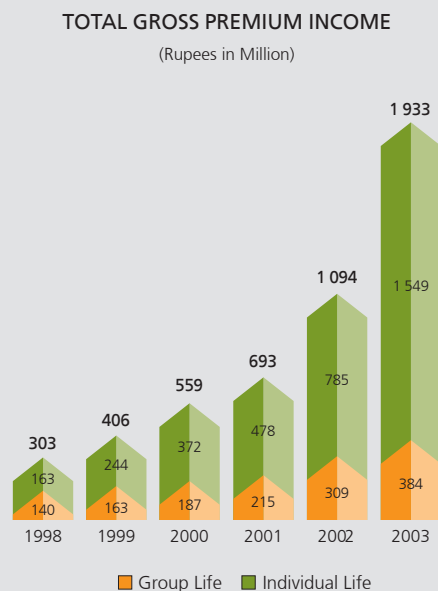


## Report of the Directors to the Members

The Directors of your Company are pleased to present to you the Twelfth Annual Report of the Company for the year ended 31 December, 2003.

The economic indicators for the year 2003 confirm Pakistan's economic turnaround which is a result of economic policies of the government and the events following 11 September 2001. Some of the positive indicators are the lowering of fiscal deficit, increase in foreign exchange reserves, increase in tax revenue, lowering of public debt burden, higher capital inflows and exchange rate stability. The thaw in the relations with India will improve investment conditions in the country. The government's policy to encourage the home mortgage market in the country has proved beneficial for the life insurance industry as this has spurred an increase in demand for credit life insurance.

Your Company has continued its exponential growth pattern in 2003 with gross premium income totaling Rs. 1.9 billion, an increase of 77 % over the previous year's total premium income of Rs. 1.1 billion.



The increase in total premium income is a result of exceptional growth in individual life regular premium and single premium new business and better persistency in renewal premium.

Individual life regular premium new business which is the mainstay for any life insurance company grew by 51 % amounting to Rs. 358 million for the year ended 31 December 2003. This increase is a result of improved

productivity and expansion of the Company's sales force. A total of 82 sales personnel of your Company qualified for the Million Dollar Round Table (MDRT) in 2003 compared to 38 in 2002, which is indicative of the improved productivity of your Company's sales force. MDRT is an association of the most successful life insurance producers from the world over.

As a result of lowering of interest rates in the market, individuals have sought diversified investments with better returns. This development has led to an increase in the single premium business of your company which showed a remarkable 309% growth in 2003. Your Company's single premium business for the year increased to Rs. 617 million compared to Rs. 151 million in 2002. As a result of the surge in single premium business, your Company in May 2003 created a separate unit-linked fund, the EFU Capital Growth Fund, for its single premium business. This was done to provide an equitable distribution of returns to the Company's regular premium policyholders and to create a separate investment philosophy for single premium business.

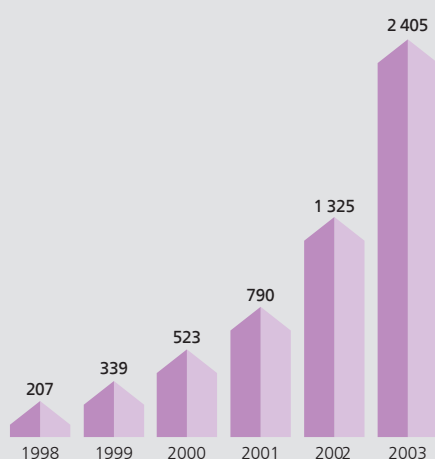
The long term profitability of any life insurance company rests on the renewal premium persistency of its individual life regular premium business. As a result of your Company's continuous effort on this front, the renewal persistency of your Company has improved even further. This has resulted in renewal premium growing to Rs. 575 million compared to Rs. 398 million in 2002. A good renewal persistency is also a measure of overall client satisfaction.

The Group Benefits business of your Company showed a growth of 24% during the year, gross premium increasing from Rs. 309 million in 2002 to Rs. 384 million in 2003. One of the reasons for growth in this area has been your Company's agreements with various banks to provide life insurance cover to their asset products customers. Your Company enjoys the leading position in this sector providing life insurance cover for outstanding loan balances to thousands of banks customers.

Your Company follows sound investment policies with the objective of providing good return to its policyholders. This is manifested in the performance of the Company's main unit linked fund, the EFU Managed Growth Fund. During 2003, the unit bid price of this fund increased by 16.7 % which is one of the best investment returns available in the market.

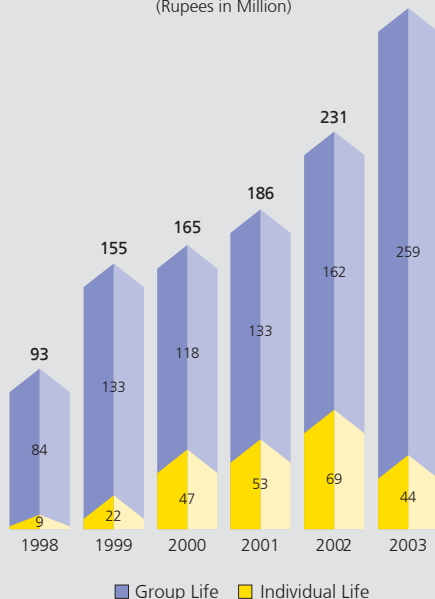
The policyholders' fund (statutory funds) of the Company stood at Rs. 2.4 billion at the end of 2003 compared to Rs. 1.3 billion at the end of 2002.

**POLICYHOLDERS FUND**  
(Rupees in Million)



During the year 2003 the Company incurred total claims of Rs. 303 million with individual and group life claims amounting to Rs. 44 million and Rs. 259 million, respectively.

**GROSS CLAIMS**  
(Rupees in Million)



A key part of our strategy is to use innovative technology to control costs and to provide better service to clients and our branch network. More branches have been given access to the life insurance client database through internet based connectivity enhancing communication with the Main Office. A number of computer tools have been developed to help our sales force in making effective presentations and provide world class service to clients. A complete revamping of the Company's website was also done during the year.

We have always remained at the leading edge in terms of launching new and innovative products in Pakistan. During the year the Company launched its range of tax-qualified pension plans which are the first ever pension plans to be approved by SECP for claiming tax credit under Section 63 of the Income Tax Ordinance, 2001. The Company also launched a pioneering extended critical illness product during the year.

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

Your Company's Profit after tax during the year amounted to Rs. 82 million as compared to Rs. 25 million in 2002 showing an increase of 232 %. Your Board proposes to make the following appropriation:

	Rupees
	'000
Profit after tax	82 032
Add: Un-appropriated Profit brought forward	46 000
	82 078
Less: Proposed Dividend @ 10%	15 000
Reserve for issue of bonus shares @ 10%	15 000
Transfer to General Reserve	50 000
Profit appropriated	80 000
Un-appropriated Profit carried forward	2 078

Your Directors have pleasure in recommending dividend of Re. 1 per share and issuance of one bonus share for every ten shares held by the Shareholders of the Company whose names appear in the Share Register of the Company at the close of business on 23 April 2004.

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.

#### Compliance with Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange 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 Annual General Meeting held on 21 May 2002 for a period of three years' term expiring on 21 June 2005. Mr. Munaf Ibrahim resigned from the Board and Mr. Sultan Ahmad was appointed in his place from 23 July 2003 for the remainder term of the Board.

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

Sr. No.	Name of Directors	Number of Meetings attended
1.	Saifuddin N. Zoomkawala	5 out of 5
2.	Taher G. Sachak	5 out of 5
3.	Ashraf W. Tabani	3 out of 5
4.	Jahangir Siddiqui	4 out of 5
5.	Rafique R. Bhimjee	4 out of 5
6.	Muneer R. Bhimjee	4 out of 5
7.	Hasanali Abdullah	5 out of 5
8.	Munaf Ibrahim	2 out of 2
9.	Sultan Ahmad	2 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's Audit Committee comprises of the following members:

- Rafique R Bhimjee (Chairman)
- Hasanali Abdullah
- Sultan Ahmad

#### Corporate and Financial Reporting Frame Work

- 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.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed. The departure therefrom is for the policy regarding treating the lease as operating lease is due to specialized nature of taxability of profits of insurance companies.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years is annexed.
- The value of investments of provident and pension funds based on their audited accounts as on 31 December 2003 were the following:

Provident Fund Rs. 31.6 million

Pension Fund Rs. 4.1 million

The value of investments include accrued interest.

- Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children:

	No. of Shares
Purchase of Shares:	
Taher G. Sachak Chief Executive	7 300
Hasanali Abdullah Director	5 500
Sale of Shares	Nil

k) The statement of pattern of shareholding in the Company as at 31 December 2003 is included with the Report.

Messrs. Hyder Bhimji & Co., Chartered Accountants, retire. In accordance with the requirement of Code of Corporate Governance, the Company is required to change the auditors at least once in 5 years. As present Auditors, Hyder Bhimji & Co. are the Auditors of the Company since inception, the new Auditors have to be appointed by the Shareholders at the ensuing Annual General Meeting. The Board of Directors recommend appointment of Gardezi & Co. and Taseer Hadi Khalid & Co. as Auditors of the Company for the year 2004.

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.

Our thanks are also due to E F U 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.

MUNEER R. BHIMJEE  
Director

JAHANGIR SIDDIQUI  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

SAIFUDDIN N. ZOOMKAWALA  
Chairman