ANNUAL REPORT 2011

MetLife Alico

Guarantees for the if in life.

American Life Insurance Company (Pakistan) Limited

Vision Statement

"To be the most innovative, finest and socially responsible insurance company providing best value to customers, partners, employees and shareholders."

Mission Statement

"To build value for our policyholders, field force, employees and shareholders, by providing quality products and services through multiple distribution channels for the Pakistani market and through investing in Pakistani financial institutions, thereby serving the Pakistani people."

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Arif Sultan Mufti	Chairman and Chief Executive	Chartered Accountant
Khalid Anis-ur-Rehman	Director - Non Executive	Advocate
Shahid Siddiqui	Director - Non Executive	Actuary
Michel Khalaf	Director - Non Executive	Business Executive
Nurul Islam	Director - Non Executive (Alternate Mr. Irfan Amir)	Business Executive
Arif Abdul Aziz	Director - Non Executive	Financial Executive
Qasim Rabbani	Director - Non Executive	Business Executive

COMPANY SECRETARY

Asim Iftikhar ACMA

CHIEF FINANCIAL OFFICER

Hashim Sadiq Ali FCA

APPOINTED ACTUARY

Shoaib Soofi FSA, FPSA

CONSULTING ACTUARY

Shahid Siddiqui M.Sc., AIA, ASA

AUDIT COMMITTEE

Arif Abdul Aziz	Chairman
Khalid Anis-ur-Rehman	Member
Shahid Siddiqui	Member
Shahid Hussain	Secretary & Internal Auditor

BANKERS

MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
National Bank of Pakistan Limited
Citibank N.A.
NIB Bank Limited
Bank Al-Habib Limited
Deutsche Bank
Barclays Bank PLC, Pakistan
Summit Bank Limited
Bank Alfalah Limited
KASB Bank Limited

LEGAL ADVISORS

Surridge and Beecheno

AUDITORS

M. Yousaf Adil Saleem & Co. - Chartered Accountants, a member firm of Deloitte Touche Tohmatsu

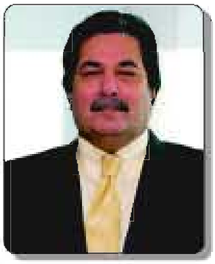
SHARE REGISTRAR

THK Associates (Private) Limited
Ground Floor, State Life Building - 3
Ziauddin Ahmed Road, Karachi - 75530 P.O. Box No. 8533
Phone : +92(21) 111-000-322 Fax: + 92(21) 35655595

REGISTERED OFFICE

P. O. Box No. 10528, Floor 13 (Level 16)
Dolmen City Mall, Block-4, Clifton, Karachi.
Phones: +92(21) 111-111-711 Fax: +92(21) 35290042
E-mail: service-pakistan@metlifealico.com Website: www.metlifealico.com.pk

Board of Directors



Arif Sultan Mufti
Chairman & Chief Executive

Michel Khalaf
Director

Nurul Islam
Director

Arif Abdul Aziz
Director

Shahid Siddiqui
Director

Khalid Anis-ur-Rehman
Director

Qasim Rabbani
Director

Statutory Management Committees

AUDIT COMMITTEE :

Name of Member	No. of meetings attended	Executive / Non-executive
1. Arif Abdul Aziz (Chairman)	4	Non-executive
2. Khaled Anis-ur-Rehman	1	Non-executive
3. Shahid Siddiqui	4	Non-executive

CLAIM SETTLEMENT COMMITTEE :

Name of Member	No. of meetings attended
1. Arif Sultan Mufti (Chairman)	2
2. Sayed Azharuddin	4
3. Dr. Asimuddin Qureshi	4
4. Hashim Sadiq Ali	4

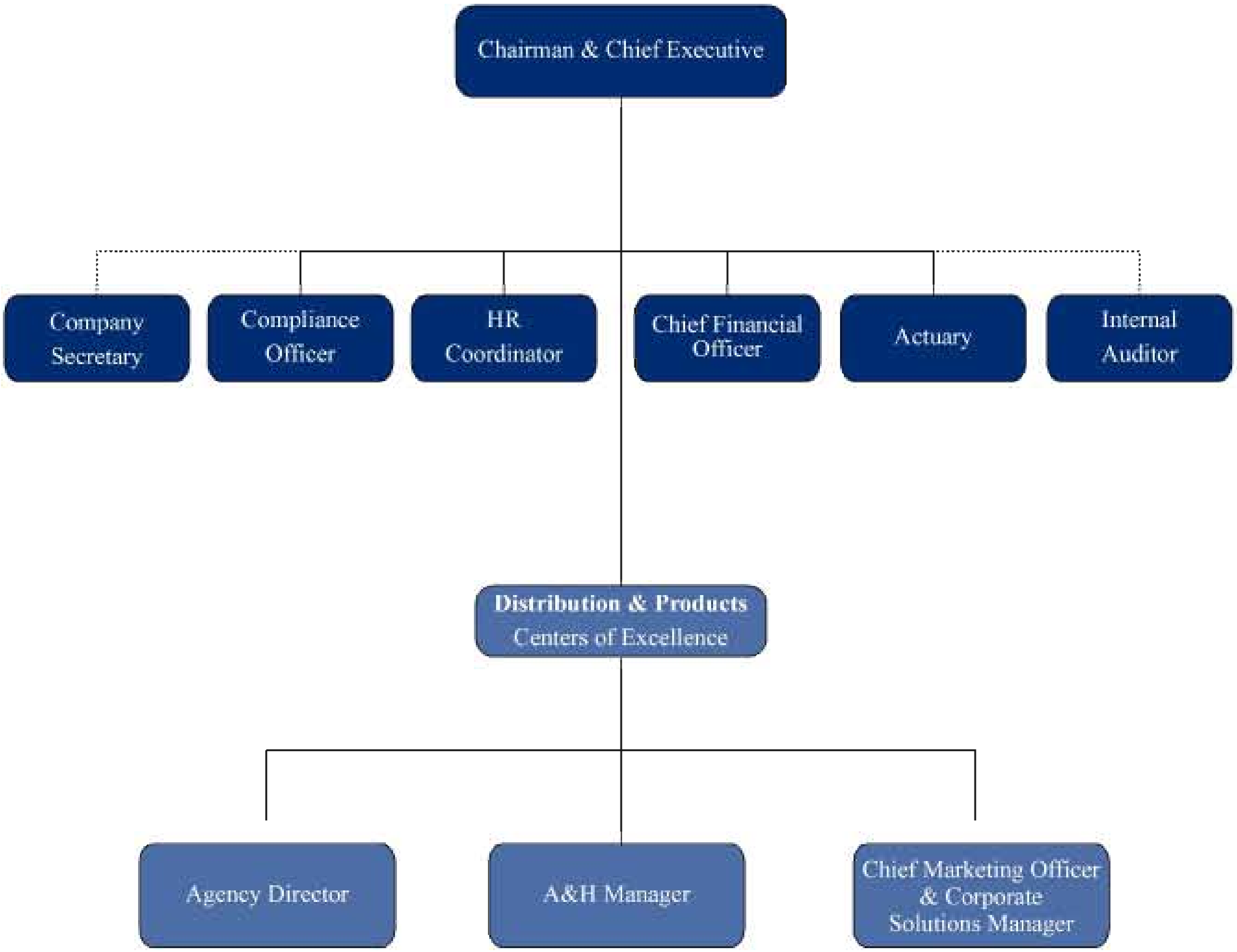
REINSURANCE COMMITTEE:

Name of Member	No. of meetings attended
1. Arif Sultan Mufti (Chairman)	4
2. Omair Alvi	3
3. Hashim Sadiq Ali	4

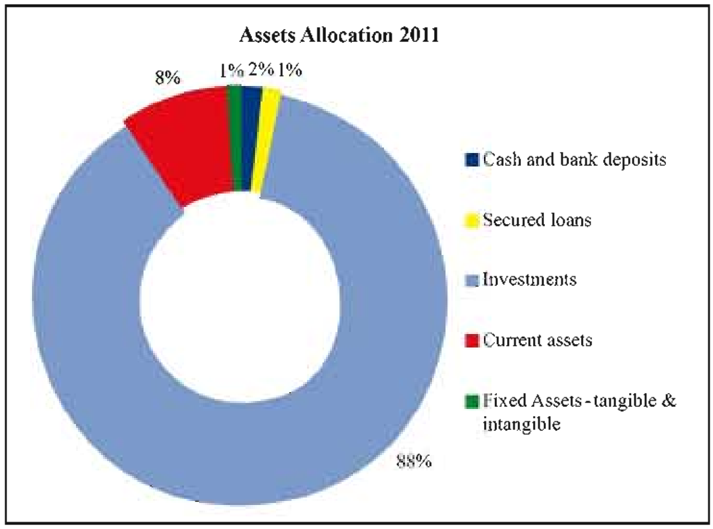
UNDER WRITING COMMITTEE:

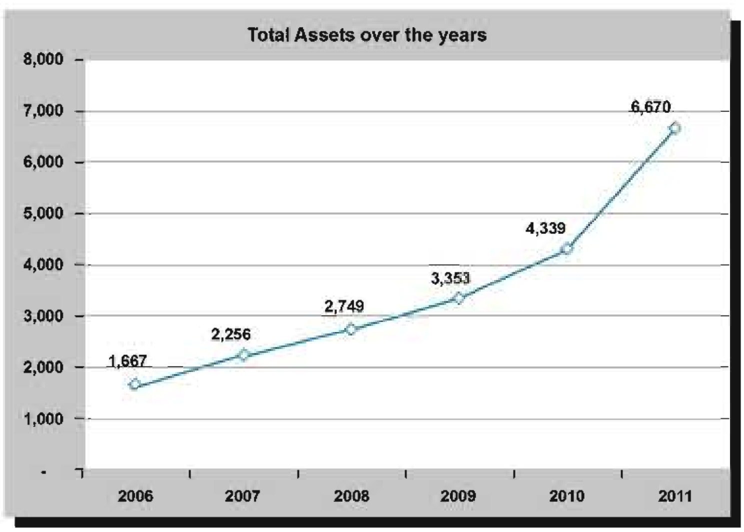
Name of Member	No. of meetings attended
1. Arif Sultan Mufti (Chairman)	4
2. Shahid Siddiqui	4
3. Khaled S. Agha	4
4. Hashim Sadiq Ali	4

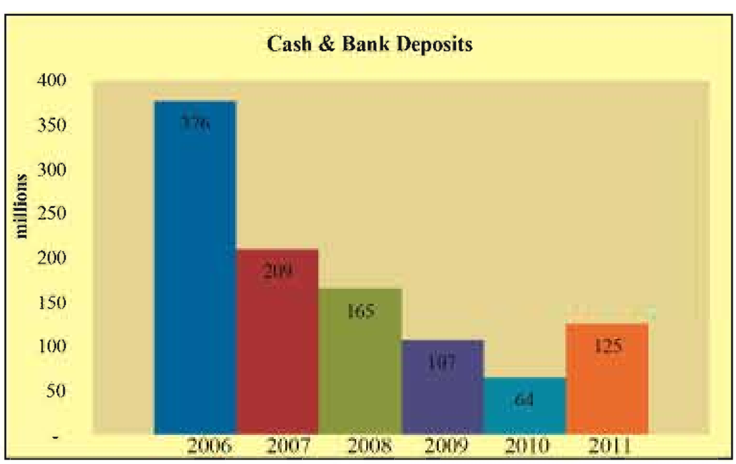
Organization Structure

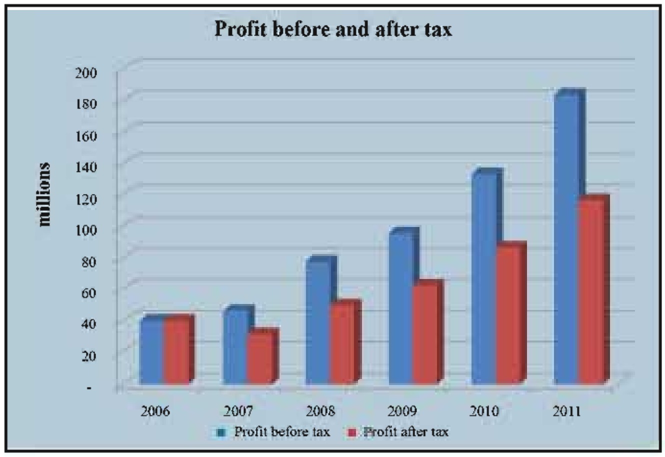


Performance At Glance



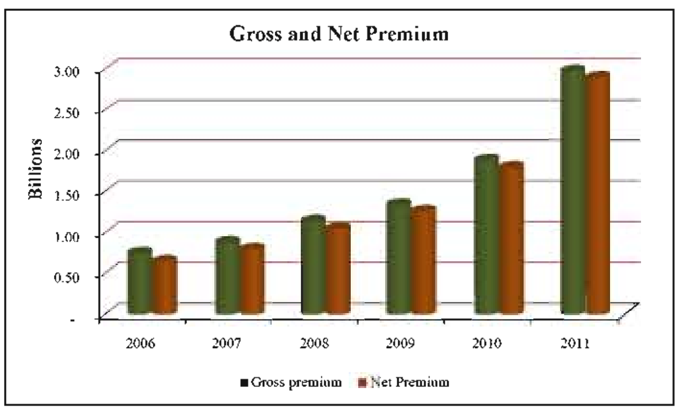




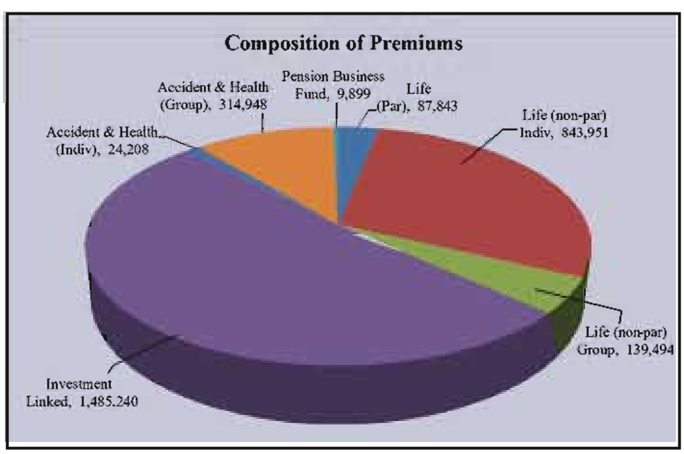


Profit before and after tax
millions
200
180
160
140
120
100
80
60
40
20
-
2006
2007
2008
2009
2010
2011
Profit before tax
Profit after tax

Earning Per Share (EPS)
0.91
0.72
1.00
1.25
1.73
2.32
2006
2007
2008
2009
2010
2011



Gross and Net Premium
Billions
3.00
2.50
2.00
1.50
1.00
0.50
-
2006
2007
2008
2009
2010
2011
Gross premium
Net Premium



Composition of Premiums
Accident & Health (Group), 314,948
Pension Business Fund, 9,899
Life (Par), 87,843
Life (non-par) Indiv, 843,951
Accident & Health (Indiv), 24,208
Life (non-par) Group, 139,494
Investment Linked, 1,485,240

KEY FINANCIAL DATA

SIX YEARS AT GLANCE

Financial Data	2011	2010	2009	2008	2007	2006
	(Rupees in ' 000)					
Paid-up capital	**500,000**	500,000	500,000	500,000	500,000	325,000
Net shareholders' equity	**734,941**	669,193	581,065	379,763	329,542	133,249
Investments - excl. VUL	**4,113,989**	3,276,265	2,761,238	1,780,985	1,761,958	1,096,468
Cash and bank deposits	**125,057**	64,025	106,526	164,756	209,205	375,739
Total assets	**6,670,453**	4,338,682	3,352,656	2,749,498	2,255,694	1,667,052
Operating Data						
Gross premium revenue	**2,993,466**	1,893,849	1,349,482	1,155,386	888,204	747,156
Net premium revenue	**2,905,583**	1,806,525	1,267,953	1,048,496	802,053	655,042
Investments and other income	**644,910**	396,720	320,539	259,260	193,808	158,176
Profit before taxation	**183,560**	133,403	96,141	78,059	46,900	40,834
Taxation	**67,312**	46,691	33,649	27,838	14,822	392
Profit after taxation	**116,248**	86,712	62,492	50,221	32,078	40,442
EPS	**2.32**	1.73	1.25	1.00	0.72	0.91
Cash Flow Summary						
Net cash flow from operating activities	**1,596,738**	590,201	762,793	(228,857)	222,191	155,451
Net cash flow from investing activities	**(1,528,706)**	(608,126)	(721,023)	209,408	(355,289)	(169,172)
Net cash flow from financing activities	**-**	(16,576)	-	-	167,031	-
Net cash flow from all activities	**68,032**	(34,501)	41,770	(19,449)	33,933	(13,721)
Cash and cash equivalents at the beginning of the year	**57,025**	91,526	49,756	69,205	35,272	48,993
Cash and cash equivalents at the end of the year	**125,057**	57,025	91,526	49,756	69,205	35,272

