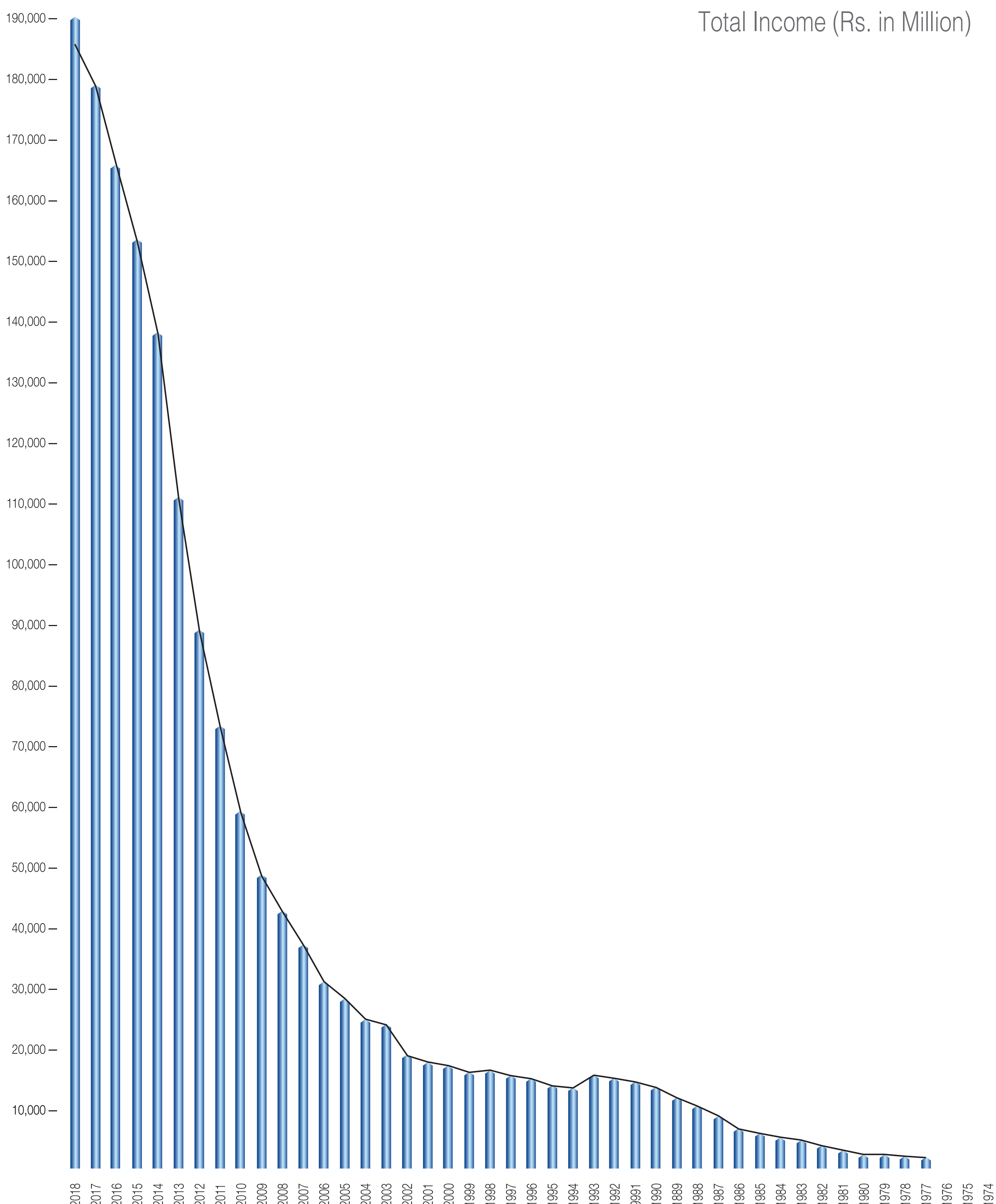
Mission

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

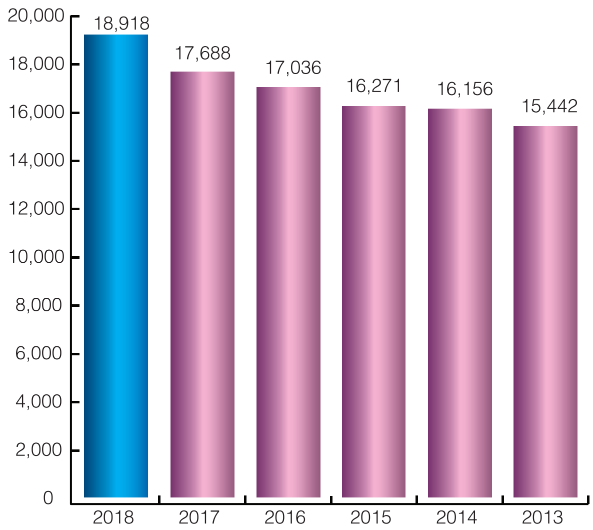
To ensure satisfaction of our valued policyholders in processing new business, providing after sales services and optimizing return on life fund through a quality culture and to maintain our position as the leading insurer in Pakistan.

SLIC Journey to Success

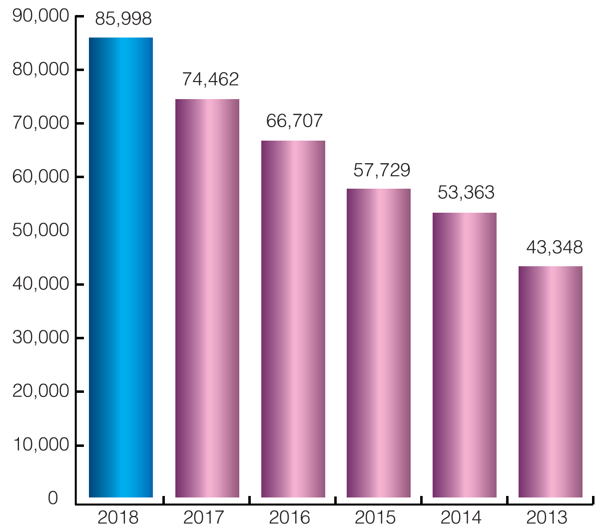


Financial Highlights

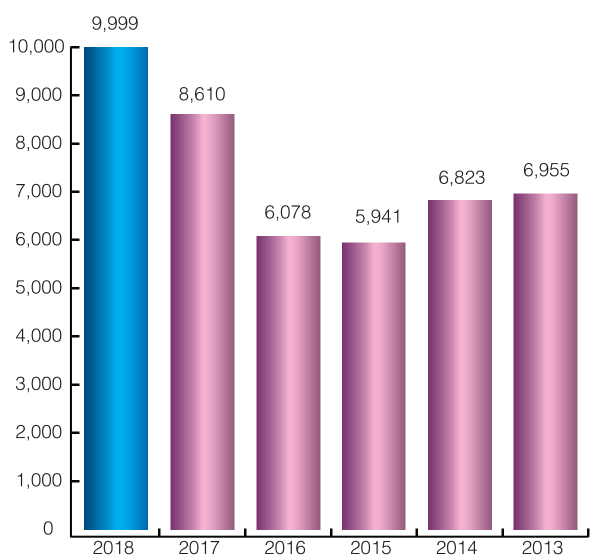
First Year Premium (Rs. in Million)



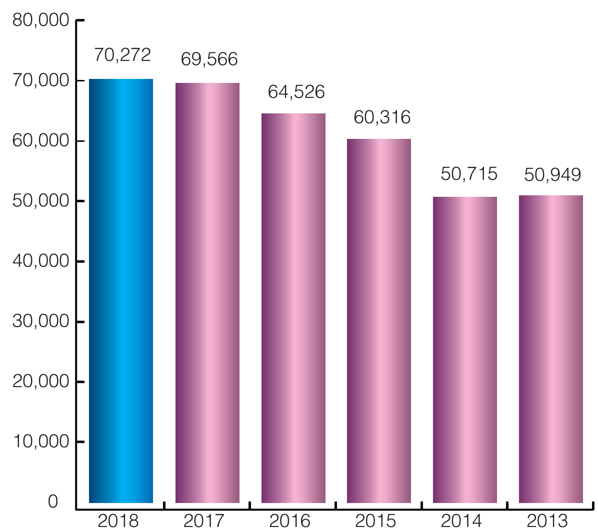
Renewal Premium (Rs. in Million)



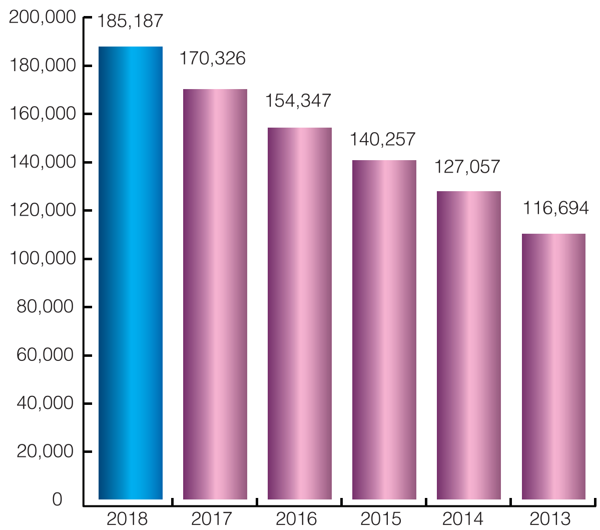
Group Premium (Rs. in Million)



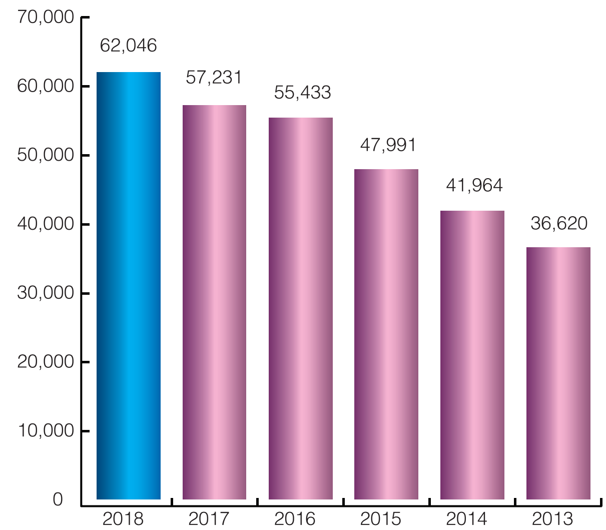
Investment Income (Rs. in Million)



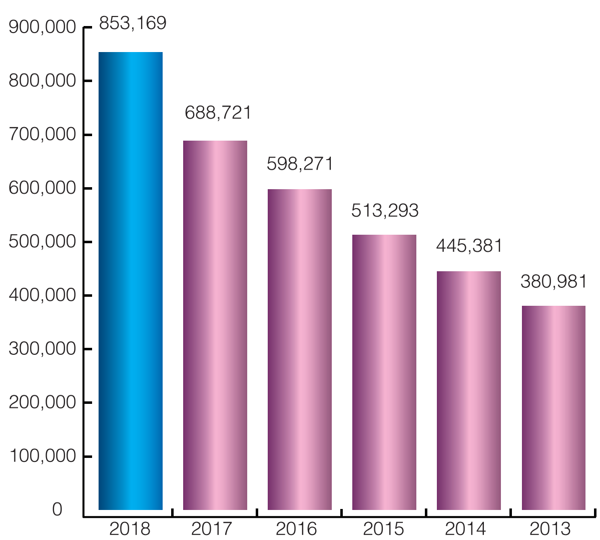
Total Income (Rs. in Million)



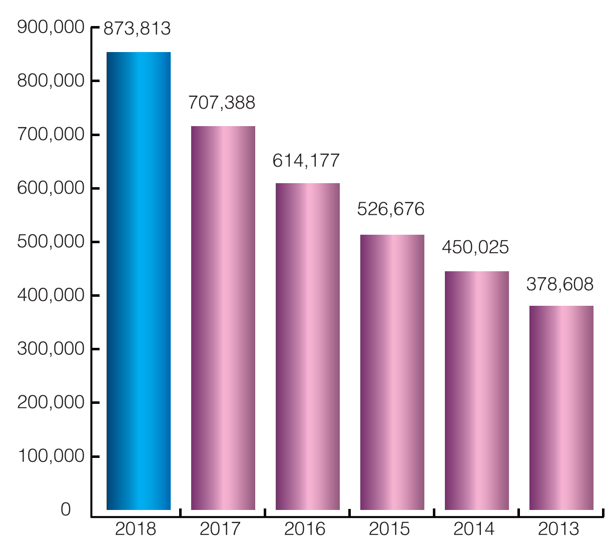
Bonus to Policy Holders (Rs. in Million)



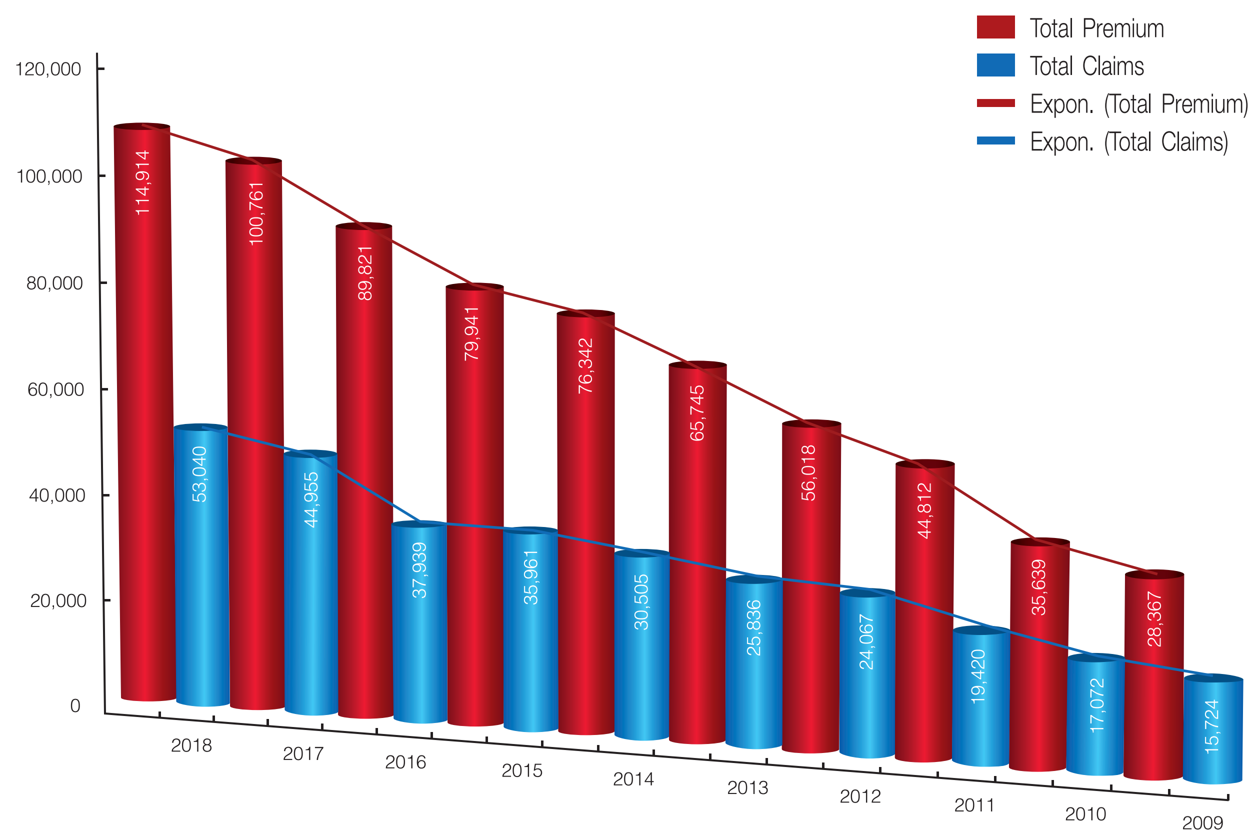
Investment Portfolio (Rs. in Million)



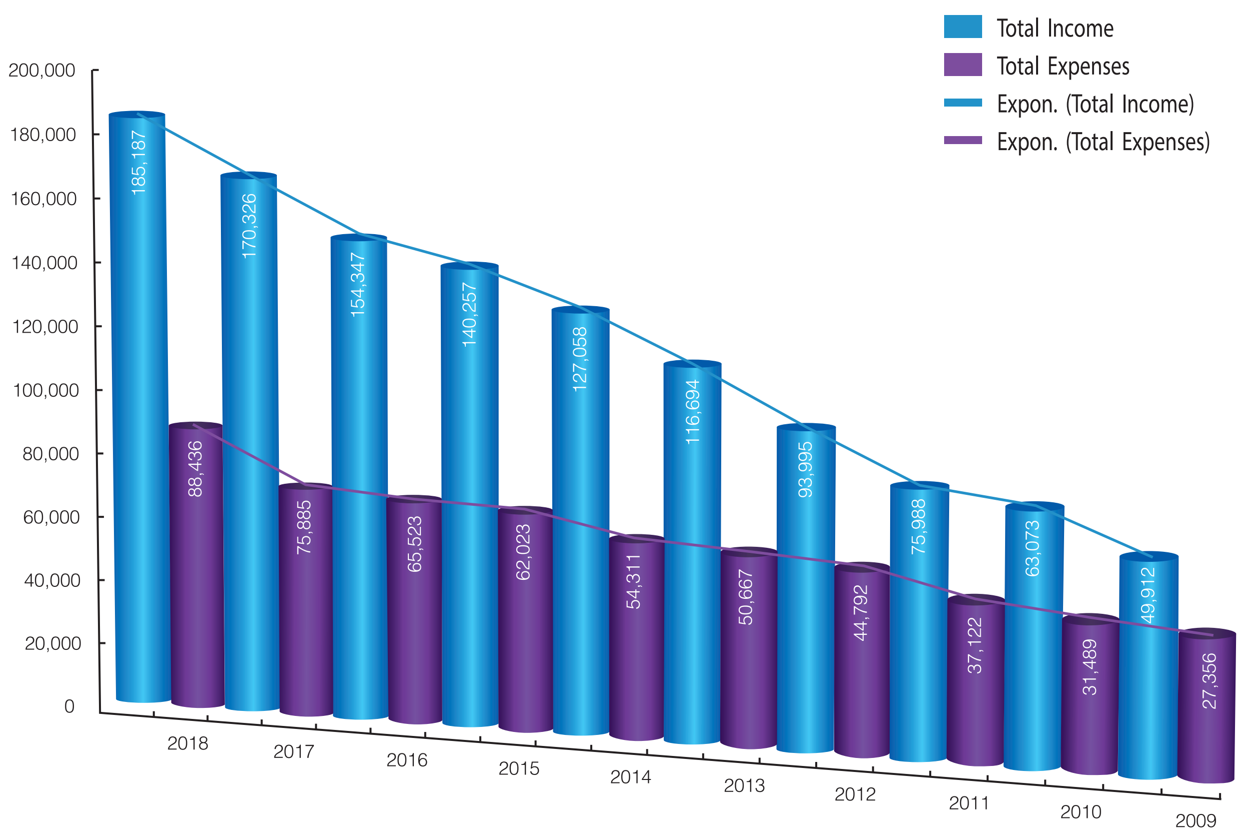
Life Fund (Rs. in Million)



Total Premiums Vs. Total Claims 2009 - 2018 (Rs. in Million)



Total Income Vs. Total Expenses 2009 - 2018 (Rs. in Million)



Human Resource

1. SLIC Human Resource Management (HRM) is the strategic and coherent approach to management, its valued asset. The people working there who individually and collectively contribute to the achievement of the objectives of the business. SLIC Personnel and General Services Division, Principal Office (i.e. Personnel Division, General Services Department, Medical Department and Staff Training Department) monitors and supports activities of P&GS in 7 regions and 34 zones of Individual Life, Real Estate, G&P Division, Health Insurance Division, Bancassurance, Takaful Insurance and G&P zones.

2. The HR policies provide SLIC with a mechanism to manage risk by staying up-to-date with current trends in employment standards and legislation. SLIC HR policies are framed in a manner to achieve the Corporation vision and the human resource helping the Corporation or work towards it at all levels to be benefited and at the same time without deviating from their main objective both development side and non development side of Corporation.

3. SLIC Human Resource Policies are established systems of codified decisions to support administrative personnel functions, performance management, employee relations and resource planning. State Life Employees (Service) Regulation 1973 embeds all the HR Policies and Procedures related to its employees which encompass the following areas:

   Health, Safety and Security, Selection and Placement, Wage, Salary and Benefits, Leaves and Attendance, Loans and Advances, Move Over/Upgradation, Promotion, Special Pay and Allowances, Fixation of Pay, General Conduct and Discipline and Travelling Expenses.

4. SLIC Human Resource policies also cover Post Retirement Benefits of its Employees (i.e. Pension, Gratuity, Provident Funds, Compulsory Group Insurance, Voluntary Group Insurance and Medical Facilities for Officers).

5. The established policies help SLIC to demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitment in relation to Collective Bargaining Agents of Unionized Staff, regulation and corporate governance. The established HR Policies set out obligations, standards of behavior and document disciplinary procedures, which is the standard approach to meeting these obligations. SLIC HR Policies are also very effective in supporting and building the desired organizational culture.

Satisfaction of Policyholders

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

Corporate Information as at December 31, 2018

Board of Directors

Mr. Muhammad Younus Dagha
Chairman

Mr. Abdul Qadir Memon
Director

Mr. Ali Mubashar Kazmi
Director

Mr. Ghiasuddin Ahmed
Director

Mr. Muhammad Bashir Khetran
Director

Mr. Iftikhar-ul-Hassan Shah Gilani
Director

Mr. Javed Akbar Bhatti
Director

Company Secretary

Mr. Mushtaq Ahmed

Auditors - Pakistan

M/s. Riaz Ahmad & Company
Chartered Accountants

M/s. Grant Thornton Anjum Rahman
Chartered Accountants

Gulf Countries

M/s. Nabeel Al-Saie
Public Accountants DMCC

Appointed Actuary

Mr. Shujaat Siddiqui
MA, FIA, FPSA,

Risk Management Compliance, & I.T Committee

Mr. Ali Mubashar Kazmi
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Muhammad Bashir Khetran
Member

Mr. Faisal Mumtaz
Non-Member/Secretary

Takaful Committee

Mr.Abdul Qadir Memon
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Faisal Mumtaz
Member

Mufti Muhammad Hassaan Kaleem
(Shariah Advisor)/Member

Dr. Arshad Hameed Iraqi
Non-Member/Secretary

Board Audit Committee

Mr. Ghiasuddin Ahmed
Chairman

Mr. S.M. Tariq Huda
Member

Mr. Abdul Qadir Memon
Member

Mr.Muhammad Sohaib Usmani
Non-Member/Secretary

Real Estate Committee

Mr. Ali Mubashar Kazmi
Chairman

Mr. Ghiasuddin Ahmed
Member

Mr. Manzoor Ali Shaikh
Member

Mr. Athar Hussain Khokhar
Non-Member/Secretary

Investment Committee

Mr. Abdul Qadir Memon
Chairman

Mr. Javed Akbar Bhatti
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Ali Mubashar Kazmi
Member

Mr. Muhammad Rashid
CFO/Member

Mr. Shujat Siddiqui
Appointed Actuary/Member

Mr. Mushtaq Ahmad
Non-Member/Secretary

Claims Settlement Committee

Mr. Muhammad Bashir Khetran
Chairman

Mr. Ali Mubashar Kazmi
Member

Mr. Iftikhar-ul-Hassan Shah Gilani
Member

Fazal-ur-Rehman
Member

DGM – PHS (Claims)
Non-Member/Secretary

Ethics, Human Resource & Remuneration Committee

Mr. Javed Akbar Bhatti
Chairman

Mr. Ali Mubashar Kazmi
Member

Mr. Abdul Qadir Memon
Member

Mr. Iftikhar-ul-Hassan Shah Gilani
Member

Farrukh Ahmad Hamidi
Member

Divisional Head (P&GS)
Non-Member/Secretary

Standing Committee

Mr. Muhammad Younus Dagha
Chairman

Mr. Iftikhar-ul-Hassan Shah Gilani
Member

Mr. Ali Mubashar Kazmi
Member

Divisional Head (P&GS)
Non-Member/Secretary

Underwriting/Reinsurance and Co-insurance Committee

Mr. Javed Akbar Bhatti
Chairman

Mr. Abdul Qadir Memon
Member

Mr. Ghiasuddin Ahmed
Member

Mr. Faisal Memtaz
Member

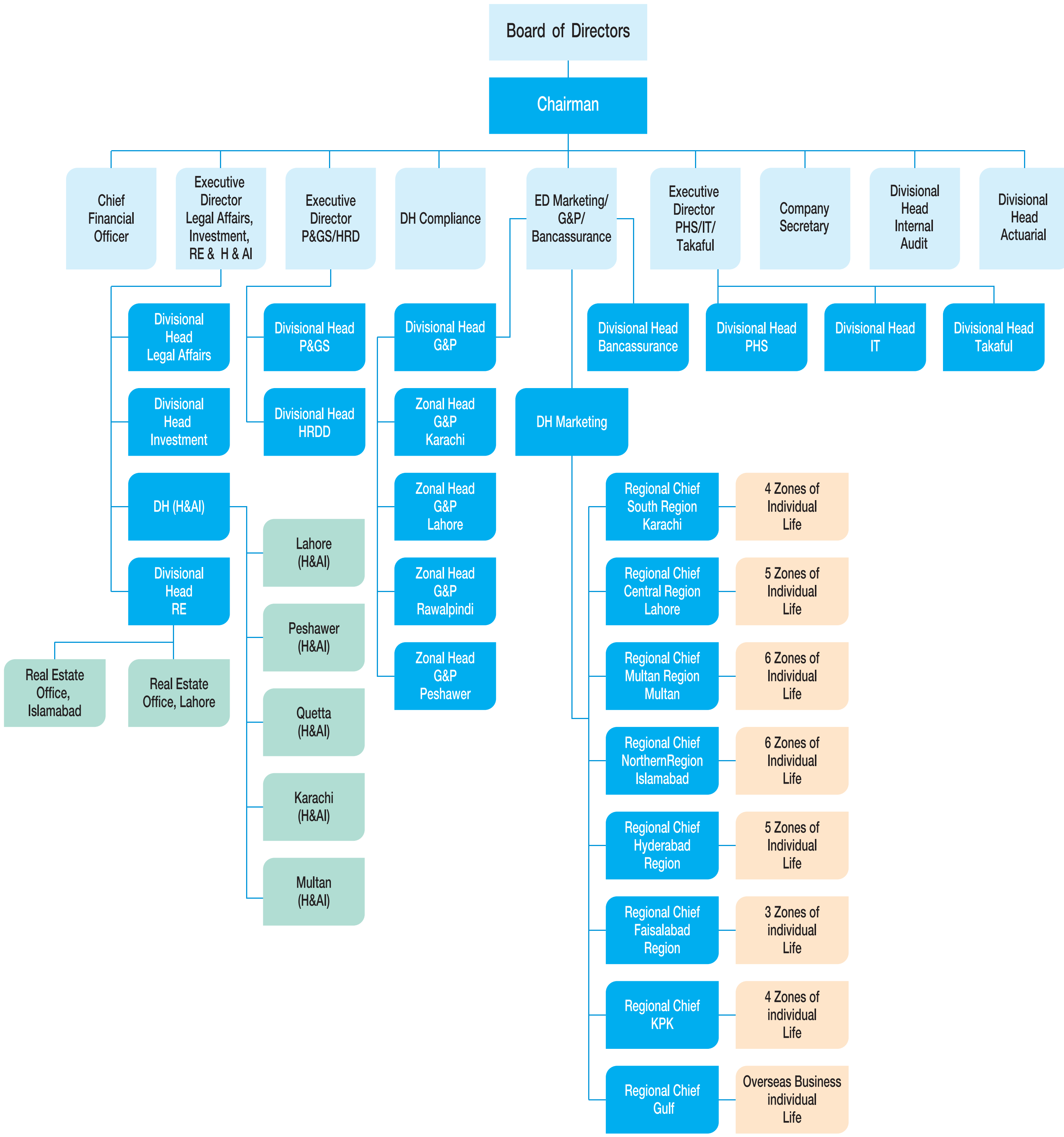
Divisional Head (PHS)
Member

DGM – PHS (Underwriting)
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 | www.statelife.com.pk

Organogram of State Life - 2018



Management

Chairman

Mr. Muhammad Younus Dagha

Executive Directors

Mr. Farrukh Ahmad Hamidi

Mr. Mushtaq Ahmed Mahar

Mr. Manzoor Ali Shaikh

Mr. Muhammad Izqar Khan

Divisional Heads

(Principal Office)

Mr. Muhammad Rashid
Chief Financial Officer

Mr. Attaullah A.Rasheed
Bancassurance

Mr. Azhar Hussain
Marketing

Mr. Faisal Mumtaz
Actuarial

Mr. Fazal-ur-Rehman
Health & Accidental Insurance

Mr. M.Saeed Khan
Group & Pension/ P&GS

Mr. Muhammad Sohaib Usmani
Internal Audit

Mr. Manzoor Ali Vighio
Legal Affairs

Mr. Athar Hussain Khokhar
RED

Dr. Arshad H.Iraqi
Takaful

Mr. Mushtaq Ahmad
Investment

Mr. Mushtaq Ahmed
Company Secretary

Mr. Sher Muhammad Abbasi
PHS

Mr. Muhammad Ali
Information Technology

Mr. Muhammad Naseeruddin
Compliance

Mr. S.Faisal Tehzeeb
HRDD

Chief Medical Officer

Dr. Nisar Ahmed Shah

Individual Life

Regional Chiefs

Mr. M.Dawood Nasir
Central Region (Lahore)

Mr. Siddique Akbar
Southern Region (Karachi)

Ch. M.Yousuf Farooqui
Northern Region (Islamabad)

Mr. Ch. Akhtar Hussain
Multan Region (Multan)

Mr. Tahir Ahmed Khan
Hyderabad Region (Hyderabad)

Mr. Khalid Mehmood Shahid
KPK Region (Peshawar)

Mr. Iftikhar Ahmed
Faisalabad Region (Faisalabad)

Bancassurance

Mr. Attaullah A.Rasheed
General Manager

Zonal Chief

Gulf Countries

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

Zonal Heads

Central Region

Mr. M.Akhar Mughal
Lahore Zone (Central)

Mr. Iftikhar Malik
Lahore Zone (Western)

Chaudhry Sarfaraz Ahmed
Gujranwala Zone

Chaudhry Inam Ullah
Sialkot Zone

Chaudhry Muhammad Ashraf
Narowal Zone

Faisalabad Region

Mr. Liaquat Ali Shahid
Faisalabad Zone

Mr. Farrukh Raza Bajwa
Sargodha Zone

Mr. Wajid Ali Shah
Jhang Zone

Multan Region

Mr. Shahid Hassan Shikrani
Multan Zone

Mr.Mehmood Jaffer
Sahiwal Zone

Multan Region

Ch. Muhammad Yousuf Mukhtar
Rahim Yar Khan Zone

Mian Munir Ahmed
Dera Ghazi Khan Zone

Malik Athar Saeed
Bahawalpur Zone

Mr. M.Tariq Siddique
Vehari Zone

Northern Region

Ch. M.Yousaf Farooqi
Rawalpindi Zone

Mr. Jalil A.Hashmi
Mirpur (AK) Zone

Syed Asad Ali Shah
Islamabad Zone

Ch. Muhammad Arshad
Gujrat Zone

Raja Zafar Iqbal
Jhelum Zone

Ms. Sardar Begum
Gilgit Zone

KPK Region

Mr. Shah Jehan Khan
Peshawar Zone

Mr. Muhammad Khalid
Abbottabad Zone

Mr. Muzaffar Khan
Swat Zone

Mr. Amir Muhammad Khan
Kohat Zone

Southern Region

Mr. Shahnawaz Soomro (Late)
Karachi Zone (Southern)

Mr. Latif Kiyani
Karachi Zone (Eastern)

Mr. Abdul Mannan Sheikh
Karachi Zone (Central)

Mr. Muhammad Aurangzeb (Late)
Quetta Zone

Hyderabad Region

Mr. Abdul Hussain Kapri
Hyderabad Zone

Mr. Masood Anwer Arain
Mirpurkhas Zone

Mr. Maqbool Ahmed Mughal
Sukkur Zone

Mr. S.Noor Shah Bukhari
Larkana Zone

Mr. Shabir Ahmed Khanzada
Benazirabad Zone

Group Life

Zonal Heads

Mr. Mumtaz Ahmed Qureshi
Karachi Zone

Dr. Sajjad Hussain Zaidi
Lahore Zone

Mr. Abdul Waheed
Rawalpindi Zone

Mr. Shafqat Hussain Jafri
Peshawar Zone

Health and Accidental Insurance

Regional Chief

Mr. Muhammad Ashar
Islamabad

Mr. Muhammad Shoaib Khan
Lahore

Zonal Heads

Mr. Muhammad Shoaib Khan
Lahore Zone

Mr. Tajammul Hussain Khattak
Peshawar Zone

Mr. Muhammad Jalaluddin Akbar
Quetta Zone

Mr. Muhammad Ashraf Bhatti
Multan Zone

Mr. Hafeezuddin
Karachi Zone

With love and care,
Celebrate Life

Life Insurance

Every moment counts in Life. Happiness enthralls the souls but it needs to be explored. State Life's flagship Life Insurance Plan - a testament of love - offers a unique opportunity for you and your loved ones to pass through the difficult times and celebrate life. State Life, the only AAA rated and Pakistan's largest life Insurance Corporation.

Directors' Report to the Shareholders

The Directors are pleased to present the 2018 Annual Report together with the audited financial statements of the Corporation for the year ended December 31, 2018.

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 2018 as compared to year 2017 is given hereunder:

- Total Income of the State Life including unrealized loss increased to Rs.185,191 million in 2018 as against Rs.151,776 million (restated) in the preceding year, registering an increase of 22%. The income for the year 2017 is restated due to change in accounting policy as disclosed at note 4 to the financial statements 2018.
- Acquisition expenses for the year 2018 were Rs. 23,866 million as compared to Rs.21,405 million in 2017 showing an increase 11.5%; Marketing and Administrative expenses were Rs. 11,535 million including employees retirement benefits of Rs. 3,567 million in 2018 and Rs. 2,205 million in 2017, as compared to Rs. 9,530 million showing an increase 21%. If the impact of employees retirement benefits is excluded from the both years Marketing and Administrative expenses would be declined to Rs. 7,968 million and showing an increase of 8.8% as compared to previous year. Overall management expense ratio to total premium income for the year 2018 was 31% as almost the same for the year 2017.
- Payments to policyholders in the year 2018 were Rs.53,040 million as against Rs.44,955 million in 2017, showing an increase of 18%.

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 2018 is Rs.18,830 million as compared to Rs.17,467 million in the year 2017, resulting in an increase of 8%. Gross renewal premium was Rs.84,574 million in 2017 whereas it was Rs.72,810 million in 2017, 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 2018 was Rs.133 million as compared to Rs.260 million in the year 2017, showing a decrease of 49%. Gross renewal premium in 2018 was Rs.1,602 million as compared to Rs. 1,822 million in 2017, showing a decrease of 12%.

3.3 GROUP LIFE BUSINESS:

Gross premium under Group Life policies during the year 2018 was Rs. 4,669 million as compared to Rs. 4,774 million in the year 2017, showing a decrease of 2%.

3.4 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies during the year 2018 was Rs.5,431 million as compared to Rs.3,912 million in the year 2017, showing significant increase of 39%, mainly due to health insurance policies undertaken for the Prime Minister's National Health Insurance Program.

3.5 REAL ESTATE:

Rental income was increased by 13% approximately in the year 2018. However, expenses were also increased due to better upkeep and maintenance of building resulting in increased tenancy and rental income in the year to come.

	Rs. in million		
	2018	2017	Inc/(Dec)
Rental and other income	1,244	1,104	140
Expenses	708	641	67
Net Income	536	463	73

3.6 INVESTMENT:

Net investment income including capital gains during the year 2018 was Rs. 70,277 million as compared to Rs. 51,015 million (restated) in 2017, showing an increase of 38% due to unrealized loss decreased from Rs. 18,731 million in 2017 to Rs. 9,081 million in 2018.

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, 2018 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, 2018, the audit of which are in progress, are as follows:

	Rs. in million
Pension Fund	20,836
Gratuity Fund – Officers	134
Provident Fund	4,443

6 Board Meetings Attendance

During the year 2018, seven meetings of the Board of Directors were held and attended as follows:

S. No.	Director's Name	Meetings Attended
1	Mr. Shoaib Mir	7
2	Mr. Saad Amanullah Khan	5
3	Mr. Shafqaat Ahmed	5
4	Dr. Aliya Hashmi Khan	5
5	Mr. Ghiasuddin Ahmed	4
6	Mr. Ali Mubashir Kazmi	4
7	Mr. Abdul Qadir Memon	4
8	Mr. Muhammad Bashir Khatran	3
9	Mr. S.M Tariq Huda	3
10	Mr. Muhammad Younus Dagha	2
11	Mr. Iftikhar ul Hasan Shah Gilani	2
12	Mr. Javed Akber Bhatti	1

6.1 **Pattern of Shareholding** as at December 31, 2018

Categories of Shareholders	Shares held
Government of Pakistan through Ministry of Commerce,	33.68 million
Benazir Employees Stock Option Scheme Trust (BESOS)	1.32 million
Total	**35 million**

7 Business Supporting Activities

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

b. Region wise details of the courses conducted in the year 2018 by Human Resource Development Division (HRDD) as under:

REGION WISE FIELD TRAINING DATA FROM 01-01-2018 TO 31-12-2018

Regions	Foundation Course		M.O.S.C		M.M.S.C		Total	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / P.O	20	528	12	259	2	37	34	824
Hyderabad	56	1,150	20	416	2	31	78	1,597
Central	67	1,791	22	627	4	108	93	2,526
Faisalabad	38	1,183	25	781	1	43	64	2,007
Multan	86	2,302	36	846	5	95	127	3,243
North	66	2,166	28	783	2	29	96	2,978
KPK	18	465	7	162	0	0	25	627
GRAND TOTAL	351	9,585	150	3,874	16	343	517	13,802

REGION WISE STAFF TRAINING DATA FROM 01-01-2018 TO 31-12-2018

Regions	Record Keeping		FLMI		AML for SH & Area Managers		Anti Money Laundering		Managing sales force effective	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South/PO	0	0	2	107	2	46	1	50	1	78
Hyderabad	0	0	0	0	5	140	1	35	0	0
Central	2	52	2	47	5	258	1	40	0	0
Faisalabad	1	20	0	0	2	145	1	35	0	0
Multan	0	0	1	14	6	200	2	90	0	0
KPK	0	0	0	0	4	85	1	25	0	0
North	0	0	2	51	6	165	2	54	0	0
TOTAL	3	72	7	219	30	1,039	9	329	1	78

Regions	Leadership		Negotiation Skills		Achieving Excellence Through Attitude		Service & Corporate Etiquette		Building Effective Relationship	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South / P.O	1	29	1	40	1	32	1	35	0	0
Hyderabad	0	0	0	0	0	0	0	0	0	0
Central	0	0	0	0	0	0	0	0	0	0
Faisalabad	2	78	0	0	0	0	0	0	0	0
Multan	0	0	0	0	0	0	0	0	5	185
KPK	0	0	0	0	0	0	0	0	0	0
North	1	40	1	29	0	0	0	0	0	0
GRAND TOTAL	4	147	2	69	1	32	1	35	5	185

Regions	Customer Service/ Problem Solving		Decision Making		Organizational Skills & Leadership		Communication Skills		Audit Workshop	
	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants	Courses	Participants
South/PO	0	0	0	0	2	42	1	38	0	0
Hyderabad	1	34	1	41	1	30	2	50	0	0
Central	0	0	0	0	1	25	0	0	0	0
Faisalabad	0	0	0	0	0	0	0	0	0	0
Multan	0	0	0	0	0	0	0	0	2	80
KPK	0	0	0	0	0	0	0	0	0	0
North	0	0	0	0	1	20	1	38	2	80
TOTAL	1	34	1	41	5	117	4	126	4	160

Regions	Directors Orientation (PICG)		Grand Total	
	Courses	Participants	Courses	Participants
South / P.O	1	13	13	497
Hyderabad	0	0	11	330
Central	0	0	11	422
Faisalabad	0	0	6	278
Multan	0	0	16	569
KPK	0	0	5	110
North	0	0	16	477
GRAND TOTAL	1	13	78	2,683

8 Advertisement

Advertising plays significant role in business development; especially in large commercial Organizations. In a situation where a large cross section of population is still without life insurance or unaware of the benefits of life insurance, the need of aggressive advertising cannot be understated. The management of State Life is fully aware of advertising needs and provided adequate funds and support to Corporate Communications Department (CCD), to implement its multimedia advertising campaigns in consultation with the Marketing Division. In 2018, CCD produced different TVC on national health program, launched one corporate and plan based campaigns specially Group Insurance plans on different prominent terrestrial and leading Satellite T.V channels and leading national & regional newspapers in English / Urdu with an intention to highlight the robust business growth.

Multi-Media campaigns like Corporate Image Building, Bonus Announcement for Policyholders, Group Insurance Campaign, Year-end corporate campaign-2018 etc. has been launched in national and regional newspapers all over Pakistan. Upon achieving ‘AAA’ rating for the straight eight year by PACRA; press publicity has been prominently expressed to highlight this achievement. Radio being the most popular medium of publicity especially in the rural and sub urban areas has also been fully utilized. All these multi-media campaigns were effectively carried out during the year 2018. Under the slot of corporate social responsibility; State Life also sponsored some major sports, outdoor advertising i.e. SMD Truck, web advertising social media and twitter and nation-wide philanthropic events for corporate image building in 2018 as a part of its participation in social service to the country.

In the year 2018, we recruited 47,168 (2017: 49,253) new Sales Representatives and provided the job opportunities throughout the country. Our Field Force counts reached 181,471 up to month of November, 2018 they all are serving the country to provide protection with savings.

9 Insurer Financial Strength Rating

The rating reflects State Life Insurance Corporation of Pakistan’s utmost risk absorption capacity on the back of Government of Pakistan (GOP) guarantee for policyholders’ liabilities. The sum insured including bonuses (if any) declared by State Life are guaranteed as to payment in cash by GoP under article 35 of the Life Insurance (Nationalization) Order, 1972.

The rating takes into account State Life Insurance Corporation’s sound market position in life insurance industry emanating from extensive and well penetrated distribution network, experienced management team, and robust financial profile. This makes State Life Insurance Corporation of Pakistan the single largest player, capturing major portion of industry’s premium. The Corporation is pursuing a growth strategy wherein, while focusing on existing business lines, it intends to expand its product offerings – Bancassurance, Window Takaful and Microinsurance. State Life Insurance Corporation of Pakistan has taken up Government initiated health programs, reaching public at grass-root levels.

A rating of “AAA” is the highest possible Financial Strength for an insurer to achieve.

10 The Future

Prime Minister's National Health Insurance Program (PMNHIP)

Prime Minister National Health Program has been implemented in 38 districts across Pakistan and provides coverage against catastrophic health expenditures to the poor segment of society.

During its first phase 3.3 million poor families have enrolled in focused districts across Pakistan. These registered families have been provided health insurance card. Through this card they can access indoor health care services worth upto Rs. 300,000 from 170+ empaneled hospitals across Pakistan. The coverage under this scheme includes Rs. 50,000/- per family under secondary cover and tertiary care benefit of Rs. 250,000/- per family along with cash payment of transportation charges.

The districts in which health care services have been started in first phase includes Islamabad (ICT), Muzzaffarabad, Kotli (AJK), Skardu, Diamer (GB) Khyber Agency, Bajour Agency (FATA), Quetta, Lorlai, Lasbela, Kech, Gwader (Balochistan), Rahim Yar Khan, Khanewal, Narowal, Sargodha, Layyah, Bhakkar, Khushab, Vehari, Hafizabad (Punjab), Lodhran, Mianwali, Bahawalnagar, Bahawalpur (Punjab), Kohat, Mardan, Chitral, Abbotabad(KPK), Hyderabad, Thatta, Sujawel, Tando Muhammad Khan, and Jacobabad (Sindh). In these Districts more than 111,020 individuals have been provided with services ranging from minor surgeries to open heart surgeries.

As per recent 3rd party satisfactory survey more than 96% of families who have accessed services are completely satisfied with the program.

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

Sehat Sahulat Program-KP

The Social Health Protection Initiative (SHPI) which started in four districts of Khyber Pakhtunkhwa has been extended to all 25 districts of the KP province. The target population of beneficiaries has been extended to 1.8 million families.

The coverage under this scheme includes Rs. 30,000 per person for a family of 8 person maximum under secondary cover and tertiary care benefit of Rs. 300,000/- per family along with cash payment to cover wage loss, Maternity Tertiary transport and funeral expenses.

A total of around 1.6 million families have been enrolled and 136,284 patients have been treated under this scheme. Since the Govt of KP considers it a flagship project therefore action is underway to make it permanent through legislation.

Family Takaful

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

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

State life Insurance Corporation is in the process of launching Takaful Operations under Family Takaful Fund as disclosed in Note 1.4 to these Financial Statements.

Bancassurance

Bancassurance is an alternate distribution channel to sell life insurance products through banks. This line of insurance business ensures wide range coverage at lesser cost. During the last quarter of 2012, this channel started its operation after State life signed an agreement with United Bank Limited, and in 2013 also signed agreement with First Women Bank limited and Bank Alfalah. Further for procurement of Bancassurance business, State Life Insurance Corporation of Pakistan has also signed agreement with SAMBA, National Bank of Pakistan, Silk Bank and recently with HBL. The Division is vigorously perusing its expansion plans for optimal market penetration. In this regard negotiations with more banks are underway.

Strengthened, 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.

Information Technology

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

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

11 Actuarial Valuation

As per 32nd actuarial valuation as at 31st December 2018, the actuarial surplus arising during the inter-valuation period on participating policies was Rs.69,531 million (2017: Rs.63,195 million). The details of bonuses declared are stated as an appendix.

12 Dividend

Profit after tax for the year 2018 is Rs.1,792.210 million (2017: Rs.1,546.552 million restated) in which Rs. 378.60 million (2017: 276.64 million) has been transferred to Ledger Account "D" Solvency reserve on the advice of Appointed Actuary; profit available to shareholders is Rs. 1,413.609 million (2017: 1,269.914 million restated). Profit retained amounting to Rs. 700 million for increase in Paid up share capital to comply regulatory requirement of UAE Authority. Rest of the profit of Rs. 713.609 million (2017: Rs.1,214.038 million) is payable to Government of Pakistan.

13 Auditors

The accounts for the year ended 31st December, 2018 were jointly audited by a panel of auditors comprising of (i) M/s. Riaz Ahmad & Company, Chartered Accountants, Karachi and (ii) Grant Thornton Anjum Rahman, Chartered Accountants, Karachi. The accounts of Gulf Countries zone were audited by M/s. Nabeel Al-Saie, Public Accountants DMCC, Dubai, UAE.

14 Note of Appreciation

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

For and On behalf of the Board of Directors

Ghiasuddin Ahmed
Chairman/Director

Karachi,
Dated May 31, 2019

Appendix-A

Key Operating and Financial Data:

Rupees in Million

	2018	2017 (restated)	2016 (restated)	2015	2014	2013
First Year Premium Net)	18,918	17,688	17,036	16,271	16,156	15,442
Renewal Premium (Net)	85,998	74,462	66,708	57,729	53,363	43,348
Group Premium Including Health (Net)	9,998	8,610	6,078	5,941	6,823	6,955
Investment Income (Net)	70,277	51,015	64,526	60,316	50,715	50,949
Policy Benefits	53,040	44,955	37,939	35,961	30,505	25,836
Surplus Appropriated To Shareholders' Fund	1,738	1,580	1,519	1,269	1,186	1,046
Profit Before Tax	2,675	2,256	1,831	1,589	1,333	1,178
Taxation	883	709	618	541	428	368
Profit After Tax	1,792	1,546	1,212	1,048	905	810
Earnings Per Share (Rs)	56.60	51.55	40.41	34.93	72.05	73.65
Bonus To Policy Holders	62,046	57,231	55,433	47,991	41,964	36,620
Total Assets	930,231	829,462	749,001	571,827	496,689	420,806

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

Name of the company: State Life Insurance Corporation of Pakistan (the Corporation)
Year ended: 31.12.2018

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

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

1 **At present the Board includes:**

Independent Directors	i. Mr. Abdul Qadir Memon ii. Mr. Ali Mubashar Kazmi iii. Mr. Ghiasuddin Ahmed
Executive Directors	i. Mr. Mohammad Younus Dagha, Chairman
Non – Executive Directors	i. Mr. Muhammad Bashir Khetran ii. Mr. Iftikhar-ul-Hassan Shah Gilani iii. Mr. Javed Akbar Bhatti

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.

2 The directors have confirmed that none of them is serving as a director in more than seven listed companies.

3 All the resident directors of the Corporation are registered as taxpayers and none of them has defaulted in payment of any loan to banking company. A DFI, or an NBFI or, being a member of stock exchange, has been declared as a defaulter by stock exchange.

4 Two casual vacancies occurred on the Board on 25.10.2018 and 26.12.2018 which were filled on 27.11.2018 and 26.12.2018 respectively by the Federal Government in terms of Article 12 (1) LINO, 1972.

5 The Corporation has prepared a Code of Conduct which has been disseminated among all the employees and directors of the Corporation.

6 The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Corporation. The policies of procurement of goods and services, acquisition and disposal of fixed assets are in process of approval. A complete record of significant policies along with the date on which they were approved has been maintained.

7 All the powers of the Board have been duly exercised and decisions on material transactions including appointment, remuneration and terms & conditions of employment of key officers have been taken by the Board of Directors. The decision regarding appointment and determination of remuneration and terms & conditions of Directors are made by the federal government. The corporation has no CEO as the LINO, 1972 has no provision for CEO. The Chairman of the Board is appointed by the federal government as per LINO, 1972 who is an Executive Director.

8 The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven (7) days before the meetings. The Minutes of the meetings are appropriately recorded and circulated.

9 The Board has established a system of sound internal control, which is effectively implemented at all levels within the corporation. The corporation has adopted and complied with all the necessary aspects of internal controls given in the code.

10 The orientation course for the directors has been conducted during the year.

11 The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

12 The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

13 The financial statements of the Corporation are duly endorsed by the Chairman and CFO before approval of the Board.

14 The directors and executives do not hold any interest in the shares of the Corporation other than disclosed in the pattern of shareholding.

15 The Corporation has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16 The Board has formed the following management committees. These committees have been formed under the Code of Corporate Governance for Insurers, 2016 notified vide S.R.O 1045 (I)/2016 dated November 09, 2016.

Underwriting/Re-insurance and Co. Insurance Committee

Name of Member	Category
Mr. Javed Akbar Bhatti	Non-Executive Director/Chairman
Mr. Abdul Qadir Memon	Independent Director/Member
Mr. Ghiasuddin Ahmed	Independent Director/Member
Mr. Faisal Mumtaz	Divisional Head/Member
Mr. Sher Muhammad Abbasi	Divisional Head/Member

Claim Settlement Committee:

Name of Member	Category
Mr. Muhammad Bashir Kethran	Non-Executive Director/Chairman
Mr. Ali Mubashar Kazmi	Independent Director/ Member
Mr. Iftikhar-ul-Hassan Shah Gilani	Non-Executive Director/Member
Mr. Fazal ur Rehman	Divisional Head/Member

Risk Management and Compliance Committee:

Name of Member	Category
Mr. Ali Mubashar Kazmi	Independent Director/Chairman
Mr. Javed Akbar Bhatti	Non-Executive Director/Member
Mr. Ghiasuddin Ahmed	Independent Director/Member
Mr. Muhammad Bashir Khetran	Non-Executive Director/Member

17 **The Board has formed the following Board Committees.**

Ethics, Human Resources / Remuneration Committee:

Name of Member	Category
Mr. Javed Akbar Bhatti	Non-Executive Director/Chairman
Mr. Ali Mubashar Kazmi	Independent Director/Member
Mr. Abdul Qadir Memon	Independent Director/Member
Mr. Iftikhar-ul-Hassan Shah Gilani	Non-Executive Director/Member
Mr. Farrukh Ahmad Hamidi	Executive Director/Member

Nomination Committee:

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

Investment Committee

Name of Member	Category
Mr. Abdul Qadir Memon	Independent Director/Chairman
Mr. Javed Akbar Bhatti	Non-Executive Director/Member
Mr. Ghiasuddin Ahmed	Independent Director/Member
Mr. Ali Mubashar Kazmi	Independent Director/Member
Mr. Shujaat Siddiqui	Appointed Actuary/Member
Mr. Muhammad Rashid	CFO/ Member

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

Name of Member	Category
Mr. Ghiasuddin Ahmed	Independent Director/Chairman
Mr. Javed Akbar Bhatti	Non-Executive Director/Member
Mr. Abdul Qadir Memon	Independent Director/Member
Dr. Iftikhar-ul-Hassan Shah Gilani	Non-Executive Director/Member

19 The meetings of Underwriting/Reinsurance and Co-insurance Committee, Investment Committee, Claim Settlement Committee, and Risk Management Compliance and I.T. Committee (RMC&IT) are not held as per required frequency. The terms of the references of all committees have been formed and advised to the committees for compliance.

20 The Board has setup an effective internal audit function and the members of internal audit functions are considered suitably qualified experienced for the purpose and are conversant with policies and procedures of the corporation and they are involved in the internal audit function on regular basis.

21 The Chairman, CFO, Compliance Officer, Head of Internal Audit and Actuary are qualified and experienced as required under the Code of Corporate Governance for Insurers, 2016. The appointed actuary of the insurer meets the condition as laid down in the said code. Moreover, the person heading the underwriting, claim, reinsurance, risk management and grievance function/department possess qualification and experience of direct relevance to their respective functions as required under section 12 of the Insurance Ordinance, 2000.

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

22 The statutory auditors of the Corporation have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Corporation and that the firm and all its partner are in compliance with the International Federation of Accountants (IFAC) guideline on Code of the Ethics as adopted by the ICAP.

23 The statutory auditors or the persons associated with them have not been appointed to provide other services except given in the law and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24 The Appointed Actuary of Corporation has confirmed that neither he nor his spouse and children hold shares of the Corporation.

25 The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.

26 The Board has approved the Investment Policy 2017 of the Corporation in its 256th BoD meeting held on 29th January 2018.

27 The Board ensures that the risk management system of the Corporation is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.

28 The Corporation has set up a risk management function, which carries out its tasks as covered under the Code of Corporate Governance for Insurer, 2016.

29 The Board ensures that as a part of risk management system, the insurer gets itself rated from Pakistan Credit Rating Agency (PACRA) which is being used by the respective committees as a risk monitoring tool. The rating assigned by the said rating agency at June 22, 2018 is AAA with stable outlook.

30 The Board has set up a grievance department. The grievance policy has been deliberated to the Board for approval. Reporting requirement to SECP as regards to unresolved complaints is not being followed.

31 We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied.

For and On behalf of the Board of Directors

CINC: 54400-7918121-7
Date: 31-05-2019

Ghiasuddin Ahmed
Chairman/Director

Let Your Kids Grow and Celebrate Life

Education Plan

Education unlocks your kid's potential to change the world. State Life's Education Plan ensures a promising future for your kids to explore the art of living and celebrate life. State Life, the only AAA rated and Pakistan's largest life Insurance Corporation.

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 State Life Insurance Corporation of Pakistan (the Corporation) for the year ended December 31, 2018 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's 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.

The Code requires the Corporation to place before the Board Audit Committee, and upon recommendation of the Audit Committee, place before the board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2018.

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 19	The meetings of Underwriting/Reinsurance and Co-insurance Committee, Investment Committee, Claim Settlement and Risk and Compliance Committee were not held as per required frequency due to reconstitution of the board.
Paragraph 26	Maximum allowable investment limit to related parties and ineligible class of asset is not explicitly stated in the Investment Policy of the Corporation.

Grant Thornton Anjum Rahman,

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Khalid Aziz

Riaz Ahmad & Co.

Riaz Ahmad & Company
Chartered Accountants
Muhammad Waqas

Karachi
Dated: May 31, 2019

Appendix

Actuarial Valuation as at 31st December 2018

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 2018:

a. Reversionary bonuses per thousand sum assured per annum (2017 figures are given for comparison).

	2017			2018		
	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	54	99	150	**48**	**99**	**150**
EndowmentsTerm:						
20 years and over	45	84	130	**40**	**84**	**130**
15 to 19 years inclusive	31	72	81	**27**	**72**	**81**
14 years and less	18	59	-	**16**	**59**	**-**

b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in I(a) above, subject to "C" below.

c. Terminal Bonus will be paid on claims by death or maturity in 2019, 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 2017 valuation).

d. Special Terminal Bonus will be paid on claims by maturity in 2019, where a Family Income Benefit (FIB) is inforce at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs. 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB has been in force, subject to a maximum of Rs. 200 per thousand basic sum assured (same as 2017 valuation).

e. Loyalty Terminal Bonus will be paid on claims by death or maturity in 2019 to policies with risk year 1999 or earlier. The rate will be Rs.200 per thousand sum assured (same as 2017 valuation).

Notes:

1. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
2. Big Deal policies will receive bonuses on 25% of the sum assured only.
3. For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

II. Anticipated Endowment Assurance

For with profits Anticipated Endowments/ Three stage/ Three payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2018:

a. Reversionary bonuses per thousand sum assured per annum (2017 figures are given for comparison).

	2017			2018		
	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.	For first five policy years Rs.	From 6th policy year to 16th policy year Rs.	From 17th policy year onwards Rs.
Term:						
20 years and over	31	62	100	**27**	**62**	**100**
15 to 19 years inclusive	22	53	59	**19**	**53**	**59**
14 years and less	17	47	-	**15**	**47**	**-**

b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in II (a) above, subject to "C" below.

c. Terminal Bonus will not be paid on these policies.

d. Special Terminal Bonus, as mentioned in I(d) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

e. Loyalty Terminal Bonus, as mentioned in I(e) above, will be paid on claims by death or maturity in 2019 to policies with risk year 1999 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 2019, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2017 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 2018:

(a) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2017 figures are given for comparison):

	2017		2018	
	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.
Term:				
20 years and over	39	77	**35**	**77**
15 to 19 years inclusive	27	66	**24**	**66**
14 years and less	21	59	**18**	**59**

b. Interim Bonus will be allowed till the next Actuarial Valuation at the rates mentioned in III (a) above, subject to "c" below.

c. Special Reversionary Bonus will also be paid to all policies under this plan whose Survival Benefits have fallen due in 2019 subject to the rates and conditions mentioned in II (f) above.

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

a. Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.

b. The rate of bonus is Rs.85 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 2019 shall be calculated at 7.00% per annum (8.00% per annum in 2017 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 2019. This increase will also be available on pension payments commencing in 2019.

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 2018 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2018 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 2018 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 2019 to 31st December 2019 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 2017 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 2020 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 2019.

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 2019, 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 2019.

c. Loyalty Terminal Bonus on Whole Life and Endowment paid up policies will be paid on claims by death or maturity in 2019 to policies with risk year 1999 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 2019.

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 (2017 figures are given for comparison).

	2017		2018	
	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	4	8	**4**	**8**
Endowments Term:				
20 years and over	3	7	**3**	**7**
15 to 19 years inclusive	2	5	**2**	**5**
14 years and less	1	3	**1**	**3**
Anticipated Endowments Term:				
20 years and over	1	5	**1**	**5**
15 to 19 years inclusive	1	4	**1**	**4**
14 years and less	-	3	**-**	**3**

b. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum (2017 figures are given for comparison).

	2017		2018	
	For First Five Policy Years $	From Sixth Policy Year Onwards $	For First Five Policy Years $	From Sixth Policy Year Onwards $
Whole Life	4	9	**4**	**9**
Endowments Term:				
20 years and over	3	7	**3**	**7**
15 to 19 years inclusive	2	5	**2**	**5**
14 years and less	1	3	**1**	**3**
Anticipated Endowments Term:				
20 years and over	1	5	**1**	**5**
15 to 19 years inclusive	1	3	**1**	**3**
14 years and less	-	2	**-**	**2**

c. Interim Bonus on death and maturity claims will be allowed till the next bonus declaration, at the rates mentioned in B(a) and B(b) above.

d. Terminal Bonus will be paid on claims by death or maturity in 2019, 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 2017 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 2019, 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 2017 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 2020 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 2019.

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 2019.

Operating and Financial Highlights

Financial Position

Balance Sheet

Rupees in Million

	2018	2017	2016	2015	2014	2013
ASSETS						
Cash and Banks	33,298	38,452	31,349	27,623	20,261	33,112
Loans secured against life insurance policies	93,313	76,675	62,803	50,673	41,303	33,100
Loans to employee and field force	985	898	803	551	424	420
Investment properties	3,657	3,185	2,975	2,949	2,955	2,990
Investment in securities	738,586	585,906	514,447	445,958	390,102	319,279
Current assets and others	59,977	50,419	47,025	43,733	41,312	31,508
Fixed assets	414	437	409	340	332	397
Total assets	**930,231**	755,973	659,811	571,827	496,689	420,806
EQUITY AND LIABILITIES						
Issued, subscribed and paid up capital	3,500	3,000	3,000	3,000	3,000	1,100
Reserve and surplus	1,121	377	948	1,229	840	1,932
Policy holders liability	873,813	707,388	614,177	526,676	450,025	378,608
Employees Retirement Benefit	6,368	3,926	3,401	2,960	2,465	2,156
Deferred capital grant	14	22	27	-	-	-
Creditors and accruals	45,416	41,259	38,258	37,962	40,359	37,010
Total equity and liability	**930,231**	755,973	659,811	571,827	496,689	420,806
OPERATING AND FINANCIAL TRENDS						
Profit and Loss						
Net Investment Income	311	314	311	320	147	132
Surplus appropriated	1,738	1,580	1,519	1,269	1,186	1,046
Profit before Tax	2,675	1,894	1,830	1,589	1,333	1,178
Taxation	883	624	618	541	428	368
Profit After Tax	**1,792**	1,270	1,212	1,048	905	810
Revenue Account						
Premium net of Reinsurance	114,914	100,761	89,821	79,941	76,342	65,745
Net Investment Income	69,961	69,251	64,214	59,997	50,569	50,817
Total Inflow	184,875	170,012	154,035	139,938	126,911	116,562
Total Outflow	88,436	75,885	65,523	62,019	54,307	50,662
Increase Policyholders liability	94,075	87,800	83,286	74,990	67,030	60,609
Surplus before Tax	2,364	6,326	5,226	2,929	5,574	5,290
Taxation	0	85	43	-	-	-
Surplus after Tax	2,364	6,241	5,183	2,929	5,574	5,290
Surplus transfer to P&L	1,738	1,580	1,519	1,269	1,186	1,046
Cash Flows						
Operating activities	21,068	19,025	17,029	11,150	17,951	9,174
Investing activities	(25,566)	(15,747)	(11,307)	(3,126)	(30,522)	(7,357)
Financing activities	(1,270)	(1,091)	(943)	(564)	-	-
Cash and cash equivalents at the end of the year	27,617	33,385	31,197	26,419	18,959	31,531

Financial Ratios

		2018	2017	2016	2015	2014	2013
Profitability							
Profit before tax / Gross Premium		**2.32%**	1.87%	2.03%	1.98%	1.74%	1.79%
Profit before tax / Net Premium		**2.33%**	1.88%	2.04%	1.99%	1.75%	1.79%
Profit after tax / Gross Premium		**1.56%**	1.26%	1.35%	1.31%	1.18%	1.23%
Profit after tax / Net Premium		**1.56%**	1.26%	1.35%	1.31%	1.19%	1.23%
Net Claims / Net Premium (IL)		**41.20%**	39.44%	37.70%	39.67%	34.43%	33.49%
Net Claims / Net Premium (GL)		**98.17%**	100.01%	104.71%	111.13%	96.32%	88.41%
Net Commission / Net Premium (IL)		**18.50%**	20.15%	20.64%	22.11%	23.21%	25.65%
Net Commission / Net Premium (GL)		**0.05%**	0.08%	0.08%	0.06%	0.05%	0.06%
Area Managers Costs / Net Premium		**2.65%**	2.66%	2.78%	2.66%	2.75%	3.55%
Total Acquisition Cost / Net Premium		**22.75%**	23.80%	24.46%	25.93%	27.17%	30.60%
Administration Expenses / Net Premium		**10.07%**	8.98%	7.91%	8.40%	6.29%	10.23%
Return to Shareholders							
Return on Equity (ROE) Net income / Avg Equity		**31.91%**	34.67%	29.65%	25.97%	26.34%	30.30%
Earnings / (Loss per Share) - Pre Tax	Rs.	**84.48**	63.14	61.02%	52.95%	106.09%	107.14%
Earnings / (Loss per Share) - After Tax	Rs.	**56.60**	42.33	40.41%	34.93%	72.05%	73.65%
Return on Assets (Net Income)/Avg total Assets		**0.21%**	0.18%	0.20%	0.20%	0.20%	0.21%
Paid up Capital / Total Assets		**0.38%**	0.40%	0.45%	0.52%	0.60%	0.26%
Market Value							
Face Value per Share	Rs.	**100**	100	100	100	100	100
Break up Value per Share	Rs.	**167.95**	112.57	131.60	134.93	172.05	173.65
Cash Dividend per Share	Rs.	**56.60**	42.33	36.37	31.44	72.05	73.65
Dividend Yield - (DPS/100*100)		**56.60%**	42.33%	36.37%	31.44%	72.05%	73.65%
Dividend Pay out		**100%**	100%	90%	90%	100%	100%

Vertical Analysis

Balance Sheet

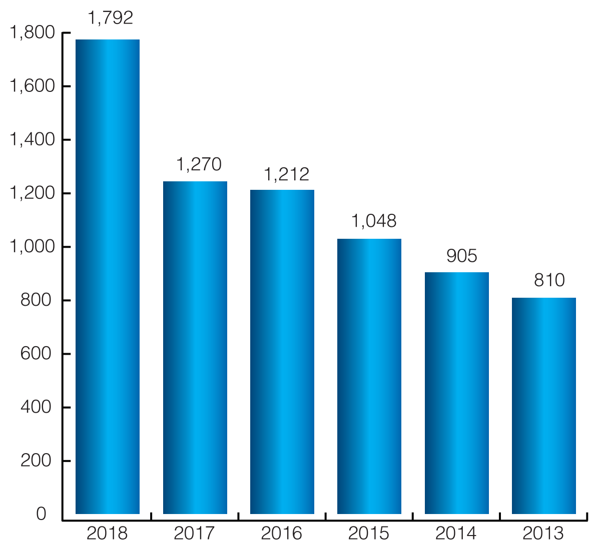
	2018		2017		2016		2015		2014		2013	
	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
ASSETS												
Cash and Banks	33,298	3.58%	38,452	5.09%	31,349	4.75%	27,623	4.83%	20,261	4.08%	33,112	7.87%
Loans secured against life insurance policies	93,313	10.03%	76,675	10.14%	62,803	9.52%	50,673	8.86%	41,303	8.32%	33,100	7.87%
Loans to employee and field force	985	0.11%	898	0.12%	803	0.12%	551	0.10%	424	0.09%	420	0.10%
Investment properties	3,657	0.39%	3,185	0.42%	2,975	0.45%	2,949	0.52%	2,955	0.59%	2,990	0.71%
Investment in securities	738,586	79.40%	585,906	77.50%	514,447	77.97%	445,958	77.99%	390,102	78.54%	319,279	75.87%
Current assets and others	59,977	6.45%	50,419	6.67%	47,025	7.13%	43,733	7.65%	41,312	8.32%	31,508	7.49%
Fixed assets	414	0.04%	437	0.06%	409	0.06%	340	0.06%	332	0.07%	397	0.09%
Total assets	**930,231**	**100%**	755,973	100%	659,811	100%	571,827	100%	496,689	100%	420,806	100%
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	3,500	0.38%	3,000	0.40%	3,000	0.45%	3,000	0.52%	3,000	0.60%	1,100	0.26%
Reserve and surplus	1,121	0.12%	377	0.05%	948	0.14%	1,229	0.21%	840	0.17%	1,932	0.46%
Policy holders liability	873,813	93.94%	707,388	93.57%	614,177	93.08%	526,676	92.10%	450,025	90.60%	378,608	89.97%
Employees retirement benefit	6,368	0.68%	3,926	0.52%	3,401	0.52%	2,960	0.52%	2,465	0.50%	2,156	0.51%
Deferred capital grant	14	0.002%	22	0.003%	27	.004%	–	–	–	–	–	–
Creditors and accruals	45,416	4.88%	41,259	5.46%	38,258	5.80%	37,962	6.64%	40,359	8.13%	37,010	8.80%
Total equity and liability	**930,231**	**100%**	755,973	100%	659,811	100%	571,827	100.00%	496,689	100.00%	420,806	100%
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	311	12%	314	17%	311	17%	320	20%	147	11%	132	11%
Surplus appropriated	1,738	65%	1,580	83%	1,519	83%	1,269	80%	1,186	89%	1,046	89%
Profit before Tax	2,675	100%	1,894	100%	1,830	100%	1,589	100%	1,333	100%	1,178	100%
Taxation	883	33%	624	33%	618	34%	541	34%	428	32%	368	31%
Profit After Tax	1,792	67%	1,270	67%	1,212	66%	1,048	66%	905	68%	810	69%
Revenue Account												
Premium net of Reinsurance	114,914	62%	100,761	59%	89,821	58%	79,941	57%	76,342	60%	65,745	56%
Net Investment Income	69,961	38%	69,251	41%	64,214	42%	59,997	43%	50,569	40%	50,817	44%
Total Inflow	184,875	100%	170,012	100%	154,035	100%	139,938	100%	126,911	100%	116,562	100%
Total Outflow	88,436	48%	75,885	45%	65,523	43%	62,019	44%	54,307	43%	50,662	43%
Increase Policyholders liability	94,075	51%	87,800	52%	83,286	54%	74,990	54%	67,030	53%	60,609	52%
Taxation	0	0%	85	0%	43	0%	–	–	–	–	–	–
Surplus after Tax	2,364	1%	6,241	4%	5,183	3%	2,929	2%	5,574	4%	5,290	5%

Horizontal Analysis

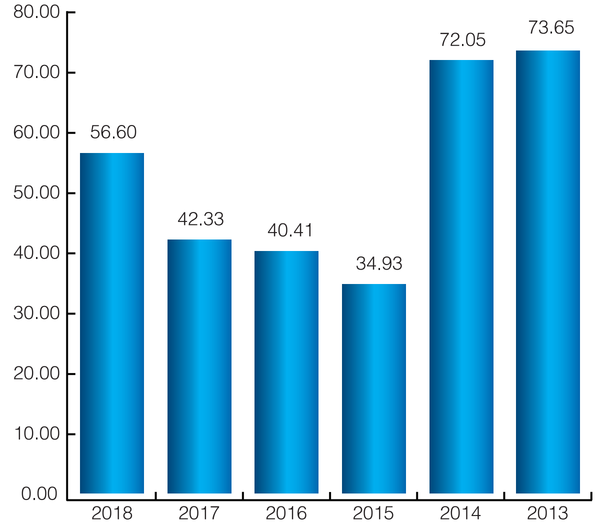
Balance Sheet

	Rs in million						% increase/decrease over preceding year					
	2018	2017	2016	2015	2014	2013	**2018**	2017	2016	2015	2014	2013
ASSETS												
Cash and Banks	33,298	38,452	31,349	27,623	20,261	33,112	-13%	23%	13%	36%	-39%	8%
Loans secured against life insurance policies	93,313	76,675	62,803	50,673	41,303	33,100	22%	22%	24%	23%	25%	22%
Loans to employee and field force	985	898	803	551	424	420	10%	12%	46%	30%	1%	-2%
Investment properties	3,657	3,185	2,975	2,949	2,955	2,990	15%	7%	1%	0%	-1%	-1%
Investment in securities	738,586	585,906	514,447	445,958	390,102	319,279	26%	14%	15%	14%	22%	21%
Current assets and others	59,977	50,419	47,025	43,733	41,312	31,508	19%	7%	8%	6%	31%	27%
Fixed assets	414	437	409	340	332	397	-5%	7%	20%	2%	-16%	29%
Total assets	**930,231**	755,973	659,811	571,827	496,689	420,806						
EQUITY AND LIABILITIES												
Issued, subscribed and paid up capital	3,500	3,000	3,000	3,000	3,000	1,100	17%	0%	0%	0%	173%	0%
Reserve and surplus	1,121	377	948	1,229	840	1,932	197%	-60%	-23%	46%	-57%	59%
Policy holders liability	873,813	707,388	614,177	526,676	450,025	378,608	24%	15%	17%	17%	19%	21%
Employees retirement benefit	6,368	3,926	3,402	2,960	2,465	2,156	62%	15%	20%	20%	14%	28%
Deferred capital grant	14	22	27	-	-	-	-36%	100%	100%	-	-	-
Creditors and accruals	45,416	41,259	38,258	37,962	40,359	37,010	10%	8%	1%	-6%	9%	18%
Total equity and liability	**930,231**	755,973	659,811	571,827	496,689	420,806						
OPERATING AND FINANCIAL TRENDS												
Profit and Loss												
Net Investment Income	311	314	311	320	147	132	-1%	1%	-3%	118%	11%	-2%
Surplus appropriated	1,738	1,580	1,519	1,269	1,186	1,046	10%	4%	20%	7%	13%	3%
Profit before Tax	2,675	1,894	1,830	1,589	1,333	1,178	41%	3%	15%	19%	13%	2%
Taxation	883	624	618	541	428	368	41%	1%	14%	26%	16%	-5%
Profit After Tax	1,792	1,270	1,212	1,048	905	810	41%	5%	16%	16%	12%	6%
Revenue Account												
Premium net of Reinsurance	114,914	100,761	89,821	79,941	76,342	65,745	14%	12%	12%	5%	16%	17%
Net Investment Income	69,961	69,251	64,214	59,997	50,569	50,817	1%	8%	7%	19%	-	34%
Total Inflow	184,875	170,012	154,035	139,938	126,911	116,562	9%	10%	10%	10%	9%	24%
Total Outflow	88,436	75,885	65,523	62,019	54,307	50,662	17%	16%	6%	14%	7%	7%
Increase Policyholders liability	94,075	87,800	83,286	74,990	67,030	60,609	7%	5%	11%	12%	11%	68%
Taxation	0	85	43	-	-	-	-100%	99%	-	-	-	-
Surplus after Tax	2,364	6,241	5,183	2,929	5,574	5,290	-62%	20%	77%	-47%	5%	-49%

