

Eastern Federal Union Insurance Company Limited

Annual Report 1998

MEMORIAM

MR. ROSHEN ALI BHIMJEE left this world on Thursday December 10, 1998 at the age of 81. The number of persons to mourn his sad demise are more than one could imagine. He was a person who would smoothly fit into the company of people of all ages, most of all children. His friends included. people from all walks of life and each of them earned his or her share of encouragement from him.

Mr. Bhimjee took over the reins of then Eastern Federal Union Insurance Co. Ltd in 1961 The Company was in feeble state. But soon with perseverance and dedication he fashioned it into an awesomely imposing insurance giant second to none in the professional field. We can rightly term Mr. Bhimjee the true architect of EFU.

EFU was the household name in the field of Life Insurance before nationalisation and it rightly claimed that every second insured person was insured with EFU. Mr. Bhimjee was also the pioneer in introducing and developing 'group life insurance' in the country, the armed forces being the first beneficiaries of the scheme. The company had attained the distinction in 1972 of being operationally the largest insurance company when came the sudden jolt of nationalisation of life insurance. However, the spirit of Mr. Bhimjee remained undaunted. He blazed his trail across the oceans and founded insurance companies in United Kingdom, the United Arab Emirates and in Saudi Arabia.

Mr. Bhimjee was a man of immeasurable will power and determination. When he set a goal before himself nothing could stop him from achieving it. His motto was perseverance, patience and perseverance. This was indeed the secret of EFU's success. But above all was the kindness and compassion inherent in his personality and in the language he spoke - a language which the deaf could hear and blind could read. He fostered a family culture at EFU and in his death we have lost a patriarch. But the family with its filial bonds will go on.

May Allah the munificent and merciful grant to the departed soul eternal bliss and may Allah give courage to his family, to EFU family, to his friends and acquaintances and their families to bear the loss with fortitude. Amen

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COMPANY INFORMATION

Chairman
SAIFUDDIN N. ZOOMKAWALA

Managing Director & Chief Executive
TAHER G. SACHAK

Directors
ASHRAF W. TABANI
JAHANGIR SIDDIQUI
RAFIQUE R. BHIMJEE
MUNEER R. BHIMJEE
HASANALI ABDULLAH

Corporate Secretary
SYED MEHDI IMAM

Chief Consulting Actuary & Advisor

MICHAEL J de H. BELL, F.I.A.

Consulting Actuary

OMER MORSHED, F.I.A., F.C.A.

Medical Director

DR. TAJUDDIN A. MANJI, F.R.C.P., M.R.C.P.

Legal Advisor

MUHAMMAD ALI SAYEED, M.A.B.L.

Auditor

HYDER BHIMJI & CO.

Chartered Accountants

Karachi.

Registered Office

70-W, AI-Malik Centre

Blue Area - F-7/G-7

Islamabad

Main Offices

37K, Block-6, P.E.C.H. Society

Karachi.

EFU House, 6-D, Main Gulberg, Jail Road

Lahore

MANAGEMENT

Managing Director & Chief Executive

TAHER G. SACHAK

Executive Director

S. MUNEEER HUSAIN RIZVI

National Sales Director

NASEEM A. CHAUDHARI

General Managers

S.A.R. ZAIDI

S.M: BAQAR NAQVI

Senior Managers

HASAN RIAZ

LINDSAY D'MELLO

S. SHAHID ABBAS

T.H. SAYYED

Managers

ADEEL H. JAFRI

MOHAMMAD KASHIF NAQVI

MOHAMMAD MUNAWAR KHALIL

MOHAMMAD ZUBAIR

ZAHEER ASLAM

Deputy Managers

EVELYN D'ABROGENA

FAZAL MEHMOOD

SAIMA NAQVI

Advisors

S.A. NAQVI

ZAHURUL HAQ BUTT

NOTICE OF MEETING

Notice is hereby given that the 7th Annual General Meeting of the Shareholders of E F U Life Assurance Ltd. will be held at the Registered Office of the Company on 4th Floor, 70-W AI-Malik Centre,

Blue Area, F-7/G-7 Islamabad on Tuesday June 22, 1999 at 10:00 a.m. to transact the following business:

A -- ORDINARY BUSINESS:

1. To confirm the minutes of the 6th Annual General Meeting held on June 24, 1998.
2. To receive and consider the Audited Accounts for the year ended. December 3 i, 1998.
3. To appoint Auditors for the year 1999 and fix their remuneration.
4. To elect five Shareholders Directors in accordance with the provisions of the Companies Ordinance, 1984. The retiring Shareholders Directors are Messrs Ashtar W. Tabani, Jahangir Siddiqui, Rafique R. Bhimjee, Muneer R. Bhimjee and Taher G. Sachak.

