

Annual Report 2010



We are about *life*. We are about *you*.



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Karachi-75400, Pakistan.
UAN: (021) 111-EFU-111 (111-338-111)
Fax: (021) 3453 5079
Email: info@efulife.com
Website: www.efulife.com
ISO 9001:2008 Certified
Rated AA- by JCR-VIS
*Registered and Supervised by the Securities
& Exchange Commission of Pakistan.*

□ THNER





The Cover Concept..

We are about *life*. We are about *you*.



We want you to dream what you want to dream, go where you want to go, be what you want to be. Because you have only one life and one chance to do all the things you want to do.

EFU Life offers security and peace of mind to you and your loved ones. We provide financial planning solutions for individuals of all generations, whether you are a parent, a working woman, or a grand parent. EFU Life has plans to suit your needs through all stages of your life, thus helping you realize your goals and dreams for a better and a secure future.

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QUALITY POLICY



VISION

Our Vision is to make EFU Life one of the most respected and successful financial services organization in the world. Our strategy to achieve our vision is: build our core capabilities, serve our clients beyond their expectations, adhere to our core values and be a good corporate citizen.

VALUES

Character: Our business principles for achieving exceptional success are a belief that our corporate conduct should be based on uncompromising integrity, ethics and honesty.

Pride: We believe that people want to excel and that extraordinary results can be achieved, if given the right support and work climate.

Service: Our clients are the reasons for being in business. We shall deliver to them the highest quality of flawless service to win and keep their loyalty.

Commitment: We nurture and develop our people to be good human beings, work together as a team to achieve our organizational objectives and obligations, while at the same time fulfill their aspirations.

Culture: Embed a high performance culture that points the organization towards the common good and creates an intense passion for achievement at all levels.

SOCIAL RESPONSIBILITY

Our social responsibility is to contribute to the development of a civilized, prosperous and respected Pakistan in which all people live in harmony. To fulfill our obligations we shall act responsibly to make a difference by contributing to those activities that have the greatest visible impact on the betterment of society with emphasis on education and health.





CORPORATE SOCIAL RESPONSIBILITY



As a socially responsible corporate citizen, we have identified Health & Education as two areas which can have the greatest visible impact on the betterment of the society. We strive to make our contribution in these areas by supporting and partnering with various charitable organizations, NGOs and institutes which are actively working in various parts of the country. This year we supported those affected by the devastating floods in our country, and the Company and our employees have donated in the form of food, clothing, drinking water & medicine for the flood victims.





OUR WIDE RANGE OF PRODUCTS



Our commitment to innovation and serving all the market segments of the country continued this year as well. EFU Life has led the life insurance industry by introducing new concepts which eventually became industry norms. Unit linking is one of them, which we introduced in 1994 and today the individual life business in the private life insurance sector is predominantly unit linked.

With a focus on understanding the diverse needs of our clients through market research and direct interaction with them, we are able to fulfill all their financial planning needs. Our products focus on the concepts of child education and marriage, retirement and savings, along with life insurance protection. To serve the low income groups, the Company launched a specialized unit linked plan with differentiating features to cater to this particular market segment. Our unit linked funds under management to which all our investment based products are linked, exceed Rs. 18 billion, making us one of the largest fund managers in the country.





PRIMUS - "LIFE BEYOND ORDINARY"



Life is dynamic and ever-changing, with something new and unexpected on the cards everyday. EFU Life presents an exclusive class of service excellence with PRIMUS, to deal with these evolving scenarios.

PRIMUS, a Latin connotation for first, meaning "First amongst Equals", is often used to present an air of significance, leadership, uniqueness and prominence in terms of industry focus, competitive positioning and landscape as well as exclusivity.

With the launch of PRIMUS, we expect to serve our high net worth clients by giving them an experience beyond ordinary, and providing more rewarding personalized services tailored to meet their financial expectations; specifically designed to give them unparalleled advantage and transform their "Life beyond ordinary".





OUR AWARDS AND ACCOLADES



Our financial strength, corporate governance, robust and documented procedures, customer satisfaction and CSR initiatives continued to be recognized by various organizations throughout the year.

We feel privileged to have received the 'Consumer Choice Award 2010' for the Best Life Insurance Company by Consumer Association of Pakistan; the 5th Corporate Social Responsibility "National Excellence Award 2010" by Help International Welfare Trust, "Putting the Consumer First Award 2010" by Helpline Trust and also the "27th Corporate Excellence Award 2010" in the Life Insurance Category by Management Association of Pakistan. Furthermore we hold the prestigious honor of being the first insurance company in Pakistan to be awarded the ISO 9001:2008 certification and also feel proud to be rated AA- with a Stable Outlook by JCR-VIS for third successive year.





OUR MARKET PRESENCE



We accredit our success to our undeniably strong and robust distribution setup. The three components of this well coordinated setup are the Individual Life Sales Force, Individual Life Bancassurance, and Group Benefits Marketing Team..

We take great pride in the achievements of our professional Individual Life Sales Force having a wide spread reach with branches all over the country. Individual Life Bancassurance continued its tremendous contribution during the year, and with 11 local and foreign banks as our partners we are the largest bancassurance provider in Pakistan. Our Group Benefits Marketing team continued its dedicated and streamlined marketing efforts to offer fully customizable solutions and services to our esteemed corporate clients.

Our focus remains on developing and supporting our distribution channels for the long term consistent growth of the Company.





OUR HUMAN CAPITAL



The mark of any successful company is the quality of its people. We are proud of the bright, able and talented team, that we have built over the years, for every sphere of our operations and at each level of the company.

We pride ourselves on having the most professional Life Insurance management team in the country. Our strength derives from the commitment of our senior and middle managements, which ceaselessly pursue the objective of taking the Company to new heights of achievements.

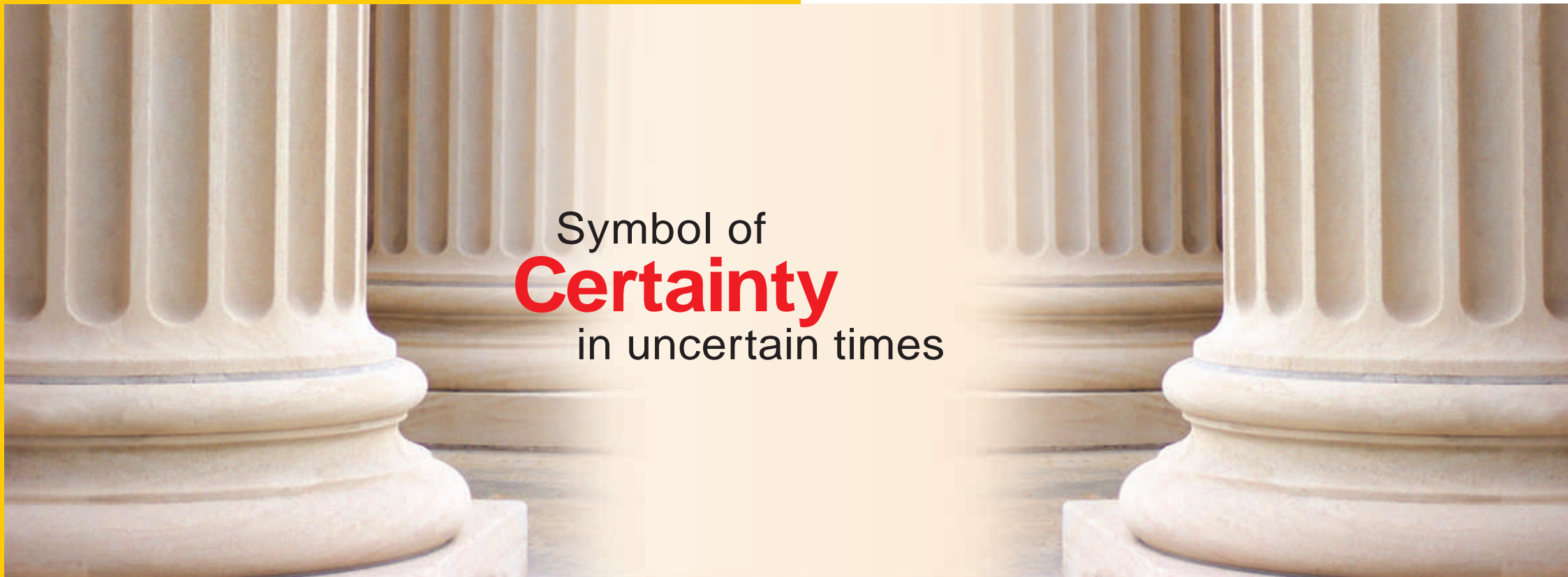
We at EFU Life have a bouquet of people from different professions which includes experienced insurance sales personnel, accountants, IT professionals, underwriters, medical doctors, lawyers, business management graduates and actuaries, to name a few. This 'human capital' is the Company's greatest asset.

Our continuing investment in the nurturing of talent and the recognition and reward of skills makes us the employer of choice in the industry. The returns are reflected in client satisfaction and our results year after year





OUR FINANCIAL STRENGTH



Symbol of
Certainty
in uncertain times

We have been rated **AA-** with a Stable Outlook by JCR-VIS* for the third successive year. All proof of our financial strength with assets exceeding Rs. 22 Billion, our operational efficiencies and product excellence, our growing customer base and the quality of our people and processes. The one word that best describes this kind of performance – LEADER.

*JCR-VIS Credit Rating Co. Ltd. is an affiliate of Japan Credit Rating Agency Ltd.





OUR SENIOR MANAGEMENT



Standing from left to right:

S. Ali Raza Zaidi, Mustafa Hussain Ali, Mohammed Ali Ahmed, Naseem A. Chaudhari, Taher G. Sachak,

S.M. Baqar Naqvi, Zain Ibrahim, S. Shahid Abbas, Husein Sachak

- Taher G. Sachak**
Managing Director & Chief Executive
- Naseem A. Chaudhari**
National Sales Director
- S. Ali Raza Zaidi**
Executive Director
- Mohammed Ali Ahmed**
General Manager, Actuarial, Strategic Planning & Bancassurance
- Zain Ibrahim**
General Manager, Life Operations
- S. Shahid Abbas**
General Manager Accounts & CFO
- Husein Sachak**
Head - Bancassurance Sales & Marketing
- Mustafa Hussain Ali**
Assistant National Sales Director
- S.M. Baqar Naqvi**
Senior Advisor



Company Information

Chairman

Saifuddin N. Zoomkawala

Managing Director & Chief Executive

Taher G. Sachak

Directors

Hasanali Abdullah
Jahangir Siddiqui
Muneer R. Bhimjee
Rafique R. Bhimjee
Sultan Ahmad

Corporate Secretary

S. Shahid Abbas

Appointed Actuary

Omer Morshed, F.C.A., F.P.S.A., F.I.A.

Legal Advisor

Mohammad Ali Sayeed, M.A.B.L.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants, Karachi
Hyder Bhimji & Co.
Chartered Accountants, Karachi

Registrar

Technology Trade (Pvt.) Ltd.
Dagia House 241-C
Block-2, P.E.C.H.S.
Off Shakra-e-Quaideen, Karachi
Ph: (92-21) 34391316-17
Fax: (92-21) 34391318

Rating

Rating Agency: JCR-VIS
Insurer Financial Strength Rating AA-
Outlook: Stable

Website:

www.efulife.com

Registered Office

Al-Malik Centre
70 W, F-7/G-7 Jinnah Avenue
(Blue Area), Islamabad

Main Office

37-K, Block 6, P.E.C.H.S., Karachi

Management

Managing Director & Chief Executive

Taher G. Sachak

General Managers

Mohammed Ali Ahmed

S. Shahid Abbas

Zain Ibrahim

Assistant General Manager

Adeel Ishaque

Medical Director

Dr. Tajuddin A. Manji, F.R.C.P., M.R.C.P.

Chief Managers

Arshad Iqbal

Ghayas Hassan

Mohammad Asim Khan

Mohammad Faisal

S. Abdul Moiz

Senior Managers

Dr. Ali Murtaza Khan

Asim Maqbool

Burhan Zahid Chughtai

Evelyn D. Abrogena

M. Azeem Mirza

M. Saqib Altaf

Mohammad Altaf

Mohammad Zubair

Dr. Naila Salman

S. Mohammad Owais

Managers

Abida Hasanali

Dr. Asadul Hadi Siddiqui

Fahd Saifuddin Syed

M. Fawad Habib

M. Hasan Shaikh

M. Rehan Siddiqui

Col. Mirza Jalaluddin Ahmed

Mushtaq Ali

Naveed Shafi

S. Mohammad Amer

S. Muhammad Athar

S. Zia Mamnoon

Shazia Mehboob

Wasim Qaiser

Senior Advisor

S.M. Baqar Naqvi

Advisors

Arshad Abdullah

S. A. Naqvi

Distribution Channels

Sales Force

Naseem A. Chaudhari

National Sales Director

Mustafa Hussain Ali

Assistant National Sales Director

Group Benefits

S. Ali Raza Zaidi

Executive Director

Bancassurance

Husein Sachak

Head of Sales & Marketing

Committees

Audit Committee

Saifuddin N. Zoomkawala
Rafique R. Bhimjee
Hasanali Abdullah

Investment Committee

Saifuddin N. Zoomkawala
Taher G. Sachak
Rafique R. Bhimjee
Hasanali Abdullah
Omer Morshed
S. Shahid Abbas
Mohammed Ali Ahmed
S. Mohammad Owais

Underwriting Committee

Taher G. Sachak
S. M. Baqar Naqvi
Dr. Tajuddin A. Manji
Zain Ibrahim
Dr. Naila Salman

Claim Settlement Committee

Taher G. Sachak
S. M. Baqar Naqvi
Zain Ibrahim
Arshad Iqbal
Dr. Ali Murtaza Khan

Reinsurance Committee

Taher G. Sachak
Omer Morshed
Mohammed Ali Ahmed
Syed Abdul Moiz
Ghayas Hassan



Notice of Meeting

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of EFU Life Assurance Ltd. will be held at 2nd Floor, Dodhy Building, 52-E, Blue Area, Jinnah Avenue, Islamabad on 27th April, 2011 at 11.30 a.m. to:

ORDINARY BUSINESS:

1. confirm the minutes of the 18th Annual General Meeting held on April 30, 2010.
2. receive, consider and approve the Audited Financial Statements for the year ended December 31, 2010 together with the Directors' and Auditors' reports thereon.
3. consider and if thought fit to approve the payment of Dividend at the rate of Rs.5/- per share for the year ended December 31, 2010 as recommended by the Board of Directors.
4. appoint Auditors for the year 2011 and fix their remuneration.
5. transact any other matter with the permission of the Chair.

Attached to this notice of meeting being sent to the members is a statement under section 160(1)(b) of the Companies Ordinance 1984 regarding status of previous approval of investments in associated company.

By Order of the Board

SYED SHAHID ABBAS
Chief Financial Officer
& Corporate Secretary

Karachi March 26, 2011

NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
2. CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.
 - a. For attending the meeting:
 - (i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
 - (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
 - b. For appointing proxies:
 - (i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

-
- (iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
3. The Share Transfer Books of the Company will be closed from April 20, 2011 to April 27, 2011 (both days inclusive). Transfer received in order by our Shares Registrar, Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Shahrah-e-Quaideen, Karachi at the close of business on April 19, 2011 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend.
4. Members are requested to communicate to our Shares Registrar of any change in their addresses.

Statement under section 160 of the Companies Ordinance, 1984 pertaining to investment in associated company:

- Status of approval for investment in associated companies: As required under the SRO No. 865(1)2000 dated December 6, 2000, the position of investment in associated company against approval is as under.
- Against the approval accorded by shareholders of the Company at the 16th Annual General Meeting held on March 31, 2008 of Rs.500/- million for investment in shares of EFU General Insurance Ltd. The Company has so far invested Rs.498.39 million and the remaining amount will be invested on availability of shares at a reasonable price as and when the circumstances permit the Company. Since the date of passing of the resolution by the shareholders of the Company on March 31, 2008 the shareholders equity of the investee company has decreased to Rs. 9,591 million from Rs. 10,106 million.

Report of the Directors to the Members



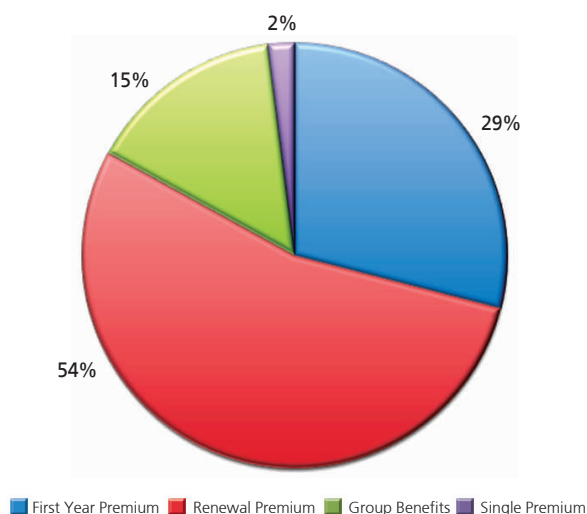
EFU Life Assurance Ltd. Board of Directors (Left to Right) Hasanali Abdullah; Taher G. Sachak - Managing Director & Chief Executive; Jahangir Siddiqui; Saifuddin N. Zoomkawala - Chairman; Rafique R. Bhimjee; Sultan Ahmad; Muneer R. Bhimjee

The Directors of your Company are pleased to present to you the Nineteenth Annual Report of the Company for the year ended 31 December 2010.

Business Performance:

Your Company's gross premium for 2010 stood at Rs.8.38 billion (2009: 7.23 billion), there being significant contributions from all three distribution channels, i.e.

COMPOSITION OF GROSS PREMIUM IN 2010

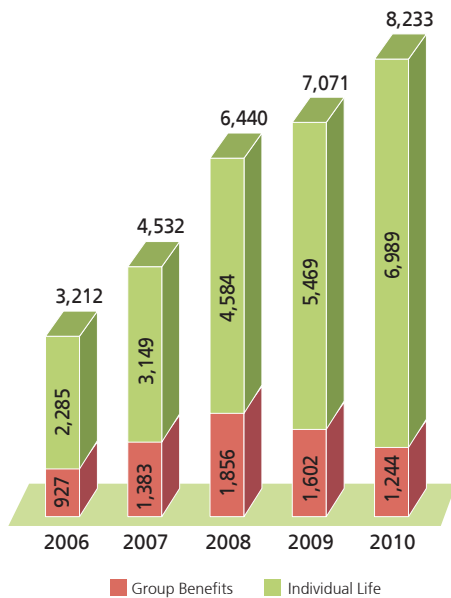


Individual Life Sales Force, Individual Life Bancassurance and Group Benefits. Your Company continues to be the market leader in the private sector in terms of premium volume.

Individual Life regular premiums showed an encouraging growth of 28% with a premium of Rs.6.99 billion (2009: Rs.5.47 billion). New business premium grew by an impressive 38% and contributed Rs.2.45 billion (2009: Rs.1.78 billion), while the substantial renewal premium base contributed Rs.4.54 billion (2009: Rs.3.69 billion), increasing by 23%. The Company continues to focus on the persistency of both its individual distribution channels (sales force and bancassurance) on which the profitability of the individual line of business is dependent. The Company is continuously working on client servicing initiatives some of which will be launched in 2011, and will help in further strengthening client retention and loyalty to the EFU Life brand.

The Group Benefits division achieved a gross premium of Rs.1.24 billion (2009: Rs.1.6 billion), contributing 15% of the Company's gross premium for the year. This business line witnessed a reduction in the premium income as a sizable volume of business in 2009 emanated from various insurance coverage on consumer banking products which slowed down significantly in 2010. Group business has also been impacted by the overall sluggishness in the industrial and corporate sector of the country.

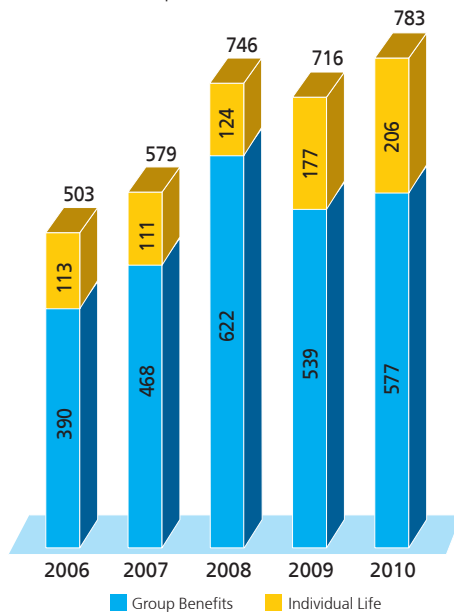
GROSS PREMIUM GROWTH - 5 YEAR SUMMARY
(Group Benefits & Individual Life Regular Premium)
(Rupees in Millions)



Claim payments:

The Company has robust claims processes in place directed at ensuring implementation of the Company's philosophy of prompt claims settlement.

