

Alico

American Life

Insurance Company (Pakistan) Limited

A Member Company of

American International Group (AIG)

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BOARD OF DIRECTORS

CHAIRMAN

BENJAMIN GRIMMETT CROSS

Cliff House Apartments APT D7
2016 Naaman's Road Wilmington
Delaware 19810, USA.

Chairman &
Chief Executive

Business Executive

DIRECTOR

RASHID ABDULLA

9th Floor, N.I.C Building
Abbasi Shaheed Road, Karachi.

Director

Business Executive

FAROOQ A. BHATTY

1st Floor, Cavish Court Block 7 & 8, A-35
KCHSU Shahrah-e-Faisal, Karachi.

Director

Business Executive

BRUCE EMMITT DOZIER

18 Quail Hollow Drive
Hockessin DE 19707-1404, USA.

Director

Attorney

ABBAS KHALAF

Verdun Street
Verdun 2000 Building, 9th Floor
P.O. Box 14-5644
Beirut- Lebanon.

Director

Business Executive

ROBINSON K. NOTTINGHAM 2401 Pennsylvania Avenue Unit 1603 Wilmington DE 19806, USA.	Director	Business Executive
KHALID MALIK 9th Floor, N.I.C Building Abbasi Shaheed Road, Karachi.	Director	Business Executive
ARIF SULTAN MUFTI Bungalow No.89 / C, 16th Street Phase-VI, Defence Housing Authority, Karachi.	Director & Chief operating officer	Chartered Accountant
AHSAN M. SALEEM 9th Floor, Sidco Avenue Centre Moulana Been Mohd. Wafai Road, Karachi.	Director	Business Executive
NISAR A. MEMON 78/2, Khayaban-e-Sehar, Defence Housing Authority Phase VI, Karachi.	Director	Business Executive
BILAL AHMED QURESHI 67, Khayaban-e-Mujahid, Defence Housing Authority Phase V, Karachi.	Director	Business Executive
MOHAMMED MIAN SOOMRO D-7, 1st Floor, Akbar Apartment Opp. British Council Library Bleak House Road, Karachi.	Director	Business Executive
MUHAMMAD KALIM 115-C, Shahr-e-Iran Clifton-5, Karachi.	Director	Business Executive

CORPORATE INFORMATION

COMPANY SECRETARY

S.G. Shahabuddin
A-15, Block 'C' North Nazimabad, Karachi.
Office Tel. No. 5683564

AUDITORS

M/s. Taseer Hadi Khalid & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi.
Tel. No. 5685847-9
Fax No. 92 (21) 5685095

LEGAL ADVISERS

Surridge and Beecheno
Finlay House, I.I. Chundrigar Road, Karachi- 74000
Tel. No. 2427292- 94 & 97
Fax No. 92 (21) 2418298, 92 (21) 2442294

BANKERS

Muslim Commercial Bank Ltd.
Habib Bank Ltd.

REGISTERED OFFICE

Lakson Square, Bldg. No. 1, 11th Floor, Sarwar Shaheed Road,
Karachi- 74200 Pakistan.
Tel. No. 5685241, 5687339, 5682876, 5684970, 5661146-5661149, 5684198, 5687073,
5687255, 5683614, 5683669, 5683564, 519756, 5683520, 5681831
Fax No. 92 (21) 5688042, 5684880

SHARE DEPARTMENT

Ground Floor, Sheikh Sultan Trust Building No. 2,
Beaumont Road, Karachi
Tel. No. 5686658, 5689021
Fax No. 92 (21) 5685681

HEAD OFFICE

Lakson Square, Bldg. No. 1, 11th Floor, Sarwar Shaheed Road,
Karachi- 74200 Pakistan.
Tel. No. 5685241, 5687339, 5682876, 5684970, 5661146-5661149,
5684198, 5687073, 5687255, 5683614, 5683669, 5683564, 519756, 5683520, 5681831
Fax No. 92 (21) 5688042, 5684880

KARACHI AGENCY OFFICES

E-5, M. A. Jinnah Road, Cosmopolitan Colony,
New Town, Karachi- 5.
Tel. No. 4917398,4917399,4917420, 4917443,4917446

Amil Colony No. 2, Jamshed Quarter
Nariman Road, Karachi
Tel. No. 4922712, 4913268, 4913417, 4913832, 4916596, 4913407,
4913408, 4914785, 4914142, 4913788, 4914692

LAHORE OFFICE

AI Malik Bldg. 3rd Floor, 19 Davis Road,
Lahore- Pakistan
Tel. No. 6369882, 6369807, 6375590, 6374140, 6375591,6375596,
6302932, 6302978, 6302937, 6302957
Fax No. 92 (42) 6375589

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Hotel Marriott, Abdullah Haroon Road, Karachi on Saturday, June 13, 1998 at 10.30 a.m. to transact the following business:-

1. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Directors' and Auditors' Reports thereon for the year ended December 31, 1997.
2. To appoint Auditors of the Company for the year ending December 31, 1998 and to fix their remuneration. The present auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.
3. To consider and pass the following resolution with or without modification(s) for increase in Authorised Capital.

"Resolved that the Authorised Capital of the company be and is hereby increased from Rs.200,000,000 divided into 20,000,000 ordinary shares of Rs. 10/- each to Rs.500,000,000 divided into 50,000,000 ordinary shares of Rs. 10/- each.

Further resolved that consequential notations be made in clause V of the Memorandum of Association and Article 3(a) of Articles of Association of the Company.

4. To transact any other business with the permission of the Chair.

By Order of the Board

May 20, 1998
Karachi

S.G. Shahabuddin
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from May 30, 1998 to June 13, 1998 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote instead of him. A company or corporation 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. Form of proxy is enclosed with the Annual Report.
3. The instrument appointing a proxy, in order to be effective, must be received at the registered office of the Company, duly signed, stamped & witnessed, not later than forty-eight hours before the time appointed for the 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 are requested to communicate promptly to the Company of any change in their address.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 INCREASE OF AUTHORISED CAPITAL:

(a) The Directors have recommended increase in the Authorised Capital to Rs.500,000,000/- divided into 50,000,000 ordinary share of Rs.10/- each from Rs.200,000,000/- divided into 20,000,000 ordinary share of Rs.10/- each to enable further issue of Capital.

(b) None of the directors have / had any interest in this business.

REPORT OF THE DIRECTORS

The Directors of the Company are pleased to report to you on the Audited position of the Company for the year ended December 31, 1997.

The Company has completed its second full year of operation in 1997 with steady and promising growth. Net premium income grew to Rs. 34,234,000, an increase of 67.42% over Rs. 20,448,000 registered in prior year. This good result was made possible by the improving performance of the agency sales force and continued quality of business being written. A majority of premium came from individual policyholders which augurs well for future growth and stability of the portfolio and also reflects the continued popularity of the company's products.

Disciplined underwriting, risk selection, and expense control have been maintained and contribute positively toward profitability of the company. Total claims amount to Rs. 2,852,000 or only 8.32% of premium income, while commission expense is **16%**.

Investment income amounted to Rs. 10,665,000 making the total income of the company Rs. 44,899,000 compared to Rs. 31,190,000 in the previous year. An operating loss of Rs. 10,030,000 was recorded which meets expectations for a life company in its early years.

MARKETING OPERATIONS

Growth of the company's agency force for the year was negatively impacted by increasingly difficult marketing and economic conditions and fell substantially short of expectations. Higher than expected attrition among both agents and managers was experienced because of low productivity and the total agency force overall did not reach budgeted projections.

To address this problem, a Direct Sales Training School was introduced during the year with the help of ALICO's regional personnel to provide intensive training of agency recruits to better prepare them to cope with initial marketing problems and to accelerate their start into life insurance sales. This initiative proved to be a valuable aid in launching new agents and in equipping them with necessary selling skills. Graduates of this program are now the mainstay of the agency force and will provide the core around which the agency will be built in the future.

In addition, an experienced agency executive from United Kingdom has been assigned to the company from February 1, 1998 to assist with agency training and development. We believe that with his background and experience he can make a significant contribution in the area of agency training and supervision and move the agency program forward.

GROUP LIFE & MEDICAL

Introduction of new products in the Group insurance division resulted in increased sales in 1997 and increased premium income from the product line. Group premiums amounted to Rs. 8,145,000 for the year compared to Rs. 2,830,000 in prior year. Additional sales in first quarter this year are encouraging and indicate that another substantial increase in income from group can be expected in 1998. We believe this is a healthy sign for the future in this product line and expect continued improvement going forward.

The company is well positioned to handle and service this type of business with the latest in claims and administration systems in place as well as experienced and trained personnel.

OUTLOOK FOR THE FUTURE

The management will continue its policy of focusing on quality underwriting and direct sales through qualified trained agents. With the addition of new products during the year in both the individual and group life divisions, the company can provide a more attractive selection of benefits for a wider variety of clients. Most recently introduced were the Shifa Care and Income Shield policies. The Shifa Care policy offers a living benefit in the form of daily in-hospital income while the Income Shield features a very attractive accidental death benefit. It is anticipated that both products will generate good business in the coming year.

Operating expenses are controlled and investments are effectively placed, prospects for better results in 1998 are promising

and we look forward to reporting to you again at the end of the year.

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, 19899, U.S.A. is the sponsor and holding company of American Life Insurance Company (Pakistan) Limited.

PATTERN OF SHAREHOLDING

The pattern of Shareholding in the company as at December 31, 1997 is included with the Report. American Life Insurance Company holds 51% while local shareholders hold 49% of the company's total shareholding.

GRATITUDE

We take this opportunity to express our appreciation to the Government of Pakistan, Ministry of Commerce and Department of Insurance for their invaluable assistance and guidance. We would like to also express our sincere thanks to the company's officers, field force and staff for their substantial efforts toward the company's achievements during the year.

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

On behalf of the Board of Directors.

