

Annual Report 2010

MetLife Alico™

World's Premier Global Life Insurance Company



American Life Insurance Company (Pakistan) Limited

Vision Statement

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

Mission Statement

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Asim Iftikhar Cost and Management Accountant

CHIEF FINANCIAL OFFICER

Hashim Sadiq Ali Chartered Accountant

APPOINTED ACTUARY

Shoaib Soofi FSA, FPSA

CONSULTING ACTUARY

Shahid Siddiqui M.Sc., AIA, ASA

AUDIT COMMITTEE

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

BANKERS

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

LEGAL ADVISORS

Surridge and Beecheno

AUDITORS

KPMG Taseer Hadi & Co. - Chartered Accountants

SHARE REGISTRAR

THK Associates (Private) Limited
Ground Floor, State Life Building - 3
Ziauddin Ahmed Road, Karachi-75530 P.O. Box No. 8533
Phone: +92 (21) 111-000-322 Fax: +92 (21) 3529-0042

REGISTERED OFFICE

P.O. Box No. 10528, Floor 13 (Level 16)
Dolmen City Mall, Block-4, Clifton, Karachi.
Phone: +92 (21) 111-111-711 Fax: +92 (21) 3529-0042
E-mail: alico@cyber.net.pk Website: www.metlifealico.com.pk

BOARD OF DIRECTORS



Arif Sultan Mufti
Chairman & Chief Executive



Michel Khalaf
Director



Nurul Islam
Director



Arif Abdul Aziz
Director



Shahid Siddiqui
Director



Khalid Anis-ur-Rehman
Director



Qasim Rabbani
Director

STATUTORY MANAGEMENT COMMITTEES

AUDIT COMMITTEE :

Name of Member	No. of meetings held	Executive / Non-executive
1. Arif Abdul Aziz (Chairman)	4	Non-executive
2. Khaled Anis-ur-Rehman	2	Non-executive
3. Shahid Siddiqui	4	Non-executive

CLAIM SETTLEMENT COMMITTEE :

Name of Member	No. of meetings held
1. Arif Sultan Mufti (Chairman)	4
2. Sayed Azharuddin	4
3. Dr. Asimuddin Qureshi	3
4. Hashim Sadiq Ali	4

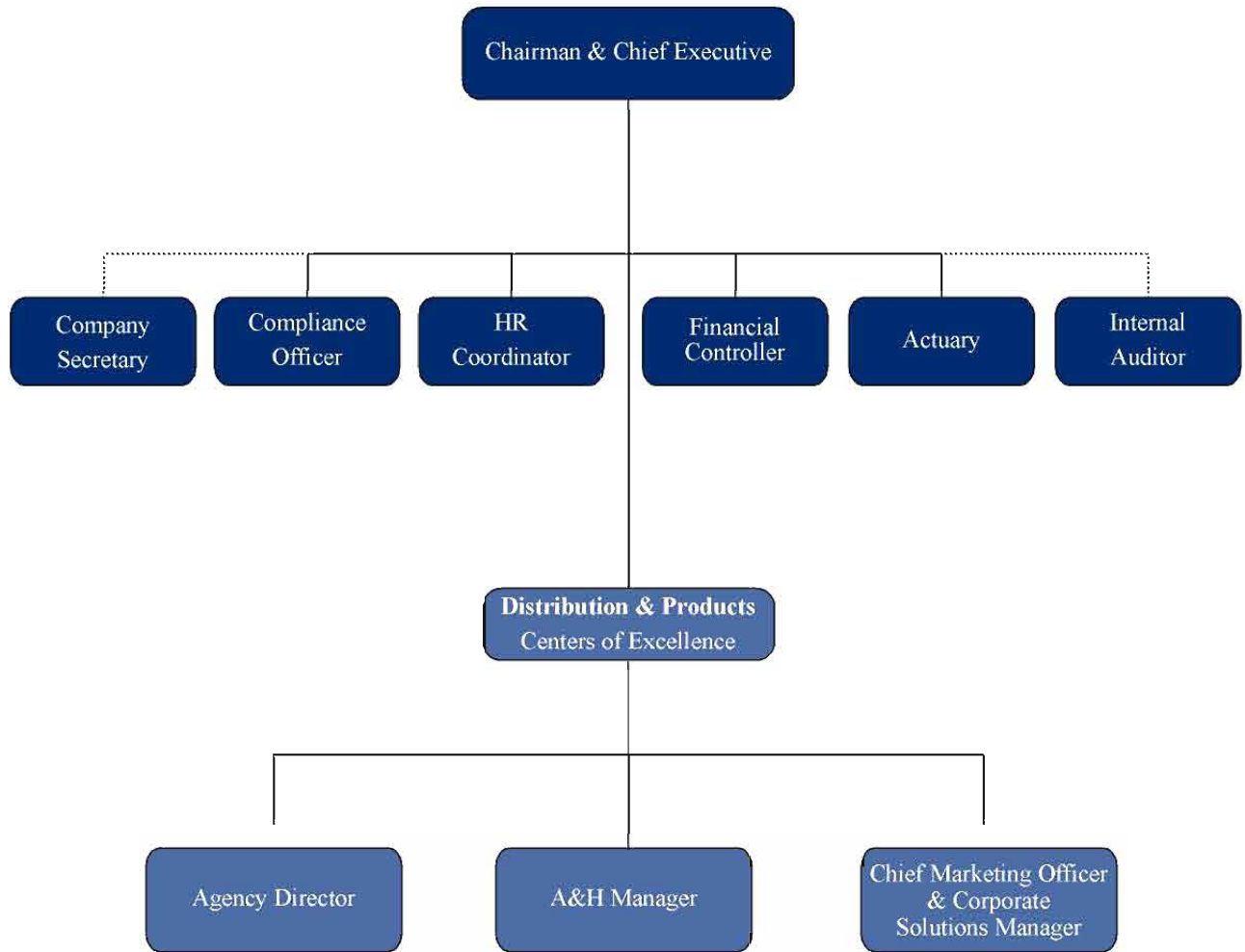
REINSURANCE COMMITTEE:

Name of Member	No. of meetings held
1. Arif Sultan Mufti (Chairman)	4
2. Omair Alvi	4
3. Hashim Sadiq Ali	4

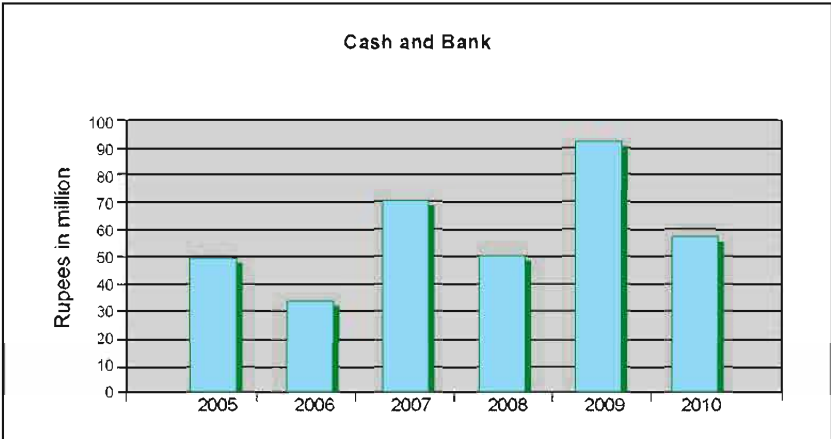
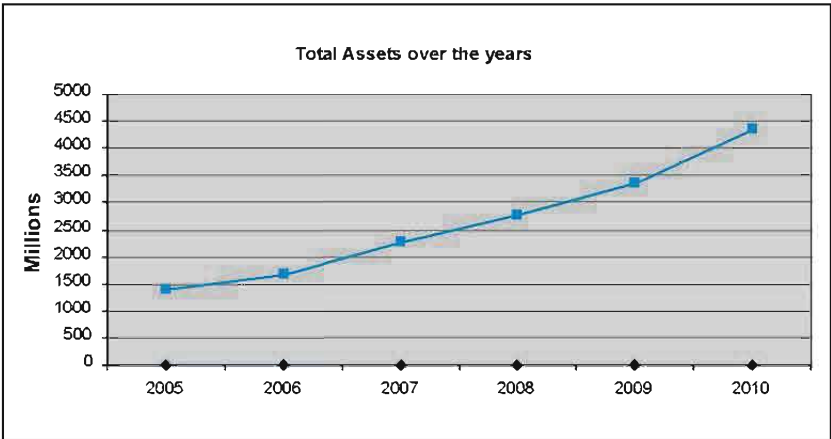
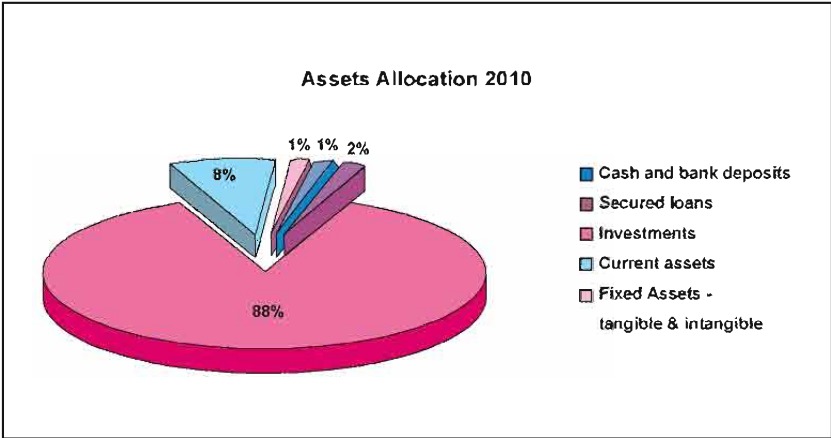
UNDER WRITING COMMITTEE:

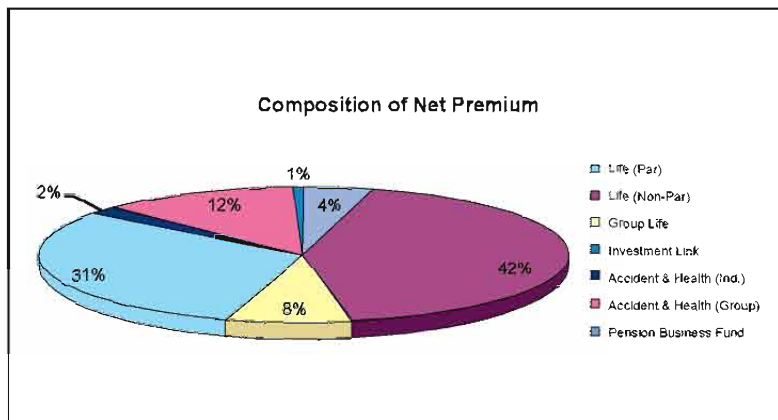
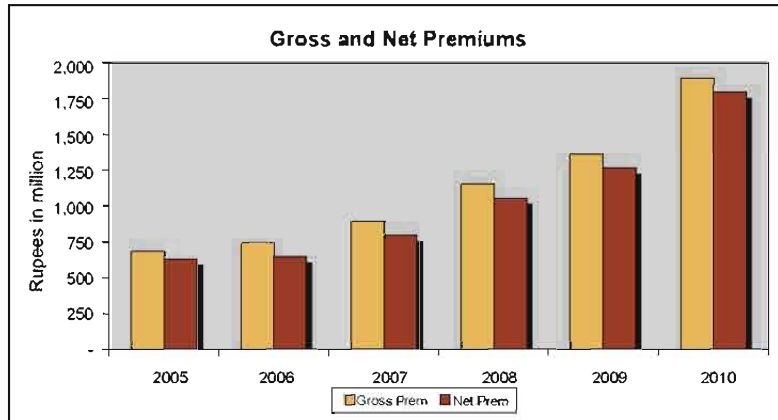
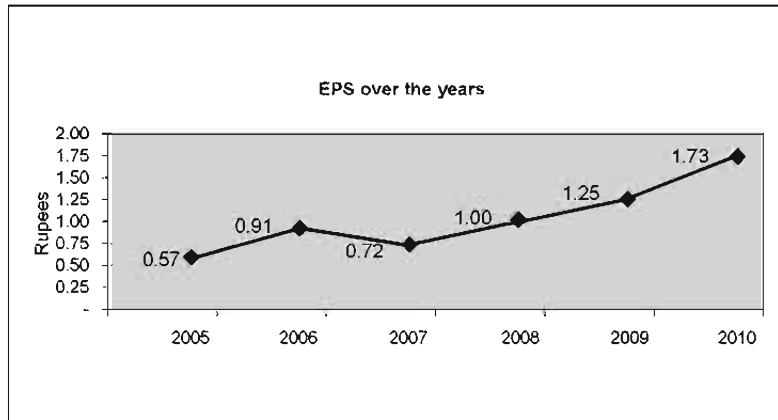
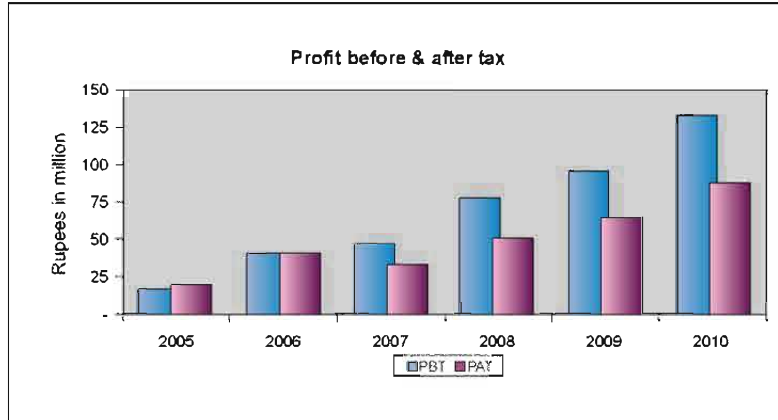
Name of Member	No. of meetings held
1. Arif Sultan Mufti (Chairman)	4
2. Shahid Siddiqui	4
3. Khaled S. Agha	4
4. Hashim Sadiq Ali	4

ORGANIZATION STRUCTURE



PERFORMANCE AT GLANCE





KEY FINANCIAL DATA

SIX YEARS AT GLANCE

	2010	2009	2008	2007	2006	2005
	(Rupees in '000)					
Financial Data						
Paid-up capital	500,000	500,000	500,000	500,000	325,000	325,000
Net shareholders' equity	669,193	581,065	379,763	329,542	133,249	129,601
Investments - excl. VUL	3,276,265	2,761,238	1,780,985	1,761,958	1,096,468	1,066,554
Cash and bank deposits	64,025	106,526	164,756	209,205	375,739	148,993
Total assets	4,338,682	3,352,656	2,749,498	2,255,694	1,667,052	1,380,889
Operating Data						
Gross premium revenue	1,893,849	1,349,482	1,155,386	888,204	747,156	691,797
Net premium revenue	1,806,525	1,267,953	1,048,496	802,053	655,042	631,422
Investments and other income	396,720	320,539	259,260	193,808	158,176	118,409
Profit before taxation	133,403	96,141	78,059	46,900	40,834	17,250
Taxation	46,691	33,649	27,838	14,822	392	(1,366)
Profit after taxation	86,712	62,492	50,221	32,078	40,442	18,616
EPS (Rupee)	1.73	1.25	1.00	0.72	0.91	0.57
Cash Flow Summary						
Net cash flow from operating activities	590,201	762,793	(228,857)	222,191	155,451	275,050
Net cash flow from investing activities	(608,126)	(721,023)	209,408	(355,289)	(169,172)	(274,174)
Net cash flow from financing activities	(16,576)	-	-	167,031	-	-
Net cash flow from all activities	(34,501)	41,770	(19,449)	33,933	(13,721)	876
Cash and cash equivalents at the beginning of the year	91,526	49,756	69,205	35,272	48,993	48,117
Cash and cash equivalents at the end of the year	57,025	91,526	49,756	69,205	35,272	48,993

