



**Alicco** Pakistan  
American Life Insurance Company (Pakistan) Limited

# Annual Report 2008

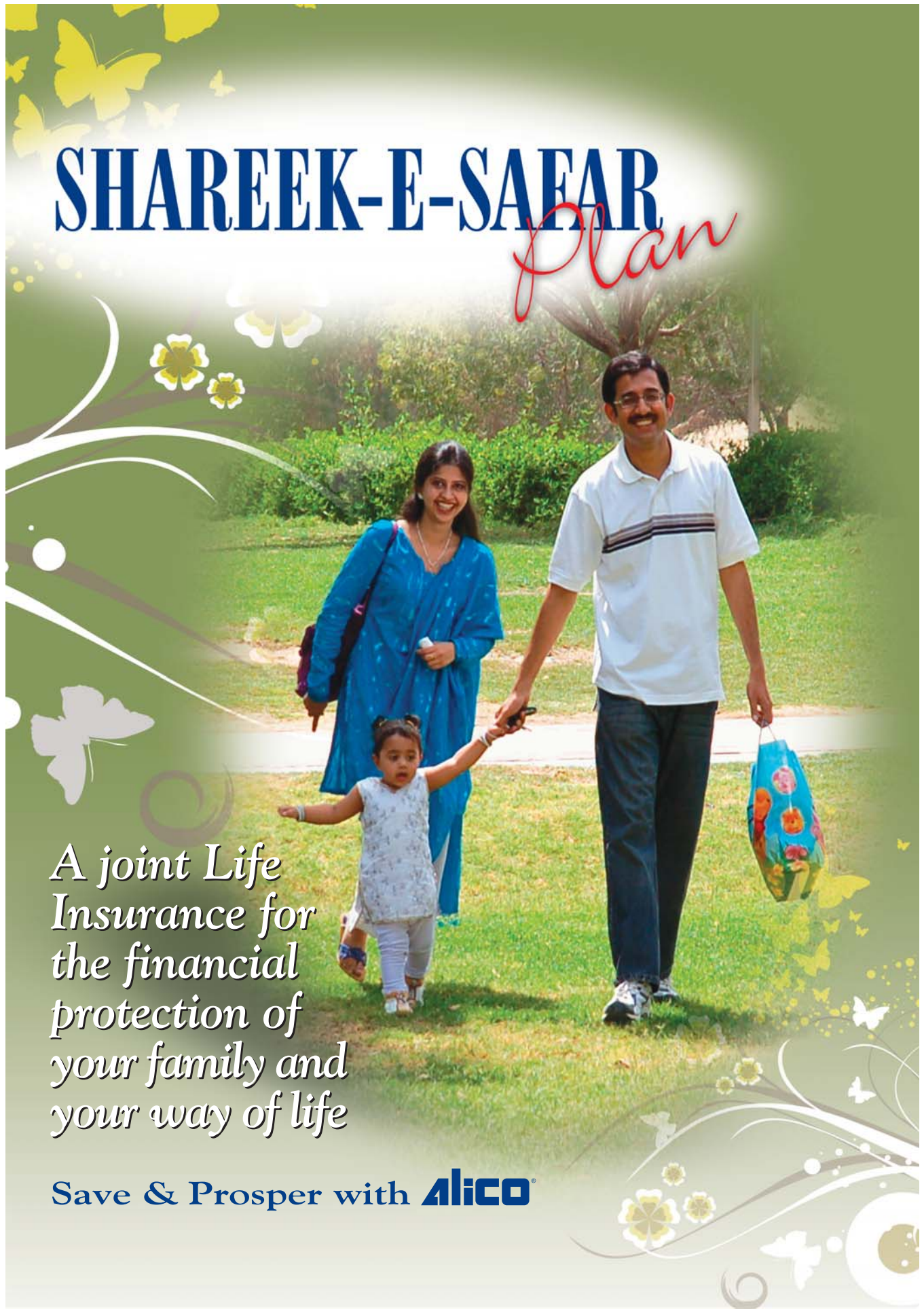




# SHAREEK-E-SAFAR *Plan*

*A joint Life  
Insurance for  
the financial  
protection of  
your family and  
your way of life*

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# MISSION

## MISSION STATEMENT

# 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.”**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## COMPANY SECRETARY

Asim Iftikhar Cost and Management Accountant

## APPOINTED ACTUARY

Shoaib Soofi FSA, FPSA

## CONSULTING ACTUARY

Syed Saeed Akhtar M.Sc., FIA, MAAA, ASA

## AUDIT COMMITTEE

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

## BANKERS

MCB Bank Limited  
Standard Chartered Bank Limited  
HSBC Bank Middle East Limited  
Habib Bank Limited  
National Bank of Pakistan Limited  
Citibank, N.A.  
NIB Bank Limited  
Bank Al-Habib Limited  
Deutsche Bank

## LEGAL ADVISORS

SurrIDGE and Beecheno

## AUDITORS

KMPG Taseer Hadi & Co. - Chartered Accountants

## 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)5655595

## REGISTERED OFFICE

P.O. Box No. 10528, Floor 13, (Level 16)  
Dolmen City Mall, Block-4, Clifton, Karachi.  
Phone: +92(21) 111-111-711 Fax: +92(21) 529-0042

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company take pleasure in presenting to you the 14th Annual Report of the Company along with the audited financial statements for the year ended December 31, 2008.

The year 2008 was devastating where most of the economies hit by severe liquidity crunch resulted in meltdown of world giants especially finance sector. This meltdown cascaded round the globe and our country also faced the brunt. Financial crises coupled with high inflation have greatly affected our growth. Despite these negative factors we achieved growth in premium by 30% compared to last year.

### REVIEW OF OPERATIONS

Company has completed its 13 full years of operation and the current year results represent modest growth. The individual life products, IGP Plus and the Savings Plan continue to register remarkable growth. The accident and health product business also shows healthy growth with the introduction of new products last year, namely, My Child and Safe Road.

The product Life Cover Plus, which was introduced last year also contributed to business growth. During the year Company launched four unit linked products under its Vision series. These products offer a choice of four investment strategies to the policyholders, namely: Aggressive, Balanced, Conservative and Shariah Compliant. Your Company is also aggressively working on the banc-assurance business and recently launched unit linked products.

Portfolio of the Banc-assurance business continues to show remarkable growth.

The combined all lines gross premium income has reached a level of Rs. 1.155 billion, a growth of 30% over the previous year with the major increase in individual life business mainly contributed by the Savings and the Unit Linked products.

Profit / Loss

	2008	2007
	(Rupees in '000)	
Net Surplus of statutory Funds	167,682	92,808
Profit before appropriation of surplus to Shareholders' Fund	29,059	13,194
Taxation	27,838	14,822
Earning per share (Rupees)	1.00	0.72

### CLAIMS

Your Company believes in par excellence service to its policyholders in all areas, particularly, in the prompt settlement of claims, with 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 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 rising trend and remained above the rates offered by banks. Therefore, our focus was on investment in Government securities to generate higher investment yield. For liquidity and diversification we also invested in short term bank deposits of various banks.



Our investment portfolio increased by Rs. 487 million, including Rs. 472 million stood as receivable against DSC matured on the last working day. At year end our investments value inclusive of the aforesaid receivable was Rs. 2.389 billion (2007: Rs. 1.902 billion). The above receivable was realized and invested subsequently. 94% (2007: 93%) of our total investment portfolio is invested in Government securities. Our total net investment income during 2008 was Rs. 238 million (2007: Rs.155 million), showing an increase of 54% over last year.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend to the shareholders for the year ended December 31, 2008, being in accumulated losses (2007: Nil).

## **AGENCY DEVELOPMENT**

A 'quality not quantity' recruiting approach has measurably improved the persistency of our new business and has helped to reduce policy lapses. Our recruitment approach is to increase the agent count with agents writing a reasonably steady volume of quality business, without 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. We continue to monitor individual agent persistency through several reports generated monthly for the Agency Department management team.

## **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Board and the management is 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 executive directors.
- ◆ 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. 5.309 million payable against income tax is appearing on the face of the balance sheet.
- i) The value of investments of Recognized Provident Fund based on the audited financial statements for the year ended December 31, 2007 is Rs. 18.267 million.

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

Description	(Rupees in '000)					
	2008	2007	2006	2005	2004	2003
Gross Premium Income	1,155,386	888,204	747,156	691,797	544,078	346,249
Net Premium Income	1,048,496	802,053	655,042	631,422	504,368	312,955
Interest and Other Income	259,260	193,811	158,176	118,409	80,894	70,841
Net Claims	332,228	261,600	230,160	176,884	96,853	81,444
Net Commission and Acquisition Costs	305,160	179,470	153,194	129,214	117,288	73,491
Administration Expenses	225,801	187,076	159,408	118,304	116,237	108,120
Policy Holder Liability	1,649,619	1,401,793	1,140,077	918,487	643,265	376,394
Total Assets	2,749,498	2,255,694	1,667,052	1,380,889	998,839	742,936



## Board Meetings and Change in Directorships

Since the last report, casual vacancy was arose on the Board due to resignation of one director was filled by the board within 30 days.

Mr. Michel Khalaf was appointed on January 16, 2009 in place of Mr. Patrick Choffel who resigned on January 1, 2009.

The Board record appreciation for the valuable services given by the outgoing director.

During the year 2008 five meeting 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 Patrick Choffel)	4
Mr. Qasim Rabbani	2
Mr. Ehsan Ahmed Nomani	3
Mr. Arif Abdul Aziz	2
Mr. Nurul Islam	None

Leave of absence was granted to Directors who could not attend some of the Board meetings.

## Audit committee

The audit committee functions in accordance with the Code of Corporate Governance. The following non-executive Directors served on the committee during the year 2008:

Mr. Arif Abdul Aziz, Chairman  
Mr. Shahid Siddiqui  
Mr. Khalid Anis-ur-Rehman

## Strategy

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 category we continue to make inroads in the local market and strive to make ALICO 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 marketing additional products and 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 employees to maintain professionalism, which ranks very high in our overall business strategy.

### **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.

### **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.

We are staffed with the local personnel who are constantly studying the need of individuals and developing innovative products to the specific need of each market segment.

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.

### **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, 2008 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.

**SUBSEQUENT EVENTS**

There have been no material changes since December 31, 2008 and the Company has not entered into any commitment which could affect its financial position between the end of the financial year and the date of this report.

**AUDITORS**

Our present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment as auditors for the forthcoming year. The Board of Directors on the recommendations of the audit committee has proposed the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as auditors for the year 2009.

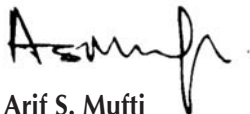
**GRATITUDE**

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.

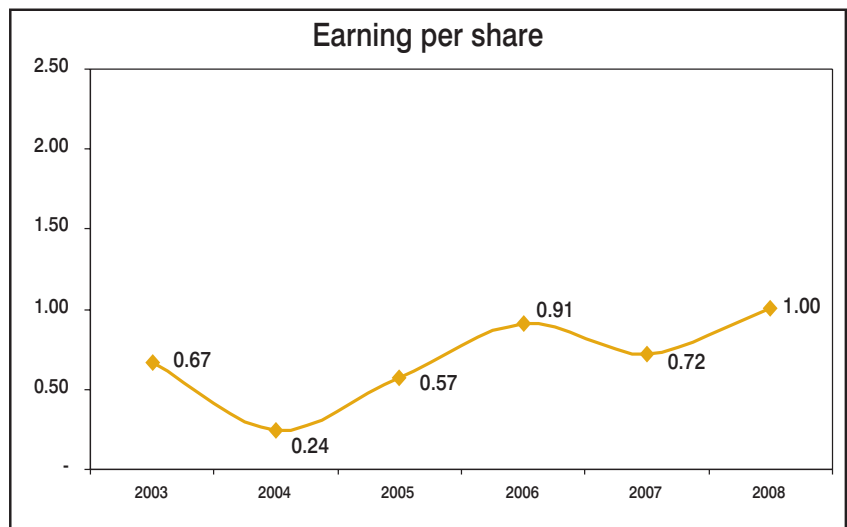
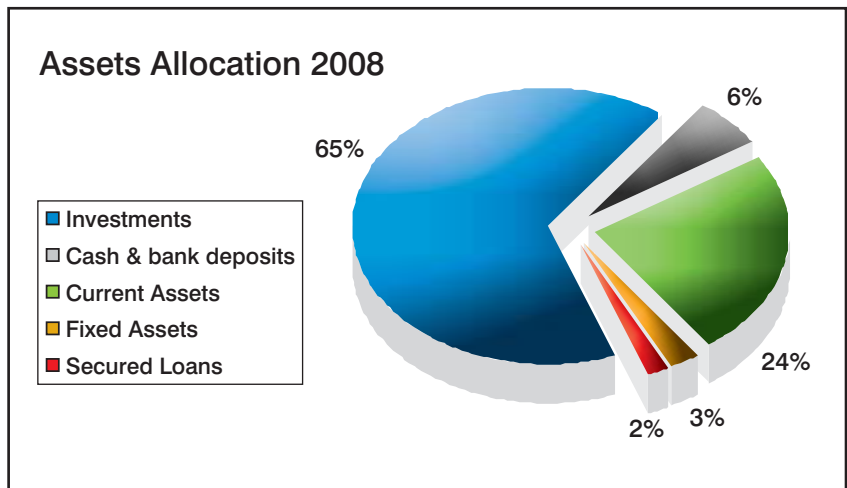
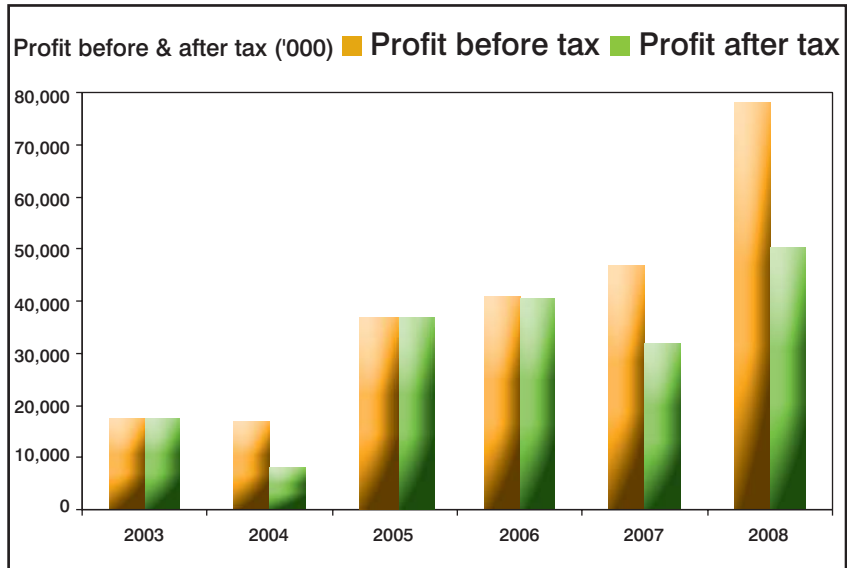
The Board of Directors would like to express their sincere thanks and wish to record their appreciation for the remarkable contribution made by the ALICO employees towards the Company's present achievements.

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

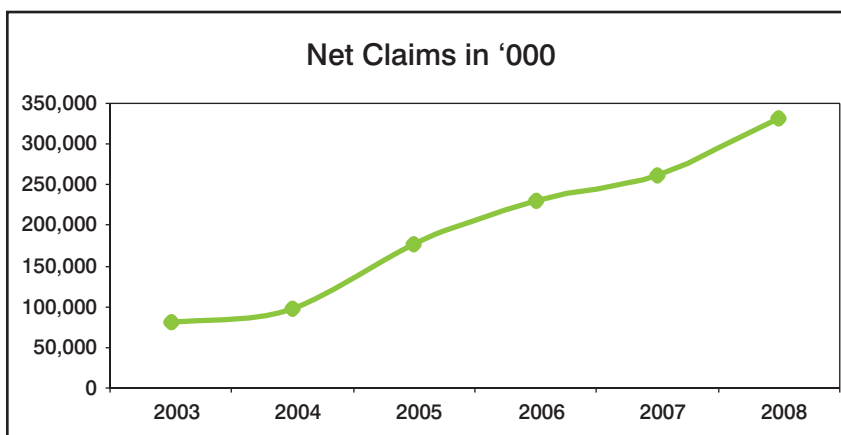
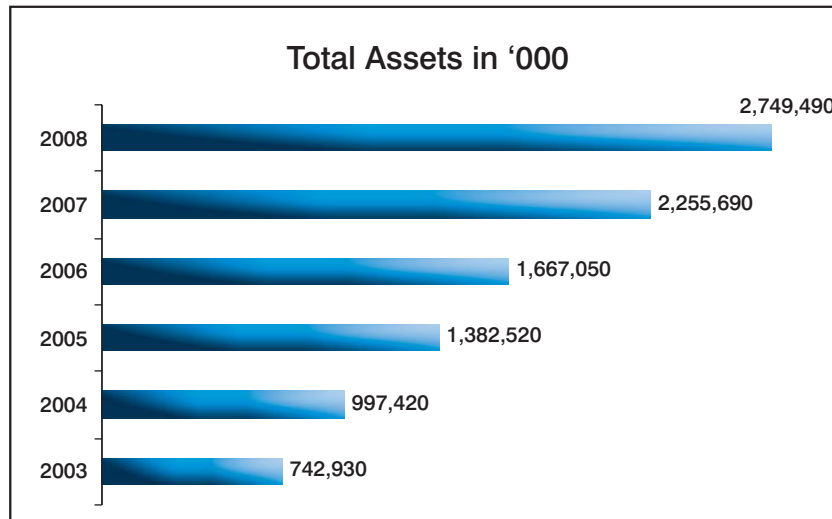
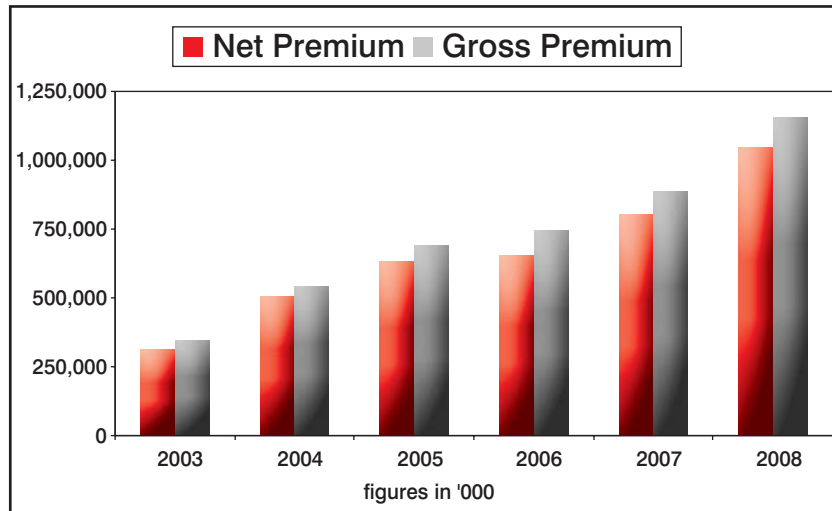
On behalf of the Board of Directors.



**Arif S. Mufti**  
CHAIRMAN & CEO  
March 25, 2009







## PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2008

Numbers of Shareholders	Holding Shares		Total Shares held
	From	To	
472	1.00	100.00	16,296.00
152	101.00	500.00	56,298.00
55	501.00	1,000.00	45,065.00
78	1,001.00	5,000.00	187,817.00
9	5,001.00	10,000.00	73,229.00
3	10,001.00	15,000.00	36,615.00
3	15,001.00	20,000.00	52,421.00
3	25,001.00	30,000.00	81,921.00
2	35,001.00	40,000.00	73,999.00
1	60,001.00	65,000.00	61,538.00
1	70,001.00	75,000.00	73,307.00
1	75,001.00	80,000.00	75,115.00
1	80,001.00	85,000.00	81,000.00
1	115,001.00	120,000.00	116,553.00
1	505,001.00	510,000.00	509,600.00
1	1,495,001.00	1,500,000.00	1,498,538.00
1	1,520,001.00	1,525,000.00	1,524,179.00
1	1,730,001.00	1,735,000.00	1,731,550.00
1	2,095,001.00	2,100,000.00	2,100,000.00
1	2,525,001.00	2,530,000.00	2,527,350.00
1	2,720,001.00	2,725,000.00	2,720,769.00
1	3,120,001.00	3,125,000.00	3,125,000.00
1	33,230,001.00	33,235,000.00	33,231,840.00
<b>791</b>			<b>50,000,000.00</b>

Categories of Shareholders	Number of Shareholders	Total Shares held	Percentage
Individuals	771	8,748,550	17.50
Joint Stock Companies	10	26,873	0.05
Financial Institutions	8	5,271,968	10.54
Foreign Companies	2	35,952,609	71.91
	<b>791</b>	<b>50,000,000</b>	<b>100.00</b>

## DISCLOSURE OF PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2008

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	3,245,053
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual funds	8	7,992,737
Joint Stock Companies and Others	10	26,873
Shareholders holding ten percent or more voting interest	1	33,231,840

### Disclosure of Pattern of Shareholding as at December 31, 2008

Associated companies, undertakings and related parties	Number of shares held
American Life Insurance Company, Inc. USA	33,231,840

#### NIT and ICP

Investment Corporation of Pakistan	1,000
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#### Directors, CEO and their spouse and minor children

Mr. Arif Sultan Mufti	117,803
Mr. Arif Abdul Aziz	3,125,000
Mr. Shahid Siddiqui	1,250
Mr. Ehsan Ahmad Nomani	500
Mr. Khalid Anis-ur-Rehman	500

#### Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds

Crescent Investment Bank Limited	2,600
Trust Investment Bank Limited	500
First Dawood Investment Bank Limited	3,255,729
CDC - Trustee First Dawood Mutual Fund	1,498,538
Dawood Equities Limited	509,600
Karachi Investment Company (Pvt.) Limited	5,000
The Bank of New York	2,720,769
First National Equities Limited	1

#### Joint Stock Companies and Others

Ali Husain Rajabali Limited	10,000
MTM Securities (Pvt.) Limited	13,846
Y.S. Securities & Services (Pvt.) Limited	769
A. Sattar Motiwala Securities (Pvt.) Limited	145
AZEE Securities (Pvt.) Limited	100
KAI Securities (Pvt.) Limited	153
SNM Securities (Pvt.) Limited	322
Durvesh Securities (Pvt.) Limited	538
HUM Securities (Pvt.) Limited	500
CLIKTRADE Limited	500

#### Shareholders holding ten percent or more voting interest

American Life Insurance Company, Inc. USA	33,231,840
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## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2008

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 seven non-executive directors and one executive director.
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. There was no casual vacancy in the Board 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. Appropriate materials / guidelines have been circulated to the directors to apprise them of their responsibilities.



11. The Board has approved appointment of Internal Auditor, including remuneration and terms and conditions of employment, as determined by the CEO.
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. 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 25, 2009

## **REVIEW REPORT TO THE MEMBERS ON THE 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 above Codes 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 such Codes and report if it does not. A review is limited primarily to inquiries of the Company personnel and review various documents prepared by the Company to comply with these Codes.

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 carries 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 controls and the effectiveness of such internal controls.

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 Codes of Corporate Governance as applicable to the Company for the year ended December 31, 2008.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Karachi: March 25, 2009**

## AUDITORS' REPORT TO THE MEMBERS

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, 2008 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:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) 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;
- c) 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, 2008 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;
- d) 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
- e) 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.