Ben G. Cross
CHAIRMAN

May 05, 1998

PATTERN OF SHAREHOLDING AS OF 31 DECEMBER 1997

No. of Share Holders	Having Shares From	To	Shares Held	Percentage
115	1	100	11500	0.09%
927	101	500	439900	3.38%
9	501	1000	8900	0.07%
14	1001	5000	36400	0.28%
7	5001	10000	54400	0.42%
1	10001	15000	12500	0.10%
1	15001	20000	20000	0.15%
16	20001	25000	398500	3.07%
1	60001	65000	65000	0.50%
1	90001	95000	91500	0.70%
1	95001	100000	95300	0.73%
1	255001	260000	260000	2.00%
1	375001	380000	375500	2.89%
1	445001	450000	450000	3.46%
1	1830001	1835000	1833100	14.10%
1	2220001	2225000	2221000	17.08%
1	6625001	6630000	6626500	50.97%
-----			-----	-----
1099			13000000	100.00%

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CATEGORIES OF SHAREHOLDERS

Particulars	Shareholders	Shareholding	Percentage
INDIVIDUALS	1084	2212400	17.02%
INSURANCE COMPANIES	1	1000	0.01%
JOINT STOCK COMPANIES	2	2221500	17.09%
FINANCIAL INSTITUTIONS	2	1924600	14.80%
MODARABA COMPANIES	1	10000	0.08%
FOREIGN COMPANIES	1	6626500	50.97%
NON-RESIDENT (U.S. \$)	8	4000	0.03%
NON-RESIDENT (PAK Rs.)	--	--	--

Company Total	1099	13000000	100.00%
=====			

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of American Life Insurance Company (Pakistan) Limited as at 31 December 1997 and the related Revenue Account, Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof, we report that;

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the Balance Sheet, Revenue Account and Profit & Loss Account together with the notes thereon, have been drawn up in conformity with the provisions of the Insurance Act, 1938 and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the company's business;

iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the company, the Balance Sheet, Revenue Account, Profit and Loss Account and Cash Flow Statement together with the notes forming part thereof, give the information required by the Insurance Act, 1938 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 1997 and of the loss and the Cash Flow Statement for the year then ended;

d) we have verified the cash and bank balances and investments by actual inspection or by the production of certificates;

e) as required by Regulation 11 of part 1 of Third Schedule to the Insurance Act, 1938 we certify that the company has not paid to any person any commission in any form outside Pakistan in respect of the insurance business transacted by the company in Pakistan and that the company has not received, outside Pakistan, from any person any commis-

sion in any form in respect of any business reinsured abroad;

f) Pursuant to clause (a) of subsection (2) of Section 40-B of the Insurance Act, 1938 we certify that all expenses of management in respect of life insurance business transacted by the company in Pakistan have been fully debited in the Revenue Account as expenses;

g) no part of the assets of the Life Insurance Fund has been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to the application and investment of Life Insurance Fund;

(h) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: May 05, 1998

**Taseer Hadi Khalid & Co.
Chartered Accountants**

BALANCE SHEET AS AT 31 DECEMBER 1997

	Note	LIFE Rupees	OTHER Rupees	1997 TOTAL Rupees	1996 TOTAL Rupees
CAPITAL AND LIABILITIES					
SHARE CAPITAL					
Authorised 20,000,000 ordinary shares of Rs.10/- each		--	200,000,000	200,000,000	200,000,000
Issued, Subscribed & Paid-up 13,000,000 ordinary shares of Rs. 10/- each fully paid up in cash		--	130,000,000	130,000,000	130,000,000
Profit & Loss Account	3	--	--	(29,446,736)	(19,416,651)
		--	130,000,000	100,553,264	110,583,349
BALANCES OF FUND AND ACCOUNT					
Life Insurance Fund		(47,118,165)	--	--	--
Revenue Account		--	17,671,429	--	--
DEFERRED LIABILITY					
Staff Gratuity		627,069	--	627,069	151,687
LOANS AND ADVANCES AS PER CONTRA					
Loan from other class of business	4	67,018,550	--	67,018,550	64,376,024
Interest on loan from other class of business		27,435,556	--	27,435,556	15,346,745
		94,454,106	--	94,454,106	79,722,769
ESTIMATED LIABILITY IN RESPECT OF OUTSTANDING CLAIMS, WHETHER DUE OR INTIMATED					
		4,790,023	--	4,790,023	757,575
AMOUNT DUE TO OTHER PERSONS OR BODIES CARRYING ON INSURANCE BUSINESS					
		4,093,080	--	4,093,080	1,833,886

SUNDRY CREDITORS (including outstanding and accruing expenses)	5	2,984,748	--	2,984,748	2,659,020
DEPOSIT ON APPLICATIONS		3,160,530	--	3,160,530	2,330,360
AGENTS' BALANCES		555,390	--	555,390	444,628
		-----	-----	-----	-----
		63,546,781	147,671,429	211,218,210	198,483,274
		=====	=====	=====	=====

These accounts should be read in conjunction with the attached notes.

CERTIFICATE UNDER REGULATION 7 OF THE FIRST SCHEDULE TO THE INSURANCE ACT, 1938

We certify that

a) The investments shown in the Balance Sheet have been valued at the lower of cost and market values. The market value of the investments are ascertained from published market report and quotations of 31 December 1997.