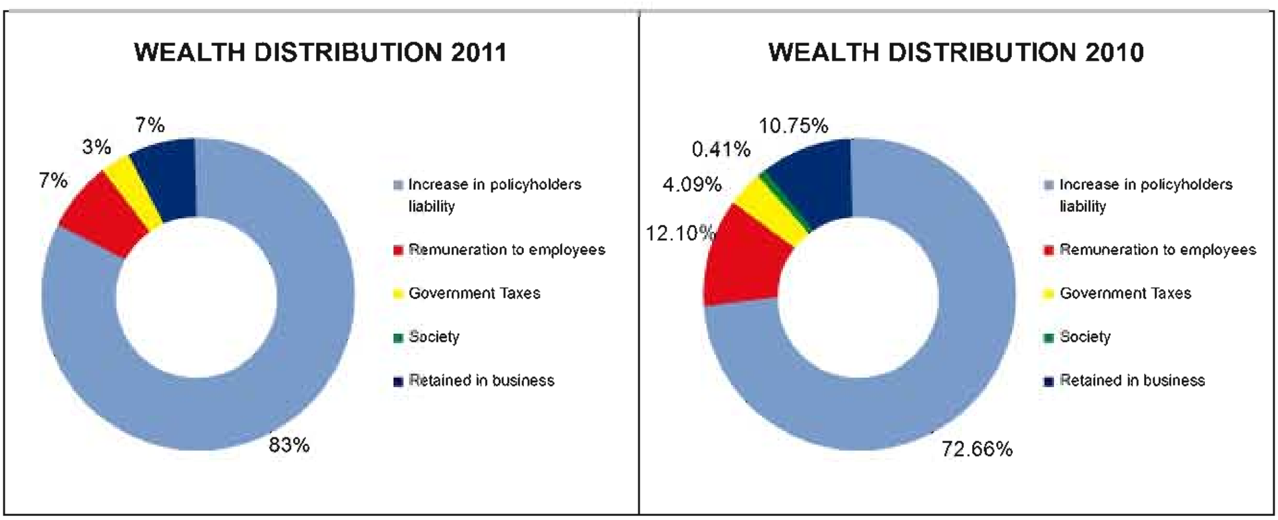
KEY FINANCIAL DATA

FINANCIAL RATIOS

		2011	2010	2009	2008	2007	2006
Profitability / Return to Shareholders							
Profit before tax / gross premium	%	6.13%	7.04%	7.12%	6.76%	5.28%	5.47%
Expenses / Income	%	40.09%	54.05%	64.91%	67.29%	64.32%	68.49%
Return on assets	%	1.74%	2.00%	1.86%	1.83%	1.42%	2.43%
Return on Capital employed	%	1.93%	2.22%	2.16%	2.15%	1.67%	2.86%
Return on Equity	%	15.82%	12.96%	10.75%	13.22%	9.73%	30.35%
EPS	Rs.	2.32	1.73	1.25	1.00	0.72	0.91
Price Earning Ratio	Times	6.03	10.38	13.14	43.79	66.67	26.65
Net Assets per share	Rs.	14.70	13.38	11.62	7.60	6.59	4.10
Market Data							
Face value per share	Rs.	10	10.00	10.00	10.00	10.00	10.00
Market Value per share at the year end	Rs.	14	18.00	16.43	43.79	48.00	24.25
Highest share price during the year	Rs.	19	21.95	41.61	53.55	56.50	32.50
Lowest share price during the year	Rs.	13.5	13.00	13.41	38.77	23.45	17.00
Market Capitalization	'000	700,000	900,000	821,500	2,189,500	2,400,000	788,125
Performance / Liquidity							
Earning asset to total asset ratio	%	90.67%	90.85%	90.38%	73.41%	89.22%	90.16%
Net premium / gross premium ratio	%	97.06%	95.39%	93.96%	90.75%	90.30%	87.67%
Net claims / net premium ratio	%	21.67%	24.49%	28.63%	31.69%	32.62%	35.14%
Management expenses / net premium ratio	%	25.11%	38.44%	49.72%	50.40%	45.60%	47.72%
Current ratio	Times	1.06	0.93	0.80	2.01	1.14	2.06
Total assets turnover	Times	0.55	0.53	0.50	0.49	0.46	0.51
Fixed assets turnover	Times	60.55	39.23	25.61	18.80	18.23	31.91
Equity / total assets	%	11.02%	15.42%	17.33%	13.81%	14.61%	7.99%

Statement Of Value Addition

	2011		2010	
	Amount	%	Amount	%
WEALTH GENERATION				
Net premium	2,905,583	82%	1,806,524	82%
Net investment income	612,710	17%	368,565	17%
Other income	32,390	1%	28,358	1%
Less: Net claim	(629,515)	-53%	(442,406)	-45%
Less: Acquisition and Administrative Expenses				
(Excl. remuneration & taxes)	(565,321)	-57%	(551,494)	-55%
Net wealth generated	2,355,847		1,209,547	
WEALTH DISTRIBUTION				
Increase in policyholders' liability	(1,949,171)	82.74%	(878,836)	72.66%
Remuneration to employees	(167,433)	7.11%	(146,330)	12.10%
Government Taxes	(71,058)	3.02%	(49,466)	4.09%
Society	(30)	0.00%	(4,903)	0.41%
Retained in Business	(168,155)	7.14%	(130,012)	10.75%
	(2,355,847)	100.00%	(1,209,547)	100.00%



Balance Sheet And Profit & Loss Analysis

VERTICAL

BALANCE SHEET	2011 Rupees in '000	2011 %	2010 Rupees in '000	2010 %
Net shareholders' equity	734,941	11%	669,193	15%
Balance of statutory funds	5,290,441	79%	3,238,863	75%
Deffered liability	-	0%	-	0%
Creditors and accruals	645,044	10%	430,599	10%
Dividend	27	0%	27	0%
Total Equity and Liabilities	6,670,453	**100%**	**4,338,682**	**100%**
Cash and bank deposits	125,057	2%	64,025	1%
Secured loans	90,096	1%	83,051	2%
Investments	5,833,574	87%	3,795,700	88%
Current assets	561,509	8%	337,353	8%
Fixed Assets - tangible & intangible	60,217	1%	58,553	1%
Total Assets	6,670,453	**100%**	**4,338,682**	**100%**

REVENUE AND PROFIT & LOSS ACCOUNT	2011	2011 %	2010	2010 %
Net Income	3,646,437	100	2,297,224	100
Claims and Expenditures	(1,461,799)	(40)	(1,241,684)	(54)
Movement in policy holders' liability	(1,949,171)	(53)	(878,836)	(38)
Surplus / Profit before tax	235,467	7	176,704	8
Taxation	(67,312)	(2)	(46,691)	(2)
Surplus / Profit after tax	168,155	5	130,013	6

HORIZONTAL

BALANCE SHEET	2011	2010	2009	2008
	(Rupees in '000)			
Net shareholders' equity	734,941	669,193	581,065	379,763
Balance of statutory funds	5,290,441	3,238,863	2,318,142	1,961,532
Deffered liability	-	-	-	-
Creditors and accruals	645,044	430,599	436,846	391,600
Dividend	27	27	16,603	16,603
Total Equity and Liabilities	**6,670,453**	**4,338,682**	**3,352,656**	**2,749,498**
Cash and bank deposits	125,057	64,025	106,526	164,756
Secured loans	90,096	83,051	68,306	53,623
Investments	5,833,574	3,795,700	2,856,069	1,801,339
Current assets	561,509	337,353	255,923	657,500
Deffered taxation	-	-	-	-
Fixed Assets - tangible & intangible	60,217	58,553	65,832	72,280
Total Assets	**6,670,453**	**4,338,682**	**3,352,656**	**2,749,498**

REVENUE AND PROFIT & LOSS ACCOUNT	2011	2010	2009	2008
Net Income	3,646,437	2,297,224	1,685,754	1,358,913
Claims and Expenditures	(1,461,799)	(1,241,684)	(1,094,193)	(914,346)
Movement in policy holders' liability	(1,949,171)	(878,836)	(450,006)	(247,826)
Surplus / Profit before tax	235,467	176,704	141,555	196,741
Taxation	(67,312)	(46,691)	(33,649)	(27,838)
Surplus / Profit after tax	168,155	130,013	107,906	168,903

2009		2008		2007		2006	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
581,065	17%	379,763	14%	329,542	15%	133,249	8%
2,318,142	69%	1,961,532	71%	1,595,024	71%	1,279,671	77%
-	0%	-	0%	-	0%	13,013	1%
436,846	13%	391,600	14%	314,525	14%	232,797	14%
16,603	1%	16,603	1%	16,603	1%	8,322	0%
3,352,656	**100%**	**2,749,498**	**100%**	**2,255,694**	**100%**	**1,667,052**	**100%**
106,526	3%	164,756	6%	209,205	9%	375,739	23%
68,306	2%	53,623	2%	41,553	2%	31,003	2%
2,856,069	85%	1,801,339	66%	1,761,958	78%	1,096,468	66%
255,923	8%	657,500	24%	168,421	7%	121,253	7%
65,832	2%	72,280	3%	74,557	3%	42,589	3%
3,352,656	**100%**	**2,749,498**	**100%**	**2,255,694**	**100%**	**1,667,052**	**100%**

1,685,754	100	1,358,913	100	1,030,546	100	856,323	100
(1,094,193)	(65)	(914,346)	(65)	(662,828)	(64)	(586,526)	(68)
(450,006)	(27)	(247,826)	(18)	(261,716)	(25)	(221,590)	(26)
141,555	8	196,741	14	106,002	10	48,207	6
(33,649)	(2)	(27,838)	(2)	(14,822)	(1)	(392)	0
107,906	6	168,903	12	91,180	9	47,815	6

2007	2006	2011	2010	2009	2008	2007	2006
(Rupees in '000)		% increase / (Decrease) over preceeding year					
329,542	133,249	10%	15%	53%	15%	147%	3%
1,595,024	1,279,671	63%	40%	18%	23%	25%	26%
-	13,013	0%	0%	0%	0%	-100%	20%
314,525	232,797	50%	-1%	12%	25%	35%	7%
16,603	8,322	0%	-100%	0%	0%	100%	0%
2,255,694	**1,667,052**	**54%**	29%	22%	22%	35%	21%
209,205	375,739	95%	-40%	-35%	-21%	-44%	152%
41,553	31,003	8%	22%	27%	29%	34%	40%
1,761,958	1,096,468	54%	33%	59%	2%	61%	3%
168,421	121,253	66%	32%	-61%	290%	39%	5%
-	-	0%	0%	0%	0%	0%	-100%
74,557	42,589	3%	-11%	-9%	-3%	75%	55%
2,255,694	**1,667,052**	**54 %**	29%	22%	22%	35%	21%

1,030,546	856,323	59%	36%	24%	32%	20%	6%
(662,828)	(586,526)	18%	13%	20%	38%	13%	20%
(261,716)	(221,590)	122%	95%	82%	-5%	18%	-19%
106,002	48,207	33%	02%	-28%	86%	120%	3%
(14,822)	(392)	44%	39%	21%	88%	3681%	-129%
91,180	47,815	29%	20%	-36%	85%	91%	0%

Financial / Event Calendar

EVENT	DATE
Results	
Financials for the three months ended March 31, 2011	26 Apr. 2011
Financials for the six months ended June 30, 2011	25 Aug. 2011
Financials for the nine months ended September 30, 2011	27 Oct. 2011
Financials for the year ended December 31, 2011	27 Mar. 2012
Notice to Shareholders with Financial Statements	**3 Apr. 2012**
Annual General Meeting	**26 Apr. 2012**

REPORT OF THE DIRECTORS

The Directors of your Company take pleasure in presenting to you the 17th Annual Report of the Company along with the audited financial statements for the year ended 31 December 2011.

GENERAL REVIEW OF ECONOMY

The economy of Pakistan has been undergoing a stabilization phase for the last three years. The growth rate of 2.4 percent registered during the year 2010-11. The overall economic survey indicated modest growth in monetary aggregates.

Pakistan fiscal position remained under stress during 2011, large fiscal deficit directly impacted Pakistan's debt burden, as the stock of public debts and liabilities increased.

The Government was forced to cater the unexpected demands for flood rehabilitation and the impacts of increasing oil prices. More work will be required to rebuild the reforms programs, and to remain engaged with the development partners. The Government is developing Thar coalfield in order to increase the share of coal in energy mix and to reduce dependency on expensive imported fuel.

Increase in inflation rate during the current year is attributable to the increase in oil prices, which triggered increases food prices and those of various other commodities. Other contributing factors to the increase in food prices were shortfall in the worldwide production of sugar, meat, milk, fresh vegetables and fruits, which led to significant increase in world food stuff prices. The inflationary pressure inevitably brought pressure on the interest rates. The overall investment in the year was also below its level in the recent past. The Government is working on various microfinance initiatives in collaboration with the SBP and multilateral institutions to generate employment & combat poverty.

Climatic changes are the most complex challenges of the new century. The most serious concerns are the threat to country's water resources, food production increased risk of floods, droughts, cyclones and adverse impact on forests and vegetation.

The budget deficit for the first quarter of FY 12 was 1.2% of GDP, compared with 1.5% during the same period last year. Policy maker's forecast 4.2% economic growth on the basis of a positive outlook for bumper cotton crop and recovery of the manufacturing and energy sectors. The political dimension of these issue cannot be denied, which reinforces our view that difficult political decisions are required to get Pakistan's fiscal house in order.

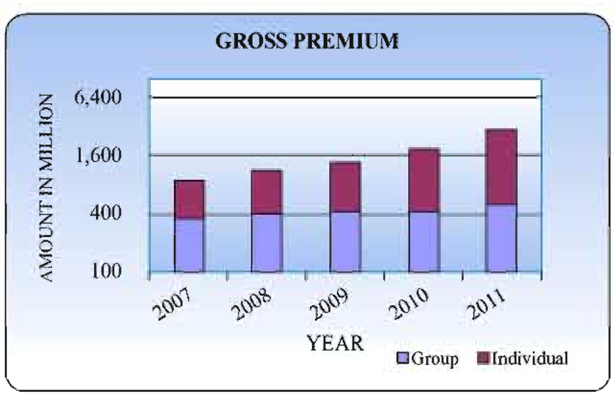
Despite many challenges, the overall performance of the economy has been moderately satisfactory. Overall external account has also shown improvement even when capital and current account receipts have continued to fall during this period.

REVIEW OF OPERATIONS

Your Company has completed its 16 full years of operation and the current year results represent robust growth with 61% premium increase. The individual life products, mainly the Savings and Unit Linked plans through Banc assurance channel continue to register remarkable growth. The Accident and Health line of business also shows healthy growth with the introduction of new products during the last couple of years, namely, My Child and Safe Road.

GROSS PREMIUM:

The combined all lines net premium income has reached a level of Rs. 2.9 billion, a growth of 61% over the last year.



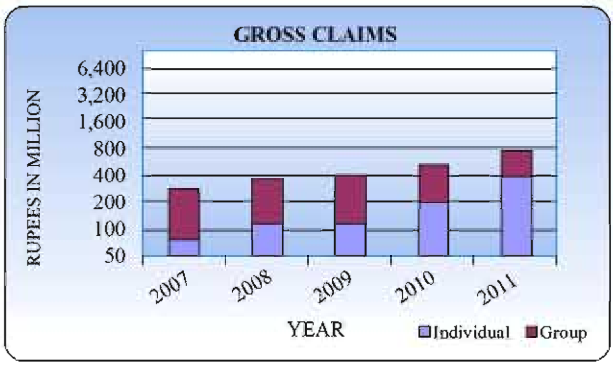
Profit / Loss

	2011	2010
	(Rupees in '000)	
Net Surplus of statutory Funds	**186,907**	142,801
Profit before appropriation of surplus to Shareholders' Fund	**48,560**	33,903
Taxation	**67,312**	46,691
Earning per Share (Rupees)	**2.32**	1.73

CLAIMS

Your Company believes in par excellence service to its policyholders in all areas, particularly, in the prompt settlement of claims. It takes strict measures to ensure payments of genuine claims only.

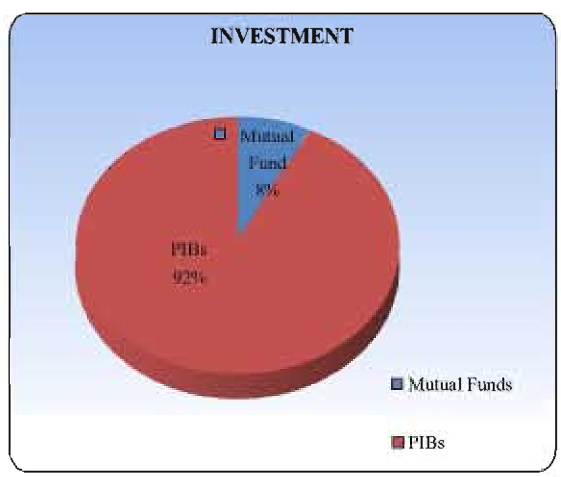
The Company continues to adhere to its long standing policy of strict underwriting to entertain only good risks. Further, we have in place reinsurance treaties with reputable international reinsurers to protect the Company from losses above our local retention and, also, to protect our retained account.



INVESTMENTS

In view of the nature of our non-linked individual life products, we invest the underlying reserves only in Government securities and in those securities having minimum rating of AA-. Accordingly, besides seeking good return we have to go for secured investments. During the year the yield on Government securities showed some dips but remained above the rates offered by banks. Therefore, our focus was on investment in Government securities to generate higher investment income from securities having rating of AA- and above. For liquidity and diversification we also invested in short term bank deposits. For unit linked business investments are made in accordance with the strategies offered to policyholders.

Our investment portfolio increased by Rs. 2 billion in 2011. At year end the value of our investments stood at Rs. 5.8 billion (2010: Rs 3.8 billion), with 89% (2010: 92%) of our total investment portfolio invested in Government securities. Our total net investment income during 2011 was Rs. 612 million (2010: Rs.368 million), showing an increase of 66 % over last year.



STRATEGY MANAGEMENT:

Our principal strategy has been to strengthen our market share, while continuing to emphasize our core values of discipline in underwriting, efficient claims administration, tight management of expenses, and innovation in products and client services. To achieve this, we continually seek to broaden distribution and intensify agency training and monitoring programs. Our agency force forms the cornerstone of our business. We rely on a three-tiered distribution operation for Ordinary Life which focuses on segmenting the market into three income classes. By developing products which cater to the specific needs of each market segment we continue to make inroads in the local market and strive to make MetLife Alico Pakistan a household name.

Developing and promoting Personal Accident products is an integral part of our strategy. Through Individual Accident & Health products and Direct Marketing initiatives we strive not only to increase the premium income, but also improve the commission earnings of the agents.

Our Group Operation has been able to develop a sizable portfolio of multinational and reputed local organizations over the years. We continue to expand this business by adding new products, seeking alternative distribution channels and focusing on services to our existing clients.

Most importantly, we place great emphasis on the manpower development by providing constant training to our agency force and our office employees to maintain professionalism, which ranks very high in our overall business strategy.

DEVELOPMENT ACTIVITIES

BANCASSURANCE DEVELOPMENT:

It has been an extraordinary year for bancassurance where opportunities materialized into strong relationships resulting in unprecedented growth surpassing PKR 1 billion new premium mark. We continued following up on our unique multi-channel and multi-segment approach that allowed partner banks identify new offerings to match needs of different customers present at each touch-point. Our preference for solution-focused approach over product-push helped bank customers to identify their needs and choose appropriate products. This resulted in further cementing their relationship with the bank.

At present, the Company has over 12 bank partners selling multiple products and solutions ranging from small ticket pure protection to investment linked financial planning solutions addressing long term financial needs such as children's higher education, marriage, retirement planning, lifestyle continuation, wealth creation, inter-generational wealth transfer and so on.

Your Company is determined to pursue its efforts to take bancassurance to new heights of excellence by delivering needs-based solutions through maximum use of modern age technology.

AGENCY DEVELOPMENT:

A 'quality not quantity' recruiting approach has measurably improved the persistency of our new business. Our recruitment strategy is to increase the agent count with agents writing a reasonably steady volume of quality business; rather than relying on a few agents writing a considerable amount of business but with poor persistency. Our current agents are giving us good quality, persistent business, where we are continuously monitoring.

HUMAN RESOURCES AND TRAINING:

Your Company recruits staff on merit and provides the necessary training to develop professional expertise and believes in retention of best talent. The training is provided to the staff at local as well as regional level in all spheres of business activities, including technical and operational support.

The Company provides full financial assistance and encourages employees to appear in the insurance diploma exams of the Life Office Management Association and the Society of Actuaries, USA.

The Company also has online training programme which provides training to employees according to their job requirement to enhance their skills.

REGULATORY DEVELOPMENT

SOLVENCY GUIDELINES:

The Securities and Exchange Commission of Pakistan has introduce new solvency regime and made amendments in the Securities and Exchange Commission (Insurance) Rules 2002. Barring certain phase-wise enhancement in limits, the changes take effect from the year 2012.

Amendments are made in rationalization of admissibility limits for certain assets, enhancing minimum solvency requirement for life funds, for that SECP provide guideline related to the principles for calculation of solvency margin and the factors for determination of solvency margin for life insurer and mention the financial condition report requirements and minimum valuation basis of assets, liabilities and reserves. SECP also enhance the Statutory Fund requirement by introducing Risk Based Margin above the current policyholders' liability.

INTERNAL AUDIT AND COMPLIANCE FUNCTION:

Your Company has established policies and procedures such as the separation of critical functions (e.g. risk management, underwriting (subject to the relevant provisions of Insurance Ordinance, 2000), investment, claims handling, internal audit and compliance with statutory rules and regulations, cross checking of documents, dual control of assets and double signatures on certain documents, etc to ensure checks and balances within the Company).

RELATIONSHIP WITH OTHER STAKEHOLDERS:

Your Company is also maintaining a good relationship with its other stakeholders for the last 16 years

As towards the employee, providing and maintaining good working environment for their employees and always appreciated their contribution towards the company and their hard work, and also awarded them a quarterly rewards on their performance.

Company is providing them the opportunities to their employees to improve their skills through different training programs, through which they contributes more effectively and provide more positive working environment.

Company is maintaining a trustworthy relation with their client by providing them quality services and with business associates through fair and honest dealing.

Company is also fulfilling their responsibility towards the Government by complying with all applicable laws and regulations.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Company contributed Rs. 100.8 million to the national exchequer in the form of Income Tax and acting a withholding agent.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board and the management are fully committed to good corporate governance. As required under the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan, the Directors are pleased to state the following:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent assessment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored. The Board is ultimately responsible for the Company's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss.

   The process used by the Board to review the effectiveness of system of internal control includes, inter alia, the following:

- The Audit Committee has written terms of reference and reports to the Board. It reviews the approach adopted by the Company's Internal Audit Department and the scope of, and the relationship with, the external auditors. It also receives reports from the Internal Audit Department and the external auditors on the system of internal control and any material control weaknesses that have been identified, and discusses the actions to be taken in areas of concern with the relevant executives.

- An organization structure has been established which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
- Business strategies agreed at departmental level are approved by the Board. In addition, there is an annual budgeting and strategic planning processes. These strategies are reviewed during the year to reflect significant changes in business environment.

  The principal features of control framework include:

  Evaluation and approval procedures for all capital expenditure and other transactions

- Regular reporting and monitoring of financial performance of the line of business using operating statistics and monthly management accounts which highlight key performance indicators and variance from budgets and quarterly forecasts.

  Further, reviews of the Company's system of internal control are also carried out by the Internal Audit Department. The documented conclusions are confirmed at departmental level to the Board.

f) There are no doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations of the stock exchanges of Pakistan.

h) Rs. 7 million receivable against income tax is appearing on the face of the balance sheet.

i) The value of investments by the staff retirement fund operated as per their respective unaudited Financial Statements as at December 31, 2011 are as follows

Employee Provident Fund 18 Million

Employee Gratuity Fund 32.4 Million

KAY FINANCIAL DATA:

Key operating and financial data of last six years of American Life Insurance Company (Pakistan) Limited are as under:

-------------------- (Rupees in'000) --------------------

Description	2011	2010	2009	2008	2007	2006
Gross Premium Income	2,993,466	1,893,849	1,349,482	1,155,386	888,204	747,156
Net Premium Income	2,905,583	1,806,525	1,267,953	1,048,496	802,053	655,042
Interest and Other Income	645,099	396,923	320,539	259,260	193,811	158,176
Net Claims	629,515	442,407	363,070	332,228	261,600	230,160
Net Commission and Acquisition Costs	421,249	409,183	379,744	305,160	179,470	153,194
Administration Expenses	315,281	296,319	254,117	225,801	187,076	159,408
Policy Holder Liability	4,927,632	2,978,461	2,009,625	1,649,619	1,401,793	1,140,077
Total Assets	6,670,453	4,338,682	3,352,656	2,749,498	2,255,694	1,667,052

Board Meetings and Change in Directorships

Since the last report, no casual vacancy arose on the Board

During the year 2011 five meetings of the Board of Directors were held. The numbers of meeting attended by each Director is as follows:

Name of Directors	No. of meetings attended
Mr. Arif Sultan Mufti, Chairman & Chief Executive	5
Mr. Khalid Anis-ur-Rehman	3
Mr. Shahid Siddiqui	5
Mr. Irfan Amir (Alternate to Nurul Islam)	4
Mr. Ehsan Nomani	1
Mr. Arif Abdul Aziz	2
Mr. Qasim Rabbani	None
Mr. Michel Khalaf	None

Leave of absence was granted to the Directors for the Board meetings they could not attend.

AUDIT COMMITTEE:

The audit committee functions in accordance with the Code of Corporate Governance. The following served on the committee during the year 2011:

Mr. Arif Abdul Aziz — Chairman
Mr. Shahid Hussain — Secretary & Internal Auditor
Mr. Shahid Siddiqui
Mr. Khalid Anis-ur-Rehman

CLAIM SETTLEMENT COMMITTEE:

This Committee devises the claims settling policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are made. It pays particular attention to extraordinary claims cases or events, which could give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims disputes shall be brought to its attention and decides how to deal with such disputed claims. It also oversees the implementation of the measures for combating fraudulent claims cases.

REINSURANCE COMMITTEE:

This Committee ensures that adequate reinsurance arrangements are made for its businesses. It evaluate the proposed reinsurances arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsures, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance programme for the future reference

UNDERWRITING COMMITTEE:

The Underwriting Committee formulates the underwriting policy of the Company. It sets out the criteria for assessing various types of insurance risks. It regularly reviews the underwriting policies with due regard to its business portfolio and the market development.

STATEMENT OF ETHICS AND CODE OF CONDUCT:

American Life Insurance Company (Pakistan) Limited has built a reputation as a company that believes in fair dealing, integrity and trustworthiness. The statement of ethics & business practices adopted by the Board has been signed by all the directors, executives and the employees of the Company.

PARENT COMPANY

American Life Insurance Company (ALICO) incorporated in the United States of America having its registered office at ONE ALICO PLAZA, Wilmington, State of Delaware, 1989, U.S.A. is the sponsor and now subsidiary of MetLife.

PATTERN OF SHAREHOLDING

The pattern of Shareholding in the Company as at December 31, 2011 is included in the report. American Life Insurance Company holds 66.46% while other shareholders hold 33.54% of the Company's total shareholding.

Trading in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children is reported as nil.

AUDITORS

Our present auditors M/s. Yousuf Adil Saleem & Co Chartered Accountants, a member firm of Deloitte Touche Tohmatsu, being eligible, have offered themselves for re-appointment as auditors for the forthcoming year. The Board of Directors, on recommendation of the Audit Committee has appointed M/s. Yousuf Adil Saleem & Co Chartered Accountants, a member firm of Deloitte Touche Tohmatsu as auditor for the year 2012.

FUTURE OUTLOOK

Your Company remains optimistic about the long term opportunities while at the same time meeting the short term challenges. Your Company continually responds to these challenges by enhancing focus on customer service and by building an efficient and productive field force. As its ongoing strategy, your Company closely monitors the market situation and believes that its unique business model and prudent risk management practice, coupled with a strong customer base and deep client relationship will give it a sustainable long term competitive advantage. The Company is always ready to aggressively pursue new opportunities and ensure adequate internal preparedness to take maximum advantage of such opportunities.

GRATITUDE

We take this opportunity to express our appreciation to the Ministry of Commerce, Government of Pakistan, and the Department of Insurance under the Securities and Exchange Commission of Pakistan for their invaluable assistance, support and guidance.

The Board of Directors would like to express its sincere thanks and wish to record its appreciation for the remarkable contribution made by the employees towards the Company's present achievements.

Lastly, our thanks go to thousands of our policyholders and shareholders whose confidence, continued commitment and support for the Company has been a source of encouragement and inspiration.

On behalf of the Board of Directors

Arif S. Mufti
CHAIRMAN & CEO
Dated: March 27, 2012

Pattern Of Shareholding
As At December 31, 2011

Numbers of Shareholders	Holding Shares From	To	Total Shares held
602	1	100	16,771
135	101	500	50,181
45	501	1,000	38,226
74	1,001	5,000	163,335
8	5,001	10,000	64,196
4	10,001	15,000	48,255
3	15,001	20,000	49,660
2	20,001	25,000	45,748
3	25,001	30,000	81,921
1	35,001	40,000	38,461
1	45,001	50,000	48,928
1	60,001	65,000	61,538
1	65,001	70,000	65,508
1	95,001	100,000	98,715
1	115,001	120,000	116,553
1	135,001	140,000	136,019
1	250,001	255,000	251,072
1	915,001	920,000	919,617
1	1,500,001	1,505,000	1,500,337
1	2,095,001	2,100,000	2,100,000
1	2,495,001	2,500,000	2,500,000
1	2,525,001	2,530,000	2,527,350
1	2,720,001	2,725,000	2,720,769
1	3,120,001	3,125,000	3,125,000
1	33,230,001	33,235,000	33,231,840
892			**50,000,000**

Categories of Shareholders	Number of Sharesholders	Total Shares held	Percentage
Individuals	877	9,761,379	19.52
Joint Stock Companies	8	282,575	0.57
Financial Institutions	5	4,003,437	8.01
Foreign Companies	2	35,952,609	71.91
	892	**50,000,000**	**100.00**

Disclosure Of Pattern Of Shareholding
As At December 31, 2011

Shareholder's category	Number of shareholders	Shares held
Associated companies, undertakings and related parties	1	33,231,840
NIT and ICP	1	1,000
Directors, CEO, and their spouse and minor children	4	3,244,553
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual funds	5	6,723,206
Joint Stock Companies and Others	8	282,575
Shareholders holding ten percent or more voting interest	1	33,231,840

Disclosure of Pattern of Shareholding as at December 31, 2011

	Number of shares held
Associated companies, undertakings and related parties	
American Life Insurance Company, Inc. USA	33,231,840
NIT and ICP	
Investment Corporation of Pakistan	1,000
Directors, CEO and their spouse and minor children	
Mr. Arif Abdul Aziz	3,125,000
Mr. Arif Sultan Mufti	117,803
Mr. Shahid Siddiqui	1,250
Mr. Khalid Anis-ur-Rehman	500
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	
Crescent Investment Bank Limited	1,600
National Bank Of Pakistan	2,500,000
Trust Investment Bank Limited	500
CDC - Trustee First Dawood Mutual Fund	1,500,337
The Bank of New York	2,720,769
Joint Stock Companies and Others	
Ali Husain Rajabali Limited	10,000
MTM Securities (Pvt.) Limited	13,846
International Brands (Pvt) Ltd.	5,000
A. Sattar Motiwala Securities (Pvt.) Limited	145
First National Equities Limited	1
Darson Securities (Pvt) Limited	11
Amin Tai Securities (Pvt) Limited	251,072
Yasir Mahmood Securities (Pvt) Ltd.	2,500
Shareholders holding ten percent or more voting interest	
American Life Insurance Company, Inc. USA	33,231,840

Statement Of Compliance With The Code Of Corporate Governance
Year Ended December 31, 2011

The Board of Directors of American Life Insurance Company (Pakistan) Limited has always supported and reconfirm its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

The Securities and Exchange Commission of Pakistan (SECP) vide its letter no. 2(10)SE/SMD/202 dated March 28, 2002 has directed all the Stock Exchanges to fully adopt the Code of Corporate Governance ("Code") in their listing regulations. In May 2002, the Stock Exchanges have formally incorporated this code in their listing rules.

In addition to the above, this statement is being presented to comply with the Code of Corporate Governance applicable to listed Insurance Companies issued under SRO 68(1)/2003, for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one executive director out of seven directors.

2. None of the directors of the Company is serving as a director in ten or more listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC. No director is a member of Stock Exchange.

4. No casual vacancy have occurred during the year.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended by the Board has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in each quarter during the year. The written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels of the Company. The company includes all the necessary aspects of internal control given in the Code.

10. The Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such fully aware of their duties and responsibilities. Furthermore, an in-house orientation course was also held during the year.

11. No new appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit has been made during the year.

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

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The Directors, CEO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed Underwriting, Claim & Reinsurance Committees. The meetings of these committees held at least once in each quarter.

17. The Board has formed an Audit Committee. It comprises of three members; all are non executive directors including the Chairman of the Committee.

18. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

19. The Board has set-up an effective Internal Audit function. The Internal Audit Department reports directly to the Chairman of the Audit Committee.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

22. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the Company.

23. The Board ensures that the Appointed Actuary complied with the requirements set out for him in the Code.

24. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

25. We confirm that all other material principles contained in the Code have been complied with.

By Order of the Board

Arif S. Mufti
Chairman & CEO
Karachi: March 27, 2012

Deloitte.

Review Report To The Members On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **American Life Insurance Company (Pakistan) Limited** ("the Company") to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. 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 Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, sub-regulation (xiii) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

The Statement of Compliance for the year ended December 31, 2010 was reveiwed by another firm of Chartered Accountants who vide their report dated March 25, 2011 expressed an unmodified conclusion thereon.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Date: March 27, 2012
Karachi.

Deloitte.

AUDITORS' REPORT TO THE MEMBERS OF AMERICAN LIFE INSURANCE COMPANY (PAKISTAN) LIMITED

We have audited the annexed financial statements comprising of:

(i) balance sheet;
(ii) profit and loss account;
(iii) statement of changes in equity;
(iv) cash flow statement;
(v) revenue account;
(vi) statement of premiums;
(vii) statement of claims;
(viii) statement of expenses; and
(ix) statement of investment income

of **American Life Insurance Company (Pakistan) Limited** as at December 31, 2011 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

i) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

ii) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

iii) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2011 and of the profit, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

iv) 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; and

v) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Company for the year ended December 31, 2010 were audited by another firm of Chartered Accountants who vide their auditor report dated March 25, 2011 issued an unqualified opinion on those financial statements.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Date: March 27, 2012
Karachi.

Balance Sheet
As at December 31, 2011

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS: Life (Participating)	STATUTORY FUNDS: Life (Non-participating) Individual	STATUTORY FUNDS: Life (Non-participating) Group	STATUTORY FUNDS: Investment Linked	STATUTORY FUNDS: Accident & Health Individual	STATUTORY FUNDS: Accident & Health Group	STATUTORY FUNDS: Pension Business fund	AGGREGATE 2011	AGGREGATE 2010
		(Rupees in '000)									
Share capital and reserves											
Authorized share capital (50,000,000 ordinary shares of Rs. 10 each)		500,000	-	-	-	-	-	-	-	**500,000**	500,000
Issued, subscribed and paid-up share capital (50,000,000 ordinary shares of Rs. 10 each)	*6*	500,000	-	-	-	-	-	-	-	**500,000**	500,000
Accumulated surplus	*7*	234,941	-	-	-	-	-	-	-	**234,941**	169,193
Net shareholders' equity		734,941	-	-	-	-	-	-	-	**734,941**	669,193
Balance of statutory fund											
[including policyholders' liabilities Rs. 4,927.632 million (2010: Rs. 2,978.461 million)]	*8*	-	1,073,423	2,036,281	123,915	1,830,944	25,524	149,772	50,582	**5,290,441**	3,238,863
Creditors and accruals											
Outstanding claims		-	29,116	68,061	199,139	3,454	19,637	28,459	-	**347,866**	239,308
Staff retirement benefits											
- payable to gratuity fund	*10*	-	524	4,678	988	2,307	144	1,579	53	**10,273**	7,529
Premiums received in advance		-	370	54,238	18,500	31,350	430	-	-	**104,888**	36,061
Amount due to other insurers/reinsurers		-	134	305	1,767	2,146	2,769	-	-	**7,121**	13,537
Amount due to agents		-	1,009	27,450	-	12,187	678	-	-	**41,324**	46,114
Accrued expenses		-	2,971	26,523	5,603	13,079	818	8,954	302	**58,250**	42,465
Other creditors and accruals	*11*	8,039	8,123	27,337	2,588	13,472	437	14,999	327	**75,322**	45,585
		8,039	42,247	208,592	228,585	77,995	24,913	53,991	682	**645,044**	430,599
Other liabilities											
Unclaimed dividend		27	-	-	-	-	-	-	-	**27**	27
TOTAL LIABILITIES		8,066	1,115,670	2,244,873	352,500	1,908,939	50,437	203,763	51,264	**5,935,512**	3,669,489
TOTAL EQUITY AND LIABILITIES		**743,007**	**1,115,670**	**2,244,873**	**352,500**	**1,908,939**	**50,437**	**203,763**	**51,264**	6,670,453	4,338,682

The annexed notes from 1 to 28 are integral part of these financial statements.

