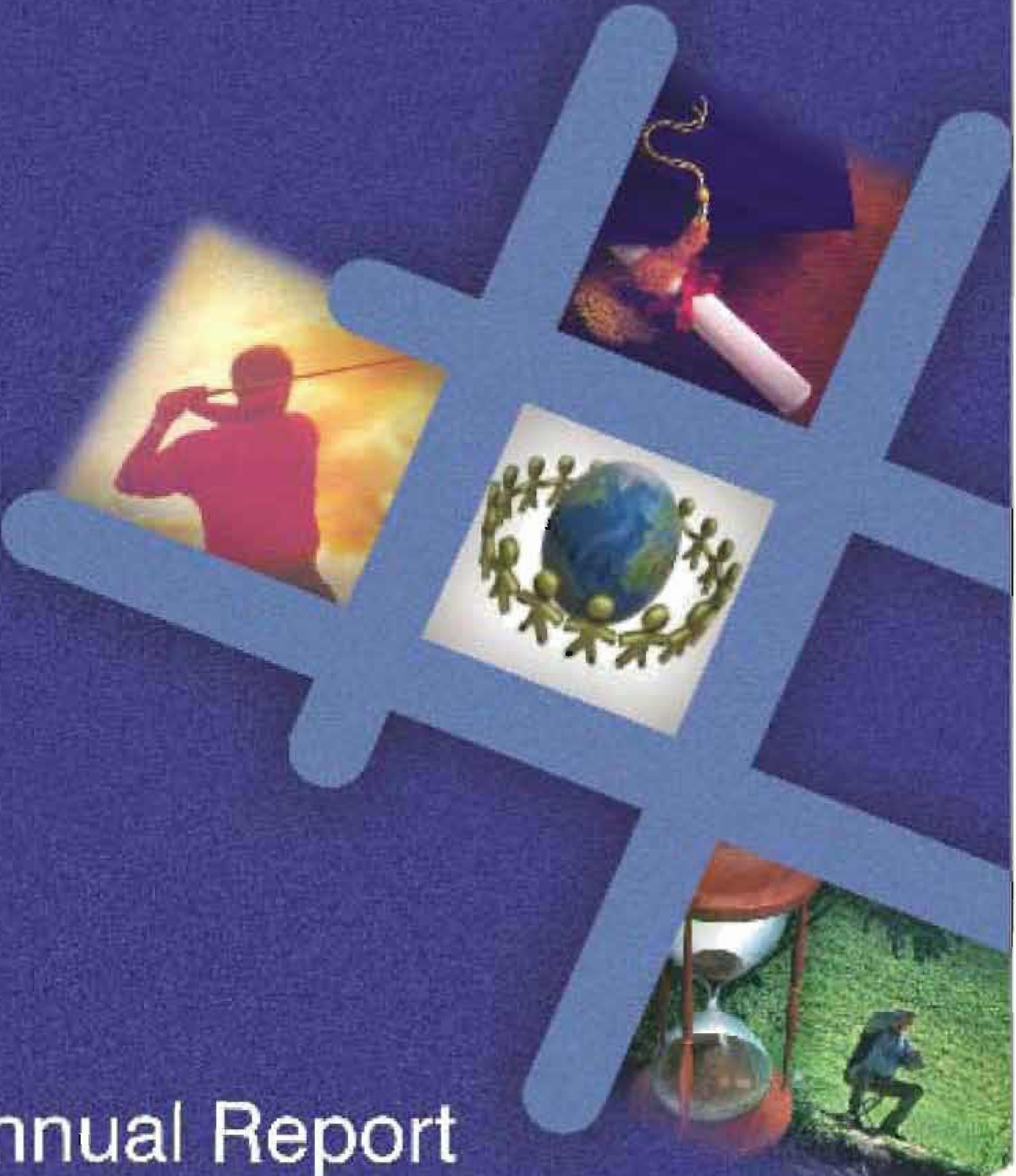
American Life Insurance Company (Pakistan) Limited



Annual Report 2009

Alico

Vision Statement

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

Mission Statement

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

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Arif Sultan Mufti	Chairman and Chief Executive	Chartered Accountant
Ehsan Ahmed Nomani	Director	Advocate
Khalid Anis-ur-Rehman	Director	Advocate
Shahid Siddqui	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

AUDIT COMMITTEE

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

BANKERS

MCB Bank Limited
Standard Chartered Bank (Pakistan) 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
Barclays Bank

LEGAL ADVISORS

Surridge and Beecheno

AUDITORS

KPMG 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) 35655595

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) 3529-0042

Directors' Report to the Shareholders

The Directors of your Company take pleasure in presenting to you the 15th Annual Report of the Company along with the audited financial statements for the year ended December 31, 2009.

After a turbulent 2008, Pakistan economy has seen a steady turnaround in 2009 and economic indicators are pointing toward stability. During the year significant efforts were made to stay the course on stabilization and structural reforms against the backdrop of weak external demand and the challenging security and political situation. The macro economic data began to display some semblance of stability toward the later half of the year with reduced current account deficit resultant of the global energy prices and reduced local demands and increase in home remittances. Further, IMF tranches of more than US$ 6 billion helped shore up of foreign exchange reserve and stabilized Pak Rupee. However, inflation remained the primary concern with rising energy and food costs resulted in lower disposable income for investment. Despite facing these challenges your Company has achieved a growth in premium of 21%.

REVIEW OF OPERATIONS

Your Company has completed its 14 full years of operation and the current year results represent modest growth. The individual life products, mainly the Savings Plan continue to register growth. The accident and health product business also shows healthy growth with the introduction of new products during the last couple of years, namely, My Child and Safe Road.

Last year your Company had 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. These products showed tremendous growth in 2009.

Your Company is also aggressively working on the banc-assurance front and achieved remarkable growth with the universal life and unit linked products.

The combined all lines premium income has reached a level of Rs. 1.268 billion, a growth of 21% over the previous year with the major increase in individual life business by 23% mainly contributed by the Savings and the Unit Linked products

Profit / Loss	2009	2008
	(Rupees in '000)	
Net Surplus of Statutory Funds	**104,614**	167,682
Profit before appropriation of surplus to Shareholders' Fund	**36,941**	29,059
Taxation	**33,649**	27,838
Earning per share (Rupees)	**1.25**	1.00

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 reinsurer to protect the Company from losses above our local retention and, also, to protect our retained account.

INVESTMENTS

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

Our investment portfolio increased by Rs. 956 million. At year end the value of our investments stood at Rs. 2.871 billion (2008: Rs. 1.916 billion), with 96 % (2008: 94%) of our total investment portfolio invested in Government securities. Our total net investment income during 2009 was Rs. 287 million (2008: Rs.238 million), showing an increase of 20 % over last year.

DIVIDEND

The Directors do not recommend the payment of dividend to the shareholders for the year ended December 31, 2009, in order to strengthen the company's equity base. (2008: Nil).

AGENCY DEVELOPMENT

A 'quality not quantity' recruiting approach has measurably improved the persistency of our new business. 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. 5.307 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, 2009 is Rs.22.812 million.

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

	Rupees in ('000)					
Description	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Gross Premium Income	**1,349,482**	1,155,386	888,204	747,156	691,797	544,078
Net Premium Income	**1,267,953**	1,048,496	802,053	655,042	631,422	504,368
Interest and Other Income	**320,539**	259,260	193,811	158,176	118,409	80,894
Net Claims	**363,070**	332,228	261,600	230,160	176,884	96,853
Net Commission and Acquisition Costs	**379,744**	305,160	179,470	153,194	129,214	117,288
Administration Expenses	**254,117**	225,801	187,076	159,408	118,304	116,237
Policy Holder Liability	**2,009,625**	1,649,619	1,401,793	1,140,077	918,487	643,265
Total Assets	**3,352,656**	2,749,498	2,255,694	1,667,052	1,380,889	998,839

Board Meetings and Change in Directorships

Since the last report, no casual vacancies arose on the Board. During the year 2009 four meetings of the Board of Directors were held. The number of meetings attended by each Director is as follows:

Name of Directors	Number of meetings attended
Mr. Arif Sultan Mufti, Chairman & Chief Executive	3
Mr. Khalid Anis-ur-Rehman	2
Mr. Shahid Siddiqui	4
Mr. Irfan Amir (Alternate to Nurul Islam)	3
Mr. Qasim Rabbani	None
Mr. Ehsan Ahmed Nomani	4
Mr. Arif Abdul Aziz	1
Mr. Michel Khalaf	None

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

Audit Committee

The audit committee functions in accordance with the Code of Corporate Governance. The following non-executive Directors served on the committee during the year 2009:

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 market segment 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 services to our existing clients.

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

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, 2009 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

Subsequent to year end, AIG, which is ultimate holding company of ALICO USA has entered into a definitive sale agreement with MetLife Inc. USA for sale of its entire holding in ALICO USA. Closing of this transaction is targeted towards the end of 2010.

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 2010.