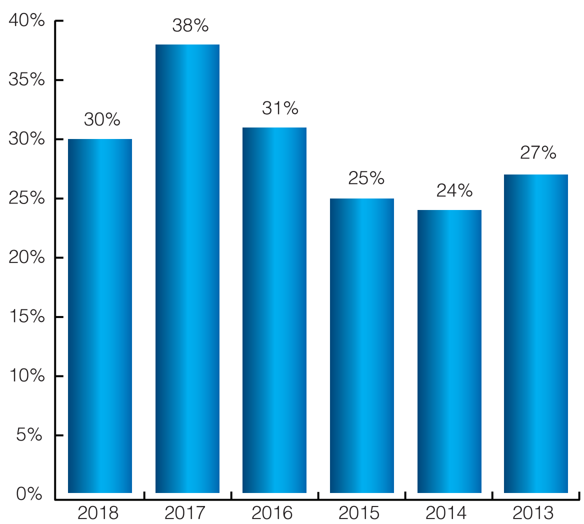
Profit After Taxation (Rs. in Million)



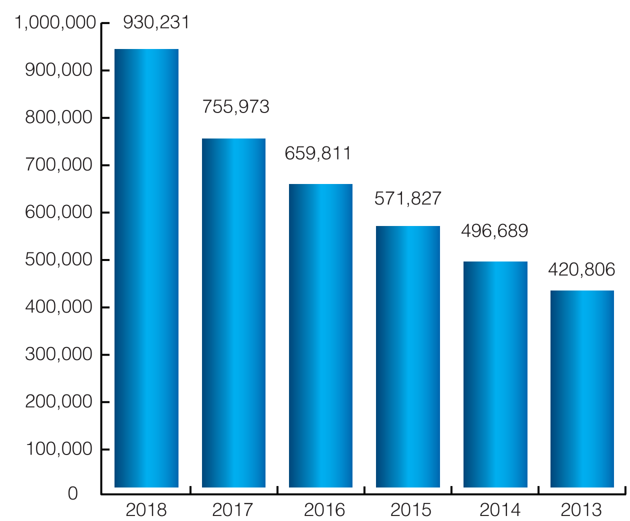
Earnings per Share (Rupees)



Return on Equity (Percentage)

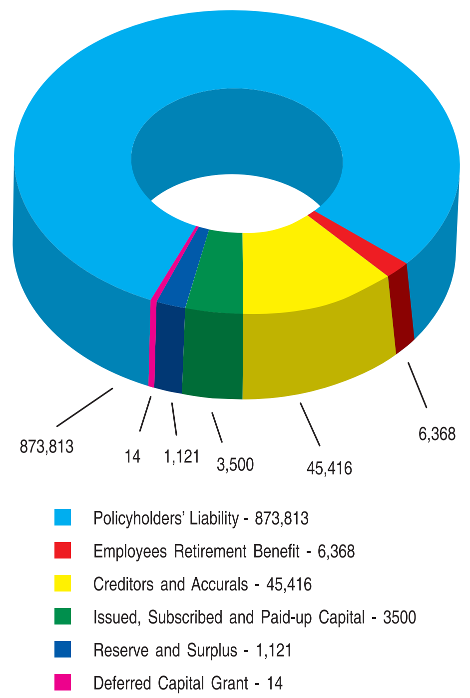


Assets (Rupees in Million)

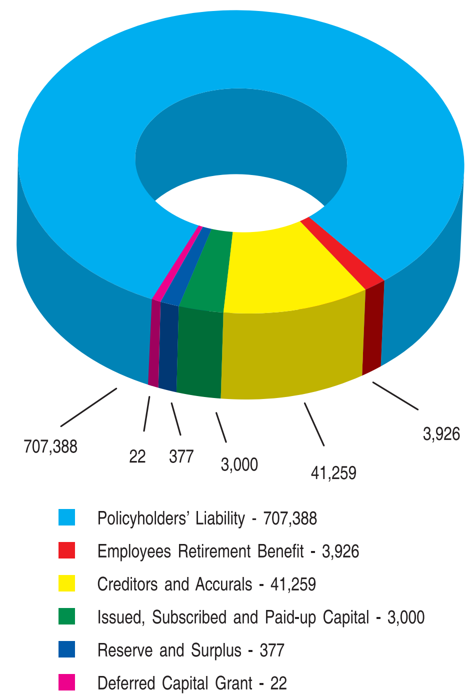


Balance Sheet Composition

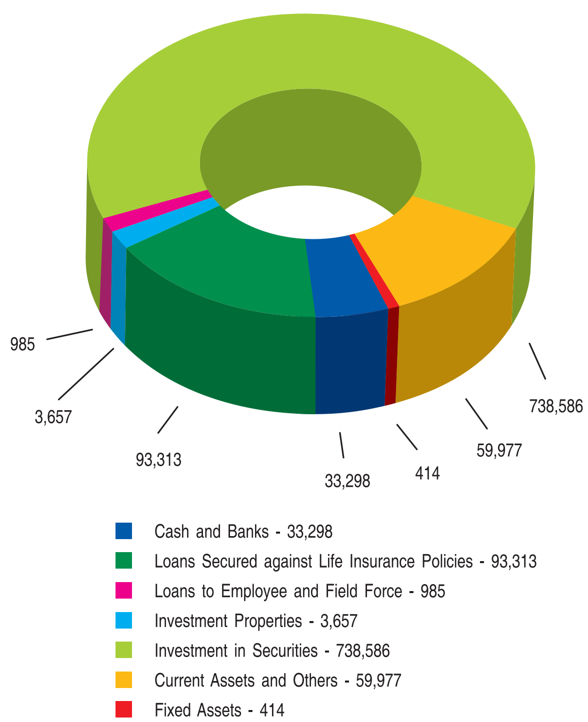
Equity & Liabilities - 2018 (Rupees in Million)



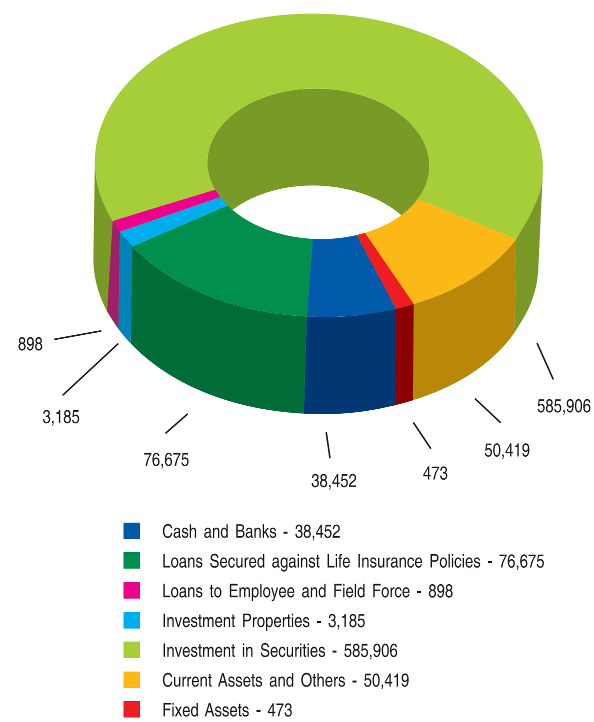
Equity & Liabilities - 2017 (Rupees in Million)



Assets - 2018 (Rupees in Million)



Assets - 2017 (Rupees in Million)



Financial Statements Unconsolidated

Independent Auditor's Report

To the Members of State Life Insurance Corporation of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the annexed unconsolidated financial statements of State Life Insurance Corporation of Pakistan (the "Corporation"), which comprise the unconsolidated statement of financial position as at December 31, 2018, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Corporation's affairs as at December 31, 2018 and total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As more fully explained in note 24.1.13 to the unconsolidated financial statements, the Punjab and Balochistan Revenue Authorities have introduced sales tax on life insurance premium effective from November 01, 2018 and July 01, 2015 respectively. The Corporation, notwithstanding the principal stand that life insurance is not a service and therefore do not fall within the scope of taxability under the provincial sales tax laws of the provinces, along with Insurance Association of Pakistan is currently in negotiations with provincial tax authorities to seek an exemption and to agree the portion of premium which should be subject to sales tax. International Accounting Standard 37 'Provisions, Contingent Liabilities and Contingent Assets' requires provision should be recognised when the entity has a present legal obligation as a result of past event. The Corporation considers that it is premature to estimate the liability for sales tax on life insurance at this stage. We consider that the liability can be estimated based on the current law. Therefore, it was impracticable for us to quantify the full effect of provincial sales tax on the unconsolidated financial statements for the year ended December 31, 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the contents as detailed in note 1.4 to the unconsolidated financial statements, the Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. As a consequence of reorganization and conversion, 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.

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

a) except for the possible effects of the matter described in Basis for Qualified Opinion section of our report, proper books of account have been kept by the Corporation as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) except for the possible effects of the matter described in Basis for Qualified Opinion section of our report, the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account;

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

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

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

Other Matter

The annual financial statements of the Corporation for the preceding year ended December 31, 2017 were audited by BDO Ebrahim & Co. and Riaz Ahmad and Company, whose audit report dated April 30, 2018 expressed an unmodified opinion with an emphasis of matter paragraph on re-organization and conversion of the Corporation.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Khalid Aziz and Muhammad Waqas.

Grant Thornton Anjum Rahman.

Grant Thornton Anjum Rahman
Chartered Accountants

Riaz Ahmad & Co.

Riaz Ahmad & Company
Chartered Accountants

Karachi
Dated: May 31, 2019

Unconsolidated Statement of Financial Position as at December 31, 2018

	Note	December 31, 2018	December 31, 2017 (Restated)	December 31, 2016 (Restated)
		--------------(Rupees in '000)----------------		
ASSETS				
Property and equipment	6	**414,002**	436,868	409,010
Investment property	7	**3,657,341**	3,185,228	2,974,934
Investments in subsidiaries and associates	8	**338,010**	338,010	241,609
Investments				
Equity securities	9	**87,831,533**	95,796,476	112,280,748
Government securities	10	**638,939,449**	553,016,050	481,726,124
Debt securities	11	**3,623,918**	796,057	803,245
Mutual funds	12	**7,852,632**	8,784,148	10,774,517
Loans secured against life insurance policies		**93,313,445**	76,674,563	62,802,588
Insurance / reinsurance receivables	13	**21,803,073**	17,901,707	15,500,914
Other loans and receivables	14	**34,806,142**	29,078,981	28,431,964
Retirement benefit asset	20	**-**	665,039	-
Taxation - payments less provision		**3,958,284**	3,896,384	3,484,304
Prepayments	15	**395,030**	440,270	411,559
Cash and bank	16	**33,298,315**	38,452,099	31,348,623
TOTAL ASSETS		**930,231,174**	829,461,880	751,190,139
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES ATTRIBUTABLE TO CORPORATION'S EQUITY HOLDERS				
Ordinary share capital	17	**3,500,000**	3,000,000	3,000,000
Ledger account C & D		**1,257,718**	1,979,122	952,485
Reserves	18	**507,043**	307,043	185,817
Unappropriated profit		**713,615**	1,269,915	1,212,261
Capital contributed to statutory fund		**(100,000)**	(1,200,000)	(450,000)
TOTAL EQUITY		**5,878,376**	5,356,080	4,900,563
LIABILITIES				
Insurance liabilities	19	**890,675,969**	794,904,041	720,648,272
Retirement benefit obligations	20	**6,343,778**	3,909,100	3,401,871
Deferred capital grant		**14,025**	21,935	26,710
Premium received in advance		**8,079,218**	8,467,035	7,988,686
Insurance / reinsurance payables	21	**466,442**	410,708	218,463
Deferred tax	22	**472,871**	225,754	225,754
Other creditors and accruals	23	**18,300,495**	16,167,227	13,779,820
TOTAL LIABILITIES		**924,352,798**	824,105,800	746,289,576
TOTAL EQUITY AND LIABILITIES		**930,231,174**	829,461,880	751,190,139
CONTINGENCIES AND COMMITMENTS	24			

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

Ghiasuddin Ahmed	Iftikhar-ul-Hussain	Abdul Qadir Memon	Muhammad Rashid
Chairman	Director	Director	Chief Financial Officer

Unconsolidated Statement of Comprehensive Income for the Year Ended December 31, 2018

	Note	December 31, 2018	December 31, 2017 (Restated)
		--------------(Rupees in '000)----------------	
Premium revenue		115,238,178	101,044,743
Premium ceded to reinsurers		(323,831)	(284,026)
Net premium revenue	25	114,914,347	100,760,717
Investment income	26	63,800,988	59,738,227
Net realised fair value gains on financial assets	27	4,425	244,772
Net fair value loss on financial assets at fair value through profit or loss	28	(9,081,292)	(18,730,867)
	29	536,165	463,724
Net rental income	30	15,016,904	9,299,706
Other income		70,277,190	51,015,562
Net income		185,191,537	151,776,279
Insurance benefits		53,211,649	45,117,374
Recoveries from reinsurers		(171,312)	(162,716)
Claims related expenses		-	-
Net insurance benefits	31	53,040,337	44,954,658
Net change in insurance liabilities (other than outstanding claims)		94,074,887	73,630,543
Acquisition expenses	32	23,865,626	21,405,385
Marketing and administration expenses	33	11,179,639	9,288,310
Other expenses	34	355,628	241,254
Total expenses		129,475,780	104,565,492
Results of operating activities		2,675,420	2,256,129
Profit before tax		2,675,420	2,256,129
Income tax expense	35	(883,210)	(709,577)
Profit for the year		1,792,210	1,546,552
Other comprehensive income		-	-
Total comprehensive income for the year		1,792,210	1,546,552
Earning per share -Rupees	36	56.60	51.55

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

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Unconsolidated Statement of Changes in Equity for the Year Ended December 31, 2018

	Attributable to equity holders of the Corporation					
	Share capital	Capital contributed to Statutory Fund	Revenue reserves General reserves	Ledger Account C & D [Refer Note]	Unappropriated profit	Total
	Rupees in '000					
Balance as at January 1, 2017 - as reported	3,000,000	(450,000)	185,817	-	1,212,261	3,948,078
Effect of restatement	-	-	-	952,485	-	952,485
Balance as at January 1, 2017(restated)	3,000,000	(450,000)	185,817	952,485	1,212,261	4,900,563
Dividend paid for the year December 31, 2016	-	-	-	-	(1,037,695)	(1,037,695)
Transferred to BESOS from profit for the year ended December 31, 2016	-	-	-	-	(53,340)	(53,340)
Total comprehensive income for the year	-	-	-	-	1,546,552	1,546,552
Surplus for the year retained in statutory funds-net of tax	-	-	-	276,637	(276,637)	-
Capital contributed to statutory fund	-	(750,000)	-	750,000	-	-
Transfer to general reserve	-	-	121,226	-	(121,226)	-
Balance as at December 31, 2017 (restated)	3,000,000	**(1,200,000)**	307,043	1,979,122	1,269,915	5,356,080
Balance as at January 1, 2018(restated)	**3,000,000**	**(1,200,000)**	**307,043**	**1,979,122**	**1,269,915**	**5,356,080**
Dividend paid for the year December 31, 2017	**-**	**-**	-	-	**(1,214,038)**	**(1,214,038)**
Transferred to BESOS from profit for the year ended December 31, 2017	**-**	**-**	-	-	**(55,876)**	**(55,876)**
Total comprehensive income for the year	**-**	**-**	-	-	**1,792,210**	**1,792,210**
Surplus for the year retained in statutory funds-net of tax	**-**	**-**	-	**378,596**	**(378,596)**	**-**
Capital contributed to statutory fund - eliminated	**-**	**1,100,000**	-	**(1,100,000)**	**-**	**-**
Transfer for the issuance of share capital	**500,000**	**-**	**200,000**	-	**(700,000)**	**-**
Balance as at December 31, 2018	**3,500,000**	**(100,000)**	**507,043**	**1,257,718**	**713,615**	**5,878,376**

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

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

Ghiasuddin Ahmed Chairman	**Iftikhar-ul-Hussain** Director	**Abdul Qadir Memon** Director	**Muhammad Rashid** Chief Financial Officer

Unconsolidated Statement of Cash Flow for the Year Ended December 31, 2018

		Note	2018	2017
			-----------(Rupees in '000)-----------	
	Operating Cash flows			
(a)	Underwriting activities			
	Premiums received		101,914,190	92,512,275
	Reinsurance premiums paid		(268,098)	(91,781)
	Claims paid		(28,417,769)	(26,312,977)
	Surrenders paid		(23,096,834)	(18,179,171)
	Reinsurance and other recoveries received		185,485	10,007
	Commissions paid		(18,835,399)	(18,197,975)
	Other underwriting payments, if any		(4,418,659)	(3,313,679)
	Net cash flow from underwriting activities		27,062,916	26,426,699
(b)	Other operating activities			
	Income tax paid		(697,992)	(1,121,657)
	Other operating payments		570,646	807,932
	General management expense paid		(8,008,890)	(7,621,455)
	Loans secured against life insurance policies - advanced		(8,937,795)	(9,324,962)
	Loans secured against life insurance policies - repayments received		11,079,182	9,858,315
	Net cash flow used in other operating activities		(5,994,849)	(7,401,827)
	Total cash flow from all operating activities		21,068,067	19,024,872
	Investment activities			
	Profit / Return received		58,012,756	52,557,632
	Dividends received		5,405,925	6,668,814
	Rentals received		1,196,342	1,100,216
	Payments for investments		(156,254,393)	(109,688,708)
	Proceeds from disposal of investments		66,718,644	34,038,246
	Fixed capital expenditure		(648,227)	(423,808)
	Proceeds from disposal of fixed assets		2,933	974
	Total cash flow used in investing activities		(25,566,020)	(15,746,634)
	Financing activities			
	Dividends paid		(1,269,914)	(1,091,034)
	Total cash flow used in financing activities		(1,269,914)	(1,091,034)
	Net cash flow (used in)/generated from all activities		(5,767,867)	2,187,204
	Cash and cash equivalents at beginning of year		33,384,565	31,197,361
	Cash and cash equivalents at end of year		27,616,698	33,384,565
	Reconciliation to Profit and Loss Account	16.1		
	Operating cash flows		21,068,067	19,024,872
	Depreciation expense		(132,165)	(118,705)
	Investment income		70,671,753	69,570,360
	Amortization/capitalization		662,116	1,347,949
	Non Cash Adjustments (APL)		(9,796,421)	(7,693,169)
	Increase in assets other than cash		19,968,903	15,570,500
	Decrease in liabilities other than running finance		(6,575,156)	(22,524,712)
	Net change in insurance liabilities (other than outstanding claims)		(94,074,887)	(73,630,543)
	Profit or loss after taxation		1,792,210	1,546,552

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

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Notes to the Unconsolidated Financial Statements for the year Ended December 31, 2018

1 STATUS AND NATURE OF BUSINESS

1.1 State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 01, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 34 zones for individual life business, 4 zones for group life business and in the gulf countries {comprising United Arab Emirates (UAE) and Kuwait} through zonal office located at Dubai (UAE).

1.2 The Corporation is engaged in the life insurance business, 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 reporting date i.e, December 31, 2018. For the purpose of carrying on the takaful business, the Corporation has formed an Individual Family Participant Takaful Fund (IFPTF) on August 18, 2017 under the Waqf deed and cede Rupees 1 million to the IFPTF. The Waqf deed governs the relationship of Corporation and participants for management of takaful operations.

1.4 The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. After the commencement of this Ordinance, the Federal Government established a Company namely, State Life Insurance Company Limited under the repealed Companies Ordinance, 1984 (XLVII of 1984) with the objective of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities. etc of the Corporation on fulfillment of the statutory requirements. The National Assembly converted the said Ordinance into Bill for the conversion of State Life Insurance Corporation to State Life Insurance Company Limited and sent the Bill to Senate for approval and the Senate, instead of passing the Bill, proposed few amendments in the Bill. For the consideration of the proposed amendments the matter was moved to National Assembly Standing Committee on Commerce and the matter is still pending with that Committee.

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

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE CORPORATION FINANCIAL POSITION AND PERFORMANCE

a) The Companies Act, 2017 was enacted on May 30, 2017 and repealed Companies Ordinance, 1984 with its application from January 01, 2018 and became effective for the year ended December 31, 2018. As the Corporation's financial statement are prepared in accordance with the format prescribed by Insurance Accounting Regulation 2017 and Insurance Rules 2017 (the new rules and regulation) . It didn't have a direct impact on the financial statement except that for disclosure for related party transactions as prescribed by 4th schedule of the Companies Act 2017 as per the definition given in IAS 24 related parties.

b) Securities and Exchange Commission of Pakistan (SECP) vide SRO 88(1)/2017 and SRO 89(1)/2017 dated February 09, 2017 has issued the new rules and regulations. The application of these new rules and regulation for the purpose of preparation and presentation of financial statements was effective from April 01, 2017. However, SECP has allowed the Corporation for application of new rules and regulation effective from January 01, 2018. Consequently the Corporation has changed its accounting policies in respect of presentation of financial statements and listed securities investments as explained in note 4 of the financial statements.

3 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the new format prescribed under Securities and Exchange Commission (Insurance) Rules, 2017 {Vide SRO 89(1)/2017 Dated February 09, 2017}.

3.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012, shall prevail.

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

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities including the Corporation on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

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

Subsequent to the balance sheet date Ministry of Finance issued a letter No. Mof 2(39)/BIU-1/2018/19 dated April 15, 2019 whereby whole fund under BESOS is to be paid to MOF. In compliance to said directive the Corporation paid a sum of Rs. 549.511 Million to MOF.

3.3 Basis of measurement

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

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

3.4 Functional and presentation currency

These financial statements have been presented in Pak Rupee, which is the Corporation's functional (except for overseas business) and presentation currency. Amounts have been rounded off to the nearest thousand.

3.5 Standards, amendments and interpretations to the published standards that are relevant to the Corporation and adopted in the current year

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

	Standard or Interpretation	Effective Date (Annual period beginning on or after)
IFRS 2	Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018
IFRS 1 and IAS 28	Annual Improvements to IFRSs 2014-2016	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2018 and 2017.

The Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 became effective from January 1, 2018. The changes brought about by the application of the Insurance Accounting Regulations, 2017 and the Insurance Rules, 2017, the impacts of which are disclosed in note 4.3.1 to the financial statements

3.6 Standards, amendments to published standards and interpretations that are effective but not relevant

"The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2018 are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and are therefore not presented here.

3.7 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective and nor early adopted by the Corporation

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:

	Standard or Interpretation	Effective Date (Annual period beginning on or after)
IFRS 4	Insurance Contracts - Amendments Applying IFRS 9 Financial Instrument with IFRS 4	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	"Applies when IFRS 9 is applied"
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture.	Deferred indefinitely
IFRS 9	Financial Instruments	June 30, 2019
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2019
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 16	Leases	January 01, 2019
IAS 1 and IAS 8	Definition of material (Amendments to IAS 1 Presentation of Financial Statement and IAS 8 Changes in Accounting Estimates and Errors)	January 01, 2020
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019
IAS 19	Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 01, 2019

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2018 are as follows:

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 23	Borrowing Cost	January 01, 2019
IAS 12	Income Taxes	January 01, 2018

The management anticipates that, except as stated above, adoption of the new standards, amendments and interpretations in future periods, will have no material impact on the Corporation's financial statements.

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

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

Standard or Interpretation		Effective Date (Annual period beginning on or after)
"IFRS 1	First Time Adoption of International Financial Reporting Standards"	Not yet Notified
IFRS - 14	Regulatory Deferral Accounts	January 1, 2016
IFRS - 17	Insurance Contract	January 1, 2021
IFRIC - 4	Determining whether an Arrangement Contains a lease	Not yet Notified
IFRIC - 12	Service Concession Arrangement	Not yet Notified

3.9 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) **Classification of investments**

In investments classified as "held-to-maturity", the Corporation has included financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Corporation evaluates its intention and ability to hold such investments to maturity. All equity investments except for investment in subsidiaries are classified at fair value through profit and loss account.

b) **Provision for outstanding claims (including IBNR)**

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

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

c) **Re-insurance recoveries against outstanding claims**

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

d) **Provision for income taxes**

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

e) **Impairment 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.

f) **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.

g) **Staff retirement benefits**

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these financial statements are consistent with those of the previous financial year, with the exception of the changes brought about by application of Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 as explained in note 4.1.

4.1 Presentation and disclosure of financial statements

Certain changes have been made to the Presentation of the Financial Statements which includes the following: Changes in sequence of assets / liabilities in the statement of financial position. Discontinuation of separate statements of premium, claims, expenses, and investment income which are now presented on aggregate basis into the notes to the financial statements. Underwriting results in relation to various classes of business which were previously presented on the face of the statement of profit and loss account are now presented in separate note.

4.2 Investments

Financial assets were previously measured as per the provisions of repealed SEC (Insurance) Rules, 2002. Starting from for the year end December 31,2018, Investments fall in the scope of IAS 39 “Financial Instruments-Recognition and Measurement", and are classified as loans and receivables, held-to-maturity investments or fair through profit or loss financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured at fair value or cost as the case may be. The Corporation determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting period.

4.3 Reclassification of available-for-sale portfolio

The equity investment portfolio of the Corporation was earlier classified by the Corporation under the "Available-for-sale" (AFS) category. As per the requirements of International Accounting Standard IAS-39 "Financial Instruments - Recognition and Measurement" which was revised effective from January 1, 2005, the option of taking the revaluation gains / (losses) on the available-for-sale securities to income / revenue account was deleted and all such gains / (losses) were to be taken directly into the Other Comprehensive Income Statement. However, the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2002, now repealed through the Insurance Rules, 2017, had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds had no equity accounts and resultantly, the valuation gains / (losses) on the AFS portfolios were recorded in the Revenue Account, through Statement of Investment Income of the Statutory Funds. However, following the implementation of the Insurance Accounting Regulations, 2017, Regulation 11 requires that investments in statutory funds shall be classified in accordance with the requirements of the IFRS, ensuring that there is no accounting mismatch arising as a result of inconsistency in valuation of investments and liabilities of the statutory funds. Hence, the equity investment portfolio of the Corporation classified under the AFS category has been reclassified as fair value through profit and loss account to avoid inconsistency in value of investments and liabilities of these businesses.

4.3.1 Impact of reclassification of available-for-sale portfolio on financial statement

Previously, subsequent to initial recognition, the quoted Available for Sale investment were stated at lower of cost and market value (Market Value being taken as lower if the reduction is other than temporary) in accordance with the requirement of the repealed SEC (Insurance Rules, 2002).

Accordingly, retrospective adjustment have been made in these annual financial information prior year balance have been revised as follows:

Impact on statement of financial position	December 31, 2017 Balance after restatment	Adjustment	Balance restated
Assets:	-------------------------Rupees in '000-------------------------		
Investments			
Equity securities	27,879,698	67,916,778	95,796,476
Mutual fund	3,876,636	4,907,511	8,784,147
Equity and Liabilities			
Ledger Account C & D - net of tax	-	1,979,122	1,979,122
Deferred tax	-	225,754	225,754
Insurance liabilities	724,284,628	70,619,413	794,904,041
Profit and loss accounts			
Net fair value gain / (loss) on financial assets at fair value through profit or loss	-	(18,554,460)	(18,554,460)

Impact on statement of financial position	December 31, 2017 Balance previously reported	Adjustment	Balance restated
Assets:	-------------------------Rupees in '000-------------------------		
Investments			
Equity securities	27,799,872	84,480,868	112,280,740
Mutual fund	3,876,636	6,897,881	10,774,517
Equity and Liabilities			
Ledger Account C & D - net of tax	-	952,485	952,485
Deferred tax	-	225,754	225,754
Insurance liabilities	630,447,762	90,200,510	720,648,272

5 INSURANCE AND FINANCIAL RISK MANAGEMENT

The insurance and financial risk management objectives and policies are as follows:

5.1 Funds

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

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

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

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

Pakistan Life Fund (ordinary life)

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

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

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

Family Takaful Fund

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

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

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

5.2 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.

5.3 Re-insurance

The Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Corporation for individual life is Rs. 5 million (2017: Rs. 5 million) per policy and for group life is Rs. 5 million (2017: Rs. 5 million) per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.

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

5.4 Claims

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

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

5.5 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.

5.6 Premiums due but unpaid

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

5.7 Amount due from other insurers / reinsurers

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

5.8 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.

5.9 Expenses of management

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

5.10 Staff retirement benefits

a) Provident fund

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

b) Gratuity fund

Officers

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

Staff

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

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

c) Pension fund

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

d) Compensated absences

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

The liability in respect of compensated absences as at December 31, 2018 amounting to Rs.1,491 million (2017: Rs. 1,505 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, 2018, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 2,073 million (2017: Rs. 2,301 million) and the same has been provided in these financial statements.

5.11 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.

5.12 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.

5.13 Insurance contracts - classification

The Corporation maintains five statutory funds which are as follows:

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

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.

Contract details and measurement

The insurance contracts offered by the Corporation are described below:

5.13.1 Individual life policies

Individual life conventional products

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

Universal life policies

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

Term insurance policies

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

Annuities

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

Supplementary riders

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

Insured event

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

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

Distribution channel

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

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

5.13.2 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.

5.14 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
- fair value through Profit or loss 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.

Fair value through Profit or Loss

Investment that are reclassified from available for sale portfolio as defined in note 4.3 in order the eliminate the accounting mismatch arising from the measurement of asset and liablities. These are investment are initially recognised at cost being the fair value the of consideration given and its related transaction cost are charged to profit and loss account. These investment are subsequently measured at their market value with any gain or loss in profit and loss account.

Impairment of financial assets

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

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

Derecognition

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

Off setting

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

Financial liabilities

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

5.15 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.

Investment in subsidiaries

Investment in subsidiaries is stated at cost less impairment as allowed under applicable Accounting Standards.

5.16 Property and equipment

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

Subsequent costs

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

Depreciation

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 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.

Gain and losses on disposal

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

Capital work in progress

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

5.17 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.

(c) 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.

(d) 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.

5.18 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.

5.19 Bad and doubtful debts

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

5.20 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.

5.21 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).

5.22 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.

5.23 Cash and cash equivalents

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

5.24 Dividend distributions and appropriations

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

5.25 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.

5.26 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 Insurance Regulations, 2017.

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

5.27 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.

6 PROPERTY AND EQUIPMENT

	Note	2018	2017
		------ Rupees in 000------	
6.1 Operating assets - Tangible	6.1	414,002	436,868

2018

Description	Cost: As at 1 January	Cost: Additions/ (disposals)	Cost: As at 31 December	Depreciation / Impairment: As at 1 January	Depreciation / Impairment: Charge for the year Additions / disposals)	Depreciation / Impairment: Adjustments	Depreciation / Impairment: As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	--- Rupees in '000 ---								
Furniture and fixture	481,299	49,670	530,919	291,648	32,108	1,075	324,831	206,088	10
		(50)				-			
Office equipment	182,345	11,844	193,729	116,828	12,275	79	129,182	64,547	10 to 30
		(460)							
Computer installations-basic	760,114	34,905	794,932	669,217	41,759	-	710,976	83,956	30
		(87)							
Computer installations peripherals	72,558	4,822	77,356	60,879	5,461	1,456	67,797	9,559	30
		(24)				-			
Vehicles	208,400	1,735	210,135	129,276	30,017	990	160,283	49,852	20
		-							
	1,704,716	102,976	1,807,071	1,267,848	121,620	3,600	1,393,069	414,002	
		(621)							

2017

Description	Cost: As at 1 January	Cost: Additions/ (disposals)	Cost: As at 31 December	Depreciation / Impairment: As at 1 January	Depreciation / Impairment: Adjustments	Depreciation / Impairment: Charge for the year Additions / disposals)	Depreciation / Impairment: As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	--- Rupees in '000 ---								
Furniture and fixture	436,958	45,398	481,299	263,119	(462)	28,991	291,648	189,651	10
		(1,057)							
Office equipment	166,843	15,948	182,345	106,452	(51)	10,427	116,828	65,517	10 to 30
		(446)							
Computer installations-basic	719,422	41,968	760,114	629,041	(782)	40,958	669,217	90,897	30
		(1,276)							
Computer installations peripherals	67,085	5,910	72,558	56,462	(437)	4,854	60,879	11,679	30
		(437)							
Vehicles	180,565	27,835	208,400	106,789	-	22,487	129,276	79,124	20
		-							
	1,570,873	137,059	1,704,716	1,161,863	(1,732)	107,717	1,267,848	436,868	
		(3,216)							

7 INVESTMENT PROPERTIES

	Note	2018	2017
		------ Rupees in 000 ------	
Investment properties	7.1	2,298,608	2,326,453
Less: Provision for impairment in value	7.5	(895)	(687)
		2,297,713	2,325,766
Capital work in progress	7.9	1,359,628	859,462
		3,657,341	3,185,228

7.1 Investment Properties

2018

	Cost			Depreciation				
	As at 1 January	Additions / (disposals)	As at 31 December	As at 1 January	Charge for the year	As at 31 December	Written down value as at 31 December	Useful life
	------ Rupees in '000 ------							
Freehold land	274,616	-	274,616	-	-	-	274,616	-
Leasehold land	332,697	-	332,697	105,624	3,865	109,489	223,208	1 to 5
Leasehold improvements	16,693	738	17,431	9,894	568	10,462	6,969	5
Building, roads and structure	2,074,141	16,755	2,090,896	441,609	20,869	462,478	1,628,418	1
Electric installation and fittings	1,567,622	25,259	1,592,640	1,382,189	45,054	1,427,243	165,397	10
		(241)						
	4,265,769	42,511	4,308,280	1,939,316	70,356	2,009,672	2,298,608	

2017

	Cost			Depreciation				
	As at 1 January	Additions / (disposals)	As at 31 December	As at 1 January	Charge for the year	As at 31 December	Written down value as at 31 December	Useful life
	------ Rupees in '000 ------							
Freehold land	274,391	225	274,616	-	-	-	274,616	-
Leasehold land	332,697	-	332,697	101,759	3,865	105,624	227,073	1 to 5
Leasehold improvements	15,705	988	16,693	9,388	506	9,894	6,799	5
Building, roads and structure	2,060,222	13,919	2,074,141	420,962	20,647	441,609	1,632,532	1
Electric installation and fittings	1,522,872	45,725	1,567,622	1,331,710	50,479	1,382,189	185,433	10
		(975)	-	-	-	-	-	
	4,205,887	60,857	4,265,769	1,863,819	75,497	1,939,316	2,326,453	
		(975)						

7.2 The Corporation occupied approximately 27% (2017: 27%) of the total rentable area in the buildings classified as investment properties, which is used by the Corporation for administrative purposes.

7.3 The market value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs.40,907 million (2017: Rs. 35,079 million). The forced sale value of the investment properties, owned by the Corporation as determined by the independent valuers, amounted to Rs. 32,865 million (2017: Rs. 29,817 million).

7.4 The above includes, title deeds of 61 land/buildings, that were taken over by the Corporation under the Life Insurance (Nationalization) Order, 1972 (LINO) dated November 01, 1972 and have been transferred in the name of the Corporation. The title deeds 13 buildings / plots (2017: 16 buildings / plots) are still in the name of defunct insurance companies that were merged in the Corporation as per the LINO order.

7.5 There are properties costing Rs. 2.250 million (2017: Rs. 2.042 million) having written down value of Rs. 0.895 million (2017: Rs. 0.687 million) to which the Corporation's title is disputed. Against this, a provision of Rs. 0.895 million (2017: Rs. 0.687 million) exists for loss of assets, if any.

7.6 The Corporation has a plot at Rawalpindi costing Rs. 0.581 million (2017: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

7.7 The Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 1.192 million (2017: Rs. 1.192 million) for which execution of title deed remain pending.

7.8 The investment properties also include Rs. 23 million (2017: Rs. 23 million) paid by the Corporation to the People Media Foundation (PMF) for acquisition of ground floor measuring 13,000 sq. ft. in PMF Complex (Press Club Building) at G-8, Markaz, Islamabad. The Corporation has taken over the possession of ground floor in July 1996, under an irrevocable General Power of Attorney, as the construction of building was incomplete. The management of the Corporation is of the opinion that under irrevocable General Power of Attorney, the Corporation is in a position to freely transfer the title of said property in its own name.