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	AGGREGATE 2011	AGGREGATE 2010
		(Rupees in '000)									
Cash and bank deposits		-									
Cash and others		-	630	-	-	-	-	-	-	**630**	1,286
Current and other accounts		16	2,864	-	-	80,796	751	-	-	**84,427**	55,739
Deposits maturing within 12 months		-	-	-	-	40,000	-	-	-	**40,000**	7,000
		16	3,494	-	-	120,796	751	-	-	**125,057**	64,025
Loans secured against Life Insurance Policies		-	26,911	60,938	-	-	-	-	-	**87,849**	80,051
Loan secured against other assets											
To employees		807	-	-	-	-	-	-	-	**807**	1,101
To agents		1,440	-	-	-	-	-	-	-	**1,440**	1,899
Investments	12										
Government securities		568,630	1,015,758	2,015,433	347,737	1,111,781	31,371	80,457	49,236	**5,220,403**	3,507,040
Listed mutual funds		5,367	-	-	-	607,804	-	-	-	**613,171**	288,660
		573,997	1,015,758	2,015,433	347,737	1,719,585	31,371	80,457	49,236	**5,833,574**	3,795,700
Current assets - others											
Premiums due but unpaid		-	3,021	17,949	28,191	16	-	62,989	-	**112,166**	87,513
Amount due from other insurers/reinsurers	13	-	14,150	32,042	35,749	-	17,095	3,498	-	**102,534**	28,286
Amount due from agents		-	24	959	-	466	26	-	-	**1,475**	9,229
Prepayments		-	981	8,754	1,850	4,317	270	2,956	100	**19,228**	23,453
Inter-fund balances		119,495	-	-	(86,779)	-	-	(32,198)	(518)	-	-
Sundry receivables	14	-	3,294	8,677	471	3,564	76	3,440	92	**19,614**	17,902
Accrued interest		18,396	37,030	80,289	6,579	57,312	545	1,903	1,860	**203,914**	109,541
Experience refund receivable		-	-	-	16,406	-	-	79,254	-	**95,660**	56,788
Taxation - payments less provision		6,918	-	-	-	-	-	-	-	**6,918**	4,641
		144,809	58,500	148,670	2,467	65,675	18,012	121,842	1,534	**561,509**	337,353
Fixed assets	15										
Tangible											
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles		20,504	11,007	19,832	2,296	2,883	303	1,464	494	**58,783**	57,164
Capital work in progress		-	-	-	-	-	-	-	-	-	84
Intangible											
Softwares and licences		1,434	-	-	-	-	-	-	-	**1,434**	1,305
		21,938	11,007	19,832	2,296	2,883	303	1,464	494	**60,217**	58,553
TOTAL ASSETS		743,007	1,115,670	2,244,873	352,500	1,908,939	50,437	203,763	51,264	6,670,453	4,338,682

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Profit and Loss Account
For The Year Ended December 31, 2011

	Note	2011	2010
		(Rupees in '000)	
Investment income not attributable to statutory funds			
Income from non-trading investment - held to maturity			
Return on government securities		55,240	43,101
Amortisation of premium relative to par		(524)	(703)
		54,716	42,398
Realised gain on sale of investments held as "available for sale"		570	50
Net investment income		55,286	42,448
Return on saving accounts		1	2,260
Interest income on loan to employees / agents		190	203
Expenses not attributable to statutory funds	*19*	(6,917)	(11,008)
Profit before appropriation of surplus to shareholders' fund		48,560	33,903
Surplus appropriated to Shareholders' Fund from Ledger Account D	*8*	135,000	99,500
Profit before tax		183,560	133,403
Taxation	*20*	67,312	46,691
Profit after tax		116,248	86,712
		(Rupees)	
Earnings per share - basic and diluted	*21*	2.32	1.73

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Statement Of Comprehensive Income For The Year Ended December 31, 2011

	Note	2011	2010
		(Rupees in '000)	
Profit after tax for the year		**116,248**	86,712
Other comprehensive income		-	-
Total comprehensive income for the year		**116,248**	86,712

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Statement Of Changes In Equity
For The Year Ended December 31, 2011

	Note	Share Capital	Accumulated surplus	Capital contributed to / from statutory funds	Net accumulated surplus	Total
		(Rupees in '000)				
Balance at January 01, 2010		500,000	338,433	(257,368)	81,065	581,065
Total comprehensive income for the year		-	86,712	-	86,712	86,712
Transactions with owners recorded directly in equity						
Capital contributed during the year		-	-	(27,500)	(27,500)	(27,500)
Capital withdrawn during the year		-	-	28,916	28,916	28,916
		-	-	1,416	1,416	1,416
Balance at December 31, 2010		500,000	425,145	(255,952)	169,193	669,193
Total comprehensive income for the year		-	116,248	-	116,248	116,248
Transactions with owners recorded directly in equity						
Capital contributed during the year	*8*	-	-	(50,500)	(50,500)	(50,500)
Balance at December 31, 2011		**500,000**	**541,393**	**(306,452)**	**234,941**	**734,941**

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
			Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
Operating Cash Flows		(Rupees in '000)									
a) Underwriting activities											
Premiums received net of policy transfers		-	93,285	892,387	198,089	1,524,572	27,610	291,798	9,899	**3,037,640**	1,876,654
Reinsurance premiums paid		-	(5,536)	(26,465)	(43,514)	(8,916)	(6,271)	(5,106)	-	**(95,808)**	(191,800)
Claims paid		-	(19,664)	(32,228)	(68,138)	(2,592)	(6,294)	(279,556)	-	**(408,472)**	(399,982)
Surrenders paid		-	48,738	(173,195)	-	(152,533)	-	-	(3,283)	**(280,273)**	(123,179)
Reinsurance Recovery Received		-	6,324	9,667	37,132	1,600	1,258	(1,313)	-	**54,668**	71,912
Commissions paid		-	(5,172)	(194,762)	(18,764)	(120,421)	(10,982)	(14,885)	-	**(364,986)**	(355,198)
Commissions received		-	1,273	6,087	10,008	2,051	1,442	1,174	-	**22,035**	76,720
Net cash flow from underwriting activities		-	**119,248**	**481,491**	**114,813**	**1,243,761**	**6,763**	**(7,888)**	**6,616**	**1,964,804**	955,127
b) Other operating activities											
Income tax paid		(69,589)	-	-	-	-	-	-	-	**(69,589)**	(56,639)
General management expenses and other operating payments		(3,190)	(13,525)	(140,130)	(26,427)	(99,530)	(3,787)	(32,872)	(871)	**(320,332)**	(319,646)
Other operating receipts		191	3,467	10,725	745	4,729	189	8,801	53	**28,900**	26,104
Loans		753	17	(7,815)	-	-	-	-	-	**(7,045)**	(14,745)
Inter Fund Transaction		126,083	75,796	(44,703)	(100,264)	(33,265)	(18,415)	387	(5,619)	**-**	-
Net cash flow from other operating activities		**54,248**	**65,755**	**(181,923)**	**(125,946)**	**(128,066)**	**(22,013)**	**(23,684)**	**(6,437)**	**(368,066)**	(364,926)
Total cash flow from all operating activities		**54,248**	**185,003**	**299,568**	**(11,133)**	**1,115,695**	**(15,250)**	**(31,572)**	**179**	**1,596,738**	590,201
Investment activities											
Profit/ return received		34,800	77,637	165,838	43,169	74,467	5,438	14,075	4,600	**420,024**	310,185
Payments for short term deposits		-	7,000	-	-	-	-	-	-	**7,000**	8,000
Payments for investments		(874,828)	(443,512)	(893,964)	-	(1,138,785)	(8,700)	-	(12,956)	**(3,372,745)**	(926,066)
Proceeds from redemption of investments		689,200	175,580	425,220	55,380	-	28,200	55,300	3,620	**1,432,500**	10,000
Fixed capital expenditure		(17,583)	812	246	461	(4,690)	41	51	5	**(20,657)**	(16,478)
Capital work in progress		84	-	-	-	-	-	-	-	**84**	4,579
Proceeds from disposal of fixed assets		70	974	2,092	123	1,609	22	146	52	**5,088**	1,654
Total cash flow from investing activities		**(168,257)**	**(181,509)**	**(300,568)**	**99,133**	**(1,067,399)**	**25,001**	**69,572**	**(4,679)**	**(1,528,706)**	(608,126)
Financing activities											
Capital payments received by statutory funds		(50,500)	-	-	-	46,000	-	-	4,500	-	-
Surplus appropriated to Shareholder's fund		135,000	-	-	(88,000)	-	(9,000)	(38,000)	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-	(16,576)
Total cash flow from financing activities		**84,500**	-	-	**(88,000)**	**46,000**	**(9,000)**	**(38,000)**	**4,500**	-	(16,576)
Net cash inflow/(outflow) from all activities		**(29,509)**	**3,494**	**(1,000)**	-	**94,296**	**751**	-	-	**68,032**	(34,501)
Cash and cash equivalents at the beginning of the year		**29,525**	-	**1,000**	-	**26,500**	-	-	-	**57,025**	91,526
Cash and cash equivalent at the end of the year	22	**16**	**3,494**	-	-	**120,796**	**751**	-	-	**125,057**	57,025

Reconciliation to Profit and Loss Account	2011	2010
Operating cash flows	**1,596,738**	590,201
Depreciation and amortization expense	**(17,990)**	(18,950)
Gain / (Loss) on disposal of fixed assets	**4,168**	1,426
Increase / (decrease) in assets other than cash	**136,826**	60,532
(Increase) / decrease in liabilities	**(2,163,616)**	(872,589)
Investment income	**612,710**	368,565
Profit received on bank deposits	**(681)**	828
Deficit / (Surplus) of statutory funds	**(186,907)**	(142,801)
Surplus appropriated to Shareholders' fund	**135,000**	99,500
Profit or loss after taxation	**116,248**	86,712

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE　　　DIRECTOR　　　DIRECTOR

REVENUE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
		(Rupees in '000)								
Income										
Premiums less reinsurances		87,843	843,951	139,494	1,485,240	24,208	314,948	9,899	**2,905,583**	1,806,525
Policy transfers between statutory funds		95,754	-	-	-	-	-	-	**95,754**	93,776
Net investment income		99,013	211,821	41,252	182,178	5,216	12,616	5,328	**557,424**	326,117
Other income - net	*18*	4,015	12,027	778	6,211	200	8,882	86	**32,199**	25,895
Total net income		286,625	1,067,799	181,524	1,673,629	29,624	336,446	15,313	**3,590,960**	2,252,313
Claims and expenditure										
Claims, including bonuses, net of reinsurance recoveries		66,482	93,514	84,397	154,335	1,577	225,927	3,283	**629,515**	442,406
Policy transfers to other statutory funds		-	95,754	-	-	-	-	-	**95,754**	93,776
Management expenses less recoveries		25,148	361,541	40,628	232,159	12,993	55,901	1,243	**729,613**	694,494
Total Claims and expenditure		91,630	550,809	125,025	386,494	14,570	281,828	4,526	**1,454,882**	1,230,676
Excess of income over claims and expenditure		194,995	516,990	56,499	1,287,135	15,054	54,618	10,787	**2,136,078**	1,021,637
Add: Policyholders' liabilities at beginning of the year		720,901	1,422,146	140,852	515,411	16,943	125,043	37,165	**2,978,461**	2,099,625
Less: Policyholders' liabilities at end of the year	*9*	(862,551)	(1,953,227)	(84,779)	(1,826,468)	(17,581)	(133,811)	(49,215)	**(4,927,632)**	(2,978,461)
Movement in policyholders' liabilities		(141,650)	(531,081)	56,073	(1,311,057)	(638)	(8,768)	(12,050)	**(1,949,171)**	(878,836)
Surplus / (deficit)		53,345	(14,091)	112,572	(23,922)	14,416	45,850	(1,263)	**186,907**	142,801
Movement in policyholders' liabilities		141,650	531,081	(56,073)	1,311,057	638	8,768	12,050	**1,949,171**	878,836
Transfers (to) or from shareholders' fund										
- Capital returned to Shareholders' Fund		-	-	-	-	-	-	-	-	(28,916)
- Capital contributions from Shareholders' Fund		-	-	-	46,000	-	-	4,500	**50,500**	27,500
- Surplus appropriated to Shareholders' Fund		-	-	(88,000)	-	(9,000)	(38,000)	-	**(135,000)**	(99,500)
		-	-	(88,000)	46,000	(9,000)	(38,000)	4,500	**(84,500)**	(100,916)
Balance of statutory fund at beginning of the year		878,428	1,519,291	155,416	497,809	19,470	133,154	35,295	**3,238,863**	2,318,142
Balance of statutory fund at end of the year		**1,073,423**	**2,036,281**	**123,915**	**1,830,944**	**25,524**	**149,772**	**50,582**	**5,290,441**	3,238,863
Represented by:	*8*									
Capital contributed by Shareholders' Fund		-	224,452	-	77,500	-	-	4,500	**306,452**	255,952
Policyholders' liabilities		862,551	1,953,227	84,779	1,826,468	17,581	133,811	49,215	**4,927,632**	2,978,461
Retained earnings attributable to policyholders (Ledger Account A)		167,816	-	-	-	-	-	-	**167,816**	128,153
Retained earnings on par business attributable to shareholders-undistributable (Ledger Account B)		43,056	-	-	-	-	-	-	**43,056**	29,374
Retained earnings on other than participating business (Ledger Account D)		-	(141,398)	39,136	(73,024)	7,943	15,961	(3,133)	**(154,515)**	(153,077)
BALANCE OF STATUTORY FUND		**1,073,423**	**2,036,281**	**123,915**	**1,830,944**	**25,524**	**149,772**	**50,582**	**5,290,441**	3,238,863

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE **DIRECTOR** **DIRECTOR**

Statement Of Premiums
For The Year Ended December 31, 2011

	Note	Statutory Funds: Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	Aggregate 2011	Aggregate 2010
		(Rupees in '000)								
Gross Premiums										
Regular premium individual policies*										
First year		-	302,653	-	109,425	27,674	-	-	**439,752**	506,941
Second year renewal		-	188,411	-	127,588	-	-	-	**315,999**	308,918
Subsequent year renewal		92,395	368,886	-	73,339	-	-	-	**534,620**	350,416
Single premium indiviual policies		-	8,017	-	1,182,858	-	-	-	**1,190,875**	299,145
Group policies without cash values		-	-	180,565	-	-	321,756	9,899	**512,220**	428,429
Total Gross Premiums		92,395	867,967	180,565	1,493,210	27,674	321,756	9,899	**2,993,466**	1,893,849
Less: Reinsurance premiums ceded										
On individual life first year business		-	5,843	-	4,663	-	-	-	**10,506**	6,344
On individual life second year business		-	6,144	-	2,100	-	-	-	**8,244**	9,270
On individual life susequent renewal business		4,552	12,029	-	1,207	-	-	-	**17,788**	11,487
On individual accident and health first year		-	-	-	-	3,466	-	-	**3,466**	8,924
On group policies		-	-	41,071	-	-	6,808	-	**47,879**	51,299
		4,552	24,016	41,071	7,970	3,466	6,808	-	**87,883**	87,324
Net Premiums		**87,843**	**843,951**	**139,494**	**1,485,240**	**24,208**	**314,948**	**9,899**	**2,905,583**	1,806,525

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

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE　　DIRECTOR　　DIRECTOR

Statement Of Claims
For The Year Ended December 31, 2011

	Note	Statutory Funds							Aggregate	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
		(Rupees in '000)								
Gross Claims										
Claims under individual policies										
by death		22,584	45,537	-	3,402	19,173	-	-	**90,696**	51,709
by insured event other than death		-	80	-	-	757	-	-	**837**	6,641
by maturity		11,189	-	-	-	-	-	-	**11,189**	15,778
by surrender		47,016	77,441	-	152,533	-	-	-	**276,990**	121,437
Total gross individual policy claims		**80,789**	**123,058**	-	**155,935**	**19,930**	-	-	**379,712**	195,565
Claims under group policies										
by death		-	-	121,320	-	-	-	-	**121,320**	121,352
by insured event other than death		-	-	890	-	-	266,264	-	**267,154**	208,403
by surrender		-	-	-	-	-	-	3,283	**3,283**	1,742
experience refund		-	-	27,299	-	-	(40,337)	-	**(13,038)**	(2,419)
Total gross group claims		-	-	149,509	-	-	225,927	3,283	**378,719**	329,078
Total Gross Claims		**80,789**	**123,058**	**149,509**	**155,935**	**19,930**	**225,927**	**3,283**	**758,431**	524,643
Less: Re-insurance Recoveries										
On individual life first year business claims		-	7,188	-	1,600	-	-	-	**8,788**	3,848
On individual life second year business claims		-	7,558	-	-	-	-	-	**7,558**	4,817
On individual life subsequent renewal business claims		14,307	14,798	-	-	-	-	-	**29,105**	11,791
On individual accident and health business claims		-	-	-	-	18,353	-	-	**18,353**	2,351
On group business claims		-	-	65,112	-	-	-	-	**65,112**	59,430
		14,307	29,544	65,112	1,600	18,353	-	-	**128,916**	82,237
Net Claims		**66,482**	**93,514**	**84,397**	**154,335**	**1,577**	**225,927**	**3,283**	**629,515**	442,406

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Statement Of Expenses
For The Year Ended December 31, 2011