BEN CROSS
CHAIRMAN AND CHIEF EXECUTIVE

	Note	LIFE Rupees	OTHER Rupees	1997 TOTAL Rupees	1996 TOTAL Rupees
ASSETS					
LOANS AND ADVANCES PER CONTRA					
Loan to Life Business as per contra	4	--	67,018,550	67,018,550	64,376,024
Interest Receivable on Loan to Life Business		--	27,435,556	27,435,556	15,346,745
		-----	-----	-----	-----
Others-considered good		1,279,246	94,454,106	94,454,106	79,722,769
			--	1,279,246	706,560
INVESTMENTS					
Deposit with State Bank of Pakistan [Defence Saving Certificates - Maturity date 2007 (1996:Federal Investment Bonds - Maturity date 2005)] Five Years Term Finance Certificates Sui Southern Gas Co. Ltd. - Maturity date 2000 (Market value 1996: Rs.9,400,000) Packages Limited- Maturity date 2000 [Market value 1997:Rs.1,008,000 (1996: Rs.990,000)] Certificate of Investment - First International Investment Bank- one year maturity - AI Faysal Investment Bank- one year maturity		24,000,000	400,000	24,400,000	24,400,000
			--	--	8,868,180
			--	999,800	1,000,000
			--	--	--
			--	--	1,500,000
			--	--	1,000,000
			--	24,400,000	--
			--	8,600,000	35,000,000
		-----	-----	-----	-----
		24,000,000	34,399,800	58,399,800	71,768,180
PRELIMINARY AND DEFERRED EXPENSES	6	--	1,980,734	1,980,734	2,971,094
LEASEHOLD IMPROVEMENTS, FURNITURE FIXTURES, OFFICE EQUIPMENTS, COMPUTERS AND VEHICL	7	21,403,953	--	21,403,953	17,423,451

AGENTS' BALANCES		28,550	--	28,550	32,719
OUTSTANDING NET PREMIUMS	8	2,360,585	--	2,360,585	--
INTEREST AND DIVIDENDS OUTSTANDING	9	1,830,000	3,759,601	5,589,601	5,971,788
AMOUNT DUE FROM OTHER PERSONS OR BODIES CARRYING ON INSURANCE BUSINESS		2,361,630	--	2,361,630	1,471,414
SUNDRY DEBTORS, ADVANCES, DEPOSITS AND PREPAYMENTS	10	10,282,817	--	10,282,817	13,827,296
CASH					
On deposit account with banks-Net		--	12,932,634	12,932,634	4,439,958
In hand		--	144,554	144,554	148,045
		--	13,077,188	13,077,188	4,588,003
		63,546,781	147,671,429	211,218,210	198,483,274

b) The value of the assets have been reviewed as at the date of the balance sheet and that in our belief, the assets setforth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the several headings.

c) No part of the Life Insurance Fund has been directly or indirectly applied in contravention of the provisions of the Act relating to the application and investment of Life Insurance Fund.

FAROOQ A. BHATTY
DIRECTOR

ARIF SULTAN MUFTI
CHIEF OPERATING OFFICER AND DIRECTOR

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

Note	LIFE (Within Pakistan) Rupees	OTHER (Within Pakistan) Rupees	1997 TOTAL (Within Pakistan) Rupees	1996 TOTAL (Within Pakistan) Rupees
CLAIMS UNDER POLICIES (including provision for claims due or intimated) Less reinsurance				
By death	2,851,583	--	2,851,583	1,358,219
Surrender Less Re-Insurance	14,615	--	14,615	--
EXPENSES OF MANAGEMENT				
1 (a) Commission to insurance agents (Less than on Re-insurance)	5,548,125	--	5,548,125	6,347,292
2 Salaries etc. (other than to agents and those contained in item No.1)	13,045,821	--	13,045,821	9,681,784
3 Travelling Expenses	605,200	--	605,200	1,167,544
4 Auditors' Remuneration	125,000	--	125,000	115,000
5 Medical Fees	260,452	--	260,452	341,695
6 Advertisements	91,329	--	91,329	55,115
7 Printing, Stationery and EDP Supplies	2,025,181	--	2,025,181	1,768,594
8 Other Expenses of Management				
Bonus	538,928	--	538,928	221,473
Gratuity	553,523	--	553,523	233,132
Policy Stamps	460,966	--	460,966	299,997

Employees Benefits		961,499	--	961,499	671,111
Books and Subscriptions		581,596	--	581,596	33,731
Postage, Telegram and Telephone		3,404,074	--	3,404,074	2,494,172
Electricity and Gas		1,434,575	--	1,434,575	990,857
Entertainment		1,233,514	--	1,233,514	1,098,073
Vehicle Maintenance		1,185,172	--	1,185,172	731,448
Repairs and Maintenance		811,714	--	811,714	373,822
Legal & Professional Charges		70,000	--	70,000	626,301
Consultancy fees		471,283	--	471,283	727,043
Insurance		114,704	--	114,704	86,018
Brokerage and Commission		144,205	--	144,205	114,650
Miscellaneous Expense		1,547,582	--	1,547,582	65,800
Social Security		66,781	--	66,781	55,802
Provident Fund (Co's contribution)		457,067	--	457,067	344,338
Computer Repairs and Maintenance		540,063	--	540,063	115,900
		14,577,246	--	14,577,246	9,283,668
9 Rents of other offices occupied by the insurer		6,299,698	--	6,299,698	4,253,423
10 Agency Development		2,111,061	--	2,111,061	1,354,432
11 Furniture and Household Appliances		397,675	--	397,675	248,937
12 Other Expenditures (Including Bank Charges)		775,625	--	775,625	403,965
13 Depreciation on Leasehold Improvements, Furniture Fixtures, Office Equipments, Computers and Vehicles		5,023,365	--	5,023,365	3,767,027
PRELIMINARY AND DEFERRED EXPENSES WRITTEN OFF		--	990,360	990,360	990,360
LOADING ON DUE PREMIUMS	12	257,284	--	257,284	--
		54,009,260	990,360	54,999,620	41,137,055

It is hereby Certified that all expenses of management in respect of Life Insurance business transacted by the Company in Pakistan have been fully debited to Revenue Account.