B -- SPECIAL BUSINESS:

5. To approve the remuneration of Managing Director (Chief Executive)
6. To transact any other business with the permission of the Chair.

By Order of the Board

SYED MEHDI IMAM
Corporate Secretary

April 10, 1999

NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy and vote in respect of him. Forms of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
2. The Share Transfer Books of the Company will be closed from June 12, 1999 to June 22, 1999 (both days inclusive).
3. Nominations/Consent for the office of the Directors must be received at least 14 clear days before the meeting at the Registered Office of the Company.
4. Members are requested to communicate to the Company of any change in their addresses.
5. The Board of Directors has fixed the number of Directors at seven (including two to be elected by policyholders).

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984:

The following Ordinary resolution is proposed for approval of remuneration of Managing Director (Chief Executive):

"Resolved that the Company approves and authorises payment of Rs. 2.5 million annually to Mr. Taher G. Sachak Managing Director (Chief Executive) of the Company and also authorises Chairman to determine increases. He would be entitled to free furnished accommodation and other privileges and benefits in accordance with the terms and conditions of service and rules of the Company".

REPORT OF THE DIRECTORS TO MEMBERS

The Directors of your Company are pleased to present to you the Seventh Annual Report of the Company for the year ended December 31, 1998.

Towards the end of the year the Company lost its founder Chairman and guiding force, Mr. Roshen Ali Bhimjee, known as the father of insurance in Pakistan. The Board of Directors will feel this great loss but determines to continue along the same path and with the same management philosophy left behind by Mr. Bhimjee.

1998 was a very difficult year for the country; especially the period following the nuclear explosion which saw foreign currency accounts frozen and the value of the rupee fluctuate wildly. This situation had an adverse impact on life insurance sales. Your company, however, continued to consolidate it's position in both the Group and Individual life markets, and emerged as a clear leader amongst the private sector life insurance companies.

The Group Life business of the Company registered a growth of 26 % in terms of written premium over the previous year. Premiums written amounted to Rs. 145 million of which Rs. 140 million were booked, representing 700 policies and over 300,000 insured lives. Group Life claims incurred during 1998 amounted to Rs. 82.7 million.

Individual life business registered an increase of 43.6 % during the year, with new annual premiums written during 1998 amounting to Rs. 77 million as against Rs. 53.6 million in 1997. The field force rose to 700 persons and branches to 25 by the end of the year. Renewal premiums continued to build up with stable persistency. Your Company has sound investment strategies for Policyholders' Fund and therefore the Unit Price of the Fund continued to appreciate throughout the year.

Your Company continues to carry out an annual actuarial valuation and set up full actuarial reserves at the end of the each year. As the business matures, reserves are increasing steadily being Rs. 206.8 million as at December 31, 1998 as compared to Rs. 122.1 million at the end of 1997. The Company's profitability continued to improve and a surplus of Rs. 5.8 million was generated before tax compared to Rs. 1.4 million for 1997. The Company has provided Rs. 2.2 million for taxation being the Turn-over tax under section 80-D of the Income Tax Ordinance 1979 for 1998 and prior years. This is being contested by your Company. The Company has appealed in the High Court of Sindh at Karachi against the order of the Income Tax Appellate Tribunal.

The administrative infrastructure of the Company continued to be strengthened with the continued enhancement of the life insurance administration software, which was also tested as being Year 2000 compliant. Your Company continues to apply the high quality service requirements which come from being ISO-9002 certified and completed a satisfactory audit of its quality management procedures in early 1999.

The earning was Rs. 0.36 per Shares.

Your Company offers the most comprehensive individual life product range and continues to constantly keep it under review to ensure that it stays at the leading edge of the market. A new single-premium product was launched with effect from 1 March 1999 along with certain new additional benefits for the regular premium products.

The Company continues to receive valuable guidance from Mr. Michael J. de H.Bell, an actuary of international fame who acts as an advisor to the Board. We wish to record our grateful appreciation for the expert guidance provided by him to your Company. We further wish to recognize and place on record our appreciation of the contribution made by our Consulting Actuary Mr. Omer Morshed for his invaluable advice on actuarial, administrative and marketing policies of the Company.

We would also like to record our appreciation and gratitude to Munchener Ruckversicherungs Gesellschaft (Munich Re) of Germany who are your Company's main reinsurers, and who, apart from providing reinsurance cover, continue to provide useful technical support to the Company with regard for improvements in the design of existing products and development of new products. Munich Re is the largest reinsurance company in the World with assets exceeding Rs. 1,912 billion.

Our thanks are also due to EFU General Insurance Ltd. for their continuous support and guidance which has enabled the Company to establish a strong presence in the market within a short span of time.

The term of the present Board of Directors expires on June 22, 1999 and election for the next term will be held at the Seventh Annual General Meeting of the Company to be held on June 22, 1999. The Board of Directors has fixed the strength of the Board for the next term at seven (inclusive of two Directors to be elected by Policyholders).

Messrs. Hyder Bhimji & Co., Chartered Accountants, retire and being willing to continue are recommended for reappointment as Auditors of the Company for the year 1999.

The Directors wish to record their appreciation for the tremendous contribution made by the able and eminent officers staff and field force of the Company towards its development and growth. Their continuous commitment to high ethical standards, client service and hard work has helped your Company emerge as a clear market leader amongst private sector life insurers.

Finally we would like to thank our clients for the confidence expressed in us and also to the Department of Insurance, Government of Pakistan for the co-operation extended to us throughout the year.

JAHANGIR SIDDIQUI	TAHER G. SACHAK	SAIFUDDIN N. ZOOMKAWALA
Director	Managing Director & Chief Executive	Chairman

Karachi April 10, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of E F U LIFE ASSURANCE LIMITED as at December 31, 1998, and the related Revenue Account and Appropriation Account and the Statement of Changes in Financial Position (Cash Flow Statement) together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof, we

report that;

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

(b) in our opinion:

(i) the Balance Sheet and the Revenue Account together with the notes thereon, have been drawn up in conformity with the provisions of the Insurance Act, 1938 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the Company, the Balance Sheet, the Revenue Account and Appropriation Account together with the notes thereto give the information required by the Insurance Act 1938~ in tile manner so required and the Balance Sheet, the Revenue Account give, respectively, a true and fait' view of the state of the Company's affairs as at December 31, 1998 and of the profit for tile year then ended.

(d) we have verified the cash and bank balances and investments by actual inspection or by the production of certificates;

(e) as per Section 40B (2) of the Insurance Act, 1938 as amended, we certify that all expenses of management in respect of Life Insurance business transacted by the Company in Pakistan have been fully debited to the Revenue Account as expenses;

(f) as per Regulation 11 Part 1 in Third Schedule of the Insurance Act 1938 as amended we certify that the Company has not paid to any person any commission in any form outside Pakistan in respect of Life Insurance business transacted by the Company in Pakistan and that the Company has not received outside Pakistan from any person any commission in any form in respect of any business abroad; and

(g) no part of the Assets of the Life Assurance Fund has been directly or indirectly applied in contravention of the Insurance Act, 1938, relating to application and investment of Life Assurance Fund; and

(h) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi April 10, 1999
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

REVENUE ACCOUNT FOR THE YEAR ENDED 31, DECEMBER 1998

	1998 Rupees	1997 Rupees
Claims less reinsurances	48,423,169	37,121,657
Commission to Insurance Agents	36,902,816	24,507,189
Expenses of Management		
Salaries & Benefits	50,028,182	38,743,929
Travelling Expenses	3,274,886	1,671,070
Audit Fee	30,000	20,000
Medical fee	2,240,624	1,226,411
Advertisement & Publicity	1,506,616	1,462,337
Printing & Stationery	4,471 ,878	4,264,756
Insurance Expenses	839,293	856~684
Other Expenses of Management		
Policy Stamps	805,160	593,351
Telephone & Fax Expenses	4,550,956	4,058,922
Postage and telegram	1,087,719	840,913
Electricity & gas	3,409,842	2,300,205
Rent rates & taxes	5,681,975	4,762,692
Repair & maintenance	1,724,682	1,168,516
Computer maintenance	477,267	280,049
Training expenses	1,056,570	1,301,464
Entertainment	633,814	682,375
Bank Charges	618,074	405,866

Directors' Fee	8,500	6,000
Professional Charges	1,182,711	1,456,623
Miscellaneous Expenses	2,779,105	1,686,102
	-----	-----
	24,016,375	19,543,078
Depreciation	5,372,024	4,066,307
Preliminary & Deferred Expenses written off	1, 145,012	1, 145,010
Provision for Taxation	2,200,000	-
Balance of Life Fund at the end of the year as shown in the Balance Sheet	206,805,482	1,221,621,000
Surplus for the year carried to Appropriation Account	3,609,721.	1,420,835
	-----	-----
	390,866,078	258,211,263
	=====	=====
Balance of Life Fund at the beginning of the year	122,162,000	78,180,000
Premium less reinsurances		
(i) First year premium where the maximum premium paying period is:		
Five years	12,032	256,855
Eight years	3,51 1	26,594
Ten years	1,560,716	851,675
Eleven years	99,954	124,345
Twelve years or over (including through out life)	78,470,926	45,285,745
	-----	-----
	80,147,139	46,545,214
(ii) Renewal premium - second year premium	33,764,298	23,327,923
Third year premium and over	39,952,191	19,578,606
(iii) Single premium	3,066,819	2,160,234
(iv) Group premium	83,430,966	67,465,703
	-----	-----
	240,361,413	159,077,680
Interest, Returns and Dividend	25,093,025	14,979,848
Less: income Tax deducted at source	198,844	250,250
	-----	-----
	24,894,181	14,729,598
Profit on sale of Investments	2,318,825	5,565,942
Profit on sale of Assets	1,063,860	623,589
Difference in Exchange	65,799	34,454
	-----	-----
	390,866,078	258,211,263
	=====	=====

APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31, DECEMBER 1998

	1998	1997
	Rupees	Rupees
Loss brought forward from previous year	(31,949,133)	(33,369,968)
Surplus for the year transferred from Revenue Account	3,609,721	1 ,420,835
	-----	-----
	(28,339,412)	'(31,949,133)
	=====	=====
Accumulated Loss carried to Balance Sheet	(28,339,412)	(31,949,133)
	-----	-----
	(28,339,412)	(31,949,133)
	=====	=====

NOTE: The annexed notes form an integral part of these accounts

	HYDER BHIMJI & CO.	JAHANGIR SIDDIQUI	TAHER G. SACHAK	SAIFUDDIN N. ZOOMKAWALA
Karachi April 10, 1999	Chartered Accountants	Director	Managing Director & Chief Executive	Chairman

BALANCE SHEET AS AT 31 DECEMBER 1998

CAPITAL & LIABILITIES

1998	1997
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	Note	Rupees	Rupees
Share Capital			
Authorised			
20,000,000 Ordinary Shares of Rs. 10/each		200,000,000	200,000,000
		=====	=====
Issued subscribed and paid-up			
10,000,000 Ordinary Shares of Rs. 10 each			
fully paid in cash		100,000,000	100,000,000
Reserve for Depreciation on Investments		50,695	50,695
Accumulated Loss		(28,339,412)	(31,949,133)
Balance of Life Fund	2 (b)	206,805,482	122,162,000
Other Liabilities			
Estimated Liability in respect of outstanding claims whether intimated or not		8,504,787	6,286,529
Amounts due to other persons or bodies carrying on Insurance business		27, 144,841	21,545,530
Sundry Creditors (including outstanding and accrued expenses)		40,591,689	33,498,942
Provision for Taxation		2,200,000	-
		-----	-----
		78,441,317	61,331,001
		-----	-----
		356,958,082	251,594,563
		=====	=====
ASSETS			
Investments - at cost			
Deposited with State Bank of Pakistan			
Federal Investment Bonds		6,100,000	6,100,000
Federal Investment Bonds		43,333,950	43,333,950
Wapda Bonds		2,000,000	2,000,000
Defence Saving Certificates		100,450,000	37,250,000
Short Term Federal Bonds		-	2,500,000
Term Finance Certificates		8,041,530	8,954,720
Certificates of Investments		500,000	-
Shares at cost (Market value 1998 Rs. 24,087,060)		38,863,344	58,553,936
(Market value 1997 Rs. 46,553,145)			
		-----	-----
		199,288,824	158,692,606
Preliminary and Deferred Expenses		1,145,012	2,290,024
Current Assets			
Agents' balances and outstanding premium		24,707,656	20,345,961
Interest and return accrued but not due		15,328,500	4,967,957
Advances deposits prepayments and other receivables		13,258,811	11,826,949
Advance Income Tax		1,448,833	134,964
Cash			
on deposit account with Banks		33,500,000	12,530,000
on current account with Banks		32,407,323	15,945,754
cash and stamps in hand		150,000	-
		-----	-----
		66,057,323	28,475,754
		-----	-----
		120,801,123	65,751,585
Administrative fixed assets			
Furniture, fixtures, office equipment and vehicles			
At cost less accumulated depreciation		35,723,123	24,860,348
		-----	-----
		356,958,082	251,594,563
		=====	=====

NOTE: The annexed notes form an integral part of these accounts

DIRECTORS' CERTIFICATE

We certify that:

- 1. Investments have been shown in the Balance Sheet at cost or book value. The market value of quoted investments in Pakistan are as ascertained from the last published market reports and quotation of 31 December 1998.
- 2. The value of all the assets in Pakistan included in the Balance Sheet have been reviewed as on the date of Balance Sheet and in our belief taking into account the provisions and reserves, on the "liabilities" side of the Balance Sheet, the Assets in Pakistan are shown in the aggregate at amounts not exceeding their realisable or market value under the several headings.
- 3. No part of the assets of Life Assurance Fund has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 relating to the application and investment of Life Assurance Fund.
- 4. All expenses of management in respect of Life insurance business transacted by the company have been fully debited to Revenue Account.

JAHANGIR SIDDIQUI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi April 10, 1999

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 1998

	1998 Rupees	1997 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
NET SURPLUS FOR THE YEAR	3,609,721	1,420,835
Adjustment for:		
Depreciation	5,3 72,024	4,066,307
Increase in Life Fund	84,643,482	43;982,000
Profit On Sale of Investments	(2,318,825)	(5,565,942)
Profit On Sale of Administrative fixed assets	(1,063,860)	(623,589)
Amortization of preliminary and deferred expenses	1,145,012	1,145,010
	91,387,554	44,424,621
(Increase) / Decrease in Operating assets		
Agents Balances and outstanding premium	(4,361,695)	(5,729,776)
Interest and returns accrued but not due	(10,360,543)	(2,234,187)
Advances, deposits, prepayments and other receivable	(2,745,731)	(7,542.115)
	(17,467,969)	(15,506,078)
Increase/(Decrease) in Operating liabilities		
Estimated liability in respect of outstanding claims	2,218,258	1,407,029
Amounts due to persons carrying on Insurance Business	5,599,311	7,891,679
Sundry creditors	9,292.75	11,533.21
	17,110,316	20,831,914
Net cash flow from Operating activities	91,029,901	49,750,457
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from Investments	154,083,598	67,471.53
Investments purchased	(192,360,990)	(117.426,713)
Additions to administrative fixed assets	(17,295,940)	(10,898,253)
Sale Proceeds / Insurance claims - administrative fixed assets	2,125,000	3,025,808
Net Cash flow from Investing activities	(53,448,332)	(57,827.625)
Net increase/(Decrease) in Cash & Bank Balances	37,581,569	(8,077,168)

NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

1. STATUS AND NATURE OF BUSINESS

(a) The Company is engaged in Life Insurance Business and was incorporated as a public limited company on

August 9, 1992. The shares of the company are quoted on Karachi Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting:

These accounts have been prepared on the basis of historical cost convention.

(b) Life Fund:

The Life Assurance Fund is based on the Actuarial Valuation Report.

(c) Preliminary and Deferred Expenses:

These are stated at cost. These are amortised over a period of five years.

(d) Employees Retirement benefits:

The Company has a Recognised Provident Fund Scheme for all its permanent employees.

Contributions to it are made monthly in accordance with the rules.'

(e) Taxation

Provision for taxation is based on the requirement of minimum tax payable u/s 80(d). Returns upto assessment year 1997-98 have been finalized.

(f) Administrative Fixed Assets:

Fixed assets are valued at cost less depreciation. Full year's depreciation is charged on fixed assets capitalised during the year but no depreciation is charged in the year of disposal. Depreciation has been calculated on reducing balance method at the following rates:

Office Equipment	10%
Furniture & Fixture	10%
Vehicles	20%

Normal repairs and maintenance are charged to income currently.

(g) Investments are stated at cost and provisions are made for diminution in value of short term investments on an aggregate basis, if any, at the balance sheet date. Profit or loss on sale of investments is taken to Revenue Account in the year of sale.

Dividend income is recognised on receipt basis.

(h) Zakat deductible compulsorily under the Zakat and Ushr Ordinance 1980 is accounted for in the year of deduction.

(i) Rate of Exchange:

Revenue transactions in foreign currencies are converted into rupees at the rate ruling on the date of transaction as quoted by State Bank of Pakistan. Assets and Liabilities in foreign currencies are translated into rupee at the rate of exchange prevailing on the Balance Sheet date.

