MetLife Alico℠

Annual Report 2013

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."

CONTENTS

CORPORATE INFORMATION

Board of Directors

Arif Sultan Mufti	Chairmain & CEO	Executive Director
Khalid Anis-ur-Rehman	Director	Non-executive
Arif Abdul Aziz	Director	Non-executive
Shahid Siddiqui	Director	Non-executive
Michel Khalaf	Director	Non-executive
Nurul Islam	Director	Non-executive
Qasim Rabbani	Director	Independent

Company Secretary
Asim Iftikhar — ACMA

Chief Financial Officer
Hashim Sadiq Ali — FCA,CICA

Appointed Actuary
Shoaib Soofi — FSA, FPSA

Consulting Actuary
Shahid Siddiqui — M.Sc., AIA, ASA

Head of Internal Audit
Rashid Ahmed — MBA,CICA

Compliance Officer
Nizar Somani — APFA,CICA

Legal Advisor — Surridge and Beecheno

Auditor — M. Yousuf Adil Saleem & Co. Chartered Accountants,
member of Deloitte Touche Tohmatsu Limited (DTTL)

Internal Auditor — Ernst & Young Ford Rhodes Sidat Hyder . Chartered Accountants.

Bankers
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
National Bank of Pakistan Limited
NIB Bank Limited
Bank Al-Habib Limited
Barclays Bank PLC, Pakistan
Summit Bank Limited
Bank Al-Falah Limited
KASB Bank Limited

Share Registrar
THK Associates (Pvt) Ltd
Ground floor, State Life Building - 3, Ziauddin Ahmed Road, Karachi - 75530
P.O Box No. 8533 Phone: +92-(21) 111-000-322 Fax: +92-(21) 35655595

Registered Office
P.O Box No. 10528, Floor 13 (Level 16) Dolmen Executive Tower, Block-4, Clifton, Karachi.
Phones: +92(21) 111-111-711 Fax: +92(21) 35290042
Email: service-pakistan@metlifealico.com
Website: www.metlifealico.com.pk"

BOARD OF DIRECTORS

Arif Sultan Mufti
Chairman & Chief Executive Officer

Mr. Michel Khalaf
Director

Mr. Nurul Islam
Director

Mr. Arif Abdul Aziz
Director

Mr. Shahid Siddiqui
Director

Mr. Khalid Anis-ur-Rehman
Director

Mr. Qasim Rabbani
Director

BOARD AND STATUTORY MANAGEMENT COMMITTEES

Audit Committee

Arif Abdul Aziz	Chairman	Non-executive
Khalid Anis-ur-Rehman	Member	Non-executive
Shahid Siddqui	Member	Non-executive
Asim Iftikhar	Secretary	Secretary to the Committee

Human resources & remuneration Committee

Khalid Anis-ur-Rehman	Chairman	Non-executive
Arif Sultan Mufti	Member	Executive
Shahid Siddiqui	Member	Non-executive
Theresa Rodrigues	Secretary	Secretary to the committee

Claims Settlement Committee

Arif Sultan Mufti	Chairman
Hashim Sadiq Ali	Member
Nadeem Rehman Malik	Member
Syed Azarduddin	Member & Secretary to the Committee

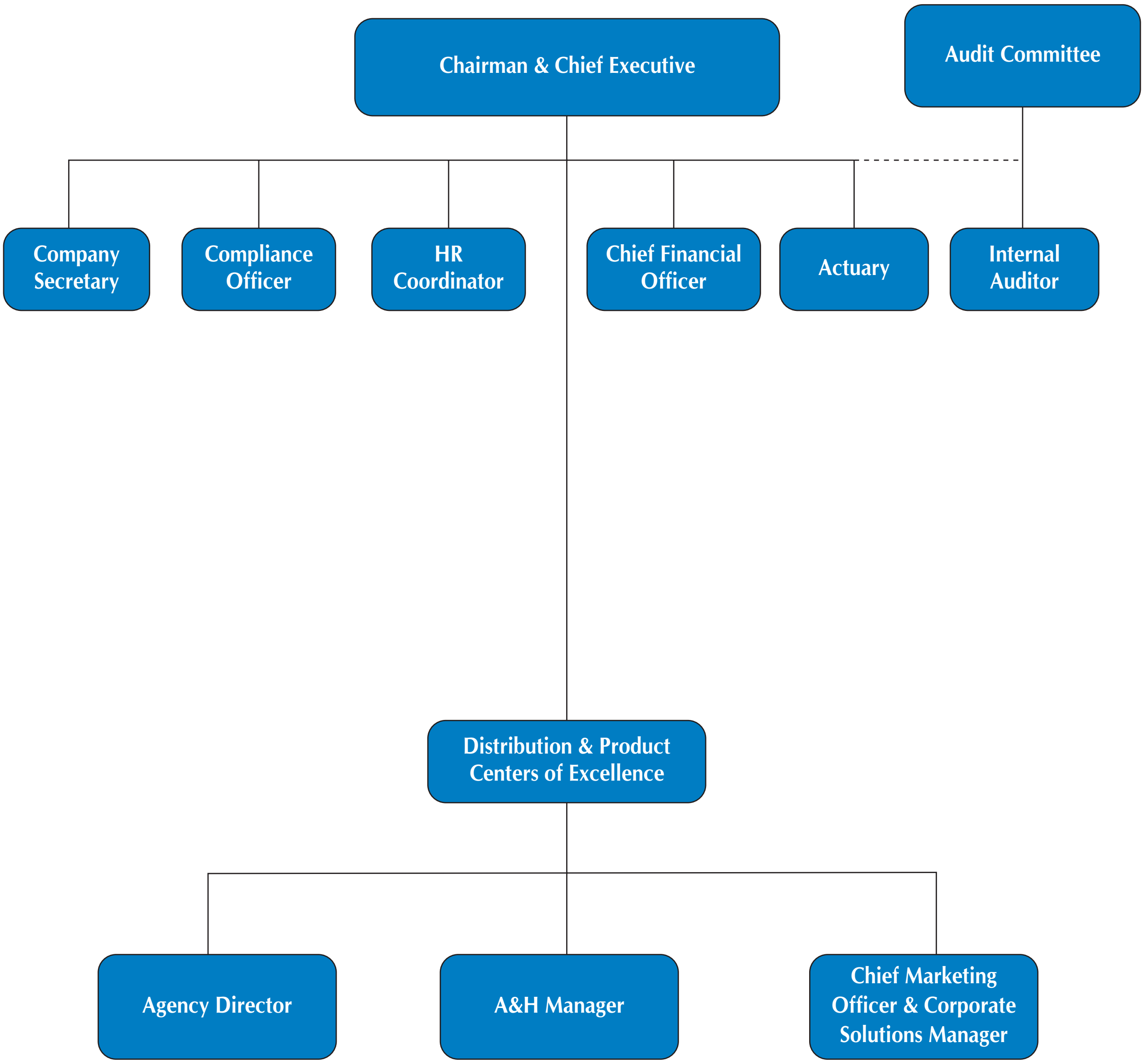
Under writing Committee

Arif Sultan Mufti	Chairman
Hashim Sadiq Ali	Member
Nadeem Rehman Malik	Member
Khaled S. Agha	Member & Secretary to the Committee.

Reinsurance Committee

Arif Sultan Mufti	Chairman
Hashim Sadiq Ali	Member
Muhammad Danial Khan	Member & Secretary to the Committee

ORGANIZATION STRUCTURE



DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company take pleasure in presenting to you the 19th Annual Report of the Company along with the audited financial statements for the year ended December 31, 2013.

GENERAL REVIEW OF ECONOMY

Financial market liquidity conditions remained volatile due to prevailing uncertainties over financial flows and rising inflation throughout the year. The quarterly IMF program performance criteria targets also had its impact over market behavior. Together, these gave rise to speculative sentiments resulting in rise in market interest rates and exchange rate volatility. A relatively higher increase in short-term rates compared to long term rates indicates market's expectation of increase in the policy rate by SBP during fiscal year 2014 (FY14). In addition, due to improved returns, market's interest has also increased for longer tenor government securities.

The capital markets in the emerging economies are already experiencing the brunt of uncertainties prevailing in the global financial markets due to anticipated increase in returns on financial assets of advanced economies. After witnessing sharp depreciation, currencies of the most affected five economies, namely, South Africa, India, Indonesia, Turkey and Brazil continue to experience volatility. Investors' confidence on these economies is still low due to large current account deficits, relatively high rates of inflation and weak economic growth. Nevertheless, global inflation was likely to remain subdued in the near future on the back of weak global demand both in advance as well as in emerging economies.

The increase in market interest rates also had a positive influence in slowing down the depreciation of Pak rupee. A durable solution for exchange rate stability, however, is in a sustainable balance of payments position, which in turn depends upon sustained increase in exports and structural reforms.

The fiscal measures have adversely affected inflation outlook in 2013. Inflation increased sharply during first half of fiscal year 2014. It was largely anticipated in the wake of some necessary fiscal measures that had been announced in the federal budget for the fiscal year 2014 (FY14). These included increase in the rate of General Sales Tax (GST) and removal of some exemptions together with an upward revision in electricity tariffs for commercial and household consumers. Disruptions in supply chain of perishable food items also contributed towards rising inflation. Consequently, inflation was expected to accelerate well beyond the fiscal year 2014 target of 8.0 percent set by the government, necessitating an increase in the policy rate.

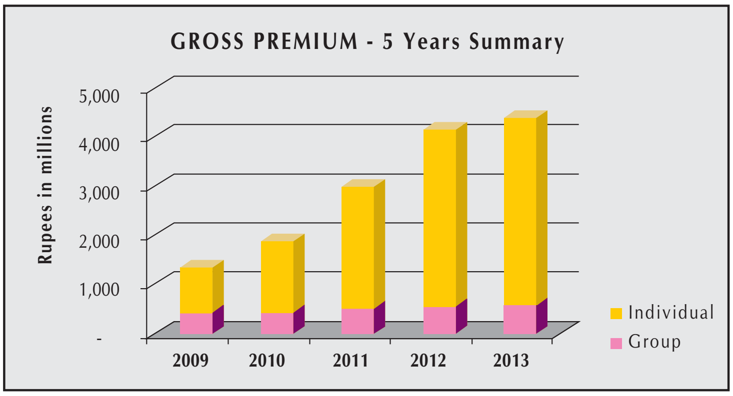
In addition to investment in government securities, banks also accelerated lending to the private sector in fourth quarter of 2013.This broad based increase in credit, both in terms of volume and type, can be attributed to several factors. These include: (a) improved financial conditions of the corporate sector partly due to decrease in interest rates during FY12 and FY13; (b) improved supply of electricity after settlement of energy sector circular debt by the government; and (c) better business sentiments after the May 2013 elections. Apart from these broad factors, specific industry-level effects are also at play. The upward trend in credit utilization signals the revival in domestic economic activity. Going forward, however, challenges remain. Besides fiscal dominance, law and order conditions have yet to improve and energy shortages still persist.

REVIEW OF OPERATIONS

Your Company has completed its 19 full years of operation and the current year results represent modest growth. The individual life products, mainly the Universal Life and Unit Linked plans through bancassurance channel continued to register growth. The Accident and Health line of business also witnessed steady growth over previous years.

GROSS PREMIUMS

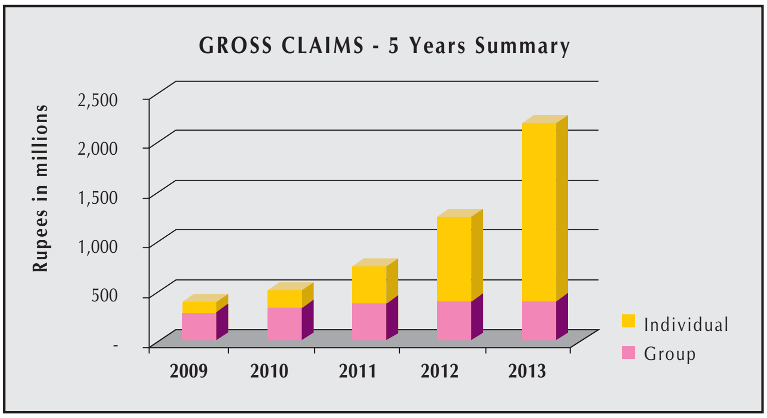
The combined all lines net premium income has reached a level of Rs. 4.38 billion, a growth of 4% over the last year.



UNDERWRITING, REINSURANCE AND CLAIMS SETTLEMENT

Your Company continues to adhere to its long standing prudent underwriting policy. Further, we have in place reinsurance treaties with reputable international reinsurers to protect the Company from losses above our local retention and, also, to protect our retained account.

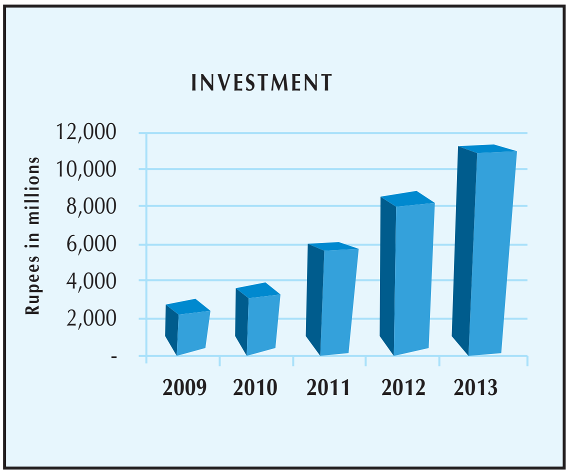
We believe in par excellence service to its policyholders in all areas, particularly, in the prompt settlement of claims. It takes strict measures to ensure payments of genuine claims only.

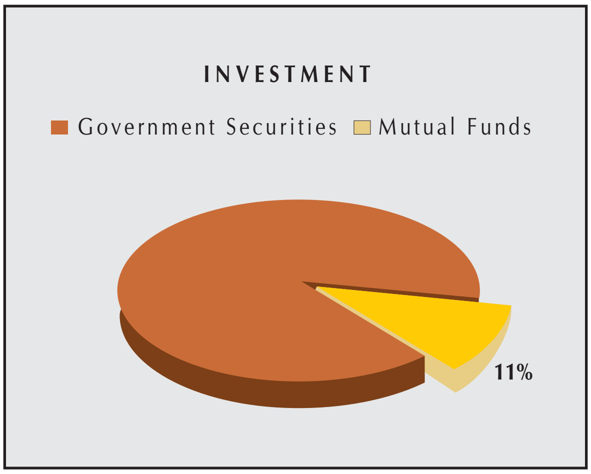


INVESTMENTS PERFORMANCE

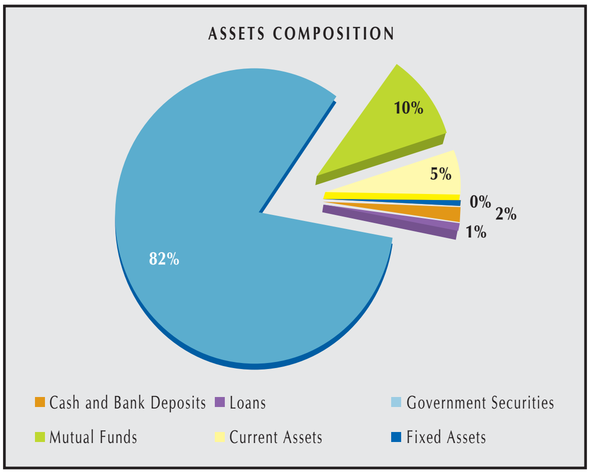
In view of the nature of our non-linked individual life products, we invest the underlying reserves mainly in Government securities and in those securities having minimum rating of AA-. Accordingly, besides seeking good return we have to go for secured investments. Our focus was on investment in Government securities to generate higher investment income from securities having rating of AA- and above. For liquidity and diversification we also invested in short term bank deposits. For unit linked business investments are made in Government Securities and open-end mutual funds in accordance with the investment strategies offered to policyholders.

During the year the investment portfolio of your Company increased by Rs. 2.6 billion. At the year end, the portfolio investment was Rs. 11.15 billion (2012: Rs. 8.5 billion), with 89.3% (2012: 90%) of our total portfolio invested in Government securities. During the year your Company earned investment income of Rs. 1,093 million (2012: Rs.976 million), showing an increase of 12% over last year.





The Company has a very strong financial position. The total assets increased by 25.6% during the year (from Rs. 9.61 billion in 2012 to Rs. 12.10 billion). The composition of assets is as follows:



RELATED PARTY TRANSACTIONS

At each board meeting the Board of Directors approves the Company's transactions made with associated companies and related parties. All such transactions are executed at arm's length basis.

PROFITABILITY

During the year, the Company's statutory funds showed good performance generating a surplus of Rs. 185 million. Out of accumulated surplus, Rs. 35 million was transferred to the Profit & Loss Account. Amount transferred from Group Life is Rs. 30 million, Individual Accident and Health of Rs. 5 million. Including the performance of the Shareholders' fund together with surplus in statutory funds, your Company made a before tax profit of Rs. 261.55 million (2012: Rs 197.16 million), increase by 33%.

Profit / Loss	**2013**	2012 (Restated)
	(Rs. in 000')	
Net Surplus of Statutory Funds	**184,651**	125,729
Profit before appropriation of surplus to Shareholders' Fund	**76,897**	71,429
Taxation	**38,045**	70,072
Earning per Share (Rupees)	**1.48**	2.53
Return per share before tax (including surplus in revenue account)	**5.23**	3.94
Break-up value per share (including amount retained in the statutory funds to meet the requirement of Insurance Ordinance)	**21.88**	18.51

CONTRIBUTION TO NATIONAL EXCHEQUER:

Your Company contributed Rs. 132.25 million to the national exchequer in the form of Income Tax and withholding tax (acting as an agent).

STRATEGY:

Our principal strategy remained to grow the premium income and profitability, while maintaining core values of prudent underwriting, efficient claims administration, expense management, product innovation, customer service and human resource development. We continue to broaden our distribution outreach and develop products which cater to the needs of various market segments.

Developing and promoting Individual Accident & Health (Personal Accident) products is an integral part of our strategy. Through PA products and Direct Marketing initiatives we strive to expand outreach to mass market with more affordable pure risk solutions.

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 personalized service, while maintaining sound underwriting and pricing discipline.

DEVELOPMENT ACTIVITIES

BANCASSURANCE DEVELOPMENT

This year has been quite promising for bancassurance where opportunities materialized resulting in growth surpassing PKR 2.5 billion in new business. We continued with our 360 degree approach that helped partner banks identify the needs of various customer segments. Our approach of need based selling over product-push had always been the hallmark of core strategy.

At present, the Company has over 12 bank partners selling multiple products and solutions ranging from pure protection to investment linked financial planning solutions addressing long term financial needs such as children's higher education, marriage, retirement planning, lifestyle continuation, wealth creation, inter-generational wealth transfer and so on.

Your Company is determined to take bancassurance to new heights by delivering needs-based solutions, multiple channels and customer touch-points.

AGENCY DEVELOPMENT

Our agency distribution forms the cornerstone of our business. We have three-tier organization which focuses on various market segments from high net worth to affluent and mass affluent. We place great emphasis on the manpower development by providing constant training.

HUMAN RESOURCES AND TRAINING

Your Company recruits staff on merit and provides 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, operational and soft skills.

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.

The Company also has online training program which provides training to employees according to their job requirement to enhance their skills.

REGULATORY DEVELOPMENT

AMENDMENT IN INCOME TAX ORDINANCE 2001

The Federal Government has made amendment in the Income Tax Ordinance 2001, First Schedule, Part II Division II (Rate of Tax for the Companies) through finance bill. The bill seeks to provide relief to the corporate sector by reducing the rate of tax in respect of tax year 2014 for non-banking companies from 35% to 34%.

INTERNAL AUDIT AND COMPLIANCE FUNCTION

Your company has separate compliance and Internal Audit functions. Internal Audit function is out sourced to professional firm of Chartered Accountants. The Company has 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.

RELATIONSHIP WITH OTHER STAKEHOLDERS

For the past 19 years your Company has been placing top priority in providing and maintaining good working environment for its employees and always appreciates their contribution towards the growth of the Company through their hard work.

It provides them the opportunities, as mentioned above, to improve their skills through different training programs and thus, contributes more effectively towards the growth of the Company.

Your Company continues to maintain excellent business relationship with its clients and business associates.

We place great emphasis on fulfilling our responsibility towards the Government by complying with all applicable laws and regulations.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Statement under Clause XVI of the Code of Corporate Governance

The Board and the management are 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 its state of affairs fairly, 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 Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored. The Board is ultimately responsible for the Company's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss.

   Board has outsourced the Internal Audit function to a firm of Chartered Accountants, who are considered suitably qualified and experience for the purpose and are conversant with the policies and procedures of the Company.

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 Internal Auditor and the scope of, and the relationship with, the external auditors. It also receives reports from the Internal Auditor 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 should not be any doubt about 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.65.5 million receivable against income tax is appearing on the face of the balance sheet.

i) The value of investments by the staff retirement fund operated as per their respective unaudited Financial Statements as at December 31, 2013 are as follows;

Employee Provident Fund	25 million
Employee Gratuity Fund	27 million

j) In compliance of Clause (xi) of the Code, Mr. Shahid Siddiqui a Director of the Company has participated and completed the Director's training program on 'Corporate Governance Leadership Skills' as required by the Securities and Exchange Commission of Pakistan. One of the other directors is sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the Code of Corporate Governance.

k) Key operating and financial data for last six years are attached to these financial statements.

Board Meetings and Change in Directorships

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

During the year 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	3
Mr. Shahid Siddiqui	4
Mr. Irfan Amir (Alternate to Nurul Islam)	4
Mr. Arif Abdul Aziz	1
Mr. Qasim Rabbani	None
Mr. Michel Khalaf	None

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

AUDIT COMMITTEE

The Audit Committee comprises of three non-executive directors. The term of reference of the Audit Committee are aligned with the Code of Corporate Governance. The Committee meets at least once in a quarter.

CLAIM SETTLEMENT COMMITTEE

This Committee makes the Claims Settlement policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are maintained. It pays particular attention to extraordinary claims cases or events, which could give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims matters should be brought to its attention and decides how to resolve them. It also oversees the implementation of the measures for combating fraudulent claims cases. The Committee meets at least once in a quarter.

REINSURANCE COMMITTEE

This Committee ensures that adequate reinsurance arrangements are in place for its businesses. It evaluates the proposed reinsurances arrangements prior to execution, reviews the arrangements from time to time and subject to the consent of the participating reinsures, makes appropriate adjustments as and when necessary. It also assesses the future effectiveness of the reinsurance program. The Committee meets at least once in a quarter.

UNDERWRITING COMMITTEE

The Underwriting Committee formulates the underwriting policy of the Company. It sets out the criteria for assessing various types of insurance risks. It regularly reviews the underwriting policies with due regard to its business portfolio and the market development. The Committee meets at least once in a quarter.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and remuneration Committee is responsible to formulate the Human Resources policies of the Company. It is also responsible to recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit and succession planning of the CEO. It regularly reviews the Human resources policies and set criteria for recruitment and selection.

CODE OF CONDUCT

Your Company has been offering traditional life insurance, universal life and unit linked plans to its customers for their future financial security. We strictly comply with the Market Code of Conduct prescribed by the Securities and Exchange Commission of Pakistan and accordingly disclose all the facts of our products before the prospect purchases our products.

We adhere to the highest standards of business conduct at all times and it is mandatory for all employees to have on-line Code of Conduct certification.

PARENT COMPANY

The parent company of American Life Insurance Company (Pakistan) Limited is the American Life Insurance Company (ALICO), incorporated in the United States of America having its registered office in Wilmington, Delaware, which in turn is 100% owned by MetLife Inc. USA.

PATTERN OF SHAREHOLDING

The pattern of Shareholding as at December 31, 2013 as required under section 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance is included in the report.

American Life Insurance Company, USA holds 81.97% (2012: 81.97%) of the shares and the balance is held by various other shareholders.

During the year, trading in the shares of the Company carried out by the directors, executives and their spouses and minor children was as follows:

Purchase of Shares	**No. of shares**
None	Nil

Sale of Shares	**No. of shares**
None	Nil

AUDITORS

Our present auditors M/s. Yousuf Adil Saleem & Co Chartered Accountants, a member firm of Deloitte Touche Tohmatsu, being eligible, have offered themselves for re-appointment as auditors for the forthcoming year. The Board of Directors, on recommendation of the Audit Committee has appointed M/s. Yousuf Adil Saleem & Co Chartered Accountants, a member firm of Deloitte Touche Tohmatsu as auditor for the year 2014.

FUTURE OUTLOOK

Your Company is optimistic about the long term opportunities while effectively meeting the short term challenges. Its main focus is on customer service and building an efficient and productive field force. As its ongoing strategy, it 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. Accordingly, it is always ready to aggressively pursue new opportunities and ensure adequate internal preparedness to take maximum advantage of such opportunities.

MATERIAL EVENTS

During the current year, a share purchase agreement dated January 21, 2013 was entered into between IGI Insurance Limited and the holding company in respect of sale of entire shareholding of the holding company i.e. 40,986,690 ordinary shares of Rs. 10/- each (representing 81.97% of the paid-up capital) to IGI Insurance Limited at Rs. 20/- per share. The successful consummation of this transaction is subject to completion of regulatory requirements and other conditions stipulated in the agreement.

In March and April 2013, two suits were filed by some of the employees of the Company seeking protection for their employment from the consequences of the Share Purchase Agreement (SPA). The status quo order passed by the High Court was modified on July 05, 2013 so that the transaction contemplated by the SPA is allowed to be consummated. The final disposal of the legal proceedings is pending. As per the advice of legal advisors of the Company, the chance of adverse financial implication on the Company is remote.

GRATITUDE

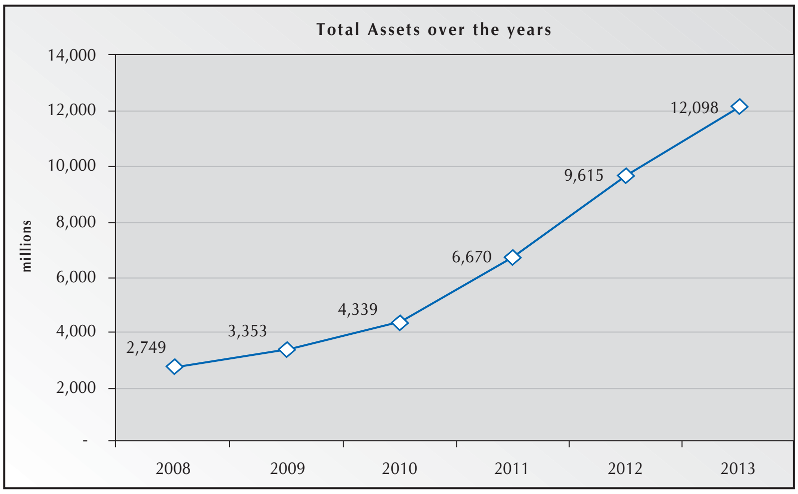
We take this opportunity to express our appreciation to the Ministry of Commerce, Government of Pakistan, and the Department of Insurance under the Securities and Exchange Commission of Pakistan for their invaluable assistance, support and guidance. The Board of Directors would like to express its sincere thanks and wish to record its appreciation for the remarkable contribution made by the employees towards present achievements.

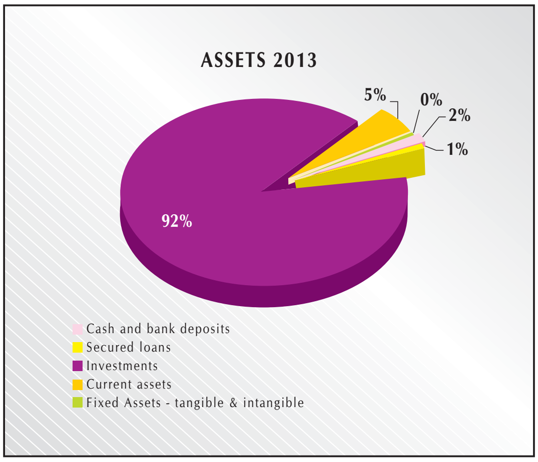
Lastly, our thanks go to thousands of our policyholders and shareholders whose confidence, continued commitment and support for the Company has been a source of encouragement and inspiration.

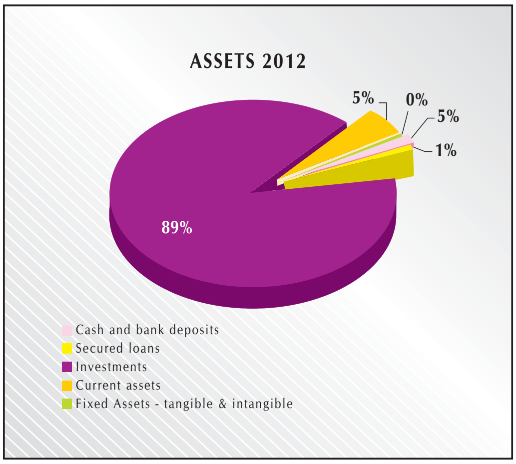
On behalf of the Board of Directors

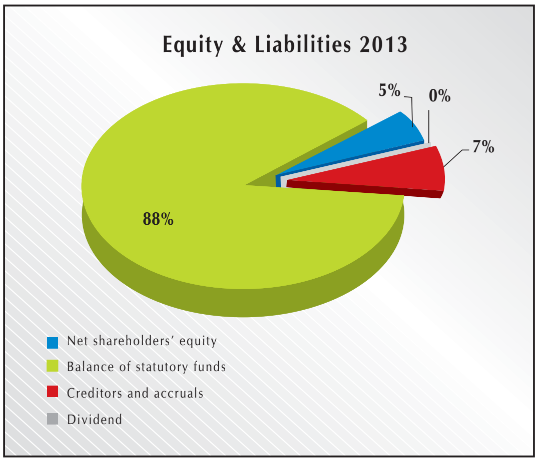
Arif S. Mufti
Chairman & CEO
Dated: February 24, 2014

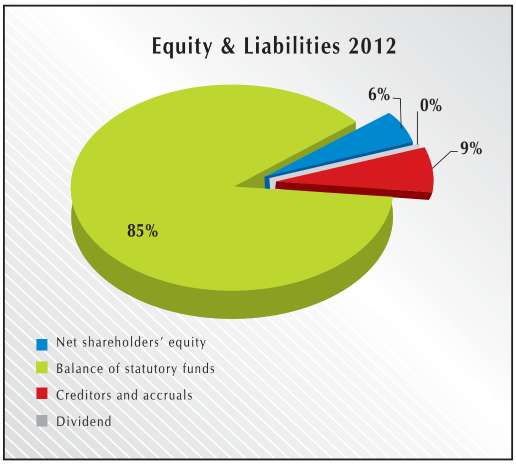
PERFORMANCE AT GLANCE

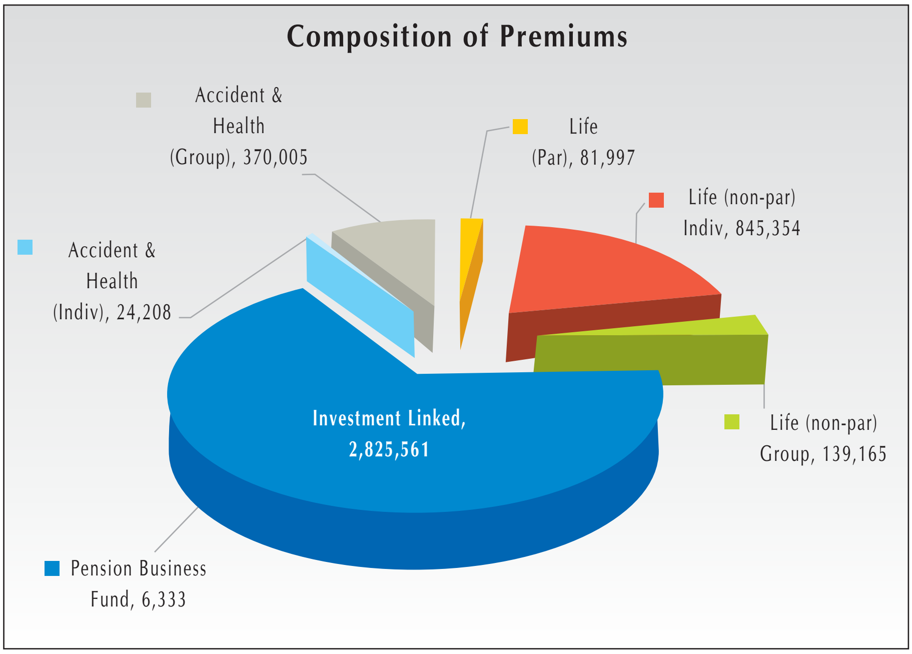




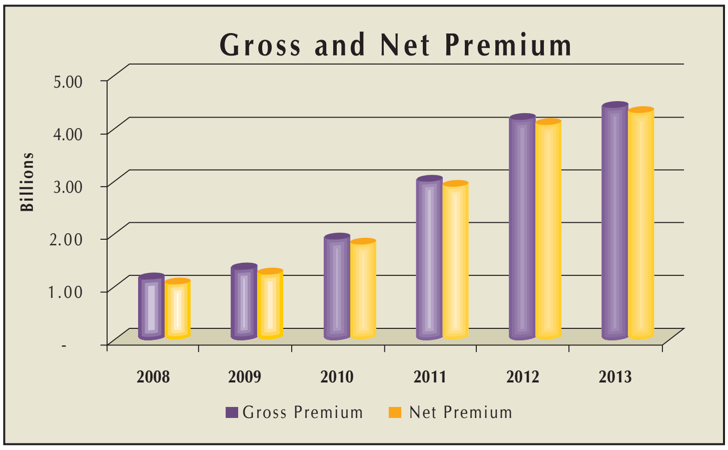




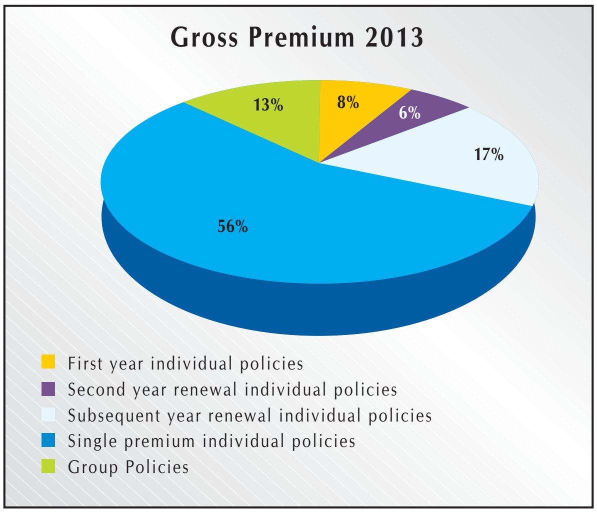




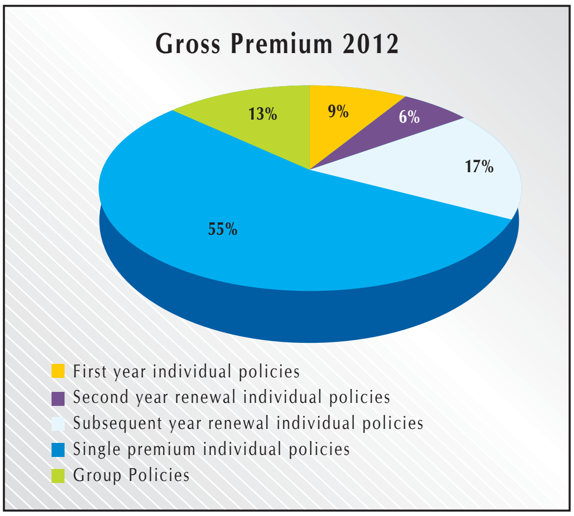
Composition of Premiums
Accident & Health (Group), 370,005
Life (Par), 81,997
Life (non-par) Indiv, 845,354
Accident & Health (Indiv), 24,208
Investment Linked, 2,825,561
Life (non-par) Group, 139,165
Pension Business Fund, 6,333



