

State Life Insurance Corporation of Pakistan
Condensed Interim Financial statements – (unaudited)
For the half year ended June 30, 2018

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Karachi 75530, Pakistan

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Chartered Accountants
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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF STATE LIFE
INSURANCE CORPORATION OF PAKISTAN**

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of State Life Insurance Corporation of Pakistan as at June 30, 2018 and the related condensed interim statement of profit or loss account and condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter


We draw attention to the contents as detailed in note 1.4 to condensed interim financial statements. As a consequence of the corporatization, the corporation is not expected to

continue as a going concern. The Company formed will be taking over business, functions, contracts, policies, proceedings, undertakings, assets, liabilities, etc. of the corporation on 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 conclusion is not modified in respect of this matter.

Other Matter

- i. The interim financial statements for the six-month period ended June 30, 2017 and the annual financial statements of the Corporation for the year ended December 31, 2017 were reviewed and audited by BDO Ebrahim & Co. and Riaz Ahmad and Company, whose review report dated August 30, 2017 and audit report dated April 30, 2018 expressed an unmodified conclusion and an unmodified opinion on the aforementioned financial statements.
- ii. The figures for the quarters ended June 30, 2018 and June 30, 2017 in accompanying condensed interim financial statements have not been reviewed and we do not express a conclusion thereon.


Grant Thornton Anjum Rahman
Chartered Accountants
Khaliq-ur-Rahman
Engagement Partner


Riaz Ahmad & Company
Chartered Accountants
Muhammad Waqas
Engagement Partner

Karachi
Date: September 10, 2018

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018


	Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited) (Restated)	December 31, 2016 (Audited) (Restated)
-----Rupees in '000'-----				
Assets				
Property and equipment	6	391,426	436,868	409,010
Investment property	7	3,384,928	3,185,228	2,974,934
Investments in subsidiaries and associates		338,010	338,010	241,609
Investments				
Equity securities	8	109,816,418	102,962,977	120,866,436
Government securities	9	602,330,207	553,016,050	481,726,124
Debt securities		874,822	796,057	803,245
Loans secured against life insurance policies		81,657,607	76,674,563	62,802,588
Insurance / reinsurance receivables	10	17,445,574	17,901,707	15,500,914
Other loans and receivables	11	31,786,373	29,078,981	28,431,964
Taxation - payments less provision	12	3,962,839	3,896,384	3,484,304
Prepayments		401,848	440,270	411,559
Cash & Bank	13	15,382,639	38,452,099	31,348,623
Total Assets		867,772,691	827,179,194	749,001,310
Equity and Liabilities				
Capital and reserves attributable to Corporation's equity holders:				
Ordinary share capital		3,000,000	3,000,000	3,000,000
Ledger Account C & D		1,377,627	2,204,876	1,178,239
Reserves		307,043	307,043	185,817
Unappropriated profit		721,297	1,269,914	1,212,261
Capital contributed to Shareholder fund		-	(1,200,000)	(450,000)
Total Equity		5,405,967	5,581,833	5,126,317
Liabilities				
Insurance Liabilities	14	838,437,215	793,286,395	718,459,353
Liabilities under Investment Contracts				
Retirement benefit obligations		4,153,634	3,926,438	3,401,871
Deferred Capital Grant		19,268	21,935	26,710
Insurance / reinsurance payables		249,501	410,708	218,463
Other creditors and accruals		19,507,106	23,951,885	21,768,596
		23,929,509	28,310,966	25,415,640
Total Liabilities		862,366,724	821,597,361	743,874,993
Total Equity and Liabilities		867,772,691	827,179,194	749,001,310
Contingency(ies) and commitment(s)	15			

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


CHAIRMAN
Shoaib Mir


DIRECTOR
Abdul Qadir Memon


DIRECTOR
Ali Mubashar Kazmi


CHIEF FINANCIAL OFFICER
Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
CONDENSED INTERIM PROFIT OR LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

	Note	Half Year ended		Quarter ended	
		June 30, 2018	June 30, 2017 (Restated)	June 30, 2018	June 30, 2017 (Restated)
-----Rupees in '000'-----					
Premium Revenue		39,573,294	33,268,488	17,897,884	14,028,308
Premium ceded to reinsurers		(60,632)	(55,482)	(45,692)	(39,768)
Net Premium Revenue	16	39,512,662	33,213,006	17,852,192	13,988,540
Investment income	17	31,216,873	29,212,773	13,920,825	12,804,996
Net realised fair value gains on financial assets	18	1,589	55,027	(1,286)	695
Net fair value gain/(loss) on financial assets at fair value through profit or loss		6,748,789	(5,446,357)	(5,229,782)	(7,347,814)
Net rental Income	19	302,497	250,962	154,197	98,459
Other Income	20	4,520,620	3,073,787	2,327,235	1,629,635
		42,790,368	27,146,192	11,171,189	7,185,971
Net income		82,303,030	60,359,198	29,023,381	21,174,511
Insurance benefits		22,156,479	18,601,533	11,913,487	9,776,651
Recoveries from reinsurers		(18,526)	(58,553)	(2,608)	(46,768)
Net insurance benefits	21	22,137,953	18,542,980	11,910,879	9,729,883
Net change in insurance liabilities (other than outstanding claims)		47,486,186	30,436,893	10,524,120	5,527,567
Acquisition expenses	22	7,633,098	6,858,258	3,999,597	3,561,360
Marketing and administration expenses	23	3,548,250	3,310,383	1,848,771	1,815,081
Other expenses	24	104,973	97,150	61,019	56,633
Total Expenses		58,772,507	40,702,684	16,433,507	10,960,641
Profit before tax		1,392,570	1,113,534	678,995	483,987
Income tax expense	25	(298,522)	(297,339)	(84,451)	(108,501)
Profit for the period		1,094,048	816,195	594,544	375,486
Earnings per share - Rupees	26	36.47	27.21	19.82	12.52

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

G.T.A.R.


CHAIRMAN

Shoaib Mir


DIRECTOR

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DIRECTOR

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CHIEF FINANCIAL OFFICER

Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

Note	Half Year ended		Quarter ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
-----Rupees in '000'-----				
Profit for the period	1,094,048	816,195	594,544	375,486
Other comprehensive income				
<i>Items that may not be reclassified subsequently to profit and loss</i>	-	-	-	-
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-	-	-
Total comprehensive income for the period	1,094,048	816,195	594,544	375,486


The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

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 CHAIRMAN
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 CHIEF FINANCIAL OFFICER
 Muhammad Rashid

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018**


	Attributable to equity holders of the Company				Total
	Share capital	Capital contributed to Statutory fund	Revenue reserves General reserves	Ledger Account C & D	
Balance as at January 1, 2017 (as per previously reported)	3,000,000	(450,000)	185,817	-	1,212,261
Effect of restatement				1,178,239	
Balance as at January 1, 2017 (restated)	3,000,000	(450,000)	185,817	1,178,239	5,126,317
Total comprehensive income for the period				214,193	816,195
Transferred to BESOS from profit for the year ended December 31, 2016					(53,339)
Transfer to general reserve		450,000	121,226	(450,000)	(121,226)
Dividend paid for the year December 31, 2016					(1,037,695)
Balance as at June 30, 2017 (restated)	3,000,000	-	307,043	942,432	4,851,478
Balance as at January 1, 2018 (as per previously reported)	3,000,000	(1,200,000)	307,043	-	1,269,914
Effect of restatement				2,204,876	
Balance as at January 1, 2018 (restated)	3,000,000	(1,200,000)	307,043	2,204,876	5,581,833
Total comprehensive income for the period				372,751	1,094,048
Transferred to BESOS from profit for the year ended December 31, 2017					(55,876)
Transfer to general reserve		1,200,000		(1,200,000)	-
Dividend paid for the year December 31, 2017					(1,214,038)
Balance as at June 30, 2018	3,000,000	-	307,043	1,377,627	5,405,967

Rupees in '000

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


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Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
-----Rupees in '000-----			
Operating Cash flows			
(a) Underwriting activities			
Premiums received		40,026,055	43,655,220
Reinsurance premiums paid		(221,841)	(36,414)
Claims paid		(13,736,357)	(11,547,742)
Surrenders paid		(10,755,480)	(8,590,228)
Reinsurance and other recoveries received		207,355	8,450
Commissions paid		(10,224,956)	(9,100,352)
Other underwriting payments		(1,161,800)	(1,090,494)
Net cash flow from underwriting activities		4,132,976	13,298,440
b) Other operating activities			
Income tax paid		(364,977)	(1,435,867)
General management expenses paid		(4,892,911)	(4,548,243)
Loans advanced		(7,334,936)	(13,412,883)
Loan repayments received		5,177,838	3,676,386
Other payments on operating assets		(501,438)	(390,596)
Net cash flow from other operating activities		(7,916,424)	(16,111,203)
Total cash flow from all operating activities		(3,783,448)	(2,812,763)
Investment activities			
Profit / Return received		28,590,832	26,177,797
Dividends received		2,526,456	3,286,573
Rentals received		578,730	522,341
Payments for investments		(85,033,375)	(49,685,582)
Proceeds from disposal of investments		35,948,000	25,138
Fixed Capital Expenditure		(245,176)	(82,107)
Proceeds from sale of property and equipment		(2,165)	132
Total cash flow from investing activities		(17,636,698)	(19,755,708)
Financing activities			
Capital payments repaid by statutory funds		-	(450,000)
Surplus appropriated to shareholders' fund		-	450,000
Dividends paid		(1,269,914)	(1,091,034)
Total cash flow from financing activities		(1,269,914)	(1,091,034)
Net cash flow from all activities		(22,690,060)	(23,659,505)
Cash and cash equivalents at beginning of period		33,384,565	31,197,361
Cash and cash equivalents at end of period		10,694,505	7,537,856
Reconciliation to Profit and Loss Account			
Operating cash flows		(3,783,447)	(2,812,763)
Depreciation expense		(60,460)	(58,349)
Investment Income		42,717,316	32,592,549
Amortization/capitalization		287,721	252,640
Allocation of surplus		(1,200,000)	(450,000)
Non Cash Adjustments (APL)		(2,632,260)	(1,757,377)
Increase/(decrease) in assets other than cash		5,334,547	3,449,627
(Increase)/decrease in liabilities other than running finance		(39,942,120)	(30,614,326)
		721,297	602,002
Ledger Account C & D		372,751	214,193
Profit or loss after taxation		1,094,048	816,195

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.

 CHAIRMAN	 DIRECTOR	 DIRECTOR	 CHIEF FINANCIAL OFFICER
Shoaib Mir	Abdul Qadir Memoni	Ali Mubashar Kazmi	Muhammad Rashid

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

- 1.1 State Life Insurance Corporation of Pakistan (the Corporation) was incorporated in Pakistan on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). The Corporation's principal office is located at State Life Building No. 9, Dr. Ziauddin Ahmad Road, Karachi. It operates in Pakistan through 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 and health and accident insurance business.
- 1.3 The Corporation was issued the certificate of authorization for commencement of Window Takaful Operation under rule 6 of the Takaful rules, 2012 by SECP vide letter no. 0097, dated September 22, 2016. However the Corporation is in the process of launching the Window Takaful Operations at the period end i.e, June 30, 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.
- 1.4 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 Corporation. After the commencement of this Ordinance, the Federal Government established a Corporation namely, State Life Insurance Corporation 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 Corporation 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 Public Limited Company on a specific date which is uncertain. Accordingly, the Corporation is not expected to continue as going concern. Since there will be no change in operational activities of the Corporation pursuant to change in aforesaid legal structure, no adjustments are expected to the carrying amounts of assets and liabilities.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 2.1 The condensed interim financial statements of the Corporation has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard 34 - 'Interim Financial Reporting' as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.
- In case requirements differ, the provisions of or directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 shall prevail.
- 2.2 The condensed interim financial statements does not include all the statements and disclosures required in the annual financial statements, accordingly, the condensed interim financial statements should be read in conjunction with the Corporation's annual financial statements as at and for the year ended December 31, 2017.
- 2.3 The condensed interim financial statements are prepared and presented in Pakistani Rupees, which is the Corporation's functional and presentation currency.
- 2.4 This condensed interim financial statements has been prepared under the historical cost convention except the certain investments which are carried at fair value and the obligations under certain employee benefits that are measured at present value. Accrual basis of accounting has been used except for cash flow statements
- 2.5 The Companies Act, 2017 was enacted on 30 May 2017 and replaced and repealed the Companies Ordinance, 1984 with its application from January 01, 2018. Accordingly, this condensed interim financial statements has been prepared in accordance with the provision of the Companies Act, 2017

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

- 2.6 Securities and Exchange Commission of Pakistan (SECP) vide SRO 88(1)2017 and SRO 89(1)2017 dated February 09, 2017 has issued the Insurance Accounting Regulations 2017 and Insurance Rules 2017 (the new rules and regulations) and the application of these regulations and rules for the purpose of preparation and presentation of financial statements was effective from April 1, 2017.