GROSS DEATH & DISABILITY CLAIMS 5 YEAR SUMMARY
(Rupees in Millions)



During the year 2010 the Company paid total death and disability claims of Rs.783 million with individual and group life claims amounting to Rs.206 million and Rs.577 million, respectively.

Investment Performance:

During 2010, the net asset value of all unit funds under management increased from Rs.13.1 billion to Rs.17.9 billion, a growth in size of 36.6%.

The Managed Growth Fund, which is the largest unit linked fund of the Company exceeds Rs.17.2 billion in market value as at 31 December 2010, and has continued to provide consistently good returns to our clients over the longer term. The 10 year annualized return (net of all charges) is 13.80% p.a.

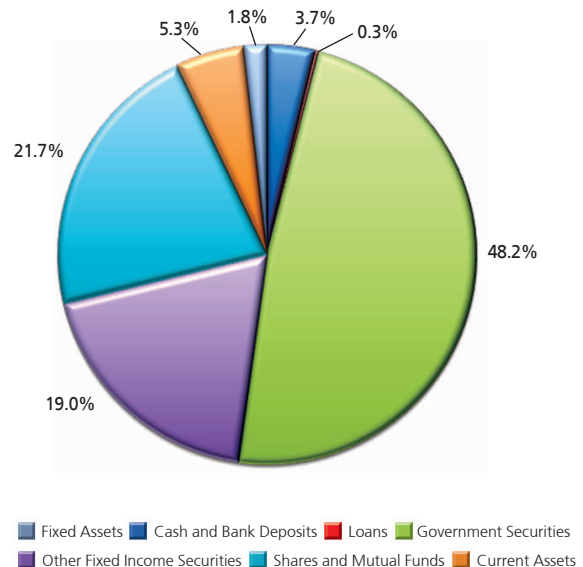
The Company manages three other unit linked funds with specific investment strategies:

Capital Growth Fund – for single premium policies, and has provided an annualized return (net of all charges) of 11.2% p.a over the last 5 years.

Aitemad Growth Fund – interest free investments, and has provided an annualized return (net of all charges) of 9.4% p.a. since inception in 2008.

Guaranteed Growth Fund – stable investment strategy with a guarantee that bid price will not fall. This fund was launched in 2009 and has provided an annualized return (net of all charges) of 10.04% p.a. since inception.

The Company has a very strong balance sheet size with total assets increasing by 24% during the year at Rs. 22.17 billion (2009: Rs. 17.4 billion). The composition of assets is as follows:





Profitability:

During the year, the Company's four statutory funds showed good performance generating a surplus of Rs.705 million (2009: Rs.734 million). The decrease in the surplus as compared to 2009 is attributable to the new business strain due to the impressive growth in individual life new business as well as adverse underwriting experience on the Group Benefits portfolio.

Out of this surplus, Rs.689 million was transferred to the Profit & Loss Account. After including the performance of the Shareholders' fund, your Company made a before tax profit of Rs.551 million (2009: Rs.648 million). The major reason for the impact on the profitability is due to the further impairment in the value of certain investments in the Shareholder's fund.

New Products:

The Company carries out a regular review of its product range by identifying the needs of various target markets. Currently the Company offers products which focus on the needs of child education and marriage, retirement planning, savings and wealth accumulation, Islamic products and protection products. This comprehensive product range has the depth to reach into the main segments of our society.

During 2010, your Company launched a number of new products for the sales force distribution channel, including a product which focuses on the middle and low income segments. The Company feels that the new product would help it penetrate into these market segments effectively, thereby providing valuable financial planning services as well as creating awareness of the benefits of insurance in these segments of our society.

For its bancassurance distribution channel, the Company launched products with its existing and new bank partners. The focus of these products is on savings, child education and marriage, and retirement.

Distribution Strengths:

During 2010, the Company continued to focus on the development of its individual life distribution channels.

The Company has had a tied agency sales force since the inception of the individual life business in 1994, and this sales force has now grown to 117 branches all across the country. The Company has continued its focus on improving the key performance indicators of the sales force such as productivity and retention, and further dedicated efforts will continue during 2011 as well on these critical areas.

Bancassurance is the other distribution channel that has grown in significance for the Company over the last 5 years. The Company has 10 bank partners making it the largest bancassurance provider in the market. The Company's strategy of having multiple bank partners is working well with most of the banks producing consistent good business

volumes. During 2011, the Company expects to partner with more banks to further increase its footprint in the bancassurance industry of the country.

The third and sizable distribution channel is the marketing force of Group Benefits. During 2010, this channel faced challenges such as the slowdown in the industrial and corporate sector as well as overall sluggishness in the market. Despite the challenges, this distribution channel continued to make a positive contribution to the overall performance, in spite of witnessing a reduction in premium income as well as profitability.

Awards and Achievements:

Your Company's performance and market leadership was recognized by various independent entities during the year. The Company received the following prestigious awards during 2010:

- 27th Corporate Excellence Award by the Management Association of Pakistan (also received the 25th and 26th Corporate Excellence Awards in 2008 and 2009)
- Consumers Choice Award for Best Life Insurance Company 2010 by Consumer Association of Pakistan (also awarded in 2008 and 2009)
- 5th CSR National Excellence Award 2010 by Help International Welfare Trust (was also awarded in 2009).
- Corporate Social Responsibility Award, 2010 by Helpline Trust (was also awarded in 2008 and 2009)
- Only Life Insurance Company upgraded to ISO-9001:2008 Certification.

The Company's Insurer Financial Strength rating was reaffirmed by JCR-VIS as AA- (Stable). The reaffirmation is indicative of the fact that the Company is on a strong financial footing and is the market leader in the life insurance sector in terms of long term sustainable business strategies, innovative products, superior systems and IT infrastructure, satisfied clients and prudent investment policies resulting in excellent medium to long term returns to our clients.

Technology:

The Company has always focused on use of technology in its business processes. In this regard, two important steps have been taken. The first is to modernize its distribution channel by providing laptops equipped with various sales support tools to a major segment of the individual life sales force. This facility will help the sales force in acquiring good quality business as well as facilitate in further improving the business processing time. The second major initiative is the launch of a new website which provides a fresh look as well as various client support tools such as client portal for online policy information and online premium payments. The launch of the new website is a major step for the Company in terms of moving to the online era for client servicing and interaction.

The Company is currently working on internet and mobile

phone based tools which are expected to augment its sales as well as further improve client servicing. These tools will be launched during 2011 and are expected to help the Company explore new market segments.

Overseas life insurance markets:

As part of its long term expansion plans, the Company is not only focusing on markets within the country, but is also exploring opportunities outside of the country. The Company is currently working closely with International Finance Corporation, IFC, the World Bank Group, in identifying suitable markets for investing in life insurance business and a feasibility study is underway.

Human Capital:

Your Company continued to focus on the career development of its professional life insurance management team. Our staff includes experienced insurance sales personnel, accountants, IT professionals, underwriters, medical doctors, lawyers, business management graduates and actuaries, to name a few. The Company considers this "human capital" as its greatest asset. The Company believes that investment in developing and motivating staff plays a pivotal role in their positive contribution to the current and future success of the Company.

Earning Per Share

The earning per share for the year was Rs 4.27 (2009 Rs 8.37).

Appropriation and Dividend:

Your Company's Profit after tax during the year amounted to Rs.363 million.

Your Directors have pleasure in recommending a dividend of Rs 5 (50 %) per share to the Shareholders of the Company whose names appear in the Share Register of the Company at the close of business on 19th April 2011.

Related Party Transactions

At each board meeting the Board of Directors approve the Company's transactions made with Associated Companies and Related Parties. All such transactions are executed on arm's length basis.

Internal Audit function

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the Internal Auditor is to conduct periodic audits and to ensure adequacy in operational controls,

consistency in application of policies and procedures, compliance with laws and regulations.

As part of Corporate Governance, your Company has Underwriting Committee, Claims Settlement Committee and Reinsurance Committee.

Corporate Social Responsibility

CSR Initiatives

During the year, a major part of the country was devastated by the unprecedented floods. Your Company and its staff worked with various organizations to support the flood victims.

As part of the Company's vision for Social Responsibility, the company encourages its employees to act responsibly to make a difference by contributing to those activities that have the greatest visible impact on the betterment of the society with emphasis on education and health.

Business Ethics, Consumer Protection and anti-corruption measures

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. Statement of Ethics and business practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

Relationship with other Stakeholders

Your Company tries to maintain good relationship with:

- Its employees by providing a positive work environment
- Its clients through building trust and providing quality service
- The business community through honest and fair dealing
- The Government through promoting free enterprise along with competitive market system and comply with all applicable laws; and
- Society in general through providing safe and healthy workplace and provide employees the opportunity to improve their skills

Contribution to National Exchequer

Your Company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the company grows. This year the Company contributed Rs. 171 millions to the national exchequer in the form of Income Tax, etc.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

The Directors of your Company were elected at the



Extraordinary General Meeting held on June 21 2008 for a term of three years expiring on June 21, 2011.

The number of meeting attended by each Director is given hereunder:

Sr. No	Name of Directors	Number of meetings attended
1.	Saifuddin N Zoomkawala	4 out of 4
2.	Taher G Sachak	4 out of 4
3.	Jahangir Siddiqui	4 out of 4
4.	Rafique R Bhimjee	4 out of 4
5.	Muneer R Bhimjee	4 out of 4
6.	Hasanali Abdullah	4 out of 4
7.	Sultan Ahmad	4 out of 4

Audit Committee:

The Board's Audit Committee comprises of the following members:

1. Saifuddin N Zoomkawala (Chairman)
2. Rafique R Bhimjee
3. Hasanali Abdullah

Corporate and Financial Reporting Frame Work

- 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 any departure there from has been adequately disclosed.
- e) 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 un-audited accounts as on December 31, 2010 were the following.

Provident Fund	Rs.115 Million
Pension Fund	Rs. 60 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:

<u>Purchase of Shares:</u>	<u>No. of Shares</u>
Hasanali Abdullah	1,000
<u>Sale of Shares:</u>	
Hasanali Abdullah	550,000
Sultan Ahmad	3,000

- k) The statement of shareholding in the Company as at 31 December 2010 is included with the Report.

Messrs. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants and Hyder Bhimji & Co, Chartered Accountants, retire and being willing to continue are recommended for reappointment as Auditors of the Company for the year 2011.

We 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, investments, 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 EFU General Insurance Ltd. for their continuous support and guidance, which has enabled the Company to establish a strong presence in the market.

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 Insurance Division of the Securities and Exchange Commission of Pakistan for their guidance, co-operation and understanding extended to us throughout the year.

HASANALI ABDULLAH
Director

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman



Key Financial Data for The Last Six Years

(Rupees '000)

	2010	2009	2008	2007	2006 (Restated)	2005
Gross premium	8 375 515	7 226 876	7 250 509	4 817 874	3 338 078	2 500 098
REVENUE ACCOUNT						
Premium - net of reinsurance	7 920 022	6 769 079	6 807 131	4 431 546	3 042 316	2 257 827
Interest and other income	1 667 882	1 604 864	2 005 337	1 882 987	717 288	469 814
	9 587 904	8 373 943	8 812 468	6 314 533	3 759 604	2 727 641
Claims less reinsurance	1 837 151	1 299 861	1 297 659	887 393	758 980	622 169
Commission and expenses	2 962 020	2 651 068	2 708 505	1 798 526	1 085 416	803 158
Provision for Appreciation / (Depreciation) on investments	60 106	1 603 394	(5 096 831)	(2 022 095)	(178 962)	418 769
Write back / (Provision) for doubtful debts on available for sale fixed income securities	13 932	6 712	(73 838)	-	-	-
Provision for impairment on available for sale equity investment	(213 721)	(185 168)	(914 012)	-	-	-
Capital contribution from shareholders' fund		-	599 615	(599 615)	-	-
Change in the statutory fund	4 098 015	5 200 231	(1 563 033)	4 815 579	1 398 477	1 424 869
Profit / (Loss) before tax	551 035	647 721	(314 959)	1 434 745	337 769	296 214
Provision for taxation	(187 800)	63 938	(158 200)	(227 453)	(101 800)	(100 347)
Profit / (Loss) after tax	363 235	711 659	(473 159)	1 207 292	235 969	195 867
BALANCE SHEET						
Investments	19 711 968	15 053 389	9 684 973	11 757 140	6 573 206	5 156 704
Cash & bank balances	826 325	1 365 803	1 425 424	949 466	683 275	455 453
Other assets	1 203 567	1 078 081	467 589	339 055	204 855	138 289
Fixed assets	420 875	350 208	308 345	269 589	238 892	217 928
	22 162 735	17 847 481	11 886 331	13 315 250	7 700 228	5 968 374
Issued, subscribed and paid-up capital	850 000	750 000	750 000	500 000	300 000	210 000
Accumulated surplus / (loss)	496 775	646 040	(65 619)	607 925	240 248	196 279
General reserve	232 500	232 500	570 000	170 000	190 000	130 000
Balance of statutory fund	18 865 481	14 767 466	9 567 235	11 130 268	6 314 689	4 916 212
Other liabilities	1 717 979	1 451 475	1 064 715	907 057	655 291	515 883
	22 162 735	17 847 481	11 886 331	13 315 250	7 700 228	5 968 374

Key Operating and Financial Data

Six years summary		2010	2009	2008	2007	2006	2005
Financial Ratios							
Profitability							
Profit / (Loss) Before Tax / Gross Premium		7%	9%	(4%)	30%	10%	12%
Profit / (Loss) Before Tax / Net Premium		7%	10%	(5%)	32%	11%	13%
Profit / (Loss) After Tax / Gross Premium		4%	10%	(7%)	25%	7%	8%
Profit / (Loss) After Tax / Net Premium		5%	11%	(7%)	27%	8%	9%
Net Claims / Net Premium		23%	19%	19%	20%	25%	28%
Commission / Net premium		25%	27%	30%	30%	23%	21%
Acquisition Cost / Net Premium		32%	34%	35%	35%	30%	30%
Administration Expenses / Net premium		5%	5%	5%	5%	5%	5%
Change in PHL / Net Inflow		43%	53%	(28%)	56%	36%	43%
Net investment income / Net Premium		21%	46%	(49%)	68%	15%	1%
Return to Shareholders							
Return on Equity	%	23%	44%	(38%)	94%	32%	37%
Earnings / (loss) per share (pre tax)	Rupees	6.48	8.64	(4.19)	28.69	11.25	14.11
Earnings / (loss) per share (after tax) Diluted	Rupees	4.27	9.49	(6.31)	24.15	7.87	9.33
Price Earning Ratio -PAT	Times	17.67	14.49	(56.54)	25.63	30.49	18.33
Return on Asset	%	2%	4%	(3%)	11%	4%	5%
Market Value							
Face Value Per Share	Rupees	10	10	10	10	10	10
Breakup Value Per Share	Rupees	18.58	21.71	16.73	25.56	24.34	25.54
Mkt price per share (at end of the year)	Rupees	75.44	137.5	356.75	618.85	239.95	171
Cash Dividend per Share	Rupees	5	5.5	4.5	3	2	2
Cash Dividend %	%	50%	55%	45%	30%	20%	20%
Dividend Yield	%	7%	4%	1%	0.48%	1%	1%
Dividend Payout	%	117%	58%	(71%)	12%	25%	21%
Dividend Cover	Times	0.85	1.73	(1.40)	8.05	3.94	4.67
Bonus %		0%	13%	0%	50%	67%	43%
Performance Liquidity							
Current Ratio		1.18	1.69	1.74	1.43	1.36	1.15
Total Liabilities / Equity	Times	13.03	9.96	8.53	9.43	9.54	10.13
Return On Capital Employed	%	35%	40%	(25%)	112%	46%	55%
Paidup Capital / Total Asset	%	4%	4%	6%	4%	4%	4%
Equity/ total Asset	%	7%	9%	10%	10%	9%	9%
Cashflow							
Net cashflow from operating Activity		3 217 244	2 815 026	2 804 917	1 707 444	1 225 226	849 242
Net cashflow from investing Activity		(3 344 222)	(2 537 147)	(2 178 959)	(1 381 422)	(955 540)	(751 551)
Net cashflow from financing Activity		(412 500)	(337 500)	(150 000)	(59 831)	(41 864)	(24 656)
Net change in cash and cash equivalent		826 325	1 365 803	1 425 424	949 466	683 275	455 453

Vertical Analysis

	2010		2009	
	Rupees in '000	%	Rupees in '000	%
Balance Sheet				
Net Equity	1 579 275	7.13	1 628 540	9.12
Statutory Fund	18 865 481	85.12	14 767 466	82.74
Current Liabilities	1 717 979	7.75	1 451 475	8.13
Total Equity & Liabilities	22 162 735	100.00	17 847 481	100.00
Total non-current assets	420 875	1.90	350 208	1.96
Investments	19 711 968	88.94	15 053 389	84.34
Current assets	2 029 892	9.16	2 443 884	13.69
Total assets	22 162 735	100.00	17 847 481	100.00
Revenue & Profit & Loss Account				
Net Income	9 448 221	100.00	9 798 881	100.00
Claims, Expenditures and Policy- holders Liabilities	(8 881 294)	(94.00)	(9 148 701)	(93.36)
Solvency Margin	(15 892)	(0.17)	(2 459)	0.03
Profit/ Loss before Tax	551 035	5.83	647 721	6.61
Income Tax expense	(187 800)	(1.99)	63 938	0.65
Profit / (Loss) after tax for the year	363 235	3.84	711 659	7.26



2008		2007		2006		2005	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
1 254 381	10.49	1 277 925	9.60	730 248	9.48	536 279	8.99
9 567 235	80.01	11 130 268	83.59	6 314 689	82.01	4 916 212	82.37
1 136 132	9.50	907 057	6.81	655 291	8.51	515 883	8.64
<u>11 957 748</u>	<u>100.00</u>	<u>13 315 250</u>	<u>100.00</u>	<u>7 700 228</u>	<u>100.00</u>	<u>5 968 374</u>	<u>100.00</u>
308 345	2.58	270 264	2.03	238 892	3.10	217 928	3.65
9 684 973	80.99	11 757 140	88.30	6 573 206	85.36	5 156 704	86.40
1 964 430	16.43	1 287 846	9.67	888 130	11.53	593 742	9.95
<u>11 957 748</u>	<u>100.00</u>	<u>13 315 250</u>	<u>100.00</u>	<u>7 700 228</u>	<u>100.00</u>	<u>5 968 374</u>	<u>100.00</u>
2 727 787	100.00	8 336 628	100.00	3 580 642	100.00	3 146 410	100.00
(3 040 156)	(111.45)	(6 866 194)	(82.36)	(3 119 517)	(87.12)	(2 777 378)	2.35
(2 590)	(0.09)	(35 689)	(0.43)	(123 356)	(3.45)	(72 818)	(2.33)
(314 959)	(11.55)	1 434 745	17.21	337 769	9.43	296 214	9.48
(158 200)	(5.80)	(227 453)	(2.73)	(101 800)	(2.84)	(100 347)	(3.21)
<u>(473 159)</u>	<u>(17.35)</u>	<u>1 207 292</u>	<u>14.48</u>	<u>235 969</u>	<u>6.59</u>	<u>195 867</u>	<u>6.27</u>

Horizontal Analysis

	2010	2009	2008	2007
	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000
Balance Sheet				
Net Equity	1 579 275	1 628 540	1 254 381	1 277 925
Statutory Fund	18 865 481	14 767 466	9 567 235	11 130 268
Current Liabilities	1 717 979	1 451 475	1 136 132	907 057
Total Equity & Liabilities	22 162 735	17 847 481	11 957 748	13 315 250
Total non-current assets	420 875	350 208	308 345	270 264
Investments	19 711 968	15 053 389	9 684 973	11 757 140
Current assets	2 029 892	2 443 884	1 964 430	1 287 846
Total assets	22 162 735	17 847 481	11 957 748	13 315 250
Revenue & Profit & Loss Account				
Net Income	9 448 221	9 798 881	2 727 787	8 336 628
Claims Expenditures and Policy-holders Liabilities	(8 881 294)	(9 148 701)	(3 040 156)	(6 866 194)
Solvency Margin	(15 892)	(2 459)	(2 590)	(35 689)
Profit / Loss before Tax	551 035	647 721	(314 959)	1 434 745
Income Tax expense	(187 800)	63 938	(158 200)	(227 453)
Profit / (Loss) for the year	363 235	711 659	(473 159)	1 207 292



2006	2005	2004	% increase / (decrease) over preceding year					
			2010	2009	2008	2007	2006	2005
Rupees in '000	Rupees in '000	Rupees in '000						
730 248	536 279	365 162	(3.03)	29.83	(1.84)	75.00	36.17	46.86
6 314 689	4 916 212	3 491 343	27.75	54.35	(14.04)	76.26	28.45	40.81
655 291	515 883	402 556	18.36	27.76	25.25	38.42	27.02	28.15
<u>7 700 228</u>	<u>5 968 374</u>	<u>4 259 061</u>	<u>24.18</u>	<u>49.25</u>	<u>(10.20)</u>	<u>72.92</u>	<u>29.02</u>	<u>40.13</u>
238 892	217 928	74 569	20.18	13.58	14.09	13.13	9.62	192.25
6 573 206	5 156 704	3 689 747	30.95	55.43	(17.62)	78.86	27.47	39.76
888 130	593 742	494 745	(16.94)	24.41	52.54	45.01	49.58	20.01
<u>7 700 228</u>	<u>5 968 374</u>	<u>4 259 061</u>	<u>24.18</u>	<u>49.25</u>	<u>(10.20)</u>	<u>72.92</u>	<u>29.02</u>	<u>40.13</u>
3 580 642	3 146 410	2 047 735	(3.58)	259.22	(67.28)	132.82	13.80	53.65
(3 119 517)	(2 777 378)	(1 824 929)	(2.92)	200.93	(55.72)	120.10	12.32	52.19
(123 356)	(72 818)	(38 847)	546.28	(5.06)	(92.74)	(71.07)	69.40	87.45
337 769	296 214	183 959	(14.93)	(305.65)	(121.95)	324.77	14.03	61.02
(101 800)	(100 347)	(74 000)	(393.72)	(140.42)	(30.45)	123.43	1.45	35.60
<u>235 969</u>	<u>195 867</u>	<u>109 959</u>	<u>(48.96)</u>	<u>(250.41)</u>	<u>(139.19)</u>	<u>411.63</u>	<u>20.47</u>	<u>78.13</u>

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed 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 non-executive Directors on its Board. At present the Board includes six non-executive Directors, who were elected on 21 June 2008 for the three years' term effective 22 June 2008.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies.
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 DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
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 have been taken by the Board including appointment and determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The management of the Company has submitted a paper to the Board of Directors on August 28, 2010 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. During the year the Board appointed S. Shahid Abbas, General Manager as Corporate Secretary in place of Syed Mehdi Imam. There was no new appointment of Head of Internal Audit during the year.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three non-executive Directors including the Chairman of the Committee.



