

## 1. Status and Nature of Business

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

The Head Office of the company is located at 37K, Block 6, PECHS, Karachi.

## 2. Basis of Presentation

These financial statements have been prepared in accordance with the formats prescribed under the Insurance Rules 2002.

## 3. Statement of Compliance

These accounts have been prepared in accordance with the accounting standards issued by International Accounting Standard Committee (IASC) and interpretation issued by the Standing Interpretation Committee of the IASC, as adopted in Pakistan to the extent prescribed in the Insurance Ordinance 2000, and the requirements of the Companies Ordinance 1984. Where the requirements of the Companies Ordinance 1984, the Insurance Ordinance 2000 or directives issued by the Securities & Exchange Commission of Pakistan differs with the requirements of these standards, the requirements of the Companies Ordinance 1984, the Insurance Ordinance 2000 or of the said directive take precedence.

## 4. Basis of Measurement

### a) Accounting Convention:

These accounts have been prepared on the basis of the historical cost convention.

### b) Policyholder Liabilities:

Policyholder liabilities have been determined by the appointed actuary as required by S50 of the Insurance Ordinance 2000.

### c) Investments:

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are considered as available for sale. Investments with fixed maturity, where management has both the intent and the ability to hold to maturity are considered as held to maturity.

Investments considered as held to maturity are initially recognized at cost. Subsequently the same are measured at amortized cost.

Investments considered as available for sale have been measured at the lower of cost and market value.

## 5. Significant Accounting Policies

### a) Revenue Recognition.

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

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

### b) Claims

Claims are considered to be incurred when intimation is received (normally when claim is lodged with the Company). However, claims incurred but not reported at the year end are determined by the appointed actuary.

### c) Acquisition Costs

Acquisition Costs related to individual policies (basically commissions) are recognized upon the policies being issued. Other acquisition costs (sales management salaries, branch costs, etc) are recognized on accrual basis.

An explicit deferred acquisition costs asset was being carried in Balance Sheet and computed based on actuarial method of calculation. Securities & Exchange Commission (Insurance) Rules 2002 does not provide for the concept of deferment of acquisition cost and as such the deferred acquisition cost has been discontinued. The deferred cost which was reflected as on 31st December 2001 has been charged to respective heads of expenditure in the current year.

**d) Return on Investment**

Return on Fixed Income Investments and Profit/Loss on sale of investments available for sale are recognized on an accrual basis. Dividend Income and entitlement to Bonus Shares are recognized when right to receive such dividend and bonus shares is established.

**e) Employees Retirement Benefits**

The Company operates two defined contribution retirement benefit plans, viz., a provident fund scheme for all permanent employees and a defined contribution pension scheme for eligible officers. Contributions to these are made monthly in accordance with their rules.

**f) Taxation**

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

**g) Administrative Fixed Assets:**

Fixed assets are valued at cost less depreciation. Full year's depreciation is charged on fixed assets capitalized during the year but no depreciation is charged in the year of disposal. Depreciation has been calculated on the reducing balance method at the following rates;

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

Normal repairs and maintenance are charged to income currently.

**h) Zakat deductible compulsorily under the Zakat and Ushr Ordinance 1980 is accounted for in the year of deduction.**

**i) Rate of Exchange:**

Revenue transactions in foreign currencies are converted into rupees at the rate ruling on the date of transaction as quoted by the Inter Bank Rate. Assets and Liabilities in foreign currencies are translated into rupee at the rate of exchange prevailing on the Balance Sheet date.

6. Movements in Equity

	Statutory Fund				Rs. '000
	Investment Linked Business	Conventional Business	Accident & Health Business	Aggregate 2002	Aggregate 2001
<b>Policyholder liabilities</b>					
Balance at the beginning of the year	736,646	47,687	5,708	790,041	523,252
Increase/(decrease) during the year	496,218	39,422	(934)	534,706	266,789
Balance at end of the year	1,232,864	87,109	4,774	1,324,747	790,041
<b>Retained earnings on other than Participating business</b>					
Balance at the beginning of the year					
Surplus allocated in respect of the year	24,144	9,811	3,567	37,522	16,186
Surplus appropriated to shareholders' fund	(24,144)	(311)	(3,567)	(28,022)	(16,186)
Balance at end of the year	-	9,500	-	9,500	-

7. Taxation

The Income Tax assessment of the company has been finalised upto and including assessment year 2000-2001. Appeals relating to the assessment years 1994-1995 to 1998-1999 are pending before the High Court of Sindh regarding levy of Turnover Tax. Appeals in respect of assessment years 1999-2000 and 2000-2001 are pending with the appellate authority and there could arise a contingent tax liability of to Rs.0.630 million if the matter is decided against the company.

8. Government Securities– At Book Value

	(Rupees '000)	
	2002	2001
Deposited with State Bank of Pakistan		
-Federal Investment Bond	-	6,100
-Pakistan Investment Bond	8,301	-
Pakistan Investment Bonds	527,112	216,927
Defence Saving Certificates	146,950	146,950
Regular Income Certificates	94,200	94,200
Federal Investment Bonds	34,846	36,472
WAPDA Bonds	2,000	2,000
	<u>813,409</u>	<u>502,649</u>

9. Other Fixed Income Securities in Pakistan - At Book Value

No of Certificates		Face Value	Name of Investment	(Rupees '000)	
2002	2001	('000)		2002	2001
<b>TERM FINANCE CERTIFICATES</b>					
<b>Quoted</b>					
998	998	5	Atlas Lease Limited	5,019	5,100
2000	2000	5	Dawood Leasing Company Limited	10,000	10,000
500	500	5	National Development Leasing Corp. Ltd	1,741	2,690
12	12	100	Network Leasing Corporation Limited	1,169	1,170
3810	3010	5	Orix Leasing Pakistan Limited	19,246	15,076
1500	1500	5	Pakistan Industrial Leasing Corporations	6,622	7,355
400	400	5	Paramount Leasing Limited	1,469	2,024
71	71	100	Saudi Pak Leasing Company Limited	976	2,828
400	400	5	Sigma Leasing Corporation Limited	773	1,680
111	-	5	Bank Alfalah Limited	555	-
260	260	5	First International Investment Bank	393	718
2500	-	5	Muslim Commercial Bank Limited	13,833	-
135	-	5	Union Bank Limited	2,000	-
2700	2700	5	Dewan Salman Fiber Limited	10,877	14,864
99	99	100	Gatron Industries Limited	2,641	7,959
500	480	5	Nishat Mills Limited	4,461	2,400
258	-	5	Reliance Weaving Limited	1,290	-
10	10	100	Alnoor Sugar Mills Limited	750	1,000
500	500	5	Shakarganj Sugar Mills Limited	2,083	2,500
4000	4000	5	Pak Arab Refinery Limited	19,992	20,000
4000	4000	5	Engro Ashai Polymer & Chemicals Limited	19,988	19,996
2000	2000	5	Engro Chemicals Pakistan Limited	9,996	10,000
8000	8000	5	Pakistan PTA Limited	43,007	40,952
105	-	5	World Call Communication Limited	525	-
3455	2955	5	Packages Limited	17,293	14,756
				196,699	183,568
<b>Certificate of Investment</b>					
1	1	500	International Housing Finance Limited	500	500
				197,199	183,568

10. Investment in Ordinary Shares of Companies in Pakistan - At Book Value

No of Certificates		Face Value	Name of Investment	(Rupees '000)	
2002	2001	('000)		2002	2001
<b>Quoted</b>					
45,000	-	10	1st ICP	544	-
7,500	-	10	2nd ICP	72	-
33,500	-	10	3rd ICP	480	-
10,000	-	10	4th ICP	349	-
39,500	-	10	5th ICP	456	-
24,500	-	10	6th ICP	500	-
98,000	-	10	7th ICP	1,051	-
18,500	-	10	8th ICP	347	-
10,000	10,000	10	9th ICP	302	302
41,000	-	10	10th ICP	617	-
47,500	-	10	11th ICP	684	-
117,000	-	10	12th ICP	1,448	-
33,000	-	10	13th ICP	1,094	-
54,500	-	10	14th ICP	547	-
289,000	-	10	15th ICP	3,694	-
37,000	-	10	16th ICP	352	-
103,000	-	10	17th ICP	1,137	-
33,500	-	10	18th ICP	284	-
9,500	-	10	19th ICP	137	-
15,000	-	10	20th ICP	210	-
145,000	-	10	21st ICP	630	-
301,000	-	10	22nd ICP	2,247	-
75,500	-	10	23rd ICP	340	-
303,000	-	10	24th ICP	1,472	-
216,000	-	10	25th ICP	1,762	-
218,500	35,000	10	I.C.P. S.E.M.F.	6,456	623
10,000	-	500	UTP Income Fund	5,000	-
1,019	900	5000	Unit Trust of Pakistan	5,582	4,940
20,000	-	500	UTP Islamic Fund	10,000	-
-	13,915	10	Al-Zamin Leasing Modaraba	-	108
-	31,000	10	Allied Bank Modaraba First	-	204
100,000	29,500	10	B. R. R. International Modaraba	692	194
150,000	150,00	10	Equity Modaraba	987	987
87,500	87,500	5	First Habib Modaraba	128	128
5,000	5,000	10	First Mehran Modaraba	76	76
-	5,000	10	First Professional Modaraba	-	57
276,460	66,460	10	Grindlays Modaraba First	6,307	1,220

**Notes to Accounts**  
**Financial Year Ended 31 December 2002**



No of Certificates		Face Value	Name of Investment	(Rupees '000)	
2002	2001	('000)		2002	2001
14,900	14,900	10	HBL Modaraba	753	753
-	10,000	5	LTV Capital Modaraba	-	72
83,500	49,000	10	Modaraba Al-Mali	692	491
-	6,480	10	Modaraba Al-Tijarah	-	118
106,600	106,600	10	UDL Modaraba	731	731
-	5,000	10	Unicap Modaraba	-	54
3,000	3,000	10	First Leasing Corporation Limited	103	103
6,500	6,500	10	Ibrahim Leasing	40	40
461,000	-	10	National Development Leasing Corpn.	3,045	-
2,000	-	10	Orix Leasing	52	-
31,500	-	10	Orix Leasing (R)	214	-
2,235	1,848	10	Trust Leasing Company Limited	84	84
67,263	39,060	10	Askari Commercial Bank	976	597
30,000	30,000	10	Faysal Bank Limited	834	834
300	2,300	10	Fidelity Investment Bank Limited	13	101
21,040	9,600	10	First International Investment Bank Ltd	441	321
231,523	-	10	Jahangir Siddiqui & Co	5,788	-
30,500	-	10	Metropolitan Bank	713	-
203,291	77,100	10	Muslim Commercial Bank Limited	4,703	1,790
392,598	283,118	10	National Bank of Pakistan	5,982	3,682
1,001	1,001	10	Khadim Ali Shah Bukhari & Co.	13	13
-	5,000	10	Azam Textile Mills Limited	-	51
10,000	10,000	10	Ellahi Spinning & Weaving Mills Ltd	131	131
2,500	2,500	10	Ellcot Spinning Mills Limited	54	54
400	10,000	10	Ideal Spinning Mills Limited	5	133
29,500	29,500	10	Idrees Textile Mills Limited	393	393
29,531	29,531	10	Kohinoor Weaving Mills Limited	277	277
5,380	5,380	10	Nagina Cotton Mills Limited	86	86
31,500	-	10	Nishat Chunian Limited	1,074	-
40,000	30,000	10	Nishat Mills Limited	1,037	884
6,050	6,050	10	Sahrish Textile Mills Limited	84	84
135,000	125,000	10	Ibrahim Fibre Limited	1,871	1,729
8,750	8,750	10	Pakistan Synthetics Limited	419	419
-	1,500	10	Al- Abbas Sugar Mills Limited	-	9
1,900	1,900	10	Premier Sugar Mills Limited	89	89
100,000	-	10	Attock Cement Limited	1,575	-
45,000	15,500	10	Cherat Cement Limited	951	297
300	74,800	10	Genertech Limited	4	933
900,000	310,000	10	Hub Power Company Limited	28,257	6,184

Notes to Accounts  
Financial Year Ended 31 December 2002



No of Certificates		Face Value		Name of Investment	(Rupees '000)	
2002	2001	('000)	2002		2001	
51,500	-	10		Mari Gas	2,256	-
29,500	29,500	10		National Refinery Limited	1,307	1,307
106,600	28,000	10		Pakistan State Oil Co. Limited	17,343	4,605
75,800	-	10		Pakistan Oilfields Co. Limited	9,303	-
36,350	16,350	10		Shell Pakistan Limited	7,814	3,462
559,500	11,500	10		Sui Northern Gas Company Ltd	10,554	150
4,500	4,500	10		Al Ghazi Tractors Limited	320	320
2,500	-	10		Baluchistan Wheels Limited	57	-
151,000	-	10		Dawan Farooque Motor Limited	1,930	-
5,250	5,250	10		Honda Atlas Car Limited	112	112
18,000	18,000	10		Indus Motors Company Limited	384	384
3,000	-	10		Millat Tractors	367	-
14,900	14,900	10		Pak Suzuki Motors Limited	883	883
1,232,500	300,000	10		Pakistan Telecommunication Co. Ltd	24,395	5,335
15,000	15,000	10		Tristar Shipping Corporation Limited	196	196
3,480	3,480	10		BOC Pakistan	358	358
136,500	76,500	10		Engro Chemicals (Pak) Limited	8,206	4,148
202,500	107,000	10		Fauji Fertilizer Co. Limited	10,741	5,817
23,000	23,000	10		Glaxo Wellcome Pakistan	2,152	2,152
31,000	30,000	10		I.C.I. Pakistan Limited	1,138	1,138
30,000	30,000	10		Pakistan P T A Limited	728	728
11,260	11,260	10		Reckitt & Benckiser (Pak) Limited	1,289	1,289
35,103	35,103	10		Searle Pakistan Limited	382	382
7,115	7,115	10		Sitara Chemicals Limited	179	179
51,000	-	10		Cherat Paper Sack Limited	1,729	-
28,612	28,612	10		Packages Limited	1,775	1,775
18,060	3,420	50		Unilever Pakistan Limited	16,126	2,970
228,000	40,000	10		Tripack Films Limited	9,060	1,272
33,644	23,324			Global Equity Shares	23,957	18,903
15,488	13,100			US Equity Bonds	9,745	8,483
1,931	-			Emerging Bonds	1,457	-
<b>Associated Undertakings</b>						
543,105	376,205	10		EFU General Insurance Limited	19,440	14,512
-	50,424	10		Sui Southern Gas. Co. Limited	-	903
<b>Unquoted</b>						
50,000	50,000			Security Gen. Insurance Co. Limited	508	508
					<u>303,658</u>	<u>112,645</u>

Investment in EFU General Insurance Ltd. represents 2.20 % (2000: 2.20%) of the issued capital of that Company.

Investments considered as available for sale have been measured at the lower of cost and market value. The Securities and Exchange Commission of Pakistan, vide its letter SC/MF/D/179/2002 dated 16 October 2002 has granted exemption from the adoption of IAS-39. Had the company adopted IAS-39 and

valued investments held for sale at fair value, the value of investments as on 31 December 2002 would have been higher by Rs.65 million of which Rs.62 million would relate to unit linked funds and would therefore result in an increase in policyholder liabilities by the same amount. The balance Rs.3 million would directly impact the retained earnings of the company.

### 11. Administrative Fixed Assets

(Rupees in '000)

	COST				Rate %	DEPRECIATION				
	As at 01 January 2002	Purchases during the year	Sale/ Adjust-ments	As at 31 December 2002		As at 01 January 2002	For the year	Sale/ Adjust-ments	As at 31 December 2002	Written Down Value
Office Equip.	8,763	1,063	8	9,818	10	2,884	694	-	3,578	6,240
Computers	7,670	1,474	-	9,144	30	3,735	1,623	-	5,358	3,787
Furniture & Fix	49,083	4,046	41	53,088	10	15,848	3,726	21	19,553	33,535
Vehicles	19,119	6,584	2,130	23,573	20	11,452	2,702	1,392	12,762	10,810
2002	84,635	13,167	2179	95,623		33,919	8,745	1,413	41,251	54,372
2001	80,722	7,244	3,331	84,635		28,155	7,949	2,185	33,919	50,716

### 12. Sale of Administrative Fixed Assets

(Rupees in '000)

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceed	Mode of Disposal	Sold to
Vehicle	405	320	85	204	Negotiation	Arshad Ahmed, Karachi
Vehicle	363	287	76	104	Negotiation	Khlaq Ahmed Cheema, Karachi
Vehicle	377	253	124	125	Negotiation	Fayyaz Ali, Karachi
Vehicle	276	186	90	100	Negotiation	Shahzia Abbasi, Islamabad
Vehicle	311	152	159	150	Negotiation	Arshad Ali Khan, Karachi
Vehicle	397	194	203	205	Negotiation	M. Muslim Mujahid, Karachi
Equipment	49	21	28	42	Insurance Claim	
TOTAL 2002	2,178	1,413	765	930		
TOTAL 2001	3,331	2,185	1,146	2009		

### 13. Commitments

Commitments under operating lease for equipment, vehicles and computers amounts to Rs.8,820/- million (December 2001: Rs. 15.274 million) and the period in which these payments will become due are:

	Rupees '000	
	2002	2001
Year to 31 December 2002	-	6,454
Year to 31 December 2002	6,216	6,216
Year to 31 December 2002	2,604	2,604
	8,820	15,274

**14. Remuneration of Chief Executive, Directors and Executives**

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

(Rupees '000)

		Chief Executive	Directors	Executives	Total
Managerial Remuneration		3,654	-	38,777	42,431
Utilities		177	-	48	225
Medical Expenses		46	-	1,120	1,166
Leave Passage		184	-	242	426
Total	2002	4,061	-	40,187	44,248
Total	2001	3,573	-	27,912	31,485
Number of persons	2002	1	-	99	100
Number of persons	2001	1	-	69	70

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

**15. Auditors' Remuneration**

(Rupees '000)

	2002	2001
Audit Fee-Annual	75	60
Other Certification	40	-
	115	60

**16. Basic Earnings Per Share**

	2002	2001
Surplus for the year	75	60
Weighted average number of ordinary shares	40	-
Earning per share	115	60

**17. Number of Employees**

Number of employees as at 31st December, 2002 were 321 (2001: 315)

18 Financial Instruments and Related Disclosures

a) Markup Rate Risk Exposure

The Company's exposure to the markup rate risk, based on the earlier of contractual repricing or maturity date as at December 31, 2002 is as follows:

Financial Assets	Interest Mark-Up bearing Maturity			Non-Interest Mark-Up bearing Maturity			(Rupees 000)	
	Maturity Upto one year	Maturity after one year	Sub Total	Maturity Upto one year	Maturity after one year	Sub Total	Total 2002	Total 2001
Investments	36,537	974,071	1,010,608	303,659	-	303,659	1,314,267	798,862
Deposit accounts with banks	5,000	-	5,000	-	-	-	5,000	16,500
Current account with banks	64,021	-	64,021	92,392	-	92,392	156,413	98,214
Stamps	-	-	-	1,000	-	1,000	1,000	-
Loans	122	2,351	2,473	-	-	-	2,473	2,205
Premium due but unpaid Interest, Dividend and Return outstanding and accrued	-	-	-	21,364	-	21,364	21,364	21,217
Amount due from other persons or bodies carrying on insurance Business	-	-	-	143,545	31,022	174,567	174,567	120,722
Advances and other receivables	5,270	-	5,270	3,289	-	3,289	3,289	9,566
	110,950	976,422	1,087,372	578,392	31,022	609,414	1,696,786	1,085,442
<b>Financial Liabilities</b>								
Outstanding Claims	-	-	-	25,619	-	25,619	25,619	26,311
Premium received in Advance	-	-	-	64,021	-	64,021	64,021	52,165
Amount due to other persons or bodies carrying on insurance business	-	-	-	104,743	-	104,743	104,743	103,357
Sundry Creditors & Deposits	-	-	-	44,742	-	44,742	44,742	33,803
	-	-	-	239,125	-	239,125	239,125	215,636

b) The effective interest rates for the financial assets and financial liabilities are as follows:

	2002	2001
Investments	12.97%	13.21%
Bank Balances	4.68%	7.70%

c) Fair Value

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

	(Rupees'000)	
	Carrying Value	Fair Value
Term Finance Certificates, Federal Investment Bonds and Pakistan Investment Bonds	766,958	962,366
Ordinary shares	303,659	363,223

**19 Transaction with Associated Undertakings**

Total Premium received and paid was Rs.1.6 million (2001: 9.0 million) and Rs.2.3 million (2001: 2.00 million) respectively

Total Brokerage paid on Sale and Purchase of Shares was Rs.0.75 million (2001: 0.09 million). Purchase of securities under resale commitments amounted to Rs.55.96 (2001: 444.53 million).

**20 General**

- a) Figures have been rounded off to the nearest thousand.
- b) Previous year figures have been rearranged to facilitate comparison with respect to the change in the format given in the Insurance Rules 2002.