

2011

Annual Report



Enhancing Prosperity Enriching Lives

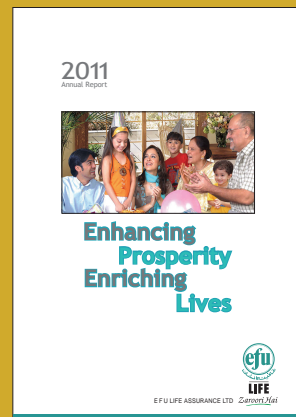


EFU LIFE ASSURANCE LTD *Zaroori Hai*



The cover concept...

Enhancing Prosperity Enriching Lives



The future, in general, is uncertain. We, at EFU Life, however, give our clients the ability to be assured about the financial aspects of their future.

Our product portfolio and plans enable our clients to sustain and enhance their lifestyles as they advance on in life. This progressive accumulation of resources and certainty of discretionary incomes through life enhances individual and national prosperity, enriches lives in more than one way. Apart from the purely financial benefits, there is the freedom from apprehension that contributes to an amiable mental outlook. This peace of mind is a priceless intangible that impacts social existence as a whole.

Life insurance is the most efficient resource mobilization avenue so far known. EFU Life, as Pakistan's largest private sector life insurance services provider contributes an ever-growing stream of resources for the common well-being too. While the impact of life insurance upon individuals and families is visible and measurable, the collective impact on national prosperity and well-being far outweighs it.

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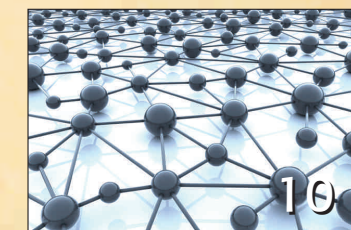
Quality Policy



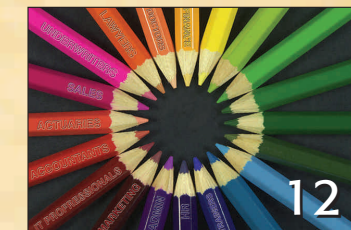
Journey through the year



Commitment Community



Customized Solutions



The Strength of Synergy



Financial Strength



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.

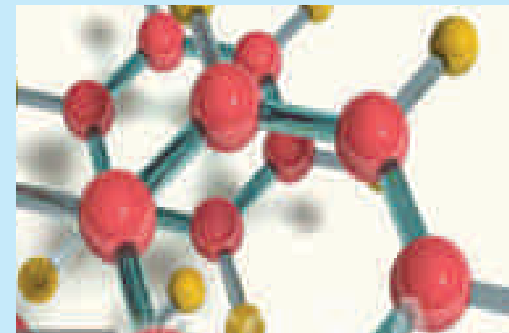
JOURNEY THROUGH THE YEAR

Annual Sales Conference - The Power of "WILL"



In February, EFU Life held its Annual Sales Conference in Karachi. The theme was "WILL" and it brought together the high achievers in our distribution channels on one platform. In total over 250 participants attended the conference and celebrated the Company's achievements during 2010.

Extending our Reach



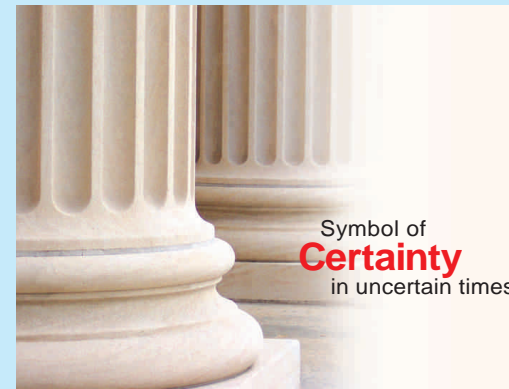
EFU Life's branch network of sales offices increased to 150 branches throughout the country. This larger presence gives the Company the penetration in all geographic areas and market segments of the country, and is playing a major role in generating substantial business volumes.

Overseas Sales Convention



The much awaited Overseas Sales Convention in 2011 was held in June in Singapore and Thailand. This was the first overseas convention which gave an entirely new experience to the sales force as it took place for the most part on board the Star Virgo cruise. Over 150 participants, including spouses, attended the convention.

Financial Strength Reaffirmed



EFU Life has been reaffirmed by JCR-VIS with an Insurer Financial Strength rating of AA- with the stable outlook for the fourth consecutive year. The rating reflects upon our financial stability, operational efficiencies, product excellence and our growing customer base.

Brands of the Year Award 2010



In July, EFU Life received the prestigious Brands of the Year Award 2010 in the Life Insurance category for outstanding performance, support & customer satisfaction. The award is given by the Brands Foundation to recognize the best of the best companies in all sectors of the economy.

Building Synergy with Banks



EFU Life has the highest number of bank partners for its Bancassurance distribution channel. Currently working with 12 major banks in the country, EFU Life is offering a wide range of products to the diversified customer base ranging from child financial planning solutions, savings and retirement plans. The large base of bank partners has helped the Company expand its business into all main segments of the banking customer base.

Progress in Technology



EFU Life achieved another milestone when, in July, it became the first business house in Pakistan to implement IBM FileNet P8. This is a document imaging and workflow solution which will significantly enhance the business operations of the Company. The system has reduced the need of space for storage of physical records and has combined efficiency with effectiveness which has resulted in productive time management in terms of processing business with minimal turnaround time and providing accurate and timely services to clients.

PRIMUS - Life Beyond Ordinary



EFU Life introduced a new concept in the insurance industry with the launch of PRIMUS – an exclusive brand of service excellence. 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".



COMMITMENT TO THE COMMUNITY

EFU Life's CSR policy focuses on health and education as two areas on which the Company is dedicating its efforts and contributions. As part of a CSR contribution in moving towards a better society, the Company participated in various CSR activities which make a difference by contributing to the cause of education for under privileged students. We joined forces to help meet community needs, not only through monetary means but also through volunteerism. Along with education the Company partnered with various charitable organizations, institutes & NGO's who are participating in providing good health care facilities to the society and build strong communities. Such sustainable communities recognize the interdependence of social progress, economic success and environmental excellence. At EFU Life, we believe our community involvement enables us to actively live our Company's values and communicate the caring spirit of our brand.



OUTREACH WITH CUSTOMIZED SOLUTIONS

Over the years, EFU Life has made significant investment in developing its distribution channels. Our distribution arms – Individual Life Sales Force, Bancassurance and Group Benefits – are well established contributing significantly to the top and bottom line of the company. Our widespread reach enables us to cater to the financial planning needs of all major socio economic classes in the country. Our significant geographical presence has helped us create awareness on life insurance and spread the message of financial security and protection all across Pakistan.

Our product range is the most diverse, providing financial solutions according to the needs of the target market. Our products focus on the concepts of child education and marriage, retirement and savings, along with life insurance protection. Our unit linked funds under management to which all our investment based products are linked, exceed Rs. 25 billion, making us one of the largest fund managers in the country.



THE STRENGTH OF SYNERGY

The success of any company is measured by its people and we take pride in having a pool of very talented and bright individuals at all levels of management. Our investment in developing and nurturing this “human capital” continues to pay dividends and is a significant pillar in the current and future progress of the Company. Our management team comprises of individuals with a wide range of professional expertise, such as in the areas of Corporate Management, Medicine, Technology, Law, Accountancy, Training, Marketing, Sales, Human Resources, Risk Management and Actuarial Sciences. The Company has in place various career development programs aimed at creating internal capacity in core business and technical functions. The Company encourages its staff to attain professional qualifications which can further enhance the contribution of each individual to the growth of the Company.

LEADERSHIP TEAM



Mohammed Ali Ahmed
Chief Strategy Officer &
Deputy Executive Director

S. Shahid Abbas
Chief Financial Officer &
Deputy Executive Director

Zain Ibrahim
Chief Operations Officer &
Deputy Executive Director

S.M. Baqar Naqvi
Senior Advisor

Taher G. Sachak
Managing Director &
Chief Executive

Naseem A. Chaudhari
Senior Advisor

S. Ali Raza Zaidi
Executive Director

Husein Sachak
Head of Bancassurance

Mustafa Hussain Ali
National Sales Director

Symbol of **Certainty** in uncertain times

We have been rated **AA-** with a **Stable Outlook** by JCR-VIS* for the fourth successive year. All proof of our financial strength with assets exceeding Rs. 27 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.



LIFE

Zaroori Hai

EFU LIFE ASSURANCE LTD

Pakistan's Largest Private Sector Life Insurance Company

www.efulife.com

ENHANCING PROSPERITY

Company Information

Chairman

Rafique R. Bhimjee

Managing Director & Chief Executive

Taher G. Sachak

Directors

Saifuddin N. Zoomkawala
Jahangir Siddiqui
Muneer R. Bhimjee
Hasanali Abdullah
Heinz Walter Dollberg

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 Shahra-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

Deputy Executive Directors

Mohammed Ali Ahmed
S. Shahid Abbas
Zain Ibrahim

Assistant General Manager

Adeel Ishaque
Ashfaque Ahmed
Khalid Iqbal

Medical Director

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

Chief Managers

Arshad Iqbal
Evelyn D. Abrogena
Ghayas Hassan
M. Azeem Mirza
M. Saqib Altaf
Mohammad Asim Khan
Mohammad Faisal
Dr Naila Salman
S. Abdul Moiz

Senior Managers

Dr Ali Murtaza Khan
Asim Maqbool
Burhan Zahid Chughtai
Fahd Saifuddin Syed
M. Hasan Shaikh
M. Rehan Siddiqui
Mohammad Zubair
S. Mohammad Amer
S. Muhammad Athar
S. Mohammad Owais

Managers

Abida Hasanali
Akbar Husain Qazilbash
Dr. Asadul Hadi Siddiqui
M. Fawad Habib
M. Jawaid Mughal
Mushtaq Ali
Naveed Shafi
S. Ali Murtaza Hasan
S. Zia Mamnoon
Sajjad Husain Khan
Shazia Mehboob
Wajiha Malik
Wasim Qaiser

Senior Advisor

S.M. Baqar Naqvi
Naseem A. Chaudhari

Distribution Channels

Sales Force

Mustafa Hussain Ali
National Sales Director

Group Benefits

S. Ali Raza Zaidi
Executive Director

Bancassurance

Husein Sachak
Head of Bancassurance

Committees

Audit Committee

Rafique R. Bhimjee
Muneer 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. Muhammad Owais

Underwriting Committee

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

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
S. Abdul Moiz
Ghayas Hassan

Notice of Meeting

Notice is hereby given that the 20th 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 Saturday 14th April, 2012 at 11.00 a.m. to:

ORDINARY BUSINESS:

1. confirm the minutes of the 19th Annual General Meeting held on April 27, 2011.
2. receive, consider and approve the Audited Financial Statements for the year ended December 31, 2011 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, 2011 as recommended by the Board of Directors.
4. appoint Auditors for the year 2012 and fix their remuneration.
5. transact any other matter with the permission of the Chair.

By Order of the Board

SYED SHAHID ABBAS
Chief Financial Officer
& Corporate Secretary

Karachi March 10, 2012

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) along-with proxy form to the Company.
3. The Share Transfer Books of the Company will be closed from April 6, 2012 to April 14, 2012 (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 5, 2012 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.

Report of the Directors to the Members



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

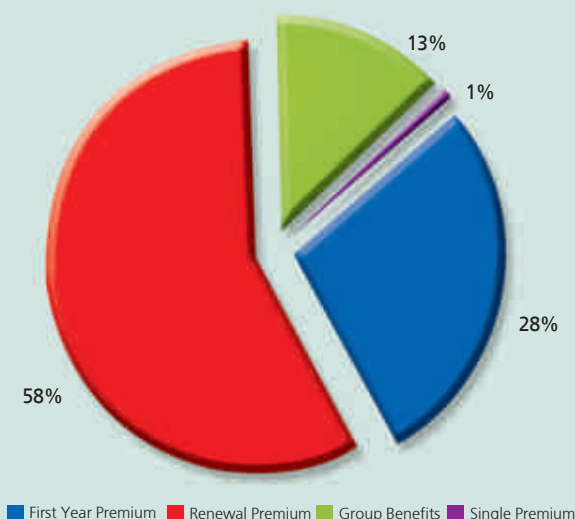
The Directors of your Company are pleased to present to you the Twentieth Annual Report of the Company for the year ended 31 December 2011.

Business Performance:

During 2011, your Company became the first private sector

life insurance company to cross the gross premium figure of Rs. 10 billion and ended the year with gross premium of Rs. 10.13 billion (2010: 8.38 billion). Your Company continued to dominate the private sector in terms of premium volume and had significant contributions from all three distribution channels, i.e Individual Life Sales Force, Individual Life Bancassurance and Group Benefits.

GROSS PREMIUM COMPOSITION



Individual Life regular premiums increased by 24% with a total premium of Rs.8.68 billion (2010: Rs. 6.99 billion). New business premium grew by 16% and contributed Rs.2.84 billion (2010: Rs. 2.45 billion), while the renewal premium base increased substantially to Rs. 5.84 billion (2009: Rs. 4.54 billion), a growth of 29%. The Company has continued its focus on superior levels of client servicing which has resulted in improved persistency during the year. The Company is putting extra emphasis on improving the persistency of the bancassurance channel.

The Group Benefits division achieved a gross premium of Rs. 1.37 billion (2010: Rs 1.24 billion), contributing 13% of the Company's gross premium for the year. The overall business increased by 10% over 2010.

ENHANCING PROSPERITY

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



Claim payments:

The Company has a comprehensive claims management system in place which ensures implementation of the Company's philosophy of prompt claims settlement.

The Company paid total death and disability claims of Rs. 1 billion with individual and group life claims amounting to Rs. 284 million and Rs. 720 million, respectively in 2011.

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



Investment Performance:

The net asset value of all unit linked funds under management increased from Rs. 17.9 billion to Rs. 23.6 billion in 2011, a growth in size of 31.8%.

The Managed Growth Fund is the largest unit linked fund of the Company and its net asset value increased to Rs. 22.7 billion as compared to Rs. 17.2 billion as at 31 December 2010. The fund has provided consistently good returns to our clients over the medium to long term. The annualized return (net of all charges) is 13.37% over last 10 years.

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

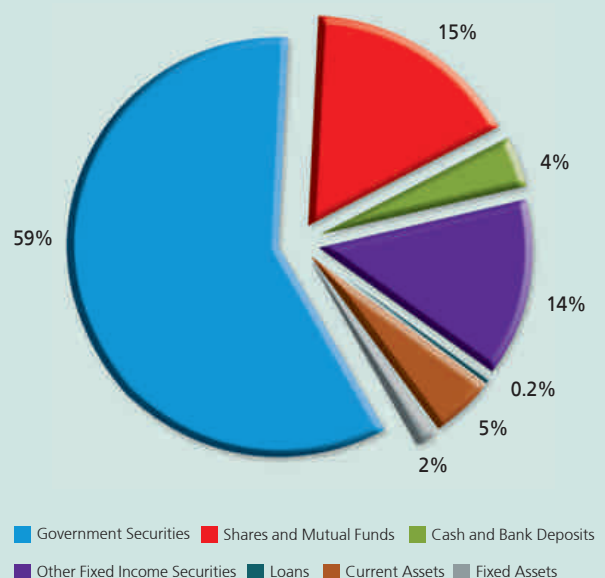
Capital Growth Fund – for single premium policies, and has provided an annualized return (net of all charges) of 12.87% over the last 5 years.

Aitemad Growth Fund – interest free investments, and has provided an annualized return (net of all charges) of 8.39% 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 over the last one year has provided annualized return (net of all charges) of 11.28% since inception.

The Company has a very strong balance sheet size with total assets increasing by 26.5% during the year at Rs. 28.03 billion (2010: Rs. 22.16 billion). The composition of assets is as follows:

ASSETS COMPOSITION



Profitability:

During the year, the Company's statutory funds showed good performance generating a surplus of Rs. 1.062 billion (2010: Rs 705 million), an impressive increase of 51%.

Out of this surplus, Rs. 859.8 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. 880.8 million (2010: Rs 551 million), up by 60%. The healthy increase in bottom line is attributed to improved underwriting experience and a lower amount of impairment in the value of certain strategic investments in the Shareholder's fund which had an adverse impact on the bottom line of the Company in 2010.

Product range:

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. The Company feels it has a comprehensive product range with the depth to reach into the main segments of our society.

Distribution Strengths:

The Company has three main distribution channels – Individual life sales force, Individual life bancassurance and Group Benefits. During the year the Company continued on the development of all its distribution channels.

A significant portion of the individual life business is generated by the agency sales force which operates out of 150 locations all across the country.

Bancassurance is the other distribution channel that has grown in significance for the Company over the last 6 years. The Company has the largest number of bank partners on board and added two more banks in 2011 to take the total number to 12.

The third and sizable distribution channel is the marketing force of Group Benefits. The growth in Group Benefits was impeded in 2011 because of slowdown in the industrial and corporate sector as well as overall sluggishness in the consumer banking business.

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 2011:

- Consumers Choice Award for Best Life Insurance, 2011 by Consumer Association of Pakistan (also received the award in 2008, 2009, 2010)
- First National Achiever's Award for the "Best Life Insurance Company" in the private sector
- Corporate Social Responsibility Award, 2011 by Helpline Trust (also received the award in 2007, 2008, 2009 & 2010)
- 6th CSR National Excellence Award 2011 by Help International Welfare Trust (also received the award in 2009 & 2010)
- Brand of the Year Award 2010 by Brands Foundation
- Global CEO Excellence Award 2011 by the Global Media Links and Business Milestones
- Revalidation of ISO-9001:2008 Certification

The Company's Insurer Financial Strength rating was reaffirmed once again in 2011 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 good medium to long term returns to our clients.

Technology:

Technology forms the backbone of all the business processes of the Company. During 2011, the Company was successful in implementing a document imaging and workflow system for its operations. This makes the Company the first business house in the country to have adopted this technology. The Company expects the system to greatly assist in record management as well as streamlining the operations processes to move towards a paperless business environment.

The second major technological achievement was the completion of the development for the Point of Sales system, which the Company intends to extensively use in its bancassurance channel. The Company expects to launch the system with multiple banks partners in 2012.

The Company is actively working on internet and mobile communication based tools to augment its sales process as well as further improve client servicing. The Company expects to launch some of these tools during 2012.

Launch of "PRIMUS"

Your Company launched a first-of-its-kind concept in the insurance industry of the country by launching PRIMUS – an exclusive service brand aimed at the high net worth clients of the Company. PRIMUS provides an exclusive customer service experience as well as other benefits such as discounts on travel packages, travel and health insurance, medical facilities and pharmacies. The Company aims to add further value to the brand proposition in the next 1 to 2 years.

Overseas life insurance markets:

During 2011, the Company has made headways in its strategy for exploring overseas markets for life insurance business. Working with International Finance Corporation, IFC, the World Bank Group, the Company is defining its strategy to create sustainable pockets of profitability in international markets over the next 3 to 5 years.

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. 6.80 (2010: Rs. 4.27)

Appropriation and Dividend:

Your Company's Profit after tax during the year amounted to Rs.578 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 5th April 2012.

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

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, health and environment. The Company continues its support through donations.

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. 336 million to the national exchequer in the form of Income Tax, Federal Excise Duty, Sales 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 20, 2011 for a term of three years expiring on June 21, 2014

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

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

Audit Committee:

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

1. Rafique R. Bhimjee (Chairman)
2. Muneer 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, 2011 were the following.

Provident Fund	Rs.141 Million
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Pension Fund	Rs. 76 Million
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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	55,809
<u>Sale of Shares</u>	-----

- k) The statement of shareholding in the Company as at 31 December 2011 is included with the Report.

One of the joint Auditors Messrs. Hyder Bhimji & Co Chartered Accountants, retires as they completed five years and, in accordance with the requirements of the Code of Corporate Governance, cannot continue. Messrs. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, retire and being willing to continue are recommended for reappointment as Auditor of the Company for the year 2012.

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, cooperation and understanding extended to us throughout the year.

HASANALI ABDULLAH
Director

SAIFUDDIN N. ZOOMKAWALA
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Key Financial Data for The Last Six Years

(Rupees '000)

	2011	2010	2009	2008	2007	2006 (Restated)
Gross premium	10 129 599	8 375 515	7 226 876	7 250 509	4 817 874	3 338 078
REVENUE ACCOUNT						
Premium - net of reinsurance	9 597 263	7 920 022	6 769 079	6 807 131	4 431 546	3 042 316
Interest and other income	2 817 408	1 667 882	1 604 864	2 005 337	1 882 987	717 288
	12 414 671	9 587 904	8 373 943	8 812 468	6 314 533	3 759 604
Claims less reinsurance	2 360 779	1 837 151	1 299 861	1 297 659	887 393	758 980
Commission and expenses	3 309 327	2 962 020	2 651 068	2 708 505	1 798 526	1 085 416
Provision for Appreciation / (Depreciation) on investments	(235 264)	60 106	1 603 394	(5 096 831)	(2 022 095)	(178 962)
Write back / (Provision) for doubtful debts on available for sale fixed income securities	(40 501)	13 932	6 712	(73 838)	-	-
Provision for impairment on available for sale equity investment	(39 257)	(213 721)	(185 168)	(914 012)	-	-
Capital contribution from shareholders' fund	-	-	-	599 615	(599 615)	-
Change in the statutory fund	5 548 728	4 098 015	5 200 231	(1 563 033)	4 815 579	1 398 477
Profit / (Loss) before tax	880 815	551 035	647 721	(314 959)	1 434 745	337 769
Provision for taxation	(302 450)	(187 800)	63 938	(158 200)	(227 453)	(101 800)
Profit / (Loss) after tax	578 365	363 235	711 659	(473 159)	1 207 292	235 969
BALANCE SHEET						
Investments	25 133 535	19 711 968	15 053 389	9 684 973	11 757 140	6 573 206
Cash & bank balances	1 141 457	826 325	1 365 803	1 425 424	949 466	683 275
Other assets	1 304 662	1 203 567	1 078 081	467 589	339 055	204 855
Fixed assets	450 410	420 875	350 208	308 345	269 589	238 892
	28 030 064	22 162 735	17 847 481	11 886 331	13 315 250	7 700 228
Issued, subscribed and paid-up capital	850 000	850 000	750 000	750 000	500 000	300 000
Accumulated surplus / (loss)	650 140	496 775	646 040	(65 619)	607 925	240 248
General reserve	232 500	232 500	232 500	570 000	170 000	190 000
Balance of statutory fund	24 414 209	18 865 481	14 767 466	9 567 235	11 130 268	6 314 689
Other liabilities	1 883 215	1 717 979	1 451 475	1 064 715	907 057	655 291
	28 030 064	22 162 735	17 847 481	11 886 331	13 315 250	7 700 228

ENHANCING PROSPERITY

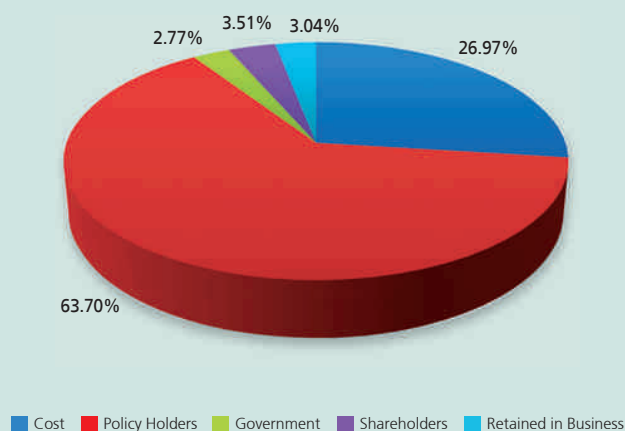
Key Operating and Financial Data

Six years summary		2011	2010	2009	2008	2007	2006
Financial Ratios							
Profitability							
Profit / (Loss) Before Tax / Gross Premium		9%	7%	9%	(4%)	30%	10%
Profit / (Loss) Before Tax / Net Premium		9%	7%	10%	(5%)	32%	11%
Profit / (Loss) After Tax / Gross Premium		6%	4%	10%	(7%)	25%	7%
Profit / (Loss) After Tax / Net Premium		6%	5%	11%	(7%)	27%	8%
Net Claims / Net Premium		25%	23%	19%	19%	20%	25%
Commission / Net premium		22%	25%	27%	30%	30%	23%
Acquisition Cost / Net Premium		29%	32%	34%	35%	35%	30%
Administration Expenses / Net premium		5%	5%	5%	5%	5%	5%
Change in PHL / Net Inflow		44%	43%	53%	(28%)	56%	36%
Net investment income / Net Premium		26%	21%	46%	(49%)	68%	15%
Return to Shareholders							
Return on Equity	%	33%	23%	44%	(38%)	94%	32%
Earnings / (loss) per share (pre tax)	Rupees	10.36	6.48	8.64	(4.19)	28.69	11.25
Earnings / (loss) per share (after tax) Diluted	Rupees	6.8	4.27	9.49	(6.31)	24.15	7.87
Price Earning Ratio -PAT	Times	11	17.67	14.49	(56.54)	25.63	30.49
Return on Asset	%	3%	2%	4%	(3%)	11%	4%
Market Value							
Face Value Per Share	Rupees	10	10	10	10	10	10
Breakup Value Per Share	Rupees	20.38	18.58	21.71	16.73	25.56	24.34
Mkt price per share (at end of the year)	Rupees	74.8	75.44	137.5	356.75	618.85	239.95
Cash Dividend per Share	Rupees	5	5	5.5	4.5	3	2
Cash Dividend %	%	50%	50%	55%	45%	30%	20%
Dividend Yield	%	7%	7%	4%	1%	0.48%	1%
Dividend Payout	%	74%	117%	58%	(71%)	12%	25%
Dividend Cover	Times	1.36	0.85	1.73	(1.40)	8.05	3.94
Bonus %		-	-	13%	-	50%	67%
Performance Liquidity							
Current Ratio		1.31	1.18	1.69	1.74	1.43	1.36
Total Liabilities / Equity	Times	15.18	13.03	9.96	8.53	9.43	9.54
Return On Capital Employed	%	51%	35%	40%	(25%)	112%	46%
Paidup Capital / Total Asset	%	3%	4%	4%	6%	4%	4%
Equity/ total Asset	%	6%	7%	9%	10%	10%	9%
Cashflow							
Net cashflow from operating Activity		3 938 800	3 217 244	2 815 026	2 804 917	1 707 444	1 225 226
Net cashflow from investing Activity		(3 198 668)	(3 344 222)	(2 537 147)	(2 178 959)	(1 381 422)	(955 540)
Net cashflow from financing Activity		(425 000)	(412 500)	(337 500)	(150 000)	(59 831)	(41 864)
Net change in cash and cash equivalent		1 141 457	826 325	1 365 803	1 425 424	949 466	683 275

Statement of Value Added

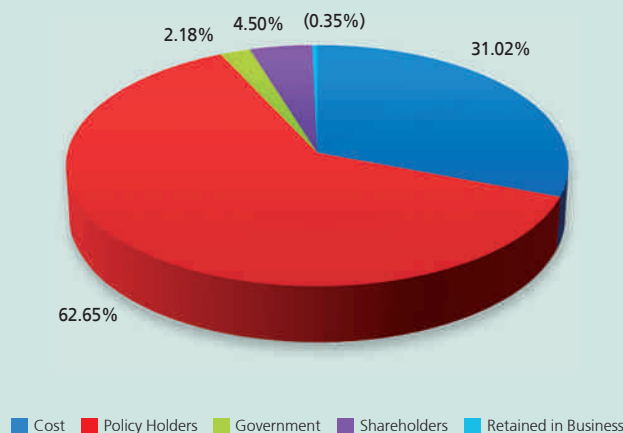
(Rupees in '000)

	<u>2011</u>
Revenue	
Premium	9 597 263
Investment	2 486 582
Other	15 804
	<u>12 099 649</u>
Cost	
Acquisition cost	2 796 553
Employee benefits	246 347
Other	220 909
	<u>3 263 809</u>
Policy Holders	
Claims and surrenders	2 360 779
Policy holders' movement	5 346 943
	<u>7 707 722</u>
Government	
Income & other taxes	317 027
Workers' welfare fund	18 139
	<u>335 166</u>
Shareholders	
Dividend	425 000
	<u>425 000</u>
Retained in Business	
Reserve	100 000
Earnings retained / (utilized)	53 365
Depreciation / Amortization	12 802
Statutory reserves - solvency margin	201 785
	<u>367 952</u>
Revenue	<u><u>12 099 649</u></u>



ENHANCING PROSPERITY

	(Rupees in '000)
	<u>2010</u>
Revenue	
Premium	7 920 022
Investment	1 510 038
Other	18 161
	<u>9 448 221</u>
Cost	
Acquisition cost	2 566 929
Employee benefits	182 549
Other	181 484
	<u>2 930 962</u>
Policy Holders	
Claims and surrenders	1 837 151
Policy holders' movement	4 082 123
	<u>5 919 274</u>
Government	
Income & other taxes	204 778
Workers' welfare fund	1 474
	<u>206 252</u>
Shareholders	
Dividend	425 000
	<u>425 000</u>
Retained in Business	
Reserve	-
Earnings retained / (utilized)	(61 765)
Depreciation / Amortization	12 606
Statutory reserves - solvency margin	15 892
	<u>(33 267)</u>
Revenue	<u><u>9 448 221</u></u>



Vertical Analysis

	2011		2010	
	Rupees in '000	%	Rupees in '000	%
Balance Sheet				
Net Equity	1 732 640	6.18	1 579 275	7.13
Statutory Fund	24 414 209	87.10	18 865 481	85.12
Current Liabilities	1 883 215	6.72	1 717 979	7.75
Total Equity & Liabilities	28 030 064	100	22 162 735	100.00
Total non-current assets	450 410	1.61	420 875	1.90
Investments	25 133 535	89.67	19 711 968	88.94
Current assets	2 446 119	8.73	2 029 892	9.16
Total assets	28 030 064	100	22 162 735	100.00
Revenue & Profit & Loss Account				
Net Income	12 099 649	100	9 448 221	100.00
Claims, Expenditures and Policy-holders Liabilities	(11 017 049)	(91)	(8 881 294)	(94.00)
Solvency Margin	(201 785)	(1.67)	(15 892)	(0.17)
Profit/ Loss before Tax	880 815	7.28	551 035	5.83
Income Tax expense	(302 450)	(2.50)	(187 800)	(1.99)
Profit / Loss after tax for the year	578 365	4.78	363 235	3.84

2009		2008		2007		2006	
Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
1 628 540	9.12	1 254 381	10.49	1 277 925	9.60	730 248	9.48
14 767 466	82.74	9 567 235	80.01	11 130 268	83.59	6 314 689	82.01
1 451 475	8.13	1 136 132	9.50	907 057	6.81	655 291	8.51
<u>17 847 481</u>	<u>100.00</u>	<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>
350 208	1.96	308 345	2.58	270 264	2.03	238 892	3.10
15 053 389	84.34	9 684 973	80.99	11 757 140	88.30	6 573 206	85.36
2 443 884	13.69	1 964 430	16.43	1 287 846	9.67	888 130	11.53
<u>17 847 481</u>	<u>100.00</u>	<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>
9 798 881	100.00	2 727 787	100.00	8 336 628	100.00	3 580 642	100.00
(9 148 701)	(93.36)	(3 040 156)	(111.45)	(6 866 194)	(82.36)	(3 119 517)	(87.12)
(2 459)	0.03	(2 590)	(0.09)	(35 689)	(0.43)	(123 356)	(3.45)
<u>647 721</u>	<u>6.61</u>	<u>(314 959)</u>	<u>(11.55)</u>	<u>1 434 745</u>	<u>17.21</u>	<u>337 769</u>	<u>9.43</u>
(63 938)	0.65	(158 200)	(5.80)	(227 453)	(2.73)	(101 800)	(2.84)
<u>711 659</u>	<u>7.26</u>	<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>

Horizontal Analysis

	2011	2010	2009	2008
	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000
Balance Sheet				
Net Equity	1 732 640	1 579 275	1 628 540	1 254 381
Statutory Fund	24 414 209	18 865 481	14 767 466	9 567 235
Current Liabilities	1 883 215	1 717 979	1 451 475	1 136 132
Total Equity & Liabilities	<u>28 030 064</u>	<u>22 162 735</u>	<u>17 847 481</u>	<u>11 957 748</u>
Total non-current assets	450 410	420 875	350 208	308 345
Investments	25 133 535	19 711 968	15 053 389	9 684 973
Current assets	2 446 119	2 029 892	2 443 884	1 964 430
Total assets	<u>28 030 064</u>	<u>22 162 735</u>	<u>17 847 481</u>	<u>11 957 748</u>
Revenue & Profit & Loss Account				
Net Income	12 099 649	9 448 221	9 798 881	2 727 787
Claims Expenditures and Policy-holders Liabilities	(11 017 049)	(8 881 294)	(9 148 701)	(3 040 156)
Solvency Margin	(201 785)	(15 892)	(2 459)	(2 590)
Profit / Loss before Tax	880 815	551 035	647 721	(314 959)
Income Tax expense	(302 450)	(187 800)	63 938	(158 200)
Profit / (Loss) for the year	<u>578 365</u>	<u>363 235</u>	<u>711 659</u>	<u>(473 159)</u>

2007	2006	2005	% increase / (decrease) over preceeding year					
			2011	2010	2009	2008	2007	2006
Rupees in '000	Rupees in '000	Rupees in '000						
1 277 925	730 248	536 279	9.71	(3.03)	29.83	(1.84)	75.00	36.17
11 130 268	6 314 689	4 916 212	29.41	27.75	54.35	(14.04)	76.26	28.45
907 057	655 291	515 883	9.62	18.36	27.76	25.25	38.42	27.02
<u>13 315 250</u>	<u>7 700 228</u>	<u>5 968 374</u>	<u>48.74</u>	<u>24.18</u>	<u>49.25</u>	<u>(10.20)</u>	<u>72.92</u>	<u>29.02</u>
270 264	238 892	217 928	7.02	20.18	13.58	14.09	13.13	9.62
11 757 140	6 573 206	5 156 704	27.50	30.95	55.43	(17.62)	78.86	27.47
1 287 846	888 130	593 742	20.50	(16.94)	24.41	52.54	45.01	49.58
<u>13 315 250</u>	<u>7 700 228</u>	<u>5 968 374</u>	<u>55.03</u>	<u>24.18</u>	<u>49.25</u>	<u>(10.20)</u>	<u>72.92</u>	<u>29.02</u>
8 336 628	3 580 642	3 146 410	28.06	(3.58)	259.22	(67.28)	132.82	13.80
(6 866 194)	(3 119 517)	(2 777 378)	24.05	(2.92)	200.93	(55.72)	120.10	12.32
(35 689)	(123 356)	(72 818)	1169.73	546.28	(5.06)	(92.74)	(71.07)	69.40
1 434 745	337 769	296 214	59.85	(14.93)	305.65	(121.95)	324.77	14.03
(227 453)	(101 800)	(100 347)	61.05	(393.72)	140.42	(30.45)	123.43	1.45
<u>1 207 292</u>	<u>235 969</u>	<u>195 867</u>	<u>59.23</u>	<u>(48.96)</u>	<u>250.41</u>	<u>(139.19)</u>	<u>411.63</u>	<u>20.47</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. All the Directors were elected on 20 June 2011 for the three year's term effective 22 June 2011. The following changes occurred on the Board of the Company.
 - i. Mr. Rafique Bhimjee was elected as Chairman in July 2011.
 - ii. Mr. Heinz Walter Dollberg was elected as Director in place of Mr. Sultan Ahmed.
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 27, 2011 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and condition of employment, as determined by the Chief Executive Officer. No new appointment in the given position were made 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.
 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

SAIFUDDIN N. ZOOMKAWALA
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
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 2011, 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 2011.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Hyder Bhimji & Co.
Chartered Accountants

Karachi March 10, 2012

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) statement of cash flows;
- 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 2011 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 2011, 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 10, 2012

Hyder Bhimji & Co.
Chartered Accountants

Audit Engagement Partner: Hyder Ali Bhimji

Balance Sheet As At 31 December 2011

(Rupees '000)

Note	Shareholders' Fund	Statutory Funds				Aggregate 2011	Aggregate 2010	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business			
Share capital and reserves								
	Authorised share capital [100 000 000 ordinary shares (2010: 100 000 000) of Rs. 10 each]	1 000 000				1 000 000	1 000 000	
8	Issued, subscribed and paid up share capital	850 000				850 000	850 000	
	Accumulated surplus	650 140				650 140	496 775	
	General reserve	232 500				232 500	232 500	
	Net shareholders' equity	1 732 640				1 732 640	1 579 275	
Balance of statutory fund [including policyholders' liabilities Rs. 23 921 million (2010: Rs. 18 574 million)]								
10		–	23 987 418	407 741	14 995	4 055	24 414 209	18 865 481
11	Deferred taxation	11 750					11 750	11 800
Creditors and accruals								
12	Outstanding claims	261 847	359 496	–	894	622 237	514 710	
	Premiums received in advance	430 391	32 832	756	534	464 513	418 578	
	Amounts due to reinsurers	28 315	24 529	278	1 027	54 149	37 477	
	Amounts due to agents	266 783	28 568	5	160	295 516	243 694	
	Accrued expenses	515	118 659	–	43	127 668	106 836	
	Unclaimed dividend	8 728				8 728	5 206	
13	Other creditors and accruals	17 480	47 228	3 112	–	67 843	55 653	
	Inter-fundpayable	–	221 857	5 586	2 601	767	230 811	324 025
	Total liabilities	26 723	1 375 080	462 574	3 640	3 448	1 871 465	1 706 179
	Contingency							
	Total equity and liabilities	1 771 113	25 362 498	870 315	18 635	7 503	28 030 064	22 162 735

ENHANCING PROSPERITY

(Rupees '000)

Note	Statutory Funds					Aggregate 2011	Aggregate 2010	
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business			
Cash and bank deposits	15							
Policy stamps in hand		–	10,120	283	–	–	10,403	3,623
Current and other accounts		36,321	533,556	231,294	4,491	2,392	808,054	752,702
Deposits maturing within 12 months		–	235,000	88,000	–	–	323,000	70,000
		36,321	778,676	319,577	4,491	2,392	1,141,457	826,325
Loans	16							
To employees - secured		47,937	–	–	–	–	47,937	44,776
To employees and agents- unsecured		8,553	–	–	–	–	8,553	10,807
		56,490	–	–	–	–	56,490	55,583
Investments	17							
Government securities		502,135	15,898,131	273,613	6,736	954	16,681,569	10,679,895
Other fixed income securities		60,753	3,564,691	171,265	3,513	2,846	3,803,068	4,212,481
Listed equities and mutual funds		233,759	4,377,239	33,781	3,611	–	4,648,390	4,819,084
Unlisted equities		508	–	–	–	–	508	508
		797,155	23,840,061	478,659	13,860	3,800	25,133,535	19,711,968
Current assets - others	18							
Premiums due but unpaid		–	–	40,529	–	–	40,529	28,860
Amounts due from reinsurers		–	14,283	1,991	–	–	16,274	86,159
Prepayments		–	13,597	2,778	–	22	16,397	11,772
Sundry receivables		–	11,296	925	–	6	12,227	15,589
Investment income accrued		9,053	653,763	19,858	284	1,250	684,208	478,105
Taxation - provision less payments		190,873	–	–	–	–	190,873	171,683
Advances and deposits		–	50,822	5,998	–	33	56,853	31,791
Inter-fund receivable		230,811	–	–	–	–	230,811	324,025
		430,737	743,761	72,079	284	1,311	1,248,172	1,147,984
Fixed assets	19							
Tangible assets								
Leased hold land		126,505	–	–	–	–	126,505	126,505
Furniture, fixtures, office equipment and vehicles		257,683	–	–	–	–	257,683	232,617
Capital work in progress		56,824	–	–	–	–	56,824	60,687
Intangible (Computer software)		9,398	–	–	–	–	9,398	1,066
		450,410	–	–	–	–	450,410	420,875
Total assets		<u>1,771,113</u>	<u>25,362,498</u>	<u>870,315</u>	<u>18,635</u>	<u>7,503</u>	<u>28,030,064</u>	<u>22,162,735</u>

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

HASANALI ABDULLAH
Director

SAIFUDDIN N. ZOOMKAWALA
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Profit and Loss Account For The Year Ended 31 December 2011

(Rupees '000)

	Note	Aggregate 2011	Aggregate 2010
Investment income not attributable to statutory funds			
Return on government securities		39 419	21 091
Return on other fixed income securities and deposits		12 156	15 237
Dividend income		13 797	20 827
		65 372	57 155
Gain on disposal of available-for-sale investments		1 727	–
Provision for impairment in the value of available for sale investments		(37 307)	(204 131)
Net investment income / (loss)		29 792	(146 976)
Other revenue	22	15 804	18 161
		45 596	(128 815)
Expenses not attributable to statutory funds	23	(24 562)	(9 468)
		21 034	(138 283)
Surplus transferred from statutory funds		859 781	689 318
Profit before tax		880 815	551 035
Taxation	24	(302 450)	(187 800)
Profit after tax		578 365	363 235
Earnings per share - basic and diluted	26	6.80	4.27

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

HASANALI ABDULLAH
Director

SAIFUDDIN N. ZOOMKAWALA
Director

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Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

ENHANCING PROSPERITY

Statement of Changes in Equity For The Year Ended 31 December 2011

(Rupees '000)

	Share Capital	General Reserve	Accumulated Surplus	Total
Balance as at 1 January 2010	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 for the year	-	-	363 235	363,235
Balance as at 31 December 2010	850 000	232 500	496 775	1,579,275
Changes in equity for 2011				
Dividend for the year 2010	-	-	(425 000)	(425 000)
Profit for the year	-	-	578 365	578 365
Balance as at 31 December 2011	<u>850 000</u>	<u>232 500</u>	<u>650 140</u>	<u>1 732 640</u>

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

HASANALI ABDULLAH
Director

SAIFUDDIN N. ZOOMKAWALA
Director

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Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Statement of Cash Flows

For The Year Ended 31 December 2011

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010	
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)			Accident & Health Business
Operating cash flows							
a) Underwriting activities							
Premiums received		8 783 485	1 376 997	1 376	2 007	10 163 865	8 480 973
Reinsurance premiums paid		(59 066)	(15 166)	34	1 343	(72 855)	(122 263)
Claims paid		(229 795)	(804 754)	-	(507)	(1 035 056)	(882 137)
Surrenders paid		(1 580 027)	-	(1 780)	-	(1 581 807)	(1 291 118)
Commissions paid		(1 831 622)	(235 839)	(50)	(329)	(2 067 840)	(1 939 057)
Net cash generated from / (used in) underwriting activities		5 082 975	321 238	(420)	2 514	5 406 307	4 246 398
b) Other operating activities							
Income tax paid	(321 690)	-	-	-	-	(321 690)	(129 295)
General management expenses paid	(25 137)	(1 014 213)	(94 419)	(101)	(427)	(1 134 297)	(907 711)
Other operating payments	(5 838)	(44 435)	(89 563)	-	(4 564)	(144 400)	(34 371)
Other operating receipts	140 585	17 356	-	2 171	-	160 112	42 090
Loans advanced	(19 606)	-	-	-	-	(19 606)	(39 448)
Loan repayments received	18 699	-	-	-	-	18 699	42 880
Other payments on operating assets	-	(22 317)	(3 981)	-	(27)	(26 325)	(3 299)
Net cash generated from / (used in) other operating activities	(212 987)	(1 063 609)	(187 963)	2 070	(5 018)	(1 467 507)	(1 029 154)
Total cash generated from / (used in) all operating activities	(212 987)	4 019 366	133 275	1 650	(2 504)	3 938 800	3 217 244
Investment activities							
Profit / return received	64 209	2 025 609	60 987	1 429	337	2 152 571	1 567 370
Dividends received	13 797	361 003	850	334	-	375 984	272 909
Payments for investments	(216 081)	(5 682 320)	-	-	-	(5 898 401)	(5 734 660)
Proceeds from disposal of investments	10 614	137 231	86 470	1 732	5 035	241 082	653 630
Fixed capital expenditure	(76 698)	-	-	-	-	(76 698)	(117 496)
Proceeds from disposal of fixed assets	6 794	-	-	-	-	6 794	14 025
Total cash generated from / (used in) investing activities	(197 365)	(3 158 477)	148 307	3 495	5 372	(3 198 668)	(3 344 222)
Financing activities							
Surplus appropriated to shareholders' fund	859 781	(822 560)	(33 053)	(2 719)	(1 449)	-	-
Dividends paid	(425 000)	-	-	-	-	(425 000)	(412 500)
Total cash generated from / (used in) financing activities	434 781	(822 560)	(33 053)	(2 719)	(1 449)	(425 000)	(412 500)
Net cash generated from / (used in) all activities	24 429	38 329	248 529	2 426	1 419	315 132	(539 478)
Cash at beginning of the year	11 892	740 347	71 048	2 065	973	826 325	1 365 803
Cash at end of the year	36 321	778 676	319 577	4 491	2 392	1 141 457	826 325
Reconciliation to profit and loss account							
Operating cash flows						3 938 800	3 217 244
Depreciation						(40 789)	(35 534)
Amortization						(3 060)	(3 890)
Profit on disposal of fixed assets						3 480	6 620
Other revenue						12 324	11 541
Investment revenue						2 722 334	1 932 489
(Diminution) / appreciation in market value of investments						(203 025)	78 406
Provision for impairment in the value of available for sale investments						(39 257)	(213 721)
Provision for doubtful debt investment						(40 501)	13 932
Profit / (loss) on sale of investments						47 031	(301 068)
Increase in assets other than cash						(105 008)	21 735
Increase in liabilities						(5 713 964)	(4 364 519)
Profit after taxation						578 365	363 235

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

HASANALI ABDULLAH
Director

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Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

ENHANCING PROSPERITY

Revenue Account For The Year Ended 31 December 2011

(Rupees '000)

	Note	Statutory Funds				Aggregate 2011	Aggregate 2010
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Income							
Premiums less reinsurances		8 572 363	1 021 674	1 414	1 812	9 597 263	7 920 022
Net investment income		2 395 382	58 942	1 734	732	2 456 790	1 657 014
Total net income		10 967 745	1 080 616	3 148	2 544	12 054 053	9 577 036
Claims and expenditure							
Claims net of reinsurance recoveries		1 787 950	570 979	1 743	107	2 360 779	1 837 151
Management expenses		2 944 664	339 158	160	783	3 284 765	2 952 552
Total claims and expenditure		4 732 614	910 137	1 903	890	5 645 544	4 789 703
Excess of income over claims and expenditure		6 235 131	170 479	1 245	1 654	6 408 509	4 787 333
Add : policyholders' liabilities at beginning of the year		18 307 248	246 427	16 469	3 686	18 573 830	14 491 707
Less : policyholders' liabilities at end of the year	9.2	23 650 350	252 050	14 846	3 527	23 920 773	18 573 830
		(5 343 102)	(5 623)	1 623	159	(5 346 943)	(4 082 123)
Surplus before tax		892 029	164 856	2 868	1 813	1 061 566	705 210
Movement in policyholders' liabilities		5 343 102	5 623	(1 623)	(159)	5 346 943	4 082 123
Transfer of surplus to shareholders' fund		(822 560)	(33 053)	(2 719)	(1 449)	(859 781)	(689 318)
Balance of statutory funds at beginning of the year		18 574 847	270 315	16 469	3 850	18 865 481	14 767 466
Balance of statutory funds at end of the year		23 987 418	407 741	14 995	4 055	24 414 209	18 865 481
Represented by:							
Policyholders' liabilities	9.2	23 650 350	252 050	14 846	3 527	23 920 773	18 573 830
Retained earnings on other than participating business		337 068	155 691	149	528	493 436	291 651
Balance of statutory funds	10	23 987 418	407 741	14 995	4 055	24 414 209	18 865 481

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

RAFIQUE R. BHIMJEE
Chairman

Statement of Premiums For The Year Ended 31 December 2011

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Gross premiums						
Regular premium individual policies*						
First year	2 831 978	3 974	–	372	2 836 324	2 451 093
Second year renewal	1 788 635	2 275	–	83	1 790 993	1 335 769
Subsequent year renewal	4 040 270	5 591	1 473	2 059	4 049 393	3 202 210
Single premium individual policies	86 526	–	–	–	86 526	141 968
Group policies without cash values	–	1 366 363	–	–	1 366 363	1 244 475
Total gross premiums	8 747 409	1 378 203	1 473	2 514	10 129 599	8 375 515
Less: Reinsurance premiums ceded						
On individual life first year business	25 379	522	–	14	25 915	30 127
On individual life second year business	23 876	955	–	31	24 862	19 174
On individual life renewal business	125 791	2 502	59	657	129 009	121 904
On group policies	–	352 550	–	–	352 550	284 288
Total reinsurance premium ceded	175 046	356 529	59	702	532 336	455 493
Net premiums	8 572 363	1 021 674	1 414	1 812	9 597 263	7 920 022

* 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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Director

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ENHANCING PROSPERITY

Statement of Claims For The Year Ended 31 December 2011

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Gross claims						
Claims under individual policies						
by death	255 749	14 860	–	–	270 609	194 243
by insured event other than death	13 145	–	–	657	13 802	12 149
by maturity	28 001	–	–	–	28 001	30 504
by surrender	1 580 027	–	1 780	–	1 581 807	1 291 118
Total gross individual policy claims	1 876 922	14 860	1 780	657	1 894 219	1 528 014
Claims under group policies						
by death	–	652 645	–	–	652 645	547 623
by insured event other than death	–	66 880	–	–	66 880	29 151
experience refund	–	110 646	–	–	110 646	66 682
Total gross group claims	–	830 171	–	–	830 171	643 456
Total gross claims	1 876 922	845 031	1 780	657	2 724 390	2 171 470
Less: Reinsurance recoveries						
On individual life first year business	16 701	12 824	–	4	29 529	12 437
On individual life second year business	9 248	–	–	–	9 248	4 166
On individual life subsequent renewal business	36 968	–	–	475	37 443	31 544
On group claims	–	218 132	–	–	218 132	204 614
On experience refund of premiums	26 055	43 096	37	71	69 259	81 558
Total reinsurance	88 972	274 052	37	550	363 611	334 319
Net claims	1 787 950	570 979	1 743	107	2 360 779	1 837 151

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

HASANALI ABDULLAH
Director

SAIFUDDIN N. ZOOMKAWALA
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Statement of Expenses For The Year Ended 31 December 2011

(Rupees '000)

	Note	Statutory Funds				Aggregate 2011	Aggregate 2010
		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		1 397 950	1 303	-	158	1 399 411	1 281 015
- commission on second year premiums		169 824	223	-	36	170 083	125 602
- commission on subsequent renewal premiums		101 330	142	37	95	101 604	87 018
- commission on single premiums		1 731	-	-	-	1 731	2 991
- override commission		208 203	405	14	69	208 691	165 440
- other benefits to insurance intermediaries		308 337	507	64	107	309 015	263 054
		<u>2 187 375</u>	<u>2 580</u>	<u>115</u>	<u>465</u>	<u>2 190 535</u>	<u>1 925 120</u>
Remuneration to insurance intermediaries on group policies:							
- commission		-	238 142	-	-	238 142	331 491
- other benefits to insurance intermediaries		-	24 737	-	-	24 737	21 746
		<u>-</u>	<u>262 879</u>	<u>-</u>	<u>-</u>	<u>262 879</u>	<u>353 237</u>
Branch overheads	20	288 977	7 274	45	77	296 373	246 875
Other acquisition costs							
- Policy stamps		46 279	484	-	3	46 766	41 697
Total acquisition cost		<u>2 522 631</u>	<u>273 217</u>	<u>160</u>	<u>545</u>	<u>2 796 553</u>	<u>2 566 929</u>
Administration expenses							
Salaries and other benefits		204 950	41 268	-	129	246 347	182 549
Travelling expenses		52 805	2 143	-	5	54 953	45 441
Actuary's fees		5 508	488	-	4	6 000	5 700
Medical fees		12 863	1 081	-	-	13 944	13 341
Legal and professional fee		9 510	820	-	6	10 336	9 867
Advertisements and publicity		7 735	692	-	5	8 432	15 218
Computer expenses		3 838	391	-	3	4 232	2 718
Printing and stationery		18 359	2 351	-	10	20 720	16 057
Depreciation	19.3	8 305	1 432	-	5	9 742	8 716
Amortisation		2 808	249	-	3	3 060	3 890
Rental		10 518	2 898	-	6	13 422	11 450
Exchange gain		(3 242)	-	-	-	(3 242)	(1 540)
Postage		25 171	3 083	-	16	28 270	14 305
Fees and Subscription		19 100	2 506	-	13	21 619	15 430
Other management expenses	21	52 881	6 776	-	33	59 690	55 271
Gross management expenses		<u>2 953 740</u>	<u>339 395</u>	<u>160</u>	<u>783</u>	<u>3 294 078</u>	<u>2 965 342</u>
Commission from reinsurers		(9 076)	(237)	-	-	(9 313)	(12 790)
Net management expenses		<u>2 944 664</u>	<u>339 158</u>	<u>160</u>	<u>783</u>	<u>3 284 765</u>	<u>2 952 552</u>

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HASANALI ABDULLAH
Director

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Director

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Managing Director &
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Chairman

ENHANCING PROSPERITY

Statement of Investment Income For The Ended 31 December 2011

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Investment income						
On government securities	1 592 260	31 951	835	211	1 625 257	931 809
On other fixed income securities and deposits	639 868	29 851	562	526	670 807	693 368
Dividend income	361 003	850	334	–	362 187	252 082
Amortisation of discount / (premium)	32 360	(66)	(50)	(5)	32 239	18 300
	<u>2 625 491</u>	<u>62 586</u>	<u>1 681</u>	<u>732</u>	<u>2 690 490</u>	<u>1 895 559</u>
Gain / (loss) on sale of investments						
Shares and mutual fund units	44 460	822	22	–	45 304	(301 068)
(Loss) / Gain on revaluation of investments						
Government securities	419 125	–	369	–	419 494	(330 675)
Other fixed income securities	62 957	–	101	–	63 058	46 725
Listed equities securities and mutual fund units	(717 377)	–	(439)	–	(717 816)	344 056
	<u>(235 295)</u>	<u>–</u>	<u>31</u>	<u>–</u>	<u>(235 264)</u>	<u>60 106</u>
Provision for impairment in value of investments						
Available-for-sale fixed income securities	(37 489)	(3 012)	–	–	(40 501)	13 932
Available-for-sale equity securities and mutual fund units	(496)	(1 454)	–	–	(1 950)	(9 590)
	<u>(37 985)</u>	<u>(4 466)</u>	<u>–</u>	<u>–</u>	<u>(42 451)</u>	<u>4 342</u>
	<u>2 396 671</u>	<u>58 942</u>	<u>1 734</u>	<u>732</u>	<u>2 458 079</u>	<u>1 658 939</u>
Less : Investment related expense	(1 289)	–	–	–	(1 289)	(1 925)
Net investment income	<u><u>2 395 382</u></u>	<u><u>58 942</u></u>	<u><u>1 734</u></u>	<u><u>732</u></u>	<u><u>2 456 790</u></u>	<u><u>1 657 014</u></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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Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Notes to the Financial Statements

For The Year Ended 31 December 2011

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 described below:

New and amended standards and interpretations

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

IAS 24 - Related Party Disclosures (Revised)

IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 - Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests
- Un-replaced and voluntarily replaced share-based payment awards

IFRS 7 - Financial Instruments: Disclosures

- Clarification of disclosures

IAS 1 - Presentation of Financial Statements

- Clarification of statement of changes in equity

IAS 27 - Consolidated and Separate Financial Statements

- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements

IAS 34 - Interim Financial Reporting

- Significant events and transactions

IFRIC 13 - Customer Loyalty Programmes

- Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the 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 19.1 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. Gains 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 derecognised 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 derecognised 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 and underlying actuarial assumptions	5.4, 9 & 28.3
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)
IFRS 7 - Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about transfers of financial assets	01 July 2011
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 – Employee Benefits –(Amendment)	01 January 2013

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

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

8. Share Capital

(Rupees '000)

<u>2011</u> (Number of Shares)	<u>2010</u>		<u>2011</u>	<u>2010</u>
15 000 000	15 000 000	Issued, subscribed and paid-up		
		Ordinary shares of Rs 10 each issued for cash	150 000	150 000
70 000 000	70 000 000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	700 000	700 000
<u>85 000 000</u>	<u>85 000 000</u>		<u>850 000</u>	<u>850 000</u>

8.1 As of balance sheet date 52 944 692 (2010: 53 056 406) ordinary shares of Rs.10/- each were held by the associated companies.

9. Policyholders' liabilities

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
9.1 Gross of reinsurance						
Actuarial liability relating to future events	23 689 381	298 271	14 895	3 986	24 006 533	18 625 294
Provision for outstanding reported claims payable over a period exceeding twelve months	156 226	28 409	–	–	184 635	144 689
Provision for incurred but not reported claims	27 962	73 233	–	–	101 195	79 332
	<u>23 873 569</u>	<u>399 913</u>	<u>14 895</u>	<u>3 986</u>	<u>24 292 363</u>	<u>18 849 315</u>
9.2 Net of reinsurance						
Actuarial liability relating to future events	23 538 113	195 348	14 846	3 527	23 751 834	18 440 098
Provision for outstanding reported claims payable over a period exceeding twelve months	89 617	5 101	–	–	94 718	78 937
Provision for incurred but not reported claims	22 620	51 601	–	–	74 221	54 795
	<u>23 650 350</u>	<u>252 050</u>	<u>14 846</u>	<u>3 527</u>	<u>23 920 773</u>	<u>18 573 830</u>

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10. Reconciliation of statutory funds

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Policyholders' liabilities						
Balance at beginning of the year	18 307 248	246 427	16 469	3 686	18 573 830	14 491 707
Increase / (Decrease) during the year	5 343 102	5 623	(1 623)	(159)	5 346 943	4 082 123
Balance at end of the year	23 650 350	252 050	14 846	3 527	23 920 773	18 573 830
Retained earnings on other than participating business						
Balance at beginning of the year	267 599	23 888	–	164	291 651	275 759
Surplus for the year	892 029	164 856	2 868	1 813	1 061 566	705 210
Surplus appropriated to shareholders' fund	(822 560)	(33 053)	(2 719)	(1 449)	(859 781)	(689 318)
Balance at end of the year (refer note no. 10.1)	337 068	155 691	149	528	493 436	291 651
Balance of statutory funds	23 987 418	407 741	14 995	4 055	24 414 209	18 865 481

10.1 Subsequent to the year end, the SECP has issued amendments to the SEC (Insurance) Rules, 2002, which includes revision in the solvency margin requirements for life insurers. Keeping in view such future solvency requirements, the Company has retained an aggregate amount of Rs. 466 million (2010: Rs. 267 million) in the Statutory Funds, based on the advice of the appointed actuary.

(Rupees '000)

	Note	2011	2010
11. Deferred tax liability			
Deferred tax liability arising in respect of:			
Accelerated tax depreciation		11 750	11 800
12. Outstanding claims			
Investment linked business	12.1	261 847	194 747
Conventional business	12.2	359 496	319 219
Accident and health business	12.3	894	744
		622 237	514 710
12.1 Investment linked business			
Outstanding claims at the beginning of the year		194 747	154 964
Cash paid during the year		(1 809 822)	(1 486 764)
Net increase in liabilities due to current year claims		1 876 922	1 526 547
Outstanding claims at the end of the year		261 847	194 747

(Rupees '000)

	Note	2011	2010
12.2 Conventional business			
Outstanding claims at the beginning of the year		319 219	358 997
Cash paid during the year		(804 754)	(683 941)
Net increase in liabilities due to current year claims		845 031	664 163
Outstanding claims at the end of the year		359 496	319 219
12.3 Accident & Health Business			
Outstanding claims at the beginning of the year		744	2 533
Cash paid during the year		(507)	(2 549)
Net increase in liabilities due to current year claims		657	760
Outstanding claims at the end of the year		894	744

13. Other creditors and accruals

(Rupees '000)

	Statutory Funds					Aggregate 2011	Aggregate 2010
	Share holders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Staff Bonus payable	–	30 737	2 722	–	20	33 479	26 179
Payable to Workers' Welfare Fund	17 452	–	–	–	–	17 452	23 289
Medical fee payable	–	1 618	143	–	1	1 762	1 444
Sundry creditors payable	–	428	38	–	–	466	1 012
Withholding tax payable	–	414	35	–	–	449	931
Others	28	14 031	174	–	2	14 235	2 798
Total	17 480	47 228	3 112	–	23	67 843	55 653

14. Contingency

In the year 2010, an order under section 122(5A) of the Income Tax Ordinance, 2001 had 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 on account of treatment of capital gain which was claimed as a tax exemption by the Company. 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.

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		(Rupees '000)	
	Note	2011	2010
15. Cash and bank deposits			
Policy stamps in hand		10 403	3 623
Current and other accounts			
Cash at bank - PLS saving accounts	15.1	699 137	673 714
Cash at Bank - Current accounts		108 917	78 988
		808 054	752 702
Deposits maturing within 12 months			
Term deposit receipts	15.2	323 000	70 000
		<u>1 141 457</u>	<u>826 325</u>

15.1 These carry mark-up ranging from 6% to 11% (December 31, 2010: 6% to 11%) per annum and include balance of Rs.18.261 million (December 31, 2010: Rs. 7.789 million) held with JS Bank Limited (a related party).

15.2 These have tenure of one month to three months (December 31, 2010: three month) and carry mark-up at the rate 10.85% to 12.50% (December 31, 2010: 12.1%).

		(Rupees '000)	
		2011	2010
16. Loans			
To employees - secured	16.1	47 937	44 776
To employees and agents - unsecured	16.2	8 553	10 807
		<u>56 490</u>	<u>55 583</u>

16.1 This represent housing and vehicle loans to employees at the interest rate ranging between 8% to 12.5% (December 31, 2010: 8% to 12.5%) per annum. These loans are recoverable over a period of one to ten years (2010: 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, 2010: 8% to 12.5%) per annum. These loans are recoverable over a period of one to seven years (2010: one to seven years).

		(Rupees '000)	
		2011	2010
17. Investments			
Government securities	17.1	16 681 569	10 679 895
Other fixed income securities	17.2	3 803 068	4 212 481
Listed equity securities and mutual fund units	17.3	4 648 390	4 819 084
Unlisted equity securities	17.4	508	508
		<u>25 133 535</u>	<u>19 711 968</u>

17.1. Government Securities

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds				Aggregate 2011	Aggregate 2010
				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						-	678,227
6 Months Treasury Bills	2012	11.67-11.85	-	143,122	47,101	-	954	191,177	-
12 Months Treasury Bills	2012	11.82-13.31	299,316	390,960	57,887	-	-	748,163	-
3 Years Pakistan Investment Bonds	2014	11.25	-	47,909		-	-	47,909	-
5 Years Pakistan Investment Bonds	2012-16	9.3-11.5	92,244	241,935	29,886	-	-	364,065	128,035
8 Years WAPDA Sukuk Certificates	2012	14.1	57,500	-	-	-	-	57,500	57,500
10 Years Pakistan Investment Bonds	2012-18	8.0-12	42,183	234,375	138,739	-	-	415,297	534,064
15 Years Pakistan Investment Bonds	2019	9	10,892	-	-	-	-	10,892	10,986
20 Years Pakistan Investment Bonds	2024	10	-	54,659	-	-	-	54,659	54,697
			502,135	1,112,960	273,613	-	954	1,889,662	1,463,509
Available for sale (at fair value)									
3 Months Treasury Bills	2011	12.7 - 13.64						-	2,832,884
3 Months Treasury Bills	2012	11-11.91	-	348,063	-	-	-	348,063	
6 Months Treasury Bills	2012	11.88-12.04	-	1,569,463	-	2,381	-	1,571,844	
12 Months Treasury Bills	2011	12.3	-					-	377,778
12 Months Treasury Bills	2012	12.04-12.07	-	3,825,146	-	-	-	3,825,146	
GOP Ijara Sukuk Bonds	2013-14	11.76-11.94	-	123,000	-	-	-	123,000	35,000
3 Years Pakistan Investment Bonds	2014	11.25	-	726,354	-	-	-	726,354	-
5 Years Pakistan Investment Bonds	2012	9.3-11.5	-	1,978,688	-	-	-	1,978,688	159,492
10 Years Pakistan Investment Bonds	2010-18	8.0-14	-	5,777,191	-	2,734	-	5,779,925	5,412,115
15 Years Pakistan Investment Bonds	2019	9	-	120,972	-	-	-	120,972	110,992
20 Years Pakistan Investment Bonds	2024	10	-	316,294	-	1,621	-	317,915	288,125
			-	14,785,171	-	6,736	-	14,791,907	9,216,386
			502,135	15,898,131	273,613	6,736	954	16,681,569	10,679,895

17.1.1 Market value of the government securities carried at amortized cost amounted to Rs. 1,766.42 million (2010: Rs. 1,390.32 million).

17.1.2 Government securities includes Rs.87 million (2010: Rs. 87 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

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17.2 Other fixed income securities

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds				Aggregate 2011	Aggregate 2010
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Held-to-maturity (at amortised cost)									
Term Finance Certificates									
Allied Bank Limited 2nd Issue	2019	14.23	-	24 980	24 980	-	-	49 960	49 980
Allied Bank Limited.	2014	13.86	-	-	9 980	-	-	9 980	9 984
Askari Commercial Bank Limited 2nd Issue	2013	15.19	9 986	-	19 974	-	-	29 960	29 972
Azgard Nine Limited	2014	14.21	-	-	7 674	-	1 097	8 771	11 695
Bank Alfalah Limited 3rd Issue	2013	13.42	-	-	24 152	-	-	24 152	23 694
Faysal Bank Limited	2014	13.31	-	-	20 088	-	-	20 088	20 142
Faysal Bank Limited	2013	15.26	-	4 999	-	-	250	5 249	7 884
NIB Bank Limited	2016	14.53	-	51 994	-	-	-	51 994	51 962
Optimus Limited.	2012	14.04	33 287	-	-	-	-	33 287	49 940
Pakistan Mobile Communication Private Limited. 3rd issue	2013	14.76	-	-	10 000	-	-	10 000	10 000
Soneri Bank Limited.	2013	13.50	-	-	18 332	-	1 499	19 831	26 062
Standard Chartered Bank (Pakistan) Limited - 3rd issue	2013	15.81	17 480	-	-	-	-	17 480	23 710
United Bank Limited 2nd issue	2013	9.49	-	34 109	4 943	-	-	39 052	38 729
United Bank Limited 4th Issue	2018	14.73	-	53 618	34 154	-	-	87 772	87 605
			60 753	169 700	174 277	-	2 846	407 576	441 359
Available-for-sale (at fair value)									
Term Finance Certificates									
Agritech Limited	2013	15.02	-	17 486	-	-	-	17 486	26 229
Al-Abbas Sugar Mills Limited	2013	13.67	-	11 870	-	-	-	11 870	17 708
Allied Bank Limited	2014	13.86	-	257 082	-	-	-	257 082	252 066
Allied Bank Limited 2nd Issue	2019	14.23	-	47 378	-	-	-	47 378	48 079
Askari Commercial Bank Limited 1st issue	2013	14.87	-	160 214	-	498	-	160 712	160 004
Askari Commercial Bank Limited 2nd issue	2013	15.19	-	155 876	-	-	-	155 876	153 421
Askari Commercial Bank Limited 3rd Issue	2019	14.41	-	51 148	-	-	-	51 148	50 730
Azgard Nine Limited	2012	15.81	-	16 251	-	-	-	16 251	26 622
Azgard Nine Limited PPTFC	2014	14.21	-	79 971	-	-	-	79 971	106 628
Bank Al Habib Limited 1st Issue	2012	10.00	-	25 977	-	-	-	25 977	40 711
Bank Al Habib Limited 2nd Issue	2015	15.33	-	245 353	-	-	-	245 353	249 183
Sub Total Carry forward				1 068 606	-	498	-	1 069 104	1 137 381

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds			Aggregate 2011	Aggregate 2010
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked) Accident & Health Business		
Sub Total Brought forward			-	1 068 606	-	498	1 069 104	1 137 381
Bank Al Habib Limited PPTFC	2017	15.50	-	80 268	-	-	80 268	75 049
Bank Alfalah Limited 2nd issue	2012	13.43	-	59 834	-	-	59 834	88 750
Bank Alfalah Limited 3rd Issue	2013	13.42	-	164 044	-	-	164 044	161 720
Bank Alfalah Limited – 4th Issue	2017	15.00	-	30 886	-	-	30 886	29 418
Engro Chemical Pakistan Limited	2015	13.46	-	268 201	-	-	268 201	268 252
Engro Rupiya 1st issue	2014	14.50	-	20 152	-	-	20 152	-
Escort Investment Bank Limited	2012	15.90	-	2 456	-	-	2 456	9 912
Faysal Bank Limited	2014	13.31	-	240 774	-	992	241 766	236 138
Faysal Bank Limited	2013	15.26	-	56 888	-	125	57 013	84 725
Financial Receivable Securitization Company Limited	2014	15.80	-	25 086	-	-	25 086	34 918
First Dawood Investment Bank Limited.	2012	15.00	-	54 753	-	-	54 753	56 340
IGI Investment Bank Limited	2011	14.35	-	-	-	-	-	2 429
Jahangir Siddiqui & Company Limited 4th Issue	2012	14.42	-	19 332	-	-	19 332	38 610
KASB Securities Limited	2012	13.90	-	11 636	-	-	11 636	34 665
New Allied Electronics (Private) Limited	2015	16.00	-	-	-	-	-	1 000
NIB Bank Limited	2016	14.53	-	179 102	-	-	179 102	177 954
Optimus Limited	2012	14.04	-	28 256	-	-	28 256	49 140
Orix Leasing Pakistan Limited	2014	15.40	-	72 480	-	-	72 480	151 498
Orix Leasing Pakistan Limited – 2nd Issue	2012	15.18	-	12 091	-	-	12 091	37 172
Orix Leasing Pakistan Limited PPTFC	2013	15.01	-	92 020	-	-	92 020	-
Pak Arab Fertilizers (Private) Limited	2013	14.88	-	258 108	-	1 486	259 594	318 433
Pakistan Mobile Communications (Private) Limited (2nd Issue)	2013	13.56	-	190 812	-	-	190 812	192 063
Pakistan Mobile Communications (Private) Limited (3rd Issue)	2013	14.76	-	60 073	-	-	60 073	99 822
Pakistan Mobile Communications (Private) Limited PRE IPO	-	14.60	-	2 966	-	-	2 966	-
Sitara Chemical Industries Limited (Sukuk)	2013	14.17	-	22 786	-	-	22 786	40 725
Soneri Bank Limited	2013	13.50	-	106 222	-	-	106 222	140 105
Standard Chartered Bank (Pakistan) Limited – 2nd Issue	2011	9.49	-	-	-	-	-	13 894
Standard Chartered Bank Pakistan Limited – 3rd Issue	2013	15.81	-	61 506	-	412	61 918	82 816
Sub Total Carry forward				3 189 338	-	3 513	3 192 851	3 556 929

ENHANCING PROSPERITY

(Rupees '000)

	Maturity Year	Effective Yield %	Shareholders' Fund	Statutory Funds				Aggregate 2011	Aggregate 2010
				Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Sub Total Brought forward	-	-	-	3 189 338	-	3 513	-	3 192 851	3 556 929
Sui Southern Gas Company Limited	2012	12.79	-	1 605	-	-	-	1 605	3 148
United Bank Limited – 3rd Issue	2014	15.08	-	103 927	-	-	-	103 927	104 137
United Bank Limited – 2nd issue	2013	9.49	-	104 053	-	-	-	104 053	95 925
United Bank Limited – 4th Issue	2018	14.73	-	56 750	-	-	-	56 750	54 176
			-	3 455 673	-	3 513	-	3 459 186	3 814 315
Less: Provision for impairment in the value of available-for-sale fixed income securities			-	(90 682)	(3 012)	-	-	(93 694)	(53 193)
			60 753	3 534 691	171 265	3 513	2 846	3 773 068	4 202 481
Certificate of Investment-First Habib Modarba	2012	12.25	-	30 000	-	-	-	30 000	10 000
			60 753	3 564 691	171 265	3 513	2 846	3 803 068	4 212 481

17.2.1 Market Value of other fixed income securities carried at amortized cost amounted to Rs. 407.2 million (2010: Rs. 428.85 million).

17.3 Listed equity securities and mutual fund units

(Rupees '000)

	Note	Shareholders' Fund	Statutory Funds				Aggregate 2011	Aggregate 2010
			Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Held-for-trading (at fair value)								
Listed equities		-	377 759	-	-	-	377 759	402 893
Available-for-sale (at fair value)								
Listed equities		-	3 702 283	-	3 611	-	3 705 894	3 828 688
Open end mutual fund units		-	215 239	-	-	-	215 239	170 590
Available-for-sale (at lower of cost or fair value)								
Listed equities	17.3.2	1 271 612	84 793	65 899	-	-	1 422 304	1 462 940
Open end mutual fund units		24 817	13 343	15 000	-	-	53 160	72 484
		1 296 429	4 393 417	80 899	3 611	-	5 774 356	5 937 595
Less: Provision Impairment in the value of equity securities	17.3.1	(1 062 670)	(16 178)	(47 118)	-	-	(1 125 966)	(1 118 511)
		233 759	4 377 239	33 781	3 611	-	4 648 390	4 819 084
17.3.1 Reconciliation of provision								
Balance at the beginning of the year		1 057 165	15 682	45 664	-	-	1 118 511	904 790
Adjustment on disposal of Investments		(31 802)	-	-	-	-	(31 802)	-
Charge for impairment in the value of available-for-sale investments		37 307	496	1 454	-	-	39 257	213 721
Balance at the end of the year		1 062 670	16 178	47 118	-	-	1 125 966	1 118 511

17.3.2 Listed equities include investment in EFU General Insurance Limited (a related party) at carrying value of Rs.132.878 million (2010: Rs. 280.390 million) representing 6.81% (2010: 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.102.09 based on the latest audited financial statements available for the year ended December 31, 2010. The Company's holding as at the year end is 0.67% (number of shares: 457,036) {(2010: 0.67%) (number of shares: 457,036)}. The Chief Executive Officer of Security General Insurance Company Limited is Ms. Nabihah Shahnawaz.

(Rupees '000)		2011	2010
17.5 Investments by classification			
Held-to-maturity			
Government securities		1 889 662	1 463 509
Other fixed income securities		407 576	441 359
		2 297 238	1 904 868
Available-for-sale			
Government securities (at fair value)		14 791 907	9 216 386
Other fixed income securities (at fair value)		3 489 186	3 824 315
Listed equity securities and mutual fund units (at fair value)		3 921 133	3 999 278
Listed equity securities and mutual fund units (at lower of cost or fair value)		1 475 464	1 729 813
		23 677 690	18 769 792
Held-for-trading - listed equities		377 759	402 893
Unlisted equity securities (relating to shareholders' fund)		508	508
Less: Impairment in the value of available-for-sale investments			
Impairment in the value of equity securities		(1 125 966)	(1 312 900)
Impairment in the value of fixed income securities		(93 694)	(53 193)
		(1 219 660)	(1 366 093)
Total Investments - net of provision		<u>25 133 535</u>	<u>19 711 968</u>

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 Measurements" 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, 2011 would have been lower by Rs. 11.45 million (December 31, 2010: higher by Rs. 7.571 million).

(Rupees '000)							
	Shareholders' Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 2011	Aggregate 2010
Government securities	5 035	372 387	6 106	121	-	383 649	246,513
Fixed income securities	4 018	281 018	13 752	158	1 250	300 196	230 803
Dividend receivable	-	358	-	5	-	363	789
	<u>9 053</u>	<u>653 763</u>	<u>19,858</u>	<u>284</u>	<u>1 250</u>	<u>684 208</u>	<u>478,105</u>

(Rupees '000)		2011	2010
19. Fixed assets			
Tangible assets	19.1	384 188	359 122
Capital work-in-progress		56 824	60 687
Intangible assets (computer software)	19.2	9 398	1 066
		<u>450 410</u>	<u>420 875</u>

19.1 Tangible assets

(Rupees '000)

	Cost			Accumulated Depreciation				Written down value	Depreciation Rate %	
	As at 01 Jan 2011	Additions	Disposals	As at 31 Dec 2011	As at 01 Jan 2011	Charge for the year	On Disposal			As at 31 Dec 2011
Lease hold land	126,505	–	–	126,505	–	–	–	–	126,505	–
Office equipment	40,044	5,345	167	45,222	13,072	3,011	52	16,031	29,191	10
Computers	31,008	9,238	375	39,871	21,932	4,472	335	26,069	13,802	30
Furniture and fixture	180,467	17,393	–	197,860	67,063	12,490	–	79,553	118,307	10
Vehicles	140,641	37,193	9,237	168,597	57,476	20,816	6,078	72,214	96,383	30
2011	518,665	69,169	9,779	578,055	159,543	40,789	6,465	193,867	384,188	

(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	

19.2 Intangible assets

(Rupees '000)

	Cost			Accumulated Amortization				Written down value	Amortization Rate %	
	As at 01 Jan 2011	Additions	Disposals	As at 31 Dec 2011	As at 01 Jan 2011	Charge for the year	On Disposal			As at 31 Dec 2011
Computer Software	11 672	11 392	–	23 064	10 606	3 060	–	13 666	9 398	33

(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

19.3 Depreciation has been allocated as follows:

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Branch overheads	29 226	1 800	8	13	31 047	26 818
Administration expenses	8 305	1 432	–	5	9 742	8 716
	37 531	3 232	8	18	40 789	35 534

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	54	45	9	100	91	Negotiation	Umer Keerio - Employee	Karachi
Vehicle	54	39	15	12	(3)	Negotiation	Irfan Iqbal	Karachi
Vehicle	464	390	74	250	176	Negotiation	Amir Amroz	Karachi
Vehicle	334	259	75	220	145	Negotiation	M. Farooq	Karachi
Vehicle	315	222	93	210	117	Negotiation	Shakeel Ahmed	Karachi
Vehicle	469	376	93	275	182	Negotiation	Anwar Ahmed	Karachi
Vehicle	315	211	104	250	146	Negotiation	Anwar Ahmed	Karachi
Vehicle	360	253	107	250	143	Negotiation	Zahid Ali	Karachi
Vehicle	360	247	113	325	212	Insurance Claim	EFU General Insurance Limited	Related Party
Vehicle	360	219	141	240	99	Negotiation	Khurram Shahzad	Karachi
Vehicle	604	461	143	415	272	Negotiation	Khurram Shahzad	Karachi
Vehicle	360	211	149	250	101	Negotiation	Salman Hussain	Karachi
Vehicle	604	446	158	430	272	Negotiation	Salman Shahzad	Karachi
Vehicle	835	649	186	550	364	Negotiation	Shakeel Ahmed	Karachi
Vehicle	835	627	208	610	402	Negotiation	M. Hammad	Karachi
Vehicle	835	627	208	500	292	Insurance Claim	EFU General Insurance Limited	Related Party
Vehicle	885	653	232	675	443	Negotiation	M. Saleem	Karachi
Vehicle	470	71	399	450	51	Insurance Claim	EFU General Insurance Limited	Related Party
Vehicle	724	72	652	724	72	Insurance Claim	EFU General Insurance Limited	Related Party

Assets having Written down value less than Rs.50,000

Computers	375	334	41	35	(6)	Various
Office equipment	167	53	114	23	(91)	Various
2011	<u>9,779</u>	<u>6,465</u>	<u>3,314</u>	<u>6,794</u>	<u>3,480</u>	
2010	<u>21,789</u>	<u>14,384</u>	<u>7,405</u>	<u>14,025</u>	<u>6,620</u>	

20. Branch overheads

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Insurance premium	5 471	335	1	2	5 809	6 615
Printing and stationery	17 930	141	5	6	18 082	10 734
Advertisement and publicity	1 876	2141	–	–	4 017	2 449
Postage	3 062	106	1	1	3 170	5 082
Traveling costs	111 319	834	1	2	112 156	85 018
Telephone and electricity	38 923	1071	11	18	40 023	32 918
Rent, Rates and taxes	33 755	119	9	15	33 898	33 249
Conveyance	5 048	12	1	3	5 064	4 896
Repair and maintenance	10 442	103	2	5	10 552	15 719
Entertainment	23 754	441	5	10	24 210	16 306
Depreciation	29 226	1 800	8	13	31 047	26 818
Other expenses	8 171	171	1	2	8 345	7 071
	<u>288 977</u>	<u>7 274</u>	<u>45</u>	<u>77</u>	<u>296 373</u>	<u>246 875</u>

21. Other management expenses

(Rupees '000)

	Statutory Funds				Aggregate 2011	Aggregate 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Insurance premium	2 920	642	–	2	3 564	2 620
Telephone and electricity	8 003	1 502	–	4	9 509	7 907
Repair and maintenance	9 248	1 001	–	6	10 255	6 476
Entertainment	12 343	1 583	–	8	13 934	11 979
Bank charges	8 237	729	–	6	8 972	4 784
Claim investigation fees	2 144	190	–	1	2 335	1 843
Other expenses	9 986	1 129	–	6	11 121	19 662
	<u>52 881</u>	<u>6 776</u>	<u>–</u>	<u>33</u>	<u>59 690</u>	<u>55 271</u>

(Rupees '000)

22. Other revenue

	Note	2011	2010
Gain on sale of fixed assets	19.4	3 480	6 620
Interest on loan to employees		6 472	6 256
Policy surrender income		4 722	3 967
Others		1 130	1 318
		<u>15 804</u>	<u>18 161</u>

23. Expenses not attributable to statutory funds

Printing and stationery		1 332	1 125
Advertisement and publicity		106	81
Travelling		219	257
Legal and professional fee		665	1 546
Workers' welfare fund		18 139	1 474
Auditors' remuneration	23.1	1 230	1 260
Donations	23.2	1 708	2 204
Others		1 163	1 521
		<u>24 562</u>	<u>9 468</u>

	Note	(Rupees '000)	
		2011	2010
23.1 Auditors' remuneration			
Ernst & Young Ford Rhodes Sidat Hyder			
Audit fee and other certifications		950	950
Hyder Bhimji & Co.			
Audit fee and other certifications		280	310
Total auditors' remuneration		<u>1 230</u>	<u>1 260</u>
23.2	None of the directors or their spouses have any interest in donees.		
24. TAXATION			
Current		302 500	185 000
Deferred		(50)	2 800
		<u>302 450</u>	<u>187 800</u>
24.1 Relationship between tax expense and accounting profit			
Profit for the year		<u>880 815</u>	<u>551 035</u>
Tax at applicable rate 35% (2010: 35%)		308 285	192 862
Tax effect of amount tax at reduced rates		(3 449)	(5 206)
Effect of income exempt from tax		(604)	–
Others		(1 782)	144
Tax charge for the year		<u>302 450</u>	<u>187 800</u>

25. Remuneration of chief executive and executives

(Rupees '000)

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration including bonus	16 095	103 187	14 537	85 664
Utilities	463	1 385	336	579
Medical expenses	216	616	274	1 173
Leave passage	–	263	413	339
	<u>16 774</u>	<u>105 451</u>	<u>15 560</u>	<u>87 755</u>
Number of persons	<u>1</u>	<u>31</u>	<u>1</u>	<u>28</u>

The Chief Executive is provided with Company maintained cars and furnished accommodation. The Executives are provided with Company maintained cars and in certain cases, household items and furniture in accordance with their terms of employment.

(Rupees '000)

26. Basic and diluted earnings per share

Profit for the year

2011	2010
578 365	363 234

(Number of Shares)

Weighted average number of ordinary shares (in thousand)

85 000	85 000
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(Rupees)

Earnings per share – basic and diluted

6.80	4.27
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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, 2011 whichever is earlier is as follows:

2011

(Rupees '000)

	Exposed to yield / interest rate risk									Non- interest bearing financial instruments	Total	
	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
On balance sheet financial instruments												
Assets												
Policy stamps in hand	-	-	-	-	-	-	-	-	-	-	10 403	10 403
Current and other accounts	699 137	-	-	-	-	-	-	-	-	699 137	108 917	808 054
Deposits maturing with in 12 months	298 000	25 000	-	-	-	-	-	-	-	323 000	-	323 000
Loans- secured to employees	1 272	2 562	4 195	7 526	12 733	7 032	5 994	6 623	-	47 937	-	47 937
Loans- unsecured to employees	684	1 237	1 652	2 876	1 075	651	353	25	-	8 553	-	8 553
Investments	623 140	414 537	1 285 835	6 108 409	1 706 518	1 441 087	3 138 333	5 394 011	372 766	20 484 367	4 648 898	25 133 535
Premiums due but unpaid	-	-	-	-	-	-	-	-	-	-	40 529	40 529
Amounts due from reinsurer	-	-	-	-	-	-	-	-	-	-	16 274	16 274
Sundry Receivables	-	-	-	-	-	-	-	-	-	-	12 227	12 227
Investment income accrued	-	-	-	-	-	-	-	-	-	-	684 208	684 208
Advances and deposits	1 137	1 915	2 632	2 142	1 518	179	43	57	-	9 623	47 230	56 853
	1 623 370	445 251	1 294 314	6 120 953	1 721 844	1 448 949	3 144 723	5 400 716	372 766	21 572 887	5 568 686	27 141 573

2011

(Rupees '000)

	Exposed to yield / interest rate risk									sub Total	Non-interest bearing financial instruments	Total
	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			
On balance sheet financial instruments												
Liability												
Outstanding claims	-	-	-	-	-	-	-	-	-	-	622 237	622 237
Premiums received in advance	-	-	-	-	-	-	-	-	-	-	464 513	464 513
Amounts due to reinsurer	-	-	-	-	-	-	-	-	-	-	54 149	54 149
Amounts due to agent	-	-	-	-	-	-	-	-	-	-	295 516	295 516
Accrued expenses	-	-	-	-	-	-	-	-	-	-	127 668	127 668
Unclaimed Dividend	-	-	-	-	-	-	-	-	-	-	8 728	8 728
Other creditors and accruals	-	-	-	-	-	-	-	-	-	-	67 843	67 843
	-	-	-	-	-	-	-	-	-	-	1 640 654	1 640 654
Interest risk sensitivity gap	1 623 370	445 251	1 294 314	6 120 953	1 721 844	1 448 949	3 144 723	5 400 716	372 766	21 572 887	3 928 032	25 500 919
Cumulative interest risk sensitivity gap	1 623 370	2 068 621	3 362 935	9 483 888	11 205 732	12 654 681	15 799 404	21 200 121	21 572 887			

2010

(Rupees '000)

	Exposed to yield / interest rate risk									sub Total	Non-interest bearing financial instruments	Total
	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			
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
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	15 698 020	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	10 060 239	15 698 020			

The effective interest rate range (per anum) for the financial assets is as follows:

	2011	2010
Saving and other accounts	6% to 11%	6% to 11%
Deposits	10.85 % to 12.5%	12.10%
Loans	8% to 12.5%	8% to 12.5%
Investments	5% to 16%	5% to 16%
Advances and other receivables	8% to 12.5%	8% to 12.5%

ENHANCING PROSPERITY

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 Equity 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 the equity portfolio, the top three sectors by exposure are Oil and 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:

	(Rupees '000)	
	2011	2010
Rating of Banks*		
AA+	649 063	503 948
AAA	40 492	26 990
A+	2 008	-
AA	61 795	109 504
A	43 139	3 496
AA-	1 295	82 710
A-	10 262	26 054
	808 054	752 702

*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:

			(Rupees '000)	
Issuer of TFC	Rating	Rating Agency	2011	2010
Allied Bank Limited	AA-	PACRA	364 400	360 109
Al-Abbas Sugar Mills Limited	A+	PACRA	11 870	17 708
Askari Bank Limited	AA-	PACRA	397 696	394 127
Azgard Nine Limited	NPD	PACRA	64 492	144 945
Agritech Limited	NPD	PACRA	17 486	26 229
Bank Alfalah Limited	AA-	PACRA	278 916	303 582
Bank AL Habib Limited	AA	PACRA	351 598	364 943
Engro Chemical Pakistan Limited	AA	PACRA	288 353	268 252
Sub total carry forward			1 774 811	1 879 895

Issuer of TFC	Rating	Rating Agency	(Rupees '000)	
			2011	2010
Sub total brought forward			1 774 811	1 879 895
Escort Investment Bank Limited	A	JCR-VIS	2 456	9 912
Faysal Bank Limited	AA-	PACRA	324 116	348 889
Financial Receivables Securitization Company Limited	A+	PACRA	25 086	34 918
First Habib Modarba (Certificate of investment)	AA+/A1+	PACRA	30 000	10 000
First Dawood Investment Bank Limited	Unrated	–	1 560	3 147
IGI Investment Bank Limited	A+	PACRA	–	2 429
Jahangir Siddiqui & Company Limited	AA	PACRA	19 332	38 610
KASB Securities Limited	A+	PACRA	11 636	34 665
NIB Bank Limited	A+	PACRA	231 096	229 916
New Allied Electronics Industries (Pvt.) Limited	NPD	PACRA	–	1 000
Optimus Limited.	A	PACRA	61 543	99 080
ORIX Leasing Pakistan Limited	AA+	PACRA	176 591	188 670
Pak Arab Fertilizers (Pvt) Limited	AA	JCR-VIS	259 594	318 433
Pakistan Mobile Communication (Pvt) Limited	A+	PACRA	263 851	301 885
Sitara Chemical Industries Limited (Sukkuk)	AA-	PACRA	22 786	40 725
Soneri Bank Limited.	A+	PACRA	126 053	166 167
Standard Chartered Bank (Pakistan) Limited	AAA	PACRA	79 398	120 420
Sui Southern Gas Company Limited	AA	PACRA	1 605	3 148
United Bank Limited	AA	JCR-VIS	391 554	380 572
			<u>3 803 068</u>	<u>4 212 481</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, 2011 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, 2011.

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:

	2011	
	Carrying value	Fair value
	(Rupees '000)	
Government securities	1 889 662	1 766 421
Other fixed income securities	407 576	407 203
Listed equity securities and mutual fund units	350 006	471 063

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% per annum. 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:

Assumption	Policyholder liabilities on existing valuation basis	Policyholder liabilities using best estimate assumptions
Mortality	23 920 773	23 809 364
Investment returns	23 920 773	23 908 718

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 according 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	16 274	118 457

The company assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, company's all reinsurance assets 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 0.16%. Likewise, when mortality rates decrease by 10%, policyholder liabilities decrease by 0.16%."

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 company's business 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, 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 atleast 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 company's management 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 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%	0.16%
Improvement in mortality and critical illness rates	10%	-0.16%
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 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, 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 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. 1,200,000 per life for the death risk and Rs. 600,000 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 31st December 2011. The table below also presents details of assets under Shareholder's Fund:

(Rupees '000)

2011	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
Available for sale:				
- Government securities	14 791 907	-	502 135	15 294 042
- Other fixed income securities	3 398 504	-	-	3 398 504
Held to maturity:				
- Government securities	1 112 960	274 567	-	1 387 527
- Other fixed income securities	198 097	145 714	60 753	404 564
Available for sale:				
- Listed equities and mutual funds	4 011 460	97 236	106 806	4 215 502
- Unlisted equities and mutual funds	166 664	4 604	508	171 776
Investment in associates	120 768	13 899	126 953	261 620
Loans and receivables:				
- Insurance receivables	-	40 529	-	40 529
Reinsurance assets	-	16274	-	16 274
Cash and cash equivalents	491 789	613 347	36 321	1 141 457
Other assets	654 047	106 585	937 637	1 698 269
Total assets	24 946 196	1 312 755	1 771 113	28 030 064

(Rupees '000)

2011	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	17 362 627	104 233	-	17 466 860
Whole of life	5 922 104	-	-	5 922 104
Short-term insurance contracts	-	240 024	-	240 024
Riders	-	291 785	-	291 785
Retained earnings on other than participating business	282 745	210 691	-	493 436
Equities	-	-	1 732 640	1 732 640
Other liabilities	1 378 720	466 022	38 473	1 883 215
Total liabilities	24 946 196	1 312 755	1 771 113	28 030 064

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 2011 is 1 007 (2010: 871).

ENHANCING PROSPERITY

31. Related party transactions

The related parties comprise of directors, key management personnel, associated undertakings, and entities with common directors and retirement benefit fund. The transactions with related parties, other than those disclosed elsewhere in these financial statements and remuneration of key management personnel (disclosed in note 25) are as follows:

	(Rupees '000)	
	2011	2010
Associated companies (due to common directorship)		
Transactions		
Premium written	23 826	12 259
Premium paid	15 921	13 606
Claims paid	6 649	6 501
Claims received	2 074	866
Travelling expenses	906	372
Services hired	2 432	2 399
Commission paid	66 334	37 799
Dividend paid	264 057	254 768
Dividend received	10 644	31 336
Balances		
Bank balances	15 843	7 790
Balance payable	4 680	803
Balance receivable	40	27
Employees' funds		
Transactions		
Contribution to provident fund	12 335	10 139
Contribution to pension fund	9 436	7 992
Key Management Personnel		
Transactions		
Loan recovered	-	230

32. Date of authorisation for issue

These financial statements were authorized for issue by the Board of Directors in their meeting held on March 10, 2012.

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 (2010:Rs. 5/- per share) amounting to Rs.425 million (2010: Rs. 425 million) at its meeting held on March 10, 2012 for the approval of the members at the annual general meeting to be held on April 14, 2012. These financial statements do not reflect this appropriation as explained in note 5.11.

HASANALI ABDULLAH
Director

SAIFUDDIN N. ZOOMKAWALA
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
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, 2011. 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, 2011 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

SAIFUDDIN N. ZOOMKAWALA
Director

TAHER G. SACHAK
Managing Director &
Chief Executive

RAFIQUE R. BHIMJEE
Chairman

ENHANCING PROSPERITY

Pattern of Shareholding as at 31 December 2011

Number of Shareholders	Shareholdings		Holding Shareholders
	From	To	
177	1	100	7 031
364	101	500	87 641
188	501	1 000	141 999
423	1 001	5 000	1 017 743
73	5 001	10 000	516 669
17	10 001	15 000	205 666
14	15 001	20 000	240 785
10	20 001	25 000	227 464
7	25 001	30 000	192 260
4	30 001	35 000	131 246
3	35 001	40 000	110 687
3	40 001	45 000	127 437
3	45 001	50 000	145 131
2	50 001	55 000	102 621
5	55 001	60 000	284 834
5	65 001	70 000	339 881
2	75 001	80 000	148 475
3	80 001	85 000	253 980
1	85 001	90 000	88 398
3	90 001	95 000	276 140
2	95 001	100 000	197 164
4	105 001	110 000	418 448
1	140 001	145 000	141 950
1	145 001	150 000	149 654
1	150 001	155 000	153 796
1	155 001	160 000	155 064
1	170 001	175 000	173 883
1	210 001	215 000	212 500
1	255 001	260 000	258 081
2	330 001	335 000	665 615
1	420 001	425 000	424 886
1	485 001	490 000	487 339
1	515 001	520 000	517 163
1	605 001	610 000	607 543
1	625 001	630 000	625 611
1	675 001	680 000	680 000
2	705 001	710 000	1 417 800
1	805 001	810 000	809 728
1	855 001	860 000	856 069
1	890 001	895 000	892 002
1	990 001	995 000	991 100
1	1 095 001	1 100 000	1 095 510
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	35 900 001	35 905 000	35 904 140
1 342			85 000 000

Categories of Shareholders	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	5	53 570 492	63.02
NIT & ICP	3	1 648	0.00
CEO, Directors their Spouses and minor children	12	9 093 700	10.70
Banks, Development Financial Institutions, Non-Banking	4	719 844	0.85
Financial Institutions, Insurance Co.,	2	35 920	0.04
Modarabas and Mutual Funds	3	1 155 319	1.36
Foreign investors	6	3 154 683	3.71
Individuals / Others	1 307	17 268 394	20.32
Total	1 342	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	35 904 140
JS Value Fund Ltd.	1	625 611
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	115
CEO, Director their spouses and minor children		
Saifuddin N. Zoomkawala	1	487 339
Taher G. Sachak	1	574 540
Jahangir Siddiqui	1	23 800
Heinz Walter Dollberg	1	500
Rafique R. Bhimjee	1	2,960 207
Muneer R. Bhimjee	1	2 991 984
Hasanali Abdullah	1	99 999
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: (041) 8555987

Imran Yaqub, Assistant Manager

Islamabad

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

Noor-ur-Rehman, Regional Manager
Khurram Aftab, Sr. Marketing Executive

Karachi

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

Adeel H. Jaffery, Regional Sales Director
Hasan Aamir, Senior Regional Manager
S. Afsar Raza, 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) 35870801-03

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

Multan

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

Bancassurance - Offices

Faisalabad

Plot No. 25, Commercial College Road
Kohinoor Town, Faisalabad

Islamabad

3rd Floor, Al-Malik Centre
70W, Jinnah Avenue, Blue Area
Phone: (051) 2803390, 2803385-88

Tahir Sultan, Senior Area Head

Karachi

Plot No. 225-1 K, Block 2, PECHS
Phone: (021) 34541740, 34304560
34304514, 34304516-7, 34304565

Husein Sachak, Head of Bancassurance
Syed Saulat Hussain Naqvi, Deputy Head of
Bancassurance
Sh. Zeeshan Haider, Senior Area Head

Lahore

Off No. UGR-1 Meznine Floor, 32 B/3
Rehman Business Centre, Gulberg III
Phone: (042) 35874439, 35772684, 35772624

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

Peshawar

NWR Plaza No. 02 Kyber Supermarket
Bara Road, Peshawar Cantt
Phone: (091) 5252129

Individual Life - Offices

ABBOTTABAD

Abbottabad Branch

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

Mansehra Branch

1st Floor Rehman Plaza
Near Grid Station, Dhangri Chowk
Phone: 0345-9552890
Mr. Fahad Ali, 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

Kotli Branch

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

Kotli City Branch

Altaf Fazzal Plaza, 2nd Floor, Near MCB Bank
Phone: (058) 26448092
Mr. Gul Nazar, Manager

Kotli Royal Branch

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

Mirpur AK Branch

2nd Floor, Muhammadi Plaza
Nangi Opp. Jabeer Hotel
Phone: (05827) 446477, 446488
Mr. Tariq Mehmood, Branch Manager

Rawalakot Branch

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

Palandri Branch

Javaid Building, Opp. Mumtaz Hotel
Palandri A.K.
Phone: (0346) 5476385
Mr. S. Ozair Ahmed Shah Gilani, Manager

BAHAWALPUR

Ahmed Pur East Branch

Opp. Canal Rest House
Katchery Road
Phone: (06222) 73039, 73049
Mr. Mehboob Ahmed Tareen, Manager

Ali Pur Branch

University Chowk, Bahawalpur
Phone: 0300-7801622
Mr. M. Saqib Shehzad, Manager

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. Naeem Akhtar Chaudhari, Branch Manager
Mr. Kashif Azeem, Regional Manager

Dunyapur Branch

1st Floor, Railway Road, Dunya Pur, Bahawalpur
Phone: 0346-8801312
Mr. Mohammed Aslam, Manager

Jalalpur Pirwala Branch

University Chowk, Bahawalpur
Phone: (062) 2282269, 2282475, 2282484
Mr. Fiaz Hussain, Manager

CHISHTIAN

Arifwala Branch

2nd Floor, Bashir Plaza
Karkhana Bazaar, Arifwala
Phone: 0302-3333951
Mr. Altaf Hussain, Manager

Chishtian Branch

13 Gajyani Road, Chishtian
Phone: 0300-8687337
Mr. Muhammad Rashid Latif
Branch Manager

Chishtian City Branch

13 Gajyani Road, Chishtian
Phone: 0300-4355730
Mr. Muhammed Kashif, 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. Mohammed Nadeem, Manager

Mirpur Mathelo Branch

Mathelo Road, Near Ghanta Ghar
Phone: 0333-7253655
Mr. Ali Hassan Rajput, Manager

DERA ALLAHYAR

Dera Allahyar Branch

Main Quetta Road, Jaffarabad, Dera Allahyar
Phone: (0740) 510636
Mr. Amir Bakhsh Buledi, Manager

DERA GHAZI KHAN

Dera Ghazi Branch

Jampur Road, 1st Floor
Faysal Bank, D.G. Khan
Phone: (0642) 468116
Mr. Ejaz Ahmed, Manager

Rajanpur Branch

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

DERA ISMAIL KHAN

Bhakkar Branch

1st Floor, Ubaid Plaza
Near MCB Bank, Behal Road
Phone: 0336-7601001
Mr. Mureed Abbas, Manager

Dera Ismail Khan Branch

1st Floor, Najeeb Centre, East Circular Road
Phone: (0966) 734003-06
Mr. Zafar Sohail, 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: (041) 8555981-4
Mr. Muhammad Ihsan-ul-Haq, Branch Manager

Toba Tek Singh Branch

Upper Storey JS Bank Farooq Road
Toba Tek Singh
Phone: (046) 2514615
Mr. M. Salman Zaheer, Manager

GAWADAR

Gawadar Branch

Near Habib Bank Ltd., Airport Road, Gwadar
Phone: 0321-8091617
Mr. Lal Buksh Baloch, 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: (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, Branch Manager

Hafizabad Branch

1st Floor, Upper Al Baraka Bank
Ali Pur Road, Hafizabad
Phone: (0547) 525639, 524639
Mr. Irshad Hussain Bajwa, Branch Manager

GUJRAT

Bhimber Branch

Opp. Main Bazaar, Main Bhimber Road
Kotla A.A Khan
Phone: 0344-4442903
Mr. Mohammed Saeed, Manager

Gujrat Branch

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

Jalalpur Branch

Near Allied Hospital, Circular Road
Jalal Pur Jattan, Tehsil, Distt, Gujrat
Phone: 0300-6221227
Mr. Shahzad Ahmad, Manager

Kotla A.A Khan Branch

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

Lalamusa Branch

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

HAROONABAD

Bahawal Nagar Branch

Urdu Road, Near Haroon Laboratory
Bahawal Nagar
Phone: 0334-7006646
Mr. Hamid Bilal, Manager

Haronabad Branch

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

Hasilpur Branch

Opp. Allama Iqbal Park, Eid Gah Road
Phone: (0622) 441008
Mr. M. Kaleem Iqbal Anjum, Manager

Pak Pattan Branch

Milad Chowk, Baldia Road, Haroonabad
Phone: (063) 2253290, 2253291, 2253592
Mr. Muhammed Shahbaz, 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
Senior Branch Manager

City Branch

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

Indus Branch

B-15/9, RECHS, Opp. Latifabad Unit 3
The Autobahn
Phone: (022) 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

Prime Branch

3rd Floor, Abdullah Chambers
Near Hotel Faran, Saddar
Mr. Syed Sajid Ali, Manager

ISLAMABAD

City Branch

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

Islamabad Branch

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

Thull City Branch

Main Kandhkot Road, Thull
P/O Thull District, Jacobabad
Phone: (0722) 611089, 611134
Mr. Niaz Ali, Manager

JHELUM

Jhelum Branch

Karim Arcade, M.M. No. 03, Jada Road
Phone: (0544) 628606, 627337, 627118
Mr. Nadeem Shakeel, Manager

KANDHKOT

Kandhkot Branch

Near Juman Shah, Kandhkot, Dist Kashmore
Phone: (0722) 570685
Mr. Adnan M. Samejo, Manager

KARACHI

Ayesha Manzil Branch

APWA Complex, F-2, 67/A
Garden Road, Karachi No 3
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

2nd Floor, Karim Chamber, Civil Lines
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 32257309, 35216368
35215803
Mr. Malik Zafarullah Khan, Manager

Faisal Branch

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

Garden Branch

APWA Complex F-2, 67/A
Garden Road, Karachi No. 3
Phone: (021) 32241981-4
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, 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

C/o Noor Orthopaedic & General Clinic
A-1, Anarkali Apartment, Block 7
F.B. Area Ayesha Manzil
Phone: (021) 36330181, 36330182
36317425, 36317892
Mr. S. Shahid Hussain Zaidi, Branch Manager

Karsaz Branch

41-1/E, Block 6, PECHS
Phone: (021) 34527135, 34386506 34313637
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) 35216368, 35215803
35215764, 3521525
Mr. Rehan Anwar, Senior Branch Manager

New City Branch

A-34, Ground Floor, Hafeez Centre
KCHSU, Shahrah-e-Faisal
Phone: (021) 34320606 -13
Mr. Rabnawaz Ghumro, Branch Manager
Mr. Shams Uddin Shaikh
Regional Sales Director

Pioneer Branch

2nd Floor, Karim Chamber, Civil Lines
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 35216368, 35215803
35215764, 35215257
Mr. Nasir Rashid Bhatti, Branch Manager

Saddar Branch

2nd Floor, Karim Chamber, Civil Lines
Adj. Karachi Gymkhana, Merewether Road
Phone: (021) 35216368, 35215803
35215764, 35215257
Mr. Mubashar Qayyum, Manager

West Branch

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

Thatta Branch

Shah-e-Najaf Building, Room No. 2, 3, 4
Opp. Shahjahan Mosque, Main Sujawal Road
Phone: (0298) 550106
Mr. Haji Ahmed, Manager

KHAIRPUR

Khairpur Branch

Kutchery Road
Phone: (0243) 714336, 714330
Mr. Jamaluddin, Branch 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) 35871239, 35871356
Mr. Shoukat Ali, Manager

Capital Branch

2nd Floor, Rehman Business Centre, Firdous
Market, Gulberg III
Phone: (042) 35772622-3, 35712255
Mr. Iftikhar Hassan, Branch Manager

Central Branch

18-C-3, Commercial Zone
Liberty Market, 3rd Floor, Gulberg III
Phone: (042) 35716072-4
Mr. Imran Saleem, Manager

City Branch

18-C-3, Commercial Zone
Liberty Market, 3rd Floor, Gulberg III
Phone: (042) 35789554
Mr. Shahid Iqbal Bhatti, Senior Branch Manager

Civic Branch

43-L, 1st Floor, M.M. Alam Road, Gulberg II
Phone: (042) 35871239, 35871356
Mr. Mahmood Ahmed, Senior Branch Manager

Crescent Branch

Tariq Plaza 1st Floor, 65 Jahanzeb Block
Allama Iqbal Town
Phone: (042) 37809535, 37809531
Mr. Malik Azhar, Branch Manager

Defence Branch

43-L, 1st Floor, M.M. Alam Road, Gulberg II
Phone: (042) 35871239, 35871356
Mr. Mian Kashif Naseer, Branch Manager

Gulberg Branch

18-C, 1st Floor, Commercial Zone
Liberty Market, Gulberg III
Phone: (042) 35716072-4
Mr. S. Mehdi Raza Zaidi, Branch Manager

Jinnah Branch

14-C, 2nd Floor, Commercial Zone
Liberty Market, Gulberg III
Phone: (042) 35789580
Mr. S.M. Raza Zaidi, Senior Branch Manager

Metropolitan Branch

18-C-1, Commercial Zone
Liberty Market, Gulberg III
Phone: (042) 35716072-4
Mr. Zahid Ali Raza, Branch Manager

Model Branch

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

Muridkey Branch

2nd Floor, Hassan Tower, Zafaria Chowk
Near Zafar Shadi Hall, G.T. Road
Tehsil Muridkey, Distt Sheikhpura
Phone: (042) 37951003
Mr. Saqib Jalil Mirza, Manager

Okara Branch

Near Caltex Petroleum
Benazir Road, Okara
Phone: (044) 3052345
Mr. Muhammad Farooq, Manager

Pioneer Branch

2nd Floor, Rehman Business Centre
Firdous Market, Gulberg III
Phone: (042) 35772622 - 3, 35712255
Mr. Syed Abuzer Gilani, Manager

Prime Branch

18-C-3, Commercial Zone
Liberty Market, 3rd Floor, Gulberg III
Phone: (042) 35716072-4
Mr. Akhtar Hussain Khan, Manager

Ravi Branch

2nd Floor, Office # 201, 14-C
Commercial Zone, Liberty Market
Phone: (042) 35789581
Mr. Tanveer Ahmed Khan, Group Manager

Regent Branch

F1 - F2, 1st Floor, Rehman Business Centre
Firdous Market, Gulberg III
Phone: (042) 35772769
Mr. Rana Muhammed Irfan Khan
Branch Manager

Royal Branch

F1 - F2, 1st Floor, Rehman Business Centre
Firdous Market, Gulberg III
Phone: (042) 35772769
Mr. Amir Saeed, Manager

Shadman Branch

2nd Floor, Office # 201, 14-C
Commercial Zone, Liberty Market
Phone: (042) 35789631
Mr. Akbar Ali, Branch Manager

Shaheen Branch

F1 - F2, 1st Floor, Rehman Business Centre
Firdous Market, Gulberg III
Phone: (042) 35772769
Mr. Muhammed Azam, Senior Branch Manager
Mr. Kh. Mujib-Ur-Rehman
Regional Sales Director

LARKANA

Larkana Branch

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

LAYYAH

Fateh Pur Branch

Multan Road, Fateh Pur
Tehsil Karor Lal Eson, Distt Layyah
Phone: (0606) 840848
Mr. Ghulam Abu Talib, Manager

Layyah Branch

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

MANDI BHAUDDIN

Dinga Branch

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

Kharian Branch

1st Floor, Al Muqet Center
Near Kwik CNG G.T. Road, Kharian
Phone: (0346) 6826475
Mr. M. Shoaib Hameed, Manager

Malakwal Branch

1st Floor, Ayub Plaza, Katchary Road
Phone: (0546) 520955, 520755, 520956
Mr. Khizer Hayat, Manager

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, Branch Manager

MIRPURKHAS

Digri Branch

Near Govt. Girl's High School, Digri Mirpurkhas
Phone: 0302-2925966
Mr. Abdul Salam, Manager

Matli Branch

Near Admore Petrol Pump, Badin Road
Phone: 0301-3629682
Mr. Shankar Lal, Manager

Mirpurkhas City Branch

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

Mirpurkhas Tharparker Branch

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

MORO

Moro Branch

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

Moro Mehran Branch

Dadu Road, Moro Distt, Naushero Feroze
Phone: (0242) 411596
Mr. Ali Mohammed, Manager

MULTAN

Cantt Branch

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

Central Branch

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

City Branch

2nd Floor, Golden Heights Plaza
Opp. High Court, Multan Cantt
Phone: (061) 4587120-30-40-50-70, 4587272
Mr. S. Wazir Ali Zaidi, Branch Manager

Jatoi Branch

1st Floor, Rajput Commercial Centre
Tareen Road, Near Gul Tax, Multan
Mr. M. Kaleemullah Farooqi, Manager

Khanewal Branch

House # 105, Gulberg Town
Near Gulzare Ibrahim Housing Society
Phone: 0321-6333565
Mr. Azmat Ali, Manager

Mian Channu Branch

House No. 01, Street No. 01
Khaliq Malik Town
Near Kothi Nand Singh Chowk
Phone: 0312-9632211
Mr. Khurram Abbas Bhutta, Manager

Multan Branch

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

Muzaffargarh Branch

EFU Life, Opp. Bank of Punjab
Jhang Road, Muzaffargarh
Phone: 0346-4775884
Mr. Junaid Khan, Manager

Pioneer Branch

2nd Floor, Golden Heights Plaza
Opp. High Court, Multan Cantt
Phone: (061) 4587120-30-40-50-70, 4587272
Mr. Kashif Aslam, Manager

NAUSHERO FEROZE

Kandiaro Branch

Opposite Dargha Allahabad Main Road
Phone: 0345-3818788
Mr. Ikhtiar Hussain, Manager

Naushero Feroze Branch

DCO Office, Main Road
Naushero Feroze
Phone: (0242) 448661, 448686, 520349
Mr. Jumon Khan Wagan, Manager

NAWABSHAH

Nawabshah Branch

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

Qazi Ahmed Branch

Sardar Flats opp. Bank AL Habib
Main National Highway, Qazi Ahmed District
Nawabshah, Shaheed Benazirabad
Phone: 0301-3453692
Mr. Irshad Ali, Manager

Sanghar Branch

Near Sui Gas Office, Chaudhry Corner
Phone: 0333-2915046
Mr. Imtiaz Muhammad, Manager

PESHAWAR

Mardan Branch

2nd Floor, Block 19, 20, 21, 22 City Plaza
Yaqoob Khan Market, Gaju Khan Road
Phone: 0333-9867757
Mr. Usman Ali, Manager

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

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. Imran Ahmed, Branch Manager
Mr. Shahjahan, Regional Sales Director

Zarghoon Branch

Zarghoon House, 1st Floor
Jinnah Road, Quetta
Phone: (081) 2865509-13
Mr. Amir Muhammad Jan, Manager

RAHIM YAR KHAN

Rahim Yar Khan Branch

Near Garden Marriage Hall
Opp. Town Hall, Shahi Road
Phone: (068) 5884457, 5884635
Mr. Mukhtar Ahmed Tabassum, Branch Manager

Rahim Yar Khan Royal Branch

Upper Storey, J.S Bank, Near Neaz Clinic
City Chowk, Model Town
Phone: (068) 5876735, 5886819
5881221, 5881380
Mr. Ehsan ul Haq, Manager

Sadiqabad Branch

Katchehry Chowk, Sadiqabad
Phone: (068) 5702929, 5801919
Mr. Masood Sheraz Khan, Branch Manager

RAWALPINDI

Rawalpindi Branch

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

Rawalpindi Chandni Chowk Branch

128 B, 2nd Floor, Din Plaza
Main Murree Road
Phone: (051) 4571495, 4427686
Ms. Ayesha Afzal, Manager

Rawalpindi Rawal Branch

128 B, 2nd Floor, Din Plaza
Main Murree Road, Rawalpindi
Phone: (051) 4571495, 4427686
Mr. Muhammad Afzal, Branch Manager

Wah Cantt Branch

B Block, Leo's Plaza, Wah Garden, G.T. Road
Phone: 0314-5801111
Mr. Nadeem Nawaz, Manager

SAHIWAL

Sahiwal Branch

49/B VII, Old Civil Lines, Girl's College Road
Phone: (0404) 223201-5
Mr. Muhammad Ramzan, 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 Chamber of
Commerce Building, Paris Road
Phone: (052) 4262363, 4264017
Mr. Zahid Khan, Senior Branch Manager

SUKKUR

Ranipur Branch

National Highway, Ranipur
Opp. RHC Ranipur Tehsil
Sobodero, Dist Ranipur
Phone: 0306-7437791
Mr. Safdar Hussain Qureshi, Manager

Shikarpur Branch

Marri Shopping Centre, Saddar
Phone: (0726) 618005
Mr. Sanjay Kumar, Manager

Sukkur Branch

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

Sukkur City Branch

Near Qasim Park, Opp. Queen's Garden
Queen's Road
Phone: (071) 5627067, 5622304
Mr. Mohammed Arif Junejo, Manager

Sukkur Mehran Branch

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

Ubauro Branch

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

TURBAT

Turbat City Branch

1st Floor, Allah Wala Market, Main Road
Phone: (0852) 411006-8, 411718
Mr. Ikhlaq Ahmed, Manager

YAZMAN

Head Rajkan Branch

Bahawalpur Road, Mandi Yazman
Phone: 0300-8680722
Mr. Ejaz Ahmed, 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



EFU LIFE ASSURANCE LTD

Form Of Proxy

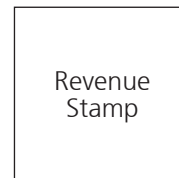
I/We _____
of _____
being a member of EFU LIFE ASSURANCE LTD hereby appoint
Mr. _____
of _____
or failing him _____
of _____

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held on Saturday April 14, 2012 at 11:00 a.m. and at any adjournment thereof.

Signed this _____ day of April 2012.

WITNESSES:

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



Signature of Member(s)

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

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 Head Office

The design of the new EFU Life Head Office is a symbol of modern architecture and symbolic of our financial strength. It also reflects our continued history of success and innovation in life insurance industry in Pakistan.

Located on main National Highway Industrial/Commercial Area, Phase-1, DHA, Karachi, the state of the art building will have 18 floors, plus the ground and basement providing a total area of office occupancy of 90,000 square feet. 8 levels of the building have been dedicated for car parking to provide ease and convenience to occupants and visitors.

Construction work has already started and the building is expected to be completed by end 2014.





LIFE

Zaroori Hai

www.efulife.com