

Vision Statement

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

Mission Statement

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Asim Iftikhar	ACMA
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CHIEF FINANCIAL OFFICER

Hashim Sadiq Ali	FCA
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APPOINTED ACTUARY

Shoaib Soofi	FSA, FPSA
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CONSULTING ACTUARY

Shahid Siddiqui	M.Sc., AIA, ASA
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AUDIT COMMITTEE

Arif Abdul Aziz	Chairman
Khalid Anis-ur-Rehman	Member
Shahid Siddiqui	Member
Asim Iftikhar	Secretary to Audit Committee

BANKERS

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

LEGAL ADVISOR

SurrIDGE and BeechENO

AUDITOR

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

SHARE REGISTRAR

THK Associates (Pvt) Ltd
 Ground floor, State Life Building - 3,
 Ziauddin Ahmed Road, Karachi-75530, P.O.Box 8533
 Phone: +92(21) 111-000-322 Fax: +92 (21) 35655575

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 DIRECTOR



Arif Sulatan Mufti
Chairman & Chief Executive



Michel Khalaf
Director



Nurul Islam
Director



Arif Abdul Aziz
Director



Shahid Siddiqui
Director



Khalid Anis-ur-Rehman
Director



Qasim Rabbani
Director

STATUTORY MANAGEMENT COMMITTEES

AUDIT COMMITTEE

Arif Abdul Aziz
Khalid Anis-ur-Rehman
Shahid Siddiqui
Asim Iftikhar

Non-executive Director
Non-executive Director
Non-executive Director
Secretary to Audit Committee

CLAIMS SETTLEMENT COMMITTEE

Arif Sultan Mufti
Syed Azarduddin
Dr. Asimuddin Qureshi
Hashim Sadiq Ali
Nadeem Rehman Malik

Chairman
Member
Member
Member

UNDERWRITING COMMITTEE

Arif Sultan Mufti
Khaled S. Agha
Hashim Sadiq Ali
Nadeem Rehman Malik

Chairman
Member
Member
Member

REINSURANCE COMMITTEE

Arif Sultan Mufti
Muhammad Danial Khan
Hashim Sadiq Ali

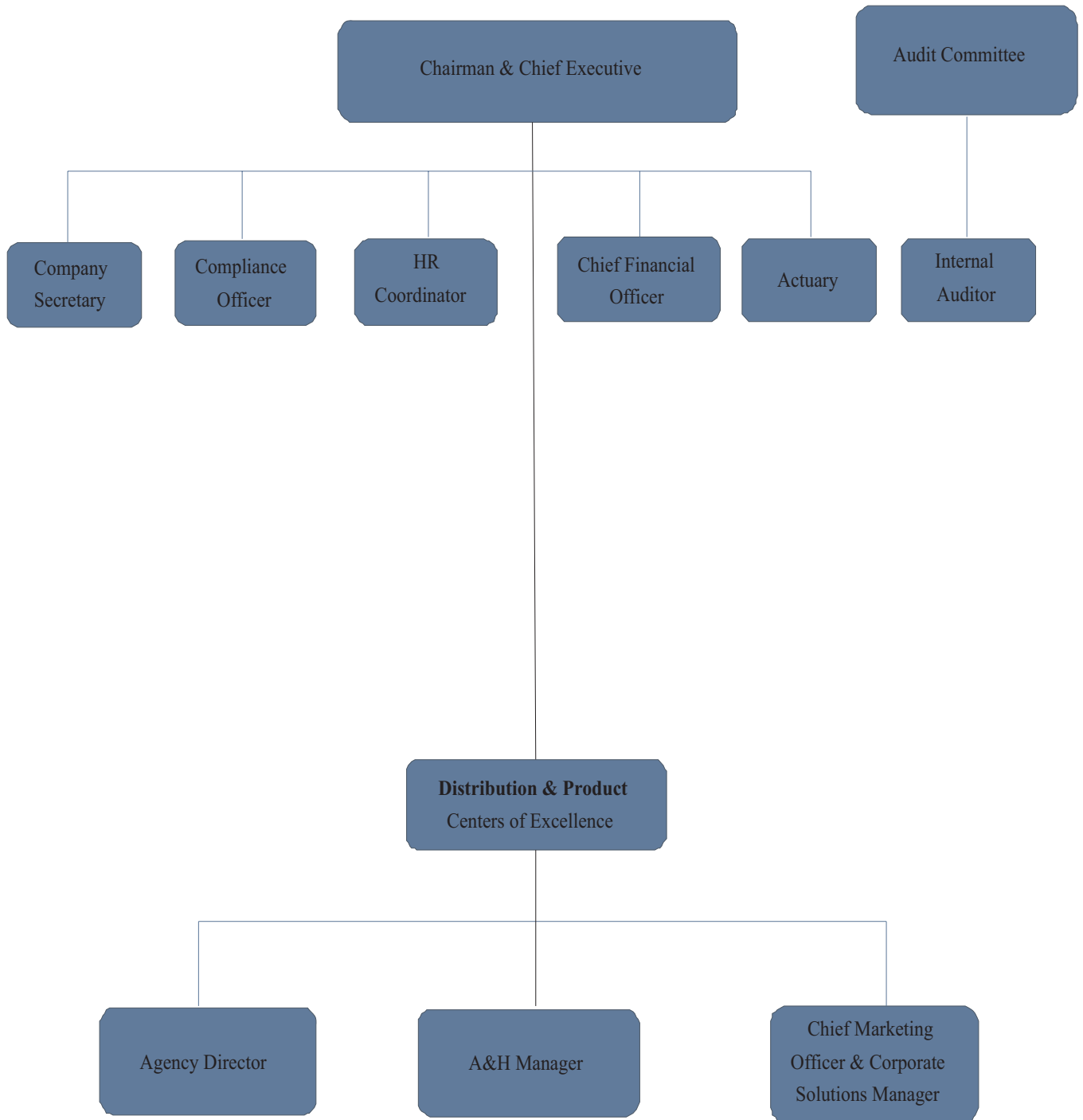
Chairman
Member
Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Khalid Anis-ur-Rehman
Arif Sulatan Mufti
Shahid Siddiqui
Hashim Sadiq Ali
Theresa Rodrigues

Chairman
Member
Member
Member
Secretary

ORGANIZATION STRUCTURE



DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company take pleasure in presenting to you the 18th Annual Report of the Company along with the audited financial statements for the year ended December 31, 2012.

GENERAL REVIEW OF ECONOMY

The country faced innumerable challenges in 2012, which had profound impact on its GDP growth. Most importantly, deteriorating law and order situation, structural imbalances in the economy that would give rise to various types of social ailments.

Structural issues have drastically hampered the growth and as a result, the economy continues to underperform. The energy demand-supply gap has widened further compared to previous years due to persistent shortage of natural gas. GDP growth in 2012 was merely 3.7%, (2011 2.7%).

Although Pakistan's economy has shown some recovery in terms of GDP growth, key macro indicators still remain weak. Specifically, while inflationary pressures have eased compared to last year, inflation expectations are entrenched; the deterioration in the external account has been less adverse than expected, but financing the current account deficit remains challenging. Despite an improved growth in tax collection compared to last year, there are pressures on the fiscal account. Furthermore, energy shortages and low investment continue to severely limit the growth potential of the economy with falling inflation, the State Bank of Pakistan has reduced its policy rate by 250 bps over the last six months to single digits. However, it has cautioned that the potential for further interest rate reduction is limited and is likely to hinge on how the balance of payments position develops.

A sharper than anticipated decline in CPI inflation and concerns over low level of private investment were the fundamental reasons behind SBP's decision to reduce the policy rate by 250 bps during H1-FY13. The policy rate was initially lowered by 150 bps to 10.5 percent in August 2012 and then by 50 bps each in October 2012 and December 2012 to reach 9.5 percent. While taking these decisions, SBP did incorporate the risks to macroeconomic stability due to continued fiscal weaknesses in the shape of excessive borrowing from the banking system and growing pressures in the external sector due to declining financial inflows and substantial debt payments.

Pakistan's budgetary gap widened further to 8.5% of GDP in FY12. Revenue generation has continued to lag growth in expenditure, as tax revenues remained at a regional low of 9.2% of GDP in FY12, even lower than in FY11. Expenditures continue to rise with subsidies to electricity consumers still around Rs 30 billion per month, and the Government is unable to recover this through improved collection or distribution measures. While amounts received recently from the Coalition Support Fund have helped reduce the budget deficit to 2.4% of GDP for the first six months, energy subsidies, losses in public sector corporations and upcoming elections will keep the deficit under pressure. According to IMF estimates the budget deficit is expected to reach 7.0% of GDP against a target of 4.7%.

The impact of uncertainties across global economies in terms of sustainable economic recovery has also been limiting the prospects of an improvement in the balance of payments position. These uncertainties mainly emanate from the slow process of reforms in the euro zone to handle the sovereign debt crisis and the post-election 'fiscal cliff' debate in the USA (a combination of tax hikes and spending cuts).

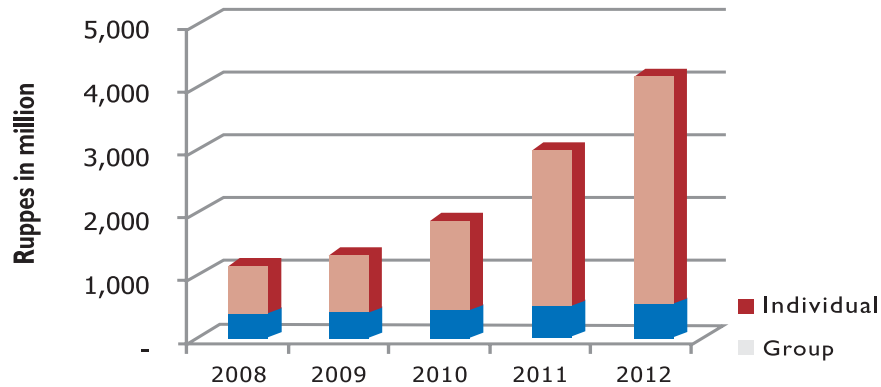
REVIEW OF OPERATIONS

Your Company has completed its 17 full years of operation and the current year results represent modest growth. The individual life products, mainly the Savings and Unit Linked plans through banc assurance channel continue to register remarkable growth. The Accident and Health line of business also shows healthy growth with the introduction of new products during the last couple of years, namely, My Child and Safe Road.

GROSS PREMIUM:

The combined all lines net premium income has reached a level of Rs. 4.1 billion, a growth of 40% over the last year.

GROSS PREMIUM-5 years growth summary

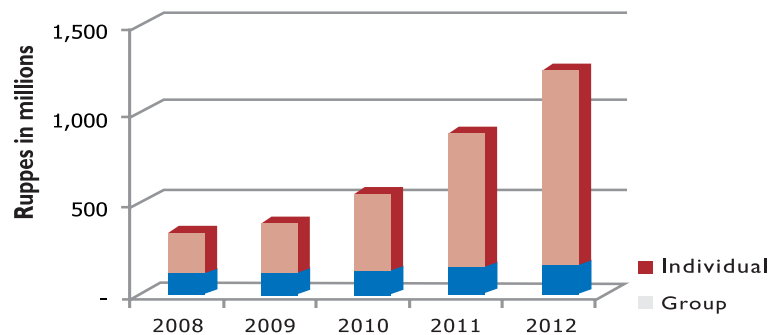


UNDERWRITING, REINSURANCE AND CLAIMS SETTLEMENT

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.

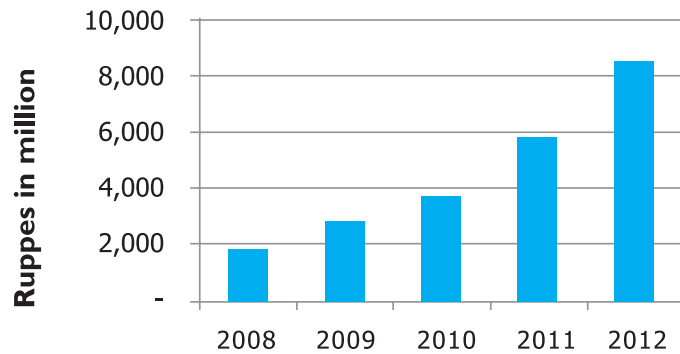
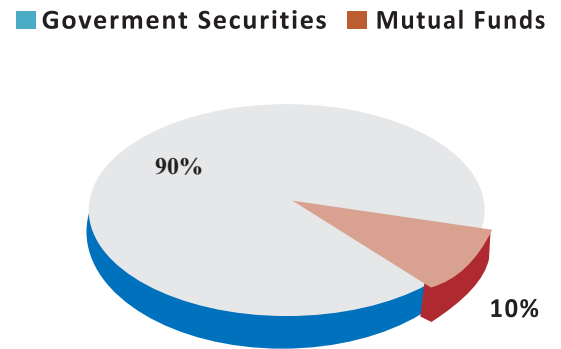
GROSS CLAIMS-5 years growth summary



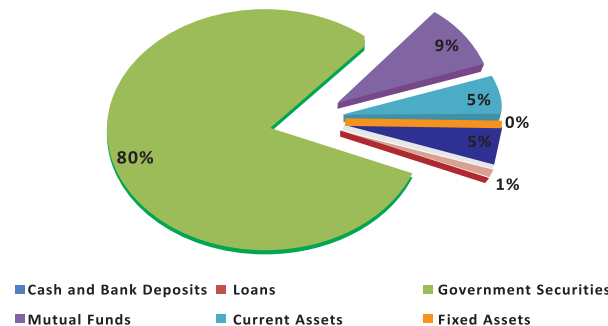
INVESTMENTS PERFORMANCE

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. During the year the yield on Government securities showed some dips but remained above the rates offered by banks. Therefore, our focus was on investment in Government securities to generate higher investment 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 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. 2.7 billion. At the year end, the portfolio investment was Rs. 8.5 billion (2011: Rs. 5.8 billion), with 90% (2011: 89%) of our total portfolio invested in Government securities. During the year your Company earned investment income of Rs. 976 million (2011: Rs.612 million), showing an increase of 60 % over last year.