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
		(Rupees in '000)								
Acquisition Costs										
Remuneration to insurance intermediaries on individual policies:										
- Commission on first year premiums		-	167,203	-	82,935	10,982	-	-	**261,120**	297,105
- Commission on second year premiums		-	18,841	-	8,420	-	-	-	**27,261**	28,063
- Commission on subsequent renewal premiums		5,000	11,318	-	4,840	-	-	-	**21,158**	9,922
- Commission on single premium		-	-	-	25,070	-	-	-	**25,070**	6,451
- Other benefits to insurance intermediaries		2,309	25,428	-	40,301	18	-	-	**68,056**	46,810
		7,309	222,790	-	161,566	11,000	-	-	**402,665**	388,351
Remuneration to insurance intermediaries on group policies:										
- Commission		-	-	18,696	-	-	14,645	-	**33,341**	35,190
- Other benefits to insurance intermediaries		-	-	1,346	-	-	-	-	**1,346**	1
		-	-	20,042	-	-	14,645	-	**34,687**	35,191
Branch overheads										
- Salaries and other benefits		793	7,075	1,495	3,489	218	2,388	81	**15,539**	16,082
- Other Operational Cost		1,633	14,578	3,080	7,189	449	4,921	-	**31,850**	36,934
		2,426	21,653	4,575	10,678	667	7,309	81	**47,389**	53,016
Other acquisition cost										
- Policy stamps		-	2,495	-	1,827	101	-	-	**4,423**	4,599
		9,735	246,938	24,617	174,071	11,768	21,954	81	**489,164**	481,157
Administration Expenses										
Salaries, allowances and other benefits		7,748	69,161	14,612	34,105	2,132	23,349	787	**151,894**	130,248
Travelling expenses		137	1,227	259	605	38	414	-	**2,680**	2,812
Auditors' remuneration	*16*	51	451	95	223	14	152	5	**991**	991
Medical fees		58	516	135	-	-	-	-	**709**	972
Legal and professional expenses		39	352	74	174	11	119	4	**773**	357
Advertisements and publicity		66	585	124	289	18	198	-	**1,280**	2,538
Computer expenses		91	812	172	401	25	274	9	**1,784**	1,773
Printing and Stationery		835	7,456	1,575	3,677	229	2,518	84	**16,374**	10,682
Depreciation and amortization		3,477	7,483	432	5,812	77	521	188	**17,990**	18,950
Rental		1,317	11,754	2,483	5,796	363	3,968	-	**25,681**	23,785
		13,819	99,797	19,961	51,082	2,907	31,513	1,077	**220,156**	193,108
Other Management Expenses	*17*	2,029	18,692	4,073	9,126	569	6,245	85	**40,819**	39,187
Gross Management Expenses		25,583	365,427	48,651	234,279	15,244	59,712	1,243	**750,139**	713,452
Commission from Reinsurers		(435)	(3,886)	(8,023)	(2,120)	(2,251)	(3,811)	-	**(20,526)**	(18,958)
Net Management Expenses		**25,148**	**361,541**	**40,628**	**232,159**	**12,993**	**55,901**	**1,243**	**729,613**	694,494

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
		(Rupees in '000)								
Investment Income										
Return on government securities		100,165	213,382	43,588	116,260	6,069	13,723	5,332	**498,519**	320,679
Amortisation of premium		(1,152)	(1,561)	(2,336)	-	(853)	(1,107)	(4)	**(7,013)**	(9,602)
		99,013	211,821	41,252	116,260	5,216	12,616	5,328	**491,506**	311,077
Unrealized gain / (loss) on 'available-for-sale' investments		-	-	-	29,476	-	-	-	**29,476**	(6,227)
Dividend income		-	-	-	36,442	-	-	-	**36,442**	21,267
Net Investment Income		**99,013**	**211,821**	**41,252**	**182,178**	**5,216**	**12,616**	**5,328**	**557,424**	326,117

The annexed notes from 1 to 28 are integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. STATUS AND NATURE OF BUSINESS

American Life Insurance Company (Pakistan) Limited (the Company) was incorporated in Pakistan on October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995. The registered office of the Company is situated at Floor 13, Dolmen City, Block - 4, Scheme - 5, Clifton, Karachi.

The Company is a subsidiary of American Life Insurance Company (incorporated in the United States of America) that holds 66.46% (2010 : 66.46%) share capital of the Company. The ultimate parent of the Company is MetLife, Inc. USA.

The Company is engaged in life insurance, carrying on both participating and non-participating business. In accordance with the requirements of the Insurance Ordinance, 2000, the Company established a Shareholders' Fund and Separate Statutory Funds, in respect of each class of life insurance business. The Statutory Funds established by the company, in accordance with the advice of the Appointed Actuary are as follows:

- Life (participating)
- Life (non-participating) – Individual
- Life (non-participating) – Group
- Accident & Health – Individual
- Accident & Health – Group
- Pension Business Fund
- Investment Linked

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 (I)/2002 dated December 12, 2002.

2.1 STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except as disclosed in policies relating to investments held as 'available for sale' in investment linked statutory fund which are stated at their fair values, and staff retirement gratuity which is carried at present value.

3.1 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the Company's functional and presentation currency.

3.2 Use of estimates and judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas where assumptions and estimates were exercised in application of accounting policies, otherwise that are disclosed in these financial statements, relate to:

Policyholders' liabilities

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2011 are as follows:

a) Reserves for Endowment policies with term not less than 20 years have been calculated using full preliminary term method with EFU (1961-66) ultimate mortality table at 3.75%, as prescribed by SECP.

b) Reserves for Endowment policies with term less than 20 years have been calculated using combination of Full Preliminary Term Method and Net Level Premium Method with EFU(1961-66) ultimate mortality table at 3.75%, as prescribed by SECP.

c) Universal Life, Investment Linked and Pension business have been valued using full Account Values. No deduction has been made for surrender charges for conservatism. There is no prescribed method by SECP for these lines of business but this is the generally accepted method of valuing policyholders' liabilities for these line of business. Reserve is kept for insurance risk based on unearned premium method. Reserve is also kept for loyalty bonus payable on investment linked policies.

d) Reduced Paid ups and Extended Term insurances have been valued by net single premium method with EFU (1961-66) ultimate mortality table at 3.75%.

e) Group Life Insurance, Individual Accident and Health and Group Accident and Health businesses have been valued using unearned gross premium reserve as this is the generally accepted method for such kind of businesses and there is no prescribed method by SECP. Unearned gross premium reserve represent the portion of the premium received but not yet earned. It was computed by pro rating the premium for the remaining coverage period after the valuation date.

f) No policy is treated as an asset in the system if the reserve is negative, the negative value is excluded and the reserve of such policy shall not be less than the reserve in respect of whole life or endowment contract as the case may be, where an identical number of premium has been paid.

g) The Company did not have any insurance policy denominated in foreign currency.

The principles adopted in the previous valuation as at December 31, 2010, were the same as those followed in this valuation. Hence there is no impact of any change in valuation basis.

Surrenders

For the purpose of conventional and annuity business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

Claims provision

a) Reserves have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable. In a small number of cases, claims are payable in installments over a period of more than twelve months after the valuation date. In respect of all such claims, reserves have been calculated using the minimum valuation basis.

b) Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims. The IBNR is determined based on statistical method that analyses the time lag between the claim occurrence date and claim reported date from the Company's own experience.

Classification of investment and provisions for impairment there against

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

Shareholders' investments which are not classified as held for trading or held to maturity are classified as 'available for sale'. Whereas all investments for Investment linked business are classified as 'available for sale'.

The Company determines that available for sale investments are impaired when there has been significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Income tax

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

Tangible and intangible assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the 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 estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors".

The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets' are written down to their estimated recoverable amounts.

Defined benefits plans and other benefits

Liability is determined on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

4. Adoption of new/revised and amended standards and interpretations to published accounting standards

During the year, the following amendments to standards and interpretations became effective, however, their application did not have material impact on the financial statements of the Company:

Standards/Interpretations

- IFRS 3 Business Combination (Amendments)
- IAS 1 Presentation of Financial Statements (Amendments)
- IAS 24 Related Party Disclosures (Revised)
- IAS 27 Consolidated and Separate Financial Statements (Amendments)
- IAS 32 Financial Instruments: Presentation (Amendments)
- IAS 34 Interim Financial Reporting (Amendments)
- IFRIC 13 Customer Loyalty Programmes (Amendments)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendments)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to published standards and new interpretation to existing standard that are not yet effective and have not been early adopted by the Company

The following amendments to published standards and new interpretation to existing standard are effective for accounting periods, beginning on or after the date mentioned against them:

IAS 1 - 'Presentation of Financial Statements' (effective for annual periods beginning on or after July 1, 2012) - retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

IAS 12 - 'Income taxes' - (effective for annual periods beginning on or after January 1, 2012) - IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

IAS 19 - 'Employee Benefits' (effective for annual periods beginning on or after January 1, 2013) - These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

IFRIC 20 - 'Stripping Costs in the Production Phase of a Surface Mine' applies to all types of natural resources that are extracted using a surface mine activity process, and addresses the issues pertaining to the recognition of production stripping cost as an asset, initial measurement of stripping activity at cost and subsequent measurement of stripping activity asset at depreciated or amortized cost based on a systematic basis over the expected useful life of the identified component of are body.

The above mentioned amendments to standards and new interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts including riders where the Company (the insurer) has accepted significant insurance risk from another party i.e. group and individual policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders are insurance policy contracts.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with foreign reinsurers. The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures.

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

The Company enters into insurance contracts with policyholders are divided into two major categories:

Group Insurance contracts

The Company offers group life, group accident & health and pension business to its clients. The Company also underwrites business for consumer banking related schemes. The risk underwritten is mainly death, hospitalization and disability. The group insurance contracts are issued typically on yearly renewable term basis (YRT). This business is written through direct sales force as well as bancassurance.

Individual Insurance Contracts

The Company offers Individual Life (Participating), Individual Life (Non-Participating), Individual Accident & Health and Investment Unit Linked Plans which provide the financial protection; protection against the financial consequences of death, disease and disability caused by accidents, sickness or old age and a substantial return at maturity. Investment unit linked policies are regular life policies, where policy value is determined as per the underlying assets' value. Various types of riders (Accidental Death, Family Income Benefit, etc.) are also sold along with the basic policies. Some of these riders are charged through deduction from policyholders' fund value, while others are conventional i.e., additional premium is charged there against. This business is written through direct sales force as well as bancassurance.

5.1.1 Premiums

- 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 Company under the Automatic Premium Loan (APL).However, premiums remains due in the month of December but not received by 31 December are recognized if the grace period is to expire after the next 1 January.
- Group premiums are recognized when due.
- Single premiums are recognized once the related policies are issued against the receipt of premium.

Receivables under insurance contracts are recognized 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 Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

5.1.2 Reinsurance contracts held

Reinsurance premiums are recognized at the same time when the premium income is recognized. It is measured in line with the terms and condition of the reinsurance treaty.

Reinsurance liabilities represent balances due to reinsurance companies. Balances 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 contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Company assesses its reinsurance assets for impairment on balance sheet 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 recognizes it as impairment loss.

5.1.3 Receivables and payables related to insurance contract

Receivables and payables are recognised when due. These include amounts due to and from agents and policyholders.

5.1.4 Claims

Claim expense

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims and any adjustments to claims outstanding from previous years. Claims are recognized earlier of the policy ceases to participate in the earnings of the fund or insured event occurs except for accident and health claims which are recognized as soon as a reliable estimate of the claim amount can be made.

The outstanding claims liability includes amounts relating to unpaid reported claims and expected claims settlement costs. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet. The liability for claims expenses relating to "Incurred But Not Reported"(IBNR) is included in policyholders' liabilities.

Claim recoveries

Claims recoveries receivable from reinsurers are recognized as assets at the same time when the corresponding claims are recorded in accordance with the terms of the re-insurance contracts.

Experience refund of premium

Experience refund of premium payable to Group policyholders is included in outstanding claims.

5.1.5 Policyholders' liabilities

Policyholders' liabilities including IBNR are stated at a value determined by the appointed actuary through an actuarial valuation / advice carried out at each balance sheet date. In determining the value both acquired policy values as well as estimated values which will be payable against risks which the Company underwrites are considered. The basis used are applied consistently from year to year.

5.1.6 Acquisition cost

These are costs incurred in acquiring insurance policies, maintaining such policies, and include without limitation all forms of remuneration paid to insurance agents.

Commissions and other expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognized as revenue.

5.1.7 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognized as a liability.

No provision has been made as the unearned premium reserve for each class of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date as per the advice of appointed actuary.

5.2 Staff retirement benefits

5.2.1 Defined benefit plan

The Company operates an approved defined benefit gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on in-house actuarial recommendations. The most recent in-house actuarial valuation was carried out for the year ended December 31, 2011 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees. Detail is given in note 10 to these financial statements.

5.2.2 Defined contribution plan

The Company operates an approved contributory provident fund which covers all permanent employees. Equal monthly contributions are made both by the Company and the employees to the Fund at the rate of 10 percent of basic salary.

During the year, Rs.10.721 million (2010: Rs. 9.441 million) has been recognized in the revenue account in respect of defined contribution plan.

5.3 Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the period in which they are vested.

5.4 Taxation

5.4.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing laws for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

5.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

5.5 Loans secured against life insurance policies

Interest bearing loans are available to policyholders of the Company to the extent of ninety percent of cash values built in their policies. These are recognized on disbursement.

5.6 Investments

5.6.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are recognized and classified as follows:

- Held to maturity
- Available for sale

5.6.2 Measurement

Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield method.

Available-for-sale

Shareholders'

These are investments that do not fall under investment at fair value through profit or loss or held to maturity categories.

Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value on an individual investment basis being taken as lower if the reduction is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the Company would have been lower by Rs.0.057 million and net equity would have been lower by the same amount.

Investment linked

Investments classified as available for sale, which are linked to the units of the investment linked fund, are marked to their market values. Any gain or loss on such available-for-sale investments is recognized in revenue account of the investment linked fund.

International Accounting Standards IAS-39 "Financial Instruments - Recognition and Measurement" has been revised effective January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / loss on the available for sale securities to income / revenue account has been deleted and all such gain / loss is to be taken to equity. The Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds have no equity accounts. Resultantly, the changes in IAS-39 were not implemented.

Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

5.7 Fixed assets

5.7.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 15 to the financial statements, after taking into account residual value and charged to revenue account.

Depreciation on additions is charged from the month in which the asset is available for use and on disposal, upto the month the asset is in use.

Subsequent cost are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to revenue account.

An item of tangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the revenue account in the year the asset is derecognized.

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each balance sheet date.

5.7.2 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It includes advances made to suppliers in respect of tangible fixed assets.

5.7.3 Intangibles

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 15 to the financial statements.

Amortization on additions is charged from the month in which the asset is acquired or capitalised and on disposal, up to the month the asset is in use.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

5.8 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account or revenue account, as appropriate. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

5.9 Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed quarterly and adjusted to reflect current best estimate.

5.10 Investment income

- Income from held to maturity investments is recognized on a time proportion basis using effective interest rate method. The difference between the redemption value and the purchase price of the held to maturity investments is amortized over the term of the investment and taken to the profit and loss account and revenue account, in case of shareholders' and policyholders respectively.

- Dividend income from investments is recognized when the Company's right to receive the payment is established.

- Gain or loss on sale of investments is included in income currently.

- Return on bank deposits, loans to employees and loans to policyholders are recognized on a time proportionate basis taking into account the effective yield.

5.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of excess of income over claims and expenditure of each segment. The Company operates in Pakistan only.

The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

- The Life (participating) segment provides life insurance coverage to individuals under individual life policies that are entitled to share in the surplus earnings of the statutory fund to which they are referable.

- The Life (non-participating) segment provides life insurance coverage to individuals under individual life policies that are not entitled to share in the surplus earnings of the statutory fund to which they are referable.

- The Life (non-participating) Group segment provides life insurance coverage to employer-employee (and similar) groups of employees / members under a single life policy issued to the employer. The Group policy is not entitled to share in the surplus earnings of the statutory fund to which it is referable.

- The Investment Linked business segment provides life insurance coverage to individuals, whereby the benefits are expressed in terms of units, the value of which is related to the market value of specified assets.

- The Accident and Health - Individual segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals.

- The Accident and Health - Group segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to employer-employee (and similar) groups of employees / members under a single policy issued to the employer.

- The Pension Fund segment provides coverage for the purposes of a pension or a retirement scheme with or without the payments being guaranteed for a minimum period.

The Company maintains Statutory Funds in respect of each class of its life insurance business. Assets, liabilities, revenues and expenses of the Company are referable to respective Statutory Funds, however, wherever, these are not referable to Statutory Funds, they are allocated to the Shareholders' Fund.

Apportionment of assets, liabilities, revenues and expenses, wherever required, between the funds are made on a fair and equitable basis and in accordance with the written advice of the Appointed Actuary.

Actuarial valuation of life insurance business is required to be carried out annually at the balance sheet date. Policyholders' liabilities included in the statutory funds are based on the actuarial valuation carried out by the Appointed Actuary as at December 31, 2011.

Circular 11 of 2010 was issued on June 10, 2010 by Securities and Exchange Commission of Pakistan – Insurance Division which requires designation of assets and liabilities among the funds managed by insurance companies and shareholders substantially at inception as per the requirements of section 39 of the Insurance Ordinance, 2000. Subsequently, SECP issued revised circular reference: 11/2010 dated February 3, 2011 with some amendments.

In view of the above, the Company reviews the basis of estimation used in respect of allocation of assets, liabilities, income and expenses not referable to specific fund and made certain changes therein in addition to specific designation of certain assets to specific fund such as fixed assets, cash and bank balances with the consultation of Company's appointed actuary.

5.12 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences, if any, are taken to profit and loss account or revenue account.

5.13 Statutory funds

The company maintains statutory funds in respect of each class of life insurance business. Assets, liabilities, revenues, and expenses of the company are referable to respective statutory funds, however, where these are not referable to statutory funds, these are allocated to shareholders' fund.

Apportionment of assets, liabilities, revenues and expenses, wherever required, between funds are made on a fair and equitable basis in accordance with the written advice of the appointed actuary.

5.14 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans secured against other assets, premiums due but unpaid, amount due from / to agents, sundry receivables, accrued interest, accrued expenses, other creditors and accruals, and dividend payable.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. These financial assets and liabilities are subsequently measured at fair market value or amortized cost as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account or revenue account, as appropriate.

5.15 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

5.16 Cash and cash equivalents

For the purposes of cash flow statement cash and cash equivalents include the following:

- cash and stamps in hand
- cash at bank on current and other accounts
- deposits maturing within three months

5.17 Dividend and appropriation of reserve

Dividend and appropriation to reserve except appropriations required by the law or determined by actuary or allowed by Insurance Ordinance, 2000 are recognized when approved.

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2011	2010		**2011**	2010
(Number of shares in '000)			**(Rupees in '000)**	
50,000	50,000	Ordinary Shares of Rs. 10 each fully paid in cash	**500,000**	500,000

American Life Insurance Company (incorporated in the United States of America) held 33,231,840 shares representing 66.46% (December 31, 2010: 33,231,840 shares representing 66.46%) of the Company's shares as at December 31, 2011.

7. ANALYSIS OF ACCUMULATED SURPLUS/(DEFICIT) AS SHOWN IN THE BALANCE SHEET

	2011	2010
	(Rupees in '000)	
Accumulated surplus in the statement of changes in equity ignoring effect of capital transfers at beginning of the year	**425,145**	338,433
Surplus in profit and loss account for the year	**116,248**	86,712
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at end of the year	**541,393**	425,145
Accumulated net capital transfers in statutory funds *(Note 8)*	**(306,452)**	(255,952)
Accumulated surplus	**234,941**	169,193

7.1 In order to achieve compliance with the requirements of the Insurance Ordinance, 2000 relating to i) solvency; and ii) return of capital from statutory funds to shareholders' fund, the Company as at December 31, 2011 has retained an amount of Rs. 151.94 million (2010: Rs. 102.88 million) in the statutory funds. This has resulted in the shareholders' equity being lower by this amount.

8. RECONCILIATION OF STATUTORY FUNDS

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
	(Rupees in '000)								
Policyholders' Liabilities									
Balance at beginning of the year	720,901	1,422,146	140,852	515,411	16,943	125,043	37,165	**2,978,461**	2,099,625
Increase/(decrease) during the year	141,650	531,081	(56,073)	1,311,057	638	8,768	12,050	**1,949,171**	878,836
Balance at end of the year *(Note 9)*	**862,551**	**1,953,227**	**84,779**	**1,826,468**	**17,581**	**133,811**	**49,215**	**4,927,632**	2,978,461
Retained earnings on participating business attributable to participating policyholders - Ledger Account A									
Balance at beginning of the year	128,153	-	-	-	-	-	-	**128,153**	49,049
Surplus allocated during the year *(Note 8.1)*	136,819	-	-	-	-	-	-	**136,819**	159,000
10% surplus transfer to Ledger Account B	(13,682)	-	-	-	-	-	-	**(13,682)**	(15,900)
Bonus allocated during the year	(83,474)	-	-	-	-	-	-	**(83,474)**	(63,996)
Closing balance at end of the year	**167,816**	-	-	-	-	-	-	**167,816**	128,153
Retained earnings on participating business attributable to shareholders but not distributable - Ledger Account B									
Balance at beginning of the year	29,374	-	-	-	-	-	-	**29,374**	13,474
Surplus adjustment	-	-	-	-	-	-	-	-	-
10% surplus transfer from Ledger Account A	13,682	-	-	-	-	-	-	**13,682**	15,900
Closing balance at end of the year	**43,056**	-	-	-	-	-	-	**43,056**	29,374
Retained earnings on other than participating business - Ledger Account D									
Balance at beginning of the year	-	(127,307)	14,564	(49,102)	2,527	8,111	(1,870)	**(153,077)**	(101,374)
Surplus/(deficit) allocated during the year	-	(14,091)	112,572	(23,922)	14,416	45,850	(1,263)	**133,562**	47,797
Surplus appropriated to Shareholders' Fund	-	-	(88,000)	-	(9,000)	(38,000)	-	**(135,000)**	(99,500)
Closing balance at end of the year	-	**(141,398)**	**39,136**	**(73,024)**	**7,943**	**15,961**	**(3,133)**	**(154,515)**	(153,077)
Capital contributed by shareholders' fund									
Balance at beginning of the year	-	224,452	-	31,500	-	-	-	**255,952**	257,368
Capital contributed during the year *(Note 22.1)*	-	-	-	46,000	-	-	4,500	**50,500**	27,500
Capital withdrawn during the year	-	-	-	-	-	-	-	-	(28,916)
	-	-	-	46,000	-	-	4,500	**50,500**	(1,416)
Balance at end of the year	-	224,452	-	77,500	-	-	4,500	**306,452**	255,952
Balance of statutoy fund as on December 31, 2011	**1,073,423**	**2,036,281**	**123,915**	**1,830,944**	**25,524**	**149,772**	**50,582**	**5,290,441**	3,238,863

8.1 This represents surplus earned in Life (Participating) Statutory Fund before allocation of bonus. Amount of surplus appearing in the Revenue Account is net off bonus allocated during the year.

9. POLICYHOLDERS' LIABILITIES

As per actuary's advice, the policyholders' liabilities as at December 31, 2011 are as follows:

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
Gross of reinsurance	(Rupees in '000)								
Actuarial liability relating to future events	861,999	1,957,126	60,884	1,825,528	12,173	107,469	49,215	**4,874,394**	2,930,903
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,682	2,608	-	5,798	-	-	**15,088**	13,645
Provision for incurred but not reported claims	710	2,670	36,961	1,183	2,238	26,493	-	**70,255**	70,844
	862,709	1,966,478	100,453	1,826,711	20,209	133,962	49,215	**4,959,737**	3,015,392
Net of reinsurance									
Actuarial liability relating to future events	861,950	1,947,326	47,458	1,825,285	10,613	107,318	49,215	**4,849,165**	2,903,968
Provision for outstanding reported claims payable over a period exceeding twelve months	-	3,801	2,608	-	4,798	-	-	**11,207**	6,926
Provision for incurred but not reported claims	601	2,100	34,713	1,183	2,170	26,493	-	**67,260**	67,567
	862,551	1,953,227	84,779	1,826,468	17,581	133,811	49,215	**4,927,632**	2,978,461

10. STAFF RETIREMENT BENEFITS

Defined benefit plan - Gratuity fund

The in-house actuarial valuation to carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation carried out as at December 31, 2011:

	2011	2010
Discount rate per annum.	**13%**	13%
Expected rate of increase in the salaries of the employees per annum	**13%**	13%
Expected interest rate on plan assets of the fund per annum	**12%**	12%
Expected remaining service length of the employees	**14 yrs**	14 yrs

10.1 Balance sheet reconciliation

	2011	2010
	(Rupees in '000)	
Present value of defined benefit obligations *(Note 10.3)*	**66,333**	56,176
Fair value of plan assets *(Note 10.4)*	**(34,685)**	(28,336)
Unrecognised actuarial losses	**(21,375)**	(20,311)
	10,273	7,529

10.2 Movement in liability during the year

	2011	2010
Opening balance	**7,529**	4,521
Charge to profit and loss account *(Note 10.5)*	**12,308**	11,551
Contributions to the fund during the year	**(9,152)**	(8,543)
Contributions - benefit payments on behalf of the fund	**(412)**	-
Closing balance	**10,273**	7,529

10.3 Movement in present value of defined benefit obligations	2011	2010
	(Rupees in '000)	
Present value of obligations as at January 01	**56,176**	46,171
Current service cost	**6,992**	6,272
Interest cost	**7,303**	6,002
Benefits paid during the year	**(5,055)**	(1,068)
Actuarial (gain) / loss	917	(1,201)
Present value of obligations as at December 31	**66,333**	56,176

10.4 Movement in fair value of plan assets

Fair value of plan assets as at January 01	**28,336**	18,564
Expected return on plan assets	**3,117**	2,042
Contribution to the fund	**9,152**	8,543
Benefits paid	**(5,055)**	(1,068)
Actuarial gain	**(865)**	255
Fair value of plan assets as at December 31	**34,685**	28,336

10.5 Charge for the year

Current service cost	**6,992**	6,272
Interest cost	**7,303**	6,002
Expected return on plan assets	**(3,117)**	(2,042)
Actuarial loss recognised during the year	**1,130**	1,319
	12,308	11,551

10.6 Actual return on plan assets

Expected return on assets	**3,117**	2,042
Actuarial (loss) / gain on assets	**(865)**	255
	2,252	2,297

10.7 Composition of fair value of plan assets	2011		2010	
	Fair value (Rupees in '000)	**Percentage**	Fair value (Rupees in '000)	Percentage
Bonds	**18,627**	**53.70%**	25,463	89.86%
Cash at bank	**16,058**	**46.30%**	2,873	10.14%
	34,685	**100.00%**	28,336	100.00%

10.8 Historical data of the fund	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligations	**66,333**	56,176	46,171	30,921	16,376
Fair value of plan assets	**(34,685)**	(28,336)	(18,564)	(11,328)	-
Deficit	**31,648**	27,840	27,607	19,593	16,376
Experience adjustments					
- Actuarial (gain) / loss on obligation	**(917)**	(1,201)	7,497	15,122	(1,786)
- Actuarial gain / (loss) on assets	**(865)**	255	122	(38)	-

10.9 The estimated contribution to the Fund for the year ending December 31, 2012 is Rs. 23.973 million.

11. OTHER CREDITORS AND ACCRUALS

	Share holders' fund	STATUTORY FUNDS Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	AGGREGATE 2011	AGGREGATE 2010
	(Rupees in '000)									
Withholding tax payable	-	265	2,364	211	1,107	69	337	11	4,364	3,630
Payable to workers' welfare fund	4,441	-	-	-	-	-	-	-	4,441	3,979
Compensented absenses	-	1,060	9,464	2,000	4,667	292	3,195	108	20,786	12,802
Others	3,598	6,798	15,509	377	7,698	76	11,467	208	45,731	25,174
	8,039	8,123	27,337	2,588	13,472	437	14,999	327	75,322	45,585

12. INVESTMENTS

	Share holders' fund	STATUTORY FUNDS Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	AGGREGATE 2010	AGGREGATE 2009
Investment by classification	(Rupees in '000)									
Held to maturity										
- at amortized cost										
Pakistan Investment Bonds *(Note 12.1)*	560,854	1,015,758	2,015,433	347,737	-	31,371	80,457	49,236	**4,100,846**	3,507,040
Treasury Bills *(Note 12.1)*	7,776	-	-	-	-	-	-	-	**7,776**	-
	568,630	1,015,758	2,015,433	347,737	-	31,371	80,457	49,236	**4,108,622**	3,507,040
Available-for-sale										
-at fair value										
Pakistan Investment Bonds *(Note 12.1)*	-	-	-	-	1,069,754	-	-	-	**1,069,754**	-
Treasury Bills *(Note 12.1)*	-	-	-	-	42,027	-	-	-	**42,027**	-
Listed mutual funds *(Note 12.4)*	5,367	-	-	-	607,804	-	-	-	**613,171**	288,660
	573,997	1,015,758	2,015,433	347,737	1,719,585	31,371	80,457	49,236	**5,833,574**	3,795,700

12.1 Government Securities

	Tenor	Maturity Year	Coupon Rate %	Profit Payment	2011 (Rupees in '000)	2010 (Rupees in '000)
Pakistan Investment Bonds	3 years	2011	11.25	Half yearly	-	247,878
Pakistan Investment Bonds	10 years	2011	12.00	Half yearly	-	26,921
Pakistan Investment Bonds	10 years	2011	13.00	Half yearly	-	132,863
Pakistan Investment Bonds	10 years	2011	14.00	Half yearly	-	53,679
Pakistan Investment Bonds	5 years	2012	9.30	Half yearly	**24,197**	23,184
Pakistan Investment Bonds	10 years	2012	11.00	Half yearly	**61,452**	57,441
Pakistan Investment Bonds	3 years	2012	11.25	Half yearly	**24,831**	24,627
Pakistan Investment Bonds	10 years	2013	8.00	Half yearly	**28,324**	5,137
Pakistan Investment Bonds	3 years	2013	11.25	Half yearly	**9,628**	266,931
Pakistan Investment Bonds	5 years	2013	11.50	Half yearly	**269,264**	27,624
Pakistan Investment Bonds	10 years	2014	8.00	Half yearly	**26,930**	25,916
Pakistan Investment Bonds	3 years	2014	11.25	Half yearly	**245,717**	-
Pakistan Investment Bonds	5 years	2014	11.50	Half yearly	**68,567**	68,176
Pakistan Investment Bonds	5 years	2015	11.50	Half yearly	**163,024**	-
Pakistan Investment Bonds	7 years	2015	11.75	Half yearly	**104,058**	103,190
Pakistan Investment Bonds	10 years	2016	9.60	Half yearly	**462,787**	459,624
Pakistan Investment Bonds	5 years	2016	11.50	Half yearly	**288,495**	-
Pakistan Investment Bonds	7 years	2016	11.75	Half yearly	**24,412**	24,336
Pakistan Investment Bonds	10 years	2017	9.60	Half yearly	**224,875**	222,145
Pakistan Investment Bonds	10 years	2018	12.00	Half yearly	**336,857**	334,670
Pakistan Investment Bonds	15 years	2019	9.00	Half yearly	**40,942**	40,694
Pakistan Investment Bonds	10 years	2019	12.00	Half yearly	**444,349**	440,824
Pakistan Investment Bonds	10 years	2020	12.00	Half yearly	**1,329,479**	179,377
Pakistan Investment Bonds	15 years	2021	10.00	Half yearly	**719,774**	717,348
Pakistan Investment Bonds	10 years	2021	12.00	Half yearly	**239,080**	-
Pakistan Investment Bonds	15 years	2023	12.50	Half yearly	**33,558**	24,455
Treasury Bills	3 months	2012	13.21	On maturity	**49,803**	-
					5,220,403	3,507,040
					5,220,403	**3,507,040**

12.2 The aggregate market value of government securities carried at amortized cost at December 31, 2011 was Rs. 5,140.14 million (December 31, 2010 : Rs. 3,215.77 million).

12.3 The Company has deposited 15 years Pakistan Investment Bond amounting to Rs. 50 million (2010: Rs. 50 million) with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

12.4 Listed Mutual Funds	Shareholders' fund		Investment linked fund		AGGREGATE	
	2011	2010	**2011**	2010	**2011**	2010
	(Rupees in '000)					
	(note 12.4.1)		(note 12.4.2)			
Available-for-sale						
NAFA Cash Fund (NCF)	**163**	112	**12,548**	12,578	**12,711**	12,690
NAFA Stock Fund (NSF)	**54**	43	**3,473**	3,549	**3,527**	3,592
NAFA Islamic Multi-Asset Fund (NIMF)	**12**	28	**2,277**	2,098	**2,289**	2,126
Arif Habib Pakistan Income Fund (PIF)	**1,710**	970	**172,844**	107,621	**174,554**	108,591
Arif Habib Pakistan Stock Market Fund (PSM)	**497**	229	**27,803**	20,219	**28,300**	20,448
Arif Habib Pakistan Intl. Element Islamic Fund (PIEIF)	**9**	24	**1,645**	1,754	**1,654**	1,778
United Growth & Income Fund (UGIF)	**36**	1,039	**2,255**	90,380	**2,291**	91,419
United Stock Advantage Fund (USF)	**997**	469	**40,997**	22,646	**41,994**	23,115
United Islamic Income Fund (UIIF)	**179**	333	**33,343**	24,568	**33,522**	24,901
Faysal Money Market Fund (FMMF)	**120**	-	**14,777**	-	**14,897**	-
United Saving & Income Fund (USIF)	**1,590**	-	**165,842**	-	**167,432**	-
MCB Cash Management Optimizer (CMO)	**-**	-	**130,000**	-	**130,000**	-
	5,367	3,247	**607,804**	285,413	**613,171**	288,660

12.4.1 The aggregate market value of the units of open-end mutual funds in shareholders' fund as at December 31, 2011 was Rs. 5.310 million (December 31, 2010: Rs. 3.324 million).

12.4.2 The aggregate cost of the above units of open-end mutual funds in investment linked fund as at December 31, 2011 was Rs. 576.306 million (December 31, 2010: Rs. 291.944 million)

13. AMOUNT DUE FROM OTHER INSURERS / REINSURERS

This represents balances due from reinsurer:

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
	(Rupees in '000)								
Reinsurance recoveries against outstanding claims	18,121	41,035	61,601	-	18,985	2,005	-	**141,747**	31,017
Other reinsurance assets	3,638	8,237	5,241	1,392	1,450	-	-	**19,958**	91,054
Liability against net reinsurance premium	(7,609)	(17,230)	(31,093)	(1,392)	(3,340)	1,493	-	**(59,171)**	(93,785)
	14,150	32,042	35,749	-	17,095	3,498	-	102,534	28,286

14. SUNDRY RECEIVABLES

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
	(Rupees in '000)								
Advances to employees against expenses									
- executives	34	77	3	72	1	6	2	**194**	193
- others	13	31	1	29	-	2	1	**77**	77
	47	108	4	101	1	8	3	**271**	270
Deposits	1,103	2,497	108	2,334	22	171	63	**6,298**	6,237
Receivable from holding Company	187	494	27	203	4	196	5	**1,116**	1,579
Others	1,957	5,579	332	926	49	3,065	21	**11,929**	9,816
	3,294	8,677	471	3,564	76	3,440	92	**19,614**	17,902

15. FIXED ASSETS

	2011	2010
	(Rupees in '000)	
Tangible assets *(Note 15.1)*	**58,783**	57,164
Intangible assets *(Note 15.2)*	**1,434**	1,305
Capital work in progress	-	84
	60,217	58,553

15.1 Tangible Assets

Classification of Assets	Leasehold Improve-ments	Computers			Motor Vehicles	Furniture and Fixtures	Office Equipment	Total
		IBM AS400	Personal Computers	Sub Total				
	(Rupees in '000)							
As at January 01, 2010								
Cost	42,152	17,654	14,411	32,065	35,273	28,935	15,929	154,354
Accumulated depreciation	(18,545)	(14,489)	(11,091)	(25,580)	(29,040)	(16,096)	(6,428)	(95,689)
Net book value	23,607	3,165	3,320	6,485	6,233	12,839	9,501	58,665
Year ended December 31, 2010								
Opening net book value	23,607	3,165	3,320	6,485	6,233	12,839	9,501	58,665
Additions	219	4,131	2,530	6,661	5,331	2,479	1,727	16,417
Disposals								
- Cost	-	-	-	-	2,616	1,087	51	3,754
- Accumulated depreciation	-	-	-	-	(2,616)	(884)	(26)	(3,526)
	-	-	-	-	-	203	25	228
Depreciation charge	(3,325)	(2,875)	(2,098)	(4,973)	(5,612)	(2,226)	(1,554)	(17,690)
Closing net book value	20,501	4,421	3,752	8,173	5,952	12,889	9,649	57,164
As at December 31, 2010								
Cost	42,371	21,785	16,941	38,726	37,988	30,327	17,605	167,017
Accumulated depreciation	(21,870)	(17,364)	(13,189)	(30,553)	(32,036)	(17,438)	(7,956)	(109,853)
Net book value	20,501	4,421	3,752	8,173	5,952	12,889	9,649	57,164
Year ended December 31, 2011								
Opening net book value	20,501	4,421	3,752	8,173	5,952	12,889	9,649	57,164
Additions	190	2,242	4,045	6,287	11,264	668	469	18,878
Disposals								
- Cost	518	258	1,060	1,318	12,152	936	118	15,042
- Accumulated depreciation	(309)	(258)	(1,053)	(1,311)	(11,561)	(844)	(98)	(14,123)
	209	-	7	7	591	92	20	919
Depreciation charge	(4,097)	(879)	(3,123)	(4,002)	(3,803)	(2,705)	(1,733)	(16,340)
Closing net book value	**16,385**	**5,784**	**4,667**	**10,451**	**12,822**	**10,760**	**8,365**	**58,783**
As at December 31, 2011								
Cost	42,043	23,769	19,926	43,695	37,100	30,059	17,956	170,853
Accumulated depreciation	(25,658)	(17,985)	(15,259)	(33,244)	(24,278)	(19,299)	(9,591)	(112,070)
Net book value	**16,385**	**5,784**	**4,667**	**10,451**	**12,822**	**10,760**	**8,365**	**58,783**
Annual rate of depreciation %	10%	20%	33%		33%	10%	10%	

15.2 Intangible Assets

	Cost			Amortisation			Carrying value as at December 31, 2011	Amortisation rate %
	As at January 1, 2011	Additions / (disposals)	As at December 31, 2011	As at January 1, 2011	For the year	As at December 31, 2011		
	(Rupees in '000)							
Computer Software	2,608	1,674	4,282	1,706	1,240	2,946	1,336	33
Licences	1,194	105	1,299	791	410	1,201	98	33
	3,802	1,779	5,581	2,497	1,650	4,147	1,434	33
2010	3,741	61	3,802	1,237	1,260	2,497	1,305	33

15.3 DISPOSAL OF FIXED ASSETS

Disposal of fixed assets during the year 2011 are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (loss)	Mode of Sale	Name of Buyer
	(Rupees in '000)						
Furniture and fixtures							
Assets below net book value of Rs. 50,000 each	760	(681)	79	113	34	Negotiation	Miscellaneous
Office equipment							
Assets below net book value of Rs. 50,000 each	294	(261)	33	54	21	Negotiation	Miscellaneous
Leasehold improvements							
Assets below net book value of Rs. 50,000 each	518	(309)	209	140	(69)	Negotiation	Miscellaneous
Computer equipment							
Assets below net book value of Rs. 50,000 each	1,318	(1,311)	7	18	11	Negotiation	Miscellaneous
Motor vehicles							
Assets below net book value of Rs. 50,000 each	11,140	(11,140)	-	3,767	3,767	Negotiation	Miscellaneous
Honda City	1,012	(421)	591	996	405	Negotiation	Mr. Imtiaz Hussain Bhatti
2011	**15,042**	**(14,123)**	**919**	**5,088**	**4,169**		
2010	3,754	(3,526)	228	1,654	1,426		

16. AUDITORS' REMUNERATION

	2011	2010
	(Rupees in '000)	
Audit fee	**763**	763
Fee for review of half yearly accounts	**103**	103
Out of pocket expenses	**125**	125
	991	991

17. OTHER MANAGEMENT EXPENSES

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
	(Rupees in '000)								
Vehicle and general repair and maintenance	546	4,861	950	2,223	139	1,522	-	10,241	10,790
Utilities-electricity, water and gas	367	4,154	868	2,027	226	1,340	-	8,982	11,191
Communication	205	2,946	610	1,424	217	915	4	6,321	5,249
Furniture and household appliances	60	542	115	268	17	199	6	1,207	612
Consultancy fee	39	346	73	171	7	120	4	760	845
Interest on premium deposit in advance	-	590	-	-	-	-	-	590	278
Social security	21	190	40	94	6	72	2	425	68
Insurance	17	154	33	76	5	53	2	340	329
Entertainment	20	176	37	87	5	61	-	386	428
Books and subscriptions	2	14	3	7	-	5	-	31	30
Miscellaneous expenses	752	4,719	1,344	2,749	(53)	1,958	67	11,536	9,367
	2,029	18,692	4,073	9,126	569	6,245	85	40,819	39,187

18. OTHER INCOME

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2011	2010
	(Rupees in '000)								
Return on saving accounts with banks	-	4,166	631	3,052	169	3,933	-	**11,951**	7,548
Gain on disposal of fixed assets	730	1,652	72	1,545	15	113	42	**4,169**	1,426
Interest on policy loans	2,523	5,713	-	-	-	-	-	**8,236**	7,691
Others *(Note 18.1)*	762	496	75	1,614	16	4,836	44	**7,843**	9,230
	4,015	12,027	778	6,211	200	8,882	86	**32,199**	25,895

18.1 This includes amount of Rs. 5.3 million in respect of administrative services provided to various clients.

19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUNDS

	2011	2010
	(Rupees in '000)	
Donation - *(Note 19.1)*	**30**	4,903
Workers' welfare fund	**3,746**	2,775
Regulators fee	**2,944**	1,970
Legal and professional	**34**	423
Miscellaneous	**163**	937
	6,917	11,008

19.1 None of the directors or their spouses had any interest in the donees.

20. TAXATION

	2011	2010
Current		
- for the year	**64,246**	46,691
- prior years	**3,066**	-
Tax expense for the year	**67,312**	46,691

20.1 Relationship between tax expense and accounting profit

	2011	2010
Profit before tax	**183,560**	133,403
Tax at the applicable rate of 35% (2010: 35%)	**64,246**	46,691

20.2 Assessment upto assessment year 2002-2003 has been finalised. The income tax returns of the Company filed for Tax year 2003 to 2011 are deemed to be assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

20.3 There is no taxable / deductible temporary differences between the tax bases and the carrying amounts, as such there is no deferred tax.

21. EARNINGS PER SHARE
- basic and diluted

	2011	2010
Profit after tax	**116,248**	86,712
	(Number of shares)	
Weighted average number of ordinary shares	**50,000,000**	50,000,000
	(Rupees)	
Earnings per share - basic and diluted	**2.32**	1.73

22. CASH AND CASH EQUIVALENTS

	Share holders' fund	STATUTORY FUNDS: Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	AGGREGATE 2011	AGGREGATE 2010
	(Rupees in '000)									
Cash and stamps in hand	-	630	-	-	-	-	-	-	**630**	1,286
Current and other accounts *(Note 22.1)*	16	2,864	-	-	80,796	751	-	-	**84,427**	55,739
Deposits maturing within 3 months *(Note 22.2)*	-	-	-	-	40,000	-	-	-	**40,000**	-
	16	3,494	-	-	120,796	751	-	-	**125,057**	**57,025**

22.1 This includes deposits and saving accounts that carry mark-up rates ranging from 5% to 10% (2010: 5% to 16%).

22.2 These carry mark-up at the rate of 10% (2010: 10%) per annum.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2011 Chief Executive	2011 Executives	2011 Total	2010 Chief Executive	2010 Executives	2010 Total
	(Rupees in '000)					
Managerial remuneration	**14,218**	**76,013**	**90,231**	13,451	66,700	80,151
Bonus and Housing	**6,497**	**2,794**	**9,291**	7,622	651	8,273
Retirement benefits	**3,415**	**11,251**	**14,666**	3,106	10,456	13,562
Utilities / Telephone	-	**481**	**481**	344	536	880
Other benefits	**159**	**595**	**754**	126	2,753	2,879
	24,289	**91,134**	**115,423**	24,649	81,096	105,745
Number of persons, including those who worked part of the year	(Number)					
	1	52	53	1	46	47

In addition to the above remuneration, the Chief Executive and two executives have been provided with Company maintained cars. Chief Executive has also been provided with furniture and fixtures in addition to allowance in lieu of accomodation. One executive has been provided with free furnished accomodation. Seventeen executives have been provided with Company cars maintained by them.

24. Management of insurance and financial risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

24.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim although the later one is not signficant due to pre-determined amount of insurance in most of the cases or at least maximum limits.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy for careful selection of the risk and diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Categories of insurance contracts

Insurance contracts issued by the Company are divided into

a) Short term insurance contracts

b) Long term insurance contracts

24.1.1 Short term Insruance contracts

(a) Frequency and severity of claims

These contracts mostly pay a pre-determined amount on death and disability without any maturity or surrender values. These contracts are issued to individuals and also to employers to ensure their commitments to their employees in terms of other employees' benefit plans.

The risk is affected by several factors e.g age, occupation, benefit structure and life style. The Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

(b) Sources of uncertainty in the estimation of future claim payments

Other than for the testing of the adequacy of the liability representing the unexpired risk at the end of the reporting period, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Company. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

(c) Process used to decide on assumptions

The assumptions used for the insurance contracts are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Company's experience is conducted from time to time. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table.

Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

(d) Changes in assumptions

There has been no change in the assumptions during the year.

24.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, the participating nature of these contracts results in a significant risk with the insured party.

The Company charges for mortality risk on reporting dates for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. Delays in implementing in restraints over the extent of the increases may reduce its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Company balances death risk and survival risk across its portfolio. The Company reinsures the excess of the insured benefit over under an excess of loss reinsurance arrangement. Medically impaired lives are reinsured at lower levels.

Insurance risk for contracts is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not based on standard industry tables adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigation bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(c) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

For long-term insurance contracts without fixed terms and for investment contracts with DPF, the assumptions used to determine the liabilities do not contain margins and are not locked in but are updated at each reporting date to reflect the latest estimates. Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%.

The assumptions used for the insurance contracts are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Company's experience is performed from time to time, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

Persistency

An investigation into the Company's experience from time to time to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behaviour.

Investment returns

Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. The Company's investment return assumptions are generally based on medium to long term expected rate of return on government fixed income securities e.g. PIBS with some margins.

Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation assumption is based on general inflation. For some products, the company also adjust its expense assumptions considering signficant growth in volume of business due to which expense ratio will come down.

Tax

It has been assumed that current tax legislation and rates continue unaltered.

(d) Change in assumptions

There has been no change in the assumptions during the year.

(e) Sensitivity analysis

The liabilities under Universal Life, Unit Linked, Group Life, Group Accident and Health, Individual Accident and Health and Pension business are not dependent on assumptions related to mortality, persistency, expense or interest rates because the liabilities under these lines of business are either based on actual account values or unearned premium reserve. For the traditional endowment plans, no sensitivity testing is carried out because the liability basis prescribed by the regulations are too conservative and the liability under these plans are less than 5% of total liabilities.

24.1.3 *Concentration of insurance risk*

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from foreign reinsurers.

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks e.g. finanical underwriting ensuring a reasonable relationship between the income and insurance amount of insured, determination of insurance amount through some mechanism which precludes individual choices and anti-selection.

The concentration of risk by type of contracts is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2011	2010	**2011**	2010	**2011**	2010
	(Rupees in million)					
Life (participating)	**10,807**	9,515	**4,500**	3,797	**6,307**	5,718
Life (non-participating) – Individual	**21,475**	21,789	**8,898**	8,235	**12,577**	13,554
Life (non-participating) – Group	**75,175**	60,707	**17,095**	16,848	**58,080**	43,859
Investment Linked	**8,558**	4,150	**6,750**	2,686	**1,808**	1,464
Accident & Health – Individual	**9,873**	9,899	**1,901**	3,863	**7,972**	6,036
	125,888	106,060	**39,144**	35,429	**86,744**	70,631

24.1.4 Claims development tables

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2011 therefore claim development table is not required to be presented. However, aging of outstanding claims and movement of outstanding claims net of experience refund receivable is presented below:

Aging of outstanding claim	**2011**	2010
	(Rupees in '000)	
Upto 1 year	**195,928**	99,181
1-2 years	**101,539**	76,701
2-3 years	**16,814**	20,945
Over 3 years	**33,585**	42,481
Total	**347,866**	239,308

Movement of outstanding claim - net of experience refund receivable

Opening balance	**239,308**	215,348
Total gross claims	**758,431**	524,643
Claims paid	**(649,873)**	(500,683)
Closing balance	**347,866**	239,308
Less: experience refund receivable - closing	**(95,660)**	(56,788)
Outstanding claim - net of experience refund receivable	**252,206**	182,520

24.1.5 Assets - liabilities matching

	Fixed and guaranteed insurance and investment contracts	Contract with DPF		Unit-linked contracts		Corporate			
		Insurance contract	Investment contract	Insurance contract	Investment contract	Short-term insurance contracts	Other financial assets and liablities	Other assets and liablities	Total
	-(Rupees '000)-								
Debt securities									
Held to maturity - unlisted securities	2,524,234	1,015,758	-	-	-	-	568,630	-	4,108,622
Equity securities									
Available for sale - listed securities	-	-	-	-	1,719,585	-	5,367	-	1,724,952
Loans and receivable									
-Insurance receivables	60,938	26,911	-	-	-	-	-	-	87,849
-Other at amortised cost	-	-	-	-	-	-	2,247	-	2,247
Reinsurance assets	88,384	14,150	-	-	-	-	-	-	102,534
Cash and cash equivalents	751	3,494	-	-	120,796	-	16	-	125,057
Other assets	228,530	55,357	-	-	68,558	-	137,891	28,856	519,192
Total Assets	**2,902,837**	**1,115,670**	-	-	**1,908,939**	-	**714,151**	**28,856**	**6,670,453**
Long-term insurance contracts and investment contracts with guaranteed and fixed term:									
-Insurance contracts	-	-	-	-	-	-	-	-	-
-Investment contracts	-	-	-	-	-	-	-	-	-
At amortized cost without fixed terms:									
-Insurance contracts	-	-	-	-	-	-	-	-	-
-Investment contracts	-	-	-	-	-	-	-	-	-
Long-term insurance contracts and investment contracts with DPF:									
-Insurance contracts	2,815,778	-	-	-	1,826,468	-	-	-	4,642,246
-Investment contracts									
Short-term insrurance contracts	285,386	-	-	-	-	-	-	-	285,386
Amounts due to related parties, trade payables, and other provisions at amortised cost	75,169	4,114	-	-	27,412	-	-	-	106,695
Other liabilities	(273,496)	1,111,556	-	-	55,059	-	8,066	-	901,185
Total Liabilities	**2,902,837**	**1,115,670**	-	-	**1,908,939**	-	**8,066**	-	**5,935,512**

24.2 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

24.2.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

24.2.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments (except for investment in associates and government securities), premium due but unpaid, amount due from other insurers / reinsurers , reinsurance recoveries. To reduce the credit risk the Company has developed a formal approval process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery.

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

	2011	2010
	(Rupees in '000)	
Cash and bank deposits	**124,427**	62,739
Loans - secured		
Against life insurance policies	**87,849**	80,051
To employees	**807**	1,101
To agents	**1,440**	1,899
Investments	**613,171**	288,660
Premiums due but unpaid	**112,166**	87,513
Amounts due from other insurers / reinsurers	**102,534**	28,286
Amounts due from agents	**1,475**	9,229
Sundry receivables	**19,614**	17,902
Accrued interest	**207**	887
Experience refund receivable	**95,660**	56,788
	1,159,350	635,055

The credit quality of Company's major bank balances can be assessed with reference to external credit rating as follows:

	Rating		Rating
	Short term	Long term	Agency
MCB Bank Limited	A1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
HSBC Bank Middle East Limited	P-1	A1	MOODY'S
Habib Bank Limited	A-1+	AA+	JCR-VIS
National Bank Limited	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A1	MOODY'S
NIB Bank Limited	A1+	AA-	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Deutshe Bank AG	P-1	Aa3	MOODY'S
Barclays Bank PLC	P-1	Aa3	MOODY'S
Summit Bank Limited	A-2	A	JCR-VIS
Bank Al-Falah Limited	A1+	AA	PACRA
KASB Bank Limited	A2	A-	PACRA

Premium due but unpaid

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

	December 31, 2011		December 31, 2010	
	(Rupees in '000)	**%**	(Rupees in '000)	%
Banks	**26,996**	**24.1%**	24,963	28.5%
Insurance	**499**	**0.4%**	1,349	1.5%
Textiles	**1,201**	**1.1%**	2,403	2.7%
Food and allied industries	**20,723**	**18.5%**	5,828	6.7%
Chemical and pharmaceuticals	**6,880**	**6.1%**	6,504	7.4%
Technology & Communication	**15,002**	**13.4%**	5,986	6.8%
Miscellaneous	**19,893**	**17.7%**	13,212	15.1%
Individuals	**20,972**	**18.7%**	27,267	31.2%
	112,166	**100%**	87,513	100%

The age of premium due but unpaid at the reporting date is less than one year.

Amount due from other insurers / reinsurers

The Company enters into re-insurance arrangements with re-insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated 27 October 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. All reinsurance assets relating to outward treaty cessions are with reinsurer with rating of "A" or above.

The age of amount due from other insurers / reinsurers at the reporting date is less than one year.

In respect of the insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

24.2.2 Fair value estimation

The carrying amount of the financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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).

	Level 1	**Level 2**	**Level 3**
December 31, 2011	(Rupees in '000)		
Assets carried at fair value			
Available-for-sale investments	**1,724,952**	-	-
December 31, 2010			
Assets carried at fair value			
Available-for-sale investments	**288,660**	-	-

24.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

The following are the contractual maturities of financial liabilities:

	2011		2010	
	Carrying Amount	**Contractual cash flows upto one year**	Carrying Amount	Contractual cash flows upto one year
	(Rupees in '000)			
Non - derivative Financial liabilities				
Outstanding claims	**347,866**	**347,866**	239,308	239,308
Payable to gratuity fund	**10,273**	**10,273**	7,529	7,529
Amount due to other insurers / reinsurers	**7,121**	**7,121**	13,537	13,537
Amount due to agents	**41,324**	**41,324**	46,114	46,114
Accrued expenses	**58,250**	**58,250**	42,465	42,465
Other creditors and accruals	**70,958**	**70,958**	41,955	41,955
Unclaimed dividend	**27**	**27**	27	27
	535,819	**535,819**	390,935	390,935

24.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to any significant foreign exchange risk and equity price risk. However, the Company is exposed to interest rate risk and other price risk.