KEY FINANCIAL DATA

FINANCIAL RATIOS

		2010	2009	2008	2007	2006	2005
Profitability / Return to Shareholders							
Profit before tax / gross premium	%	7.04%	7.12%	6.76%	5.28%	5.47%	2.49%
Expenses / Income	%	54.05%	64.91%	67.29%	64.32%	68.49%	60.30%
Return on assets	%	2.00%	1.86%	1.83%	1.42%	2.43%	1.35%
Return on Equity	%	12.96%	10.75%	13.22%	9.73%	30.35%	14.36%
EPS	Rs.	1.73	1.25	1.00	0.72	0.91	0.57
Price Earning Ratio	Times	10.38	13.14	43.79	66.67	26.65	33.77
Net Assets per share	Rs.	13.38	11.62	7.60	6.59	4.10	3.99

Market Data

Face value per share	Rs.	10.00	10.00	10.00	10.00	10.00	10.00
Market Value per share at the year end	Rs.	18.00	16.43	43.79	48.00	24.25	19.25
Highest share price during the year	Rs.	21.95	41.61	53.55	56.50	32.50	30.75
Lowest share price during the year	Rs.	13.00	13.41	38.77	23.45	17.00	19.25
Market Capitalization	'000	900,000	821,500	2,189,500	2,400,000	788,125	625,625

Performance / Liquidity

Earning asset to total asset ratio	%	90.85%	90.38%	78.41%	89.22%	90.16%	90.02%
Net premium / gross premium ratio	%	95.39%	93.96%	90.75%	90.30%	87.67%	91.27%
Net claims / net premium ratio	%	24.49%	28.63%	31.69%	32.62%	35.14%	28.01%
Management expenses / net premium ratio	%	38.44%	49.72%	50.40%	45.60%	47.72%	39.70%
Current ratio	Times	0.93	0.80	2.01	1.14	2.06	1.11
Total assets turnover	Times	0.53	0.50	0.49	0.46	0.51	0.59
Fixed assets turnover	Times	39.23	25.61	18.80	18.23	31.91	49.39
Equity / total assets	%	15.42%	17.33%	13.81%	14.61%	7.99%	9.39%

BALANCE SHEET AND PROFIT & LOSS ANALYSIS

VERTICAL

BALANCE SHEET	2010		2009	
	Rupees in '000	%	Rupees in '000	%
Net shareholders' equity	669,193	15%	581,065	17%
Balance of statutory funds	3,238,863	75%	2,318,142	69%
Deferred liability	-	0%	-	0%
Creditors and accruals	430,599	10%	436,846	13%
Dividend	27	0%	16,603	1%
Total Equity and Liabilities	4,338,682	100%	3,352,656	100%
Cash and bank deposits	64,025	1%	106,526	3%
Secured loans	83,051	2%	68,306	2%
Investments	3,795,700	88%	2,856,069	85%
Current assets	337,353	8%	255,923	8%
Deferred taxation	-	0%	-	0%
Fixed Assets - tangible & intangible	58,553	1%	65,832	2%
Total Assets	4,338,682	100%	3,352,656	100%
REVENUE AND PROFIT & LOSS ACCOUNT				
Net Income				
Claims and Expenditures	2,297,224	100	1,685,754	100
Movement in policy holders' liability	(1,241,684)	(54)	(1,094,193)	(65)
	(878,836)	(38)	(450,006)	(27)
Surplus / Profit before tax	176,704	8	141,555	8
Taxation	(46,691)	(2)	(33,649)	(2)
Surplus / Profit after tax	130,013	6	107,906	6

HORIZONTAL

BALANCE SHEET	2010	2009	2008	2007
	(Rupees in '000)			
Net shareholders' equity	669,193	581,065	379,763	329,542
Balance of statutory funds	3,238,863	2,318,142	1,961,532	1,595,024
Deferred liability	-	-	-	-
Creditors and accruals	430,599	436,846	391,600	314,525
Dividend	27	16,603	16,603	16,603
Total Equity and Liabilities	4,338,682	3,352,656	2,749,498	2,255,694
Cash and bank deposits	64,025	106,526	164,756	209,205
Secured loans	83,051	68,306	53,623	41,553
Investments	3,795,700	2,856,069	1,801,339	1,761,958
Current assets	337,353	255,923	657,500	168,421
Deferred taxation	-	-	-	-
Fixed Assets - tangible & intangible	58,553	65,832	72,280	74,557
Total Assets	4,338,682	3,352,656	2,749,498	2,255,694
REVENUE AND PROFIT & LOSS ACCOUNT				
Net Income	2,297,224	1,685,754	1,358,913	1,030,546
Claims and Expenditures	(1,241,684)	(1,094,193)	(914,346)	(662,828)
Movement in policy holders' liability	(878,836)	(450,006)	(247,826)	(261,716)
Surplus / Profit before tax	176,704	141,555	196,741	106,002
Taxation	(46,691)	(33,649)	(27,838)	(14,822)
Surplus / Profit after tax	130,013	107,906	168,903	91,180

2008		2007		2006		2005	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
379,763	14%	329,542	15%	133,249	8%	129,601	9%
1,961,532	71%	1,595,024	71%	1,279,671	77%	1,013,914	73%
-	0%	-	0%	13,013	1%	10,813	1%
391,600	14%	314,525	14%	232,797	14%	218,239	16%
16,603	1%	16,603	1%	8,322	0%	8,322	1%
2,749,498	100%	2,255,694	100%	1,667,052	100%	1,380,889	100%
164,756	6%	209,205	9%	375,739	23%	148,993	11%
53,623	2%	41,553	2%	31,003	2%	22,151	2%
1,801,339	66%	1,761,958	78%	1,096,468	66%	1,066,554	77%
657,500	24%	168,421	7%	121,253	7%	115,283	8%
-	0%	-	0%	-	0%	392	0%
72,280	3%	74,557	3%	42,589	3%	27,516	2%
2,749,498	100%	2,255,694	100%	1,667,052	100%	1,380,889	100%
1,358,913	100	1,030,546	100	856,323	100	810,577	100
(914,346)	(65)	(662,828)	(64)	(586,526)	(68)	(488,761)	(60)
(247,826)	(18)	(261,716)	(25)	(221,590)	(26)	(275,222)	(34)
196,741	14	106,002	10	48,207	6	46,594	6
(27,838)	(2)	(14,822)	(1)	(392)	0	1,366	0
168,903	12	91,180	9	47,815	6	47,960	6

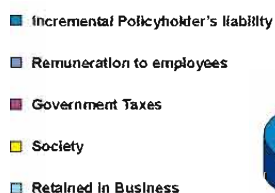
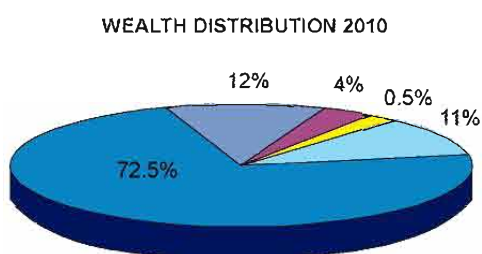
2006	2005	2010	2009	2008	2007	2006	2005
..... (Rupees in '000) % increase / (Decrease) over preceding year					
133,249	129,601	15%	53%	15%	147%	3%	10%
1,279,671	1,013,914	40%	18%	23%	25%	26%	44%
13,013	10,813	0%	0%	0%	-100%	20%	2%
232,797	218,239	-1%	12%	25%	35%	7%	38%
8,322	8,322	-100%	0%	0%	100%	0%	0%
1,667,052	1,380,889	29%	22%	22%	35%	21%	38%
375,739	148,993	-40%	-35%	-21%	-44%	152%	156%
31,003	22,151	22%	27%	29%	34%	40%	14%
1,096,468	1,066,554	33%	59%	2%	61%	3%	36%
121,253	115,283	32%	-61%	290%	39%	5%	11%
-	392	0%	0%	0%	0%	-100%	0%
42,589	27,516	-11%	-9%	-3%	75%	55%	-19%
1,667,052	1,380,889	29%	22%	22%	35%	21%	38%
856,323	810,577	36%	24%	32%	20%	6%	30%
(586,526)	(488,761)	13%	20%	38%	13%	20%	32%
(221,590)	(275,222)	95%	82%	-5%	18%	-19%	3%
48,207	46,594	02%	-28%	86%	120%	3%	-477%
(392)	1,366	39%	21%	88%	3681%	-129%	-115%
47,815	47,960	20%	-36%	85%	91%	0%	-324%

STATEMENT OF VALUE ADDED

	2010		2009	
	Rupees in '000	%	Rupees in '000	%
WEALTH GENERATION				
Net premium	1,806,524	82%	1,267,953	80%
Net investment income	368,565	17%	286,929	18%
Other income	28,358	1%	33,610	2%
Less: Net claim	(442,406)	-45%	(363,070)	-41%
Less: Acquisition & Administration Expenses (excl. remuneration & taxes)	(551,494)	-55%	(515,212)	-59%
Net Wealth Generated	1,209,547		710,210	

WEALTH DISTRIBUTION

Incremental policyholders' liability	(878,836)	72.5%	(450,006)	64%
Remuneration to employees	(146,330)	12%	(116,646)	16%
Government Taxes	(49,466)	4%	(35,652)	5%
Society	(4,903)	0.5%	-	0%
Retained in Business	(130,012)	11%	(107,906)	15%
	(1,209,547)	100%	(710,210)	100%



MAJOR EVENT DURING THE YEAR



- ▶ Day one celebration on account of becoming World's Premier Global Life Insurance Company - ONE METLIFE



- ▶ Ground breaking ceremony at Misali Basti, a jointly contributed project of MetLife Alico with HDF. Contribution was made by MetLife Alico and its Regional Staff and Field Force.

FINANCIAL / EVENT CALENDAR

EVENT	DATE
Results	
Financial for the three months ended March 31, 2010	30 Apr. 2010
Financials for the six months ended June 30, 2010	20 Aug. 2010
Financials for the nine months ended September 30, 2010	27 Oct. 2010
Financials for the year ended December 31, 2010	25 Mar. 2011
Notice to Shareholders with Financial Statements	5 Apr. 2011
Annual General Meeting	26 Apr 2011
Other Events	
Announcement of definitive agreement for sale of ALICO USA (parent company of ALICO Pakistan)	8 Mar. 2010
Acquisition of ALICO USA by Metlife.	1 Nov. 2010
Contribution for flood victim to build a model village in Sindh named "Misali Basti", a jointly contributed project with Human Development Foundation (HDF)	9 Jan. 2011

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company take pleasure in presenting to you the 16th Annual Report of the Company along with the audited financial statements for the year ended December 31, 2010.

During the year, MetLife Inc. USA., acquired American Life Insurance Company, Wilmington, Delaware, from American International Group, Inc.'s (AIG). The acquisition of ALICO, one of the world's largest and most diversified international life insurance companies, accelerates MetLife's global growth strategy. This transaction creates a global leader in life insurance and employee benefits by adding significant scale and geographic reach to MetLife's international footprint and further diversifying the Company's product mix, distribution channels and geographic exposures.

General Review of Economy

The economy grew by a provisional 4.1 % in the outgoing year, after a modest growth of 1.2% in 2008-09. However, the recovery is still fragile and the stabilization needs to be consolidated so that the gains over the past two difficult years are not lost.

The recovery in economic growth is fragile and will remain till the weaknesses in the macroeconomic framework are forcefully addressed. It is important to address the structural constraints to long run sustainable growth. This will also provide greater visibility to markets and investors with regard to Pakistan's economic prospects in the medium to longer term, and will be a key catalyst for higher private capital inflows and investment.

The resurgence of inflation is not restricted to Pakistan and is both a regional as well as a global phenomenon, though with varying orders of magnitude. In term of mitigation strategies, policy options have been limited for much of the current fiscal year in the backdrop of high and rising international commodity prices.

Latest, Pakistan economic report has confirmed that political stability is required in order to deal with its economic crises in a more suitable way.

REVIEW OF OPERATIONS

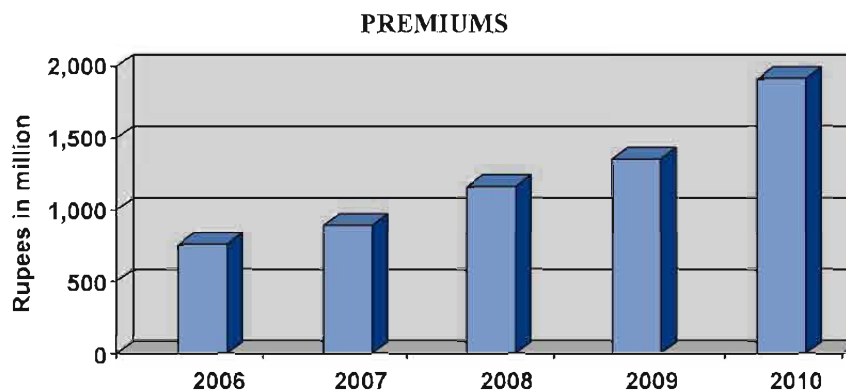
Your Company has completed its 15 full years of operation and the current year results represent modest growth. The individual life products, mainly the Savings Plan through Bancassurance channel continue to register modest growth. The accident and health product business also shows healthy growth with the introduction of new products during the last couple of years, namely, My Child and Safe Road.

In 2008 your Company had launched four unit linked products under its Vision series. These products offer a choice of four investment strategies to the policyholders, namely: Aggressive, Balanced, Conservative and Shariah Compliant. Your Company has since added more strategies during the year namely: the Secure, Sarmaya plus and FutureSecure strategies which are showing overwhelming response. The unit linked products showed tremendous growth of 263% in 2010.

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

GROSS AND NET PREMIUM:

The combined all lines gross and net premium incomes respectively have reached levels of Rs. 1.89 billion and Rs. 1.81 billion, registering growths respectively of 40% and 42% over the previous year.



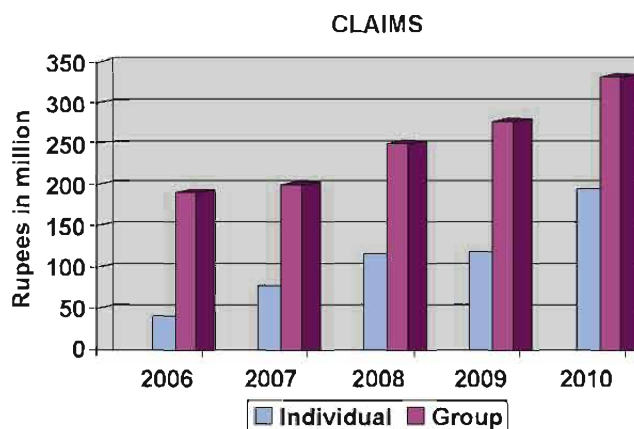
Profit / Loss

	2010	2009
	(Rupees in '000)	
Net Surplus of Statutory Funds	142,801	104,614
Profit before appropriation of surplus to Shareholders' Fund	33,903	36,941
Taxation	46,691	33,649
Earning per Share (Rupees)	1.73	1.25

CLAIMS

Your Company believes in par excellence service to its policyholders in all areas, particularly, in the prompt settlement of claims, with strict measures to ensure payments of genuine claims only.

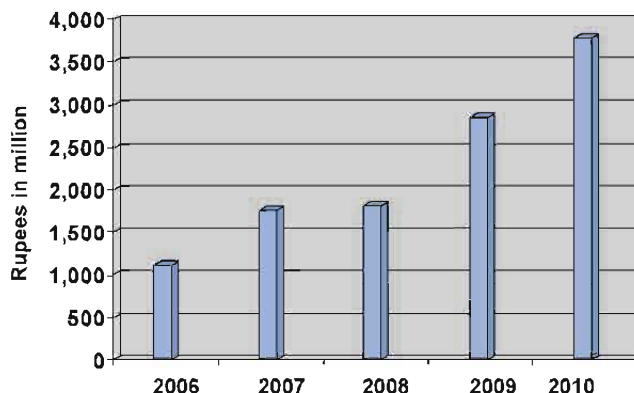
The Company continues to adhere to its long standing policy of strict underwriting to entertain only good risks. Further, we have in place reinsurance treaties with reputable international reinsurer to protect the Company from losses above our local retention and, also, to protect our retained account.



INVESTMENTS

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

Our investment portfolio increased by Rs. 940 million from Rs 2.87 billion in 2009 to Rs 3.80 billion in 2010, with 92 % (2009: 96%) of our total investment portfolio invested in Government securities. Our total net investment income during 2010 was Rs. 368 million (2009: Rs.287 million), showing an increase of 28 % over last year.



STRATEGY MANAGEMENT:

Our principal strategy has been to strengthen our market share, while continuing to emphasize our core values of discipline in underwriting, efficient claims administration, tight management of expenses, and innovation in products and client services. To achieve this, we continually seek to broaden distribution and intensify agency training and monitoring programs. Our agency force forms the cornerstone of our business. We rely on a three-tiered distribution operation for Ordinary Life which focuses on segmenting the market into three income classes. By developing products which cater to the specific needs of each market segment we continue to make inroads in the local market and strive to make MetLife Alico household name.

Developing and promoting Personal Accident products is an integral part of our strategy. Through Individual Accident & Health products and Direct Marketing initiatives we strive not only to increase the premium income, but also improve the commission earnings of the agents.

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

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

DEVELOPMENT ACTIVITIES:**BANCASSURANCE DEVELOPMENT:**

The Company continued pursuing distribution opportunities with banks and other financial institutions. Our unique value proposition distinguishes us in the market as it involves taking positive view of bank's customer segments, examining their specific needs, evaluating various distribution channels of the bank and tailoring differentiated products matching customer needs with right distribution mix.

This approach helped developing long term and sustainable business models with partner banks benefiting their customers with the best innovative products and solutions. The Company currently has over 10 bancassurance partners selling multiples products most popular of which are investment wrapped protection plans addressing different customer needs such as college education, marriage, retirement, savings, inter-generational wealth transfer, protection for financial dependents etc. The Company's unique multiple investment strategies approach particularly helped promoting unit-linked plans through bancassurance; it also proved to be the trend-setter as it forced the market to follow suit. However, the Company's ability to customize strategies based on specific risk-return appetite of each bank customers, remains unparalleled.

AGENCY DEVELOPMENT:

A 'quality not quantity' recruiting approach has measurably improved the persistency of our new business. Our recruitment approach is to increase the agent count with agents writing a reasonably steady volume of quality business, without relying on a few agents writing a considerable volume of business but with poor persistency. Our agents are procuring good quality-business with satisfactory persistency.

We continue to monitor individual agent persistency through several reports generated monthly for the Agency Department management team.

HUMAN RESOURCES AND TRAINING:

Your Company recruits staff on merit and provides the necessary training to develop professional expertise and believes in retention of best talent. The training is provided to the staff at local as well as regional level in all spheres of business activities, including technical and operational support. We are staffed with the local personnel who are constantly studying the need of individuals and developing innovative products to the specific need of each market segment.

The Company provides full financial assistance and encourages employees to appear in the insurance diploma exams of the Life Office Management Association and the Society of Actuaries, USA.

Company also have online training programme which provides training to employees according to their job requirement to enhance their skills.

INTERNAL AUDIT AND COMPLIANCE FUNCTION:

The company established policies and procedures such as the separation of critical functions (e.g. risk management, underwriting (subject to the relevant provisions of Insurance Ordinance, 2000), investment, claims handling, internal audit and compliance with statutory rules and regulations, cross checking of documents, dual control of assets and double signatures on certain documents, etc to ensure checks and balances within the company).

CORPORATE RESPONSIBILITIES:

RELATIONSHIP WITH OTHER STAKEHOLDERS:

Your Company also maintains good relations with its other stakeholders over the last 15 years.

It has been your Companies tradition to provide and maintain good working environment for its employees and always appreciated their contribution towards the Company and their hard work. It also awards them quarterly rewards on their performance.

As noted above, your Company is providing its employees to improve their skills through different training programs, through which they contribute more effectively and provide more positive working environment.

Your Company is maintaining a trustworthy relation with its policyholders by providing them quality services and with business associates through fair and honest dealing.

Your Company is also fulfilling their responsibility towards the Government by complying with all applicable laws and regulations.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Your Company contributed Rs. 56.6 million to the national exchequer in the form of Income Tax and acting as a withholding agent.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Board and the management is fully committed to good corporate governance. As required under the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan, the Directors are pleased to state the following:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent assessment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The Board is ultimately responsible for the Company's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide reasonable and not absolute assurance against material misstatement or loss.

The process used by the Board to review the effectiveness of system of internal control includes, inter alia, the following:

- The Audit Committee has written terms of reference and reports to the Board. It reviews the approach adopted by the Company's Internal Audit Department and the scope of, and the relationship with, the external auditors. It also receives reports from the Internal Audit Department and the external auditors on the system of internal control and any material control weaknesses that have been identified, and discusses the actions to be taken in areas of concern with the relevant executive directors.
- An organization structure has been established which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
- Business strategies agreed at departmental level are approved by the Board. In addition, there is an annual budgeting and strategic planning processes. These strategies are reviewed during the year to reflect significant changes in

business environment.

The principal features of control framework include:

Evaluation and approval procedures for all capital expenditure and other transactions.

- Regular reporting and monitoring of financial performance of the line of business using operating statistics and monthly management accounts which highlight key performance indicators and variance from budgets and quarterly forecasts.

Further, reviews of the Company's system of internal control are also carried out by the Internal Audit Department. The documented conclusions are confirmed at departmental level to the Board.

- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations of the stock exchanges of Pakistan.
- h) Rs. 4.641 million receivable against income tax is appearing on the face of the balance sheet.
- i) The value of investments of recognized Provident Fund based on the financial statements for the year ended December 31, 2010 is Rs. 24.339 million.

CORPORATE SOCIAL RESPONSIBILITY:

During the year, the contribution of Rs.9.5 million was made by the MetLife Alico and its staff and field force for the flood victims, keeping up with the spirit of the company's longstanding tradition to reach out and help the underprivileged and support the recovery efforts of this devastating calamity.

The fund will be used to develop 'Misali Basti', a model village in Budapur, Sindh, a jointly contributed project with Human Development Foundation (HDF), to help change the lives of over 1500 residents of Budapur Village effected in the recent flood.

KEY FINANCIAL DATA:

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

Description	(Rupees in'000)					
	2010	2009	2008	2007	2006	2005
Gross Premium Income	1,893,849	1,349,482	1,155,386	888,204	747,156	691,797
Net Premium Income	1,806,525	1,267,953	1,048,496	802,053	655,042	631,422
Interest And Other Income	396,923	320,539	259,260	193,811	158,176	118,409
Net Claims	442,407	363,070	332,228	261,600	230,160	176,884
Net Commission And Acquisition Costs	409,183	379,744	305,160	179,470	153,194	129,214
Administration Expenses	296,319	254,117	225,801	187,076	159,408	118,304
Policy Holder Liability	2,978,461	2,009,625	1,649,619	1,401,793	1,140,077	918,487
Total Assets	4,338,682	3,352,656	2,749,498	2,255,694	1,667,052	1,380,889

BOARD MEETINGS AND CHANGE IN DIRECTORSHIPS:

Since the last report, no casual vacancy arose on the Board

During the year 2010 four meetings of the Board of Directors were held. The numbers of meeting attended by each Director is as follows:

Name of Directors	No. of meetings attended
Mr. Arif Sultan Mufti, Chairman & Chief Executive	4
Mr. Khalid Anis-ur-Rehman	2
Mr. Shahid Siddiqui	4
Mr. Irfan Amir (Alternate to Nurul Islam)	4
Mr. Qasim Rabbani	1
Mr. Ehsan Ahmed Nomani	4
Mr. Arif Abdul Aziz	4
Mr. Michel Khalaf	None

Leave of absence was granted to the Directors who could not attend the meeting.

AUDIT COMMITTEE:

The audit committee functions in accordance with the Code of Corporate Governance. The following non-executive Directors served on the committee during the year 2010:

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

CLAIM SETTLEMENT COMMITTEE:

This committee devises the claims settling policy of the Company. It oversees the claims position of the insurance company and ensures that adequate claims reserves are made. It shall pay particular attention to significant claims cases or events, which will give rise to a series of claims. The Claims Settlement Committee shall determine the circumstances under which the claims disputes shall be brought to its attention and decide how to deal with such claims disputes. It shall also oversee the implementation of the measures for combating fraudulent claims cases.

REINSURANCE COMMITTEE:

This committee ensures that adequate reinsurance arrangements are made for the insurance companies businesses. It evaluate the proposed reinsurances arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance programme for the future reference

UNDER WRITING COMMITTEE:

The underwriting committee formulates the under writing policy of your Company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. It shall regularly review the under writing and premium policies of your Company with due regard to relevant factors such as its business portfolio and the market development.

PARENT COMPANY

During the year, American Life Insurance Company (ALICO) incorporated in the United States of America having its registered office at ONE ALICO PLAZA, Wilmington, State of Delaware, 1989, U.S.A. who owns 66.46% of the Company's share is acquired by the MetLife Inc. U.S.A.

PATTERN OF SHAREHOLDING

The pattern of Shareholding in the Company as at December 31, 2010 is included in the report. American Life Insurance Company U.S.A. holds 66.46% while other shareholders hold 33.54% of the Company's total shareholding.

No trading in the shares of the Company have been carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children.

AUDITORS

Our existing auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment of five years and will retire at the conclusion of the 16 Annual General Meeting. In accordance with guideline of the Securities and Exchange Commission of Pakistan vide circular 24, 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. Yousuf Adil Saleem & Co., Chartered Accountants representing Deloitte & Touche in Pakistan for the year 2011.

FUTURE OUTLOOK

Your Company remains optimistic about the long term opportunities while at the same time meeting the short term challenges. Your Company continually responds to these challenges by enhancing focus on customer service and by building an efficient and productive field force. As its ongoing strategy, your Company closely monitors the market situation and believes that its unique business model and prudent risk management practice, coupled with a strong customer base and deep client relationship will give it a sustainable long term competitive advantage. The Company is always ready to aggressively pursue new opportunities and ensure adequate internal preparedness to take maximum advantage of such opportunities.

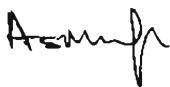
GRATITUDE

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

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

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

On behalf of the Board of Directors



Arif S. Mufti
CHAIRMAN & CEO
Dated: March 25, 2011

**PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2010**

Numbers of Shareholders	Holding Shares		Total Shares held
	From	To	
601	1	100	17,093
146	101	500	54,625
49	501	1,000	42,177
75	1,001	5,000	171,649
9	5,001	10,000	73,695
3	10,001	15,000	36,615
3	15,001	20,000	49,660
1	20,001	25,000	22,000
3	25,001	30,000	81,921
2	35,001	40,000	73,999
1	45,001	50,000	47,180
1	60,001	65,000	61,538
3	80,001	85,000	250,376
2	95,001	100,000	195,988
1	115,001	120,000	116,553
1	135,001	140,000	136,019
1	250,001	255,000	250,007
1	610,001	615,000	613,609
1	1,500,001	1,505,000	1,500,337
1	2,095,001	2,100,000	2,100,000
1	2,495,001	2,500,000	2,500,000
1	2,525,001	2,530,000	2,527,350
1	2,720,001	2,725,000	2,720,769
1	3,120,001	3,125,000	3,125,000
1	33,230,001	33,235,000	33,231,840
910			50,000,000

Categories of Shareholders	Number of Shareholders	Total Shares held	Percentage
Individuals	894	9,783,512	19.57
Joint Stock Companies	9	260,442	0.52
Financial Institutions	5	4,003,437	8.01
Foreign Companies	2	35,952,609	71.90
	910	50,000,000	100.00

DISCLOSURE OF PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2010

Shareholder's category	Number of shareholders	Shares held
Associated companies, undertakings and related parties	1	33,231,840
NIT and ICP	1	1,000
Directors, CEO, and their spouse and minor children	5	3,245,053
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual funds	5	6,723,206
Joint Stock Companies and Others	9	260,442
Shareholders holding ten percent or more voting interest	1	33,231,840

Disclosure of Pattern of Shareholding as at December 31, 2010

	Number of shares held
Associated companies, undertakings and related parties	
American Life Insurance Company, Inc. USA	33,231,840
NIT and ICP	
Investment Corporation of Pakistan	1,000
Directors, CEO and their spouse and minor children	
Mr. Arif Abdul Aziz	3,125,000
Mr. Arif Sultan Mufti	117,803
Mr. Shahid Siddiqui	1,250
Mr. Ehsan Ahmad Nomani	500
Mr. Khalid Anis-ur-Rehman	500
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	
Crescent Investment Bank Limited	1,600
National Bank Of Pakistan	2,500,000
Trust Investment Bank Limited	500
CDC - Trustee First Dawwood Mutual Fund	1,500,337
The Bank of New York	2,720,769
Joint Stock Companies and Others	
Ali Husain Rajabali Limited	10,000
Mtm Securities (Pvt.) Limited	13,846
International Brands (Pvt) Ltd.	5,000
A. Sattar Motiwala Securities (Pvt.) Limited	145
First National Equities Limited	1
Darson Securities (Pvt) Limited	21
Dawood Equities Limited	47,180
Amin Tai Securities (Pvt) Limited	99,873
Yasir Mahmood Securities (Pvt) Ltd.	84,376
Shareholders holding ten percent or more voting interest	
American Life Insurance Company, Inc. USA	33,231,840

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2010

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

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

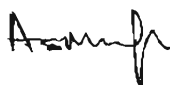
In addition to the above, this statement is being presented to comply with the Code of Corporate Governance applicable to listed Insurance Companies issued under SRO 68(1)/2003, for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one executive director out of eight directors.
2. None of the directors of the Company is serving as a director in ten or more listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC. No director is a member of Stock Exchange.
4. No casual vacancy has occurred during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended by the Board has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in each quarter during the year. The written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels of the Company. The company includes all the necessary aspects of internal control given in the Code.
10. The Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such fully aware of their duties and responsibilities. Furthermore, an in-house orientation course was also held during the year.
11. The Board had approved appointments of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The Directors, CEO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed Underwriting, Claim & Reinsurance Committees. The meetings of these committees held at least once in each quarter.
17. The Board has formed an Audit Committee. It comprises of three members; all are non executive directors including the Chairman of the Committee.
18. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
19. The Board has set-up an effective Internal Audit function. The Internal Audit Department reports directly to the Chairman of the Audit Committee.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the Company.
23. The Board ensures that the Appointed Actuary complied with the requirements set out for him in the Code.
24. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.
25. We confirm that all other material principles contained in the Code have been complied with.

By Order of the Board



Arif S. Mufti
CHAIRMAN & CEO
Karachi: March 25, 2011



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

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

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

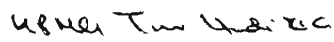
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

Date: March 25, 2011

Karachi.


KPMG Taseer Hadi & Co.
Chartered Accountants



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

We have audited the annexed financial statements comprising of:

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

of American Life Insurance Company (Pakistan) Limited as at December 31, 2010 together with the notes forming part thereof, for the year then ended.

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


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

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2010 and of the profit, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary; and
- e) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: March 25, 2011

Karachi.


 KPMG Taseer Hadi & Co.
 Chartered Accountants
 Mohammad Nadeem

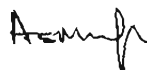
BALANCE SHEET AS AT DECEMBER 31, 2010

Note	SHARE HOLDERS' FUND	STATUTORY FUNDS						AGGREGATE		
		Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009	
(Rupees in '000)										
Share capital and reserves										
	Authorized share capital (50,000,000 ordinary shares of Rs. 10 each)	500,000	-	-	-	-	-	-	500,000	500,000
7	Issued, subscribed and paid-up share capital	500,000	-	-	-	-	-	-	500,000	500,000
	Accumulated surplus	425,145	-	-	-	-	-	-	425,145	338,433
	Capital contributed by shareholders' fund	(255,952)	-	-	-	-	-	-	(255,952)	(257,368)
8		169,193	-	-	-	-	-	-	169,193	81,065
	Net shareholders' equity	669,193	-	-	-	-	-	-	669,193	581,065
Balance of statutory fund										
	[including policyholders' liabilities Rs. 2,978.461 million (2009: Rs. 2,100 million)]	-	878,428	1,519,291	155,416	497,809	19,470	133,154	35,295	3,238,863
Creditors and accruals										
	Outstanding claims	-	15,007	54,672	114,001	2,644	6,001	46,983	-	239,308
10	Payable to gratuity fund	-	334	3,212	693	2,265	117	869	39	7,529
	Premiums received in advance	-	333	35,234	-	-	494	-	-	36,061
	Amount due to other insurers / reinsurers - net	-	280	553	2,225	3,161	6,383	935	-	13,537
	Amount due to agents	-	1,346	29,698	68	13,927	835	240	-	46,114
	Accrued expenses	-	1,887	18,108	3,910	12,777	659	4,901	223	42,465
	Taxation - provision less payments	-	-	-	-	-	-	-	-	5,307
11	Other creditors and accruals	4,313	5,119	15,950	2,096	8,009	359	9,456	283	45,585
		4,313	24,306	157,427	122,993	42,783	14,848	63,384	545	430,599
	Other liability - dividend payable	27	-	-	-	-	-	-	-	27
	Total liabilities	4,340	902,734	1,676,718	278,409	540,592	34,318	196,538	35,840	3,669,489
	TOTAL EQUITY AND LIABILITIES	673,533	902,734	1,676,718	278,409	540,592	34,318	196,538	35,840	4,338,682

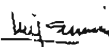
The annexed notes from 1 to 29 are an integral part of these financial statements.

Note	SHARE HOLDERS' FUND	STATUTORY FUNDS					AGGREGATE		2010	2009
		Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund			
(Rupees in '000)										
Cash and bank deposits										
		1,286	-	-	-	-	-	-	1,286	835
	22	28,239	-	1,000	-	26,500	-	-	55,739	90,691
		-	7,000	-	-	-	-	-	7,000	15,000
		29,525	7,000	1,000	-	26,500	-	-	64,025	106,526
Loans secured against Life Insurance Policies										
		-	26,928	53,123	-	-	-	-	80,051	66,482
Loans secured against other assets										
		1,101	-	-	-	-	-	-	1,101	205
		1,899	-	-	-	-	-	-	1,899	1,619
Investments										
	12	374,286	740,490	1,528,257	403,736	234,022	51,110	135,563	39,576	2,759,970
		3,247	-	-	-	285,413	-	-	-	96,099
		377,533	740,490	1,528,257	403,736	519,435	51,110	135,563	39,576	2,856,069
Current assets - others										
		-	3,874	23,365	27,215	28	-	33,031	-	87,513
	13	-	6,167	12,165	7,769	-	-	2,185	-	28,286
		-	189	5,807	-	3,050	183	-	-	9,229
		-	1,042	10,001	2,160	7,056	364	2,707	123	23,453
		245,578	75,796	(44,703)	(187,043)	(33,265)	(18,415)	(31,811)	(6,137)	-
	14	-	2,535	6,613	777	2,689	115	5,057	116	17,902
		8,747	23,173	53,089	7,916	11,030	533	3,588	1,465	109,541
		-	-	-	12,639	-	-	44,149	-	56,788
		4,641	-	-	-	-	-	-	-	4,641
		258,966	112,776	66,337	(128,567)	(9,412)	(17,220)	58,906	(4,433)	337,353
Fixed assets - tangibles and intangibles										
		84	-	-	-	-	-	-	-	84
		4,425	15,165	27,324	3,162	3,971	418	2,019	680	57,164
		-	375	677	78	98	10	50	17	1,305
		4,509	15,540	28,001	3,240	4,069	428	2,069	697	58,553
TOTAL ASSETS										
		673,533	902,734	1,676,718	278,409	540,592	34,318	196,538	35,840	4,338,682
										3,352,656

The annexed notes from 1 to 29 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR

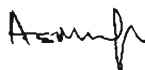


DIRECTOR

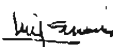
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	<i>Note</i>	2010	2009
		(Rupees in '000)	
Investment income not attributable to statutory funds			
Income from non-trading investments - held to maturity			
Return on Government Securities		43,101	39,033
Amorisation of premium relative to par		(703)	(1,184)
		<u>42,398</u>	<u>37,849</u>
Realised gain on sale of investments held as 'available for sale'		50	691
		<u>42,448</u>	<u>38,540</u>
Return on saving accounts		2,260	1,812
Interest income on loan to employees and agents		203	-
Expenses not attributable to statutory funds	19	(11,008)	(3,411)
		<u>33,903</u>	<u>36,941</u>
Profit before appropriation of surplus to Shareholders' Fund		33,903	36,941
Surplus appropriated to Shareholders' Fund from Ledger Account C & D		99,500	59,200
		<u>133,403</u>	<u>96,141</u>
Profit before tax		133,403	96,141
Tax expense	20	(46,691)	(33,649)
		<u>86,712</u>	<u>62,492</u>
Profit after tax		<u>86,712</u>	<u>62,492</u>
Profit and loss appropriation account			
Balance at commencement of the year		338,433	275,941
Profit after tax for the year		86,712	62,492
		<u>425,145</u>	<u>338,433</u>
			(Rupees)
Earnings per share - basic and diluted	21	<u>1.73</u>	<u>1.25</u>

The annexed notes from 1 to 29 are an integral part of these financial statements.



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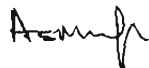


DIRECTOR

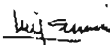
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<i>Note</i>	2010	2009
(Rupees in '000)			
Profit after tax for the year		86,712	62,492
Other comprehensive income		-	-
Total comprehensive income for the year		<u>86,712</u>	<u>62,492</u>

The annexed notes from 1 to 29 are an integral part of these financial statements.



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DIRECTOR

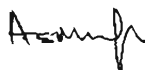


DIRECTOR

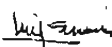
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

	Share Capital	Accumulated surplus	Capital contributed to / from Statutory Funds	Total
	----- (Rupees in '000) -----			
Balance as at January 1, 2009	500,000	275,941	(396,178)	379,763
<i>Total comprehensive income for the year -</i>				
Profit for the year	-	62,492	-	62,492
<i>Transactions with owners recorded directly in equity:</i>				
Capital contributed during the year	-	-	(5,000)	(5,000)
Capital withdrawn during the year	-	-	143,810	143,810
	-	-	138,810	138,810
Balance as at December 31, 2009	<u>500,000</u>	<u>338,433</u>	<u>(257,368)</u>	<u>581,065</u>
<i>Total comprehensive income for the year -</i>				
Profit for the year	-	86,712	-	86,712
<i>Transactions with owners recorded directly in equity:</i>				
Capital Contributed during the year (Note 22.1)	-	-	(27,500)	(27,500)
Capital withdrawn during the year (Note 6.2)	-	-	28,916	28,916
	-	-	1,416	1,416
Balance as at December 31, 2010	<u>500,000</u>	<u>425,145</u>	<u>(255,952)</u>	<u>669,193</u>

The annexed notes from 1 to 29 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

Note	SHARE	STATUTORY FUNDS						AGGREGATE		
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business fund	2010	2009		
(Rupees in '000)										
Operating cash flows										
a) Underwriting activities										
Premiums received net of policy transfers	-	76,548	789,139	175,640	558,401	35,760	231,435	9,731	1,876,654	1,348,156
Reinsurance premiums paid	-	(4,290)	(29,860)	(141,227)	(3,000)	(9,220)	(4,203)	-	(191,800)	(118,410)
Claims paid	-	(31,629)	(18,139)	(145,612)	(1,414)	(5,776)	(197,412)	-	(399,982)	(348,881)
Surrenders paid	-	(3,481)	(108,859)	-	(9,097)	-	-	(1,742)	(123,179)	(74,231)
Reinsurance recovery received	-	6,469	9,917	50,222	1,762	2,351	1,191	-	71,912	29,916
Commissions paid	-	(11,307)	(192,559)	(21,502)	(105,885)	(10,565)	(13,380)	-	(355,198)	(313,557)
Commissions received	-	1,716	11,944	56,491	1,200	3,688	1,681	-	76,720	47,364
Net cash inflow from underwriting activities	-	34,026	461,583	(25,988)	441,967	16,238	19,312	7,989	955,127	570,357
b) Other operating activities										
Income tax paid	(56,639)	-	-	-	-	-	-	-	(56,639)	(33,651)
General management expenses and other operating payments	(10,165)	(24,319)	(156,485)	(23,804)	(72,858)	(4,759)	(26,164)	(1,092)	(319,646)	204,076
Other operating receipts	2,463	2,847	8,546	418	4,040	249	7,528	13	26,104	36,694
Loans advanced	(1,176)	(2,284)	(11,285)	-	-	-	-	-	(14,745)	(14,683)
Inter fund transaction	(33,348)	120,647	(177,036)	67,300	30,119	735	(16,580)	8,163	-	-
Net cash flow from other operating activities	(98,865)	96,891	(336,260)	43,914	(38,699)	(3,775)	(35,216)	7,084	(364,926)	192,436
Total cash flow from all operating activities	(98,865)	130,917	125,323	17,926	403,268	12,463	(15,904)	15,073	590,201	762,793
Investment activities										
Profit/return received	40,682	65,446	137,955	44,939	(2,605)	6,179	14,775	2,814	310,185	219,961
(Payments) / proceeds from short term deposits	-	8,000	-	-	-	-	-	-	8,000	100,000
Payments for investments	(16,422)	(201,526)	(281,139)	-	(409,183)	-	-	(17,796)	(926,066)	(1,334,564)
Proceeds from redemption of investments	-	-	-	10,000	-	-	-	-	10,000	306,000
Fixed capital expenditure	(4,425)	(2,900)	(7,106)	395	(2,591)	44	303	(198)	(16,478)	(8,684)
Capital work-in-progress	(84)	1,384	2,350	365	222	48	237	57	4,579	(4,105)
Proceeds from disposal of fixed assets	444	291	713	(40)	260	(4)	(30)	20	1,654	369
Total cash flow from investing activities	20,195	(129,305)	(147,227)	55,659	(413,897)	6,267	15,285	(15,103)	(608,126)	(721,023)
Financing activities										
Capital payments received by Statutory Funds	1,416	(28,916)	1,000	-	26,500	-	-	-	-	-
Surplus appropriated to Shareholder's Fund	99,500	-	-	(80,000)	-	(19,500)	-	-	-	-
Dividend paid	(16,576)	-	-	-	-	-	-	-	(16,576)	-
Total cash flow from financing activities	84,340	(28,916)	1,000	(80,000)	26,500	(19,500)	-	-	(16,576)	-
Net cash (outflow) / inflow from all activities	5,670	(27,304)	(20,904)	(6,415)	15,871	(770)	(619)	(30)	(34,501)	41,770
Cash and cash equivalents at beginning of the year	23,855	27,304	21,904	6,415	10,629	770	619	30	91,526	49,756
Cash and cash equivalent at end of the year	29,525	-	1,000	-	26,500	-	-	-	57,025	91,526
Reconciliation to profit and loss account										
Operating cash flows								590,201	762,793	
Depreciation and amortization expense								(18,950)	(18,262)	
Gain / (loss) on disposal of fixed assets								1,426	(607)	
Increase / (decrease) in assets other than cash								60,532	(425,218)	
(Increase) in liabilities								(872,589)	(495,252)	
Net investment income								368,565	286,929	
Profit received on bank deposits								828	(2,477)	
(Surplus) of statutory funds								(142,801)	(104,614)	
Surplus appropriated to Shareholders' Fund								99,500	59,200	
Profit after taxation								86,712	62,492	

The annexed notes from 1 to 29 are an integral part of these financial statements.

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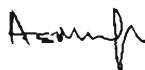
DIRECTOR

DIRECTOR

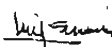
REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009	
..... (Rupees in '000)									
Income									
	78,614	769,583	141,914	553,564	27,634	225,485	9,731	1,806,525	1,267,953
	93,776	-	-	-	-	-	-	93,776	97,262
	77,166	158,291	43,468	23,693	5,210	14,444	3,845	326,117	248,389
18	3,390	9,620	520	4,438	261	7,624	42	25,895	31,798
	252,946	937,494	185,902	581,695	33,105	247,553	13,618	2,252,313	1,645,402
Claims and expenditure									
	32,493	126,082	88,408	11,393	2,790	179,498	1,742	442,406	363,070
	-	93,776	-	-	-	-	-	93,776	97,262
	27,815	372,862	38,817	200,286	11,333	42,201	1,180	694,494	630,450
	60,308	592,720	127,225	211,679	14,123	221,699	2,922	1,230,676	1,090,782
Excess of income over claims and expenditure									
	192,638	344,774	58,677	370,016	18,982	25,854	10,696	1,021,637	554,620
6	623,267	1,058,145	164,374	100,054	21,397	106,788	25,600	2,099,625	1,649,619
9	(720,901)	(1,422,146)	(140,852)	(515,411)	(16,943)	(125,043)	(37,165)	(2,978,461)	(2,099,625)
	(97,634)	(364,001)	23,522	(415,357)	4,454	(18,255)	(11,565)	(878,836)	(450,006)
	95,004	(19,227)	82,199	(45,341)	23,436	7,599	(869)	142,801	104,614
	97,634	364,001	(23,522)	415,357	(4,454)	18,255	11,565	878,836	450,006
Transfers (to) or from Shareholders' Fund									
22.1	(28,916)	-	-	-	-	-	-	(28,916)	(143,810)
	-	1,000	-	26,500	-	-	-	27,500	5,000
	-	-	(80,000)	-	(19,500)	-	-	(99,500)	(59,200)
	(28,916)	1,000	(80,000)	26,500	(19,500)	-	-	(100,916)	(198,010)
Balance of Statutory Fund at beginning of the year									
	714,706	1,173,517	176,739	101,293	19,988	107,300	24,599	2,318,142	1,961,532
Balance of Statutory Fund at end of the year									
	878,428	1,519,291	155,416	497,809	19,470	133,154	35,295	3,238,863	2,318,142
Represented by:									
6	-	224,452	-	31,500	-	-	-	255,952	257,368
	720,901	1,422,146	140,852	515,411	16,943	125,043	37,165	2,978,461	2,099,625
	128,153	-	-	-	-	-	-	128,153	49,049
	29,374	-	-	-	-	-	-	29,374	13,474
	-	(127,307)	14,564	(49,102)	2,527	8,111	(1,870)	(153,077)	(101,374)
	878,428	1,519,291	155,416	497,809	19,470	133,154	35,295	3,238,863	2,318,142

The annexed notes from 1 to 29 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



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STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2010

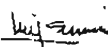
Note	STATUTORY FUNDS					AGGREGATE			
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009	
..... (Rupees in '000)									
Gross Premiums									
Regular premium individual policies*									
First year	-	298,068	-	172,315	36,558	-	-	506,941	444,046
Second year renewal	146	232,747	-	76,025	-	-	-	308,918	227,782
Subsequent year renewal	81,237	247,363	-	21,816	-	-	-	350,416	242,301
Single premium individual policies	-	10,924	-	288,221	-	-	-	299,145	11,524
Group policies without cash values	-	-	186,855	-	-	231,843	9,731	428,429	423,829
Total Gross premiums	81,383	789,102	186,855	558,377	36,558	231,843	9,731	1,893,849	1,349,482
Less: Reinsurance premiums ceded									
On individual life first year business	-	3,394	-	2,950	-	-	-	6,344	7,183
On individual life second year business	5	7,817	-	1,448	-	-	-	9,270	8,226
On individual life renewal business	2,764	8,308	-	415	-	-	-	11,487	9,266
On individual accident and health first year	-	-	-	-	8,924	-	-	8,924	8,305
On group policies	-	-	44,941	-	-	6,358	-	51,299	48,549
	2,769	19,519	44,941	4,813	8,924	6,358	-	87,324	81,529
Net Premiums	78,614	769,583	141,914	553,564	27,634	225,485	9,731	1,806,525	1,267,953

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

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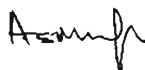


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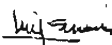
STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2010

Note	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009
(Rupees in '000)								
Gross Claims								
Claims under individual policies								
by death	19,930	27,721	-	4,058	-	-	51,709	28,842
by insured event other than death	-	1,500	-	-	5,141	-	6,641	2,048
by maturity	15,778	-	-	-	-	-	15,778	16,177
by surrender	3,481	108,859	-	9,097	-	-	121,437	72,211
Total gross individual policy claims	39,189	138,080	-	13,155	5,141	-	195,565	119,278
Claims under group policies								
by death	-	-	121,352	-	-	-	121,352	141,167
by insured event other than death	-	-	3,651	-	-	204,752	208,403	143,827
by surrender	-	-	-	-	-	1,742	1,742	2,020
experience refund	-	-	21,396	-	-	(23,815)	(2,419)	(9,679)
Total gross group claims	-	-	146,399	-	-	180,937	329,078	277,335
Total Gross Claims	39,189	138,080	146,399	13,155	5,141	180,937	524,643	396,613
Less: Re-insurance Recoveries								
On individual life first year business claims	-	2,086	-	1,762	-	-	3,848	1,894
On individual life second year business claims	12	4,805	-	-	-	-	4,817	3,202
On individual life renewal business claims	6,684	5,107	-	-	-	-	11,791	3,534
On individual accident and health business claims	-	-	-	-	2,351	-	2,351	1,700
On group business claims	-	-	57,991	-	-	1,439	59,430	23,213
	6,696	11,998	57,991	1,762	2,351	1,439	82,237	33,543
Net Claims	32,493	126,082	88,408	11,393	2,790	179,498	442,406	363,070

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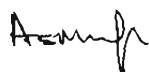


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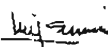
STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010

Note	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009
..... (Rupees in '000)								
Acquisition Costs								
Remuneration to insurance intermediaries								
on individual policies:								
	-	183,269	-	103,271	10,565	-	297,105	252,277
	15	23,275	-	4,773	-	-	28,063	20,930
	6,772	1,780	-	1,370	-	-	9,922	6,702
	-	-	-	6,451	-	-	6,451	403
	3,907	40,654	-	1,521	728	-	46,810	65,490
	10,694	248,978	-	117,386	11,293	-	388,351	345,802
Remuneration to insurance intermediaries								
on group policies:								
	-	-	21,570	-	-	13,620	35,190	43,721
	-	-	1	-	-	-	1	2,180
	-	-	21,571	-	-	13,620	35,191	45,901
Branch Overheads								
	714	6,858	1,481	4,839	250	84	16,082	21,195
	1,649	15,833	3,419	11,172	576	4,285	36,934	41,267
	2,363	22,691	4,900	16,011	826	6,141	53,016	62,462
Other acquisition cost								
	-	1,788	-	2,646	165	-	4,599	3,007
	13,057	273,457	26,471	136,043	12,284	19,761	481,157	457,172
Administration Expenses								
	5,787	55,541	11,994	39,190	2,021	15,032	130,248	95,451
	126	1,205	260	851	44	326	2,812	1,910
	44	423	92	298	15	114	991	889
	67	639	266	-	-	-	972	2,163
	16	152	33	107	6	41	357	-
	113	1,088	235	768	40	294	2,538	2,841
	79	756	163	533	28	205	1,773	1,236
	475	4,555	984	3,214	165	1,233	10,682	8,574
	5,450	9,817	1,136	1,426	150	727	18,950	18,262
	1,062	10,197	2,201	7,195	371	2,759	23,785	21,961
	13,219	84,373	17,364	53,582	2,840	20,731	193,108	153,287
Other Management Expenses								
	1,690	16,483	3,678	12,008	621	4,610	39,187	34,957
Gross Management Expenses								
	27,966	374,313	47,513	201,633	15,745	45,102	713,452	645,416
Commission from Reinsurers								
	(151)	(1,451)	(8,696)	(1,347)	(4,412)	(2,901)	(18,958)	(14,966)
Net Management Expenses								
	27,815	372,862	38,817	200,286	11,333	42,201	694,494	630,450

The annexed notes from 1 to 29 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR

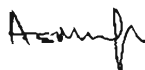


DIRECTOR

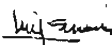
STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009	
(Rupees in '000)									
Income from Non-Trading									
Investments - Held to maturity									
Return on Government Securities	78,408	160,517	46,762	8,653	6,437	16,053	3,849	320,679	248,301
Less : Amortisation of premium relative to par	1,242	2,226	3,294	-	1,227	1,609	4	9,602	8,620
	77,166	158,291	43,468	8,653	5,210	14,444	3,845	311,077	239,681
(Loss) / Gain on revaluation of investment held as 'Available for sale'	-	-	-	(6,227)	-	-	-	(6,227)	4,593
Dividend income	-	-	-	21,267	-	-	-	21,267	4,115
Net Investment Income	77,166	158,291	43,468	23,693	5,210	14,444	3,845	326,117	248,389

The annexed notes from 1 to 29 are an integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. STATUS AND NATURE OF BUSINESS

American Life Insurance Company (Pakistan) Limited (“the Company”) was incorporated in Pakistan on the October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995. The registered office of the Company is situated at Floor 13, Dolmen City, Block - 4, Scheme - 5, Clifton, Karachi.

The Company is a subsidiary of American Life Insurance Company (incorporated in the United States of America) that holds 66.46% (2009 : 66.46%) share capital of the Company. The ultimate parent of the Company is MetLife, Inc.

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

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

2. BASIS OF PRESENTATION

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

2.1 STATEMENT OF COMPLIANCE

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

As advised by Securities and Exchange Commission of Pakistan vide letter No. 46/52/ ALICO/2004 dated October 12, 2004, the Company adopted the following basis in respect of ledger accounts:

- Allocated (100%) to Ledger Account B the accumulated deficit in the Life (Participating) Statutory Fund up to December 31, 2001 with zero balance in Ledger Account A.
- Transfer of Surplus in the Life (Participating) Statutory Fund, before allocation of bonus to participating policyholders, to Ledger Account A and then appropriation thereof as bonus to policyholders; and

-
- In accordance with the SECP directive, capital contributed for the purpose of bonus, or contributed for solvency and later diverted to bonus allocation, should no longer be considered as capital (i.e. loan from shareholder) but be made part of permanent money of the Life (Participating) Statutory Fund.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except investments held as 'available for sale' in investment linked statutory fund which are stated at their fair values.

3.1 Functional and presentation currency

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

3.2 Use of estimates and judgements

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Policyholders' liabilities

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2010 are as follows:

- a) Reserves for Endowment policies with term not less than 20 years have been calculated using full preliminary term method with EFU (1961-66) ultimate mortality table at 3.75%, as prescribed by SECP.
- b) Reserves for Endowment policies with term less than 20 years have been calculated using combination of Full Preliminary Term Method and Net Level Premium Method with EFU (1961-66) ultimate mortality table at 3.75%, as prescribed by SECP.
- c) Universal Life, Investment Linked and Pension business have been valued using full Account Values. No deduction has been made for surrender charges for conservatism. There is no prescribed method by SECP for these lines of business but this is the generally accepted method of valuing policyholders' liabilities for these line of business. Reserve is kept for insurance risk based on unearned premium method. Reserve is also kept for loyalty bonus payable on investment linked policies.
- d) Reduced Paid ups and Extended Term insurances have been valued by net single premium method with EFU (1961-66) ultimate mortality table at 3.75%.
- e) Group Life Insurance, Individual Accident and Health and Group Accident and Health businesses have

been valued using unearned gross premium reserve as this is the generally accepted method for such kind of businesses and there is no prescribed method by SECP. Unearned gross premium reserve represent the portion of the premium received but not yet earned. It was computed by pro rating the premium for the remaining coverage period after the valuation date.

- f) No policy is treated as an asset in the system if the reserve is negative, the negative value is excluded and the reserve of such policy shall not be less than the reserve in respect of whole life or endowment contract as the case may be, where an identical number of premium has been paid.
- g) The Company did not have any insurance policy denominated in foreign currency.

The principles adopted in the previous valuation as at December 31, 2009, were the same as those followed in this valuation. Hence there is no impact of any change in valuation basis.

Surrenders

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

Claims provision

- a) Reserves have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable. In a small number of cases, claims are payable in installments over a period of more than twelve months after the valuation date. In respect of all such claims, reserves have been calculated using the minimum valuation basis.
- b) Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims. The IBNR is determined based on statistical method that analyses the time lag between the claim occurrence date and claim reported date from the Company's own experience.

Classification of investment and provisions for impairment there against

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

Shareholders' investments which are not classified as held for trading or held to maturity are classified as 'available for sale'. Whereas all investments for Investment linked business are classified as 'available for sale'.

The Company determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Income tax

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

Tangible and intangible assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors".

The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets' are written down to their estimated recoverable amounts.

Defined benefits plans and other benefits

Liability is determined on the basis of actuarial technique using the Projected Unit Credit Method.

4. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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

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

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

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

Group Insurance Contracts

The Company offers group life, group accident & health and pension business to its clients. The Company also underwrites business for consumer banking related schemes. The risk underwritten is mainly death, hospitalisation and disability. The group insurance contracts are issued typically on yearly renewable term basis (YRT). This business is written through direct sales force as well as bancassurance.

Individual Insurance Contracts

The Company offers Individual Life (Participating), Individual Life (Non-Participating), Individual Accident & Health and Investment Unit Linked Plans which provide the financial protection; protection against the financial consequences of death, disease and disability caused by accidents, sickness or old age and a substantial return at maturity. Investment unit linked policies are regular life policies, where policy value is determined as per the underlying assets' value. Various types of riders (Accidental Death, Family Income Benefit, etc.) are also sold along with the basic policies.

Some of these riders are charged through deduction from policyholders' fund value, while others are conventional i.e., additional premium is charged there against. This business is written through direct sales force as well as bancassurance.

5.1.1 Premiums

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

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

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

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

5.1.2 Reinsurance ceded

Reinsurance premiums are recognised at the same time when the premium income is recognised. It is measured in line with the terms and condition of the reinsurance treaty.

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

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

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

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

5.1.3 Claims

Claim Expense

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims and any adjustments to claims outstanding from previous years. Claims are recognised earlier of the policy ceases to participate in the earnings of the fund or insured event occurs except for accident and health claims which are recognised as soon as a reliable estimate of the claim amount can be made.

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

Claim Recoveries

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

Experience Refund of Premium

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

5.1.4 Policyholders’ liabilities

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

5.1.5 Acquisition cost

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

Commissions and other expenses are recognised as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognised as revenue.

5.1.6 Premium deficiency reserve

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

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

5.2 Staff retirement benefits

5.2.1 Defined benefit plan

The Company operates an approved defined benefit gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on In-house actuarial recommendations. The most recent In-house actuarial valuation was carried out for the year ended December 31, 2010 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

5.2.2 Defined contribution plan

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

During the year, Rs.9 441 million (2009: Rs.7.783 million) has been recognised in the revenue account in respect of defined contribution plan.

5.3 Employees' compensated absences

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

5.4 Taxation

5.4.1 Current

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

5.4.2 Deferred

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

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

5.5 Loans secured against life insurance policies

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

5.6 Investments

5.6.1 Recognition

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

- Held to maturity
- Available for sale

5.6.2 Measurement

5.6.2.1 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

5.6.2.2 Available for sale

Shareholders'

These are investments that do not fall under investment at fair value through profit or loss or held to maturity categories.

Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value on an individual investment basis being taken as lower if the reduction is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the Company would have been higher by Rs.0.077 million and net equity would have been higher by Rs. 0.077 million.

Investment linked

Investments classified as available for sale, which are linked to the units of the investment linked fund, are marked to their market values. Any gain or loss on such available-for-sale investments is recognised in revenue account of the investment linked fund.

International Accounting Standards IAS-39 “Financial Instruments - Recognition and Measurement” has been revised effective January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / loss on the available for sale securities to income / revenue account has been deleted and all such gain / loss is to be taken to equity. The Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds have no equity accounts. Resultantly, the changes in IAS-39 were not implemented.

5.6.2.3 Date of recognition

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

5.7 Fixed assets**5.7.1 Tangibles**

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

Depreciation on additions is charged from the month in which the asset is put to use and on disposal, upto the month the asset is in use.

Subsequent cost are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to revenue account.

An item of tangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the revenue account in the year the asset is derecognized.

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each balance sheet date.

5.7.2 Capital work in progress

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

5.7.3 Intangibles*Definite Intangibles*

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

over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 15 to the financial statements.

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

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

5.8 Impairment

The carrying amount of assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account or revenue account, as appropriate. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.9 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed quarterly and adjusted to reflect current best estimate.

5.10 Investment income

- Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised over the term of the investment and taken to the profit and loss account and revenue account, in case of shareholders' and policyholders respectively.
- Dividend income from investments is recognised when the Company's right to receive the payment is established.
- Gain or loss on sale of investments is included in income currently.
- Return on bank deposits, loans to employees and loans to policyholders are recognised on a time proportionate basis taking into account the effective yield.

5.11 Segment reporting

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

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

The Company accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format.

- The Life (participating) segment provides life insurance coverage to individuals under individual life policies that are entitled to share in the surplus earnings of the statutory fund to which they are referable.
- The Life (non-participating) segment provides life insurance coverage to individuals under individual life policies that are not entitled to share in the surplus earnings of the statutory fund to which they are referable.
- The Life (non-participating) Group segment provides life insurance coverage to employer-employee (and similar) groups of employees / members under a single life policy issued to the employer. The Group policy is not entitled to share in the surplus earnings of the statutory fund to which it is referable.
- The Investment Linked business segment provides life insurance coverage to individuals, whereby the benefits are expressed in terms of units, the value of which is related to the market value of specified assets.
- The Accident and Health - Individual segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals.
- The Accident and Health - Group segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to employer-employee (and similar) groups of employees / members under a single policy issued to the employer.
- The Pension Fund segment provides coverage for the purposes of a pension or a retirement scheme with or without the payments being guaranteed for a minimum period.

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

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

Actuarial valuation of life insurance business is required to be carried out annually 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, 2010.

Circular 11 of 2010 was issued on June 10, 2010 by Securities and Exchange Commission of Pakistan – Insurance Division which requires designation of assets and liabilities among the funds managed by insurance companies and shareholders substantially at inception as per the requirements of section 39 of the Insurance Ordinance, 2000. Subsequently, SECP issued revised circular reference: 11/2010 dated February 3, 2011 with some amendments.

In view of the above, the Company reassessed the basis of estimation previously used in respect of allocation of assets, liabilities, income and expenses not referable to specific fund and made certain changes therein in addition to specific designation of certain assets to specific fund such as fixed assets, cash and bank balances with the consultation of Company's appointed actuary.

This change has been accounted for as change in accounting estimate in accordance with the requirements of approved International Accounting Standard (IAS-8) “Accounting Policies, Changes in Estimates and Errors” whereby the effects of these changes are recognised prospectively by including the same in determination of profit and loss in the period of the change, that is, during the current and future periods.

Due to designation of certain assets and changes in estimation for allocation of assets, liabilities, revenue and expenses not referable to specific fund, interfund balances have been adjusted accordingly. The financial impact of the above said changes to profit and loss account and equity for the year ended December 31, 2010 is immaterial.

5.12 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences, if any, are taken to profit and loss account or revenue account.

5.13 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans secured against other assets, premiums due but unpaid, accrued investment income, sundry receivables, amount due from / to agents, accrued expenses, other creditors and accruals and dividend payable.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account or revenue account, as appropriate.

5.14 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.15 Cash and cash equivalents

For the purposes of cash flow statement cash and cash equivalents include the following:

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

5.16 Dividend declaration and reserve appropriation

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

6. MOVEMENTS IN EQUITY

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group		Pension Business fund	2010	2009	
..... (Rupees in '000)									
Policyholders' liabilities									
Balance at beginning of the year	623,267	1,058,145	164,374	100,054	21,397	106,788	25,600	2,099,625	1,649,619
Increase / (decrease) during the year	97,634	364,001	(23,522)	415,357	(4,454)	18,255	11,565	878,836	450,006
Balance at end of the year	<u>720,901</u>	<u>1,422,146</u>	<u>140,852</u>	<u>515,411</u>	<u>16,943</u>	<u>125,043</u>	<u>37,165</u>	<u>2,978,461</u>	<u>2,099,625</u>
Retained earnings on participating business attributable to participating policyholders - Ledger Account A									
Balance at beginning of the year	49,049	-	-	-	-	-	-	49,049	25,576
Surplus allocated during the year (note 6.1)	159,000	-	-	-	-	-	-	159,000	107,959
Surplus Adjustment - 10% transferred to Ledger Account B	(15,900)	-	-	-	-	-	-	(15,900)	(10,796)
Bonus allocated during the year	(63,996)	-	-	-	-	-	-	(63,996)	(73,690)
Balance at end of the year	<u>128,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,153</u>	<u>49,049</u>
Retained earnings on participating business attributable to shareholders but not distributable - Ledger Account B									
Balance at beginning of the year	13,474	-	-	-	-	-	-	13,474	2,678
Surplus Adjustment - 10% transferred from Ledger Account A	15,900	-	-	-	-	-	-	15,900	10,796
Transfer to Ledger Account C	-	-	-	-	-	-	-	-	-
Balance at end of the year	<u>29,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,374</u>	<u>13,474</u>
Retained earnings on other than participating business - Ledger Account D									
Balance at beginning of the year	-	(108,080)	12,365	(3,761)	(1,409)	512	(1,001)	(101,374)	(112,519)
Surplus / (deficit) allocated during the year	-	(19,227)	82,199	(45,341)	23,436	7,599	(869)	47,797	70,345
Surplus appropriated to Shareholders' Fund	-	-	(80,000)	-	(19,500)	-	-	(99,500)	(59,200)
Balance at end of the year	<u>-</u>	<u>(127,307)</u>	<u>14,564</u>	<u>(49,102)</u>	<u>2,527</u>	<u>8,111</u>	<u>(1,870)</u>	<u>(153,077)</u>	<u>(101,374)</u>
Capital contributed by shareholders' fund									
Balance at beginning of the year	28,916	223,452	-	5,000	-	-	-	257,368	396,178
Capital contributed during the year (note 22.1)	-	1,000	-	26,500	-	-	-	27,500	5,000
Capital withdrawn during the year	(28,916)	-	-	-	-	-	-	(28,916)	(143,810)
	<u>(28,916)</u>	<u>1,000</u>	<u>-</u>	<u>26,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,416)</u>	<u>(138,810)</u>
Balance at end of the year	<u>-</u>	<u>224,452</u>	<u>-</u>	<u>31,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,952</u>	<u>257,368</u>

6.1 This represents surplus earned in Life (Participating) Statutory Fund before allocation of bonus. Amount of surplus appearing in the Revenue Account is net off bonus allocated during the year.

6.2 In accordance with the advised by Securities and Exchange Commission of Pakistan (SECP) vide letter No. 46/52/ALICO/2004 dated October 12, 2004 (refer note 2.1), capital contributed amounted to Rs. 28.916 million in 2004 for the purpose of bonus, or contributed for solvency and later diverted to bonus allocation had been considered as permanent money of the Life (Participating) Statutory Fund instead of as capital (i.e. loan from shareholder). During the year ended December 31, 2010, the Company approached SECP to take permission for return of capital contribution of Rs. 28.916 million to shareholder fund from participating fund. The SECP through its letter dated July 7, 2010 informed that the Company may repatriate the requisite capital provided that all ledger accounts are positive and solvency conditions as per section 35(3) and 35(4) of Insurance Ordinance, 2000 are not breached. The Company after ensuring the compliance of required conditions and with the consultation of appointed actuary has returned capital contribution of Rs.28.916 million to shareholders' fund from participating fund.

7. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2010	2009		2010	2009
(Number of shares in '000)			(Rupees in '000)	
<u>50,000</u>	<u>50,000</u>	Ordinary Shares of Rs. 10 each fully paid in cash	<u>500,000</u>	<u>500,000</u>

American Life Insurance Company (incorporated in the United States of America) held 33,231,840 shares representing 66.46% (2009: 33,231,840 shares representing 66.46%) of Company's shares as at December 31, 2010.

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

	2010	2009
	(Rupees in '000)	
Accumulated surplus in the statement of changes in equity ignoring the effect of capital transfers at beginning of the year	338,433	275,941
Add: Surplus in profit and loss account for the year	86,712	62,492
Accumulated surplus in statement of changes in equity ignoring the effect of capital transfers at end of the year	425,145	338,433
Less: Accumulated net capital transfers in statutory funds	(255,952)	(257,368)
Total as shown in the Balance Sheet	<u>169,193</u>	<u>81,065</u>

8.1 In order to achieve compliance with the requirements of the Insurance Ordinance, 2000 relating to i) solvency; and ii) return of capital from statutory funds to shareholders' fund, the Company as at December 31, 2010 has retained an amount of Rs. 102.88 million (2009: Rs. 155.99 million) in the statutory funds. This has resulted in the shareholders' equity being lower by this amount.

9. POLICYHOLDERS' LIABILITIES

As per actuarial advice, the policyholders' liabilities as at December 31, 2010 are as follows:

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business fund	2010	2009		
(Rupees in '000)									
Gross of reinsurance									
Actuarial liability relating to future events	721,632	1,425,009	113,037	515,550	15,692	102,818	37,165	2,930,903	2,058,891
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,370	2,870	-	4,405	-	-	13,645	11,199
Provision for incurred but not reported claims	690	2,596	42,157	-	1,772	23,629	-	70,844	66,215
Total	722,322	1,433,975	158,064	515,550	21,869	126,447	37,165	3,015,392	2,136,305
Net of reinsurance									
Actuarial liability relating to future events	720,317	1,417,407	98,389	515,411	13,865	101,414	37,165	2,903,968	2,031,851
Provision for outstanding reported claims payable over a period exceeding twelve months	-	2,697	2,870	-	1,359	-	-	6,926	4,456
Provision for incurred but not reported claims	584	2,042	39,593	-	1,719	23,629	-	67,567	63,318
Total	720,901	1,422,146	140,852	515,411	16,943	125,043	37,165	2,978,461	2,099,625

10. STAFF RETIREMENT BENEFITS

Defined benefit plan - Gratuity fund

The in-house actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation carried out as at December 31, 2010:

- Discount rate 13% (2009: 13%) per annum.
- Expected rate of increase in the salaries of the employees 13% (2009: 13%) per annum.
- Expected interest rate on plan assets of the fund 12% (2009: 11%) per annum.
- Expected remaining service length of the employees 14 years (2009: 12 years).

10.1 Liability in balance sheet

	2010	2009
	(Rupees in '000)	
Present value of defined benefit obligations	56,176	46,171
Fair value of plan assets	(28,336)	(18,564)
Unrecognised actuarial losses	(20,311)	(23,087)
	<u>7,529</u>	<u>4,520</u>

10.2 Movement in liability during the year

Opening balance	4,520	2,734
Charge to profit and loss account	11,552	8,723
Contributions to the fund during the year	(8,543)	(6,767)
Contributions - benefit payments on behalf of the fund	-	(170)
Closing balance	<u>7,529</u>	<u>4,520</u>

10.3 Reconciliation of the present value of defined benefit obligations			2010	2009			
			(Rupees in '000)				
Present value of obligations as at 1 January			46,171	30,921			
Current service cost			6,272	4,576			
Interest cost			6,002	4,020			
Benefits paid			(1,068)	(843)			
Actuarial (gain) / loss			(1,201)	7,497			
Present value of obligations as at 31 December			<u>56,176</u>	<u>46,171</u>			
10.4 Reconciliation of the fair value of plan assets							
Fair value of plan assets as at 1 January			18,564	11,328			
Expected return on plan assets			2,042	1,020			
Contribution to the fund			8,543	6,767			
Contributions - benefit payments on behalf of the fund			-	170			
Benefits paid			(1,068)	(843)			
Actuarial gain			255	122			
Fair value of plan assets as at 31 December			<u>28,336</u>	<u>18,564</u>			
10.5 Charge for the defined benefit plan							
Current service cost			6,272	4,576			
Interest cost			6,002	4,020			
Expected return on plan assets			(2,042)	(1,020)			
Actuarial loss recognised			1,319	1,147			
			<u>11,551</u>	<u>8,723</u>			
10.6 Actual return on plan assets							
Expected return on assets			2,042	1,020			
Actuarial gain on assets			255	122			
			<u>2,297</u>	<u>1,142</u>			
10.7 Composition of fair value of plan assets			2010		2009		
			Fair value	Percentage	Fair value	Percentage	
			(Rupees		(Rupees		
			in '000)		in '000)		
Bonds			25,463	89.86%	12,486	67.26%	
Equities			-	-	1,068	5.75%	
Cash at bank			2,873	10.14%	5,010	26.99%	
			<u>28,336</u>	<u>100%</u>	<u>18,564</u>	<u>100%</u>	
10.8 Historical data of the fund			2010	2009	2008	2007	2006
			(Rupees in '000)				
Present value of defined benefit obligations			56,176	46,171	30,921	16,376	12,681
Fair value of plan assets			(28,336)	(18,564)	(11,328)	-	-
Deficit			<u>27,840</u>	<u>27,607</u>	<u>19,593</u>	<u>16,376</u>	<u>12,681</u>
Experience adjustments							
- Actuarial loss / (gain) on obligation			(1,201)	7,497	15,122	(1,786)	332
- Actuarial gain / (loss) on assets			255	122	(38)	-	-
10.9			The estimated contribution to the Fund for the year ended December 31, 2011 is Rs. 19.554 million.				

11. OTHER CREDITORS AND ACCRUALS

	SHARE		STATUTORY FUNDS					AGGREGATE		
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business fund	2010	2009		
(Rupees in '000)										
Withholding tax deducted	-	195	1,872	116	1,231	64	145	7	3,630	2,519
Other liabilities	4,313	4,924	14,078	1,980	6,778	295	9,311	276	41,955	29,224
	<u>4,313</u>	<u>5,119</u>	<u>15,950</u>	<u>2,096</u>	<u>8,009</u>	<u>359</u>	<u>9,456</u>	<u>283</u>	<u>45,585</u>	<u>31,743</u>

12. INVESTMENTS

	SHARE		STATUTORY FUNDS					AGGREGATE		
	HOLDERS' FUND	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business fund	2010	2009		
(Rupees in '000)										
Held to maturity - Amortised cost (note 12.1)										
Pakistan Investment Bonds	374,286	740,490	1,528,257	403,736	234,022	51,110	135,563	39,576	3,507,040	2,759,970
Available for sale (note 12.3)										
Units of Open-end mutual funds	3,247	-	-	-	285,413	-	-	-	288,660	96,099
	<u>377,533</u>	<u>740,490</u>	<u>1,528,257</u>	<u>403,736</u>	<u>519,435</u>	<u>51,110</u>	<u>135,563</u>	<u>39,576</u>	<u>3,795,700</u>	<u>2,856,069</u>

12.1 Held to maturity - Amortised cost

	Maturity	Tenor	Coupon Rate	Profit Payment	AGGREGATE	
					2010	2009
(Rupees in '000)						
Pakistan Investment Bonds	2010	10 Years	14.0%	Half Yearly	-	10,586
Pakistan Investment Bonds	2011	10 Years	14.0%	Half Yearly	53,679	56,201
Pakistan Investment Bonds	2011	3 Years	11.3%	Half Yearly	247,878	244,948
Pakistan Investment Bonds	2011	10 Years	13.0%	Half Yearly	132,863	137,750
Pakistan Investment Bonds	2011	10 Years	12.0%	Half Yearly	26,921	27,788
Pakistan Investment Bonds	2012	10 Years	11.0%	Half Yearly	57,441	-
Pakistan Investment Bonds	2012	5 Years	9.3%	Half Yearly	23,184	22,264
Pakistan Investment Bonds	2012	3 Years	11.3%	Half Yearly	24,627	24,436
Pakistan Investment Bonds	2012	10 Years	11.0%	Half Yearly	5,137	63,606
Pakistan Investment Bonds	2013	5 Years	11.5%	Half Yearly	266,931	264,520
Pakistan Investment Bonds	2013	10 Years	8.0%	Half Yearly	27,624	26,929
Pakistan Investment Bonds	2014	10 Years	8.0%	Half Yearly	25,916	25,046
Pakistan Investment Bonds	2014	5 Years	11.5%	Half Yearly	68,176	43,713
Pakistan Investment Bonds	2015	7 Years	11.8%	Half Yearly	103,190	102,198
Pakistan Investment Bonds	2016	10 Years	9.6%	Half Yearly	459,624	456,500
Pakistan Investment Bonds	2016	7 Years	11.8%	Half Yearly	24,336	24,259
Pakistan Investment Bonds	2017	10 Years	9.6%	Half Yearly	222,145	136,536
Pakistan Investment Bonds	2018	10 Years	12.0%	Half Yearly	334,670	269,139
Pakistan Investment Bonds	2019	15 Years	9.0%	Half Yearly	40,694	40,425
Pakistan Investment Bonds	2019	10 Years	12.0%	Half Yearly	440,824	43,924
Pakistan Investment Bonds	2020	10 Years	12.0%	Half Yearly	179,377	-
Pakistan Investment Bonds	2021	15 Years	10.0%	Half Yearly	717,348	714,767
Pakistan Investment Bonds	2023	15 Years	12.5%	Half Yearly	24,455	24,435
					<u>3,507,040</u>	<u>2,759,970</u>

12.2 The aggregate market value of Pakistan Investment Bonds as at December 31, 2010 was Rs. 3,215.770 million (2009: Rs. 2,643.789 million). Market values is determined based on quotations obtained from brokers.

12.3 Available for sale

	<u>Shareholders' fund</u>		<u>Investment linked fund</u>	
	<u>AGGREGATE</u>		<u>AGGREGATE</u>	
	2010	2009	2010	2009
	(Rupees in '000)		(Rupees in '000)	
	(note 12.3.1)		(note 12.3.2)	
Open-end mutual funds				
NAFA Cash Fund	112	150	12,578	12,021
NAFA Stock Fund	43	71	3,549	2,894
NAFA Islamic Multi-Asset Fund	28	29	2,098	1,639
Arif Habib Pakistan Income Fund	970	371	107,621	35,523
Arif Habib Pakistan Stock Market Fund	229	203	20,219	8,363
Arif Habib Pakistan International Element Islamic Fund	24	28	1,754	1,616
United Growth & Income Fund	1,039	209	90,380	22,545
United Stock Advantage Fund	469	98	22,646	4,060
United Islamic Income Fund	333	109	24,568	6,171
	<u>3,247</u>	<u>1,268</u>	<u>285,413</u>	<u>94,832</u>

12.3.1 The aggregate market value of the units of open-end mutual funds in shareholders' fund as at December 31, 2010 was Rs. 3.324 million (2009: Rs. 1.163 million).

12.3.2 The aggregate cost of the above units of open-end mutual funds in investment linked fund as at December 31, 2010 was Rs. 291,944 million (2009: Rs. 91,161 million).

12.4 Statutory deposit

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

13. AMOUNT DUE FROM REINSURER

This represents gross balances due from reinsurer:

	<u>2010</u>			<u>2009</u>		
	<u>Receivable against outstanding claims</u>	<u>Other assets</u>	<u>Total</u>	<u>Receivable against outstanding claims</u>	<u>Other assets</u>	<u>Total</u>
	(Rupees in '000)					
Life (participating)	9,010	10,559	19,569	8,919	13,788	22,707
Life (non-participating) – Individual	17,773	20,831	38,604	15,140	23,407	38,547
Life (non-participating) – Group	1,731	79,614	81,345	15,828	15,940	31,768
Investment Linked	1,393	369	1,762	-	-	-
Accident & Health – Individual	1,582	4,801	6,383	1,333	2,924	4,257
Accident & Health – Group	2,505	621	3,126	1,877	60	1,937
	<u>33,994</u>	<u>116,795</u>	<u>150,789</u>	<u>43,097</u>	<u>56,119</u>	<u>99,216</u>

14. SUNDRY RECEIVABLES

	<u>STATUTORY FUNDS</u>						<u>AGGREGATE</u>		
	<u>Life (Participating)</u>	<u>Life (Non-participating)</u>		<u>Investment Linked</u>	<u>Accident & Health</u>		<u>Pension Business fund</u>	<u>2010</u>	<u>2009</u>
		<u>Individual</u>	<u>Group</u>		<u>Individual</u>	<u>Group</u>			
Advances to employees against expenses									
- executives	47	92	9	33	1	9	2	193	204
- others	19	37	3	13	1	3	1	77	1,619
	66	129	12	46	2	12	3	270	1,823
Deposits	1,510	2,978	295	1,079	35	262	78	6,237	6,585
Receivable from associated undertakings	224	583	69	237	10	446	10	1,579	-
Others - note 14.1	735	2,923	401	1,327	68	4,337	25	9,816	14,748
	<u>2,535</u>	<u>6,613</u>	<u>777</u>	<u>2,689</u>	<u>115</u>	<u>5,057</u>	<u>116</u>	<u>17,902</u>	<u>23,156</u>

14.1 This includes an amount of Rs. 1.009 million receivable from a related party in respect of integration expenses.

15. FIXED ASSETS - TANGIBLE AND INTANGIBLE

	<u>AGGREGATE</u>	
	2010	2009
	(Rupees in '000)	
Capital work in progress - advances	84	4,663
Leasehold improvements, furniture and fixtures, office equipment, computers and vehicles	15.1	57,164
Intangible assets	15.2	2,504
	<u>58,553</u>	<u>65,832</u>

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

Classification of assets	<u>Computers</u>							Total
	Leasehold Improvements	IBM AS400	Personal Computers	Sub Total	Motor Vehicles	Furniture & Fixtures	Office Equipment	
	(Rupees in '000)							
As at January 1, 2009								
Cost	40,186	17,654	12,305	29,959	33,442	29,000	16,163	148,750
Accumulated depreciation	(15,640)	(13,005)	(9,117)	(22,122)	(22,079)	(15,022)	(5,193)	(80,056)
Net book value	<u>24,546</u>	<u>4,649</u>	<u>3,188</u>	<u>7,837</u>	<u>11,363</u>	<u>13,978</u>	<u>10,970</u>	<u>68,694</u>
Year ended December 31, 2009								
Opening net book value	24,546	4,649	3,188	7,837	11,363	13,978	10,970	68,694
Additions	2,175	-	2,106	2,106	1,831	1,507	352	7,971
Disposals								
- Cost	209	-	-	-	-	1,572	586	2,367
- Accumulated depreciation	(135)	-	-	-	-	(1,023)	(233)	(1,391)
	74	-	-	-	-	549	353	976
Depreciation	(3,040)	(1,484)	(1,974)	(3,458)	(6,961)	(2,097)	(1,468)	(17,024)
Closing net book value	<u>23,607</u>	<u>3,165</u>	<u>3,320</u>	<u>6,485</u>	<u>6,233</u>	<u>12,839</u>	<u>9,501</u>	<u>58,665</u>
As at December 31, 2009								
Cost	42,152	17,654	14,411	32,065	35,273	28,935	15,929	154,354
Accumulated depreciation	(18,545)	(14,489)	(11,091)	(25,580)	(29,040)	(16,096)	(6,428)	(95,689)
Net book value	<u>23,607</u>	<u>3,165</u>	<u>3,320</u>	<u>6,485</u>	<u>6,233</u>	<u>12,839</u>	<u>9,501</u>	<u>58,665</u>
Year ended December 31, 2010								
Opening net book value	23,607	3,165	3,320	6,485	6,233	12,839	9,501	58,665
Additions	219	4,131	2,530	6,661	5,331	2,479	1,727	16,417
Disposals								
- Cost	-	-	-	-	2,616	1,087	51	3,754
- Accumulated depreciation	-	-	-	-	(2,616)	(884)	(26)	(3,526)
	-	-	-	-	-	203	25	228
Depreciation	(3,325)	(2,875)	(2,098)	(4,973)	(5,612)	(2,226)	(1,554)	(17,690)
Closing net book value	<u>20,501</u>	<u>4,421</u>	<u>3,752</u>	<u>8,173</u>	<u>5,952</u>	<u>12,889</u>	<u>9,649</u>	<u>57,164</u>
As at December 31, 2010								
Cost	42,371	21,785	16,941	38,726	37,988	30,327	17,605	167,017
Accumulated depreciation	(21,870)	(17,364)	(13,189)	(30,553)	(32,036)	(17,438)	(7,956)	(109,853)
Net book value	<u>20,501</u>	<u>4,421</u>	<u>3,752</u>	<u>8,173</u>	<u>5,952</u>	<u>12,889</u>	<u>9,649</u>	<u>57,164</u>
Annual rate of depreciation %	<u>10%</u>	<u>20%</u>	<u>33%</u>		<u>33%</u>	<u>10%</u>	<u>10%</u>	

15.2 Intangible assets

	Cost			Amortisation			Written down value as at December 31, 2010	Amortisation rate %
	As at January 1, 2010	Additions / (disposals)	As at December 31, 2010	As at January 1, 2010	For the year	As at December 31, 2010		
	(Rupees in '000)							
Computer softwares	2,547	61	2,608	843	863	1,706	902	33
Licenses	1,194	-	1,194	394	397	791	403	33
	<u>3,741</u>	<u>61</u>	<u>3,802</u>	<u>1,237</u>	<u>1,260</u>	<u>2,497</u>	<u>1,305</u>	
2009	<u>3,028</u>	<u>713</u>	<u>3,741</u>	<u>-</u>	<u>1,237</u>	<u>1,237</u>	<u>2,504</u>	33

15.3 Disposals of fixed assets

Disposal of fixed assets during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Sale	Particulars of Buyer
	(Rupees in '000)					
Assets below net book value of Rs. 50,000 each						
Furniture and fixtures	1,087	(884)	203	151	Negotiation	Miscellaneous
Office equipment	51	(26)	25	8	Negotiation	Miscellaneous
Motor Vehicles						
Toyota Corolla GLI	990	(990)	-	472	Employee Car Scheme	Mr. Hassan Saeed Khan (Ex-employee)
Honda Civic VTI	1,049	(1,049)	-	562	Negotiation	Mr. Zubair Khan
Honda Civic	577	(577)	-	461	Negotiation	Mr. Zubair Khan
2010	<u>3,754</u>	<u>(3,526)</u>	<u>228</u>	<u>1,654</u>		
2009	<u>2,367</u>	<u>(1,391)</u>	<u>976</u>	<u>369</u>		

16. AUDITORS' REMUNERATION

	AGGREGATE	
	2010	2009
	(Rupees in '000)	
Audit fee	763	693
Fee for review of half yearly accounts	103	94
Out of pocket expenses	125	102
	<u>991</u>	<u>889</u>

17. OTHER MANAGEMENT EXPENSES

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business fund	2010	2009
	(Rupees in '000)								
Vehicle and general repair and maintenance	473	4,544	1,015	3,315	171	1,272	-	10,790	9,178
Agency development	-	-	-	-	-	-	-	-	-
Books and subscriptions	1	13	3	9	-	4	-	30	32
Postage, telegraph and telephone	340	2,205	416	1,610	227	458	(7)	5,249	6,231
Utilities-electricity, water and gas	563	4,771	995	3,398	262	1,202	-	11,191	9,627
Entertainment	19	183	39	129	7	51	-	428	324
Insurance	15	140	30	99	5	39	1	329	97
Social security	3	29	6	21	1	16	(8)	68	1,112
Furniture and household appliances	27	261	57	184	9	79	(5)	612	1,038
Interest on policyholders' funds	-	278	-	-	-	-	-	278	133
Consultancy fee	38	360	78	254	13	101	1	845	629
Miscellaneous expenses	211	3,699	1,039	2,989	(74)	1,388	115	9,367	6,556
	<u>1,690</u>	<u>16,483</u>	<u>3,678</u>	<u>12,008</u>	<u>621</u>	<u>4,610</u>	<u>97</u>	<u>39,187</u>	<u>34,957</u>

18. OTHER INCOME - NET

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business fund	2010	2009		
	(Rupees in '000)								
Return on saving accounts with banks	-	2,612	364	3,864	242	466	-	7,548	16,903
Gain / (loss) on disposal of fixed assets	345	681	67	247	8	60	18	1,426	(607)
Interest on policy loans	2,587	5,104	-	-	-	-	-	7,691	6,437
Others - note 18.1	458	1,223	89	327	11	7,098	24	9,230	9,065
	<u>3,390</u>	<u>9,620</u>	<u>520</u>	<u>4,438</u>	<u>261</u>	<u>7,624</u>	<u>42</u>	<u>25,895</u>	<u>31,798</u>

18.1 This includes an amount of Rs. 7.1 million in respect of administrative services provided to various clients.

19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND

	AGGREGATE	
	2010	2009
	(Rupees in '000)	
Donation - note 19.1	4,903	-
WWF	2,775	2,003
Regulators fee	1,970	1,408
Legal and professional	423	-
Miscellaneous	937	-
	<u>11,008</u>	<u>3,411</u>

19.1 None of the directors or their spouses had any interest in the donees.

20. TAXATION

Tax expense for the year	<u>46,691</u>	<u>33,649</u>
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20.1 Relationship between tax expense and accounting profit

Profit before tax	<u>133,403</u>	<u>96,141</u>
Tax at the applicable rate of 35% (2009: 35%)	<u>46,691</u>	<u>33,649</u>

20.2 Assessment upto assessment year 2002-2003 has been finalised. The income tax returns of the Company filed for Tax year 2003 to 2010 are deemed to be assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

20.3 Deferred tax has not been recognised as there is no taxable / deductible temporary differences between the tax bases and the carrying amounts.

21. EARNINGS PER SHARE - basic and diluted

Profit after tax	<u>86,712</u>	<u>62,492</u>
	(Number of shares)	
Weighted average number of shares	<u>50,000,000</u>	<u>50,000,000</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>1.73</u>	<u>1.25</u>

21.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

22. CASH AND CASH EQUIVALENTS

	STATUTORY FUNDS					AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business fund	2010	2009
	(Rupees in '000)						
Cash and stamps in hand	1,286	-	-	-	-	1,286	835
Current and other accounts	28,239	-	1,000	-	26,500	55,739	90,691
	<u>29,525</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>26,500</u>	<u>57,025</u>	<u>91,526</u>

22.1 These represent transfer of funds from shareholders' fund to respective statutory funds as capital contribution to maintain solvency requirements.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2010			2009		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	(Rupees in '000)					
Managerial remuneration	13,451	66,700	80,151	12,073	49,058	61,131
Bonus and Housing	7,622	651	8,273	5,394	2,546	7,940
Retirement benefits	3,106	10,456	13,562	2,226	7,889	10,115
Utilities / Telephone	344	536	880	129	481	610
Other benefits	126	2,753	2,879	126	648	774
	<u>24,649</u>	<u>81,096</u>	<u>105,745</u>	<u>19,948</u>	<u>60,622</u>	<u>80,570</u>
	(Number)					
Number of persons, including those who worked part of the year	<u>1</u>	<u>46</u>	<u>47</u>	<u>1</u>	<u>34</u>	<u>35</u>

Payment to non-executive director for consultancy services amounted to Rs. 30,000 (2009: Rs. 30,000). In addition to the above remuneration, the Chief Executive and three executives have been provided with Company maintained cars. Chief Executive has been provided with furniture and fixtures in addition to allowance in lieu of accommodation. One executive has been provided with free furnished accommodation and two executives have been provided with unfurnished accommodation. Nineteen executives have been provided with Company cars maintained by them.

24. Management of insurance and financial risk

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

24.1 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability

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

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

Categories of insurance contracts

Insurance contracts issued by the Company are divided into

- a) Short term insurance contracts
- b) Long term insurance contracts

24.1.1 Short term Insurance contracts

(a) Frequency and severity of claims

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

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

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

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

(c) Process used to decide on assumptions

The assumptions used for the insurance contracts are as follows:

Mortality

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

Morbidity

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

(d) Changes in assumptions

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

24.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting

in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, the participating nature of these contracts results in significant risk with the insured party. The Company charges for mortality risk on reporting dates for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delays in implementing restraints over the extent of the increases may reduce its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

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

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

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

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

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last three years is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not based on standard, industry tables are adjusted for the Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigation bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(c) Process used to decide on assumptions

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

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact. For long-term insurance contracts without fixed terms and for investment contracts with DPF, the assumptions

used to determine the liabilities do not contain margins and are not locked in but are updated at each reporting date to reflect the latest estimates. Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%.

The assumptions used for the insurance contracts are as follows:

Mortality

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

Morbidity

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

Persistency

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

Investment returns

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

Renewal expense level and inflation

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

Tax

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

(d) Change in assumptions

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

(e) Sensitivity analysis

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

24.1.3 Concentration of insurance risk

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

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

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

	Gross sum insured		Reinsurance		Net	
	2010	2009	2010	2009	2010	2009
	(Rupees in million)					
Life (participating)	9,515	8,300	3,797	3,130	5,718	5,170
Life (non-participating) – Individual	21,789	22,589	8,235	9,546	13,554	13,043
Life (non-participating) – Group	60,707	79,396	16,848	16,989	43,859	62,407
Investment Linked	4,150	1,947	2,686	1,160	1,464	787
Accident & Health – Individual	9,899	9,590	3,863	3,643	6,036	5,947
	<u>106,060</u>	<u>121,822</u>	<u>35,429</u>	<u>34,468</u>	<u>70,631</u>	<u>87,354</u>

24.1.4 Claims development table

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at December 31, 2010 therefore claim development table is not required to be presented. However, aging of outstanding claims and movement of outstanding claims - net of experience refund receivable are presented below:

Aging of outstanding claim	2010	2009
	(Rupees in '000)	
Upto 1 year	99,181	144,111
1-2 years	76,701	30,436
2-3 years	20,945	12,530
Over 3 years	42,481	28,271
Total	<u>239,308</u>	<u>215,348</u>
Movement of outstanding claim - net of experience refund receivable		
Outstanding Claims - opening	215,348	207,537
Total gross claims	524,643	396,613
Claims paid	(500,683)	(388,802)
Outstanding Claims - closing	<u>239,308</u>	<u>215,348</u>
Less: experience refund receivable - closing	(56,788)	(34,310)
Outstanding claim - net of experience refund receivable	<u>182,520</u>	<u>181,038</u>

24.1.5 Assets - liabilities matching

Fixed and guaranteed insurance and investment contracts	Contracts with DPF		Unit-linked contracts			Corporate	
	Insurance contracts	Investment contracts	Insurance contracts	investment contracts	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities
------(Rupees in '000)-----							
Debt securities							
Held to maturity - unlisted securities	2,158,242	740,490	-	-	234,022	-	374,286
Equity securities							
Available for sale - unlisted securities	-	-	-	-	285,413	-	3,247
Loans and receivables:							
- Insurance receivables	53,123	26,928	-	-	-	-	-
- Other at amortised cost	-	-	-	-	-	-	3,000
Reinsurance assets	22,119	6,167	-	-	-	-	-
Cash and cash equivalents	1,000	7,000	-	-	26,500	-	29,525
Other assets	(12,661)	122,149	-	-	(5,343)	-	254,325
Total Assets	2,221,823	902,734	-	-	540,592	-	664,383
Long-term insurance contracts and investment contracts with guaranteed and fixed term:							
-Insurance contracts	1,476,818	-	-	-	-	-	-
-Investment contracts	-	-	-	-	518,055	-	-
Long-term insurance contracts and investment contracts with DPF:							
-Insurance contracts	-	735,908	-	-	-	-	-
-Investment contracts	-	-	-	-	-	-	-
Short-term insurance contracts	486,988	-	-	-	-	-	-
Amounts due to related parties, trade payables, and other provisions at amortised cost							
	68,738	3,513	-	-	29,865	-	-
Other liabilities	189,279	163,313	-	-	(7,328)	-	4,340
Total Liabilities	2,221,823	902,734	-	-	540,592	-	4,340

24.2 Financial risk management

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

- Credit risk

- Liquidity risk
- Market risk

Risk management framework

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

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

24.2.1 Credit risk

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

24.2.1.1 Exposure to credit risk

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

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

	2010	2009
	(Rupees in '000)	
Bank balances including deposits	62,739	105,691
Loans secured against life insurance policies	80,051	66,482
Loans secured against other assets:		
To employees	1,101	205
To agents	1,899	1,619
Investments	288,660	96,099
Premiums due but unpaid	87,513	79,062
Amounts due from other insurers / reinsurers	28,286	17,961
Amounts due from agents	9,229	5,664
Sundry receivables	17,902	23,156
Accrued interest	887	61
Experience refund receivable	56,788	34,310
	<u>635,055</u>	<u>430,310</u>

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

	Rating		Rating Agency
	Short term	Long term	
MCB Bank Limited	A1+	AA+	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
HSBC Bank Middle East Limited	P-1	A1	MOODY'S
Habib Bank Limited	A-1+	AA+	JCR-VIS
National Bank Limited	A-1+	AAA	JCR-VIS
Citibank N.A.	P-1	A1	MOODY'S
NIB Bank Limited	A1+	AA-	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Deutsche Bank AG	P-1	Aa3	MOODY'S
Barclays Bank PLC	P-1	Aa3	MOODY'S
Summit Bank Limited	A-2	A	JCR-VIS

Premium due but unpaid

Concentration of credit risk

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

	December 31, 2010		December 31, 2009	
	(Rupees in '000)	%	(Rupees in '000)	%
Banks	24,963	28.52%	4,442	5.62%
Insurance	1,349	1.54%	-	0.00%
Textiles	2,403	2.75%	3,253	4.11%
Food and allied industries	5,828	6.66%	8,747	11.06%
Chemical and pharmaceuticals	6,504	7.43%	1,197	1.51%
Technology and communication	5,986	6.84%	6,480	8.20%
Miscellaneous	13,213	15.10%	24,504	30.99%
Individuals	27,267	31.16%	30,439	38.51%
	87,513	100%	79,062	100%

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

Amount due from other insurers / reinsurers

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

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

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

24.2.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2010		2009	
	Carrying Amount	Contractual cash flows upto one year	Carrying Amount	Contractual cash flows upto one year
..... (Rupees in '000)				
Non - derivative financial liabilities				
Outstanding claims	239,308	239,308	215,348	215,348
Payable to gratuity fund	7,529	7,529	4,520	4,520
Amount due to other insurers / reinsurers	13,537	13,537	60,251	60,251
Amount due to agents	46,114	46,114	21,016	21,016
Accrued expenses	42,465	42,465	53,856	53,856
Other creditors and accruals	41,955	41,955	29,224	29,224
Dividend payable	27	27	16,603	16,603
	<u>390,935</u>	<u>390,935</u>	<u>400,818</u>	<u>400,818</u>

24.2.3 Market risk

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

24.2.3.1 Interest rate risk

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

2010						
Effective Yield/Interest rate %	Total	Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	Non-interest bearing financial instruments
(Rupees in '000)						
Balance sheet financial instruments						
Financial assets						
	1,286	-	-	-	-	1,286
Cash and others						
Current and other accounts	5 - 13	55,739	22,596	-	-	33,143
Deposits maturing within 12 months	7.75	7,000	7,000	-	-	-
Loans secured against life insurance policies		80,051	-	-	-	80,051
Loans secured against other assets		3,000	-	-	-	3,000
Government securities	4.86 - 14.86	3,507,040	461,341	602,226	1,701,670	741,803
Listed mutual funds		288,660	288,660	-	-	-
Premiums due but unpaid		87,513	-	-	-	87,513
Amount due from other insurers / reinsurers		28,286	-	-	-	28,286
Amount due from agents		9,229	-	-	-	9,229
Sundry receivables		17,902	-	-	-	17,902
Accrued interest		109,541	-	-	-	109,541
Experience refund receivable		56,788	-	-	-	56,788
		4,252,035	779,597	602,226	1,701,670	741,803
						426,739
Financial liabilities						
	239,308	-	-	-	-	239,308
Outstanding claims						
Payable to gratuity fund		7,529	-	-	-	7,529
Amount due to other insurers / reinsurers		13,537	-	-	-	13,537
Amount due to agents		46,114	-	-	-	46,114
Accrued expenses		42,465	-	-	-	42,465
Other creditors and accruals		41,955	-	-	-	41,955
Dividend payable		27	-	-	-	27
		390,935	-	-	-	390,935
Balance sheet gap		3,861,100	779,597	602,226	1,701,670	741,803
Total yield / interest rate risk sensitivity gap			779,597	602,226	1,701,670	741,803
Cumulative yield / interest rate risk sensitivity gap			779,597	1,381,823	3,083,493	3,825,296

2009						
Effective Yield/Interest rate %	Total	Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	Non-interest bearing financial instruments
(Rupees in '000)						
Balance sheet financial instruments						
Financial assets						
	835	-	-	-	-	835
Cash and others						
Current and other accounts	5 - 16	90,691	74,417	-	-	16,274
Deposits maturing within 12 months	13	15,000	15,000	-	-	-
Loans secured against life insurance policies		66,482	-	-	-	66,482
Loans secured against other assets		1,824	-	-	-	1,824
Government securities	4.86 - 14.86	2,759,970	10,586	937,201	1,072,981	739,202
Listed mutual funds		96,099	96,099	-	-	-
Premiums due but unpaid		79,062	-	-	-	79,062
Amount due from other insurers / reinsurers		17,961	-	-	-	17,961
Amount due from Agent		5,664	-	-	-	5,664
Sundry receivables		23,156	-	-	-	23,156
Accrued interest		73,898	-	-	-	73,898
Experience refund receivable		34,310	-	-	-	34,310
		3,264,952	196,102	937,201	1,072,981	739,202
						319,466
Financial liabilities						
	215,348	-	-	-	-	215,348
Outstanding claims						
Payable to gratuity fund		4,520	-	-	-	4,520
Amount due to other insurers / reinsurers		60,251	-	-	-	60,251
Amount due to agents		21,016	-	-	-	21,016
Accrued expenses		53,856	-	-	-	53,856
Other creditors and accruals		29,224	-	-	-	29,224
Dividend payable		16,603	-	-	-	16,603
		400,818	-	-	-	400,818
Balance sheet gap		2,864,134	196,102	937,201	1,072,981	739,202
Total yield / interest rate risk sensitivity gap			196,102	937,201	1,072,981	739,202
Cumulative yield / interest rate risk sensitivity gap			196,102	1,133,303	2,206,284	2,945,486

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its deposits with banks. In case 100 basis points (bp) increase / decrease in interest rates at year end, assuming that all other variables in particular foreign currency rates remain constant, the net income and equity would have higher / lower by Rs. 0.296 million (2009: 0.894 million).

24.3 Fair value of financial instruments

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

25. CAPITAL MANAGEMENT

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

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

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

26. TRANSACTIONS WITH RELATED PARTIES

26.1 Related parties comprise of holding company, associated companies, other companies with common directors, retirement benefit funds, directors and key management personnel. Remuneration to the key personnel are included in note 23 to these financial statements and are determined in accordance terms of their appointments. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

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

Balances outstanding	2010	2009
	(Rupees in '000)	
Payable to reinsurers	2,086	1,214
Loans to key management employees	1,007	361
Other related party receivable balances	2,588	-
Transactions during the year		
Reinsurance premium (expense)	960	1,127
Charges for administrative services provided	577	-
Reimbursement of expenses incurred	5,666	-
Remuneration paid to key management personnel	71,434	56,414
Advance paid	50	-
Contribution made to provident fund	9,441	7,783
Donation received and disbursed for flood relief to NGO	4,059	-

27. GENERAL


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

28. SUBSEQUENT EVENT - NON ADJUSTING EVENT

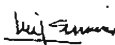
Subsequent to the year end, Income Tax (Amendment) Ordinance, 2011 was promulgated to amend the Income Tax Ordinance, 2001 under which surcharge @15 percent is required to be payable by the Company on its taxable income. However, clarification in respect of period of income tax payable is awaited. The financial statements for the year ended December 31, 2010 do not include the effect of application of these amendments as the same were not enacted at the balance sheet date. Therefore, the same shall be recognized in the financial statements for the year ending December 31, 2011.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 25, 2011 by the Board of Directors of the Company.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

STATEMENT OF DIRECTORS

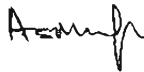
(As per the requirement of section 46(6) and section 52 (2) of Insurance Ordinance, 2000)

Section 46 (6)

- a) In our opinion the annual statutory accounts of the American Life Insurance Company (Pakistan) Limited set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made thereunder;
- b) American Life Insurance Company (Pakistan) Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- c) As at December 31, 2010, American Life Insurance Company (Pakistan) Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements.

Section 52 (2)

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

STATEMENT OF ACTUARY

[As per the requirement of section 52(2) (a) & (b) of the Insurance Ordinance, 2000]

In my opinion:

- a) the policyholder liabilities included in the balance sheet of American Life Insurance Company (Pakistan) Limited as at December 31, 2010 have been determined in accordance with the provisions of the Insurance Ordinance, 2000; and
- b) each Statutory fund of the American Life Insurance Company (Pakistan) Limited complies with the solvency requirements of the Insurance Ordinance, 2000 as on December 31, 2010, with capital contribution of Rs. 26.5 million from shareholders' fund to the Investment Linked Fund.

Date : March 25, 2011



Shoab Soofi FSA, FPSA
Appointed Actuary

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of American Life Insurance Company (Pakistan) Limited will be held at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi on Tuesday, April 26, 2011 at 9.00 a.m. to transact the following business:-

Ordinary Business

1. To confirm the minutes of the last Extra Ordinary General Meeting of the Company held on March 25, 2011.
2. To receive, consider and adopt the Annual Audited financial statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2010.
3. To appoint auditors for the year ended December 31, 2011 and fix their remuneration. One of the member has proposed the name of M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, member firm of Deloitte Touche Tohmatsu in place of retiring auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants.

Special Business

4. To approve the remuneration of the Chief Executive Officer.
5. To approve payments made to non-executive director on account of technical advisory services, in accordance with Article 65 of the Articles of Association of the Company.

April 4, 2011
Karachi



By order of the Board
Asim Iftikhar
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 20, 2011 to April 26, 2011 (both days inclusive).
2. Any member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may, by means of a resolution of its directors, appoint a person who is not a member, as proxy or as its representative under section 162 of the Companies Ordinance 1984.
3. The instrument appointing a proxy, in order to be valid, must be deposited at the office of Share Registrar, M/s THK Associates (Pvt) Limited, Ground Floor, State Life Building-3, Ziauddin Ahmed Road, Karachi, duly signed, stamped and witnessed, not less than forty-eight hours before the time of meeting. A member shall not be entitled to appoint more than one proxy. If more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Members whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their original Computerized National Identity Cards (CNIC) along with the participant's I.D. number and their account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).
5. Members are requested to promptly notify to M/s THK Associates (Pvt) Limited of any change in their address to ensure delivery of mail.

Statement in Respect of Special Business and Related Draft Resolution

Under Section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the 16th Annual General Meeting of the Company to be held on April 26, 2011.

1. Approval of the Shareholders will be sought for the holding of office of profit by the Chief Executive as well as of the remuneration payable to him in accordance with his terms and conditions of service. For this purpose following resolution will be moved:

“Resolved that:

Approval is hereby given for the holding of office of profit with the Company by the Chief Executive, namely, Mr. Arif Sultan Mufti for payment of remuneration amounting to Rs. 24.6 million based on actuals for the year ended December 31, 2010, and the remuneration amounting Rs. 27 million as estimated for the year ending December 31, 2011, together with other benefits in accordance with the rules of the Company.”

2. Approval of Shareholders will be sought for the fee paid to Non-executive director on account of legal and technical advisory services amounting Rs. 30,000.

“Resolved that:

Fee paid to Mr. Ehsan Ahmed Nomani is hereby approved.”

PROXY FORM
Sixteenth Annual General Meeting

Shareholder's Folio No. _____ Number of shares held _____

I/We _____

of (full address) _____

being a member of American Life Insurance Company (Pakistan) Limited, hereby appoint

Mr./Ms. _____

of (full address) _____

_____ of failing him/her

Mr./Ms. _____

of (full address) _____

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on Tuesday, April 26, 2011 at 9.00 am at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2011

Please
 affix Rupee Five
 Revenue Stamp
 Signature of Member

Signed by the member in the presence of:

Witness: _____

Adress: _____

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

Chakwal - Abbas Arif Agency
Floor 1, Al-Mahmood Centre
Near Islamia High School, Islamia Chowk
Bhaun Road, Chakwal
Tel: (054) 600994 Fax: (054) 600995
E-mail: chakwal-branch@alicipakdist.com

Faisalabad - Tariq Agency
Floor 2, Faisal Complex, Bilal Road
New Civil Lines, Faisalabad
Tel: (041) 2618913 Fax: (041) 2614761
E-mail: fsd-branch@alicipakdist.com

Faisalabad - Arif Agency
Floor 2, Faisal Complex, Bilal Road
New Civil Lines, Faisalabad
Tel: (041) 2618914 Fax: (041) 2614761
E-mail: fsd-branch@alicipakdist.com

Faisalabad - Zulqarnain Agency
Floor 2, F.M. Plaza, 15-D
D-Ground, Peoples Colony, Faisalabad
Tel: (041) 8549540 Fax: (041) 8549538
E-mail: fsd-dground@alicipakdist.com

Gujranwala - Agency Executive's Office
Floor 4, Ghouri Centre
G.T. Road, Gujranwala
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E-mail: ae-khurram@alicipakdist.com

Gujranwala - Asif Bilal Agency
Floor 4, Trade Centre
G.T. Road, Gujranwala
Tel: (055) 4224454 Fax: (055) 4444467
E-mail: guj-asifagency@alicipakdist.com

Gujrauwala - Awais Ikram Agency
Floor 4, Ghouri Centre
G.T. Road, Gujranwala
Tel: (055) 3841005 Fax: (055) 3843583
E-mail: guj-awaisagency@alicipakdist.com

Gujrat - Ashraf Minhas Agency
Floor 2, Faisal Plaza, G.T. Road, Gujrat
Tel: (053) 3537091 Fax: (053) 3523320
E-mail: grr-branch@alicipakdist.com

Hyderabad - Akram Kaleem Agency
Floor 2, Badri Manzil, C.S. # F-17
Risala Road, Hyderabad
Tel: (022) 2783168 Fax: (022) 2783168
E-mail: hyd-branch@alicipakdist.com

Islamabad - Direct Agency
Floor 4, East Dhody Building, Plot #52,
Jinnah Avenue, Blue Area, Islamabad
Tel: (051) 2878165 Fax: (051) 2871243
E-mail: isb-branch@alicipakdist.com

Karachi - Agency Executive's Office
Floor 5, Room # 512,
Madina City Mall Abdullah Haroon Road
Saddar, Karachi
Tel: (021) 35223731 Fax: (021) 35651541
E-mail: khi-madina@alicipakdist.com

Karachi - Babar Mehmood Agency
Floor 3, Al-Burhan Circle C Building
C-3/R-1, Plot # ST-4, Block-E
North Nazimabad, Karachi
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E-mail: khi-babaragency@alicipakdist.com

Karachi - M. Akbar Hussain Agency
Floor 7, Room # 701, Park Avenue
Shahrah-e-Faisal, Block 6, P.E.C.H.S., Karachi
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E-mail: khi-akbaragency@alicipakdist.com

Karachi-Mahmood Nisar Agency
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Shahrah-e-Faisal, Block 6, P.E.C.H.S., Karachi
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E-mail: khi-nisaragency@alicipakdist.com

Karachi - Saima Barket Agency
Floor 1, Burney Centre, Plot # Fl-4/6, Block 5
KDA Scheme # 24, Gulshan-e-Iqbal, Karachi
Tel: (021) 34817899 Fax: (021) 34819762
E-mail: khi-saimaagency@alicipakdist.com

Karachi - Zaki Ahmed Agency
Floor 2, Agha Khan Lab, Block 10-A
Commercial Plot # 5, Rashid Minhas Road
Gulshan-e-Iqbal, Karachi
Tel: (021) 34802494 Fax: (021) 34802496
E-mail: khi-zakiagency@alicipakdist.com

Karachi - Zia-ul-Qamar Agency
Floor 5, Room # 522,
Madina City Mall Abdullah Haroon Road
Saddar, Karachi
Tel: (021) 35651534 Fax: (021) 35651538
E-mail: khi-ziaagency@alicipakdist.com

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E-mail: ae-zatta@alicipakdist.com

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E-mail: lhe-amiragency@alicipakdist.com

Lahore - Ashraf Adil Agency
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E-mail: lhe-adiagency@alicipakdist.com

Lahore - Imran Yasin Agency
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Opposite U.E.T. Gate # 6, Lahore
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E-mail: lhe-imranagency@alicipakdist.com

Lahore - Liaqat Ali Agency
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E-mail: lhe-liaqatagency@alicipakdist.com

Lahore - Raja Arshad Agency
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Lahore - Rana Azam Agency
Floor 1, Suit # 3, Civic Centre
Barket Market, New Garden Town, Lahore
Tel: (042) 35941686 Fax: (042) 35831341
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Multan Branch
Floor 2, Khawar Centre Near S.P Chowk
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Rawalpindi - Agency Executive's Office
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E-mail: ae-ikram@alicipakdist.com

Rawalpindi - Direct Agency I
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Rawalpindi - Direct Agency II
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E-mail: rvp-directpama2@alicipakdist.com

Sialkot - Ibrar Hussain Agency
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Tel: (052) 3259422 Fax: (052) 3259424
E-mail: skt-branch@alicipakdist.com

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