

Notes to the Financial Statements For The Year Ended 31 December 2004

1. Status and nature of business

EFU Life Assurance Limited (the Company) was incorporated in Pakistan on 9 August 1992 as a public limited Company under the Companies Ordinance, 1984 and started its operation from 8 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.

2. Basis of presentation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Insurance Ordinance, 2000. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Where the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 or of the said directives take precedence.

2.2 Changes in accounting policies

During the year accounting policies relating to following have been changed:

- a) Valuation of available for sale investments as explained in note 4.2
- b) Accrual of interest on Defence Saving Certificates as explained in note 4.2
- c) Determination of lower of cost or market value of investments as explained in note 4.2
- d) Dividend as explained in note 4.8

3. Basis of measurement

These financial statements have been prepared on the basis of the historical cost convention except for certain investments (Note 4.2) which are stated at fair values and policyholders' liabilities which are stated on the basis of actuarial valuation.

4. Summary of significant accounting policies

4.1 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.

4.2 Investments

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rate are considered as available for sale. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are considered as held for trading. Investments, with fixed or determinable payments and fixed maturity, where the Company has positive intent and ability to hold to maturity are classified as held-to-maturity.

All investments are initially recognised at cost being the fair value of consideration given, including the transaction costs. Available for sale investments relating to units assigned to policies of investment linked business and pension business and held for trading investments are subsequently measured at their fair values and the difference taken to revenue account. Other available for sale investments are subsequently measured at lower of cost (determined on moving weighted average basis) or market value on an aggregate portfolio basis.

Upto last year the Company had a policy to classify fixed income investments of investment linked business and pension business as held to maturity investment and measuring them at amortised cost. Available for sale investment of all statutory funds were being measured at lower of cost or market values determined on individual investment basis. The Company has referred this matter to Securities and Exchange Commission of Pakistan for its guidance. Furthermore,

interest on Defence Saving Certificates was being recorded under the terms of their issue. The Company considers that these changes would result in better presentation of investments and statutory fund balances.

The Company has accounted for these changes in accounting policy retrospectively under the benchmark treatment of International Accounting Standard IAS 8: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, and accordingly comparative figures have been restated. Had the accounting policy not being changed, the carrying value of investments and accrued interest would have been lower by Rs. 363 million & Rs. 34 million respectively (2003:Rs. 353 million & Rs. 30 million respectively), policyholders' liabilities would have been lower by Rs. 391 million (2003: Rs. 379 million) and retained earnings would have been lower by Rs. 6 million (2003: Rs. 4 million).

4.3 Revenue recognition

New individual life premiums are recognized once the related policies have been issued and the premiums received. Renewal premiums are recognized upon receipt, provided the policy is still in force.

Group life premiums are recognized when due. A provision for unearned premiums is included in the policyholders' liabilities.

Interest income on bank deposits and fixed income securities is recorded on a time proportion basis that takes into account the effective yield of assets.

Dividend income is recognised when right to receive such dividend is established.

4.4 Claims

Claims are considered to be incurred when 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, if earlier. However, claims incurred but not reported at the year end are determined by the Appointed Actuary and are included in the policyholders' liabilities. Experience refund of premium is included in outstanding claims.

4.5 Acquisition costs

Directly referable commission and other expenses are recognised as cost when the related policies are issued. Branch overheads and other acquisition costs are recognised when these are incurred.

4.6 Employees' retirement benefits

The Company operates two defined contribution 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 recognised as expense.

4.7 Taxation

Current

Provision for current taxation is based on taxable income determined under the Fourth Schedule to the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all material temporary differences between the carrying amounts of assets and liabilities and their tax bases at the rates that are substantially enacted by the balance sheet date based on the expected manner of realisation or settlement. A deferred tax asset is reduced to the extent that is no longer probable that the related tax benefit will be realised.

4.8 Dividends and bonus shares

Dividend to shareholders is recognised as liability in the period in which it is declared. Upto previous year, dividends proposed after the balance sheet date were recorded as a liability. The change has been necessitated by revision in the 4th schedule to the Companies Ordinance, 1984. Similarly, reserve for issue of bonus shares is recognised in the year in which such issue is declared. The effect of the above change has been accounted for retrospectively under benchmark treatment of International Accounting Standard 8: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.

4.9 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Full year's depreciation is charged on fixed assets capitalized during the year and no depreciation is charged in the year of disposal. Depreciation is calculated on the reducing balance method at the following rates:

Office Equipment	10%
Furniture & Fixture	10%
Vehicle	20%
Computers	30%

Normal repairs and maintenance are charged to income currently.

4.10 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rate ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupee at the rate of exchange prevailing on the balance sheet date. All exchange differences are taken to revenue/profit and loss account.

4.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include the following:

- Cash at bank in current and saving accounts
- Cash and stamps in hand
- Term deposits with original maturity within three months

4.12 Impairment

The carrying amount of the Company's assets are reviewed on an ongoing basis to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the assets is determined and impairment losses are recognised in the revenue / profit and loss account.

4.13 Provisions

Provisions are recognised 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.

4.14 Off-setting

Assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

4.15 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the considerations given and received respectively. These financial assets and liabilities are subsequently measured at fair / market value, amortised cost or cost, as the case may be.

Gains or losses on derecognition are taken to profit and loss account or revenue account, as the case may be.

(Rupees '000)

5. Share Capital

2004 (Number of Shares)	2003		2004	2003
15 000 000	15 000 000	Issued, subscribed and paid up Ordinary shares of Rs. 10 each issued for cash	150 000	150 000
1 500 000	–	Ordinary shares of Rs. 10 each issued as bonus share	15 000	–
<u>16 500 000</u>	<u>15 000 000</u>		<u>165 000</u>	<u>150 000</u>

5.1 Dividend and bonus shares

The Board of Directors in their meeting held on 29 March 2005 have proposed a cash dividend @ 15% (Rs. 1.5 per share) and issue of 3 bonus shares for every 11 shares held.

6. Policyholders' liabilities

(Rupees '000)

	Statutory Funds				Aggregate 2004	Aggregate 2003 (Restated)
	Investment Linked Business	Conventional Business	Pension Business (Unitlinked)	Accident & Health Business		
6.1 Gross of reinsurance						
Actuarial liability relating to future events	3 421 705	82 029	6 161	5 881	3 515 776	2 767 206
Provision for outstanding reported claims payable over a period exceeding twelve months	13 099	5	–	156	13 260	4 754
Provision for incurred but not reported claims	–	10 872	–	–	10 872	12 264
Total	<u>3 434 804</u>	<u>92 906</u>	<u>6 161</u>	<u>6 037</u>	<u>3 539 908</u>	<u>2 784 224</u>
6.2 Net of reinsurance						
Actuarial liability relating to future events	3 377 729	80 822	5 955	5 216	3 469 722	2 724 662
Provision for outstanding reported claims payable over a period exceeding twelve months	5 713	5	–	68	5 786	2 183
Provision for incurred but not reported claims	–	6 635	–	–	6 635	7 061
Total	<u>3 383 442</u>	<u>87 462</u>	<u>5 955</u>	<u>5 284</u>	<u>3 482 143</u>	<u>2 733 906</u>

7. Movements in equity

(Rupees '000)

	Statutory Funds				Aggregate 2004	Aggregate 2003 (Restated)
	Investment Linked Business	Conventional Business	Pension Business (Unitlinked)	Accident & Health Business		
Policyholders' liabilities						
Balance at beginning of the year as previously reported	2 277 210	116 081	1 314	4 056	2 398 661	1 329 301
Effect of change in accounting policies with respect to:						
Accrual of interest on Defence Saving Certificates	25 520	–	–	–	25 520	23 259
Valuation of investments	352 655	–	244	–	352 899	162 743
Transfer of profit commission from reinsurer to outstanding claims	–	(43 174)	–	–	(43 174)	(39 477)
	<u>378 175</u>	<u>(43 174)</u>	<u>244</u>	<u>–</u>	<u>335 245</u>	<u>146 525</u>
Balance at the beginning as restated	2 655 385	72 907	1 558	4 056	2 733 906	1 475 826
Increase during the year	<u>728 057</u>	<u>14 555</u>	<u>4 397</u>	<u>1 228</u>	<u>748 237</u>	<u>1 258 080</u>
Balance at end of the year	<u><u>3 383 442</u></u>	<u><u>87 462</u></u>	<u><u>5 955</u></u>	<u><u>5 284</u></u>	<u><u>3 482 143</u></u>	<u><u>2 733 906</u></u>
Retained earnings on other than participating business						
Balance at beginning of the year as previously reported	–	6 000	–	–	6 000	9 500
Effect of change in accounting policy with respect to:						
Accrual of interest on Defence Saving Certificates	4 934	–	–	–	4 934	3 983
Valuation of investments	4 728	870	–	1	5 599	8 857
	<u>9 662</u>	<u>870</u>	<u>–</u>	<u>1</u>	<u>10 533</u>	<u>12 840</u>
Transfer to statement of changes in equity due to change in accounting policy with respect to:						
Accrual of interest on Defence Saving Certificates	(4 934)	–	–	–	(4 934)	(3 983)
Valuation of investments	(4 728)	(870)	–	(1)	(5 599)	(8 857)
	<u>(9 662)</u>	<u>(870)</u>	<u>–</u>	<u>(1)</u>	<u>(10 533)</u>	<u>(12 840)</u>
Balance at beginning of the year as restated	–	6 000	–	–	6 000	9 500
Surplus for the year	<u>96 863</u>	<u>104 915</u>	<u>349</u>	<u>756</u>	<u>202 883</u>	<u>106 390</u>
Surplus appropriated to shareholders' fund	<u>(96 863)</u>	<u>(101 715)</u>	<u>(349)</u>	<u>(756)</u>	<u>(199 683)</u>	<u>(109 890)</u>
Balance at end of the year	<u><u>–</u></u>	<u><u>9 200</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>9 200</u></u>	<u><u>6 000</u></u>

8. Taxation

8.1 The Income Tax assessment of the Company for the assessment year 2002 – 2003 has been finalised and return for the Tax year 2002 and 2003 were filed on self assessment basis. 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.

8.2 Deferred taxation

(Rupees '000)

	2004	2003
Deferred tax liability arising on deductible temporary difference:		
On accelerated tax depreciation	<u>1 000</u>	<u>–</u>

8.3 Reconciliation of tax rate

	2004	2003 (Restated)
	%	%
Applicable Tax Rate	35.00	35.00
Tax effect of amount that are not deductible for tax purpose	0.58	(0.11)
Impact of Deferred tax	0.47	–
Tax effect of amount taxed at reduced rates	(1.60)	(1.39)
Average effective tax rate charged on income	<u>34.45</u>	<u>33.50</u>

9. Commitments

Commitments under operating lease for equipment, vehicles and computers amounts to Rs. Nil (December 2003: Rs. 2.6 million).

10. Investment in government securities

(Rupees '000)

	Maturity Year	Effective Rate	Shareholders' Fund	Statutory Funds				Aggregate 2004	Aggregate 2003 (Restated)
				Investment Linked Business	Conventional Business	Pension Business (Unitlinked)	Accident & Health Business		
Held to maturity at amortised cost									
5 Years Regular Income Certificate	2005	14	–	19 000	–	–	–	19 000	94 200
5 Years Pakistan Investment Bonds	2007-08	5.4–6.3	3 880	–	21 707	–	–	25 587	–
10 Years Federal Investment Bonds	2004-05	15	–	–	4 000	–	–	4 000	5 000
10 Years Defence Saving Certificate	2007-09	18.0	–	146 950	–	–	–	146 950	146 950
10 Years Pakistan Investment Bonds	2011-14	5.0-13.9	56194	23 072	133 105	–	5 010	217 381	192 029
15 Years Pakistan Investment Bonds	2019	7.3	11 425	–	–	–	–	11 425	–
20 Years Pakistan Investment Bonds	2024	9.5-9.6	–	54 856	–	–	–	54 856	–
Sub Total			<u>71 499</u>	<u>243 878</u>	<u>158 812</u>	<u>–</u>	<u>5 010</u>	<u>479 199</u>	<u>43 8179</u>
Available for sale at market value									
5 Years Pakistan Investment Bonds	2006	6.5	–	569	–	–	–	569	754
5 Years WAPDA Bonds	2004 – 08	5.2	–	30 300	–	–	–	30 300	33 600
10 Years Federal Investment Bonds	2004-05	15	–	1 035	–	–	–	1 035	12 860
10 Years Pakistan Investment Bonds	2010-13	4.2-13.9	–	847 958	–	1 184	–	849 142	932 733
15 Years Pakistan Investment Bonds	2019	6.9-8.4	–	147 385	–	–	–	147 385	–
20 Years Pakistan Investment Bonds	2024	7.8-9.8	–	316 959	–	2 000	–	318 959	–
Sub Total			<u>–</u>	<u>1 344 206</u>	<u>–</u>	<u>3 184</u>	<u>–</u>	<u>1 347 390</u>	<u>979 947</u>
			<u>71 499</u>	<u>1 588 084</u>	<u>158 812</u>	<u>3 184</u>	<u>5 010</u>	<u>1 826 589</u>	<u>1 418 126</u>

10.1 Previous year figures have been restated due to change in accounting policy and as stated note 4.2.

11. Other fixed income securities

Maturity Year	Statutory Funds					Rupees '000	
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unitlinked)	Accident & Health Business	Aggregate 2004	Aggregate 2003 (Restated)
Held to maturity -at amortised cost							
Term finance certificates-note 11.1	7 275	-	-	-	-	7 275	37 251
Certificate of investment	2005	500	-	-	-	500	500
Sub Total		7 775	-	-	-	7 775	37 751
Available for sale -at market value							
Term finance certificates-note 11.2		-	161 958	-	-	161 958	246 301
		7 775	161 958	-	-	169 733	284 052

11.1 Shareholders' fund

	2004	2003	Maturity Year	Profit Rate	Profit Payment
Engro Chemical Pakistan Limited	-	9 992	2004	13.00%	Half Yearly
Packages Ltd	7 275	7 275	2010	13.50%	Quarterly
Pak Arab Refinery Ltd	-	19 984	2006	13.00%	Half Yearly
Sub Total	7 275	37 251			

11.2 Investment linked business

	2004	2003 (Restated)	Maturity Year	Profit Rate	Profit Payment
Dewan Salman Fibre Limited	-	3 742	2004	19.00%	Half Yearly
Engro Asahi Polymer & Chemicals Limited	-	21 978	2004	13.00%	Half Yearly
NDLC-IFIC Bank Limited	-	925	2004	17.00%	Half Yearly
Paramount Leasing	-	538	2004	16.25%	Half Yearly
Pakistan Industrial Leasing Corporation Ltd. 1st issue	-	2 912	2004	18.00%	Half Yearly
Pakistan Industrial Leasing Corporation Ltd. 2nd issue	-	340	2004	15.60%	Half Yearly
Pakistan PTA Limited	-	44 389	2004	13.50%	Half Yearly
Alnoor Sugar Mills Limited	262	534	2005	16.50%	Half Yearly
Atlas Investment Bank Limited	1 753	3 656	2005	15.00%	Half Yearly
Network Leasing Corporation Limited	4 094	8 567	2005	16.25%	Half Yearly
Nishat Mills Limited	4 884	10 335	2005	13.00%	Half Yearly

	(Rupees '000)				
	2004	2003 (Restated)	Maturity Year	Profit Rate	Profit Payment
Orix Leasing Pakistan Limited 1st Issue	6 313	16 484	2005	14.00%	Half Yearly
Spell Communications Limited	15 000	-	2005	7.50%	Half Yearly
First Oil & Gas Securitisation Co. Limited	2 224	3 240	2006	10.50%	Monthly
Orix Leasing Pakistan Limited – 2nd Issue	7 770	8 510	2006	10.00%	Half Yearly
Shakarganj Mills Limited	431	1 337	2006	15.00%	Half Yearly
First Dawood Investment Bank Limited	16 650	18 600	2007	13.50%	Half Yearly
Reliance Weaving Mills Limited	995	1 290	2007	12.75%	Half Yearly
Union Bank Limited	34 630	39 360	2007	11.00%	Half Yearly
Worldcall Communications Limited	972	1 208	2007	12.25%	Half Yearly
Bank Alfalah Limited	6 568	7 354	2008	10.00%	Half Yearly
Muslim Commercial Bank Limited	13 864	15 619	2008	11.75%	Half Yearly
Pakistan Mobile Communications (Pvt.) Limited	16 500	16 729	2008	6.00%	Half Yearly
Trust Leasing Corporation Limited	6 730	7 229	2008	9.50%	Half Yearly
Jahangir Siddiqui & Co. Limited	12 318	325	2008	7.50%	Half Yearly
Packages Limited	10 000	11 100	2010	13.50%	Quarterly
Sub Total	<u>161 958</u>	<u>246 301</u>			

11.3 Previous year figures have been restated due to change in accounting policy as stated in note 4.2.

12. Listed equities and mutual funds

	Shareholders' Fund	Statutory Funds			Aggregate 2004	Aggregate 2003 (Restated)
		Investment Linked Business	Conventional Business	Pension Business (Unitlinked)		
Available for sale -at market value						
Listed equities	-	1 011 241	-	1 891	-	1 013 132
Open end mutual funds	-	86 593	-	-	-	770 598
					86 593	68 806
Held for trading -at market value						
Listed equities	-	107 472	-	-	-	107 472
						-
Available for sale -at lower of cost or market value						
Listed equities	92 356	49 128	-	-	1 389	142 873
Open end mutual fund	8 927	32 876	-	-	2 000	43 803
	<u>101 283</u>	<u>1 287 310</u>	<u>-</u>	<u>1 891</u>	<u>3 389</u>	<u>1 393 873</u>
						<u>990 461</u>

12.1 Listed equities include investment in EFU General Insurance Limited representing 3.7% (2003: 3.7%) of the issued capital of that Company.

13. Fixed assets

(Rupees in '000)

	Cost			Rate %	Accumulated Depreciation					
	As at 01 January 2004	Addition	Disposal		As at 31 December 2004	As at 01 January 2004	For the year	On Disposal	As at 31 December 2004	Written Down Value
Office equipment	10 827	1 592	–	12 419	10	4 303	811	–	5 114	7 305
Computers	10 460	2 485	599	12 346	30	6 889	1 779	473	8 195	4 151
Furniture and fixture	56 798	6 198	108	62 888	10	23 278	3 968	66	27 180	35 708
Vehicles	25 319	26 224	10 568	40 975	20	14 219	6 852	7 501	13 570	27 405
2004	103 404	36 499	11 275	128 628		48 689	13 410	8 040	54 059	74 569
2003	95 623	10 034	2 253	103 404		41 251	8 755	1 317	48 689	54 715

14. Sale of fixed assets

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Sold to	
Vehicle	378	315	63	160	Negotiation	Mr. M. Naeem Butt	Employee
Vehicle	488	386	102	100	Negotiation	Mr. Tariq M. Khan	Karachi
Vehicle	372	295	77	190	Negotiation	Mr. Kamran	Karachi
Vehicle	642	507	135	250	Negotiation	Mr. Kamran	Karachi
Vehicle	642	507	135	300	Negotiation	Mr. Kamran	Karachi
Vehicle	385	284	101	225	Negotiation	Mr. Zubair	Employee
Vehicle	818	604	214	500	Negotiation	Mr. Tajuddin Manji	Employee
Vehicle	785	653	132	–	Company's Policy	Mr. S. M. H. Rizvi	Ex- Employee
Vehicle	673	452	221	400	Negotiation	Mr. Husein Sachak	Employee
Vehicle	40	0	40	180	Negotiation	Mr. Khursheed Baig	Karachi
Vehicle	81	0	81	675	Insurance Claim	EFU General Insurance Ltd.	
Vehicle	78	0	78	500	Negotiation	Mr. Tariq M. Khan	Karachi
Vehicle	728	650	78	300	Negotiation	Mr. Amin Haider	Karachi
Vehicle	276	218	58	92	Negotiation	Ms. Rohani Bano	Karachi
Vehicle	855	631	224	500	Negotiation	Mr. Amin Haider	Karachi
Vehicle	753	556	197	490	Negotiation	Mr. Danish Turabi	Karachi
Vehicle	646	434	212	390	Negotiation	Mr. Younis Butt	Employee
Vehicle	419	282	137	225	Negotiation	Mr. Umer Keerio	Employee
Vehicle	443	298	145	250	Negotiation	Mr. Fazal Mehmood	Employee
Vehicle	315	212	103	190	Negotiation	Mr. Ihsan Ul Haq	Employee
Vehicle	605	217	388	550	Insurance Claim	EFU General Insurance Ltd.	
Vehicle	146	–	146	820	Negotiation	Mr. Riaz Uddin Afridi	Karachi
Assets having WDV less than Rs. 50,000							
Computers	599	473	126	10	Negotiation	Various	
Furniture and Fixture	108	66	42	5	Negotiation	Various	
TOTAL 2004	11 275	8 040	3 235	7 302			
TOTAL 2003	2 253	1 317	936	1 393			

15. Branch overheads

(Rupees '000)

	Statutory Funds				Aggregate 2004	Aggregate 2003
	Investment Linked Business	Conventional Business	Pension Business (Unitlinked)	Accident & Health Business		
Insurance premium	828	314	10	8	1 160	1 391
Printing and stationary	2 290	196	30	23	2 539	2 333
Advertisement and publicity	74	622	1	1	698	770
Postage	776	74	10	8	868	740
Telephone and electricity	12 830	1 925	169	129	15 053	13 231
Rent, rates and taxes	7 685	580	101	76	8 442	7 032
Travelling and conveyance	2 064	226	28	21	2 339	1 590
Repair and maintenance	1 428	124	19	14	1 585	1 514
Entertainment	3 999	404	53	39	4 495	3 608
Other expenses	462	62	6	5	535	472
Depreciation	7 655	1365	101	77	9 198	5 014
Operating lease rental	512	39	7	5	563	2 793
TOTAL	40 603	5 931	535	406	47 475	40 488

16. Other management expenses

	Statutory Funds				Aggregate 2004	Aggregate 2003
	Investment Linked Business	Conventional Business	Pension Business (Unitlinked)	Accident & Health Business		
Insurance premium	934	149	12	9	1 104	971
Postage	3 211	325	40	31	3 607	3 942
Telephone and electricity	4 017	753	49	37	4 856	4 220
Repair and maintenance	1 242	293	16	12	1 563	871
Entertainment	2 248	278	29	22	2 577	1 957
Fees and subscription	1 564	147	21	16	1 748	1 159
Bank charges	1 929	129	35	27	2 120	2 477
Other expenses	3 317	206	42	31	3 596	2 736
Claim investigation fee	533	31	6	5	575	252
TOTAL	18 995	2 311	250	190	21 746	18 585

17. Remuneration of Chief Executive and Executives

The Aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive and Executives of the Company are as follows:

	(Rupees '000)			
	2004		2003	
	Chief Executive	Executives	Chief Executive	Executives (Restated)
Managerial remuneration (including bonus)	5 184	5 992	4 074	5 065
Utilities	196	–	118	–
Medical expenses	103	62	125	63
Leave passage	–	140	–	61
Total	<u>5 483</u>	<u>6 194</u>	<u>4 317</u>	<u>5 189</u>
Number of persons	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>

In addition, the Chief Executive and Executives are provided with free use of Company cars and certain items of household furniture in accordance with their entitlement. The Chief Executive is provided with maintained furnished accommodation. Previous year figures have been restated due to change in the requirement of Fourth Schedule of the Companies Ordinance, 1984.

18. Auditors' remuneration

	(Rupees '000)	
	2004	2003
Audit fee-annual (Taseer Hadi Khalid & Co)	150	–
Audit fee-annual (Gardezi & Co)	150	–
Limited Scope Review (Taseer Hadi Khalid & Co)	75	–
Limited Scope Review (Gardezi & Co)	75	–
Out of Pocket Expenses (Taseer Hadi Khalid & Co)	8	–
Audit Fee-annual (Hyder Bhimji & Co)	–	75
Limited Scope Review (Hyder Bhimji & Co)	–	40
	<u>458</u>	<u>115</u>

19. Basic and diluted earnings per share

	2004	2003 (Restated)
Profit for the year	<u>140 830</u>	<u>78 419</u>
Weighted average number of ordinary shares	<u>16 500</u>	<u>16 500</u>
Earnings per share (Rupees)	<u>8.54</u>	<u>4.75</u>

20. Number of employees

Number of employees as at 31 December 2004 were 406 (2003 : 359)

21. Financial instruments and related disclosures

21.1 Markup rate risk exposure

The Company's exposure to the markup rate risk, based on the earlier of contractual repricing or maturity date as at 31 December 2004 is as follows:

	Interest Mark-Up bearing Maturity			Non-Interest Mark-Up bearing Maturity			2004	2003 (Restated)
	Upto one year	after one year	Sub Total	Upto one year	after one year	Sub Total		
Financial assets								
Cash and stamps	-	-	-	753	-	753	753	420
Current and other accounts	174 777	-	174 777	136 888	-	136 888	311 665	242 662
Deposit	70 000	-	70 000	-	-	-	70 000	74 888
Loans	3 406	2 567	5 973	-	-	-	5 973	3 251
Investments	78 490	1 917 832	1 996 322	1 394 381	-	1 394 381	3 390 703	2 693 147
Premium due but unpaid	-	-	-	20 816	-	20 816	20 816	23 448
Amount due from reinsurer	-	-	-	17 464	-	17 464	17 464	31 738
Agent balances	-	-	-	341	-	341	341	338
Interest, income due								
But outstanding	-	-	-	7 896	-	7 896	7 896	2 571
Investment income accrued	-	-	-	36 620	299 043	335 663	335 663	263 267
Advances and other receivables	4 391	1 231	5 622	10 942	1 294	12 236	17 858	18 890
	<u>331 064</u>	<u>1 921 630</u>	<u>2 252 694</u>	<u>1 626 101</u>	<u>300 337</u>	<u>1 926 438</u>	<u>4 179 132</u>	<u>3 354 620</u>
Financial liabilities								
Outstanding claims	-	-	-	133 220	-	133 220	133 220	133 349
Premium received in advance	-	-	-	97 040	-	97 040	97 040	85 553
Amount due to reinsurer	-	-	-	42 264	-	42 264	42 264	61 856
Amount due to agents	-	-	-	49 159	-	49 159	49 159	47 212
Other creditors & accruals	-	-	-	34 537	-	34 537	34 537	73 291
	<u>-</u>	<u>-</u>	<u>-</u>	<u>356 220</u>	<u>-</u>	<u>356 220</u>	<u>356 220</u>	<u>410 261</u>
On balance sheet gap	<u>331 064</u>	<u>1 921 630</u>	<u>2 252 694</u>	<u>1 269 881</u>	<u>300 337</u>	<u>1 570 218</u>	<u>3 822 912</u>	<u>2 944 359</u>

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

	2004	2003
Investments	5 % to 18 %	6 % to 19 %
Bank balances	2 % to 3 %	2 % to 3 %

21.3 Fair value

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

	(Rupee'000)	
	Carrying Value	Fair Value
Government securities	1 826 589	1 851 590
Other fixed income securities	169 733	169 239
Listed equities and mutual funds	1 393 873	3391 879
Unlisted securities	508	508

22. Related party transactions

The related parties comprise of directors, key management personnel, entities over which the directors are able to exercise significant influence and employees funds.

	(Rupee'000)	
	2004	2003
Premium written	4 892	3 402
Premium paid	3 268	2 950
Claims paid	543	-
Claims received	609	393
Travelling expenses	54	154
Commission paid	102	39
Dividend paid	5 852	5 852
Dividend received	1 390	933
Bonus shares issued	5 852	-
Bonus shares received	732	732
Contribution to provident fund	3 220	2 684
Contribution to pension fund	2 264	1 920
Balance payable	53	27
Balance receivable	95	27

23. General

- Figures have been rounded off to the nearest thousand.
- Previous year figures have been rearranged wherever necessary to facilitate comparison with respect to the change in the accounting policies and amendment in the Fourth Schedule to the Companies Ordinance, 1984, as explained in respective notes.
- These accounts were authorized for issue by the board of Directors in their meeting held on 29 March 2005.

MUNEER R. BHIMJEE
Director

HASANALI ABDULLAH
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman