

The Directors of your Company are pleased to present to you the Eleventh Annual Report of the Company for the year ended 31 December 2002.

The year 2002 saw Pakistan's economy sending out mixed signals. The most prominent factor was a recovery of the external sector resulting from inward flow of capital following the events of 11 September, increasing use of formal banking channels for inward remittances and a lack of capital investment by local industry (leading to lower imports). Negative factors included low growth of the economy and the lack of investment. The result has been excess liquidity, falling rates of return on government securities and buoyant stock and property market, as institutions turned to the latter investment avenues following the substantial reduction of returns on government securities. As this trend is expected to continue, it is expected that the life insurance sector will be one of the beneficiaries, as investors will look for alternative avenues in which to invest their excess liquidity.

Your Company continued its phenomenal growth in 2002 with total gross premium income crossing the Rs. 1 billion mark and totaling Rs. 1.1 billion for the year, an increase of 57% over the previous year's total premium income of Rs. 0.7 billion. This tremendous increase in total premium income is attributable to significant growth in group benefits and individual life new business premium and good persistency in the renewal premium, and has enabled your Company to consolidate its position as the clear leader in the private life insurance sector.

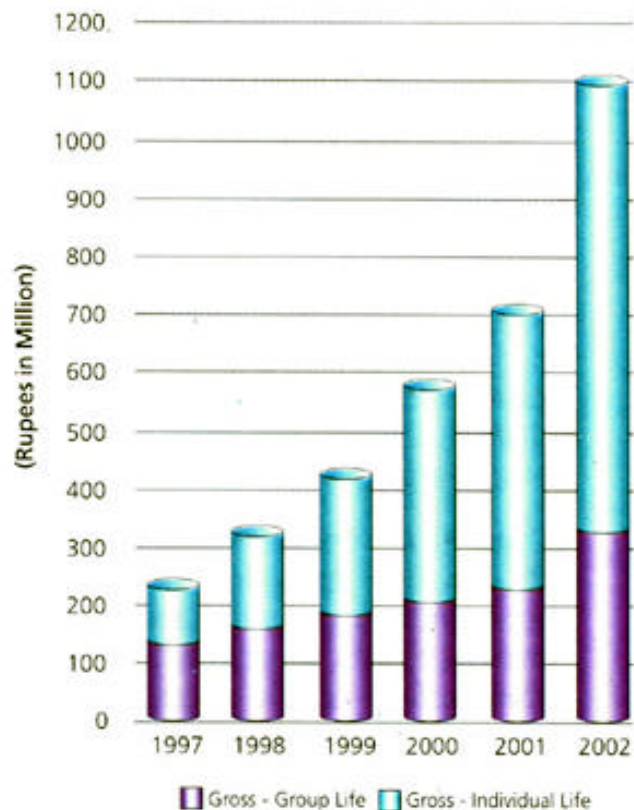
Individual life new business premium grew by 99% with new annualized and single premium issued during 2002 amounting to Rs. 387 million. This increase was due to 49% growth in new regular premium and 331% growth in single premium and resulted largely from improved productivity of the Company's sales force, evidenced by the qualification of 38 sales consultants (the highest ever in Pakistan) for the Million Dollar Round Table, which is an association of the most successful life insurance producers from the world over.

The growth in the Company's single premium income was due to the exceptional performance of the EFU Managed Growth Fund, an internal fund to which the company's major products are linked. This fund crossed the billion rupee mark on 28 September 2002. With continued confidence of your Company's policyholders and the build-up of renewal premium, the EFU Managed Growth Fund is expected to grow exponentially in the future.

The renewal premium persistency, which is a key factor affecting profitability on the individual life side, improved significantly during the year as a result of your Company's continuous monitoring and efforts in this area. This resulted in renewal premium growing to Rs.398 million in 2002 as compared to Rs.284 million in the previous year. Your Company's good persistency is also an indicator of policyholder satisfaction in terms of service and the value of the products.

The Group Benefits business of the Company also showed remarkable growth during the year, gross premiums increasing from Rs.215 million in 2001 to Rs.309 million in 2002, an increase of 45%. The increase in Group Benefits business was assisted by enhancement in coverage required under the labor laws in 2001, the effect of which spilled over to 2002.

TOTAL GROSS PREMIUM INCOME



The policyholders' fund of the Company stood at Rs.1.3 billion at the end of 2002 compared to Rs.0.8 billion at the end of 2001. Despite the declining trend in interest rates your Company has managed to give good return to its policyholders by following sound investment policies.

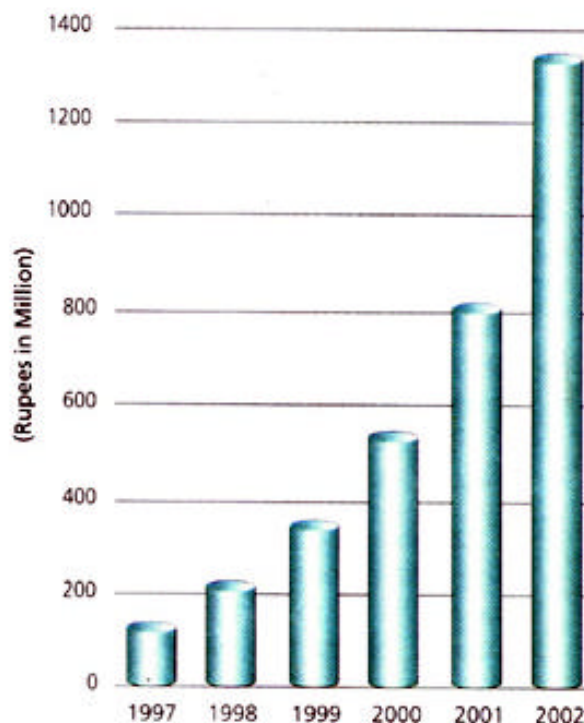
During the year 2002 the Company paid total claims of Rs.231 million with individual and group life claims amounting to Rs. 69 million and Rs.162 million respectively.

The significant growth achieved by your company is a result of increased productivity without a corresponding increase in expenses. This factor, together with good underwriting results and improvement in the market value of investments (enabling previous years' provisions to be written back) has enabled your Company to recommend its first dividend after wiping out accumulated losses brought forward. This is after writing off, as required by the accounting regulations 2002, the deferred acquisition cost asset.

The after tax profit for the year under report amounted to Rs.25M. Your Board purposes to make the following appropriation:

	<i>Rupees ' 000</i>
Profit	24,770
<u>Less: Accumulated Losses</u>	<u>9,724</u>
	15,046
<u>Less: Proposed Dividend @ 10%</u>	<u>15,000</u>
Unappropriated Profit carried forward	<u>46</u>

POLICYHOLDERS FUND



Report of the Directors to the Members



Your Directors have pleasure in recommending dividend of Rs.1 per share (10%) to those Shareholders of the Company whose names appear in the Share Register of the Company at the close of business on April 23, 2003.

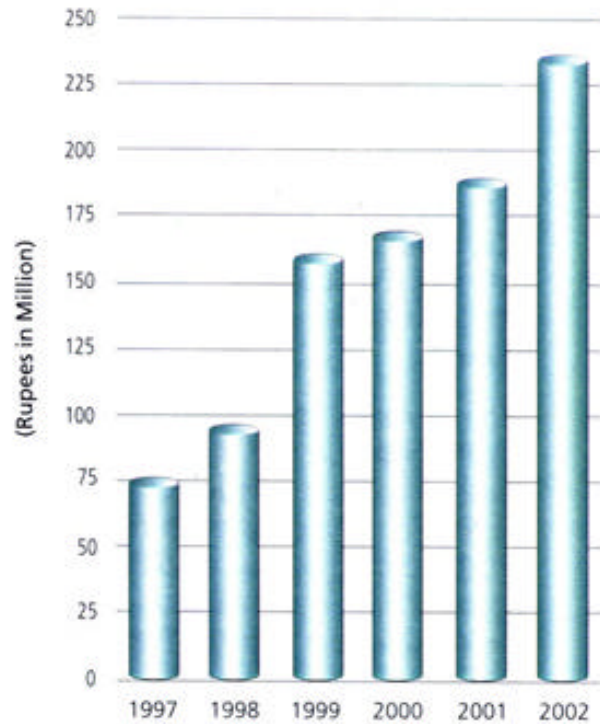
Considerable developments were made during the year 2002 in the design of computer tools for the management of business. Communication between the main office and branches was improved further by providing internet based connectivity to more locations. All branches on the network have instant on-line access to policy information. The Company also entered the e-commerce era by launching its Accident and Hospitalisation Plan on its website, allowing individuals to submit applications for coverage on-line.

Your Company intensively pursued its service oriented and quality assurance policies to its clients which come from being ISO 9001:2000 certified.

The Company lays emphasis on training and development of its employees. Numerous in-house courses were carried out and employees were also sent for external training.

The Auditors in their report have made mention about the policy of treating leases as operating leases. Detail for this item has been provided in Note No.13 to the Account. The reason for treating the lease as operating lease is due to specialized nature of taxability of surplus of insurance companies.

GROSS CLAIMS PAID



Report of the Directors to the Members

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchanges in its Listing Rules have been duly complied with. A statement to this effect is annexed with the report.

The Directors of your Company were elected at the last Annual General Meeting for a period of three years' term expiring on June 21, 2005.

The number of meetings attended by each director is given hereunder: -

Sr. No. <u>Name of Directors</u>	<u>Number of Meetings attended</u>
1. Mr. Saifuddin N. Zoomkawala	5 out of 5
2. Mr. Taher G. Sachak	5 out of 5
3. Mr. Ashraf W. Tabani	3 out of 5
4. Mr. Jahangir Siddiqui	2 out of 5
5. Mr. Rafique R. Bhimjee	5 out of 5
6. Mr. Muneer R. Bhimjee	5 out of 5
7. Mr. Hasanali Abdullah	5 out of 5
8. Mr. Munaf Ibrahim	3 out of 3

Statement of Ethics and Business Practices

The Board has adopted the statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Audit Committee

The Board has constituted an Audit Committee with specific terms of reference comprising of the following members;

1. Mr. Rafique R. Bhimjee (Chairman)
2. Mr. Hasanali Abdullah
3. Mr. Munaf Ibrahim

Corporate and Financial Reporting Framework

- a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and the departure therefrom are for the policies regarding treating the leases as operating leases is due to specialized nature of taxability of Insurance companies and that investment are carried at book value in view of tax implication and exemption granted by SECP vide its letter dated 16th October 2002.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) The key operating and financial data for the last six years is annexed.

- i) The value of investments of provident and pension funds based on their audited accounts as on December 31, 2002 were the following.

Provident Fund	Rs.22.96	Million
Pension Fund	Rs. 1.28	Million

The value of investments includes accrued interest.

- j) Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children is as follows:

Purchase of Shares:	No. of Shares
Mr. Saifuddin N. Zoomkawala Chairman	1,000
Mr. Taher G. Sachak Chief Executive	5,300
Mr. Hasanali Abdullah Director	6,500
Sale of Shares	Nil

- k) The statement of shareholding in the Company as at 31 December 2002 is included with the Report.

Messrs. Hyder Bhimji & Co., Chartered Accountants, retire and being willing to continue are recommended for reappointment as Auditors of the Company for the year 2003.

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 Appointed 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 continue to provide full support to your Company during these difficult times for the insurance industry.

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 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 and maintain its position 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 Ministry of Commerce, Government of Pakistan, and to the Insurance Division of the Securities and Exchange Commission of Pakistan for the co-operation extended to us throughout the year.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

March 31, 2003