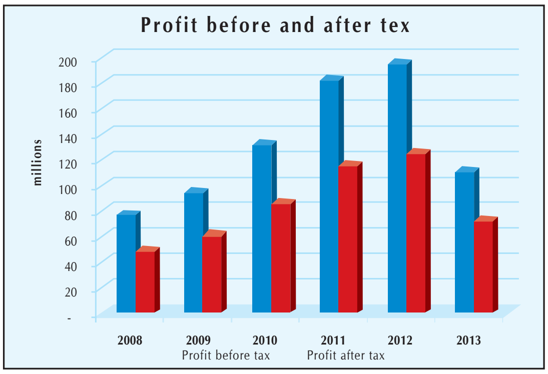
Gross and Net Premium
Billions
5.00
4.00
3.00
2.00
1.00
-
2008
2009
2010
2011
2012
2013
Gross Premium
Net Premium

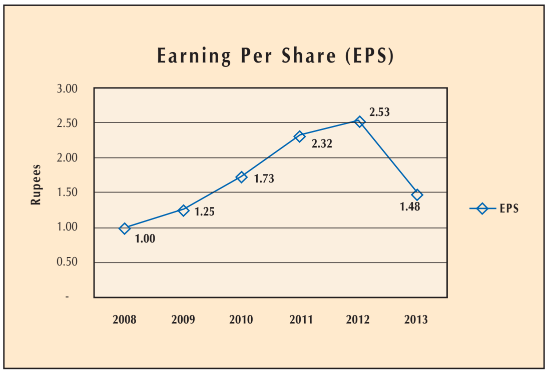


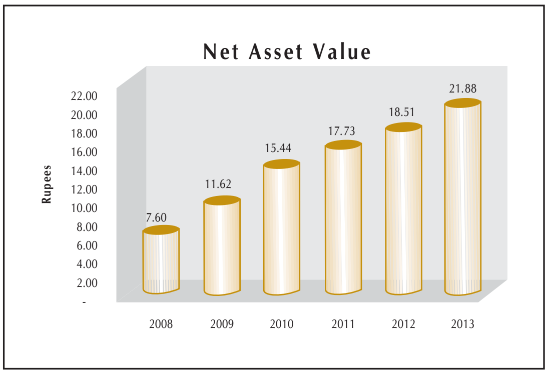
Gross Premium 2013
13%
8%
6%
17%
56%
First year individual policies
Second year renewal individual policies
Subsequent year renewal individual policies
Single premium individual policies
Group Policies

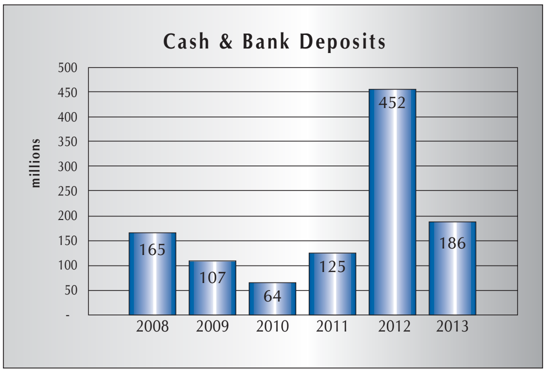


Gross Premium 2012
13%
9%
6%
17%
55%
First year individual policies
Second year renewal individual policies
Subsequent year renewal individual policies
Single premium individual policies
Group Policies


Profit before and after tex
millions
200
180
160
140
120
100
80
60
40
20
-
2008
2009
2010
2011
2012
2013
Profit before tax
Profit after tax


Earning Per Share (EPS)
Rupees
3.00
2.50
2.00
1.50
1.00
0.50
-
1.00
1.25
1.73
2.32
2.53
1.48
EPS
2008
2009
2010
2011
2012
2013


Net Asset Value
Rupees
22.00
20.00
18.00
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
-
7.60
11.62
15.44
17.73
18.51
21.88
2008
2009
2010
2011
2012
2013


Cash & Bank Deposits
millions
500
450
400
350
300
250
200
150
100
50
-
165
107
64
125
452
186
2008
2009
2010
2011
2012
2013

KEY FINANCIAL DATA

Six years at Glance

Financial ratios

Profitibility / Return to shareholders		2013	2012	2011	2010	2009	2008
		---------------------- Rupees in ' 000 ----------------------					
Profit before tax / gross premium	%	**2.55%**	4.71%	6.13%	7.04%	7.12%	6.76%
Expenses / Income	%	**40.39%**	40.09%	54.05%	64.91%	67.29%	64.32%
Return on assets	%	**0.61%**	1.31%	1.74%	2.00%	1.86%	1.83%
Return on capital employed	%	**0.81%**	2.07%	2.22%	2.90%	2.46%	2.54%
Return on equity	%	**8.54%**	15.28%	15.82%	12.96%	10.75%	13.22%
EPS	Rs.	**1.48**	2.53	2.32	1.73	1.25	1.00
Price earning ratio	times	**24.53**	13.26	6.03	10.38	13.14	43.79
Net assets per share	Rs.	**17.30**	16.54	14.70	13.38	11.62	7.60
Market data							
Face value per share	Rs.	**10**	10	10	10	10	10
Market value per share at year end	Rs.	**36.3**	33.5	14	18	16.43	43.79
Highest share price during the year	Rs.	**36.3**	37.4	19	21.95	41.61	53.55
Lowest share price during the year	Rs.	**18.3**	14	13.5	13	13.41	38.77
Market capitalization	'000	**1,815,000**	1,675,000	700,000	900,000	821,500	2,189,500
Performance / Liquidity							
Earning asset to total asset ratio	%	**94.61%**	94.09%	90.67%	90.85%	90.38%	73.41%
Net premium / gross premium ratio	%	**97.82%**	97.86%	97.06%	95.39%	93.96%	90.75%
Net claims / net premium ratio	%	**50.35%**	30.38%	21.67%	24.49%	28.63%	31.69%
Management expenses / net premium ratio	%	**18.26%**	18.62%	25.11%	38.44%	49.72%	50.40%
Current ratio	times	**0.98**	0.80	0.84	0.93	0.80	2.01
Total assets turnover	times	**0.45**	0.54	0.55	0.53	0.50	0.49
Fixed assets turnover	times	**123.00**	82.25	60.55	39.23	25.61	18.80
Equity / total assets	%	**7.15%**	8.56%	11.02%	15.42%	17.33%	13.81%

Key Financial Data

Six years at Glance

Financial data

	2013	2012	2011	2010	2009	2008
		---------------------- Rupees in ' 000 ----------------------				
Paid-up capital	**500,000**	500,000	500,000	500,000	500,000	500,000
Net shareholders' equity	**865,050**	826,798	734,941	669,193	581,065	379,763
Investments - excl. Investment Limited	**5,629,396**	4,701,060	4,113,989	3,276,265	2,761,238	1,780,985
Cash and bank deposits	**186,462**	452,268	125,057	64,025	106,526	164,756
Total assets	**12,097,502**	9,658,168	6,670,453	4,338,682	3,352,656	2,749,498
Operating data						
Gross premiums revenue	**4,388,535**	4,170,408	2,993,466	1,893,849	1,349,482	1,155,386
Net premiums revenue	**4,292,671**	4,081,149	2,905,583	1,806,525	1,267,953	1,048,496
Investments and other income	**1,143,591**	1,026,345	644,910	396,720	320,539	259,260
Profit before taxation	**111,897**	196,429	183,560	133,403	96,141	78,059
Taxation	**38,045**	70,072	67,312	46,691	33,649	27,838
Profit after taxation	**73,852**	126,357	116,248	86,712	62,492	50,221
EPS	**1.48**	2.53	2.32	1.73	1.25	1.00
Cash flow summary						
Net cash flow from operating activities	**1,258,411**	2,095,960	1,596,738	590,201	762,793	(228,857)
Net cash flow from investing activities	**(1,349,219)**	(1,943,749)	(1,528,706)	(601,126)	(721,023)	209,408
Net cash flow from financing activities	**-**	-	-	(16,576)	-	-
Net cash flow from all activities	**(90,808)**	152,211	68,032	(34,501)	41,770	(19,449)
Cash and cash equivalents at the beginning of the year	**277,268**	125,057	57,025	91,526	49,756	69,205
Cash and cash equivalents at the end of the year	**186,460**	277,268	125,057	57,025	91,526	49,756

BALANCE SHEET AND PROFIT & LOSS ANALYSIS

Vertical

	2013		2012	
Balance Sheet	**Rupees in '000**	**%**	**Rupees in '000**	**%**
Net shareholders' equity	865,050	7%	826,798	9%
Balance of statutory funds	10,609,447	88%	8,208,597	85%
Deffered liability	-	0%	-	0%
Creditors and accruals	622,978	5%	579,160	6%
Dividend	27	0%	27	0%
Total equity and liabilities	**12,097,502**	**100%**	**9,614,582**	**100%**
Cash and bank deposits	186,460	2%	452,268	5%
Secured loans	107,033	1%	99,963	1%
Investments	11,152,340	92%	8,536,478	89%
Current assets	607,530	5%	464,910	5%
Deffered taxation	-	0%	-	0%
Fixed Assets - tangible & intangible	44,139	0%	60,963	1%
Total assets	**12,097,502**	**100%**	**9,614,582**	**100%**
Revenue and Profit & loss account				
Net Income	5,441,275	100%	5,197,350	100%
Claims and Expenditures	(2,964,128)	(54)%	(2,117,265)	(41)%
Movement in policy holders' liability	(2,215,599)	(41)%	(2,904,302)	(56)%
Surplus / Profit before tax	261,548	5%	175,783	3%
Taxation	(38,045)	(1)%	(70,072)	(1)%
Surplus / Profit after tax	223,503	4%	105,711	2%

Horizontal

	2013	2012	2011	2010
Balance Sheet	**Rupees in '000**			
Net shareholders' equity	865,050	826,798	734,941	669,193
Balance of statutory funds	10,609,447	8,208,597	5,269,066	3,238,863
Creditors and accruals	622,978	579,160	666,419	430,599
Dividend	27	27	27	27
Total equity and liabilities	**12,097,502**	**9,614,582**	**6,670,453**	**4,338,682**
Cash and bank deposits	186,460	452,268	125,057	64,025
Secured loans	107,033	99,963	90,096	83,051
Investments	11,152,340	8,536,478	5,833,574	3,795,700
Current assets	607,530	464,910	561,509	337,353
Fixed Assets - tangible & intangible	44,139	60,963	60,217	58,553
Total assets	**12,097,502**	**9,614,582**	**6,670,453**	**4,338,682**
Revenue and Profit & loss account				
Net Income	5,441,275	5,197,350	3,646,437	2,297,224
Claims and Expenditures	(2,964,128)	(2,117,265)	(1,461,799)	(1,241,684)
Movement in policy holders' liability	(2,215,599)	(2,904,302)	(1,949,171)	(878,836)
Surplus / Profit before tax	261,548	175,783	235,467	176,704
Taxation	(38,045)	(70,072)	(67,312)	(46,691)
Surplus / Profit after tax	223,503	105,711	168,155	130,013

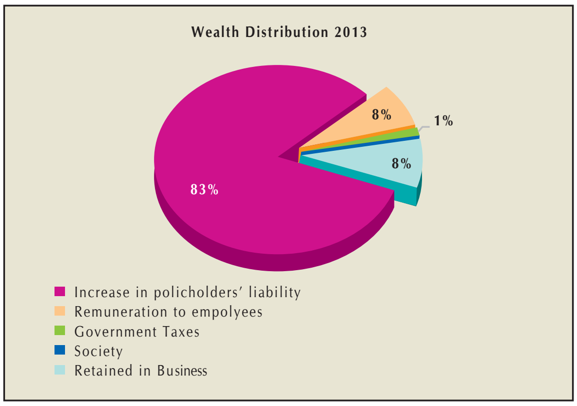
2011		2010		2009		2008	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
734,941	11%	669,193	15%	581,065	17%	379,763	14%
5,269,066	79%	3,238,863	75%	2,318,142	69%	1,961,532	71%
-	0%	-	0%	-	0%	-	0%
666,419	10%	430,599	10%	436,846	13%	391,600	14%
27	0%	27	0%	16,603	0%	16,603	1%
6,670,453	**100%**	**4,338,682**	**100%**	**3,352,656**	**100%**	**2,749,498**	**100%**
125,057	2%	64,025	1%	106,526	3%	164,756	6%
90,096	1%	83,051	2%	68,306	2%	53,623	2%
5,833,574	87%	3,795,700	87%	2,856,069	85%	1,801,339	66%
561,509	8%	337,353	8%	255,923	8%	657,500	24%
-	0%	-	0%	-	0%	-	0%
60,217	1%	58,553	1%	65,832	2%	72,280	3%
6,670,453	**100%**	**4,338,682**	**100%**	**3,352,656**	**100%**	**2,749,498**	**100%**
3,646,437	100%	2,297,224	100%	1,685,754	100%	1,358,913	100%
(1,461,799)	(40)%	(1,241,684)	(54)%	(1,094,193)	(65)%	(914,346)	(67)%
(1,949,171)	(53)%	(878,836)	(38)%	(450,006)	(27)%	(247,826)	(18)%
235,467	6%	176,704	8%	141,555	8%	196,741	14%
(67,312)	(2)%	(46,691)	(2)%	(33,649)	(2)%	(27,838)	(2)%
168,155	5%	130,013	6%	107,906	6%	168,903	12%

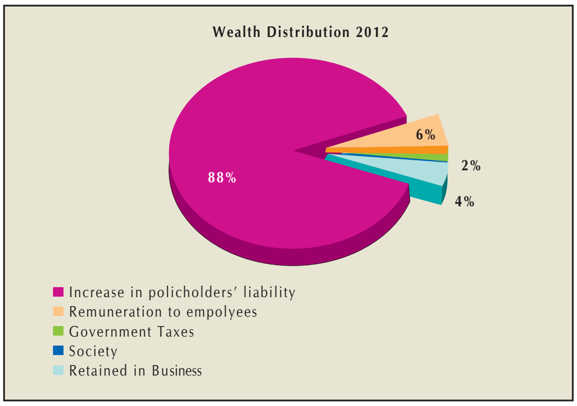
2009	2008	2013	2012	2011	2010	2009	2008
Rupees in '000		% increase / (decrease) over preceeding year					
581,065	379,763	5%	12%	10%	15%	53%	185%
2,318,142	1,961,532	29%	56%	63%	40%	18%	53%
436,846	391,600	8%	-13%	55%	-1%	12%	68%
16,603	16,603	0%	0%	0%	-100%	0%	100%
3,352,656	**2,749,498**	**26%**	**44%**	**54%**	**29%**	**22%**	**65%**
106,526	164,756	-59%	262%	95%	-40%	-35%	-56%
68,306	53,623	7%	11%	8%	22%	27%	73%
2,856,069	1,801,339	31%	46%	54%	33%	59%	64%
255,923	657,500	31%	-17%	66%	32%	-61%	442%
65,832	72,280	-28%	1%	3%	-11%	-9%	70%
3,352,656	**2,749,498**	**26%**	**44%**	**54%**	**29%**	**22%**	**65%**
1,685,754	1,358,913	5%	43%	59%	36%	24%	59%
(1,094,193)	(914,346)	40%	45%	18%	13%	20%	56%
(450,006)	(247,826)	-24%	49%	122%	95%	82%	12%
141,555	196,741	49%	-25%	33%	25%	-28%	308%
(33,649)	(27,838)	-46%	4%	44%	39%	21%	7002%
107,906	168,903	111%	-37%	29%	20%	-36%	253%

STATEMENT OF VALUE ADDITION

	2013		2012	
	Rupees in '000	**%**	**Rupees in '000**	**%**
WEALTH GENERATION				
Net premium	**4,292,671**	**79%**	4,081,149	80%
Net investment income	**1,093,019**	**20%**	975,810	19%
Other income	**50,572**	**1%**	50,535	1%
Net claim	**(2,161,218)**	**-78%**	(1,239,915)	-68%
Acquisition and Administrative Expenses (excl: remuneration & taxes)	**(594,056)**	**-22%**	(585,422)	-32%
Net wealth generated	**2,680,988**		3,282,157	

	2013		2012	
	Rupees in '000	**%**	**Rupees in '000**	**%**
WEALTH DISTRIBUTION				
Increase in policyholders' liability	**2,215,599**	**82.64%**	2,904,302	88.49%
Remuneration to employees	**203,591**	**7.59%**	180,557	5.50%
Government Taxes	**38,045**	**1.42%**	70,072	2.13%
Society	**250**	**0.01%**	140	0.00%
Retained in Business	**223,503**	**8.34%**	127,086	3.87%
	2,680,988	**100.00%**	3,282,157	100.00%





FINANCIAL / EVENT CALENDAR

Results / Events	Date
Financials for the three months ended March 31, 2013	26-Apr-13
Financials for the six months ended June 30, 2013	28-Aug-13
Financials for the nine months ended September 30, 2013	25-Oct-13
Financials for the year ended December 31, 2013	24-Feb-14

Notice to Shareholders with Financial Statements	4-Mar-14
Annual General Meeting	**25-Mar-14**

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2013

Numbers of Shareholders	Holding Shares From	To	Total Shares held
583	1	100	16,055
125	101	500	47,337
39	501	1,000	34,110
75	1,001	5,000	170,449
12	5,001	10,000	86,984
4	10,001	15,000	42,615
5	15,001	20,000	85,660
1	20,001	25,000	22,000
4	25,001	30,000	109,805
1	35,001	40,000	38,461
1	45,001	50,000	48,928
1	50,001	55,000	53,201
2	60,001	65,000	121,625
1	115,001	120,000	116,553
1	135,001	140,000	136,019
1	175,001	180,000	178,515
1	255,001	260,000	258,842
1	995,001	1,000,000	997,382
1	1,230,001	1,235,000	1,230,500
1	2,495,001	2,500,000	2,500,000
1	2,720,001	2,725,000	2,720,769
1	40,980,001	40,985,000	40,984,190
862			**50,000,000**

Categories of Shareholders	Number of Sharesholders	Total Shares held	Percentage
Individuals	850	5,007,189	10.01%
Joint Stock Companies & Others	6	275,021	0.55%
Financial Institutions	5	3,733,600	7.47%
Foreign Companies	1	40,984,190	81.97%
	862	**50,000,000**	**100.00%**

DISCLOSURE OF PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2013

Shareholder's category	Number of shareholders	Shares held
Associated companies, undertakings and related parties	1	40,984,190
Directors, CEO, and their spouses and minor children	3	119,553
NIT and ICP	1	1,000
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual funds	4	3,732,600
Joint Stock Companies and Others	6	275,021
Shareholders holding ten percent or more voting interest	1	40,984,190

Disclosure of Pattern of Shareholding as at December 31, 2013	
	Number of shares held
Associated companies, undertakings and related parties	
American Life Insurance Company, Inc. USA	40,984,190
Directors, CEO and their spouses and minor children	
Mr. Arif Sultan Mufti	117,803
Mr. Shahid Siddiqui	1,250
Mr. Khalid Anis-ur-Rehman	500
NIT and ICP	
Investment Corporation of Pakistan	1,000
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	1,230,500
Joint Stock Companies and Others	
MTM Securities (Pvt.) Limited	10,846
International Brands (Pvt) Ltd.	5,000
A. Sattar Motiwala Securities (Pvt.) Limited	145
First National Equities Limited	1
Amin Tai Securities (Pvt) Limited	258,842
Yasir Mahmood Securities (Pvt) Ltd.	187
Shareholders holding ten percent or more voting interest	
American Life Insurance Company, Inc. USA	40,984,190

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2013

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

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges and Code of Corporate Governance applicable to listed insurance companies as issued by Securities and Exchange Commission of Pakistan (SECP), for the purpose of establishing a framework of good governance, whereby a listed 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:

Category	Names
Independent Director	Qasim Rabbani
Executive Director	Arif Sultan Mufti
Non-executive Directors	Khalid Anis-ur-Rehman Shahid Siddqui Michel Khalaf Nurul Islam Arif Abdul Aziz

The independent director meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or Non-Banking Financial Institution. None of the directors or their spouses is engaged in business of stock exchange.

4. No casual vacancy has occurred in the Board during the year.

5. The Company has prepared a 'Code of Conduct' and has taken appropriate steps to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

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

10. The directors of the Company are individuals with vast diversified experience of the financial and corporate affairs and are acquaint with the code, applicable laws, their duties, and responsibilities to enable them to effectively manage the affairs of the Company for and on behalf of shareholders. During the year, one of the directors has attended the 'Corporate Governance Leadership Skills' training programme of the Pakistan Institute of Corporate Governance. One of the other directors is sufficiently experienced to qualify for the criteria for exemption from formal training requirement stated in the Code of Corporate Governance.

11. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit are approved by the Board of Directors. There was no new appointment of CFO and Company secretary during the year one of the employees has been designated as a Head of Internal Audit, with effect from October 25, 2013 to act as a Coordinator between the firm providing internal audit services and the Board.

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 Chief Executive Officer and CFO before approval of the board.

14. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an Audit Committee. It comprises of three members; all of whom are non-executive directors including the Chairman of the Committee.

17. The meetings of the Audit Committee were held at least once every quarter, prior to approval of interim and final results of the Company, as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has formed a Human Resources and Remuneration Committee. It comprises four members, of whom two are non-executive directors including the Chairman.

19. The Board has outsourced the internal audit function to a firm of Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the ICAP.

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 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

24. The Board has formed Underwriting, Claim and Reinsurance Committees in line with Code of Corporate Governance for Insurance Companies. The meetings of these committees held at least once in each quarter.

25. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.

26. The Board ensures that the appointed Actuary complied with the requirements set out for him in the Code for insurance Companies.

27. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors

Arif S. Mufti
Chairman & CEO
Karachi
Date: February 24, 2014

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 (the Code) for the year ended December 31, 2013, prepared by the Board of Directors of **American Life Insurance Company (Pakistan) Limited** ("the Company") to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 are not required to consider whether the Board's statement on internal control covers all controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Karachi and Lahore Stock Exchanges 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 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 as applicable to the Company for the year ended December 31, 2013.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi.
Date: February 24, 2014

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 comprehensive income;
(iv) statement of changes in equity;
(v) cash flow statement
(vi) revenue account;
(vii) statement of premiums;
(viii) statement of claims;
(ix) statement of expenses; and
(x) statement of investment income.

of **American Life Insurance Company (Pakistan) Limited** ("the Company") as at December 31, 2013 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:

(i) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

(ii) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for changes as stated in note 5.2.1 with which we concur;

(iii) 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, 2013 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 the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

(iv) 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

(v) 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.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi.
Date: February 24, 2014

BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE		
			Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012 (Restated)	2011 (Restated)
		(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	500,000
Issued, subscribed and paid-up share capital (50,000,000 ordinary shares of Rs. 10 each)		500,000	-	-	-	-	-	-	-	**500,000**	500,000	500,000
Accumulated surplus	7	741,602	-	-	-	-	-	-	-	**741,602**	667,750	541,393
Less: capital contributed by shareholders fund		(376,552)								**(376,552)**	(340,952)	(306,452)
		365,050	-	-	-	-	-	-	-	**365,050**	326,798	234,941
Net Shareholders' Equity		865,050	-	-	-	-	-	-	-	**865,050**	826,798	734,941
Balance of Statutory Fund												
[including policyholders' liabilities Rs. 10,047.533 million (2012: Rs. 7,831.934 million)]	8	-	1,382,306	3,375,983	93,475	5,568,637	24,711	161,326	3,009	**10,609,447**	8,208,597	5,269,066
Creditors and Accruals												
Outstanding claims		-	36,802	48,384	101,861	6,029	11,101	5,255	-	**209,432**	194,795	347,866
Staff retirement benefits - payable	10	-	53	513	100	384	16	196	4	**1,266**	31,828	31,648
Premiums received in advance		-	2,090	24,751	1,214	92,893	1,008	-	-	**121,956**	73,895	104,888
Amount due to other insurers/reinsurers		-	-	-	-	11,239	-	-	-	**11,239**	13,013	7,121
Amount due to agents		-	732	28,333	-	13,388	-	-	-	**42,453**	30,102	41,324
Experience refund payable		-	-	-	42,393	-	-	-	-	**42,393**	75,390	-
Accrued expenses		-	2,493	24,117	4,709	18,059	769	9,209	177	**59,533**	65,156	58,250
Other creditors and accruals	11	9,151	13,037	31,477	29,240	30,535	569	20,584	113	**134,706**	94,981	75,322
		9,151	55,207	157,575	179,517	172,527	13,463	35,244	294	**622,978**	579,160	666,419
Other liabilities												
Unclaimed dividend		27	-	-	-	-	-	-	-	**27**	27	27
TOTAL LIABILITIES		9,178	1,437,513	3,533,558	272,992	5,741,164	38,174	196,570	3,303	**11,232,452**	8,787,784	5,935,512
TOTAL EQUITY AND LIABILITIES		**874,228**	**1,437,513**	**3,533,558**	**272,992**	**5,741,164**	**38,174**	**196,570**	**3,303**	**12,097,502**	9,614,582	6,670,453

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

CHAIRMAN & CHIF EXECUTIVE

DIRECTOR

DIRECTOR

BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE		
			Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012 (Restated)	2011 (Restated)
		(Rupees in '000)										
Cash and Bank Deposits												
Cash and others		853	-	-	-	-	-	-	-	**853**	1,333	630
Current and other accounts		20,955	607	3,757	-	153,575	3,762	-	2,951	**185,607**	275,935	84,427
Deposits maturing within 12 months		-	-	-	-	-	-	-	-	**-**	175,000	40,000
		21,808	607	3,757	-	153,575	3,762	-	2,951	**186,460**	452,268	125,057
Loans secured against Life Insurance Policies		-	26,097	80,200	-	-	-	-	-	**106,297**	98,606	87,849
Loans secured against other assets												
To employees		351	-	-	-	-	-	-	-	**351**	589	807
To agents		385	-	-	-	-	-	-	-	**385**	768	1,440
Investments	12											
Government securities		720,039	1,342,902	3,248,941	212,063	4,338,956	22,137	81,517	-	**9,966,555**	7,701,530	5,220,403
Listed mutual funds		1,797	-	-	-	1,183,988	-	-	-	**1,185,785**	834,948	613,171
		721,836	1,342,902	3,248,941	212,063	5,522,944	22,137	81,517	-	**11,152,340**	8,536,478	5,833,574
Current Assets - Others												
Premiums due but unpaid		-	-	15,077	26,928	14	3,239	75,684	-	**120,942**	68,615	112,166
Amount due from other insurers/reinsurers	13	-	8,101	24,896	38,153	-	8,049	758	-	**79,957**	41,005	102,534
Amount due from agents		-	15	688	-	348	-	-	-	**1,051**	2,532	1,475
Prepayments		-	941	9,101	1,777	6,815	290	3,475	67	**22,466**	27,496	19,228
Inter-fund balances		19,132	-	-	(10,799)	-	-	(8,333)	-	**-**	-	-
Sundry receivables	14	-	815	2,504	54	4,314	18	17,654	-	**25,359**	13,409	19,614
Accrued interest		23,060	51,694	136,969	3,493	51,493	505	2,133	-	**269,347**	239,510	203,914
Experience refund receivable		-	-	-	-	-	-	22,839	-	**22,839**	68,311	95,660
Taxation - payments less provision		65,569	-	-	-	-	-	-	-	**65,569**	4,032	6,918
		107,761	61,566	189,235	59,606	62,984	12,101	114,210	67	**607,530**	464,910	561,509
Fixed Assets	15											
Tangible												
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles		21,643	6,341	11,425	1,323	1,661	174	843	285	**43,695**	58,447	58,783
Capital work in progress		-	-	-	-	-	-	-	-	**-**	1,323	-
Intangible												
Softwares and licences		444	-	-	-	-	-	-	-	**444**	1,193	1,434
		22,087	6,341	11,425	1,323	1,661	174	843	285	**44,139**	60,963	60,217
TOTAL ASSETS		**874,228**	**1,437,513**	**3,533,558**	**272,992**	**5,741,164**	**38,174**	**196,570**	**3,303**	**12,097,502**	9,614,582	6,670,453

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

CHAIRMAN & CHIF EXECUTIVE

DIRECTOR

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		(Rupees in '000)	
Investment income not attributable to statutory funds			
Income from non-trading investment - held to maturity			
Return on government securities		**85,463**	69,342
Amortisation of premium on government securities		**(275)**	(45)
		85,188	69,297
Realised gain on sale of investments held as "available for sale"		**1,551**	1,192
Net investment income		**86,739**	70,489
Return on saving accounts and term deposits		**4,340**	10,255
Interest income on loans to employees / agents		**86**	132
Expenses not attributable to statutory funds	19	**(14,268)**	(9,447)
Profit before appropriation of surplus to shareholders' fund		**76,897**	71,429
Surplus appropriated to Shareholders' Fund from Ledger Account D	8	**35,000**	125,000
Profit before tax		**111,897**	196,429
Taxation	21	**(38,045)**	(70,072)
Profit after tax		**73,852**	126,357
		-------- (Rupees) --------	
Earnings per share - basic and diluted	22	**1.48**	2.53

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

CHAIRMAN & CHIF EXECUTIVE	DIRECTOR	DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		(Rupees in '000)	
Profit after tax for the year		**73,852**	126,357
Other comprehensive income		-	-
Total comprehensive income for the year		**73,852**	126,357

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

CHAIRMAN & CHIF EXECUTIVE	DIRECTOR	DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Share capital	Accumulated surplus	Capital contributed to statutory funds	Net accumulated surplus	Total
		---------------------(Rupees in '000)-------------------				
Balance as at January 1, 2012		500,000	541,393	(306,452)	234,941	734,941
Comprehensive income for the year						
Profit for the year		-	126,357	-	126,357	126,357
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	126,357	-	126,357	126,357
Transactions with owners recorded directly in equity						
Capital contributed during the year	8	-	-	(34,500)	(34,500)	(34,500)
Balance as at December 31, 2012		**500,000**	**667,750**	**(340,952)**	**326,798**	**826,798**
Comprehensive income for the year						
Profit for the year		-	73,852	-	73,852	73,852
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	73,852	-	73,852	73,852
Transactions with owners recorded directly in equity						
Capital contributed during the year	8	-	-	(35,600)	(35,600)	(35,600)
Balance as at December 31, 2013		**500,000**	**741,602**	**(376,552)**	**365,050**	**865,050**