24.2.4.1 *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument is:

	2011	2010	2011	2010
	Effective interest rate (in %)		(Rupees '000)	
Fixed rate instruments				
- Government securities	(4.86% to 14.86%)	(4.86% to 14.86%)	**4,108,622**	3,507,040
Variable rate instruments				
- PLS savings accounts & Deposit	5% to 10%	5% to 16%	**93,056**	96,417

Fair value sensitivity analysis for fixed rate instruments

The Company does not account fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its deposits with banks. In case 100 basis points (bp) increase / decrease in interest rates at year end, assuming that all other variables in particular foreign currency rates remain constant, the net income and equity would have higher / lower by Rs.0.17036 million (2010: 0.296 million).

24.2.4.2 Interest rate profile

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments based on their maturities is:

2011

	Effective Yield/Interest rate %	Total	Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	Non-interest bearing financial instruments
Balance sheet financial instruments		(Rupees in '000)					
Financial assets							
Cash and others		630	-	-	-	-	630
Current and other accounts	5 - 13	84,427	80,311	-	-	-	4,116
Deposits maturing within 12 months	7.75	40,000	40,000	-	-	-	-
Loans - secured							
Against life insurance policies		87,849	-	-	-	-	87,849
To employees		807	-	-	-	-	807
To agents		1,440	-	-	-	-	1,440
Investments -Government securities	4.86 - 14.86	5,220,403	-	1,025,992	4,160,851	33,558	-
Investments -Listed mutual funds		613,171	613,171	-	-	-	-
Premiums due but unpaid		112,166	-	-	-	-	112,166
Amount due from other insurers/reinsurers		102,534	-	-	-	-	102,534
Amount due from agents		1,475	-	-	-	-	1,475
Sundry receivables		19,614	-	-	-	-	19,614
Accrued interest		203,914	-	-	-	-	203,914
Experience refund receivable		95,660	-	-	-	-	95,660
		6,584,090	733,482	1,025,992	4,160,851	33,558	630,205
Financial liabilities							
Outstanding claims		347,866	-	-	-	-	347,866
Staff retirement benefits - Payable to gratuity fund		10,273	-	-	-	-	10,273
Amount due to other insurers/reinsurers		7,121	-	-	-	-	7,121
Amount due to agents		41,324	-	-	-	-	41,324
Accrued expenses		58,250	-	-	-	-	58,250
Other creditors and accruals		70,958	-	-	-	-	70,958
Unclaimed dividend		27	-	-	-	-	27
		535,819	-	-	-	-	535,819
Balance sheet gap		6,048,271	733,482	1,025,992	4,160,851	33,558	94,386
Total yield / interest rate risk sensitivity gap			**733,482**	**1,025,992**	**4,160,851**	**33,558**	
Cumulative yield / interest rate risk sensitivity gap			**733,482**	**1,759,474**	**5,920,325**	**5,953,883**	

2010

	Effective Yield/Interest rate %	Total	Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	Non-interest bearing financial instruments
Balance sheet financial instruments		(Rupees in '000)					
Financial assets							
Cash and others		1,286	-	-	-	-	1,286
Current and other accounts	5 - 13	55,739	22,596	-	-	-	33,143
Deposits maturing within 12 months	7.75	7,000	7,000	-	-	-	-
Loans - secured							
Against life insurance policies		80,051	-	-	-	-	80,051
To employees		1,101	-	-	-	-	1,101
To agents		1,899	-	-	-	-	1,899
Investments -Government securities	4.86 - 14.86	3,507,040	461,341	602,226	1,701,670	741,803	-
Investments -Listed mutual funds		288,660	288,660	-	-	-	-
Premiums due but unpaid		87,513	-	-	-	-	87,513
Amount due from other insurers/reinsurers		28,286	-	-	-	-	28,286
Sundry receivables		17,902	-	-	-	-	17,902
Amount due from Agent		9,229	-	-	-	-	9,229
Accrued interest		109,541	-	-	-	-	109,541
Experience refund receivable		56,788	-	-	-	-	56,788
		4,252,035	779,597	602,226	1,701,670	741,803	426,739
Financial Liabilities							
Outstanding claims		239,308	-	-	-	-	239,308
Staff gratuity		7,529	-	-	-	-	7,529
Amount due to other insurers/reinsurers		13,537	-	-	-	-	13,537
Amount due to agents		46,114	-	-	-	-	46,114
Accrued expenses		42,465	-	-	-	-	42,465
Other creditors and accruals		41,955	-	-	-	-	41,955
Unclaimed dividend		27	-	-	-	-	27
		390,935	-	-	-	-	390,935
Balance sheet gap		3,861,100	779,597	602,226	1,701,670	741,803	35,804
Total yield / interest rate risk sensitivity gap			**779,597**	**602,226**	**1,701,670**	**741,803**	
Cumulative yield / interest rate risk sensitivity gap			**779,597**	**1,381,823**	**3,083,493**	**3,825,296**	

24.3 *Fair value of financial instruments*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values, except for investment in government securities held to maturity.

25. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

26.1 Related parties comprise of holding company, associated companies, other companies with common directors, retirement benefit funds, directors and key management personnel. Remuneration to the key personnel are determined in accordance terms of their appointments. All transactions involving related parties arise in the normal course of business. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

26.2 The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	Relationship with the company	Nature of transaction	2011	2010
			------- (Rupees '000) -------	
i.	Holding Company	Reinsurance premium	**9,628**	960
		Charges for administrative services provided	**256**	577
		Reimbursement of expenses incurred on behalf of holding Company	**3,292**	5,666
		Reinsurance recoveries	**11,466**	-
ii.	Associated company	Donation received and disbursed for flood relief to NGO	-	4,059
		Advance paid	-	50
iii.	Associated undertaking	Consultancy charges	**384**	193
iv.	Staff retirement funds	Contribution made to provident fund	**10,721**	9,441
		Contribution made to gratuity fund	**12,308**	11,552
v.	Key management personnel	Remuneration paid to key management personnel	**113,383**	71,434
		Mark-up on loan to key management employees	**79**	62
		Vehicle transfer under employees car scheme (cost)	**4,489**	-

Balances with related parties are as follows

i.	Holding Company	Reinsurance premium payable	**5,415**	2,086
		Receivable against claims services provided on their behalf	**1,116**	2,588
ii.	Associated undertaking	Consultancy charges	**490**	320
iii.	Key management personnel	Loans to key management employees	**807**	1,007

Fee for carrying out acturial valuation by appointed actuary is paid by the holding Compnay.

27. GENERAL

All figures have been rounded off to the nearest of thousand, except otherwise stated.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 27, 2012 by the Board of Directors of the Company.

CHAIRMAN & CHIEF EXECUTIVE   DIRECTOR   DIRECTOR

Statement Of Directors

(As per the requirement of section 46(6) and section 52 (2) of Insurance Ordinance, 2000)

Section 46 (6)

a) In our opinion the annual statutory accounts of the American Life Insurance Company (Pakistan) Limited set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made thereunder;

b) American Life Insurance Company (Pakistan) Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and

c) As at December 31, 2011, American Life Insurance Company (Pakistan) Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements.

Section 52 (2)

d) In our opinion each statutory fund of American Life Insurance Company (Pakistan) Limited complies with the solvency requirements of Insurance Ordinance, 2000 and the Insurance Rules, 2002.

CHAIRMAN & CHIEF EXECUTIVE	DIRECTOR	DIRECTOR

Statement Of Actuary

[As per the requirement of section 52(2) (a) & (b) of the Insurance Ordinance, 2000]

In my opinion:

a) the policyholder liabilities included in the balance sheet of American Life Insurance Company (Pakistan) Limited as at December 31, 2011 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and

b) Based on Fund-Wise Admissible Assets' Information, provided by the Company's Finance Department, each Statutory fund of the American Life Insurance Company (Pakistan) Limited complies with the solvency requirements of the Insurance Ordinance, 2000 as applicable on December 31, 2011 after Capital Contribution from the Shareholder Fund to Investment Linked Fund and Pension Fund. SECP has issued detailed Solvency Rules in January 2012 which will start applying from December 31, 2012 in a phased manner from 33% on December 31, 2012 reaching to 100% on December 31, 2014. There is a Provision in the said Rules according to which the Company can comply with the required Solvency Margin on aggregate basis for Shareholder Fund and all the Statutory Funds instead of each Fund separately subject to permission from SECP and certain conditions. I understand that the Board of Directors has approved to seek permission from SECP to comply with the Required Solvency Margin on aggregate basis.

Date : March 27, 2012

Shoaib Soofi
Appointed Actuary

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi on Thursday, April 26, 2012 at 9.00 a.m. to transact the following business: -

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the Company held on April 26, 2011.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2011.

3. To appoint auditors for the year ending on December 31, 2012 and fix their remuneration. The retiring auditors M/s M. Yousuf Adil Saleem & Co., member firm of Deloitte Touche Tohmatsu, being eligible have offered themselves for re-appointment.

Special Business

4. To approve the remuneration of the Chief Executive Officer.

By order of the Board
Asim Iftikhar
Company Secretary

April 3, 2012
Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 20, 2012 to April 26, 2012 (both days inclusive).

2. Any member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may, by means of a resolution of its directors, appoint a person who is not a member, as proxy or as its representative under section 162 of the Companies Ordinance 1984.

3. The instrument appointing a proxy, in order to be valid, must be deposited at the office of Share Registrar, M/s THK Associates (Pvt) Limited, Ground Floor, State Life Building-3, Ziauddin Ahmed Road, Karachi, duly signed, stamped and witnessed, not less than forty-eight hours before the time of meeting. A member shall not be entitled to appoint more than one proxy. If more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

4. Members whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Cards (CNIC) along with the participant's I.D. number and their account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).

5. Members are requested to promptly notify to M/s THK Associates (Pvt) Limited of any change in their address to ensure delivery of mail.

Statement in Respect of Special Business and Related Draft Resolution

Under Section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the 17th Annual General Meeting of the Company to be held on April 26, 2012.

1. Approval of the Shareholders will be sought for the holding of office of profit by the Chief Executive as well as of the remuneration payable to him in accordance with his terms and conditions of service. For this purpose following resolution will be moved:

   "Resolved that:

   Approval is hereby given for the holding of office of profit with the Company by the Chief Executive, namely, Mr. Arif Sultan Mufti for payment of remuneration amounting to Rs. 24.23 million based on actuals for the year ended December 31, 2011, and the remuneration amounting Rs. 28.3 million as estimated for the year ending December 31, 2012, together with other benefits in accordance with the rules of the Company."

PROXY FORM
Seventeenth Annual General Meeting

Shareholder's Folio No.______________________ Number of shares held ____________________

I/We ____

of (full address)____

____

being a member of American Life Insurance Company (Pakistan) Limited, hereby appoint

Mr./Ms. ____

of (full address)____

____of failing him/her

Mr./Ms. ____

of (full address)____

____

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held on Tuesday, April 26, 2012 at 9.00 am at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this____________day of____________2012

Please
affix Rupee Five
Revenue Stamp
Signature of Member

Signed by the member in the presence of:

Witness:______________________

Adress:______________________

____

1. The Proxy Form, duly completed, to be effective, should be deposited at the Registered Office of the Company as soon as possible but not later than 48 hours before the time of holding the Meeting.

2. No person shall act as proxy unless he/she is a member of the company except corporation being a member may appoint as its proxy any officer of sush corporation whether a member of the company or not.

Chakwal - Abbas Arif Agency
Floor 1, Al-Mahmood Centre
Near Islamia High School, Islamia Chowk
Bhaun Road, Chakwal
Tel: (0543) 600994 Fax: (0543) 600995
E-mail: chakwal-branch@alicopakdist.com

Faisalabad - Arif Agency
Floor 2. Faisal Complex, Bilal Road
New Civil Lines, Faisalabad
Tel: (041) 2618914 Fax: (041) 2614761
E-mail: fsd-branch@alicopakdist.com

Faisalabad - Shaukat Ali Agency
Floor 1. Faisal Complex, Bilal Road
New Civil Lines, F aisalabad
Tel: (041) 2618963 Fax: (041) 2614761
E-mail: fsd-branch@alicopakdist.com

Faisalabad - Shakeel Anjum Agency
Floor 2, F.M. Plaza, 15-D
D-Ground, Peoples Colony, Faisalabad
Tel: (041) 8549539 Fax: (041) 8549538
E-mail: fsd-dground@alicopakdist.com

Faisalabad - Tariq Agency
Floor 2. Faisal Complex, Bilal Road
New Civil Lines, F aisalabad
Tel: (041) 2618913 Fax: (041) 2614761
E-mail: fsd-branch@alicopakdistdist.com

Faisalabad - Zulqarnain Agency
Floor 2, F.M. Plaza, 15-D
D-Ground, Peoples Colony, Faisalabad
Tel: (041) 8549537 Fax: (041) 8549538
E-mail: fsd-dground@alicopakdist.com

Gujranwala - Agency Executive's Office
Floor 3, Ghouri Centre
G.T. Road, Gujranwala
Tel: (055) 3843584 Fax: (055) 3843583
E-mail: ae-ibneali@alicopakdist.com

Gujranwala - Asif Bilal Agency
Floor 4, Trade Centre
G.T. Road, Gujranwala
Tel: (055) 4224454 Fax: (055) 4444467
E-mail: guj-asifagency@alicopakdist.com

Gujrauwala - Direct Agency
Floor 3, Ghouri Centre
G.T. Road, Gujranwala
Tel: (055) 3843585 Fax: (055) 3843583
E-mail: guj-directagency@alicopakdist.com

Gujrat - Ashraf Minhas Agency
Floor 2, Faisal Plaza, G.T. Road, Gujrat
Tel: (053) 3537091 Fax: (053) 3523320
E-mail: grt-branch@alicopakdist.com

Hyderabad - Akram Kaleem Agency
Floor 2, Badri Manzil, C.S. # F-17
Risala Road, Hyderabad
Tel: (022) 2783168 Fax: (022) 2783168
E-mail: hyd-branch @alicocakdist.com

Islamabad - Naveed A. Kiani - DSC
Floor 4, East Dhody Building, Plot #52,
Jinnah Avenue, Blue Area, Islamabad
Tel: (051) 2878165 Fax: (051) 2871243
E-mail: isb-branch@alicopakdist.com

Karachi - Direct Agency
Floor 5, Room # 512,
Madina City Mall Abdullah Haroon Road
Saddar, Karachi
Tel: (021) 35223731 Fax: (021) 35651541
E-mail: khi-madina@alicopakdist.com

Karachi - Babar Mehmood Agency
Floor 3, Al-Burhan Circle C Building
C-3/R-1, Plot # ST-4. Block-E
North Nazimabad, Karachi
Tel: (021) 36725345 Fax: (021) 36725345
E-mail: khi-babaragency@alicopakdist.com

Karachi - M. Akbar Hussain Agency
Floor 7, Room # 701, Park Avenue
Shahrah-e-Faisal, Block 6, P.E.C.H.S,, Karachi
Tel: (021) 34312079 Fax: (021) 34312079
E-mail: khi-akbaragency@alicopakdist.com

Karachi - Saima Barket Agency
Floor 1, Burney Centre,
Plot # FL-4/6, Block 5 KDA Scheme # 24,
Gulshan-e-Iqbal, Karachi
Tel: (021) 34817899 Fax: (021) 34819762
E-mail: khi-saimaagency@alicopakdist.com

Karachi - Zaki Ahmed Agency
Floor 2, Agha Khan Lab, Block 10-A
Commercial Plot # 5, Rashid Minhas Road
Gulshan-e-Iqbal, Karachi
Tel: (021) 34802494 Fax: (021) 34802496
E-mail: khi-zakiagency@alicopakdist.com

Lahore - Agency Executives's Office
Floor 3, Al Malik Plaza,
19 Davis Road, Lahore
Tel: (042) 111-111-711 Fax: (042) 36375589
E-mail: ae-zatta@alicopakdist.com

Lahare - Amir Irfan Agency
Floor 2, SHC Building, 1/13, Lake Road
Chowk Jain Mandar, Lahore
Tel: (042) 37238830 Fax: (042) 37238828
E-mail: lhe-amiragency@alicopakdist.com

Lahore - Ashraf Adil Agency
Floor 1, 18 Main Walton Road
Upper National Bank, Lahore
Tel: (042) 36626751 Fax: (042) 36626750
E-mail: lhe-adilagency@alicopakdist.com

Lahore - Direct Agency
114-G.T. Road, Baghbanpura
Opposite U.E.T. Gate # 6, Lahore
Tel: (042) 36816065 Fax: (042) 36816077
E-mail: lhe-directagency@alicopakdist .com

Lahore - Raja Arshad Agency
Floor 3, Rasheed Arcade
204 - Ferozepur Road, Lahore
Tel: (042) 37594932 Fax: (042) 37594934
Email: lhe-rajaagency@alicopakdist.com

Lahore – Arif Hussain Agency
Floor 3, Al Malik Plaza,
19 Davis Road, Lahore
Tel: (042) 111-111-711 Fax: (042) 36375589
E-mail: lhe-arifagency@alicopakdist.com

Multan Branch
Floor 2, Khawar Centre Near S.P Chowk
Nusrat Road, Multan Cantt, Multan
Tel: (061) 4574044 Fax: (061) 4574043
E-mail: mul-branch@alicopakdist.com

Rawalpindi - Agency Executive's Office
Floor 3, Umar Plaza, B-134, Murree Road
Near Chandni Chowk, Rawalpindi
Tel: (051) 4571151 Fax: (051) 4421183
E-mail: ae-khurram@alicopakdist.com

Rawalpindi - Ch. Maqsood Ahmed Agency
Floor 3, Umar Plaza, B-134 Murree Road
Near Chandni Chowk, Rawalpindi
Tel: (051) 4424670 Fax: (051) 4421183
E-mail: rwp-maqsoodagency@alicopakdist.com

Rawalpindi - Rustam Khan Agency
Floor 2, Umar Plaza, B-134 Murree Road
Near Chandni Chowk, Rawalpindi
Tel: (051) 4424660 Fax: (051) 4419395
E-mail: rwp-rustamagency@alicopakdist.com

Sialkot - Ibrar Hussain Agency
Floor 1, Suit 7 & 8, Soni Square
Khadim Ali Road, Mubarik Pura, Sialkot
Tel: (052) 3259422 Fax: (052) 3259424
E-mail: skt-branch@alicopakdist.com

Alico is a MetLife, Inc. Company

MetLife Alico

American Life Insurance
Company (Pakistan) Limited
Floor 13, Dolmen Executive Tower
Marine Drive, Block 4, Clifton
Karachi 75600
Tel: 35360040
UAN: 111-111-711
www.metlifealico.com.pk