		Note	2018	2017
7.9	**Capital work in progress**		------ Rupees in 000 ------	
	Opening balance		859,462	633,553
	Additions	7.9.1	500,166	225,909
	Transfer to asset		-	-
	Closing balanc		1,359,628	859,462

7.9.1 This mainly represents the amount incurred in respect of Islamabad and Rahim Yar Khan projects.

8 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Note	2018	2017
Alpha Insurance Company Limited*	8.1	298,918	298,918
State Life (Lakie Road) Properties (Private) Limited**	8.1	12,910	12,910
State Life (Abdullah Haroon Road) Properties (Private) Limited**	8.1	26,182	26,182
		338,010	338,010

8.1 **Investment in Subsidiaries**

2018	2017	Face value	Company Name		
(Number of Shares)		Rs.			
47,547,843	47,547,843	10	Alpha Insurance Company Limited Equity held 94% (2017:94%)	298,918	298,918
414,916	414,916	10	State Life (Abdullah Haroon Road) Properties (Pvt) Limited Equity held 100% (2017:100%)	12,910	12,910
779,500	779,500	10	State Life (Abdullah Haroon Road) Properties (Pvt) Limited Equity held 100% (2017:100%)	26,182	26,182
				338,010	338,010

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

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit / (Loss)	% of interest held
		------	------	Rupees in 000	------	------
Alpha Insurance Company Limited*	Pakistan	1,143,105	479,839	44,574	(46,651)	94%
State Life (Lakie Road) Properties (Private) Limited**	Pakistan	3,217	5,111	121	(289)	100%
State Life (Abdullah Haroon Road) Properties (Private) Limited**	Pakistan	18,422	1,100	-	(967)	100%
Total at the end of 2018		1,164,744	486,050	44,695	(47,907)	

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit / (Loss)	% of interest held
		------	------	Rupees in 000	------	------
Alpha Insurance Company Limited*	Pakistan	1,326,477	629,888	75,122	(56,387)	94%
State Life (Lakie Road) Properties (Private) Limited**	Pakistan	3,217	4,938	121	(288)	100%
State Life (Abdullah Haroon Road) Properties (Private) Limited**	Pakistan	19,610	1,102	11,500	10,253	100%
Total at the end of 2017		1,349,304	635,928	86,743	(46,422)	

The investments in State Life (Lackie Road) Properties (Private) Limited and State Life (Abdullah Haroon Road) Properties (Private) Limited have been carried at cost amounting to Rs. 12.910 million (2017: Rs. 12.910 million) and Rs. 26.182 million (2017: Rs. 26.182 million) respectively. These are wholly owned subsidiaries of the Corporation. As per the latest audited financial statements of these invested companies, the net assets / (liability) are Rs. (1.893) million (2017: Rs. (1.667) million and Rs. 17.322 million (2017: Rs. 18.509 million) respectively. No provision for Rs. 35.775 million (2017: Rs. 30.836 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.

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

9 INVESTMENTS IN EQUITY SECURITIES

	2018			2017		
	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
	---- Rupees in '000 ----					
FAIR VALUE THROUGH PROFIT OR LOSS						
Related parties						
Listed shares	3,450,495	-	17,798,141	3,544,405	-	18,084,285
Unlisted shares	5,000	-	5,000	5,000	-	5,000
Others						
Listed shares	24,624,467	-	69,932,681	24,431,608	-	77,612,183
Unlisted shares	268,643	-	95,711	271,490	248	95,008
Unlisted preference shares	3,743	-	-	3,743	-	-
	28,352,348	-	87,831,533	28,256,246	248	95,796,476

10 INVESTMENTS IN GOVERNMENT SECURITIES

	2018					2017	
	Maturity Year	Effective Yield (%)	Amortized Cost	Principal Repayment	Carrying value	Effective Yield (%)	Carrying value
	---- Rupees in '000 ----						
HELD TO MATURITY							
3 year Pakistan Investment Bonds	2019 - 2021	10.90% - 12.06%	58,864,883	58,936,000	58,864,883	6.60% - 6.65%	82,169,181
5 year Pakistan Investment Bonds	2019 -2023	10.95% - 12.41%	152,057,680	151,156,000	152,057,680	7.45% - 7.50%	135,107,601
10 year Pakistan Investment Bonds	2019 - 2028	10.95% - 12.85%	340,263,996	333,292,300	340,263,996	8.35% - 8.40%	252,221,707
15 year Pakistan Investment Bonds	2019 -2031	10.95% - 13.40%	13,670,780	13,835,000	13,670,780	10.20% - 10.30%	13,607,671
20 year Pakistan Investment Bonds	2024 - 2031	12.43% - 13.40%	28,342,644	28,900,000	28,342,644	10.50% - 10.60%	25,815,933
30 year Pakistan Investment Bonds	2036 - 2038	12.50% - 13.60%	37,580,665	40,050,000	37,580,665	10.90% - 11.00%	37,564,004
Islamic Republic of Pakistan Bond			8,158,801	-	8,158,801		6,529,953
			638,939,449	626,169,300	638,939,449		553,016,050

11 INVESTMENT IN DEBT SECURITIES

	Note	2018 Cost	2018 Impairment / provision for the year	2018 Carrying value	2017 Cost	2017 Impairment / provision for the year	2017 Carrying value
		---------- Rupees in '000 ----------					
Held to maturity							
Debentures	11.1	**7,573**	**(7,573)**	**-**	7,573	(7,573)	-
Fair value through profit or loss							
Foreign fixed income securities		**3,623,918**	**-**	**3,623,918**	796,057	-	796,057
		3,631,491	**(7,573)**	**3,623,918**	803,630	(7,573)	796,057

11.1 Debentures include an amount of Rs. 7,573 million (2017: Rs. 7.573 million) pertaining to those companies which are in liquidation process since 1974. Further, a court case is in process against the Colony Textile Mills Limited against debenture loan amounting to Rs. 0.678 million (2017: Rs. 0.678 million). The Corporation had made full provision against these debentures.

12 INVESTMENT IN MUTUAL FUNDS

		2018 Cost	2018 Impairment / provision for the year	2018 Carrying value	2017 Cost	2017 Impairment / provision for the year	2017 Carrying value
		---------- Rupees in '000 ----------					
Fair value through profit or loss							
Listed							
Open ended mutual fund	12.1	**3,015,481**	**-**	**5,888,937**	3,015,481	-	6,209,941
Unlisted							
Close end mutual fund	12.2	**861,155**	**-**	**1,963,695**	861,155	-	2,574,207
		3,876,636	**-**	**7,852,632**	3,876,636	-	8,784,148

12.1 Open ended mutual funds

	2018			2017		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Pakistan Life Fund						
National Investment Trust Units	75,996,262	2,304,969	4,847,032	75,996,262	2,304,969	5,337,217
Pak Capital Market Fund	115,239	373	1,216	115,239	373	1,235
NIT Government Bond Fund	28,278,954	300,000	289,859	28,278,954	300,000	288,728
NIT Income Fund	9,831,295	100,000	104,212	9,831,295	100,000	103,818
NIT Islamic Equity Fund	21,666,912	200,000	183,735	21,666,912	200,000	216,452
HBL Growth Fund"B"(PICIC Growth Fund)	12,024,904	-	205,987	-	-	-
HBL Investment Fund -Class"B"	1,607,710	-	14,389	-	-	-
HBL Money Market Fund	563,384	50,000	59,543	536,315	50,000	55,938
Al Meezan Mutual Fund	8,844,139	39,311	136,907	8,844,139	39,311	154,419
Pakistan Premier Fund	34,348	962	2,928	34,348	962	3,115
JS Growth Fund	270,895	19,866	43,129	270,895	19,866	49,019
		3,015,481	5,888,937		3,015,481	6,209,941

12.2 Unlisted - close end mutual funds

	2018			2017		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
Pakistan Life Fund						
NIT Equity Market Opportunity Fund	10,179,666	594,190	1,817,274	10,179,666	594,190	2,211,838
HBL Growth Fund"B"(PICIC Growth Fund)	12,024,904	243,312	138,286	12,024,904	243,312	340,906
HBL Investment Fund-Class"B"	1,607,710	23,653	8,135	1,607,710	23,653	21,463
		861,155	1,963,695		861,155	2,574,207

13 INSURANCE / REINSURANCE RECEIVABLES

	Note	2018	2017
		------ Rupees in 000 ------	
Unsecured and considered good			
Due from insurance contract holders		21,442,479	17,526,941
Less: provision for impairment of receivables from Insurance contract holders		-	-
Due from other insurers / reinsurers		360,594	374,766
Less: provision for impairment of due from other insurers / reinsurers		-	-
		21,803,073	17,901,707

14 OTHER LOANS AND RECEIVABLES

	Note	2018	2017
Accrued investment income		32,109,897	26,455,198
Loans to agents		69,694	70,961
Loans to employees	14.1	915,705	827,692
Other receivables		1,710,846	1,725,130
		34,806,142	29,078,981

14.1 This represent interest free loans provided to employees repayable within 12 months.

15 PREPAYMENTS

	Note	2018	2017
Advance to contractors & security deposit		328,776	369,798
Prepaid miscellaneous expenses		49,093	47,552
Prepaid rent		17,161	22,920
		395,030	440,270

16 CASH AND BANK

	Note	2018	2017
Cash and Cash Equivalent	16.1		
- Cash in hand		13,481	7,665
- Cash in transit		341,802	177,166
Cash and bank			
- Current account		16,071,428	16,278,817
- Saving account	16.2	11,189,987	16,920,917
- Fixed deposits maturing after 12 months		5,681,617	5,067,534
		33,298,315	38,452,099

16.1 Cash and cash equivalent include the following for the purposes of the statement of cash flows:

	2018	2017
Cash and Cash Equivalent		
- Cash in hand	13,481	7,665
- Cash in transit	341,802	177,166
Cash and bank		
- Current account	16,071,428	16,278,817
- Saving account	11,189,987	16,920,917
Cash and cash equivalent	27,616,698	33,384,565

16.2 It carries mark-up / interest at the rate of 4% to 8% per annum (2017: 3% to 6% per annum).

17 SHARE CAPITAL

17.1 AUTHORIZED CAPITAL

2018	2017		2018	2017
Number of shares			------ Rupees in 000 ------	
50,000,000	40,000,000	Ordinary shares of Rs. 100 each	5,000,000	4,000,000

17.2 Issued, subscribed and paid up share capital

			Note	2018	2017
				------ Rupees in 000 ------	
30,000,000	30,000,000	Ordinary shares of Rs. 100 each		3,000,000	3,000,000
5,000,000	-	Issue during the year		500,000	-
35,000,000	30,000,000			3,500,000	3,000,000

18 RESERVES

	2018	2017
Capital reserve		
Reserve for exceptional loss	-	-
Revenue reserves		
General reserve	507,043	307,043
Others	-	-
	507,043	307,043

19 INSURANCE LIABILITIES

	Note	2018	2017
Reported outstanding claims (including claims in payment)	19.1	18,593,297	16,896,251
Incurred but not reported claims (IBNR)	19.2	4,027,893	4,268,435
Liabilities under individual conventional insurance contracts	19.3	865,810,778	771,320,308
Liabilities under group insurance contracts (other than investment linked)	19.4	2,035,780	2,151,841
Other insurance liabilities	19.5	208,221	267,206
		890,675,969	794,904,041

19.1 Reported outstanding claims

	2018	2017
Gross of Reinsurance		
Payable within one year	18,544,211	16,851,645
Payable over a period of time exceeding one year	49,086	44,606
	18,593,297	16,896,251
Recoverable from Reinsurance		
Receivable within one year	-	-
Receivable over a period of time exceeding one year	-	-
	-	-
Net reported outstanding claims	18,593,297	16,896,251

19.2 Incurred but not reported claims

	2018	2017
Gross of reinsurance	4,027,893	4,268,435
Reinsurance recoveries	-	-
Net of reinsurance	4,027,893	4,268,435

19.3 Liabilities under individual conventional insurance contracts

	2018	2017
Gross of reinsurance	866,584,409	772,021,157
Reinsurance credit	(773,631)	(700,849)
Net of reinsurance	865,810,778	771,320,308

19.4 Liabilities under Group Insurance Contracts (other than Investment linked)

	2018	2017
Gross of reinsurance	2,035,780	2,151,841
Reinsurance credit	-	-
Net of reinsurance	2,035,780	2,151,841

19.5 Other insurance liabilities (premium deficiency reserve)

	2018	2017
Gross of reinsurance	208,221	267,206
Reinsurance recoveries	-	-
Net of reinsurance	208,221	267,206

20 RETIREMENT BENEFIT OBLIGATIONS

Disclose the general description of the type of plans, changes in the plans, if any, and effect of any changes in the plans during the period; employees covered; and the accounting policy for recognising actuarial gains and losses.

Disclose when was the latest actuarial valuation of the defined benefit plans was conducted and specify the method used for valuation. Details of the defined benefit plans are:

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017
	----Rupees in '000----							
Balance Sheet Reconciliation								
Fair value of plan assets	(18,301,618)	(20,333,061)	(126,309)	(152,799)	-	-	-	-
Present value of defined benefit obligations	21,017,095	19,668,022	177,275	184,562	13,038	70,954	2,073,297	2,301,383
Recognised liability / (asset)	2,715,477	(665,039)	50,966	31,763	13,038	70,954	2,073,297	2,301,383
Movement in the fair value of plan assets								
Fair value as at January 1	20,333,061	18,763,484	152,799	154,974	-	-	-	-
Expected return on plan assets	1,920,904	1,778,322	12,254	13,377	-	-	-	-
Actuarial gains / (losses)	(3,568,187)	(248,442)	(11,510)	(1,769)	-	-	-	-
Employer contributions	(384,160)	39,697	(131)	4,310	-	-	-	-
Benefits paid	-	-	(27,104)	(18,093)	-	-	-	-
Fair value as at December 31	18,301,618	20,333,061	126,309	152,799	-	-	-	-
Movement in the defined benefit obligations								
Obligation as at January 1	19,668,022	17,215,107	184,562	180,940	70,954	72,254	2,301,383	1,964,517
Service cost	703,727	618,343	4,464	4,747	1,669	2,008	99,467	82,546
Interest cost	1,869,264	1,640,545	15,108	15,836	5,647	6,677	218,147	188,212
Liability in respect of promotees	-	-	48,008	-	(48,008)	-	-	-
Settlement and Curtailment	-	-	-	-	-	-	-	-
Actuarial losses / (gains)	(330,382)	(930,434)	15,796	15,469	(7,342)	(6,000)	(478,271)	142,104
Benefits paid	(893,537)	(736,406)	(90,664)	(32,429)	(9,881)	(3,985)	(67,430)	(75,995)
Obligation as at December 31	21,017,095	17,807,155	177,275	184,562	13,038	70,954	2,073,297	2,301,383
Cost								
Current service cost	703,727	618,343	4,464	4,747	1,669	2,008	99,467	82,546
Interest cost	1,869,264	1,640,545	15,108	15,836	5,647	6,677	218,147	188,212
Expected return on plan assets	(1,920,904)	(1,778,322)	(12,254)	(13,377)	-	-	-	-
Settlement and curtailment	-	-	-	-	-	-	-	-
Recognition of actuarial loss	3,237,806	1,178,876	27,306	17,238	(7,342)	(6,000)	(478,271)	142,104
Expense	3,889,893	1,659,442	34,625	24,444	(26)	2,685	(160,657)	412,862
Actual return on plan assets	(1,647,284)	1,529,880	744	11,608	-	-	-	-

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017
Principal actuarial assumptions used are as follows								
Discount rate & expected return on plan assets	**13.75%**	9.50%	**13.75%**	9.50%	**13.75%**	9.50%	**13.75%**	9.50%
Future plan increases (if applicable)	**12.25%**	8.00%	**12.25%**	8.00%	**12.25%**	8.00%	**12.25%**	8.00%

Disclose the expected contribution for the upcoming year along with current year comparison.

Comparison for five years:

	2018	2017	2016	2015	2014
As at December 31					
Fair value of plan assets	**18,427,926**	19,230,452	(18,918,458)	(16,624,300)	9,050,669
Present value of defined benefit obligations	**(23,280,704)**	(22,224,922)	19,432,820	17,580,350	(15,193,518)
(Deficit) / surplus	**(4,852,778)**	(2,994,470)	514,362	956,050	(6,142,849)
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	**-26%**	-16%	-3%	-6%	-68%
Gain / (loss) on plan obligation (as percentage of plan obligation)	**21%**	13%	3%	5%	40%

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

	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees in '000							
Impact on the defined benefit obligation								
Increase in assumption	**18,884,397**	17,580,258	**173,961**	182,644	**12,922**	70,236	**1,890,933**	2,177,621
Decrease in assumption	**23,586,928**	22,204,061	**180,715**	186,520	**13,156**	71,688	**2,285,861**	2,436,511

Plan assets comprise of the following:	Employees' Pension Funds				Officers Gratuity Funds			
	2018		2017		2018		2017	
	Rs. In 000	%	Rs. In 000	%	Rs. In 000	%	Rs. In 000	%
Equity	**-**	**0%**	-	0%	**-**	**0%**	-	0%
Debt	**18,144,688**	**99%**	18,858,259	99%	**128,244**	**102%**	152,991	100%
Others (including cash and bank balances)	**156,929**	**1%**	219,393	1%	**(1,935)**	**-2%**	-192	0%
	18,301,618	**100%**	19,077,652	100%	**126,308**	**100%**	152,799	100%

	2018	2017
	(Rupees in '000)	
20.1 Movement in Payable to Accumulated Compensation Absences		
Opening Balance	**1,505,000**	1,323,628
(Reversal) / addition during the year	**(14,000)**	181,372
Closing balance of compensated absences	**1,491,000**	1,505,000

21 INSURANCE / REINSURANCE PAYABLES

	Note	2018	2017
		------ Rupees in 000 ------	
Due to other insurers / reinsurers		466,442	410,708

22 DEFERRED TAX

		2018	2017
Defer credit arising in respect of			
On Retained balance on Ledger Account D		472,871	225,754

	Balance as at January 1, 2018	Recognised in profit and loss	Recognised in Other Comprehensive	Balance as at December 31, 2018
	------------------------------------	Rupees in 000	------------------------------------	
Defer credit arising in respect of				
On Retained balance on Ledger Account D	225,754	247,117	-	472,871

23 OTHER CREDITORS AND ACCRUALS

	Note	2018	2017
		------ Rupees in 000 ------	
Agents commission payable		5,880,399	5,268,831
Accrued expenses		4,695,505	3,811,687
Other liabilities		7,724,591	7,086,709
		18,300,495	16,167,227

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

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

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

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

According to those notices, the Inland Revenue Department were of opinion that Corporation was required to withhold Income Tax on maturity claims by virtue of the said section. The Department considered that the total amount of a matured policy given to the policy holder consist of bonuses and the sum assured. The bonuses are given to the policy holder on the basis the amount of premium received during the whole term of the policy which is a form of interest or profit on debt. Hence, the Corporation u/s 151 (1)(d) is liable for deducting withholding tax@ 10% on the amount of bonuses paid to policyholder on maturity. Therefore, the Inland Revenue Department raised demands of Rs. 710.124 million and Rs. 738.514 million as withholding tax for tax year 2008 and 2009 respectively. The Corporation had filed appeals before CIR (A) on the grounds that policy contract as a debt instrument lacks legal sanctity and the definition of debt is being misinterpreted by the tax authorities.

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

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

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

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

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

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

In the year 2013, the Inland Revenue Department filed appeal in the Honorable High Court of Sindh against the decision of ATIR in the above cases. 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 had 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 also been dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016. Inland Revenue Department has filed civil appeal before Honorable Supreme Court of Pakistan against the judgement of Honorable High Court of Sindh, Karachi which is pending adjudication.

24.1.4 In the year 2013, Inland Revenue Department issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 24.1.2. These notices were related to Tax Year 2010 to Tax Year 2012 stating that the Department holds a similar stance as described in the said note. Reply was filed by the Corporation through authorized representative which was not accepted by the Department and order of amendment u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in total demand of Rs. 1,577.456 million (Rs. 1,249.138 million as withholding tax and Rs. 328.318 million as default surcharge).

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

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

Inland Revenue Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. Further, IR Department has adjusted outstanding demand for tax year 2009, 2010 and 2011 at Rs. 10.8 million, 12.5 million and Rs. 56.3 million respectively against pending appeal effect of tax year 2013. As at December 31, 2018, appeal effect amounting to Rs. 29.4 million is still pending with the Inland Revenue Department. Inland Revenue Department has filed an appeal before ATIR against the said order of the CIR (A) which is pending till to date.

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

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

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

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

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

24.1.6 In 2015, Inland Revenue 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 took 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 Inland Revenue Department before Commissioner Inland Revenue -Appeals. CIR (A) vides his order dated July 6, 2015 has vacated the orders passed by Deputy Commissioner Inland Revenue and has directed concerned Deputy Commissioner Inland Revenue Department to re-visit the case and pass order afresh.

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

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. In pursuance of our rectification request, DCIR has passed rectified order whereby rectified demand of Rs.213 million and Rs.166 million was raised for the tax year 2014 and 2015 respectively.

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

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

24.1.7 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 02.01.2017 to SLIC for tax year 2016 whereby certain issues regarding deduction claimed on account of provision for impairment in the value of investment properties, deduction claimed on account of gratuity and pension, deduction claimed on account of provision for impairment in shares, rationale for deduction of investment property related expenses, foreign tax credit u/s 103 of the Ordinance claimed in the annual tax return, taxation of dividend income as single basket income, etc were confronted. SLIC has engaged tax consultant for responding said notice.

Subsequent to the reply filed by SLIC through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 06.03.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 23.7 million was raised u/s 137 of the Income Tax Ordinance.

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

SLIC filed appeal against the impugned order before CIR (A). Issue related to subjecting dividend income to normal tax rate is decided in favor of SLIC whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and value of investment properties and provision for diminution in value of investment are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date.

24.1.8 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 13.03.2017 to SLIC for tax year 2015 whereby almost similar issues as stated in note 24.1.7 were raised. Subsequent to the reply filed by SLIC through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 13.04.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 163.4 million was raised u/s 137 of the Income Tax Ordinance. In said order, ACIR has incorrectly adjusted Rs. 446.6 million against demand raised u/s 161 / 205 of the Ordinance which was actually duly discharged by SLIC by making cash payment.

SLIC, not in agreement with above order, filed application for rectification u/s 221 dated 24.04.2017 through tax consultant which was rejected by concerned ACIR vide letter dated 28.04.2017. Our tax consultant vide letter dated 05.05.2017 again requested for rectification of order. DCIR passed rectified order vide letter DC # 03/117 dated 21.12.2017 whereby refund of Rs. 316.7million is determined as refundable to SLIC.

SLIC filed appeal against the impugned order before CIR (A). Issues related to subjecting dividend income to normal tax rate and disallowance on account of exchange loss related to foreign currency balances are decided in favor of SLIC whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and provision for bad debts are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date.

24.1.9 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 31.12.2014 to SLIC for tax year 2012 whereby certain issues regarding reconciliation of commission expense between cash flow statement and monthly withholding tax statements, short withholding of tax under various provisions of the Ordinance, taxation of dividend income as single basket income, provision for IBNR, etc were confronted. Tax consultant responded said notice on behalf of SLIC. Additional information/explanation were also called vide letters dated 24.02.2015, 22.09.2015 and 25.01.2017. Subsequent to the reply filed by tax consultant ACIR proceeded to amend an assessment and passed an amended assessment order dated 02.02.2017u/s122 (5A) of the Income Tax Ordinance, 2001 whereby outstanding refund for same year was utilized to adjust the demand of Rs. 39.3 million. After adjustment, balance refunds stands at Rs. 93.3 million.

SLIC has filed appeal against the impugned order before CIR (A). Issue of subjecting dividend income to normal tax rate, foreign tax credit claimed u/s 103, disallowance of provision for IBNR and disallowance of amount pertaining to investment arrangement between Corporation and Bureau of Emmigration and Overseas Employment has been decided by CIR (A) in favor of Corporation vide order dated 22.05.2017. However, CIR (A) has decided the issue relating to disallowance of provision for impairment in value of shares against the Corporation. Inland Revenue Department as well as Corporation has filed cross appeal before Appellate Tribunal Inland Revenue against above order of CIR (A) which is still pending till to date.

24.1.10 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi also issued notices u/s 122 of the Ordinance to SLIC related to tax years 2011, 2013 and 2014. Vide Said notices, ACIR confronted almost similar issues as stated at note 24.1.7 and 24.1.9. SLIC engaged A.F. Ferguson & Co. for responding these notices. Subsequently, ACIR passed amended orders whereby demand of Rs. 520.5million was raised (Tax Year 2011: Rs. 56.3million, Tax Year 2013: Rs. 107.1million and Tax Year 2014: Rs. 357.1million). Inland Revenue Department adjusted the demand related to tax year 2011 from pending appeal effect related to tax year 2013. Further, demand related to tax years 2013 and 2014 was adjusted by Inland Revenue Department from pending refund related to tax year 2015. SLIC, being aggrevied from above orders of ACIR, filed appeals before CIR (A). Issues related to subjecting dividend income to normal tax rate, addition on account of inter-office rent expense, provision for diminution in vaue of investments and tax on Bureau Fund has been decided in favour of SLIC by CIR (A). However, isues related to deduction claimed on account of real estate expenses and provision for bad and doubtful debts are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against the orders of CIR (A).

24.1.11 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 of the Income Tax Ordinance, 2001 dated 10.01.2018 to SLIC for tax year 2017. Vide Said notice, ACIR confronted issues like investment arrangement between SLIC and Bureau of Emigration and Overseas Employment, deduction claimed on account of provision for diminution in value of investments, provision for impairment in the value of investment properties, provision for impairment in the value of shares, laons / advances to emplyees and agents, short withholding of tax under various provisions of the Ordinance. SLIC engaged A.F. Ferguson & Co. for responding the notice. Subsequently, ACIR passed amended order whereby demand of Rs. 480.2million was raised. Corporation, being aggreived from above amended order, file appeal before CIR (A). Further, Corporation, through its tax consultant, also file application for stay of tax demand vide letter dated 05.04.2018 along with application for out of turn hearing vide letter dated 28.03.2018 before CIR (A). Hearing before CIR (A) was held on 26.04.2018. CIR (A) vide order No. 6 dated 03.05.2018 decided issues which invloves major tax impact at Rs. 357.1million like tax on Bureau Fund, disallowance on account of inter-company rent expenses in favour of SLIC. However, issue of disallowance on account of real estate expenses and provision against other receivables are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date.

24.1.12 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 met 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.

24.1.13 The provincial revenue authority of Punjab and Balochistan has made applicable provincial sales tax on life insurance and health insurance, which as per the management is not currently enforced by the authorities. The Corporation has not levied the sales tax to policy holders in the said provinces and also not provided for in the accounts.

This being a collective issue of the industry, the Insurance Association of Pakistan (IAP) has actively taken up the matter with the provincial revenue authorities for the exemption on sales tax. The industry's main contention is that life and health insurance is not a service, but infact, an underwriter's promise to pay to the policyholder in the future, a specified sum of money, either on occurrence of an identified event causing loss, or upon maturity of the policy, as is also clearly defined in the definition of the term "insurance" under the Insurance Ordinance, 2000. On the basis of this definition, "Insurance" is actually a contract of indemnification from loss, dependent on a contingent event, and does not constitute a "service". Such contention of the insurance industry has also been upheld in the superior courts of foreign jurisdiction.

The legal advisors, in their opinion, have expressed the view that an insurance contract is essentially a financial transaction, which is unrelated to the sale of any identifiable consumer goods or service, and as such, in leading jurisdictions, it has been widely held that insurance is not a service, hence, it does not fall within the scope of taxability under the provincial sales tax laws.

The legal advisors has also expressed their opinion that the applicability of sales tax on the provision of life and health insurance would be in contravention of global norms where insurance is held to be not a service, but rather, a financial transaction, and further, any such applicability of tax will greatly inhibit the ability of the Corporation and the country's other insurance providers to allow for access to life and health insurance as a basic personal right of a citizen to enjoy life according to the law. In other foreign jurisdictions including UK and Malaysia, life and permanent health insurance are either exempt, or, excluded from taxable services.

Based on the above, the legal advisors of the Corporation have expressed the opinion that there are sufficient grounds available to the Corporation for filing a Constitutional Petition to challenge the levy of provincial sales tax on life and health insurance, and in their opinion, it is likely that the Court may allow the same accordingly. However, in view of the ongoing discussions with the provincial tax authorities to resolve this matter administratively, the Corporation has not yet exercised its right to legal recourse, as the management is hopeful of a successful conclusion of discussions with the Authorities.

Based on the opinion of legal advisors the Corporation has not levied sales tax to policy holders in the province of Punjab and Balochistan and nor provided for in the unconsolidated financial statements.

24.2 Commitments

The Corporation is committed in respect of capital expenditure contract aggregating to Rs. 252 million (2017: Rs. 216 million). There were no other commitments as at the balance sheet date.

25 NET INSURANCE PREMIUM REVENUE

	Note	2018	2017
		--------------(Rupees in '000)----------------	
Gross Premiums			
Regular premium individual policies			
First year		**18,962,638**	17,727,019
Second year renewal		**14,427,157**	13,678,896
Subsequent year renewal		**71,748,850**	60,952,511
Group policies		**4,668,633**	4,774,454
Health		**5,430,900**	3,911,863
Total Gross Premiums		**115,238,178**	101,044,743
Less: Reinsurance Premiums Ceded			
On individual life first year business		**44,719**	39,082
On individual life second year business		**30,513**	29,533
On individual life renewal business		**147,587**	139,572
On group policies		**101,012**	75,839
		323,831	284,026
Net Premiums		**114,914,347**	100,760,717

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

26 INVESTMENT INCOME

	Note	2018	2017
		--------------(Rupees in '000)----------------	
Income from equity securities			
Fair value through profit or loss			
- Dividend income		**5,324,077**	6,571,559
Income from government and debt securities			
Held to maturity			
- Return on government and debt securities		**58,476,911**	53,166,668
		63,800,988	59,738,227

27 NET REALISED FAIR VALUE GAINS ON FINANCIAL ASSETS

	2018	2017
Fair value through profit or loss		
Realised gains on equity securities	**4,425**	244,772

28 NET UNREALISED FAIR VALUE LOSS ON FINANCIAL ASSETS

	2018	2017
Net unrealised losses on investments at fair value through profit or loss	**(8,996,104)**	(18,554,460)
Impairment in value	**(21,484)**	(109,573)
Investment Related Expenses	**(63,704)**	(66,834)
	(9,081,292)	(18,730,867)

29 NET RENTAL INCOME

	2018	2017
Rental income	**1,244,518**	1,104,398
Less: Expenses of investment property	**(708,353)**	(640,674)
	536,165	463,724

			2018	2017
30	**OTHER INCOME**	Note	--------------(Rupees in '000)----------------	
	Return on bank balances		**1,046,128**	655,532
	Return on loans to employees		**49,962**	44,484
	Return on loans to policyholders		**9,796,421**	7,692,030
	Exchange gain on revaluation		**3,925,075**	767,813
	Miscellaneous income		**199,318**	139,847
			15,016,904	9,299,706
31	**NET INSURANCE BENEFITS**			
	Gross Claims			
	Claims under individual policies			
	- by death		**6,315,258**	5,216,899
	- by insured event other than death		**378,756**	356,936
	- by maturity		**13,572,449**	12,658,249
	- by surrender		**23,096,834**	18,179,171
	- annuity payments		**18,411**	9,886
	Total gross individual policy claims		**43,381,708**	36,421,141
	Claims under group policies			
	- by death		**3,780,102**	4,748,961
	- by insured event other than death		**3,165,764**	2,855,015
	- by maturity		**187**	330
	- by surrender		**1,369**	825
	- annuity payments		**842**	888
	- experience premium refund		**2,881,677**	1,090,214
	Total gross policy claims		**9,829,941**	8,696,233
	Total gross claims		**53,211,649**	45,117,374
	Less: Reinsurance Recoveries			
	-on individual life claims		**(65,692)**	(65,010)
	-on group Life claims		**(14,800)**	(63,095)
	-on experience refund of premiums		**(90,820)**	(34,611)
			(171,312)	(162,716)
	Net insurance benefit expense		**53,040,337**	44,954,658

31.1 Claim Development

Accident years	2014	2015	2016	2017	2018
Estimate of ultimate claims costs:					
At the end of accident year	1,624,689	1,676,092	2,780,029	3,554,858	**3,847,834**
One year later	2,166,120	2,691,099	4,278,231	5,502,268	**-**
Two years later	2,235,145	2,809,050	4,547,164	-	**-**
Three years later	2,260,264	2,886,083	-	-	**-**
Four years later	2,434,310	-	-	-	**-**
Current estimate of cumulative claims	2,434,310	2,886,083	4,547,164	5,502,268	**3,847,834**
Cumulative payment	(1,879,854)	(2,670,902)	(4,957,196)	(5,673,879)	**(3,531,262)**
	554,456	215,181	(410,032)	(171,611)	**316,572**
Claim Prior to 2014					**3,106,607**
Liability recognised in the statement of Financial Position					**3,423,179**

		Note	2018	2017
			--------------(Rupees in '000)----------------	
32	**ACQUISITION EXPENSES**			
	Remuneration to insurance intermediaries on individual policies:			
	- commission to agent on first year premiums		**12,698,741**	12,014,928
	- commission to agent on second year premiums		**2,224,264**	2,503,748
	- commission to agent on subsequent renewal premiums		**2,794,300**	2,514,192
	- other benefits to insurance intermediaries		**1,724,566**	1,576,935
	- branch overhead		**2,784,392**	1,925,185
			22,226,263	20,534,988
	Remuneration to insurance intermediaries on group policies:			
	- commission		**4,199**	5,061
	- other benefits to insurance intermediaries		**896**	1,689
			5,095	6,750
	Other acquisition costs:			
	Stamp duty		**1,533,862**	760,669
	initial medical fees		**100,406**	102,978
			1,634,268	863,647
			23,865,626	21,405,385
33	**MARKETING AND ADMINISTRATION EXPENSES**			
	Employee benefit cost	33.1	**8,882,794**	7,234,792
	Travelling expenses		**310,691**	249,611
	Advertisements and sales promotion		**69,750**	133,550
	Printing and stationery		**117,217**	141,868
	Depreciation		**132,456**	118,792
	Rent, rates and taxes		**269,902**	250,382
	Legal and professional charges - business related		**334,869**	306,246
	Electricity, gas and water		**879,687**	666,639
	Office repairs and maintenance		**26,841**	26,183
	Bank charges		**43,508**	53,304
	Postages, telegrams and telephone		**111,924**	106,943
			11,179,639	9,288,310
33.1	**Employee benefit cost**		**5,063,137**	5,135,360
	Salaries, allowances and other benefits		**3,819,657**	2,099,432
	Charges for post employment benefit		**8,882,794**	7,234,792
34	**OTHER EXPENSES**			
	Auditors' remuneration	34.1	**7,981**	9,844
	Other expenses		**347,647**	231,410
			355,628	241,254
34.1	**Auditors' remuneration**			
	Business within Pakistan			
	Annual audit and half yearly review fee			
	BDO Ebrahim & Co.		**-**	2,185
	Riaz Ahmad & Company		**2,484**	2,185
	Grant Thornton Anjum Rahman		**2,484**	-
			4,968	4,370

	Note	2018	2017
		--------------(Rupees in '000)----------------	
Out of pocket expenses			
BDO Ebrahim & Co.		-	650
Riaz Ahmad & Company		650	650
Grant Thornton Anjum Rahman		650	-
		1,300	1,300
Business Outside Pakistan Audit fee			
Nabeel Al-Saie Public Accountants		1,713	3,831
Out of pocket expenses		-	343
		1,713	4,174
		7,981	9,844

35 TAXATION

	2018	2017
For the year		
Current	636,093	654,438
Deferred	181,437	-
	817,530	654,438
For the prior year		
Current	-	55,139
Deferred	65,680	-
	65,680	55,139
Total Income Tax charge for the year	883,210	709,577

35.1 Relationship between tax expense and accounting profit

	2018	2017
Profit before tax	2,675,420	2,256,129
Tax at the applicable rate @ 29% (2017: 30%)	775,872	676,838
Reconciliation:		
Tax on surplus for the year retained in statutory funds	75,709	(82,991)
Tax charge on change in policyholders liabilities on restatement	-	59,701
Education cess for the year	662	1,125
Super tax for the year	40,996	54,914
Change in tax rate	(10,029)	
Reversal of excess provision	-	(10)
Tax expense for the year	883,210	709,577

36 EARNINGS PER SHARE

	2018	2017
	--------------(Rupees in '000)----------------	
Profit for the year	1,792,210	1,546,552
	--------------(Numbers in '000)----------------	
Weighted average number of ordinary shares outstanding as at year end	31,667	30,000
	--------------(Rupees)----------------	
Earnings per share	56.60	51.55

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

37 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chairman		Directors		Executives*	
	2018	2017	2018	2017	2018	2017
	---Rupees in '000---					
Fees	-	-	-	-	-	-
Managerial remuneration	**1,614**	1,265	**5,400**	5,268	**236,357**	117,831
House rent allowance	**778**	446	**2,451**	2,497	**107,910**	48,144
Utilities	**588**	466	**1,977**	1,786	**83,926**	33,265
Special allowance	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Car allowance	-	-	-	-	-	-
Others	**3,857**	3,115	**8,802**	8,098	**122,347**	81,968
Reimbursements	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-
Staff provident fund	-	-	-	-	-	-
	6,837	5,292	**18,630**	17,649	**550,540**	281,208
Number of persons	**1**	1	**5**	5	**176**	86

In addition to the above, Chairman and Executive Directors are also entitled to the Corporation maintained vehicles and mobile phone facility. Fee paid to non-Executive Directors during the year amounted to Rs. 0.912 Million.

* Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act, 2017. Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

	Note	(Rupees in '000) Aggregate	
		2018	2017
Profit oriented state-controlled entities			
-common ownership			
Investment in shares - State Bank of Pakistan		**3,221**	3,221
Subsidiaries			
Rental income received		**15,242**	242
Right shares received		**-**	96,400
Staff retirement fund			
Contribution to provident fund		**7,118**	6,821
Contribution to pension fund		**-**	362,555
Contribution to funded gratuity		**6,242**	4,758
Expense charged for pension fund		**893,536**	736,406
Transactions with associated companies			
Bonus shares allotted:			
Premier Insurance Company Limited		**-**	950
Dividend received during the year			
Pakistan Reinsurance Company Limited		**256,313**	219,697
Transactions with related parties - common directorship			
Balances with related parties - common directorship			
		December 31, 2018	December 31, 2017
Investment in Units:			
NIT Islamic Equity Fund		**200,000**	200,000

Balances with related parties - common directorship

	(Rupees in '000)	
Investment in shares:	**2018**	2017
Fauji Fertilizer Company Limited	**10,772,711**	9,178,559
Sui Southern Gas Company Limited	**1,334,122**	1,760,925
Sui Northern Gas Pipelines Company Limited	**2,118,125**	2,600,180
Thatta Cement Company Limited	**-**	2
Alpha Insurance Company Limited	**298,918**	298,918
International Industries Limited	**101,060**	157,517
Pakistan Cables Limited	**349,453**	428,917
Security Papers Limited	**447,003**	613,148
Shahtaj Sugar Mills Limited	**43,019**	110,611
Pak Data Communication Limited	**40,560**	47,341
Premier Insurance Company Limited	**37,774**	47,136
Pakistan Reinsurance Company Limited	**2,544,087**	3,107,242
Arabian Sea Country Club Limited	**5,000**	5,000
PICIC Insurance Limited	**5,727**	28,207
Nina Industries Limited	**4,500**	4,500
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

39 SEGMENTAL INFORMATION

39.1 Revenue Account by Statutory Fund

For the year ended December 31, 2018	Statutory Funds					Aggregate
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental And Health Insurance Fund	Family Takaful	2018
	------ Rs in '000 ------					
Income						
Premium less reinsurances	107,757,414	1,694,689	31,344	5,430,900	-	114,914,347
Rental income from investment property	536,165	-	-	-	-	536,165
Net investment income	64,476,997	4,693,749	24,702	223,261	6,028	69,424,737
Total net income	172,770,576	6,388,438	56,046	5,654,161	6,028	184,875,249
Insurance benefits and Expenditure						
Insurance benefits, including bonuses, net of reinsurance recoveries	46,545,231	1,839,344	105,471	4,550,291	-	53,040,337
Management expenses less recoveries	34,480,777	421,528	1,553	471,438	20,754	35,396,050
Total Insurance benefits and expenditure	81,026,008	2,260,872	107,024	5,021,729	20,754	88,436,387
Excess of income over Insurance benefits and expenditures	91,744,568	4,127,566	(50,978)	632,432	(14,726)	96,438,862
Net change in insurance liabilities (other than outstanding claims)	(90,035,796)	(4,098,076)	42,420	16,565	-	(94,074,887)
Surplus/(Deficit before tax)	1,708,772	29,490	(8,558)	648,997	(14,726)	2,363,975
Movement in policyholders' liabilities	90,035,796	4,098,076	(42,420)	(16,565)	-	94,074,887
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,708,777)	(29,490)	-	-	-	(1,738,267)
- Capital returned to shareholders' fund	-	-	-	(1,100,000)	-	(1,100,000)
Net transfer to/from Shareholders' fund						
Balance of statutory fund at beginning of the year	762,902,121	14,838,464	365,306	2,021,262	85,513	780,212,666
Balance of statutory fund at end of the year	852,937,912	18,936,540	314,328	1,553,694	70,787	873,813,261

For the year ended December 31, 2017	Statutory Funds Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental And Health Insurance Fund	Family Takaful	Aggregate 2017
	Rs in '000					
Income						
Premium less reinsurances	94,746,656	2,037,209	64,989	3,911,863	-	100,760,717
Rental income from investment property	463,724	-	-	-	-	463,724
Net investment income	48,536,679	1,501,226	33,189	156,381	5,696	50,233,171
Total net income	143,747,059	3,538,435	98,178	4,068,244	5,696	151,457,612
Insurance benfits and Expenditure						
Insurance beneifits, including bonuses, net of reinsurance recoveries	40,355,402	1,260,906	37,190	3,301,160	-	44,954,658
Management expenses less recoveries	29,908,467	534,802	2,381	464,773	20,183	30,930,606
Total Insurance benefits and expenditure	70,263,869	1,795,708	39,571	3,765,933	20,183	75,885,264
Excess of income over Insurance benefits and expenditiures	73,483,190	1,742,727	58,607	302,311	(14,487)	75,572,348
Net change in insurance liabilities (other than outstanding claims)	(71,839,261)	(1,721,487)	(37,256)	(32,539)	-	(73,630,543)
Surplus/(Deficit before tax)	1,643,929	21,240	21,351	269,772	(14,487)	1,941,805
Tax chargeable to statutory funds						
current tax	(85,287)	-	-	-	-	(85,287)
Surplus/(Deficit after tax)	1,558,642	21,240	21,351	269,772	(14,487)	1,856,518
Movement in policyholders' liabilities	71,839,261	1,721,487	37,256	32,539	-	73,630,543
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,558,640)	(21,240)	-	-	-	(1,579,880)
- Capital contributions from shareholders' fund	-	-	-	750,000	-	750,000
Net transfer to/from Shareholders' fund						
Balance of statutory fund at beginning of the year	691,062,858	13,116,977	306,699	968,951	100,000	705,555,485
Balance of statutory fund at end of the year	762,902,121	14,838,464	365,306	2,021,262	85,513	780,212,666

39.2 Segment Statement of financial position

	Statutory Funds	Shareholders Fund	2018	Statutory Funds	Shareholders Fund	Restated (2017)
	---- Rs in '000 ----					
Property and equipment	414,002	-	414,002	436,868	-	436,868
Investment property	3,657,341	-	3,657,341	3,185,228	-	3,185,228
Investments in subsidiaries and associates	338,010	-	338,010	338,010	-	338,010
Investments	734,791,831	3,455,701	738,247,532	656,315,809	2,076,922	658,392,731
Loans secured against life insurance policies	93,313,445	-	93,313,445	76,674,563	-	76,674,563
Insurance / reinsurance receivables	21,803,073	-	21,803,073	17,901,707	-	17,901,707
Other loans and receivables	32,955,814	1,850,328	34,806,142	28,041,345	1,037,636	29,078,981
Retirement benefit asset	-	-	-	665,039	-	665,039
Taxation - payments less provision	4,094,370	(136,086)	3,958,284	3,266,384	630,000	3,896,384
Prepayments	395,030	-	395,030	440,270	-	440,270
Cash & Bank	33,298,089	226	33,298,315	38,326,065	126,034	38,452,099
Total assets	925,061,005	5,170,169	930,231,174	825,591,288	3,870,592	829,461,880
Insurance liabilities net of reinsurance recoveries	890,675,969	-	890,675,969	794,904,041	-	794,904,041
Retirement benefit obligations	6,343,778	-	6,343,778	3,909,100	-	3,909,100
Deferred capital grant	14,025	-	14,025	21,935	-	21,935
Premium received in advance	8,079,218	-	8,079,218	8,467,035	-	8,467,035
Insurance / reinsurance payables	466,442	-	466,442	410,708	-	410,708
Deferred tax	-	472,871	472,871	-	225,754	225,754
Other creditors and accruals	17,750,984	549,511	18,300,495	15,673,592	493,635	16,167,227
Total Liabilities	923,330,416	1,022,382	924,352,798	823,386,411	719,389	824,105,800

40 MOVEMENT IN INVESTMENTS

	Held to Maturity	Fair Value Through Profit and loss	Total
	---- Rs in '000 ----		
At beginning of previous year (restated)	553,812,107	104,580,624	658,392,731
Additions	156,132,129	122,264	156,254,393
Disposals (sale and redemptions)	(66,696,025)	(22,619)	(66,718,644)
Amortization of premium	(684,844)	-	(684,844)
Unrealised fair value loss	-	(8,996,104)	(8,996,104)
	642,563,367	95,684,165	738,247,532

41 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

41.1 Insurance Risk

41.1.1 Insurance contracts - classification

The Corporation maintains five statutory funds which are as follows:
- Pakistan Life Fund
- Overseas Life Fund
- Pension Fund
- Accidental and Health Insurance Fund
- Family Takaful Fund (Not operational)

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.

Family Takaful Fund is not operational at the reporting date. Management intends to commence operations of FTF in the ensuing year.

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

41.1.2 Contract details and measurement

The insurance contracts offered by the Corporation are described below:

41.1.2.1 Individual life policies

Individual life conventional products

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

Universal life policies

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

Term insurance policies

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

Annuities

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

Supplementary riders

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

Insured event

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

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

Distribution channel

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

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

41.1.2.2 Group life policies

Basic coverage

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

Supplementary coverage

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

Insured event

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

Distribution channel

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

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

41.1.2.3 Pension business

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

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

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

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

41.1.2.4 Group Health Business

In 2012, the Corporation entered the Health Insurance Market by signing an agreement with the Benazir Income Support 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.

41.1.3 Reserving method

41.1.3.1 Individual life policies

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

41.1.3.2 Universal life policies

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

41.1.3.3 Group life policies

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

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

41.1.3.4 Supplementary riders

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

41.1.3.5 Pension plans

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

41.1.4 Reserves for outstanding claims

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

41.1.5 Liability adequacy test

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

Reinsurance contracts held

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

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

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

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

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

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

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

41.1.6 Accounting estimates and judgments and process used for deciding assumptions

41.1.6.1 Mortality and disability

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

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

41.1.6.2 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.

41.1.6.3 Expenses

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

41.1.7 Frequency and severity of claims

41.1.7.1 Frequency

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

41.1.7.2 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.

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

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

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

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

41.1.9 Management of insurance risk

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

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

41.1.9.1 Financial risk

a) Interest risk

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

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

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

b) Expense risk

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

c) Mortality risk

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

d) Surrenders risk

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

e) Inflation risk

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

f) Catastrophe risk

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

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

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

g) Currency risk

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

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

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

	UAE Dirhams	US Dollars
December 31, 2018		
10% increase	**476,457**	**1,482,020**
10% decrease	**(476,457)**	**(1,482,020)**
December 31, 2017		
10% increase	636,240	969,234
10% decrease	(636,240)	(969,234)

41.1.9.2 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.

41.1.9.3 Operational risk or pricing risk

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

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

41.1.10 Sensitivity analysis

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

Variable	Quantum of Change	% change in liability
Increase in mortality	10%	0.12%
Decrease in mortality	10%	-0.12%
Increase in discount rate	0.5% addition in rate	-4.16%
Decrease in discount rate	0.5% reduction in rate	4.38%

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

41.2 Financial risk

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

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

41.2.1

		2018						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after year	Sub total	Maturity upto one year	Maturity after year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	9	-	-	-	-	-	87,831,533	87,831,533
Government securities	10	122,120,543	516,818,906	638,939,449	-	-	-	638,939,449
Debt securities	11	-	-	3,623,918	-	-	-	3,623,918
Mutual funds	12	-	-	-	-	-	7,852,632	7,852,632
Loans secured against life insurance policies		21,144,355	72,169,090	93,313,445	-	-	-	93,313,445
Insurance / reinsurance receivables	13	-	-	-	-	-	21,803,073	21,803,073
Other loans and receivables	14	-	-	-	-	-	34,806,142	34,806,142
Cash and bank	16	-	-	-	-	-	33,298,315	33,298,315
As at December 31, 2018		143,264,898	588,987,996	735,876,812	-	-	185,591,695	921,468,507
Financial Liabilities								
Insurance liabilities	19	-	-	-	-	-	890,675,969	890,675,969
Premium received in advance		-	-	-	8,079,218	-	8,079,218	8,079,218
Insurance / reinsurance payables	21	-	-	-	466,442	-	466,442	466,442
Other creditors and accruals	23	-	-	-	18,300,495	-	18,300,495	18,300,495
As at December 31, 2018		-	-	-	26,846,155	-	917,522,124	917,522,124
Off Balance Sheet Financial Instrument								
As at December 31, 2018		143,264,898	588,987,996	735,876,812	(26,846,155)	-	(731,930,429)	3,946,383

		2017						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after year	Sub total	Maturity upto one year	Maturity after year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	9	-	-	-			95,796,476	95,796,476
Government securities	10	63,056,203	489,959,847	553,016,050	-	-	-	553,016,050
Debt securities	11	-	-	796,057	-	-	-	796,057
Mutual funds	12	-	-	-	-	-	8,784,148	8,784,148
Loans secured against life insurance policies		17,374,148	59,300,415	76,674,563	-	-	-	76,674,563
Insurance / reinsurance receivables	13	-	-	-	-	-	17,901,707	17,901,707
Other loans and receivables	14	-	-	-	-	-	29,078,981	29,078,981
Cash and Bank	16	-	-	-	-	-	38,452,099	38,452,099
As at December 31, 2017		80,430,351	549,260,262	630,486,670	-	-	190,013,411	820,500,081
Financial Liabilities					- -	-		
Insurance liabilities	19	-	-	-		-	794,904,041	794,904,041
Premium received in advance		-	-	-	8,467,035	-	8,467,035	8,467,035
Insurance / reinsurance payables	21	-	-	-	410,708	-	410,708	410,708
Other creditors and accruals	23	-	-	-	16,167,227	-	16,167,227	16,167,227
As at December 31, 2017		-	-	-	25,044,970	-	819,949,011	819,949,011
Off Balance Sheet Financial Instruments								
As at December 31, 2017		80,430,351	549,260,262	630,486,670	(25,044,970)	-	(629,935,600)	551,070

41.2.2 Market risk

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

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

41.2.3 Interest rate risk

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

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

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

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

41.2.4 Currency risk

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

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

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

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

	2018		2017	
	UAE Dirhams	**US Dollars**	UAE Dirhams	US Dollars
	000'		000'	
Assets	**150,192**	**116,663**	179,292	98,967
Liabilities	**8,892**	**17,980**	44,736	100,593
Reserves	**159,084**	**134,643**	224,028	199,560

41.2.5 Other price risk

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

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

41.2.6 Credit risk

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

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

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

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

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

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

	Note	**2018**	2017
		--------- Rupees in '000 ---------	
Bank deposits		**32,943,032**	38,267,268
Loans		**94,298,844**	77,573,216
Investments	**11**	**738,247,532**	658,392,731
Insurance / reinsurance receivables	**13**	**21,803,073**	17,901,707
Other receivables		**33,820,743**	28,180,328
Total		**921,113,224**	820,315,250

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.

	2018	2017
	--------- Rupees in '000 ---------	
The age analysis of insurance/reinsurance receivable:		
Up to 1 year	**21,442,479**	17,526,941

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

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

Bank	Rating		Rating Agency	(Rupees in '000')	
	Long Term	Short Term		**2018**	2017
Habib Bank Limited	AAA	A-1+	JCR-VIS	7,715,282	10,263,275
United Bank Limited	AAA	A-1+	JCR-VIS	19,090,210	23,954,881
Allied Bank Limited	AAA	A1+	PARCRA	2,255	4,943
Soneri Bank Limited	AA-	A1+	PARCRA	1	2
Samba Bank Limited	AA	A-1+	JCR-VIS	5,363	24,334
Bank Al Falah Limited	AA+	A-1+	JCR-VIS	4,243	21,116
MCB Bank Limited	AAA	A1+	PARCRA	388	308
NIB Bank Limited	A	A-1	JCR-VIS	2,551	-
Bank of Punjab	AA	A1+	PARCRA	10,709	22
Sindh Bank Limited	AA	A-1+	JCR-VIS	1	1
Habib Metropolotian Bank	AA+	A1+	PARCRA	1	1
National Bank of Pakistan	AAA	A-1+	JCR-VIS	23,524	39,244
Faysal Bank Limited	AA	A-1+	JCR-VIS	-	4,114
Summit Banlk Limited	A-	A-1	JCR-VIS	17,045	85,295
First Women Bank Limited	A-	A2	PARCRA	9,386	21,659
MIB Bank	A	A1+	JCR-VIS	-	-
Silk Bank	A-	A-2	JCR-VIS	62,317	27,067
Dubai Islamic Bank	AA-	A-1	JCR-VIS	5,326	105,326
Standart Chartered Bank (Pakistan) Limited	AAA	A1+	PARCRA	287,525	100
Emirates National Bank Dubai				5,680,867	723
Al Ahli Bank Kuwait				-	38,902
Julius Bar Bank				26,037	-
Others				-	3,675,955
				32,943,032	38,267,268

	2018	2017
Amount due from other insurers / reinsurers	---------- Rupees in '000 ----------	
A or above	**360,594**	374,766

41.2.7 Liquidity risk

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

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

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

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

	2018	
	Carrying value	**Fair value**
Government securities	**638,939,449**	588,138,802

42 CAPITAL RISK MANAGEMENT

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

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

Further details are given in the table below:

	---------- Rupees in '000 ----------	
	2018	2017
Accumulated surplus	**713,615**	1,269,915
Ledger account C & D	**1,257,718**	1,979,122
General reserve	**507,043**	307,043
Capital contributed to statutory fund	**(100,000)**	(1,200,000)
Issued, subscribed and paid-up capital	**3,500,000**	3,000,000
Shareholders' equity	**5,878,376**	5,356,080

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Corporation's financial assets and financial liabilities as at December 31, 2018.

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, 2018		As at December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	-------- Rupees in '000 ------		-------- Rupees in '000 ------	
Financial Assets				
- Cash and bank deposits	**33,298,315**	**33,298,315**	38,452,099	38,452,099
- Loans secured against life insurance policies	**93,313,445**	**93,313,445**	76,674,563	76,674,563
- Loan to employee	**915,705**	**915,705**	827,692	827,692
- loan to agents	**69,694**	**69,694**	70,961	70,961
- Investments				
Fair value through Profit and loss				
Listed equity securities and mutual fund units	**87,730,822**	**87,831,533**	95,696,468	95,696,468
Unlisted equity securities and mutual fund units	**100,711**	**100,711**	100,008	100,008
Held-to-maturity				
Government securities	**638,939,449**	**588,138,801**	553,016,050	593,729,820
Holding in subsidiary companies	**338,010**	**338,010**	338,010	338,010
Other fixed income securities	**3,623,918**	**3,623,918**	796,057	849,300
	730,732,910	**680,032,973**	649,946,593	690,713,606
- Other receivable- excluding taxation	**55,623,816**	**55,623,816**	46,082,035	46,082,035
Financial Liabilities				
- Balance of statutory funds-including policyholders' liabilities	**890,675,969**	**890,675,969**	794,904,041	794,904,041
- Creditors and accruals	**18,300,495**	**18,300,495**	16,167,227	16,167,227
- Premium received in advance	**8,079,218**	**8,079,218**	8,467,035	8,467,035
- Insurance / reinsurance payables	**466,442**	**466,442**	410,708	410,708

43.2 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:

	As at December 31, 2018	**Level 1**	**Level 2**	**Level 3**
	Rupees in '000			
Financial Assets at Carrying Value				
Investments at carrying value Fair value through Profit and loss				
Other fixed income securities	**3,623,918**	**-**	**3,623,918**	**-**
Listed equity securities and mutual fund units	**87,730,822**	**87,730,822**	**-**	**-**
Unlisted equity securities and mutual fund units	**100,711**	**-**	**100,711**	**-**
Holding in subsidiary companies	**338,010**	**-**	**-**	**338,010**
	91,793,461	**87,730,822**	**3,724,629**	**338,010**

	As at December 31, 2017	Level 1	Level 2	Level 3
	Rupees in '000			
Financial Assets at Carrying Value				
Investments at carrying value Fair value through Profit and loss				
Other fixed income securities	796,057	-	796,057	-
Listed equity securities and mutual fund units	95,696,468	95,696,468	-	-
Unlisted equity securities and mutual fund units	100,008	-	100,008	-
Holding in subsidiary companies	338,010	-	-	338,010
	96,930,543	95,696,468	896,065	338,010

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

43.3 Transfers during the period

During the year to December 31, 2018:

- There were no transfers between Level 1 and Level 2 fair value measurements
- There were no transfers into or out of Level 3 fair value measurements

43.4 Valuation techniques

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Unlisted equity securities are carried at cost.
- Investments in subsidiary companies are being carried at cost.

44 CORRESPONDING FIGURES

Corresponding figures have been re-classified or classified, whenever necessary to align them with the presentation requirements of the Insurance Accounting Regulation, 2017.

45 SUBSEQUENT EVENTS

The Board of Directors of the Corporation in their meeting held on May 31, 2019 declared dividend of Rs. 700 million.

These financial statements for the year ended December 31, 2018 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2019.

46 NUMBER OF EMPLOYEES

	2018	2017
The details of number of employees are as follows:		
Permanent employees as at year end	**4,013**	4,061
Area managers	**1,107**	1,094
	5,120	5,155
Average number of employees during the year	**5,138**	5,166

47 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Corporation on May 31, 2019.

48 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.

Ghiasuddin Ahmed	Iftikhar-ul-Hussain	Abdul Qadir Memon	Muhammad Rashid
Chairman	Director	Director	Chief Financial Officer

Financial Statements Consolidated

Independent Auditor's Report

To the Members of State Life Insurance Corporation of Pakistan

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of State Life Insurance Corporation of Pakistan and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

As more fully explained in note 25.1.15 to the consolidated financial statements, the Punjab and Balochistan Revenue Authorities have introduced sales tax on life insurance premium effective from November 01, 2018 and July 01, 2015 respectively. The Group, notwithstanding the principal stand that life insurance is not a service and therefore do not fall within the scope of taxability under the provincial sales tax laws of the provinces, along with Insurance Association of Pakistan is currently in negotiations with provincial tax authorities to seek an exemption and to agree the portion of premium which should be subject to sales tax. International Accounting Standard 37 'Provisions, Contingent Liabilities and Contingent Assets' requires provision should be recognised when the entity has a present legal obligation as a result of past event. The Group considers that it is premature to estimate the liability for sales tax on life insurance at this stage. We consider that the liability can be estimated based on the current law. Therefore, it was impracticable for us to quantify the full effect of provincial sales tax on the consolidated financial statements for the year ended December 31, 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the contents as detailed in note 1.2 to the consolidated financial statements, the Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. As a consequence of reorganization and conversion, the group is not expected to continue as a going concern. The Company formed shall be raking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the group at a specific date which is uncertain. Since there will be no change in operational activities of the group pursuant to change in legal structure, no adjustments are expected to the carrying values of the assets and liabilities. Our opinion is not further modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks , and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matter

Securities & Exchange Commission (Insurance) Rules, 2002, (Annexure II - 'Statements required to be filed by Life and non-life insurers) in section 4 subsection 3 exempted the life insurers to present consolidated financial statements in case of investment made through statutory funds. These rules were superseded by Insurance Accounting Regulations, 2017 and Insurance Rules, 2017, where this exemption was not carried forward. As a result, the Group has prepared annexed consolidated financial statements for the first time. The corresponding figures in the annexed consolidated financial statements for the preceding year ended December 31, 2017 have not been audited by any firm of chartered accountants.

The engagement partners on the audit resulting in this independent auditor's report are Mr. Muhammad Khalid Aziz and Mr. Muhammad Waqas.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants

Riaz Ahmad & Co.

Riaz Ahmad & Company
Chartered Accountants

Karachi
Dated: May 31, 2019

Consolidated Statement of Financial Position as at December 31, 2018

	Note	December 31, 2018	December 31, 2017 (Restated)	December 31, 2016 (Restated)
		(Rupees in '000)		
ASSETS				
Property and equipment	7	**417,868**	442,089	416,375
Intangible assets	8	**-**	-	-
Investment properties	9	**3,666,869**	3,194,953	2,984,985
Investments				
Equity securities	10	**88,082,263**	96,017,653	112,512,933
Government securities	11	**639,496,752**	553,573,886	482,248,437
Debt securities	12	**3,623,918**	796,057	803,245
Mutual funds	13	**7,852,632**	8,784,148	10,774,517
Loans secured against life insurance policies		**93,313,445**	76,674,563	62,802,588
Insurance/reinsurance receivables	14	**21,857,380**	17,980,916	15,598,179
Other loans and receivables	15	**34,817,386**	29,084,943	28,452,048
Reinsurance recoveries against outstanding claims		**211,644**	325,792	137,404
Salvage recoveries accrued		**8**	21	6
Deferred commission expense/acquisition cost	16	**5,296**	7,169	13,195
Retirement benefit assets	21	**-**	665,039	-
Taxation - payments less provision		**4,021,578**	3,943,568	3,521,516
Deposits and prepayments	17	**413,913**	460,179	437,269
Cash and bank	18	**33,329,715**	38,585,147	31,445,944
TOTAL ASSETS		**931,110,667**	830,536,122	752,148,641
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES ATTRIBUTABLE TO CORPORATION'S EQUITY HOLDERS				
Ordinary share capital	19	**3,500,000**	3,000,000	3,000,000
Ledger account C & D		**1,247,689**	1,979,122	952,485
Group reserves		**1,480,773**	1,876,073	1,742,904
Capital contributed to statutory fund		**(100,000)**	(1,200,000)	(450,000)
		6,128,462	5,655,195	5,245,389
Non-controlling interest		**34,222**	35,941	42,155
TOTAL EQUITY LIABILITIES		**6,162,684**	5,691,136	5,287,544
Insurance liabilities	20	**891,148,453**	795,491,608	721,027,588
Retirement benefit obligations	21	**6,342,368**	3,907,735	3,400,005
Deferred capital grant		**14,025**	21,935	26,710
Deferred tax liability	22	**471,294**	223,434	231,788
Premium received in advance		**8,086,315**	8,471,392	7,990,806
Insurance / reinsurance payables	23	**509,450**	497,715	326,235
Other creditors and accruals	24	**18,376,079**	16,231,167	13,857,965
TOTAL LIABILITIES		**924,947,983**	824,844,986	746,861,097
TOTAL EQUITY AND LIABILITIES		**931,110,667**	830,536,122	752,148,641
CONTINGENCIES AND COMMITMENTS	25			

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2018

	Note	December 31, 2018	December 31, 2017 (Restated)
		------------------(Rupees in '000)------------------	
Premium revenue		115,331,763	101,179,260
Premium ceded to reinsurers		(369,997)	(338,626)
Net premium revenue	26	114,961,766	100,840,634
Investment income	27	63,844,803	59,794,082
Net realised fair value gains on financial assets	28	6,238	252,554
Net fair value loss on financial assets at fair value through profit or loss	29	(9,069,258)	(18,738,722)
Net rental income	30	536,165	475,224
Other income	31	15,021,387	9,304,873
		70,339,335	51,088,011
Net income		185,301,101	151,928,645
Insurance benefits	32	53,257,427	45,461,243
Recoveries from reinsurers	32	(171,066)	(417,241)
Premium deficiency		(3,445)	4,433
Claims related expenses		-	-
Net insurance benefits		53,082,916	45,048,436
Net change in insurance liabilities(other than outstanding claims)		94,088,772	73,632,704
Net commission and other acquisition cost	33	23,876,671	21,418,500
Marketing and administration expenses	34	11,270,961	9,384,440
Other expenses	35	361,122	248,111
Total expenses		129,597,526	104,683,755
Results of operating activities		2,620,660	2,196,454
Profit before tax		2,620,660	2,196,454
Income tax expense	36	(879,198)	(701,827)
Profit for the year		1,741,462	1,494,627
Other Comprehensive income:		-	-
Total comprehensive income for the year		1,741,462	1,494,627
Profit for the year attributable to:			
Equity holder of Corporation		1,743,181	1,497,436
Non controlling interest		(1,719)	(2,809)
		1,741,462	1,494,627
Earnings per share -Rupees	37	55.05	49.91

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2018

	Attributable to equity holders of the Corporation						
	Share capital	Capital contributed to Statutory Fund	Ledger Account C & D [Refer Note]	Group Reserves	Sub total	Non Controlling Interest	Total
	Rupees in '000						
Balance as at January 1, 2017 - as reported	3,000,000	(450,000)	-	1,742,904	4,292,904	42,155	4,335,059
Effect of restatement	-	-	952,485	-	952,485	-	952,485
Balance as at January 1, 2017(restated)	3,000,000	(450,000)	952,485	1,742,904	5,245,389	42,155	5,287,544
Dividend paid for the year December 31, 2016	-	-	-	(1,037,695)	(1,037,695)	-	(1,037,695)
Transferred to BESOS from profit for the year ended December 31, 2016	-	-	-	(53,340)	(53,340)	-	(53,340)
Acquisition of interest during the year	-	-	-	3,404	3,404	(3,404)	-
Total comprehensive income for the year	-	-	-	1,497,436	1,497,436	(2,809)	1,494,627
Surplus for the year retained in statutory funds-net of tax			276,637	(276,637)	-	-	-
Capital contributed to statutory fund	-	(750,000)	750,000	-	-	-	-
Balance as at December 31, 2017 (restated)	**3,000,000**	**(1,200,000)**	**1,979,122**	**1,876,073**	**5,655,195**	**35,941**	**5,691,136**
Balance as at January 1, 2018(restated)	**3,000,000**	**(1,200,000)**	**1,979,122**	**1,876,073**	**5,655,195**	**35,941**	**5,691,136**
Dividend paid for the year December 31, 2017	**-**	**-**	**-**	**(1,214,038)**	**(1,214,038)**	**-**	**(1,214,038)**
Transferred to BESOS from profit for the year ended December 31, 2017	**-**	**-**	**-**	**(55,876)**	**(55,876)**	**-**	**(55,876)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**1,743,181**	**1,743,181**	**(1,719)**	**1,741,462**
Surplus for the year retained in statutory funds-net of tax	**-**	**-**	**368,567**	**(368,567)**	**-**	**-**	**-**
Capital contributed to statutory fund - eliminated	**-**	**1,100,000**	**(1,100,000)**	**-**	**-**	**-**	**-**
Transfer for the issuance of share capital	**500,000**	**-**	**-**	**(500,000)**	**-**	**-**	**-**
Balance as at December 31, 2018	**3,500,000**	**(100,000)**	**1,247,689**	**1,480,773**	**6,128,462**	**34,222**	**6,162,684**

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

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Consolidated Statement of Cash Flow for the Year Ended December 31, 2018

		Note	2018	2017
			-----------(Rupees in '000)-----------	
	Operating Cash flows			
(a)	Underwriting activities			
	Premiums received		102,009,614	92,631,798
	Reinsurance premiums paid		(360,503)	(176,174)
	Claims paid		(28,575,844)	(26,424,845)
	Surrenders paid		(23,096,834)	(18,179,171)
	Reinsurance and other recoveries received		299,387	76,144
	Commissions paid		(18,849,794)	(18,219,061)
	Commission received		877	9,956
	Other underwriting payments, if any		(4,485,634)	(3,386,589)
	Net cash flow from underwriting activities		26,941,269	26,332,058
(b)	Other operating activities			
	Income tax paid		(715,311)	(1,132,817)
	Other operating payments		579,123	809,848
	General Management Expense paid		(8,008,890)	(7,628,028)
	Other operating receipts		(1,401)	-
	Other loans		8	(181)
	Loans secured against life insurance policies - advanced		(8,937,795)	(9,324,962)
	Loans secured against life insurance policies - repayments received		11,079,182	9,858,315
	Net cash used in other operating activities		(6,005,084)	(7,417,826)
	Total cash flow from all operating activities		20,936,185	18,914,232
	Investment activities			
	Profit / Return received		58,054,279	52,625,315
	Dividends received		5,414,039	6,679,956
	Rentals received		1,193,611	1,100,216
	Payments for investments		(156,648,446)	(110,771,435)
	Proceeds from disposal of investments		67,096,400	35,184,313
	Fixed Capital Expenditure		(648,603)	(424,280)
	Proceeds from disposal of fixed assets		2,933	974
	Total net cash used in investing activities		(25,535,787)	(15,604,942)
	Financing activities			
	Proceeds from issuance of shares		-	4,675
	Dividends paid		(1,269,914)	(1,091,034)
	Total net cash flow used in financing activities		(1,269,914)	(1,086,359)
	Net cash flow (used)/ generated from all activities		(5,869,516)	2,222,932
	Cash and cash equivalents at beginning of year		33,517,613	31,294,682
	Cash and cash equivalents at end of year		27,648,098	33,517,613
	Reconciliation to Profit and Loss Account			
	Operating cash flows		20,936,185	18,914,232
	Depreciation expense		(149,476)	(121,321)
	Investment Income		70,722,921	69,634,494
	Amortization/capitalization		662,116	1,347,949
	Non Cash Adjustments (APL)		(9,796,421)	(7,693,169)
	Other income		4,362	5,046
	Increase in assets other than cash		19,837,732	15,736,928
	Increase in liabilities other than running finance		(6,387,185)	(22,696,828)
	Net change in insurance liabilities (other than outstanding claims)		(94,088,772)	(73,632,704)
	Profit or loss after taxation		1,741,462	1,494,627

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements

Ghiasuddin Ahmed	Iftikhar-ul-Hussain	Abdul Qadir Memon	Muhammad Rashid
Chairman	Director	Director	Chief Financial Officer

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2018

1 STATUS AND NATURE OF BUSINESS

The Group consists of:
Holding Corporation: State Life Insurance Corporation of Pakistan
Subsidiary companies:

1 State Life (Lakie road) properties (Private) Limited
2 State Life (Abdullah Haroon Road) Properties (Private) Limited
3 Alpha Insurance Company Limited

a) State Life Insurance Corporation of Pakistan

The Holding Corporation was incorporated in Pakistan on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Holding Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 34 zones for individual life business, 4 zones for group life business and in the gulf countries {comprising United Arab Emirates (UAE) and Kuwait} through zonal office located at Dubai (UAE).

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

b) State Life (Lakie road) properties (Private) Limited

The Company was incorporated in Pakistan in the month of July 1979 as Private Limited Company under the repealed Companies Ordinance 1984 and now Companies Act, 2017. The Company was incorporated to deal in Real Estate including Renting, Purchase & Sale of properties. The Company is wholly owned subsidiary of State Life Insurance Corporation of Pakistan. The geographical location and address of the Company's registered office and business unit is situated at 6th Floor State Life Building No. 09, Dr. Ziauddin Road, Karachi.

c) State Life (Abdullah Haroon Road) Properties (Private) Limited

State Life (Abdullah Haroon Roan) Properties (Pvt) Limited ('the Company') was incorporated in Pakistan in the month of June 1979 as Private Limited Company under the repealed Companies Ordinance 1984 and now Companies Act, 2017. The Company was incorporated to deal in Real Estate including Renting, Purchase & Sale of properties. The geographical location and address of the Company's registered office and business unit is situated at 6th Floor State Life Building No. 09, Dr. Ziauddin Road, Karachi.

d) Alpha Insurance Company Limited

Alpha Insurance Company Limited ("the Company") was incorporated in Pakistan on 24 December 1951 under the Indian Companies Act VII of 1913 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company is engaged in providing non-life insurance business comprising fire and property, marine, motor, health, credit and suretyship and miscellaneous. The Company commenced its commercial operations on 23 January 1952.

The registered office of the Company is situated at 4th Floor, Building # 1-B, State Life Square, I. I. Chundrigar Road, Karachi. The Company has 13 (31 December 2017: 15) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan holding 95.15% (31 December 2017: 95.15%) shares of the Company.

1.1 The Holding 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 Holding Corporation is in the process of launching the Window Takaful Operations at the year end i.e., December 31, 2018. For the purpose of carrying on the takaful business, the Operator has formed an Individual Family Participant Takaful Fund (IFPTF) on August 18, 2017 under the Waqf deed and cede Rupees 1 million to the IFPTF. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

1.2 The Presidential Order dated April 06, 2016 in respect of State Life (Reorganization and Conversion) Ordinance, 2016 was issued by Government of Pakistan Ministry of Law and Justice to provide for the re-organization and conversion of the State Life Insurance Corporation of Pakistan into a Public Limited Company. After the commencement of this Ordinance, the Federal Government established a Company namely, State Life Insurance Company Limited under the repealed Companies Ordinance, 1984 (XLVII of 1984) with the objective of taking over the business, functions, contracts, policies, proceedings, undertakings, assets, liabilities. etc. of the Holding 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 Holding Corporation shall stand transferred to and vest in the Company on a specific date which is uncertain. Accordingly, the Holding Corporation is not expected to continue as going concern. Since there will be no change in operational activities of the Holding Corporation pursuant to change in aforesaid legal structure, no adjustments are expected to the carrying amounts of assets and liabilities.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE CORPORATION FINANCIAL POSITION AND PERFORMANCE

a) The Companies Act, 2017 was enacted on May 30, 2017 and repealed Companies Ordinance, 1984 with its application from January 01, 2018 and became effective for the year ended December 31, 2018. As the Holding Corporation's financial statements are prepared in accordance with the format prescribed by Insurance Accounting Regulation 2017 and Insurance Rules 2017 (the new rules and regulation) . It did not have a direct impact on the financial statement except that for disclosure for related party transactions as prescribed by 4th schedule of the Companies Act 2017 as per the definition given in IAS 24 related parties.

b) Securities and Exchange Commission of Pakistan (SECP) vide SRO 88(1)/2017 and SRO 89(1)/2017 dated February 09, 2017 has issued the new rules and regulations. The application of these new rules and regulation for the purpose of preparation and presentation of financial statements were effective from April 01, 2017. However, SECP has allowed the Holding Corporation for application of new rules and regulation effective from January 01, 2018. Consequently, the Holding Corporation has changed its accounting policies in respect of presentation of financial statements and listed securities investments as explained in note 4 of the financial statements.

