

## **American Life Insurance Company (Pakistan) Limited Annual Report 2001**

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### **CORPORATE INFORMATION**

#### **BOARD OF DIRECTORS**

Arif Sultan Mufti	Chairman & Chief Executive Officer	Chartered Accountant
Abbas Khalaf	Director	Business Executive
Bruce Emmitt Dozier	Director	Attorney
Ehsan Ahmad Nomani	Director	Advocate
Khalid Anis-ur-Rehman	Director	Advocate
Khurshid Malik	Director	Business Executive
Robinson K Nottingham	Director	Business Executive
Saiyid Saeed Akhtar	Director	Actuary
Simon Rattray	Director	Insurance Executive

#### **COMPANY SECRETARY**

Muhammad Tariq Chartered Accountant

#### **BANKERS**

Muslim Commercial Bank Limited  
Standard Chartered Grindlays Bank Limited  
Hong Kong Shanghai Banking Corporation  
Habib Bank Limited

#### **LEGAL ADVISORS**

SurrIDGE and Beecheno

#### **AUDITORS**

A.F. Ferguson & Co - Chartered Accountants

#### **SHARES REGISTRARS**

THK Associates (Private) Limited  
Ground Floor, Shaikh Sultan Trust Building No 2,  
Beaumont Road, Karachi.  
Phone: 5686658, 5689021  
Fax: +92-21-5685095

#### **REGISTERED OFFICE**

Lakson Square Building No 1,  
11th Floor, Sarwar Shaheed Road  
Karachi  
Phone: 111-111-711  
Fax:+92-21-5688042

#### **BRANCH NETWORK**

Karachi Lahore Faisalabad Multan

Hyderabad      Quetta      Sargodah      Jhang

**FINANCIAL HIGHLIGHTS**

	<i>Rupees in thousands</i>		
	<i>DEC 31,</i> <i>2001</i>	<i>DEC 31,</i> <i>2000</i>	<i>DEC 31,</i> <i>1999</i>
<b>BALANCE SHEET</b>			
Authorised Capital	500,000	500,000	500,000
Issued, Subscribed and Paid up Capital	325,000	325,000	325,000
Shareholders' Equity	382,580	349,430	308,867
Total Assets	449,235	384,068	357,489
Investments	249,097	236,701	220,662
Cash and Bank Balances	43,504	35,225	37,170
Proposed Dividend	16,250	--	--
<b>REVENUE ACCOUNT</b>			
Net Premium Income	149,470	101,945	89,400
Interest and Other Income	50,870	42,310	36,499
Net Claims	22,983	18,899	12,923
Net Commissions & Acquisition Cost	36,970	18,103	23,823
Expenses of Management (including taxes)	80,441	63,522	64,294
Net Profit for the Year	49,400	40,563	22,412
<b>FINANCIAL INDICATORS</b>			
Market Price Per Share (March 5, 2002)	23.70	14.50	15.00
Growth in Premiums (Amount)	47,525	12,545	25,147
Growth in Premiums (%age)	47%	14%	39%
Increase in Net Claims	4,084	5,976	5,300
Claims Ratio	15%	19%	14%
Increase in Acquisition Cost	18,867	(5,720)	3,296
Acquisition Cost Ratio	25%	18%	27%
Increase in Management Expenses	16,919	(772)	(2,549)
Management Expense Ratio (over total revenue)	40%	44%	51%

**REPORT OF THE DIRECTORS**

Your Directors take pleasure in presenting to you the Seventh Annual Report of the Company along with the audited financial statements for the year ended December 31, 2001.

**ECONOMY**

The year 2001 was marked by major global events changing the political and economic shape of the world. Pakistan's economy has been suffering from poor growth rate, low per capita income and double digit inflation for some years. The changing economic scenario has put extra pressure on economic growth and has brought new challenges for the business sector. Your Company was not only, able to sustain the economic downturn but was able to attain targeted growth while responding to new challenges.

ALICO Pakistan and its ultimate holding Company, American International Group (AIG) have come out even stronger after the crisis that shook the world. This is evidenced by an increase in the market value of the shares of both entities.

The Country's economic indicators are now showing some signs of progress after the reduction of hostilities. The present Government's timely decision to participate in the global alliance against terrorism has started yielding its economic benefits. The upward trend in the stock exchange is evidence of a positive future outlook. Your Company is ready to meet all new challenges and is looking forward to cater a broader market.

**REVIEW OF OPERATIONS**

Your Company has marked its **SEVENTH** year of operation and the results for the year 2001 are indicative of our focus on gradual and sustained growth. Net premium income has reached a level of Rs. 149 million, a growth of 47% over the previous year.

As explained by the following diagram, a large portion of premiums came from individual policyholders, which provides a strong base for future growth since individual life business has a high persistency.

The Company's focus on building agencies and developing a team of dedicated career agents has brought positive results with our full time workforce strength growing to 831 at year end, which reflects a growth of 257% over last year.

The market sentiment remains positive and continues to welcome our various unique products reflecting the increasing popularity of the Company's products across a wide range of income groups.

#### **ORDINARY LIFE**

The ordinary life First Year premiums have shown a remarkable growth of 73%, which is attributable to the hard work put in by our direct sales units through their qualified and well trained agents.

Ordinary life total premium income during 2001 amounted to Rs. 102 million recording a growth of 42% over 2000.

The first year renewal persistency stood at 85% which is considered excellent in the current socio-economic scenario.

The above facts reflect the advantage enjoyed by ALICO in the market, which is due to nature of the products being offered and the financial stability of the Company and its Sponsor Group (i.e. AIG).

Ordinary Life premium includes those of Ordinary Life and Accident & Health Riders.

The year 2001 started with ALICO Pakistan adopting a three-tiered agency development strategy. The entire market has been segmented. Field force and products are being developed within the three tiered agency distribution to capture the respective markets. All team members are assigned specific job targets with focus and accountability along with intense micro management, performance management and relentless follow-up.

Despite the slow economic growth your Company continued to progress steadily with new branches opening in up-country and expansion of existing branches, under new marketing strategy thus inviting higher production and stronger growth.

#### **GROUP**

Group premiums amounted to Rs.47.2 million showing a tremendous growth of 60% for the year under review compared to Rs.29.4 million in the previous year.

Group Life has witnessed a significant increase in proposal activity, and activity per Group Sales Representative rose by 60%. As a result of closer control and effective management of the PPO network, loss ratios on medical benefits remained under control. Credit Life that was introduced last year has contributed positively to the group life sales.

#### **CLAIMS**

ALICO Pakistan takes pride in the processes it has established for risk selection, quality underwriting, better service to policyholders and prompt payment of claims.

To cover claims beyond our local retention limits ALICO Pakistan has re-insurance treaties with Hannover Re, which is part of a group consisting of 100 subsidiaries and representative offices in 20 countries. The American rating agencies Standard & Poor's and A.M. Best have awarded Hannover Re, the fifth largest re-insurer in the world, their second best ratings AA (very strong) and A+ (superior) respectively.

#### **INVESTMENTS**

Total Investment Income amounted to Rs.49.2 million compared to investment income of Rs.41.1 million in the previous year. The increase in investment income, despite drop in yield triggered by reduced discount rates by State Bank of Pakistan, is the result of careful use of additional funds and a good selection of investments in high yielding Government Securities and quality Corporate Bonds.

#### **OPERATING RESULTS**

Net income amounted to Rs.49.4 million compared to Rs.40.5 million recorded in the previous year.

Life Assurance is a long term business that provides a service to its clients over their life time. The Company is still growing and a negative life fund is expected in the growth phase of a new life insurance company. As we build our portfolio and continue to grow, the life insurance fund will soon become positive.

#### **DIVIDEND**

The Directors recommend a cash dividend of 5% for the year.

## **AGENCY DEVELOPMENT**

The main objective and prime focus have been dedicated to agency buildup at full speed.

The Direct Sales Training School which was introduced in 1998 continued during the year with the help of ALICO's regional personnel to provide intensive training of agency recruits, to better prepare them to cope with ongoing marketing challenges and to accelerate their start into life insurance sales. This initiative proved to be a valuable aid in launching products, development of agents and equipping them with the necessary selling skills. Graduates of this program are now the mainstay of the agency force.

During the year 2001 ALICO Pakistan aggressively pursued Direct Marketing initiatives and the marketing of Bancassurance Products.

## **OUTLOOK FOR THE FUTURE**

The management will continue its policy of focusing on quality underwriting and direct sales through qualified trained agents. With the addition of new products in both the individual and group life business, the Company is providing a more attractive selection of benefits for a wider variety of clients. Most recently introduced were the **CIRCLES OF PROTECTION** policies. These policies offer Worldwide Protection in the event of accidental loss of life, major disability coverage and 24 hour protection on or off the job, along with claims processing facility in 130 countries. We expect to add a further range of products in 2002 allowing us to better serve the needs of the market.

ALICO Pakistan looks ahead to a year of Agency Building and High Productivity in 2002, a year of engaging challenge!

## **HUMAN RESOURCES AND TRAINING**

The Company continued to recruit staff on merit and provide training for desired skills.

The management continues to provide training at local as well as regional level in all spheres of business activities, including technical and operational support.

The Company provides full financial assistance and encourages employees to appear in insurance diploma exams of Life Office Management Association. So far we have FOUR employees who have attained the FLMI designation and more are to follow in the year 2002.

## **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, 2001 is included with the report. American Life Insurance Company holds 51% while local shareholders hold 49% of the Company's total shareholding.

## **SUBSEQUENT EVENTS**

There have been no material changes since December 31, 2001 and the company has not entered into any commitment which could affect the financial position of the company between the end of the financial year and the date of this report.

## **AUDITORS**

Our present auditors M/s. A.F. Ferguson & Co., Chartered Accountants have offered themselves for appointment as auditors for the next year. The Board has considered their offer and recommended to appoint them auditors for the year 2002.

## **GRATITUDE**

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

The Board of Directors would like to express their sincere thanks and wish to record their appreciation for the remarkable contribution made by the Company's officers, field force, sales consultants and staff towards the Company's present achievements during this difficult year.

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

**On behalf of the Board of Directors.**

March 5, 2002

**ARIF S. MUFTI**  
**Chairman & CEO**

**PATTERN OF SHAREHOLDING**  
**AS OF DECEMBER 31, 2001**

<i>No. of Share Holders</i>	<i>Having Shares</i>		<i>Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
93	1	100	7,800	0.024%
317	101	500	144,350	0.444%
31	501	1000	27,850	0.086%
67	1001	5000	128,400	0.395%
6	5001	10000	50,750	0.156%
4	10001	15000	52,100	0.160%
4	15001	20000	76,250	0.235%
16	20001	25000	391,600	1.205%
1	25001	30000	27,850	0.086%
2	45001	50000	96,500	0.297%
1	55001	60000	58,750	0.181%
1	65001	70000	67,500	0.208%
1	85001	90000	86,100	0.265%
1	180001	185000	184,000	0.566%
1	1210001	1215000	1,213,000	3.732%
1	2095001	2100000	2,100,000	6.462%
1	2310001	2315000	2,314,000	7.120%
1	2495001	2500000	2,500,000	7.692%
1	3120001	3125000	3,125,000	9.615%
1	3280001	3285000	3,281,950	10.098%
1	16565001	16570000	16,566,250	50.973%
-----			-----	-----
552			32,500,000	100.000%
=====			=====	=====

**CATEGORIES OF SHAREHOLDERS**  
**AS OF DECEMBER 31, 2001**

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
INDIVIDUAL	543	11,234,600	34.568%
INSURANCE COMPANIES	1	1,000	0.003%
JOINT STOCK COMPANIES	3	1,398,500	4.303%
FINANCIAL INSTITUTIONS	4	3,299,650	10.153%
FOREIGN COMPANIES	1	16,566,250	50.973%
-----			-----
COMPANY TOTAL	552	32,500,000	100.000%
=====			=====

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of American Life Insurance Company (Pakistan) Limited as at December 31, 2001 and the related revenue account, profit and loss account, profit and loss appropriation account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Insurance Ordinance, 2000. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the

accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

(i) the balance sheet, revenue account, profit and loss account, profit and loss appropriation account, statement of changes in equity and cash flow statement together with the notes thereon, have been drawn up in conformity with the provisions of the Insurance Ordinance, 2000, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

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

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

(c) we have verified the cash and bank balances and the securities relating to the Company's loans and investments by actual inspection or by production of certificates, from the loanees, custodians of investment and Company's bankers;

(d) no part of the assets of Life Insurance Fund has been directly or indirectly applied in contravention of the provisions of the Insurance Ordinance, 2000, relating to the applications and investment of Life Insurance Fund;

(e) in our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the Company, the balance sheet, revenue account, profit and loss account, profit and loss appropriation account, statement of changes in equity and cash flow statement, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Insurance Ordinance, 2000, in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2001 and of the profit, changes in equity and its cash flows for the year then ended; and

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

Without qualifying our opinion we draw attention to note 2.3 regarding the policy followed by the Company in respect of actuarial valuation of the Life Insurance Fund and non-recognition of the liability resulting therefrom.

Karachi: March 7, 2002

**A.F. Ferguson & Co.**  
**Chartered Accountants**

## BALANCE SHEET AS AT DECEMBER 31, 2001

	<i>Note</i>	<i>2001 Life</i>	<i>Other</i>	<i>Total</i>	<i>2000 Total</i>
<i>Rupees</i>					
<b>CAPITAL AND LIABILITIES</b>					
<b>SHARE CAPITAL</b>					
Authorised					
50,000,000 ordinary shares of Rs. 10 each		--	500,000,000	500,000,000	500,000,000
Issued, Subscribed & Paid-up					
32,500,000 ordinary shares of Rs. 10 each fully paid up in cash	3	--	325,000,000	325,000,000	325,000,000
Profit and loss account and Profit and loss appropriation account		--	111,284,432	111,284,432	88,345,371
			-----	-----	-----
		--	436,284,432	436,284,432	413,345,371
<b>BALANCE OF LIFE INSURANCE</b>	2.3	(53,704,675)	--	(53,704,675)	(63,915,455)
		-----	-----	-----	-----

	(53,704,675)	436,284,432	382,579,757	349,429,916
<b>DEFERRED LIABILITY</b>				
Staff Gratuity	3,981,378	--	3,981,378	3,077,844
<b>LOANS FROM OTHER CLASS OF BUSINESS</b>				
<b>AS PER CONTRA</b>	139,539,296	--	139,539,296	125,250,848
<b>ESTIMATED LIABILITY IN RESPECT OF OUTSTANDING</b>				
<b>CLAIMS, WHETHER DUE OR INTIMATED</b>	19,300,117	--	19,300,117	9,582,754
<b>AMOUNT DUE TO OTHER PERSONS OR BODIES</b>				
<b>CARRYING ON INSURANCE BUSIN ESS</b>	2,437,010	--	2,437,010	3,610,503
<b>SUNDRY CREDITORS</b> (including outstanding and accruing expenses)	4 13,346,443	--	13,346,443	11,236,353
<b>PREMIUM AND OTHER DEPOSITS</b>	9,360,232	--	9,360,232	6,053,706
<b>AGENTS' BALANCES</b>	1,980,121	--	1,980,121	1,077,356
<b>PROPOSED DIVIDEND</b>	--	16,250,000	16,250,000	--
	-----	-----	-----	-----
	136,239,922	452,534,432	588,774,354	509,319,280
	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

We Certify that

a) The investments shown in the Balance Sheet are at cost or market value whichever is lower and the market value of investments are ascertained from published market report and quotations of December 31, 2001.

b) The value of all the assets in Pakistan have been reviewed as at December 31, 2001 and in our belief the assets set forth in the Balance Sheet are shown in the aggregate amounts not exceeding their realizable market value under the several headings given therein.

No part of the assets of the Life Insurance Fund has been directly or indirectly applied in contravention of the provisions of the Insurance Ordinance, 2000, relating to the application and investment of Life Insurance Fund.

<i>Note</i>	<i>Life</i>	<i>2001 Other</i>	<i>Total</i>	<i>2000 Total</i>
<i>Rupees</i>				
<b>ASSETS</b>				
<b>LOANS TO LIFE BUSNISS AS PER CONTRA</b>	--	139,539,296	139,539,296	125,250,848
<b>OTHER LOANS</b>				
On Insurer's Policies within their surrender value	3,771,285	--	3,771,285	1,447,890
Others - considered good	5,591,140	--	5,591,140	4,806,068
<b>INVESTMENTS</b>				
<b>Government Securities</b>				
Deposited with State Bank of Pakistan				
Ten Years Defence Saving Certific - Maturity date 2	32,500,000	500,000	33,000,000	33,000,000
Ten Years Defence Saving Certific - Maturity date 2	--	90,000,000	90,000,000	90,000,000
Ten Years Federal Investment Bon - Maturity date 2	--	24,400,000	24,400,000	244,000,013
Five Years Monthly Income Certifi - Maturity date 2	--	27,000,000	27,000,000	27,000,000
Three Years Special Saving Certific - Maturity date 2	--	35,000,000	350,000,013	35,000,000
Five Years WAPDA Bonds - Maturity date 2	--	19,999,961	19,999,961	200,000,012
Three Years Pakistan Investment B - Maturity date 2	--	5,020,000	5,020,000	--
Ten Years Pakistan Investment Bo - Maturity date 2	--	4,752,225	4,752,225	--
<b>Term Finance Certificates</b>				
Dewan Salman Fibre Limited - Maturity date 2	--	3,071,866	3,071,866	3,132,946
Gatron (Industries) Limited - Maturity date 2	--	1,902,599	1,902,599	2,567,117
Saudi Pak Leasing Company Limite - Maturity date 2	--	951,168	951,168	1,601,392
Sui Southern Gas Company Limited- Maturity date 2	--	3,999,200	3,999,200	--
	-----	-----	-----	-----
	32,500,000	21,659,701	249,097,019	236,701,455

<b>DEFERRED EXPENSES</b>	5	--	1,483,334	1,483,334	2,224,997
<b>LEASEHOLD IMPROVEMENTS, FURNITURE AND FIXTURES, OFFICE EQUIPMENTS, COMPUT</b>	6	24,818,523	--	24,818,523	22,062,302
<b>CAPITAL WORK-IN-PROGRESS</b>		246,625	--	246,625	710,750
<b>AGENTS' BALANCES</b>		449,043	--	449,043	388,516
<b>OUTSTANDING NET PREMIUMS</b>	7	11,937,236	--	11,937,236	8,407,616
<b>INTEREST, DIVIDENDS AND RENT ACCRUED BUT NOT DUE</b>	8	32,398,828	51,410,298	83,809,126	55,002,185
<b>SUNDRY DEBTORS, ADVANCES, DEPOSITS AND PREPAYMENTS</b>	9	24,527,242	--	24,527,242	17,092,053
<b>CASH</b>					
At banks on deposit account - net		--	404,891,451	40,489,145	34,102,923
At banks on current account		--	1,970,993	1,970,993	275,060
Cash and stamps in hand		--	1,044,347	1,044,347	846,617
			-----	-----	-----
		--	43,504,485	43,504,485	35,224,600
			-----	-----	-----
		136,239,922	452,534,432	588,774,354	509,319,280
		=====	=====	=====	=====

**ARIF SULTAN MUFTI**  
**CHAIRMAN AND**  
**CHIEF EXECUTIVE**

**SAIYID SAEED AKHTAR**  
**DIRECTOR**

**E.A. NOMANI**  
**DIRECTOR**

#### **REVENUE ACCOUNT FOR LIFE BUSINESS ONLY FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	
<b>CLAIMS UNDER POLICIES</b> (including provision for claims due or intimated) Less reinsurances			
By death and other contingencies		22,982,534	18,898,662
By maturity		1,248,800	1,440,500
<b>SURRENDERS LESS REINSURANCES</b>		2,612,842	1,157,040
<b>BONUSES IN REDUCTION OF PREMIUMS, LESS REINSURANCES</b>		5,713,663	368,558
<b>EXPENSES OF MANAGEMENT</b>			
1. (a) Commission to insurance agents (Less that on Reinsurance)		19,004,156	10,624,945
2. Salaries etc. (other than to agents and those contained in item No. 1)		22,969,172	20,328,491
3. Travelling expenses		578,346	451,403
4. Auditors' remuneration	10	250,000	250,000
5. Medical fees		762,320	372,521
6. Law charges		200,338	126,214
7. Advertisements		1,115,816	957,365
8. Printing, Stationery and EDP supplies		2,743,638	2,191,171
9. Other expenses of management			
Bonus		1,427,493	1,188,003
Gratuity		1,678,057	1,381,806
Policy stamps		1,781,922	861,478
Employees benefits		3,343,674	3,578,782
Books and subscriptions		319,928	125,827
Postage, telegram and telephone		7,145,668	4,765,564
Electricity and gas		4,654,067	3,160,803
Entertainment		1,186,695	753,618
Vehicle maintenance		2,619,300	1,284,328
Repairs and maintenance		2,328,937	1,320,176
Consultancy fees		1,814,747	1,695,326
Insurance		164,745	173,338



Miscellaneous expenses		746,294	1,019,148
Social security		117,729	116,093
Provident fund (Co's contribution)		1,557,975	1,323,209
Computer repairs and maintenance		712,290	505,573
		-----	-----
		31,599,521	23,253,072
10. Rents of other offices occupied by the insurer		11,553,885	8,555,725
11. Agency development		17,965,598	7,478,212
12. Furniture and household appliances		649,744	175,867
13. Other expenditures (including bank charges)		1,248,577	385,949
14. Depreciation expense	6	5,271,786	5,185,468
15. Interest on policyholders' funds		499,034	540,027
16. Provision for turnover tax		1,000,000	748,532
<b>CHANGE IN LOADING ON OUTSTANDING PRE BALANCE OF FUND AT THE END OF THE YEAR AS SHOWN IN THE BALANCE SHEET</b>	11	229,129	(539,717)
		(53,704,675)	(63,915,455)
		-----	-----
		96,494,224	39,034,550
		=====	=====

We certify that to the best of our knowledge and belief and according to the information and explanation given to us, and so far as appears, from our examination of the Company's books of account, all expenses of management wherever incurred, whether directly or indirectly in respect of life insurance business transacted by the Company in Pakistan, have been fully debited in the above Revenue Account as expenses.

We further certify that to the best of our knowledge and belief, the Company has not paid to any person any commission in any form, outside Pakistan, in respect of life insurance business transacted by it in Pakistan, and that the Company has not received, outside Pakistan, from any person any commission in any form in respect of life insurance business.

Karachi: March 7, 2002

**A.F. Ferguson & Co.**  
**Chartered Accountants**

<b>BALANCE OF FUND AT THE BEGINNING OF THE YEAR</b>		(63,915,455)	(69,855,602)
<b>PREMIUMS, LESS REINSURANCES</b>	12		
(i) First year premium, where the maximum Premiums paying period is:			
Ten years		--	--
Eleven years		--	--
Twelve years or over (including throughout lift)		39,830,253	23,086,272
(ii) Renewal Premiums		61,711,703	49,448,096
(iii) Single Premium		716,984	--
(iv) Group Premium		47,211,555	29,410,212
		-----	-----
		149,470,495	101,944,580
<b>INTEREST, DIVIDENDS AND RENT</b>	13	9,298,486	5,734,313
<b>OTHER INCOME - Net</b>	14	1,640,698	1,211,259
		-----	-----
		96,494,224	39,034,550
		=====	=====

The annexed notes form an integral part of these accounts.

It is hereby certified that all expenses of management whether directly or indirectly in respect of life insurance business transacted by the Company in Pakistan have been fully debited in the above Revenue Account.

**ARIF SULTAN MUFTI**  
**CHAIRMAN AND**  
**CHIEF EXECUTIVE**

**SAIYID SAEED AKHTAR**  
**DIRECTOR**

**E.A. NOMANI**  
**DIRECTOR**

**REVENUE ACCOUNT FOR OTHER CLASS OF BUSINESS ONLY**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i>
Deferred expenses amortized		741,663	741,663
Profit transferred to profit and loss account and profit and loss appropriation account		39,189,061	34,623,202
		-----	-----
		39,930,724	35,364,865
		=====	=====
Interest, dividends and rent	13	39,930,724	35,364,865
		-----	-----
		39,930,724	35,364,865
		=====	=====

**PROFIT AND LOSS ACCOUNT AND  
PROFIT AND LOSS APPROPRIATION ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i>
Proposed dividend		16,250,000	--
Balance carried to balance sheet		111,284,432	88,345,371
		-----	-----
		127,534,432	88,345,371
		=====	=====
Profit brought forward from previous year		88,345,371	53,722,169
Profit transferred from revenue account for the year		39,189,061	34,623,202
		-----	-----
		127,534,432	88,345,371
		=====	=====

The annexed notes form an integral part of these accounts.

**ARIF SULTAN MUFTI**  
**CHAIRMAN AND**  
**CHIEF EXECUTIVE**

**SAIYID SAEED AKHTAR**  
**DIRECTOR**

**E.A. NOMANI**  
**DIRECTOR**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<i>Share Capital</i>	<i>Profit and Loss account and Profit and Loss appropriation account</i>	<i>Life Insurance Fund</i>	<i>Total</i>
		<i>Rupees</i>		
<b>Balance as at January 1, 2000</b>	325,000,000	53,722,169	(69,855,602)	308,866,567
Profit for the year	--	34,623,202	--	34,623,202
Excess of income over expenditure	--	--	5,940,147	5,940,147
	-----	-----	-----	-----
<b>Balance as at December 31, 2000</b>	325,000,000	88,345,371	(63,915,455)	349,429,916

Profit for the year	--	39,189,061	--	39,189,061
Proposed dividend	--	(16,250,000)	--	(16,250,000)
Excess of income over expenditure	--	--	10,210,780	10,210,780
<b>Balance as at December 31, 2001</b>	<b>325,000,000</b>	<b>111,284,432</b>	<b>(53,704,675)</b>	<b>382,579,757</b>

The annexed notes form an integral part of these accounts.

**ARIF SULTAN MUFTI**  
**CHAIRMAN AND**  
**CHIEF EXECUTIVE**

**SAIYID SAEED AKHTAR**  
**DIRECTOR**

**E.A. NOMANI**  
**DIRECTOR**

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Movement of fund and account for the year - before taxation</b>	50,399,841	41,311,881
Adjustments for non-cash charges and other items		
Depreciation	5,271,786	5,185,468
Profit on disposal of fixed assets	--	(405,700)
Provision for staff gratuity	1,678,057	1,381,806
Amortization of deferred expenses	741,663	741,663
Investment Income	(49,229,210)	(41,099,178)
	(41,537,704)	(34,195,941)
<b>Movement of fund and account before working capital changes</b>	8,862,137	7,115,940
<b>(Increase)/Decrease in operating assets</b>		
Agents' balances	(60,527)	(153,720)
Outstanding net premiums	(3,529,620)	(620,526)
Sundry debtors, advances, deposits and prepayments	(6,332,276)	6,489,360
Amount due from other persons or bodies carrying on insurance busi	--	7,345,512
	(9,922,423)	13,060,626
<b>Increase/(Decrease) in operating liabilities</b>		
Sundry creditors	2,110,090	(2,772,068)
Premium and other deposits	3,306,526	(565,607)
Estimated liability in respect of outstanding claims whether due or inti	9,717,363	756,375
Agents' balances	902,765	(199,570)
Amount due to other persons or bodies carrying on insurance busines	(1,173,493)	(13,269,939)
	14,863,251	(16,050,809)
Gratuity paid	(774,523)	(62,577)
Income tax deducted at source	(2,102,913)	(2,427,368)
<b>Net cash inflow from operating activities</b>	<b>10,925,529</b>	<b>1,635,812</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments redeemed	1,376,661	3,960,068
Investments made		
Purchase of WAPDA Bonds	--	(20,000,000)
Purchase of Pakistan Investment Bonds	(9,772,225)	--
Purchase of SSGCL Term Finance Certificates	(4,000,000)	--
Investment income received	20,422,269	17,558,881
Proceeds from disposal of fixed assets	207,000	844,000
Purchase of fixed assets	(8,235,007)	(3,709,220)
Capital work-in-progress	464,125	140,923
Loans	(3,108,467)	(2,375,485)
<b>Net cash outflow from investing activities</b>	<b>(2,645,644)</b>	<b>(3,580,833)</b>

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	--	--
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>	8,279,885	(1,945,021)
Cash and cash equivalents at the beginning of the year	35,224,600	37,169,621
Cash and cash equivalents at the end of the year	43,504,485	35,224,600

The annexed notes form an integral part of these accounts.

**ARIF SULTAN MUFTI**  
**CHAIRMAN AND**  
**CHIEF EXECUTIVE**

**SAIYID SAEED AKHTAR**  
**DIRECTOR**

**E.A. NOMANI**  
**DIRECTOR**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2001**

### **1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan on October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the Life Insurance and Accident and Health business.

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

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of preparation**

These accounts have been prepared in accordance with the requirements of the Insurance Ordinance, 2000 and International Accounting Standards applicable in Pakistan. In the absence of a specific format under the Ordinance, these accounts have been prepared in the format prescribed in the Schedules to the repealed Insurance Act, 1938.

#### **2.2 Accounting convention**

These accounts have been prepared under the historical cost convention.

#### **2.3 Life Insurance Fund**

The actuarial valuation of the Life Insurance Fund under the Insurance Ordinance, 2000 is required to be carried out every year. As draft rules, issued subsequent to the year end, regarding the actuarial valuation of the Fund under the Ordinance have not yet been formalized, the Company has maintained its existing policy of valuation and that of non-recognition of policyholders liability in line with the repealed Insurance Act, 1938, as advised by the Appointed Actuary.

Accordingly, the latest actuarial valuation of the Life Insurance Fund carried out by the Appointed Actuary is based on the position as at December 31, 2000, which shows a net liability of Rs. 118,329,995 (1999: Rs. 75,843,802) which has not been recognised in the accounts. Such an actuarial liability of policyholders is to be recognised under the Insurance Ordinance, 2000 once the Statutory Funds have been established, effective from January 1, 2002, and the related specific formats in this regard have been issued.

The Life Insurance Fund being negative due to excess of expenditure over income, has been offset against shareholders funds.

#### **2.4 Staff retirement benefits**

The Company operates an approved contributory provident fund for all its permanent employees. Monthly contributions are made by the Company and the employees @ 10% of basic salary.

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

#### **2.5 Liability for outstanding claims**

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

#### **2.6 Investments**

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

## 2.7 Deferred expenses

These are being amortized over a period of five years.

## 2.8 Leasehold improvements, furniture and fixtures, office equipments, computers and vehicles

These are stated at cost less accumulated depreciation. Depreciation on these assets is charged to revenue account using straight line method.

Depreciation on additions during the year is charged on proportionate basis. No depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

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

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

## 2.9 Taxation

Under the provisions of Fourth Schedule to Income Tax Ordinance, 1979, taxation is based on the surplus or deficit arrived at by actuarial valuation.

## 2.10 Revenue recognition

Premiums are included in income as and when due.

Return on Government Securities and Term Finance Certificates are recognized on accrual basis.

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

## 2.11 Rate of exchange

All monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

## 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

American Life Insurance Company (incorporated in the United States of America) owns 51% of the Company's shares. The remaining 49% of the shares are widely held. The ultimate parent company of the Company is American International Group (incorporated in the United States of America).

## 4. SUNDRY CREDITORS (INCLUDING OUTSTANDING AND ACCRUING EXPENSES)

	2001	2000
	<i>Rupees</i>	
Accrued expenses	9,566,676	7,606,538
Employees' provident fund	--	760,588
Other liabilities	3,779,767	2,869,227
	-----	-----
	13,346,443	11,236,353
	=====	=====

## 5. DEFERRED EXPENSES

Right share issue expenses	3,708,330	3,708,330
Less: Amortized to date	(2,224,996)	(1,483,333)
	-----	-----
	1,483,334	2,224,997
	=====	=====

## 6. LEASEHOLD IMPROVEMENTS, FURNITURE AND FIXTURES, OFFICE EQUIPMENTS, COMPUTERS AND VEHICLES

<i>Cost as at January 1, 2001</i>	<i>Additions/ (Deletions)</i>	<i>Cost as at December 31, 2001</i>	<i>Accumulated depreciation as at January 1, 2001</i>	<i>Depreciation charge for the year/ (Deletions)</i>	<i>Accumulated depreciation as at December 31, 2001</i>	<i>Net book value as at December 31, 2001</i>	<i>Annual rate of depreciation %</i>
---	-----------------------------------	---	---	--	---	---	--

**Rupees**

Leasehold improvements	11,815,518	2,199,369	14,014,887	4,296,836	1,279,856	5,576,692	8,438,195	10
Computers								
IBM AS400	9,861,135	332,550	10,193,685	7,582,603	617,654	8,200,257	1,993,428	20
Personal computers	3,564,718	235,000	3,799,718	2,470,047	634,379	3,104,426	695,292	33.33
	-----	-----	-----	-----	-----	-----	-----	
	13,425,853	567,550	13,993,403	10,052,650	1,252,033	11,304,683	2,688,720	
Motor vehicles	5,540,835	1,276,000 (207,000)	6,609,835	3,398,167	1,075,550	4,473,717	2,136,118	33.33
Furniture and fixtures	11,703,557	3,459,595	15,163,152	4,551,772	1,322,829	5,874,601	9,288,551	10
Office equipment	3,314,463	732,493	4,046,956	1,438,499	341,518	1,780,017	2,266,939	10
	15,018,020	4,192,088	19,210,108	5,990,271	1,664,347	7,654,618	11,555,490	
	-----	-----	-----	-----	-----	-----	-----	
2001	45,800,226	8,235,007 (207,000)	52,828,233	23,737,924	5,271,786	29,009,710	24,818,523	
	=====	=====	=====	=====	=====	=====	=====	
2000	42,949,006	3,709,220 (858,000)	45,800,226	18,972,156	5,185,468 (419,700)	23,737,924	22,062,302	
	=====	=====	=====	=====	=====	=====	=====	

**6.1 Disposal of fixed assets**

Details of certain fixed assets disposed during the year are as follows:

<i>Particulars of assets</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>	<i>Sale proceeds/Claim</i>	<i>Mode of disposal</i>	<i>Name and address of purchaser/Insurance company</i>
		<i>Rupees</i>				
Motor Vehicles						
Three Motorcycles	207,000	--	207,000	207,000	Insurance Claim	New Hampshire Insurance Company
	=====	=====	=====	=====		

**7. OUTSTANDING NET PREMIUMS**

	<i>Gross</i>	<i>2001 Loading</i>	<i>Net</i>	<i>2000 Net</i>
		<i>Rupees</i>		
First Year - Ordinary Life	1,090,477	708,572	381,905	183,448
Renewal - Ordinary Life	6,473,667	357,032	6,116,635	6,396,798
Group Insurance	5,438,696	--	5,438,696	1,827,370
	-----	-----	-----	-----
	13,002,840	1,065,604	11,937,236	8,407,616
	=====	=====	=====	=====

**7.1 Loading on outstanding premiums**

Loading on outstanding premiums is an allocation of expected expenses to be incurred with respect to premiums outstanding.

**8. INTEREST, DIVIDENDS AND RENT ACCRUED BUT NOT DUE**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	
Return on:		
* investment - life	32,398,828	17,058,714
- others	50,975,871	36,849,773
* deposits with banks	434,427	1,093,698
	-----	-----
	51,410,298	37,943,471
	-----	-----
	83,809,126	55,002,185
	=====	=====

**9. SUNDRY DEBTORS, ADVANCES, DEPOSITS AND PREPAYMENTS**

Advances to employees against expenses		
- executives	78,040	93,005
- others	13,000	1,881
	-----	-----
	91,040	94,886
Deposits	1,346,800	741,800
Prepayments	12,144,855	6,596,032
Receivable from an associated undertaking		
New Hampshire Insurance Company -		
Pakistan branch	67,856	1,187,295
Tax recoverable	8,485,944	7,383,031
Others	2,390,747	1,089,009
	-----	-----
	24,527,242	17,092,053
	=====	=====

**10. AUDITORS' REMUNERATION**

Audit fee	150,000	150,000
Special audit fee	75,000	75,000
Out of pocket expenses	25,000	25,000
	-----	-----
	250,000	250,000
	=====	=====

Special Audit was conducted by Syed Ahmed & Co. under section 49 of the Insurance Ordinance, 2000, for the year 1999. No appointment has been made so far for the year 2000.

**11. CHANGE IN LOADING ON OUTSTANDING****PREMIUMS (Refer note 7.1)**

Ordinary Life - First Year	233,673	(382,966)
Ordinary Life - Renewal	(4,544)	(156,751)
	-----	-----
	229,129	(539,717)
	=====	=====

**12. PREMIUM LESS REINSURANCES****(i) Ordinary Life First Year**

Collected premium when maximum paying period is 12 years or over	46,444,295	24,922,539
Increase in outstanding premium	432,130	(535,822)
	-----	-----
	46,876,425	24,386,717
Less: Re-Insurance	(7,046,172)	(1,300,445)
	-----	-----
	39,830,253	23,086,272

**(ii) Ordinary Life Renewal**

Collected premium	65,995,589	51,627,879
Increase in outstanding premium	(284,707)	1,118,183
	-----	-----
	65,710,882	52,746,062
Less: Re-Insurance	(3,999,179)	(3,297,966)
	-----	-----
	61,711,703	49,448,096

**(iii) Single Premium**

	716,984	--
--	---------	----

**(iv) Group Premium**

Collected premium	47,152,435	32,768,958
Increase in outstanding premium	3,611,326	(501,550)
	-----	-----
	50,763,761	32,267,408
Less: Re-Insurance	(3,552,206)	(2,857,196)
	-----	-----
	47,211,555	29,410,212
	-----	-----
Total premium	149,470,495	101,944,580
	=====	=====

**13. INTEREST, DIVIDENDS AND RENT**

Return on government securities - life	9,298,486	5,734,313
- others	36,174,464	31,316,417
Profit on PLS term deposits and savings accounts	2,324,822	2,139,534
Return on term finance certificates	1,431,438	1,368,184
Others	--	540,730
	-----	-----
	39,930,724	35,364,865
	-----	-----
	49,229,210	41,099,178
	=====	=====

**14. OTHER INCOME - Net**

Mark - up on staff loans and others	185,667	236,475
Profit on disposal of fixed assets	--	405,700
Others	1,455,031	569,084
	-----	-----
	1,640,698	1,211,259
	=====	=====

**15. BASIC EARNINGS PER SHARE**

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Profit for the year before taking effect of movement in Life Fund	39,189,061	34,623,202
	=====	=====
Weighted average number of Ordinary shares	32,500,000	32,500,000
	=====	=====
Earnings per share - basic and dilutive	1.21	1.07
	=====	=====

**16. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

	2001				2000			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Managerial remuneration	3,247,896	--	17,468,206	20,716,102	2,690,437	1,497,867	14,262,648	18,450,952
Utilities	171,287	--	1,218,261	1,389,548	345,403	141,796	987,353	1,474,552
Telephone	27,189	--	24,459	51,648	94,008	21,536	33,097	148,641
Travel air fare	--	--	--	--	--	198,925	--	198,925
Other benefits	417,327	--	452,708	8,701,135	389,115	490,680	419,503	1,299,298
	-----	-----	-----	-----	-----	-----	-----	-----
	3,863,699	--	19,163,634	23,027,333	3,518,963	2,350,804	15,702,601	21,572,368
	=====	=====	=====	=====	=====	=====	=====	=====
Number of Persons including those who worked part of the year	1	--	51	52	1	1	48	50
	=====	=====	=====	=====	=====	=====	=====	=====

Payments during the year to two non-executive directors for actuarial services and technical advisory fee amounted to Rs. 902,415 (2000: Rs. 444,432) and Rs. 55,000 (2000: Nil) respectively.

In addition to the above remuneration, the Chief Executive, and one Executive has been provided with free furnished accommodation, and Company maintained cars. One executive has been provided with unfurnished accommodation and Company maintained car. Further, four executives have been provided with Company maintained cars and two executives have been provided with Company cars maintained by them.

**17. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

2001                      2000  
Rupees



Receivable on account of claim of damaged vehicle and others	76,500	782,500
	=====	=====
Payable on account of insurance coverage and others	146,817	4,600
	=====	=====
Premium expense incurred against insurance cover obtained	762,382	514,831
	=====	=====

## 18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (i) Financial Assets and Liabilities

	<i>Interest/mark-up bearing</i>			<i>Non-interest bearing</i>			<i>Total 2001</i>
	<i>Maturity upto 1 year</i>	<i>Maturity after 1 year</i>	<i>Sub-total</i>	<i>Maturity upto 1 year</i>	<i>Maturity after 1 year</i>	<i>Sub-total</i>	
<i>Rupees</i>							
<b>Financial Assets</b>							
Investments	39,291,440	209,805,579	249,097,019	--	--	--	249,097,019
Agents' balances	--	--	--	449,043	--	449,043	449,043
Outstanding net premiums	--	--	--	11,937,236	--	11,937,236	11,937,236
Interest, dividend and rent outstan	--	--	--	3,215,370	80,593,756	83,809,126	83,809,126
Other loans	9,362,425	--	9,362,425	--	--	--	9,362,425
Sundry debtors, deposits and adva	--	--	--	24,527,242	--	24,527,242	24,527,242
Bank and cash balances	40,489,145	--	40,489,145	3,015,340	--	3,015,340	43,504,485
	-----	-----	-----	-----	-----	-----	-----
	89,143,010	209,805,579	298,948,589	43,144,231	80,593,756	123,737,987	422,686,576
	=====	=====	=====	=====	=====	=====	=====
<b>Financial Liabilities</b>							
Claims outstanding	--	--	--	19,300,711	--	19,300,711	19,300,711
Amount due to other persons/bodi	--	--	--	2,437,010	--	2,437,010	2,437,010
Sundry creditors	--	--	--	13,346,443	--	13,346,443	13,346,443
Premium and other deposits	3,326,212	--	3,326,212	6,034,020	--	6,034,020	9,360,232
Agents' balances	--	--	--	1,980,121	--	1,980,121	1,980,121
Proposed dividend	--	--	--	16,250,000	--	16,250,000	16,250,000
	-----	-----	-----	-----	-----	-----	-----
	3,326,212	--	3,326,212	59,348,305	--	59,348,305	62,674,517
	=====	=====	=====	=====	=====	=====	=====

The effective interest rates for financial assets and liabilities are as follows:

	<i>2001</i>	<i>2000</i>
Investments	18.83%	16.46%
Bank and cash balance	5.74%	6.07%

### (ii) Credit risk

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

### (iii) Fair value of financial assets and liabilities

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

## 19. NUMBER OF EMPLOYEES

Number of permanent employees at the end of the year were 69 (2000: 56).

## 20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 5, 2002 by the Board of Directors of the Company.

## 21. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

**ARIF SULTAN MUFTI**  
**CHAIRMAN AND**  
**CHIEF EXECUTIVE**

**SAIYID SAEED AKHTAR**  
**DIRECTOR**

**E.A. NOMANI**  
**DIRECTOR**

**CLASSIFIED SUMMARY OF THE ASSETS**  
**IN PAKISTAN AS AT DECEMBER 31, 2001**  
**FORM AA**

<i>CLASS OF ASSETS</i>	<i>COST OR BOOK VALUE RS</i>	<i>MARKET VALUE RS</i>	<i>REMARKS</i>
1. Federal Investment Bond	24,400,000	24,400,000	
2. Pakistan Investment Bond	9,772,225	9,772,225	
3. Term Finance Certificates	9,924,833	9,924,833	Book Value
4. WAPDA Bonds	19,999,961	19,999,961	
5. Defence Saving Certificates	123,000,000	123,000,000	
6. Special Saving Certificates	35,000,000	35,000,000	
7. Monthly Income Certificates	27,000,000	27,000,000	
	-----	-----	
8. Cash on deposit with banks in Pakistan	42,460,138	42,460,138	Book Value
9. Cash in hand and on current account with banks in Pakistan	1,044,347	1,044,347	Book Value
10. Interest, Dividends and Rent outstanding	83,809,126	83,809,126	Book Value
11. Leasehold Improvements, Furniture and Fixtures Office Equipments, Computers and Vehicles	24,818,523	24,818,523	Book Value
12. Other Loan	5,591,140	5,591,140	Book Value
13. Sundry Debtors, Advances, Deposits and Pre- payments	24,527,242	24,527,242	Book Value
	-----	-----	
	431,347,535	431,347,535	
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**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 7th Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Hotel Marriott, Abdullah Haroon Road, Karachi on Wednesday, April 10, 2002, at 10:30 a.m. to transact the following business:-

**ORDINARY BUSINESS**

1. To confirm the minutes of the last Annual General Meeting of the Company held on March 16, 2001.
2. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Directors' and Auditors' reports thereon for the year ended December 31, 2001.
3. To appoint auditors for the year ended December 31, 2002 and to fix their remuneration. The retiring auditor M/s. A.F. Ferguson & Co. Chartered Accountants, being eligible have offered themselves for re-appointment.
4. To elect eight Directors of the Company, as fixed by the Board of Directors, in accordance with the provisions of Section 178(1) of the Companies Ordinance 1984, for a period of three years. The names of present Directors who will retire on March 27, 2002 are as follows:

- 1) Mr. Arif Sultan Mufti
- 2) Mr. Abbas Khalaf
- 3) Mr. Bruce Emmitt Dozier
- 4) Mr. Robinson Kendall Nottingham
- 5) Mr. E.A. Nomani
- 6) Mr. Khalid A. Rehman
- 7) Mr. Saiyid Saeed Akhtar
- 8) Mr. Simon Rattray

The retiring Directors are eligible for re-election.

5. To consider and, if appropriate, approve cash dividend @ 5% as proposed by the Directors of the Company.

#### **SPECIAL BUSINESS**

6. To approve the terms and conditions of appointment of the Chief Executive.

7. To approve payments made to non-executive Directors on account of actuarial services and technical advisory services, in accordance with Article 65 of the Articles of Association of the Company.

8. To consider and if thought fit, to pass the following, as a special resolution, with or without modification;  
"RESOLVED that the Articles of Association of the Company be and hereby amended as follows:

a) In Article 97 (b) the words "once at-least in every three years," shall be removed."

**By order of the Board**

March 11, 2002  
Karachi.

**Muhammad Tariq**  
**Company Secretary**

#### **NOTES:**

1. The Share Transfer Books of the Company will remain closed from March 26, 2002 to April 10, 2002 (both days inclusive). Transfers received at our registrars M/s THK Associated (Private) Limited, Karachi at the close of business on March 26, 2002 will be treated in time for the purpose of payment of dividend to the transferees.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her. A company or corporation may, by means of a resolution of its directors, appoint a person who is not a member, as proxy or as its representative under section 162 of the Companies Ordinance 1984. Form of proxy is enclosed with the Annual Report.

3. The instrument appointing a proxy, in order to be effective, must be received at the registered office of the Company, duly signed, stamped & witnessed, not later than forty eight hours before the time appointed for the meeting. A member shall not be entitled to appoint more than one proxy. If more than one instrument of proxy is deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

4. Members are requested to communicate promptly to the Company of any change in their address.

5. Every candidate for election of Director, whether he is a retiring Director or otherwise, shall file with the Company, not later than fourteen days before the date of the Annual General Meeting, a notice of his intention to offer himself/herself for election as a Director along with his/her consent in the prescribed form to his/her appointment as Director of the Company.

#### **STATEMENT U/S 160 OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the special business to be transacted at the 7th Annual General Meeting of the Company to be held on April 10, 2002.

1. Approval of the shareholders will be sought for the remuneration payable to the Chief Executive in accordance with his terms and conditions of service. For this purpose the following resolution will be moved:

"RESOLVED that the Company hereby approves and authorizes by way of salary to the Chief Executive, an amount not exceeding Rs. 4.0 million per annum for the year ending on December 31, 2002. Increments for subsequent years shall not exceed percent as may be determined by the Board of Directors or by a Committee of the Board. The Company further hereby approves and authorizes the provision to him of all other benefits in accordance with his terms and conditions of service with the Company."

Mr. Arif Sultan Mufti has been nominated as Chief Executive under Article 71 of the Articles of Association of the Company and is interested in the business.

2. Approval of the shareholders will be sought for the remuneration paid to Mr. Saiyid Saeed Akhtar - Director on account of services rendered by him as appointed actuary of the Company amounting to Rs. 902,415 and Mr. E.A. Nomani - Director on account of legal and technical advisory services amounting to Rs. 55,000.

3. The amendment in the Articles of Association is necessary in view of the repeal of the Insurance Act, 1938 and enforcement of the Insurance Ordinance, 2000. No director is either directly or indirectly

interested in this business.