3. INVESTMENT IN ORDINARY SHARES OF COMPANIES IN PAKISTAN - AT BOOK VALUE

No. of Shares / Certificates		Face Value	Name of Investment	1998	1997
199'8	1997			Rupees	Rupees
Quoted					
13,915	13,915	10	Al Zamin Leasing Modaraba	108,161	108,161
5,000	5,000	10	First Professional Modaraba	56,900	56,900
12,000	12,000	10	First Grindlays Modaraba	419,100	419,100
11,000	11,000	10	H B L Modaraba	125,675	125,675
14,900	14,900	5	First Habib Modaraba	128,364	128,364
10,000	10,000	5	LTV Capital Modaraba	72,275	72,275
5,000	5,000	10	First Mehran Modaraba	76,425	76,425
19,000	19,000	10	Modaraba AI-Mali	322,100	322, 100
6,480	6,480	10	Modaraba AI-Tijarah	117,742	117,742
6,600	6,600	10	U D L Modaraba	121 ,770	121,770
5,000	5,000	10	Unicap Modaraba	54,475	54,475
3,000	3,000	10	First Leasing Corporation Ltd.	103,065	103,065
1,680	1,680	10	Trust Leasing Co. Ltd.	83,650	83,650
14,200	13,500	10	Askari Bank Ltd.	414,200	414,200
28,200	-	10	Bank AI - Habib	564,000	-
30,000	30,000	10	Faysal Bank Ltd.	833,900	833,900
2,300	2,300	10	Fidelity Investment Bank Ltd.	100,630	100,630
8,640	8,640	10	First International Investment Bank Ltd.	320,580	320,580
534	534	10	Khadim Ali Shah Bukhari & Co. Ltd.	12,984	12,984
50,000	-	10	Security General Insurance	500,000	-
5,000	5,000	10	Azam Textile Mills Limited	51,250	51,250
28,500	66,000	10	Dewan Khalid Textiles Ltd.	1,710,000	4,027,980
2,000	2,000	10	Ellcot Spinning Mills Ltd.	54,300	54,300
6,050	6,050	10	Friends Spinning Mills Ltd.	83,750	83,750
12,900	-	10	Gadoon Textile	154,800	-

10,000	10,000	10	Ideal Spinning Mills Ltd.	132,800	132,800
29,500	29,500	10	Idrees Textile Mills Ltd.	393,235	393,235
2,740	2,740	10	Nagina Cotton Mills Ltd.	86,015	86,015
5,000	-	10	Quetta Textile	150,000	-
12,500	-	10	Sana Industries	850,000	-
6,600	-	10	Sapphire Fibres	184,800	-
10,000	10,000	10	Ellahi Spinning & Weaving Mills Ltd.	131,400	131,400
18,900	18,900	10	Kohinoor Weaving Mills Ltd.	276,696	276,696
65,500	-	10	Crescent Textile	524,000	-
3,300	-	10	Mehmood Textile	99,000	-
8,750	8,750	10	Pakistan Synthetics Limited	418,985	418,985
35,500	-	10	Thai Jute	213,000	-
1,500	1,500	10	Al-Abbas Sugar Mills Ltd.	8,857	15,945
1,900	1,900	10	Premier Sugar Mills Limited	89,424	89,424
5,000	5,000	10	Cherat Cement Ltd.	209,900	209,900
21,000	21,000	10	Genertech Ltd.	415,210	415,210
40,000	233,000	10	Hub Power Company Ltd.	1,016,692	12,313,090
10,350	6,900	10	Shell Pakistan Limited ,	1,620,120	1,171,620
34,662	30,141	10	Sui Southern Gas Co. Ltd.	903,100	903,100
18,100	-	10	International Industries	416,300	-
26,200	-	10	Ghandhara Diesel	419,200	-
5,250	5,000	10	Honda Atlas	112,250	112,250
8,000	8,000	10	Indus Motor Company Ltd.	304,200	304,200
14,900	14,900	10	Pak Suzuki Motors Limited	882,900	882,900
25,900	-	10	Pakistan Cable	595,700	-
15,000	15,000	10	Tristar Shipping Corp. Ltd.	196,200	196,200
5,000	5,000	10	Fauji Fertilizer Ltd.	193,864	373,400
42,300	-	10	Ferozsons Laborites	846,000	-
11,260	11,260	10	Reckitt & Colman (Pak) Ltd.	1,288,879	1,288,879
163,188	22,425	10	Searle Pakistan Ltd.	2,263,923	806,520
16,415	6,325	10	Sitara Chemicals Ltd.	682,100	496,100
21,700	-	10	Century Paper	238,700	-
7,800	-	10	Cherat Papersack	218,400	-
9,600	-	10	Security Paper	153,600	-
-	700,000	10	ICI Pakistan	-	14,896,000
3,600	-	10	Gillette Pakistan	118,800	-
2,113	975		Schroder International Selection Fund		
Associated Undertaking			Global Equity Shares	1,106,820	438,613
265,558	221,299	10	EFU General Insurance Ltd.	14,512,178	14,512,178
				=====	=====
				38,863,344	58,553,936
				=====	=====

(a) Investment in EFU General Insurance Ltd. represents 2.22 % of the issued capital of that company
(b) No provision has been made for the diminution in value amounting to Rs. 14,776,284 as it is considered temporary in the context of the company's intention to hold these investments on long term basis.

4. SALE OF ADMINISTRATIVE FIXED ASSETS

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceed	Mode of Disposal	(Rupees '000) Sold to
Vehicle	105	38	67	250	Negotiation	Employee Mr. Ali Zaidi Lahore
Vehicle	372	74	298	340	Insurance Claim	--
Vehicle	227	134	93	145	Negotiation	Employee Mr. Nasir Bashir Lahore
Vehicle	62	22	40	360	Negotiation	Employee Dr. Manji Karachi
Vehicle	280	165	115	250	Insurance Claim	--
Vehicle	615	300	315	550	Insurance Claim	--
Vehicle	261	128	133	230	Insurance Claim	--
TOTAL	1,922	861	1,061	2,125		

5. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including benefits to the Chief Executive, Directors and Executives of the Company are as follows:

(Rupees '000)				
	Chief Executive	Directors	Executives	Total
Managerial Remuneration	2,190	-	13,019	15,209
Utilities	166	-	128	294
Medical Expenses	57	-	348	405
Leave Passage	148	-	281	429
Total	1998	2,561	-	13,776
Total	1997	2,343	-	10,995
Number of persons	1998	1	-	37
Number of persons	1997	1	-	37

In addition, the Chief Executive and certain Executives are provided with free use of Company cars and certain items of household furniture in accordance with their entitlement. The Chief Executive is provided with maintained furnished accommodation.

6. AUDITORS' REMUNERATION

	1998 Rupees	1997 Rupees
Audit Fee	30,000	20,000

7. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

(a) Total Premium received and paid was Rs. 3'129,508 (1997: Rs. 2,299,150)and Rs. 839,293 (1997: Rs. 856,684) respectively.

(b) Total Brokerage paid on Sale and Purchase of Shares was Rs, 28,900 (1997: Rs. 74,065)

8. GENERAL

- (a) Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison.
(b) Figures have been rounded off to the nearest rupee.

FORM AA

CLASSIFIED SUMMARY OF ASSETS IN PAKISTAN AS AT 31 DECEMBER 1998

	Book Value Rupees	Market Value Rupees	Remarks
Federal Investment Bonds	49,433,950	49,347,025	Realisable Value
Defense Saving Certificates	100,450,000	100,450,000	"
WAPDA Bonds	2,000,000	2,000,000	"
Term Finance Certificates	8,041,530	8,041,530	"
Shares	3,886,334	24,087,060	"
Certificate of Investments	500,000	500,000	"
Cash on Deposit Accounts with Banks	33,500,000	33,500,000	"
Cash on Current Accounts with Banks	32,407,323	32,407,323	"
Cash and Stamps in Hand	150,000	150,000	"
Agents' Balances and Outstanding Premium	24,707,656	24,707,656	"
Interest and Return accrued but not due	15,328,500	15,328,500	"
Advances, deposits, prepayments and other receivables	13,258,811	13,258,811	"
Administrative fixed assets	35,723,123	35,723,123	"
JAHANGIR SIDDIQUI Director	TAHER G. SACHAK Managing Director & Chief Executive		SAIFUDDIN N. ZOOMKAWALA Chairman

Karachi April 10, 1999

PATTERN OF SHAREHOLDING AS AT 31 DECEMBER 1998

Number of Shareholders	Shareholdings		Shares held
	From	To	
154	1	1 00	15 400
5 504	101	5 00	3 329 700
67	501	10 00	64 700
94	1 001	5 000	279 200
27	5 001	10 000	219 500
5	10 001	15 000	64 900
9	15 001	20 000	162 100
4	20 001	25 000	95 300
5	25 001	30 000	142 000
2	30 001	35 000	68 400
1	40 001	45 000	40 500
4	45 001	50 000	196 000
2	55 001	60 000	118 000
1	65 001	70 000	69 500
2	80 001	85 000	166 800
1	95 001	100 000	100 000
1	100 001	105 000	100 500
1	105 001	110 000	108 500
1	115 001	120 000	116 700
1	120 001	125 000	125 000
1	170 001	175 000	172 800
1	195 001	200 000	200 000
1	495 001	500 000	500 000
1	600 001	700 000	621 000
1	2 920 001	2 925 000	2 923 500

5 891		10 000 000	

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	5 879	5 542 300	55.42
Financial Institutions	3	656 500	6.56
Insurance Companies	2	2 924 000	29.24
Investment Companies	4	667 700	6.68
Joint Stock Company	1	26 000	0.26
Foreign Investors (repatriable basis)	2	183 500	1.84

	5 891	10 000 000	100.00

OFFICES

KARACHI

City Branch

3rd Floor, 124-T, Block-2, Tariq Road
Phone: 454174 I, 445751-56
Mr. Afzal Shah
Regional Manager

Prime Branch

37K, Block 6, PECHS
Phone: 4535071-77
Mr. Rehan Anwar Ahmed
Branch Manager

Civic Branch

A-34, 1st Floor, BL- 7 & 8, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: 4554006, 446340-43, 442040, 446344
Mr. Husein Sachak
Group Manager

South Branch

508 5th Floor, Progressive Plaza
Beaumont Road
Phone: 5650291, 510864, 510968
510872, 510906, 510967
Mr. Asad Riaz Gill
Senior Branch Manager

Corporate Branch

37K, Block 6, PECHS
Phone: 4537518, 4535080
Mr. Mohammad Aslam Malik
Senior Branch Manager

West Branch

3rd Floor, 124-T, Block 2, Tariq Road
Phone: 4541740, 445751-56
Mr. Hasan Ali
Branch Manager

HYDERABAD

Faisal Branch

A-34, I st Floor, BL- 7 & 8 Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: 4553949, 446340-43, 442040, 446344

Cantt Branch

3rd Floor, Abdullah Chamber,
Saddar
Mr. Zaheeruddin Babar

Mr. Shamsuddin Shaikh Group Manager	Branch Manager
Millat Branch A-34, 1st Floor, BL - 7 & 8, Hafeez Centre KCHSU, Shahrah-e-Faisal Phone: 4559126, 446340-43, 442040, 446344 Mr. Mohammad Farhan Branch Manager	City Branch 3rd Floor, Abdullah Chamber, Saddar Mr. Dileep Nenwani Branch Manager
North Branch 41-1/E-I, Block 6, PECHS Phone: 446505-07, 4527135-36 Mr. Farrukh Nasim Ansari Branch Manager	Hyderabad Branch 69, Defence Housing Officers Society Cantt. Phone: 784746, 784628-29, 784728 Mr. Prem Mathrani Senior Branch Manager
Park A venue Branch Suite # 603 Park Avenue Sharah-e-Faisal Mr. Khursheed Ahmed Branch Manager	Mehran Branch 69, Defence Housing Officers Society Cantt. Phone: 784729, 784628-29 Mr. M. Umer Keerio Branch Manager
Premier Branch 37K, Block 6, PECHS Phone: 4535071-77 Mr. Rukshar Ahmed Senior Branch Manager	Khairpur Branch A-5, 3rd Floor, Civic Centre Khairpur Mits Phone: 4654
LARKANA Larkana Branch 3rd Floor, Labour Hall GPO Road Phone: 446700, 60434-37, 446702 Mr. Asmatullah Tunio Senior Branch Manager	FAISALABAD Faisalabad Branch 6th Floor, Bilal Plaza, Liaquat Road, Phone: 30350-51, 6 ! 510 !-2, 647899 Mr. Mohammad Ihsanul Haq Branch Manager
SUKKUR Sukkur Branch Ground Floor, Bismillah Aptt., Near Qasim Park, Minara Road Phone: 22304 Mr. Sri Chand Lalwani Branch Manager	QUETTA Quetta Branch 1st Floor, Agha Chamber Jinnah Road Chormaal Phone: 836537, 841618, 841696 Mr. Shahjahan Branch Manager
LAHORE Cantt Branch 6th Floor. EFU House 6D, Main Gulberg, Jail Road Phone: 5716073, 5715620-25 Mr. Rao Farooq Azam Branch Manager	ISLAMABAD Islamabad Branch 3rd Floor, Al-Malik Centre, 70-W Jinnah Avenue, Blue Area Phone: 820979, 271370-71 Mr. Younis Butt Branch Manager
Jinnah Branch 6th Floor, EFU House, 6D, Main Gulberg, Jail Road Phone: 5716073, 5715620-25 Mr. S. Mohammad Raza Zaidi Branch Manager	AZAD KASHMIR New Mirpur Branch Nabeel Manzil, 2nd Floor 35-B/2, Opp. Bank Square, Nangi Phone: 3949 Mr. Mohammad Taj Khan Raja Branch Manager
Ravi Branch 6th Floor, EFU House, 6D, Main Gulberg, Jail Road Phone: 5716074, 5715620-25 Mr. Tanveer Ahmed Khan Branch Manager	Kotli Office House No. B-97, Housing Scheme Kotli Phone: 3449
Zarghoon Branch 6th Floor, EFU House, 6D, Main Gulberg, Jail Road Phone: 5716072, 5715620-25	Peshawar Office Suite No.1, Mezzanine Floor, NWR Plaza Khyber Super Market, Bara Road Peshawar Cantt.

Mr. Hasan All Khilji
Senior Branch Manager

Phone: 274989, 274938, 274985

MULTAN

Multan Branch

1st Floor, Rajput Commercial Centre
Tareen Road, Near Gul Tax
Phone: 510317
Mr. Ajaz Hussain Janjua
Branch Manager

Sargodha Office

80-81, Trust Plaza, 1st Floor
Sargodha
Phone: 61172

JHELUM

Jhelum Branch

1st & 2nd Floor, Fazal Plaza, Civil Lines
Phone: 612234, 610287-88
Mr. Mohammad Sajjad Raja
Branch Manager