3 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the new format prescribed under Securities and Exchange Commission (Insurance) Rules, 2017 {Vide SRO 89(1)/2017 Dated February 09, 2017}.

3.1 BASIS OF CONSOLIDATION

Subsidiaries are those entities over which the Holding Corporation has control. Control is achieved when the Holding Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Holding Corporation controls an investee if, and only if, the Holding Corporation has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);-
exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

"Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Holding Corporation has less than a majority of the voting or similar rights of an investee, the Holding Corporation considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Holding Corporation's voting rights and potential voting rights.

The Holding Corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one

Subsidiaries are consolidated from the date on which the Holding Corporation obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the statement of profit or loss from the date the Holding Corporation gains control until the date the Holding Corporation ceases to control the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill acquired in a business combination is, on the acquisition date, allocated to each of the Holding Corporation's cash generating units that are expected to benefit from the combination. Goodwill is tested annually or whenever there is an indication of impairment exists. Impairment loss in respect of goodwill is recognised in statement of profit or loss and is not reversed in future periods.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Holding Corporation is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements.

All intra-Group transactions, balances, income, expenses and unrealised gains and losses on transactions between Group companies are eliminated in full.

Subsidiaries have same reporting period as that of the Holding Corporation. The accounting policies of subsidiaries have been changed to confirm with accounting policies of the Holding Corporation, wherever needed.

3.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012. In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012, shall prevail.

3.3 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 Holding Corporation on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy for 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 Holding Corporation from the application of IFRS 2 to the Scheme.

Subsequent to the balance sheet date Ministry of Finance issued a letter No. Mof 2(39)/BIU-1/2018/19 date April 15, 2019 whereby whole fund under BESOS is to be paid to MOF. In compliance to said directive the Holding Corporation paid a sum of Rs. 549.511 Million to MOF.

3.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies mentioned below.
These financial statements have been prepared following the accrual basis of accounting except for cash flow information.

3.5 Functional and presentation currency

These financial statements have been presented in Pak Rupee, which is the Holding Corporation’s functional (except for overseas business) and presentation currency. Amounts have been rounded off to the nearest thousand.

3.6 Standards, amendments and interpretations to the published standards that are relevant to the Holding Corporation and adopted in the current year

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

Standard or Interpretation		Effective Date (Annual period beginning on or after)
IFRS 2	Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018
IFRS 1 and IAS 28	Annual Improvements to IFRSs 2014-2016	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2018 and 2017.
The Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 became effective from January 1, 2018. The following changes have been brought about by the application of the Insurance Accounting Regulations, 2017 and the Insurance Rules, 2017, the impacts of which are disclosed in note 4.3.1 to the financial statements.

3.7 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2018 are considered not to be relevant or to have any significant effect on the Holding Corporation's financial reporting and operations and are therefore not presented here.

3.8 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective and nor early adopted by the Holding Corporation

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:

Standard or Interpretation		Effective Date (Annual period beginning on or after)
IFRS 4	Insurance Contracts - Amendments Applying IFRS 9 Financial Instrument with IFRS 4	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	"Applies when IFRS 9 is applied"
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 9	Financial Instruments	June 30, 2019
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2019
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 16	Leases	January 01, 2019
IAS 1 and IAS 8	Definition of material (Amendments to IAS 1 Presentation of Financial Statement and IAS 8 Changes in Accounting Estimates and Errors)	January 01, 2020
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019
IAS 19	Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 01, 2019

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2018 are as follows:

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 23	Borrowing Cost	January 01, 2019
IAS 12	Income Taxes	January 01, 2018

The management anticipates that, except as stated above, adoption of the new standards, amendments and interpretations in future periods, will have no material impact on the Holding Corporation's financial statements.

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

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

Standard or Interpretation	**Effective Date (Annual period beginning on or after)**
"IFRS 1 - First Time Adoption of International Financial Reporting Standards"	Not yet Notified
IFRS - 14 Regulatory Deferal Accounts	January 1, 2016
IFRS - 17 Insurance Contract	January 1, 2021
IFRIC - 4 Determining whether an Arrangement Contains a lease	Not yet Notified
IFRIC - 12 Service Concession Arrangement	Not yet Notified

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.
Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

a) Classification of investments

In investments classified as "held-to-maturity", the Holding Corporation has included financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Holding Corporation evaluates its intention and ability to hold such investments to maturity. All equity investments are classified at fair value through profit and loss account.

b) Provision for outstanding claims (including IBNR)

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

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

c) **Re-insurance recoveries against outstanding claims**

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

d) **Provision for income taxes**

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

e) **Impairment of other assets, including premium due but unpaid**

The Holding 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.

f) **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 Holding 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 Holding 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.

g) **Staff retirement benefits**

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these financial statements are consistent with those of the previous financial year, with the exception of the changes brought about by application of Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 as explained in note 5.1.

5.1 Presentation and disclosure of financial statements

Certain changes have been made to the Presentation of the Financial Statements which includes the following : Changes in sequence of assets / liabilities in the statement of financial position. Discontinuation of separate statements of premium, claims, expenses, and investment income which are now presented on aggregate basis into the notes to the financial statements. Underwriting results in relation to various classes of business which were previously presented on the face of the statement of profit and loss account are now presented in separate note.

5.2 Investments

Financial assets were previously measured as per the provisions of repealed SEC (Insurance) Rules, 2002. Starting from for the year end December 31,2018, Investments fall in the scope of IAS 39 "Financial Instruments-Recognition and Measurement", and are classified as loans and receivables, held-to-maturity investments or fair through profit or loss financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured at fair value or cost as the case may be. The Holding Corporation determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting period.

5.3 Reclassification of available-for-sale portfolio

The equity investment portfolio of the Holding Corporation was earlier classified by the Holding Corporation under the "Available-for-sale" (AFS) category. As per the requirements of International Accounting Standard IAS-39 "Financial Instruments - Recognition and Measurement" which was revised effective from January 1, 2005, the option of taking the revaluation gains / (losses) on the available-for-sale securities to income / revenue account was deleted and all such gains / (losses) were to be taken directly into the Other Comprehensive Income Statement. However, the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2002, now repealed through the Insurance Rules, 2017, had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds had no equity accounts and resultantly, the valuation gains / (losses) on the AFS portfolios were recorded in the Revenue Account, through Statement of Investment Income of the Statutory Funds. However, following the implementation of the Insurance Accounting Regulations, 2017, Regulation 11 requires that investments in statutory funds shall be classified in accordance with the requirements of the IFRS, ensuring that there is no accounting mismatch arising as a result of inconsistency in valuation of investments and liabilities of the statutory funds. Hence, the equity investment portfolio of the Holding Corporation classified under the AFS category has been reclassified as fair value through profit or loss to avoid inconsistency in value of investments and liabilities of these businesses.

5.3.1 Impact of reclassification of available-for-sale portfolio on financial statements

Previously, subsequent to initial recognition, the quoted Available to Sale investment were stated at lower of cost and market value (Market Value being taken as lower if the reduction is other than temporary) in accordance with the requirement of the SEC insurance rules 2002.

Accordingly, retrospective adjustment have been made in these annual financial information and comparatives have been revised as follows:

	December 31, 2017		
Impact on statement of financial position	**Balance after restatment**	**Adjustment**	**Balance restated**
	----------Rupees in '000----------		
Equity securities	27,879,698	68,137,955	96,017,653
Mutual fund	3,876,636	4,907,512	8,784,148
Ledger Account C & D - net of tax	-	1,979,122	1,979,122
Deferred tax liability	271,961	225,754	497,715
Insurance liabilities	724,284,628	71,206,981	795,491,609
Impact in Profit and loss accounts	-	(18,449,519)	(18,449,519)

	December 31, 2016		
Impact on statement of financial position	**Balance previously reported**	**Adjustment**	**Balance restated**
	----------Rupees in '000----------		
Investments Equity securities	27,913,948	84,598,985	112,512,933
Investments Mutual fund	3,876,636	6,897,881	10,774,517
Ledger Account C & D - net of tax	-	952,485	952,485
Deferred tax asset/(liability)	29,396	(261,184)	(231,788)
Insurance liabilities	(630,699,490)	(90,328,105)	(721,027,595)

6 INSURANCE AND FINANCIAL RISK MANAGEMENT

The insurance and financial risk management objectives and policies are as follows:

6.1 Funds (Life busniess)

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

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

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

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

Pakistan Life Fund (ordinary life)

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

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

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

Family Takaful Fund

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

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

The takaful operations under the 'Family Takaful Fund' are expected to start from the next year.

6.2 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 Holding 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.

6.3 Insurance contracts (Non Life Business)

Insurance contracts are those contracts under which the Holding Corporation, as insurer, has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property damage;
- Marine, aviation and transport;
- Motor;
- Accident and health;
- Credit and suretyship; and
- Miscellaneous.

(a) Fire and property damage insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

(b) Marine, aviation and transport insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired or held between the points of origin and final destination.

(c) Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

(d) Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalisation.

(e) Credit and suretyship insurance covers performance bonds in which surety assures the oblige that the principal can perform the task.

(f) Other types of insurance contracts are classified in the miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances, etc.

These contracts are provided to individuals as well as commercial organisations with various tenures according to the nature and terms of the contract and the needs of the insurer.

6.4 Re-insurance

The Holding Corporation has re-insurance arrangements with Swiss Re. The net retention limit of the Holding Corporation for individual life is Rs. 5 Million (2017: Rs. 5 Million) per policy and for group life is Rs. 5 Million (2017: Rs. 5 Million) per person of risk. Re-insurance premium is recorded as an expense evenly over the period of the re-insurance contract and is off-set against the premium income of the respective year.

The Subsidiary Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums is accounted for in the same period as the related premium for the direct business being reinsured. Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using pattern similar to calculation of premium income for the same policy. The deferred portion of premium expense is recognised as prepaid insurance premium ceded.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against income or expenses from related insurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

The Subsidiary Company assesses its reinsurance assets for impairment on each reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

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

6.5 Commission

6.5.1 Deferred commission expense / Acquisition Cost

Commission expense and costs incurred in obtaining and recording policies are deferred and recognised as an asset and are recognised in the profit and loss account as expenses in accordance with the pattern of recognition of premium income.

6.5.2 Unearned Commission income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Holding Corporation. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates.

6.5.3 Unearned premium

Unearned premium reserve represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Holding Corporation. This liability is calculated by applying the 1/24th method as specified in the Insurance Rules, 2017.

6.6 Premium deficiency

The cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the reporting date in respect of policies in that class of business in force at the reporting date, a premium deficiency reserve is recognised as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

6.7 Claims

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

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

6.8 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.

6.9 Premiums due but unpaid

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

6.10 Acquisition costs

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

6.11 Amount due from other insurers / reinsurers

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

6.12 Expenses of management

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

6.13 Staff retirement benefits

a) Provident fund

The Holding 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 Holding Corporation. However, in respect of employees who have opted for the pension scheme, no contribution is made by the Holding Corporation to the provident fund.

b) **Gratuity fund**

Officers

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

Staff

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

Previously, the Holding Corporation maintained a defined contribution plan in respect of all those officers of the Holding 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 Holding 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 Holding Corporation has been revamped from defined contribution plan to defined benefit plan.

c) **Pension fund**

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

d) **Compensated absences**

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

The liability in respect of compensated absences as at December 31, 2018 amounting to Rs.1,491 million (2017: Rs. 1,505 million) has been provided in these financial statements based on actuarial valuation.

e) **Post retirement medical benefits**

The Holding Corporation provides medical facilities to its retired officers and their spouses in accordance with the service regulations. As at December 31, 2018, liability for post retirement medical benefit as computed by the Appointed Actuary is estimated at Rs. 2,073 million (2017: Rs. 2,301 million) and the same has been provided in these financial statements.

6.14 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.

6.15 **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.

6.16 **Insurance contracts (Life Business) - classification**

The Holding Corporation maintains five statutory funds which are as follows:

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

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 Holding 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 Holding 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 Holding Corporation which started in 2012 and has yet to register any significant growth. The Holding Corporation also offers some supplementary benefits attached in the form of riders to the individual life policies and the group life contracts. Each of these classes of business are described in greater detail below.

Contract details and measurement

The insurance contracts offered by the Holding Corporation are described below:

6.16.1 **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 tenure of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

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

Term insurance policies

A few products of the Holding 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 Holding Corporation sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

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

The individual life policy holders of the Holding 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.

6.16.2 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 Holding Corporation. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Holding Corporation, however, some of the group business is also procured through individual life field force of the Holding Corporation.

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

6.17 Financial instruments

Financial assets and financial liabilities are recognised when the Holding 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
• fair value through Profit or loss 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 Holding Corporation has a positive intent and ability to hold these investments till maturity. After initial recognition, these are carried at amortized cost.

Fair value through Profit or Loss

Investment that are reclassified from available for sale portfolio as defined in note 5.3 in order the eliminate the accounting mismatch arising from the measurement of asset and liabilities. These are investment are initially recognised at cost being the fair value the of consideration given and its related transaction cost are charged to profit and loss account. These investments are subsequently measured at their market value with any gain or loss in profit and loss account.

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

Off setting

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

6.18 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.

6.19 Property and equipment

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

Subsequent costs

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

Depreciation

Depreciation is calculated on straight-line method to write off the cost of assets over their expected useful lives at the rates specified in note 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.

Gain and losses on disposal

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

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.

6.20 Intangible assets

Intangible assets having finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over their estimated useful lives. The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Holding Corporation and the cost of the item can be measured reliably.

Gains or losses on disposal of intangible assets are taken to the profit and loss account in the period in which disposals are made.

6.21 Revenue recognition
Premium life insurance
(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 Holding 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.

Premium - General insurance

Premium received / receivables under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy for direct businesses is recognised over the period of insurance from inception to expiry evenly over the period of the policy.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Holding Corporation from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy. Administrative surcharge is recognised as premium at the time the policies are written.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Holding Corporation reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

Premium income under a policy is recognised over the period of insurance contract from the date of inception of the policy to which it relates till the expiry in case of marine cargo business whereas, for all other cases of premium, income is recognised as a difference between total premium written and provision for unearned premium.

6.22 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.

6.23 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 Holding 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.

6.24 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.

6.25 Others

All other income are recognised on accrual basis.

6.26 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 Holding 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.

6.27 Bad and doubtful debts

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

6.28 Provisions

Provisions are recognized when the Holding 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.

6.29 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).

6.30 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.

6.31 Cash and cash equivalents

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

6.32 Dividend distributions and appropriations

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

6.33 Earnings per share

The Holding 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 Holding 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 Holding Corporation's reported net profits.

6.34 Segment reporting

Operating segment is a distinguishable component of the Holding Corporation that is engaged in providing services that are subject to risks and returns that are different from those of other operating segments. The Holding 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, 2017.

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

6.35 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.

7 PROPERTY AND EQUIPMENT

	Note	2018	2017
		----------- Rupees in 000-----------	
7.1 Operating assets - Tangible	7.1	417,868	442,089

Description	2018								
	Cost			Depreciation / Impairment					
	As at 1 January	Additions/ (disposals)	As at 31 December	As at 1 January	Charge for the year Addition / (disposals)	Adjustments	As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	---------- Rupees in '000 ----------								
Furniture and fixture	495,730	49,670 (50)	545,350	302,256	33,115	1,075 -	336,446	208,904	10
Office equipment	187,486	11,844 (460)	198,870	121,866	12,308	79	134,253	64,617	10 to 30
Computer installations-basic	769,014	35,041 (87)	803,968	677,811	41,901	-	719,712	84,257	20 to 30
Computer installations peripherals	72,558	4,822 (24)	77,356	60,879	5,461	1,456	67,796	9,560	20 to 30
Vehicles	230,978	1,735	232,713	151,618	30,241	990	182,849	49,864	20
Electric installation	4,689	240	4,929	3,936	327	-	4,263	666	15
	1,760,455	101,617 (621)	1,863,186	1,318,366	123,353	3,600	1,445,319	417,868	

Description	Cost			Depreciation					
	2017								
	As at 1 January	Additions/ (disposals)	As at 31 December	As at 1 January	Adjustments	Charge for the year additions/ (disposals)	As at 31 December	Written down value as at 31 December	Depreciation Rate (%)
	Rupees in '000								
Furniture and fixture	451,389	45,398 (1,057)	495,730	272,675	(462)	30,043	302,256	193,474	10
Office equipment	171,921	16,011 (446)	187,486	111,453	(51)	10,464	121,866	65,620	10 to 30
Computer installations-basic	728,226	42,064 (1,276)	769,014	637,442	(782)	41,151	677,811	91,203	20 to 30
Computer installations peripherals	67,085	5,910 (437)	72,558	56,462	(437)	4,854	60,879	11,679	20 to 30
Vehicles	203,143	27,835 -	230,978	128,137	-	23,481	151,618	79,360	20
Electric installation	4,375	314 -	4,689	3,595	-	341	3,936	753	15
	1,626,139	137,532 (3,216)	1,760,455	1,209,764	(1,732)	110,334	1,318,366	442,089	

7.1.1 During the year no assets have been written off (2017: Rs 14.3 Million).

8 INTANGILBE ASSETS

	Cost			Amortisation				
	As at 1 January	Additions/ (disposals)	As at 31 December	As at 1 January	Adjustments	As at 31 December	Written down value as at 31 December	Amortisation period
Computer Software - 2018	2,411,912	-	2,411,912	2,411,912	-	2,411,912	-	30%
Computer Software -	2,411,912	-	2,411,912	2,411,912	-	2,411,912	-	30%

8.1 Computer softwares includes GIS software and operating software licence which was purchased in 2009 and was amortized at the rate of 30% per annum.

9 INVESTMENT PROPERTIES

	Note	2018	2017
		---------- Rupees in 000 ----------	
Investment properties	9.2	2,308,136	2,336,178
Less: Provision for impairment in value	9.5	(895)	(687)
		2,307,241	2,335,491
Capital work in progress	9.1	1,359,628	859,462
		3,666,869	3,194,953

9.1 Capital work in progress

	Note	2018	2017
Opening balance		859,462	633,553
Additions	9.1.1	500,166	225,909
Transfer to asset		-	-
Closing balance		1,359,628	859,462

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

9.2 Investment Properties

2018

	Cost			Depreciation				
	As at 1 January	Additions/ (disposals)	As at 31 December	As at 1 January	Charge for the year	As at 31 December	Written down value as at 31 December	Useful life
	--Rupees in '000--							
Freehold land	274,616	-	274,616	-	-	-	274,616	-
Leasehold land	340,160	-	340,160	107,311	3,923	111,234	228,926	1 to 5
Leasehold improvements	24,577	738	25,315	14,404	638	15,042	10,273	5
Building, roads and structure	2,077,263	16,755	2,094,018	444,156	20,938	465,094	1,628,924	1
Electric installation and fittings	1,567,622	25,018	1,592,640	1,382,189	45,054	1,427,243	165,397	10
	4,284,238	42,511	4,326,749	1,948,060	70,553	2,018,613	2,308,136	

	2017							
	Cost			Depreciation				
	As at 1 January	Additions/ (Disposals)	As at 31 December	As at 1 January	Charge for the year	As at 31 December	Written down value as at 31 December	Useful life
	Rupees in '000							
Freehold land	274,391	225	274,616	-	-	-	274,616	-
Leasehold land	340,160	-	340,160	103,388	3,923	107,311	232,849	1 to 5
Leasehold improvements	23,589	988	24,577	13,819	585	14,404	10,173	5
Building, roads and structure	2,063,344	13,919	2,077,263	423,433	20,723	444,156	1,633,107	1
Electric installation and fittings	1,522,872	45,725	1,567,622	1,331,710	50,479	1,382,189	185,433	10
		(975)						
	4,224,356	60,857	4,284,238	1,872,350	75,710	1,948,060	2,336,178	
		(975)						

9.3 The Holding Corporation occupied approximately 27% (2017: 27%) of the total rentable area in the buildings classified as investment properties, which is used by the Holding Corporation for administrative purposes.

9.4 The market value of the investment properties, owned by the Holding Corporation as determined by the independent valuers, amounted to Rs.40,907 million (2017: Rs. 35,079 million). The forced sale value of the investment properties, owned by the Holding Corporation as determined by the independent valuers, amounted to Rs. 32,865 million (2017: Rs. 29,817 million).

9.5 There are properties costing Rs. 2,250 million (2017: Rs. 2,042 million) having written down value of Rs. 0.895 million (2017: Rs. 0.687 million) to which the Holding Corporation's title is disputed. Against this, a provision of Rs. 0.895 million (2017: Rs. 0.687 million) exists for loss of assets, if any.

9.6 The Holding Corporation has a plot at Rawalpindi costing Rs. 0.581 million (2017: Rs. 0.581 million) for which execution of title deed is pending due to dispute with the Cantonment Board, Rawalpindi.

9.7 The Holding Corporation has a plot at Mirpur (Azad Kashmir) costing Rs. 1.192 million (2017: Rs. 1.192 million) for which execution of title deed remain pending.

9.8 The investment properties also include Rs. 23 million (2017: Rs. 23 million) paid by the Holding 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 Holding 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 Holding Corporation is of the opinion that under irrevocable General Power of Attorney, the Holding Corporation is in a position to freely transfer the title of said property in its own name.

10 INVESTMENTS IN EQUITY SECURITIES

	2018			2017		
	Cost	Impairment / provision for the Year	Carrying value	Cost	Impairment / provision for the Year	Carrying value
	Rupees in '000					
FAIR VALUE THROUGH PROFIT OR LOSS						
Related parties						
Listed shares	3,450,495	-	17,798,141	3,544,405	-	18,084,285
Unlisted shares	5,000	-	5,000	5,000	-	5,000
Others						
Listed shares	24,750,335	-	70,183,411	24,546,255	(18,269)	77,833,360
Unlisted shares	268,643	-	95,711	271,490	(176,481)	95,008
Unlisted preference shares	3,743	-	-	3,743	-	-
	28,478,216	-	88,082,263	28,370,893	(194,750)	96,017,653

11 INVESTMENTS IN GOVERNMENT SECURITIES

		2018			2017		
	Note	Cost	Impairment / provision for the year	Carrying value	Cost	Impairment / provision for the year	Carrying value
	Rupees in '000						
Government securities							
Held to maturity							
Pakistan Investment Bonds	11.1	**639,247,760**	-	639,247,760	**553,376,901**	-	553,376,901
Treasury Bills	11.2	**248,992**	-	248,992	**196,985**	-	196,985
		639,496,752	-	639,496,752	**553,573,886**	-	553,573,886

11.1 Pakistan Investment bonds

	2018						2017
	Maturity Year	Effective Yield (%)	Amortized Cost	Principal Repayment	Carrying value	Effective Yield (%)	Carrying value
	---- Rupees in '000 ----						
HELD TO MATURITY							
3 year Pakistan Investment Bonds	2018 - 2020	7% - 8.75%	308,311	308,311	308,311	7% - 8.75%	360,851
3 year Pakistan Investment Bonds	2019 - 2021	10.90% - 12.06%	58,864,883	58,936,000	58,864,883	6.60% - 6.65%	82,169,181
5 year Pakistan Investment Bonds	2019 -2023	10.95% - 12.41%	152,057,680	151,156,000	152,057,680	7.45% - 7.50%	135,107,601
10 year Pakistan Investment Bonds	2019 - 2028	10.95% - 12.85%	340,263,996	333,292,300	340,263,996	8.35% - 8.40%	252,221,707
15 year Pakistan Investment Bonds	2019 -2031	10.95% - 13.40%	13,670,780	13,835,000	13,670,780	10.20% - 10.30%	13,607,671
20 year Pakistan Investment Bonds	2024 - 2031	12.43% - 13.40%	28,342,644	28,900,000	28,342,644	10.50% - 10.60%	25,815,933
30 year Pakistan Investment Bonds	2036 - 2038	12.50% - 13.60%	37,580,665	40,050,000	37,580,665	10.90% - 11.00%	37,564,004
Islamic Republic of Pakistan Bond			8,158,801	-	8,158,801		6,529,953
			639,247,760	626,477,611	639,247,760		553,376,901

Pakistan investment bonds have face value of Rs. 302 million (market value of Rs. 294 million) [2017: face value of Rs. 308 million (market value of Rs. 359 million)]. These carry mark-up ranging from 7% to 9.25% per annum and will mature between 2019 and 2020.

Pakistan Investment Bonds with face value of Rs. 360 million (2017: Rs. 300 million) are placed with State Bank of Pakistan under Section 29 of the Insurance Ordinance, 2000.

11.2 Treasury Bills

Face value (Rupees)	Profit rate %	Profit payment	Type of Security	Maturity date		2018 Cost	2018 Carrying value	2017 Cost	2017 Carrying value
						---- (Rupees) ----			
100,000,000	5.99	On maturity	Treasury Bills	15-02-2018		-	-	99,271	99,271
100,000,000	6.02	On maturity	Treasury Bills	24-05-2018		-	-	97,714	97,714
254,000,000	8.74	On maturity	Treasury Bills	01-02-2018		248,992	248,992	-	-
					Total	248,992	248,992	196,985	196,985

Market treasury bills have face value of Rs. 254 million (market value of Rs. 293.85 million) [2017: face value of Rs. 200 million (market value of Rs. 198.75 million)].
These carry mark-up at 8.74% (2017: 5.99% - 6.02%) per annum and will mature in 2019.

12 INVESTMENT IN DEBT SECURITIES

		2018			2017		
	Note	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Held to maturity		Rupees in '000					
Debentures	12.1	7,573	(7,573)	-	7,573	(7,573)	-
Fair value through profit or loss							
Foreign fixed income securities		3,623,918	-	3,623,918	796,057	-	796,057
		3,631,491	(7,573)	3,623,918	803,630	(7,573)	796,057

12.1 Debentures include an amount of Rs. 7.573 million (2017: Rs. 7.573 million) pertaining to those companies which are in liquidation process since 1974. Further, a court case is in process against the Colony Textile Mills Limited against debenture loan amounting to Rs. 0.678 million (2017: Rs. 0.678 million). The Holding Corporation had made full provision against these debentures.

13 INVESTMENT IN MUTUAL FUNDS

		2018			2017		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Fair value through profit or loss		Rupees in '000					
Listed							
Open ended mutual fund	13.1	3,015,481		5,888,937	3,015,481	-	6,209,941
Unlisted							
Preference shares open end mutual fund	13.2	861,155		1,963,695	861,155	-	2,574,207
		3,876,636		7,852,632	3,876,636	-	8,784,148

13.1 Open ended mutual funds

	2018			2017		
	Number of shares	Book value	Carrying value Rs. in '000	Number of shares	Book value	Carrying value Rs. in '000
	Rupees in '000					
Pakistan Life Fund						
National Investment Trust Units	75,996,262	2,304,969	4,847,032	75,996,262	2,304,969	5,337,217
Pak Capital Market Fund	115,239	373	1,216	115,239	373	1,235
NIT Government Bond Fund	28,278,954	300,000	289,859	28,278,954	300,000	288,728
NIT Income Fund	9,831,295	100,000	104,212	9,831,295	100,000	103,818
NIT Islamic Equity Fund	21,666,912	200,000	183,735	21,666,912	200,000	216,452
HBL Growth Fund"B"(PICIC Growth Fund)	12,024,904	-	205,987	-	-	-
HBL Investment Fund -Class"B"	1,607,710	-	14,389	-	-	-
HBL Money Market Fund	563,384	50,000	59,543	536,315	50,000	55,938
Al Meezan Mutual Fund	8,844,139	39,311	136,907	8,844,139	39,311	154,419
Pakistan Premier Fund	34,348	962	2,928	34,348	962	3,115
JS Growth Fund	270,895	19,866	43,129	270,895	19,866	49,019
		3,015,481	**5,888,937**		**3,015,481**	**6,209,941**

*The market value of these securities as at December 31, 2018 is Rs. 5,888.94 Million.

13.2 Unlisted - open end mutual funds

	2018			2017		
	Number of units	Cost Rs. in '000	Carrying value Rs. in '000	Number of units	Cost Rs. in '000	Carrying value Rs. in '000
	Rupees in '000					
NIT Equity Market Opportunity Fund	10,179,666	594,190	1,817,274	10,179,666	594,190	2,211,838
HBL Growth Fund"B"(PICIC Growth Fund)	12,024,904	243,312	138,286	12,024,904	243,312	340,906
HBL Investment Fund-Class"B"	1,607,710	23,653	8,135	1,607,710	23,653	21,463
		861,155	**1,963,695**		**861,155**	**2,574,207**

	Note	2018	2017
		------------(Rupees in '000)--------------	
14 INSURANCE / REINSURANCE RECEIVABLES			
Unsecured and considered good		21,538,723	17,632,471
Due from insurance contract holders			
Less provision for impairment of receivables from Insurance contract holders		(78,695)	(68,173)
Due from other insurers / reinsurers		447,903	457,706
Less provision for impairment of due from other insurers / reinsurers		(50,551)	(41,087)
		21,857,380	17,980,916
15 OTHER LOANS AND RECEIVABLES			
Accrued investment income		32,121,973	26,461,973
Loans to agents		69,694	70,961
Loans to employees	15.1	916,021	828,016
Other receivables		1,707,765	1,722,008
Security deposit		1,933	1,985
		34,817,386	29,084,943

15.1 This represents interest free loans provided to employees repayable within 12 months.

	Note	2018	2017
16 DEFERRED COMMISSION EXPENSE / ACQUISITION COSTS			
Commission paid or payable		13,165	19,148
Add: Deferred commission expense opening		7,169	13,196
Less: Deferred commission expense closing		5,296	7,169
Net Commission		15,038	25,175
Commission received or recoverable		877	9,956
Add: Unearned Reinsurance commission		3,650	5,754
Less: Unearned Reinsurance commission		534	3,650
Commission from reinsurers		3,993	12,060
		11,045	13,115
17 DEPOSITS AND PREPAYMENTS			
Advance to contractors & security deposit		328,776	369,798
Prepaid reinsurance premium ceded		18,695	19,424
Prepaid miscellaneous expenses		49,093	47,899
Prepaid rent		17,349	23,058
		413,913	460,179
18 CASH AND BANK			
Cash and Cash Equivalent	18.1		
- Cash in hand		13,531	7,665
- Cash in transit		341,802	177,166
- Policy and Revenue stamps, Bond papers		145	199
Cash and bank			
- Current account		16,072,812	15,701,044
- Saving account	18.2	11,219,808	17,631,539
- Fixed deposits maturing after 12 months		5,681,617	5,067,534
		33,329,715	38,585,147

18.1 Cash and short term borrowing include the following for the purposes of the cash flow statement:	Note	2018	2017
		--------------(Rupees in '000)----------------	
- Cash in hand		**13,531**	7,665
- Cash in transit		**341,802**	177,166
- Policy and Revenue stamps, Bond papers		**145**	199
- Current account		**16,072,812**	15,701,044
- Saving account		**11,219,808**	17,631,539
Cash and Cash Equivalent		**27,648,098**	33,517,613

18.2 It carries mark-up / interest at the rate of 3.14% to 8.75% per annum (2017: 3% to 6% per annum).

19 SHARE CAPITAL

19.1 AUTHORIZED CAPITAL

2018	2017		Note	2018	2017
Number of shares				--------------(Rupees in '000)----------------	
50,000,000	40,000,000	Ordinary shares of Rs. 100 each		**5,000,000**	4,000,000

19.2 Issued, subscribed and paid up share capital

30,000,000	30,000,000	Ordinary shares of Rs. 100 each	**3,000,000**	3,000,000
5,000,000	-	Issue during the year	**500,000**	-
35,000,000	30,000,000		**3,500,000**	3,000,000

20 INSURANCE LIABILITIES

	Note	2018	2017
Reported outstanding claims (including claims in payment)	20.1	**18,593,297**	16,896,251
Incurred but not reported claims (IBNR)	20.2	**4,027,893**	4,268,435
Liabilities under individual conventional insurance contracts	20.3	**865,909,493**	771,405,138
Liabilities under group insurance contracts (other than investment linked)	20.4	**2,035,780**	2,151,841
Other insurance liabilities	20.5	**208,221**	267,206
		890,774,684	794,988,871
Underwriting provisions			
Outstanding claims including IBNR	20.6.1	**318,693**	430,990
Unearned premium reserves	20.6.2	**33,943**	44,054
Premium deficiency reserves		**20,599**	24,043
Unearned reinsurance commission	20.6.3	**534**	3,650
		373,769	502,737
		891,148,453	795,491,608

20.1 Reported outstanding claims

	2018	2017
Gross of Reinsurance		
Payable within one year	**18,544,211**	16,851,645
Payable over a period of time exceeding one year	**49,086**	44,606
	18,593,297	16,896,251
Recoverable from Reinsurance		
Receivable within one year	**-**	-
Receivable over a period of time exceeding one year	**-**	-
	-	-
Net reported outstanding claims	**18,593,297**	16,896,251

		Note	2018	2017
			--------------(Rupees in '000)----------------	
20.2	**Incurred but not reported claims**			
	Gross of reinsurance		**4,027,893**	4,268,435
	Reinsurance recoveries		**-**	-
	Net of reinsurance		**4,027,893**	4,268,435
20.3	**Liabilities under individual conventional insurance contracts**			
	Gross of reinsurance		**866,683,124**	772,105,987
	Reinsurance credit		**773,631**	700,849
	Net of reinsurance		**865,909,493**	771,405,138
20.4	**Liabilities under Group Insurance Contracts (other than Investment linked)**			
	Gross of reinsurance		**2,035,780**	2,151,841
	Reinsurance credit		**-**	-
	Net of reinsurance		**2,035,780**	2,151,841
20.5	**Other insurance liabilities (Premium deficiency reserve)**			
	Gross of reinsurance		**208,221**	267,206
	Reinsurance recoveries		**-**	-
	Net of reinsurance		**208,221**	267,206
20.6	**Underwriting provisions**			
20.6.1	**Outstanding claims including IBNR**			
	Claims paid		**158,075**	111,868
	Add: Outstanding claims including IBNR closing		**318,693**	430,990
	Less: Outstanding claims including IBNR opening		**(430,990)**	(198,989)
	Claims expense		**45,778**	343,869
	Reinsurance and other recoveries received		**113,902**	66,137
	Less: Reinsurance and other recoveries received in respect of outstanding claims opening		**(325,792)**	(137,404)
	Add: Reinsurance and other recoveries received in respect of outstanding claims closing		**211,644**	325,792
	Reinsurance and other recoveries revenue		**(246)**	254,525
			46,024	89,344
20.6.2	**Unearned premium reserves**			
	Written Gross Premium		**83,474**	106,277
	Add: Unearned premium reserve opening		**44,054**	72,294
	Less: Unearned premium reserve closing		**33,943**	44,054
	Premium earned		**93,585**	134,517
	Less: Reinsurance premium ceded		**45,437**	48,610
	Add: Prepaid reinsurance premium opening		**19,424**	25,414
	Less: Prepaid reinsurance premium closing		**18,695**	19,424
	Reinsurance expense		**46,166**	54,600
			47,419	79,917

	Note	2018	2017
		(Rupees in '000)	
20.6.3 Unearned reinsurance commission			
Commission paid or payable		**13,165**	19,148
Add: Deferred commission expense opening		**7,169**	13,196
Less: Deferred commission expense closing		**5,296**	7,169
Net Commission		**15,038**	25,175
Less: Commission received or recoverable		**877**	9,956
Add: Unearned Reinsurance commission		**3,650**	5,754
Less: Unearned Reinsurance commission		**534**	3,650
Commission from reinsurers		**3,993**	12,060
		11,045	13,115

21 RETIREMENT BENEFIT OBLIGATIONS

Disclose the general description of the type of plans, changes in the plans, if any, and effect of any changes in the plans during the period; employees covered; and the accounting policy for recognising actuarial gains and losses.