INVESTMENT-5 years growth**INVESTMENT COMPOSITION**

The Company has a very strong balance sheet. The total assets increased by 44.8% during the year (from Rs 6.67 billion in 2011 to Rs. 9.66 billion). The composition of assets is as follows:

ASSETS COMPOSITION**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 on arm's length basis.

PROFITABILITY

During the year, the Company's statutory funds showed good performance generating a surplus of Rs. 123 million. Out of accumulated surplus, Rs. 125 million was transferred to the Profit & Loss Account. Amount transferred from Group Life is Rs. 100 million, Individual and Group Accident and Health of Rs. 21 million and Rs. 4 million respectively. After including the performance of the Shareholders' fund, your Company made a before tax profit of Rs. 196.4 million (2011: Rs 183.5 million), up by 7%. The healthy increase in bottom line is attributed to improved underwriting experience without any impairment in the value of strategic investments in the Shareholder's fund. The earning per share of the year was Rs. 2.53 (2011: 2.32)

Profit / Loss

	2012	2011
	(Rs. in 000')	
Net Surplus of statutory Funds	122,530	186,907
Profit before appropriation of surplus to Shareholders' Fund	71,429	48,560
Taxation	70,072	67,312
Earning per Share (Rupees)	2.53	2.32

CONTRIBUTION TO NATIONAL EXCHEQUER:

Your Company contributed Rs.86.18 million to the national exchequer in the form of Income Tax and withholding tax (acting as an agent).

STRATEGY MANAGEMENT:

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

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 not only to increase the premium income, but also improve the commission earnings of the agents.

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

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

DEVELOPMENT ACTIVITIES:

BANCASSURANCE DEVELOPMENT:

It has been an extraordinary year for banc assurance where opportunities materialized into strong relationships resulting in unprecedented growth surpassing PKR 2 billion in new premium. We continued following up on our unique multi-channel and multi-segment approach that allowed partner banks identify new products to match the different needs of customers. Our preference for solution-focused approach over product-push helped bank customers to identify their needs and choose appropriate products. This resulted in further cementing their relationship with the bank.

At present, the Company has over 11 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 pursue its efforts to take banc assurance to new heights by delivering needs-based solutions through maximum use of modern age technology.

AGENCY DEVELOPMENT:

A 'quality not quantity' recruiting approach has measurably improved the persistency of our new business. Traditionally, our recruitment strategy has been to increase the agent count with agents writing a reasonably steady volume of quality business; rather than relying on a few agents writing a considerable amount of business but with poor persistency. Consequently, the quality and business persistency are showing improved trends. Our Agency Department monitors the performance of the field force to ensure continued improvement.

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 and operational support.

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

SOLVENCY GUIDELINES:

The Securities and Exchange Commission of Pakistan has introduced new solvency regime and made amendments in the Securities and Exchange Commission (Insurance) Rules 2002. Barring certain phase-wise enhancement in limits, the changes are effective from the year 2012.

Amendments were made to rationalize the admissibility limits for certain assets and enhancing minimum solvency requirement for life funds. SECP provides guideline related to the principles for calculation of solvency margin and the factors for the determination of solvency margin for life insurers, prescribe the contents of the financial condition report and the minimum valuation basis of assets, liabilities and reserves. SECP has also enhanced the Statutory Fund requirement by introducing Risk Based Margin above the current policyholders' liability.

INTERNAL AUDIT AND COMPLIANCE FUNCTION:

Your 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 17 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, and also awards quarterly rewards on their performance.

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.

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

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

The principal features of control framework include:

Evaluation and approval procedures for all capital expenditure and other transactions

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

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

- f) There 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. 4 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, 2012 are as follows
- | | |
|-------------------------|--------------|
| Employee Provident Fund | 44.4 million |
| Employee Gratuity Fund | 30.9 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.
- k) Key operating and financial data for last six year 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	4
Mr. Khalid Anis-ur-Rehman	4
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 functions in accordance with the Code of Corporate Governance. The following served on the committee during the year 2012:

Mr. Arif Abdul Aziz	Chairman
Mr. Asim Iftikhar	Secretary to Audit Committee
Mr. Shahid Siddiqui	
Mr. Khalid Anis-ur-Rehman	

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.

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.

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.

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 recommends 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:

For more than 17 years your Company has been offering life insurance and investment/savings 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. We have provided user manuals to help every Company employee to perform his/her duties in a manner that would strengthen our reputation in every market segment where we do business.

PARENT COMPANY

The parent company American Life Insurance Company (Pakistan) Limited of is the American Life Insurance Company, USA 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, 2012 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% (2011: 66.46%) 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
Nil	Nil
Sale of Shares	No. of shares
Arif Abdul Aziz	3,125,000

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 2013.

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.

SUBSEQUENT EVENTS

Subsequent to year end, American Life Insurance Company USA (ALICO) and IGI Insurance Limited (IGI) have entered into Share Purchase Agreement dated January 21, 2013 in respect of sale by ALICO of their entire shareholding in the Company 40,986,698 ordinary shares of PKR 10 each representing approximately 81.97% of the issued, subscribed and paid capital of the Company to IGI at PKR 20 per share.

The successful completion of the transactions is subject to regulatory approval and completion of the requirement pursuant to the Takeover Ordinance, 2002.

On March 22, 2013, certain employees of the Company have filed a suit against the Company, its parent Company and others raising concern over the Share Purchase Agreement dated January 21, 2013 and its impact on their job security and benefits.

GRATITUDE

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

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

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

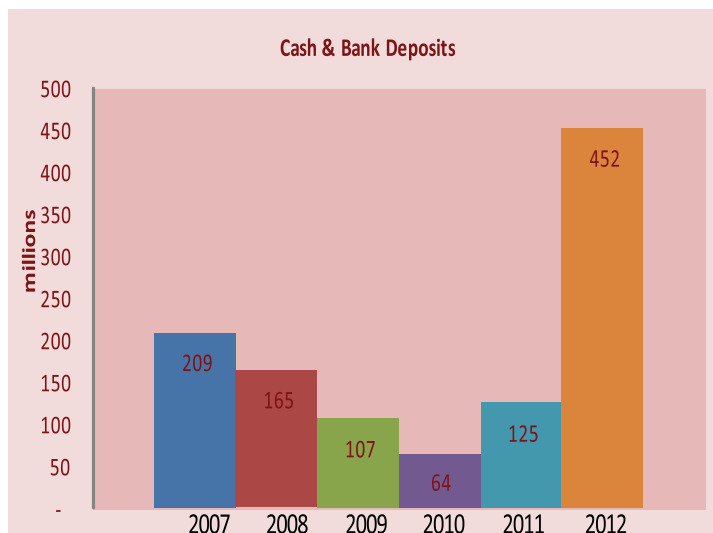
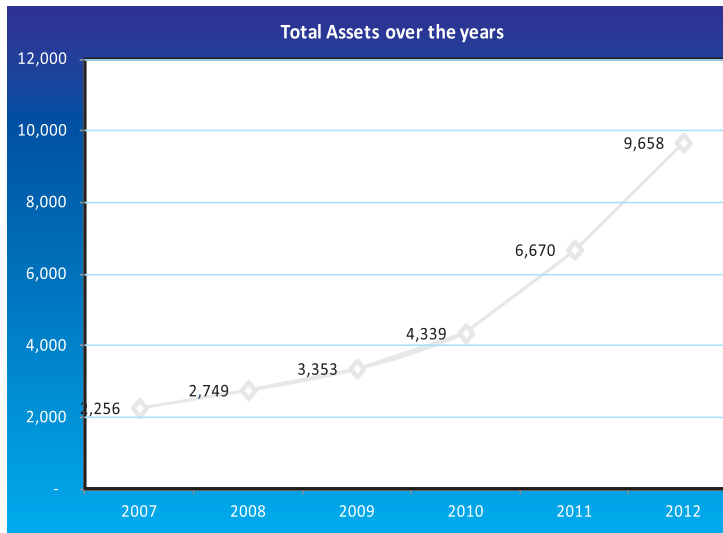
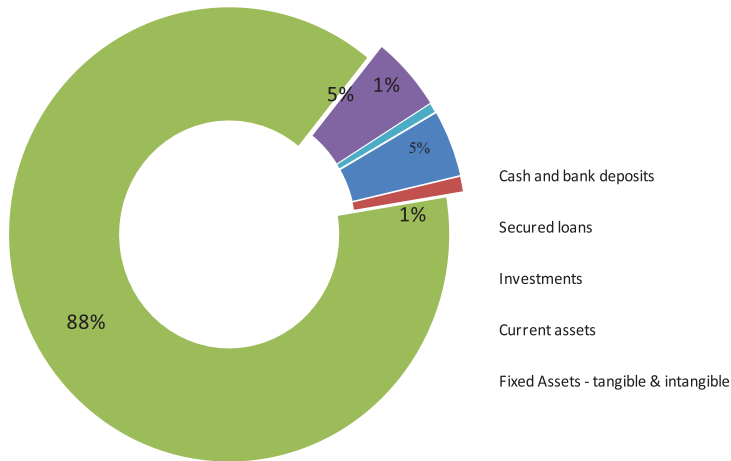
On behalf of the Board of Directors

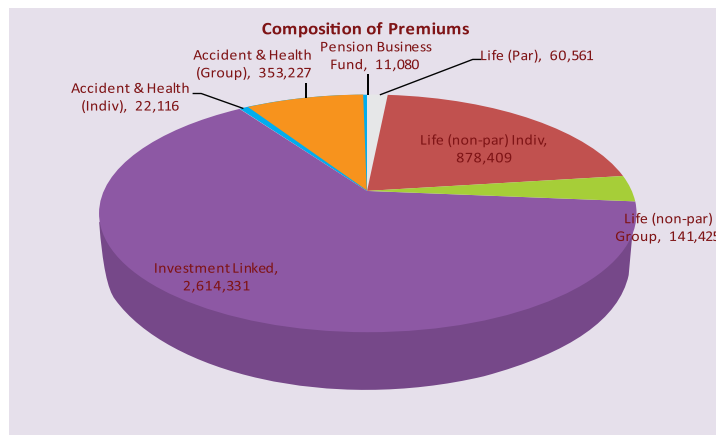
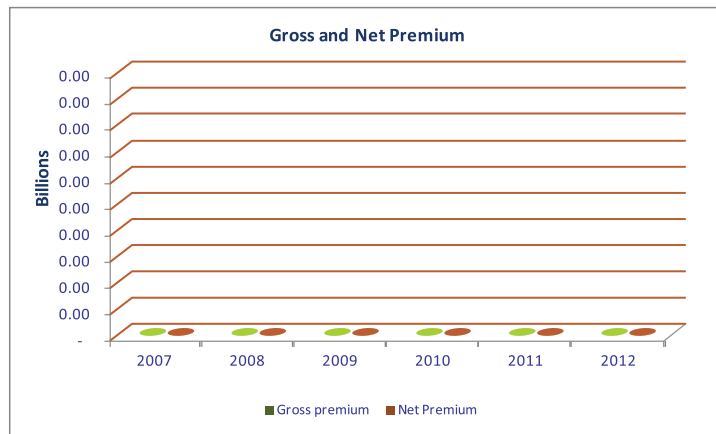
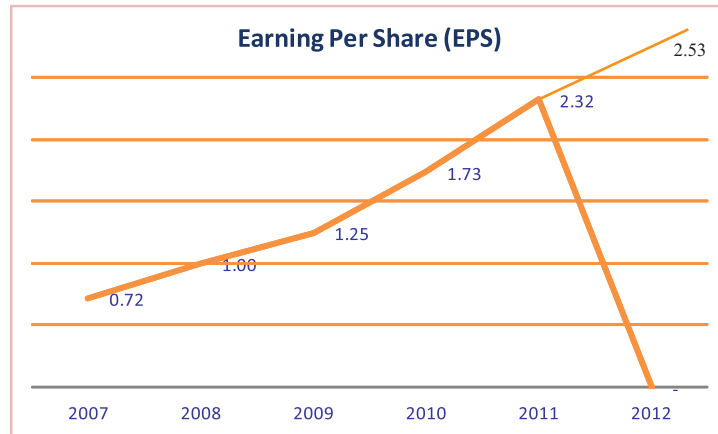
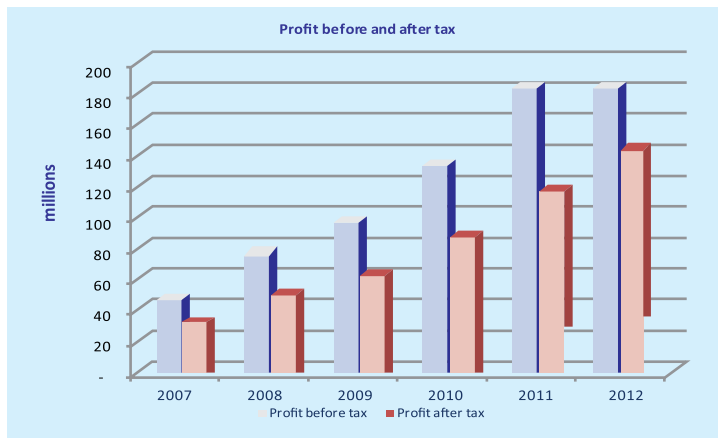


Arif S. Mufti
CHAIRMAN & CEO
Dated: March 29, 2013

PERFORMANCE AT GLANCE

Assets Allocation 2012





KEY FINANCIAL DATA

SIX YEARS AT GLANCE

Financial data	2012	2011	2010	2009	2008	2007
	----- Rupees in ' 000 -----					
Paid-up capital	500,000	500,000	500,000	500,000	500,000	500,000
Net shareholders' equity	826,798	734,941	669,193	581,065	379,763	329,542
Investments - excl. VUL	4,701,060	4,113,989	3,276,265	2,761,238	1,780,985	1,761,958
Cash and bank deposit	452,268	125,057	64,025	106,526	164,756	209,205
Total assets	9,658,168	6,670,453	4,338,682	3,352,656	2,749,498	2,255,694
Operating data						
Gross premium revenue	4,170,408	2,993,466	1,893,849	1,349,482	1,155,386	888,204
Net premium revenue	4,081,149	2,905,583	1,806,525	1,267,953	1,048,496	802,053
Investments and other income	1,026,345	644,910	396,720	320,539	259,260	193,808
Profit before taxation	196,429	183,560	133,403	96,141	78,059	46,900
Taxation	70,072	67,312	46,691	33,649	27,838	14,822
Profit after taxation	126,357	116,248	86,712	62,492	50,221	32,078
EPS	2.53	2.32	1.73	1.25	1.00	0.72
Cash flow summary						
Net cash flow from operating activities	2,095,960	1,596,738	590,201	762,793	(228,857)	222,191
Net cash flow from investing activities	(1,943,749)	(1,528,706)	(608,126)	(721,023)	209,408	(355,289)
Net cash flow from financing activities	-	-	(16,576)	-	-	167,031
Net cash flow from all activities	152,211	68,032	(34,501)	41,770	(19,449)	33,933
Cash and cash equivalents at the beginning of the year	125,057	57,025	91,526	49,756	69,205	35,272
Cash and cash equivalents at the end of the year	277,268	125,057	57,025	91,526	49,756	69,205

Key Financial Data

SIX YEARS AT GLANCE

Financial ratios

Profitability / Return to shareholders		2012	2011	2010	2009	2008	2007
		Rupees in ' 000					
Profit before tax / gross premium	%	4.71%	6.13%	7.04%	7.12%	6.76%	5.28%
Expenses / Income	%	40.39%	40.09%	54.05%	64.91%	67.29%	64.32%
Return on assets	%	1.31%	1.74%	2.00%	1.86%	1.83%	1.42%
Return on capital employed	%	1.40%	1.93%	2.22%	2.16%	2.15%	1.67%
Return on equity	%	15.28%	15.82%	12.96%	10.75%	13.22%	9.73%
EPS	Rs.	2.53	2.32	1.73	1.25	1.00	0.72
Price earning ratio	times	13.26	6.03	10.38	13.14	43.79	66.67
Net assets per share	Rs.	16.54	14.70	13.38	11.62	7.60	6.59

Market Data

Face value per share	Rs.	10	10	10	10	10	10
Market value per share at year end	Rs.	33.5	14	18	16.43	43.79	48
Highest share price during the year	Rs.	37.4	19	21.95	41.61	53.55	56.5
Lowest share price during the year	Rs.	14	13.5	13	13.41	38.77	23.45
Market capitalization	'000	1,675,000	700,000	900,000	821,500	2,189,500	2,400,000

Performance / Liquidity

Earning asset to total asset ratio	%	94.09%	90.67%	90.85%	90.38%	73.41%	89.22%
Net premium / gross premium ratio	%	97.86%	97.06%	95.39%	93.96%	90.75%	90.30%
Net claims / net premium ratio	%	30.38%	21.67%	24.49%	28.63%	31.69%	32.62%
Management expenses / net premium ratio	%	18.62%	25.11%	38.44%	49.72%	50.40%	45.60%
Current ratio	times	1.56	1.06	0.93	0.80	2.01	1.14
Total assets turnover	times	0.54	0.55	0.53	0.50	0.49	0.46
Fixed assets turnover	times	85.25	60.55	39.23	25.61	18.80	18.23
Equity / total assets	%	8.56%	11.02%	15.42%	17.33%	13.81%	14.61%

BALANCE SHEET AND PROFIT & LOSS ANALYSIS

VERTICAL

BALANCE SHEET	2012		2011	
	Rupees in '000	%	Rupees in '000	%
Net shareholders' equity	826,798	9%	734,941	11%
Balance of statutory funds	8,226,773	85%	5,290,441	79%
Creditors and accruals	604,570	6%	645,044	10%
Dividend	27	0%	27	0%
Total equity and liabilities	9,658,168	100%	6,670,453	100%
Cash and bank deposits	452,268	5%	125,057	2%
Secured loans	99,963	1%	90,096	1%
Investments	8,536,478	88%	5,833,574	87%
Current assets	508,496	5%	561,509	8%
Fixed Assets - tangible & intangible	60,963	1%	60,217	1%
Total assets	9,658,168	100%	6,670,453	100%
Revenue and Profit & loss account				
Net Income	5,197,350	100	3,646,437	100
Claims and Expenditures	(2,099,089)	(40)	(1,461,799)	(40)
Movement in policy holders' liability	(2,904,302)	(56)	(1,949,171)	(53)
Surplus / Profit before tax	193,959	4	235,467	6
Taxation	(70,072)	(1)	(67,312)	(2)
Surplus / Profit after tax	123,887	2	168,155	5

HORIZONTAL

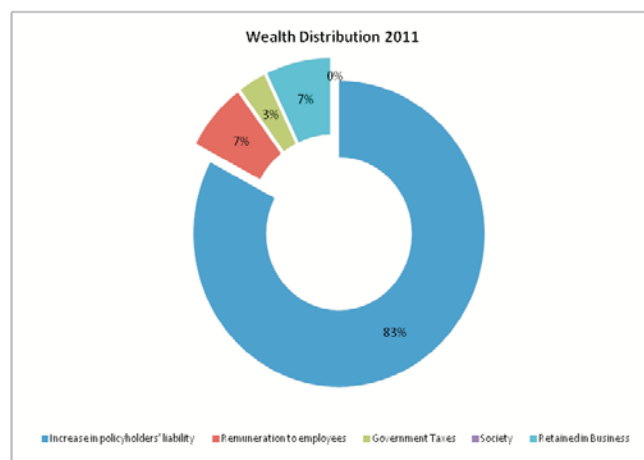
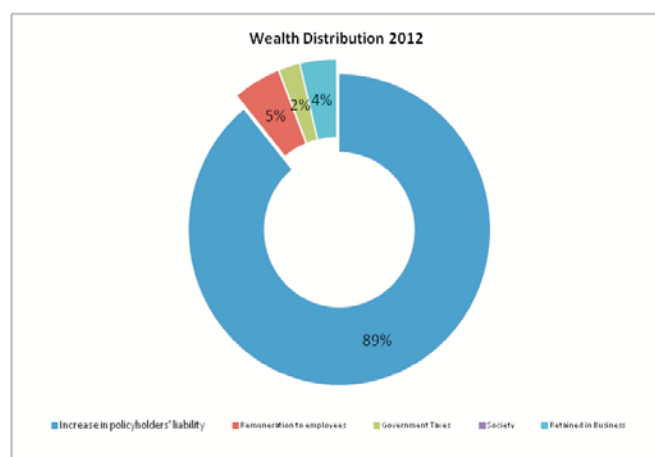
BALANCE SHEET	2012	2011	2010	2009
	(Rupees in '000)			
Net shareholders' equity	826,798	734,941	669,193	581,065
Balance of statutory funds	8,226,773	5,290,441	3,238,863	2,318,142
Creditors and accruals	604,570	645,044	430,599	436,846
Dividend	27	27	27	16,603
Total equity and liabilities	9,658,168	6,670,453	4,338,682	3,352,656
Cash and bank deposits	452,268	125,057	64,025	106,526
Secured loans	99,963	90,096	83,051	68,306
Investments	8,536,478	5,833,574	3,795,700	2,856,069
Current assets	508,496	561,509	337,353	255,923
Fixed Assets - tangible & intangible	60,963	60,217	58,553	65,832
Total assets	9,658,168	6,670,453	4,338,682	3,352,656
Revenue and Profit & loss account				
Net Income	5,197,350	3,646,437	2,297,224	1,685,754
Claims and Expenditure	(2,099,089)	(1,461,799)	(1,241,684)	(1,094,193)
Movement in policy holders' liability	(2,904,302)	(1,949,171)	(878,836)	(450,006)
Surplus / Profit before tax	193,959	235,467	176,704	141,555
Taxation	(70,072)	(67,312)	(46,691)	(33,649)
Surplus / Profit after tax	123,887	168,155	130,013	107,906

2010		2009		2008		2007	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
669,193	15%	581,065	17%	379,763	14%	329,542	15%
3,238,863	75%	2,318,142	69%	1,961,532	71%	1,595,024	71%
430,599	10%	436,846	13%	391,600	14%	314,525	14%
27	0%	16,603	0%	16,603	1%	16,603	1%
4,338,682	100%	3,352,656	100%	2,749,498	100%	2,255,694	100%
64,025	1%	106,526	3%	164,756	6%	209,205	9%
83,051	2%	68,306	2%	53,623	2%	41,553	2%
3,795,700	87%	2,856,069	85%	1,801,339	66%	1,761,958	78%
337,353	8%	255,923	8%	657,500	24%	168,421	7%
58,553	1%	65,832	2%	72,280	3%	74,557	3%
4,338,682	100%	3,352,656	100%	2,749,498	100%	2,255,694	100%
2,297,224	100	1,685,754	100	1,358,913	100	1,030,546	100
(1,241,684)	(54)	(1,094,193)	(65)	(914,346)	(67)	(662,828)	(64)
(878,836)	(38)	(450,006)	(27)	(247,826)	(18)	(261,716)	(25)
176,704	8	141,555	8	196,741	14	106,002	10
(46,691)	(2)	(33,649)	(2)	(27,838)	(2)	(14,822)	(1)
130,013	6	107,906	6	168,903	12	91,180	9

2008	2007	2012	2011	2010	2009	2008	2007
(Rupees in '000)		% increase / (Decrease) over preceding year					
379,763	329,542	12%	10%	15%	53%	15%	147%
1,961,532	1,595,024	56%	63%	40%	18%	23%	25%
391,600	314,525	-6%	50%	-1%	12%	25%	-100%
16,603	16,603	0%	0%	-100%	0%	0%	35%
2,749,498	2,255,694	45%	54%	29%	22%	22%	35%
164,756	209,205	262%	95%	-40%	-35%	-21%	-44%
53,623	41,553	11%	8%	22%	27%	29%	34%
1,801,339	1,761,958	46%	54%	33%	59%	2%	61%
657,500	168,421	-9%	66%	32%	-61%	290%	39%
72,280	74,557	1%	3%	-11%	-9%	-3%	75%
2,749,498	2,255,694	45%	54%	29%	22%	22%	35%
1,358,913	1,030,546	43%	59%	36%	24%	32%	20%
(914,346)	(662,828)	44%	18%	13%	20%	38%	13%
(247,826)	(261,716)	49%	122%	95%	82%	-5%	18%
196,741	106,002	-18%	33%	02%	-28%	86%	120%
(27,838)	(14,822)	4%	44%	39%	21%	88%	3681%
168,903	91,180	-26%	29%	20%	-36%	85%	91%

STATEMENT OF VALUE ADDITION

	2012		2011	
	Amount (Rupees in '000)	%	Amount (Rupees in '000)	%
WEALTH GENERATION				
Net premium	4,081,149	80%	2,905,583	82%
Net investment income	975,810	19%	612,710	17%
Other income	50,535	1%	32,390	1%
Less: Net claim	(1,239,915)	-70%	(629,515)	-53%
Less: Acquisition and Administrative Expenses (Excl. remuneration & taxes)	(606,102)	-51%	(565,321)	-47%
Net wealth generated	3,261,477		2,355,847	
WEALTH DISTRIBUTION				
Increase in policyholders' liability	(2,904,302)	87.18%	(1,949,171)	82.74%
Remuneration to employees	(163,076)	4.90%	(167,433)	7.11%
Government Taxes	(70,072)	2.10%	(71,058)	3.02%
Society	(140)	0.00%	(30)	0.00%
Retained in Business	(123,887)	3.80%	(168,155)	7.14%
	(3,261,477)	100.00%	(2,355,847)	100.00%



FINANCIAL / EVENT CALENDAR

EVENT	DATE
Results	
Financials for the three months ended March 31, 2012	26-Apr-12
Financials for the six months ended June 30, 2012	18-Aug-12
Financials for the nine months ended September 30, 2012	31-Oct-12
Financials for the year ended December 31, 2012	29-Mar-13
Notice to Shareholders with Financial Statements	5-Apr-13
Annual General Meeting	26-Apr-13

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2012

Numbers of Shareholders	Holding Shares		Total Shares held
	From	To	
586	1	100	16,075
133	101	500	50,107
45	501	1,000	38,724
64	1,001	5,000	149,249
12	5,001	10,000	91,164
4	10,001	15,000	49,615
3	15,001	20,000	49,660
1	20,001	25,000	22,000
3	25,001	30,000	81,921
2	30,001	35,000	62,500
1	35,001	40,000	38,461
1	40,001	45,000	43,201
1	45,001	50,000	48,928
2	60,001	65,000	121,625
1	100,001	105,000	102,015
1	115,001	120,000	116,553
1	135,001	140,000	136,019
1	255,001	260,000	258,842
1	995,001	1,000,000	997,382
1	1,320,001	1,325,000	1,321,000
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
867			50,000,000

Categories of Shareholders	Number of Shareholders	Total Shares held	Percentage
Individuals	854	4,907,689	9.81%
Joint Stock Companies	7	284,021	0.57%
Financial Institutions	5	3,824,100	7.65%
Foreign Companies	1	40,984,190	81.97%
	867	50,000,000	100.00%

DISCLOSURE OF PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2012

Shareholder's category	Number of shareholders	Shares held
Associated companies, undertakings and related parties	1	40,984,190
Directors, CEO, and their spouse 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	3,823,100
Joint Stock Companies and Others	7	284,021
Shareholders holding ten percent or more voting interest	1	40,984,190

Disclosure of Pattern of Shareholding as at December 31, 2012

	Number of shares held
Associated companies, undertakings and related parties	
American Life Insurance Company, Inc. USA	40,984,190
Directors, CEO and their spouse 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	1,321,000
Joint Stock Companies and Others	
Ali Husain Rajabali Limited	6,000
MTM Securities (Pvt.) Limited	13,846
International Brands (Pvt) Ltd.	5,000
A. Sattar Motiwala Securities (Pvt.) Limited	145
First National Equities Limited	1
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, 2012

The Board of Directors of American Life Insurance Company (Pakistan) Limited (the Company) has always supported and reconfirm 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 Regulation No.35 of listing regulations of Karachi and Lahore Stock Exchanges and SRO 68(1)/2003 dated January 21, 2003 issued by Securities and Exchange Commission of Pakistan (the Code) 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 Directors	Qasim Rabbani
Executive Directors	Arif Sultan Mufti
Non-executive Directors	Khalid Anis-ur-Rehman Shahid Siddiqui Michel Khalaf Nurul Islam Arif Abdul Aziz

The independent directors 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 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 or they are not a member of any 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 ensured that appropriate steps have been taken 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, have been taken by the board/shareholders.
8. All 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 meetings. 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. All the Directors have either attended the orientation course or have been provided appropriate materials/guidelines in this regard and as such they are fully aware of their duties and responsibilities. In 2012, one of the directors has attended 'Corporate Governance Leadership Skills' training programme in Pakistan Institute 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.
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 shareholding.
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 of whom all 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 and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed a Human Resources and Remuneration Committee. It comprises four members, of whom two including the chairman of the Committee are non-executive director.
19. The Board has set-up an effective Internal Audit function. The Internal Audit Department reports directly to the Chairman of the Audit Committee. The Head of Internal Audit left in September 2012. The Company has filled the position and approval of which is awaited from the Securities and Exchange Commission of Pakistan.
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 Appointed 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.
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:
March 29, 2013

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 for the year ended December 31, 2012, prepared by the Board of Directors of **American Life Insurance Company (Pakistan) Limited** ("the Company") to comply with the Listing Regulation No.35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

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 of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Karachi

Date: March 29, 2013



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

We have audited the annexed financial statements comprising of:

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

of **American Life Insurance Company (Pakistan) Limited** as at December 31,2012 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;
- (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, 2012 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: March 29, 2013

BALANCE SHEET

AS AT DECEMBER 31, 2012

Note	SHARE HOLDER'S 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	2012	2011	
.....(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	
6	Issued, subscribed and paid-up share capital (50,000,000 ordinary shares of Rs. 10 each)	500,000	-	-	-	-	-	-	500,000	500,000	
7	Accumulated surplus	326,798	-	-	-	-	-	-	326,798	234,941	
	Net Shareholders' Equity	826,798	-	-	-	-	-	-	826,798	734,941	
Balance of Statutory Fund											
8	[including policyholders' liabilities Rs. 7,831.934 million (2011: Rs. 4,927.632 million)]	-	1,274,454	2,699,863	85,166	3,959,527	20,006	129,776	57,981	8,226,773	5,290,441
Creditors and Accruals											
10	Outstanding claims	-	29,852	33,650	204,576	4,506	12,824	28,363	-	313,771	347,866
	Staff gratuity	-	588	5,501	1,205	3,713	162	2,413	70	13,652	10,273
	Premiums received in advance	-	553	63,958	-	8,621	763	-	-	73,895	104,888
	Amount due to other insurers/reinsurers	-	-	-	-	13,013	-	-	-	13,013	7,121
	Amount due to agents	-	818	20,412	-	8,155	717	-	-	30,102	41,324
	Accrued expenses	-	2,808	26,255	5,753	17,719	773	11,515	333	65,156	58,250
11	Other creditors and accruals	12,191	5,904	25,609	3,025	26,895	463	20,565	329	94,981	75,322
		12,191	40,523	175,385	214,559	82,622	15,702	62,856	732	604,570	645,044
Other liabilities											
	Unclaimed dividend	27	-	-	-	-	-	-	-	27	27
	TOTAL LIABILITIES	12,218	1,314,977	2,875,248	299,725	4,042,149	35,708	192,632	58,713	8,831,370	5,935,512
	TOTAL EQUITY AND LIABILITIES	839,016	1,314,977	2,875,248	299,725	4,042,149	35,708	192,632	58,713	9,658,168	6,670,453

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

Note	SHARE HOLDER'S FUND	STATUTORY FUNDS					AGGREGATE	
		Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business Fund	2012	2011

.....(Rupees in '000).....

Cash and Bank Deposits

Cash and others	1,333	-	-	-	-	-	-	-	1,333	630
Current and other accounts	50,640	34,871	152,294	6,992	20,045	5,814	-	5,279	275,935	84,427
Deposits maturing within 12 months	-	57,591	545	-	115,145	432	-	1,287	175,000	40,000
	51,973	92,462	152,839	6,992	135,190	6,246	-	6,566	452,268	125,057

Loans secured against Life

Insurance Policies	-	27,301	71,305	-	-	-	-	-	98,606	87,849
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Loans secured against other assets

To employees	589	-	-	-	-	-	-	-	589	807
To agents	768	-	-	-	-	-	-	-	768	1,440

Investments

12

Government securities	714,892	1,131,437	2,486,266	235,270	3,012,906	21,724	49,418	49,617	7,701,530	5,220,403
Listed mutual funds	12,436	-	-	-	822,512	-	-	-	834,948	613,171
	727,328	1,131,437	2,486,266	235,270	3,835,418	21,724	49,418	49,617	8,536,478	5,833,574

Current Assets - Others

Premiums due but unpaid	-	2,642	12,107	17,425	14	-	36,427	-	68,615	112,166
Amount due from other insurers/reinsurers	13	6,063	15,837	12,512	-	6,557	36	-	41,005	102,534
Amount due from agents	-	53	1,680	-	734	65	-	-	2,532	1,475
Prepayments	-	1,185	11,080	2,428	7,478	326	4,859	140	27,496	19,228
Inter-fund balances	-	-	-	-	-	-	(809)	-	-	-
Sundry receivables	14	871	2,491	134	3,945	26	5,883	59	13,409	19,614
Accrued interest	-	44,757	106,858	6,055	57,221	538	1,027	1,962	239,510	203,914
Experience refund receivable	-	-	-	17,197	-	-	94,700	-	111,897	95,660
Taxation - payments less provision	-	4,032	-	-	-	-	-	-	4,032	6,918
		25,933	55,571	150,053	55,751	69,392	7,512	142,123	2,161	508,496
										561,509

Fixed assets

15

Tangible										
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles	29,909	8,206	14,785	1,712	2,149	226	1,091	369	58,447	58,783
Capital work in progress	1,323	-	-	-	-	-	-	-	1,323	-
Intangible										
Softwares and licences	1,193	-	-	-	-	-	-	-	1,193	1,434
		32,425	8,206	14,785	1,712	2,149	226	1,091	369	60,963
										60,217

TOTAL ASSETS

	839,016	1,314,977	2,875,248	299,725	4,042,149	35,708	192,632	58,713	9,658,168	6,670,453
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The annexed notes from 1 to 29 are integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2012

	<i>Note</i>	2012	2011
		(Rupees in '000)	
Investment income not attributable to statutory funds			
Income from non-trading investment - held to maturity			
Return on government securities		69,342	55,240
Amortisation of premium relative to par		(45)	(524)
		<u>69,297</u>	<u>54,716</u>
Realised gain on sale of investments held as "available for sale"		<u>1,192</u>	<u>570</u>
Net investment income		70,489	55,286
Return on saving accounts		10,255	1
Interest income on loans to employees / agents		132	190
Expenses not attributable to statutory funds	19	<u>(9,447)</u>	<u>(6,917)</u>
Profit before appropriation of surplus to shareholder's fund		71,429	48,560
Surplus appropriated to Shareholders' Fund from Ledger Account D	8	<u>125,000</u>	<u>135,000</u>
Profit before tax		196,429	183,560
Taxation	20	<u>(70,072)</u>	<u>(67,312)</u>
Profit after tax		<u><u>126,357</u></u>	<u><u>116,248</u></u>
		(Rupees)	
Earnings per share - basic and diluted	21	<u><u>2.53</u></u>	<u><u>2.32</u></u>

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

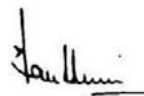
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

<i>Note</i>	2012	2011
	(Rupees in '000)	
Profit after tax for the year	126,357	116,248
Other comprehensive income	-	-
Total comprehensive income for the year	<u>126,357</u>	<u>116,248</u>

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



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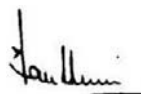
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

Note	Share Capital	Accumulated surplus	Capital contributed to statutory funds	Net accumulated surplus	Total
.....(Rupees in '000).....					
Balance as at January 1, 2011	500,000	425,145	(255,952)	169,193	669,193
Comprehensive income for the year					
Profit for the year	-	116,248	-	116,248	116,248
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	116,248	-	116,248	116,248
Transactions with owners recorded directly in equity					
Capital contributed during the year	8	-	-	(50,500)	(50,500)
Balance as at December 31, 2011		<u>500,000</u>	<u>541,393</u>	<u>(306,452)</u>	<u>734,941</u>
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)
Balance as at December 31, 2012		<u><u>500,000</u></u>	<u><u>667,750</u></u>	<u><u>(340,952)</u></u>	<u><u>826,798</u></u>

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

Note	SHARE HOLDER'S FUND	STATUTORY FUNDS					AGGREGATE		2012	2011
		Life (Participating)	Life (Non-participating) Individual Group	Investment Linked	Accident & Health Individual Group	Pension Business Fund				
.....(Rupees in '000).....										
Operating Cash Flows										
a) Underwriting activities										
	-	161,003	822,224	173,198	2,604,751	27,016	383,694	11,080	4,182,966	3,037,640
	-	(16,467)	(26,365)	(55,745)	-	(7,148)	(2,313)	-	(108,038)	(95,808)
	-	(28,899)	(50,572)	(82,576)	(2,344)	(8,597)	(329,055)	-	(502,043)	(408,472)
	-	(48,771)	(94,724)	-	(650,298)	-	-	(10,335)	(804,128)	(280,273)
	-	15,775	16,623	31,230	649	10,601	3,462	-	78,340	54,668
	-	(5,137)	(162,179)	(18,471)	(206,667)	(8,201)	(23,018)	-	(423,673)	(364,986)
	-	6,587	10,546	22,298	-	2,859	925	-	43,215	22,035
	-	84,091	515,553	69,934	1,746,091	16,530	33,695	745	2,466,639	1,964,804
Net cash flow from underwriting activities										
b) Other operating activities										
	(67,186)	-	-	-	-	-	-	-	(67,186)	(69,589)
	(5,295)	(16,775)	(150,659)	(27,435)	(76,994)	(3,538)	(47,971)	(1,134)	(329,801)	(320,332)
	10,387	1,522	6,488	359	7,290	189	9,940	-	36,175	28,900
	890	(376)	(10,381)	-	-	-	-	-	(9,867)	(7,045)
	118,686	(14)	15	(86,779)	-	-	(31,389)	(519)	-	-
	57,482	(15,643)	(154,537)	(113,855)	(69,704)	(3,349)	(69,420)	(1,653)	(370,679)	(368,066)
Net cash flow from other operating activities										
Total cash flow from all operating activities										
	57,482	68,448	361,016	(43,921)	1,676,387	13,181	(35,725)	(908)	2,095,960	1,596,738
Investment activities										
	62,249	126,013	244,224	36,085	128,924	2,965	7,551	5,926	613,937	420,024
	-	-	-	-	-	-	-	-	-	7,000
	(156,847)	(214,595)	(453,973)	96,856	(3,341,163)	(133)	1	(1,275)	(4,071,129)	(3,372,745)
	9,060	50,250	-	17,500	1,407,488	10,000	32,000	-	1,526,298	1,432,500
	(20,445)	-	-	-	-	-	-	-	(20,445)	(20,657)
	(1,323)	-	-	-	-	-	-	-	(1,323)	84
	11,281	1,261	1,027	472	(5,387)	50	173	36	8,913	5,088
	(96,025)	(37,071)	(208,722)	150,913	(1,810,138)	12,882	39,725	4,687	(1,943,749)	(1,528,706)
Total cash flow from investing activities										
Financing activities										
	(34,500)	-	-	-	33,000	-	-	1,500	-	-
	125,000	-	-	(100,000)	-	(21,000)	(4,000)	-	-	-
	90,500	-	-	(100,000)	33,000	(21,000)	(4,000)	1,500	-	-
Total cash flow from financing activities										
Net cash inflow/(outflow) from all activities										
	51,957	31,377	152,294	6,992	(100,751)	5,063	-	5,279	152,211	68,032
Cash and cash equivalents at the beginning of the year										
	16	3,494	-	-	120,796	751	-	-	125,057	57,025
Cash and cash equivalent at the end of the year										
22	51,973	34,871	152,294	6,992	20,045	5,814	-	5,279	277,268	125,057

Reconciliation to Profit and Loss Account

Operating cash flows		2,095,960	1,596,738
Depreciation and amortization expenses		(19,735)	(17,990)
Gain on disposal of fixed assets		7,626	4,168
Increase / (decrease) in assets other than cash		(78,742)	136,826
Increase in liabilities		(2,863,828)	(2,163,616)
Investment income		975,810	612,710
Profit received on bank deposits		6,796	(681)
Surplus of statutory funds		(122,530)	(186,907)
Surplus appropriated to Shareholders' fund		125,000	135,000
Profit after taxation		126,357	116,248

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2012

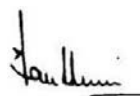
Note	Life (Participating)	STATUTORY FUNDS				AGGREGATE		2012	2011
		Life(Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Group	Pension Business Fund		
..... (Rupees in '000)									
Gross premiums									
Regular premium individual policies*									
First year	-	227,905	-	117,727	26,683	-	-	372,315	439,752
Second year renewal	-	190,771	-	71,194	-	-	-	261,965	315,999
Subsequent year renewal	70,585	472,378	-	175,167	-	-	-	718,130	534,620
Single premium individual policies	-	5,464	-	2,263,390	-	-	-	2,268,854	1,190,875
Group policies without cash values	-	-	180,932	-	-	357,132	11,080	549,144	512,220
Total gross premiums	70,585	896,518	180,932	2,627,478	26,683	357,132	11,080	4,170,408	2,993,466
Less: Reinsurance premiums ceded									
On individual life first year business	-	6,065	-	7,007	-	-	-	13,072	10,506
On individual life second year business	-	3,465	-	1,774	-	-	-	5,239	8,244
On individual life subsequent renewal business	10,024	8,579	-	4,366	-	-	-	22,969	17,788
On individual accident and health first year	-	-	-	-	4,567	-	-	4,567	3,466
On group policies	-	-	39,507	-	-	3,905	-	43,412	47,879
	10,024	18,109	39,507	13,147	4,567	3,905	-	89,259	87,883
Net premiums	60,561	878,409	141,425	2,614,331	22,116	353,227	11,080	4,081,149	2,905,583

* 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 integral part of these financial statements.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



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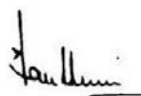
STATEMENT OF CLAIMS FOR THE YEAR ENDED DECEMBER 31, 2012

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life(Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Group	Pension Business Fund	2012	2011
..... (Rupees in '000)									
Gross claims									
Claims under individual policies									
by death	21,334	16,161	-	3,396	1,346	-	-	42,237	90,696
by insured event other than death	-	-	-	-	438	-	-	438	837
by maturity	8,301	-	-	-	-	-	-	8,301	11,189
by surrender	48,771	94,724	-	650,298	-	-	-	793,793	276,990
Total gross individual policy claims	78,406	110,885	-	653,694	1,784	-	-	844,769	379,712
Claims under group policies									
by death	-	-	62,811	-	-	-	-	62,811	121,320
by insured event other than death	-	-	195	-	-	324,404	-	324,599	267,154
experience refund	-	-	24,216	-	-	(10,891)	-	13,325	(13,038)
by surrender	-	-	-	-	-	-	10,335	10,335	3,283
Total gross group claims	-	-	87,222	-	-	313,513	10,335	411,070	378,719
Total gross claims	78,406	110,885	87,222	653,694	1,784	313,513	10,335	1,255,839	758,431
Less: Re-insurance recoveries									
On individual life first year business claims	-	140	-	(238)	-	-	-	(98)	8,788
On individual life second year business claims	-	80	-	-	-	-	-	80	7,558
On individual life renewal business claims	7,688	198	-	-	-	-	-	7,886	29,105
On individual accident and health business claims	-	-	-	-	63	-	-	63	18,353
On group business claims	-	-	7,993	-	-	-	-	7,993	65,112
	7,688	418	7,993	(238)	63	-	-	15,924	128,916
Net claims	70,718	110,467	79,229	653,932	1,721	313,513	10,335	1,239,915	629,515

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

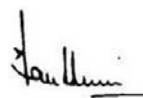
STATEMENT OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life(Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Group	Pension Business Fund	2012	2011
..... (Rupees in '000)									
Acquisition costs									
Remuneration to insurance intermediaries on individual policies:									
- Commission on first year premiums	-	120,384	-	56,331	8,201	-	-	184,916	239,347
- Commission on second year premiums	-	19,077	-	3,232	-	-	-	22,309	27,261
- Commission on subsequent renewal premiums	4,917	14,959	-	7,953	-	-	-	27,829	21,158
- Commission on single premium	-	-	-	134,851	-	-	-	134,851	68,617
- Other benefits to insurance intermediaries	3,265	27,307	-	12,001	-	-	-	42,573	46,282
	8,182	181,727	-	214,368	8,201	-	-	412,478	402,665
Remuneration to insurance intermediaries on group policies:									
- Commission	-	-	18,471	-	-	23,018	-	41,489	33,341
- Other benefits to insurance intermediaries	-	-	1,512	-	-	-	-	1,512	1,346
	-	-	19,983	-	-	23,018	-	43,001	34,687
Branch overheads									
- Salaries and other benefits	891	8,333	1,826	5,624	245	3,655	106	20,680	15,539
- Other Operational Cost	1,351	12,628	2,767	8,523	372	5,539	-	31,180	31,850
	2,242	20,961	4,593	14,147	617	9,194	106	51,860	47,389
Other acquisition cost									
- Policy stamps	603	5,637	-	-	-	-	-	6,240	4,423
	11,027	208,325	24,576	228,515	8,818	32,212	106	513,579	489,164
Administration expenses									
Salaries, allowances & other benefits	7,028	65,712	14,399	44,349	1,936	28,820	832	163,076	154,054
Travelling expenses	56	526	115	355	15	231	-	1,298	2,680
Auditors' remuneration	70	659	144	445	19	289	8	1,634	991
Medical fees	68	631	213	-	-	-	-	912	709
Legal and professional charges	11	106	23	71	3	46	1	261	773
Advertisement and publicity	23	212	47	143	6	93	-	524	1,280
Computer expenses	128	1,203	263	811	36	527	15	2,983	1,784
Printing and stationery	416	3,891	853	2,626	115	1,706	51	9,658	16,374
Depreciation and amortization	2,509	6,552	182	9,976	45	326	145	19,735	17,990
Rental	1,094	10,233	2,243	6,907	301	4,488	-	25,266	23,521
Other management expenses	17	1,672	16,268	3,593	11,066	483	7,192	40,376	40,819
Gross management expenses		24,102	314,318	46,651	305,264	11,777	75,930	779,302	750,139
Commission from reinsurers		(278)	(2,595)	(7,827)	(3,167)	(3,047)	(2,517)	(19,431)	(20,526)
Net management expenses		23,824	311,723	38,824	302,097	8,730	73,413	759,871	729,613

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

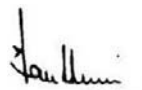
STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

Note	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life(Non-participating) Individual Group		Investment Linked	Accident & Health Individual Group		Pension Business Fund	2012	2011
..... (Rupees in '000)									
Investment income									
Return on government securities	141,288	284,191	37,370	179,021	3,585	7,436	6,318	659,209	498,519
Amortisation of premium	(391)	(620)	(47)	-	(7)	(28)	-	(1,093)	(7,013)
	140,897	283,571	37,323	179,021	3,578	7,408	6,318	658,116	491,506
Unrealized gain on available-for-sale' investment	-	-	-	181,193	-	-	-	181,193	65,918
Gain on sale of investment held as 'available for sale'	-	-	-	66,012	-	-	-	66,012	-
Net investment income	140,897	283,571	37,323	426,226	3,578	7,408	6,318	905,321	557,424

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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% (2011 : 66.46%) 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

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 Rupees, 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, 2012 are as follows:

- a) Reserves for Endowment policies with term not less than 20 years have been calculated using full preliminary term method with EFU (1961-66) ultimate mortality table at 3.75%, as prescribed by SECP.
- b) Reserves for Endowment policies with term less than 20 years have been calculated using combination of Full Preliminary Term Method and Net Level Premium Method with EFU(1961-66) ultimate mortality table at 3.75%, as prescribed by SECP.
- c) Universal Life, Investment Linked and Pension business have been valued using full account values. No deduction has been made for surrender charges for conservatism. There is no prescribed method by SECP for these lines of business but this is the generally accepted method of valuing policyholders' liabilities for these line of business. Reserve is kept for insurance risk based on unearned premium method. Reserve is also kept for loyalty bonus payable on investment linked policies.
- d) Reduced Paid ups and Extended Term insurances have been valued by net single premium method with EFU (1961-66) ultimate mortality table at 3.75%.
- e) Group Life Insurance, Individual Accident and Health and Group Accident and Health businesses have been valued using unearned gross premium reserve as this is the generally accepted method for such kind of businesses and there is no prescribed method by SECP. Unearned gross premium reserve 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, 2011, 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, 2012

During the year amendment to the following standards became effective however their application did not have material impact on the financial statements of the Company:

- Amendments to IAS 12 - Income Taxes – Deferred Tax: Recovery of Underlying Assets
- Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of financial assets

New accounting standards and IFRS interpretations 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 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 01, 2012
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
"Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment"	January 01, 2013
"Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction"	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
"Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities"	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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"

The potential impact of standards, amendments and interpretations not yet effective on the financial statements on the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year will be recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning from January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements which have been consistently applied during the year are set out below:

5.1 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

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

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Company enters into reinsurance contracts with foreign reinsurers 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 condition of the reinsurance treaty.

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

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

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

Experience refund of premium

Experience refund of premium payable to Group policyholders is included in outstanding claims.

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, 2012 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees. 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.12.107 million (2011: Rs. 10.721 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 yield method.

Available-for-sale

Shareholders' fund

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

Had the Company adopted International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" the investments of the Company would have been higher by Rs.1.66 million and net equity would have been higher by the same amount.

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.
- 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.

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

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

Actuarial valuation of life insurance business is required to be carried out annually at the balance sheet date. Policyholders' liabilities included in the statutory funds are based on the actuarial valuation carried out by the Appointed Actuary as at December 31, 2012.

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

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

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 loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. 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

2012 (Number of shares in '000)	2011		2012 (Rupees in '000)	2011
<u>50,000</u>	<u>50,000</u>	Ordinary Shares of Rs. 10 each fully paid in cash	<u>500,000</u>	<u>500,000</u>

American Life Insurance Company Inc. (incorporated in the United States of America) held 40,984,190 shares representing 81.97% (December 31, 2011 : 33,231,840 shares representing 66.46%) of the Company's shares as at December 31, 2012.

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

	2012 (Rupees in '000)	2011
Accumulated surplus in the statement of changes in equity ignoring effect of capital transfers at beginning of the year	541,393	425,145
Add: Surplus in profit and loss account for the year	<u>126,357</u>	<u>116,248</u>
Accumulated surplus in statement of changes in equity ignoring effect of capital transfers at end of the year	667,750	541,393
Less: Accumulated net capital transfers in statutory funds (note 8)	<u>(340,952)</u>	<u>(306,452)</u>
Accumulated surplus	<u>326,798</u>	<u>234,941</u>

- 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, 2012 has retained an amount of Rs. 115.94 million (December 31, 2011: Rs. 151.94 million) in the statutory funds. This has resulted in the shareholders' equity being lower by this amount.

8. RECONCILIATION OF STATUTORY FUNDS

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual Group Fund		Pension Business	2012	2011
----- (Rupees in '000) -----									
Policyholders' liabilities									
Balance at beginning of the year	862,551	1,953,227	84,779	1,826,468	17,581	133,811	49,215	4,927,632	2,978,461
Increase/(decrease) during the year	133,005	646,999	(12,719)	2,132,605	471	(4,421)	8,362	2,904,302	1,949,171
Balance at end of the year	<u>995,556</u>	<u>2,600,226</u>	<u>72,060</u>	<u>3,959,073</u>	<u>18,052</u>	<u>129,390</u>	<u>57,577</u>	<u>7,831,934</u>	<u>4,927,632</u>
Retained earnings on participating business attributable to participating policyholders - Ledger Account A									
Balance at beginning of the year	167,816	-	-	-	-	-	-	167,816	128,153
Surplus allocated during the year (note 8.1)	167,631	-	-	-	-	-	-	167,631	136,819
Surplus Adjustment	-	-	-	-	-	-	-	-	-
10% surplus transfer to Ledger Account B	-	-	-	-	-	-	-	-	(13,682)
Bonus allocated during the year	(99,605)	-	-	-	-	-	-	(99,605)	(83,474)
Closing balance at end of the year	<u>235,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,842</u>	<u>167,816</u>
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	29,374
Surplus adjustment	-	-	-	-	-	-	-	-	-
10% surplus transfer from Ledger Account A	-	-	-	-	-	-	-	-	13,682
Closing balance at end of the year	<u>43,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,056</u>	<u>43,056</u>
Retained earnings on other than participating business - Ledger Account D									
Balance at beginning of the year	-	(141,398)	39,136	(73,024)	7,943	15,961	(3,133)	(154,515)	(153,077)
Surplus/(deficit) allocated during the year	-	16,583	73,970	(37,022)	15,011	(11,575)	(2,463)	54,504	133,562
Surplus appropriated to Shareholders' Fund	-	-	(100,000)	-	(21,000)	(4,000)	-	(125,000)	(135,000)
Closing balance at end of the year	<u>-</u>	<u>(124,815)</u>	<u>13,106</u>	<u>(110,046)</u>	<u>1,954</u>	<u>386</u>	<u>(5,596)</u>	<u>(225,011)</u>	<u>(154,515)</u>
Capital contributed by shareholders' fund									
Balance at beginning of the year	-	224,452	-	77,500	-	-	4,500	306,452	255,952
Capital contributed during the year	-	-	-	33,000	-	-	1,500	34,500	50,500
Capital withdrawn during the year	-	-	-	-	-	-	-	-	-
	-	-	-	33,000	-	-	1,500	34,500	50,500
Balance at end of the year	<u>-</u>	<u>224,452</u>	<u>-</u>	<u>110,500</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>340,952</u>	<u>306,452</u>
Balance of statutory fund as on December 31, 2012	<u>1,274,454</u>	<u>2,699,863</u>	<u>85,166</u>	<u>3,959,527</u>	<u>20,006</u>	<u>129,776</u>	<u>57,981</u>	<u>8,226,773</u>	<u>5,290,441</u>

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 of bonus allocated during the year.

9. POLICYHOLDERS' LIABILITIES

As per actuary's advice, the policyholders' liabilities as at December 31, 2012 are as follows:

	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Health Group	Pension Business Fund	2012	2011
----- (Rupees in '000) -----									
Gross of reinsurance									
Actuarial liability relating to future events	998,775	2,597,776	46,858	3,958,306	11,939	97,601	57,577	7,768,832	4,874,394
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,455	3,006	-	9,863	1,356	-	20,680	15,088
Provision for incurred but not reported claims	875	3,292	37,337	1,183	2,329	30,996	-	76,012	70,255
Total	999,650	2,607,523	87,201	3,959,489	24,131	129,953	57,577	7,865,524	4,959,737
Net of reinsurance									
Actuarial liability relating to future events	994,815	2,591,473	33,988	3,957,890	11,321	97,037	57,577	7,744,101	4,849,165
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,163	3,006	-	4,472	1,357	-	14,998	11,207
Provision for incurred but not reported claims	741	2,590	35,066	1,183	2,259	30,996	-	72,835	67,260
Total	995,556	2,600,226	72,060	3,959,073	18,052	129,390	57,577	7,831,934	4,927,632

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, 2012:

	2012	2011
- Discount rate per annum (%)	13	13
- Expected rate of increase in the salaries of employees per annum (%)	13	13
- Expected interest rate on plan assets of the fund per annum (%)	12	12
- Expected remaining service length of employees	12 years	14 years

2012 2011
(Rupees in '000)

10.1 Balance sheet reconciliation

Present value of defined benefit obligations (note 10.3)	83,297	66,333
Fair value of plan assets (note 10.4)	(51,469)	(34,685)
Unrecognised actuarial losses	(18,176)	(21,375)
	<u>13,652</u>	<u>10,273</u>

	2012 (Rupees in '000)	2011		
10.2 Movement in liability during the year				
Opening balance	10,273	7,529		
Charge for the year (note 10.5)	13,670	12,308		
Contributions to the fund during the year	(10,055)	(9,152)		
Contributions - benefit payments on behalf of the fund	(236)	(412)		
Closing balance	<u>13,652</u>	<u>10,273</u>		
10.3 Movement in present value of defined benefit obligations				
Present value of obligations as at January 1	66,333	56,176		
Current service cost	7,633	6,992		
Interest cost	8,623	7,303		
Benefits paid during the year	(1,516)	(5,055)		
Actuarial loss	2,224	917		
Present value of obligations as at December 31	<u>83,297</u>	<u>66,333</u>		
10.4 Movement in fair value of plan assets				
Fair value of plan assets as at January 1	34,685	28,336		
Expected return on plan assets	3,815	3,117		
Contribution to the fund	10,055	9,152		
Contributions - benefit payments on behalf of the fund	236	-		
Benefits paid during the year	(1,516)	(5,055)		
Actuarial gain / (loss)	4,194	(865)		
Fair value of plan assets as at December 31	<u>51,469</u>	<u>34,685</u>		
10.5 Charge for the year				
Current service cost	7,633	6,992		
Interest cost	8,623	7,303		
Expected return on plan assets	(3,815)	(3,117)		
Actuarial loss recognised during the year	1,229	1,130		
	<u>13,670</u>	<u>12,308</u>		
10.6 Actual return on plan assets				
Expected return on assets	3,815	3,117		
Actuarial gain / (loss) on assets	4,194	(865)		
	<u>8,009</u>	<u>2,252</u>		
10.7 Composition of fair value of plan assets				
	2012	2011		
	Fair value (Rupees in '000)	Percentage %	Fair value (Rupees in '000)	Percentage %
Bonds	35,219	68.43	18,627	53.70
Cash at bank	16,250	31.57	16,058	46.30
	<u>51,469</u>	<u>100</u>	<u>34,685</u>	<u>100</u>

10.8 Five year data on deficit of the plans and experience adjustments

	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
Present value of defined benefit obligations	83,297	66,333	56,176	46,171	30,921
Fair value of plan assets	(51,469)	(34,685)	(28,336)	(18,564)	(11,328)
Deficit	<u>31,828</u>	<u>31,648</u>	<u>27,840</u>	<u>27,607</u>	<u>19,593</u>
Experience adjustments					
- Actuarial loss / (gain) on obligation	<u>2,224</u>	<u>917</u>	<u>(1,201)</u>	<u>7,497</u>	<u>15,122</u>
- Actuarial gain / (loss) on plan assets	<u>4,194</u>	<u>(865)</u>	<u>255</u>	<u>122</u>	<u>(38)</u>

10.9 The estimated contribution to the Fund for the year ended December 31, 2013 is Rs. 27.595 million.

11. OTHER CREDITORS AND ACCRUALS

SHARE HOLDER'S FUND	STATUTORY FUNDS						AGGREGATE			
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2012	2011	
----- (Rupees in '000) -----										
Withholding tax payable	-	175	1,630	74	998	44	146	4	3,071	4,364
Payable to workers' welfare fund	12,191	-	-	-	-	-	-	-	12,191	8,182
Compensated absences	-	1,331	12,442	2,726	8,397	366	5,457	158	30,877	20,786
Others	-	4,398	11,537	225	17,500	53	14,962	167	48,842	41,990
	<u>12,191</u>	<u>5,904</u>	<u>25,609</u>	<u>3,025</u>	<u>26,895</u>	<u>463</u>	<u>20,565</u>	<u>329</u>	<u>94,981</u>	<u>75,322</u>

12. INVESTMENTS

SHARE HOLDER'S FUND	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2012	2011
----- (Rupees in '000) -----									

12.1 Government securities

Held to maturity - at amortized cost

Pakistan Investment Bonds (note 12.1.1)	714,892	1,131,437	2,486,266	235,270	-	21,724	49,418	49,617	4,688,624	4,100,846
Treasury Bills (note 12.1.1)	-	-	-	-	-	-	-	-	-	7,776
	<u>714,892</u>	<u>1,131,437</u>	<u>2,486,266</u>	<u>235,270</u>	<u>-</u>	<u>21,724</u>	<u>49,418</u>	<u>49,617</u>	<u>4,688,624</u>	<u>4,108,622</u>

Available for sale - at fair value

Pakistan Investment Bonds (note 12.1.1)	-	-	-	-	1,160,034	-	-	-	1,160,034	1,069,754
Treasury Bills (note 12.1.1)	-	-	-	-	1,852,872	-	-	-	1,852,872	42,027
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,012,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,012,906</u>	<u>1,111,781</u>
	<u>714,892</u>	<u>1,131,437</u>	<u>2,486,266</u>	<u>235,270</u>	<u>3,012,906</u>	<u>21,724</u>	<u>49,418</u>	<u>49,617</u>	<u>7,701,530</u>	<u>5,220,403</u>

12.1.1 Particulars of Government Securities

	Tenure	Maturity Year	Rate of Return %	Profit Payment	2012 (Rupees in '000)	2011
Held to maturity						
- at amortized cost						
Pakistan Investment Bonds	3 years	2012	11.25	Half Yearly	-	24,831
Pakistan Investment Bonds	10 years	2012	11.00	Half Yearly	-	61,452
Pakistan Investment Bonds	5 years	2012	9.30	Half Yearly	-	24,197
Pakistan Investment Bonds	3 years	2013	11.25	Half Yearly	9,856	9,628
Pakistan Investment Bonds	5 years	2013	11.50	Half Yearly	272,506	269,264
Pakistan Investment Bonds	10 years	2013	8.00	Half Yearly	29,229	28,324
Pakistan Investment Bonds	10 years	2014	8.00	Half Yearly	28,119	26,930
Pakistan Investment Bonds	3 years	2014	11.25	Half Yearly	248,520	245,717
Pakistan Investment Bonds	5 years	2014	11.50	Half Yearly	69,041	68,567
Pakistan Investment Bonds	3 years	2015	11.25	Half Yearly	100,464	-
Pakistan Investment Bonds	5 years	2015	11.50	Half Yearly	165,820	163,024
Pakistan Investment Bonds	7 years	2015	11.75	Half Yearly	105,391	104,058
Pakistan Investment Bonds	10 years	2016	9.60	Half Yearly	466,845	462,787
Pakistan Investment Bonds	5 years	2016	11.50	Half Yearly	424,368	288,495
Pakistan Investment Bonds	7 years	2016	11.75	Half Yearly	24,510	24,412
Pakistan Investment Bonds	5 years	2017	11.50	Half Yearly	179,775	-
Pakistan Investment Bonds	10 years	2017	9.60	Half Yearly	228,171	224,876
Pakistan Investment Bonds	10 years	2018	12.00	Half Yearly	273,473	272,968
Pakistan Investment Bonds	15 years	2019	9.00	Half Yearly	11,790	11,890
Pakistan Investment Bonds	15 years	2019	9.00	Half Yearly	29,537	29,053
Pakistan Investment Bonds	10 years	2019	12.00	Half Yearly	44,125	44,047
Pakistan Investment Bonds	10 years	2019	12.00	Half Yearly	281,295	280,162
Pakistan Investment Bonds	10 years	2020	12.00	Half Yearly	447,047	443,754
Pakistan Investment Bonds	10 years	2021	12.00	Half Yearly	492,130	239,080
Pakistan Investment Bonds	15 years	2021	10.00	Half Yearly	722,999	719,772
Pakistan Investment Bonds	15 years	2023	12.50	Half Yearly	33,613	33,558
Treasury Bills	6 months	2012	13.21	On maturity	-	7,776
					4,688,624	4,108,622
Available for sale						
- at fair value						
Pakistan Investment Bonds	10 years	2018	12.00	Half Yearly	68,991	63,889
Pakistan Investment Bonds	10 years	2019	12.00	Half Yearly	130,143	120,140
Pakistan Investment Bonds	10 years	2020	12.00	Half Yearly	960,900	885,726
Treasury Bills	6 months	2012	13.21	On maturity	-	42,026
Treasury Bills	1 years	2013	9.25 to 10.33	On maturity	1,852,872	-
					3,012,906	1,111,781
					7,701,530	5,220,403

12.1.2 The aggregate market value of government securities carried at amortized cost at December 31, 2012 was Rs. 4,902.82 million (December 31, 2011 : Rs. 4,028.36 million).

12.1.3 The Company has deposited 15 years Pakistan Investment Bond amounting to Rs. 50 million (2011: Rs. 50 million) with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

SHARE HOLDER'S FUND	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Pension Group	Business Fund	2012

.....(Rupees in '000).....

12.2 Listed Mutual Funds

Available for sale - at fair value

Listed Mutual Funds (Note 12.2.1)

12,436	-	-	-	822,512	-	-	-	834,948	613,171
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12.2.1 Particulars of Listed Mutual Funds

Shareholders' fund		Investment linked fund		AGGREGATE	
2012	2011	2012	2011	2012	2011

.....(Rupees in '000).....

(note 12.2.2) (note 12.2.3)

Available for sale

NAFA Income Opportunity Fund	-	163	-	12,548	-	12,711
NAFA Stock Fund	61	54	5,621	3,473	5,682	3,527
NAFA Islamic Multi-Asset Fund	-	12	2,966	2,277	2,966	2,289
Arif Habib Pakistan Income Fund	6,681	1,710	240,553	172,844	247,234	174,554
Arif Habib Pakistan Stock Market Fund	3,504	497	47,262	27,803	50,766	28,300
Arif Habib Pakistan International Element Islamic Asset Allocation Fund	-	9	2,320	1,645	2,320	1,654
United Growth & Income Fund	80	36	2,369	2,255	2,449	2,291
United Stock Advantage Fund	598	997	72,867	40,997	73,465	41,994
United Islamic Income Fund	-	179	67,534	33,343	67,534	33,522
Faysal Money Market Fund	146	120	46,793	14,777	46,939	14,897
UBL Savings Income Fund	1,232	1,590	317,333	165,842	318,565	167,432
MCB Cash Management Optimizer Fund	13	-	-	130,000	13	130,000
ABL Stock Fund	121	-	16,894	-	17,015	-
	12,436	5,367	822,512	607,804	834,948	613,171

12.2.2 The aggregate market value of the units of open-end mutual funds in shareholders' fund as at December 31, 2012 was Rs. 14.098 million (December 31, 2011: Rs. 5.310 million).

12.2.3 The aggregate cost of the above units of open-end mutual funds in investment linked fund as at December 31, 2012 was Rs. 701.6 million (December 31, 2011: Rs. 576.306 million)

13. AMOUNT DUE FROM OTHER INSURERS / REINSURERS

This represents balances due from reinsurers:

	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Pension Group	Business Fund	2012

.....(Rupees in '000).....

Reinsurance recoveries against outstanding claims	7,774	20,306	65,351	-	8,094	2,005	-	103,530	141,747
Other reinsurance assets	7,709	20,136	4,243	-	17,262	-	-	49,350	19,958
Liability against net reinsurance premium	(9,420)	(24,605)	(57,082)	-	(18,799)	(1,969)	-	(111,875)	(59,171)
	6,063	15,837	12,512	-	6,557	36	-	41,005	102,534

14. SUNDRY RECEIVABLES

	STATUTORY FUNDS						AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Pension Group	Business Fund	2012

.....(Rupees in '000).....

Advances to employees against expenses

- executives	92	239	7	364	2	12	5	721	194
- others	4	12	-	18	-	1	-	35	77
	96	251	7	382	2	13	5	756	271
Deposits	956	2,497	69	3,802	17	124	55	7,520	6,298
Receivable from associated undertaking	-	-	-	-	-	5,628	-	5,628	1,116
Others	(181)	(257)	58	(239)	7	118	(1)	(495)	11,929
	871	2,491	134	3,945	26	5,883	59	13,409	19,614

15. FIXED ASSETS

	Note	2012 (Rupees in '000)	2011
Tangible assets	15.1	58,447	58,783
Intangible assets	15.2	1,193	1,434
Capital work in progress		1,323	-
		<u>60,963</u>	<u>60,217</u>

15.1 Tangible assets

	Leasehold Improvements	Computers			Motor Vehicles	Furniture & Fixtures	Office Equipment	Total
		AS400	Personal Computers	Sub total				
------(Rupees in '000)-----								
As at January 01, 2011								
Cost	42,371	21,785	16,941	38,726	37,988	30,327	17,605	167,017
Accumulated depreciation	(21,870)	(17,364)	(13,189)	(30,553)	(32,036)	(17,438)	(7,956)	(109,853)
Net book value	<u>20,501</u>	<u>4,421</u>	<u>3,752</u>	<u>8,173</u>	<u>5,952</u>	<u>12,889</u>	<u>9,649</u>	<u>57,164</u>
Year ended December 31, 2011								
Opening net book value	20,501	4,421	3,752	8,173	5,952	12,889	9,649	57,164
Additions	190	2,242	4,045	6,287	11,264	668	469	18,878
Disposals								
- Cost	518	258	1,060	1,318	12,152	936	118	15,042
- Accumulated depreciation	(309)	(258)	(1,053)	(1,311)	(11,561)	(844)	(98)	(14,123)
	209	-	7	7	591	92	20	919
Depreciation charge	(4,097)	(879)	(3,123)	(4,002)	(3,803)	(2,705)	(1,733)	(16,340)
Closing net book value	<u>16,385</u>	<u>5,784</u>	<u>4,667</u>	<u>10,451</u>	<u>12,822</u>	<u>10,760</u>	<u>8,365</u>	<u>58,783</u>
As at December 31, 2011								
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	<u>16,385</u>	<u>5,784</u>	<u>4,667</u>	<u>10,451</u>	<u>12,822</u>	<u>10,760</u>	<u>8,365</u>	<u>58,783</u>
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	<u>13,682</u>	<u>4,131</u>	<u>2,715</u>	<u>6,846</u>	<u>22,030</u>	<u>9,069</u>	<u>6,820</u>	<u>58,447</u>
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	<u>13,682</u>	<u>4,131</u>	<u>2,715</u>	<u>6,846</u>	<u>22,030</u>	<u>9,069</u>	<u>6,820</u>	<u>58,447</u>
Annual rate of depreciation (%)	<u>10</u>	<u>20</u>	<u>33</u>		<u>33</u>	<u>10</u>	<u>10</u>	

15.2 Intangible assets

	Cost		Amortisation			Carrying values as at December 31, 2012	Amortisation rate (%)	
	January 01, 2012	Additions	December 31, 2012	January 01, 2012	For the year			December 31, 2012
	----- (Rupees in '000) -----							
Computer software	4,282	274	4,556	2,946	624	3,570	986	33
Licences	1,299	200	1,499	1,201	91	1,292	207	33
2012	5,581	474	6,055	4,147	715	4,862	1,193	
2011	3,802	1,779	5,581	2,497	1,650	4,147	1,434	33

15.3 DISPOSAL OF FIXED ASSETS

Disposal of fixed assets during the year 2012 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	1,550	(1,339)	211	108	(103)	Negotiation	Miscellaneous
Office Equipments							
Generator (5 KV)	159	(70)	89	28	(61)	Negotiation	Al-Hussain & Company
Items having net book of Rs. 50,000 or less each	3,563	(3,178)	385	287	(98)	Negotiation	Miscellaneous
Leasehold Improvements							
Aluminium Partition	133	(52)	81	-	(81)	Negotiation	Al-Hussain & Company
Items having net book of Rs. 50,000 or less each	66	(26)	40	-	(40)	Negotiation	Miscellaneous
Computer Equipments							
Items having net book of Rs. 50,000 or less each	1,345	(1,345)	-	10	10	Negotiation	Miscellaneous
Motor Vehicles							
Suzuki Liana	1,233	(753)	480	870	390	Company policy	Shahid Hussain (ex-employee)
Items having net book of Rs. 50,000 or less each	16,485	(16,484)	1	7,610	7,609	Company policy / Negotiation	Employees / Miscellaneous
2012	24,534	(23,247)	1,287	8,913	7,626		
2011	15,042	(14,123)	919	5,088	4,169		

2012
(Rupees in '000)

2011

16. AUDITORS' REMUNERATION

Audit fee	1,234	763
Fee for review of half yearly financial information	250	103
Out of pocket expenses	150	125
	<u>1,634</u>	<u>991</u>

17. OTHER MANAGEMENT EXPENSES

	STATUTORY FUNDS						AGGREGATE		
	Life	Life (Non-participating)		Investment	Accident & Health		Pension	2012	2011
	(Participating)	Individual	Group	Linked	Individual	Group	Business Fund		
(Rupees in '000).....								
Vehicle and general repair and maintenance	432	4,031	883	2,720	119	1,768	-	9,953	10,241
Utilities-electricity, water and gas	353	3,147	736	2,183	43	1,352	-	7,814	8,982
Communication	325	2,856	681	1,998	25	1,219	4	7,108	6,321
Consultancy fee	83	773	169	522	19	342	10	1,918	760
Furniture and household appliances	24	222	48	150	6	98	3	551	1,207
Insurance	35	329	72	222	10	145	4	817	340
Interest on premium deposit in advance	-	642	-	-	-	-	-	642	590
Social security	25	231	51	156	7	101	3	574	425
Entertainment	18	168	37	114	5	76	-	418	386
Books and subscriptions	2	20	4	13	1	9	-	49	31
Miscellaneous expenses	375	3,849	912	2,988	248	2,082	78	10,532	11,536
	<u>1,672</u>	<u>16,268</u>	<u>3,593</u>	<u>11,066</u>	<u>483</u>	<u>7,192</u>	<u>102</u>	<u>40,376</u>	<u>40,819</u>

18. OTHER INCOME - NET

Return on saving accounts with banks	-	2,952	436	4,443	208	4,954	-	12,993	11,951
Gain on disposal of fixed assets	969	2,532	70	3,855	18	126	56	7,626	4,169
Interest on policy loans	2,597	6,782	-	-	-	-	-	9,379	8,236
Others (note 18.1)	693	1,382	50	2,757	13	5,215	40	10,150	7,843
	<u>4,259</u>	<u>13,648</u>	<u>556</u>	<u>11,055</u>	<u>239</u>	<u>10,295</u>	<u>96</u>	<u>40,148</u>	<u>32,199</u>

18.1 This includes an amount of Rs. 5.1 million (December 31, 2011: Rs. 5.3 million) in respect of administrative services provided to various clients.

19. EXPENSES NOT ATTRIBUTABLE TO STATUTORY FUND

	2012	2011
	(Rupees in '000)	
Donation (note 19.1)	140	30
Workers' welfare fund	4,009	3,746
Regulators fee	5,124	2,944
Legal and professional	18	34
Miscellaneous	156	163
	<u>9,447</u>	<u>6,917</u>

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

20. TAXATION

Current		
- for the year	68,750	64,246
- prior years	1,322	3,066
	<u>70,072</u>	<u>67,312</u>

20.1 Relationship between tax expense and accounting profit

Profit before tax	196,429	183,560
Tax at the applicable rate of 35% (2011: 35%)	68,750	64,246

20.2 Assessments upto assessment year 2002-2003 have been finalised. The income tax returns of the Company filed for tax years 2003 to 2012 are deemed to be assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

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

	2012	2011
	(Rupees in '000)	
21. EARNINGS PER SHARE - basic and diluted		
Profit after tax	<u>126,357</u>	<u>116,248</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>
	(Rupees)	
Earnings per share - basic and diluted (note 21.1)	<u>2.53</u>	<u>2.32</u>

21.1 There were no convertible potential ordinary shares in issue as at December 31, 2011 and December 31, 2012.

22. CASH AND CASH EQUIVALENTS

SHARE HOLDER'S FUND	STATUTORY FUNDS						AGGREGATE		
	Life (Participating)	Life (Non-participating) Individual	Investment Group	Linked	Accident & Health Individual	Pension Group	2012	2011	
	(Rupees in '000)								
Cash and stamps in hand	1,333	-	-	-	-	-	1,333	630	
Current and other accounts (note 22.1)	50,640	34,871	152,294	6,992	20,045	5,814	5,279	275,935	
Deposits maturing within 3 months	-	-	-	-	-	-	-	40,000	
	<u>51,973</u>	<u>34,871</u>	<u>152,294</u>	<u>6,992</u>	<u>20,045</u>	<u>5,814</u>	<u>5,279</u>	<u>277,268</u>	
								<u>125,057</u>	

22.1 This includes deposits and saving accounts that carry mark-up rates ranging from 5% to 9% (2011: 5% to 10%).

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	2012			2011		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	(Rupees in '000)					
Managerial remuneration	15,991	87,454	103,445	14,218	76,013	90,231
Bonus and Housing	7,636	4,419	12,055	6,497	2,794	9,291
Retirement benefits	3,999	13,899	17,898	3,415	11,251	14,666
Utilities / Telephone	230	360	590	-	481	481
Other benefits	510	932	1,442	159	595	754
	<u>28,366</u>	<u>107,064</u>	<u>135,430</u>	<u>24,289</u>	<u>91,134</u>	<u>115,423</u>
Number of persons, including those who worked part of the year	(Number)					
	<u>1</u>	<u>61</u>	<u>62</u>	<u>1</u>	<u>52</u>	<u>53</u>

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 in addition to 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.

24. Management of insurance and financial risk

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

24.1 Insurance risk

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

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

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

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

Categories of insurance contracts

Insurance contracts issued by the Company are divided into:

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

24.1.1 Short term Insurance contracts

(a) Frequency and severity of claims

These contracts mostly pay a pre-determined amount on death and disability without any maturity or surrender values. These contracts are issued to individuals and also to employers to 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.

24.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

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

in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

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

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with 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 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.

24.1.3 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.

	<u>Gross sum insured</u>		<u>Reinsurance</u>		<u>Net</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	----- <u>(Rupees in million)</u> -----					
Life (participating)	18,581	10,807	5,073	4,500	13,508	6,307
Life (non-participating) – Individual	27,091	21,475	8,765	8,898	18,326	12,577
Life (non-participating) – Group	72,623	75,175	18,822	17,095	53,801	58,080
Investment Linked	18,101	8,558	14,672	6,750	3,429	1,808
Accident & Health – Individual	9,715	9,873	1,972	1,901	7,743	7,972
	146,111	125,888	49,304	39,144	96,807	86,744

24.1.4 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 2012 therefore claim development table is not required to be presented. However, aging of outstanding claims and movement of outstanding claims net of experience refund receivable is presented below:

	2012	2011
	(Rupees in '000)	
Aging of outstanding claim		
Upto 1 year	156,863	195,928
1-2 years	110,087	101,539
2-3 years	10,781	16,814
Over 3 years	36,040	33,585
Total	313,771	347,866

Movement of outstanding claim - net of experience refund receivable

Opening balance	347,866	239,308
Total gross claims	1,255,839	758,431
Claims paid	(1,289,934)	(649,873)
Closing balance	313,771	347,866
Less: experience refund receivable - closing	(111,897)	(95,660)
Outstanding claim - net of experience refund receivable	201,874	252,206

24.1.5 Assets - liabilities matching

	Fixed and guaranteed insurance and investment contracts	Contract with DPF		Unit-linked contracts		Corporate			Total
		Insurance contract	Investment contract	Insurance contract	Investment contract	Short-term insurance contracts	Other financial assets and liabilities	Other assets and liabilities	
(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 - unlisted securities	-	-	-	-	822,512	-	12,436	-	834,948
Loans and receivable									
-Insurance receivables	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									
	340,841	57,714	-	-	71,541	-	21,901	36,457	528,454
Total Assets	3,462,026	1,314,977	-	-	4,042,149	-	802,559	36,457	9,658,168
Long-term insurance contracts and investment contracts with DPF:									
-Insurance contracts	2,600,226	995,556	-	-	3,959,073	-	-	-	7,554,855
-Investment contracts	-	-	-	-	-	-	-	-	-
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	518,963	315,795	-	-	44,189	-	12,218	-	891,165
Total Liabilities	3,462,026	1,314,977	-	-	4,042,149	-	12,218	-	8,831,370

24.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced

by the Company. The Company Audit Committee is assisted in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

24.2.1 Credit risk

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

24.2.1.1 Exposure to credit risk

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

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

	2012	2011
	------(Rupees)-----	
Bank deposits	450,935	124,427
Loans - secured		
against life insurance policies	98,606	87,849
to employees	589	807
to agents	768	1,440
Investments	834,948	613,171
Premiums due but unpaid	68,615	112,166
Amounts due from other insurers / reinsurers	41,005	102,534
Amounts due from agents	2,532	1,475
Sundry receivables	13,409	19,614
Accrued interest	7,002	207
Experience refund receivable	111,897	95,660
	<u>1,630,306</u>	<u>1,159,350</u>

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

	<u>Rating</u>		<u>Rating Agency</u>
	<u>Short term</u>	<u>Long term</u>	
Bank Al-Falah Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Barclays Bank PLC	P-1	A2	MOODY'S
Citibank N.A.	P-1	A1	MOODY'S
HSBC Bank Middle East Limited	P-1	A1	MOODY'S
KASB Bank Limited	A3	BBB	PACRA
MCB Bank Limited	A1+	AAA	PACRA
National Bank Limited	A-1+	AAA	JCR-VIS
NIB Bank Limited	A1+	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
Summit Bank Limited	A-2	A-	JCR-VIS

Premium due but unpaid

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As

a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. Sector-wise analysis of premium due but unpaid at the reporting date was:

	December 31, 2012		December 31, 2011	
	(Rupees in '000)	%	(Rupees in '000)	%
Banks	11,078	16.1	26,996	24.1
Insurance	-	-	499	0.4
Textiles	283	0.4	1,201	1.1
Food and allied industries	5,373	7.8	20,723	18.5
Chemical and pharmaceuticals	3,425	5.0	6,880	6.1
Technology & Communication	8,882	12.9	15,002	13.4
Oil and gas	367	0.5	-	-
Miscellaneous	19,591	28.6	19,893	17.7
Individuals	19,616	28.6	20,972	18.7
	<u>68,615</u>	<u>100</u>	<u>112,166</u>	<u>100</u>

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.

24.2.2 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).

	Level 1	Level 2	Level 3
	(Rupees in '000)		
	-----	-----	-----
December 31, 2012			
Assets carried at fair value			
Available-for-sale investments	<u>3,847,854</u>	<u>-</u>	<u>-</u>
December 31, 2011			
Assets carried at fair value			
Available-for-sale investments	<u>1,724,952</u>	<u>-</u>	<u>-</u>

24.2.3 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:

	2012		2011	
	Carrying Amount	Contractual cash flows upto one year	Carrying Amount	Contractual cash flows upto one year
------(Rupees in '000)-----				
Non-Derivative Financial liabilities				
Outstanding claims	313,771	313,771	347,866	347,866
Amount due to other insurers / reinsurers	13,013	13,013	7,121	7,121
Amount due to agents	30,102	30,102	41,324	41,324
Accrued expenses	65,156	65,156	58,250	58,250
Other creditors and accruals	79,719	79,719	62,776	62,776
Unclaimed dividend	27	27	27	27
	<u>501,788</u>	<u>501,788</u>	<u>517,364</u>	<u>517,364</u>

24.2.4 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.

24.2.4.1 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:

	2012	2011	2012	2011
	Effective interest rate (in %)		------(Rupees in '000)-----	
Fixed rate instruments				
- Government securities	(6.45 to 14.86)	(4.86 to 14.86)	<u>4,688,624</u>	<u>4,108,622</u>
Variable rate instruments				
- Savings accounts & Deposit	(5 - 9)	(5 to 10)	<u>128,987</u>	<u>93,056</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company is exposed to cash flow interest rate risk in respect of its deposits with banks. In case 100 basis points (bp) increase / decrease in interest rates at year end, assuming that all other variables in particular foreign currency rates remain constant, the net income and equity would have higher / lower by Rs.0.118 million (2011: 0.170 million).

24.2.4.2 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:

	Effective Yield / Interest rate %	Total	2 0 1 2				Non-interest bearing
			Upto one year	Over one year upto five years	Over five years upto ten years	Over ten years	
------(Rupees in '000)-----							
Balance sheet - financial instruments							
Financial Assets							
Cash and others		1,333	-	-	-	-	1,333
Current and other accounts	5 - 9	275,935	-	-	-	-	275,935
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	311,591	2,041,024	3,462,430	33,613	1,852,872
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 agents		2,532	-	-	-	-	2,532
Sundry receivables		13,409	-	-	-	-	13,409
Accrued interest		239,510	-	-	-	-	239,510
Experience refund receivable		111,897	-	-	-	-	111,897
		9,565,677	486,591	2,041,024	3,462,430	33,613	3,542,019
Financial Liabilities							
Outstanding claims		313,771	-	-	-	-	313,771
Amount due to other insurers/reinsurers		13,013	-	-	-	-	13,013
Amount due to agents		30,102	-	-	-	-	30,102
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		9,063,889	486,591	2,041,024	3,462,430	33,613	3,040,231
Total yield / interest rate risk sensitivity gap			486,591	2,041,024	3,462,430	33,613	
Cumulative yield / interest rate risk sensitivity gap			486,591	2,527,615	5,990,045	6,023,658	

2 0 1 1							
	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
------(Rupees in '000)-----							
Balance sheet - financial instruments							
Financial Assets							
Cash and others		630	-	-	-	-	630
Current and other accounts	5 - 13	84,427	80,311	-	-	-	4,116
Deposits maturing within 12 months	7.75	40,000	40,000	-	-	-	-
Loans - secured							
against life insurance policies		87,849	-	-	-	-	87,849
to employees		807	-	-	-	-	807
to agents		1,440	-	-	-	-	1,440
Investments -Government securities	4.86 - 14.86	5,220,403	-	1,025,994	4,160,851	33,558	-
Investments -Listed mutual funds		613,171	-	-	-	-	613,171
Premiums due but unpaid		112,166	-	-	-	-	112,166
Amount due from other insurers/reinsurers		102,534	-	-	-	-	102,534
Amount due from Agent		1,475	-	-	-	-	1,475
Sundry receivables		19,614	-	-	-	-	19,614
Accrued interest		203,914	-	-	-	-	203,914
Experience refund receivable		95,660	-	-	-	-	95,660
		6,584,090	120,311	1,025,994	4,160,851	33,558	1,243,376
Financial Liabilities							
Outstanding claims		347,866	-	-	-	-	347,866
Amount due to other insurers/reinsurers		7,121	-	-	-	-	7,121
Amount due to agents		41,324	-	-	-	-	41,324
Accrued expenses		58,250	-	-	-	-	58,250
Other creditors and accruals		62,776	-	-	-	-	62,776
Unclaimed dividend		27	-	-	-	-	27
		517,364	-	-	-	-	517,364
Balance sheet gap		6,066,726	120,311	1,025,994	4,160,851	33,558	726,012
Total yield / interest rate risk sensitivity gap			120,311	1,025,994	4,160,851	33,558	
Cumulative yield / interest rate risk sensitivity gap			120,311	1,146,305	5,307,156	5,340,714	

24.3 Fair value of financial instruments

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

25. CAPITAL MANAGEMENT

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

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

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

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

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

26.2 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	2012	2011
		------(Rupees '000)-----	
i. Holding Company	Reinsurance premium - net of commission	3,428	3,328
	Charges for administrative services provided	366	256
	Reimbursement of expenses incurred on behalf of holding Company	5,143	3,292
ii. Associated undertaking	Consultancy charges	788	384
iii. Staff retirement funds	Contribution made to provident fund	12,107	10,721
	Contribution made to gratuity fund	10,055	9,152
iv. Key management personnel	Remuneration paid	83,223	113,383
	Mark-up on loan	61	79
	Vehicle having nil book value transferred under employees car scheme (Sale proceeds)	2,439	4,489

Balances with related parties are as follows:

i. Holding Company	Reinsurance premium payable	110	5,415
	Receivable against claims services provided on their behalf	-	1,116
	Reinsurance recoveries receivable	11,466	11,466
ii. Associated undertaking	Consultancy charges payable	662	490
iii. Key management personnel	Loans receivable	589	807

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

27. NON-ADJUSTING SUBSEQUENT EVENTS

- 27.1** Subsequent to the year end, a share purchase agreement dated January 21, 2013 has been entered into between IGI and holding company in respect of the sale by the holding company of their entire shareholding in the Company (40,986,690 ordinary shares of Rs. 10/- each, representing approximately 81.97% of the total issued, subscribed and paid-up capital of the Company) to IGI at Rs. 20/= per share. The successful consummation of this transaction is subject to completion of regulatory requirements pursuant to the Takeover Ordinance, 2002.
- 27.2** On March 22, 2013, certain employees of the Company have filed a suit against the Company, its parent Company and others raising concern over the Share Purchase Agreement dated January 21, 2013 and its impact on their job security and benefits.

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 March 29, 2013 by the Board of Directors of the Company.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

STATEMENT OF DIRECTORS


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

Section 46 (6)

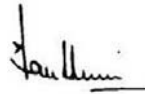
- a) In our opinion the annual statutory accounts of the American Life Insurance Company (Pakistan) Limited set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made thereunder;
- b) American Life Insurance Company (Pakistan) Limited has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- c) As at December 31, 2012, American Life Insurance Company (Pakistan) Limited continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements.

Section 52 (2)

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



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

STATEMENT OF ACTUARY

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

In my opinion:

- a) the policyholder liabilities included in the balance sheet of American Life Insurance Company (Pakistan) Limited as at December 31, 2012 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, 2012.

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

Karachi Date : March 29, 2013

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth 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 Friday, April 26, 2013 at 9.00 a.m. to transact the following business: -

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the Company held on April 26, 2012.
2. To receive, consider and adopt the Annual Audited financial statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2012.
3. To appoint auditors for the year ended December 31, 2013 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.

Special Business

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

Karachi
April 04, 2013

By order of the Board
Asim Iftikhar
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 20, 2013 to April 26, 2013 (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 18th Annual General Meeting of the Company to be held on April 26, 2013.

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. 28.3 million based on actuals for the year ended December 31, 2012, and the remuneration amounting Rs. 29.9 million as estimated for the year ending December 31, 2013, together with other benefits in accordance with the rules of the Company."

PROXY FORM
Eighteenth 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) _____

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 Eighteenth Annual General Meeting of the Company to be held on Friday, April 26, 2013 at 9.00 am at Institute of Chartered Accountants Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2013

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.