However SECP has allowed the Corporation for application of new regulations effective from January 01, 2018. Consequently the Corporation has changed its accounting policies in respect of presentation of financial statements and available for sale investments as explained in note 3.1 of this condensed interim financial statements.

2.7 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

- IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS-39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. A new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS-39. The Corporation is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS-15 'Revenue from contracts with customers'

IFRS-15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS-15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS-18 'Revenue', IAS-11 'Construction Contracts' and IFRIC-13 'Customer Loyalty Programmes'. The Corporation is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- 'IFRS-16 'Leases'

IFRS-16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS-16 replaces existing leasing guidance including IAS-17 'Leases', IFRIC- 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS- 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessor continue to classify leases as finance or operating leases. The Corporation is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Corporation for the year ended December 31, 2017 except for change in accounting policies in note 3.1 of this condensed interim financial statements.

The Corporation has adopted all the applicable new standards and amendments to standards including any consequential amendments to other standards, with a date of initial application of January 01, 2018.

There is no significant impact of such changes on this condensed interim financial statements of the Corporation

3.1 Changes in accounting policies

3.1.1 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 profit and loss account are now presented in separate note.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

3.1.2 Investments

Financial assets were previously measure as per the provisions of repealed SEC (Insurance) Rules, 2002. Starting from FY2018, 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 available-for-sale 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 financial year end.

3.1.3 Basis for measurement and reclassification of available-for-sale portfolio

Under the repealed SEC (Insurance) Rules, 2002, the Corporation was carrying its "available-for-sale" investments at cost. The Insurance Rules, 2017 require the initial measurement of "available-for-sale" investments at cost with the subsequent remeasurement at fair value at each reporting date. The option of taking 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, 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 investments portfolio of the Pakistan life fund 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 business. The said change in accounting policy has been made in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and comparatives has been restated and reclassified.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial statements in conformity with approved accounting standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements of the Corporation as at and for the year ended December 31, 2017.

5 INSURANCE AND FINANCIAL RISK MANAGEMENT

The insurance and financial risk management objectives and policies are consistent with those disclosed in annual financial statements of the Corporation for the year ended December 31, 2017.

6. PROPERTY AND EQUIPMENT

Operating property, plant and equipment

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
Net book value as at the beginning of the period / year	436,868	409,010
Additions / adjustments during the period / year	9,207	133,843
Net depreciation charge during the period / year	(54,649)	(105,985)
Net book value as at the end of the period / year	<u>391,426</u>	<u>436,868</u>

7 INVESTMENT PROPERTIES

Investment Properties	2,316,485	2,326,453
Less : Provision for impairment in value	(657)	(687)
	<u>2,315,828</u>	<u>2,325,766</u>
Capital work in progress	1,069,100	859,462
	<u>3,384,928</u>	<u>3,185,228</u>

June 30, 2018 December 31, 2017
(Un-audited) (Audited)
-----Rupees in '000'-----

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

8 INVESTMENTS IN EQUITY SECURITIES - AT FAIR VALUE THROUGH PROFIT OR LOSS

	-----Rupees in '000-----					
	June 30 2018 (Un-audited)			December 31 2017 (Audited) (Restated)		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
Related parties						
Listed shares	3,544,405	-	20,173,570	3,544,405	-	18,387,777
Unlisted shares	5,000	-	5,000	5,000	-	5,000
Mutual funds	200,000	-	215,586	200,000	-	216,452
Others						
Listed shares	24,803,227	-	82,461,453	24,698,573	-	77,671,061
Unlisted shares	869,423	(180,224)	869,423	869,423	(180,224)	869,423
Mutual funds	2,815,481	-	6,271,610	2,815,481	-	5,993,488
Others	-	-	-	-	-	-
Less: Provision for diminution in value	(180,224)	-	(180,224)	(180,224)	-	(180,224)
	<u>32,057,312</u>	<u>(180,224)</u>	<u>109,816,418</u>	<u>31,952,658</u>	<u>(180,224)</u>	<u>102,962,977</u>

9 GOVERNMENT SECURITIES - HELD TO MATURITY

	June 30, 2018					December 31, 2017
	Maturity Year	Effective Yield (%)	Amortized Cost	Principal Repayment	Carrying Value	Carrying Value
	-----Rupees in '000'-----					
3 year Pakistan Investment Bonds	2019	7.30% - 7.40%	50,367,540	49,950,000	50,367,540	82,169,181
5 year Pakistan Investment Bonds	2018 - 2021	8.10% - 8.25%	137,820,241	135,647,100	137,820,241	135,107,601
10 year Pakistan Investment Bonds	2018 - 2026	8.80% - 9.00%	327,430,500	319,220,300	327,430,500	252,221,707
15 year Pakistan Investment Bonds	2019 - 2026	8.85% - 9.05%	13,638,554	13,835,000	13,638,554	13,607,671
20 year Pakistan Investment Bonds	2024 - 2031	10.65% - 10.75%	28,317,668	28,900,000	28,317,668	25,815,933
30 year Pakistan Investment Bonds	2036 - 2038	11.10% - 11.20%	37,578,737	40,050,000	37,578,737	37,564,004
Islamic Republic of Pakistan Bond			7,176,967		7,176,967	6,529,953
			<u>602,330,207</u>	<u>587,602,400</u>	<u>602,330,207</u>	<u>553,016,050</u>

June 30, 2018 (Un-audited) December 31, 2017 (Audited)
-----Rupees in '000'-----

10 INSURANCE / REINSURANCE RECEIVABLES

Due from insurance contract holders	17,445,574	17,901,707
Less: provision for impairment of receivables from Insurance contract holders	-	-
	<u>17,445,574</u>	<u>17,901,707</u>

11 OTHER LOANS AND RECEIVABLES

Accrued investment income	28,457,740	26,455,198
Loans to agents	96,084	70,961
Loans to employees	858,646	825,031
Other receivables	2,373,903	1,727,791
	<u>31,786,373</u>	<u>29,078,981</u>

12 TAXATION - PAYMENTS LESS PROVISION

Advance tax	4,843,841	4,494,452
Less: Provision for taxation	(881,002)	(598,068)
	<u>3,962,839</u>	<u>3,896,384</u>

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	-----Rupees in '000'-----	
13 CASH & BANK		
Cash and cash equivalent		
- Cash in hand	25,942	7,665
- Cash in transit	4	177,166
Cash at bank		
- Current account	4,875,139	15,696,936
- Savings account	5,793,420	17,502,798
	10,694,505	33,384,565
- Fixed deposits maturing after 12 months	4,688,134	5,067,534
	<u>15,382,639</u>	<u>38,452,099</u>
14 INSURANCE LIABILITIES		
Reported outstanding claims (including claims in payment)	14,560,893	16,896,251
Incurred but not reported claims	4,269,186	4,268,435
Liabilities under conventional life insurance contracts	817,750,126	769,702,662
Liabilities under group insurance contracts	1,667,691	2,151,841
Other policyholder liabilities	189,319	267,206
	<u>838,437,215</u>	<u>793,286,395</u>

15 CONTINGENCY(IES) AND COMMITMENT(S)

15.1 Contingencies

15.1.1 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.

15.1.2 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.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

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.

- 15.1.3** 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.

- 15.1.4** In the year 2013, Inland Revenue Department issued similar notices to Corporation regarding withholding of tax on maturity proceeds of insurance policies. 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 policies during the tax year 2013. Reply was filed through tax consultant which was not agreed by Department and order u/s 161/205 was passed and tax demand amounting to Rs. 609.23 million including default surcharge of Rs. 99.11 million was raised which was discharged without prejudice to legal rights to appeal. Appeal was filed before CIR (A) against said order which was upheld vide order # 34 dated March 30, 2015.

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 June 30, 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 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.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

15.1.5 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.

15.1.6 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.

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.

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

On the advice of the consultant Corporation filed application for rectification of order passed by DCIR for tax year 2014 and 2015. 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.

15.1.7 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

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

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.

- 15.1.8** 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. 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. 316.7/ M 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.

- 15.1.9** 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 02.02.2017 u/s 122 (5A) of the Income Tax Ordinance, 2001 whereby outstanding refund for same year was utilized to adjust the demand of Rs. 39.3 million. After adjustment, balance refunds stands at Rs. 93.3 million.

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 Emigration 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.

- 15.1.10** 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. SLIC engaged A.F. Ferguson & Co. for responding these notices. Subsequently, ACIR passed amended orders whereby

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

demand of Rs. 520.5/ M was raised (Tax Year 2011: Rs. 56.3/M, Tax Year 2013: Rs. 107.1/ M and Tax Year 2014: Rs. 357.1/ M). 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). Appeals related to tax years 2013 and 2014 are pending before CIR (A) till to date. However, appeal related to tax year 2011 has been decided by CIR (A). Issue related to subjecting dividend income to normal tax rate has been decided in favor of SLIC whereas issue related to deduction claimed on account of real estate expenses is decided against SLIC. Inland Revenue Department as well as SLIC filed appeals before ATIR against the order of CIR (A).

15.1.11 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. 480.2/ M was raised. Corporation, being aggrieved 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 involves major tax impact at Rs. 357.1/ M 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

15.1.12 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.

15.2 Commitments

The Corporation is committed in respect of capital expenditure contract aggregating to Rs. 252 million (2017: Rs. 127 million). There were no other commitments as at the balance sheet date.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

	June 30, 2018 (Un-audited)	June 30, 2017 (Un-audited)
	-----Rupees in '000-----	
16 NET INSURANCE PREMIUM REVENUE		
Gross premiums		
Regular premium individual policies		
First year	6,391,974	5,979,932
Second year renewal	3,250,578	2,596,735
Subsequent year renewal	25,138,887	20,882,735
Group policies with cash values	17,495	3,889
Group policies without cash values	4,774,360	3,805,197
Total Gross premiums	39,573,294	33,268,488
Less: Reinsurance premiums ceded		
On individual life first year business	(15,669)	(12,078)
On individual life second year business	(5,106)	(6,557)
On individual life renewal business	(39,857)	(36,847)
	(60,632)	(55,482)
Net premiums	39,512,662	33,213,006
17 INVESTMENT INCOME		
Income from equity securities		
<i>Available for sale</i>		
- Dividend income	2,834,466	3,330,829
Income from debt securities		
<i>Held to maturity</i>		
- Return on debt securities	28,382,407	25,881,944
	31,216,873	29,212,773
18 NET REALISED FAIR VALUE GAINS ON FINANCIAL ASSETS		
Available for sale financial assets		
Realised gains on equity securities	1,589	55,027
19 NET RENTAL INCOME		
Rental Income	598,360	514,601
Less: Expenses of investment property	(295,863)	(263,639)
	302,497	250,962
20 OTHER INCOME		
Return on bank balances	325,525	286,225
(Loss) / Gain on sale of fixed assets	(8)	40
Return on loans to employees	16,177	23,869
Exchange gain on revaluation	1,509,570	56,797
Miscellaneous income	2,669,356	2,706,856
	4,520,620	3,073,787

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

June 30, 2018 June 30, 2017
 (Un-audited) (Un-audited)
 -----Rupees in '000-----

21 NET INSURANCE BENEFITS

Gross Claims

Claims under individual policies

- by death
- by insured event other than death
- by maturity
- by surrender
- annuity payments

2,536,876	2,529,387
185,672	166,255
4,485,359	3,415,427
10,755,480	8,590,228
10,945	3,661
17,974,332	14,704,958

Total gross individual policy claims

Claims under group policies

- by death
- by insured event other than death
- by maturity
- by surrender
- annuity payments
- experience premium refund

1,996,991	2,517,924
1,815,989	701,500
-	45
659	690
210	623
368,298	675,793
4,182,147	3,896,575

Total gross policy claims

Total gross claims

22,156,479 **18,601,533**

Less: Reinsurance Recoveries

- on individual life claims

(18,526) (58,553)

Net insurance benefit expense

22,137,953 **18,542,980**

22 ACQUISITION EXPENSES

Remuneration to insurance intermediaries on individual policies:

- commission to agent on first year premiums
- commission to agent on second year premiums
- commission to agent on subsequent renewal premiums
- other benefits to insurance intermediaries
- branch overhead

4,026,492	3,680,334
508,521	394,203
1,228,367	1,024,750
705,775	667,195
863,789	806,511

Remuneration to insurance intermediaries on group policies:

- commission
- other benefits to insurance intermediaries

1,631	803
514	479

Other acquisition costs

- Stamp duty and medical fee

298,009	283,983
7,633,098	6,858,258

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

	June 30, 2018 (Un-audited)	June 30, 2017 (Un-audited)
	-----Rupees in '000-----	
23 MARKETTING AND ADMINISTRATION EXPENSES		
Employee benefit cost	2,681,355	2,533,232
Travelling expenses	129,468	107,234
Advertisements and sales promotion	24,263	7,372
Printing and stationery	34,158	48,285
Depreciation	59,274	57,116
Rent, rates and taxes	114,146	113,579
Legal and professional charges - business related	86,535	94,951
Electricity, gas and water	341,550	269,145
Office repairs and maintenance	5,369	6,319
Bank charges	20,126	22,558
Postages, telegrams and telephone	38,669	37,614
Miscellaneous	13,337	12,978
	<u>3,548,250</u>	<u>3,310,383</u>
24 OTHER EXPENSES		
Auditors' remuneration	2,881	2,794
Miscellaneous expense	102,092	94,356
	<u>104,973</u>	<u>97,150</u>
25 INCOME TAX EXPENSE		
For the year		
Current	298,522	297,339
	<u>298,522</u>	<u>297,339</u>
26 EARNINGS PER SHARE		
Profit (after tax) for the year	1,094,048	816,195
Weighted average number of ordinary shares	30,000	30,000
	<u>36.47</u>	<u>27.21</u>
27 RELATED PARTY TRANSACTIONS		
<p>The Corporation has related party relationships with provident fund, pension fund scheme, gratuity fund, state owned profit oriented entities and its key management personnel. 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:</p>		
Profit oriented state-controlled entities		
-common ownership		
Investment in shares - State Bank of Pakistan	3,221	3,221
	<u>3,221</u>	<u>3,221</u>
Subsidiaries		
Rental income received		242
Right shares received		96,400
		<u>96,400</u>
Staff retirement fund		
Contribution to provident fund	3,851	6,821
Contribution to pension fund	-	362,555
Contribution to funded gratuity	2,919	4,758
Expense charged for pension fund	439,732	736,406
	<u>439,732</u>	<u>736,406</u>

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

June 30, 2018
 (Un-audited)
 -----Rupees in '000-----

June 30, 2017
 (Un-audited)

Transactions with associated companies

Bonus shares allotted:

Premier Insurance Company Limited	-	950
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Dividend received during the year

Pakistan Reinsurance Company Limited	256,313	219,697
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Transactions with related parties - common directorship

	June 30, 2018 (Un-audited)		December 31, 2017 (Audited)	
	Cost	Market Value	Cost	Market Value
Investment in units :				
National Islamic Equity Trust	200,000	215,586	200,000	249,735
Balances with related parties - common directorship				
Investment in shares:				
Fauji Fertilizer Company Limited	2,504,433	11,473,488	2,504,433	9,588,119
Sui Southern Gas Company Limited	552,256	1,895,492	552,256	2,102,830
Sui Northern Gas Pipelines Company Limited	210,932	2,754,360	210,932	4,092,789
Thatta Cement Company Limited	2	2	2	2
Alpha Insurance Company Limited	298,918	-	298,918	-
International Industries Limited	11,399	152,387	11,399	241,789
Pakistan Cables Limited	4,521	375,596	4,521	642,903
Orix Leasing Pakistan Limited	-	-	174,270	173,514
Security Papers Limited	4,894	607,824	4,894	733,035
Shah Taj Sugar Mills Limited	6,698	87,886	6,698	143,827
Pak Data Communication Limited	13,202	45,339	13,202	38,948,832
Premier Insurance Company Limited	396	42,428	396	72,164
Pakistan Reinsurance Company Limited	2,400	2,407,875	2,400	3,574,464
Arabian Sea Country Club Limited	5,000	-	5,000	-
PICIC Insurance Limited	38,982	8,571	38,982	13,636
Nina Industries Limited	20,020	4,500	20,020	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	-

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

28 EFFECT OF CHANGE IN ACCOUNTING POLICY - ADOPTION OF
 INSURANCE ACCOUNTING REGULATIONS, 2017

	December 31, 2017		
	Balance previously reported	Adjustment	Balance restated
	Rupees	Rupees	Rupees
Impact on statement of financial position			
Assets:			
Investments			
Equity securities	31,756,335	71,206,642	102,962,977
Equity and Liabilities			
Ledger Account C & D	-	2,204,876	2,204,876
Statutory Fund			
- Changes in equity	2,204,876	(2,204,876)	-
- Changes in balance sheet	707,388,377	(707,388,377)	-
Insurance Liabilities	-	776,390,144	776,390,144
Profit and loss accounts			
Net fair value gain/(loss) on financial assets at fair value through profit or loss	-	71,206,642	71,206,642

	December 31, 2016		
	Balance previously reported	Adjustment	Balance restated
	Rupees	Rupees	Rupees
Impact on statement of financial position			
Assets:			
Investments			
Equity securities	31,676,516	89,189,920	120,866,436
Equity and Liabilities			
Ledger Account C & D		1,178,239	1,178,239
Statutory Fund			
- Changes in equity	1,178,239	(1,178,239)	-
- Changes in balance sheet	614,176,736	(614,176,736)	-
Insurance Liabilities	-	702,188,327	702,188,327
Profit and loss accounts			
Net fair value gain/(loss) on financial assets at fair value through profit or loss	-	89,189,920	89,189,920

Had the accounting policy not been changed, aggregate balances of available-for sale investments, and Fair Value Reserves, would have been lower by Rupees 77,955,431 (December 31, 2017: Rupees 71,206,642).

As explained in note 3.1.1, the concept of revenue account has been done away for the purpose of published financial statements and accordingly the surplus arising on the insurance business is taken to profit and loss account. However, as there is no change in the Fourth Schedule to the Income Tax Ordinance, 2001, the amount subject to tax will be restricted to surplus appropriated to shareholders fund. In the context of solvency margins, relating to non participating business, maintained by the Corporation in the ledger account "D", this has resulted in a permanent difference between accounting base and tax base of insurance liabilities and profit, this being a mandatory requirement of the Insurance Ordinance, 2000, to be maintained at all times, accordingly, such amount will never materlize for distribution to the Shareholders for so long as the Corporation is in continuation of its business. The Corporation through the Insurance Association of Pakistan has approached the Securities and Exchange Commission of Pakistan (SECP) seeking clarification. As a result, the Securities and Exchange Commission of Pakistan (SECP) has granted a limited exemption of IAS-12 in this respect.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018

29 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were approved and authorized for issue on 10 SEP 2018 by the Board of Directors of the Corporation.

30 GENERAL


Figures in these condensed interim financial statements have been rounded off to nearest thousand of Rupees.

CITAH


CHAIRMAN
Shoaib Mir


DIRECTOR
Abdul Qadir Memon


DIRECTOR
Ali Mubashar Kazmi


CHIEF FINANCIAL OFFICER
Muhammad Rashid

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 half year ended June 30, 2018 Condensed Interim Financial Information of State Life Insurance Corporation of Pakistan set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000, and the Insurance Rules, 2002; and
- b. State Life Insurance Corporation of Pakistan has at all times in the period complied with the provisions of the Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up-capital, solvency and re-insurance arrangements; and
- c. As at June 30, 2018, State Life Insurance Corporation of Pakistan continues to be in compliance with the provisions of the Insurance Ordinance, 2000, and the Insurance Rules, 2002, made there under relating to paid-up-capital, solvency and reinsurance arrangement.

Section 52 (2) (C)

In our opinion, each statutory fund of the State Life Insurance Corporation of Pakistan complies with the solvency requirements of the Insurance Ordinance, 2000, and Insurance Rules, 2002.



CHAIRMAN

Shoaib Mir



DIRECTOR

Abdul Qadir Memon



DIRECTOR

Ali Mubashar Kazmi



CHIEF FINANCIAL OFFICER

Muhammad Rashid

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 June 30, 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