BEN CROSS
CHAIRMAN AND CHIEF EXECUTIVE

Note	1997		1996	
	LIFE (Within Pakistan) Rupees	OTHER (Within Pakistan) Rupees	TOTAL (Within Pakistan) Rupees	TOTAL (Within Pakistan) Rupees
PREMIUM LESS REINSURANCE	13			
(i) First year Premium, where the maximum Premium paying period is:				
Ten years	--	--	--	--
Eleven years	--	--	--	--
Twelve years or over (including throughout life)	11,494,933	--	11,494,933	15,895,262
(ii) Renewal Premium	14,594,301	--	14,594,301	1,722,706
(iii) Group Premium	8,145,262	--	8,145,262	2,830,376
	34,234,496	--	34,234,496	20,448,344

INTEREST AND DIVIDENDS	14	3,660,000	7,004,718	10,664,718	10,742,267
OTHER INCOME - Net	16	70,321	--	70,321	120,067

**BALANCE OF FUND AND ACCOUNT AT THE END
OF THE YEAR TRANSFERRED TO BALANCE
SHEET / PROFIT AND LOSS ACCOUNT**

		-----	-----	-----	-----
		47,118,165	(17,671,429)	29,446,736	19,416,651
LESS: BALANCE OF FUND AND ACCOUNT AT THE BEGINNING OF THE YEAR		31,073,722	(11,657,071)	19,416,651	9,590,274
MOVEMENT OF FUND AND ACCOUNT FOR THE YEAR		-----	-----	-----	-----
		16,044,443	(6,014,358)	10,030,085	9,826,377
		-----	-----	-----	-----
		54,009,260	990,360	54,999,620	41,137,055
		=====	=====	=====	=====

These account should be read in conjunction with the attached notes.

FAROOQ A. BHATTY
DIRECTOR

ARIF SULTAN MUFTI
CHIEF OPERATING OFFICER AND DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDING 31ST DECEMBER 1997**

	1997	1996
	Rupees	Rupees
Taxes on the Insurer's Profit (not applicable to any particular fund or Account)	--	--
Expenses of Management (not applicable to any particular Fund or Account)	--	--
Loss on Realisation of Investments (not charged to Reserves or any particular Fund or Account)	--	--
Depreciation of Investments (not charged to Reserves or any particular Fund or Account)	--	--
Loss transferred from Revenue Accounts	10,030,085	9,826,377
Other Expenditure	--	--
	-----	-----
	10,030,085	9,826,377
	=====	=====

	1997	1996
	Rupees	Rupees
Interest, Dividends and rents (not applicable to any particular Fund or Account)	--	--
Less- Income-tax thereon	--	--
Profit on realisation of Investments (not credited to Reserves or any particular Fund or Account).	--	--
Appreciation of Investments (not credited to Reserves or any particular Fund or Account)	--	--
Profit transferred from Revenue Account	--	--
Transfer Fees	--	--
Other Income	--	--
* Balance being loss for the year carried to Balance Sheet	10,030,085	9,826,377
	-----	-----
	10,030,085	9,826,377
	=====	=====

* The loss for the year relate to loss in Life Insurance Fund and profit in Revenue Account amounting to Rs. 47,118,165 (1996: Rs.31,073,722) and Rs. 17,671,429 (1996: Rs. 11,657,071) respectively.

BEN CROSS
CHAIRMAN & CHIEF EXECUTIVE

FAROOQ A. BHATTY
DIRECTOR

ARIF SULTAN MUFTI
CHIEF OPERATING OFFICER AND
DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	1997	1996
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
MOVEMENT OF FUND AND ACCOUNT FOR THE YEAR	(10,030,085)	(9,826,377)
Adjustments for:	-----	-----
Depreciation	5,023,365	3,767,027
Loss on disposal of fixed assets	113,919	10,617
Staff gratuity	475,382	151,687
Amortization of Preliminary Expenses	990,360	990,360
Investment Income	(9,042,898)	(10,742,267)

Gain on disposal of Investments	(1,621,820)	--
Movement of fund and account before working capital changes	(14,091,777)	(15,648,953)
(Increase)/Decrease in operating assets		
Agents' balances	4,169 1	--
Outstanding Net Premium	(2,360,585)	
Sundry Debtors, Advances, Deposits and Prepayments	4,320,876	(5,60-9,067)
Amount due from other person or bodies carrying on insurance business	(890,216)	(1,350,440)
	1,074,244	(6,959,507)
Increase/(Decrease)in operating liabilities		
Sundry creditors (including outstanding and accruing expenses)	325,728	1,333,665
Deposit on applications	830,170	1,025,227
Estimated liability in respect of outstanding claims	4,032,448	757,575
Agents' balances	110,762	285,831
Amount due to other person or bodies carrying on insurance business	2,259,194	1,711,994
Due to directors	--	(255,149)
	7,558,302	4,859,143
Income tax paid	(776,397)	(1,090,335)
Net Cash outflow from operating activities	(6,235,628)	(18,839,652)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments redeemed / sold		
Sale proceeds of Term Finance Certificates- Sui Southern Gas Company	10,490,000	--
Redemption of Term Finance Certificates - Sui Southern Gas Company	--	1,381,820
Redemption of Term Finance Certificates - Packages Limited	200	85,598
Pakistan Government Securities-cost	--	38,011,420
Defence Saving Certificates	2,000,000	--
Investments purchased:		
Certificate of Investment	--	(1,000,000)
Defence Saving Certificates	--	(35,000,000)
Investments matured:		
AI-Faysal Bank's Certificates of Deposit	1,000,000	--
First International Investment Bank's Certificate of Investment	1,500,000	--
Interest and dividend received	9,425,085	8,884,294
Sale proceeds of fixed assets	167,650	--
Purchase of fixed assets	(9,285,436)	(1,361,548)
Other Loans	(572,686)	(302,006)
Net cash used for investing activities	14,724,813	10,699,578
Net increase / (decrease) in cash and cash equivalents	18,489,185	(8,140,074)
Cash and Cash equivalent at the end of current year	13,077,188	4,588,003
Cash and Cash equivalent at the end of previous year	4,588,003	12,728,077
Net (decrease)/increase in cash and cash equivalents	8,489,185	(8,140,074)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 9 October 1994 as a Public Limited Company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the Life Insurance Business, and has applied to the Controller of Insurance for the license to engage in "Specified Miscellaneous Business".

The Company commenced Life Insurance operations on 25 May 1995, after registration with Controller of Insurance on 30 April 1995.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

The accounts have been prepared under the historical cost convention.

2.2 Life Insurance Fund

Pursuant to section 13 of the Insurance Act, 1938 the actuarial valuation of the Life Insurance Business should be conducted at least once every three years.

The first actuarial valuation under the said Act will be carried out based on the position at 31 December 1997 which is required to be completed by 30 June 1998 at which the liability to policy holders will be determined by the valuing Actuary.

However, under section 27 of the Insurance Act, 1938 the Actuary has certified that the liability to policy holders does not exceed Rs.28.622 million as at 31 December, 1997.

The Life Insurance fund is negative due to Excess of Expenditure over Income during 1995 to 1997.

2.3 Taxation

No provision for taxation has been made in the accounts as per the provisions of Fourth Schedule to the Income Tax Ordinance, 1979. The taxation is to be based on the surplus or deficit arrived at by the actuarial valuation.

2.4 Preliminary and deferred expenses

These are being amortised over a period of five years.

2.5 Investments

Investments are stated at cost/book value. Provision is made for decline, other than temporary, in the value of investments on an individual investment basis.

2.6 Leasehold Improvements, Furniture Fixtures, Office Equipments, Computers and Vehicles

a) These are stated at cost less accumulated depreciation. Depreciation on these assets is charged to revenue account using straight line method at the following rates:

Rates of Depreciation

Leasehold Improvements

10%

Furniture & fixtures	10%
Office equipments	10%
Computers	20 & 33.33%
Vehicles	33.33%

b) Depreciation on all additions during the period have been charged on proportionate basis and no depreciation is charged on items sold during the year.

c) Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

d) Gains and losses on disposal of fixed assets are taken to revenue account.

e) Fixed assets items costing less than Rs. 10,000 are charged to income in the year of purchase.

2.7 Revenue recognition

a) Premiums are included in the income as and when due.

b) Return on Government Securities and Term Finance Certificates are recognised on accrual basis.

c) Return on Defence Saving Certificates is recognized on accrual basis and the return is based on assumption that these investments will be held till maturity.

2.8 Rate of Exchange

All assets and liabilities, if any, in foreign currencies at the year end are translated into Pak Rupees at the rate of exchange prevailing on that date. Gain or Losses are taken to income currently.

2.9 Staff retirement benefits

The company operates a defined contribution plan i.e. Provident Fund for all its permanent employees. Contributions are made monthly by the company and the employees @ 10% of basic salary.

The company also operates an unfunded gratuity scheme covering all its employees. Provisions are made annually by the employer as per rules of the scheme.

2.10 Outstanding claims

Full provision is made for the estimated cost of claims intimated but not settled at the date of the balance sheet, less estimated reinsurance recoveries.

3. PROFIT AND LOSS ACCOUNT

This is comprised of the following:

	1997 Rupees	1996 Rupees
Revenue account		
Life Insurance Fund - Deficit	(47,118,165)	(31,073,722)
Other - Surplus	17,671,429	11,657,071
	-----	-----
	(29,446,736)	(19,416,651)

=====

4. LOAN FROM OTHER CLASS OF BUSINESS

This carries mark-up at the rate of 13% per annum. The related interest income / expense has not been reflected in the Revenue Account as these have been netted off against each other.