Disclose when was the latest actuarial valuation of the defined benefit plans was conducted and specify the method used for valuation. Details of the defined benefit plans are:

	Employees' Pension Funds		Officers Gratuity Funds		Employee's Unfunded Gratuity Scheme		Employee's PRMB Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017
	---Rupees in '000---							
Balance Sheet Reconciliation								
Fair value of plan assets	**(18,301,618)**	(20,333,061)	**(133,768)**	(159,689)	**-**	-	**-**	-
Present value of defined benefit obligations	**21,017,095**	19,668,022	**183,324**	190,087	**13,038**	70,954	**2,073,297**	2,301,383
Recognised liability / (asset)	**2,715,477**	(665,039)	**49,556**	30,398	**13,038**	70,954	**2,073,297**	2,301,383
Movement in the fair value of plan assets								
Fair value as at January 1	**20,333,061**	18,763,484	**159,689**	161,633	**-**	-	**-**	-
Expected return on plan assets	**1,920,904**	1,778,322	**12,908**	13,987	**-**	-	**-**	-
Actuarial gains / (losses)	**(3,568,187)**	(248,442)	**(11,392)**	(2,023)	**-**	-	**-**	-
Employer contributions	**(384,160)**	39,697	**(131)**	4,310	**-**	-	**-**	-
Benefits paid	**-**	-	**(27,307)**	(18,218)	**-**	-	**-**	-
Fair value as at December 31	**18,301,618**	20,333,061	**133,768**	159,689	**-**	-	**-**	-
Movement in the defined benefit obligations								
Obligation as at January 1	**19,668,022**	17,215,107	**190,087**	185,732	**70,954**	72,254	**2,301,383**	1,964,517
Service cost	**703,727**	618,343	**4,961**	5,259	**1,669**	2,008	**99,467**	82,546
Interest cost	**1,869,264**	1,640,545	**15,633**	16,292	**5,647**	6,677	**218,147**	188,212
Liability in respect of promotees	**-**	-	**48,008**	-	**(48,008)**	-	**-**	-
Settlement and Curtailment	**-**	-	**-**	-	**-**	-	**-**	-
Actuarial losses / (gains)	**(330,382)**	(930,434)	**15,501**	15,357	**(7,342)**	(6,000)	**(478,271)**	142,104
Benefits paid	**(893,537)**	(736,406)	**(90,867)**	(32,555)	**(9,881)**	(3,985)	**(67,430)**	(75,995)
Obligation as at December 31	**21,017,095**	17,807,155	**183,324**	190,087	**13,038**	70,954	**2,073,297**	2,301,383
Cost								
Current service cost	**703,727**	618,343	**4,961**	5,259	**1,669**	2,008	**99,467**	82,546
Interest cost	**1,869,264**	1,640,545	**15,633**	16,292	**5,647**	6,677	**218,147**	188,212
Expected return on plan assets	**(1,920,904)**	(1,778,322)	**(12,908)**	(13,987)	**-**	-	**-**	-
Settlement and curtailment	**-**	-	**-**	-	**-**	-	**-**	-
Recognition of actuarial loss	**3,237,806**	1,178,876	**27,306**	17,238	**(7,342)**	(6,000)	**(478,271)**	142,104
Expense	**3,889,893**	1,659,442	**34,992**	24,802	**(26)**	2,685	**(160,657)**	412,862
Actual return on plan assets	**(1,647,284)**	1,529,880	**1,516**	11,964	**-**	-	**-**	-

Principal actuarial assumptions used are as follows

Discount rate & expected return on plan assets	**13.75%**	9.50%	**13.75% - 10%***	9.5% - 9.25%*	**13.75%**	9.50%	**13.75%**	9.50%
Future plan increases (if applicable)	**12.25%**	8.00%	**12.25% - 9.5%***	8% - 9%*	**12.25%**	8.00%	**12.25%**	8.00%

Disclose the expected contribution for the upcoming year along with current year comparison.

*** Represents return on plan assets and future plan increases on subsidiary balances**
Comparison for five years:

	2018	2017	2016	2015	2014
As at December 31					
Fair value of plan assets	**18,435,386**	20,492,750	(18,911,799)	(16,615,796)	9,060,375
Present value of defined benefit obligations	**(23,286,753)**	(22,230,446)	19,428,027	17,574,035	(15,201,092)
(Deficit) / surplus	**(4,851,368)**	(1,737,696)	516,228	958,239	(6,140,717)
Experience adjustments					
Gain / (loss) on plan assets (as percentage of plan assets)	**-26.32%**	-8.48%	-2.73%	-5.77%	-67.78%
Gain / (loss) on plan obligation (as percentage of plan obligation)	**20.83%**	7.82%	2.66%	5.45%	40.40%

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

	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	-----------------Rupees in '000-----------------							
Impact on the defined benefit obligation								
Increase in assumption	18,884,397	17,580,258	174,425	183,294	12,922	70,236	1,890,933	2,177,621
Decrease in assumption	23,586,928	22,204,061	181,120	187,068	13,156	71,688	2,285,861	2,436,511

Plan assets comprise of the following:	**Employees' Pension Funds**				**Officers Gratuity Funds**			
	2018		2017		**2018**		2017	
	Rs. In 000	%	Rs. In 000	%	**Rs. In 000**	**%**	Rs. In 000	%
Equity	**-**	**0%**	-	0%	-	**0%**	-	**0%**
Debt	**18,144,688**	**99%**	18,858,259	99%	128,244	**96%**	152,991	**96%**
Others (including cash and bank balances)	**156,929**	**1%**	219,393	1%	5,525	**4%**	6996	**4%**
	18,301,618	**100%**	19,077,652	100%	133,768	**100%**	159,987	**100%**

	2018	**2017**
	---------(Rupees in '000)----------	
21.1 Movement in Payable to Accumulated Compensation Absences		
Opening Balance	1,505,000	1,323,628
(Reversal) / addition during the year	(14,000)	181,372
Closing balance of compensated absences	1,491,000	1,505,000

		Note	2018	2017
			--------------(Rupees in '000)----------------	
22	**DEFERRED TAX**			
	Deferred debit arising in respect of			
	Accelerated depreciation on fixed asset		**1,637**	1,684
	Provision against premium due but unpaid		**22,822**	20,452
	Provision for diminution in value of investment		**4,750**	4,358
	Provision against amount due from other insurers/reinsurers		**14,659**	12,326
			43,868	38,820
	Deferred credit arising in respect of			
	On Retained balance on Ledger Account D		**472,871**	225,754
	Provision for employees benefit plan		**264**	145
	Unrealized gain or loss on revaluation of AFS		**42,027**	36,355
			515,162	262,254
	Net deferred tax liability		**(471,294)**	**(223,434)**
23	**INSURANCE / REINSURANCE PAYABLES**			
	Due to other insurers / reinsurers		**504,238**	491,102
	Cash margins against performance bonds		**5,212**	6,613
			509,450	497,715
24	**OTHER CREDITORS AND ACCRUALS**			
	Agents commission payable		**5,920,864**	5,310,526
	Accrued expenses		**4,698,437**	3,813,711
	Sindh Workers' Welfare Fund	24.1	**2,198**	2,198
	Other liabilities	24.2	**7,754,580**	7,104,732
			18,376,079	16,231,167

24.1 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establish ment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court.

The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

In view of the above, on prudent basis the management has decided not to reverse charge for WWF recorded for the years upto 2015 amounting to Rs. 2.198 million.

24.2 This includes outstanding claims in respect of which cheques have been issued by the subsidiary company for claim settlement but the same have not been encashed by the claimant. The following is the ageing as required by SECP circular No. 11 dated 19 May 2014:

	Note	2018	2017
		--------------(Rupees in '000)----------------	
- More than 6 months		698	471

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 The Holding Corporation has filed appeals on different issues in the Honorable High Court of Sindh contesting the decision of the ATIR for the income years 1992-1993 to 2002-2003 mainly relating to turnover tax and excess perquisites. In addition, the issue of tax rate was raised for the income years 1992-93 to 1996-97. The Inland Revenue Department added back the excess perquisites to the taxable income and tax liability was enhanced accordingly. Further, Inland Revenue Department re-opened these assessments and rectified to invoke provisions of turnover tax on the ground that the tax paid under Fourth Schedule of the Income Tax Ordinance, 2001 is less than turnover tax and hence, should be paid accordingly. The Holding 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 Honorable High Court of Sindh, Karachi and management of the Holding Corporation and its tax advisor are confident that ultimate outcome of these matters will be in favour of the Holding Corporation and accordingly, no provision is required in these financial statements on account of these matters.

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

According to those notices, the Inland Revenue Department were of opinion that Holding Corporation was required to withhold Income Tax on maturity claims by virtue of the said section. The Department considered that the total amount of a matured policy given to the policy holder consist of bonuses and the sum assured. The bonuses are given to the policy holder on the basis the amount of premium received during the whole term of the policy which is a form of interest or profit on debt. Hence, the Holding Corporation u/s 151 (1)(d) is liable for deducting withholding tax@ 10% on the amount of bonuses paid to policyholder on maturity. Therefore, the Inland Revenue Department raised demands of Rs. 710.124 million and Rs. 738.514 million as withholding tax for tax year 2008 and 2009 respectively. The Holding 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 Holding Corporation vide order No. 27 & 28 dated September 29, 2011 on the grounds that the provisions of section 151(1)(d) of the Income Tax Ordinance, 2001 are not attracted to the payments made by way of bonus on the maturity of the policies as the same can not be construed to be interest or profit on debt.

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

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

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

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

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

In the year 2013, the Inland Revenue Department filed appeal in the Honorable High Court of Sindh against the decision of ATIR in the above cases. 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 Holding Corporation. The Holding Corporation had 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 also been dismissed by the High Court of Sindh, Karachi vide order dated August 30, 2016. Inland Revenue Department has filed civil appeal before Honorable Supreme Court of Pakistan against the judgement of Honorable High Court of Sindh, Karachi which is pending adjudication.

25.1.4 In the year 2013, Inland Revenue Department issued similar notices to Holding Corporation regarding withholding of tax on maturity proceeds of insurance policies as described in note 22.1.2. These notices were related to Tax Year 2010 to Tax Year 2012 stating that the Department holds a similar stance as described in the said note. Reply was filed by the Holding Corporation through authorized representative which was not accepted by the Department and order of amendment u/s 161 and 205 of the Income Tax Ordinance was passed, resulting in total demand of Rs. 1,577.456 million (Rs. 1,249.138 million as withholding tax and Rs. 328.318 million as default surcharge).

The entire principal demand of Rs. 1,249.138 million was paid under protest and without prejudice to its legal right to appeal. The Holding Corporation then filed appeals before CIR (A) which have not been upheld. The Holding Corporation filed appeal before ATIR against the above order which has been decided in favour of Holding 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 Holding Corporation on the amount of bonus paid to the policyholders on the maturity of the polices during the tax year 2013. Reply was filed through tax consultant which was not agreed by Department and order u/s 161/205 was passed and tax demand amounting to Rs. 609.23 million including default surcharge of Rs. 99.11 million was raised which was discharged without prejudice to legal rights to appeal. Appeal was filed before CIR (A) against said order which was upheld vide order # 34 dated March 30, 2015.

Inland Revenue Department has issued refund amounting to Rs. 500 million from appeal effect of Tax Year 2013 in July, 2015. Further, IR Department has adjusted outstanding demand for tax year 2009, 2010 and 2011 at Rs. 10.8 million, 12.5 million and Rs. 56.3 million respectively against pending appeal effect of tax year 2013. As at December 31, 2018, appeal effect amounting to Rs. 29.4 million is still pending with the Inland Revenue Department. Inland Revenue Department has filed an appeal before ATIR against the said order of the CIR (A) which is pending till to date.

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

25.1.5 While assessing the income and tax liability thereon for assessment years 2000-01, 2001-02 and 2002-03, Income Tax Department, AJK disallowed excess perquisites u/s 24(i) of the Income Tax Ordinance, 1979 (repealed) as inadmissible business expense of Holding 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 Holding 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, Holding 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 Holding Corporation's tax liability for each assessment year.

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

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

25.1.6 In 2015, Inland Revenue 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 took into scrutiny.

Reply filed by the Holding 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). Holding Corporation has paid the above demand under protest and without prejudice to the legal rights to appeal.

Holding Corporation being aggrieved preferred appeals against impugned orders of Inland Revenue 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. Holding Corporation has referred these notices to its tax consultant for compliance. Based on the reply filed by the Holding Corporation through consultant for tax year 2009 to 2013, DCIR has passed rectified orders whereby previously created demand has been reduced by Rs. 7.6 million.

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 Holding 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 Holding Corporation filed application for rectification of order passed by DCIR for tax year 2014 and 2015. In pursuance of our rectification request, 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, Holding 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, Holding Corporation has filed an appeal before CIR (A).CIR (A) in its order dated September 19, 2016 has referred back the case to concerned DCIR for re-assessment. At present, the case is being re-assessed by DCIR.

25.1.7 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 02.01.2017 to SLIC for tax year 2016 whereby certain issues regarding deduction claimed on account of provision for impairment in the value of investment properties, deduction claimed on account of gratuity and pension, deduction claimed on account of provision for impairment in shares, rationale for deduction of investment property related expenses, foreign tax credit u/s 103 of the Ordinance claimed in the annual tax return, taxation of dividend income as single basket income, etc were confronted. SLIC has engaged tax consultant for responding said notice.

Subsequent to the reply filed by SLIC through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 06.03.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 23.7millionillion was raised u/s 137 of the Income Tax Ordinance.

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

SLIC filed appeal against the impugned order before CIR (A). Issue related to subjecting dividend income to normal tax rate is decided in favor of SLIC whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and value of investment properties and provision for diminution in value of investment are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date.

25.1.8 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 13.03.2017 to SLIC for tax year 2015 whereby almost similar issues as stated in note 22.1.7 were raised. Subsequent to the reply filed by SLIC through its counsel, ACIR proceeded to amend an assessment and passed an amended assessment order dated 13.04.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby demand of Rs. 163.4 million was raised u/s 137 of the Income Tax Ordinance. In said order, ACIR has incorrectly adjusted Rs. 446.6 million against demand raised u/s 161 / 205 of the Ordinance which was actually duly discharged by SLIC by making cash payment.

SLIC, not in agreement with above order, filed application for rectification u/s 221 dated 24.04.2017 through tax consultant which was rejected by concerned ACIR vide letter dated 28.04.2017. Our tax consultant vide letter dated 05.05.2017 again requested for rectification of order. DCIR passed rectified order vide letter DC # 03/117 dated 21.12.2017 whereby refund of Rs. 316.7million is determined as refundable to SLIC.

SLIC filed appeal against the impugned order before CIR (A). Issues related to subjecting dividend income to normal tax rate and disallowance on account of exchange loss related to foreign currency balances are decided in favor of SLIC whereas issues related to deduction claimed on account of real estate expenses, provision for impairment in value of shares and provision for bad debts are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date.

25.1.9 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi has served legal notice u/s 122 (9) of the Income Tax Ordinance, 2001 dated 31.12.2014 to SLIC for tax year 2012 whereby certain issues regarding reconciliation of commission expense between cash flow statement and monthly withholding tax statements, short withholding of tax under various provisions of the Ordinance, taxation of dividend income as single basket income, provision for IBNR, etc were confronted. Tax consultant responded said notice on behalf of SLIC. Additional information/explanation were also called vide letters dated 24.02.2015, 22.09.2015 and 25.01.2017. Subsequent to the reply filed by tax consultant ACIR proceeded to amend an assessment and passed an amended assessment order dated 02.02.2017u/s122 (5A) of the Income Tax Ordinance, 2001 whereby outstanding refund for same year was utilized to adjust the demand of Rs. 39.3 million. After adjustment, balance refunds stands at Rs. 93.3 million.

SLIC has filed appeal against the impugned order before CIR (A). Issue of subjecting dividend income to normal tax rate, foreign tax credit claimed u/s 103, disallowance of provision for IBNR and disallowance of amount pertaining to investment arrangement between Holding Corporation and Bureau of Emigration and Overseas Employment has been decided by CIR (A) in favor of Holding Corporation vide order dated 22.05.2017. However, CIR (A) has decided the issue relating to disallowance of provision for impairment in value of shares against the Holding Corporation. Inland Revenue Department as well as Holding Corporation has filed cross appeal before Appellate Tribunal Inland Revenue against above order of CIR (A) which is still pending till to date.

25.1.10 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi also issued notices u/s 122 of the Ordinance to SLIC related to tax years 2011, 2013 and 2014. Vide Said notices, ACIR confronted almost similar issues as stated at note 22.1.7 and 22.1.9. SLIC engaged A.F. Ferguson & Co. for responding these notices. Subsequently, ACIR passed amended orders whereby demand of Rs. 520.5million was raised (Tax Year 2011: Rs. 56.3million, Tax Year 2013: Rs. 107.1million and Tax Year 2014: Rs. 357.1million). Inland Revenue Department adjusted the demand related to tax year 2011 from pending appeal effect related to tax year 2013. Further, demand related to tax years 2013 and 2014 was adjusted by Inland Revenue Department from pending refund related to tax year 2015. SLIC, being aggrieved from above orders of ACIR, filed appeals before CIR (A). Issues related to subjecting dividend income to normal tax rate, addition on account of inter-office rent expense, provision for diminution in value of investments and tax on Bureau Fund has been decided in favour of SLIC by CIR (A). However, issues related to deduction claimed on account of real estate expenses and provision for bad and doubtful debts are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against the orders of CIR (A).

25.1.11 Additional Commissioner Inland Revenue, Audit Range-B, Zone-III, LTU, Karachi served notice u/s 122 of the Income Tax Ordinance, 2001 dated 10.01.2018 to SLIC for tax year 2017. Vide Said notice, ACIR confronted issues like investment arrangement between SLIC and Bureau of Emigration and Overseas Employment, deduction claimed on account of provision for diminution in value of investments, provision for impairment in the value of investment properties, provision for impairment in the value of shares, loans / advances to employees and agents, short withholding of tax under various provisions of the Ordinance. SLIC engaged A.F. Ferguson & Co. for responding the notice. Subsequently, ACIR passed amended order whereby demand of Rs. 480.2million was raised. Holding Corporation, being aggrieved from above amended order, file appeal before CIR (A). Further, Holding Corporation, through its tax consultant, also file application for stay of tax demand vide letter dated 05.04.2018 along with application for out of turn hearing vide letter dated 28.03.2018 before CIR (A). Hearing before CIR (A) was held on 26.04.2018. CIR (A) vide order No. 6 dated 03.05.2018 decided issues which involves major tax impact at Rs. 357.1million like tax on Bureau Fund, disallowance on account of inter-company rent expenses in favour of SLIC. However, issue of disallowance on account of real estate expenses and provision against other receivables are decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against order of CIR (A) which are pending till to date.

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

The Holding 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 Holding 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 Holding 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 met 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 Holding Corporation.

25.1.13 Various claims amounting to Rs. 56.704 million (2017:Rs.78.718 million) has been lodged by various parties against the subsidiary company. The subsidiary company has not acknowledge these claims as the management considers that the subsidiary company is not liable to settle the amount.

25.1.14 The income tax assessments of the Subsidairy company have been finalised upto tax year 2017.Matters of disagreement exist between the Subsidairy company and the tax authorities for the tax year 2009, 2011, 2012, 2013, 2014, 2015 and 2016. In prior years, the Commissioner has passed amended assessment orders for the these tax years under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Subsidairy company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of provision for IBNR claims, non-withholding of tax on commission expenses and payment of certain expenses in cash. The management is contesting these matters with the tax authorities and has filed appeals with the Appellate Tribunal Inland Revenue (ATIR), the Honorable High Court of Sindh (the Court) and with the Commissioner Inland Revenue Appeals (CIRA) and is confident that these matters will be decided in favour of the Subsidairy company. Consequently, no provision has been made in these financial statements in respect of the above matters.

For tax years 2009 and 2014, the ACIR has passed amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Company under Fourth Schedule to the Ordinance. As a result of the amended assessment order for tax year 2009, demand of Rs. 4.627 million was created and for tax year 2014, demand of Rs. 18.583 million was created against which the Company has paid Rs. 9.292 million. The Company has filed appeals before CIRA and if the appeal is decided against the Company, a tax liability of Rs. 13.918 million would arise.

For tax years 2015 and 2016, the ACIR passed an amended assessment order under section 122(5A), wherein tax on dividend income has been charged at corporate tax rate by treating such income as business income of the Subsidairy company under Fourth Schedule to the Ordinance. Further, certain disallowances were made in respect of non-withholding of tax on commission expenses and payment of certain expenses in cash. Consequently, tax demand of Rs. 2.298 million and Rs. 6.825 million was created respectively. Against the amended assessment order, an appeal was filed before the CIRA, who vide combined appellate order dated 21 November 2017 allowed relief in respect chargeability of dividend at corporate tax rates and levy of Worker's Welfare Fund whereas additions on account of non-withholding of tax commission expense and cash expenses made by the Subsidairy company were confirmed. The Subsidairy company has filed a further appeal before the ATIR on the issues confirmed by the CIRA. Moreover, the department has also filed appeal before the ATIR challenging the relief granted by the CIRA. If the appeal is decided against the Subsidairy company, a tax liability of Rs. 9.123 million would arise.

During the previous year, the ACIR issued notice dated 16 May 2017, under section 122(5A) for passing an amended order on certain issues for the tax year 2011. However, the Subsidairy company has filed a writ petition before the Honorable High Court of Sindh challenging the validity of the notice being barred by limitation of time. The Court has granted an order and the said order is operating. Based on tax advisor opinion the management is confident of favourable outcome of the said appeal. accordingly, no tax provision has been recorded in these financial statements.

25.1.15 The provincial revenue authority of Punjab and Balochistan has made applicable provincial sales tax on life insurance and health insurance, which as per the management is not currently enforced by the authorities. The Holding Corporation has not levied the sales tax to policy holders in the said provinces and also not provided for in the accounts.

This being a collective issue of the industry, the Insurance Association of Pakistan (IAP) has actively taken up the matter with the provincial revenue authorities for the exemption on sales tax. The industry's main contention is that life and health insurance is not a service, but infact, an underwriter's promise to pay to the policyholder in the future, a specified sum of money, either on occurrence of an identified event causing loss, or upon maturity of the policy, as is also clearly defined in the definition of the term "insurance" under the Insurance Ordinance, 2000. On the basis of this definition, “Insurance” is actually a contract of indemnification from loss, dependent on a contingent event, and does not constitute a “service”. Such contention of the insurance industry has also been upheld in the superior courts of foreign jurisdiction.

The legal advisors, in their opinion, have expressed the view that an insurance contract is essentially a financial transaction, which is unrelated to the sale of any identifiable consumer goods or service, and as such, in leading jurisdictions, it has been widely held that insurance is not a service, hence, it does not fall within the scope of taxability under the provincial sales tax laws.

The legal advisors has also expressed their opinion that the applicability of sales tax on the provision of life and health insurance would be in contravention of global norms where insurance is held to be not a service, but rather, a financial transaction, and further, any such applicability of tax will greatly inhibit the ability of the Holding Corporation and the country's other insurance providers to allow for access to life and health insurance as a basic personal right of a citizen to enjoy life according to the law. In other foreign jurisdictions including UK and Malaysia, life and permanent health insurance are either exempt, or, excluded from taxable services.

Based on the above, the legal advisors of the Holding Corporation have expressed the opinion that there are sufficient grounds available to the Holding Corporation for filing a Constitutional Petition to challenge the levy of provincial sales tax on life and health insurance, and in their opinion, it is likely that the Court may allow the same accordingly. However, in view of the ongoing discussions with the provincial tax authorities to resolve this matter administratively, the Holding Corporation has not yet exercised its right to legal recourse, as the management is hopeful of a successful conclusion of discussions with the Authorities.

Based on the opinion of legal advisors the Holding Corporation has not levied sales tax to policy holders in the province of Punjab and Balochistan and nor provided for in the consolidated financial statements.

25.2 Commitments

The Holding Corporation is committed in respect of capital expenditure contract aggregating to Rs. 252 million (2017: Rs. 216 million). There were no other commitments as at the balance sheet date.

	Note	2018	2017
		--------------(Rupees in '000)----------------	
26 NET INSURANCE PREMIUM REVENUE			
Gross Premiums			
Life business			
Regular premium individual policies			
First year		**18,962,638**	17,727,019
Second year renewal		**14,427,157**	13,678,896
Subsequent year renewal		**71,748,850**	60,952,511
Group policies		**4,668,633**	4,774,454
Health insurance		**5,430,900**	3,911,863
		115,238,178	101,044,743
Non-life business			
Gross Premium income	20.6.2	**93,585**	134,517
Total Gross Premiums		**115,331,763**	101,179,260
Less: Reinsurance Premiums Ceded			
Life business			
On individual life first year business		**44,719**	39,082
On individual life second year business		**30,513**	29,533
On individual life renewal business		**147,587**	139,572
On group policies		**101,012**	75,839
		323,831	284,026
Non-life business			
Re-insurance premium ceded	20.6.2	**46,166**	54,600
		369,997	338,626
Net Premiums		**114,961,766**	100,840,634

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

	Note	2018	2017
		--------------(Rupees in '000)----------------	
27 INVESTMENT INCOME			
Income from equity securities			
Fair value through Profit and loss			
- Dividend income		**5,331,874**	6,582,614
Income from debt securities			
Held to maturity			
- Return on debt securities		**58,512,929**	53,211,468
		63,844,803	59,794,082

28 NET REALISED FAIR VALUE GAINS ON FINANCIAL ASSETS

Fair value through profit and loss financial assets			
Realised gains on equity securities		**6,238**	252,554

29 NET UNREALISED FAIR VALUE LOSS ON FINANCIAL ASSETS

Net unrealised losses on investments at fair value through profit or loss		**(8,982,219)**	(18,552,299)
Impairment in value		**(23,335)**	(119,589)
Investment Related Expenses		**(63,704)**	(66,834)
		(9,069,258)	(18,738,722)

	Note	2018	2017
30 NET RENTAL INCOME		--------------(Rupees in '000)	----------------
Rental Income		**1,244,518**	1,115,898
Less: Expenses of investment property		**(708,353)**	(640,674)
		536,165	475,224
31 OTHER INCOME			
Return on bank balances		**1,050,456**	660,570
Return on loans to employees		**49,962**	44,484
Return on loans to policyholders		**9,796,421**	7,692,030
Exchange gain on revaluation		**3,925,075**	767,813
Miscellaneous income		**199,473**	139,976
		15,021,387	9,304,873
32 NET INSURANCE BENEFITS			
Gross Claims			
Life business			
Claims under individual policies			
- by death		**6,315,258**	5,203,746
- by insured event other than death		**378,756**	356,936
- by maturity		**13,572,449**	12,658,249
- by surrender		**23,096,834**	18,179,171
- annuity payments		**18,411**	9,886
Total gross individual policy claims		**43,381,708**	36,407,988
Claims under group policies			
- by insured event other than death		**3,165,764**	2,868,168
- by maturity		**187**	330
- by surrender		**1,369**	825
- annuity payments		**842**	888
- experience premium refund		**2,881,677**	1,090,214
Total gross policy claims		**9,829,941**	8,709,386
Non-life business			
Gross Claims	20.6.1	**45,778**	343,869
Total gross claims		**53,257,427**	45,461,243

Less: Reinsurance Recoveries		
Life business		
-on individual life claims	**(65,692)**	(65,010)
-on group Life claims	**(14,800)**	(63,095)
-on experience refund of premiums	**(90,820)**	(34,611)
Non-life business		
Less: Reinsurance Recoveries	**246**	(254,525)
Total Reinsurance Recoveries	**(171,066)**	(417,241)
Net insurance benefit expense	**53,086,361**	45,044,002

32.1 Claim Development

Accident years	2014	2015	2016	2017	2018
Estimate of ultimate claims costs:					
At the end of accident year	1,726,555	1,754,281	2,951,189	3,891,567	**3,897,692**
One year later	2,399,796	2,844,122	4,637,717	6,160,447	**-**
Two years later	2,605,144	3,035,669	5,089,526	-	**-**
Three years later	2,767,052	3,185,986	-	-	**-**
Four years later	3,077,576	-	-	-	**-**
Current estimate of cumulative claims	3,077,576	3,185,986	5,089,526	6,160,447	**3,897,692**
Cumulative payment	(2,007,423)	(2,740,524)	(5,085,223)	(5,806,565)	**(3,556,370)**
	1,070,153	445,462	4,303	353,882	**341,322**
Claim Prior to 2014					**3,106,607**
Liability recognised in the statement of Financial Position					**3,447,929**

33 NET COMMISSION AND OTHER ACQUISITION COST

	Note	2018	2017
		--------------(Rupees in '000)----------------	
Remuneration to insurance intermediaries on individual policies:			
- commission to agent on first year premiums		12,698,741	12,014,928
- commission to agent on second year premiums		2,224,264	2,503,748
- commission to agent on subsequent renewal premiums		2,794,300	2,514,192
- other benefits to insurance intermediaries		1,724,566	1,576,935
- branch overhead		2,784,392	1,925,185
		22,226,263	20,534,988
Remuneration to insurance intermediaries on group policies:			
- commission		4,199	5,061
- other benefits to insurance intermediaries		896	1,689
Life business			
Other acquisition costs:			
Stamp duty		1,533,862	760,669
Initial medical fees		100,406	102,978
		1,634,268	863,647
Non-Life business			
Less: Acquisition expense	20.6.3	11,045	13,115
		23,876,671	21,418,500

34 MARKETING AND ADMINISTRATION EXPENSES

	Note	2018	2017
		--------------(Rupees in '000)----------------	
Employee benefit cost	34.1	8,922,990	7,275,906
Travelling expenses		313,075	251,350
Advertisements and sales promotion		70,115	134,539
Printing and stationery		118,071	142,868
Depreciation		134,187	121,408
Rent, rates and taxes		276,410	257,839
Legal and professional charges - business related		340,498	312,816
Electricity, gas and water		881,784	669,109
Office repairs and maintenance		28,332	28,733
Bank charges		43,648	53,439
Postages, telegrams and telephone		113,620	108,505
Entertainment		622	1,616
Vehicle running expenses		5,542	4,044
Annual Supervision fee SECP		626	522
Bad and doubtful debts		19,985	20,150
Coinsurance service charges		790	570
Insurance expense		374	379
Miscellaneous		292	646
		11,270,961	9,384,440

34.1 Employee benefit cost

	2018	2017
Salaries, allowances and other benefits	5,098,148	5,172,364
Charges for post employment benefit	3,824,842	2,103,542
	8,922,990	7,275,906

35 OTHER EXPENSES

	Note	2018	2017
Auditors' remuneration	35.1	8,854	10,474
Other expenses		352,268	237,637
		361,122	248,111

35.1 Auditors' remuneration

	2018	2017
Business within Pakistan		
Annual audit and half yearly review fee		
BDO Ebrahim & Co.	-	2,185
Riaz Ahmad & Company	2,484	2,185
KPMG	736	573
Grant Thornton Anjum Rahman	2,484	-
	5,704	4,943
Out of pocket expenses		
BDO Ebrahim & Co.	-	650
Riaz Ahmad & Company	650	650
KPMG	137	57
Grant Thornton Anjum Rahman	650	-
	1,437	1,357
Business Outside Pakistan		
Audit fee		
Nabeel Al-Saie Public Accountants	1,713	3,831
Out of pocket expenses	-	343
	1,713	4,174
	8,854	10,474

36 TAXATION

	Note	2018	2017
		--------------(Rupees in '000)----------------	
For the year			
Current		**637,129**	655,925
Deferred		**176,389**	(9,237)
		813,518	646,688
For the prior year			
Current		**-**	55,139
Deferred		**65,680**	-
		879,198	701,827

36.1 Relationship between tax expense and accounting profit

	2018	2017
Profit before tax	**2,620,660**	2,196,454
Current year tax:		
Tax at the applicable rate @ 29% (2017: 30%)	**759,991**	658,936
Reconciliation:		
Tax on surplus for the year retained in statutory funds	**87,578**	(72,839)
Tax charge on change in policyholders liabilities on restatement	**-**	59,701
Education cess for the year	**662**	1,125
Super tax for the year	**40,996**	54,914
Change in tax rate	**(10,029)**	
Reversal of excess provision	**-**	(10)
Tax expense for the year	**879,198**	701,827

37 EARNINGS PER SHARE

	2018	2017
Profit for the year attributable to Equity holders of Corporation	**1,743,181**	1,497,436
Weighted average number of ordinary shares outstanding as at year end	**31,667**	30,000
Earnings per share	**55.05**	49.91

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.

38 OPERATING RESULTS

	Note	State life Insurance Corporation of Pakistan		Alpha Insurance Company Limited		Abdullah Haroon Road & Lackie Road		Consolidation Adjustments		Total	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
		------ Rupees in '000 ------									
Premium revenue		**115,238,178**	101,044,743	**93,585**	134,518	**-**	-	**-**	-	**115,331,763**	101,179,261
Premium ceded to reinsurers		**(323,831)**	(284,026)	**(46,166)**	(54,600)	**-**	-	**-**	-	**(369,997)**	(338,626)
Net premium revenue		**114,914,347**	100,760,717	**47,419**	79,918	**-**	-	**-**	-	**114,961,766**	100,840,635
Investment income		**63,800,988**	59,738,227	**43,777**	53,620	**-**	-	**38**	(2,235)	**63,844,803**	59,794,082
Net realised fair value gains on		**4,425**	244,772	**-**	-	**-**	-	**1,813**	7,782	**6,238**	252,554
Net fair value gain/(loss) on financial assets at fair value through profit or loss		**(9,081,292)**	(18,730,867)	**-**	-	**-**	-	**12,034**	(7,855)	**(9,069,258)**	(18,738,722)
Net rental Income		**536,165**	463,724	**-**	-	**-**	11,500	**-**	-	**536,165**	475,224
Other income		**15,016,904**	9,299,706	**4,362**	5,046	**121**	121	**-**	-	**15,021,387**	9,304,873
		70,277,190	51,015,562	**48,139**	58,666	**121**	11,621	**13,885**	(2,308)	**70,339,335**	51,088,011
Net income		**85,191,537**	151,776,279	**95,558**	138,584	**121**	11,621	**13,885**	(2,308)	**185,301,101**	151,928,646
Insurance benefits		**53,211,649**	45,117,374	**45,778**	343,869	**-**	-	**-**	-	**53,257,427**	45,461,243
Recoveries from reinsurers		**(171,312)**	(162,716)	**246**	(254,525)	**-**	-	**-**	-	**(171,066)**	(417,241)
Premium deficiency		**-**	-	**(3,445)**	4,433	**-**	-	**-**	-	**(3,445)**	4,433
Claims related expenses		**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Net insurance benefits		**53,040,337**	44,954,658	**42,579**	93,778	**-**	-	**-**	-	**53,082,915**	45,048,436
liabilities (other than outstanding claims)		**94,074,887**	73,630,543	**-**	-	**-**	-	**13,885**	2,161	**94,088,772**	73,632,704
Net commission and other acquisition cost		**23,865,626**	21,405,385	**11,045**	13,115	**-**	-	**-**	-	**23,876,671**	21,418,500
Marketing and administration expenses		**11,179,639**	9,288,310	**91,323**	96,130	**1,550**	1,656	**(1,551)**	(1,656)	**11,270,961**	9,384,440
Other expenses		**355,628**	241,254	**4,077**	3,296	**-**	-	**1,417**	3,561	**361,122**	248,111
Total expenses		**129,475,780**	104,565,492	**106,445**	112,541	**1,550**	1,656	**13,751**	4,066	**129,597,526**	104,683,755
Results of operating activities		**2,675,420**	2,256,129	**(53,466)**	(67,735)	**(1,429)**	9,965	**134**	(6,374)	**2,620,660**	2,196,455
Taxation		**(883,210)**	(709,577)	**3,838**	7,749	**174**	-	**-**	-	**(879,198)**	(701,828)
Profit for the year		**1,792,210**	1,546,552	**(49,628)**	(59,986)	**(1,255)**	9,965	**134**	(6,374)	**1,741,462**	1,494,627
Assets		**930,231,174**	829,461,880	**1,214,494**	1,408,827	**4,419**	4,790	**(339,420)**	(339,375)	**931,110,667**	830,536,122
Liabilities		**924,352,798**	824,105,800	**508,892**	667,774	**11,010**	12,053	**75,283**	59,359	**924,947,983**	824,844,986

39 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chairman/Chief Executive		Directors		Executives*	
	2018	2017	**2018**	2017	**2018**	2017
	---Rupees in '000---					
Fees	**-**	-	**-**	-	**-**	-
Managerial remuneration	**3,389**	4,827	**8,300**	7,678	**244,278**	126,107
House rent allowance	**778**	446	**2,451**	2,497	**107,910**	48,144
Utilities	**588**	466	**1,977**	1,786	**83,926**	33,265
Ex-gratia allowance	**-**	-	**-**	-	**263**	-
Special allowance	**-**	-	**-**	-	**-**	-
Rent and house allowance	**-**	-	**-**	-	**2,053**	2,050
Medical	**-**	-	**-**	-	**51**	-
Car allowance	**-**	-	**-**	-	**-**	-
Conveyance	**-**	-	**-**	-	**309**	-
Others	**3,857**	3,115	**8,802**	8,098	**123,994**	819,681
Reimbursements	**-**	-	**-**	-	**-**	-
Retirement benefits	**-**	-	**-**	-	**-**	-
Entertainment Allowance	**136**	43	**-**	-	**-**	-
Staff provident fund	**-**	-	**-**	-	**-**	-
	8,748	8,897	**21,530**	20,059	**562,784**	819,890
Number of persons	**2**	2	**13**	12	**1,769**	100

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

Fee paid to non-Executive Directors during the year amounted to Rs. 0.912 Million.

* Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act, 2017. Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

40 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Holding 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 Holding 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 Holding 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:

	Note	(Rupees in '000) Aggregate	
		2018	2017
Profit oriented state-controlled entities -common ownership			
Investment in shares - State Bank of Pakistan		**3,221**	3,221
Staff retirement fund			
Contribution to provident fund		**8,029**	7,529
Contribution to pension fund		**-**	362,555
Contribution to funded gratuity		**6,242**	4,758
Expense charged for pension fund		**893,536**	736,406
Others - Transactions			
Remuneration to key management personnel		**17,105**	15,826
Directors' remuneration		**2,900**	2,410
Others - Balances			
Receivable from gratuity fund		**1,410**	1,365
Receivable from provident fund		**135**	159
Transactions with associated companies			
Bonus shares allotted:			
Premier Insurance Company Limited		**-**	950
Dividend received during the year			
Pakistan Reinsurance Company Limited		**256,313**	219,697
Transactions with related parties - common directorship			

Balances with related parties - common directorship

	December 31, 2018	December 31, 2017
Investment in Units:		
NIT Islamic Equity Fund	**200,000**	200,000

Balances with related parties - common directorship | **(Rupees in '000)**

Investment in shares:	**2018**	**2017**
Fauji Fertilizer Company Limited	**2,504,433**	61,475
Sui Southern Gas Company Limited	**552,256**	552,256
Sui Northern Gas Pipelines Company Limited	**210,932**	210,932
Thatta Cement Company Limited	**-**	2
International Industries Limited	**11,399**	11,399
Pakistan Cables Limited	**84,883**	4,521
Orix Leasing Pakistan Limited	**174,270**	174,270
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

41 SEGMENTAL INFORMATION

41.1 Revenue Account by Statutory Fund

For the year ended December 31, 2018

	Statutory Funds					Aggregate
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental And Health Insurance Fund	Family Takaful	2018
	------ Rs in '000 ------					
Income						
Premium less reinsurances	107,757,413	1,694,689	31,344	5,430,900	-	114,914,346
Rental income from investment property	536,165					536,165
Net investment income	64,871,561	4,693,749	24,702	223,187	6,028	69,819,227
Total net income	173,165,139	6,388,438	56,046	5,654,087	6,028	185,269,738
Insurance benefits and Expenditure						
Insurance benefits, including bonuses, net of reinsurance recoveries	46,545,229	1,839,344	105,471	4,550,291	-	53,040,335
Management expenses less recoveries	34,452,778	421,528	1,553	471,438	20,754	35,368,051
Total Insurance benefits and expenditure	80,998,007	2,260,872	107,024	5,021,729	20,754	88,408,386
Excess of income over Insurance benefits and expenditures	92,167,132	4,127,566	(50,978)	632,358	(14,726)	96,861,352
Net change in insurance liabilities (other than outstanding claims)	90,035,796)	(4,098,076)	42,420	16,565	-	(94,074,887)
Surplus/(Deficit before tax)	2,131,336	29,490	(8,558)	648,923	(14,726)	2,786,465
Movement in policyholders' liabilities	90,035,796	4,098,076	(42,420)	(16,565)	-	94,074,887
Transfers to and from shareholders' fund					-	
- Surplus appropriated to shareholders' fund	(1,708,777)	(29,490)	-	-	-	(1,738,267)
- Capital returned to shareholders' fund	-	-	-	(1,100,000)	-	(1,100,000)
Net transfer to/from Shareholders' fund						
Balance of statutory fund at beginning of the year	762,902,121	14,838,464	365,306	2,021,262	85,513	780,212,666
Balance of statutory fund at end of the year	853,360,476	18,936,540	314,328	1,553,620	70,787	874,235,751

For the year ended December 31, 2017	Statutory Funds					Aggregate
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Accidental And Health Insurance Fund	Family Takaful	2017
	Rs in '000					
Income						
Premium less reinsurances	94,746,656	2,037,209	64,989	3,911,863	-	100,760,717
Rental income from investment property	463,724					463,724
Net investment income	48,536,679	1,501,226	33,189	156,381	5,696	50,233,171
Total net income	143,747,059	3,538,435	98,178	4,068,244	5,696	151,457,612
Insurance benefits and Expenditure						
Insurance benefits, including bonuses, net of reinsurance recoveries	40,355,402	1,260,906	37,190	3,301,160	-	44,954,658
Management expenses less recoveries	29,908,467	534,802	2,381	464,773	20,183	30,930,606
	70,263,869	1,795,708	39,571	3,765,933	20,183	75,885,264
Excess of income over Insurance benefits and expenditures	73,483,190	1,742,727	58,607	302,311	(14,487)	75,572,348
Net change in insurance liabilities (other than outstanding claims)	(71,839,261)	(1,721,487)	(37,256)	(32,539)	-	(73,630,543)
Surplus/(Deficit before tax)	1,643,929	21,240	21,351	269,772	(14,487)	1,941,805
Tax chargeable to statutory funds						
current tax	(85,287)					(85,287)
Surplus/(Deficit after tax)	1,558,642	21,240	21,351	269,772	(14,487)	1,856,518
Movement in policyholders' liabilities	71,839,261	1,721,487	37,256	32,539	-	73,630,543
Transfers to and from shareholders' fund						
- Surplus appropriated to shareholders' fund	(1,558,640)	(21,240)	-	-	-	(1,579,880)
- Capital returned to shareholders' fund	-	-	-	-	-	-
- Capital contributions from shareholders' fund	-	-	750,000	-	-	750,000
Net transfer to/from Shareholders' fund						
Balance of statutory fund at beginning of the year	691,062,858	13,116,977	306,699	968,951	100,000	705,555,485
Balance of statutory fund at end of the year	764,460,763	14,859,704	1,136,657	1,541,034	71,026	780,212,666

41.2 Segment information for general insurance business

The class wise revenues and results are as follows:

2018	Fire and property damage	Marine, aviation and transport	Motor	Accidental and health	Bond	Miscellaneous	Total
	Rs in '000						
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	30,660	13,446	22,878	8,807	4,233	14,400	94,423
Less: Federal Excise Duty	3,146	1,280	2,688	-	502	1,804	9,420
Federal Insurance Fee	220	114	194	3	37	119	686
Others	51	574	128	12	24	53	842
Gross written premium (inclusive of Administrative Surcharge)	27,243	11,477	19,867	8,792	3,670	12,424	83,474
Gross direct premium	26,804	10,999	19,185	8,790	3,567	12,205	81,550
Facultative inward premium	-	-	-	-	-	-	-
Administrative surcharge	439	478	683	2	103	219	1,924
	27,243	11,477	19,867	8,792	3,670	12,424	83,474
Insurance premium earned	36,898	12,823	20,140	8,703	4,237	10,783	93,585
Insurance premium ceded to reinsurers	(25,524)	(10,704)	(3,611)	-	(1,703)	(4,624)	(46,166)
Net insurance premium	11,374	2,120	16,528	8,703	2,535	6,159	47,419
Commission income	2,930	136	26	-	491	409	3,993
Net underwriting income	14,304	2,256	16,554	8,703	3,026	6,568	51,412
Insurance claims	(21,297)	(4,374)	(5,543)	(8,877)	(6,425)	738	(45,778)
Insurance claims recovered from reinsurer	(10,163)	(4,810)	5,570	-	3,855	5,302	(246)
Net claims	(31,460)	(9,184)	27	(8,877)	(2,570)	6.040	(46,024)
Commission expense	(7,283)	(2,613)	(2,468)	(435)	(636)	(1,603)	(15,038)
Management expense	(29,805)	(12,557)	(21,735)	(9,619)	(4,015)	(13,592)	(91,323)
Premium deficiency expense	8,149	(325)	(3,254)	(863)	554	(815)	3,445
Net insurance claims and expenses	(60,399)	(24,679)	(27,430)	(19,794)	(6,668)	(9,970)	(148,939)
Underwriting result	(46,094)	(22,423)	(10,876)	(11,090)	(3,642)	(3,402)	(97,527)

Net investment income							43,777
Other income							4,362
Other expenses							(4,077)
Profit before tax							(53,465)
Segment assets	101,466	39,613	67,007	25,025	12,702	44,138	289,951
"Unallocated assets							926,118
Unallocate d assets of Window Takaful"							
Operation - Operator's Fund							
	101,466	39,613	67,007	25,025	12,702	44,138	1,216,069
Segment liabilities	318,396	23,331	35,964	16,899	10,888	18,397	423,874
Unallocated liabilities							86,594
Unallocated liabilities of \Vtndow Takaful							
Operation - Operator's Fund							
	318,396	23,331	35,964	16,899	10,888	18,397	510,467

2017	Fire and property damage	Marine, aviation and transport	Motor	Accidental and health	Bond	Miscellaneous	Total
	---------------------------------- Rs in '000 ----------------------------------						
Premium receivable (inclusive of Federal Excise Duty,							
Federal Insurance Fee and Administrative Surcharge)	52,988	23,462	21,914	8,821	4,711	9,804	121,701
Less: Federal Excise Duty / Sales Tax	6,629	2,336	2,581	-	552	1,201	13,299
Federal Insurance Fee	459	201	190	3	41	85	979
Others	82	823	145	12	31	53	1,145
Gross written premium (inclusive of Administrative	45,818	20,102	18,998	8,806	4,088	8,465	106,277
Surcharge)	44,964	19,343	18,308	8,804	3,983	8,201	103,604
Gross direct premium							-
Facultative inward premium	854	759	690	2	105	264	2,673
Administrative surcharge	45,818	20,102	18,998	8,806	4,088	8,465	106,277
Insurance premium earned	55,802	24,722	25,168	8,331	4,753	15,742	134,518

Insurance premium ceded to reinsurers	(34,001)	(8,669)	(4,565)	-	(3,323)	(4,043)	(54,600)
Net insurance premium	21,801	16,053	20,603	8,331	1,430	11,699	79,917
Commission income	7,952	2,246	6	-	949	907	12,060
Net underwriting income	29,754	18,299	20,609	8,331	2,379	12,607	91,977
Insurance claims	(304,871)	(6,240)	(8,797)	(6,972)	-	(16,990)	(343,869)
Insurance claims recovered from reinsurer	240,538	1,883	976	-	-	11,128	254,525
Net claims	(64,333)	(4,356)	(7,821)	(6,972)	-	(5,862)	(89,344)
Commission expense	(14,106)	(5,052)	(2,303)	(416)	(856)	(2,441)	(25,175)
Management expense	(41,443)	(18,183)	(17,184)	(7,965)	(3,698)	(7,656)	(96,130)
Premium deficiency expense	(15,431)	984	-	976	(1,240)	10,278	(4,433)
Net insurance claims and expenses	(135,314)	(26,608)	(27,309)	(14,377)	(5,794)	(5,682)	(215,083)
Underwriting result	(105,560)	(8,309)	(6,700)	(6,046)	(3,415)	6,925	(123,106)
Net investment income							53,620
Rental income							
Other income							5,046
Other expenses							(3,296)
Profit before tax							(67,736)
Segment assets	366,455	26,449	18,349	5,958	4,554	9,849	431,613
Unallocated assets							979,532
	366,455	26,449	18,349	5,958	4,554	9,849	1,411,146
	476,094	36,044	43,969	13,283	6,331	18,380	594,101
Segment liabilities							75,992
Unallocated liabilities	476,094	36,044	43,969	13,283	6,331	18,380	670,093

41.3 Segment Statement of financial position

	Statutory Funds	Shareholders Fund	2018	Statutory Funds	Shareholders Fund	Restated (2017)
	----------	----------	Rs in '000	----------	----------	----------
Property and equipment	**417,868**	**-**	**417,868**	442,089	-	442,089
Investment property	**3,666,869**	**-**	**3,666,869**	3,194,953	-	3,194,953
Investments	**735,599,864**	**3,455,701**	**739,055,565**	657,094,822	2,076,922	659,171,744
Loans secured against life insurance policies	**93,313,445**	**-**	**93,313,445**	76,674,563	-	76,674,563
Insurance / reinsurance receivables	**21,857,380**	**-**	**21,857,380**	17,980,916	-	17,980,916
Other loans and receivables	**32,967,058**	**1,850,328**	**34,817,386**	28,047,307	1,037,636	29,084,943
Retirement benefit asset	**-**	**-**	**-**	665,039	-	665,039
Taxation - payments less provision	**4,157,664**	**(136,086)**	**4,021,578**	3,313,568	630,000	3,943,568
Prepayments	**413,913**	**-**	**413,913**	460,179	-	460,179
Reinsurance recoveries against outstanding claims	**211,644**	**-**	**211,644**	325,792	-	325,792
Salvage recoveries accrued	**8**	**-**	**8**	21	-	21
Deferred Commission Expense / Acquisition cost	**5,296**	**-**	**5,296**	7,169	-	7,169
Cash & Bank	**33,329,489**	**226**	**33,329,715**	38,459,113	126,034	38,585,147
Total assets	925,940,498	5,170,169	931,110,667	826,665,530	3,870,592	830,536,122

Fair value through Profit or loss

	Statutory Funds	Shareholders Fund	2018	Statutory Funds	Shareholders Fund	Restated (2017)
Insurance liabilities net of reinsurance recoveries	**891,148,453**	**-**	**891,148,453**	795,491,608	-	795,491,608
Retirement benefit obligations	**6,342,368**	**-**	**6,342,368**	3,907,735	-	3,907,735
Deferred capital grant	**14,025**	**-**	**14,025**	21,935	-	21,935
Premium received in advance	**8,086,315**	**-**	**8,086,315**	8,471,392	-	8,471,392
Insurance / reinsurance payables	**509,450**	**-**	**509,450**	497,715	-	497,715
Deferred tax	**(1,577)**	**472,871**	**471,294**	(2,320)	225,754	223,434
Other creditors and accruals	**17,826,568**	**549,511**	**18,376,079**	15,737,532	493,635	16,231,167
Total Liabilities	923,925,601	1,022,382	924,947,983	824,125,597	719,389	824,844,986

42 MOVEMENT IN INVESTMENTS

	Held to Maturity	Fair Value Through Profit and loss	Total
	----------	Rs in '000	----------
At beginning of previous year	554,369,943	104,801,801	659,171,744
Additions	155,857,064	122,264	155,979,328
Disposals (sale and redemptions)	(66,696,025)	(387,629)	(67,083,654)
Amortization of Discount / (Premium)	(410,312)	-	(410,312)
Unrealised fair value loss	-	(8,601,540)	(8,601,540)
	643,120,670	95,934,896	739,055,566

43 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

43.1 Insurance Risk

43.1.1 Insurance contracts - classification

The Holding 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 Holding 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 Holding 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 Holding Corporation which started in 2012 and has yet to register any significant growth. The Holding 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.

43.1.2 Contract details and measurement

The insurance contracts offered by the Holding Corporation are described below:

43.1.2.1 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 tenure of the policy and a survival benefit either on the happening of certain contingencies or on the maturity of the policy. The premiums are payable only in the life time of the policyholder. In case of term insurance products there is no survival benefit.

Universal life policies

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

Term insurance policies

A few products of the Holding 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 Holding Corporation sells both level term insurances and decreasing term insurances also known as mortgage protection plans.

Annuities

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

The individual life policy holders of the Holding 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.

43.1.2.2 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 Holding Corporation. Each zone has its own marketing force consisting of sector heads who are full time salaried employees of the Holding Corporation, however, some of the group business is also procured through individual life field force of the Holding Corporation.

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

43.1.2.3 Pension business

The pension portfolio of the Holding 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 Holding Corporation does not retain any insurance risk apart from a nominal investment return guarantee. The services offered by the Holding 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 Holding 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.

43.1.2.4 Group Health Business

In 2012, the Holding 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 Holding 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.

43.1.3 Reserving method

43.1.3.1 Individual life policies

The Holding Corporation values its individual life policy liabilities by a modified net level premium method. Under this method the Holding 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.

43.1.3.2 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.

43.1.3.3 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 Holding Corporation's policy to record only the earned premium in the revenue account. The Holding Corporation holds reserve for claims incurred but not reported up to the valuation date and provision for experience refunds where applicable.

The Holding 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.

43.1.3.4 Supplementary riders

For the supplementary riders attached to individual life policies the Holding 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.

43.1.3.5 Pension plans

The Holding 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.

43.1.4 Reserves for outstanding claims

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

43.1.5 Liability adequacy test

The adequacy of liability held by the Holding 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 Holding Corporation is adequate.

43.1.6 Reinsurance contracts held

The Holding 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 Holding Corporation at a level which it considers optimum and safe.

There is a similar surplus treaty arrangement for reinsurance of the Holding Corporation's Gulf business. The retention level of the Gulf business is fixed by the Holding 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 Holding Corporation on a facultative basis.

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

43.1.7 Accounting estimates and judgments and process used for deciding assumptions

43.1.7.1 Mortality and disability

Due to nature of its business the Holding Corporation is exposed to the risk of mortality. The reserving basis utilizes a conservative estimate of mortality. The Holding 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 is 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 Holding Corporation also has a small exposure to disability risk covered by some of its supplementary contracts. The Holding 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.

43.1.7.2 Investment income

Due to the long term nature of its individual life policies the Holding 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 Holding Corporation. To some extent this risk is mitigated by the Holding 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 Holding 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.

43.1.7.3 Expenses

The Holding 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 Holding 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.

43.1.8 Frequency and severity of claims

43.1.8.1 Frequency

Since the Holding 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 Holding Corporation. An unusual catastrophic event such as a disease epidemic, flash floods or a major earthquake can produce a sudden spike in the frequency.

43.1.8.2 Severity

To some extent the Holding 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 Holding 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 Holding Corporation naturally reflects the same pattern. Nearly 88 % of the Holding 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.

43.1.8.3 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 Holding Corporation in the form of lower new business growth and higher lapse rates of existing policies.

43.1.9 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 Holding 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 Holding Corporation.

43.1.9.1 Financial risk

a) Interest risk

The Holding 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 Holding 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 Holding Corporation to absorb any impact of adverse fluctuation in the interest rates.

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

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

b) **Expense risk**

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

c) **Mortality risk**

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

d) **Surrenders risk**

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

e) **Inflation risk**

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

f) **Catastrophe risk**

The business of the Holding 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 Holding 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 Holding Corporation.

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

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

g) **Currency risk**

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

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

	UAE Dirhams	US Dollars
December 31, 2018		
10% increase	605,777	1,882,315
10% decrease	(605,777)	(1,882,315)

	UAE Dirhams	US Dollars
December 31, 2017		
10% increase	674,013	2,476,091
10% decrease	(674,013)	(2,476,091)

43.1.9.2 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.

43.1.9.3 Operational risk or pricing risk

The Holding 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 Holding 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 Holding 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.

43.1.10 Sensitivity analysis

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

Variable	Quantum of Change	% change in liability
Increase in mortality	10%	0.12%
Decrease in mortality	10%	-0.12%
Increase in discount rate	0.5% addition in rate	-4.16%
Decrease in discount rate	0.5% reduction in rate	4.38%

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

43.2 Financial risk

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

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

43.2.1

		2018						
		Interest / Markup bearing			Non-interest / Non-markup bearing			
		Maturity upto one year	Maturity after year	Sub total	Maturity upto one year	Maturity after year	Sub total	Total
	Note	(Rupees in '000)						
Financial Assets								
Investments								
Equity securities	10	-	-	-	-	-	88,082,263	88,082,263
Government securities	11	122,399,195	517,097,557	639,496,752	-	-	-	639,496,752
Debt securities	12	-	-	3,623,918	-	-	-	3,623,918
Mutual funds	13	-	-	-	-	-	7,852,632	7,852,632
Loans secured against life insurance policies		21,144,355	72,169,090	93,313,445	-	-	-	93,313,445
Insurance/reinsurance receivables	14	-	-	-	-	-	21,857,380	21,857,380
Other loans and receivables	15	-	-	-	-	-	34,817,386	34,817,386
Cash and bank	18	11,219,808	5,681,617	16,901,425	16,428,290	-	16,428,290	33,329,715
As at December 31, 2018		**154,763,358**	**594,948,264**	**753,335,540**	**16,428,290**	**-**	**169,037,952**	**922,373,492**

2018

	Note	Interest / Markup bearing Maturity upto one year	Maturity after year	Sub total	Non-interest / Non-markup bearing Maturity upto one year	Maturity after year	Sub total	Total
		---------------	---------------	---------------	(Rupees in '000)	---------------	---------------	---------------
Financial Liabilities								
Insurance liabilities	20	-	-	-	-	-	891,148,453	891,148,453
Premium received in advance		-	-	-	8,086,315	-	8,086,315	8,086,315
Insurance / reinsurance payables	23	-	-	-	509,450	-	509,450	509,450
Other creditors and accruals	24	-	-	-	18,376,079	-	18,376,079	18,376,079
As at December 31, 2018		-	-	-	26,971,844	-	918,120,297	918,120,297
Off Balance Sheet Financial Instrument								
As at December 31, 2018		**154,763,358**	**594,948,264**	**753,335,540**	**(10,543,554)**	**-**	**(749,082,345)**	**4,253,195**

2017

Investments at carrying value- Fair value through Profit or loss

	Note	Interest / Markup bearing Maturity upto one year	Maturity after one year	Sub total	Non-interest / Non-markup bearing Maturity upto one year	Maturity after one year	Sub total	Total
		---------------	---------------	---------------	(Rupees in '000)	---------------	---------------	---------------
Financial Assets								
Investments								
Equity securities	10	-	-	-	-	-	96,017,653	96,017,653
Government securities	11	63,335,121	490,238,765	553,573,886	-	-	-	553,573,886
Debt securities	12	-	-	796,057	-	-	-	796,057
Mutual funds	13	-	-	-	-	-	8,784,148	8,784,148
Loans secured against life insurance policies		17,374,148	59,300,415	76,674,563	-	-	-	76,674,563
Insurance/reinsurance receivables	14	-	-	-	-	-	17,980,916	17,980,916
Other loans and receivables	15	-	-	-	-	-	29,084,943	29,084,943
Cash and Bank	18	17,631,539	5,067534	22,699,073	15,886,074	-	15,886,074	38,585,147
As at December 31, 2017		**98 ,340,808**	**554,606,714**	**653,743,579**	15,886,074	**-**	**167,753,733**	**821,497,312**

	Note	Interest / Markup bearing			Non-interest / Non-markup bearing			
		2017						
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial Liabilities								
Insurance liabilities	20	-	-	-	-	-	795,491,608	795,491,608
Premium received in advance		-	-	-	8,471,392	-	8,471,392	8,471,392
Insurance / reinsurance payables	23	-	-	-	497,715	-	497,715	497,715
Other creditors and accruals	24	-	-	-	16,231,167	-	16,231,167	16,231,167
As at December 31, 2017		-	-	-	25,200,274	-	820,691,883	820,691,883
Off Balance Sheet Financial Instruments								
As at December 31, 2017		80,709,269	549,539,180	631,044,506	(25,200,274)	-	(630,239,076)	805,430

43.2.2 Market risk

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

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

43.2.3 Interest rate risk

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

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

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

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

43.2.4 Currency risk

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

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

The Holding Corporation's Overseas Life Fund undertakes business in US Dollars and UAE Dirhams. It is policy of the Holding 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 Holding Corporation's foreign currency denominated assets, liabilities and reserves are as follows:

	2018		2017	
	UAE Dirhams	**US Dollars**	**UAE Dirhams**	**US Dollars**
	--------- Rupees in '000 ----------		**--------- Rupees in '000 ----------**	
Assets	**150,192**	**116,663**	179,292	98,967
Liabilities	**8,892**	**17,980**	44,736	100,593
Reserves	**159,084**	**134,643**	224,028	199,560

43.2.5 Other price risk

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

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

43.2.6 Credit risk

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

The Holding 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 Holding 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 Holding Corporation uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers. The Holding 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 Holding Corporation extends policy loans to its policyholders. These loans are entirely backed by the cash values of their policies.

The Holding 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 Holding Corporation does not invest in derivative financial instruments.

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

	Note	2018	2017
		------------- Rupees in '000	--------------
Bank deposits		**32,974,237**	38,267,268
Loans		**94,299,160**	77,573,008
Investments	12	**3,623,918**	796,057
Insurance / reinsurance receivables	14	**21,857,380**	17,980,916
Other receivables		**863,481**	1,386,127
Total		**153,618,176**	136,003,376

Provision is made for receivables against premium due but unpaid in accordance with the Holding 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.

	2018	2017
	------- Rupees in '000	-------
The age analysis of insurance / reinsurance receivable		
Up to 1 year	**21,538,723**	17,632,471

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

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

Bank	Rating		Rating Agency	(Rupees in '000')	
	Long Term	Short Term		2018	2017
Habib Bank Limited	AAA	A-1+	JCR-VIS	7,715,282	10,130,426
United Bank Limited	AAA	A-1+	JCR-VIS	19,096,841	24,086,417
Allied Bank Limited	AAA	A1+	PARCRA	2,392	5,083
Soneri Bank Limited	AA-	A1+	PARCRA	93	95
Samba Bank Limited	AA	A-1+	JCR-VIS	5,363	24,334
Bank Al Falah Limited	AA+	A-1+	JCR-VIS	4,243	21,116
MCB Bank Limited	AAA	A1+	PARCRA	1,257	358
NIB Bank Limited	A	A-1	JCR-VIS	2,551	-
Bank of Punjab	AA	A1+	PARCRA	10,709	22
Sindh Bank Limited	AA	A-1+	JCR-VIS	1	1
Habib Metropolotian Bank	AA+	A1+	PARCRA	1	1
National Bank of Pakistan	AAA	A-1+	JCR-VIS	45,836	39,809
Faysal Bank Limited	AA	A-1+	JCR-VIS	-	4,114
Summit Banlk Limited	A-	A-1	JCR-VIS	17,045	85,295
First Women Bank Limited	A-	A2	PARCRA	9,386	21,659
MIB Bank	A	A1+	JCR-VIS	-	-
Silk Bank	A-	A-2	JCR-VIS	62,317	27,067
Dubai Islamic Bank	AA-	A-1	JCR-VIS	5,326	105,326
Standard Chartered Bank (Pakistan) Limited	AAA	A1+	PARCRA	287,525	100
Emirates National Bank Dubai				5,680,867	723
Al Ahli Bank Kuwait				-	38,902
Julius Bar Bank				26,037	-
Others				1,164	3,676,420
				32,974,237	38,267,268

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

	2018	2017
Amount due from other insurers / reinsurers	------- Rupees in '000 -------	
A or above	**447,903**	**457,706**

43.2.7 Liquidity risk

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

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

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

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

	2018	
	Carrying value	Fair value
Government securities	**639,496,752**	**588,726,760**

44 CAPITAL RISK MANAGEMENT

The Holding 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 Holding Corporation consists of equity attributable to the Government which is the sole shareholder of the Holding 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)	
	2018	2017
Ordinary share capital	**3,500,000**	3,000,000
Ledger account C & D	**1,247,689**	1,979,122
Group reserves	**1,480,773**	1,876,073
Capital contributed to statutory fund	**(100,000)**	(1,200,000)
Non controlling interest	**34,222**	35,941
Shareholders' equity	**6,162,684**	5,691,136

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Holding Corporation's financial assets and financial liabilities as at December 31, 2018.

The Holding 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, 2018		As at December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	----------Rupees in '000----------		----------Rupees in '000----------	
Financial Assets				
- Cash and bank deposits	**33,329,715**	**33,329,715**	38,585,147	38,585,147
- Loans secured against life insurance policies	**93,313,445**	**93,313,445**	76,674,563	76,674,563
- Loan to employee	**916,021**	**916,021**	828,016	828,016
- loan to agents	**69,694**	**69,694**	70,961	70,961
Investments				
Fair value through Profit or loss				
Listed equity securities and mutual fund units	**87,981,552**	**87,981,552**	95,917,645	95,917,645
Unlisted equity securities and mutual fund units	**100,711**	**100,711**	100,008	100,008
Held-to-maturity				
Government securities	**639,496,752**	**588,138,801**	553,573,886	593,729,820
Other fixed income securities	**3,623,918**	**3,623,918**	796,057	849,300
	731,202,933	**679,844,982**	650,387,596	690,596,773
- Other receivable- excluding taxation	**55,689,051**	**55,689,051**	46,166,881	46,166,881
Financial Liabilities				
- Policyholders' liabilities	**891,148,453**	**891,148,453**	795,491,608	795,491,608
- Creditors and accruals	**18,376,079**	**18,376,079**	16,231,167	16,231,167
- Premium received in advance	**8,086,315**	**8,086,315**	8,471,392	8,471,392
- Insurance / reinsurance payables	**509,450**	**509,450**	497,715	497,715

45.2 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:

	As at December 31, 2018	Level 1	Level 2	Level 3
	-----------------------	Rupees in '000	-----------------------	
Financial Assets at Carrying Value				
Investments at carrying value- Fair value through Profit or loss				
Other fixed income securities	3,623,918	-	3,623,918	-
Listed equity securities and mutual fund units	87,981,552	87,981,552	-	-
Unlisted equity securities and mutual fund units	100,711	-	100,711	-
	91,706,181	**87,981,552**	**3,724,629**	-

	As at December 31, 2017	Level 1	Level 2	Level 3
	-----------------------	Rupees in '000	-----------------------	
Financial Assets at Carrying Value				
Investments at carrying value- Fair value through Profit or loss				
Other fixed income securities	796,057	-	796,057	-
Listed equity securities and mutual fund units	95,917,645	95,917,645	-	-
Unlisted equity securities and mutual fund units	100,008	-	100,008	-
	96,813,710	**95,917,645**	**896,065**	-

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

45.3 Transfers during the period

During the year to December 31, 2018:

- 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

45.4 Valuation techniques

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Unlisted equity securities are carried at cost.
- Investments in subsidiary companies are being carried at cost.

46 CORRESPONDING FIGURES

Corresponding figures have been re-classified or classified, whenever necessary to align them with the presentation requirements of the Insurance Accounting Regulation, 2017.

47 SUBSEQUENT EVENTS

The Board of Directors, of the Holding Corporation, in their meeting held on May 31, 2019 declared dividend of Rs. 700 million.

These financial statements for the year ended December 31, 2018 do not include the effect of these appropriations and these will be for accounted in the financial statements for the year ending December 31, 2019.

48 NUMBER OF EMPLOYEES

	2018	2017
The details of number of employees are as follows:		
Permanent employees as at year end	4,071	4,061
Area managers	1,107	1,094
	5,178	5,155
Average number of employees during the year	5,167	5,166

49 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Holding Corporation on May 31, 2019.

50 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.

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	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 / technical liabilities included in the balance sheet of State Life Insurance Corporation of Pakistan as at December 31, 2018 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and

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

(Shujaat Siddiqui)
Appointed Actuary

Dated: May 31, 2019

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 audited financial statements of the State Life Insurance Corporation of Pakistan for the year ended December 31, 2018, set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, and any rules made there under;

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

c. As at December 31, 2018, State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Ordinance and the rules made there under relating to paid-up-capital, solvency and reinsurance arrangements.

Section 52 (2) (c)

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

Ghiasuddin Ahmed	**Iftikhar-ul-Hussain**	**Abdul Qadir Memon**	**Muhammad Rashid**
Chairman	Director	Director	Chief Financial Officer

Progress at a Glance since Inception

(Rupees in Million)

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

(Rupees in Million)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Restated	2013	2014	2015	2016	2017	2018	Annual Compound Growth Rates (1973-2018)
1,350	1,797	2,348	2,806	3,327	3,854	5,159	7,196	9,647	11,990	13,947	15,442	16,156	16,271	17,036	17,688	**18,918**	15%
5,489	5,790	6,655	8,454	9,785	12,054	13,993	17,634	22,287	28,144	35,145	43,348	53,363	57,729	66,707	74,462	**85,998**	15%
1,518	2,281	1,997	2,548	2,866	2,796	3,532	3,514	3,676	4,645	6,802	6,832	6,728	5,854	5,597	4,634	**4,536**	11%
8	13	15	12	14	14	11	23	29	33	54	20	10	49	59	65	**31**	9%
–	–	–	–	–	–	–	–	–	–	70	104	85	38	422	3,912	**5,431**	107%
8,364	9,881	11,014	13,820	15,992	18,717	22,695	28,367	35,639	44,812	56,018	65,745	76,342	79,941	89,821	100,761	**114,914**	14%
11,200	10,202	13,610	13,106	14,924	17,505	19,133	21,545	27,434	31,175	37,977	50,949	50,715	60,316	64,526	69,566	**70,277**	17%
19,564	20,082	24,624	26,926	30,915	36,222	41,828	49,914	63,073	75,988	93,995	116,694	127,057	140,257	154,347	170,326	**185,192**	15%
8,165	9,938	11,544	12,673	15,393	17,049	20,779	27,356	31,489	37,122	47,296	50,663	54,307	62,019	65,523	75,885	**88,441**	14%
86,211	95,957	108,808	122,775	137,960	156,737	177,459	199,445	230,422	268,580	313,754	378,608	450,025	526,676	614,177	707,388	**873,813**	16%
15	12	14	12	12	13	12	12	14	13	14	16	13	13	12	11	**8.87**	–
38	39	41	36	41	33	35	41	40	39	41	38	31	33	31	31	**31**	–
34	35	34	28	34	9	11	19	18	17	16	17	13	16	15	17	**18**	–
86,203	96,415	110,488	124,984	142,159	161,966	182,874	205,804	235,935	275,110	316,878	380,981	445,381	513,293	598,271	688,721	**852,043**	16%
5,005	6,123	7,063	7,654	8,912	10,783	12,779	15,724	17,072	19,420	24,067	25,836	30,505	35,961	37,939	44,955	**53,040**	14%
1,801,919	1,849,125	1,926,254	2,044,015	2,183,783	2,348,791	2,568,698	2,895,354	3,317,192	3,774,293	4,202,171	4,641,854	4,996,805	5,251,732	5,478,460	5,694,670	**5,907,669**	7%
3,443,916	3,632,688	3,898,333	3,731,002	3,915,529	4,061,865	3,879,686	3,754,296	3,835,712	6,043,553	8,421,667	8,644,577	8,732,453	5,023,906	4,104,990	3,266,814	**2,901,531**	–
629,011	816,210	947,239	1,040,556	1,143,770	1,289,079	1,602,159	1,674,745	2,013,298	2,690,594	3,786,440	4,281,206	4,438,510	4,713,080	4,664,333	5,244,282	**5,661,397**	14%

STATE LIFE OFFICES IN PAKISTAN AND U.A.E.

Regional Office (South)
State Life Building # 2
10th Floor, wallace Road, Karachi.
Tel. 021-99217035-36

Karachi South
State Life Building # 2
11th Floor, wallace Road, Karachi.
Tel. 021-99217023-24 & 26

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

Karachi Eastern
Bunglow # 2, Block 7 & 8
Maqboolabad, Fine House Stop
Sharah-e-Faisal, Karachi
Tel. 021-34538095,34535760

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

Sukkur
State Life Building
Minara Road
Tel. 071-9310501

Mirpurkhas
State Life Building
M.A. Jinnah Road, Near D.C. Office
Tel. 0233-9290295

Larkana
State Life Building
Qaim Shah Bukhari Road,
Tel. 074-9410801

Benazirabad
Banglow No. I-A/2
Housing Society Nawab Shah
Tel. 0244-9370572

Gulf
P.O. Box # 11278, 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
Ghazi Ilmuddin Shaheed Road
Lahore
Tel. 042-99210269-70

Lahore Western
State Life
Ghazi Ilmuddin Shaheed 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
City Tower Building
Ist Floor New Lahore Road
Tel. 0542-411902-6

Regional Office (Faisalabad)
State Life Bldg. 2, Liaquat Road
Tel. 041-9201482-83

Faisalabad
State Life Bldg. 2
10th Floor, Liaqat Road
Tel. 041-9200390

Sargodha
M.M.Plaza, Queen Road
Tel. 048-3215517-18

Jhang
New District Courts
UBL Chowk, 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
Blue Area, Jinnah Avenue, Islamabad
Tel. 051-9203347

Real Estate (Lahore)
State Life Building # 11
First Floor, 15-A Davis Road, Lahore
Tel. 042-99200396

Regional Office (North)
State Life Building # 9
33-E, Blue Area, Islamabad.
Tel. 051-9205047

Rawalpindi
State Life Building # 1
The Mall, Saddar Rawalpindi Cantt
Tel. 051-9270315

Mirpur (AK)
Barry Mian Plaza,
Sector F-1, Kotli Road
Tel. 05827-927465

Islamabad
State Life Bldg No.9,
3rd Floor, 33-E, Blue Area,
Tel. 051-9206162

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. 0544-922621

Gilgit
Jubilee Market, Jutlal
Main Road Gilgit
Tel. 05811-9260252

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

Abbottabad
Mir Alam Plaza,
P.O. Jhangi, Mansehra Road
Tel. 0992-9310353

Swat
State Life, Royal Campus
Saidu Sharif
Tel. 0946-700504

Kohat
Khan Bab Plaza
University Road, Kohat
Tel. 292-933600

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

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

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

Dera Ghazi Khan
1st Floor, Dubai Trade Center
Jampur Road
Tel. 064-9260048

Bahawalpur
Barq Poly Complex, 1st & 2nd Floor
Ahmed Pur Road
Tel. 062-9255717

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 & 99217097

G&P Lahore
State Life Building
15-A, Sir Agha Khan Road, Lahore
Tel. 042-99200355-58

G&P Rawalpindi
State Life Building # 8
Kashmir Road, Rawalpindi Cantt
Tel. 051-9272598

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