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

CHAIRMAN & CHIF EXECUTIVE

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	SHARE HOLDERS' FUND	STATUTORY FUNDS: Life (Participating)	Life (Non-participating): Individual	Life (Non-participating): Group	Investment Linked	Accident & Health: Individual	Accident & Health: Group	Pension Business Fund	AGGREGATE: 2013	AGGREGATE: 2012 (Restated)
Operating Cash Flows		(Rupees in '000)									
a) Underwriting activities											
Premiums received net of policy transfers		-	101,427	818,259	169,762	2,930,569	25,028	332,891	6,333	**4,384,269**	4,182,966
Reinsurance premiums paid		-	(16,300)	(26,105)	(75,066)	(29,510)	(2,052)	(2,004)	-	**(151,037)**	(108,038)
Claims paid		-	(34,769)	(23,087)	(127,655)	(14,598)	(26,132)	(272,905)	-	**(499,146)**	(502,043)
Surrenders paid		-	(74,463)	(202,911)	-	(1,348,268)	-	-	(65,750)	**(1,691,392)**	(804,128)
Reinsurance recoveries received		-	503	16,122	-	3,787	21,359	-	-	**41,771**	78,340
Commissions paid		-	(2,780)	(119,977)	(24,164)	(156,509)	(12,491)	(15,662)	-	**(331,583)**	(423,673)
Commissions received		-	6,520	10,442	20,599	11,804	821	513	-	**50,699**	43,215
Net cash (outflow) / inflow from underwriting activities		**-**	**(19,862)**	**472,743**	**(36,524)**	**1,397,275**	**6,533**	**42,833**	**(59,417)**	**1,803,581**	2,466,639
b) Other operating activities											
Income tax paid		(99,582)	-	-	-	-	-	-	-	**(99,582)**	(67,186)
General management expenses and other operating payments		-	(12,369)	(191,383)	(3,407)	(171,794)	(7,263)	(67,830)	(1,028)	**(455,074)**	(329,801)
Other operating receipts		570	2,066	7,834	6	511	2	5,567	-	**16,556**	36,175
Loans advanced		621	1,204	-	-	-	-	-	-	**1,825**	890
Loans repayment received		-	-	(8,895)	-	-	-	-	-	**(8,895)**	(10,757)
Inter fund transactions		(18,323)	-	-	10,799	-	-	7,524	-	**-**	-
Net cash outflow from other operating activities		**(116,714)**	**(9,099)**	**(192,444)**	**7,398**	**(171,283)**	**(7,261)**	**(54,739)**	**(1,028)**	**(545,170)**	(370,679)
Total cash (outflow) / inflow from all operating activities		**(116,714)**	**(28,961)**	**280,299**	**(29,126)**	**1,225,992**	**(728)**	**(11,906)**	**(60,445)**	**1,258,411**	2,095,960
Investment activities											
Profit / return received		82,687	139,449	315,077	27,089	142,767	3,238	14,828	6,859	**731,994**	613,937
Receipts from short term deposits		-	57,591	545	-	115,145	432	-	1,287	**175,000**	-
Payments for investments		(4,084)	(264,219)	(973,707)	27	(4,275,822)	-	(31,955)	(1,181)	**(5,550,941)**	(4,071,129)
Proceeds from redemption of investments		16,000	61,600	228,400	25,000	2,917,386	-	-	51,152	**3,299,538**	1,526,298
Fixed capital expenditure		(7,454)	-	-	-	-	-	-	-	**(7,454)**	(20,445)
Proceeds from disposal of fixed assets		-	276	849	18	1,462	6	33	-	**2,644**	7,590
Total cash inflow / (outflow) from investing activities		**87,149**	**(5,303)**	**(428,836)**	**52,134**	**(1,099,062)**	**3,676**	**(17,094)**	**58,117**	**(1,349,219)**	(1,943,749)
Financing activities											
Capital contribution to statutory funds		(35,600)	-	-	-	-	-	-	-	**(35,600)**	(34,500)
Capital payments received by statutory funds		-	-	-	-	6,600	-	29,000	-	**35,600**	34,500
Surplus appropriated to Shareholders' fund		35,000	-	-	(30,000)	-	(5,000)	-	-	**-**	-
Total cash flow from financing activities		**(600)**	**-**	**-**	**(30,000)**	**6,600**	**(5,000)**	**29,000**	**-**	**-**	-
Net cash (outflow) / inflow from all activities		**(30,165)**	**(34,264)**	**(148,537)**	**(6,992)**	**133,530**	**(2,052)**	**-**	**(2,328)**	**(90,808)**	152,211
Cash and cash equivalents at the beginning of the period		**51,973**	**34,871**	**152,294**	**6,992**	**20,045**	**5,814**	**-**	**5,279**	**277,268**	125,057
Cash and cash equivalents at the end of the period	23	**21,808**	**607**	**3,757**	**-**	**153,575**	**3,762**	**-**	**2,951**	**186,460**	277,268
Reconciliation to Profit and Loss Account											
Operating cash flows										**1,258,411**	2,095,960
Depreciation and amortization expenses										**(22,380)**	(19,735)
Gain on disposal of fixed assets										**744**	7,626
Increase / (decrease) in assets other than cash										**119,854**	(78,742)
Increase in liabilities										**(2,259,417)**	(2,860,629)
Investment income										**1,093,019**	975,810
Profit received on bank deposits										**33,272**	6,796
Surplus of statutory funds										**(184,651)**	(125,729)
Surplus appropriated to Shareholders' fund										**35,000**	125,000
Profit after taxation										**73,852**	126,357

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

CHAIRMAN & CHIF EXECUTIVE **DIRECTOR** **DIRECTOR**

REVENUE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012 (Restated)
		(Rupees in '000)								
Income										
Premiums less reinsurances		81,997	845,354	139,165	2,825,561	24,208	370,053	6,333	**4,292,671**	4,081,149
Policy transfers from other statutory funds		5,013	-	-	-	-	-	-	**5,013**	89,856
Net investment income		155,232	356,019	25,453	455,114	3,126	6,085	5,251	**1,006,280**	905,321
Other income - net	18	2,627	14,611	906	11,937	496	15,569	-	**46,146**	40,148
Total net income		244,869	1,215,984	165,524	3,292,612	27,830	391,707	11,584	**5,350,110**	5,116,474
Claims and expenditure										
Claims, including bonuses, net of reinsurance recoveries		113,641	215,551	82,458	1,360,602	1,558	321,658	65,750	**2,161,218**	1,239,915
Policy transfers to other statutory funds		-	5,013	-	-	-	-	-	**5,013**	89,856
Management expenses less recoveries		22,423	310,857	42,983	325,571	16,305	64,779	711	**783,629**	756,672
Total claims and expenditure		136,064	531,421	125,441	1,686,173	17,863	386,437	66,461	**2,949,860**	2,086,443
Excess of Income over claims and expenditure		108,805	684,563	40,083	1,606,439	9,967	5,270	(54,877)	**2,400,250**	3,030,031
Add: Policyholders' liabilities at beginning of the year		995,556	2,600,226	72,060	3,959,073	18,052	129,390	57,577	**7,831,934**	4,927,632
Less: Policyholders' liabilities at end of the year	9	(1,049,262)	(3,224,581)	(69,457)	(5,554,825)	(23,224)	(126,142)	(42)	**(10,047,533)**	(7,831,934)
Movement in policyholders' liabilities		(53,706)	(624,355)	2,603	(1,595,752)	(5,172)	3,248	57,535	**(2,215,599)**	(2,904,302)
Surplus		55,099	60,208	42,686	10,687	4,795	8,518	2,658	**184,651**	125,729
Movement in policyholders' liabilities		53,706	624,355	(2,603)	1,595,752	5,172	(3,248)	(57,535)	**2,215,599**	2,904,302
Transfers (to) or from shareholders' fund										
- Capital contributions from shareholders' fund		-	-	-	6,600	-	29,000	-	**35,600**	34,500
- Surplus appropriated to shareholders' fund		-	-	(30,000)	-	(5,000)	-	-	**(35,000)**	(125,000)
		-	-	(30,000)	6,600	(5,000)	29,000	-	**600**	(90,500)
Balance of statutory fund at beginning of the year - restated		1,273,501	2,691,420	83,392	3,955,598	19,744	127,056	57,886	**8,208,597**	5,269,066
Balance of statutory fund at end of the year		**1,382,306**	**3,375,983**	**93,475**	**5,568,637**	**24,711**	**161,326**	**3,009**	**10,609,447**	8,208,597
Represented by:	8									
Capital contributed by shareholders' fund		-	224,452	-	117,100	-	29,000	6,000	**376,552**	340,952
Policyholders' liabilities		1,049,262	3,224,581	69,457	5,554,825	23,224	126,142	42	**10,047,533**	7,831,934
Retained earnings attributable to policyholders (Ledger Account A)		289,988	-	-	-	-	-	-	**289,988**	234,889
Retained earnings on par business attributable to shareholders - undistributable (Ledger Account B)		43,056	-	-	-	-	-	-	**43,056**	43,056
Retained earnings on other than participating business (Ledger Account D)		-	(73,050)	24,018	(103,288)	1,487	6,184	(3,033)	**(147,682)**	(242,234)
BALANCE OF STATUTORY FUND		**1,382,306**	**3,375,983**	**93,475**	**5,568,637**	**24,711**	**161,326**	**3,009**	**10,609,447**	8,208,597

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

CHAIRMAN & CHIF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
		(Rupees in '000)								
Gross premiums										
Regular premium individual policies*										
First year		-	215,161	-	118,957	28,022	-	-	**362,140**	372,315
Second year renewal		-	164,148	-	91,827	-	-	-	**255,975**	261,965
Subsequent year renewal		92,235	480,775	-	191,229	-	-	-	**764,239**	718,130
Single premium individual policies		-	5,365	-	2,444,284	-	-	-	**2,449,649**	2,268,854
Group policies without cash values		-	-	178,051	-	-	372,148	6,333	**556,532**	549,144
Total gross premiums		92,235	865,449	178,051	2,846,297	28,022	372,148	6,333	**4,388,535**	4,170,408
Less: Reinsurance premiums ceded										
On individual life first year business		-	7,201	-	10,629	-	-	-	**17,830**	13,072
On individual life second year business		-	3,282	-	3,279	-	-	-	**6,561**	5,239
On individual life subsequent renewal business		10,238	9,612	-	6,828	-	-	-	**26,678**	22,969
On individual accident and health first year		-	-	-	-	3,814	-	-	**3,814**	4,567
On group policies		-	-	38,886	-	-	2,095	-	**40,981**	43,412
		10,238	20,095	38,886	20,736	3,814	2,095	-	**95,864**	89,259
Net premiums		**81,997**	**845,354**	**139,165**	**2,825,561**	**24,208**	**370,053**	**6,333**	**4,292,671**	4,081,149

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

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

CHAIRMAN & CHIF EXECUTIVE   DIRECTOR   DIRECTOR

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
		(Rupees in '000)								
Gross claims										
Claims under individual policies										
by death		31,417	37,821	-	16,121	23,774	-	-	**109,133**	42,237
by insured event other than death		-	-	-	-	635	-	-	**635**	438
by maturity		10,302	-	-	-	-	-	-	**10,302**	8,301
by surrender		74,463	202,911	-	1,348,268	-	-	-	**1,625,642**	793,793
Total gross individual policy claims		116,182	240,732	-	1,364,389	24,409	-	-	**1,745,712**	844,769
Claims under group policies										
by death		-	-	68,112	-	-	-	-	**68,112**	62,811
by insured event other than death		-	-	122	-	-	318,819	-	**318,941**	324,599
by surrender		-	-	-	-	-	-	65,750	**65,750**	10,335
experience refund		-	-	16,296	-	-	2,839	-	**19,135**	13,325
Total gross group claims		-	-	84,530	-	-	321,658	65,750	**471,938**	411,070
Total gross claims		116,182	240,732	84,530	1,364,389	24,409	321,658	65,750	**2,217,650**	1,255,839
Less: Re-insurance recoveries										
On individual life first year business claims		-	9,023	-	3,787	-	-	-	**12,810**	(98)
On individual life second year business claims		-	4,113	-	-	-	-	-	**4,113**	80
On individual life renewal business claims		2,541	12,045	-	-	-	-	-	**14,586**	7,886
On individual accident and health business claims		-	-	-	-	22,851	-	-	**22,851**	63
On group business claims		-	-	2,072	-	-	-	-	**2,072**	7,993
		2,541	25,181	2,072	3,787	22,851	-	-	**56,432**	15,924
Net claims		**113,641**	**215,551**	**82,458**	**1,360,602**	**1,558**	**321,658**	**65,750**	**2,161,218**	1,239,915

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

CHAIRMAN & CHIF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

		STATUTORY FUNDS							AGGREGATE	
	Note	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012 (Restated)
		(Rupees in '000)								
Acquisition costs										
Remuneration to insurance intermediaries on individual policies:										
- Commission on first year premiums		-	110,127	-	55,237	11,839	-	-	**177,203**	184,916
- Commission on second year premiums		-	9,028	-	3,223	-	-	-	**12,251**	22,309
- Commission on subsequent renewal premiums		2,732	9,735	-	6,713	-	-	-	**19,180**	27,829
- Commission on single premiums		-	-	-	96,955	-	-	-	**96,955**	90,218
- Other benefits to insurance intermediaries		4,166	44,194	-	53,534	2,631	-	-	**104,525**	87,206
		6,898	173,084	-	215,662	14,470	-	-	**410,114**	412,478
Remuneration to insurance intermediaries on group policies:										
- Commission		-	-	24,164	-	-	15,662	-	**39,826**	41,489
- Other benefits to insurance intermediaries		-	-	880	-	-	-	-	**880**	1,512
		-	-	25,044	-	-	15,662	-	**40,706**	43,001
Branch overheads										
- Salaries and other benefits		992	9,591	-	7,183	305	-	-	**18,071**	20,680
- Other Operational cost		1,403	13,568	-	10,161	432	-	-	**25,564**	31,180
		2,395	23,159	-	17,344	737	-	-	**43,635**	51,860
Other acquisition cost										
- Policy stamps		-	2,356	-	3,969	177	-	-	**6,502**	6,240
		9,293	198,599	25,044	236,975	15,384	15,662	-	**500,957**	513,579
Administration expenses										
Salaries, allowances & other benefits		7,535	72,883	16,103	54,576	2,325	31,493	605	**185,520**	159,877
Travelling expenses		112	1,085	212	812	35	414	-	**2,670**	1,298
Auditors' remuneration	16	83	791	154	592	25	302	6	**1,953**	1,415
Medical fees		59	568	122	-	-	-	-	**749**	912
Legal and professional charges		34	331	65	248	11	126	2	**817**	261
Advertisement and publicity		19	185	36	139	6	71	-	**456**	524
Computer expenses		178	1,724	337	1,291	55	658	13	**4,256**	2,983
Printing and stationery		455	4,400	859	3,295	140	1,680	32	**10,861**	9,658
Depreciation and amortization		2,337	7,182	155	12,371	52	281	-	**22,378**	19,735
Rental		1,016	9,830	3,273	7,361	313	6,400	-	**28,193**	25,266
		11,828	98,979	21,316	80,685	2,962	41,425	658	**257,853**	221,929
Other management expenses	17	1,760	17,711	4,611	12,715	542	9,018	53	**46,410**	40,595
Gross management expenses		22,881	315,289	50,971	330,375	18,888	66,105	711	**805,220**	776,103
Commission from reinsurers		(458)	(4,432)	(7,988)	(4,804)	(2,583)	(1,326)	-	**(21,591)**	(19,431)
Net management expenses		**22,423**	**310,857**	**42,983**	**325,571**	**16,305**	**64,779**	**711**	**783,629**	756,672

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

CHAIRMAN & CHIF EXECUTIVE

DIRECTOR

DIRECTOR

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	**2013**	2012
	(Rupees in '000)								
Investment income									
Return on government securities	156,117	358,644	25,453	392,527	3,126	6,149	5,251	**947,267**	659,209
Amortisation of premium	(885)	(2,625)	-	-	-	(64)	-	**(3,574)**	(1,093)
	155,232	356,019	25,453	392,527	3,126	6,085	5,251	**943,693**	658,116
Unrealized gain on available-for-sale investment	-	-	-	48,707	-	-	-	**48,707**	181,193
Gain on sale of investment held as available-for-sale	-	-	-	13,880	-	-	-	**13,880**	66,012
Net investment income	**155,232**	**356,019**	**25,453**	**455,114**	**3,126**	**6,085**	**5,251**	**1,006,280**	905,321

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

CHAIRMAN & CHIF EXECUTIVE | DIRECTOR | DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. STATUS AND NATURE OF BUSINESS

1.1 American Life Insurance Company (Pakistan) Limited (the Company) was incorporated in Pakistan on October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company 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.

1.2 The Company is a subsidiary of American Life Insurance Company (incorporated in the United States of America - holding company) that holds 81.97% (2012 : 81.97%) share capital of the Company. The ultimate parent of the Company is MetLife, Inc. USA.

1.3 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

1.4 During the current year, a Share Purchase agreement dated January 21, 2013 has been entered into between IGI Insurance Limited and the holding company in respect of sale of entire shareholdings of the holding company i.e. 40,986,690 ordinary shares of Rs. 10/- each (representing 81.97% of the paid-up capital) to IGI Insurance Limited (a Company incorporated in Pakisatan) Rs. 20/- per share. The successful consummation of this transaction is subject to completion of regulatory requirements and other conditions stipulated in the agreement.

In March and April 2013, two suits were filed by some of the employees of the Company seeking protection for their employment from the consequences of the Share Purchase Agreement (SPA). The status quo order passed by the High Court was modified on July 05, 2013 so that the transaction contemplated by the SPA is allowed to be consummated. The final disposal of the legal proceedings is pending. As per the advice of legal advisors of the Company, the chances of adverse financial implication on the Company are remote.

2. BASIS OF PRESENTATION

These financial statements have been prepared 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 (I)/2002 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.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except as disclosed in accounting policies relating to investments held as 'available for sale' in investment linked statutory fund which are stated at their fair values, and staff retirement gratuity which is carried at present value.

3.1 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

3.2 Use of estimates and judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 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. Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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, 2013 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%.

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%.

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 represents 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, 2012, 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 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 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 amortization

In making estimates of the depreciation / amortization 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 valuation carried out using the Projected Unit Credit Method.

4. ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2013

During the year amendment to the following new / revised standards, amendments and interpretations to accounting standards became effective:

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment affects presentation only and has no impact on the Company's financial position or performance.

IFRS 7 - Financial Instruments: Disclosures - (Amendments)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments do not have any impact on the financial statements of the Company.

IAS 19 - Employee Benefits -(Amendment)

Significant changes have been made in the requirements of IAS 19-Employee Benefits. These changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

- Expected returns on plan assets are calculated using the discount rate used to measure the present value of defined benefit obligation, instead of expected rate of return.

- Unvested past service cost can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment/curtailment occurs or when the entity recognizes related restructuring or termination costs.

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- Further, objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company has applied this standard retrospectively in the current period in accordance with the transition provision given in the standard. The effects of the above changes in accounting policies and revisions in the financial statements are stated in note 5.2.1 and 10.12.

Standards, amendments and interpretations to the published standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

5.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts including riders where the Company (the insurer) accepts 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 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 which are divided into following 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, hospitalization 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 recognized when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognized if received before expiry of the grace period, or if advanced by the Company under the Automatic Premium Loan (APL). However, premiums outstanding in the month of December but not received by December 31 are recognized if the grace period is to expire after the next January 1.

- Group premiums are recognized when due.

- Single premiums are recognized 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 contracts held

Reinsurance premiums are recognized at the same time when the premium income is recognized. It is measured in line with the terms and conditions 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 or obligations are extinguished or expired.

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 Receivables and payables related to insurance contract

Receivables and payables are recognised when due. These include amounts due to and from agents and policyholders.

5.1.4 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 recognized 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 recognized 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.

5.1.5 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 accordance with section 50 of the Insurance Ordinance, 2000. 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.

5.1.6 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 recognized 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 recognized as revenue.

5.1.7 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 recognized 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 valuation. The most recent in-house actuarial valuation was carried out for the year ended December 31, 2013 using the Projected Unit Credit Method.

Change in accounting policy

In the current year, the company has adopted IAS 19 Employees Benefits (as revised in 2011) and the related consequential amendments for the first time. According to new policy, actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account. In case employee benefits are charged to sattutory funds, current and past service costs, gains or losses on settlements, net interest income / (expense) and acturial gains and losses are recognized in revenue account. Detail is given in note 10 to these financial statements.

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.12.972 million (2012: Rs. 12.107 million) has been recognized 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 vested.

5.4 Taxation

Income tax comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to the items recognized directly in equity in which case it is recognized in equity.

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 includes 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 recognized on disbursement.

5.6 Investments

Classification

Investments with fixed or determinable payments and fixed maturity, where the Company has positive intent and ability to hold to maturity, are classified as Held-to-Maturity. Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or change in mark-up / interest rates are classified as available for sale.

5.6.1 Initial recognition

All investments are initially recognized at cost, being the fair value of the consideration given and includes transaction costs.

5.6.2 Subsequent measurement

Held to maturity

Subsequently, these are measured at amortized 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 interest method.

Available-for-sale

Shareholders' fund

Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002 and is recognized as provision for impairment in value of investment. Any change in the provision for impairment in value of an investment is recognized in the profit and loss account.

Investment linked fund

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 recognized in revenue account of the investment linked fund.

International Accounting Standard - 39 (IAS-39) "Financial Instruments - Recognition and Measurement" has been revised effective January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / loss on the available for sale securities to income / revenue account has been deleted and all such gain / loss is to be taken to equity. However 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.

Fair / market value measurement

For investment in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).

Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized 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 initially stated at cost and subsequently at cost less accumulated depreciation and impairment losses, 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 available for use and on disposal, upto the month the asset is in use.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item 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 depreciation 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 includes advances made to suppliers in respect of tangible fixed assets.

5.7.3 Intangibles

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization 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.

Amortization on additions is charged from the month in which the asset is acquired or capitalised and on disposal, up to the month the asset is in use.

Software development costs are only capitalized 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized 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 recognized.

5.9 Provisions

A provision is recognized 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.

5.10 Investment income

- Income from held to maturity investments is recognized on a time proportion basis using effective interest method. The difference between the redemption value and the purchase price of the held to maturity investments is amortized over the term of the investment and is taken to the profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.

- Revaluation gain on investment held for available-for-sale in the investment linked fund is recognized as income in the revenue account.

- Dividend income on investments is recognized when the Company's right to receive the payment is established.

- Gain or loss on sale of investments is included in profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.

- Return on bank deposits, loans to employees and loans to policyholders are recognized 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 segment 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.

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, 2013.

The Company reviews the basis of estimation used in respect of allocation of assets, liabilities, income and expenses not referable to specific fund with the consultation of Company's appointed actuary.

5.12 Foreign currencies

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 Statutory funds

The Company maintains statutory funds in respect of each class of life insurance business. Assets, liabilities, revenues, and expenses of the Company are referable to respective statutory funds, however, where these are not referable to statutory funds, these are allocated to shareholders' fund.

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

5.14 Financial instruments

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

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. These financial assets and liabilities are subsequently measured at fair market value or amortized cost as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account or revenue account, as appropriate.

5.15 Offsetting of financial assets and liabilities

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

5.16 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 with original maturity of three months or less

5.17 Dividend and appropriation of reserve

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

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013	2012		**2013**	2012
(Number of shares in '000)			**(Rupees in '000)**	
50,000	50,000	Ordinary Shares of Rs. 10 each fully paid in cash	**500,000**	500,000

American Life Insurance Company Inc. (incorporated in the United States of America) held 40,984,190 shares representing 81.97% (December 31, 2012 : 40,984,190 shares representing 81.97%) of the Company's shares as at December 31, 2013.

	2013	2012
	(Rupees in '000)	

7. ANALYSIS OF ACCUMULATED SURPLUS AS SHOWN IN THE BALANCE SHEET

	2013	2012
Accumulated surplus in the statement of changes in equity ignoring effect of capital transfers at beginning of the year	**667,750**	541,393
Add: Surplus in profit and loss account for the year	**73,852**	126,357
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at end of the year	**741,602**	667,750
Less: Accumulated net capital transfers in statutory funds (note 8)	**(376,552)**	(340,952)
Accumulated surplus	**365,050**	326,798

7.1 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, 2013 has retained an amount of Rs. 228.87 million (December 31, 2012: Rs. 115.94 million) in the statutory funds. This has resulted in the shareholders' equity being lower by this amount.

8. MOVEMENT IN EQUITY OF STATUTORY FUNDS

	STATUTORY FUNDS							AGGREGATE	
	Life	Life (Non-participating)		Investment	Accident & Health		Pension	2013	2012
	(Participating)	Individual	Group	Linked	Individual	Group	Business Fund		(Restated)
	(Rupees in '000)								
Policyholders' liabilities									
Balance at the beginning of the year	995,556	2,600,226	72,060	3,959,073	18,052	129,390	57,577	**7,831,934**	4,927,632
Increase/(decrease) during the year	53,706	624,355	(2,603)	1,595,752	5,172	(3,248)	(57,535)	**2,215,599**	2,904,302
Balance at end of the year	**1,049,262**	**3,224,581**	**69,457**	**5,554,825**	**23,224**	**126,142**	**42**	**10,047,533**	7,831,934
Retained earnings on participating business attributable to participating policyholders - Ledger Account A									
Balance at the beginning of the year	235,842	-	-	-	-	-	-	**235,842**	167,816
Effect of change in accounting policy - (note 10.12)	(953)	-	-	-	-	-	-	**(953)**	(1,091)
Balance at the beginning of the year - restated	234,889	-	-	-	-	-	-	**234,889**	166,725
Surplus allocated during the year (note 8.1)	152,020	-	-	-	-	-	-	**152,020**	167,769
Surplus Adjustment	-	-	-	-	-	-	-	**-**	-
10% surplus transfer to Ledger Account B	-	-	-	-	-	-	-	**-**	-
Bonus allocated during the year	(96,921)	-	-	-	-	-	-	**(96,921)**	(99,605)
Closing balance at end of the year	**289,988**	**-**	**-**	**-**	**-**	**-**	**-**	**289,988**	234,889

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012 (Restated)
	(Rupees in '000)								
Retained earnings on participating business attributable to shareholders but not distributable - Ledger Account B									
Balance at the beginning of the year	43,056	-	-	-	-	-	-	**43,056**	43,056
Surplus adjustment	-	-	-	-	-	-	-	**-**	-
10% surplus transfer from Ledger Account A	-	-	-	-	-	-	-	**-**	-
Closing balance at end of the year	**43,056**	**-**	**-**	**-**	**-**	**-**	**-**	**43,056**	43,056
Retained earnings on other than participating business - Ledger Account D									
Balance at the beginning of the year	-	(124,815)	13,106	(110,046)	1,954	386	(5,596)	**(225,011)**	(154,515)
Effect of change in accounting policy - (note 10.12)	-	(8,443)	(1,774)	(3,929)	(262)	(2,720)	(95)	**(17,223)**	(20,284)
Balance at the beginning of the year - restated	-	(133,258)	11,332	(113,975)	1,692	(2,334)	(5,691)	**(242,234)**	(174,799)
Surplus allocated during the year	-	60,208	42,686	10,687	4,795	8,518	2,658	**129,552**	57,565
Surplus appropriated to shareholders' Fund	-	-	(30,000)	-	(5,000)	-	-	**(35,000)**	(125,000)
Closing balance at end of the year	**-**	**(73,050)**	**24,018**	**(103,288)**	**1,487**	**6,184**	**(3,033)**	**(147,682)**	(242,234)
Capital contributed by shareholders' fund									
Balance at the beginning of the year	-	224,452	-	110,500	-	-	6,000	**340,952**	306,452
Capital contributed during the year	-	-	-	6,600	-	29,000	-	**35,600**	34,500
Capital withdrawn during the year	-	-	-	-	-	-	-	**-**	-
	-	-	-	6,600	-	29,000	-	**35,600**	34,500
Balance at end of the year	**-**	**224,452**	**-**	**117,100**	**-**	**29,000**	**6,000**	**376,552**	340,952
Balance of statutory fund on December 31, 2013	**1,382,306**	**3,375,983**	**93,475**	**5,568,637**	**24,711**	**161,326**	**3,009**	**10,609,447**	8,208,597

8.1 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 period.

9. POLICYHOLDERS' LIABILITIES

As per actuary's advice, the policyholders' liabilities as at December 31, 2013 are as follows:

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	**2013**	2012
	(Rupees in '000)								
Gross of reinsurance									
Actuarial liability relating to future events	1,051,621	3,224,192	41,964	5,554,305	13,756	88,280	42	**9,974,160**	7,768,832
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,977	4,474	-	9,177	1,138	-	**21,766**	20,680
Provision for incurred but not reported claims	710	2,670	37,874	1,183	2,238	37,542	-	**82,217**	76,012
Total	**1,052,331**	**3,233,839**	**84,312**	**5,555,488**	**25,171**	**126,960**	**42**	**10,078,143**	7,865,524
Net of reinsurance									
Actuarial liability relating to future events	1,048,661	3,216,816	29,412	5,553,642	13,256	87,968	42	**9,949,797**	7,744,101
Provision for outstanding reported claims payable over a period exceeding twelve months	-	5,665	4,474	-	7,798	632	-	**18,569**	14,998
Provision for incurred but not reported claims	601	2,100	35,571	1,183	2,170	37,542	-	**79,167**	72,835
Total	**1,049,262**	**3,224,581**	**69,457**	**5,554,825**	**23,224**	**126,142**	**42**	**10,047,533**	7,831,934

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, 2013:

	2013	2012
	(Rupees in '000)	
- Discount rate per annum (%)	**11.06**	12.51
- Expected rate of increase in the salaries of employees per annum (%)	**11.06**	12.51
- Expected interest rate on plan assets of the fund per annum (%)	**12.81**	12.9
- Expected remaining service length of employees	**12 years**	12 years

10.1 The fund typically exposes the Company to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk**

  This is the risk that the salary at the time of cessation of service is higher than that assumed by us. This is a risk to the Company because the benefits are based on the final salary; if the final salary is higher than what we have assumed, the benefits will also be higher.

- **Discount rate risk**

  The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Mortality / withdrawal risk**

  This is the risk that the actual mortality/withdrawal experience is different than that assumed by the Company.

- **Investment risk**

  This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

10.2 Number of employees under the fund

The number of employees covered under defined benefit fund is 112 (2012: 118).

	2013	2012 (Restated)
	(Rupees in '000)	
10.3 Balance sheet reconciliation		
Present value of defined benefit obligations (note 10.5)	**99,916**	83,297
Fair value of plan assets (note 10.6)	**(98,650)**	(51,469)
Net liability	**1,266**	31,828
10.4 Movement in liability during the year		
Opening balance	**31,828**	10,274
Charge for the year (note 10.7)	**23,740**	31,846
Contributions to the fund during the year	**(54,050)**	(10,055)
Contributions - benefit payments on behalf of the fund	**(252)**	(237)
Closing balance	**1,266**	31,828
10.5 Movement in present value of defined benefit obligations		
Present value of obligations as at January 1	**83,297**	66,333
Current service cost	**9,568**	7,633
Interest cost	**9,213**	8,298
Benefits paid during the year	**(9,122)**	(1,516)
Actuarial loss	**6,960**	2,549
Present value of obligations as at December 31	**99,916**	83,297
10.6 Movement in fair value of plan assets		
Fair value of plan assets as at January 1	**51,469**	34,685
Expected return on plan assets	**6,593**	4,474
Contribution to the fund	**54,050**	10,055
Contributions - benefit payments on behalf of the fund	**252**	237
Benefits paid during the year	**(9,122)**	(1,516)
Actuarial (loss) /gain	**(4,592)**	3,534
Fair value of plan assets as at December 31	**98,650**	51,469

	2013	2012 (Restated)
	(Rupees in '000)	

10.7 Charge for the year

	2013	2012
Current service cost	**9,568**	7,633
Net interest cost	**2,619**	3,824
Actuarial loss recognised during the year	**11,553**	20,389
	23,740	31,846

10.8 Actual return on plan assets

	2013	2012
Expected return on assets	**6,593**	4,474
Actuarial (loss) / gain on assets	**(4,592)**	3,534
	2,001	8,008

10.9 Composition of fair value of plan assets

	2013		2012	
	Fair value (Rs. in '000)	**Percentage %**	Fair value (Rs. in '000)	Percentage %
Bonds	**15,029**	**15.23**	35,219	68.43
Mutual funds	**11,987**	**12.15**	-	-
Cash at bank	**71,634**	**72.62**	16,250	31.57
	98,650	**100**	51,469	100

10.10 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Present value of Obligation	**% change from Base**
Base		**99,916**	**-**
Discount rate	Increase by 0.5%	97,882	-2.04%
	Decrease by 0.5%	102,793	2.88%
Salary growth rate	Increase by 0.5%	102,793	2.88%
	Decrease by 0.5%	97,882	-2.04%
Mortality rate	50% of base assumption	98,221	-1.70%
	150% of base assumption	101,747	1.83%
Withdrawal rate	50% of base assumption	98,946	-1.42%
	150% of base assumption	101,491	1.58%

10.11 The estimated contribution to the Fund for the year ended December 31, 2014 is Rs. 19.255 million.

10.12 The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior periods financial statements have been summarised below:

	STATUTORY FUNDS							
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	AGGREGATE
	(Rupees in '000)							
Impact on balance sheet								
As at January 1, 2012								
Increase in defined benefit obligation in statutory funds	1,091	9,732	2,056	4,799	300	3,286	111	21,375
As at December 31, 2012								
Increase in defined benefit obligation in statutory funds	953	8,443	1,774	3,929	262	2,720	95	18,176
As at December 31, 2013								
Increase in defined benefit obligation in statutory funds	1,293	11,729	2,416	6,389	367	3,975	118	26,287
Impact on revenue account								
For the year ended *'December 31, 2012*								
Increase in surplus	(138)	(1,289)	(282)	(870)	(38)	(566)	(16)	(3,199)
For the year ended *'December 31, 2013*								
Decrease in surplus	340	3,286	642	2,460	105	1,255	23	8,111

As charge to defined benefit obligation is recorded in statutory funds, the change in accounting policy does not have any impact on the profit and loss account, statement of other comprehensive income, cash flow statement and earnings per share of the Company.