	1997	1996
	Rupees	Rupees
5. SUNDRY CREDITORS (INCLUDING OUTSTANDING AND ACCRUING EXPENSES)		
Accrued expenses	2,087,680	1,615,038
Other liabilities	897,068	1,043,982
	-----	-----
	2,984,748	2,659,020
	=====	=====
6. PRELIMINARY AND DEFERRED EXPENSES		
Preliminary Expenses	671,317	671,317
Deferred Expenses		
a) Share Floatation Expenses	3,323,019	3,323,019
b) Brokerage and Commission on Public issue of shares	1,047,100	1,047,100
	-----	-----
	5,041,436	5,041,436
	(3,060,702)	(2,070,342)
	-----	-----
Less: Amortized todate	1,980,734	2,971,094
	=====	=====

7. LEASEHOLD IMPROVEMENTS, FURNITURE FIXTURES, OFFICE EQUIPMENTS, COMPUTERS AND VEHICLES

	COST				Rate percent %	DEPRECIATION			Written down value as at 31 December 1997	
	As at 01 January 1997	Addition	(Deletion)	As on 31 December 1997		As at 01 January 1997	For the Year	(Deletion)		As on 31 December 1997
Leasehold improvement	3,919,262	3,698,034	--	7,617,296	10	550,557	680,414	--	1,230,971	6,386,325
Computers	-----	-----	-----	-----		-----	-----	-----	-----	-----
IBM AS 400	6,967,094	--	--	6,967,094	20	2,088,716	1,393,419	--	3,482,135	3,484,959
Personal computers	1,118,413	537,165	--	1,655,578	33.33	353,880	482,716	--	836,596	818,982
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	8,085,507	537,165	--	8,622,672		2,442,596	1,876,135	--	4,318,731	4,303,941
Motor vehicles	2,759,750	2,427,955	--	5,187,705	33.33	1,641,985	1,515,736	--	3,157,721	2,029,964
	-----	-----	-----	-----		-----	-----	-----	-----	-----
Furniture & fixtures	5,978,800	2,423,158	(275,350)	8,126,608	10	907,136	690,565	(50,900)	1,546,801	6,579,807

Office equipments	2,538,237	199,124	(70,000)	2,667,361	10	315,831	260,515	(12,881)	563,465	2,103,896
	8,517,037	2,622,282	(345,350)	10,793,969		1,222,967	951,080	(63,781)	2,110,266	8,683,703
1997 Rupees	23,281,556	9,285,436	(345,350)	32,221,642		5,858,105	5,023,365	(63,781)	10,817,689	21,403,953
1996 Rupees	21,933,008	1,361,548	(13,000)	23,281,556		2,093,461	3,767,027	(2,383)	5,858,105	17,423,451

7.1 Disposal of fixed assets

Detail of fixed assets sold during the year are as follows:

Sr. No.	Particulars of assets	Cost	Accumulated depreciation	Written down value	Sale Proceeds	Mode of disposal	Name and address of purchaser
1	1 Bed, Dressing Table 2 Side Table	46,550	8,922	37,628	21,550	Tender negotiated	Mr. Mien Saghir Saghir Center, Street 120, Bahawalpura, Lahore
2	1 Bed and Side Table.	27,000	5,175	21,825	16,200	"	Mr. Saeed Ahmad Buksh 318, Block W, Defence, Lahore
3	Wooden Sofa Set and Centre Table	13,000	2,494	10,506	6,500	"	Mr. Amir Khalid Mien 237, Block-D, Lahore Cantonment Co-operative Housing Society
4	Dinning Table and Side Board	54,800	10,503	44,297	50,600	"	Mr. Manzoor Khan 27, Block-T, Lahore Cantonment Co-operative Housing Society
5	Wooden chair & small glass table	17,600	3,373	14,227	2,600	"	Mr. Amir Khalid Mien 237, Block-D, Lahore Cantonment Co-operative Housing Society
6	5 Seats Sofa set and small glass table	49,400	9,468	39,932	13,500	"	Mr. Mien Saghir Saghir Center, Street 120, Bahawalpura, Lahore
7	Daikin Window Airconditioners	37,000	7,092	29,908	25,000	"	Mr. Amir Khalid Mien 237, Block-D, Lahore Cantonment Co-operative Housing Society
8	Dish Antena with booster.	10,200	1,955	8,245	1,250	"	Mr. Mien Saghir Saghir Center, Street 120, Bahawalpura, Lahore
9	Napolean Table with Brass Corner	10,000	1,917	8,083	10,450	"	Mr. Manzoor Khan 27, Block-T, Lahore Cantonment Co-operative Housing Society
10	Vacuum Cleaner	9,800	1,797	8,003	--	Scrapped	

Office Equipment							
11	MINOLTA Photocopier.	70,000	11,085	58,915	20,000	Trade in	Copier Traders 2 - Rabbani Road, Opp. Police Station Old Anarkali, Lahore
		-----	-----	-----	-----		
		345,350	63,781	281,569	167,650		
		=====	=====	=====	=====		

8. OUTSTANDING NET PREMIUMS

		1997	1996	
	Gross	Loading	Net	Net
		(8.1)		
First Year- Ordinary	157,997	131,466	26,531	--
Renewal - Ordinary	2,352,993	125,818	2,227,175	--
Group Insurance	106,879	--	106,879	--
	-----	-----	-----	-----
Total	Rupees 2,617,869	257,284	2,360,585	--
	=====	=====	=====	=====

8.1 Loading on due premium

Loading on due premium is the allocation of expected expenses to be incurred with respect to premium due.

	1997	1996
	Rupees	Rupees
9. INTEREST AND DIVIDENDS OUTSTANDING		
Return:		
- on investment	5,486,085	5,650,084
- on Deposit with bank	103,516	321,704
	-----	-----
	5,589,601	5,971,788
	=====	=====

10. SUNDRY DEBTORS, ADVANCES, DEPOSITS AND PREPAYMENTS

Advance Tax	3,223,334	2,446,937
Other Advances	26,893	32,961
Capital work in Progress	--	2,831,570
Deposits	164,000	169,000
Prepayments	3,898,910	5,896,764
Receivable for Associated undertaking - New Hampshire Insurance Company, USA	141,973	237,850
Others	2,827,707	2,212,214
	-----	-----
	10,282,817	13,827,296
	=====	=====

11. AUDITORS' REMUNERATION

Audit fee	115,000	100,000
Out of pocket expenses	10,000	15,000
	-----	-----

	125,000	115,000
	=====	=====

12. LOADING ON DUE PREMIUM (See Note 8.1)

Ordinary Life - First Year	131,466	--
Ordinary Life - Renewal	125,818	--
	-----	-----
	257,284	--
	=====	=====

1997	1996
Rupees	Rupees

13. PREMIUM LESS RE-INSURANCE

(i) Ordinary Life First Year		
Collected Premium when maximum paying period is 12 years or over	12,064,794	17,256,075
Increase in Due Premium	157,997	--
	-----	-----
	12,222,791	17,256,075
Less: Re-Insurance	(727,858)	(1,360,813)
	-----	-----
	11,494,933	15,895,262
(ii) Ordinary Life Renewal		
Collected Premium	13,310,426	1,857,448
Increase in Due Premium	2,352,993	--
	-----	-----
	15,663,419	1,857,448
Less: Re-Insurance	(1,069,118)	(134,742)
	-----	-----
	14,594,301	1,722,706
(iii) Group Premium		
Collected Premium	8,501,433	3,045,829
Increase in Due Premium	106,879	--
	-----	-----
	8,608,312	3,045,829
Less: Re-Insurance	(463,050)	(215,453)
	-----	-----
	8,145,262	2,830,376
	-----	-----
Total Premium	34,234,496	20,448,344
	=====	=====

14. INTEREST AND DIVIDENDS

These comprise of the following:		
Return on Government Securities	8,210,393	6,995,049
Profit on PLS Term deposits and Saving Accounts	361,983	1,619,085
Return on Term Finance Certificates including gain on disposal amounting to Rs. 1,621,280 (1996: Nil).	1,826,118	1,790,209
Others	266,224	337,924
	-----	-----
	10,664,718	10,742,267
	=====	=====

15. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

	Chief Executive	Executive	1997 Total	1996 Total
Number of Person	1	32	33	23
Managerial remuneration	975,859	10,065,101	11,040,960	8,133,343
Utilities	32,569	402,100	434,669	209,740
Telephone	23,319	31,072	54,391	68,796
Travel Air fare	201,210	--	201,210	517,433
Other Benefits	124,500	718,800	843,300	273,231
	-----	-----	-----	-----
Rupees	1,357,457	11,217,073	12,574,530	9,202,543
	=====	=====	=====	=====

In addition to above remuneration the Chief Executive and two Executives have been provided with free furnished accommodation and company maintained cars. Company owned cars are also provided to three Executives of the company.

	1997 Rupees	1996 Rupees
16. OTHER INCOME. Net		
Mark-up on staff loans and others	150,123	122,369
Loss on Sale of Fixed Assets	(113,919)	--
Other	34,117	(2,302)
	-----	-----
	70,321	120,067
	=====	=====

17. TRANSACTIONS WITH ASSOCIATED UNERTAKINGS

Reimbursable expenses incurred on behalf of an associated undertaking	295,695	237,850
	=====	=====
Premium expense incurred against insurance cover obtained	689,496	105,605
	=====	=====

18. GENERAL

18.1 Figures have been rounded off to the nearest rupee.

18.2 Priors year's figures have been re-arranged, wherever necessary, for the purpose of comparison.

**CLASSIFIED SUMMARY OF THE ASSETS
IN PAKISTAN AS AT 31 DECEMBER 1997
FORM AA**

COST OR MARKET

SR. NO.	CLASS OF ASSETS	BOOK VALUE RS.	VALUE RS.	REMARKS
1	Federal Investment Bond	24,400,000	24,400,000	
2	Pakistan Government Securities	--	--	
3	Term Finance Certificate	999,800	999,800	Book Value
4	Defense Saving Certificate	33,000,000	33,000,000	
		58,399,800	58,399,800	
5	Cash on Deposit with banks in Pakistan	12,932,634	12,932,634	Book Value
6	Cash in hand and on Current Account with banks in Pakistan	144,554	144,554	Book Value
7	Agents' Balances and Outstanding Premium	2,389,135	2,389,135	Book Value
8	Interest and Dividends Outstanding	5,589,601	5,589,601	Book Value
9	Leasehold Improvements, Furniture Fixtures, office equipments, computers and vehicles	21,403,953	21,403,953	Book Value
10	Other loan	1,279,246	1,279,246	Book Value
11	Sundry Debtors, Advances, Deposits and prepayments	10,282,817	10,282,817	Book Value
		----- 112,421,740	----- 112,421,740	
		=====	=====	