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Company Information

Chairman

Saifuddin N. Zoomkawala

Managing Director & Chief Executive

Taher G. Sachak

Directors

Hasanali Abdullah
Jahangir Siddiqui
Muneer R. Bhimjee
Rafique R. Bhimjee
Sultan Ahmad

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

The Directors' of your Company are pleased to present the Condensed Interim Financial Statements (Un-audited) for the first quarter ended 31 March 2011.

Your Company's total premium income for the first quarter of 2011 was Rs.2.42 billion, 26% higher than the premium income of Rs.1.92 billion in the first quarter of 2010. New individual life regular premium income increased by an impressive 28.6% to Rs.672 million (2010: Rs.523 million). Both individual life distribution channels - Sales Force and Bancassurance - made satisfactory contributions to the growth in the new business.

Renewal premium income showed a consistent growth and increased by 24.9%, due to the continued focus of the Company on superior level of client services.

Inclusive of renewal premium, the total individual life regular premium business increased by 26.1% to Rs.2.01 billion (2010: 1.61 billion).

Group Benefits business continued its significant contribution to the overall business and has shown encouraging results for the period under review. The premium income increased by 39% at Rs.367 million (2010: Rs.264 million).

Your Company had a surplus of Rs.261.5 million (2010: Rs.85.8 million) from the Statutory Funds. Out of this an amount of Rs.257.2 million (2010: Rs.83.7 million) was transferred to the Profit & Loss account. The Profit after tax has increased by 338.2% and is Rs.151.6 million (2010: Rs.34.6 million).

The Company's unit linked funds continued their consistently good performance in the first quarter of 2011. The main unit linked fund, EFU Managed Growth Fund, as on 31 March 2011 gave an annualized return of 13.8% (net of all charges) over a period of last 10 years to our clients. The market value of the fund now exceeds Rs.18.6 billion, and this makes it by far the largest unit linked fund in the country. The other unit linked funds - Capital Growth fund, Aitemad Growth Fund and Guaranteed Growth Fund - also showed encouraging performances during this period.

Your Directors would like to place on record their appreciation for the excellent contribution made by the EFU Life Head Office team and all distribution channels towards the development and growth of the Company.

We would also like to thank the Securities and Exchange Commission of Pakistan for its guidance, cooperation and understanding and our main reinsurer Munich Re for its continuous support. Finally we would like to thank all our clients for their continued confidence in the Company

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Balance Sheet
As at 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

Note	Shareholders Fund	Statutory Funds				Rupees '000	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate March 2011	Aggregate December 2010
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
Issued, subscribes and paid up Share Capital							
15 000 000 Ordinary Shares (2010: 15 000 000) of Rs 10/- each issued as fully paid in cash							
	150 000					150 000	150 000
70 000 000 Ordinary Shares (2010: 70 000 000) of Rs 10/-each issued as fully paid as bonus shares							
	700 000					700 000	700 000
	850 000					850 000	850 000
Accumulated surplus	648 387					648 387	496 775
General reserves	232 500					232 500	232 500
Net shareholders' equity	1 730 887					1 730 887	1 579 275
Balance of statutory fund [including policyholders' liabilities Rs. 20,002 million (2010: Rs. 18,574 million)							
		20 014 864	262 651	16 972	3 826	20 298 313	18 865 481
Deferred taxation	11 800					11 800	11 800
Creditors and accruals							
Outstanding claims		207 599	337 167	-	244	545 010	514 710
Premiums received in advance		391 472	21 849	778	428	414 527	418 578
Amounts due to reinsurers		42	20 246	194	788	21 270	37 477
Amounts due to agents		162 764	22 905	3	98	185 770	243 694
Accrued expenses	1 090	88 251	6 959	-	32	96 332	106 836
Unclaimed dividend	5 193					5 193	5 206
Other creditors and accruals	28 418	47 281	3 716	-	29	79 444	55 653
Inter - fund payable		196 515	898	490	739	198 642	324 025
Total liabilities	34 701	1 093 924	413 740	1 465	2 358	1 546 188	1 706 179
Contingency	7						
Total equity and liabilities	1 777 388	21 108 788	676 391	18 437	6 184	23 587 188	22 162 735

The annexed notes 1 to 13 form an integral part of these financial statements.

		Statutory Funds				Rupees '000	
Note	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate March 2011	Aggregate December 2010
Cash and bank deposits							
	-	5 299	197	-	-	5 496	3 623
	147 978	436 071	104 719	2 931	1 273	692 972	752 702
	-	70 000	-	-	-	70 000	70 000
	147 978	511 370	104 916	2 931	1 273	768 468	826 325
Loans							
	44 329					44 329	44 776
	10 722					10 722	10 807
	55 051					55 051	55 583
Investments							
8	454 564	11 489 787	273 509	7 366	-	12 225 226	10 679 895
	82 390	3 815 587	182 317	3 798	3 715	4 087 807	4 212 481
	238 992	4 765 108	39 434	4 074	-	5 047 608	4 819 084
	508	-	-	-	-	508	508
	776 454	20 070 482	495 260	15 238	3 715	21 361 149	19 711 968
Current assets - others							
		-	37 166	-	-	37 166	28 860
		11 573	16 007	-	-	27 580	86 159
	33	40 506	4 048	-	26	44 613	11 772
	150	10 656	745	-	6	11 557	15 589
	14 934	423 234	13 408	268	1 137	452 981	478 105
	160 217					160 217	171 683
	-	40 967	4 841	-	27	45 835	31 791
	197 643	-	-	-	-	197 643	324 025
	372 977	526 936	76 215	268	1 196	977 592	1 147 984
Fixed assets							
Tangible assets							
	126 505					126 505	126 505
	237 026					237 026	232 617
	60 687					60 687	60 687
	710					710	1 066
	424 928					424 928	420 875
	<u>1 777 388</u>	<u>21 108 788</u>	<u>676 391</u>	<u>18 437</u>	<u>6 184</u>	<u>23 587 188</u>	<u>22 162 735</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Profit and Loss Account
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

	Rupees '000	
	<u>Aggregate 2011</u>	<u>Aggregate 2010</u>
Investment income not attributable to statutory funds		
Return on government securities	7 027	4 957
Return on other fixed income securities and deposits	3 268	3 108
Dividend income	4 873	3 982
	15 168	12 047
Provision for impairment in the value of available for sale investments	<u>(39 105)</u>	<u>(51 423)</u>
Net investment loss	<u>(23 937)</u>	<u>(39 376)</u>
- Gain on disposal of fixed assets	856	695
- Others	2 986	2 852
	<u>(20 095)</u>	<u>(35 829)</u>
Less: Expenses not attributable to statutory funds	<u>(5 584)</u>	<u>(1 739)</u>
	<u>(25 679)</u>	<u>(37 568)</u>
Surplus transferred from statutory funds	<u>257 291</u>	<u>83 667</u>
Profit before tax	<u>231 612</u>	<u>46 099</u>
Taxation	<u>(80 000)</u>	<u>(11 500)</u>
Profit after tax	<u>151 612</u>	<u>34 599</u>
Earnings per share - basic	<u>1.78</u>	<u>0.41</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

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Director

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Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Statement of Changes in Equity
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

Rupees '000

	<u>Share Capital</u>	<u>General Reserve</u>	<u>Accumulated Surplus</u>	<u>Total</u>
Balance as at 1 January 2010	750 000	232 500	646 040	1 628 540
Changes in equity 2010				
Profit for the period	-	-	34 599	34 599
Balance as at 31 March 2010	<u>750 000</u>	<u>232 500</u>	<u>680 639</u>	<u>1 663 139</u>
Balance as at 1 January 2011	850 000	232 500	496 775	1 579 275
Changes in equity for 2011				
Profit for the period	-	-	151 612	151 612
Balance as at 31 March 2011	<u>850 000</u>	<u>232 500</u>	<u>648 387</u>	<u>1 730 887</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

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Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Statement of Cash Flows
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

		Statutory Funds				Rupees '000	
Note	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 31 March 2011	Aggregate 31 March 2010
Operating Cash Flows							
a) Underwriting activities							
		2 048 699	360 112	40	93	2 408 944	1 957 986
		(44 852)	6 135	(39)	1 087	(37 669)	(54 662)
		(40 297)	(231 927)	-	(500)	(272 724)	(234 741)
		(362 814)	-	-	-	(362 814)	(371 670)
		(515 366)	(62 681)	(4)	(138)	(578 189)	(495 728)
		1 085 370	71 639	(3)	542	1 157 548	801 185
Net cash generated from / (used in) underwriting activities							
b) Other operating activities							
	(68 534)					(68 534)	(37 830)
	(5 584)	(249 274)	(23 446)	(43)	(138)	(278 485)	(248 514)
	-	-	-	-	-	-	(25 896)
	140 654	17 409	1 272	65	10	159 410	183 479
	(4 888)	-	-	-	-	(4 888)	4 164
	5 420	-	-	-	-	5 420	-
	(196)	(76 574)	(96 110)	-	(4 605)	(177 485)	(170 539)
	66 872	(308 439)	(118 284)	22	(4 733)	(364 562)	(295 136)
	66 872	776 931	(46 645)	19	(4 191)	792 986	506 049
Investment activities							
	7 710	514 667	23 799	429	28	546 633	413 270
	4 873	93 626	336	79	-	98 914	68 795
	(188 291)	(1 384 916)	-	-	-	(1 573 207)	(1 492 987)
		11 001	72 609	453	5 123	89 186	148 436
	(14 024)	-	-	-	-	(14 024)	(31 775)
	1 655	-	-	-	-	1 655	1 895
	(188 077)	(765 622)	96 744	961	5 151	(850 843)	(892 366)
Financing activities							
	257 291	(240 286)	(16 231)	(114)	(660)	-	-
	-	-	-	-	-	-	-
	257 291	(240 286)	(16 231)	(114)	(660)	-	-
	136 086	(228 977)	33 868	866	300	(57 857)	(386 317)
	11 892	740 347	71 048	2 065	973	826 325	1 365 803
	147 978	511 370	104 916	2 931	1 273	768 468	979 486
Reconciliation to profit and loss account							
						792 986	506 049
						(8 817)	(9 373)
						(355)	2 675
						856	695
						2 986	2 852
						617 437	448 243
						203 231	23 393
						(39 906)	(51 750)
						-	7 156
						1 835	(22 541)
						(118 062)	83 720
						(1 300 579)	(956 520)
						151 612	34 599

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

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Director

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Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Revenue Account
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

					Rupees '000	
Statutory Funds					Aggregate 31 March 2011	Aggregate 31 March 2010
Note	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Income						
	2 003 396	255 474	104	537	2 259 511	1 816 225
	788 129	17 530	562	313	806 534	446 552
	2 791 525	273 004	666	850	3 066 045	2 262 777
Claims and expenditure						
	407 546	179 098	-	-	586 644	504 020
	703 676	85 339	49	214	789 278	710 092
	1 111 222	264 437	49	214	1 375 922	1 214 112
Excess of income over claims and expenditure						
	1 680 303	8 567	617	636	1 690 123	1 048 665
Add : policyholders' liabilities at beginning of the period						
	18 307 248	246 427	16 469	3 686	18 573 830	14 491 707
Less : policyholders' liabilities at end of the period						
5.2	19 744 151	237 660	16 972	3 662	20 002 445	15 454 544
	(1 436 903)	8 767	(503)	24	(1 428 615)	(962 837)
Surplus before tax						
	243 400	17 334	114	660	261 508	85 828
	1 436 903	(8 767)	503	(24)	1 428 615	962 837
	(240 286)	(16 231)	(114)	(660)	(257 291)	(83 667)
	18 574 847	270 315	16 469	3 850	18 865 481	14 767 466
	20 014 864	262 651	16 972	3 826	20 298 313	15 732 464
Represented by:						
	19 744 151	237 660	16 972	3 662	20 002 445	15 454 544
5.2	270 713	24 991	-	164	295 868	277 920
	20 014 864	262 651	16 972	3 826	20 298 313	15 732 464

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

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Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Statement of Premiums
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

Rupees '000

	Statutory Funds				Aggregate 31 March 2011	Aggregate 31 March 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Gross premiums						
Regular premium individual policies*						
First year	671 395	849	-	130	672 374	522 871
Second year renewal	390 214	698	-	21	390 933	322 874
Subsequent year renewal	967 890	835	115	555	969 395	766 229
Single premium individual policies	22 043	-	-	-	22 043	46 375
Group policies without cash values	-	366 556	-	-	366 556	263 746
Total gross premiums	2 051 542	368 938	115	706	2 421 301	1 922 095
Less: Reinsurance premiums ceded						
On individual life first year business	6 464	98	-	3	6 565	7 120
On individual life second year business	6 040	476	-	10	6 526	5 107
On individual life renewal business	35 642	328	11	156	36 137	32 137
On group policies	-	112 562	-	-	112 562	61 506
Total reinsurance premium ceded	48 146	113 464	11	169	161 790	105 870
Net premiums	2 003 396	255 474	104	537	2 259 511	1 816 225

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

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

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Managing Director & Chief Executive

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Chairman

Condensed Interim Statement of Claims
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

	Statutory Funds				Rupees '000	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 31 March 2011	Aggregate 31 March 2010
	Gross claims					
Claims under individual policies						
by death	44 839	14 798	-	-	59 637	53 642
by insured event other than death	2 052	-	-	-	2 052	1 377
by maturity	6 258	-	-	-	6 258	6 791
by surrender	362 814	-	-	-	362 814	364 879
Total gross individual policy claims	415 963	14 798	-	-	430 761	426 689
Claims under group policies						
by death	-	178 887	-	-	178 887	147 281
by insured event other than death	-	13 512	-	-	13 512	11 664
experience refund	-	42 678	-	-	42 678	5 264
Total gross group claims	-	235 077	-	-	235 077	164 209
Total gross claims	415 963	249 875	-	-	665 838	590 898
Less: Reinsurance recoveries						
On individual life first year business	2 629	12 685	-	-	15 314	7 266
On individual life second year business	4 230	-	-	-	4 230	1 758
On individual life subsequent renewal business	1 558	-	-	-	1 558	9 202
On group claims	-	52 091	-	-	52 091	58 125
On experience refund of premiums	-	6 001	-	-	6 001	10 527
Total reinsurance	8 417	70 777	-	-	79 194	86 878
Net claims	407 546	179 098	-	-	586 644	504 020

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

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Director

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Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Statement of Expenses
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

	Statutory Funds				Rupees '000	
	Investment	Pension	Accident &	Aggregate	Aggregate	
	Linked	Conventional	Business	Health	31 March	31 March
Business	Business	(Unit Linked)	Business	2011	2010	
Acquisition costs						
Remuneration to insurance						
intermediaries on individual policies:						
- commission on first year premiums	340 387	269	-	53	340 709	286 880
- commission on second year premiums	40 698	75	-	8	40 781	34 010
- commission on subsequent renewal premiums	26 000	21	3	22	26 046	20 613
- commission on single premiums	212	-	-	-	212	928
- override commission	51 466	90	-	22	51 578	36 755
- other benefits to insurance intermediaries	77 622	173	29	36	77 860	75 235
	536 385	628	32	141	537 186	454 421
Remuneration to insurance						
intermediaries on group policies:						
- commission	-	60 939	-	-	60 939	91 810
- other benefits to insurance intermediaries	-	6 360	-	-	6 360	5 256
	-	67 299	-	-	67 299	97 066
Branch overheads	62 503	2 340	17	20	64 880	44 715
Other acquisition costs						
- policy stamps	13 674	190	-	1	13 865	11 273
Total acquisition cost	612 562	70 457	49	162	683 230	607 475
Administration expenses						
Salaries and other benefits	44 750	9 017	-	27	53 794	40 618
Travelling expenses	5 136	438	-	1	5 575	14 155
Actuary's fees	1 386	113	-	1	1 500	1 425
Medical fees	3 903	216	-	-	4 119	4 121
Legal and professional fee	1 344	105	-	1	1 450	733
Advertisements and publicity	7 768	636	-	5	8 409	11 240
Computer expenses	784	70	-	1	855	457
Printing and stationery	4 192	462	-	2	4 656	5 599
Depreciation	2 661	462	-	1	3 124	3 006
Amortisation	328	27	-	-	355	1 473
Rental	2 486	795	-	1	3 282	1 748
Exchange gain	569	-	-	-	569	112
Other management expenses	18 315	2 588	-	12	20 915	20 896
Gross management expenses	706 184	85 386	49	214	791 833	713 058
Commission from reinsurers	(2 508)	(47)	-	-	(2 555)	(2 966)
Net management expenses	703 676	85 339	49	214	789 278	710 092

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Condensed Interim Statement of Investment Income
For the three months period ended 31 March 2011 (Unaudited)

EFU LIFE ASSURANCE LTD.

	Statutory Funds				Rupees '000	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 31 March 2011	Aggregate 31 March 2010
	Investment income					
On government securities	335 447	11 154	234	173	347 008	196 034
On other fixed income securities and deposits	154 152	7 010	147	142	161 451	175 764
Dividend income	93 626	336	79	-	94 041	64 813
Amortisation of discount / (premium)	14 758	(169)	(12)	(2)	14 575	2 675
	597 983	18 331	448	313	617 075	439 286
(Loss) / gain on sale of investments						
Shares and mutual fund units	1 835	-	-	-	1 835	(22 541)
Gain / (loss) on revaluation of investments						
Government securities	71 019	-	63	-	71 082	7 742
Other fixed income securities	2 418	-	66	-	2 484	4 846
Listed equities securities and mutual fund units	115 105	-	(15)	-	115 090	10 805
	188 542	-	114	-	188 656	23 393
(Provision)/ Reversal for impairment in value of investments						
Available-for-sale fixed income securities	-	-	-	-	-	7 156
Available-for-sale equity securities and mutual fund units	-	(801)	-	-	(801)	(327)
	-	(801)	-	-	(801)	6 829
	788 360	17 530	562	313	806 765	446 967
Less : Investment related expense	(231)	-	-	-	(231)	(415)
Net investment income	788 129	17 530	562	313	806 534	446 552

The annexed notes 1 to 13 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

1. Status and Nature of Business

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

2. Basis of Presentation

These condensed interim financial statements are unaudited and have been presented in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting, on the format prescribed by Securities and Exchange Commission Insurance Rules, 2002. These condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with financial statements of the Company for the year ended 31 December 2010.

These condensed interim financial statements are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.

3. Accounting Policies

The accounting policies adopted by the Company in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2010.

4. Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual result may differ from these estimates.

The significant judgments made by the management in applying the accounting policies and key sources of estimation uncertainty were the same as those applied to financial statements for the year ended 31 December 2010.

5. Policyholders' Liabilities

Rupees '000

5.1 Gross

	Statutory Funds				Aggregate March 2011	Aggregate December 2010
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business		
Actuarial liability relating to future events	19 774 517	304 382	17 007	4 115	20 100 021	18 625 924
Provision for outstanding reported claims payable over a period exceeding twelve months.	116 387	29 773	-	-	146 160	144 689
Provision for incurred but not reported claims	21 009	52 734	-	-	73 743	79 322
	<u>19 911 913</u>	<u>386 889</u>	<u>17 007</u>	<u>4 115</u>	<u>20 319 924</u>	<u>18 849 315</u>

5.2 Net of reinsurance

Actuarial liability relating to future events	19 661 498	186 027	16 972	3 662	19 868 159	18 440 098
Provision for outstanding reported claims payable over a period exceeding twelve months	65 658	14 634	-	-	80 292	78 937
Provision for incurred but not reported claims	16 995	36 999	-	-	53 994	54 795
	<u>19 744 151</u>	<u>237 660</u>	<u>16 972</u>	<u>3 662</u>	<u>20 002 445</u>	<u>18 573 830</u>

6. Balance Of Statutory Fund

6.1 SECP issued a circular during 2006 which clarified the interpretation of section 32 (2) (g) of the Insurance Ordinance 2000, as a result of which certain related party investments held in the investment linked statutory fund of the Company may be treated as inadmissible. Since the applicability of the same for unit linked business was not clear, the Company in accordance with the Appointed Actuary's advice retained an amount of Rs.267 million up to 31 March 2007. Subsequent to 31 March 2007, the Company has obtained permission from Securities and Exchange Commission of Pakistan to freeze the above amount and no further retention is to be made from the surplus. . In July 2010, SECP issued a clarification with regard to section 32(2) (g) under which the related party investments in respect of which this retention was made may be treated as admissible. Based on this clarification, the amount of Rs.267 million is no longer required to be retained on account of inadmissibility of assets in the Investment Linked Statutory Fund.

In March 2010 SECP issued draft amendments to the insurance Rules 2002 for public comments. One of the main items in these draft amendments was the introduction of Solvency Margins in the Statutory Funds of the Life insurers based on the nature of business of the insurers. After discussion with the officials in the insurance division SECP, the management understand that these amendments are in the process of being finalised and would be applicable from 31st December, 2011. Based on the details mention in the draft regulations, a revised calculation was carried out in accordance with the advised of Appointed Actuary and additional surplus amount has been retained to meet the future solvency requirements.

No deferred tax liability has been recognized on the undistributed surplus in view of the fact that surplus has been retained to meet solvency requirement and is not expected to be available for distribution to shareholders in the foreseeable future.

7. Contingency

During the year 2010, an order under section 122(5A) of the Income Tax Ordinance, 2001 has 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 tax demand) has been raised against the Company by treating the Capital gains as appreciation in the value of investments. The Company has filed an appeal before the Additional Commissioner and Commissioner of Income Tax (Inland Revenue) against the aforementioned demand. The management based on the opinion of its tax consultant is confident that the outcome of the appeal would be favourable and hence, no provision against the above tax demand has been made in these financial statements.

8. Investments

	Statutory Funds					Rupees '000	
	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate March 2011	Aggregate December 2010
Government securities							
Held to maturity-at amortized cost	454 564	1 077 821	273 509	-	-	1 805 894	1 4639 509
Available for sale-at market value		10 411 966	-	7 366	-	10 419 332	9 216 386
	<u>454 564</u>	<u>11 489 787</u>	<u>273 509</u>	<u>7 366</u>	<u>-</u>	<u>12 225 226</u>	<u>10 679 895</u>
Other fixed income securities							
Held to maturity-at amortized cost	82 390	169 377	182 317	-	3 715	437 799	441 359
Available for sale-at market value	-	3 646 210	-	3 798	-	3 650 008	3 771 122
	<u>82 390</u>	<u>3 815 587</u>	<u>182 317</u>	<u>3 798</u>	<u>3 715</u>	<u>4 087 807</u>	<u>4 212 481</u>
Listed equities and mutual funds							
Available for sale-at market value	-	4 244 125	-	4 074	-	4 248 199	3 999 278
Held for trading-at market value	-	423 530	-	-	-	423 530	402 893
Available for sale-at lower of cost or market value	<u>1 439 890</u>	<u>175 976</u>	<u>112 820</u>	<u>-</u>	<u>-</u>	<u>1 728 686</u>	<u>1 729 813</u>
	1 439 890	4 843 631	112 820	4 074	-	6 400 415	6 131 984
Less : Provision for impairment in value of investments	<u>1 200 898</u>	<u>78 523</u>	<u>73 386</u>	<u>-</u>	<u>-</u>	<u>1 352 807</u>	<u>1 312 900</u>
	<u>238 992</u>	<u>4 765 108</u>	<u>39 434</u>	<u>4 074</u>	<u>-</u>	<u>5 047 608</u>	<u>4 819 084</u>

Market value of securities held at lower of cost or market value amounted to Rs.508 million (31 December 2010: Rs.571 million) and those held at amortized cost amounted to Rs.2.169 billion (31 December 2010: Rs.1.819 billion).

The Company has deposited Pakistan Investment Bonds amounting to Rs.87 million (31 December 2010: Rs.87 million) with State Bank of Pakistan under section 29 of Insurance Ordinance, 2000.

International Accounting Standard IAS-39 "Financial Instruments - Recognition and Measurement" has been revised effective 1 January 2005. In the revised IAS - 39 the option of taking the revaluation gain/loss on available for sale securities to income / revenue account has been deleted and all such gain/loss is to be taken to equity. Furthermore, a new category has been added "financial assets at fair value through profit and loss". The Company considers that credit /debit to revenue account for unit linked and pension business is required to reflect policyholders' liabilities at their fair value.

9. Fixed Assets - Tangible

The cost of additions and deletions during the three months period ended 31 March 2011 are as follows:

	Rupees '000	
	<u>Shareholders' Fund</u>	
	<u>Additions</u>	<u>Deletions</u>
Furniture, fixtures and fittings	8 213	
Office equipment	402	
Computers	978	
Motor vehicles	4 431	2 013
	<u>14 024</u>	<u>2 013</u>

10. Transaction With Related Parties

Related parties comprise of associated companies, entities under common control, and entities with common directors, major shareholders, directors, key management personnel and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions. The transactions and balances with related parties are as follows:

	Rupees '000	
	31 March	31 March
	2011	2010
Transactions		
Associated companies		
Premium written	13 332	10 352
Premium paid	14 938	12 383
Claims paid	-	1 128
Claims received	450	503
Traveling expenses	450	40
Services hired	435	555
Commission paid	16 576	9 930
Employees' Funds		
Contribution to provident fund	3 146	2 674
Contribution to pension fund	2 395	1 992
Key Management Personnel		
Loan to key member	-	250
Loan recovered	-	397
Compensation	12 466	12 849
Balances		
Associated companies		
Bank Balances	3 005	7 789
Balance payable	1 386	803
Balance receivable	2 381	27

11. Corresponding Figures

Previous year figures have been rearranged and reclassified wherever necessary for the purpose of comparison.

12. Date of Authorization

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 25 April 2011.

13. General

Figures have been rounded off to the nearest thousand.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman