

Because Life is Precious



Report (Un-audited)

Six Months
Ended
30 June 2005

EFU LIFE ASSURANCE LTD



Company Information

Chairman

Saifuddin N. Zoomkawala

Managing Director & Chief Executive

Tahir G. Sachek

Directors

Ashraf W. Tabani
Jahangir Siddiqui
Refique R. Bhimjee
Munoor R. Bhimjee
Hasanali Abdullah

Corporate Secretary

Syed Mehdi Imam

Registered Office

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

Main Office

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

Website:

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We are pleased to present the Un-audited Accounts for the half-year ended 30 June 2005.

Pakistan's economy exceeded all expectations by achieving a real GDP growth of 8.4% in fiscal year 2004-05 – the fastest ever in two decades. This was achieved with the help of strong growth in the manufacturing sector, a good agricultural yield, specially cotton and wheat, continued healthy performance of the services sector, increase in per capita income and increase in domestic demand. An increase in domestic demand fueled by easy credit and certain supply side issues such as prices of essential food items and cost of petroleum products pushed the inflation rate to 9.3% - the highest in last eight years. The government has taken steps to control inflation through monetary policies such as increase in interest rates as well as improving the supply situation of certain essential items.

Your company benefited from the strong performance of the economy and showed a new business (individual life regular premium) growth of 31% for the period under review compared to the same period last year. Individual life new business increased from Rs 187 million in the first half of 2004 to Rs 245 million in the first half of 2005. Individual life renewal premium increased by 44% from Rs 362 million as on 30 June 2004 to Rs 524 million as on 30 June 2005. The total gross premium income (including group life business) increased by 25% from Rs 835 million in first half 2004 to Rs 1,040 million in first half 2005. The outlook for the remaining part of the year is positive and your Company is expected to continue its growth momentum.

Your company continued to make extensive use of information technology in its business processes. A major IT project on the implementation of a new individual life operations system was successfully tested in the first half of this year.

Product and service innovation continued as usual. A number of new products were developed to meet the varying needs of EFU Life's clients and bancassurance business partners.

Your Company made a pre-tax profit of Rs.114 million for the period under review compared to Rs. 71 million for half year ended 30 June 2004, an increase of 61 %.

Your Directors would like to place on record their appreciation for the tremendous contribution made by the officers, staff and field force towards the development of the Company.

We would also like to thank the Securities and Exchange Commission of Pakistan and our re-insurer Munich-Re for their co-operation and guidance.

Finally we would like to thank our clients for their continued confidence in the Company.

HASANALI ABDULLAH ASHRAF W TABANI TAHER G. SACHAK SAIFUDDIN N. ZOOMKAWALA

Director

Director

**Managing Director & Chief
Executive**

Chairman

We have reviewed the annexed financial statements comprising:

- Balance sheet;
- Profit and loss account;
- Cash flow statement;
- Statement of changes in equity;
- Revenue account;
- Statement of premiums;
- Statement of claims;
- Statement of expenses; and
- Statement of investment income

of **EFU Life Assurance Limited** (the Company) as at 30 June 2005 together with the notes forming part thereof (here-in-after referred to as the “financial statements”) for the six months period then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

As more fully explained in note 5 to the financial statements the Company’s investments in an associated company have been accounted for using market value in case of unit linked business and lower of cost or market value in case of other businesses. International Accounting Standards require that such investments be valued using Equity Method. Had the equity method been used for valuation, the value of investments at 30 June 2005 would have been higher by Rs 7 million with corresponding effect on revenue account surplus / profit for the period.

Based on our review, except for the effect of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Gardezi & Co.
Chartered Accountants

Taseer Hadi Khalid & Co.
Chartered Accountants

Date: 13 August 2005

Karachi

Share Capital and Reserves	Rupees ' 000						
	Shareholders' Fund	Statutory Funds				Aggregate	Aggregate
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2005	31 December 2004
Authorised Share Capital	500,000					500,000	200,000
Issued, subscribed and paid up share capital							
15,000,000 Ordinary Shares (31 December 2004: 15,000,000 shares) of Rs. 10/ each fully paid in cash	150,000					150,000	150,000
6,000,000 Ordinary Shares (31 December 2004: 1,500,000 shares) of Rs. 10/ each issued as fully paid bonus shares	60,000					60,000	15,000
	210,000					210,000	165,000
Accumulated profit	75,029					75,029	150,162
General reserves	130,000					130,000	50,000
Net shareholders' equity	415,029					415,029	365,162
Balance of statutory fund [including policyholders' liabilities Rs. 3,866 million (31 December 2004: Rs. 3,482 million)]	-	3,757,440	103,679	8,989	5,415	3,875,523	3,491,343
Deferred taxation	1,000					1,000	1,000
Creditors and Accruals							
Outstanding claims	-	45,395	88,916	-	4,154	138,465	133,220
Premiums received in advance	-	83,909	19,451	828	659	104,847	97,040
Amounts due to reinsurers	-	45,820	21,215	411	-	67,446	42,264
Amount due to agents	-	26,133	4,587	271	176	31,167	49,159
Accrued expenses	375	2,567	245	33	10	3,230	14,201
Taxation - provision less payments	66,081	-	-	-	-	66,081	45,337
Unclaimed dividend	158	-	-	-	-	158	162
Other creditors and accruals	5,294	311	25	3	-	5,633	20,173
TOTAL LIABILITIES	71,908	204,135	134,439	1,546	4,999	417,027	401,556
TOTAL EQUITY AND LIABILITIES	487,937	3,961,575	238,118	10,535	10,414	4,708,579	4,259,061

CONTINGENCIES AND COMMITMENTS (Note 8)

HASANALI ABDULLAH
DirectorASHRAF W TABANI
DirectorTAHER G. SACHAK
Managing Director &
Chief ExecutiveSAIFUDDIN N. ZOOMKAWALA
Chairman

							Rupees '000	
Note	Shareholders' Fund	Statutory Funds				Aggregate	Aggregate	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2005	31 December 2004	
Cash and Bank Deposits								
	-	1,221	41	4	1	1,267	753	
	26,512	123,467	15,176	2,470	956	168,581	311,665	
	-	88,000	20,000	-	-	108,000	70,000	
	26,512	212,688	35,217	2,474	957	277,848	382,418	
Loans - Secured								
	5,944	-	-	-	-	5,944	5,973	
Investments								
5	71,210	1,782,410	182,990	5,086	6,391	2,048,087	1,826,589	
	500	197,368	-	500	-	198,368	169,733	
	106,300	1,465,526	-	2,052	3,674	1,577,552	1,393,873	
	508	-	-	-	-	508	508	
	178,518	3,445,304	182,990	7,638	10,065	3,824,515	3,390,703	
Current Assets - Others								
	-	-	27,570	-	-	27,570	20,816	
	-	-	8,689	-	-	8,689	17,464	
	-	199	210	2	1	412	341	
	1,057	4,691	-	-	-	5,748	7,896	
	2,146	382,232	5,328	89	140	389,935	335,664	
	8,915	6,731	393	27	29	16,095	11,671	
	967	7,992	763	100	27	9,849	5,359	
	128,038	(103,993)	(23,111)	(128)	(806)	-	-	
	54	5,731	69	333	1	6,188	6,187	
	141,177	303,583	19,911	423	(608)	464,486	405,398	
Fixed Assets								
Tangible								
	82,686	-	-	-	-	82,686	74,569	
	53,100	-	-	-	-	53,100	-	
	135,786	-	-	-	-	135,786	74,569	
TOTAL ASSETS	487,937	3,961,575	238,118	10,535	10,414	4,708,579	4,259,061	

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

**Profit and Loss Account
for the six months period ended 30 June 2005 (Unaudited)**

EFU LIFE ASSURANCE LTD

Rupees ' 000

	Six months period ended		Three months period ended	
	30 June		30 June	
	2005	2004	2005	2004
Investment income not attributable to statutory funds				
Return on government securities	3,202	2,601	1,617	1,834
Return on other fixed income securities and deposits	403	2,705	371	1,303
Amortisation of discount/premium relative to par	(290)	(362)	(193)	(228)
Dividend income	7,615	3,320	6,760	2,485
	10,930	8,264	8,555	5,394
Loss on sale of investments	-	(77)	-	-
Net investment income	10,930	8,187	8,555	5,394
Sale of fixed assets and other revenue	1,356	2,508	968	1,995
	12,286	10,695	9,523	7,389
Less: expenses not attributable to statutory funds	7,188	3,945	4,856	3,571
	5,098	6,750	4,667	3,818
Surplus transferred from statutory funds	109,019	64,089	50,867	20,592
Profit before tax	114,117	70,839	55,534	24,410
Taxation - current	(39,500)	(26,000)	(18,000)	(9,000)
Profit after tax	74,617	44,839	37,534	15,410
Earnings per share (Rupees)	3.55	2.13	1.78	0.73

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

**Statement of Changes in Equity
for the six months period ended 30 June 2005 (Unaudited)**

EFU LIFE ASSURANCE LTD
Rupees '000

	Share Capital	General Reserve	Unappropriated Profit	Total
Balance as at 1 January 2004	150,000	50,000	39,332	239,332
Dividend declared for 2003	-	-	(15,000)	(15,000)
Issue of bonus shares	15,000	-	(15,000)	-
Profit for the period	-	-	44,839	44,839
Balance as at 30 June 2004	<u>165,000</u>	<u>50,000</u>	<u>54,171</u>	<u>269,171</u>
Balance as at 1 January 2005	165,000	50,000	150,162	365,162
Dividend declared for 2004	-	-	(24,750)	(24,750)
Issue of bonus shares	45,000	-	(45,000)	-
Transferred to general reserve	-	80,000	(80,000)	-
Profit for the period	-	-	74,617	74,617
Balance as at 30 June 2005	<u>210,000</u>	<u>130,000</u>	<u>75,029</u>	<u>415,029</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Cash Flows
for the six months period ended 30 June 2005 (Unaudited)

EFU LIFE ASSURANCE LTD

Rupees '000

Operating Cash Flows	Shareholders'	Statutory Funds				Aggregate Six months ended 30 June 2005	Aggregate Six months ended 30 June 2004
	Fund	Investment Linked Business	Conventional Business	Pension Businesses (Unit Linked)	Accident & Health Business		
a) Underwriting activities							
Premiums received		794,359	234,942	7,644	4,300	1,041,245	838,713
Reinsurance premiums paid		(701)	(1,972)	24	472	(2,177)	(39,591)
Claims paid		(30,713)	(140,275)	-	(301)	(171,289)	(180,122)
Surrenders paid		(203,750)	-	-	-	(203,750)	(132,246)
Commissions paid		(169,913)	(24,210)	(1,730)	(1,017)	(196,870)	(138,569)
Net cash flow from underwriting activities		389,282	68,485	5,938	3,454	467,159	348,185
b) Other operating activities							
Income tax paid	(18,756)	-	-	-	-	(18,756)	(16,514)
General management expenses paid	(7,188)	(133,872)	(25,188)	(1,610)	(606)	(168,464)	(152,685)
Other operating payments	(395)	(8,378)	-	(185)	-	(8,958)	(5,540)
Other operating receipts	819	-	23	-	15	857	322
Loans advanced	(3,146)	-	-	-	-	(3,146)	(3,458)
Loan repayments received	3,175	-	-	-	-	3,175	1,804
Other payments on operating assets	(1,873)	(12,660)	-	(6)	-	(14,539)	(59,362)
Net cash flow from other operating activities	(27,364)	(154,910)	(25,165)	(1,801)	(591)	(209,831)	(235,433)
Total cash flow from all operating activities	(27,364)	234,372	43,320	4,137	2,863	257,328	112,752
Investment activities							
Profit/ Return received	3,406	74,065	9,109	153	350	87,083	74,291
Dividends received	7,671	57,296	-	249	299	65,515	20,968
Payments for investments	(572)	(614,736)	(90,593)	(3,599)	(2,833)	(712,333)	(476,129)
Proceeds from disposal of investments	7,275	282,786	-	-	-	290,061	97,913
Fixed capital expenditure	(68,289)	-	-	-	-	(68,289)	(19,658)
Proceeds from disposal of fixed assets	815	-	-	-	-	815	3,480
Total cash flow from investing activities	(49,694)	(200,589)	(81,484)	(3,197)	(2,184)	(337,148)	(299,135)
Financing activities							
Surplus appropriated to shareholders' fund	109,019	(79,476)	(27,098)	(421)	(2,024)	-	-
Dividends paid	(24,750)	-	-	-	-	(24,750)	(15,000)
Total cash flow from financing activities	84,269	(79,476)	(27,098)	(421)	(2,024)	(24,750)	(15,000)
Net cash inflow/outflow from all activities	7,211	(45,693)	(65,262)	519	(1,345)	(104,570)	(201,383)
Cash at beginning of the year	19,301	258,381	100,479	1,955	2,302	382,418	317,970
Cash at end of the year	26,512	212,688	35,217	2,474	957	277,848	116,587

Reconciliation to Profit and Loss Account

Operating cash flows	257,328	112,752
Depreciation expense	(6,795)	(5,343)
Profit on disposal of fixed assets	537	2,101
Investment income	204,724	141,246
(Depreciation) / appreciation in market value of investments	4,776	(11,331)
Profit on sale of Investments	6,762	546
Increase/(decrease) in assets other than cash	6,936	10,809
(Increase)/decrease in liabilities	(399,651)	(205,941)
Profit or loss after taxation	74,617	44,839

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
CHAIRMAN

		Statutory Funds				Six months period ended		Three months period ended	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June		30 June	
		2005	2004	2005	2004	2005	2004	2005	2004
Income									
		752,514	173,739	6,890	3,483	936,626	734,341	478,261	368,034
		196,216	8,774	(305)	647	205,332	122,192	(2,109)	(59,401)
		948,730	182,513	6,585	4,130	1,141,958	856,533	476,152	308,633
Claims and Expenditure									
		215,738	100,794	-	473	317,005	231,482	122,023	114,850
		279,518	47,604	3,130	1,502	331,754	261,159	174,562	138,037
		495,256	148,398	3,130	1,975	648,759	492,641	296,585	252,887
		453,474	34,115	3,455	2,155	493,199	363,892	179,567	55,746
		3,383,442	87,462	5,955	5,284	3,482,143	2,733,906	3,737,986	2,998,255
		3,757,440	94,556	8,989	5,415	3,866,400	3,031,709	3,866,400	3,031,709
		(373,998)	(7,094)	(3,034)	(131)	(384,257)	(297,803)	(128,414)	(33,454)
		79,476	27,021	421	2,024	108,942	66,089	51,153	22,292
		373,998	7,094	3,034	131	384,257	297,803	128,414	33,454
		(79,476)	(27,098)	(421)	(2,024)	(109,019)	(64,089)	(50,867)	(20,592)
		3,383,442	96,662	5,955	5,284	3,491,343	2,739,906	3,743,623	3,004,555
		3,757,440	103,679	8,989	5,415	3,875,523	3,039,709	3,872,323	3,039,709
Represented by:									
		3,757,440	94,556	8,989	5,415	3,866,400	3,031,709	3,866,400	3,031,709
		-	9,123	-	-	9,123	8,000	9,123	8,000
		3,757,440	103,679	8,989	5,415	3,875,523	3,039,709	3,875,523	3,039,709

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

**Statement of Premiums
for the six months period ended 30 June 2005 (Unaudited)**

EFU LIFE ASSURANCE LTD

Rupees ' 000

	Statutory Funds				Six months ended		Three months ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June		30 June	
				2005	2004	2005	2004	
Gross Premiums								
Regular Premium Individual Policies*								
First year	235,937	3,720	3,150	2,291	245,098	187,398	123,644	95,937
Second year renewal	168,637	1,125	2,954	58	172,774	130,916	60,045	70,458
Subsequent year renewal	346,505	1,615	1,025	2,022	351,167	231,577	198,528	116,946
Single premium individual policies	38,945	-	-	-	38,945	80,183	19,199	36,013
Group policies without cash values	-	232,208	-	-	232,208	204,881	132,070	93,399
Total Gross Premiums	790,024	238,668	7,129	4,371	1,040,192	834,955	533,486	412,753
Less: Reinsurance Premiums Ceded								
On individual life first year business	9,768	861	126	545	11,300	6,803	5,475	3,388
On individual life second year business	6,869	196	113	14	7,192	7,061	3,182	3,584
On individual life renewal business	20,873	571	-	329	21,773	14,677	10,318	6,384
On group policies	-	63,301	-	-	63,301	72,073	36,250	31,363
Total Reinsurance Premium Ceded	37,510	64,929	239	888	103,566	100,614	55,225	44,719
Net Premiums	752,514	173,739	6,890	3,483	936,626	734,341	478,261	368,034

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

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Claims
for the six months period ended 30 June 2005 (Unaudited)

EFU LIFE ASSURANCE LTD

Rupees ' 000

Gross Claims	Statutory Funds				Six months period ended		Three months period ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June		30 June	
					2005	2004	2005	2004
Claims under individual policies								
by death	29,986	-	-	300	30,286	21,074	15,982	11,191
by insured event other than death	6,606	11	-	301	6,918	4,801	5,138	668
by maturity	7,413	-	-	-	7,413	741	2,379	741
by surrender	191,527	-	-	-	191,527	125,169	57,643	66,847
Total gross individual policy claims	235,532	11	-	601	236,144	151,785	81,142	79,447
Claims under group policies								
by death	-	124,846	-	-	124,846	130,390	60,894	68,346
by insured event other than death	-	10,661	-	-	10,661	6,615	7,683	3,759
experience refund	-	8,633	-	-	8,633	20,586	6,598	7,511
Total gross group claims	-	144,140	-	-	144,140	157,591	75,175	79,616
Total Gross Claims	235,532	144,151	-	601	380,284	309,376	156,317	159,063
Less: Reinsurance Recoveries								
On individual life first year business claims	3,713	-	-	-	3,713	2,654	3,321	1,420
On individual life second year business claims	1,799	-	-	-	1,799	1,253	1,726	(3,315)
On individual life subsequent renewal business claims	14,282	-	-	128	14,410	4,086	8,549	4,029
On group claims	-	41,155	-	-	41,155	64,762	18,496	36,940
On experience refund of premiums	-	2,202	-	-	2,202	5,139	2,202	5,139
Total Reinsurance	19,794	43,357	-	128	63,279	77,894	34,294	44,213
Net Claims	215,738	100,794	-	473	317,005	231,482	122,023	114,850

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Expenses
for the six months period ended 30 June 2005 (Unaudited)

EFU LIFE ASSURANCE LTD

Rupees '000

	Statutory Funds				Six months ended		Three months ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June		30 June	
					2005	2004	2005	2004
Acquisition Costs								
Remuneration to insurance intermediaries on individual policies:								
- commission on first year premiums	94,415	1,338	951	921	97,625	71,658	50,231	36,916
- commission on second year premiums	17,216	96	262	6	17,580	13,032	8,490	7,013
- commission on subsequent renewal premiums	9,484	20	54	53	9,611	6,709	4,724	3,600
- commission on single premiums	779	-	-	-	779	1,604	384	721
- override commission	29,994	265	331	43	30,633	24,252	15,167	12,517
- other benefits to insurance intermediaries	37,894	3,618	476	131	42,119	34,673	21,855	18,525
Sub Total	189,782	5,337	2,074	1,154	198,347	151,928	100,851	79,292
Remuneration to insurance intermediaries on group policies:								
- commission	-	22,579	-	-	22,579	21,461	9,645	13,004
- other benefits to insurance intermediaries	-	4,551	-	-	4,551	3,990	2,260	1,976
Sub Total	-	27,130	-	-	27,130	25,451	11,905	14,980
Branch overheads	17,801	2,744	224	61	20,830	19,617	12,445	10,650
Other acquisition costs								
- Policy fee	5,392	398	1	54	5,845	7,160	2,933	3,740
Total acquisition cost	212,975	35,609	2,299	1,269	252,152	204,156	128,134	108,662
Administration Expenses								
Salaries and other benefits	21,421	5,036	269	74	26,800	22,900	13,378	11,861
Traveling expenses	19,812	2,038	249	68	22,167	6,372	18,038	3,341
Actuary's fees	756	72	9	3	840	1,350	420	375
Medical fees	2,492	474	36	-	3,002	3,513	1,733	1,873
Legal & professional fee	1,028	98	13	4	1,143	685	184	366
Advertisements & publicity	3,507	338	44	12	3,901	3,447	658	224
Computer expenses	755	111	9	3	878	806	753	443
Printing and stationery	3,232	339	41	11	3,623	3,819	1,839	2,880
Depreciation	2,753	395	35	9	3,192	2,360	1,736	1,092
Rental	1,586	783	20	5	2,394	3,367	1,201	1,501
Difference in exchange	(29)	-	-	-	(29)	(465)	(215)	(488)
Other management expenses	12,900	2,737	162	44	15,843	10,949	8,748	6,649
Gross management expenses	283,188	48,030	3,186	1,502	335,906	263,259	176,607	138,779
Commission from reinsurers	(3,670)	(426)	(56)	-	(4,152)	(2,100)	(2,045)	(742)
Net management expenses	279,518	47,604	3,130	1,502	331,754	261,159	174,562	138,037

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

**Statement of Investment Income
for the six months period ended 30 June 2005 (Unaudited)**

EFU LIFE ASSURANCE LTD

Rupees '000

	Statutory Funds				Six months ended		Three months ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June		30 June	
					2005	2004	2005	2004
Investment Income								
On government securities	117,883	9,476	174	349	127,882	102,983	64,892	54,272
On other fixed income securities and deposits	9,409	443	17	-	9,869	11,907	6,394	6,553
Dividend income	55,205	-	249	299	55,753	17,648	39,373	6,802
Amortisation of discount/premium relative to par	(4,222)	(1,145)	(27)	(1)	(5,395)	(3,636)	(4,811)	(3,151)
	178,275	8,774	413	647	188,109	128,902	105,848	64,476
Gain on sale of investments								
Shares and stocks	6,762	-	-	-	6,762	623	(11,489)	(221)
(Depreciation)/Appreciation in Market Value of								
Government securities	(89,565)	-	(295)	-	(89,860)	(101,806)	(45,833)	(98,736)
Other fixed income securities and deposits	(8,808)	-	-	-	(8,808)	(340)	(5,711)	(2,528)
Shares and stocks	109,552	-	(423)	-	109,129	94,813	(44,924)	(22,392)
	11,179	-	(718)	-	10,461	(7,333)	(96,468)	(123,656)
Net Investment Income	196,216	8,774	(305)	647	205,332	122,192	(2,109)	(59,401)

The annexed notes 1 to 11 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

ASHRAF W TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

1. STATUS AND NATURE OF BUSINESS

The Company is engaged in life insurance business and was incorporated in Pakistan on 9 August 1992 as a public limited company. The shares of the Company are quoted on Karachi Stock Exchange.

2. BASIS OF PRESENTATION

These financial statements are unaudited and are being presented in a condensed form in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" in the format prescribed under Insurance Rules, 2002.

These financial statements are being circulated to the shareholders as required by section 245 of the Companies Ordinance, 1984

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2004.

4. POLICYHOLDERS' LIABILITIES

4.1 Gross

	Statutory funds				(Rupees in '000)	
	Investment Linked Business	Convention al Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregat e 30 June 2005	Aggregate 31 December 2004
Actuarial liability relating to future events	3,801,756	89,741	9,257	6,644	3,907,398	3,515,776
Provision for outstanding reported claims payable over a period exceeding twelve months	10,901	169	-	55	11,125	13,260
Provision for incurred but not reported claims	-	10,797	-	-	10,797	10,872
	3,812,657	100,707	9,257	6,699	3,929,320	3,539,908

4.2 Net of reinsurance

Actuarial liability relating to future events	3,752,419	87,545	8,989	5,360	3,854,313	3,469,722
Provision for outstanding reported claims payable over a period exceeding twelve months	5,021	169	-	55	5,245	5,786
Provision for incurred but not reported claims	-	6,842	-	-	6,842	6,635
	3,757,440	94,556	8,989	5,415	3,866,400	3,482,143

5. INVESTMENTS

Government securities

(Rupees in '000)

	Shareholders' Fund	Statutory Funds				30 June 2005	31 December 2004
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accidental & Health Business		
Held to maturity at amortized cost	71,210	263,716	182,990	-	6,391	524,307	479,199
Available for sale at market value	-	1,518,694	-	5,086	-	1,523,780	1,347,390
	71,210	1,782,410	182,990	5,086	6,391	2,048,087	1,826,589

Other fixed income securities

Held to maturity at amortized cost	500	-	-	-	-	500	7,775
Available for sale at market value	-	197,368	-	500	-	197,868	161,958
	500	197,368	-	500	-	198,368	169,733

Ordinary share certificates and units of companies

Available for sale at market value	-	1,238,783	-	2,052	-	1,240,835	1,099,725
Held for trading at market value	-	144,739	-	-	-	144,739	107,472
Available for sale at lower of cost or market value	106,808	82,004	-	-	3,674	192,486	187,184
	106,808	1,465,526	-	2,052	3,674	1,578,060	1,394,381

Market value of securities held at lower of cost and market value amounted to Rs 357 million (31 December 2004: 297 million) and those held at amortized cost amounted to Rs. 401 million (31 December 2004: 370 million).

The Company has deposited 10 years Pakistan Investment Bond amounting to Rs 8 million (31 December 2004: 8 million) with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

International Accounting Standard IAS-39 "Financial Instruments – Recognition and Measurement" has been revised effective 1 January 2005. In the revised IAS – 39 the option of taking the revaluation gain / loss on available for sale securities to income / revenue account has been deleted and all such gain / loss is to be taken to equity. The Company considers that credit / debit to revenue account for unit linked / pension businesses is required to reflect policyholders' liabilities, after consideration of fair value of investments.

Available for sale investments include investment in an associated Company, EFU General Insurance Limited carried at a value of Rs 35 million. These are being valued either at lower of cost or market value or at market value (for Unit Linked Business). International Accounting Standard IAS - 28 (revised) "Investments in Associates" effective for financial periods beginning on or after 1 January 2005 requires that an investment in associate shall be accounted for using the equity method. The Company considers that accounting for these investment at a value above cost for business other than unit linked business would result in complications similar to those related to adoption of International Accounting Standard IAS – 39 "Financial Instruments – Recognition and Measurement". Had these investments been valued using equity method, their carrying value would have been higher by approximately Rs 7 million.

During the previous year, the Company changed the accounting policy for available for sale investments of unit linked business and pension business from lower of cost or market value to account for them at fair value. Subsequent to period end the Company has been advised by Securities and Exchange Commission to continue with the policy on a consistent basis.

6. FIXED ASSETS - TANGIBLE

The details of additions and deletions during the six months period ended 30 June 2005 are as follows:

	(Rupees in '000)	
	Shareholders' Fund	
	Additions	Deletions
Furniture, fixtures and fittings	5,300	102
Office equipment	885	210
Computers	1,823	21
Motor vehicles	7,181	141
	15,189	474

7. TAXATION

Income Tax Assessments of the Company have been finalized upto and including tax year 2004 (financial year ended 31 December 2003). Appeals relating to the assessment years 1994-1995 to 1998-1999 are pending before the High Court of Sindh regarding levy of Turnover Tax. Appeals in respect of assessment years 1999-2000 and 2000-2001 are pending with the appellate authority and there could arise a contingent tax liability of Rs. 1.3 million if the matter is decided against the Company.

8. COMMITMENTS

The Company has entered into an agreement to purchase a land for the purpose of construction of office building at a total cost of Rs 118 million out of which Rs. 64.9 million is to be paid at the time of registration.

9. TRANSACTION WITH RELATED PARTIES

Related parties comprise of associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and employees retirement benefit funds. The transactions with related parties are carried out at arm's length prices. The transaction and balances with related parties, other than remuneration under terms of employment, are as follows:

	(Rupees in '000)	
	30 June 2005	30 June 2004
Premium written	718	3,448
Premium paid	3,522	3,062
Claims paid	285	-
Claims received	-	675
Brokerage and commission paid	-	100
Travelling expenses	345	54
Dividend received	2,305	1,390
Dividend paid	9,174	5,560
Contribution to provident fund	1,888	1,653
Contribution to pension fund	1,538	1,144
Balance payable	28	55
Balance receivable	599	69

TRANSACTION WITH KEY MANAGEMENT PERSONNEL

Loans to key management personnel as on 30 June 2005 amounted to Rs. 1.02 Million (31 December 2004: Rs 1.42 million) and are included in "Loan and advances".

Key management personnel receive compensation in the form of short term employee benefits, use of Company maintained cars and post employment benefits. Key management personnel received total compensation of Rs. 15.74 million for the six months ended 30 June 2005 (30 June 2004: Rs. 12.44 million)

10. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors in their meeting held on 13 August 2005.

11. GENERAL

The comparative figures have been restated to incorporate the effect of change in accounting policies as disclosed in the financial statements for the year ended 31 December 2004. Further, certain other reclassifications have been incorporated to bring the disclosures in line with the financial statements for the year ended 31 December 2004.

HASANALI ABDULLAH
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Branch Network

