

Because Life is Precious



Report (Un-audited)

Nine Months
Ended
30 September 2005

EFU LIFE ASSURANCE LTD



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We are pleased to present the Un-audited Accounts for the three quarters ended 30 September 2005.

The individual life regular premium new business of your company at the end of third quarter 2005 increased by 30% compared to the corresponding period of 2004. The total regular premium income increased from Rs 865 million at the end of third quarter 2004 to Rs 1,173 million in the same period this year which is a growth of 36%. The total premium income, increased by 23%, from Rs 1,307 million as on 30 September 2004 to Rs 1,614 million as on 30 September 2005.

Your Company made a before tax profit of Rs 159 million as at the end of the third quarter this year compared to Rs 130 million in the corresponding period last year, an increase of 22%.

During the period under review, your Company implemented a new individual life operations system which should result in improved service and cost efficiencies.

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, Ministry of Commerce and especially 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.

Rafique R. Bhimjee
Director

Ashraf W. Tabani
Director

Taher G. Sachak
Managing Director &
Chief Executive

Saifuddin N. Zoomkawala
Chairman

Karachi: 26 October 2005

	Rupees ' 000						
	Shareholders' Fund	Statutory Funds				Aggregate	Aggregate
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 September 2005	31 December 2004
Share Capital and Reserves							
Authorised Share Capital	500,000				500,000	200,000	
Issued, subscribed and paid up share capital							
15,000,000 Ordinary 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	105,118				105,118	150,162	
General reserves	130,000				130,000	50,000	
Net shareholders' equity	445,118				445,118	365,162	
Balance of statutory fund [including policy holders liabilities Rs. 4,233 million (31 December 2004 Rs. 3,482 million)]	-	4,100,744	127,744	10,520	5,387	4,244,395	3,491,343
Deferred taxation	1,000				1,000	1,000	
Creditors and Accruals							
Outstanding claims	-	43,626	111,752	-	4,154	159,532	133,220
Premiums received in advance	-	90,394	39,292	678	490	130,854	97,040
Amounts due to reinsurers	-	62,106	15,511	556	-	78,173	42,264
Amount due to agents	-	29,672	4,966	237	203	35,078	49,159
Accrued expenses	-	2,142	205	27	7	2,381	14,201
Taxation - provision less payments	31,481	-	-	-	-	31,481	45,337
Unclaimed dividend	156	-	-	-	-	156	162
Other creditors and accruals	6,399	4,126	226	30	8	10,789	20,173
TOTAL LIABILITIES	38,036	232,066	171,952	1,528	4,862	448,444	401,556
TOTAL EQUITY AND LIABILITIES	484,154	4,332,810	299,696	12,048	10,249	5,138,957	4,259,061

CONTINGENCIES AND COMMITMENTS (Note 8)

Rupees '000

Note	Shareholders' Fund	Statutory Funds				Aggregate 30 September 2005	Aggregate 31 December 2004	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business			
Cash and Bank Deposits								
	Cash and stamps	-	1,236	32	3	1	1,272	753
	Current and other accounts	75,543	169,707	75,655	3,624	780	325,309	311,665
	Deposits maturing within 12 months	-	40,000	10,000	-	-	50,000	70,000
		75,543	210,943	85,687	3,627	781	376,581	382,418
Loans - Secured								
	To employees	5,080	-	-	-	-	5,080	5,973
Investments								
5	Government securities	71,010	1,819,199	178,294	6,325	6,309	2,081,137	1,826,589
	Other fixed income securities	-	248,658	-	500	-	249,158	169,733
	Listed equities and mutual funds	111,984	1,660,997	-	1,057	3,673	1,777,711	1,393,873
	Unlisted Equities	508	-	-	-	-	508	508
		183,502	3,728,854	178,294	7,882	9,982	4,108,514	3,390,703
Current Assets - Others								
	Premiums due but unpaid	-	-	23,618	-	-	23,618	20,816
	Amounts due from reinsurers	-	-	11,834	-	-	11,834	17,464
	Agent balances	-	499	862	6	3	1,370	341
	Investment income due but outstanding	2,333	14,520	-	-	-	16,853	7,896
	Investment income accrued	1,425	409,704	5,315	122	369	416,935	335,664
	Advances and deposits	14,246	11,084	2,354	310	85	28,079	11,671
	Prepayments	666	7,190	686	90	25	8,657	5,359
	Inter-fund balances	65,252	(54,779)	(9,412)	(49)	(1,012)	-	-
	Sundry receivables	29	4,795	458	60	16	5,358	6,187
		83,951	393,013	35,715	539	(514)	512,704	405,398
Fixed Assets								
	Tangible							
	Furniture, Fixtures, Office Equipment and Vehicles	82,978	-	-	-	-	82,978	74,569
	Capital Work in Progress	53,100	-	-	-	-	53,100	-
		136,078	-	-	-	-	136,078	74,569
	TOTAL ASSETS	484,154	4,332,810	299,696	12,048	10,249	5,138,957	4,259,061

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

RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Rupees ' 000

	Nine months period ended		Three months period ended	
	30 September		30 September	
	2005	2004	2005	2004
Investment income not attributable to statutory funds				
Return on government securities	4,848	3,529	1,646	928
Return on other fixed income securities and deposits	427	3,819	24	1,114
Amortisation of discount/premium relative to par	(490)	(1,178)	(200)	(816)
Dividend income	10,297	7,565	2,682	4,245
	15,082	13,735	4,152	5,471
Profit / (Loss) on sale of investments	-	(176)	-	(99)
Net investment income	15,082	13,559	4,152	5,372
Sale of fixed assets and other revenue	2,412	3,962	1,056	1,454
	17,494	17,521	5,208	6,826
Less: expenses not attributable to statutory funds	9,247	6,193	2,059	2,248
	8,247	11,328	3,149	4,578
Surplus transferred from statutory funds	150,959	119,073	41,940	54,984
Profit before tax	159,206	130,401	45,089	59,562
Taxation - current	(54,500)	(46,000)	(15,000)	(20,000)
Profit after tax	104,706	84,401	30,089	39,562
Earnings per share (Rupees)	4.99	4.02	1.43	1.88

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

RAFIQUE R. BHIMJEE
 Director

ASHRAF W. TABANI
 Director

TAHER G. SACHAK
 Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
 Chairman

Statement of Changes in Equity
For the nine months period ended 30 September 2005 (un-audited)

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	-	-	84,401	84,401
Balance as at 30 September 2004	<u>165,000</u>	<u>50,000</u>	<u>93,733</u>	<u>308,733</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	-	-	104,706	104,706
Balance as at 30 September 2005	<u>210,000</u>	<u>130,000</u>	<u>105,118</u>	<u>445,118</u>

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

RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Cash Flow
For the nine months period ended 30 September 2005 (un-audited)

EFU LIFE ASSURANCE LTD

Operating Cash Flows	Shareholders'	Statutory Funds				Aggregate Nine months ended 30 September	Aggregate Nine months ended 30 September
	Fund	Investment Linked Business	Conventional Business	Pension Businesses (Unit Linked)	Accident & Health Business		
a) Underwriting activities							
Premiums received		1,210,097	419,536	9,622	6,509	1,645,764	1,308,457
Reinsurance premiums paid		(791)	(1,971)	24	544	(2,194)	(45,157)
Claims paid		(47,460)	(206,740)	-	(845)	(255,045)	(242,574)
Surrenders paid		(273,530)	-	-	-	(273,530)	(217,519)
Commissions paid		(247,020)	(55,107)	(2,154)	(1,541)	(305,822)	(202,281)
Net cash flow from underwriting activities		641,296	155,718	7,492	4,667	809,173	600,926
b) Other operating activities							
Income tax paid	(68,356)	-	-	-	-	(68,356)	(47,238)
General management expenses paid	(9,622)	(186,976)	(35,873)	(2,234)	(790)	(235,495)	(219,656)
Other operating payments	(5,400)	(10,994)	(81,560)	(484)	(1,156)	(99,594)	(72,397)
Other operating receipts	72,087	9,766	224	21	23	82,121	72,410
Loans advanced	(3,146)	-	-	-	-	(3,146)	(5,125)
Loan repayments received	4,039	-	-	-	-	4,039	2,643
Other payments on operating assets	(770)	(8,845)	-	-	-	(9,615)	(59,075)
Net cash flow from other operating activities	(11,168)	(197,049)	(117,209)	(2,697)	(1,923)	(330,046)	(328,438)
Total cash flow from all operating activities	(11,168)	444,247	38,509	4,795	2,744	479,127	272,488
Investment activities							
Profit/ Return received	5,797	113,313	13,893	258	350	133,611	113,489
Dividends received	9,077	69,028	-	249	299	78,653	29,916
Payments for investments	(2,926)	(631,299)	(21,253)	(4,675)	(1,584)	(661,737)	(710,989)
Proceeds from disposal of investments		58,889	-	1,117	-	60,006	164,403
Fixed capital expenditure	(73,002)	-	-	-	-	(73,002)	(32,995)
Proceeds from disposal of fixed assets	2,255	-	-	-	-	2,255	5,655
Total cash flow from investing activities	(58,799)	(390,069)	(7,360)	(3,051)	(935)	(460,214)	(430,521)
Financing activities							
Surplus appropriated to shareholders' fund	150,959	(101,616)	(45,941)	(72)	(3,330)	-	-
Dividends paid	(24,750)	-	-	-	-	(24,750)	(15,000)
Total cash flow from financing activities	126,209	(101,616)	(45,941)	(72)	(3,330)	(24,750)	(15,000)
Net cash inflow/outflow from all activities	56,242	(47,438)	(14,792)	1,672	(1,521)	(5,837)	(173,033)
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	75,543	210,943	85,687	3,627	781	376,581	144,937

Reconciliation to Profit and Loss Account

Operating cash flows	479,127	272,488
Depreciation expense	(10,469)	(9,775)
Profit on disposal of fixed assets	1,230	3,311
Investment income	302,494	209,469
(Depreciation) / appreciation in market value of investments	109,434	(132,989)
Profit on sale of Investments	6,645	623
Increase/(decrease) in assets other than cash	16,184	14,767
(Increase)/decrease in liabilities	(799,939)	(273,493)
Profit or loss after taxation	104,706	84,401

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

RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
CHAIRMAN

Rupees ' 000

Note	Statutory Funds				Nine months Period ended		Three months period ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 September 2005	2004	30 September 2005	2004
Income								
Premiums less reinsurances	1,142,336	316,102	8,871	5,587	1,472,896	1,136,003	536,270	401,662
Net investment income	389,871	12,918	(173)	876	403,492	84,614	198,160	(37,578)
Total net income	1,532,207	329,020	8,698	6,463	1,876,388	1,220,617	734,430	364,084
Claims and Expenditure								
Claims, including bonuses, net of reinsurance recoveries	299,467	162,891	-	672	463,030	364,890	146,025	133,408
Management expenses less recoveries	413,822	89,106	4,061	2,358	509,347	392,869	177,593	131,710
Total claims and expenditure	713,289	251,997	4,061	3,030	972,377	757,759	323,618	265,118
Excess of income over claims and expenditure	818,918	77,023	4,637	3,433	904,011	462,858	410,812	98,966
Add : Policyholders' liabilities at beginning of period	3,383,442	87,462	5,955	5,284	3,482,143	2,733,906	3,866,400	3,031,709
Less : Policyholders' liabilities at end of period	4,100,744	116,593	10,520	5,387	4,233,244	3,075,691	4,233,244	3,075,691
	(717,302)	(29,131)	(4,565)	(103)	(751,101)	(341,785)	(366,844)	(43,982)
Surplus before tax	101,616	47,892	72	3,330	152,910	121,073	43,968	54,984
Movement in policyholders' liabilities	717,302	29,131	4,565	103	751,101	341,785	366,844	43,982
Transfers to shareholders' fund	(101,616)	(45,941)	(72)	(3,330)	(150,959)	(119,073)	(41,940)	(54,984)
Balance of statutory funds at beginning of period	3,383,442	96,662	5,955	5,284	3,491,343	2,739,906	3,875,525	3,039,709
Balance of statutory funds at end of period	4,100,744	127,744	10,520	5,387	4,244,395	3,083,691	4,244,397	3,083,691
Represented by:								
Policyholders' liabilities	4,100,744	116,593	10,520	5,387	4,233,244	3,075,691	4,233,244	3,075,691
Retained earnings on other than participating business	-	11,151	-	-	11,151	8,000	11,151	8,000
BALANCE OF STATUTORY FUNDS	4,100,744	127,744	10,520	5,387	4,244,395	3,083,691	4,244,395	3,083,691

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

RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

	Statutory Funds				Nine months Period ended		Three months period ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 September 2005	30 September 2004	30 September 2005	30 September 2004
	Rupees ' 000							
Gross Premiums								
Regular Premium Individual Policies*								
First year	361,263	5,206	3,391	3,728	373,588	286,466	128,490	99,068
Second year renewal	246,767	1,710	4,260	141	252,878	212,019	80,104	81,103
Subsequent year renewal	539,817	2,434	1,606	2,880	546,737	366,802	195,570	135,225
Single premium individual policies	51,430	-	-	-	51,430	105,162	12,485	24,979
Group policies without cash values	-	390,119	-	-	390,119	336,319	157,911	131,438
Total Gross Premiums	1,199,277	399,469	9,257	6,749	1,614,752	1,306,768	574,560	471,813
Less: Reinsurance Premiums Ceded								
On individual life first year business	15,073	1,033	130	634	16,870	10,872	5,570	4,069
On individual life second year business	10,158	211	256	19	10,644	11,176	3,452	4,115
On individual life renewal business	31,710	671	-	509	32,890	21,904	11,117	7,227
On group policies	-	81,452	-	-	81,452	126,813	18,151	54,740
Total Reinsurance Premium Ceded	56,941	83,367	386	1,162	141,856	170,765	38,290	70,151
Net Premiums	1,142,336	316,102	8,871	5,587	1,472,896	1,136,003	536,270	401,662

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

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RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Gross Claims	Statutory Funds				Nine months Period ended		Three months period ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 September 2005	30 September 2004	30 September 2005	30 September 2004
	Rupees ' 000							
Claims under individual policies by death	42,134	4,000	-	300	46,434	43,728	16,148	22,654
by insured event other than death	8,860	32	-	845	9,737	7,607	2,819	2,806
by maturity	7,989	-	-	-	7,989	3,079	576	2,338
by surrender	261,307	-	-	-	261,307	213,562	69,780	88,393
Total gross individual policy claims	320,290	4,032	-	1,145	325,467	267,976	89,323	116,191
Claims under group policies by death	-	197,010	-	-	197,010	169,618	72,164	39,228
by insured event other than death	-	14,735	-	-	14,735	9,919	4,074	3,304
experience refund	-	17,675	-	-	17,675	22,729	9,042	2,143
Total gross group claims	-	229,420	-	-	229,420	202,266	85,280	44,675
Total Gross Claims	320,290	233,452	-	1,145	554,887	470,242	174,603	160,866
Less: Reinsurance Recoveries								
On individual life first year business claims	3,987	-	-	20	4,007	10,131	294	7,477
On individual life second year business claims	2,173	-	-	-	2,173	6,170	374	4,917
On individual life subsequent renewal business claims	14,663	3,800	-	453	18,916	9,374	4,506	5,288
On group claims	-	60,047	-	-	60,047	74,538	18,892	9,776
On experience refund of premiums	-	6,714	-	-	6,714	5,139	4,512	-
Total Reinsurance	20,823	70,561	-	473	91,857	105,352	28,578	27,458
Net Claims	299,467	162,891	-	672	463,030	364,890	146,025	133,408

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RAFIQUE R. BHIMJEE
Director

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Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

	Rupees '000							
	Statutory Funds				Nine months Period		Three months period	
	Investment	Conventional	Pension	Accident	ended	30	ended	
	Linked	Business	Business	& Health	September	September	30 September	2004
Business	Business	(Unit Linked)	Business	2005	2004	2005	2004	
Acquisition Costs								
Remuneration to insurance intermediaries on individual policies								
- commission on first year premiums	145,567	1,945	1,056	1,527	150,095	109,910	52,470	38,252
- commission on second year premiums	25,118	142	354	13	25,627	21,381	8,047	8,349
- commission on subsequent renewal premium	14,545	30	69	75	14,719	10,457	5,108	3,748
- commission on single premiums	1,029	-	-	-	1,029	2,103	250	499
- override commission	45,975	392	392	72	46,831	37,489	16,198	13,237
- other benefits to insurance intermediaries	56,865	5,429	714	196	63,204	50,842	21,085	16,169
Sub Total	289,099	7,938	2,585	1,883	301,505	232,182	103,158	80,254
Remuneration to insurance intermediaries on group policies								
- commission	-	52,413	-	-	52,413	35,196	29,834	13,735
- other benefits to insurance intermediaries	-	7,128	-	-	7,128	6,165	2,577	2,175
Sub Total	-	59,541	-	-	59,541	41,361	32,411	15,910
Branch overheads	28,120	4,104	353	97	32,674	35,318	11,844	15,701
Other acquisition costs								
-Policy fee	8,286	398	2	54	8,740	7,685	2,895	525
Total acquisition cost	325,505	71,981	2,940	2,034	402,460	316,546	150,308	112,390
Administration Expenses								
Salaries and other benefits	30,952	7,461	389	107	38,909	34,222	12,109	11,322
Traveling expenses	20,927	2,218	263	72	23,480	7,230	1,313	858
Actuary's fees	1,134	108	14	4	1,260	1,725	420	375
Medical fees	3,619	752	45	13	4,429	4,911	1,427	1,398
Legal & professional fee	1,170	115	14	4	1,303	1,156	160	471
Advertisements & publicity	3,554	342	45	12	3,953	4,040	52	593
Computer expenses	897	131	11	3	1,042	1,003	164	197
Printing and stationery	5,412	564	68	19	6,063	4,687	2,440	868
Depreciation	3,495	466	44	12	4,017	3,243	825	883
Rental	2,356	1,536	29	8	3,929	4,869	1,535	1,502
Difference in exchange	(4)	-	-	-	(4)	(1,219)	25	(754)
Other management expenses	20,502	3,941	257	70	24,770	14,423	8,927	3,474
Gross management expenses	419,519	89,615	4,119	2,358	515,611	396,836	179,705	133,577
Commission from reinsurers	(5,697)	(509)	(58)	-	(6,264)	(3,967)	(2,112)	(1,867)
Net management expenses	413,822	89,106	4,061	2,358	509,347	392,869	177,593	131,710

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

RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Statement of Investment Income
For the nine months period ended 30 September 2005 (un-audited)

EFU LIFE ASSURANCE LTD
Rupees '000

	Statutory Funds				Nine months Period ended		Three months period ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 September 2005	30 September 2004	30 September 2005	30 September 2004
Investment Income								
On government securities	179,331	14,243	318	578	194,470	159,980	66,588	56,997
On other fixed income securities and deposits	14,681	447	11	-	15,139	18,019	5,270	6,112
Dividend income	76,766	-	249	299	77,314	39,980	21,561	22,332
Amortisation of discount/premium relative to par	(10,154)	(1,772)	(41)	(1)	(11,968)	(7,950)	(6,573)	(4,314)
	260,624	12,918	537	876	274,955	210,029	86,846	81,127
Gain on sale of investments								
Shares and stocks	6,588	-	57	-	6,645	623	(117)	-
(Depreciation)/Appreciation in market value of								
Government securities	(126,921)	-	(326)	-	(127,247)	(147,595)	(37,387)	(45,789)
On other fixed income securities and deposits	(7,203)	-	-	-	(7,203)	(11,212)	1,605	(10,872)
Shares and stocks	256,783	-	(441)	-	256,342	32,769	147,213	(62,044)
	122,659	-	(767)	-	121,892	(126,038)	111,431	(118,705)
Net Investment Income	389,871	12,918	(173)	876	403,492	84,614	198,160	(37,578)