GRATITUDE

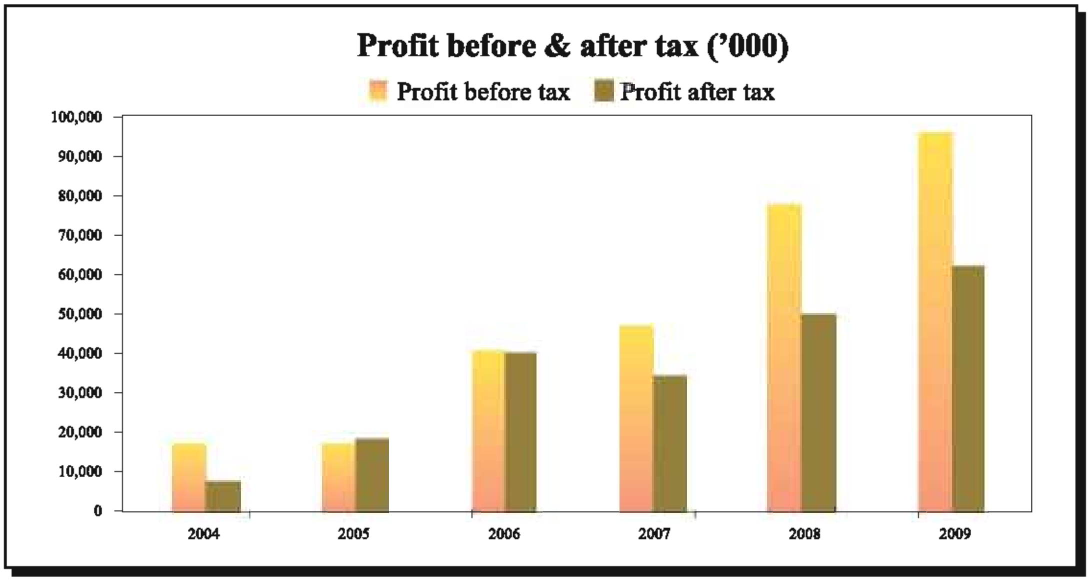
We take this opportunity to express our appreciation to the Ministry of Commerce, Government of Pakistan, and the Department of Insurance under the Securities and Exchange Commission of Pakistan for their invaluable assistance, support and guidance.

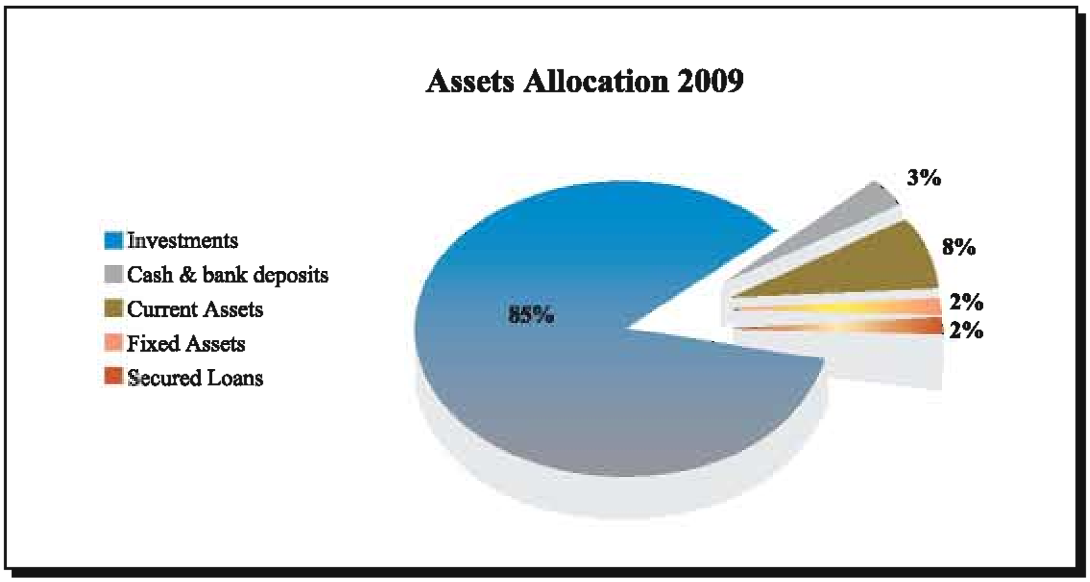
The Board of Directors would like to express its sincere thanks and wish to record its appreciation for the remarkable contribution made by the ALICO employees towards the Company's present achievements.

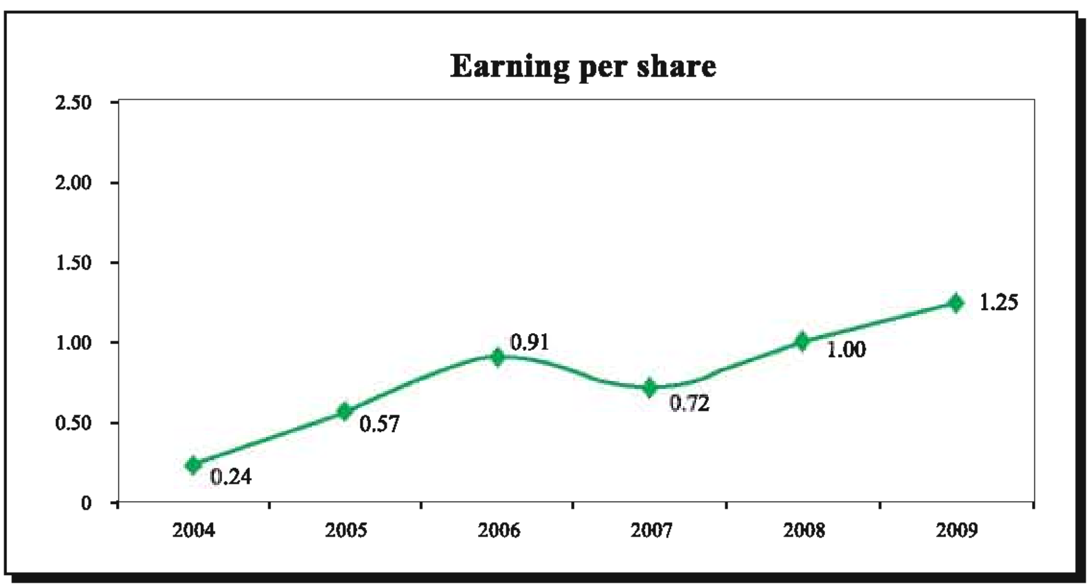
Lastly, our thanks go to thousands of our policyholders and shareholders whose confidence, continued commitment and support for the Company has been a source of encouragement and inspiration.

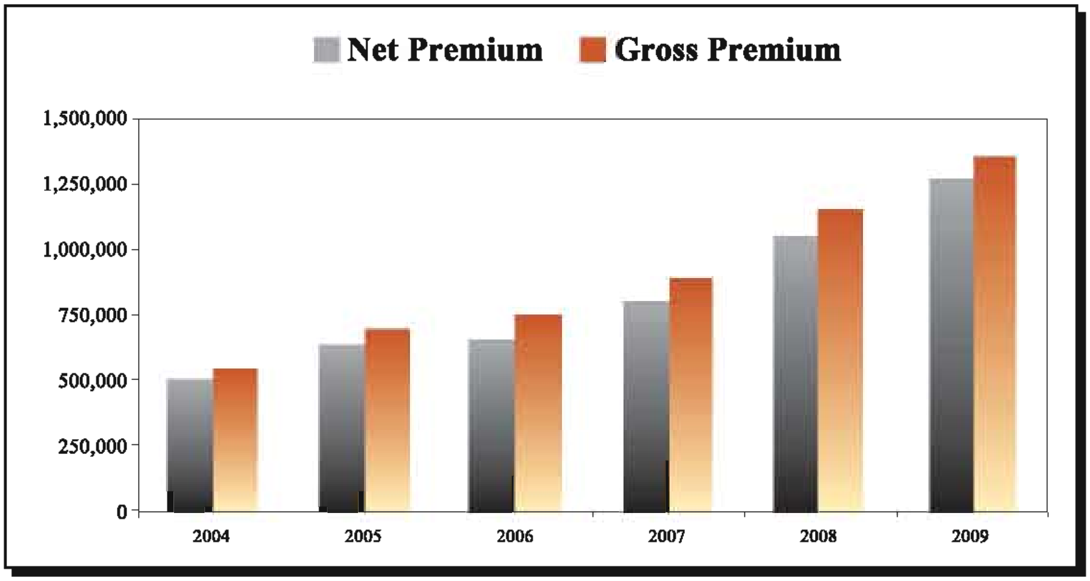
On behalf of the Board of Directors.

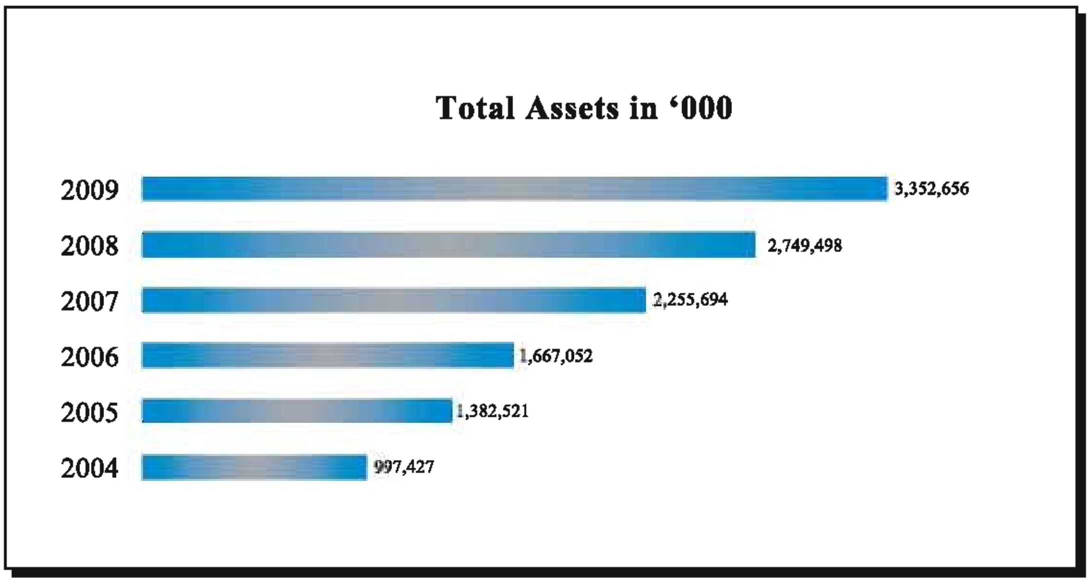
Arif S. Mufti
CHAIRMAN & CEO
Karachi: March 30, 2010

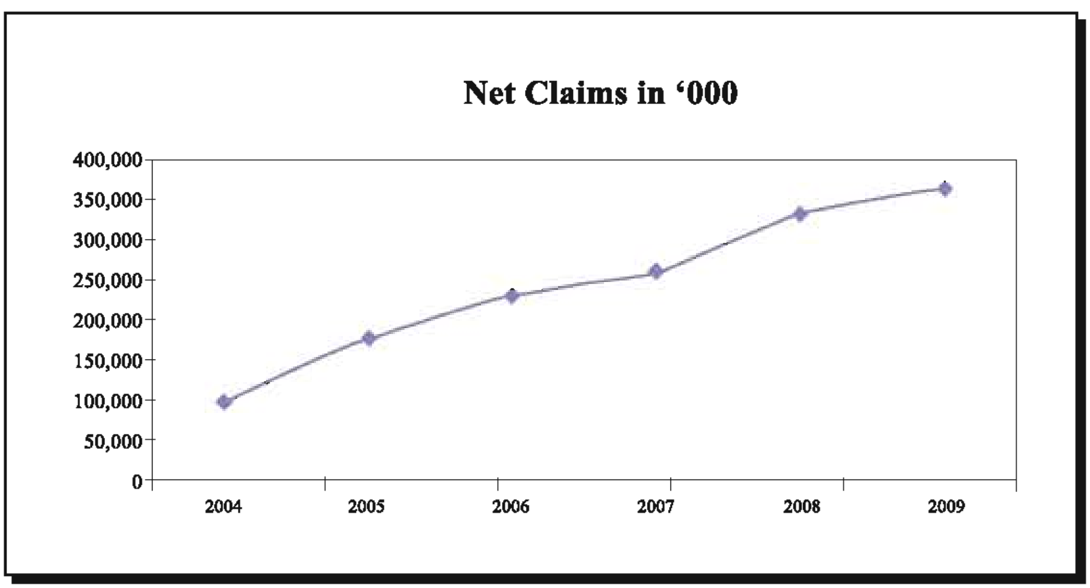

Profit before & after tax ('000)
Profit before tax
Profit after tax
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2004
2005
2006
2007
2008
2009


Assets Allocation 2009
Investments
Cash & bank deposits
Current Assets
Fixed Assets
Secured Loans
85%
3%
8%
2%
2%


Earning per share
2.50
2.00
1.50
1.00
0.50
0
0.24
0.57
0.91
0.72
1.00
1.25
2004
2005
2006
2007
2008
2009


Net Premium
Gross Premium
1,500,000
1,250,000
1,000,000
750,000
500,000
250,000
0
2004
2005
2006
2007
2008
2009


Total Assets in '000
2009
3,352,656
2008
2,749,498
2007
2,255,694
2006
1,667,052
2005
1,382,521
2004
997,427


Net Claims in '000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
2004
2005
2006
2007
2008
2009

Pattern of Shareholding
As at December 31, 2009

Number of Shareholders	Holding Shares From	Holding Shares To	Total Shares held
555	1	100	16,818
155	101	500	58,854
58	501	1000	49,037
85	1001	5000	196,009
10	5001	10000	83,937
4	10001	15000	49,713
3	15001	20000	49,660
1	20001	25000	22,000
3	25001	30000	81,921
2	35001	40000	73,999
1	60001	65000	61,538
1	75001	80000	75,115
3	80001	85000	251,000
1	95001	100000	100,000
1	115001	120000	116,553
1	125001	130000	125,349
1	135001	140000	136,019
1	275001	280000	280,000
1	465001	470000	468,981
1	1495001	1500000	1,498,538
1	2095001	2100000	2,100,000
1	2495001	2500000	2,500,000
1	2525001	2530000	2,527,350
1	2720001	2725000	2,720,769
1	3120001	3125000	3,125,000
1	33230001	33235000	33,231,840
894			50,000,000

Categories of Shareholders	Number of Shareholders	Total Shares held	Percentage
Individuals	874	9,803,609	22.55
Joint Stock Companies	13	242,144	0.73
Financial Institutions	5	4,001,638	9.65
Foreign Companies	2	35,952,609	67.07
	894	50,000,000	100.00

Disclosure of Pattern of Shareholding

As at December 31,2009

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	5	3,245,053
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual funds	5	6,721,407
Joint Stock Companies and Others	13	242,144
Shareholders holding ten percent or more voting interest	1	33,231,840

Disclosure of Pattern of Shareholding as at December 31,2009

	Number of Shares held
Associated companies, undertakings and related parties	
American Life Insurance Company, Inc. USA	33,231,840
NIT and ICP	
Investment Corporation of Pakistan	1,000
Directors, CEO and their spouse and minor children	
Mr. Arif Abdul Aziz	3,125,000
Mr. Arif Sultan Mufti	117,803
Mr. Shahid Siddiqui	1,250
Mr. Ehsan Ahmad Nomani	500
Mr. Khalid Anis-ur-Rehman	500
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarbas and Mutual Funds	
Crescent Investment Bank Limited	1,600
National Bank of Pakistan	2,500,000
Trust Investment Bank Limited	500
CDC - Trustee First Dawood Mutual Fund	1,498,538
The Bank of New York	2,720,769
Joint Stock Companies and Others	
Ali Hussain Rajabali Limited	10,000
MTM Securities (Pvt) Limited	13,846
Y. S. Securities & Services (Pvt) Limited	769
International Brands (Pvt) Limited	5,000
Highlink Capital (Pvt) Limited	1,000
A. Sattar Motiwala Securities (Pvt) Limited	145
First National Equities Limited	1
Darson Securities (Pvt) Limited	21
Dawood Equities Limited	125,349
KAI Securities (Pvt) Limited	153
Yasir Mehmood Securities (Pvt) Limited	85,000
SNM Securities (Pvt) Limited	322
Durvesh Securities (Pvt) Limited	538
Shareholders holding ten percent or more voting interest	
American Life Insurance Company, Inc. USA	33,231,840

Statement of Compliance with the Code of Corporate Governance
Year Ended December 31, 2009

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

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

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

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

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

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

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

4. A casual vacancy occurring in the Board on January 01, 2009 was filled up by the directors within 15 days thereof.

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

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

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

11. The Board has approved appointment of internal auditor, including their 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 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 and 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 this Code.

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

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

By Order of the Board

Arif S. Mufti
CHAIRMAN & CEO
Karachi: March 30, 2010

KPMG

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review various documents prepared by the Company to comply with the 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 carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Gaurantee) Limited vide circular no. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We havenot carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes of Corporate Governance as applicable to the Company for the year ended December 31, 2009.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: March 30, 2010

Karachi

KPMG

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

We have audited the annexed financial statements comprising of:

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

of **American Life Insurance Company (Pakistan) Limited** as at December 31, 2009 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 confirmity 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 except for the changes as described in note 3.3 to the financial statements with which we concur;

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, 2009 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 (XVIIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: March 30, 2010

Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

BALANCE SHEET
AS AT DECEMBER 31, 2009

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
			Life (Participating)	Life (Non-Participating)		Investment Linked	Accident & Health		Pension Business Fund	2009	2008
				Individual	Group		Individual	Group			
		(Rupees in '000)									
Share capital and reserves											
Authorized share capital (50,000,000 ordinary shares of Rs. 10/- each)		500,000	-	-	-	-	-	-	-	**500,000**	500,000
Issued, subscribed and paid-up share capital	7	500,000	-	-	-	-	-	-	-	**500,000**	500,000
Accumulated surplus		338,433	-	-	-	-	-	-	-	**338,433**	275,941
Capital contributed by shareholders' fund		(257,368)	-	-	-	-	-	-	-	**(257,368)**	(396,178)
	8	81,065	-	-	-	-	-	-	-	**81,065**	(120,237)
Net Shareholders' Equity		581,065	-	-	-	-	-	-	-	**581,065**	379,763
Balance of Statutory Fund [including policyholders' liabilities Rs. 2,100 million (2008: Rs. 1,650 million)]		-	714,706	1,173,517	176,739	101,293	19,988	107,300	24,599	**2,318,142**	1,961,532
Creditors and Accruals											
Outstanding claims		-	10,928	43,590	114,135	-	6,636	40,059	-	**215,348**	207,537
Payable to gratuity fund	10	-	1,341	2,278	355	215	46	230	55	**4,520**	2,734
Premiums received in advance		-	1,953	41,560	-	-	1,292	-	-	**44,805**	37,604
Amount due to other insurers/reinsurers		-	236	401	50,716	1,495	7,403	-	-	**60,251**	64,734
Amount due to agents		-	5,677	13,790	-	897	652	-	-	**21,016**	17,882
Accrued expenses		-	15,987	27,141	4,216	2,566	549	2,739	658	**53,856**	26,270
Taxation - provision less payments		5,307	-	-	-	-	-	-	-	**5,307**	5,309
Other creditors and accruals	11	3,470	6,996	11,873	1,345	962	201	6,655	241	**31,743**	29,530
		8,777	43,118	140,633	170,767	6,135	16,779	49,683	954	**436,846**	391,600
Other Liabilities											
Dividend payable	12	16,603	-	-	-	-	-	-	-	**16,603**	16,603
TOTAL LIABILITIES		25,380	757,824	1,314,150	347,506	107,428	36,767	156,983	25,553	**2,771,591**	2,369,735
TOTAL EQUITY AND LIABILITIES		**606,445**	**757,824**	**1,314,150**	**347,506**	**107,428**	**36,767**	**156,983**	**25,553**	**3,352,656**	2,749,498

The annexed notes from 1 to 27 are an integral part of these financial statements.

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
			Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
		(Rupees in '000)									
Cash and Bank Deposits											
Cash and others		-	248	421	65	40	9	42	10	**835**	1,368
Current and other accounts		23,855	27,056	21,483	6,350	10,589	761	577	20	**90,691**	48,388
Deposits maturing within 12 months		-	15,000	-	-	-	-	-	-	**15,000**	115,000
		23,855	42,304	21,904	6,415	10,629	770	619	30	**106,526**	164,756
Loans secured against Life											
Insurance Policies		-	24,644	41,838	-	-	-	-	-	**66,482**	51,335
Loans secured against other assets											
To employees		205	-	-	-	-	-	-	-	**205**	364
To agents		1,619	-	-	-	-	-	-	-	**1,619**	1,924
Investments	13										
Government securities		372,037	634,571	1,118,185	444,203	-	37,867	126,711	26,396	**2,759,970**	1,775,191
Listed mutual funds		1,268	-	-	-	94,831	-	-	-	**96,099**	26,148
		373,305	634,571	1,118,185	444,203	94,831	37,867	126,711	26,396	**2,856,069**	1,801,339
Current Assets - Others											
Premiums due but unpaid		-	659	29,728	16,000	52	-	32,623	-	**79,062**	70,535
Amount due from other insurers/reinsurers		-	5,940	10,084	-	-	-	1,937	-	**17,961**	14,334
Amount due from agents		-	-	5,664	-	-	-	-	-	**5,664**	13,006
Prepayments		-	6,493	11,023	1,712	1,042	223	1,112	267	**21,872**	20,899
Inter-fund balances		198,278	(1)	2	(150,351)	(3,145)	(3,327)	(38,658)	(2,798)	**-**	-
Sundry receivables	14	-	5,478	9,300	1,445	879	188	5,641	225	**23,156**	503,152
Accrued interest		9,183	18,195	33,245	9,368	3	374	2,900	630	**73,898**	35,574
Experience refund receivable		-	-	-	13,560	-	-	20,750	-	**34,310**	-
		207,461	36,764	99,046	(108,266)	(1,169)	(2,542)	26,305	(1,676)	**255,923**	657,500
Fixed Assets - tangibles and intangibles	15										
Capital work in progress		-	1,384	2,350	365	222	48	237	57	**4,663**	558
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles		-	17,414	29,565	4,593	2,796	598	2,984	715	**58,665**	68,694
Software and licences		-	743	1,262	196	119	26	127	31	**2,504**	3,028
		-	19,541	33,177	5,154	3,137	672	3,348	803	**65,832**	72,280
TOTAL ASSETS		**606,445**	**757,824**	**1,314,150**	**347,506**	**107,428**	**36,767**	**156,983**	**25,553**	**3,352,656**	**2,749,498**

The annexed notes from 1 to 27 are an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Investment income not attributable to statutory funds			
Income from non-trading investments - held to maturity			
Return on Government Securities		**39,033**	32,143
Amortisation of premium relative to par		**(1,184)**	(1,085)
		37,849	31,058
Profit/(loss) on sale of investments held as 'available for sale'		**691**	(276)
Impairment in value of investments held as 'available for sale'		**-**	(1,201)
Net investment income		**38,540**	29,581
Return on PLS term deposits and saving accounts		**1,812**	2,000
Expenses not attributable to statutory funds			
Administration and miscellaneous expnses		**(3,411)**	(2,522)
Profit before appropriation of surplus to Shareholders' Fund		**36,941**	29,059
Surplus appropriated to Shareholders' Fund from Ledger Account C & D		**59,200**	49,000
Profit before tax		**96,141**	78,059
Tax expense	*19*	**(33,649)**	(27,838)
Profit after tax		**62,492**	50,221
Profit and loss appropriation account			
Balance at commencement of the year		**275,941**	225,720
Profit after tax for the year		**62,492**	50,221
Balance at the end of the year		**338,433**	275,941
		(Rupees)	
Earnings per share - basic and diluted	*20*	**1.25**	1.00

The annexed notes from 1 to 27 are an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Share Capital	Accumulated Surplus	Capital contributed by Statutory Funds	Total
	(Rupees in '000)			
Balance as at January 1, 2008	500,000	225,720	(396,178)	329,542
Profit for the year	-	50,221	-	50,221
Balance as at 31 December 2008	**500,000**	275,941	(396,178)	379,763
Profit for the year	-	62,492	-	62,492
Capital contributed to statutory fund-				
Investment linked fund	-	-	(5,000)	(5,000)
Capital withdrawn from statutory fund - Group				
life non-participating fund	-	-	143,810	143,810
	-	-	138,810	138,810
Balance as at December 31, 2009	**500,000**	**338,433**	**(257,368)**	**581,065**

The annexed notes from 1 to 27 are an integral partof these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Cash Flow Statement
for the Year Ended December 31, 2009

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
			Life (Participating)	Life (Non-Participating)		Investment Linked	Accident & Health		Pension Business Fund	2009	2008
				Individual	Group		Individual	Group			
		(Rupees in '000)									
Operating cash flows											
a) Underwriting activities											
Premium received net of policy transfers		-	45,391	704,061	195,039	154,729	36,053	203,293	9,590	**1,348,156**	1,190,927
Reinsurance premiums paid		-	(587)	(33,655)	(74,858)	(2)	(8,400)	(908)	-	**(118,410)**	(94,783)
Claims paid		-	(21,606)	(27,579)	(148,255)	(26)	(5,699)	(145,716)	-	**(348,881)**	(282,022)
Surrenders paid		-	(5,375)	(66,836)	-	-	-	-	(2,020)	**(74,231)**	(49,941)
Reinsurance Recovery received		-	(829)	6,475	23,153	-	1,700	(583)	-	**29,916**	22,527
Commissions paid		-	397	(202,051)	(29,760)	(57,202)	(10,980)	(13,961)	-	**(313,557)**	(305,101)
Commission received		-	235	13,462	29,943	1	3,360	363	-	**47,364**	37,913
Net cash inflow from underwriting activities		-	17,626	393,877	(4,738)	97,500	16,034	42,488	7,570	**570,357**	519,520
b) Other operating activities											
Income tax paid		(33,651)	-	-	-	-	-	-	-	**(33,651)**	(22,834)
General Management expenses and other opearting payments		(1,579)	113,009	117,329	36,947	(27,249)	(10,651)	(22,877)	(853)	**204,076**	(731,855)
Other operating receipts		1,812	965	18,777	1,926	3,807	1,322	8,076	9	**36,694**	18,382
Loans advanced		464	(4,843)	(10,304)	-	-	-	-	-	**(14,683)**	(12,070)
Inter Fund Transaction		(105,169)	72,704	(119,125)	143,341	(2,336)	(2,325)	13,869	(959)	**-**	-
Net Cash flow from other operating activities		(138,123)	181,835	6,677	182,214	(25,778)	(11,654)	(932)	(1,803)	**192,436**	(748,377)
Total cash flows from all operating activities		(138,123)	199,461	400,554	177,476	71,722	4,380	41,556	5,767	**762,793**	(228,857)
Investment activities											
Profit/return received		33,315	46,220	84,115	39,033	-	4,500	11,127	1,651	**219,961**	174,612
(Payments) / proceeds from short term deposits		-	46,400	42,500	2,400	300	1,000	6,200	1,200	**100,000**	25,000
Payments for investments		(119,385)	(293,853)	(606,200)	(211,565)	(65,769)	-	(28,078)	(9,714)	**(1,334,564)**	(515,743)
Proceeds from redemption of investments		50,000	31,000	105,670	119,330	-	-	-	-	**306,000**	540,054
Fixed capital expenditure		-	(2,261)	(6,083)	3,546	(2,828)	(122)	(647)	(289)	**(8,684)**	(25,799)
Capital work-in progress		-	(1,216)	(2,082)	(288)	(214)	(43)	(210)	(52)	**(4,105)**	7,508
Proceeds from disposal of fixed assets		-	114	163	87	(16)	3	15	3	**369**	3,776
Total cash flows from investing activities		(36,070)	(173,596)	(381,917)	(47,457)	(68,527)	5,338	(11,593)	(7,201)	**(721,023)**	209,408
Financing activities											
Capital payments received by Statutory Funds		138,810	-	-	(143,810)	5,000	-	-	-	-	-
Surplus appropriated to Shareholders' Fund		59,200	-	-	(20,200)	-	(9,000)	(30,000)	-	-	-
Total cash flows from financing activities		198,010	-	-	(164,010)	5,000	(9,000)	(30,000)	-	-	-
Net cash (outflow)/inflow from all activities		23,817	25,865	18,637	(33,991)	8,195	718	(37)	(1,434)	**41,770**	(19,449)
Cash and cash equivalents at the beginning of the year		38	1,439	3,267	40,406	2,434	52	656	1,464	**49,756**	69,205
Cash and Cash equivalents at the end of the year	21	**23,855**	**27,304**	**21,904**	**6,415**	**10,629**	**770**	**619**	**30**	**91,526**	**49,756**
Reconciliation to profit and loss Account											
Operating cash flows										**762,793**	(228,857)
Depreciation expense										**(18,262)**	(17,648)
Loss on disposal of fixed assets										**(607)**	856
Increase in assets other than cash										**(425,218)**	499,431
(Increase) in liabilities										**(495,252)**	(324,901)
Net Investment income										**286,929**	238,304
Profit received on bank deposits										**(2,477)**	1,718
(Surplus) of Statutory funds										**(104,614)**	(167,682)
Surplus appropriated to Shareholders' fund										**59,200**	49,000
Profit after taxation										**62,492**	50,221

The annexed notes from 1 to 27 are an integral partof these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Revenue Account
for the Year Ended December 31, 2009

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
		(Rupees in '000)								
Income										
Premiums less reinsurances		41,841	670,577	142,390	152,448	27,807	223,300	9,590	**1,267,953**	1,048,496
Policy transfers from other statutory funds		97,262	-	-	-	-	-	-	**97,262**	51,157
Net investment income		61,356	113,958	45,447	8,708	4,130	12,548	2,242	**248,389**	208,723
Other income-net	*18*	31	17,273	1,529	3,746	1,292	7,925	2	**31,798**	18,956
Total Net Income		200,490	801,808	189,366	164,902	33,229	243,773	11,834	**1,645,402**	1,327,332
Claims and expenditure										
Claims, including bonuses, net of reinsurance recoveries		31,207	75,611	112,685	26	2,104	139,417	2,020	**363,070**	332,228
Policy transfers to other statutory funds		-	97,262	-	-	-	-	-	**97,262**	51,157
Management expenses less recoveries		8,800	409,386	58,678	86,825	18,977	46,356	1,428	**630,450**	528,439
Total Claims and Expenditure		40,007	582,259	171,363	86,851	21,081	185,773	3,448	**1,090,782**	911,824
Excess of income over claims and expenditure		160,483	219,549	18,003	78,051	12,148	58,000	8,386	**554,620**	415,508
Add: Policyholders' liabilities at beginning of the year	*6*	497,053	791,571	227,716	22,331	16,036	79,083	15,829	**1,649,619**	1,401,793
Less: Policyholders' liabilities at end of the year	*9*	(623,267)	(1,058,145)	(164,374)	(100,054)	(21,397)	(106,788)	(25,600)	**(2,099,625)**	(1,649,619)
Movement in policyholders' liabilities		(126,214)	(266,574)	63,342	(77,723)	(5,361)	(27,705)	(9,771)	**(450,006)**	(247,826)
Surplus / (deficit)		34,269	(47,025)	81,345	328	6,787	30,295	(1,385)	**104,614**	167,682
Movement in policyholders' liabilities		126,214	266,574	(63,342)	77,723	5,361	27,705	9,771	**450,006**	247,826
Transfers (to) or from Shareholders' Fund										
- Capital returned to Shareholders' Funds		-	-	(143,810)	-	-	-	-	**(143,810)**	-
- Capital contributions from Shareholders' Fund		-	-	-	5,000	-	-	-	**5,000**	-
- Surplus appropriated to Shareholders' Fund		-	-	(20,200)	-	(9,000)	(30,000)	-	**(59,200)**	(49,000)
		-	-	(164,010)	5,000	(9,000)	(30,000)	-	**(198,010)**	(49,000)
Balance of Statutory Fund at beginning of the year		554,223	953,968	322,746	18,242	16,840	79,300	16,213	**1,961,532**	1,595,024
Balance of Statutory Fund at end of the year		**714,706**	**1,173,517**	**176,739**	**101,293**	**19,988**	**107,300**	**24,599**	**2,318,142**	1,961,532
Represented by:										
Capital contributed by Shareholders' Fund	*6*	28,916	223,452	-	5,000	-	-	-	**257,368**	396,178
Policyholders' liabilities		623,267	1,058,145	164,374	100,054	21,397	106,788	25,600	**2,099,625**	1,649,619
Retained earnings attributable to policyholders (Ledger Account A)		49,049	-	-	-	-	-	-	**49,049**	25,576
Retained earnings on par business attributable to shareholders-undistributable (Ledger Account B)		13,474	-	-	-	-	-	-	**13,474**	2,678
Retained earnings on other than participating business (Ledger Account D)		-	(108,080)	12,365	(3,761)	(1,409)	512	(1,001)	**(101,374)**	(112,519)
BALANCE OF STATUTORY FUND		**714,706**	**1,173,517**	**176,739**	**101,293**	**19,988**	**107,300**	**24,599**	**2,318,142**	1,961,532

The annexed notes from 1 to 27 are an integral partof these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
		(Rupees in '000)								
Gross premiums										
Regular premium individual policies*										
First year		190	302,269	-	116,999	36,112	-	-	**455,570**	401,177
Second year renewal		2,585	187,422	-	37,775	-	-	-	**227,782**	126,712
Subsequent year renewal		39,487	202,814	-	-	-	-	-	**242,301**	231,931
Group policies without cash values		-	-	190,213	-	-	224,026	9,590	**423,829**	395,566
Total Gross premiums		42,262	692,505	190,213	154,774	36,112	224,026	9,590	**1,349,482**	1,155,386
Less : Reinsurance premiums ceded										
On individual life first year business		3	4,854	-	2,326	-	-	-	**7,183**	7,795
On individual life second year business		26	8,200	-	-	-	-	-	**8,226**	12,698
On individual life renewal business		392	8,874	-	-	-	-	-	**9,266**	21,320
On individual accident and health first year		-	-	-	-	8,305	-	-	**8,305**	3,563
On individual accident and health second year		-	-	-	-	-	-	-	**-**	7,927
On group policies		-	-	47,823	-	-	726	-	**48,549**	53,587
		421	21,928	47,823	2,326	8,305	726	-	**81,529**	106,890
Net premiums		**41,841**	**670,577**	**142,390**	**152,448**	**27,807**	**223,300**	**9,590**	**1,267,953**	1,048,496

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

The annexed notes from 1 to 27 are an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
		(Rupees in '000)								
Gross claims										
Claims under individual policies (including provision for claims incurred but not reported)										
By Death		9,736	17,324	-	26	1,756	-	-	**28,842**	43,735
By Insured event other than death		-	-	-	-	2,048	-	-	**2,048**	759
By Maturity		16,177	-	-	-	-	-	-	**16,177**	19,819
By Surrender		5,375	66,836	-	-	-	-	-	**72,211**	49,941
Total gross individual policy claims		31,288	84,160	-	26	3,804	-	-	**119,278**	114,254
Claims under group policies										
By Death		-	-	141,367	-	-	(200)	-	**141,167**	108,871
By Insured event other than death		-	-	-	-	-	143,827	-	**143,827**	120,834
By Surrender		-	-	-	-	-	-	2,020	**2,020**	592
Experience refund		-	-	(5,529)	-	-	(4,150)	-	**(9,679)**	17,344
Total gross group claims		-	-	135,838	-	-	139,477	2,020	**277,335**	247,641
Total Gross Claims		31,288	84,160	135,838	26	3,804	139,477	2,020	**396,613**	361,895
Less : Re-insurance recoveries										
On individual life first year business claims		1	1,893	-	-	-	-	-	**1,894**	2,821
On individual life second year business claims		5	3,197	-	-	-	-	-	**3,202**	6,441
On individual life renewal business claims		75	3,459	-	-	-	-	-	**3,534**	12,646
On individual accident and health business claims		-	-	-	-	1,700	-	-	**1,700**	133
On group business claims		-	-	23,153	-	-	60	-	**23,213**	7,626
		81	8,549	23,153	-	1,700	60	-	**33,543**	29,667
Net Claims		**31,207**	**75,611**	**112,685**	**26**	**2,104**	**139,417**	**2,020**	**363,070**	332,228

The annexed notes from 1 to 27 are an integral partof these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
		(Rupees in '000)								
Acquisition Costs										
Remuneration to insurance intermediaries on individual policies:										
Commission on first year premiums		116	185,348	-	55,988	11,228	-	-	**252,680**	235,156
Commission on second year premiums		259	18,742	-	1,929	-	-	-	**20,930**	12,671
Commission on subsequent renewal premiums		357	6,345	-	-	-	-	-	**6,702**	6,635
Other benefits to insurance intermediaries		749	64,244	-	-	497	-	-	**65,490**	22,381
		1,481	274,679	-	57,917	11,725	-	-	**345,802**	276,843
Remuneration to insurance intermediaries on group policies:										
Commission		-	-	29,760	-	-	13,961	-	**43,721**	50,623
Other benefits to insurance intermediaries		-	-	2,164	-	-	16	-	**2,180**	2,835
		-	-	31,924	-	-	13,977	-	**45,901**	53,458
Branch Overheads										
- Salaries, allowances and other benefits		170	11,557	3,089	2,445	910	2,872	152	**21,195**	20,194
- Other operational cost		330	22,503	6,015	4,760	1,772	5,592	295	**41,267**	35,470
		500	34,060	9,104	7,205	2,682	8,464	447	**62,462**	55,664
Other acquisition cost										
Policy stamps		78	1,277	321	789	391	151	-	**3,007**	4,915
		2,059	310,016	41,349	65,911	14,798	22,592	447	**457,172**	390,880
Administration Expenses										
Salaries, allowances & other benefits		762	52,050	13,913	11,010	4,099	12,935	682	**95,451**	77,296
Travelling expenses		15	1,049	280	222	83	261	-	**1,910**	1,534
Auditors' remuneration	16	8	567	151	120	45	141	7	**1,039**	1,039
Actuary's fees		-	-	-	-	-	-	-	**-**	518
Medical fees		11	730	232	1,179	-	11	-	**2,163**	1,539
Legal and professional expenses		-	-	-	-	-	-	-	**-**	668
Advertisements		23	1,560	417	330	123	388	-	**2,841**	3,975
Computer expenses		10	674	180	143	53	167	9	**1,236**	915
Printing and stationery		69	4,674	1,250	989	369	1,162	61	**8,574**	7,479
Depreciation		5,421	9,203	1,430	871	186	929	222	**18,262**	17,648
Rental		177	12,061	3,224	2,552	950	2,997	-	**21,961**	20,423
		6,496	82,568	21,077	17,416	5,908	18,991	981	**153,437**	133,034
Other Management Expenses	17	269	18,439	5,140	4,373	1,632	4,954	-	**34,807**	34,581
Gross Management Expenses		8,824	411,023	67,566	87,700	22,338	46,537	1,428	**645,416**	558,495
Commission from Reinsurers		(24)	(1,637)	(8,888)	(875)	(3,361)	(181)	-	**(14,966)**	(30,056)
Net Management Expenses		8,800	409,386	58,678	86,825	18,977	46,356	1,428	**630,450**	528,439

The annexed notes from 1 to 27 are an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF INVESTMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-Participating)		Investment Linked	Accident & Health		Pension Business Fund	2009	2008
			Individual	Group		Individual	Group			
		(Rupees in '000)								
Income from Non-trading										
Investments - Held to maturity										
Return on Government Securities		64,014	115,565	48,738	-	4,592	13,150	2,242	**248,301**	221,083
Return on Term Finance Certificates		-	-	-	-	-	-	-	-	21
		64,014	115,565	48,738	-	4,592	13,150	2,242	**248,301**	221,104
Less : Amortisation of premium relative to par		2,658	1,607	3,291	-	462	602	-	**8,620**	8,221
		61,356	113,958	45,447	-	4,130	12,548	2,242	**239,681**	212,883
Return on investments										
held as 'Available for sale'		-	-	-	4,593	-	-	-	**4,593**	(4,160)
Dividend Income		-	-	-	4,115	-	-	-	**4,115**	-
Net Investment Income		**61,356**	**113,958**	**45,447**	**8,708**	**4,130**	**12,548**	**2,242**	**248,389**	208,723

The annexed notes from 1 to 27 are an integral part of these financial statements.

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

Notes To The Financial Statements
For The Year Ended 31 December, 2009

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 Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995. The registered office of the Company is situated at Floor 13, Level 16 Dolmen City, Block - 4, Scheme - 5 Clifton, Karachi.

The Company is a subsidiary of American Life Insurance Company (incorporated in the United States of America) that holds 66.46% (2008 : 66.46%) share capital of the Company. The ultimate parent of the Company American International Group (AIG) has announced on a definitive agreement for the sale of American Life Insurance Company (ALICO) to MetLife, Inc. on March 8, 2010.

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

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

2. BASIS OF PRESENTATION

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

2.1 Statement of Compliance

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

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.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except investments held as 'available for sale' in investment linked statutory fund 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, 2008, were the same as those followed in this valuation. Hence there is no impact of any change in valuation basis.

Surrenders

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

Claims provision

a) Reserves have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable. In a small number of cases, claims are payable in instalments 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) 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.

3.3 Changes in accounting policies

Starting January 1, 2009, the Company has changed its accounting policies in the following areas:

- Revised IAS 1 - Presentation of financial statements has introduced the term total comprehensive income. Total comprehensive income may be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company does not have any items of comprehensive income to report for the year ended December 31, 2009 and comparative period.

- The Company has applied IFRS-8 Operating Segments which became effective from January 1, 2009. The application of this IFRS has resulted increased disclosures.

- The Company has adopted "IFRS-4 Insurance Contracts", which became effective for financial periods beginning on or after January 1, 2009. Although the Securities and Exchange Commission of Pakistan (SECP) through its circular no. 22/2009 dated June 30, 2009 had deferred the applicability of certain requirements of IFRS-4 for the purpose of quarterly accounts for 1st, 2nd and 3rd quarter of the year ended 2009, SECP through its circular no. 4/2010, dated January 23, 2010 has directed the insurance companies to make full compliance with the requirements of IFRS-4 in the annual financial statements for the year ended December 31, 2009 in accordance with the guidelines as well as make necessary disclosures required to be made in the financial statements as framed by the SECP. Accordingly, disclosures have been presented in these financial statements.

- The Company has also applied "IFRS 7 Financial Instruments: Disclosures" from January 1, 2009. As a result, disclosures have been made relating to financial instruments.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. The changes in accounting policies only affects presentation of financial statements and there is no impact on earning per share.

4. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than increase in disclosures in certain cases:

- 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.

- 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. The amendment is not relevant to the Company's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after July 1, 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial statements.

- 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.

- The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements. As the Company does not have any share based options therefore amendment is not likely to have an effect on the Company's financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

- Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 1, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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

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

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

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

Group Insurance contracts:

The Company offers group life, group accident & health and pension business to its clients. The Company also underwrites business for consumer banking related schemes. The risk underwritten is mainly death, hospiltalization and disability. The group insurance contracts are issued typically on yearly renewable term basis (YRT).

Individual Insurance contracts

The Company offers Individual Life (Participating), Individual Life (Non-Participating), Individual Accident & Health and Investment Unit Linked Plans which provide the financial protection; protection against the financial consequences of death, desease and disability caused by accidents, sickness or old age and a substancial return at maturity.

5.1.1 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.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

5.1.2 Reinsurance ceded

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

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

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

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes it as impairment loss.

5.1.3 Claims

Claim Expense

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims and any adjustments to claims outstanding from previous years.

Claims are 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.

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

Claim Recoveries

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

Experience Refund of Premium

Experience Refund of Premium payable to Group policyholders is included in outstanding claims.

5.1.4 Policyholders' liabilities

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

5.1.5 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.

5.1.6 Premium deficiency reserve

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

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

5.2 Staff retirement benefits

5.2.1 Defined benefit plan

The Company operates an approved defined benefit gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on In-house actuarial recommendations. The most recent In-house actuarial valuation was carried out for the year ended December 31, 2009 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.

5.2.2 Defined contribution plan

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

During the year, Rs.7.783 million (2008: Rs 4.78 million) has been recognised in the revenue account in respect of defined contribution plan.

5.3 Employees' compensated absences

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

5.4 Taxation

5.4.1 Current

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

5.4.2 Deferred

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

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

5.5 Loans secured against life insurance policies

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

5.6 Investments

5.6.1 Recognition

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

- Held to maturity
- Available for sale

5.6.2 Measurement

5.6.2.1 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.

5.6.2.2 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.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the Company would have been lower by Rs. 0.127 million and net equity would have been lower by Rs. 0.127 million.

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. 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.

5.6.2.3 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.

5.7 Fixed assets

5.7.1 Tangibles

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

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.

5.7.2 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.

5.7.3 Intangibles

Definite 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.

5.8 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is 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.

5.9 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.

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

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

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

5.11 Segment reporting

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

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

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

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

Actuarial valuation of life insurance business is required to be carried out annually 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, 2009.

5.12 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.

5.13 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans secured against other assets, premiums due but unpaid, 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 losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account or revenue account, as appropriate.

5.14 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.

5.15 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

5.16 Dividend declaration and reserve appropriation

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

6. MOVEMENT IN EQUITY

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
	(Rupees in 000')								
Policyholders' liabilities									
Balance at the beginning of the year	497,053	791,571	227,716	22,331	16,036	79,083	15,829	**1,649,619**	1,401,793
Increase/(decrease) during the year	126,214	266,574	(63,342)	77,723	5,361	27,705	9,771	**450,006**	247,826
Balance at the end of the year	**623,267**	**1,058,145**	**164,374**	**100,054**	**21,397**	**106,788**	**25,600**	**2,099,625**	**1,649,619**
Retained earnings on participating business attributable to participating policyholders - Ledger Account A									
Balance at the beginning of the year	25,576	-	-	-	-	-	-	**25,576**	(1,776)
Surplus allocated during the year (note 6.1)	107,959	-	-	-	-	-	-	**107,959**	79,724
Surplus Adjustment - 10% transferred to Ledger Account B	(10,796)	-	-	-	-	-	-	**(10,796)**	(7,972)
Bonus allocated during the year	(73,690)	-	-	-	-	-	-	**(73,690)**	(44,400)
Balance at the end of the year	**49,049**	-	-	-	-	-	-	**49,049**	**25,576**
Retained earnings on participating business attributable to shareholders but not distributable- Ledger Account B									
Balance at the beginning of the year	2,678	-	-	-	-	-	-	**2,678**	4,706
Surplus Adjustment - 10% transferred from Ledger Account A	10,796	-	-	-	-	-	-	**10,796**	7,972
Transfer to Ledger Account C	-	-	-	-	-	-	-	-	(10,000)
Balance at the end of the year	**13,474**	-	-	-	-	-	-	13,474	**2,678**
Retained earnings on participating business distributable to shareholders Ledger Account C									
Balance at the beginning of the year	-	-	-	-	-	-	-	-	-
Transfer from Ledger Account B	-	-	-	-	-	-	-	-	10,000
Surplus appropriated to Shareholders' Fund	-	-	-	-	-	-	-	-	(10,000)
Balance at the end of the year	-	-	-	-	-	-	-	-	-
Retained earnings on other than participating business Ledger Account D									
Balance at the beginning of the year	-	(61,055)	(48,780)	(4,089)	804	217	384	**(112,519)**	(205,877)
Surplus/(deficit) allocated during the year	-	(47,025)	81,345	328	6,787	30,295	(1,385)	**70,345**	132,358
Surplus appropriated to Shareholders' Fund	-	-	(20,200)	-	(9,000)	(30,000)	-	**(59,200)**	(39,000)
Balance at the end of the year	-	**(108,080)**	**12,365**	**(3,761)**	**(1,409)**	**512**	**(1,001)**	**(101,374)**	(112,519)
Capital contributed by Shareholders' Fund									
Balance at the beginning of the year	28,916	223,452	143,810	-	-	-	-	**396,178**	396,178
Capital contributed during the year	-	-	-	5,000	-	-	-	**5,000**	-
Capital withdrawn during the year	-	-	(143,810)	-	-	-	-	**(143,810)**	-
	-	-	(143,810)	5,000	-	-	-	**(138,810)**	-
Balance at the end of the period	**28,916**	**223,452**	-	**5,000**	-	-	-	**257,368**	396,178

CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

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

2009	2008		2009	2008
(Number of shares in '000)			(Rupees in '000)	
50,000	50,000	Ordinary shares of Rs. 10 each fully paid in cash	**500,000**	500,000

American Life Insurance Company (incorporated in the United States of America) held 33,231,840 shares representing 66.46% (2008: 33,231,840 Shares representing 66.46%) of Company's shares as at December 31, 2009.

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

	2009	2008
	(Rupees in 000')	
Accumulated Surplus in the statement of changes in equity ignoring effect of capital transfers at beginning of the year	**275,941**	225,720
Add: Surplus in profit and loss account for the year	**62,492**	50,221
Accumulated Surplus in the statement of changes in equity ignoring effect of capital transfers at end of the year	**338,433**	275,941
Less: Accumulated net capital transfers in statutory funds	**(257,368)**	(396,178)
Total as shown in the Balance Sheet	**81,065**	(120,237)

8.1 In order to achieve compliance with the requirements of the Insurance Ordinance, 2000 relating to i)solvency; ii) return of capital from statutory funds to shareholder's fund, the Company as at 31 December 2009 has retained an amount of Rs. 156 million (2008: Rs. 283.7 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, 2009 are as follows:

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-Participating)		Investment Linked	Accident & Health		Pension Business Fund	2009	2008
		Individual	Group		Individual	Group			
					(Rupees in '000)				
Gross of Reinsurance									
Actuarial liability relating to future events	622,873	1,062,884	143,363	100,644	21,253	82,274	25,600	**2,058,891**	1,598,402
Provision for outstanding reported claims payable over a period exceeding twelve months	-	5,102	2,686	-	3,411	-	-	**11,199**	11,886
Provision for incurred but not reported claims	655	2,463	36,353	-	2,009	24,735	-	**66,215**	83,823
Total	623,528	1,070,449	182,402	100,644	26,673	107,009	25,600	**2,136,305**	1,694,111
Net of Reinsurance									
Actuarial liability relating to future events	622,712	1,054,641	127,546	100,054	19,245	82,053	25,600	**2,031,851**	1,565,156
Provision for outstanding reported claims payable over a period exceeding twelve months	-	1,566	2,686	-	204	-	-	**4,456**	4,748
Provision for incurred but not reported claims	555	1,938	34,142	-	1,948	24,735	-	**63,318**	79,715
Total	623,267	1,058,145	164,374	100,054	21,397	106,788	25,600	**2,099,625**	1,649,619

13.2 The aggregate market value of Pakistan Investment Bonds as at December 31, 2009 was Rs. 2,643.789 million (2008: Rs. 1,376.103 million). Market values is determined based on quotations obtained from brokers.

13.3 Available for sale

13.3.1 The aggregate market value of the units of open end mutual funds in shareholders' fund as at December 31, 2009 was Rs. 1.163 million (2008: Rs. 5.794 million)

13.3.2 The aggregate cost of the above units of open end mutual funds in investment linked fund as at December 31, 2009 was Rs. 91.161 million (2008: Rs. 24.795 million)

13.4 Statutory deposit

10% fifteen years Rakistan 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	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
	(Rupees in '000)								
Advances to employees against expenses									
- Executives	61	103	16	10	2	10	2	204	128
- Others	481	816	127	77	16	82	20	1,619	521
	542	919	143	87	18	92	22	1,823	649
Deposits	1,954	3,318	515	313	68	336	81	6,585	6,329
Receivable from associated undertaking	-	-	-	-	-	-	-	-	3,887
Receivable on account of redemption of DSCs	-	-	-	-	-	-	-	-	472,500
Others	2,982	5,063	787	479	102	5,213	122	14,748	19,787
	5,478	9,300	1,445	879	188	5,641	225	23,156	503,152

15. FIXED ASSETS - TANGIBLE AND INTANGIBLE

		AGGREGATE 2009	AGGREGATE 2008
		Rupees in ('000)	
Capital work in progress		4,663	558
Leasehold improvements, furniture and fixtures, office equipment, computers and vehicles	15.1	58,665	68,694
Intangible assets	15.2	2,504	3,028
		65,832	72,280

15.1 Leasehold improvements, furniture and fixtures, office equipments, computers and vehicles

Classification of Assets	Leasehold Improvements	COMPUTERS IBM AS400	COMPUTERS Personal Computers	COMPUTERS Sub Total	Motor Vehicles	Furniture & Fixtures	Office Equipments	Total
	(Rupees in '000)							
As at January 1, 2008								
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	26,876	4,011	3,103	7,114	11,150	14,138	7,213	66,491
Year ended December 31, 2008								
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	24,546	4,649	3,188	7,837	11,363	13,978	10,970	68,694
As at December 31, 2008								
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	24,546	4,649	3,188	7,837	11,363	13,978	10,970	68,694
Year ended December 31, 2009								
Opening net book value	24,546	4,649	3,188	7,837	11,363	13,978	10,970	68,694
Additions	2,175	-	2,106	2,106	1,831	1,507	352	7,971
Disposals								
- Cost	209	-	-	-	-	1,572	586	2,367
- Accumulated Depreciation	(135)	-	-	-	-	(1,023)	(233)	(1,391)
	74	-	-	-	-	549	353	976
Depreciation	(3,040)	(1,484)	(1,974)	(3,458)	(6,961)	(2,097)	(1,468)	(17,024)
Closing net book value	23,607	3,165	3,320	6,485	6,233	12,839	9,501	58,665
As at December 31, 2009								
Cost	42,152	17,654	14,411	32,065	35,273	28,935	15,929	154,354
Accumulated depreciation	(18,545)	(14,489)	(11,091)	(25,580)	(29,040)	(16,096)	(6,428)	(95,689)
Net book value	23,607	3,165	3,320	6,485	6,233	12,839	9,501	58,665
Annual rate of depreciation %	10 %	20%	33%		33%	10%	10%	

15.2 Intangible assets

	Cost As at January 1, 2009	Cost Additions / (Disposals)	Cost As at December 31, 2009	Amortisation As at January 1, 2009	Amortisation For the year	Amortisation As at December 31, 2009	Written down value as at December 31, 2009	Amortisation rate %
	(Rupees in '000)							
Computer Softwares	1,834	713	2,547	-	843	843	1,704	33
Licences	1,194	-	1,194	-	394	394	800	33
	3,028	**713**	**3,741**	-	**1,237**	**1,237**	**2,504**	
2008	-	3,028	3,028	-	-	-	3,028	33

15.3 Disposal of Fixed Assets

Disposal of fixed assets during the year are as follows:

	Cost	Accumulated Depreciation	Net book value	Sale proceeds	Mode of sale	Particular of buyer
	(Rupees in '000)					
Furniture and fixtures						
Assets below Rs. 50,000 each	1,572	(1,023)	549	220	Negotiation	Miscellaneous
Office equipment						
Assets below Rs. 50,000 each	586	(233)	353	120	Negotiation	Miscellaneous
Leasehold improvements						
Assets below Rs. 50,000 each	209	(135)	74	29	Negotiation	Miscellaneous
2009	**2,367**	**(1,391)**	**976**	**369**		
2008	5,730	(2,810)	2,920	3,776		

16. AUDITOR'S REMUNERATION

	AGGREGATE	
	2009	**2008**
	Rupees in ('000)	
Audit fee	**693**	630
Fee for review of half yearly accounts	**94**	85
Tax advisory services	**150**	230
Out of pocket expenses	**102**	94
	1,039	1,039

17. OTHER MANAGEMENT EXPENSES

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2009	2008
	(Rupees in '000)								
Vehicle and general repair and maintenance	74	5,031	1,350	1,069	398	1,256	-	**9,178**	9,461
Agency development	-	-	-	-	-	-	-	**-**	-
Books and subscription	-	18	5	4	1	4	-	**32**	41
Postage, telegraph and telephone	124	3,294	826	641	380	966	-	**6,231**	6,337
Utilities-electricity, water and gas	46	5,289	1,361	1,069	484	1,378	-	**9,627**	9,055
Entertainment	3	177	47	37	14	46	-	**324**	543
Insurance	1	53	14	11	4	14	-	**97**	367
Social Security	9	606	162	128	48	159	-	**1,112**	889
Furniture and household appliances	8	565	151	120	45	149	-	**1,038**	1,108
Interest on policyholders' funds	-	133	-	-	-	-	-	**133**	100
Consultancy fee	4	261	70	55	21	68	-	**479**	619
Miscellaneous expenses	-	3,012	1,154	1,239	237	914	-	**6,556**	6,061
	269	**18,439**	**5,140**	**4,373**	**1,632**	**4,954**	-	**34,807**	34,581

18 OTHER INCOME - NET

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-Participating)		Investment Linked	Accident & Health		Pension Business Fund	2009	2008
		Individual	Group		Individual	Group			
	(Rupees in '000)								
Return on saving accounts with banks	6	9,621	1,524	3,743	1,291	718	-	**16,903**	5,800
Gain/(Loss) on disposal of fixed assets	(180)	(306)	(48)	(29)	(6)	(31)	(7)	**(607)**	856
Interest on policy loans	4	6,433	-	-	-	-	-	**6,437**	2,496
Provision written back	-	-	-	-	-	-	-	**-**	2,013
Others	201	1,525	53	32	7	7,238	9	**9,065**	7,791
	31	17,273	1,529	3,746	1,292	7,925	2	**31,798**	18,956

19. TAXATION

	Aggregate	
	2009	**2008**
	Rupees in ('000)	
Tax expense for the year	**33,649**	27,838

19.1 Relationship between tax expense and accounting profit

Profit before tax	**96,141**	78,059
Tax at the applicable rate of 35% (2008: 35%)	**33,649**	27,321
Tax effect of expenses that are not allowable in determining taxable income	**-**	517
Tax expense for the year	**33,649**	27,838

19.2 Assessment upto assessment year 2002-2003 has been finalised. The income tax returns of the Company filed for Tax year 2003 to 2009 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	**62,492**	50,221
	(Number of shares)	
Weighted average number of shares	**50,000,000**	50,000,000
	(Rupees)	
Earning per share - basic and diluted	**1.25**	1.00

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)		Investment Linked	Accident & Health		Pension Business Fund	2009	2008
			Individual	Group		Individual	Group			
	(Rupees in '000)									
Cash and others	-	248	421	65	40	9	42	10	**835**	1,368
Current and other accounts	23,855	27,056	21,483	6,350	10,589	761	577	20	**90,691**	48,388
	23,855	27,304	21,904	6,415	10,629	770	619	30	**91,526**	49,756

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2009			2008		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	(Rupees in '000)					
Managerial remuneration	**12,073**	**49,058**	**61,131**	9,775	38,800	48,575
Bonus	**5,394**	**2,546**	**7,940**	856	3,598	4,454
Retirement benefits	**2,226**	**7,889**	**10,115**	1,915	4,860	6,775
Utilities	**124**	**481**	**605**	86	296	382
Telephone	**5**	**-**	**5**	47	159	206
Other benefits	**126**	**648**	**774**	94	543	637
	19,948	**60,622**	**80,570**	12,773	48,256	61,029
	(Number)					
Number of persons, including those who worked part of the year	**1**	**34**	**35**	1	32	33

Payment to non-executive director for consultancy services amounted to Rs. 30,000 (2008: Rs. 5,000)

In addition to the above remuneration, the Chief Executive, Agency Director and three executives have been provided with Company maintained cars. Chief Executive and Agency Director is also provided with free furnished accomodation and two executives have been provided with accomodation. Seventeen 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 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

23.1 Insurance risk

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

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

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

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

Categories of insurance contracts

Insurance contracts issued by the Company are divided into

a) Short term insurance contracts

b) Long term insurance contracts

23.1.1 Short term Insruance contracts

(a) Frequency and severity of claims

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

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

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

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

(c) Process used to decide on assumptions

The assumptions used for the insurance contracts are as follows:

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

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

(d) Changes in assumptions

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

23.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

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

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

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

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

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

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

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

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

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last three years is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is no based on standard industry tables adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigation bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(c) Process used to decide on assumptions

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

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

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

The assumptions used for the insurance contracts are as follows:

Mortality

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

Morbidity

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

Persistency

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

Investment returns

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

Renewal expense level and inflation

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

Tax

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

(d) Change in assumptions

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

(e) Sensitivity analysis

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

23.1.3 Concentration of insurance risk

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

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
	(Rupees in million)					
Life (participating)	**11,450**	11,912	**4,699**	4,306	**6,751**	7,606
Life (non - participating) - Individuals	**19,439**	18,632	**7,978**	6,735	**11,462**	11,897
Life (non - participating) - Group	**79,396**	75,778	**16,989**	14,469	**62,407**	61,309
Investment linked	**1,947**	1,191	**1,160**	736	**787**	455
Accident & Health - Individual	**16,378**	10,634	**5,580**	3,116	**10,798**	7,518
	128,610	118,147	**36,406**	29,362	**92,204**	88,785

23.1.4 Claims development table

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2009 therefore claim development table is not required to be presented. However, aging of outstanding claims is presented below:

	2009	2008
	(Rupees in '000)	
Upto 1 year	**144,111**	139,029
1-2 years	**30,436**	33,231
2-3 years	**12,530**	11,008
Over 3 years	**28,271**	24,269
Total	**215,348**	207,537

23.1.5 Assets - Liability match

	Fixed and guaranted Insurnace and investment contracts	Contracts with DPF		Contracts with DPF			Corporate	
		Insurance contracts	Investment contracts	Insurance contracts	Investment contracts	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities
	(Rupees)							
Debt securities								
Held to maturity - unlisted securities	1,753,362	634,571	–	–	–	–	372,037	–
Equity securities								
Available for sale - unlisted securities	–	–	–	–	94,831	–	1,268	–
Loans and receivables:								
– Insurance receivables	41,838	24,644	–	–	–	–	–	–
– Other at amortised cost	–	–	–	–	–	–	1,824	–
Reinsurance assets	12,021	5,940	–	–	–	–	–	–
Cash and cash equivalents	29,737	42,304	–	–	10,629	–	23,855	–
Other assets	43,999	50,366	–	–	1,969	–	207,461	–
Total Assets	**1,880,957**	**757,825**	–	–	**107,429**	–	**606,445**	–

23.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

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

23.2.1 Credit risk

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

23.2.1.1 Exposure to credit risk

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

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

	2009	2008
	(Rupees in '000)	
Cash and bank deposits	**106,526**	164,756
Loans secured against life insurance policies	**66,482**	51,335
Loans secured against other assets:		
To employees	**205**	364
To agents	**1,619**	1,924
Investments	**2,856,069**	1,801,339
Premiums due but unpaid	**79,062**	70,535
Amounts due from other insurers / reinsurers	**17,961**	14,334
Amounts due from agents	**5,664**	13,006
Prepayments	**21,872**	20,899
Sundry receivables	**23,156**	503,152
Accrued interest	**73,899**	35,574
	3,252,515	2,677,218

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

	Rating		Rating Agency
	Short Term	Long Term	
HSBC Bank Middle East Limited	P-1	Aa2	MOODY'S
NIB Bank Limited	A1+	AA-	PACRA
Citibank, N.A.	P-1	A1	MOODY'S
Bank Al Habib Limited	A1+	AA+	PACRA
Standard Chartered Bank Limited	A1+	AAA	PACRA
Habib Bank Limited	A1+	AA+	JCR-VIS
National Bank Limited	A1+	AAA	JCR-VIS
MCB Bank Limited	A1+	AA+	PACRA
Barclays Bank	P-1	Aa3	MOODY'S
Deutshe Bank	P-1	Aa1	MOODY'S

Premium due but unpaid

Concentration of credit risk

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

	December 31, 2009		December 31, 2008	
	Value	%	Value	%
	(Rupees in '000)			
Banks	**4,442**	**5.6%**	3,394	4.8%
Tobacco	–	**0.0%**	8	0.0%
Textiles	**3,253**	**4.1%**	1,959	2.8%
Food and allied industries	**8,747**	**11.1%**	7,790	11.0%
Chemical and pharmaceuticals	**1,197**	**1.5%**	706	1.0%
Technology & Communication	**6,480**	**8.2%**	3,616	5.1%
Miscellaneous	**24,504**	**31.0%**	15,243	21.6%
Individuals	**30,439**	**38.5%**	37,819	53.6%
	79,062	**100%**	70,535	100%

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

Amount due from other insurers / reinsurers

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

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

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

23.2.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2009		2008	
	Carrying Amount	Contractual cash flows upto one year	Carrying Amount	Contractual cash flows upto one year
	(Rupees)			
Non-Derivative Financial liabilities				
Outstanding claims	**215,348**	**215,348**	207,537	207,537
Amount due to other insurers / reinsurers	**60,251**	**60,251**	64,734	64,734
Amount due to agents	**21,016**	**21,016**	17,882	17,882
Accrued expenses	**53,856**	**53,856**	26,270	26,270
Taxation provisions less payments	**5,307**	**5,307**	5,309	5,309
Other creditors and accruals	**29,224**	**29,224**	27,062	27,062
Dividend payable	**16,603**	**16,603**	16,603	16,603
	401,605	**401,605**	365,397	365,397

23.2.3 Market risk

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

23.2.3.1 Interest rate risk

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

	2009	2008	2009	2008
	Effective interest rate (in %)		(Rupees in '000)	
Fixed rate instruments				
– Government securities	**(4.86% to 14.86%)**	(4.47% to 18%)	**2,759,970**	1,775,191
Variable rate instruments				
– PLS savings accounts & Deposit	**5% to 16%**	5% to 16%	**89,417**	206,439

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its deposits with banks. In case 100 basis points (bp) increase / decrease in interest rates at year end, assuming that all other variables in particular foreign currency rates remain constant, the net income and equity would have higher / lower by Rs. 0.894 million (2008: 2.064)

23.3 Fair value of financial instruments

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

24. CAPITAL MANAGEMENT

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

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

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

25. TRANSACTIONS WITH RELATED PARTIES

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

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

	2009	2008
	(Rupees in '000)	
Balances outstanding		
Payable to reinsurers	**1,214**	2,491
Loans to key management employees	**361**	467
Other related party receivable balances	–	4,050
Other related party payable balances	–	77
Transactions during the year		
Reinsurance premium (expense)	**1,127**	2,108
General insurance premium (expense)	–	1,409
Group insurance claim (expense)	–	7,652
Group insurance premium charged	–	8,870
Charges for administrative services provided	–	186
Reimbursement of expense received	–	2,938
Remuneration paid to key management personnel	**56,414**	36,262
Contribution made to provident fund	**7,783**	4,786

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

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

26. GENERAL

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

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 30, 2010 by the Board of Directors of the Company.

CHAIRMAN & CHIEF EXECUTIVE   DIRECTOR   DIRECTOR

Statement of Directors

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

Section 46 (6)

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

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

c) As at December 31, 2009, 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, 2009 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, 2009.

Date : March 30, 2010

Shoaib Soofi FSA, FPSA
Appointed Actuary

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteen Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Ball Room "A", Pearl Continental Hotel, Club Road, Karachi on Friday, April 30, 2010 at 12.00 noon to transact the following business:-

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the Company held on April 29, 2009.

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, 2009.

3. To appoint auditors for the year ended December 31, 2010 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 approve the remuneration of the Chief Executive Officer.

5. 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.

By order of the Board
Asim Iftikhar
Company Secretary

April 1, 2010
Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 24, 2010 to April 30, 2010 (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 15th Annual General Meeting of the Company to be held on April 30, 2010.

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. 20 million based on actuals for the year ended December 31, 2009, and the remuneration amounting Rs. 23.5 million as estimated for the year ending December 31, 2010, together with other benefits in accordance with the rules of the Company."

2. Approval of Shareholders will be sought for the fee paid to non-executive Director, Mr. Ehsan Ahmed Nomani on account of legal and technical advisory services amounting Rs. 30,000.

PROXY FORM
Fifteenth 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 Fifteenth Annual General Meeting of the Company to be held on Friday, April 30, 2010 at 12.00 noon at Ball Room A, Pearl Continental Hotel, Club Road, Karachi and at any adjournment thereof.

Signed this ____________ day of ____________ 2010

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 sush corporation whether a member of the company or not.