

## **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.”

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## Corporate Information

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### BOARD OF DIRECTORS

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Arif Sultan Mufti	Chairman and Chief Executive	Chartered Accountant
Ehsan Ahmed Nomani	Director	Advocate
Khalid Anis-ur-Rehman	Director	Advocate
Shahid Siddiqui	Director	Actuary
Patrick Choffel	Director ( Alternate Mr. Irfan Amir)	Business Executive
Andreas Vassiliou	Director	Business Executive
Arif Abdul Aziz	Director	Financial Executive
Iqbal Siddiqi	Director	Insurance Executive

### COMPANY SECRETARY

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Asim Iftikhar	Cost and Management Accountant
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### APPOINTED ACTUARY

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Saiyid Saeed Akhtar	M.Sc., FIA, MAAA, ASA
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### AUDIT COMMITTEE

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

### BANKERS

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MCB Bank Limited  
Standard Chartered Bank  
Hong Kong Shanghai Banking Corporation  
Habib Bank Limited  
National Bank of Pakistan  
Citi Bank N.A.

### LEGAL ADVISORS

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SurrIDGE and Beecheno

### AUDITORS

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A.F. Ferguson & Co. - Chartered Accountants

### SHARE REGISTRARS

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THK Associates (Private) Limited  
Ground Floor, Modern Motors House  
Beaumont Road, Karachi. 75530  
Phone: 5686658, 5689021 Fax: +92-21-5655595

### REGISTERED OFFICE

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

## Directors' Report to Shareholders

We are pleased to present the 11th Annual Report of the Company along with the audited financial statements for the year ended December 31, 2005.

### Economic Climate

Pakistan's economic recovery has gained further traction during the year, with the economy expanding at its fastest pace in two decades. The exceptionally strong growth was underpinned by accommodative macroeconomic policies, growing domestic demand, renewed confidence of private sector, fiscal discipline and competitive exchange rates. Your Company is well placed to adapt and achieve sustainable future growth aligned with its strategic objectives.

### Review of Operations

Your Company's operational performance during 2005 reflected substantial growth in overall activity and customer base. All lines of business showed sizable growth over last year. New product Income Growth Plan Plus and Rahnuma Plus were introduced and Savings Plan was relaunched under three versions providing investment and retirement, college education and marriage related solutions to policy holders. Over the years, individual policyholders have reposed their confidence in the Company's financial strength which is clearly reflected through growth in gross premium income by 27% over the previous year.

The Company has taken measures to improve productivity of field force and is pursuing the strategy to maintain an efficient field force. Consequently, we have replaced non producing agents and recruited dedicated career agents who can provide flexible financial solutions to customers.

### Profit / (Loss)

	2005	2004
	Rs.'000	
Net surplus/ (deficit) of revenue account of Statutory Funds	33,344	(29,371)
Profit before appropriation of surplus to Shareholders' Fund	13,250	17,002
Tax credit/(expense)	1,366	(9,084)
	47,960	(21,453)
	47,960	(21,453)

### Premium Income

During the year first year premium reflected growth of 21% over last year. Renewal premium increased by 42% over the previous year. Gross premium income for the year stood at Rs. 692 million (2004 : Rs. 544 million) showing an increase 27% over last year.

### Claims

Over the years, the Company has been following stringent underwriting guidelines whereby managing its underwriting losses through a proactive approach based on policies and procedures. However, due to rise in net claims to net premium ratio of Group Life Fund, overall net claims to net premium ratio has increased to 28% from 19% last year.

The Company has implemented and continually reviews adequacy of risk acceptance processes to ensure quality underwriting, better service to policyholders and prompt payment of claims. Operational risks beyond our local retention limits are reinsured through reinsurance treaty arrangements with reputable reinsurers.

### Investments

Our investment policy requires us to purchase only government securities and term finance certificates having

minimum rating of AA-. To raise the quality of the securities in our portfolio while still seeking as good a yield to maturity as is safely possible. During 2005, yields on government securities were low as compared to private banks and development financial institutions. Therefore we have diversified our investment portfolio in order to provide better yields on invested funds.

At the end of 2005, our total investments stood at Rs. 1,173 million (2004 : Rs. 792 million) showing an increase of 48% over the previous year. 88% (2004 : 92%) of our total investment portfolio is invested in government securities. Our total net investment income at Rs. 118 million (2004 : Rs. 81 million), showing an increase of 46 % over last year.

Investment in Shareholders Fund stood at Rs. 116 million (2004 : Rs. 103 million), at the end of 2005 showing an increase of 13% over the previous year.

### **Dividend**

The directors do not recommend the payment of any dividend to the shareholders for the year ended December 31, 2005. (2004: Nil)

### **Agency Development**

A ‘quality not quantity’ recruiting approach has measurably improved the persistency of new business and has helped to reduce policy lapses. Our recruitment approach is to increase the agent count with agents writing a reasonably steady volume of quality business, without relying on a few agents writing a considerable amount of business but with poor persistency. Our current agents are giving us good quality, persistent business. We continue to monitor individual agent persistency through several reports generated monthly for the agency department management team.

### **Corporate and Financial Reporting Framework**

The Board is mindful of its responsibilities under the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan. Following statements are made to meet the requirement of the Code :

- 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 except for the changes as stated in note 4. 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) Information about outstanding taxes and levies is given in the Notes to the Accounts.
- i) The un audited value of investments of Recognized Provident Fund as at December 31, 2005 was Rs. 16 million (2004 : Rs. 11.8 million).

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

Description	(Rs.' 000)					
	2005	2004	2003	2002	2001	2000
Gross Premium Income	691,797	544,078	346,249	249,292	164,067	109,032
Net Premium Income	631,422	504,368	312,955	230,319	149,470	101,945
Interest and Other Income	118,409	80,894	70,841	81,559	50,870	42,310
Net Claims	176,884	96,853	81,444	79,440	34,288	18,899
Net Commission and Acquisition Costs	129,759	117,288	73,491	60,296	36,483	18,103
Administration Expenses	120,911	116,237	108,120	103,638	80,158	65,948
Policy Holder Liability	918,487	643,265	376,394	266,606	177,750	118,330
Total Assets	1,382,521	997,427	742,936	566,481	448,786	383,680

## Board Meetings

During the year, seven meetings of the Board of Directors were held, Attendance by the directors are as under :

<b>Date of Meeting</b>	<b>Attended by</b>
March 25, 2005	Mr. Arif Sultan Mufti Mr. Khalid Anis-ur-Rehman Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)
April 6, 2005	Mr. Arif Sultan Mufti Mr. Arif Abdul Aziz Mr. Khalid Anis-ur-Rehman Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)
April 8, 2005	Mr. Arif Sultan Mufti Mr. Khalid Anis-ur-Rehman Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)
April 28, 2005	Mr. Arif Sultan Mufti Mr. Ehsan Ahmed Nomani Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)
April 30, 2005	Mr. Arif Sultan Mufti Mr. Ehsan Ahmed Nomani Mr. Khalid Anis-ur-Rehman Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)
August 26, 2005	Mr. Arif Sultan Mufti Mr. Khalid Anis-ur-Rehman Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)
October 28, 2005	Mr. Arif Sultan Mufti Mr. Ehsan Ahmad Nomani Mr. Shahid Siddiqui Mr. Irfan Amir (Alternate to Patrick Choffel)

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

## Strategy

Our principal strategy has been to strengthen our market share, while continuing to emphasize our core values of discipline in underwriting, tight management of expenses, and innovation in products and services. To achieve this, we continually seek to broaden distribution and intensify agency training and monitoring programs. Our agency force forms the cornerstone of our business. We rely on a three-tiered distribution operation for Ordinary Life



which focuses on segmenting the market into three income classes. By developing products which cater to the specific needs of each category we continue to make inroads in the local market and strive to make ALICO a household name.

Developing and promoting Personal Accident products is also part of our strategy. Through Individual Accident & Health products and Direct Marketing initiatives we strive to increase premium, at the same time provide agents with alternative products and improved commission earnings.

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

Finally, constant training is required to maintain the professionalism of our agency forces and our own employees, and this priority ranks very high in our overall strategy.

### **Future Outlook**

Your Company remains optimistic about the long term opportunities while at the same time meeting the short term challenge. Your company responded to the challenge by enhancing customer focus and by building an efficient field force. Your company is closely monitoring 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 will aggressively pursue new opportunities, and will ensure adequate internal preparedness to take maximum advantage of such opportunities.

### **Human Resources and Training**

ALICO's policy of developing local talent to manage its operations has greatly contributed to its success in understanding, meeting and responding quickly to changing customer needs and market conditions. We are primarily staffed with local personnel who are constantly studying the needs of individuals and developing innovative products to the specific requirements of each market segment. This long-standing approach is the foundation of our leadership, because we understand local market needs and conditions.

An integrated corporate and personnel strategy was maintained in the year under review and new standards were set for our human resources management. 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 examinations of the Life Office Management Association.

### **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, USA is the sponsor and holding company of the American Life Insurance Company (Pakistan) Limited.

### **Pattern of Shareholding**

The pattern of shareholding in the Company as at December 31, 2005 is included with the report. American Life Insurance Company holds 51% while balance 49% is held by local shareholders.

All trades in the shares of the Company carried out by the Directors, CEO, CFO and Company Secretary, their spouses and minor children is reported as under :



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Name	Sale / transfer
Mr. Arif Sultan Mufti, CEO	500

### **Subsequent Events**

There have been no material changes since December 31, 2005 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**

The existing auditors, M/s. A.F. Ferguson & Co., Chartered Accountants have completed their assignment for the year 2005 and retire at the conclusion of the 11th Annual General Meeting. In accordance with guideline of the Securities and Exchange Commission of Pakistan vide Circular 24 of 2005 dated December 19, 2005, requiring all the insurance companies ( listed or unlisted) to change their external auditors after every five years. Accordingly, Board of Directors, on recommendation of the Audit Committee, has proposed appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the year 2006.

### **Gratitude**

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

None of these achievements would have been possible without the dedication of our staff and I would like to thank all ALICO employees for their efforts over the past year. They have embraced the opportunity to make a real contribution to the improved performance of the business.

I also wish to thank the board of directors for their leadership, good governance and support as we have consolidated the turnaround in the business performance. The guidance of my fellow directors and the support of our shareholder have been invaluable in achieving the best results from our organization.

On behalf of the Board

**ARIF S. MUFTI**  
Chairman & CEO  
Karachi : April 7, 2006

**Pattern of Shareholding  
as at December 31, 2005**

Number of Shareholders	Holding shares		Total shares held
	From	To	
165	1	100	14,330
241	101	500	106,100
36	501	1,000	33,700
69	1,001	5,000	143,050
9	5,001	10,000	70,470
5	10,001	15,000	62,100
6	15,001	20,000	113,050
15	20,001	25,000	367,500
1	25,001	30,000	29,600
1	35,001	40,000	40,000
1	45,001	50,000	47,000
1	80,001	85,000	84,100
1	95,001	100,000	100,000
1	255,001	260,000	258,100
1	330,001	335,000	332,000
1	1,210,001	1,215,000	1,213,000
1	2,095,001	2,100,000	2,100,000
1	2,310,001	2,315,000	2,314,000
1	2,525,001	2,530,000	2,527,350
1	2,850,001	2,855,000	2,853,300
1	3,120,001	3,125,000	3,125,000
1	16,565,001	16,570,000	16,566,250
560			32,500,000

Categories of shareholders	Number of shareholders	Total shares held	Percentage
Individuals	548	11,243,350	34.60
Insurance Companies	1	500	— 0
Joint Stock Companies	6	3,218,300	9.90
Financial Institutions	4	1,471,600	4.53
Foreign Companies	1	16,566,250	50.97
	560	32,500,000	100.00

**Disclosure of Pattern of Shareholding as at December 31, 2005**

Shareholders' category	Number of shareholders	Shares held
Associated companies, undertakings and related parties	1	16,566,250
ICP	1	1,000
Directors, CEO, their spouses and minor children	4	3,211,350
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	4	1,472,100
Joint Stock Companies and Others	6	3,218,300
Shareholders holding ten percent or more voting interest	1	16,566,250

**Disclosure of Pattern of Shareholding as at December 31, 2005**

	Number of shares held
<b>Associated companies, undertakings and related parties</b>	
American Life Insurance Company, Inc. USA	16,566,250
<b>NIT and ICP</b>	
Investment Corporation of Pakistan	1,000
<b>Directors, CEO and their spouse and minor children</b>	
Mr. Arif A. Aziz	3,125,000
Mr. Arif S. Mufti	85,350
Mr. Ehsan A. Nomani	500
Mr. Khalid A. Rehman	500
<b>Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual funds</b>	
Business & Industrial Insurance Company Limited	500
Crescent Investment Bank Limited	258,100
Karachi Investment Company (Pvt) Limited	1,213,000
Trust Investment Bank Limited	500
<b>Joint Stock Companies and Others</b>	
Ali Hussain Rajab Ali Limited	10,000
Javed Omer Vohra & Co. Limited	3,185,300
MTM Securities (Pvt) Limited	9,000
Time Securities (Pvt) Limited	2,500
Y.S. Securities and Services (Pvt) Limited	500
Zillion Capital Securities (Pvt) Limited	11,000
<b>Shareholders holding ten percent or more voting interest</b>	
American Life Insurance Company, Inc. USA	16,566,250

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

### Year ended December 31, 2005

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 six independent non-executive directors and two executive directors.
2. None of the directors of the Company is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC. No director is a member of Stock exchange.
4. No casual vacancies occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended 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 and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met seven times in the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings with exception to emergency meetings held on April 8, and April 30, 2005. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the Code.
10. 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 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed underwriting, claim settlement, reinsurance & coinsurance committees. The meetings of these committees held at least once in each quarter.
16. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee and one is an executive director.
17. 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.
18. The Board has set-up an effective internal audit function. The Internal Audit Department reports directly to the Chairman of the Audit Committee.
19. 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.
20. 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.
21. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the company.
22. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.
23. 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: April 7, 2006

## **REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of American Life Insurance Company (Pakistan) Limited to comply with the Listing regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the above codes is that of the Board of Directors of the Company. Our responsibility is to review to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of such codes and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with these codes.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system 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 cover all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practice contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2005

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi: April 7, 2006**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising:

- balance sheet;
- profit and loss account;
- statement of changes in equity;
- cash flow statement;
- revenue account;
- statement of premiums;
- statement of claims;
- statement of expenses; and
- statement of investment income

of American Life Insurance Company (Pakistan) Limited as at December 31, 2005 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4 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, 2005 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- (e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**Karachi: April 7, 2006**

A.F. Ferguson & Co.  
Chartered Accountants

## BALANCE SHEET AS AT DECEMBER 31, 2005

Note	SHAREHOLDERS'		STATUTORY FUNDS				AGGREGATE			
	FUND	Life (Participating)	Life (Non-participating) Individual	Group	Accident & Health Individual	Group	Pension Business Fund	2005	2004	
(Rupees in thousand)										
<b>Share Capital and Reserves</b>										
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 " (32,500,000 ordinary shares of Rs. 10 each fully paid in cash) "	7	325,000	-	-	-	-	-	325,000	325,000	
Accumulated deficit, net	8	(195,399)	-	-	-	-	-	(195,399)	(206,942)	
Net Shareholders' Equity		129,601	-	-	-	-	-	129,601	118,058	
<b>Balance of Statutory Fund</b> [including policyholders' liabilities Rs. 918 million (2004: Rs. 643 million)]										
		-	273,493	408,171	257,171	29,848	43,051	2,180	1,013,914	702,275
<b>Deferred Liabilities</b>										
Staff gratuity	10	-	2,846	4,472	2,885	219	374	17	10,813	10,599
<b>Creditors and Accruals</b>										
Outstanding claims		-	-	49,399	57,463	9,647	11,447	-	127,956	84,546
Premiums received in advance		-	5,991	13,512	804	1,049	-	-	21,356	21,492
Amounts due to other insurers/reinsurers		-	2,442	3,836	20,855	1,745	2,290	-	31,168	16,466
Amounts due to agents		-	3,206	5,040	-	393	-	-	8,639	4,947
Accrued expenses		-	4,812	7,561	4,830	234	625	35	18,097	17,815
Taxation provision less payments		1,632	-	-	-	-	-	-	1,632	-
Other creditors and accruals	11	-	2,741	4,307	3,328	187	429	31	11,023	12,907
		1,632	19,192	83,655	87,280	13,255	14,791	66	219,871	158,173
<b>Other Liabilities</b>										
Dividend	12	8,322	-	-	-	-	-	-	8,322	8,322
<b>Total Liabilities</b>		9,954	295,531	496,298	347,336	43,322	58,216	2,263	1,252,920	879,369
<b>TOTAL EQUITY AND LIABILITIES</b>		139,555	295,531	496,298	347,336	43,322	58,216	2,263	1,382,521	997,427

Note	SHAREHOLDERS'		STATUTORY FUNDS				AGGREGATE			
	FUND	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2005	2004	
(Rupees in thousand)										
<b>Cash and Bank Deposits</b>										
Cash and others	-	239	376	245	16	31	2	909	273	
Current and other accounts	11,396	17,455	10,119	796	5,838	1,696	784	48,084	47,844	
Deposits maturing within 12 months	11,200	34,303	33,823	13,000	4,032	3,475	167	100,000	-	
Fixed deposits maturing after 12 months	-	-	-	-	-	-	-	-	10,000	
	22,596	51,997	44,318	14,041	9,886	5,202	953	148,993	58,117	
<b>Loans secured against</b>										
Life insurance policies	-	-	17,614	-	-	-	-	17,614	12,259	
<b>Loans secured against other assets</b>										
To employees	969	-	-	-	-	-	-	969	517	
To agents	3,568	-	-	-	-	-	-	3,568	6,637	
<b>Investments</b>										
Government securities	104,990	208,719	355,002	288,991	27,679	43,696	1,235	1,030,312	725,965	
Term finance certificates	-	8,578	23,004	10,991	-	-	-	42,573	55,641	
	104,990	217,297	378,006	299,982	27,679	43,696	1,235	1,072,885	781,606	
<b>Current Assets - Others</b>										
Premiums due but unpaid	14	-	5,637	23,989	19,391	-	7,516	-	56,533	50,029
Amounts due from other insurers/reinsurers		-	6,867	10,791	-	4,701	-	-	22,359	33,026
Taxation - payments less provision		-	-	-	-	-	-	-	-	4,176
Prepayments		-	3,301	5,187	3,346	255	433	20	12,542	10,810
Sundry receivables	15	-	2,150	3,379	2,180	164	283	13	8,169	5,414
Accrued interest		-	1,039	1,633	1,053	80	136	-	3,941	665
		-	18,994	44,979	25,970	5,200	8,368	33	103,544	104,120
<b>Deferred Taxation</b>	20	7,432	-	-	-	-	-	-	7,432	-
<b>Fixed Assets - tangible</b>										
Leasehold Improvements, Furniture & Fixtures, Office Equipments, Computers and Vehicles	16	-	7,243	11,381	7,343	557	950	42	27,516	34,171
<b>TOTAL ASSETS</b>		<u>139,555</u>	<u>295,531</u>	<u>496,298</u>	<u>347,336</u>	<u>43,322</u>	<u>58,216</u>	<u>2,263</u>	<u>1,382,521</u>	<u>997,427</u>

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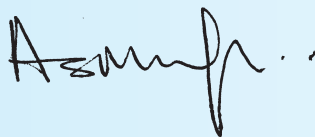
DIRECTOR

DIRECTOR

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005 (Rupees in thousand)	2004
<b>Investment income not attributable to statutory funds</b>			
Return on:			
- Government Securities		14,492	16,905
- Term Finance Certificates		-	917
		14,492	17,822
Less: Amortisation of premium relative to par		1,185	486
Total Investment Income		13,307	17,336
<b>Return on PLS term deposits and saving accounts</b>		404	48
		13,711	17,384
<b>Expenses not attributable to statutory funds</b>			
Administration and miscellaneous expenses		461	382
<b>Profit before tax</b>		13,250	17,002
Surplus appropriated to Shareholders' Fund from Ledger Account D		4,000	-
<b>Profit before tax</b>		17,250	17,002
Tax expense	20	(1,366)	9,084
<b>Profit after tax</b>		18,616	7,918
		<b>(Rupees)</b>	
<b>Earnings per share - basic and diluted</b>	21	0.57	0.24

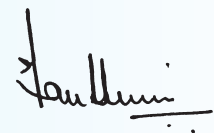
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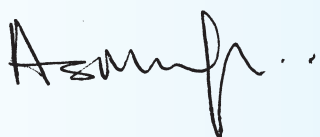


DIRECTOR

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Share Capital	Accumulated Surplus/(Deficit) Capital			Total
		Accumulated surplus	contributed to Statutory Funds	Sub-total	
(Rupees in thousand)					
<b>Balance as at January 1, 2004</b>	325,000	159,473	(354,286)	(194,813)	130,187
Effect of change in accounting policy (note 4.1)	-	(16,557)	16,557	-	-
<b>Balance as at January 1, 2004, as restated</b>	325,000	142,916	(337,729)	(194,813)	130,187
Profit for the year	-	7,918	-	7,918	7,918
Capital contributed during the year	-	-	(48,990)	(48,990)	(48,990)
Capital withdrawn during the year	-	-	28,943	28,943	28,943
	-	-	(20,047)	(20,047)	(20,047)
<b>Balance as at December 31, 2004, as restated</b>	325,000	150,834	(357,776)	(206,942)	118,058
Profit for the year	-	18,616	-	18,616	18,616
Capital contributed during the year	-	-	(27,545)	(27,545)	(27,545)
Capital withdrawn during the year	-	-	20,472	20,472	20,472
	-	-	(7,073)	(7,073)	(7,073)
<b>Balance as at December 31, 2005</b>	<b>325,000</b>	<b>169,450</b>	<b>(364,849)</b>	<b>(195,399)</b>	<b>129,601</b>

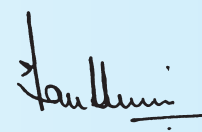
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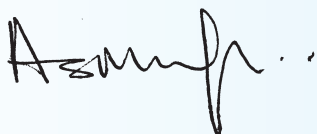




## REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2005

Note	STATUTORY FUNDS					AGGREGATE		
	Life (Participating)	Life (Non-participating)		Accident & Health		Pension Business Fund	2005	2004 (Restated)
		Individual	Group	Individual	Group			
(Rupees in thousand)								
<b>Income</b>								
Premiums less reinsurances	61,666	260,846	214,281	31,602	62,100	927	631,422	504,368
Policy transfers from other statutory funds	60,746	-	-	-	-	-	60,746	38,458
Net investment income	18,801	42,376	28,113	2,257	2,884	103	94,534	59,086
Other income - net	2,177	4,367	1,422	219	1,967	12	10,164	4,424
<b>Total Net Income</b>	<b>143,390</b>	<b>307,589</b>	<b>243,816</b>	<b>34,078</b>	<b>66,951</b>	<b>1,042</b>	<b>796,866</b>	<b>606,336</b>
<b>Claims and Expenditure</b>								
Claims, including bonuses, net of reinsurance recoveries	10,363	22,371	104,574	2,058	37,518	-	176,884	96,853
Policy transfers to other statutory funds	-	60,746	-	-	-	-	60,746	38,458
Management expenses less recoveries	29,788	127,952	67,087	14,364	10,769	710	250,670	233,525
<b>Total Claims and Expenditure</b>	<b>40,151</b>	<b>211,069</b>	<b>171,661</b>	<b>16,422</b>	<b>48,287</b>	<b>710</b>	<b>488,300</b>	<b>368,836</b>
<b>Excess of Income over Claims and Expenditure</b>	<b>103,239</b>	<b>96,520</b>	<b>72,155</b>	<b>17,656</b>	<b>18,664</b>	<b>332</b>	<b>308,566</b>	<b>237,500</b>
Policyholders' liabilities at beginning of year	146,451	288,046	168,314	15,433	24,306	715	643,265	376,394
Policyholders' liabilities at end of year	(241,773)	(379,895)	(245,100)	(18,598)	(31,712)	(1,409)	(918,487)	(643,265)
Movement in policyholders' liabilities	(95,322)	(91,849)	(76,786)	(3,165)	(7,406)	(694)	(275,222)	(266,871)
<b>Surplus/(Deficit)</b>	<b>7,917</b>	<b>4,671</b>	<b>(4,631)</b>	<b>14,491</b>	<b>11,258</b>	<b>(362)</b>	<b>33,344</b>	<b>(29,371)</b>
Movement in policyholders' liabilities	95,322	91,849	76,786	3,165	7,406	694	275,222	266,871
<b>Transfers from/(to) Shareholders' Fund</b>								
- Capital returned to Shareholders' Fund	-	(11,059)	(468)	(6,312)	(2,633)	-	(20,472)	(28,943)
- Capital contributions from Shareholders' Fund	12,884	13,477	523	223	165	273	27,545	48,990
- Surplus appropriated to Shareholders' Fund	-	-	-	(4,000)	-	-	(4,000)	-
Net transfers from / (to) Shareholders' Fund	12,884	2,418	55	(10,089)	(2,468)	273	3,073	20,047
<b>Balance of Statutory Fund at Beginning of Year</b>	<b>157,370</b>	<b>309,233</b>	<b>184,961</b>	<b>22,281</b>	<b>26,855</b>	<b>1,575</b>	<b>702,275</b>	<b>444,728</b>
<b>Balance of Statutory Fund at End of Year</b>	<b>273,493</b>	<b>408,171</b>	<b>257,171</b>	<b>29,848</b>	<b>43,051</b>	<b>2,180</b>	<b>1,013,914</b>	<b>702,275</b>
<b>Represented by:</b>								
Capital contributed by Shareholders' Fund	28,916	223,452	95,188	-	15,716	1,577	364,849	357,776
Policyholders' liabilities	241,773	379,895	245,100	18,598	31,712	1,409	918,487	643,265
Retained earnings attributable to policyholders (Ledger Account A)	4,861	-	-	-	-	-	4,861	608
Retained earnings on par business attributable to Shareholders-Undistributable (Ledger Account B)	(2,057)	-	-	-	-	-	(2,057)	(5,721)
Retained earnings on other than participating business (Ledger Account D)	-	(195,176)	(83,117)	11,250	(4,377)	(806)	(272,226)	(293,653)
<b>Balance of Statutory Fund</b>	<b>273,493</b>	<b>408,171</b>	<b>257,171</b>	<b>29,848</b>	<b>43,051</b>	<b>2,180</b>	<b>1,013,914</b>	<b>702,275</b>

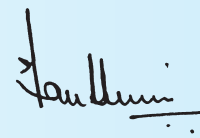
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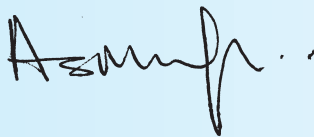
DIRECTOR

## STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2005

	STATUTORY FUNDS						AGGREGATE	
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004
	(Participating)	Individual	Group	Individual	Group	Business Fund		
	(Rupees in thousand)							
<b>Gross Premiums</b>								
Regular premium individual policies*								
First year	22,797	113,049	-	24,589	-	927	161,362	120,257
Second year renewal	12,167	51,529	-	11,666	-	-	75,362	65,327
Subsequent year renewal	29,789	126,156	-	-	-	-	155,945	97,915
Group policies without cash values	-	-	234,484	-	64,644	-	299,128	260,579
<b>Total Gross Premiums</b>	<b>64,753</b>	<b>290,734</b>	<b>234,484</b>	<b>36,255</b>	<b>64,644</b>	<b>927</b>	<b>691,797</b>	<b>544,078</b>
<b>Less: Reinsurance Premiums Ceded</b>								
On individual life first year business	1,087	11,622	-	-	-	-	12,709	6,857
On individual life second year business	580	5,297	-	-	-	-	5,877	3,867
On individual life renewal business	1,420	12,969	-	-	-	-	14,389	6,621
On individual accident and health business	-	-	-	4,653	-	-	4,653	3,630
On group policies	-	-	20,203	-	2,544	-	22,747	18,735
	3,087	29,888	20,203	4,653	2,544	-	60,375	39,710
<b>Net Premiums</b>	<b>61,666</b>	<b>260,846</b>	<b>214,281</b>	<b>31,602</b>	<b>62,100</b>	<b>927</b>	<b>631,422</b>	<b>504,368</b>

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

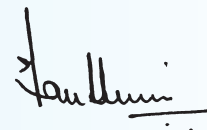
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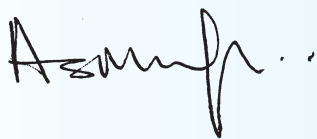


DIRECTOR

## STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2005

	STATUTORY FUNDS					AGGREGATE			
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004	
	(Participating)	Individual	Group	Individual	Group	Business Fund			
	(Rupees in thousand)								
<b>Gross Claims</b>									
Claims under individual policies									
by death	-	18,223	-	-	-	-	18,223	13,813	
by insured event other than death	-	-	-	2,758	-	-	2,758	9,751	
by maturity	8,175	-	-	-	-	-	8,175	4,178	
by surrender	2,188	9,484	-	-	-	-	11,672	6,399	
bonus in cash	-	-	-	-	-	-	-	16	
<b>Total gross individual policy claims</b>	<b>10,363</b>	<b>27,707</b>	<b>-</b>	<b>2,758</b>	<b>-</b>	<b>-</b>	<b>40,828</b>	<b>34,157</b>	
Claims under group policies									
by death	-	-	106,720	-	-	-	106,720	38,233	
by insured event other than death	-	-	-	-	35,817	-	35,817	33,547	
experience refund	-	-	5,890	-	2,072	-	7,962	3,391	
<b>Total gross group claims</b>	<b>-</b>	<b>-</b>	<b>112,610</b>	<b>-</b>	<b>37,889</b>	<b>-</b>	<b>150,499</b>	<b>75,171</b>	
<b>Total Gross Claims</b>	<b>10,363</b>	<b>27,707</b>	<b>112,610</b>	<b>2,758</b>	<b>37,889</b>	<b>-</b>	<b>191,327</b>	<b>109,328</b>	
<b>Less: Re-insurance Recoveries</b>									
On individual life first year business claims	-	2,074	-	-	-	-	2,074	4,046	
On individual life second year business claims	-	946	-	-	-	-	946	1,508	
On individual life renewal business claims	-	2,316	-	-	-	-	2,316	-	
On individual accident and health business claims	-	-	-	700	-	-	700	5,443	
On group business claims	-	-	8,036	-	371	-	8,407	1,478	
	-	5,336	8,036	700	371	-	14,443	12,475	
<b>Net Claims</b>	<b>10,363</b>	<b>22,371</b>	<b>104,574</b>	<b>2,058</b>	<b>37,518</b>	<b>-</b>	<b>176,884</b>	<b>96,853</b>	

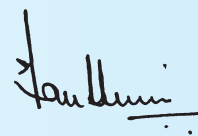
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DIRECTOR



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## STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2005

Note	STATUTORY FUNDS					AGGREGATE		
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004
	(Participating)	Individual	Group	Individual	Group	Business Fund		
(Rupees in thousand)								
<b>Acquisition Costs</b>								
Remuneration to insurance intermediaries								
on individual policies:								
Commission on first year premiums	12,726	63,109	-	7,105	-	517	83,457	54,490
Commission on second year premiums	652	2,762	-	1,767	-	-	5,181	4,531
Commission on subsequent renewal premiums	1,597	6,763	-	-	-	-	8,360	6,140
Other benefits to insurance intermediaries	3,406	15,517	-	737	-	17	19,677	32,926
	18,381	88,151	-	9,609	-	534	116,675	98,087
Remuneration to insurance intermediaries								
on group policies:								
Commission	-	-	27,007	-	557	-	27,564	29,040
Other benefits to insurance intermediaries	-	-	974	-	-	-	974	75
Branch Overheads								
- Salaries and other benefits	973	4,379	3,655	559	994	21	10,581	8,340
- Other Operational cost	1,951	8,781	7,332	1,121	1,983	32	21,200	24,645
	2,924	13,160	10,987	1,680	2,977	53	31,781	32,985
Other acquisition cost:								
Policy stamps	298	1,445	1,703	351	104	9	3,910	4,167
	21,603	102,756	40,671	11,640	3,638	596	180,904	164,354
<b>Administration Expenses</b>								
Salaries & other benefits	3,344	15,041	12,561	1,922	3,392	43	36,303	35,585
Travelling expenses	94	425	353	54	95	1	1,022	702
Auditors' remuneration	17	74	331	276	42	75	800	625
Actuary's fees	127	570	477	73	128	2	1,377	1,195
Medical fees	206	929	554	-	149	-	1,838	1,753
Legal and professional expenses	30	134	111	17	30	-	322	984
Advertisements	293	1,320	1,102	169	298	4	3,186	3,954
Computer expenses	80	359	300	46	81	2	868	405
Printing & Stationery	460	2,071	1,729	265	468	8	5,001	4,755
Depreciation	2,325	3,654	2,357	179	306	13	8,834	8,375
Rental	575	2,590	2,163	331	585	9	6,253	5,699
<b>Other Management Expenses</b>	18	2,297	9,642	7,972	1,225	2,160	23,326	19,220
<b>Gross Management Expenses</b>	<b>31,508</b>	<b>139,822</b>	<b>70,626</b>	<b>15,963</b>	<b>11,405</b>	<b>710</b>	<b>270,034</b>	<b>247,606</b>
<b>Commission from Reinsurers</b>	<b>(1,720)</b>	<b>(11,870)</b>	<b>(3,539)</b>	<b>(1,599)</b>	<b>(636)</b>	<b>-</b>	<b>(19,364)</b>	<b>(14,081)</b>
<b>Net Management Expenses</b>	<b>29,788</b>	<b>127,952</b>	<b>67,087</b>	<b>14,364</b>	<b>10,769</b>	<b>710</b>	<b>250,670</b>	<b>233,525</b>

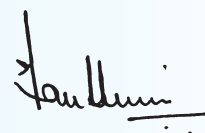
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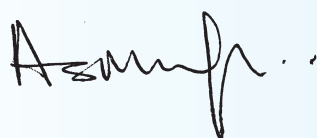


DIRECTOR

## STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2005

	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating)		Accident & Health		Pension	2005	2004
	Individual	Group	Individual	Group	Business Fund			
(Rupees in thousand)								
<b>Investment income</b>								
Return on :								
- Government Securities	19,701	43,409	29,075	2,458	3,141	112	97,896	59,526
- Term Finance Certificates	775	2,741	1,542	-	-	-	5,058	4,608
	<u>20,476</u>	<u>46,150</u>	<u>30,617</u>	<u>2,458</u>	<u>3,141</u>	<u>112</u>	<u>102,954</u>	<u>64,134</u>
Less: Amortization of premium relating to par	1,675	3,774	2,504	201	257	9	8,420	5,048
	<u>18,801</u>	<u>42,376</u>	<u>28,113</u>	<u>2,257</u>	<u>2,884</u>	<u>103</u>	<u>94,534</u>	<u>59,086</u>

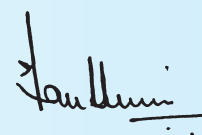
The annexed notes 1 to 30 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005**

### **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 registered office of the Company is situated at Lakson Square, Building No. 1, Sarwar Shaheed Road, Karachi. The Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995.

The Company is a subsidiary of American Life Insurance Company (incorporated in the United States of America). The ultimate parent of the Company is American International Group (incorporated in the United States of America).

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

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

### **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the rules, regulations and directives issued by the Securities and Exchange Commission of Pakistan (SECP) applicable to insurance companies, the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 and approved accounting standards. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. However, the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or rules, regulations and directives issued by the SECP differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or rules, regulations and directives issued by the SECP take precedence.

### **3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements used in the preparation of financial statements are continually evaluated by the Company and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates/assumptions/judgements will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates



are significant to the financial statements or judgement was exercised in application of accounting policies are disclosed in note 25 to the financial statements.

#### 4. CHANGES IN ACCOUNTING POLICIES

- 4.1 Section 22 of the Insurance Ordinance, 2000 (Ordinance) requires that an insurer conducting life insurance business shall maintain separate Ledger Accounts A, B, C and D as defined therein and the surplus should be allocated to the respective Ledger Accounts. However, the Appointed Actuary of the Company was of the view that the aforementioned Section is applicable only in case of surplus situation i.e. no balance is required to be maintained in separate Ledger Accounts when there is an accumulated deficit.

During 2004, Securities and Exchange Commission of Pakistan (SECP) vide letter No. 46/52/ALICO/2004 dated October 12, 2004 advised the Company to adopt the following basis:

- 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
- 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.

However, SECP vide letter No. 46/52/ALICO/2004 dated April 7, 2005 had (a) deferred the adoption of the aforementioned basis till first quarter of 2005 financial statements with retrospective effect and (b) had allowed the Company to show zero balances, in case of accumulated deficit, in Ledger Accounts A, B, C and D in the financial statements for the year ended December 31, 2004. Therefore, the deficit balances in the Statutory Funds had been shown separately as 'Accumulated Deficit', in the financial statements for the year ended December 31, 2004.

As the aforementioned exemption is no longer available, these financial statements have been prepared on the basis advised by SECP through letter dated October 12, 2004 and the corresponding figures have been restated accordingly. The effect of such a change has been reflected in the Statement of Changes in Equity and Movement in Equity (note 6). Had such a change not been made, the Accumulated Surplus and Capital Contributed to Statutory Fund would have been higher by Rs. 16.557 million. However, there is no effect on the net shareholders' equity.

- 4.2 As per section 21(1) of the Ordinance, a distribution of capital, other than a distribution to holder of participating policies by way of bonus, shall not be made at any time at which any of the accounts i.e. Ledger Accounts A, B, C and D have a debit balance. On the advice of the Appointed Actuary, the balances in the aforementioned accounts upto December 31, 2004 were shown as nil and their respective debit balances shown under Accumulated Deficit, as more fully explained in note 4.1 above. Accordingly, the Company withdrew capital contributed to Statutory Funds in prior years and as such section 21(1) did not apply.

Effective from current year, the Company however, has changed its accounting policy, as explained in note 4.1 above, and while disclosing debit balances in the Ledger Accounts also continued to withdraw capital contributed to Statutory Funds (Non-participating), pending exemption solicited from SECP in this regard. The SECP granted the said exemption vide letter No. INS/ALICO/46-51/2608 dated August 26, 2005 subject to further study of the matter upon which the Company will have to make the contribution from the Shareholder's Fund for the withdrawn capital to the Statutory Funds. Subsequently, SECP vide its letter No. INS/ALICO/46-51/26080 dated August 30, 2005 informed the Company that section 21 (1) is applicable to

Non-participating business also and allowed the Company to comply with the said section prospectively with effect from August 30, 2005. Accordingly, the Company has not withdrawn capital contributed to Statutory Funds with effect from August 30, 2005. Had the Company continued to withdraw capital contributed to Statutory Funds, the Capital Contributed to Statutory Funds as at December 31, 2005 would have been lower by approximately Rs. 20 million and consequently the Shareholders' equity would have been higher by the same amount. However, there is on effect on the current year's profit.

With regards to the capital withdrawn from Life Participating Statutory Funds, for which the Company has not applied for exemption, the capital withdrawn in 2004, amounting to Rs. 12,884 thousand has been returned to Life (Participating) Statutory Fund in the current year.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

### 5.1 Statutory Funds

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

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

- (ii) Actuarial valuation of life insurance business is required to be carried out annually as at the balance sheet date. Policyholders' liabilities included in the statutory funds are based on the actuarial valuation carried out by the Appointed Actuary as at December 31, 2005.

### 5.2 Staff retirement benefits

#### Defined Contribution Plan

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.

During the year, Rs. 2,360 thousand (2004: Rs. 2,401 thousand) has been recognised in the revenue account in respect of defined contribution plan.

#### Defined Benefit Plan

The Company also operates an unfunded gratuity scheme, which covers all permanent employees in the regular service of the Company. The Scheme provides for a graduated scale of benefits, dependent on the length of the service, on termination date. Gratuity is based on the last drawn salary.

The latest actuarial valuation of the scheme was carried out as at December 31, 2005. The "Projected Unit Credit" actuarial cost method, using the following significant assumptions, was used by the actuary for valuation:

Discount rate	7%
Expected rate of increase in salary	7%

The Company's policy with regards to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (Revised 2000) "Employee Benefits".

### **5.3 Compensated absences**

Accrual is made for employees compensated absences on the basis of accumulated leaves and last drawn salary.

### **5.4 Taxation**

#### **5.4.1 Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on 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 or minimum tax at the rate of 0.5% of turnover (as defined in section 113 of the Income Tax Ordinance, 2001), whichever is higher. The charge for the current tax also includes adjustments, where considered necessary, to provisions for tax made in prior years arising from assessments framed during the year for such years.

#### **5.4.2 Deferred**

Deferred tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

### **5.5 Liability for outstanding claims**

Claims are recognised at the date at which the insured event occurs. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet.

The claims liability constitutes amounts pertaining to unpaid claims and estimated claims settlement cost. Claims incurred but not reported (IBNR) are included in the policy holders' liabilities.

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 is included in outstanding claims.

### **5.6 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.

### **5.7 Investments**

The Company has classified all its investments as held to maturity. These are investments with fixed or determinable payments and fixed maturity and the management has positive intent and ability to hold to maturity.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date i.e the date when the Company commits to purchase or sell the investment.

Subsequently, investments are measured at amortized cost, less provision for non-temporary impairment in value, using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss is recognised in the income when the investment is derecognised or impaired. Interest accrued but not received on investments as at December 31, 2005 amounting to Rs. 317.287 million (2004: Rs. 245.346 million) has been included in the cost of investments, while calculating amortised cost.

### **5.8 Fixed assets – tangible**

These are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation charge is based on straight line method of depreciation to allocate the cost of an asset less its residual value, if any, over its estimated useful life at the rates given in note 16. Depreciation on additions during the year is charged on a proportionate basis. No depreciation is charged in the year of disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the year in which these are incurred.

The asset's useful life, residual value and depreciation expense are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

Gains or Losses on disposal or retirement of assets are taken to the Revenue Account.

### **5.9 Impairment**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### **5.10 Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed quarterly and adjusted to reflect current best estimate.

### **5.11 Revenue recognition**

Premiums

- First year premiums on individual policies are recognised when the related policies are issued and premiums received, whereas second year and subsequent renewals are recognised when due.
- Group premiums are recognised when due.



## **Markup / Interest**

Return on Government Securities and Term Finance Certificates are recognised on a time proportion basis that takes into account the effective yield on the asset.

Mark-up on bank deposits, loans to employees and loans to policyholders are recognised on accrual basis.

## **5.12 Acquisition costs**

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

## **5.13 Segment reporting**

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

## **5.14 Foreign currency translation**

The financial statements are presented in Rupees, which is Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account or revenue account.

## **5.15 Financial assets and liabilities**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Financial assets and liabilities are recognised at the time when the Company become a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the derecognition of the financial assets and liabilities is included in the profit and loss account or revenue account.

## **5.16 Offsetting**

A financial assets and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognised amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **5.17 Cash and cash equivalents**

For the purposes of cash flow statement cash means:

- Cash and stamps in hand
- Cash at bank on current and other accounts
- Deposits maturing within three months

## 6. MOVEMENT IN EQUITY

	STATUTORY FUNDS						AGGREGATE	
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004
	(Participating)	Individual	Group	Individual	Group	Business Fund		Restated
	(Rupees in thousand)							
<b>Policyholders' liabilities</b>								
Balance at the beginning of the year	146,451	288,046	168,314	15,433	24,306	715	643,265	376,394
Increase during the year	95,322	91,849	76,786	3,165	7,406	694	275,222	266,871
Balance at end of the year (note 9)	241,773	379,895	245,100	18,598	31,712	1,409	918,487	643,265
Retained earnings attributable to policyholders - Ledger Account A								
Balance at the beginning of the year, as previously reported	-	-	-	-	-	-	-	-
Effect of change in accounting policy (note 4.1)	608	-	-	-	-	-	608	-
Balance at the beginning of the year, as restated	608	-	-	-	-	-	608	-
Surplus allocated during the year (note 6.1)	36,644	-	-	-	-	-	36,644	18,964
Surplus Adjustment - 10% transferred to Ledger Account B	(3,664)	-	-	-	-	-	(3,664)	(1,896)
Bonus allocated during the year	(28,727)	-	-	-	-	-	(28,727)	(16,460)
Closing balance at the end of the year	4,861	-	-	-	-	-	4,861	608
<b>Retained earnings on par business attributable to shareholders - Ledger Account B</b>								
Balance at the beginning of the year, as previously reported	-	-	-	-	-	-	-	-
Effect of change in accounting policy (note 4.1)	(5,721)	-	-	-	-	-	(5,721)	(7,617)
Balance at the beginning of the year, as restated	(5,721)	-	-	-	-	-	(5,721)	(7,617)
Surplus Adjustment - 10% transferred from Ledger Account A	3,664	-	-	-	-	-	3,664	1,896
Closing balance at the end of the year	(2,057)	-	-	-	-	-	(2,057)	(5,721)
<b>Retained earnings on other than participating business</b>								
<b>Ledger Account D</b>								
Balance at the beginning of the year, as previously reported	-	-	-	759	-	-	759	-
Effect of change in accounting policy (note 4.1)	-	(199,847)	(78,486)	-	(15,635)	(444)	(294,412)	(261,778)
Balance at the beginning of the year, as restated	-	(199,847)	(78,486)	759	(15,635)	(444)	(293,653)	(261,778)
Surplus/(deficit) allocated during the year	-	4,671	(4,631)	14,491	11,258	(362)	25,427	(31,875)
Surplus appropriated to Shareholders' Fund (note 6.2)	-	-	-	(4,000)	-	-	(4,000)	-
Closing balance at the end of the year	-	(195,176)	(83,117)	11,250	(4,377)	(806)	(272,226)	(293,653)
<b>Capital contributed by shareholders' fund</b>								
Balance at the beginning of the year, as previously reported	32,589	221,034	95,133	6,089	18,184	1,304	374,333	354,286
Effect of change in accounting policy (note 4.1)	(16,557)	-	-	-	-	-	(16,557)	(16,557)
Balance at the beginning of the year, as restated	16,032	221,034	95,133	6,089	18,184	1,304	357,776	337,729
Capital contributed during the year	-	13,477	523	223	165	273	14,661	48,990
Capital withdrawn during the year	-	(11,059)	(468)	(6,312)	(2,633)	-	(20,472)	(28,943)
Capital contributed to comply with section 21 of the Insurance Ordinance, 2000 (note 4.2)	12,884	-	-	-	-	-	12,884	-
	12,884	2,418	55	(6,089)	(2,468)	273	7,073	20,047
Balance at end of the year	28,916	223,452	95,188	-	15,716	1,577	364,849	357,776
<b>Accumulated Deficit</b>								
Balance at the beginning of the year	(21,670)	(199,847)	(78,486)	-	(15,635)	(444)	(316,082)	(286,952)
Effect of change in accounting policy (note 4.1)	21,670	199,847	78,486	-	15,635	444	316,082	286,952
Balance at the beginning of the year, (as restated) and end of the year	-	-	-	-	-	-	-	-

- 6.1** 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.
- 6.2** Represents capital distributed by the Statutory Fund to the Shareholders' Fund in accordance with the advice of the Appointed Actuary.

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

American Life Insurance Company (incorporated in the United States of America) held 16,566,250 shares representing 51% (2004: 16,566,250 shares representing 51%) of Company's shares as at December 31, 2005.

**2005**                      **2004**  
**(Rupees in thousand)**

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

Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at beginning of the year, as previously reported	167,391	159,473
Effect of change in accounting policy (note 4.1)	(16,557)	(16,557)
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at beginning of the year, as restated	150,834	142,916
Add: Surplus in profit and loss account for the year	18,616	7,918
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at end of the year	169,450	150,834
Less: Accumulated Net Capital Transfers in Statutory Funds	(364,849)	(357,776)
Total as shown in the Balance Sheet	<u>(195,399)</u>	<u>(206,942)</u>

**9. POLICYHOLDERS' LIABILITIES**

	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating)		Accident & Health		Pension Business Fund	2005	2004
		Individual	Group	Individual	Group			
	(Rupees in thousand)							
<b>Gross of Reinsurance</b>								
Actuarial liability relating to future event	240,620	377,836	217,420	13,737	22,763	1,409	873,785	619,415
Provision for outstanding reported claims payable over a period exceeding twelve months	-	1,508	276	4,301	-	-	6,085	6,340
Provision for incurred but not reported claims	1,153	1,145	27,404	4,367	11,682	-	45,751	23,453
Total	<u>241,773</u>	<u>380,489</u>	<u>245,100</u>	<u>22,405</u>	<u>34,445</u>	<u>1,409</u>	<u>925,621</u>	<u>649,208</u>
<b>Net of Reinsurance</b>								
Actuarial liability relating to future events	240,620	377,836	217,420	13,737	20,030	1,409	871,052	617,825
Provision for outstanding reported claims payable over a period exceeding twelve months	-	914	276	494	-	-	1,684	1,987
Provision for incurred but not reported claims	1,153	1,145	27,404	4,367	11,682	-	45,751	23,453
Total	<u>241,773</u>	<u>379,895</u>	<u>245,100</u>	<u>18,598</u>	<u>31,712</u>	<u>1,409</u>	<u>918,487</u>	<u>643,265</u>



9.1 Except for Life (non-participating) - Individual and Accident & Health Statutory Funds, the effect of reinsurance being not material, has not been considered by the Appointed Actuary in determining policyholders' liabilities of other Statutory Funds.

## 10. STAFF GRATUITY

The liability resulting from the actuarial valuation carried out as at December 31, 2005 is as follows:

	<b>2005</b>	<b>2004</b>
	<b>(Rupees in thousand)</b>	
Present value of defined benefit obligation	9,112	8,086
Less: Fair value of plan assets	-	-
Deficit	<u>9,112</u>	<u>8,086</u>
Unrecognised actuarial gain	1,701	2,513
Liability in the balance sheet	<u><u>10,813</u></u>	<u><u>10,599</u></u>

Movement in the liability recognised in the balance sheet:

	<b>2005</b>	<b>2004</b>
	<b>(Rupees in thousand)</b>	
Liability as at January 1	10,599	8,893
Charge for the year	1,861	2,175
Payments during the year	(1,647)	(469)
Liability as at December 31	<u><u>10,813</u></u>	<u><u>10,599</u></u>

Following amounts have been charged to the revenue account during the current year in respect of the scheme:

	<b>2005</b>	<b>2004</b>
	<b>(Rupees in thousand)</b>	
Current service cost	1,409	1,535
Interest cost	566	640
Gain recognised during the year	(114)	-
Charge for the year	<u><u>1,861</u></u>	<u><u>2,175</u></u>

## 11. OTHER CREDITORS AND ACCRUALS

	STATUTORY FUNDS						AGGREGATE	
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004
	(Participating)	Individual	Group	Individual	Group	Business Fund		
	(Rupees in thousand)							
Withholding tax deducted	731	1,151	157	51	20	1	2,111	1,237
Other Liabilities	2,010	3,156	3,171	136	409	30	8,912	11,670
	<u>2,741</u>	<u>4,307</u>	<u>3,328</u>	<u>187</u>	<u>429</u>	<u>31</u>	<u>11,023</u>	<u>12,907</u>

**2005**                      **2004**  
**(Rupees in thousand)**

## 12. DIVIDEND

Unpaid (note 12.1)	8,288	8,288
Unclaimed	34	34
	<u>8,322</u>	<u>8,322</u>

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

### 13. INVESTMENTS – Held to maturity

SHARE' HOLDERS FUND	STATUTORY FUNDS						AGGREGATE	
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004
	(Participating)	Individual	Group	Individual	Group	Business Fund		
(Rupees in thousand)								
<b>Government Securities (note 13.1)</b>								
Federal Investment Bonds	-	-	-	-	-	-	-	24,530
Defence Savings Certificates	51,761	61,532	213,391	101,812	-	-	428,496	363,010
WAPDA Bonds	-	11,909	10,560	8,019	-	1,037	31,525	47,505
Pakistan Investment Bonds	42,313	55,532	77,986	126,519	27,679	35,238	366,502	290,920
Treasury Bills	10,916	79,746	53,065	52,641	-	7,421	203,789	-
	104,990	208,719	355,002	288,991	27,679	43,696	1,030,312	725,965
<b>Term Finance Certificates (note 13.2)</b>								
Sui Southern Gas Company Limited	-	-	9,156	3,525	-	-	12,681	22,308
Orix leasing Pakistan Limited	-	8,578	13,848	5,398	-	-	27,824	31,155
Muslim Commercial Bank Limited	-	-	-	2,068	-	-	2,068	2,178
	-	8,578	23,004	10,991	-	-	42,573	55,641
	104,990	217,297	378,006	299,982	27,679	43,696	1,072,885	781,606

13.1	Government Securities	Maturity	Tenor	Rate of Return	Profit Payment	AGGREGATE	
						2005	2004
	Federal Investment Bonds	2005	10 years	15.0%	Half Yearly	-	24,530
	Defence Savings Certificate	2007	10 years	18.04 %	At Maturity	141,175	119,600
		2008	10 years	18.04 %	At Maturity	287,321	243,410
						428,496	363,010
	Wapda Bonds	2005	5 years	12.5%	Half Yearly	-	15,492
		2008	5 years	7.3%	Half Yearly	31,525	32,013
						31,525	47,505
	Pakistan Investment Bonds	2005	3 years	9.0%	Half Yearly	-	11,649
		2006	1 year	11.0%	Half Yearly	15,360	-
		2007	5 years	10.0%	Half Yearly	10,748	11,220
		2008	5 years	7.0%	Half Yearly	38,416	38,700
		2009	5 years	7.0%	Half Yearly	5,370	5,458
		2010	10 years	14.0%	Half Yearly	13,036	12,939
		2011	10 years	14.0%	Half Yearly	41,718	42,896
		2011	10 years	12.0%	Half Yearly	30,812	26,500
		2011	10 years	13.0%	Half Yearly	123,969	65,715
		2012	10 years	11.0%	Half Yearly	58,454	47,110
		2014	10 years	8.0%	Half Yearly	5,554	5,596
	2019	15 years	9.0%	Half Yearly	23,065	23,137	
					366,502	290,920	
	Treasury Bills	2006	9 months	7.5%	At Maturity	14,424	-
		2006	9 months	8.5%	At Maturity	81,759	-
		2006	1 year	7.5%	At Maturity	19,180	-
		2006	1 year	8.0%	At Maturity	88,426	-
					203,789	-	
					1,030,312	725,965	
13.2	<b>Term Finance Certificates</b>						
	Sui Souther Gas Company limited	2006	5 years	13.0%	Half Yearly	673	2,023
		2007	5 years	11.5%	Half Yearly	12,008	20,285
						12,681	22,308
	Orix Leasing Limited	2005	5 years	14.0%	Half Yearly	-	2,107
		2006	5 years	10.0%	Half Yearly	27,824	29,048
						27,824	31,155
	MCB Bank Limited	2008	5 years	11.8%	Half Yearly	2,068	2,178
					42,573	55,641	

**13.3** The aggregate market value of Federal Investment Bonds, Pakistan Investment Bonds, Treasury Bills and Term Finance Certificates based on market quotations as at December 31, 2005 was Rs. 1,042.753 million (2004 : Rs. 625.430 million).

#### 13.4 Statutory Deposit

13% ten years Pakistan Investment Bonds having a face value of Rs. 32.5 million have been deposited with the State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

#### 14. PREMIUMS DUE BUT UNPAID

	STATUTORY FUNDS						AGGREGATE	
	Life	Life (Non-participating)		Accident & Health		Pension	2005	2004
	(Participating)	Individual	Group	Individual	Group	Business Fund		
	(Rupees in thousand)							
Gross	6,475	27,754	19,391	-	7,516	-	61,136	54,689
Less: Loading (note 14.1)	838	3,765	-	-	-	-	4,603	4,660
Net	<u>5,637</u>	<u>23,989</u>	<u>19,391</u>	<u>-</u>	<u>7,516</u>	<u>-</u>	<u>56,533</u>	<u>50,029</u>

**14.1** Loading represents is an allocation of expected expenses to be incurred with respect to premiums outstanding.

#### 15. SUNDRY RECEIVABLES

Advances to employees against expenses

- executives

- others

	2005	2004
	(Rupees in thousand)	
	83	315
	533	201
	<u>616</u>	<u>516</u>

Deposits

Receivable against administrative services

Receivable from associated undertakings

Others

	770	720
	2,411	1,234
	535	888
	<u>3,837</u>	<u>2,056</u>
	<u>8,169</u>	<u>5,414</u>

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

Classification of Assets	Leasehold Improvements	Computers			Motor Vehicles	Furniture & Fixtures	Office Equipments	Total
		IBM AS400	Personal Computers	Sub total				
(Rupees in thousand)								
<b>As at January 1, 2004</b>								
Cost	18,236	10,167	5,756	15,923	8,955	21,660	8,034	72,808
Accumulated depreciation	(8,705)	(9,614)	(4,506)	(14,120)	(6,131)	(9,549)	(2,872)	(41,377)
Net book value	<u>9,531</u>	<u>553</u>	<u>1,250</u>	<u>1,803</u>	<u>2,824</u>	<u>12,111</u>	<u>5,162</u>	<u>31,431</u>
<b>Year ended December 31, 2004</b>								
Opening net book value	9,531	553	1,250	1,803	2,824	12,111	5,162	31,431
Additions	2,345	-	1,159	1,159	6,047	1,455	242	11,248
Disposals								
- Cost	-	-	(675)	(675)	(629)	(84)	-	(1,388)
- Accumulated depreciation	-	-	571	571	629	55	-	1,255
	-	-	(104)	(104)	-	(29)	-	(133)
Depreciation Charge	(1,945)	(453)	(896)	(1,349)	(2,035)	(2,244)	(802)	(8,375)
Closing net book value	<u>9,931</u>	<u>100</u>	<u>1,409</u>	<u>1,509</u>	<u>6,836</u>	<u>11,293</u>	<u>4,602</u>	<u>34,171</u>
<b>As at December 31, 2004</b>								
Cost	20,581	10,167	6,240	16,407	14,373	23,031	8,276	82,668
Accumulated depreciation	(10,650)	(10,067)	(4,831)	(14,898)	(7,537)	(11,738)	(3,674)	(48,497)
Net book value	<u>9,931</u>	<u>100</u>	<u>1,409</u>	<u>1,509</u>	<u>6,836</u>	<u>11,293</u>	<u>4,602</u>	<u>34,171</u>
<b>Year ended December 31, 2005</b>								
Opening net book value	9,931	100	1,409	1,509	6,836	11,293	4,602	34,171
Additions	172	-	166	166	83	1,642	429	2,492
Disposals								
- Cost	(892)	-	-	-	(2,038)	(232)	(33)	(3,195)
- Accumulated depreciation	738	-	-	-	2,038	83	23	2,882
	(154)	-	-	-	-	(149)	(10)	(313)
Depreciation charge	(1,922)	(79)	(807)	(886)	(3,159)	(2,092)	(775)	(8,834)
Closing net book value	<u>8,027</u>	<u>21</u>	<u>768</u>	<u>789</u>	<u>3,760</u>	<u>10,694</u>	<u>4,246</u>	<u>27,516</u>
<b>As at December 31, 2005</b>								
Cost	19,861	10,167	6,406	16,573	12,418	24,441	8,672	81,965
Accumulated depreciation	(11,834)	(10,146)	(5,638)	(15,784)	(8,658)	(13,747)	(4,426)	(54,449)
Net book value	<u>8,027</u>	<u>21</u>	<u>768</u>	<u>789</u>	<u>3,760</u>	<u>10,694</u>	<u>4,246</u>	<u>27,516</u>
Annual rate of depreciation %	10%	20%	33%		33%	10%	10%	

## 16.1 Disposal of fixed assets

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

	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
Leasehold improvements	108	22	86	20	Negotiation	Jamal Ahmed Shaikh
Furnitures and Fixtures	133	-	133	133	Negotiation	Afzal Shah Ex-Agency Director
Item having book value below Rs. 50,000	2,954	2,860	94	1,270	Negotiation	Various
	<u>3,195</u>	<u>2,882</u>	<u>313</u>	<u>1,423</u>		

AGGREGATE	
2005	2004
(Rupees in thousand)	

## 17. AUDITORS' REMUNERATION

Audit fee	475	475
Fee for review of half yearly accounts	125	75
Out of pocket expenses	200	75
	<u>800</u>	<u>625</u>

## 18. OTHER MANAGEMENT EXPENSES

	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating)		Accident & Health		Pension Business Fund	2005	2004
		Individual	Group	Individual	Group			
(Rupees in thousand)								
Vehicle and general repair and maintenance	769	3,459	2,889	444	781	11	8,353	7,024
Agency development	15	68	-	-	-	-	83	805
Books and subscriptions	35	155	131	20	35	1	377	117
Postage, telegraph and telephone	479	2,152	1,799	275	486	7	5,198	4,448
Utilities-electricity, water and gas	185	830	694	106	188	2	2,005	2,593
Entertainment	232	1,043	871	133	235	3	2,517	1,368
Insurance	39	175	146	22	39	1	422	226
Social security	2	9	8	1	2	-	22	134
Furniture and household appliances	37	163	137	21	37	1	396	411
Interest on policyholders' funds	173	-	-	-	-	-	173	136
Increase in loading on due premiums	(26)	(31)	-	-	-	-	(57)	(708)
Consultancy fee	51	232	193	30	52	1	559	520
Miscellaneous expenses	306	1,387	1,104	173	305	3	3,278	2,146
	<u>2,297</u>	<u>9,642</u>	<u>7,972</u>	<u>1,225</u>	<u>2,160</u>	<u>30</u>	<u>23,326</u>	<u>19,220</u>

## 19. OTHER INCOME

Return on saving accounts with banks	1,238	1,221	469	146	125	6	3,205	711
Profit on disposal of fixed assets	291	459	296	23	39	2	1,110	574
Interest on policy loans	109	171	110	9	13	1	413	1,638
Others	539	2,516	547	41	1,790	3	5,436	1,501
	<u>2,177</u>	<u>4,367</u>	<u>1,422</u>	<u>219</u>	<u>1,967</u>	<u>12</u>	<u>10,164</u>	<u>4,424</u>

### AGGREGATE

**2005**      **2004**  
(Rupees in thousand)

## 20. TAXATION

Current - for the year (note 20.1)	4,099	2,941
- for prior years (note 20.2)	1,967	-
Deferred	(7,432)	6,143
	<u>(1,366)</u>	<u>9,084</u>

### 20.1 Current

Represents provision under Section 113 (Minimum Tax) of the Income Tax Ordinance, 2001.

### 20.2 Deferred

The Company based on revised projections had reversed last year the deferred tax asset, recognised in prior years, amounting to Rs. 6,143 thousand. However, in view of current profits and taking into the consideration the surplus in the Statutory Fund, generated during the year and available for appropriation, the Company now is confident of the realisation of losses carried forward and minimum tax against future taxable income. Therefore, the Company has recognised deferred tax asset of Rs. 7,432 thousand inclusive of Rs. 7,040 thousand pertaining to minimum tax.

## 21. EARNINGS PER SHARE

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

	<b>2005</b>	<b>2004</b>
	<b>(Rupees in thousand)</b>	
Profit after tax	<u>18,616</u>	<u>7,918</u>
	<b>(Number of shares)</b>	
Weighted average number of Ordinary Shares	<u>32,500,000</u>	<u>32,500,000</u>
	<b>(Rupees)</b>	
Earnings per share - Basic and diluted	<u>0.57</u>	<u>0.24</u>



## 22. CASH AND CASH EQUIVALENTS

	SHAREHOLDERS'			STATUTORY FUNDS			AGGREGATE		
	FUND	Life	Life (Non-participating)	Accident & Health	Pension	2005	2004		
	(Participating)	Individual	Group	Individual	Group Business Fund				
	(Rupees in thousand)								
Cash and others	-	239	376	245	16	31	2	909	273
Current and other accounts	11,396	17,455	10,119	796	5,838	1,696	784	48,084	47,844
	<u>11,396</u>	<u>17,694</u>	<u>10,495</u>	<u>1,041</u>	<u>5,854</u>	<u>1,727</u>	<u>786</u>	<u>48,993</u>	<u>48,117</u>

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

	2005				2004			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
	(Rupees in thousand)							
Managerial remuneration	3,164	1,432	15,684	20,280	3,110	2,225	13,675	19,010
Bonus	264	115	699	1,078	259	185	706	1,150
Retirement benefits	580	218	2,108	2,906	570	407	1,542	2,519
Utilities	147	-	941	1,088	194	-	1,772	1,966
Telephone	97	-	30	127	29	-	-	29
Other benefits	90	-	458	548	84	-	296	380
	<u>4,342</u>	<u>1,765</u>	<u>19,920</u>	<u>26,027</u>	<u>4,246</u>	<u>2,817</u>	<u>17,991</u>	<u>25,054</u>
Number of Persons, including those who worked part of the year	1	1	17	19	1	1	13	15

Payment to one non-executive director for consultancy services amounted to Rs. 15 thousand (2004: Rs. 60 thousand)

In addition to the above remuneration, the Chief Executive, and two executives have been provided with free furnished accommodation, and Company maintained cars. Further, five executives have been provided with Company maintained cars and two executives and one Director have been provided with Company cars maintained by them.

## 24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 24.1 Financial Assets and Liabilities

	Interest/mark-up bearing			Non-interest/mark-up bearing			Total	
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2005	2004
(Rupees in thousand)								
<b>Financial Assets</b>								
Cash and bank deposits	132,275	-	132,275	16,718	-	16,718	148,993	58,117
Loans secured against life insurance policies	17,614	-	17,614	-	-	-	17,614	12,259
Loans secured against other assets								
To employees	969	-	969	-	-	-	969	517
To agents	3,568	-	3,568	-	-	-	3,568	6,637
Investments	231,614	834,941	1,066,555	6,330	-	6,330	1,072,885	781,606
Premiums due but unpaid	-	-	-	56,533	-	56,533	56,533	50,029
Amounts due from other insurers/reinsurers	-	-	-	22,359	-	22,359	22,359	33,026
Sundry receivables	-	-	-	7,553	-	7,553	7,553	4,898
Accrued interest	-	-	-	3,941	-	3,941	3,941	665
	<u>386,040</u>	<u>834,941</u>	<u>1,220,981</u>	<u>113,434</u>	<u>-</u>	<u>113,434</u>	<u>1,334,415</u>	<u>947,754</u>
<b>Financial Liabilities</b>								
Outstanding claims	-	-	-	127,956	-	127,956	127,956	84,546
Amounts due to other insurers/reinsurers	-	-	-	31,168	-	31,168	31,168	16,466
Amounts due to agents	-	-	-	8,639	-	8,639	8,639	4,947
Accrued expenses	-	-	-	18,097	-	18,097	18,097	17,815
Others creditors an accruals	-	-	-	8,912	-	8,912	8,912	11,670
Dividend	-	-	-	8,322	-	8,322	8,322	8,322
	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,094</u>	<u>-</u>	<u>203,094</u>	<u>203,094</u>	<u>143,766</u>

### 24.2 The effective interest rates for financial assets are as follows:

	2005 %	2004 %
Investments	1.31-18.04	1.31-18.04
Loans secured against life insurance policies	9-11	9-11
Loans secured against other assets		
To employee	12	12
To agents	12	12
Bank balances	1-10	1-1.5

### 24.3 Liquidity and interest rate risk

#### (a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its funding requirements. To guard against this risk, the Company's assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and investments. The maturity profile is monitored to ensure that adequate liquidity is maintained.

#### (b) Interest rate risk

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

### 24.4 Financial risk management

#### Financial risk factors

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

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

Credit risk is the risk 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's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of counterparty's exposure. The management is of the view that it is not exposed to significant concentration of credit risk.

#### (b) Foreign exchange risk

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

#### (c) Market risk

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

The Company is not exposed to any significant market risk as all its investments have been classified as held to maturity investments.

#### (d) Reinsurance risk

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

In order to minimize the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements, with foreign entities of sound creditability and financial standing.

### 24.5 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for held to maturity investments which are stated at amortised cost. The carrying and fair values of these investments have been disclosed in note 13.

## 25. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements or judgement was exercised in application of accounting policies are as follows:

- Policyholders' liabilities (note 5.1(ii) and note 9).
- Staff gratuity (note 5.2 and note 10).
- Outstanding claims (Statement of claims and note 5.5).
- Classification of investments (note 5.7 and note 13).
- Provision for taxation (note 5.4 and note 20).

## 26. TRANSACTIONS WITH RELATED PARTIES

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

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

	2005	2004
	(Rupees in thousand)	
Reinsurance premium (expense)	11,351	4,554
General insurance premium (expense)	935	962
Group insurance premium charged	13,609	14,841
Group insurance claims (expense)	2,189	3,148
Charges for administrative services provided	84	102
Reimbursement of expenses	3,135	3,973

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

26.3 Amount due to reinsurers as at December 31, 2005 amounting to Rs. 18,640 thousand (2004: Rs. 7,289 thousand).

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

26.5 Transactions with related parties are carried out on commercial term and conditions.

## 27. NUMBER OF EMPLOYEES

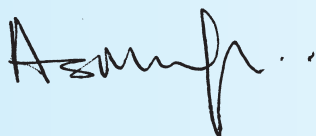
	2005	2004
Number of employees as at December 31,	87	86

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 7, 2006 by the Board of Directors of the Company.

## 29. CORRESPONDING FIGURES

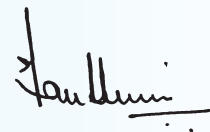
Corresponding figures have been arranged, wherever necessary, for the purposes on comparison, the effect of which is immaterial.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## STATEMENT OF DIRECTORS

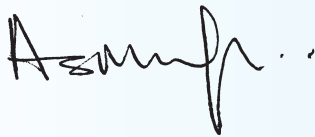
(As per the requirement of section 46 (6) and 52 (2) (c) of Insurance Ordinance, 2000)

### 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 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, 2005, 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) (c)

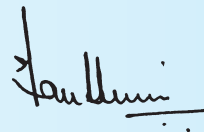
- d) In our opinion each statutory fund of the American Life Insurance Company (Pakistan) Limited complies with the solvency requirements of the Insurance Ordinance, 2000, and the Insurance Rules, 2002.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

## STATEMENT OF ACTUARY

[As per the requirement of section 52 (2) (a) & (b) of 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, 2005 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.

Date: April 7, 2006

Saiyid Saeed Akhtar  
Appointed Actuary

## DETAILS OF THE MANAGEMENT

In compliance with the requirement of Section 46(6) of the Insurance Ordinance 2002 following are the names and description of persons in charge of the management of the business during the period January 1, 2005 to December 31, 2005.

<b>Names</b>	<b>Designation</b>	<b>Period</b>
Arif Sultan Mufti	Chairman and Chief Executive	January 1, 2005 to December 31, 2005
Ehsan Ahmad Nomani	Director	January 1, 2005 to December 31, 2005
Khalid Anis-ur-Rehman	Director	January 1, 2005 to December 31, 2005
Andreas Vassiliou	Director	January 1, 2005 to December 31, 2005
Shahid Siddiqui	Director	January 1, 2005 to December 31, 2005
Patrick Choffel	Director	January 1, 2005 to December 31, 2005
Iqbal Siddiqi	Director	January 1, 2005 to December 31, 2005
Arif Abdul Aziz	Director	January 1, 2005 to December 31, 2005
Saeed Jamal Tariq	Director	January 1, 2005 to April 9, 2005
Asim Iftikhar	Company Secretary	January 1, 2005 to December 31, 2005
Farid Faruq	Chief Financial Officer	January 1, 2005 to December 31, 2005



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Indus Suite, Avari Towers, Karachi on Saturday, April 29, 2006 at 9.00 a.m. to transact the following business: -

### Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the Company held on April 30, 2005.
2. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2005.
3. To appoint auditors for the year ended December 31, 2006 and fix their remuneration. One of the member has proposed the name of M/s KPMG Taseer Hadi & Co., Chartered Accountants in place of retiring auditors M/s. A.F. Ferguson & Co. Chartered Accountants.

### Special Business

4. To approve the remuneration of Executive Directors including 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

April 8, 2006  
Karachi

**Asim Iftikhar**  
**Company Secretary**

### NOTES:

1. The Share Transfer Books of the Company will remain closed from April 15, 2006 to April 29, 2006 (both days inclusive).
2. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend 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, Modern Motor House, Beaumont 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) alongwith 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 11th Annual General Meeting of the Company to be held on April 29, 2006.

1. Approval of the Shareholders will be sought for approval for the holding of office of profit by Executive Directors including the Chief Executive as well as of the remuneration payable to them individually in accordance with their 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 Executive Directors including the Chief Executive, namely, Mr. Arif Sultan Mufti and Mr. Shahid Siddiqui for payment of remuneration to the Executive Directors amounting to Rs. 4.3 million and Rs. 1.8 million respectively based on actual for the year ended December 31, 2005, and the remuneration for Chief Executive Officer amounting Rs. 4.8 million as estimated for the year ending December 31, 2006, together with other benefits in accordance with rules of the Company."

The Executive Directors are interested to the extent of the remuneration payable to them individually.

2. Approval of Shareholders will be sought for the remuneration paid to Mr. Ehsan Ahmed Nomani on account of legal and technical advisory services amounting Rs. 15,000 (2004: Rs. 60,000).

**PROXY FORM**  
**Eleventh 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) \_\_\_\_\_

\_\_\_\_\_ or 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 Eleventh Annual General Meeting of the Company to be held on Saturday, April 29, 2006 at 9:00 a.m. at Indus Suite, Avari Towers, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

Please affix Rupee five Revenue Stamp Signature of Member
--

Signed by the member in the presence of:

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

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

1. The Proxy Form, duly completed, to be effective, should be deposited at the Registered Office of the Company as soon as possible but not later than 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he/she is a member of the company except corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.

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**AMERICAN LIFE INSURANCE COMPANY (PAKISTAN) LIMITED**

**P.O. Box 10528 Lakson Square Building No. 1, 11th Floor**

**Sarwar Shaheed Road,**

**Karachi - 74200, Pakistan**

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