11. OTHER CREDITORS AND ACCRUALS

	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
	(Rupees in '000)									
Withholding tax payable	-	129	1,253	245	938	40	478	9	**3,092**	3,071
Payable to workers' welfare fund	9,134	-	-	-	-	-	-	-	**9,134**	12,191
Compensated absences	-	1,447	13,994	2,732	10,479	446	5,344	103	**34,545**	30,877
Others	17	11,461	16,230	26,263	19,118	83	14,762	1	**87,935**	48,842
	9,151	**13,037**	**31,477**	**29,240**	**30,535**	**569**	**20,584**	**113**	**134,706**	94,981

12. INVESTMENTS

	SHARE HOLDERS' FUND	STATUTORY FUNDS Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	AGGREGATE 2013	AGGREGATE 2012
	(Rupees in '000)									
12.1 Government securities										
Held to maturity - at amortized cost										
Pakistan Investment Bonds (note 12.1.1)	720,039	1,342,902	3,248,941	212,063	-	22,137	81,517	-	**5,627,599**	4,688,624
Treasury Bills (note 12.1.1)	-	-	-	-	-	-	-	-	**-**	-
	720,039	1,342,902	3,248,941	212,063	-	22,137	81,517	-	**5,627,599**	4,688,624
Available for sale - at fair value										
Pakistan Investment Bonds (note 12.1.1)	-	-	-	-	975,121	-	-	-	**975,121**	1,160,034
Treasury Bills (note 12.1.1)	-	-	-	-	3,363,835	-	-	-	**3,363,835**	1,852,872
	-	-	-	-	4,338,956	-	-	-	**4,338,956**	3,012,906
	720,039	**1,342,902**	**3,248,941**	**212,063**	**4,338,956**	**22,137**	**81,517**	**-**	**9,966,555**	7,701,530

12.1.1 Particulars of Government Securities

	Tenure	Maturity Year	Rate of Return %	Profit Payment	2013	2012
					(Rupees in '000)	
Held to maturity - at amortized cost						
Pakistan Investment Bonds	3 years	2013	11.25	Half Yearly	**-**	9,856
Pakistan Investment Bonds	5 years	2013	11.50	Half Yearly	**-**	272,506
Pakistan Investment Bonds	10 years	2013	8.00	Half Yearly	**-**	29,229
Pakistan Investment Bonds	3 years	2014	11.25	Half Yearly	**251,692**	248,520
Pakistan Investment Bonds	5 years	2014	11.50	Half Yearly	**69,576**	69,041
Pakistan Investment Bonds	10 years	2014	8.00	Half Yearly	**29,481**	28,119
Pakistan Investment Bonds	3 years	2015	11.25	Half Yearly	**100,320**	100,464
Pakistan Investment Bonds	5 years	2015	11.50	Half Yearly	**169,021**	165,820
Pakistan Investment Bonds	7 years	2015	11.75	Half Yearly	**106,915**	105,391
Pakistan Investment Bonds	5 years	2016	11.50	Half Yearly	**1,214,179**	424,368
Pakistan Investment Bonds	7 years	2016	11.75	Half Yearly	**24,621**	24,510
Pakistan Investment Bonds	10 years	2016	9.60	Half Yearly	**471,717**	466,845
Pakistan Investment Bonds	5 years	2017	11.50	Half Yearly	**478,996**	179,775
Pakistan Investment Bonds	10 years	2017	9.60	Half Yearly	**231,974**	228,171
Pakistan Investment Bonds	10 years	2018	12.00	Half Yearly	**344,788**	273,473
Pakistan Investment Bonds	10 years	2019	12.00	Half Yearly	**327,978**	325,420
Pakistan Investment Bonds	15 years	2019	9.00	Half Yearly	**41,778**	41,327
Pakistan Investment Bonds	10 years	2020	12.00	Half Yearly	**511,193**	447,047
Pakistan Investment Bonds	10 years	2021	12.00	Half Yearly	**493,471**	492,130
Pakistan Investment Bonds	15 years	2021	10.00	Half Yearly	**726,221**	722,999
Pakistan Investment Bonds	15 years	2023	12.50	Half Yearly	**33,678**	33,613
					5,627,599	4,688,624
Available for sale - at fair value						
Pakistan Investment Bonds	10 years	2018	12.00	Half Yearly	**-**	68,991
Pakistan Investment Bonds	10 years	2019	12.00	Half Yearly	**122,511**	130,143
Pakistan Investment Bonds	10 years	2020	12.00	Half Yearly	**852,610**	960,900
Treasury Bills	1 years	2014	8.95 to 9.95	On maturity	**3,363,836**	1,852,872
					4,338,957	3,012,906
					9,966,555	7,701,530

12.1.2 The aggregate market value of government securities carried at amortized cost at December 31, 2013 was Rs. 5,621.35 million (December 31, 2012 : Rs. 4,902.82 million).

12.1.3 The Company has deposited 15 years Pakistan Investment Bond amounting to Rs. 50 million (2012: Rs. 50 million) with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
12.2 Listed Mutual Funds	(Rupees in '000)									
Available for sale - at fair value										
Listed Mutual Funds (Note 12.2.1)	1,797	-	-	-	1,183,988	-	-	-	**1,185,785**	834,948

12.2.1 Particulars of Listed Mutual Funds

	Shareholders' fund 2013	Shareholders' fund 2012	Investment linked fund 2013	Investment linked fund 2012	AGGREGATE 2013	AGGREGATE 2012
	(Rupees in '000)					
	(note 12.2.2)		(note 12.2.4)			
Available for sale						
NAFA Stock Fund	**54**	61	**8,257**	5,621	**8,311**	5,682
NAFA Islamic Multi-Asset Fund	**1**	-	**3,864**	2,966	**3,865**	2,966
Arif Habib Pakistan Income Fund	**13**	6,681	**22,400**	240,553	**22,413**	247,234
Arif Habib Pakistan Stock Market Fund	**-**	3,504	**72,243**	47,262	**72,243**	50,766
Arif Habib Pakistan International Element Islamic Asset Allocation Fund	**-**	-	**2,862**	2,320	**2,862**	2,320
United Growth & Income Fund	**584**	80	**2,256**	2,369	**2,840**	2,449
United Stock Advantage Fund	**264**	598	**164,800**	72,867	**165,064**	73,465
United Islamic Income Fund	**-**	-	**102,490**	67,534	**102,490**	67,534
Faysal Money Market Fund	**389**	146	**319,303**	46,793	**319,692**	46,939
UBL Savings Income Fund	**351**	1,232	**458,317**	317,333	**458,668**	318,565
MCB Cash Management Optimizer Fund	**-**	13	**-**	-	**-**	13
ABL Stock Fund	**141**	121	**27,196**	16,894	**27,337**	17,015
	1,797	12,436	**1,183,988**	822,512	**1,185,785**	834,948

12.2.2 The aggregate market value of the units of open-end mutual funds in shareholders' fund as at December 31, 2013 was Rs. 2.115 million (December 31, 2012: Rs. 14.098 million).

12.2.3 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.0.318 million (2012: Rs. 1.662 million) and net equity would have been higher by the same amount.

12.2.4 The aggregate cost of the above units of open-end mutual funds in investment linked fund as at December 31, 2013 was Rs. 919.56 million (December 31, 2012: Rs. 701.60 million)

13. AMOUNT DUE FROM OTHER INSURERS / REINSURERS

This represents balances due from reinsurers:

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
	(Rupees in '000)								
Reinsurance recoveries against outstanding claims	8,296	25,495	65,426	-	6,523	1,500	-	**107,240**	103,530
Other reinsurance assets	5,747	17,007	2,257	3,254	1,634	505	-	**30,404**	49,350
Liability against net reinsurance premium	(5,942)	(17,606)	(29,530)	(3,254)	(108)	(1,247)	-	**(57,687)**	(111,875)
	8,101	**24,896**	**38,153**	**-**	**8,049**	**758**	**-**	**79,957**	41,005

14. SUNDRY RECEIVABLES

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
	(Rupees in '000)								
Advances to employees against expenses									
- executives	15	43	1	80	-	2	-	**141**	721
- others	3	12	-	15	-	-	-	**30**	35
	18	55	1	95	-	2	-	**171**	756
Deposits	618	1,900	41	3,274	14	74	-	**5,921**	7,520
Receivable against claim administration services	-	-	-	-	-	17,557	-	**17,557**	5,628
Others	179	549	12	945	4	21	-	**1,710**	(495)
	815	**2,504**	**54**	**4,314**	**18**	**17,654**	**-**	**25,359**	13,409

15. FIXED ASSETS

	Note	2013	2012
		(Rupees in '000)	
Tangible assets	15.1	**43,695**	58,447
Intangible assets	15.2	**444**	1,193
Capital work in progress		**-**	1,323
		44,139	60,963

15.1 Tangible assets

	Leasehold Improvements	Computers AS400	Computers Personal Computers	Computers Sub total	Motor Vehicles	Furniture & Fixtures	Office Equipment	Total
	(Rupees in '000)							
As at January 01, 2012								
Cost	42,043	23,769	19,926	43,695	37,100	30,059	17,956	170,853
Accumulated depreciation	(25,658)	(17,985)	(15,259)	(33,244)	(24,278)	(19,299)	(9,591)	(112,070)
Net book value	16,385	5,784	4,667	10,451	12,822	10,760	8,365	58,783
Year ended December 31, 2012								
Opening net book value	16,385	5,784	4,667	10,451	12,822	10,760	8,365	58,783
Additions	565	-	801	801	17,745	478	382	19,971
Disposals								
- Cost	199	-	1,345	1,345	17,718	1,550	3,722	24,534
- Accumulated depreciation	(78)	-	(1,345)	(1,345)	(17,237)	(1,339)	(3,248)	(23,247)
	121	-	-	-	481	211	474	1,287
Depreciation charge	(3,147)	(1,653)	(2,753)	(4,406)	(8,056)	(1,958)	(1,453)	(19,020)
Closing net book value	13,682	4,131	2,715	6,846	22,030	9,069	6,820	58,447
As at December 31, 2012								
Cost	42,409	23,769	19,382	43,151	37,127	28,987	14,616	166,290
Accumulated depreciation	(28,727)	(19,638)	(16,667)	(36,305)	(15,097)	(19,918)	(7,796)	(107,843)
Net book value	13,682	4,131	2,715	6,846	22,030	9,069	6,820	58,447
Year ended December 31, 2013								
Opening net book value	13,682	4,131	2,715	6,846	22,030	9,069	6,820	58,447
Additions	475	-	405	405	7,392	75	413	8,760
Disposals								
- Cost	4,843	-	73	73	3,615	673	101	9,305
- Accumulated depreciation	(4,331)	-	(73)	(73)	(2,339)	(586)	(76)	(7,405)
	512	-	-	-	1,276	87	25	1,900
Depreciation charge	(2,945)	(1,407)	(2,150)	(3,557)	(11,943)	(1,889)	(1,278)	(21,612)
Closing net book value	**10,700**	**2,724**	**970**	**3,694**	**16,203**	**7,168**	**5,930**	**43,695**
As at December 31, 2013								
Cost	38,041	23,769	19,714	43,483	40,904	28,389	14,928	165,745
Accumulated depreciation	(27,341)	(21,045)	(18,744)	(39,789)	(24,701)	(21,221)	(8,998)	(122,050)
Net book value	**10,700**	**2,724**	**970**	**3,694**	**16,203**	**7,168**	**5,930**	**43,695**
Annual rate of depreciation (%)	10	20	33		33	10	10	

15.2 Intangible assets

	Cost			Amortisation			Carrying value as at December 31, 2013	Amortisation rate (%)
	January 01, 2013	Additions	December 31, 2013	January 01, 2013	For the year	December 31, 2013		
	(Rupees in '000)							
Computer software	4,556	15	4,571	3,570	662	4,232	339	33
Licences	1,499	-	1,499	1,292	102	1,394	105	33
2013	**6,055**	**15**	**6,070**	**4,862**	**764**	**5,626**	**444**	
2012	5,581	474	6,055	4,147	715	4,862	1,193	33

15.3 Disposal of fixed assets

Disposal of fixed assets during the year 2013 are as follows:

	Cost	Accumulated Depreciation	Net book Value	Sale proceeds	Gain/ (loss)	Mode of sale	Name of buyer
	(Rupees in '000)						
Furniture and Fixtures							
Items having net book of Rs. 50,000 or less each	673	(586)	87	66	(21)	Negotiation	Miscellaneous
Office Equipments							
Assets below net book value of Rs. 50,000 each	101	(76)	25	37	12	Negotiation	Miscellaneous
Leasehold Improvements							
Items having net book of Rs. 50,000 or less each	4,843	(4,331)	512	-	(512)	Write-off	-
Computer Equipments							
Items having net book of Rs. 50,000 or less each	73	(73)	-	-	-	Write-off	-
Motor Vehicles							
Suzuki Cultus	810	(743)	67	639	572	Negotiation	M. Wasif Ali Ex-employee
Corolla GLi	1,673	(464)	1,209	1,625	416	Insurance Claim	New Hampshire Inc. Co.
Mistubishi Lancer	1,132	(1,132)	-	277	277	Company policy	S. Murad Rizvi Ex-employee
2013	**9,305**	**(7,405)**	**1,900**	**2,644**	**744**		
2012	24,534	(23,247)	1,287	8,913	7,626		

16. AUDITORS' REMUNERATION

	Note	2013	2012
		(Rupees in '000)	
Audit fee		**1,225**	1,065
Fee for review of half yearly financial information		**230**	200
Other certification		**348**	-
Out of pocket expenses		**150**	150
		1,953	1,415

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	2013	2012
	(Rupees in '000)								
Vehicle and general repair and maintenance	282	2,725	544	2,040	87	1,063	20	**6,761**	9,953
Utilities-electricity, water and gas	379	3,674	1,293	2,751	117	2,530	-	**10,744**	7,814
Transportation	429	4,143	843	3,102	132	1,649	-	**10,298**	10,269
Communication	197	1,913	1,037	1,431	60	2,028	-	**6,666**	7,108
Consultancy fee	169	1,636	319	1,225	52	625	12	**4,038**	1,918
Furniture and household appliances	6	51	21	39	2	40	-	**159**	551
Insurance	17	161	32	121	5	62	1	**399**	817
Interest on premium deposit in advance	-	691	-	-	-	-	-	**691**	642
Social security	49	469	92	351	15	179	3	**1,158**	574
Entertainment	22	216	42	162	7	82	2	**533**	418
Books and subscriptions	5	52	10	39	2	20	-	**128**	49
Miscellaneous expenses	205	1,980	378	1,454	63	740	15	**4,835**	482
	1,760	**17,711**	**4,611**	**12,715**	**542**	**9,018**	**53**	**46,410**	40,595

18. OTHER INCOME - NET

	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
Return on saving accounts with banks	-	6,538	895	11,015	492	9,992	-	**28,932**	12,993
Gain on disposal of fixed assets	78	239	5	411	2	9	-	**744**	7,626
Interest on policy loans	2,453	7,538	-	-	-	-	-	**9,991**	9,379
Fee for claim administration services	-	-	-	-	-	5,556	-	**5,556**	5,115
Others	96	296	6	511	2	12	-	**923**	5,035
	2,627	**14,611**	**906**	**11,937**	**496**	**15,569**	**-**	**46,146**	40,148

19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND

	Note	2013	2012
		(Rupees in '000)	
Donation (note 19.1)		**250**	140
Workers' welfare fund		**2,284**	4,009
Regulators fee		**6,619**	5,124
Legal and professional		**4,268**	18
Miscellaneous		**847**	156
		14,268	9,447

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

20. DEFINED CONTRIBUTION PLAN

	Note	2013	2012
Size of the fund		**45,576**	62,306
Cost of investment made	20.1	**24,028**	39,301
Percentage of investment made		**52.72%**	63.08%
Fair value of investment		**25,059**	41,201

20.1 Breakup of investment

	2013	2012
Pakistan investment bonds	**24,028**	36,301
Certificate of deposits	**-**	3,000
	24,028	39,301

20.2 Number of employees - Employees provident fund

	2013	2012
Number of employees at the end of the year	**112**	118
Average number of employees during the year	**115**	121

	2013	2012
	(Rupees in '000)	

21. TAXATION

	2013	2012
Current		
- for the year	**38,045**	68,750
- prior years	**-**	1,322
	38,045	70,072

21.1 Relationship between tax expense and accounting profit

	2013	2012
Profit before tax	**111,897**	196,429
Tax at the applicable rate of 34% (2012: 35%)	**38,045**	68,750

21.2 Assessments upto assessment year 2002-2003 and tax year 2007 have been finalised. The income tax returns of the Company filed for tax years 2003 to 2006 and 2007 to 2013 are deemed to be assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

21.3 There is no taxable / deductible temporary differences between the tax bases and the carrying amount, as such there is no deferred tax.

22. EARNINGS PER SHARE - basic and diluted

	2013	2012
	(Rupees in '000)	
Profit after tax	**73,852**	126,357
	(Number of shares)	
Weighted average number of ordinary shares	**50,000,000**	50,000,000
	(Rupees)	
Earnings per share - basic and diluted (note 22.1)	**1.48**	2.53

22.1 There were no convertible potential ordinary shares in issue as at December 31, 2012 and December 31, 2013.

23. CASH AND CASH EQUIVALENTS

	SHARE HOLDERS' FUND	STATUTORY FUNDS							AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2013	2012
	(Rupees in '000)									
Cash and stamps in hand	853	-	-	-	-	-	-	-	**853**	1,333
Current and other accounts (note 23.1)	20,955	607	3,757	-	153,575	3,762	-	2,951	**185,607**	275,935
Deposits maturing within 3 months	-	-	-	-	-	-	-	-	**-**	-
	21,808	607	3,757	-	153,575	3,762	-	2,951	**186,460**	277,268

23.1 This includes deposits and saving accounts that carry mark-up rates ranging from 5% to 8% (2012: 5% to 9%).

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2013			2012		
	Chief Executive	**Executives**	**Total**	Chief Executive	Executives	Total
	------------------------- (Rupees in '000) -------------------------					
Managerial remuneration	**19,396**	**101,486**	**120,882**	15,991	87,454	103,445
Bonus and housing	**7,636**	**2,014**	**9,650**	7,636	4,419	12,055
Retirement benefits	**4,688**	**16,256**	**20,944**	3,999	13,899	17,898
Utilities / Telephone	**180**	**360**	**540**	230	360	590
Other benefits	**522**	**813**	**1,335**	510	932	1,442
	32,422	**120,929**	**153,351**	28,366	107,064	135,430
	-------------------------(Number) -------------------------					
Number of persons, including those who worked part of the year	**1**	**79**	**80**	1	61	62

In addition to the above remuneration, the Chief Executive, and two executives have been provided with Company maintained cars. Chief Executive has also been provided with furniture and fixtures and allowance in lieu of accommodation. One executive has been provided with free furnished accommodation and one executive has been provided with house rent. Sixteen executives have been provided with Company cars maintained by them.

25. 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.

25.1 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

25.1.1 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 ensure 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 testing of 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 is conducted 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.

25.1.2 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 Discretionary Participation Feature (DPF), the participating nature of these contracts results in a 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 minimise its exposure to mortality risk. Delays in implementing in restraints over the extent of the increases may reduce its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

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

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

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

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

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company 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 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

A review of the Company's experience from time to time is made 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 adjusts 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.

25.1.3 Concentration of insurance risk

A concentration of risk may 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	
	2013	2012	**2013**	2012	**2013**	2012
	---- (Rupees in million) ----					
Life (participating)	**11,984**	18,581	**3,947**	5,073	**8,037**	13,508
Life (non-participating) – Individual	**30,121**	27,091	**9,681**	8,765	**20,440**	18,326
Life (non-participating) – Group	**74,845**	72,622	**19,499**	18,822	**55,346**	53,800
Investment Linked	**23,988**	18,101	**19,794**	14,672	**4,194**	3,429
Accident & Health – Individual	**13,697**	9,716	**2,284**	1,972	**11,413**	7,744
	154,635	146,111	**55,205**	49,304	**99,430**	96,807

25.1.4 Claims development tables

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 31 December 2013 therefore claim development table is not required to be presented. However, aging of outstanding claims and movement of outstanding claims is presented below:

	2013	2012
	(Rupees in '000)	
Aging of outstanding claim		
Upto 1 year	**79,890**	87,887
1-2 years	**19,576**	60,087
2-3 years	**71,420**	10,781
Over 3 years	**38,546**	36,040
Total	**209,432**	194,795
Movement of outstanding claim		
Opening balance	**194,795**	347,866
Total gross claims	**2,198,515**	1,255,839
Claims paid	**(2,183,878)**	(1,408,910)
Closing balance	**209,432**	194,795

25.1.5 Assets - liabilities matching

	2013								
	Fixed and guaranteed insurance and investment contracts	Contract with DPF		Unit-linked contracts		Corporate			
		Insurance contract	Investment contract	Insurance contract	Investment contract	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities	Total
	(Rupees in '000)								
Debt securities									
Held to maturity - unlisted securities	3,564,658	1,342,902	-	-	-	-	720,039	-	5,627,599
Available for sale - unlisted securities	-	-	-	-	4,338,956	-	-	-	4,338,956
Equity securities									
Available for sale - listed securities	-	-	-	-	1,183,988	-	1,797	-	1,185,785
Loans and receivable									
-Loans secured against life insurance policies	80,200	26,097	-	-	-	-	-	-	106,297
-Other at amortised cost	-	-	-	-	-	-	736	-	736
Reinsurance assets	71,856	8,101	-	-	-	-	-	-	79,957
Cash and cash equivalents	10,470	607	-	-	153,575	-	21,808	-	186,460
Other assets	317,413	59,806	-	-	64,645	-	23,060	106,788	571,712
Total Assets	**4,044,597**	**1,437,513**	**-**	**-**	**5,741,164**	**-**	**767,440**	**106,788**	**12,097,502**
Long-term insurance contracts and investment contracts with DPF:									
-Insurance contracts	3,224,581	1,049,262	-	-	5,554,825	-	-	-	9,828,668
Short-term insurance contracts	218,865	-	-	-	-	-	-	-	218,865
Amounts due to related parties, trade payables, and other provisions at amortised cost	67,314	3,225	-	-	42,686	-	-	-	113,225
Other liabilities	533,837	385,026	-	-	143,653	-	9,178	-	1,071,694
Total Liabilities	**4,044,597**	**1,437,513**	**-**	**-**	**5,741,164**	**-**	**9,178**	**-**	**11,232,452**

	2012								
	Fixed and guaranteed insurance and investment contracts	Contract with DPF		Unit-linked contracts		Corporate			
		Insurance contract	Investment contract	Insurance contract	Investment contract	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities	Total
	(Rupees in '000)								
Debt securities									
Held to maturity - unlisted securities	2,842,295	1,131,437	-	-	-	-	714,892	-	4,688,624
Available for sale - unlisted securities	-	-	-	-	3,012,906	-	-	-	3,012,906
Equity securities									
Available for sale - listed securities	-	-	-	-	822,512	-	12,436	-	834,948
Loans and receivable									
-Loans secured against life insurance policies	71,305	27,301	-	-	-	-	-	-	98,606
-Other at amortised cost	-	-	-	-	-	-	1,357	-	1,357
Reinsurance assets	34,942	6,063	-	-	-	-	-	-	41,005
Cash and cash equivalents	172,643	92,462	-	-	135,190	-	51,973	-	452,268
Other assets	297,255	57,714	-	-	71,541	-	21,901	36,457	484,868
Total Assets	**3,418,440**	**1,314,977**	**-**	**-**	**4,042,149**	**-**	**802,559**	**36,457**	**9,614,582**
Long-term insurance contracts and investment contracts with DPF:									
-Insurance contracts	2,600,226	995,556	-	-	3,959,072	-	-	-	7,554,854
Short-term insurance contracts	277,079	-	-	-	-	-	-	-	277,079
Amounts due to related parties, trade payables, and other provisions at amortised cost	65,758	3,626	-	-	38,887	-	-	-	108,271
Other liabilities	475,377	315,795	-	-	44,189	-	12,219	-	847,580
Total Liabilities	**3,418,440**	**1,314,977**	**-**	**-**	**4,042,148**	**-**	**12,219**	**-**	**8,787,784**

25.2 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 Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

25.2.1 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.

25.2.1.1 Exposure to credit risk

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

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

	2013	2012
	(Rupees in '000)	
Bank deposits	**185,607**	450,935
Loans - secured		
against life insurance policies	**106,297**	98,606
to employees	**351**	589
to agents	**385**	768
Premiums due but unpaid	**120,942**	68,615
Amounts due from other insurers / reinsurers	**79,957**	41,005
Amounts due from agents	**1,051**	2,532
Sundry receivables	**25,359**	13,409
Accrued interest	**-**	7,002
Experience refund receivable	**22,839**	68,311
	542,788	751,772

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**	
Bank Al-Falah Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Barclays Bank PLC	P-1	A2	MOODY'S
HSBC Bank Middle East Limited	P-1	A2	MOODY'S
KASB Bank Limited	A3	BBB	PACRA
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan Limited	A-1+	AAA	JCR-VIS
NIB Bank Limited	A1+	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Summit Bank Limited	A-3	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, 2013		December 31, 2012	
	(Rupees in '000)	**%**	(Rupees in '000)	%
Banks	**29,742**	**25.0**	11,078	16.1
Insurance	**1,544**	**1.3**	-	-
Textiles	**1,764**	**1.5**	283	0.4
Food and allied industries	**21,323**	**17.4**	5,373	7.8
Chemical and pharmaceuticals	**4,856**	**4.0**	3,425	5.0
Technology & Communication	**20,965**	**17.3**	8,882	12.9
Oil and gas	**9,399**	**7.7**	367	0.5
Miscellaneous	**13,019**	**10.7**	19,591	28.6
Individuals	**18,330**	**15.1**	19,616	28.7
	120,942	**100**	68,615	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 27 October 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. All reinsurance assets relating to outward treaty cessions are with reinsurer with rating of "A" or above.

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

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

The carrying value of the financial assets which are neither past due nor impaired are as under:

	2013	2012
	(Rupees in '000)	
Cash and bank deposits	**185,607**	450,935
Loans secured against life insurance policies	**106,297**	98,606
Loans secured against other assets	**736**	1,357
Premiums due but unpaid	**74,125**	53,195
Amount due from other insurers/reinsurers	**79,957**	41,005
Amount due from agents	**1,051**	2,532
Sundry receivables	**25,359**	13,409
Accrued interest	**-**	7,002
Experience refund receivable	**22,839**	68,311

The carrying value of the financial assets which are past due but not impaired are as under:

Premiums due but unpaid	**46,817**	15,420

25.2.2 Fair value estimation

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

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's financial assets that are:

	Level 1	Level 2	Level 3
December 31, 2013	--------- (Rupees in '000) ---------		
Assets carried at fair value			
Available-for-sale investments	5,524,741	-	-
December 31, 2012			
Assets carried at fair value			
Available-for-sale investments	3,847,854	-	-

25.2.3 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:

	2013		2012	
Non-derivative financial liabilities	**Carrying Amount**	**Contractual cash flows upto one year**	Carrying Amount	Contractual cash flows upto one year
	------------------ (Rupees in '000) ------------------			
Outstanding claims	**209,432**	**209,432**	194,795	194,795
Staff gratuity	**1,266**	**1,266**	31,828	31,828
Amount due to other insurers / reinsurers	**11,239**	**11,239**	13,013	13,013
Amount due to agents	**42,453**	**42,453**	30,102	30,102
Experience refund	**42,393**	**42,393**	75,390	75,390
Accrued expenses	**59,533**	**59,533**	65,156	65,156
Other creditors and accruals	**122,480**	**122,480**	79,719	79,719
Unclaimed dividend	**27**	**27**	27	27
	488,823	**488,823**	490,030	490,030

25.2.4 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.

25.2.4.1 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 is:

	2013	2012	2013	2012
	Effective interest rate (in %)		(Rupees in '000)	
Fixed rate instruments				
- Government securities	(6.45 to 14.86)	(6.45 to 14.86)	**6,602,720**	5,848,658
Variable rate instruments				
- Savings accounts & deposit	(5 to 8)	(5 to 9)	**151,218**	128,987

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, assuming that all other variables in particular foreign currency rates remain constant, the net income and equity would have higher / lower by Rs. 4.12 million (2012: 0.118 million).

25.2.4.2 Interest rate profile

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments based on their maturities is:

	2013						
	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
Balance sheet - financial instruments		(Rupees in '000)					
Financial Assets							
Cash and others		853	-	-	-	-	853
Current and other accounts	5 - 8	185,607	151,218	-	-	-	34,389
Deposits maturing within 12 months		-	-	-	-	-	-
Loans - secured							
against life insurance policies		106,297	106,297	-	-	-	-
to employees		351	351	-	-	-	-
to agents		385	385	-	-	-	-
Investments -Government securities	6.45 - 14.86	9,966,555	3,714,584	3,634,798	2,617,173	-	-
Investments -Listed mutual funds		1,185,785	-	-	-	-	1,185,785
Premiums due but unpaid		120,942	-	-	-	-	120,942
Amount due from other insurers/reinsurers		79,957	-	-	-	-	79,957
Amount due from agents		1,051	-	-	-	-	1,051
Sundry receivables		25,359	-	-	-	-	25,359
Accrued interest		269,347	-	-	-	-	269,347
Experience refund receivable		22,839	-	-	-	-	22,839
		11,965,328	3,972,835	3,634,798	2,617,173	-	1,740,522
Financial Liabilities							
Outstanding claims		209,432	-	-	-	-	209,432
Amount due to other insurers/reinsurers		11,239	-	-	-	-	11,239
Amount due to agents		42,453	-	-	-	-	42,453
Experience refund payable		42,393	-	-	-	-	42,393
Accrued expenses		59,533	-	-	-	-	59,533
Other creditors and accruals		122,480	-	-	-	-	122,480
Unclaimed dividend		27	-	-	-	-	27
		487,557	-	-	-	-	487,557
Balance sheet gap		11,477,771	3,972,835	3,634,798	2,617,173	-	1,252,965
Total yield / interest rate risk sensitivity gap			**3,972,835**	**3,634,798**	**2,617,173**	**-**	
Cumulative yield / interest rate risk sensitivity gap			**3,972,835**	**7,607,633**	**10,224,806**	**10,224,806**	

	2012						
	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							
Cash and others		1,333	-	-	-	-	1,333
Current and other accounts	5 - 9	275,935	128,987	-	-	-	146,948
Deposits maturing within 12 months	10.15 - 11.2	175,000	175,000	-	-	-	-
Loans - secured							
against life insurance policies		98,606	98,606	-	-	-	-
to employees		589	589	-	-	-	-
to agents		768	768	-	-	-	-
Investments -Government securities	6.45 - 14.86	7,701,530	2,164,463	2,041,024	3,462,430	33,613	-
Investments -Listed mutual funds		834,948	-	-	-	-	834,948
Premiums due but unpaid		68,615	-	-	-	-	68,615
Amount due from other insurers/reinsurers		41,005	-	-	-	-	41,005
Amount due from Agent		2,532	-	-	-	-	2,532
Sundry receivables		13,409	-	-	-	-	13,409
Accrued interest		239,510	-	-	-	-	239,510
Experience refund receivable		68,311	-	-	-	-	68,311
		9,522,091	2,568,413	2,041,024	3,462,430	33,613	1,416,611
Financial Liabilities							
Outstanding claims		194,795	-	-	-	-	194,795
Amount due to other insurers/reinsurers		13,013	-	-	-	-	13,013
Amount due to agents		30,102	-	-	-	-	30,102
Experience refund payable		118,976	-	-	-	-	118,976
Accrued expenses		65,156	-	-	-	-	65,156
Other creditors and accruals		79,719	-	-	-	-	79,719
Unclaimed dividend		27	-	-	-	-	27
		501,788	-	-	-	-	501,788
Balance sheet gap		9,020,303	2,568,413	2,041,024	3,462,430	33,613	914,823
Total yield / interest rate risk sensitivity gap			**2,568,413**	**2,041,024**	**3,462,430**	**33,613**	
Cumulative yield / interest rate risk sensitivity gap			**2,568,413**	**4,609,437**	**8,071,867**	**8,105,480**	

25.3 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.

26. 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.

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

27.1 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 determined in accordance with the terms of their appointments. All transactions involving related parties arise in the normal course of business. 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.

27.2 The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

Relationship with the company	Nature of transaction	2013 (Rupees in '000)	2012
i. Holding Company	Reinsurance premium - net of commission	**3,491**	3,428
	Reinsurance recoveries against claims	**22,288**	-
	Charges for administrative services provided	**-**	366
	Reimbursement of expenses incurred on behalf of holding Company	**-**	5,142
ii. Associated undertaking	Consultancy charges	**1,533**	788
iii. Staff retirement funds	Contribution made to provident fund	**12,972**	12,107
	Contribution made to gratuity fund	**54,050**	10,055
iv. Key management personnel	Remuneration paid	**83,686**	83,223
	Mark-up on loan	**42**	61
	Vehicle sold under employees car scheme	**1,942**	2,439

Balances with related parties are as follows:

Relationship with the company	Nature of balance	2013	2012
i. Holding Company	Reinsurance premium payable	**153**	110
	Reinsurance recoveries receivable	**12,321**	11,466
ii. Associated undertaking	Consultancy charges payable	**234**	662
iii. Key management personnel	Loans receivable	**351**	589

Fee for carrying out actuarial valuation by appointed actuary is paid by the holding Company.

28. GENERAL

All figures have been rounded off to the nearest of thousand, except otherwise stated.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 24, 2014 by the Board of Directors of the Company.

CHAIRMAN & CHIF 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, 2013, 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 & CHIF 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, 2013 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, 2013.

Shoaib Soofi
Appointed Actuary
American Life Insurance
Company (Pakistan) Limited

Karachi Date : February 24, 2014

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth 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, March 25, 2014 at 10.00 a.m. to transact the following business: -

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the Company held on April 26, 2013.

2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2013.

3. To appoint auditors for the year ended December 31, 2014 and fix their remuneration. The retiring auditors M/s M. Yousuf Adil Saleem & Co., member firm of Deloitte Touche Tohmatsu, being eligible have offered themselves for re-appointment.

4. To elect the seven Directors of the company, as fixed by the board of directors, in accordance with the provision of section 178 (1) of the company ordinance 1984, for the period of three years. The name of present directors, who will retire on March 25, 2014 are as follow.

i- Mr. Arif Sultan Mufti
ii- Mr. Khalid Anis-ur-Rehman
iii- Mr. Arif Abdul Aziz
iv- Mr. Shahid Siddiqui
v- Mr. Michel Khalaf
vi- Mr. Nurul Islam
vii- Mr. Qasim Rabbani

The retiring Directors are eligible for re-election

Special Business

5. To approve the remuneration of the Chief Executive Officer.

By order of the Board

March 04, 2014
Karachi

Asim Iftikhar
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from March 19, 2014 to March 25, 2014 (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 19th Annual General Meeting of the Company to be held on March 25, 2014.

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. 32.4 million based on actuals for the year ended December 31, 2013, and the remuneration amounting Rs. 37.26 million as estimated for the year ending December 31, 2014, together with other benefits in accordance with the rules of the Company."

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Lahore - Ashraf Adil Agency
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Email: skt-branch@metlifealico.com

PROXY FORM

NINETEENTH ANNUAL GENERAL MEETING

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

I/We ____

of (full address) ____

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

Mr./Ms. ____

of (full address) ____

____ or failing him/her

Mr./ Ms. ____

of (full address) ____

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Ninteenth Annual General Meeting of the Company to be held on Tuesday, March 25, 2014 at 10:00 am at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this____________ day of __________ 2014

Please affix Rupee Five Revenue Stamp Signature of Member

Signed by the member in the presence of:

Witness: ____________________

Address: ____________________

____

1. The Proxy Form, duly completed, to be effective, should be deposited at the Registered Office of the Company as soon as possible but not later than 48 hours before the time of holding the Meeting.

2. No person shall act as proxy unless he/she is a member of the Company except corporation being a member may appoint as its proxy any officer of such corporation whether a member of the Company or not.

Alico is a MetLife, Inc. Company

MetLife Alico℠

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CORPORATE