**Date: March 25, 2009**  
**Karachi**

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

## BALANCE SHEET AS AT DECEMBER 31, 2008

Note	SHARE	STATUTORY FUNDS						AGGREGATE			
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual / Group		Pension Business Fund	2008	2007	
(Rupees in '000)											
<b>Share capital and reserves</b>											
	Authorized share capital (50,000,000 ordinary shares of Rs. 10 each)	500,000	-	-	-	-	-	-	-	500,000	500,000
7	Issued, subscribed and paid-up share capital	500,000	-	-	-	-	-	-	-	500,000	500,000
	Accumulated surplus	275,941	-	-	-	-	-	-	-	275,941	225,720
	Less : Capital Contributed by Shareholders' fund	(396,178)	-	-	-	-	-	-	-	(396,178)	(396,178)
8		(120,237)	-	-	-	-	-	-	-	(120,237)	(170,458)
	Net Shareholders' Equity	379,763	-	-	-	-	-	-	-	379,763	329,542
	<b>Balance of Statutory Fund</b> [including policyholders' liabilities Rs. 1,650 million (2007: Rs. 1,402 million)]	-	554,223	953,968	322,746	18,242	16,840	79,300	16,213	1,961,532	1,595,024
<b>Creditors and accruals</b>											
	Outstanding claims (including IBNR)	-	6,621	53,845	112,992	-	8,531	25,548	-	207,537	177,605
10	Payable to gratuity fund	-	824	1,311	378	37	27	131	26	2,734	14,590
	Premiums received in advance	-	1,159	35,094	-	-	1,351	-	-	37,604	17,428
	Amount due to other insurers / reinsurers	-	191	303	56,696	45	7,499	-	-	64,734	44,770
	Amount due to agents	-	4,548	12,748	-	182	404	-	-	17,882	4,892
	Accrued expenses	-	7,916	12,606	3,626	356	255	1,259	252	26,270	28,402
	Taxation - Provision less payments	5,309	-	-	-	-	-	-	-	5,309	305
11	Other creditors and accruals	1,638	6,841	13,816	2,509	337	240	3,913	236	29,530	26,533
		6,947	28,100	129,723	176,201	957	18,307	30,851	514	391,600	314,525
<b>Other liability</b>											
12	Dividend payable	16,603	-	-	-	-	-	-	-	16,603	16,603
	<b>TOTAL LIABILITIES</b>	23,550	582,323	1,083,691	498,947	19,199	35,147	110,151	16,727	2,369,735	1,926,152
	<b>TOTAL EQUITY AND LIABILITIES</b>	403,313	582,323	1,083,691	498,947	19,199	35,147	110,151	16,727	2,749,498	2,255,694

The annexed notes from 1 to 26 are an integral part of these financial statements.



Note	SHARE	STATUTORY FUNDS						AGGREGATE		
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----										
<b>Cash and Bank Deposits</b>										
Cash and others	-	162	656	189	19	13	66	263	1,368	253
Current and other accounts	38	1,277	2,611	40,217	2,415	39	590	1,201	48,388	68,952
Deposits maturing within 12 months	-	61,400	42,500	2,400	300	1,000	6,200	1,200	115,000	140,000
	38	62,839	45,767	42,806	2,734	1,052	6,856	2,664	164,756	209,205
<b>Loans secured against Life Insurance Policies</b>	-	19,801	31,534	-	-	-	-	-	51,335	39,465
<b>Loans secured against other assets</b>										
To employees	364	-	-	-	-	-	-	-	364	511
To agents	1,924	-	-	-	-	-	-	-	1,924	1,577
<b>Investments</b>	13									
Government securities	274,134	393,761	598,958	351,553	-	38,232	102,004	16,549	1,775,191	1,761,395
Term finance certificates	-	-	-	-	-	-	-	-	-	563
Listed mutual funds	5,794	-	-	-	20,354	-	-	-	26,148	-
	279,928	393,761	598,958	351,553	20,354	38,232	102,004	16,549	1,801,339	1,761,958
<b>Current Assets - Others</b>										
Premiums due but unpaid	-	2,994	34,818	20,826	7	-	11,890	-	70,535	85,900
Amount due from other insurers / reinsurers	-	5,030	8,010	-	-	-	1,294	-	14,334	7,194
Amount due from agents	-	-	13,006	-	-	-	-	-	13,006	-
Prepayments	-	6,297	10,028	2,885	283	203	1,002	201	20,899	22,227
Inter-fund receivable	116,122	(52,403)	(11,114)	(8,990)	(5,481)	(5,644)	(28,625)	(3,865)	-	-
Sundry receivables	-	112,611	305,450	74,192	288	207	10,200	204	503,152	19,244
Accrued interest	4,937	9,614	12,551	5,698	35	395	2,064	280	35,574	33,856
	121,059	84,143	372,749	94,611	(4,868)	(4,839)	(2,175)	(3,180)	657,500	168,421
<b>Fixed assets - tangibles and intangibles</b>	15									
Capital work in progress	-	168	268	77	8	5	27	5	558	8,066
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles	-	20,699	32,963	9,482	930	668	3,292	660	68,694	66,491
Software and licences	-	912	1,452	418	41	29	147	29	3,028	-
	-	21,779	34,683	9,977	979	702	3,466	694	72,280	74,557
<b>TOTAL ASSETS</b>	<b>403,313</b>	<b>582,323</b>	<b>1,083,691</b>	<b>498,947</b>	<b>19,199</b>	<b>35,147</b>	<b>110,151</b>	<b>16,727</b>	<b>2,749,498</b>	<b>2,255,694</b>

The annexed notes from 1 to 26 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 (Rupees in '000)	2007
<b>Investment income not attributable to statutory funds</b>			
<b>Income from non-trading investments - held to maturity</b>			
Return on Government Securities		32,143	13,011
Amortisation of premium relative to par		(1,085)	(972)
		<u>31,058</u>	<u>12,039</u>
<b>Loss on sale of investments held as 'available for sale'</b>		(276)	-
<b>Impairment in value of investments held as 'available for sale'</b>		(1,201)	-
<b>Net investment income</b>		<u>29,581</u>	<u>12,039</u>
Return on PLS term deposits and saving accounts		2,000	1,996
<b>Expenses not attributable to statutory funds</b>			
Administration and miscellaneous expenses		(2,522)	(841)
<b>Profit before appropriation of surplus to Shareholders' Fund</b>		<u>29,059</u>	<u>13,194</u>
Surplus appropriated to Shareholders' Fund from Ledger Account C & D		49,000	33,706
<b>Profit before tax</b>		<u>78,059</u>	<u>46,900</u>
Tax expense	19	(27,838)	(14,822)
<b>Profit after tax</b>		<u>50,221</u>	<u>32,078</u>
		(Rupees)	
<b>Earnings per share - basic and diluted</b>	20	<u>1.00</u>	<u>0.72</u>

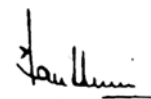
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CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008

	Share Capital	Accumulated surplus	Capital Contributed by Statutory Funds	Total
	(Rupees in '000)			
Balance as at December 31, 2006	325,000	209,892	(401,643)	133,249
Changes in equity for the year ended December 31, 2007				
Capital contributed during the year	-	-	-	-
Capital withdrawn during the year	-	-	5,465	5,465
	-	-	5,465	5,465
Total recognised income and expense for the year - profit for the year	-	32,078	-	32,078
Dividend for the year ended December 31, 2006 @ 5%	-	(16,250)	-	(16,250)
Right shares issued	175,000	-	-	175,000
<b>Balance as at December 31, 2007</b>	<u>500,000</u>	<u>225,720</u>	<u>(396,178)</u>	<u>329,542</u>
Changes in equity for the year ended December 31, 2008				
Total recognised income and expense for the year - profit for the year	-	50,221	-	50,221
<b>Balance as at December 31, 2008</b>	<u><b>500,000</b></u>	<u><b>275,941</b></u>	<u><b>(396,178)</b></u>	<u><b>379,763</b></u>

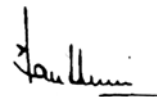
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CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2008

Note	SHARE	STATUTORY FUNDS					AGGREGATE			
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----										
<b>Operating cash flows</b>										
<b>a) Underwriting activities</b>										
Premiums received net of policy transfers	-	64,577	591,869	209,952	77,121	40,595	190,289	16,524	1,190,927	843,435
Reinsurance premiums paid	-	(4,193)	(41,195)	(24,435)	(8)	(11,640)	(13,312)	-	(94,783)	(47,670)
Claims paid	-	(22,388)	(29,759)	(103,756)	-	(3,850)	(121,677)	(592)	(282,022)	(212,081)
Surrenders paid	-	(3,603)	(46,338)	-	-	-	-	-	(49,941)	(27,857)
Reinsurance Recovery received	-	(516)	9,384	7,626	-	7,327	(1,294)	-	22,527	16,129
Commissions paid	-	(1,276)	(202,543)	(46,447)	(39,399)	(11,260)	(4,176)	-	(305,101)	(177,608)
Commissions received	-	1,677	16,478	9,774	3	4,656	5,325	-	37,913	19,068
<b>Net cash inflow from underwriting activities</b>	-	34,278	297,896	52,714	37,717	25,828	55,155	15,932	519,520	413,416
<b>b) Other operating activities</b>										
Income tax paid	(22,834)	-	-	-	-	-	-	-	(22,834)	(7,264)
General management expenses and other operating payments	(804)	(118,934)	(428,541)	(114,966)	(15,593)	(10,629)	(41,677)	(711)	(731,855)	(200,447)
Other operating receipts	1,473	(1,086)	6,894	1,623	849	2,548	6,159	(78)	18,382	27,036
Loans advanced	(200)	(4,488)	(7,382)	-	-	-	-	-	(12,070)	(10,550)
Inter fund transaction	(66,668)	83,770	(40,046)	8,991	5,481	(6,328)	11,611	3,189	-	-
<b>Net cash flow from other operating activities</b>	(89,033)	(40,738)	(469,075)	(104,352)	(9,263)	(14,409)	(23,907)	2,400	(748,377)	(191,225)
<b>Total cash flow from all operating activities</b>	(89,033)	(6,460)	(171,179)	(51,638)	28,454	11,419	31,248	18,332	(228,857)	222,191
<b>Investment activities</b>										
Profit/ return received	29,069	37,947	56,812	36,171	-	4,090	9,226	1,297	174,612	95,198
(Payments) / proceeds from short term deposits	4,900	(13,700)	26,026	15,577	(300)	(133)	(6,200)	(1,170)	25,000	200,466
Payments for investments	(18,317)	(143,014)	(222,980)	(51,487)	(24,514)	(12,537)	(27,745)	(15,149)	(515,743)	(793,959)
Proceeds from redemption of investments	13,150	116,190	304,577	79,137	-	12,500	14,500	-	540,054	188,400
Fixed capital expenditure	-	(8,456)	(13,745)	(672)	(1,210)	(87)	(775)	(854)	(25,799)	(50,384)
Capital work-in-progress	-	2,176	3,429	1,403	(8)	94	418	(4)	7,508	3,258
Proceeds from disposal of fixed assets	-	1,107	1,750	653	12	43	203	8	3,776	1,732
<b>Total cash flow from investing activities</b>	28,802	(7,750)	155,869	80,782	(26,020)	3,970	(10,373)	(15,872)	209,408	(355,289)
<b>Financing activities</b>										
Capital payments received by Statutory Funds	-	-	-	-	-	-	-	-	-	-
Surplus appropriated to Shareholder's Fund	49,000	(10,000)	-	-	-	(16,000)	(22,000)	(1,000)	-	-
Proceeds from Issue of Right Shares	-	-	-	-	-	-	-	-	-	175,000
Dividends paid	-	-	-	-	-	-	-	-	-	(7,969)
<b>Total cash flow from financing activities</b>	49,000	(10,000)	-	-	-	(16,000)	(22,000)	(1,000)	-	167,031
<b>Net cash (outflow) / inflow from all activities</b>	(11,231)	(24,210)	(15,310)	29,144	2,434	(611)	(1,125)	1,460	(19,449)	33,933
<b>Cash and cash equivalents at beginning of the year</b>	11,269	25,649	18,577	11,262	-	663	1,781	4	69,205	35,272
<b>Cash and cash equivalent at end of the year</b>	21	38	1,439	3,267	40,406	2,434	52	656	49,756	69,205
<b>Reconciliation to profit and loss account</b>										
Operating cash flows									(228,857)	222,191
Depreciation expense									(17,648)	(12,764)
Profit / (Loss) on disposal of fixed assets									856	(661)
Increase in assets other than cash									499,431	45,329
(Increase) in liabilities									(324,901)	(330,431)
Net investment income									238,304	155,125
Profit received on bank deposits									1,718	12,391
(Surplus) of Statutory Funds									(167,682)	(92,808)
Surplus appropriated to Shareholders' Fund									49,000	33,706
<b>Profit after taxation</b>									50,221	32,078

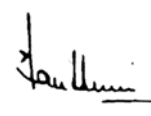
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CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



## REVENUE ACCOUNT

### FOR THE YEAR ENDED DECEMBER 31, 2008

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
(Rupees in '000)									
<b>Income</b>									
Premiums less reinsurances	59,910	542,471	159,185	75,142	28,994	166,270	16,524	1,048,496	802,053
Policy transfers from other statutory funds	51,157	-	-	-	-	-	-	51,157	34,682
Net investment income	52,737	101,024	44,898	(4,160)	3,806	8,946	1,472	208,723	143,087
Other income - net	634	7,551	1,030	896	2,434	6,207	204	18,956	36,689
<b>Total net income</b>	<b>164,438</b>	<b>651,046</b>	<b>205,113</b>	<b>71,878</b>	<b>35,234</b>	<b>181,423</b>	<b>18,200</b>	<b>1,327,332</b>	<b>1,016,511</b>
<b>Claims and expenditure</b>									
Claims, including bonuses, net of reinsurance recoveries	24,073	64,822	117,514	-	3,318	121,909	592	332,228	261,600
Policy transfers to other statutory funds	-	51,157	-	-	-	-	-	51,157	34,682
Management expenses less recoveries	15,357	324,677	80,530	53,636	17,242	36,011	986	528,439	365,705
<b>Total Claims and Expenditure</b>	<b>39,430</b>	<b>440,656</b>	<b>198,044</b>	<b>53,636</b>	<b>20,560</b>	<b>157,920</b>	<b>1,578</b>	<b>911,824</b>	<b>661,987</b>
<b>Excess of income over claims and expenditure</b>									
	125,008	210,390	7,069	18,242	14,674	23,503	16,622	415,508	354,524
Add: Policyholders' liabilities at beginning of the year	407,369	642,544	257,193	-	17,210	77,386	91	1,401,793	1,140,077
Less: Policyholders' liabilities at end of the year	(497,053)	(791,571)	(227,716)	(22,331)	(16,036)	(79,083)	(15,829)	(1,649,619)	(1,401,793)
Movement in policyholders' liabilities	(89,684)	(149,027)	29,477	(22,331)	1,174	(1,697)	(15,738)	(247,826)	(261,716)
<b>Surplus / (deficit)</b>	<b>35,324</b>	<b>61,363</b>	<b>36,546</b>	<b>(4,089)</b>	<b>15,848</b>	<b>21,806</b>	<b>884</b>	<b>167,682</b>	<b>92,808</b>
Movement in policyholders' liabilities	89,684	149,027	(29,477)	22,331	(1,174)	1,697	15,738	247,826	261,716
<b>Transfers (to) or from Shareholders' Fund</b>									
- Capital returned to Shareholders' Fund	-	-	-	-	-	-	-	-	(5,465)
- Capital contributions from Shareholders' Fund	-	-	-	-	-	-	-	-	-
- Surplus appropriated to Shareholders' Fund	(10,000)	-	-	-	(16,000)	(22,000)	(1,000)	(49,000)	(33,706)
	(10,000)	-	-	-	(16,000)	(22,000)	(1,000)	(49,000)	(39,171)
<b>Balance of Statutory Fund at beginning of the year</b>	<b>439,215</b>	<b>743,578</b>	<b>315,677</b>	<b>-</b>	<b>18,166</b>	<b>77,797</b>	<b>591</b>	<b>1,595,024</b>	<b>1,279,671</b>
<b>Balance of Statutory Fund at end of the year</b>	<b>554,223</b>	<b>953,968</b>	<b>322,746</b>	<b>18,242</b>	<b>16,840</b>	<b>79,300</b>	<b>16,213</b>	<b>1,961,532</b>	<b>1,595,024</b>
<b>Represented by:</b>									
Capital contributed by Shareholders' Fund	28,916	223,452	143,810	-	-	-	-	396,178	396,178
Policyholders' liabilities	497,053	791,571	227,716	22,331	16,036	79,083	15,829	1,649,619	1,401,793
Retained earnings attributable to policyholders (Ledger Account A)	25,576	-	-	-	-	-	-	25,576	(1,776)
Retained earnings on par business attributable to shareholders-undistributable (Ledger Account B)	2,678	-	-	-	-	-	-	2,678	4,706
Retained earnings on other than participating business (Ledger Account D)	-	(61,055)	(48,780)	(4,089)	804	217	384	(112,519)	(205,877)
	-	-	-	-	-	-	-	-	-
<b>Balance of statutory fund</b>	<b>554,223</b>	<b>953,968</b>	<b>322,746</b>	<b>18,242</b>	<b>16,840</b>	<b>79,300</b>	<b>16,213</b>	<b>1,961,532</b>	<b>1,595,024</b>

The annexed notes from 1 to 26 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2008

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----									
<b>Gross premiums</b>									
Regular premium individual policies*									
First year	3,857	279,708	-	77,128	40,484	-	-	401,177	203,154
Second year renewal	8,924	117,788	-	-	-	-	-	126,712	112,194
Subsequent year renewal	49,985	181,946	-	-	-	-	-	231,931	207,416
Group policies without cash values	-	-	212,056	-	-	166,986	16,524	395,566	365,440
<b>Total Gross premiums</b>	<b>62,766</b>	<b>579,442</b>	<b>212,056</b>	<b>77,128</b>	<b>40,484</b>	<b>166,986</b>	<b>16,524</b>	<b>1,155,386</b>	<b>888,204</b>
<b>Less: Reinsurance premiums ceded</b>									
On individual life first year business	79	5,730	-	1,986	-	-	-	7,795	12,797
On individual life second year business	421	12,277	-	-	-	-	-	12,698	7,869
On individual life renewal business	2,356	18,964	-	-	-	-	-	21,320	14,547
On individual accident and health first year	-	-	-	-	3,563	-	-	3,563	4,772
On individual accident and health second year	-	-	-	-	7,927	-	-	7,927	5,549
On group policies	-	-	52,871	-	-	716	-	53,587	40,617
	2,856	36,971	52,871	1,986	11,490	716	-	106,890	86,151
<b>Net Premiums</b>	<b>59,910</b>	<b>542,471</b>	<b>159,185</b>	<b>75,142</b>	<b>28,994</b>	<b>166,270</b>	<b>16,524</b>	<b>1,048,496</b>	<b>802,053</b>

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

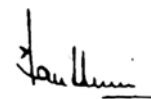
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CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2008

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----									
<b>Gross claims</b>									
Claims under individual policies (including provision for claims incurred but not reported)									
by death	5,165	35,878	-	-	2,692	-	-	43,735	34,614
by insured event other than death	-	-	-	-	759	-	-	759	880
by maturity	19,819	-	-	-	-	-	-	19,819	15,995
by surrender	3,603	46,338	-	-	-	-	-	49,941	27,857
<b>Total gross individual policy claims</b>	<b>28,587</b>	<b>82,216</b>	<b>-</b>	<b>-</b>	<b>3,451</b>	<b>-</b>	<b>-</b>	<b>114,254</b>	<b>79,346</b>
Claims under group policies									
by death	-	-	108,271	-	-	600	-	108,871	97,136
by insured event other than death	-	-	-	-	-	120,834	-	120,834	78,574
by surrender	-	-	-	-	-	-	592	592	-
experience refund	-	-	16,869	-	-	475	-	17,344	22,673
<b>Total gross group claims</b>	<b>-</b>	<b>-</b>	<b>125,140</b>	<b>-</b>	<b>-</b>	<b>121,909</b>	<b>592</b>	<b>247,641</b>	<b>198,383</b>
<b>Total Gross Claims</b>	<b>28,587</b>	<b>82,216</b>	<b>125,140</b>	<b>-</b>	<b>3,451</b>	<b>121,909</b>	<b>592</b>	<b>361,895</b>	<b>277,729</b>
<b>Less: Re-insurance Recoveries</b>									
On individual life first year business claims	125	2,696	-	-	-	-	-	2,821	1,908
On individual life second year business claims	665	5,776	-	-	-	-	-	6,441	1,147
On individual life renewal business claims	3,724	8,922	-	-	-	-	-	12,646	1,938
On individual accident and health business claims	-	-	-	-	133	-	-	133	2,308
On group business claims	-	-	7,626	-	-	-	-	7,626	8,828
	4,514	17,394	7,626	-	133	-	-	29,667	16,129
<b>Net Claims</b>	<b>24,073</b>	<b>64,822</b>	<b>117,514</b>	<b>-</b>	<b>3,318</b>	<b>121,909</b>	<b>592</b>	<b>332,228</b>	<b>261,600</b>

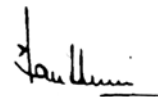
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CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



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## STATEMENT OF EXPENSES

### FOR THE YEAR ENDED DECEMBER 31, 2008

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----									
<b>Acquisition Costs</b>									
Remuneration to insurance intermediaries on individual policies:									
Commission on first year premiums	2,507	181,807	-	39,581	11,261	-	-	235,156	99,420
Commission on second year premiums	892	11,779	-	-	-	-	-	12,671	7,913
Commission on subsequent renewal premiums	684	5,951	-	-	-	-	-	6,635	9,619
Other benefits to insurance intermediaries	884	19,543	-	1,406	548	-	-	22,381	26,194
	4,967	219,080	-	40,987	11,809	-	-	276,843	143,146
Remuneration to insurance intermediaries on group policies:									
Commission	-	-	46,447	-	-	4,176	-	50,623	60,752
Other benefits to insurance intermediaries	-	-	2,835	-	-	-	-	2,835	759
	-	-	49,282	-	-	4,176	-	53,458	61,511
<b>Branch Overheads</b>									
- Salaries, allowances and other benefits	568	10,772	3,589	1,319	935	3,011	-	20,194	18,049
- Other operational costs	998	18,918	6,305	2,317	1,643	5,289	-	35,470	29,824
	1,566	29,690	9,894	3,636	2,578	8,300	-	55,664	47,873
Other acquisition cost									
Policy stamps	60	3,028	582	649	363	233	-	4,915	4,540
	6,593	251,798	59,758	45,272	14,750	12,709	-	390,880	257,070
<b>Administration Expenses</b>									
Salaries, allowances and other benefits	2,176	41,047	13,740	5,048	3,580	11,525	180	77,296	55,689
Travelling expenses	43	797	273	100	71	229	21	1,534	2,625
Auditors' remuneration	29	539	185	68	49	154	15	1,039	950
Actuary's fees	15	269	92	34	24	77	7	518	2,050
Medical fees	36	656	695	149	-	3	-	1,539	1,520
Legal and professional expenses	18	347	118	44	31	100	10	668	737
Advertisements	112	2,064	706	260	184	593	56	3,975	2,519
Computer expenses	26	475	163	60	42	136	13	915	712
Printing and stationery	210	3,885	1,329	488	347	1,115	105	7,479	6,901
Depreciation	5,317	8,468	2,436	239	172	847	169	17,648	12,764
Rental	575	10,778	3,630	1,334	946	3,045	115	20,423	18,044
	8,557	69,325	23,367	7,824	5,446	17,824	691	133,034	104,511
Other Management Expenses	902	16,366	7,128	2,476	1,757	5,657	295	34,581	33,851
Gross Management Expenses	16,052	337,489	90,253	55,572	21,953	36,190	986	558,495	395,432
Commission from Reinsurers	(695)	(12,812)	(9,723)	(1,936)	(4,711)	(179)	-	(30,056)	(29,727)
Net Management Expenses	15,357	324,677	80,530	53,636	17,242	36,011	986	528,439	365,705

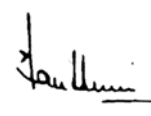
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CHAIRMAN & CHIEF EXECUTIVE



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## STATEMENT OF INVESTMENT INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2008

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
	----- (Rupees in '000) -----								
<b>Income from Non-Trading Investments - Held to maturity</b>									
Return on Government Securities	55,138	102,766	47,917	-	4,253	9,537	1,472	221,083	150,831
Return on Term Finance Certificates	-	-	21	-	-	-	-	21	343
	55,138	102,766	47,938	-	4,253	9,537	1,472	221,104	151,174
Less : Amortisation of premium relative to par	2,401	1,742	3,040	-	447	591	-	8,221	8,087
	52,737	101,024	44,898	-	3,806	8,946	1,472	212,883	143,087
<b>Impairment in value of investments held as 'Available for sale'</b>									
	-	-	-	(4,160)	-	-	-	(4,160)	-
<b>Net Investment Income</b>	<b>52,737</b>	<b>101,024</b>	<b>44,898</b>	<b>(4,160)</b>	<b>3,806</b>	<b>8,946</b>	<b>1,472</b>	<b>208,723</b>	<b>143,087</b>

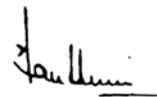
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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2008

#### 1. STATUS AND NATURE OF BUSINESS

American Life Insurance Company (Pakistan) Limited ("the Company") was incorporated in Pakistan on the 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 registered office of the Company is situated at Floor 13 (Level 16), Dolmen City Mall, Block - 4, Scheme - 5 Clifton, Karachi. The Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995.

The Company is a subsidiary of American Life Insurance Company (incorporated in the United States of America) that holds 66.46% (2007 : 61.82%) share capital of the Company. The ultimate parent of the Company is American International Group (incorporated in the United States of America).

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 - The Company has recommenced its pension business during the year.
- Investment Linked\*

\* During the year, the Company has introduced new products under which benefits are payable with reference to underlying investments (i.e. investment linked). The Company has established separate statutory fund for this business as required by the Insurance Ordinance, 2000.

#### 2. 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 investments held as 'available for sale' which are stated at their fair values.

##### 3.1 Functional and presentation currency

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

### 3.2 Use of estimates and judgements

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan 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. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

#### Policyholders' liabilities

The general principles adopted by the Appointed Actuary to value the policyholders' liabilities of various classes of business are described below:

- a) All classes of business except Universal Life Insurance, Investment Linked Insurance, Group Insurance, Accident and Health Insurance and Pension, have been valued on the minimum valuation basis, prescribed by the SECP.

Valuation discount rate	3.75% pa
Mortality table	EFU 61-66
Valuation Method	Full preliminary term method for term greater than or equal to 20 years. For lower terms, combination of Net level premium method and full preliminary term method.

- b) Universal Life and Pension policies have been valued at their full Account Values. No deduction has been made for surrender charges, if any. Death Benefit reserves have been provided.
- c) Investment Linked policies have been valued at their full account values, No deductions have been made for surrender charges, if any. Death benefit reserves have been provided.
- d) Reduced Paid ups and Extended Term insurances have been valued by net single premium method.
- e) Group Life Insurance and Group Accident and Health Insurances, Individual Accident & Health Policies, Extra premium and accident supplementary benefits to life policies have been valued by unearned gross premiums.

The principles adopted in the previous valuation as at December 31, 2007, 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) Proper 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) Proper reserves have also been maintained for Incurred But Not Reported (IBNR) claims, based on the claims lag pattern experienced over the past few years, in each Statutory Fund.

Appropriate margins have been added to ensure that the reserve set aside is resilient to changes in 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 a 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 amortisation**

In making estimates of the depreciation / amortisation 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 technique using the Projected Unit Credit Method.

#### 4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

##### 4.1 The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after January 1, 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after January 1, 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.
- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 1, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have a material effect on the Company's financial statements.
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 1, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.
- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after January 1, 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them. This standard will have no effect on the Company’s reported total profit or loss or equity.
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company’s financial statements.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. IFRIC 15 would not effect the accounting policy of the Company.
- IFRIC 16- Hedge of Net Investment in a Foreign Operation. (effective for annual periods beginning on or after October 1, 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company’s operations.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company’s 2009 financial statements. These amendments are unlikely to have an impact on the Company’s financial statements.
- IAS 27 ‘Consolidated and separate financial statements’ (effective for annual periods beginning on or after January 1, 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company’s financial investments.
- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company’s financial statements.
- IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 1, 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary’s assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Company’s financial statements.
- IFRS 4- Insurance Contracts, requires to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test. Further, it requires additional disclosure relating to identification and explanation of the amount in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The application of the standard requires additional disclosures in the Company’s financial statements.



## 5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 5.1 Statutory funds

- (i) 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.
- (ii) Actuarial valuation of life insurance business is required to be carried out annually as 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, 2008.
- (iii) As advised by Securities and Exchange Commission of Pakistan vide letter No. 46/52/ ALICO/2004 dated October 12, 2004, the Company adopted the following basis in respect of ledger accounts:
  - Allocated (100%) to Ledger Account B the accumulated deficit in the Life (Participating) Statutory Fund up to December 31, 2001 with zero balance in Ledger Account A.
  - Transfer of Surplus in the Life (Participating) Statutory Fund, before allocation of bonus to participating policyholders, to Ledger Account A and then appropriation thereof as bonus to policyholders; and
  - In accordance with the SECP directive, capital contributed for the purpose of bonus, or contributed for solvency and later diverted to bonus allocation, should no longer be considered as capital (i.e. loan from shareholder) but be made part of permanent money of the Life (Participating) Statutory Fund.

### 5.2 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation 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.

### 5.3 Staff retirement benefits

#### 5.3.1 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, 2008 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 recognised over the average remaining service life of the employees. Upto December 31, 2007, the unfunded gratuity scheme has been converted into a funded scheme. During the year ended December 31, 2008, approval from tax authorities has been obtained and accordingly funds have been transferred.

### 5.3.2 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.4.78 million (2007: Rs 4 million) has been recognised in the revenue account in respect of defined contribution plan.

### 5.4 Employees' compensated absences

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

### 5.5 Taxation

#### 5.5.1 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.

#### 5.5.2 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.

### 5.6 Claims

#### *Claim Expense*

Claims are recognised 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 recognised as soon as a reliable estimate of the claim amount can be made. Claims liability includes amounts in relation to unpaid reported claims and estimated claims settlement cost. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet. Liability for claims "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.

## 5.7 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 recognised on disbursement.

## 5.8 Investments

### 5.8.1 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

### 5.8.2 Measurement

#### 5.8.2.1 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 amortised 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.

#### 5.8.2.2 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 and is recognised as an impairment in value of investment in the profit and loss account.

##### *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 recognised 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. However 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.

#### 5.8.2.3 Date of recognition

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

## 5.9 Fixed assets

### 5.9.1 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.

Depreciation on additions is charged from the month in which the asset is put to 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.

### 5.9.2 Capital work in progress

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

### 5.9.3 Intangibles

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation 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.

Amortisation on additions is charged from the month in which the asset is acquired or capitalised and on disposal, upto the month the asset is in use.

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

## 5.10 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised 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 recognised.

## 5.11 Provisions

A provision is recognised in the balance sheet 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.

## 5.12 Revenue recognition

### *Premiums*

- The initial premium is recognised when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognised if received before expiry of the grace period, or if advanced by the Company under the Automatic Premium Loan (APL).

However, premiums due in the month of December but not received by December 31, are recognised if the grace period is to expire after the next January 1.

- Group premiums are recognised when due.
- Single premiums are recognised once the related policies are issued against the receipt of premium.

### *Investment income*

Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised 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*

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

### *Gain / loss on sale of investments*

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

### *Mark-up / interest income*

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

## 5.13 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 recognised 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 recognised as revenue.

## 5.14 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company operate 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.

#### **5.15 Foreign currency translation**

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.

#### **5.16 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 other insurers / reinsurers, accrued investment income, sundry receivables, amount due from / to agents, accrued expenses, other creditors and accruals, and dividend payable.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses 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. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account or revenue account, as appropriate.

#### **5.17 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 recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **5.18 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

#### **5.19 Dividend declaration and reserve appropriation**

Dividend and appropriation to reserves except appropriations required by the law or determined by actuary or allowed by Insurance Ordinance 2000, are recognised in the year in which these are approved.



## 6. MOVEMENTS IN EQUITY

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
	(Rupees in '000)								
<b>Policyholders' liabilities</b>									
Balance at beginning of the year	407,369	642,544	257,193	-	17,210	77,386	91	1,401,793	1,140,077
Increase / (decrease) during the year	89,684	149,027	(29,477)	22,331	(1,174)	1,697	15,738	247,826	261,716
Balance at end of the year	497,053	791,571	227,716	22,331	16,036	79,083	15,829	1,649,619	1,401,793
<b>Retained earnings on participating business attributable to participating policyholders - Ledger Account A</b>									
Balance at beginning of the year	(1,776)	-	-	-	-	-	-	(1,776)	10,050
Surplus allocated during the year (note 6.1)	79,724	-	-	-	-	-	-	79,724	27,971
Surplus Adjustment - 10% transferred to Ledger Account B	(7,972)	-	-	-	-	-	-	(7,972)	(2,797)
Bonus allocated during the year	(44,400)	-	-	-	-	-	-	(44,400)	(37,000)
Balance at end of the year	25,576	-	-	-	-	-	-	25,576	(1,776)
<b>Retained earnings on participating business attributable to shareholders but not distributable - Ledger Account B</b>									
Balance at beginning of the year	4,706	-	-	-	-	-	-	4,706	1,909
Surplus Adjustment - 10% transferred from Ledger Account A	7,972	-	-	-	-	-	-	7,972	2,797
Transfer to ledger Account C	(10,000)	-	-	-	-	-	-	(10,000)	-
Balance at end of the year	2,678	-	-	-	-	-	-	2,678	4,706
<b>Retained earnings on participating business distributable to shareholders - Ledger Account C</b>									
Balance at beginning of the year	-	-	-	-	-	-	-	-	-
Transfer from ledger Account B	10,000	-	-	-	-	-	-	10,000	-
Surplus appropriated to Shareholders' Fund	(10,000)	-	-	-	-	-	-	(10,000)	-
Balance at end of the year	-	-	-	-	-	-	-	-	-
<b>Retained earnings on other than participating business - Ledger Account D</b>									
Balance at beginning of the year	-	(122,418)	(85,326)	-	956	411	500	(205,877)	(274,008)
Surplus / (deficit) allocated during the year	-	61,363	36,546	(4,089)	15,848	21,806	884	132,358	101,837
Surplus appropriated to Shareholders' Fund	-	-	-	-	(16,000)	(22,000)	(1,000)	(39,000)	(33,706)
Balance at end of the year	-	(61,055)	(48,780)	(4,089)	804	217	384	(112,519)	(205,877)
<b>Capital contributed by shareholders' fund</b>									
Balance at beginning of the year	28,916	223,452	143,810	-	-	-	-	396,178	401,643
Capital contributed during the year	-	-	-	-	-	-	-	-	-
Capital withdrawn during the year	-	-	-	-	-	-	-	-	(5,465)
Balance at end of the year	28,916	223,452	143,810	-	-	-	-	396,178	396,178

6.1 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.

## 7. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2008 (Number of shares in '000)	2007		2008 (Rupees in '000)	2007
<b>50,000</b>	50,000	Ordinary Shares of Rs. 10 each fully paid in cash	<b>500,000</b>	500,000

American Life Insurance Company (incorporated in the United States of America) held 33,231,840 shares representing 66.46% (2007: 30,911,590 shares representing 61.82%) of Company's shares as at December 31, 2008.

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

	2008 (Rupees in '000)	2007
Accumulated surplus in the statement of changes in equity ignoring the effect of capital transfers at beginning of the year	<b>225,720</b>	209,892
Add: Surplus in profit and loss account for the year	<b>50,221</b>	32,078
Less: Dividend declared	-	(16,250)
Accumulated surplus in statement of changes in equity ignoring the effect of capital transfers at end of the year	<b>275,941</b>	225,720
Less: Accumulated net capital transfers in statutory funds	<b>(396,178)</b>	(396,178)
Total as shown in the Balance Sheet	<b>(120,237)</b>	(170,458)

8.1 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, 2008 has retained an amount of Rs. 283.7 million (2007: Rs. 190.3 million) in the statutory funds. This has resulted in the shareholders' equity being lower by this amount.

## 9. POLICYHOLDERS' LIABILITIES

As per actuarial advice, the policyholders' liabilities as at December 31, 2008 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	2008	2007
	(Rupees in '000)								
<b>Gross of Reinsurance</b>									
Actuarial liability relating to future events	497,218	795,764	194,312	22,356	16,538	56,385	15,829	1,598,402	1,345,208
Provision for outstanding reported claims payable over a period exceeding twelve months	-	5,362	2,884	-	3,640	-	-	11,886	7,156
Provision for incurred but not reported claims	710	2,641	55,468	-	2,037	22,967	-	83,823	73,171
<b>Total</b>	<b>497,928</b>	<b>803,767</b>	<b>252,664</b>	<b>22,356</b>	<b>22,215</b>	<b>79,352</b>	<b>15,829</b>	<b>1,694,111</b>	<b>1,425,535</b>
<b>Net of Reinsurance</b>									
Actuarial liability relating to future events	496,452	787,907	172,738	22,331	13,783	56,116	15,829	1,565,156	1,327,466
Provision for outstanding reported claims payable over a period exceeding twelve months	-	1,586	2,884	-	278	-	-	4,748	2,764
Provision for incurred but not reported claims	601	2,078	52,094	-	1,975	22,967	-	79,715	71,563
<b>Total</b>	<b>497,053</b>	<b>791,571</b>	<b>227,716</b>	<b>22,331</b>	<b>16,036</b>	<b>79,083</b>	<b>15,829</b>	<b>1,649,619</b>	<b>1,401,793</b>

## 10. STAFF RETIREMENT BENEFITS

Defined benefit plan - Gratuity fund

The in-house actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation carried out as at December 31, 2008:

- Discount rate 13% (2007: 10%) per annum.
- Expected rate of increase in the salaries of the employees 13% (2007: 10%) per annum.
- Expected interest rate on plan assets of the fund 9% per annum.
- Expected service length of the employees 13 years (2007: 15 years).

### 10.1 Liability in balance sheet

	2008	2007
	(Rupees in '000)	
Present value of defined benefit obligations	30,921	16,376
Fair value of plan assets	(11,328)	-
Unrecognised actuarial losses	(16,859)	(1,786)
	<u>2,734</u>	<u>14,590</u>

### 10.2 Movement in liability during the year

Opening balance	14,590	13,013
Charge to profit and loss account	3,211	3,622
Contributions to the fund during the year	(13,203)	-
Contributions - benefit payments on behalf of the fund	(1,864)	-
Benefits paid during the year	-	(2,045)
Closing balance	<u>2,734</u>	<u>14,590</u>

### 10.3 Reconciliation of the present value of defined benefit obligations

Present value of obligations as at January 1	16,376	12,681
Current service cost	2,491	2,354
Interest cost	1,638	1,268
Loss on defined benefit obligation	-	2,118
Benefits paid	(4,305)	(2,045)
Past service cost - vested benefit	(393)	-
Past service cost - non vested benefit	(8)	-
Actuarial loss	15,122	-
Present value of obligations as at December 31	<u>30,921</u>	<u>16,376</u>

### 10.4 Reconciliation of the fair value of plan assets

Fair value of plan assets as at January 1	-	-
Expected return on plan assets	528	-
Contribution to the fund	13,203	-
Contributions - benefit payments on behalf of the fund	1,864	-
Benefits paid	(4,305)	-
Actuarial gain	38	-
Fair value of plan assets as at December 31	<u>11,328</u>	<u>-</u>

**10.5 Charge for the defined benefit plan**

	2008	2007
	(Rupees in '000)	
Current service cost	2,491	2,354
Interest cost	1,638	1,268
Expected return on plan assets	(528)	-
Actuarial loss recognised	11	-
Past service cost recognised	(401)	-
	<u>3,211</u>	<u>3,622</u>

**10.6 Actual return on plan assets**

Expected return on assets	528	-
Actuarial gain on assets	38	-
	<u>566</u>	<u>-</u>

**10.7 Composition of fair value of plan assets**

	2008		2007	
	Fair value	Percentage	Fair value	Percentage
	(Rupees in '000)			
Term deposit receipts	5,682	50.16%	-	-
Cash at bank	5,646	49.84%	-	-
	<u>11,328</u>	<u>100%</u>	<u>-</u>	<u>-</u>

**10.8 Historical data of the fund**

	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligations	30,921	16,376	12,681	9,112	8,086
Fair value of plan assets	(11,328)	-	-	-	-
Deficit	<u>19,593</u>	<u>16,376</u>	<u>12,681</u>	<u>9,112</u>	<u>8,086</u>
Experience adjustments - Actuarial loss / (gain) on obligation	<u>15,122</u>	<u>(1,786)</u>	<u>332</u>	<u>1,701</u>	<u>2,513</u>
- Actuarial gain on assets	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**10.9** The estimated contribution to the Fund for the year ended December 31, 2009 is Rs. 11.457 million.

### 11. OTHER CREDITORS AND ACCRUALS

	SHARE	STATUTORY FUNDS						AGGREGATE		
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----										
Withholding tax deducted	-	835	1,330	161	36	25	56	25	2,468	1,677
Reserve for partial maturities	-	-	-	-	-	-	-	-	-	1,782
Other liabilities	1,638	6,006	12,486	2,348	301	215	3,857	211	27,062	23,074
	<u>1,638</u>	<u>6,841</u>	<u>13,816</u>	<u>2,509</u>	<u>337</u>	<u>240</u>	<u>3,913</u>	<u>236</u>	<u>29,530</u>	<u>26,533</u>

### 12. DIVIDEND

	2008	2007
(Rupees in '000)		
Unpaid (note 12.1)	16,576	16,576
Unclaimed	27	27
	<u>16,603</u>	<u>16,603</u>

12.1 This represents dividend payable to the holding company. The remittance of which has been withheld, as per their instructions, till further notice.

### 13. INVESTMENTS

	SHARE	STATUTORY FUNDS						AGGREGATE		
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
----- (Rupees in '000) -----										
Held to maturity - Amortised cost (note 13.1)										
Defence Saving Certificates	-	-	-	-	-	-	-	-	-	400,298
WAPDA Bonds	-	-	-	-	-	-	-	-	-	30,188
Pakistan Investment Bonds	274,134	393,761	598,958	351,553	-	38,232	102,004	16,549	1,775,191	1,330,909
	<u>274,134</u>	<u>393,761</u>	<u>598,958</u>	<u>351,553</u>	<u>-</u>	<u>38,232</u>	<u>102,004</u>	<u>16,549</u>	<u>1,775,191</u>	<u>1,761,395</u>
Term Finance Certificates - MCB Bank Limited	-	-	-	-	-	-	-	-	-	563
Available for sale (note 13.3)										
Units of Open-end mutual funds	5,794	-	-	-	20,354	-	-	-	26,148	-
	<u>279,928</u>	<u>393,761</u>	<u>598,958</u>	<u>351,553</u>	<u>20,354</u>	<u>38,232</u>	<u>102,004</u>	<u>16,549</u>	<u>1,801,339</u>	<u>1,761,958</u>

### 13.1 Held to maturity - Amortised cost

	Maturity	Tenor	Coupon Rate	Profit Payment	AGGREGATE	
					2008	2007
(Rupees in '000)						
Defence Saving Certificates	2008	10 Years	18.0%	At Maturity	-	400,298
WAPDA Bonds	2008	5 Years	7.3%	Half Yearly	-	30,188
Pakistan Investment Bonds	2008	5 Years	7.0%	Half Yearly	-	50,895
Pakistan Investment Bonds	2009	3 Years	9.1%	Half Yearly	50,972	37,262
Pakistan Investment Bonds	2009	5 Years	7.0%	Half Yearly	5,034	5,137
Pakistan Investment Bonds	2010	10 Years	14.0%	Half Yearly	11,130	11,431
Pakistan Investment Bonds	2011	10 Years	12.0%	Half Yearly	28,588	143,233
Pakistan Investment Bonds	2011	10 Years	13.0%	Half Yearly	142,251	64,193
Pakistan Investment Bonds	2011	10 Years	14.0%	Half Yearly	58,520	29,331
Pakistan Investment Bonds	2012	5 Years	9.3%	Half Yearly	21,388	-
Pakistan Investment Bonds	2012	10 Years	11.0%	Half Yearly	64,553	65,458
Pakistan Investment Bonds	2013	10 Years	8.0%	Half Yearly	4,576	5,398
Pakistan Investment Bonds	2014	10 Years	8.0%	Half Yearly	24,270	22,446
Pakistan Investment Bonds	2016	10 Years	9.6%	Half Yearly	454,017	349,182
Pakistan Investment Bonds	2017	10 Years	9.6%	Half Yearly	135,476	-
Pakistan Investment Bonds	2018	10 Years	12.0%	Half Yearly	21,805	-
Pakistan Investment Bonds	2019	15 Years	9.0%	Half Yearly	40,191	4,495
Pakistan Investment Bonds	2021	15 Years	10.0%	Half Yearly	712,420	542,448
					<b>1,775,191</b>	<b>1,330,909</b>
					<b>1,775,191</b>	<b>1,761,395</b>

13.2 The aggregate market value of Pakistan Investment Bonds and Term Finance Certificates as at December 31, 2008 was Rs. 1,376.103 million (2007: Rs. 1,308.710 million). Market values is determined based on quotations obtained from brokers.

### 13.3 Available for sale

	AGGREGATE	
	2008	2007
(Rupees in '000)		
Open-end mutual funds		
Nafa Stock Fund	2,183	-
Nafa Cash Fund	9,491	-
Pakistan Stock Market Fund	1,199	-
Pakistan Income Fund	2,688	-
Nafa Islamic Multi-Asset Fund	9,475	-
Pakistan International Islamic Fund	1,112	-
	<b>26,148</b>	<b>-</b>



**13.3.1** The aggregate cost of the above units of open-end mutual funds as at December 31, 2008 was Rs 31.786 million. The market values are determined as per rates quoted by Mutual Funds Association of Pakistan on January 12, 2009.

#### 13.4 Statutory deposit

10% fifteen years Pakistan Investment Bonds having a face value of Rs. 50 million have been deposited with the State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

#### 14. SUNDRY RECEIVABLES

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual Group		Pension Business Fund	2008	2007
	(Rupees in '000)								
Advances to employees against expenses									
- executives	39	61	18	2	1	6	1	128	373
- others	157	250	72	7	5	25	5	521	1,205
	<b>196</b>	<b>311</b>	<b>90</b>	<b>9</b>	<b>6</b>	<b>31</b>	<b>6</b>	<b>649</b>	1,578
Deposits	1,907	3,037	874	86	61	303	61	6,329	6,187
Receivable from associated undertakings	1,171	1,865	537	53	38	186	37	3,887	685
Receivable on account of redemption of DSCs.	106,191	295,226	71,083	-	-	-	-	472,500	-
Others	3,146	5,011	1,608	140	102	9,680	100	19,787	10,714
	<b>112,611</b>	<b>305,450</b>	<b>74,192</b>	<b>288</b>	<b>207</b>	<b>10,200</b>	<b>204</b>	<b>503,152</b>	19,164

#### 15. FIXED ASSETS - TANGIBLE AND INTANGIBLE

	Note	AGGREGATE	
		2008	2007
		(Rupees in '000)	
Capital work in progress		558	8,066
Leasehold improvements, furniture and fixtures, office equipment, computers and vehicles	15.1	68,694	66,491
Software and licenses - Additions	15.2	3,028	-
		<b>72,280</b>	<b>74,557</b>

**15.1 Leasehold improvements, furniture and fixtures, office equipment, computers and vehicles**

Classification of assets	Leasehold improvements	Computers			Motor vehicles	Furniture and fixtures	Office equipment	Total
		IBM AS400	Personal computers	Sub total				
----- (Rupees in '000) -----								
<b>As at January 1, 2007</b>								
Cost	20,333	13,880	8,252	22,132	15,975	26,375	9,416	94,231
Accumulated depreciation	(13,595)	(10,729)	(6,310)	(17,039)	(11,454)	(15,853)	(5,026)	(62,967)
Net book value	<u>6,738</u>	<u>3,151</u>	<u>1,942</u>	<u>5,093</u>	<u>4,521</u>	<u>10,522</u>	<u>4,390</u>	<u>31,264</u>
<b>Year ended December 31, 2007</b>								
Opening net book value	6,738	3,151	1,942	5,093	4,521	10,522	4,390	31,264
Additions	23,826	1,789	2,386	4,175	11,775	6,842	3,767	50,385
Disposals								
- Cost	4,981	-	-	-	669	5,589	1,668	12,907
- Accumulated depreciation	(3,653)	-	-	-	(669)	(4,630)	(1,561)	(10,513)
	1,328	-	-	-	-	959	107	2,394
Depreciation	(2,360)	(929)	(1,225)	(2,154)	(5,146)	(2,267)	(837)	(12,764)
Closing net book value	<u>26,876</u>	<u>4,011</u>	<u>3,103</u>	<u>7,114</u>	<u>11,150</u>	<u>14,138</u>	<u>7,213</u>	<u>66,491</u>
<b>As at December 31, 2007</b>								
Cost	39,178	15,669	10,638	26,307	27,081	27,628	11,515	131,709
Accumulated depreciation	(12,302)	(11,658)	(7,535)	(19,193)	(15,931)	(13,490)	(4,302)	(65,218)
Net book value	<u>26,876</u>	<u>4,011</u>	<u>3,103</u>	<u>7,114</u>	<u>11,150</u>	<u>14,138</u>	<u>7,213</u>	<u>66,491</u>
<b>Year ended December 31, 2008</b>								
Opening net book value	26,876	4,011	3,103	7,114	11,150	14,138	7,213	66,491
Additions	1,075	1,985	1,710	3,695	10,262	2,744	4,995	22,771
Disposals								
- Cost	67	-	43	43	3,901	1,372	347	5,730
- Accumulated depreciation	(13)	-	(23)	(23)	(1,596)	(890)	(288)	(2,810)
	54	-	20	20	2,305	482	59	2,920
Depreciation	(3,351)	(1,347)	(1,605)	(2,952)	(7,744)	(2,422)	(1,179)	(17,648)
Closing net book value	<u>24,546</u>	<u>4,649</u>	<u>3,188</u>	<u>7,837</u>	<u>11,363</u>	<u>13,978</u>	<u>10,970</u>	<u>68,694</u>
<b>As at December 31, 2008</b>								
Cost	40,186	17,654	12,305	29,959	33,442	29,000	16,163	148,750
Accumulated depreciation	(15,640)	(13,005)	(9,117)	(22,122)	(22,079)	(15,022)	(5,193)	(80,056)
Net book value	<u>24,546</u>	<u>4,649</u>	<u>3,188</u>	<u>7,837</u>	<u>11,363</u>	<u>13,978</u>	<u>10,970</u>	<u>68,694</u>
Annual rate of depreciation %	<u>10%</u>	<u>20%</u>	<u>33%</u>		<u>33%</u>	<u>10%</u>	<u>10%</u>	

15.2 Software and licenses are amortised at the rate of 33% per annum. However, this addition was made at December 31, 2008, therefore no amortisation as per the policy has been charged.

### 15.3 Disposals of fixed assets

Disposal of fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net book value	Sale proceeds	Mode of Sale	Particulars of Buyer
----- (Rupees in '000) -----						
<b>Furniture and fixtures</b>						
Assets below Rs. 50,000 each	1,372	(890)	482	409	Negotiation	Miscellaneous
<b>Office equipment</b>						
Generator	277	(277)	-	140	Negotiation	Miscellaneous
Assets below Rs. 50,000 each	70	(11)	59	50	Negotiation	Miscellaneous
<b>Leasehold improvements</b>						
Assets below Rs. 50,000 each	67	(13)	54	48	Negotiation	Miscellaneous
<b>Motor vehicles</b>						
3 Motorcycles	144	(143)	1	45	Negotiation	Miscellaneous
Toyota Corolla GLI	983	(273)	710	848	Employee car scheme	Mehmood Nisar (Ex-employee)
Suzuki Liana RXI	800	(367)	433	620	Employee car scheme	Shahid Rizvi (Ex-employee)
Toyota Corolla GLI	991	(292)	699	858	Employee car scheme	Anila Aqeel (Ex-employee)
Toyota Corolla GLI	983	(521)	462	727	Employee car scheme	Salman Qureshi (Ex-employee)
<b>Computer equipments</b>						
Assets below Rs. 50,000 each	43	(23)	20	31	Negotiation	Miscellaneous
<b>2008</b>	<b>5,730</b>	<b>(2,810)</b>	<b>2,920</b>	<b>3,776</b>		
2007	12,907	(10,513)	2,394	1,733		

### 16. AUDITORS' REMUNERATION

Audit fee  
Fee for review of half yearly accounts  
Tax advisory services  
Out of pocket expenses

#### AGGREGATE

	2008	2007
(Rupees in '000)		
Audit fee	630	500
Fee for review of half yearly accounts	85	125
Tax advisory services	230	200
Out of pocket expenses	94	125
<b>1,039</b>	<b>950</b>	

### 17. OTHER MANAGEMENT EXPENSES

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual Group		Pension Business Fund	2008	2007
----- (Rupees in '000) -----									
Vehicle and general repair and maintenance	266	4,906	1,685	619	439	1,413	133	9,461	7,262
Agency development	-	-	-	-	-	-	-	-	131
Books and subscriptions	1	21	7	3	2	6	1	41	76
Postage, telegraph and telephone	210	3,350	1,184	349	273	968	3	6,337	11,139
Utilities-electricity, water and gas	273	4,737	1,643	554	408	1,363	77	9,055	10,019
Entertainment	15	282	97	35	25	81	8	543	155
Insurance	10	191	65	24	17	55	5	367	196
Social security	25	462	158	58	41	133	12	889	571
Furniture and household appliances	31	576	196	72	52	165	16	1,108	813
Interest on policyholders' funds	1	99	-	-	-	-	-	100	119
Increase in loading on due premiums	-	-	-	-	-	-	-	-	905
Consultancy fee	18	322	110	40	28	93	8	619	1,985
Miscellaneous expenses	52	1,420	1,983	722	472	1,380	32	6,061	480
<b>902</b>	<b>16,366</b>	<b>7,128</b>	<b>2,476</b>	<b>1,757</b>	<b>5,657</b>	<b>295</b>	<b>34,581</b>	<b>33,851</b>	

**18. OTHER INCOME - NET**

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2008	2007
	(Rupees in '000)								
Return on saving accounts with banks	44	3,199	782	871	404	313	187	5,800	27,675
Gain / (loss) on disposal of fixed assets	258	411	118	12	8	41	8	856	(661)
Interest on policy loans	34	2,462	-	-	-	-	-	2,496	3,737
Provision written back	-	-	-	-	2,013	-	-	2,013	-
Others	298	1,479	130	13	9	5,853	9	7,791	5,938
	<b>634</b>	<b>7,551</b>	<b>1,030</b>	<b>896</b>	<b>2,434</b>	<b>6,207</b>	<b>204</b>	<b>18,956</b>	<b>36,689</b>

**19. TAXATION**

Tax expense for the year		<b>27,838</b>	14,822
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**19.1 Relationship between tax expense and accounting profit**

Profit before tax		<b>78,059</b>	46,900
Tax at the applicable rate of 35% (2007: 35%)		<b>27,321</b>	16,415
Tax effect of expenses that are not allowable in determining taxable income		<b>517</b>	-
Tax effect of brought forward tax losses being adjusted		<b>-</b>	(1,593)
Tax expense for the year		<b>27,838</b>	14,822

**19.2** Assessment upto assessment year 2002-2003 has been finalised. The income tax returns of the Company filed for Tax year 2003 to 2008 are deemed to be assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

**20. EARNINGS PER SHARE - basic and diluted**

Profit after tax		<b>50,221</b>	32,078
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(Number of shares)

Weighted average number of shares		<b>50,000,000</b>	44,823,000
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(Rupees)

Earning per share - basic and diluted		<b>1.00</b>	0.72
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**20.1** No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

**21. CASH AND CASH EQUIVALENTS**

	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	2008	2007
		(Rupees in '000)								
Cash and others	-	162	656	189	19	13	66	263	1,368	253
Current and other accounts	38	1,277	2,611	40,217	2,415	39	590	1,201	48,388	68,952
	<b>38</b>	<b>1,439</b>	<b>3,267</b>	<b>40,406</b>	<b>2,434</b>	<b>52</b>	<b>656</b>	<b>1,464</b>	<b>49,756</b>	<b>69,205</b>

## 22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

Classification of assets	2008			2007		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	(Rupees in '000)					
Managerial remuneration	9,775	38,800	48,575	3,235	40,050	43,285
Bonus	856	3,598	4,454	270	2,413	2,683
Retirement benefits	1,915	4,860	6,775	594	4,245	4,839
Utilities	86	296	382	128	2,572	2,700
Telephone	47	159	206	69	110	179
Other benefits	94	543	637	90	509	599
	<u>12,773</u>	<u>48,256</u>	<u>61,029</u>	<u>4,386</u>	<u>49,899</u>	<u>54,285</u>
Number of persons, including those who worked part of the year	<u>1</u>	<u>32</u>	<u>33</u>	<u>1</u>	<u>35</u>	<u>36</u>

Payment to non-executive director for consultancy services amounted to Rs. 5,000 (2007: Rs. 5,000).

In addition to the above remuneration, the Chief Executive, Agency Director and two executives have been provided with Company maintained cars. Agency Director is also provided with free furnished accommodation and two executives have been provided with unfurnished accommodation. Eighteen executives have been provided with Company cars maintained by them.

Chief Executive is also entitled for share based payment from AIG group. However, no expense has been charged in these financial statements since the group does not allocate any expense to the Company in this regard.

## 23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 23.1 Financial Assets and Liabilities

	2008						Non - interest / mark-up bearing financial instruments	Total
	Effective interest rate % per annum	Maturity upto one year	Maturity over one year to three years	Maturity over three years to five years	Maturity more than five years	Sub total		
	(Rupees in '000)							
<b>Financial Assets</b>								
Cash and bank deposits	0.5-16	164,756	-	-	-	164,756	-	164,756
Loans secured against life insurance policies	9-11	51,335	-	-	-	51,335	-	51,335
Loans secured against other assets:								
To employees	9	-	364	-	-	364	-	364
To agents	9	371	409	1,010	-	1,790	134	1,924
Investments	4.86-14.75	56,006	240,489	90,517	1,388,179	1,775,191	26,148	1,801,339
Premiums due but unpaid		-	-	-	-	-	70,535	70,535
Amounts due from other insurers / reinsurers		-	-	-	-	-	14,334	14,334
Amounts due from agents		-	-	-	-	-	13,006	13,006
Prepayments		-	-	-	-	-	513	513
Sundry receivables		-	-	-	-	-	503,152	503,152
Accrued interest		-	-	-	-	-	35,574	35,574
		<u>272,468</u>	<u>241,262</u>	<u>91,527</u>	<u>1,388,179</u>	<u>1,993,436</u>	<u>663,396</u>	<u>2,656,832</u>
<b>Financial Liabilities</b>								
Outstanding claims		-	-	-	-	-	207,537	207,537
Amounts due to other insurers / reinsurers		-	-	-	-	-	64,734	64,734
Amounts due to agents		-	-	-	-	-	17,882	17,882
Accrued expenses		-	-	-	-	-	26,270	26,270
Other creditors and accruals		-	-	-	-	-	27,904	27,904
Dividend payable		-	-	-	-	-	16,603	16,603
		-	-	-	-	-	360,930	360,930
Inter risk sensitivity gap		<u>272,468</u>	<u>241,262</u>	<u>91,527</u>	<u>1,388,179</u>	<u>1,993,436</u>		
Cumulative interest risk sensitivity gap		<u>272,468</u>	<u>513,730</u>	<u>605,257</u>	<u>1,993,436</u>			

	2007							Total
	Effective interest rate % per annum	Interest/mark-up bearing				Sub total	Non - interest / mark-up bearing financial instruments	
		Maturity upto one year	Maturity over one year to three years	Maturity over three years to five years	Maturity more than five years			
----- (Rupees in '000) -----								
<b>Financial Assets</b>								
Cash and bank deposits	1-14	208,914	-	-	-	208,914	291	209,205
Loans secured against life insurance policies	9-11	39,465	-	-	-	39,465	-	39,465
Loans secured against other assets:								
To employees	9	-	-	511	-	511	-	511
To agents	9	442	728	407	-	1,577	-	1,577
Investments	4.47-18.04	468,312	67,463	302,215	923,968	1,761,958	-	1,761,958
Premiums due but unpaid		-	-	-	-	-	85,900	85,900
Amounts due from other insurers / reinsurers		-	-	-	-	-	7,194	7,194
Sundry receivables		-	-	-	-	-	17,666	17,666
Accrued interest		-	-	-	-	-	33,857	33,857
		<u>717,133</u>	<u>68,191</u>	<u>303,133</u>	<u>923,968</u>	<u>2,012,425</u>	<u>144,908</u>	<u>2,157,333</u>
<b>Financial Liabilities</b>								
Outstanding claims		-	-	-	-	-	177,605	177,605
Amounts due to other insurers / reinsurers		-	-	-	-	-	44,770	44,770
Amounts due to agents		-	-	-	-	-	4,892	4,892
Accrued expenses		-	-	-	-	-	28,401	28,401
Other creditors and accruals		-	-	-	-	-	26,533	26,533
Dividend payable		-	-	-	-	-	16,603	16,603
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,804</u>	<u>298,804</u>
Inter risk sensitivity gap		<u>717,133</u>	<u>68,191</u>	<u>303,133</u>	<u>923,968</u>	<u>2,012,425</u>		
Cumulative interest risk sensitivity gap		<u>717,133</u>	<u>785,324</u>	<u>1,088,457</u>	<u>2,012,425</u>			

## 23.2 Liquidity and interest rate risk

### (a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against this risk, assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

### (b) Interest rate risk

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk while monitoring changes in interest rates on its deposits and investments.



### 23.3 Financial risk management

#### Financial risk factors

The Company's activities are exposed to a variety of financial risks most notably credit risk, foreign exchange risk, market risk and reinsurance risk. The Company has established adequate procedures to manage each of these risks as explained below:

#### (a) Credit risk and concentration of credit risk exposure

Credit risk is the risk, which 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.

Concentration of credit risk arises 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.

The Company is exposed to credit risk on premiums receivable from group clients, commission and claims recoverable from insurers and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

#### (b) Foreign exchange risk

Foreign currency risk arises mainly where receivables/payables exist due to transactions with foreign undertakings. The Company is not exposed to any significant foreign exchange risk.

#### (c) Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments.

The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates (TFCs) markets and mutual funds' units. In addition, the Company actively monitors the key factors that affect the value of these securities.

#### (d) Reinsurance risk

Reinsurance ceded do not relieve the Company from its obligations to policyholders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligations under the reinsurance agreements.

In order to minimize the financial exposure arising from large claims the Company obtains reinsurance cover only from companies with sound financial health.

### 23.4 Capital Management

The Company's objective is to maintain a strong capital base to continue as a going concern so that it can continue to provide returns to shareholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

### 23.5 Fair value of Financial Instrument

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transactions. Consequently, difference may arise between the carrying values and the fair values estimates.

As at December 31, 2008, the carrying value of all financial instruments is estimated to approximate their fair value, except investments in government securities held to maturity, the market value lower by Rs. 399.08 million (2007: 22.5 million) on an aggregate portfolio basis.

### 24. TRANSACTIONS WITH RELATED PARTIES

24.1 Related parties comprise of holding company, associated companies, other companies with common directors, retirement benefit funds, directors and key management personnel.

24.2 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in the financial statements, are as follows:

	2008	2007
	(Rupees in '000)	
<b>Balances outstanding</b>		
Payable to reinsurers	2,491	2,723
Loans to key management employees	467	922
Other related party receivable balances	4,050	637
Other related party payable balances	77	1,262
<b>Transactions during the year</b>		
Reinsurance premium (expense)	2,108	2,723
General insurance premium (expense)	1,409	1,186
Group insurance claim (expense)	7,652	1,600
Group insurance premium charged	8,870	7,002
Charges for administrative services provided	186	116
Reimbursement of expense received	2,938	3,559
Remuneration paid to key management personnel	36,262	28,323
Contribution made to provident fund	4,786	4,009

24.3 There are no transactions with key management personnel other than under the terms of employment.

24.4 Transactions with related parties are carried out on commercial terms and conditions.

### 25. GENERAL

Figures have been rounded off to the nearest thousand except otherwise stated.

### 26. DATE OF AUTHORISATION FOR ISSUE

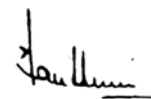
These financial statements were authorised for issue on March 25, 2009 by the Board of Directors of the Company.



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 time 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, 2008 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)

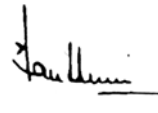
- d) In our opinion each statutory fund of American Life Insurance Company (Pakistan) Limited complies with the solvency requirements of Insurance Ordinance, 2000 and the Insurance Rules, 2002.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## STATEMENT OF ACTUARY

[As per the requirement of section 52 (2) 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, 2008 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- b) each Statutory fund of the American Life Insurance Company (Pakistan) Limited complies with the solvency requirements of the Insurance Ordinance, 2000 as on December 31, 2008.

Date: March 25, 2009



Shoaib Soofi FSA, FPSA  
Appointed Actuary

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Tulip Hall, Hotel Beach Luxury, Moulvi Tamizuddin Khan Road, Karachi on Wednesday, April 29, 2009 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 March 26, 2008.
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, 2008.
3. To appoint auditors for the year ended December 31, 2009 and fix their remuneration. The retiring auditors M/s KPMG Taseer Hadi & Co, being eligible have offered themselves for re-appointment.

### Special Business

4. To seek consent of shareholders for publication of quarterly accounts on website.
5. To approve the remuneration of the Chief Executive Officer.
6. To approve payments made to non-executive director on account of technical advisory services, in accordance with Article 65 of the Articles of Association of the Company.

April 1, 2009  
Karachi

By order of the Board



**Asim Iftikhar**  
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from April 23, 2009 to April 29, 2009 (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 14th Annual General Meeting of the Company to be held on April 29, 2009.

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. 12.77 million based on actuals for the year ended December 31, 2008, and the remuneration amounting Rs. 22.5 million as estimated for the year ending December 31, 2009, together with other benefits in accordance with the rules of the Company."

2. Approval of Shareholders will be sought for the fee paid to Mr. Ehsan Ahmed Nomani on account of legal and technical advisory services amounting Rs. 10,000.





**PROXY FORM**  
**FOURTEENTH 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 Fourteenth Annual General Meeting of the Company to be held on Wednesday, April 29, 2009 at 9.00 a.m. at Tulip Hall, Hotel Beach Luxury, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Please  
affix Rupee Five  
Revenue Stamp  
Signature of Member

Signed by the member in the presence of:

Witness: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

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 such corporation whether a member of the company or not.

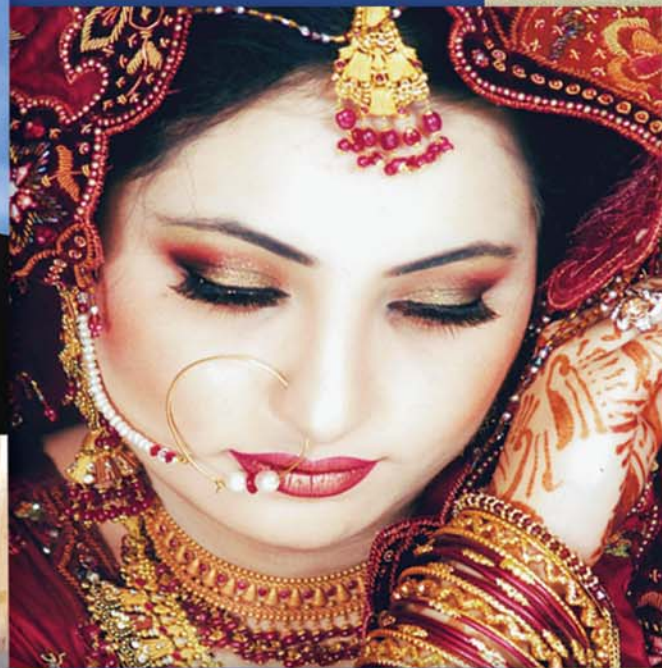
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Circular Road,  
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Tel: 062-2877175 Fax: 062-2880937  
E-mail: alicobwp@yahoo.com

**CHAKWAL**

1 Floor Al- Mahmood Centre,  
Near Islamia High School,  
Islamia Chowk,  
Bhaun Road,  
Chakwal.  
Tel : 0543-600994 Fax: 0543-600995  
E-mail: alicochakwal@yahoo.com

**FAISALABAD**

1st & 2nd Floor, Faisal Complex,  
Bilal Raod, New Civil Lines,  
Faisalabad.  
Tel: 041-2619331 Fax: 041-2614761  
E-mail: alicofsd@yahoo.com

**FAISALABAD (D-GROUND)**

2nd Floor, F.M. Plaza 15-D,  
D-Ground, Peoples Colony,  
Faisalabad.  
Tel: 041-8549540 Fax:041-8549538  
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**GUJRANWALA**

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G.T. Road,  
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Tel: 055-3843585 Fax: 055-3843583  
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**GUJRAT**

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Tel: 053-3537091 Fax: 053-3523320  
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**HYDERABAD**

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**KARACHI (MADINA CITY MALL)**

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E-mail: khi-nipa@alicipak.com

**KARACHI (M. AKBER AGENCY)**

Suite # 701 & 702, 7th Floor,  
Park Avenue Building, Shahrah-e-Faisal,  
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**KARACHI (ZAKI AHMED AGENCY)**

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**LAHORE OFFICE**

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E-mail: alicoliaquat@yahoo.com

**LAHORE (IMRAN YASIN AGENCY)**

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**LAHORE (RANA AZAM AGENCY)**

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Fax: 058610-37160  
E-mail: alicomirpurak@yahoo.com

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E-mail: alicolta@cyber.net.pk

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