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16. 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.
 17. The Company has an internal audit department and taking steps to further strengthening it.
 18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
 19. 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.
 20. We confirm that all other material principles contained in the Code have been complied with.

HASANALI ABDULLAH
Director

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2010, prepared by the Board of Directors of EFU Life Assurance Limited (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular number KSE / N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for its 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 the 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 procedure 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2010.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Hyder Bhimji & Co.
Chartered Accountants

Karachi March 26, 2011

Auditors' Report to the Members

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 EFU Life Assurance Limited (the Company) as at 31 December 2010 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:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000, and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for changes as stated in note 5.1 to the financial statements with which we concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2010, and of the profit, its changes in equity and cash flows for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) 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
- (e) 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.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Karachi March 26, 2011

Hyder Bhimji & Co.
Chartered Accountants

Audit Engagement Partner: Hyder Ali Bhimji

Balance Sheet As At 31 December 2010

(Rupees '000)

Note	Shareholders' Fund	Statutory Funds			Aggregate 2010	Aggregate 2009			
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)			Accident & Health Business		
Share capital and reserves									
	Authorised share capital [100 000 000 ordinary shares (2009: 100 000 000) of Rs. 10 each]	1 000 000							
	Issued, subscribed and paid up share capital	8	850 000			850 000	750 000		
	Accumulated surplus		496 775			496 775	646 040		
	General reserve		232 500			232 500	232 500		
	Net shareholders' equity		1 579 275			1 579 275	1 628 540		
Balance of statutory fund [including policyholders' liabilities Rs. 18 574 million (2009: Rs. 14 492 million)]									
		10	18 574 847	270 315	16 469	3 850	18 865 481	14 767 466	
	Deferred taxation	11	11 800				11 800	9 000	
Creditors and accruals									
	Outstanding claims	12	194 747	319 219	–	744	514 710	516 495	
	Premiums received in advance		394 315	22 369	853	1 041	418 578	320 527	
	Amounts due to reinsurers		28 069	9 186	222	–	37 477	43 634	
	Amounts due to agents		219 367	24 192	4	131	243 694	189 396	
	Accrued expenses		1 090	98 509	7 171	–	66	106 836	72 718
	Unclaimed dividend		5 206	–	–	–	5 206	2 836	
	Other creditors and accruals	13	23 318	29 872	2 444	–	19	55 653	50 324
	Inter-fundpayable		–	225 953	92 336	422	5 314	324 025	246 545
	Total liabilities		29 614	1 190 832	476 917	1 501	7 315	1 706 179	1 442 475
	Contingency	14							
	Total equity and liabilities		<u>1 620 689</u>	<u>19 765 679</u>	<u>747 232</u>	<u>17 970</u>	<u>11 165</u>	<u>22 162 735</u>	<u>17 847 481</u>

(Rupees '000)

	Note	Statutory Funds				Aggregate 2010	Aggregate 2009	
		Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)			Accident & Health Business
Cash and bank deposits	15							
Policy stamps in hand			3 525	98	-	-	3 623	5 256
Current and other accounts		11 892	666 822	70 950	2 065	973	752 702	1 020 547
Deposits maturing within 12 months		-	70 000	-	-	-	70 000	340 000
		11 892	740 347	71 048	2 065	973	826 325	1 365 803
Loans	16							
To employees - secured		44 776	-	-	-	-	44 776	43 210
To employees and agents - unsecured		10 807	-	-	-	-	10 807	15 805
		55 583	-	-	-	-	55 583	59 015
Investments	17							
Government securities		263 896	10 057 048	346 526	7 425	5 000	10 679 895	6 556 015
Other fixed income securities		83 640	3 938 848	182 078	4 075	3 840	4 212 481	4 176 517
Listed equities and mutual funds		279 224	4 495 536	40 235	4 089	-	4 819 084	4 320 349
Unlisted equities		508	-	-	-	-	508	508
		627 268	18 491 432	568 839	15 589	8 840	19 711 968	15 053 389
Current assets - others								
Premiums due but unpaid			-	28 860	-	-	28 860	36 267
Amounts due from reinsurers			31 969	53 722	-	468	86 159	78 437
Amounts due from agent			-	-	-	-	-	202
Taxation - provision less payments		171 683	-	-	-	-	171 683	227 388
Prepayments		-	10 875	890	-	7	11 772	14 030
Investment income accrued	18	9 363	448 533	19 043	316	850	478 105	374 354
Advances and deposits		-	27 993	3 779	-	19	31 791	30 801
Sundry receivables			14 530	1 051	-	8	15 589	11 042
Inter-fund receivable		324 025	-	-	-	-	324 025	246 545
		505 071	533 900	107 345	316	1 352	1 147 984	1 019 066
Fixed assets	19							
Tangible assets								
Leased hold land		126 505	-	-	-	-	126 505	126 505
Capital work in progress		60 687	-	-	-	-	60 687	28 919
Furniture, fixtures, office equipment and vehicles		232 617	-	-	-	-	232 617	189 828
Intangible (Computer software)		1 066	-	-	-	-	1 066	4 956
		420 875	-	-	-	-	420 875	350 208
Total assets		<u>1 620 689</u>	<u>19 765 679</u>	<u>747 232</u>	<u>17 970</u>	<u>11 165</u>	<u>22 162 735</u>	<u>17 847 481</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Profit and Loss Account For The Year Ended 31 December 2010

(Rupees '000)

	Note	Aggregate 2010	Aggregate 2009
Investment income not attributable to statutory funds			
Return on government securities		21 091	20 230
Return on other fixed income securities and deposits		15 237	17 027
Dividend income		20 827	21 596
		57 155	58 853
Gain on disposal of investments		–	35 497
Provision for impairment in the value of available for sale investments	17.3.1	(204 131)	(176 217)
Net investment loss		(146 976)	(81 867)
Other revenue	22	18 161	13 346
		(128 815)	(68 521)
Expenses not attributable to statutory funds	23	(9 468)	(15 412)
		(138 283)	(83 933)
Surplus transferred from statutory funds		689 318	731 654
Profit before tax		551 035	647 721
Taxation	24	(187 800)	63 938
Profit after tax		363 235	711 659
Earnings per share - basic and diluted	26	4.27	8.37

The annexed notes 1 to 33 form an integral part of these financial statements.

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Director

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Director

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Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Changes in Equity For The Year Ended 31 December 2010

(Rupees '000)

	Share Capital	General Reserve	Accumulated Surplus	Total
Balance as at 1 January 2009	750 000	570 000	(65 619)	1 254 381
Changes in equity for 2009				
Transfer from general reserves	–	(337 500)	337 500	–
Dividend for the year 2008		–	(337 500)	(337 500)
Profit for the year	–	–	711 659	711 659
Balance as at 31 December 2009	750 000	232 500	646 040	1 628 540
Changes in equity for 2010				
Issue of bonus shares	100 000	–	(100 000)	–
Dividend for the year 2009	–	–	(412 500)	(412 500)
Profit of the year	–	–	363 235	363 235
Balance as at 31 December 2010	<u>850 000</u>	<u>232 500</u>	<u>496 775</u>	<u>1 579 275</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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Director

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Director

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Chief Executive

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Chairman

Statement of Cash Flows For The Year Ended 31 December 2010

(Rupees '000)

	Statutory Funds					Aggregate 2010	Aggregate 2009
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Operating cash flows							
a) Underwriting activities							
Premiums received		7 210 887	1 264 543	2 171	3 372	8 480 973	7 257 576
Reinsurance premiums paid		(109 462)	(11 728)	(52)	(1 021)	(122 263)	(98 729)
Claims paid		(195 647)	(683 941)	–	(2 549)	(882 137)	(748 919)
Surrenders paid		(1 291 118)	–	–	–	(1 291 118)	(808 150)
Commissions paid		(1 602 715)	(335 892)	(72)	(378)	(1 939 057)	(1 826 162)
Net cash generated from / (used in) underwriting activities		4 011 945	232 982	2 047	(576)	4 246 398	3 775 616
b) Other operating activities							
Income tax paid	(129 295)	–	–	–	–	(129 295)	(167 507)
General management expenses paid	(9 028)	(816 201)	(81 956)	(160)	(366)	(907 711)	(790 943)
Other operating payments	(34 204)	–	–	(161)	(6)	(34 371)	(162 791)
Other operating receipts		17 526	22 105	–	2 459	42 090	179 744
Loans advanced	(39 448)	–	–	–	–	(39 448)	(39 448)
Loan repayments received	42 880	–	–	–	–	42 880	25 531
Other payments on operating assets	–	(3 556)	257	–	–	(3 299)	(5 176)
Net cash (used in) / generated from other operating activities	(169 095)	(802 231)	(59 594)	(321)	2 087	(1 029 154)	(960 590)
Total cash (used in) generated from all operating activities	(169 095)	3 209 714	173 388	1 726	1 511	3 217 244	2 815 026
Investment activities							
Profit / return received	47 362	1 463 736	54 447	1 148	677	1 567 370	1 217 000
Dividends received	20 827	251 046	751	285	–	272 909	177 725
Payments for investments	(84 588)	(5 515 565)	(132 334)	(2 173)	–	(5 734 660)	(4 726 575)
Proceeds from disposal of investments	5 656	646 213	–	1 269	492	653 630	867 789
Fixed capital expenditure	(117 496)	–	–	–	–	(117 496)	(82 344)
Proceeds from disposal of fixed assets	14 025	–	–	–	–	14 025	9 258
Total cash (used in) / generated from investing activities	(114 214)	(3 154 570)	(77 136)	529	1 169	(3 344 222)	(2 537 147)
Financing activities							
Surplus appropriated to shareholders' fund	689 318	(519 982)	(165 938)	(717)	(2 681)	–	–
Dividends paid	(412 500)	–	–	–	–	(412 500)	(337 500)
Total cash generated from / (used in) financing activities	276 818	(519 982)	(165 938)	(717)	(2 681)	(412 500)	(337 500)
Net cash generated from / (used in) all activities	(6 491)	(464 838)	(69 686)	1 538	(1)	(539 478)	(59 621)
Cash at beginning of the year	18 383	1 205 185	140 734	527	974	1 365 803	1 425 424
Cash at end of the year	<u>11 892</u>	<u>740 347</u>	<u>71 048</u>	<u>2 065</u>	<u>973</u>	<u>826 325</u>	<u>1 365 803</u>
Reconciliation to profit and loss account							
Operating cash flows						3 217 244	2 815 026
Depreciation						(35 534)	(30 363)
Amortization						(3 890)	(3 890)
Profit on disposal of fixed assets						6 620	3 030
Other income						11 541	10 317
Investment income						1 932 489	1 506 825
Appreciation in market value of investments						78 406	1 607 589
Provision for impairment in the value of available for sale investments						(213 721)	(185 168)
Provision for doubtful debt investment						13 932	6 712
(Loss) / profit on sale of investments						(301 068)	80 497
Increase in assets other than cash						21 735	14 142
Increase in liabilities other than running finance						(4 364 519)	(5 113 058)
Profit after taxation						<u>363 235</u>	<u>711 659</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

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Director

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Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Revenue Account For The Year Ended 31 December 2010

(Rupees '000)

	Note	Statutory Funds				Aggregate 2010	Aggregate 2009
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Income							
Premiums less reinsurances		6 945 869	969 983	2 082	2 088	7 920 022	6 769 079
Net investment income		1 599 147	54 436	2 148	1 283	1 657 014	3 098 323
Total net income		8 545 016	1 024 419	4 230	3 371	9 577 036	9 867 402
Claims and expenditure							
Claims net of reinsurance recoveries		1 441 286	395 755	(47)	157	1 837 151	1 299 861
Management expenses		2 531 827	419 688	238	799	2 952 552	2 635 656
Total claims and expenditure		3 973 113	815 443	191	956	4 789 703	3 935 517
Excess of income over claims and expenditure		4 571 903	208 976	4 039	2 415	4 787 333	5 931 885
Add : policyholders' liabilities at beginning of the year		14 255 327	219 117	13 147	4 116	14 491 707	9 293 935
Less : policyholders' liabilities at end of the year	9.2	18 307 248	246 427	16 469	3 686	18 573 830	14 491 707
		(4 051 921)	(27 310)	(3 322)	430	(4 082 123)	(5 197 772)
Surplus before tax		519 982	181 666	717	2 845	705 210	734 113
Movement in policyholders' liabilities		4 051 921	27 310	3 322	(430)	4 082 123	5 197 772
Transfer of surplus to shareholders' fund		(519 982)	(165 938)	(717)	(2 681)	(689 318)	(731 654)
Balance of statutory funds at beginning of the year		14 522 926	227 277	13 147	4 116	14 767 466	9 567 235
Balance of statutory funds at end of the year		18 574 847	270 315	16 469	3 850	18 865 481	14 767 466
Represented by:							
Policyholders' liabilities	9.2	18 307 248	246 427	16 469	3 686	18 573 830	14 491 707
Retained earnings on other than participating business		267 599	23 888	-	164	291 651	275 759
Balance of statutory funds	10	18 574 847	270 315	16 469	3 850	18 865 481	14 767 466

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Chairman

Statement of Premiums For The Year Ended 31 December 2010

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Gross premiums						
Regular premium individual policies*						
First year	2 446 139	4 494	–	460	2 451 093	1 778 215
Second year renewal	1 332 275	3 422	–	72	1 335 769	1 284 703
Subsequent year renewal	3 192 306	5 441	2 150	2 313	3 202 210	2 405 612
Single premium individual policies	141 968	–	–	–	141 968	156 266
Group policies without cash values	–	1 244 475	–	–	1 244 475	1 602 080
Total gross premiums	7 112 688	1 257 832	2 150	2 845	8 375 515	7 226 876
Less: Reinsurance premiums ceded						
On individual life first year business	29 134	928	–	65	30 127	23 689
On individual life second year business	18 855	306	–	13	19 174	17 961
On individual life renewal business	118 830	2 327	68	679	121 904	109 366
On group policies	–	284 288	–	–	284 288	306 781
Total reinsurance premium ceded	166 819	287 849	68	757	455 493	457 797
Net premiums	6 945 869	969 983	2 082	2 088	7 920 022	6 769 079

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

The annexed notes 1 to 33 form an integral part of these financial statements.

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Chairman

Statement of Claims For The Year Ended 31 December 2010

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Gross claims						
Claims under individual policies						
by death	193 536	707	–	–	194 243	164 053
by insured event other than death	11 389	–	–	760	12 149	12 857
by maturity	30 504	–	–	–	30 504	9 858
by surrender	1 291 118	–	–	–	1 291 118	806 828
Total gross individual policy claims	1 526 547	707	–	760	1 528 014	993 596
Claims under group policies						
by death	–	547 623	–	–	547 623	518 130
by insured event other than death	–	29 151	–	–	29 151	20 975
experience refund	–	66 682	–	–	66 682	82 457
Total gross group claims	–	643 456	–	–	643 456	621 562
Total gross claims	1 526 547	644 163	–	760	2 171 470	1 615 158
Less: Reinsurance recoveries						
On individual life first year business	12 217	220	–	–	12 437	7 479
On individual life second year business	4 166	–	–	–	4 166	2 782
On individual life subsequent renewal business	30 653	238	–	653	31 544	36 083
On group claims	–	204 614	–	–	204 614	205 442
On experience refund of premiums	38 225	43 336	47	(50)	81 558	63 511
Total reinsurance	85 261	248 408	47	603	334 319	315 297
Net claims	<u>1 441 286</u>	<u>395 755</u>	<u>(47)</u>	<u>157</u>	<u>1 837 151</u>	<u>1 299 861</u>

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HASANALI ABDULLAH
Director

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SAIFUDDIN N. ZOOMKAWALA
Chairman



Statement of Expenses For The Year Ended 31 December 2010

(Rupees '000)

	Note	Statutory Funds				Aggregate 2010	Aggregate 2009
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Acquisition costs							
Remuneration to insurance intermediaries on individual policies:							
- commission on first year premiums		1 279 373	1 442	-	200	1 281 015	907 296
- commission on second year premiums		125 241	332	-	29	125 602	133 896
- commission on subsequent renewal premiums		86 720	135	54	109	87 018	42 902
- commission on single premiums		2 991	-	-	-	2 991	3 092
- override commission		164 879	469	19	73	165 440	134 039
- other benefits to insurance intermediaries		262 285	560	94	115	263 054	221 964
		1 921 489	2 938	167	526	1 925 120	1 443 189
Remuneration to insurance intermediaries on group policies:							
- commission		-	331 491	-	-	331 491	636 685
- other benefits to insurance intermediaries		-	21 746	-	-	21 746	19 034
		-	353 237	-	-	353 237	655 719
Branch overheads	20	240 384	6 335	71	85	246 875	151 747
Other acquisition costs							
- Policy stamps		41 122	571	-	4	41 697	31 266
Total acquisition cost		2 202 995	363 081	238	615	2 566 929	2 281 921
Administration expenses							
Salaries and other benefits		147 762	34 695	-	92	182 549	165 855
Travelling expenses		42 719	2 718	-	4	45 441	35 123
Actuary's fees		5 266	431	-	3	5 700	5 400
Medical fees		12 353	988	-	-	13 341	14 290
Legal and professional fee		9 115	746	-	6	9 867	8 020
Advertisements and publicity		14 054	1 155	-	9	15 218	18 751
Computer expenses		2 488	228	-	2	2 718	1 601
Printing and stationery		14 398	1 651	-	8	16 057	15 999
Depreciation	19.3	6 581	2 131	-	4	8 716	7 731
Amortisation		3 595	293	-	2	3 890	3 890
Rental		8 707	2 738	-	5	11 450	8 170
Exchange gain		(1 540)	-	-	-	(1 540)	(5 133)
Other management expenses	21	75 677	9 280	-	49	85 006	83 162
Gross management expenses		2 544 170	420 135	238	799	2 965 342	2 644 780
Commission from reinsurers		(12 343)	(447)	-	-	(12 790)	(9 124)
Net management expenses		2 531 827	419 688	238	799	2 952 552	2 635 656

The annexed notes 1 to 33 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

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SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Investment Income For The Ended 31 December 2010

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Investment income						
On government securities	898 650	31 955	504	700	931 809	601 872
On other fixed income securities and deposits	663 429	28 749	601	589	693 368	691 152
Dividend income	251 046	751	285	–	252 082	156 129
Amortisation of discount / (premium)	19 323	(974)	(43)	(6)	18 300	4 766
	1 832 448	60 481	1 347	1 283	1 895 559	1 453 919
(Loss) / Gain on sale of investments Shares and mutual fund units	(301 157)	–	89	–	(301 068)	45 000
Gain / (loss) on revaluation of investments						
Government securities	(330 513)	–	(162)	–	(330 675)	552 571
Other fixed income securities	46 621	–	104	–	46 725	247 895
Listed equities securities and mutual fund units	343 286	–	770	–	344 056	802 928
	59 394	–	712	–	60 106	1 603 394
(Provision) / Reversal for impairment in value of investments						
Available-for-sale fixed income securities	13 932	–	–	–	13 932	6 712
Available-for-sale equity securities and mutual fund units	(3 545)	(6 045)	–	–	(9 590)	(8 950)
	10 387	(6 045)	–	–	4 342	(2 238)
	1 601 072	54 436	2 148	1 283	1 658 939	3 100 075
Less : Investment related expense	(1 925)	–	–	–	(1 925)	(1 752)
Net investment income	<u>1 599 147</u>	<u>54 436</u>	<u>2 148</u>	<u>1 283</u>	<u>1 657 014</u>	<u>3 098 323</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

RAFIQUE R. BHIMJEE
Director

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Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman



Notes to the Financial Statements For The Year Ended 31 December 2010

1. Status and nature of business

EFU Life Assurance Limited (the Company) was incorporated in Pakistan on 09 August 1992 as a public limited company under the Companies Ordinance, 1984 and started its operation from 08 November 1992. The shares of the Company are quoted on Karachi Stock Exchange. The registered office of the Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at 37-K, Block 6, PECHS, Karachi.

The Company is engaged in life insurance business including ordinary life business, pension fund business and accident and health business and has established following statutory funds, as required by the Insurance Ordinance, 2000:

- Investment Linked business (includes individual life business)
- Conventional business (includes group life and individual life businesses)
- Pension business (unit linked)*
- Accident and health business

* The Company had discontinued pension business and accordingly no new business has been written under this fund.

2. Basis of presentation

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

3. Statement of compliance

These financial statements have been prepared in accordance with 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.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements (also see note 17.6)

4. Basis of measurement

These financial statements have been prepared on the basis of the historical cost convention except revaluation of certain investments at fair value.

5. Summary of significant accounting policies

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

The Company has adopted the following new and amended IFRS and related interpretations and improvements which became effective during the year:

IFRS 2 - Share based Payments: Amendments relating to Group Cash-settled Share based Payment Transactions

IFRS 3 – Business Combinations (Revised)

IAS 27 – Consolidated and Separate Financial Statements (Amendment)

IFRIC 17 – Distributions of Non-cash Assets to owners

In May 2008 and April 2009, the IASB issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2008

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009



IFRS 2 – Share-based Payments
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 – Operating Segments
IAS 1 – Presentation of Financial Statements
IAS 7 – Statement of Cash Flows
IAS 17 – Leases
IAS 36 – Impairment of Assets
IAS 38 – Intangible Assets
IFRIC 9 – Reassessment of Embedded Derivatives
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on these financial statements.

5.2 Reinsurance assets

Reinsurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which give rise to the right of recovery and are measured at the amount expected to be recovered.

Reinsurance assets represent balances due from reinsurance companies which are stated on the basis of amounts receivable under the respective contract after considering any impairment in the value of such assets.

5.3 Statutory funds

The Company maintains statutory funds for all classes of life insurance business. Assets, liabilities, revenues and expenses are recorded in respective funds, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenues and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' fund is recorded as a reduction in the shareholders' equity. Changes in the amount of capital contributed to statutory funds is recorded by the shareholders' funds directly in equity.

5.4 Policyholders' liabilities

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Company underwrites are taken into account. The bases used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract which is in force. To this are added:

- a) The cash value of policies which have lapsed over the last two years and where the liability would be reinstated in case of the policy being revived; and
- b) A reserve for potential losses on a policy by policy basis.

5.5 Provision for outstanding claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, except for accident and health claims which are recognized as soon as reliable estimates of the claim amount can be made. Claims where intimation of the event giving rise to the claim is received or in respect of investment linked business when the policy ceases to participate in the earnings of the statutory fund are reported as claims in the revenue account. The liability for claims incurred but not reported at the year end is determined by the Appointed Actuary and are included in the policyholders' liabilities. Experience refund of premium calculated by appointed actuary is included in outstanding claims. Experience refund of premium receivable from reinsurers is included in the reinsurance recoveries of claim.

5.6 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held-for-trading investments in which case transaction costs are charged to the profit and loss

account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. Subsequently the investments are classified as follows:

Held-for-trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price are classified as held-for-trading.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account or the revenue account as the case may be.

Held-to-Maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Investments classified as held-to-maturity are subsequently measured at amortized cost, taking into account any discount or premium on acquisition, using the effective interest rate method.

Available-for-Sale

Investments which do not fall in the above category are classified as available-for-sale.

Available-for-sale investments relating to the units assigned to policies of investment linked business and pension business are subsequently measured at their fair values and the difference taken to respective revenue accounts. Other available-for-sale investments are subsequently measured at lower of cost or market value (market value being taken as lower if fall is other than temporary).

5.7 Revenue recognition

- First year individual life premiums are recognized once the related policies have been issued and the premiums received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force. Single premiums are recognized once the related policies are issued against the receipts of premium.
- Group life premiums are recognized when due. A provision for unearned premiums is included in the policyholders' liabilities.
- Reinsurance expense is recognized as a liability in accordance with the pattern of recognition of related premium.
- Interest income on bank deposits is recorded on a time proportion basis.
- Fixed income securities are recorded on a time proportion basis using effective interest rate method.
- Dividend income is recognized when right to receive such dividend is established.

5.8 Acquisition costs

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 recognized not later than the period in which the premium to which they refer is recognized as revenue.

5.9 Employees' retirement benefits

The Company operates two retirement benefit plans, i.e. an approved funded provident fund scheme for all permanent employees and an approved funded pension scheme for eligible officers. Monthly contributions to these funds are made in accordance with their rules. Contributions made to these funds are recognized as an expense.

5.10 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law



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.

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.

5.11 Dividends and other appropriations

Cash dividend to shareholders is recognized as liability in the period in which it is approved. Similarly all other appropriations other than those required by law including reserve for issue of bonus shares are recognized in the period in which they are approved.

5.12 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. 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.

Based on its classification of Insurance contracts issued, the Company has four business segments for reporting purposes namely investment linked business, conventional business, pension business and accident and health business.

5.13 Fixed Assets

Tangible assets

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

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 16.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the quarter in which an asset is available for use while no depreciation is charged for the quarter in which asset is disposed off.

Subsequent cost are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is possible that the future economic benefit associated with the item will flow to the company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to income currently.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and losses on disposal, if any, of assets are included in income currently.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Intangible assets

These are stated at cost less accumulated amortisation and any impairment in value. Amortisation on intangible fixed assets is charged to income applying the straight line method at the rates specified in note 19.2 to the financial statements after taking into account residual value, if any.

Amortisation is charged from the quarter the assets are available for use and no amortisation is charged for the quarter in which the asset is disposed off. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

5.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks.

5.15 Foreign currency transactions

5.15.1 Functional and presentation currency

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

5.15.2 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gain and losses on translation are taken into income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.16 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

5.17 Financial Instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the ownership of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

5.18 Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:



	Note
Policyholders' liabilities	5.4 & 9
Provision for outstanding claims	5.5 & 12
Classification of investments	5.6 & 17
Taxation and deferred taxation	5.10 & 11
Determining the residual value and useful lives of fixed assets	5.13 & 19

7. Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IAS 24 Related Party Disclosures (Revised)	01 January 2011
IAS 12 Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	01 January 2012
IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

8. Share Capital

(Rupees '000)

<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
(Number of Shares)				
		Issued, subscribed and paid-up		
15 000 000	15 000 000	Ordinary shares of Rs 10 each issued for cash	150 000	150 000
70 000 000	60 000 000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	700 000	600 000
<u>85 000 000</u>	<u>75 000 000</u>		<u>850 000</u>	<u>750 000</u>

9. Policyholders' liabilities

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
9.1 Gross of reinsurance						
Actuarial liability relating to future events	18 332 885	271 760	16 522	4 127	18 625 294	14 557 941
Provision for outstanding reported claims payable over a period exceeding twelve months	115 319	29 370	–	–	144 689	127 927
Provision for incurred but not reported claims	19 099	60 233	–	–	79 332	58 901
	<u>18 467 303</u>	<u>361 363</u>	<u>16 522</u>	<u>4 127</u>	<u>18 849 315</u>	<u>14 744 769</u>
9.2 Net of reinsurance						
Actuarial liability relating to future events	18 226 253	193 690	16 469	3 686	18 440 098	14 382 944
Provision for outstanding reported claims payable over a period exceeding twelve months	65 545	13 392	–	–	78 937	68 987
Provision for incurred but not reported claims	15 450	39 345	–	–	54 795	39 776
	<u>18 307 248</u>	<u>246 427</u>	<u>16 469</u>	<u>3 686</u>	<u>18 573 830</u>	<u>14 491 707</u>

10. Reconciliation of statutory funds

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Policyholders' liabilities						
Balance at beginning of the year	14 255 327	219 117	13 147	4 116	14 491 707	9 293 935
Increase / (Decrease) during the year	4 051 921	27 310	3 322	(430)	4 082 123	5 197 772
Balance at end of the year	<u>18 307 248</u>	<u>246 427</u>	<u>16 469</u>	<u>3 686</u>	<u>18 573 830</u>	<u>14 491 707</u>
Retained earnings on other than participating business						
Balance at beginning of the year	267 599	8 160	–	–	275 759	273 300
Surplus for the year	519 982	181 666	717	2 845	705 210	734 113
Surplus appropriated to shareholders' fund	(519 982)	(165 938)	(717)	(2 681)	(689 318)	(731 654)
Balance at end of the year (refer note no. 10.1)	<u>267 599</u>	<u>23 888</u>	<u>–</u>	<u>164</u>	<u>291 651</u>	<u>275 759</u>
Balance of statutory funds	<u>18 574 847</u>	<u>270 315</u>	<u>16 469</u>	<u>3 850</u>	<u>18 865 481</u>	<u>14 767 466</u>



10.1 The SECP issued a circular during 2006 which clarified the interpretation of Section 32(2)(g) of the Insurance Ordinance 2000, as a result of which certain related party investments held in the Investment Linked Statutory Fund of the Company may be treated as inadmissible. Since at that time, the applicability of the same for unit linked business was not clear, the Company in accordance with the Appointed Actuary's advice retained an amount of Rs. 267 million up to March 31 2007. Subsequent to March 31 2007 the Company obtained permission from the SECP to freeze the above amount and no further retention was made from the surplus. In July 2010, SECP issued a clarification with regard to Section 32(2)(g) under which the related party investments in respect of which this retention was made may be treated as admissible. Based on this clarification, the amount of Rs. 267 million is no longer required to be retained on account of inadmissibility of assets in the Investment Linked Statutory fund.

In March 2010, SECP issued draft amendments to the Insurance Rules 2002 for public comments. One of the main items in these draft amendments was the introduction of Solvency Margin in the Statutory Funds of life insurers based on the nature of business of the insurer. After discussions with officials of the Insurance Division, SECP, the management understand that these amendments are in the process of being finalized and would be applicable from 31 December 2011. Based on the details mentioned in the draft regulations, the Company has decided to continue retaining the amount of Rs. 267 million in the Investment Linked Statutory Fund to meet the future Solvency Margin requirements in accordance with the advise of the appointed actuary of the Company.

No deferred tax liability has been recognized on the undistributed surplus in view of the fact that surplus has been retained to meet solvency requirement and is not expected to be available for distribution to shareholders in the foreseeable future.

(Rupees '000)

	Note	2010	2009
11. Deferred tax liability			
Deferred tax liability arising in respect of:			
Accelerated depreciation		11,800	9,000
12. Outstanding claims			
Investment linked business	12.1	194,747	154,965
Conventional business	12.2	319,219	358,997
Pension business (unit linked)	12.3	-	-
Accident and health business	12.4	744	2,533
		514,710	516,495
12.1 Investment linked business			
Outstanding claims at the beginning of the year		154,964	117,507
Cash paid during the year		(1,486,764)	(941,612)
Increase in liabilities due to current year claims		1,610,416	1,030,842
Decrease in liabilities due to prior year claims		(83,869)	(51,772)
Outstanding claims at the end of the year		194,747	154,965
12.2 Conventional business			
Outstanding claims at the beginning of the year		358,997	337,237
Cash paid during the year		(683,941)	(613,577)
Increase in liabilities due to current year claims		843,672	717,107
Decrease in liabilities due to prior year claims		(199,509)	(81,770)
Outstanding claims at the end of the year		319,219	358,997

(Rupees '000)

	Note	2010	2009
12.3 Pension business			
Outstanding claims at the beginning of the year		–	–
Cash paid during the year		–	(271)
Increase in liabilities due to current year claims		–	271
Decrease in liabilities due to prior year claims		–	–
Outstanding claims at the end of the year		–	–
12.4 Accident & Health Business			
Outstanding claims at the beginning of the year		2,533	3,662
Cash paid during the year		(2,549)	(1,609)
Increase in liabilities due to current year claims		3,068	3,634
Decrease in liabilities due to prior year claims		(2,308)	(3,154)
Outstanding claims at the end of the year		744	2,533

13. Other creditors and accruals

(Rupees '000)

	Statutory Funds					Aggregate 2010	Aggregate 2009
	Share holders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Staff Bonus payable	–	24 184	1 979	–	16	26 179	25 131
Payable to Workers' Welfare Fund	23 289	–	–	–	–	23 289	21 816
Medical fee payable	–	1 334	109	–	1	1 444	1 691
Sundry creditors payable	–	935	77	–	–	1 012	–
Withholding tax payable	–	860	71	–	–	931	507
Others	29	2 559	208	–	2	2 798	1 179
Total	23 318	29 872	2 444	–	19	55 653	50 324

14. Contingency

During the year, an order under section 122(5A) of the Income Tax Ordinance, 2001 has been made by the Additional Commissioner (Inland Revenue) in respect of the income tax assessment for the tax year 2008, whereby an additional tax demand of Rs.183.433 million (including penalty of Rs. 3.608 million for non-payment of the tax demand) has been raised against the Company by treating capital gains as appreciation in the value of investments. The Company has filed an appeal before the Additional Commissioner and Commissioner of Income Tax (Inland Revenue) against the aforementioned tax demand. The management based on the opinion of its tax consultant is confident that the outcome of the appeal would be favorable and hence, no provision against the above tax demand has been made in these financial statements.



		(Rupees '000)	
	Note	<u>2010</u>	<u>2009</u>
15. Cash and bank deposits			
Policy stamps in hand		3 623	5 256
Current and other accounts			
Cash at bank - PLS saving accounts	15.1	673 714	701 887
Cash at Bank - Current accounts		78 988	318 660
		<u>752 702</u>	<u>1 020 547</u>
Deposits maturing within 12 months			
Term deposit receipts	15.2	70 000	340 000
		<u>826 325</u>	<u>1 365 803</u>

15.1 These carry mark-up ranging from 6% to 11% (December 31, 2009: 6% to 12.5%) per annum and include balance of Rs.7.789 million (December 31, 2009: Rs. 2.815 million) held with JS Bank Limited (a related party).

15.2 These have tenure of three months (December 31, 2009: one month to three month) and carry mark-up at the rate 12.1% (December 31, 2009: 11% to 12.50%).

		(Rupees '000)	
		<u>2010</u>	<u>2009</u>
16. Loans			
To employees - secured	16.1	44 776	43 210
To employees and agents - unsecured	16.2	10 807	15 805
		<u>55 583</u>	<u>59 015</u>

16.1 This represent housing and vehicle loans to employees at the interest rate ranging between 8% to 12.5% (December 31, 2009: 7% to 12%). These loans are recoverable over a period of one to ten years (2009: one to ten years) and are secured against retirement benefit payable to respective employees and security documents of property / vehicles.

16.2 This represent loans to employees and agents for domestic purposes at the interest rates ranging between 8% to 12.5% (December 31, 2009: 7% to 12%). These loans are recoverable over a period of one to seven years (2009: one to seven years).

		(Rupees '000)	
		<u>2010</u>	<u>2009</u>
17. Investments			
Government securities	17.1	10 679 895	6 556 015
Other fixed income securities	17.2	4 212 481	4 176 517
Listed equity securities and mutual fund units	17.3	4 819 084	4 320 349
Unlisted equity securities	17.4	508	508
		<u>19 711 968</u>	<u>15 053 389</u>

17.1. Government Securities

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds				Aggregate 2010	Aggregate 2009
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Held to maturity (at amortised cost)									
3 Months Treasury Bills	2011	12.7-13.64	74 695	507 247	96 285	-	-	678 227	-
3 Years Pakistan Investment Bonds	2010	9.1	-	-	-	-	-	-	14 949
5 Years Pakistan Investment Bonds	2012	5.61-8.97	68 496	29 753	29 786	-	-	128 035	127 517
8 Years WAPDA SUKUK Certificates	2012	10.37	57 500	-	-	-	-	57 500	57 500
10 Years Pakistan Investment Bonds	2010-18	5.79-13.54	52 219	256 390	220 455	-	5 000	534 064	390 465
15 Years Pakistan Investment Bonds	2019	7.35	10 986	-	-	-	-	10 986	11 073
20 Years Pakistan Investment Bonds	2024	9.79-9.80	-	54 697	-	-	-	54 697	54 732
			<u>263 896</u>	<u>848 087</u>	<u>346 526</u>	<u>-</u>	<u>5 000</u>	<u>1 463 509</u>	<u>656 236</u>
Available for sale (at fair value)									
3 Months Treasury Bills	2011	12.7-13.64		2 829 486		3 398		2 832 884	-
12 Months Treasury Bills	2011	12.3		377 778		-		377 778	-
GOP Ijara Sukuk Bonds	2013	13.37		35 000		-		35 000	-
3 Years Pakistan Investment Bonds	2010	9.1	-	-	-	-	-	-	83 394
5 Years Pakistan Investment Bonds	2012	6.1-7.5	-	159 492	-	-	-	159 492	158 756
10 Years Pakistan Investment Bonds	2010-18	5.16-14	-	5 409 557	-	2 558	-	5 412 115	5 220 640
15 Years Pakistan Investment Bonds	2019	7.1-9.25	-	110 992	-	-	-	110 992	118 524
20 Years Pakistan Investment Bonds	2024	7.9-10.2	-	286 656	-	1 469	-	288 125	318 465
			<u>-</u>	<u>9 208 961</u>	<u>-</u>	<u>7 425</u>	<u>-</u>	<u>9 216 386</u>	<u>5 899 779</u>
			<u>263 896</u>	<u>10 057 048</u>	<u>346 526</u>	<u>7,425</u>	<u>5 000</u>	<u>10 679 895</u>	<u>6 556 015</u>

17.1.1 Market value of the government securities carried at amortized cost amounted to Rs. 1,390.32 million (2009: Rs.611.135 million).

17.1.2 Government securities includes Rs.87 million (2009: Rs. 77 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

17.2 Other fixed income securities

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2010	Aggregate 2009
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business		
Held-to-maturity (at amortised cost)								
Term Finance Certificates (TFCs)								
Allied Bank Limited 2nd Issue	2019	13.37	-	24 990	24 990	-	49 980	50 000
Allied Bank Limited.	2014	14.31	-	-	9 984	-	9 984	9 988
Askari Commercial Bank Limited 2nd Issue	2013	14.35	9 990	-	19 982	-	29 972	29 984
Azgard Nine Limited	2014	15.06	-	-	10 232	-	11 695	14 617
Bank Alfalah Limited 3rd Issue	2013	14.15	-	-	23 694	-	23 694	23 300
Faysal Bank Limited	2014	14.15	-	-	20 142	-	20 142	20 190
Faysal Bank Limited (formerly Royal Bank Of Scotland)	2013	14.00	-	7 509	-	-	7 884	10 519
NIB Bank Limited	2016	13.71	-	51 962	-	-	51 962	51 949
Optimus Limited.	2012	14.77	49 940	-	-	-	49 940	49 960
Pakistan Mobile Communication (Pvt) Limited. 3rd issue	2013	15.26	-	-	10 000	-	10 000	10 000
Soneri Bank Limited.	2013	14.45	-	-	24 060	-	26 062	25 616
Standard Chartered Bank (Pakistan) Limited 3rd issue	2013	13.99	23 710	-	-	-	23 710	24 967
United Bank Limited 2nd issue	2013	9.49	-	33 827	4 902	-	38 729	38 436
United Bank Limited 4th Issue	2018	13.05	-	53 513	34 092	-	87 605	87 450
			83 640	171 801	182 078	-	441 359	446 976
Available-for-sale (at fair value)								
Term Finance Certificates (TFCs)								
Agritech Limited	2013	15.58	-	26 229	-	-	26 229	34 972
Al-Abbas Sugar Mills Limited	2013	14.44	-	17 708	-	-	17 708	23 336
Allied Bank Limited	2014	14.31	-	252 066	-	-	252 066	248 697
Allied Bank Limited 2nd Issue	2019	13.37	-	48 079	-	-	48 079	44 750
Askari Commercial Bank Limited - 1st issue	2013	13.50	-	159 508	-	496	160 004	155 399
Askari Commercial Bank Limited - 2nd issue	2013	14.35	-	153 421	-	-	153 421	150 591
Askari Commercial Bank Limited - 3rd issue	2019	15.25	-	50 730	-	-	50 730	24 339
Azgard Nine Limited	2012	15.06	-	26 622	-	-	26 622	36 584
Azgard Nine Limited PPTFC	2014	14.66	-	106 628	-	-	106 628	143 939
Bank Al Habib Limited 1st Issue	2012	10.00	-	40 711	-	-	40 711	39 428
Bank Al Habib Limited 2nd Issue	2015	14.05	-	249 183	-	-	249 183	250 514
Bank Al Habib Limited PPTFC	2017	15.50	-	75 049	-	-	75 049	74 970
Sub Total Carry forward				1 205 934	-	496	1 206 430	1 227 519

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2010	Aggregate 2009
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business		
Sub Total Brought forward				1 205 934	-	496	1 206 430	1 227 519
Bank Alfalah Limited - 2nd issue	2012	14.16	-	88 750	-	-	88 750	87 835
Bank Alfalah Limited - 3rd Issue	2013	14.15	-	161 720	-	-	161 720	158 807
Bank Alfalah Limited - 4th Issue	2017	15.00	-	29 418	-	-	29 418	29 850
Engro Chemical Pakistan Limited	2012	13.96	-	268 252	-	-	268 252	254 616
Escort Investment Bank Limited	2012	15.17	-	9 912	-	-	9 912	16 509
Faysal Bank Limited	2015	14.15	-	235 170	-	968	236 138	232 825
Faysal Bank Limited (formerly Royal Bank of Scotland)	2013	14.00	-	84 539	-	186	84 725	112 374
Financial Receivable Securitization Company Limited	2014	13.95	-	34 918	-	-	34 918	41 387
First Dawood Investment Bank Limited.	2012	14.28	-	56 340	-	-	56 340	67 125
IGI Investment Bank Limited	2011	14.35	-	2 429	-	-	2 429	4 834
Jahangir Siddiqui & Company Limited - 3rd issue	2010	14.40	-	-	-	-	-	8 167
Jahangir Siddiqui & Company Limited - 4th Issue	2013	15.19	-	38 610	-	-	38 610	39 378
KASB Securities Limited	2012	14.35	-	34 665	-	-	34 665	34 457
New Allied Electronics (Pvt.) Limited	2015	16.00	-	1 000	-	-	1 000	2 833
NIB Bank Limited	2016	13.71	-	177 954	-	-	177 954	99 061
Optimus Limited	2012	14.77	-	49 140	-	-	49 140	47 724
Orix Leasing Pakistan Limited	2012	14.15	-	151 498	-	-	151 498	88 498
Orix Leasing Pakistan Limited - 2nd Issue	2012	13.20	-	37 172	-	-	37 172	62 714
Pak Arab Fertilizers (Pvt) Limited	2013	14.05	-	316 609	-	1 824	318 433	308 959
Pakistan Mobile Communications (Pvt) Limited (2nd Issue)	2013	14.50	-	192 063	-	-	192 063	164 110
Pakistan Mobile Communications (Pvt) Limited (3rd Issue)	2013	15.26	-	99 822	-	-	99 822	120 176
Pakistan Mobile Communications (Pvt) Limited PPTFC	2010	13.95	-	-	-	-	-	37 380
Sitara Chemical Industries Limited (Sukkuk)	2013	13.60	-	40 725	-	-	40 725	53 659
Soneri Bank Limited	2013	14.45	-	140 105	-	-	140 105	137 541
Standard Chartered Bank (Pakistan) Limited. - 2nd Issue	2011	10.75	-	13 844	-	50	13 894	38 114
Standard Chartered Bank Pakistan Limited.- 3rd Issue	2013	13.99	-	82 265	-	551	82 816	86 436
Sui Southern Gas Co. Limited	2012	12.54	-	3 148	-	-	3 148	3 885
Sub Total Carry forward				3 556 002	-	4 075	3 560 077	3 566 773



(Rupees '000)									
Statutory Funds									
	Maturity Year	Effective Yield %	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 2010	Aggregate 2009
Sub Total Brought forward				3 556 002	-	4 075	-	3 560 077	3 566 773
Trust Investment Bank Limited - 2nd Issue	2009	10.00	-	-	-	-	-	-	-
United Bank Limited – 3rd Issue	2014	14.26	-	104 137	-	-	-	104 137	103 038
United Bank Limited 2nd issue	2013	9.49	-	95 925	-	-	-	95 925	94 250
United Bank Limited 4th Issue	2018	13.05	-	54 176	-	-	-	54 176	32 605
			-	3 810 240	-	4 075	-	3 814 315	3 796 666
Impairment in the value of TFC			-	(53 193)	-	-	-	(53 193)	(67 125)
			83 640	3 928 848	182 078	4 075	3 840	4 202 481	4 176 517
Certificate of Investment-First Habib Modarba	2013	12.50		10 000				10 000	-
			83 640	3 938 848	182 078	4 075	3 840	4 212 481	4 176 517

17.2.1 Market Value of other fixed income securities carried at amortized cost amounted to Rs. 428.85 million (2009: Rs. 477.743 million).

17.3 Listed equity securities and mutual fund units

(Rupees '000)									
Statutory Funds									
	Note	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 2010	Aggregate 2009	
Held-for-trading (at fair value)									
Listed equities		-	402 893	-	-	-	402 893	546 877	
Available-for-sale (at fair value)									
Listed equities		-	3 824 599	-	4 089	-	3 828 688	2 873 743	
Open end mutual fund units		-	170 590	-	-	-	170 590	275 079	
Available-for-sale (at lower of cost or fair value)									
Listed equities	17.3.2	1 416 875	147 634	92 820	-	-	1 657 329	1 652 456	
Open end mutual fund units		24 142	28 342	20 000	-	-	72 484	71 373	
		1 441 017	4 574 058	112 820	4 089	-	6 131 984	5 419 528	
Provision Impairment in the value of equity securities	17.3.1	(1 161 793)	(78 522)	(72 585)	-	-	(1 312 900)	(1 099 179)	
		279 224	4 495 536	40 235	4 089	-	4 819 084	4 320 349	
17.3.1 Reconciliation of provision									
Balance at the beginning of the year		957 662	74 977	66 540	-	-	1 099 179	914 012	
Charge for impairment in the value of available-for-sale investments		204 131	3 545	6 045	-	-	213 721	185 167	
Balance at the end of the year		1 161 793	78 522	72 585	-	-	1 312 900	1 099 179	

17.3.2 Listed equities include investment in EFU General Insurance Limited (a related party) at carrying value of Rs. 280.390 million (2009: Rs. 559.815 million) representing 6.81% (2009: 6.81 %) of the issued capital of the related party.

17.4 This represents investment in ordinary shares of Security General Insurance Company Limited. The breakup value of each ordinary share of Rs.10 is Rs.100.41 (2009: Rs. 98.60) based on the latest audited financial statements available for the period ended June 30, 2010. The Company's holding as at the year end is 0.67% (number of shares: 457,036) {(2009: 0.67%) (number of shares: 457,036)}. The Chief Executive Officer of Security General Insurance Company Limited is Ms. Nabihah Shahnawaz.

17.5 Investments by classification

	(Rupees '000)	
	2010	2009
Held-to-maturity		
Government securities	1 463 509	656 236
Other fixed income securities	441 359	446 976
	1 904 868	1 103 212
Available-for-sale		
Government securities (at fair value)	9 216 386	5 899 779
Other fixed income securities (at fair value)	3 824 315	3 796 666
Listed equity securities and mutual fund units (at fair value)	3 999 278	3 148 822
Listed equity securities and mutual fund units (at lower of cost or fair value)	1 729 813	1 723 829
	18 769 792	14 569 096
Held-for-trading - listed equities	402 893	546 877
Unlisted equity securities (relating to shareholders' fund)	508	508
Impairment in the value of available-for-sale investments		
Impairment in the value of listed equity securities	(1 312 900)	(1 099 179)
Impairment in the value of available-for-sale fixed income securities	(53 193)	(67 125)
	(1 366 093)	(1 166 304)
Total Investments - net of provision	19 711 968	15 053 389

17.6 As per the Company's accounting policy and SECP's accounting regulations for Life Insurance companies certain available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" dealing with the recognition and measurement of financial instruments requires that these investments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2010 would have been higher by Rs. 153.405 million (December 31, 2009: Rs. 42.424 million).

18. Investment Income Accrued

	(Rupees '000)						
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 2010	Aggregate 2009
Government securities	4,338	232,717	9,193	121	144	246,513	227,312
Fixed income securities	4,845	215,214	9,850	188	706	230,803	141,497
Dividend receivable	180	602	-	7	-	789	5,545
	<u>9,363</u>	<u>448,533</u>	<u>19,043</u>	<u>316</u>	<u>850</u>	<u>478,105</u>	<u>374,354</u>

19. Fixed Assets

		(Rupees '000)	
		2010	2009
Tangible assets	19.1	359 122	316 333
Capital work-in-progress		60 687	28 919
Intangible assets (computer software)	19.2	1 066	4 956
		<u>420 875</u>	<u>350 208</u>

19.1 Tangible assets

(Rupees '000)

	Cost			Accumulated Depreciation				Written down value	Depreciation Rate %	
	As at 01 Jan 2010	Additions	Disposals	As at 31 Dec 2010	As at 01 Jan 2010	Charge for the year	On Disposal			As at 31 Dec 2010
Lease hold land	126 505	–	–	126 505	–	–	–	–	126 505	–
Office equipment	34 333	6 923	1 212	40 044	11 104	2 769	801	13 072	26 972	10
Computers	26 462	4 810	264	31 008	18 871	3 275	214	21 932	9 076	30
Furniture and fixture	142 355	38 591	479	180 467	56 254	11 187	378	67 063	113 404	10
Vehicles	125 071	35 404	19 834	140 641	52 164	18 303	12 991	57 476	83 165	30
2010	454 726	85 728	21 789	518 665	138 393	35 534	14 384	159 543	359 122	

(Rupees '000)

	Cost			Accumulated Depreciation				Written down value	Depreciation Rate %	
	As at 01 Jan 2009	Additions	Disposals	As at 31 Dec 2009	As at 01 Jan 2009	Charge for the year	On Disposal			As at 31 Dec 2009
Lease hold land	126 505	–	–	126 505	–	–	–	–	126 505	–
Office equipment	25 038	9 710	415	34 333	9 242	2 054	192	11 104	23 229	10
Computers	23 984	2 546	68	26 462	16 114	2 781	24	18 871	7 591	30
Furniture and fixture	113 822	28 895	362	142 355	48 233	8 285	264	56 254	86 101	10
Vehicles	104 162	34 158	13 249	125 071	42 307	17 243	7 386	52 164	72 907	30
2009	393 511	75 309	14 094	454 726	115 896	30 363	7 866	138 393	316 333	

19.2 Intangible assets

(Rupees '000)

	Cost			Accumulated Amortization				Written down value	Amortization Rate %	
	As at 01 Jan 2010	Additions	Disposals	As at 31 Dec 2010	As at 01 Jan 2010	Charge for the year	On Disposal			As at 31 Dec 2010
Computer Software	11 672	–	–	11 672	6 716	3 890	–	10 606	1 066	33

(Rupees '000)

	Cost			Accumulated Amortization				Written down value	Amortization Rate %	
	As at 01 Jan 2009	Additions	Disposals	As at 31 Dec 2009	As at 01 Jan 2009	Charge for the year	On Disposal			As at 31 Dec 2009
Computer Software	11 672	–	–	11 672	2 826	3 890	–	6 716	4 956	33

19.3 Depreciation has been allocated as follows:

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Branch overheads	25 911	880	12	15	26 818	22 632
Administration expenses	6 581	2 131	–	4	8 716	7 731
	32 492	3 011	12	19	35 534	30 363

19.4 Disposal of tangible assets

(Rupees '000)

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss) on Sale	Mode of Disposal	Particulars of Buyer	
Vehicle	315	186	129	140	11	Negotiation	Srichand Lalwani	Employee
Vehicle	297	219	78	170	92	Negotiation	Khurram	Karachi
Vehicle	469	346	123	250	127	Negotiation	Shakeel Ahmed	Karachi
Vehicle	315	186	129	260	131	Negotiation	Sohail Sattar	Employee
Vehicle	464	262	202	360	158	Negotiation	Waseem Khan	Karachi
Vehicle	1 238	699	539	715	176	Negotiation	Waseem Khan	Karachi
Vehicle	315	217	98	200	102	Negotiation	Abdul Khaliq	Karachi
Vehicle	297	223	74	180	106	Negotiation	Imran Kiani	Karachi
Vehicle	360	211	149	260	111	Negotiation	M.Zubair	Employee
Vehicle	333	230	103	220	117	Negotiation	M. Shahbaz Iqbal	Lahore
Vehicle	333	229	104	225	121	Negotiation	Farrukh Hussain	Karachi
Vehicle	315	192	123	250	127	Negotiation	Abdul Khaliq	Karachi
Vehicle	305	229	76	210	134	Negotiation	Anthony Francis	Employee
Vehicle	604	508	96	245	149	Negotiation	Ashiq Hussain	Karachi
Vehicle	464	348	116	270	154	Negotiation	Tahir Baig	Karachi
Vehicle	615	331	284	440	156	Negotiation	Adil Qureshi	Karachi
Vehicle	464	348	116	280	164	Negotiation	Fazal Mehmood	Employee
Vehicle	514	217	297	475	178	Negotiation	Waseem Khan	Karachi
Vehicle	609	457	152	350	198	Negotiation	Nouman Khan	Karachi
Vehicle	615	361	254	460	206	Negotiation	Imran Kiani	Karachi
Vehicle	609	420	189	425	236	Negotiation	Atif Khan	Employee
Vehicle	609	457	152	420	268	Negotiation	Mehmood	Karachi
Vehicle	1 003	610	393	780	387	Negotiation	Shamsuddin Shaikh	Employee
Vehicle	1 003	633	370	780	410	Negotiation	Shahjahan	Employee
Vehicle	1 197	915	282	600	318	Negotiation	Husein Sachak	Employee
Vehicle	939	718	221	785	564	Negotiation	M. Hassan	Karachi
Vehicle	373	263	110	215	105	Negotiation	Maqbool Ahmed	Karachi
Vehicle	360	219	141	325	184	Insurance Claim	EFU General Insurance Ltd (a related party)	Karachi
Vehicle	360	203	157	240	83	Negotiation	Maqbool Ahmed	Karachi
Vehicle	835	603	232	600	368	Negotiation	Waseem Khan	Karachi
Vehicle	835	603	232	550	318	Negotiation	Ayub Khan	Employee
Vehicle	460	289	171	400	229	Negotiation	Waseem Khan	Karachi
Vehicle	620	350	270	490	220	Negotiation	Khurram	Karachi
Vehicle	1 390	709	681	1 220	539	Negotiation	Waseem Khan	Karachi

Assets having WDV less than Rs. 50,000

Furniture and Fixture	479	378	101	107	6	Various
Computers	264	214	50	23	(27)	Various
Office equipment	1 212	801	411	105	(306)	Various
2010	21 789	14 384	7 405	14 025	6 620	
2009	14 094	7 866	6 228	9 258	3 030	

20. Branch overheads

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Insurance premium	5 523	1 086	3	3	6 615	3 100
Printing and stationery	10 653	71	5	5	10 734	9 736
Advertisement and publicity	1 321	1 128	–	–	2 449	2 411
Postage	4 954	123	2	3	5 082	4 246
Traveling costs	83 968	1 049	–	1	85 018	23 748
Telephone and electricity	31 960	925	15	18	32 918	30 780
Rent, Rates and taxes	33 077	139	16	17	33 249	23 803
Conveyance	4 877	14	2	3	4 896	5 005
Repair and maintenance	15 555	147	7	10	15 719	7 054
Entertainment	15 991	299	8	8	16 306	13 392
Depreciation	25 911	880	12	15	26 818	22 632
Other expenses	6 594	474	1	2	7 071	5 840
	<u>240 384</u>	<u>6 335</u>	<u>71</u>	<u>85</u>	<u>246 875</u>	<u>151 747</u>

21. Other Management Expenses

(Rupees '000)

	Statutory Funds				Aggregate 2010	Aggregate 2009
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Insurance premium	1 928	691	–	1	2 620	3 581
Postage	12 427	1 870	–	8	14 305	14 685
Telephone and electricity	6 621	1 282	–	4	7 907	8 391
Repair and maintenance	5 872	600	–	4	6 476	5 681
Entertainment	10 575	1 397	–	7	11 979	12 588
Fees and subscription	14 156	1 265	–	9	15 430	12 848
Bank charges	4 419	362	–	3	4 784	6 964
Claim investigation fees	1 633	209	–	1	1 843	2 192
Other expenses	18 046	1 604	–	12	19 662	16 232
	<u>75 677</u>	<u>9 280</u>	<u>–</u>	<u>49</u>	<u>85 006</u>	<u>83 162</u>

22. Other Revenue

Note

(Rupees '000)

	2010	2009
Gain on sale of fixed assets	6 620	3 030
Interest on loan to employees	6 256	5 755
Others	5 285	4 561
	<u>18 161</u>	<u>13 346</u>

23. Expenses not attributable to statutory funds

Printing and stationery		1 125	696
Advertisement and publicity		81	121
Travelling		257	316
Legal and professional fee		1 546	596
Workers' welfare fund		1 474	12 483
Auditors' remuneration	23.1	1 260	1 200
Donations	23.2	2 204	–
Others		1 521	–
		<u>9 468</u>	<u>15 412</u>

	Note	(Rupees '000)	
		2010	2009
23.1 Auditors' remuneration			
Ernst & Young Ford Rhodes Sidat Hyder			
Audit fee - annual		175	175
Limited scope review		75	75
Others certifications		700	700
		950	950
Hyder Bhimji & Co.			
Audit fee - annual		175	175
Limited scope review		75	75
Others certifications		60	-
		310	250
Total auditors' remuneration		1 260	1 200
23.2 None of the directors or their spouses have any interest in donees.			
24. Taxation			
Current		185 000	88 562
Prior		-	(155 000)
Deferred		2 800	2 500
		187 800	(63 938)
24.1 Relationship between tax expense and accounting profit			
Profit for the year		551 035	647 721
Tax at applicable rate 35% (2009: 35%)		192 862	226 702
Tax effect of amount tax at reduced rates		(5 206)	(5 399)
Effect of income exempt from tax		-	(12 424)
Prior year tax		-	(273 506)
Others		144	689
Tax charge / (credit) for the year		187 800	(63 938)

	2010		2009	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration – including bonus	14 537	85 664	13 472	70 365
Utilities	336	579	320	437
Medical expenses	274	1 173	243	847
Leave passage	413	339	327	-
	15 560	87 755	14 362	71 649
Number of persons	1	28	1	25

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



	(Rupees '000)	
	2010	2009
26. Basic and diluted earnings per share		
Profit for the year	363 234	711 659
	(Number of Shares)	
Weighted average number of ordinary shares	85 000	85 000
	(Rupees)	
		Restated
Earnings per share – basic and diluted	4.27	8.37

26.1 Earnings per share for the year 2009 has been restated for the effect of bonus shares issued during the year.

27. Financial instruments and related disclosures

27.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk in relation to the financial statements on its balance sheet.

The Company's overall risk management seeks to minimise potential adverse effects on the Company's financial performance of such risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

27.1.1 Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments and with respect to products other than unit linked products (where the investment risk is passed on to policyholders). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise, to match its duration of assets and liabilities.

27.1.1.1 Interest Rate Risk Exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has bank balances and deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) based on contractual repricing or maturity dates as of December 31, 2010 whichever is earlier is as follows:

	2010									(Rupees '000)		
	Exposed to yield / interest rate risk											
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 3 to 10 years	Above 10 years	sub Total	Non-interest bearing financial instruments	Total
On balance sheet financial instruments												
Assets												
Policy stamps in hand	-	-	-	-	-	-	-	-	-	-	3 623	3 623
Current and other accounts	673 714	-	-	-	-	-	-	-	-	673 714	78 988	752 702
Deposits maturing with in 12 months	-	70 000	-	-	-	-	-	-	-	70 000	-	70 000
Loans- secured to employees	1 793	2 173	3 423	5 533	10 454	7 251	6 044	7 536	570	44 776	-	44 776
Loans- unsecured to employees	728	1 417	1 992	3 293	1 667	714	896	99	-	10 806	-	10 806
Investments	499 038	3 292 043	533 281	526 186	1 790 424	1 734 995	592 118	287 079	5 637 211	14 892 375	4 819 593	19 711 968
Premiums due but unpaid	-	-	-	-	-	-	-	-	-	-	28 860	28 860
Amounts due from reinsurer	-	-	-	-	-	-	-	-	-	-	86 159	86 159
Sundry Receivables	-	-	-	-	-	-	-	-	-	-	15 589	15 589
Investment income accrued	-	-	-	-	-	-	-	-	-	-	478 105	478 105
Advances and deposits	1 027	1 673	1 363	1 195	737	225	58	71	-	6 349	25 442	31 791
	1 176 300	3 367 306	540 059	536 207	1 803 282	1 743 185	599 116	294 785	5 637 781	15 698 020	5 536 359	21 234 379

		2010									(Rupees '000)		
		Exposed to yield / interest rate risk											
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 3 to 10 years	Above 10 years	sub Total	Non-interest bearing financial instruments	Total
On balance sheet financial instruments													
Liability													
Outstanding claims		-	-	-	-	-	-	-	-	-	-	514 710	514 710
Premiums received in advance		-	-	-	-	-	-	-	-	-	-	418 578	418 578
Amounts due to reinsurer		-	-	-	-	-	-	-	-	-	-	37 477	37 477
Amounts due to agent		-	-	-	-	-	-	-	-	-	-	243 694	243 694
Accrued expenses		-	-	-	-	-	-	-	-	-	-	106 836	106 836
Unclaimed Dividend		-	-	-	-	-	-	-	-	-	-	5 206	5 206
Other creditors and accruals		-	-	-	-	-	-	-	-	-	-	55 653	55 653
		-	-	-	-	-	-	-	-	-	-	1 382 154	1 382 154
Interest risk sensitivity gap		1 176 300	3 367 306	540 059	536 207	1 803 282	1 743 185	599 116	294 785	5 637 781	15 698 021	4 154 205	19 852 225
Cumulative interest risk sensitivity gap		1 176 300	4 543 606	5 083 665	5 619 872	7 423 154	9 166 339	9 765 455	10 060 240	15 698 021			

		2009									(Rupees '000)		
		Exposed to yield / interest rate risk											
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 3 to 10 years	Above 10 years	sub Total	Non-interest bearing financial instruments	Total
On balance sheet financial instruments													
Assets													
Policy stamps in hand		-	-	-	-	-	-	-	-	-	-	5 256	5 256
Current and other accounts		701 887	-	-	-	-	-	-	-	-	701 887	318 660	1 020 547
Deposits maturing with in 12 months		250 000	90 000	-	-	-	-	-	-	-	340 000	-	340 000
Loans - secured to employees		2 068	1 983	3 178	5 867	8 353	5 325	6 876	8 360	1 200	43 210	-	43 210
Loans - unsecured to employees		2 536	2 082	1 988	3 332	3 523	1 064	932	348	-	15 805	-	15 805
Investments		14 390	42 340	59 450	317 561	919 940	3 396 078	981 990	4 555 089	445 700	10 732 538	4 320 851	15 053 389
Premiums due but unpaid		-	-	-	-	-	-	-	-	-	-	36 267	36 267
Amounts due from reinsurer		-	-	-	-	-	-	-	-	-	-	78 437	78 437
Sundry receivables		-	-	-	-	-	-	-	-	-	-	11 042	11 042
Amounts due to agents		-	-	-	-	-	-	-	-	-	-	202	202
Investment income accrued		-	-	-	-	-	-	-	-	-	-	374 354	374 354
Advances and deposits		1 931	1 873	1 727	1 626	806	226	244	600	6 210	15 243	15 558	30 801
		972 812	138 278	66 343	328 386	932 622	3 402 693	990 042	4 564 397	453 110	11 848 683	5 160 627	17 009 310
Liability													
Outstanding claims		-	-	-	-	-	-	-	-	-	-	516 495	516 495
Premiums received in advance		-	-	-	-	-	-	-	-	-	-	320 527	320 527
Amounts due to reinsurer		-	-	-	-	-	-	-	-	-	-	43 634	43 634
Amounts due to agent		-	-	-	-	-	-	-	-	-	-	189 396	189 396
Accrued expenses		-	-	-	-	-	-	-	-	-	-	72 718	72 718
Unclaimed Dividend		-	-	-	-	-	-	-	-	-	-	2 836	2 836
Other creditors and accruals		-	-	-	-	-	-	-	-	-	-	50 324	50 324
		-	-	-	-	-	-	-	-	-	-	1 195 930	1 195 930
Interest risk sensitivity gap		972 812	138 278	66 343	328 386	932 622	3 402 693	990 042	4 564 397	453 110	11 848 683	3 964 697	15 813 380
Cumulative interest risk sensitivity gap		972 812	1 111 090	1 177 433	1 505 819	2 438 441	5 841 134	6 831 176	11 395 573	11 848 683			

The effective interest rate range for the financial assets is as follows:

	2010	2009
Saving and other accounts	6% to 11%	6% to 12.5%
Deposits	12.10%	11% to 12.5%
Loans	8% to 12.5%	10% to 12%
Investments	5% to 16%	5% to 19%
Advances and other receivables	8% to 12.5%	10% to 12%



27.1.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

27.1.1.3 Other Price Risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market. In equity portfolio, the top three sectors by exposure are oil & gas, banks and chemicals.

27.1.2 Credit Risk

Credit risk arises when one party fails to discharge its obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet their contractual obligations. The Company is exposed to credit risk on premiums receivable from group clients, commission and claims recoverable from insurers and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts. The Company believes it is not exposed to any major concentration of credit risk.

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

Rating of Banks*	(Rupees '000)	
	2010	2009
AA+	503 948	942 924
AAA	26 990	4 741
A+	–	89
AA	109 504	53 582
A	3 496	11 796
AA-	82 710	4 802
A-	26 054	2 613
	<u>752 702</u>	<u>1 020 547</u>

*Rating of banks performed by PACRA, JCR-VIS and Standard and Poors.

The credit quality of Company's exposure on TFCs can be assessed with reference to rating issued by rating agency as follows:

Issuer of TFC	Rating	Rating Agency	(Rupees '000)	
			2010	2009
Allied Bank Limited	AA-	PACRA	360 109	353 435
Al-Abbas Sugar Mills Limited	A+	PACRA	17 708	23 336
Askari Bank Limited	AA-	PACRA	394 127	360 313
Azgard Nine Limited	NPD	PACRA	144 945	195 140
Agritech Limited	CCC	PACRA	26 229	34 972
Bank Alfalah Limited	AA-	PACRA	303 582	299 792
Bank AL Habib Limited	AA	PACRA	364 943	364 912
Engro Chemical Pakistan Limited	AA	PACRA	268 252	254 616
Sub total carry forward			<u>1 879 895</u>	<u>1 886 516</u>

Issuer of TFC	Rating	Rating Agency	(Rupees '000)	
			2010	2009
Sub total brought forward			1 879 895	1 886 516
Escort Investment Bank Limited	A	JCR-VIS	9 912	16 509
Faysal Bank Limited	AA-	PACRA	348 889	375 908
Financial Receivables Securitization Company Limited	A+	PACRA	34 918	41 387
First Dawood Investment Bank Limited	D	PACRA	3 147	–
IGI Investment Bank Limited	A+	PACRA	2 429	4 834
Jahangir Siddiqui & Company Limited	AA	PACRA	38 610	47 545
KASB Securities Limited	A+	PACRA	34 665	34 457
NIB Bank Limited	A+	PACRA	229 916	151 010
New Allied Electronics Industries (Pvt.) Limited	NPD	PACRA	1 000	2 833
Optimus Limited.	A	PACRA	99 080	97 684
ORIX Leasing Pakistan Limited	AA+	PACRA	188 670	151 212
Pak Arab Fertilizers (Pvt) Limited	AA	JCR-VIS	318 433	308 959
Pakistan Mobile Communication (Pvt) Limited	A+	PACRA	301 885	331 666
Sitara Chemical Industries Limited (Sukkuk)	AA-	PACRA	40 725	53 659
Soneri Bank Limited.	A+	PACRA	166 167	163 157
Standard Chartered Bank (Pakistan) Limited	AAA	PACRA	120 420	149 517
Sui Southern Gas Company Limited	AA	PACRA	3 148	3 885
United Bank Limited	AA	JCR-VIS	380 572	355 779
			<u>4 202 481</u>	<u>4 176 517</u>
Certificate of investment - First Habib Modarba	AA+/A1+	PACRA	10 000	–
			<u>4 212 481</u>	<u>4 176 517</u>

The management monitors exposure to credit risk in premium receivable from group clients through regular review of credit exposure and prudent estimates of provision for doubtful debts. As of December 31, 2010 there was no provision for doubtful premiums as all the premiums receivable were considered good.

27.1.3 Capital risk managements

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 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.

Currently the Company has a paid up capital of Rs.850 million against the minimum required paid capital of Rs. 500 million set by the SECP for the life insurance companies for year ended December 31, 2010.

27.1.4 Fair value

The fair values of all major financial assets are estimated to be not significantly different from their carrying values except for the following:

	2010	
	Carrying value	Fair value
	(Rupees '000)	
Government securities	1 463 509	1 390 326
Other fixed income securities	441 359	428 856
Listed equity securities and mutual fund units	415 544	401 434



28. Insurance risk

28.1 Insurance contracts

28.1.1 Classification

The Company currently issues contracts that are classified as insurance contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the company. In the past the Company has issued contracts where the insurance risk transferred is insignificant, these therefore being classified as investment contracts.

The Company does not issue any contracts which contain a discretionary participation feature, all contracts which include an investment element being unit-linked contracts linked to internal mutual funds.

The Company classifies its business into Individual Life and Group Life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group Life business consists of protection products only.

28.1.2 Contract details and measurement

The Insurance contracts offered by the company are described below.

28.1.2.1 Individual Life Policies

These consist of the following types of policies:

(a) Unit Linked Products:

These are medium to long term unit-linked plans designed to address a variety of future policyholder needs, such as retirement planning, education planning for children, marriage planning for children, life protection and investments and savings for future. Premiums received from policyholders, after deduction of specified charges including risk charges, are invested in internal unit funds of the Company. The basic plan contains life cover over and above the unit value, with additional protection (for death, disability and sickness) being provided through the addition of optional riders.

Policyholder Liabilities for these plans (excluding attached riders) are measured as the sum of the fair value of units attached and the unearned part of any risk premiums charged.

(b) Conventional Protection Products:

Two types of products are offered under Individual life conventional business, these being medium to long term contracts with level premiums being paid over the policy period. The Company offers a standard term life assurance product that offers protection in event of death as well as a decreasing term life assurance policy that covers outstanding loan balances.

Policyholder liabilities for both products are determined on a net premium basis by determining the present value of benefits less the present value of future net premiums, a theoretical net premium being calculated using conservative assumptions for mortality and the discount rate.

(c) Accident and Health Products:

These consist of long term and short term Accident and Health products providing cover against accidental death, disability, sickness and critical illness, offered both as long term as well as yearly renewable plans.

Policyholder Liabilities for short term contracts are evaluated using the unearned premium reserve method, taking into account the unexpired future period of risk, with a premium deficiency reserve being provided for where the Company's management perceives that the premium being charged is not adequate. For the critical illness long-term contracts, liabilities are evaluated using a net premium method i.e. expected present value of benefits payable less expected present value of net premiums receivable.

(d) Other Supplementary Benefits:

The Company also offers a variety of supplementary benefits attached with main plans including, additional term life assurance, income benefits, critical illness, sickness and accidental death and disability related benefits.

The methods used to determine policyholder liabilities differ with the nature and term of these benefits. Most supplementary benefits related to death and critical illness, are identical to some main plans offered in individual life business, the valuation methods used for these being consistent with their related main plans. Measurement of liabilities for benefits related to accident disability, accidental death and sickness are based on unearned premium method.

(e) Reserve for Outstanding Losses (Individual life)

The Company records reported losses as payable upon intimation of any claim. Unpaid claims are assessed from time to time and the liability measured in accordance with management's estimates of whether claims are payable or not.

Claims payable over a duration of more than one year are measured at the discounted value of expected payments.

The Company also provides, as part of policyholder liabilities, a reserve for incurred but not reported claims (IBNR). Due to insufficient claim history of Individual life business, however, the general lag method for IBNR is not used. The company adopts a methodology based on best estimates of future incurred but not reported claims, as suggested by the appointed actuary of the Company.

28.1.2.2 Group Life Policies

(a) Nature of Contracts:

The Company's group life business, consists of one year term life contracts which provide coverage, in the event of death or disability, to:

- employees of a common employer, benefits payable under these contracts being either fixed, in case of death, or linked to the extent of loss incurred by the policyholder, in case of disability;
- customers of financial institutions, the contracts being issued to financial institutions to protect their customers' outstanding loan balances, such as on personal loan, mortgages and credit cards.

There are no cash values in group life contracts.

(b) Policyholder Liabilities:

Policyholder liabilities consist of the following components:

- Net Unearned Premium Reserve

The unearned premium reserve is the portion of premium that had been booked in the current period but pertains to a period that extends beyond the valuation date. The fraction of premium that is to be consumed in the succeeding period is considered to be unearned. The unearned premium is the aggregate for both posted and fluctuations in the unearned premium.

The unearned premium reserve is computed both gross and net of reinsurance, the methodology used for both being similar.

- Profit Commission Reserve (accrued for policyholders)

This is the total accrued profit commission that is payable to policy holders at a future date. Profit commission for any policy normally becomes payable at the end of three policy years. However, accrued profit commission is calculated at the end of each policy year to account for the liability that has been created for that year. The sum of all such accrued profit commissions for all schemes is the Profit Commission reserve.

- Profit Commission Reserve (accrued from re-insurer)

This is the total profit commission due from re-insurer on all reinsured schemes. Profit commission rates are applied on insured groups, based on their size. The total profit commission accrued from re-insurer is the sum of profit commissions for each group.

- Premium Deficiency Reserve

The need for premium deficiency reserve arises when the Company expects to incur claims in excess of reserves set aside using conventional methods. The Company analyzed its current portfolio of group contracts and evaluated loss ratios of group business. The Company does not expect excessive claims on any schemes and hence no provision for Premium Deficiency Reserve is set aside.



– Incurred But Not Reported (IBNR) Reserve

The IBNR (incurred but not reported) reserve is an estimate of those claims that might have occurred but not yet reported. This is estimated by using the claim intimation lag from the date of death for the claims that have been reported in the last two years. The system generated IBNR triangle report is used to calculate the ratio of delay to estimate the probable claims pertaining to and not reported up to the valuation date.

28.1.3 Liability Adequacy Test

Liability adequacy test is applied to all those long term contracts where necessary, especially those products where actuarial liability estimation is based on conservative assumptions. Liability adequacy test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable, benefits payable and investment income from related assets.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. At the moment, the Company does not have sufficient mortality data for comparison with assumed life table efu(61-66). The Company compares efu(61-66) with recent mortality studies carried out in South East Asia region. The comparison suggests that current actual mortality experience is better than the experience reflected in efu(61-66). Thus the Company uses a modified version of efu(61-66) as a best estimate of mortality for liability adequacy test.

The investment return currently assumed for valuation is 3.75% p.a. This assumption reflects a long-term conservative return that the company expects to earn on assets backing these liabilities. On a more realistic view of current financial markets, the Company estimates that a long term return on these assets of 6% is reasonable. Liabilities are re-evaluated at investment return assumption of 6% for Liability Adequacy Test.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

<u>Assumption</u>	(Rupees '000)	
	<u>Policyholder liabilities on existing valuation basis</u>	<u>Policyholder liabilities using best estimate assumptions</u>
Mortality	18 573 830	18 477 240
Investment returns	18 573 830	18 562 579

The liabilities evaluated under these assumptions suggest that recognized liabilities are adequate and no further provision is required.

28.2 Reinsurance contracts held

The Company has entered into reinsurance arrangements, for both its individual and group businesses, in order to manage risks associated with the frequency and severity of claims. These arrangements include cover under treaties as well as on a facultative basis. The terms of reinsurance treaties vary by type of business, the objective being to maintain a reasonable risk profile suiting the risk appetite and overall exposure to adverse movements in mortality or morbidity.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured accounting to the terms of the arrangements.

The details related to reinsurance assets and liabilities are shown below:

<u>Reinsurer rating</u>	<u>Amounts due from reinsurers</u>	<u>Reinsurance recoveries against outstanding claims</u>
'A' or Above	86 159	99 360

The Company assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, all reinsurance assets of the Company are due from reinsurers with a credit rating of "A or Above". The reinsurers maintain a sound credit history and hence no impairment provision is required for now.

28.3 Accounting estimates and judgments

The Company makes several estimates of assumptions to evaluate its assets and liabilities reported in its financial statements. On the liability side, there are a number of factors that have a direct impact on policyholder liabilities. Assumptions are continually evaluated using internal analysis and monitoring processes to test validity of these assumptions.

28.3.1 Mortality, Disability and Critical Illness

Mortality and disability rates are basic assumptions used in valuation of policyholder liabilities. For mortality, life table efu(61-66) is being currently used. The life table was published more than 40 years ago and may not reflect mortality improvements. In absence of any updated mortality study of Pakistan's insured population, efu (61-66) is used with some adjustment to reflect current mortality trends. For reserving purposes, a 10% mortality loading is used over efu (61-66) rates to build in conservatism. An analysis of past mortality experience, reveals that 10% mortality loading for reserving purposes is appropriate to ensure prudence.

Sudden adverse experience in mortality might occur due to epidemics, causing deaths on a mass scale due to incurable contagious illnesses. Mortality may also deteriorate over a period of time, due to wide-scale changes in living life styles, eating and health habits.

Sensitivity test with respect to mortality is carried out and impact on policyholder liabilities is observed. When mortality rates increase by 10%, policyholder liabilities increase by 0.17%. Likewise, when mortality rates decrease by 10%, policyholder liabilities decrease by 0.18%.

In absence of credible disability and critical illness incidence rates, the Company uses reinsurance rates for actuarial liability valuation of disability and critical illness benefits.

28.3.2 Investment income

Investment income is an important assumption for valuation of long-term conventional plans. This is the rate at which future expected benefits and expected premiums are discounted. Currently, the valuation assumption used for investment income is 3.75% p.a.

Sensitivity test with respect to investment income is carried out and its impact on policyholder liabilities observed. When investment rate is increased by 10%, policyholder liabilities decrease by 0.01%. Likewise, when investment income rate is decreased by 10%, policyholder liabilities increase by 0.01%.

28.4 Frequency and Severity of claims

Frequency and severity can have a significant impact on total claims paid out by the Company. High frequency of claims could occur due to adverse experience of mortality or disability. Adverse mortality experience, in short-term, could be due to a wide-range spread of fatal contagious disease, an epidemic. Over a longer term, overall health practices, eating and living habits could potentially have an adverse effect on mortality.

About 90% of business of the Company is concentrated in the provinces of Sindh and Punjab. This concentration is largely in line with the population of these provinces relative to country's total population. The Company's diversified portfolio of contracts helps limit the frequency and severity of claims. However, in event of large number of deaths or disabilities, the Company does face the risk of paying out excessive claims. To manage and mitigate this exposure, arrangements in form of reinsurance and catastrophe cover are in place.

In Group life business, frequency and severity of claims can be affected by concentration of business in a specifically risky class of industry. Claim frequency can rise substantially from businesses in industries that are more prone to accidents due to the nature of work they perform. Likewise, severity of claims can also be associated with business concentration in a specific class of industry. The Company continually monitors its concentration risk and takes measures to keep its business portfolio well diversified.

Contracts in group life, are mainly one year term life contracts, where premium rates are generally guaranteed for one year only. The Company retains the right of changing premium rates by incorporating the claim experience of a group insured, thereby allowing the company to charge a specific group in line with its claim experience.



The Company regularly carries out an exercise to monitor time lags between intimation and settlement claim dates. The study reveals that a significant portion of claims are settled within twelve months of claim intimation.

28.5 Sources of uncertainty in estimation of future benefit payments and premium receipts

The uncertainty with respect to future premiums and benefits may arise due to unexpected changes in mortality or disability experience. Adverse mortality experience will result in excess benefit payments, and reduced future premium income.

Likewise, unexpected changes in surrenders and lapses could also have a significant impact on future realized premiums. Estimates of lapses and surrenders are based on internal experience studies carried out annually. Factors that could affect policyholder behavior include, market factors such as interest rates, policyholder preferences in terms of the monetary value that a policyholder relates with the insurance policy, the frequency of premium payments and the age of the individual.

28.6 Process used to decide on assumptions

Assumptions used to determine policyholder liabilities include, mortality/disability/critical illness rates, investment returns for conventional business, investment returns for investment linked business, expenses and mortality loading.

Mortality assumptions should in principle reflect adequate conservatism in liabilities. The Company considers efu(61-66) life table to be appropriate for actuarial valuation of policyholder liabilities.

Disability and Critical illness rates used for liability valuation are the reinsurance rates provided by the reinsurer. Due to lack of sufficient claim experience for these disabilities and critical illnesses, the Company considers this as the best estimate available.

The Company uses an investment return assumption of 3.75% per annum to evaluate actuarial liabilities of its conventional plans. Liabilities of conventional products should in principle reflect a long term conservative interest rate, to reflect adequate conservatism. An investment return of 3.75% per annum is hence considered appropriate.

For Unit Linked products where the death benefit is paid in form of annuity, the Company uses a discount rate of 6% to evaluate present value of future stream of cash flows. In principle, the interest rate assumption set to discount cash flows should reflect the expected returns on assets backing these liabilities. The Company expects to earn at least a 6% return on assets backing these unit-linked liabilities.

In valuation of unearned premium reserve for unit-linked plans a loading of 10% is applied on rates from efu(61-66). In opinion of management of the Company and appointed actuary this assumption is prudent.

The Company also allows for mortality fluctuation reserve, an extra 0.05% of an individual policy's Retained Sum at Risk to allow for adverse deviation in mortality experience. In opinion of the Company's management and appointed actuary this assumption is prudent.

The Company reserves for any increase in actuarial liability resulting from the possible reinstatement of lapsed policies. The current liability valuation also takes into account cash value of units pertaining to policies lapsed in last 2 years. A unit-linked policy lapses when the second annual premium of policy is not received. In principle, cash value of a lapsed policy is not surrenderable, as per provisions and conditions, unless the second premium is paid and policy is reinstated. However, the Company recognizes the possibility of these lapsed policies to be reinstated and hence carries out periodic studies to determine expected renewals. In opinion of the Company's management and appointed actuary assumptions used to set aside a liability against these lapsed policies is prudent.

For the purpose of liability adequacy tests the Company makes assumptions relating to expenses. For this purpose regular expense analyses are carried out based on actual expenses and transaction volumes.

28.7 Sensitivity Analysis

The basic assumptions used in valuation of liabilities are mortality, disability, critical illness rates and investment returns assumed in discounting future cash flows. The table below presents sensitivity results with respect to above mentioned factors, with their impact observed on policyholder liabilities:

<u>Sensitivity variable</u>	<u>% change in sensitivity variable</u>	<u>% change in policyholder liabilities</u>
Worsening of mortality and critical illness rates	10%	0.17%
Improvement in mortality and critical illness rates	10%	-0.18%
Increase in investment returns	10%	-0.01%
Decrease in investment returns	10%	0.01%

28.8 Management of insurance, financial and other risks

28.8.1 Insurance Risk

The risk that the Company faces is due to randomness in occurrence of insured events. In principle, the Company faces the risk that total claims exceed the reserves set aside at any point in time.

The occurrence of any single claim and amount paid on a single claim is a random event. However, as the number of contracts and independent lives increase, the estimated claim amounts and the number of claims get closer to the actual figures. This phenomenon is observed when pool of contracts is large enough and lives are independent. To manage this risk, the Company monitors its concentration risk, on several parameters, and maintains diversity in its portfolio of insurance contracts.

In order to maintain this diversification, the Company takes a number of steps to manage the overall insurance risk of its portfolio of insurance contracts. The risk of an individual life is broadly assessed in light of its: medical condition, which include living habits, physical health and medical history; occupational condition, which assesses an individual's job profile and whether any characteristics of the job could have a significant impact on that individuals mortality; financial condition, which determines the individuals ability and affordability to purchase and maintain an insurance contract over the long-term.

The Company identifies and defines parameters in its underwriting strategy to clearly identify individuals (sub-standard lives) which could potentially increase the overall risk of insurance portfolio. Based on certain parameters, such individuals pay an extra charge called Extra Mortality Premium, in order to compensate for extra risk added to existing pool of insured individuals. These measures allow the Company to charge an individual life in line with the risk contributed to its insurance portfolio. These underwriting measures also discourage accumulation of sub-standard lives in the insured pool, thereby managing the overall insurance risk of the Company in the long-term.

The Company also has reinsurance arrangements with its reinsurance partners, to whom the Company passes any excess insurance risk beyond its retention levels. Limits are continually monitored and kept in line with the overall risk tolerance. This allows the Company to retain the risk according to its risk capacity and minimizes excessive claim payouts. Currently, the total risk retained on individual life products is Rs. 1,000,000 per life for the death risk and Rs. 500,000 for risks associated with critical illness plans. For Group Life, the company currently retains Rs. 500,000 of total life risk on each life and Rs. 50,000 per life on critical life cover.

The Company also has arrangements for claims in event of a catastrophic scenario under an Excess of Loss Catastrophe cover which is triggered in event of excessive claims, limiting total amount of claims paid out if such an event occurs.

28.8.2 Other risks

The Company faces a number of financial risks in its assets and liabilities, apart from insurance risk. These risks can be broadly categorized as expense risk, lapse risk, market risk, credit risk and liquidity risk. This section describes these risks on the Company level and identifies and describes the processes and strategy of management to manage these risks.

28.8.3 Expense risk

The risk that the Company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Company mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Company to adjust its pricing in time to account for higher than expected expenses.



The Company closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Company's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Company to take corrective actions in time.

Based on the results of expense analysis, the Company apportions its management expenses to different lines of business.

28.8.4 Lapse risk

The risk the Company faces is that future persistency rates may be lower than assumed in pricing, thus impacting the emergence of profit from its portfolio of individual life policies. The Company however is confident that this risk is insignificant as the Company places tremendous emphasis on quality customer services and retention of clients by making persistency standard an integral part of the sales force culture. The Company has been consistently maintaining good levels of persistency and will continue a similar trend in future.

The Company has robust systems in place to regularly monitor the lapse experience. Regular focus on persistency is embedded in the Company culture and is an integral part of the monitoring of the sales force performance and remuneration.

28.8.5 Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk in relation to its investments with respect to products other than unit linked products (in unit linked products, investment risk is borne by the policyholder). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise, to match its duration of assets and liabilities.

28.8.6 Credit risk and concentration of credit risk

Credit risk arises when one party fails to discharge its obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet their contractual obligations. The Company is exposed to credit risk on premiums receivable from group clients, commission and claims recoverable from insurers and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts. The Company believes it is not exposed to any major concentration of credit risk.

28.8.7 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its funding requirements, without incurring a material loss in disposing off its illiquid assets. To guard against this risk, the Company maintains a healthy balance of cash and cash equivalents and readily marketable securities. Liquidity is monitored regularly and assets are frequently rebalanced to maintain a certain level of liquidity at all times. Going forward, the company also plans to set up a contingency plan, whereby alternate sources of liquidity will be identified and assets would be analyzed and ranked in their liquidity order, to determine which assets would need to be disposed off first in case of a liquidity crisis.

The expected payouts in liabilities along with maturity profile of assets and liabilities are monitored to ensure that adequate liquidity is maintained within the company, to avoid the need of liquidating assets below their actual market value.

The following extract, classifies the assets and liabilities of the Company by type of product in each Statutory Fund as at 31 December 2010. The table below also presents details of assets under Shareholder's Fund:

(Rupees '000)

2010	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
Available for sale:				
- Other fixed income securities	3,761,122	-	-	3,761,122
- Government securities	9,226,386	-	263,896	9,490,282
Held to maturity:				
- Other fixed income securities	171,801	185,918	83,640	441,359
- Government securities	848,087	351,526		1,199,613
Available for sale:				
- Listed equities and mutual funds	4,205,885	111,122	121,537	4,438,544
- Unlisted equities and mutual funds	42,245		508	42,753
Investment in associates	165,709	14,899	157,687	338,295
Loans and receivables:				
- Insurance receivables amortized cost		28,860		28,860
Reinsurance assets	31,969	54,190		86,159
Cash and cash equivalents	503,298	311,135	11,892	826,325
Other assets	502,247	25,647	981,529	1,509,423
Total assets	19,458,749	1,083,297	1,620,689	22,162,735

(Rupees '000)

2010	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
Long-term insurance contracts and investment contracts:				
Fixed term	13 934 396	78 911	-	14 013 307
Whole of life	4 064 421	-	-	4 064 421
Short-term insurance contracts	-	235 758	-	235 758
Riders	-	260 344	-	260 344
Retained earnings on other than participating business	267 599	24 052	-	291 651
Equities	-	-	1 579 275	1 579 275
Other liabilities	1 192 333	484 232	41 414	1 717 979
Total liabilities	19 458 749	1 083 297	1 620 689	22 162 735

29. Segment reporting

Class of Business wise assets, liabilities and operating results have been disclosed in the Balance sheet and Profit and Loss account and revenue account prepared in accordance with the requirements of Insurance Ordinance 2000 and the SEC (Insurance) Rules, 2002.

30. Number of employees

Number of employees as at 31 December 2010 is 871 (2009: 843).



31. Related party transactions

The related parties comprise of directors, key management personnel, associated undertakings (including entities with common directors) and employees' benefit fund. The transactions with related parties, other than remuneration of key management personnel (disclosed in note 25) are as follows:

	(Rupees '000)	
	2010	2009
Associated companies (due to common directorship)		
Transactions		
Premium written	12 259	16 945
Premium paid	13 606	10 910
Claims paid	6 501	2 577
Claims received	866	2 201
Travelling expenses	372	432
Services Hired	2 399	2 949
Commission paid	37 799	18 094
Dividend paid	254 768	208 451
Dividend received	31 336	25 441
Balances		
Bank balances	7 789	2 815
Deposits maturing with in 12 months	–	50 000
Balance payable	803	58
Balance receivable	27	885
Employees' funds		
Transactions		
Contribution to provident fund	10 139	8 953
Contribution to pension fund	7 992	6 708
Key Management Personnel		
Transactions		
Loan to employees	–	460
Loan recovered	230	358
Balances		
Loan receivable	–	230

32. Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors in their meeting held on 26 March 2011.

33. General

33.1 Figures in these financial statements have been rounded off to the nearest thousand of rupees, unless otherwise stated.

33.2 The Board of Directors has proposed a cash dividend of Rs.5 per share (2009:Rs. 5.5 per share) amounting to Rs.425 million (2009: Rs. 412.5 million) at its meeting held on 26 March 2011 for the approval of the members at the annual general meeting to be held on 27 April 2011. These financial statements do not reflect this appropriation as explained in note 5.11.

HASANALI ABDULLAH
Director

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statements under Section 52(2) of Insurance Ordinance 2000

Statement by Appointed Actuary

I have reviewed the Balance Sheet and Revenue Account and related notes prepared by the Company for the year ending December 31, 2010. In my opinion:

- (a) the policyholder liabilities included in the balance sheet have been determined in accordance with the provisions of the Insurance Ordinance, 2000 ("the Ordinance"); and
- (b) each statutory fund set up by the Company, after accounting for the capital contribution, complies with the solvency requirements of the Ordinance.

OMER MORSHED, FCA, FPSA, FIA
Appointed Actuary

Statement by Directors

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

Section 46(6)

- a. In our opinion the annual statutory account of EFU Life Assurance Ltd. set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made there under.
- b. EFU Life Assurance Ltd. has at all times in the year complied with the provision of the Ordinance and the rules made there under relating to paid-up capital, solvency and reinsurance arrangements, and
- c. As at December 31, 2010 EFU Life Assurance Ltd, continues to be in compliance with the provisions of the Ordinance and rules made there under relating to paid-up capital, solvency and reinsurance arrangement.

Section 52(2)(c)

- d. In our opinion each statutory fund of EFU Life Assurance Ltd. complies with the solvency requirement of the Insurance Ordinance, 2000 and the Insurance Rules, 2002.

 **HASANALI ABDULLAH**
Director

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Pattern of Shareholding as at 31 December 2010

Number of Shareholders	Shareholdings		Holding Shareholders
	From	To	
202	1	100	9 262
432	101	500	105 614
201	501	1 000	147 072
468	1 001	5 000	1 099 069
85	5 001	10 000	604 634
19	10 001	15 000	229 434
16	15 001	20 000	275 177
10	20 001	25 000	227 054
6	25 001	30 000	165 442
5	30 001	35 000	168 696
1	35 001	40 000	39 780
3	40 001	45 000	127 190
2	45 001	50 000	95 765
3	50 001	55 000	157 621
6	55 001	60 000	343 161
4	65 001	70 000	274 098
1	70 001	75 000	73 339
2	75 001	80 000	154 341
3	80 001	85 000	253 980
1	85 001	90 000	88 398
2	90 001	95 000	180 940
1	95 001	100 000	99 165
1	105 001	110 000	106 250
1	110 001	115 000	113 333
2	140 001	145 000	284 310
1	145 001	150 000	149 654
1	150 001	155 000	152 231
1	210 001	215 000	212 500
1	255 001	260 000	258 081
2	330 001	335 000	665 615
1	335 001	340 000	336 960
1	420 001	425 000	424 886
1	435 001	440 000	435 659
1	485 001	490 000	487 339
1	515 001	520 000	517 163
1	605 001	610 000	607 543
1	655 001	660 000	659 940
1	675 001	680 000	680 000
1	705 001	710 000	708 900
1	805 001	810 000	809 728
1	855 001	860 000	856 069
1	940 001	945 000	944 445
1	1 095 001	1 100 000	1 095 510
1	1 695 001	1 700 000	1 700 000
1	2 820 001	2 825 000	2 824 845
1	2 875 001	2 880 000	2 875 012
1	2 960 001	2 965 000	2 960 207
1	2 990 001	2 995 000	2 991 984
1	3 825 001	3 830 000	3 826 266
1	17 040 001	17 045 000	17 040 552
1	35 355 001	35 360 000	35 355 786
1 504			85 000 000

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	4	53 056 406	62.42
NIT & ICP	3	1 687	0.00
CEO, Directors their Spouses and minor children	9	8 230 045	9.68
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Co., Modarabas and Mutual Funds	10	2 023 881	2.38
Foreign investors	5	3 058 555	3.60
Individuals / Others	1 473	18 629 426	21.92
Total	1 504	85 000 000	100.00

Information as required under the Code of Corporate Governance

Categories of Shareholders	Shareholders	Shares Held
Associated Companies, Undertaking & Related Parties		
Jahangir Siddiqui & Co. Limited*	1	17 040 552
EFU General Insurance Limited*	1	35 355 786
JS Value Fund Ltd.	1	659 940
EFU Life Assurance Ltd. Emp. Prov. Fund	1	128
NIT & ICP		
ICP A/C. Mr. Noman Farooq	1	401
ICP A/C. Col M.A. Sheikh	1	1 132
IDBP (ICP Unit)	1	154
CEO, Director their spouses and minor children		
Saifuddin N. Zoomkawala	1	487 339
Taher G. Sachak	1	574 540
Jahangir Siddiqui	1	23 800
Sultan Ahmad	1	2 382
Rafique R. Bhimjee	1	2,960 207
Muneer R. Bhimjee	1	2 991 984
Hasanali Abdullah	1	44 190
Mrs.Lulua Saifuddin W/o Saifuddin N. Zoomkawala	1	50 093
Mrs.Naila Bhimjee W/o Rafique R. Bhimjee	1	1 095 510
Shareholders holding 10% or more voting interest *(reported above)		

Group Benefits - Offices

Faisalabad

2nd Floor, Ajmal Centre 289, Batala Colony
Phone: 8555981-84, 8555987

Imran Yaqub, Assistant Manager

Islamabad

3rd Floor, Al-Malik Centre
70W, Jinnah Avenue, Blue Area
Phone: (051) 2825271, 2820989, 2803385-8

Noor-ur-Rehman, Group Manager
Khurram Aftab, Marketing Executive

Karachi

37K, Block 6, PECHS, Karachi
Phone: (021) 34535071-77

Adeel H. Jaffery, Regional Sales
Director (Group Benefits)
Hasan Aamir, Senior Regional Manager
S. Afsar Raza, Deputy Manager
Naveed-ul Haq Bhatti, Deputy Manager
Anila Hassan Riaz, Assistant Manager
Syed Abbas Hussain, Marketing Executive

Lahore

87-B-III, Gulberg Scheme No. 3, Lahore
Phone: (042) 35870801-05

S.A.R. Zaidi, Executive Director
Fazal Mehmood, Sr. Regional Manager
Zaheer Aslam, Group Manager
Faisal Masud, Manager
Mubashir Ahmed, Manager
Tasleem Iqbal, Deputy Manager

Multan

1st Floor, Rajput Commercial Centre
Tareen Road, Near Gultax
Phone: (061) 4500919

Mr. Zaffar Abbas Chughtai, Marketing Executive

Bancassurance - Offices

Islamabad

3rd Floor, Al-Malik Centre
70W, Jinnah Avenue, Blue Area
Phone: (051) 2825271, 2820989, 2271371
2820979, 2873382

Tahir Sultan, Senior Area Head

Karachi

Plot No. 225-1 K, Block 2
PECHS, Karachi
Phone: (021) 34304560, 34304514
34304516-7, 34304565

Husein Sachak, Head of Sales and Marketing
Syed Saulat Hussain Naqvi, Senior Area Head
Zeeshan Haider, Area Head

Lahore

Off No. 101, Meznine Floor, Rehman Business
Centre, Gulberg III
Phone: (042) 35874439, 35772684

Fayyaz Mehmood Tahir, Regional Head
Hafiz Muhammad Babar Rafiq, Area Head
Nadia Khursheed, Area Head

Individual Life - Offices

ABBOTTABAD

Abbottabad Branch

1st Floor, Al-Fateh Shopping Centre
Opp: Radio Station, Mansehra Road
Phone: (0992) 341978, 334254
Mr. Zuhrab Khan, Manager

AHMED PUR EAST

Ahmed Pur East Branch

Qasim Khan Plaza
Opp: Rizwan Chargha House
Katchery Road
Phone: (06222) 73039, 73049
Mr. Mohammad Zahid Bashir, Manager

ATTOCK

Attock Branch

Sheikh Jaffar Plaza
1st Floor, Siddiqui Road, Attock City
Phone: (057) 2602067, 2701957
2703338, 2702338
Mr. Amjid Hussain Shah, Manager

AZAD KASHMIR

Kotla A.A Khan Branch

Opposite Main Bazar
Mian Bhimber Road
Phone: (053) 7575521
Mr. Javaid Iqbal, Manager

Kotli Branch

Poonch Road, Opp: Gulistan Plaza
Rathore Plaza
Phone: (058264) 45621
Mr. S. Zakaullah Khan
Senior Branch Manager

Kotli City Branch

Poonch Road, Opp: Gulistan Plaza
Rathore Plaza
Phone: (058264) 45621
Mr. Gul Nazar, Manager

Mirpur Branch

2nd Floor, Muhammadi Plaza
Nangi Opp: Jabeer Hotel
Phone: (05827) 446477, 446488
Mr. Sardar Zakaullah Khan
Senior Branch Manager

BAHAWALPUR

Bahawalpur Branch

University Chowk, Bahawalpur
Phone: (062) 2282269, 2282475, 2282484
Mr. Abdul Jabbar, Senior Branch Manager

Cantt Branch

University Chowk, Bahawalpur
Phone: (062) 2282269, 2282475, 2282484
Mr. Junaid Masud, Senior Branch Manager

City Branch

University Chowk, Bahawalpur
Phone: (062) 2282269, 2282475, 2282484
Mr. Kashif Azeem, Group Manager

Fort Branch

University Chowk, Bahawalpur
Phone: (062) 2282269, 2282475, 2282484
Mr. Naeem Akhtar Chaudhry
Branch Manager

Yazman Branch

Bahawalpur Road, Mandi Yazman.
Phone: (062) 2702122-25
Mr. Khalid Maqsood, Branch Manager

Yazman City Branch

Bahawalpur Road, Mandi Yazman.
Phone: (062) 2702122-25
Mr. Mohammad Boota, Manager

BHAKKAR

Bhakkar Branch

Bungalow No. 03 Near Talab wala Masjid
Mandi Town Bhakkar
Phone: 0336-7601001, (0453) 303786
Mr. M. Masood Sheraz Khan
Branch Manager

CHISHTIAN

Chishtian Branch

13 Gajyani Road Chishtian
Phone: 0300-4355730
Mr. Muhammad Rashid Latif, Manager

Chishtian City Branch

13 Gajyani Road Chishtian
Phone: 0300-4355730
Mr. Muhammed Kashif
Assistant Branch Manager

DAHARKI

Daharki City Branch

Near Khushali Bank Ltd, Main Road
Daharki, District Ghotki
Phone: (0723) 642424, 643440
Mr. Mumtaz Ali Mahar, Branch Manager

Daharki Civic Branch

Near Khushali Bank Ltd, Main Road
Daharki, District Ghotki
Phone: (0723) 642424, 643440
Mr. Ali Hasan Rajput and Mohammed
Nadeem, Unit Manager

DERA GHAZI KHAN

Dera Ghazi Branch

Jampur Road, 1st floor,
Faysal Bank, D.G. Khan
Phone: 0300-2289559, (0642) 468116
Mr. Sikander Arshad, Senior Branch Manager

DERA ISMAIL KHAN

Dera Ismail Khan Branch

1st Floor, Najeeb Centre, East Circular Road
Phone: 0300-9676135, (0966) 734003-06
Mr. Masood Sheraz Khan, Branch Manager

DINGA

Dinga Branch

Fazil Plaza, 1st Floor,
Dalyan Chowk, Main Dinga City
Phone: (053) 7402338, 7403399
(0966) 734002
Mr. Qaiser Abbas, Branch Manager

FAISALABAD

Central Branch

Hamza plaza 1st floor, plot No 340B
People's Colony, Satyana Road
Phone: (041) 8718465-6
Mr. Sikander Arshad, Senior Branch Manager

Chenab Branch

2nd Floor, Ajmal Centre, 289, Batala Colony
Phone: (041) 8555981-4
Mr. Tajamal Khan, Branch Manager

City Branch

2nd Floor, Ajmal Centre, 289, Batala Colony
Phone: (041) 8555981-4
Mr. Syed Bashrat Ali, Manager

Faisalabad Branch

2nd Floor, Ajmal Centre, 289, Batala Colony
Phone: (053) 7402338, 7400338
Mr. Muhammad Ihsan-ul-Haq
Branch Manager

GHOTKI

Ghotki Branch

Shadani Shopping Centre
Near Police Station
Phone: (0723) 684107, 682423
Mr. Mahesh Kumar, Branch Manager

GILGIT BALTISTAN

Gilgit Baltistan Branch

Block - B Dar Plaza, Madina Market Gilgit
Phone: 0346-9144422, 0300-8598273
(058) 11459874
Mr. Syed Jameel Abbas, Branch Manager

GUJRANWALA

Gujranwala Branch

2nd Floor, AWR Plaza, Main G. T. Road
Phone: (055) 3734104, 3731660
Mr. Nasir Ahmad Anjum, Manager

GUJRAT

Gujrat Branch

Dhakkar Plaza, Rehman Shaheed Road
Phone: (053) 3514246, 3607033
3609417-19
Mr. Ali Rizwan, Senior Branch Manager

Gujrat City Branch

Dhakkar Plaza, Rehman Shaheed Road
Phone: (053) 3514246, 3607033
3609417-19
Mr. Majid Naveed Akhtar, Manager

HAROONABAD

Haronabad Branch

Milad Chowk, Baldia Road, Haroonabad
Phone: (063) 22532590, 2253291, 2253592
Mr. Ishfaq Hussain Mughal, Manager

HASILPUR

Hasilpur Branch

Opp: Allama Iqbal Park, Eid Gah Road
Phone: (0622) 441008
Mr. Mushtaq Ahmad, Manager

HUB

Hub Chowki Branch

Main RCD Road, Hub, District Lasbella
Phone: (0853) 302115, 364098
Mr. Jagdeesh Kumar Pahooja
Branch Manager

HYDERABAD

Cantt Branch

3rd Floor, Abdullah Chambers
Near Hotel Faran, Saddar
Phone: (022) 2785217-18
2784628, 2784729
Mr. Zaheeruddin Babar, Branch Manager

City Branch

B-15/9, RECHS, Opp Latifabad Unit 3
The Autobahn
Phone: (022) 3814239, 3814235-6
Mr. Dileep Nenwani, Branch Manager

Indus Branch

B-15/9, RECHS, Opp Latifabad Unit 3
The Autobahn
Phone: (022) 2780453, 3814239
3814235-6
Mr. Zeeshan Hyder, Manager

New City Branch

Office No. 8& 9 Shelter Shopping Mall
Saddar Cantt
Phone: (022) 2720550-3
Mr. Syed Sabir, Manager

ISLAMABAD

City Branch

Mezzanine, 2nd Floor, Dodhy Plaza,
Jinnah Avenue Blue Area
Phone: (051) 2604760-4, 2604765
Mr. Shahid Mehmood Awan, Branch Manager

Defence Branch

3rd Floor, Al-Malik Centre, 70-W
Jinnah Avenue (Blue Area)
Phone: (051) 2820989, 2271371, 2820979,
2873382
Mr. Ghulam Jilani Qadir, Manager

Islamabad Branch

3rd Floor, Al-Malik Centre
70-W Jinnah Avenue (Blue Area)
Phone: (051) 2820989, 2271371
2820979, 2873382
Mr. M. Younis Butt, Regional Sales Director

JACOBABAD

Jacobabad Branch

1st Floor, National Autos
Main Quaid-e-Azam Road
Phone: (0722) 651876, 650156
Mr. Sher Zaman Khan, Branch Manager

JHELUM

Jhelum Branch

Karim Arcade M.M. No. 03 Jada Road
Phone: (0544) 628606, 627337, 627118
Mr. Ashar Jan Alam, Branch Manager

KANDHKOT

Kandhkot Branch

Near Juman Shah, Kandhkot, Dist Kashmir.
Phone: (0722) 570193
Mr. Adil Mahmood Samejo
Senior Branch Manager

KARACHI

Ayesha Manzil Branch

C/o Noor Orthopedic & General Clinic A-1
Anarkali Apartment, Block-7
F.B. Area, Ayesha Manzil
Phone: (021) 36330181, 36330182,
36317425, 36317892
Mr. Arif Pyarali Adtani, Manager

Cantt Branch

Nafees Arcade 3rd Floor, Off No. 301, Plot
SC-14, KDA Scheme No 7, Chandni Chowk,
University Road,
Phone: (021) 4854671-73, 34854674
Mr. Zahoor Ahmed Khuhro, Branch Manager

Central Branch

A-34, 1st Floor, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: (021) 34554006, 34386341-44,
34320618-19
Mr. S. Arif Raza, Senior Branch Manager

City Branch

A-34, 1st Floor, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: (021) 34553949, 34320606 -13
Mr. Tariq Mehmood, Branch Manager

Defence Branch

2nd Floor, Karim Chamber, Civil Lines,
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 35216368, 35215803
Mr. Zia ul Hassan, Manager

Faisal Branch

41-1/E, Block 6, PECHS
Phone: (021) 34313638, 34527135
34386506-34313637
Mr. Shamsuddin Shaikh, Regional Manager

Garden Branch

A-34, Ground Floor, Hafeez Centre,
KCHSU, Shahrah-e-Faisal
Phone: (021) 34320606 -13
Mr. Nadim Iqbal Hasni, Branch Manager

Gulshan Branch

Nafees Arcade 3rd Floor, Off No. 301
Plot SC-14, KDA Scheme No 7
Chandni Chowk, University Road
Phone: (021) 34854671-3
Mr. Abdul Wahab Shaikh, Branch Manager

Gulshan-e-Hadeed Branch

1st Floor, C-15, Phase 1
Gulshan-e-Hadeed, Bin Qasim
Phone: (021) 34721574, 34715071-72
Mr. Ghulam Shabbir Mirani, Branch Manager

Indus Branch

A-34, 1st Floor, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: (021) 34320667, 34386341-44,
34320618-19
Mr. S. Shahid Hussain Zaidi, Branch Manager



Karsaz Branch

2nd Floor, Karim Chamber, Civil Lines,
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 35216368, 35215803
Mr. Ayoob Khan, Branch Manager

Mehran Branch

A-34, 1st Floor, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: (021) 34386341-44, 34320618-19
Mr. S. Samar Raza Zaidi, Manager

Merewether Branch

2nd Floor, Karim Chamber, Civil Lines
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 35654885, 35216368,
35215803
Mr. Rehan Anwar, Senior Branch Manager

New City Branch

Room No: 518 5th Floor, EFU House,
M.A Jinnah Road
Phone: (021) 32311964, 32311969
Mr Rabnawaz Ghumro, Senior Branch
Manager

Pioneer Branch

A-34, Ground Floor, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: (021) 34559126, 34320606 -13
Mr. Nasir Rashid Bhatti, Senior Branch
Manager

West Branch

2nd Floor, Karim Chamber, Civil Lines
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 35210864, 35216368,
35215803
Mr. Nadeem Alam Ansari, Manager

Zamzama Branch

A-34, 1st Floor, Hafeez Centre, KCHSU,
Shahrah-e-Faisal
Phone: (021) 34386341-44, 34320618-19
Mr. Fasih Uddin Amjad, Manager

KHAIRPUR

Khairpur Branch

Kutchery Road
Phone: (0243) 714336, 714330
Mr. Jamaluddin, Manager

KHANPUR

Khanpur City Branch

Model Town B, Near DSP Office
Phone: (068) 5575263-5577809
Mr. Imtiaz Hussain, Group Manager

LAHORE

Cantt Branch

43-L, 1st Floor, M.M. Alam Road, Gulberg II
Phone: (042) 35871235-7
Mr. Shoukat Ali, Manager

Capital Branch

147- D Main Boulevard, Near Scheme Morr,
Allama Iqbal Town
Phone: 0321-9472018
Mr. Iftikhar Hassan, Branch Manager

Central Branch

18-C-3, Commercial Zone
Liberty Market, 3rd Floor, Gulberg III
Phone: (042) 35789782-35789550
Mr. Saadat Ahmed, Manager

City Branch

18-C-3, Commercial Zone
Liberty Market, 3rd Floor, Gulberg III
Phone: (042) 35789782, 35789550
Mr. Shahid Iqbal Bhatti
Senior Branch Manager

Civic Branch

43-L, 1st Floor, M.M. Alam Road, Gulberg II
Phone: (042) 5871235-7
Mr. Mahmood Ahmed, Branch Manager

Crescent Branch

18-C-3, Commercial Zone, Liberty Market
3rd Floor, Gulberg III
Phone: (042) 35789782-35789550
Mr. Malik Azhar, Branch Manager

Defence Branch

43-L, 1st Floor, M.M. Alam Road, Gulberg II
Phone: (042) 35871235-7
Mr. Mian Kashif Naseer, Branch Manager

Egerton Road Branch

18-C-1 Floor, Commercial Zone,
Liberty Market, Gulberg III
Phone: (042) 35716072-4
Mr. Rizwan Yasin, Branch Manager

Falcon Branch

18-C-1 Floor, Commercial Zone,
Liberty Market, Gulberg III
Phone: (042) 35716072-4
Mr. Kh. Mujib ur Rehman
Senior Group Manager

Gulberg Branch

18-C-1, Commercial Zone
Liberty Market, Gulberg III
Phone: (042) 35716072-74
Mr. S. Mehdi Raza Zaidi, Manager

Jinnah Branch

18-C-1, Commercial Zone
Liberty Market, Gulberg III
Phone: (042) 35716072-74
Mr. S.M. Raza Zaidi, Branch Manager

Liberty Branch

Suit #. 2, 2nd Floor, Rehman Business Centre,
Near Firdous Market, Gulberg III
Phone: (042) 35712265, 35772622 - 3
Mr. Moazzam Bashir Kamal, Manager

Metropolitan Branch

18-C-1, Commercial Zone
Liberty Market, Gulberg III
Phone: (042) 35716072-74, 35789604
Mr. Zahid Ali Raza, Branch Manager

Pioneer Branch

147-D Main Boulevard, Near scheme morr,
Allama Iqbal Town
Phone: (042) 37841983, 37841135
Mr. Iftikhar Hassan, Branch Manager

Ravi Branch

2nd Floor, Office # 201, 14-C
Commercial Zone, Liberty Market
Phone: (042) 35789631, 35789663
Mr. Tanveer Ahmed Khan
Senior Branch Manager

LALAMUSA

Lalamusa Branch

Shayan Center, 1st Floor,
G.T Road
Phone: (053) 7517272-7515656
Mr. Syed Imtiaz Hussain Shah
Branch Manager

LARKANA

Larkana Branch

1st Floor, Bukhari Shopping Centre
Station Road
Phone: (074) 4057435-36, 4046700
Mr. Shahzad Mal, Branch Manager

LAYYAH

Layyah Branch

Chobara Road near Paracha Petrol Pump
Phone: (0606) 410524-410525
Mr. Shafquat Ali Rao, Branch Manager

MANDI BHAUDDIN

Mandi Bahauddin Branch

1st Floor, Ayub Plaza, Katchary Road
Phone: (0546) 520955, 520956
Mr. Faisal Tahir, Group Manager

Mandi Bahauddin City Branch

1st Floor, Ayub Plaza, Katchary Road
Phone: (0546) 520955, 520956
Mr. Abid Mehmood, Manager

MIRPURKHAS**Mirpurkhas City Branch**

APWA House, Opp: Gama Stadium
Main Hyderabad Road
Phone: (0233) 863158, 863159, 863157
Mr. Suresh Kumar, Branch Manager

Tharparker Branch

APWA House, Opp: Gama Stadium,
Main Hyderabad Road
Phone: (0233) 863158, 863159, 863157
Mr. Fawad Faisal, Manager

MORO**Moro Branch**

Near Jam Floor Mills, Dadu Road,
Moro Distt, Naushero Feroze
Phone: (0242) 411596
Mr. Sarfraz Ahmed Qureshi
Branch Manager

MULTAN**Cantt Branch**

2nd Floor, Golden Heights Plaza,
Opp. High Court, Multan Cantt
Phone: (061) 4500918
4587120-30-40-50-70
Mr. M. Abid Raza Shah, Branch Manager

Central Branch

2nd Floor, Golden Heights Plaza
Opp. High court, Multan Cantt
Phone: (061) 4587120-30-40-50-70
Mr. Abid Masood Qureshi, Manager

City Branch

1st Floor, Rajput Commercial Centre
Tareen Road, Near Gul Tax
Phone: (061) 4500913-15-17
Mr. S. Wazir Ali Zaidi, Branch Manager

Multan Branch

1st Floor, Rajput Commercial Centre
Tareen Road, Near Gul Tax
Phone: (061) 4500913-15-17-14
Mr. M. Kashif Riffat, Senior Branch Manager

Pioneer Branch

1st Floor, Rajput Commercial Centre
Tareen Road, Near Gul Tax
Phone: (061) 4500913-15-17-14
Mr. Kashif Aslam, Manager

NAUSHERO FEROZE**Naushero Feroze Branch**

DCO Office Main Road, Naushero Feroze
Phone: (0723) 688765, 0301-8311847
Mr. Adil Mahmood Samejo
Senior Branch Manager

NAWABSHAH**Nawabshah Branch**

Plot No.B-599, 1st Floor,
Opposite Al Karim Hotel, Katchery Road,
Phone: (0244) 372807 -372808
Mr. Abdullah M. Ghumro, Branch Manager

OKARA**Okara Branch**

Near Caltex Petroleum
Benazir Road Okara
Phone: (044) 3052345, 3214599211
Mr. S.M.Raza Zaidi, Branch Manager

PESHAWAR**Peshawar Branch**

Suite # 1, 2, 3, 2nd Floor
Azam Towers, Arbab Road Stop
Jamrud Road, University Town
Phone: (091) 5852921, 5843404
5852922, 5852923
Mr. Arbab Rukh Niaz, Manager

Peshawar Khyber Branch

NWR Plaza No. 02 Kyber Supermarket,
Bara Road, Peshawar Cantt
Phone: (091) 5252129, 5271109
Mr. Usman Ali, Manager

QUETTA**Chilton Branch**

1st Floor, Shaheen View
Model Town, Hali Road
Phone: (081) 2841696, 2834825
2834831, 2827787
Mr. Kantesh Kumar, Senior Branch Manager

Model Branch

1st Floor, Shaheen Views,
Model Town, Hali Road, Quetta
Phone: (081) 2841696, 2834825, 2834831
Mr. Anand Lal Kataria, Manager

Quetta Branch

Zarghoon House, 1st Floor,
Jinnah Road Quetta
Phone: (081) 2865509, 2865510, 2865511
Mr. Shahjahan, Regional Manager

Zarghoon Branch

Zarghoon House, 1st Floor,
Jinnah Road Quetta
Phone: (081) 2865509-13
Mr. Imran Ahmed, Branch Manager

RAHIM YAR KHAN**Rahim Yar Khan Branch**

Upper Story, J.S Bank, Near Neaz Clinic,
City Chowk, Model Town,
Phone: (068) 5876735, 5886819
Mr. Mukhtar Ahmed Tabassum
Branch Manager

RAJANPUR**Rajanpur Branch**

Ramzan Kareem Complex, D.G. Khan Road
Phone: (0604) 688242-03
Mr. Aamer Manzoor Faridi, Manager

RAWALPINDI**Chandni Chowk Branch**

128 B, 2nd Floor, Din Plaza
Main Murree Road
Phone: (051) 4571491, 4571492, 4571493
Ms. Ayesha Afzal, Branch Manager

Rawal Branch

128 B, 2nd Floor, Din Plaza Main
Murree Road Rawalpindi
Phone: (051) 4427686, 4571492, 4571493
Mr. Mohammad Atif Khan, Branch Manager

Rawalpindi Branch

20B, 2nd Floor, North Star Plaza
Murree Road, Rehmanabad
Phone: (051) 4581364, 4581366, 4581365
Mr. Mohammad Atif Khan, Branch Manager

Satellite Town Branch

128 B, 2nd Floor, Din Plaza Main
Murree Road Rawalpindi
Phone: (051) 4571491, 4571492, 4571493
Mr. M. Sagheer Qureshi, Branch Manager

SADIQABAD**Sadiqabad Branch**

Katchehry Chowk
Phone: (068) 5702929, 5801919
Mr. Kashif Aslam, Manager



SAHIWAL

Sahiwal Branch

49/B VII Old Civil Lines, Girl's College Road
Phone: (0404) 223201-5
Mr. Muhammad Ramzan
Assistant Branch Manager

SARGODHA

Sargodha Branch

1st Floor, 66- Civil Lines, Court Road
Khan Arcade
Phone: (048) 3725516-8
Mr. Akhtar Hasnain Akhtar, Branch Manager

SIALKOT

Sialkot Branch

2nd Floor, Shareef Centre, Upside Askari
Islamic Bank Ltd, Near Sialkot of Chamber of
Commerce Building, Paris Road
Phone: (052) 4264167-68
Mr. Zahid Khan, Branch Manager

SUKKUR

City Branch

Near Qasim Park, Opp: Queen's Garden
Queen's Road
Phone: (071) 5627067, 5622304
Mr. Shahzad Mal, Branch Manager

Mehran Branch

Near Qasim Park, Opp Queen's Garden
Queen's Road
Phone: (071) 5627067, 5622304
Mr. Irfan Iqbal, Branch Manager

Sukkur Branch

Near Qasim Park, Opp: Queen's Garden
Queen's Road
Phone: (071) 5627067, 5622304
Mr. Zaheeruddin Ghumro, Group Manager

THATTA

Thatta Branch

House No. 314/B Ward No. 4 Shah Kamal
Mohalla, Near Al Hamd Book Center
Phone: (0298) 550106
Mr. Ghulam Shabbir Mirani, Branch Manager

THULL

Thull City Branch

Near Jongal Morr Kandhot Road
Phone: (0722) 611089, 611134
Mr. Sher Zaman Khan, Manager

TURBAT

Turbat City Branch

1st Floor, Allah Wala Market, Main Road
Phone: (0852) 411006-8, 411718
Mr. Lal Bakhsh Baloch, Branch Manager

UBAURO

Ubauro Branch

Near Khushi Mohammed Pesticide Shop
G.T Road
Phone: (0723) 688765, 0301-8311847
Mr. Adil Mahmood Samejo
Senior Branch Manager



E F U LIFE ASSURANCE LTD

Form Of Proxy

I/We _____
of _____
being a member of EFU LIFE ASSURANCE LTD hereby appoint
Mr. _____
of _____
or failing him _____
of _____

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on Wednesday April 27, 2011 at 11:30 a.m. and at any adjournment thereof.

Signed this _____ day of April 2011.

WITNESSES:

1. Signature: _____
Name: _____
Address: _____
CNIC Or
Passport No: _____

2. Signature: _____
Name: _____
Address: _____
CNIC Or
Passport No: _____



Signature of Member(s)

Shareholder's Folio No. _____

and/or CDC

Participant I.D.No. _____

and Sub Account No. _____

Important:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Al-Malik Centre, 70 W, F-7/G-7 Jinnah Avenue (Blue Area) Islamabad not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

EFU LIFE BRANCH NETWORK - 116