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

RAFIQUE R. BHIMJEE
 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	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 30 September 2005	Aggregate 31 December 2004
Actuarial liability relating to future events	4,148,010	127,761	10,812	6,669	4,293,252	3,515,776
Provision for outstanding reported claims payable over a period exceeding twelve months	13,013	169	-	55	13,237	13,260
Provision for incurred but not reported claims	-	22,489	-	-	22,489	10,872
	<u>4,161,023</u>	<u>150,419</u>	<u>10,812</u>	<u>6,724</u>	<u>4,328,978</u>	<u>3,539,908</u>

4.2 Net of reinsurance

Actuarial liability relating to future events	4,094,870	100,142	10,520	5,332	4,210,864	3,469,722
Provision for outstanding reported claims payable over a period exceeding twelve months	5,874	169	-	55	6,098	5,786
Provision for incurred but not reported claims	-	16,282	-	-	16,282	6,635
	<u>4,100,744</u>	<u>116,593</u>	<u>10,520</u>	<u>5,387</u>	<u>4,233,244</u>	<u>3,482,143</u>

5. INVESTMENTS

Government securities

	Shareholders' Fund	Statutory Funds				(Rupees in '000)	
		Investment	Conventional	Pension	Accidental	30	31
		Linked Business	Business	Business (Unit Linked)	& Health Business	September 2005	December 2004
Held to maturity at amortized cost	71,010	268,497	178,294	-	6,309	524,110	479,199
Available for sale at market value	-	1,550,702	-	6,325	-	1,557,027	1,347,390
	71,010	1,819,199	178,294	6,325	6,309	2,081,137	1,826,589

Other fixed income securities

Held to maturity at amortized cost	-	-	-	-	-	-	7,775
Available for sale at market value	-	248,658	-	500	-	249,158	161,958
	-	248,658	-	500	-	249,158	169,733

Ordinary share certificates and units of companies

Available for sale at market value	-	1,363,361	-	1,057	-	1,364,418	1,099,725
Held for trading at market value	-	215,632	-	-	-	215,632	107,472
Available for sale at lower of cost or market value	111,984	82,004	-	-	3,673	197,661	187,184
	111,984	1,660,997	-	1,057	3,673	1,777,711	1,394,381

Market value of securities held at lower of cost and market value amounted to Rs 403 million (31 December 2004: 297 million) and those held at amortized cost amounted to Rs. 391 million (31 December 2004: 370 million).

The Company has deposited 10 years Pakistan Investment Bond amounting to Rs 8 million (31 December 2004: Rs 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 37 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 investments 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 6 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 September 2005 are as follows:

	(Rupees in '000)	
	Shareholders' Fund	
	Additions	Deletions
Furniture, fixtures and fittings	8,230	184
Office equipment	2,389	236
Computers	2,102	256
Motor vehicles	7,181	1,737
	19,902	2,413

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 September 2005	30 September 2004
Premium written	1,127	4,092
Premium paid	3,522	3,062
Claims paid	869	329
Claims received	-	556
Brokerage and commission paid	26	54
Travelling expenses	345	42
Dividend received	2,305	1,390
Dividend paid	9,174	5,852
Contribution to provident fund	2,837	2,447
Contribution to pension fund	1,955	1,711
Balance payable	-	-
Balance receivable	935	17

TRANSACTION WITH KEY MANAGEMENT PERSONNEL

Loans to key management personnel as on 30 September 2005 amounted to Rs.0.97 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.20.89 million for the nine months ended 30 September 2005 (30 September 2004: Rs. 16.75 million)

10. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors in their meeting held on 26 October 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.

RAFIQUE R. BHIMJEE
Director

ASHRAF W. TABANI
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman