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Report (Un-Audited)
SECOND QUARTER 2013



GENERAL

E F U GENERAL INSURANCE LTD.

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Company Information

Chairman

Saifuddin N. Zoomkawala

Managing Director & Chief Executive

Hasanali Abdullah

Directors

Rafique R. Bhimjee
Abdul Rehman Haji Habib
Jahangir Siddiqui
Muneer R. Bhimjee
Taher G. Sachak
Ali Raza Siddiqui

Chief Financial Officer & Corporate Secretary

Altaf Qamruddin Gokal, F.C.A.

Legal Advisor

Mohammad Ali Sayeed

Advisors

Akhtar K. Alavi, A.C.I.I.
Salim Rafik Sidiki, B.A. (Hons), M.A.
S.C. (Hamid) Subjally
Syed Mehdi Imam, M.A.

Audit Committee

Muneer R. Bhimjee
Taher G. Sachak
Abdul Rehman Haji Habib

Investment Committee

Saifuddin N. Zoomkawala
Hasanali Abdullah
Rafique R. Bhimjee
Jahangir Siddiqui

Human Resource & Remuneration Committee

Saifuddin N. Zoomkawala
Rafique R. Bhimjee
Hasanali Abdullah

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
601, 6th Floor
Progressive Plaza
Beaumont Road
Karachi

Registrar

Technology Trade (Pvt.) Ltd.
Dagja House 241-C
Block-2, P.E.C.H.S.
Off Shahra-e-Quaideen
Karachi

Website

www.efuinsurance.com

Registered Office

Dodhy Building, 2nd Floor
52-E, Jinnah Avenue
(Blue Area)
Islamabad

Main Offices

EFU House
M. A. Jinnah Road
Karachi

Co-operative Insurance Building
23, Shahrah-e-Quaid-e-Azam
Lahore

Directors' Review

We are pleased to present the unaudited financial statements for the six months period ended 30 June 2013.

The written Premium for the six months period increased by 11% to Rs. 6 404 million as compared to Rs. 5 783 million in corresponding period of last year. The Net Premium Revenue for the six months period was Rs. 3 061 million as against Rs. 2 968 million in the corresponding period of last year. Due to improved underwriting, the overall claims to Net Premium Revenue ratio improved to 51% as against 55% in the corresponding period of last year. The total underwriting profit for the six months period was Rs. 421 million as compared to Rs. 391 million in corresponding period of last year.

The after tax profit for the six months was Rs. 586 million compared to Rs. 814 million in the corresponding period of last year.

The earnings per share for the six months period was Rs. 4.69 as against Rs. 6.52 in the corresponding period of last year.

Your Directors have pleasure in declaring an interim cash dividend of Rupee 1 per share for the period ended 30 June 2013.

The total Market value of Properties, Equity (other than investment in associate), Fixed Income securities and Cash and Bank Balances as at 30 June 2013 stood at Rs. 9 864 million as compared to Rs. 9 025 million as on 31 December 2012. The value of investment in associate on the basis of value in use as worked out by an independent actuary amounted to Rs. 13 932 million.

The Break up value of Company's share as at 30 June 2013 was Rs. 89.74.

Your Directors would like to place on record their highest appreciation to the field force, officers and staff of the Company for the dedicated efforts in a difficult operating environment.

Your Directors would also like to thank the Securities and Exchange Commission of Pakistan, Pakistan Reinsurance Company Limited and all our reinsurers for their continued guidance and support.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Review Report to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of EFU General Insurance Limited as at 30 June 2013 and the related condensed interim profit and loss account, condensed interim statements of comprehensive income, changes in equity, cash flows, premiums, claims, expenses and investment income and explanatory notes (here-in-after referred to as the "interim financial information") for the six-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner: Arslan Khalid

Karachi 24 July 2013

Condensed Interim Balance Sheet

as at 30 June 2013 (Unaudited)

	Note	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Share capital and reserves			
Authorised share capital			
150 000 000 (31 December 2012: 150 000 000) ordinary shares of Rs.10 each		1 500 000	1 500 000
Issued, subscribed and paid-up share capital		1 250 000	1 250 000
Reserves and retained earnings	6	9 967 025	9 881 164
		11 217 025	11 131 164
Underwriting provisions			
Provision for outstanding claims (including IBNR)		6 610 561	8 865 759
Provision for unearned premium		5 459 603	5 506 694
Commission income unearned		218 908	226 242
Total underwriting provisions		12 289 072	14 598 695
Deferred liabilities			
Deferred taxation		56 700	67 000
Creditors and accruals			
Premiums received in advance		10 738	12 346
Amounts due to other insurers / reinsurers		1 636 026	1 748 262
Accrued expenses		185 821	175 220
Agent balances		447 395	528 065
Unearned rentals		34 964	48 318
Taxation - payments less provision		7 754	-
Other creditors and accruals		246 737	196 441
		2 569 435	2 708 652
Other liabilities			
Other deposits		486 965	462 833
Unclaimed dividends		73 234	67 762
		560 199	530 595
Total liabilities		15 475 406	17 904 942
Total equity and liabilities		26 692 431	29 036 106
Contingencies	7		

		Rupees '000	
	Note	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Cash and bank deposits			
Cash and other equivalents		3 889	6 173
Current and other accounts		1 241 703	1 009 728
Deposits maturing within 12 months		620 795	653 985
		1 866 387	1 669 886
Loans - secured considered good			
To employees		3 254	2 612
Investments	8	13 572 356	13 404 717
Investment properties		240 923	206 657
Current assets - others			
Premiums due but unpaid - net	9	2 530 594	2 755 247
Amounts due from other insurers / reinsurers		50 704	69 099
Salvage recoveries accrued		20 639	12 745
Accrued investment income		24 777	32 623
Reinsurance recoveries against outstanding claims		4 255 043	6 560 947
Taxation - payments less provision		-	88 667
Deferred commission expense		500 462	567 510
Prepayments		2 674 643	2 711 440
Security deposits		9 761	8 104
Sundry receivables		72 222	75 209
		10 138 845	12 881 591
Fixed assets - tangible and intangibles			
Land and buildings	10	293 892	281 771
Furniture, fixtures and office equipments		403 639	383 822
Vehicles		168 503	167 719
Computer softwares		976	1 743
Capital work-in-progress		3 656	35 588
		870 666	870 643
Total assets		26 692 431	29 036 106

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Profit and Loss Account

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

		Three months period ended 30 June					Aggregate	Restated
Note	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	2013	Aggregate 2012	
Revenue account								
	482 615	343 740	660 317	74 894	–	1 561 566	1 493 132	
	(151 413)	(221 293)	(400 802)	(47 973)	–	(821 481)	(716 618)	
	(101 510)	(72 970)	(169 083)	(15 859)	–	(359 422)	(333 296)	
	(129 244)	(61 386)	(56 955)	35 155	–	(212 430)	(174 680)	
	<u>100 448</u>	<u>(11 909)</u>	<u>33 477</u>	<u>46 217</u>	<u>–</u>	<u>168 233</u>	<u>268 538</u>	
Underwriting result								
						237 748	5 111	
						25 635	23 932	
						29 006	32 448	
11						5 310	19 164	
						69 521	50 022	
						(133 891)	(166 683)	
						<u>233 329</u>	<u>(36 006)</u>	
Profit before tax								
12						401 562	232 532	
						(44 015)	(16 922)	
Profit after tax								
						<u>357 547</u>	<u>215 610</u>	
Earnings per share - basic and diluted				(Rupees)		<u>2.86</u>	<u>1.72</u>	
		Six months period ended 30 June						
Revenue account								
	871 598	721 678	1 308 400	159 381	–	3 061 057	2 968 370	
	(334 586)	(394 812)	(756 478)	(90 000)	73	(1 575 803)	(1 630 316)	
	(178 658)	(147 927)	(320 886)	(32 669)	–	(680 140)	(626 384)	
	(208 771)	(123 612)	(112 374)	60 242	–	(384 515)	(321 030)	
	<u>149 583</u>	<u>55 327</u>	<u>118 662</u>	<u>96 954</u>	<u>73</u>	<u>420 599</u>	<u>390 640</u>	
Underwriting result								
						288 568	442 800	
						50 836	48 876	
						54 534	57 511	
11						10 806	20 578	
						147 932	188 602	
						(264 522)	(293 692)	
						<u>288 154</u>	<u>464 675</u>	
Profit before tax								
12						708 753	855 315	
						(122 892)	(40 853)	
Profit after tax								
						<u>585 861</u>	<u>814 462</u>	
Profit and loss appropriation account								
						1 518 262	582 967	
						585 861	814 462	
						(500 000)	(343 750)	
Balance unappropriated profit at end of the period								
						<u>1 604 123</u>	<u>1 053 679</u>	
Earnings per share - basic and diluted				(Rupees)		<u>4.69</u>	<u>6.52</u>	

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Comprehensive Income for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

	Three months period ended 30 June		Six months period ended 30 June	
	2013	Restated 2012	2013	Restated 2012
Profit for the period	357 547	215 610	585 861	814 462
Other comprehensive income				
Actuarial gains on defined benefit plans	–	32 721	–	32 721
Income Tax	–	(11 452)	–	(11 452)
	–	21 269	–	21 269
Total comprehensive income for the period	357 547	236 879	585 861	835 731

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Changes in Equity

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

	Share capital	General reserve	Reserve for exceptional losses	Unappropriated profit / (loss)	Total
Balance as at 1 January 2012	1 250 000	8 150 000	12 902	582 967	9 995 869
Total comprehensive income for the period					
Profit for the period (Restated)	-	-	-	814 462	814 462
Other comprehensive income	-	-	-	21 269	21 269
	-	-	-	835 731	835 731
Transactions with owners, recorded directly in equity					
Dividend paid for the year 2011 at the rate of Rs. 2.75 per share	-	-	-	(343 750)	(343 750)
Balance as at 30 June 2012	<u>1 250 000</u>	<u>8 150 000</u>	<u>12 902</u>	<u>1 074 948</u>	<u>10 487 850</u>
Balance as at 1 January 2013	1 250 000	8 350 000	12 902	1 518 262	11 131 164
Total comprehensive income for the period					
Profit for the period	-	-	-	585 861	585 861
Transactions with owners, recorded directly in equity					
Dividend paid for the year 2012 at the rate of Rs. 4.00 per share	-	-	-	(500 000)	(500 000)
Transfer from general reserve	-	-	-	-	-
Balance as at 30 June 2012	<u>1 250 000</u>	<u>8 350 000</u>	<u>12 902</u>	<u>1 604 123</u>	<u>11 217 025</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

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Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Cash Flows

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

	2013	2012
Operating Cash Flows		
a) Underwriting activities		
Premiums received	6 628 999	5 216 629
Reinsurance premiums paid	(3 425 764)	(2 769 817)
Claims paid	(3 147 472)	(3 275 483)
Reinsurance and other recoveries received	1 632 879	1 517 208
Commissions paid	(695 606)	(576 574)
Commissions received	290 135	254 689
Management expenses paid	(580 576)	(532 600)
Net cash inflow / (outflow) from underwriting activities	702 595	(165 948)
b) Other operating activities		
Income tax paid	(36 770)	(42 564)
General and administration expenses	(241 737)	(274 789)
Other operating payments	(38 728)	(53 952)
Other operating receipts	75 910	211 727
Loans advanced	(1 197)	(1 050)
Loan repayments received	478	464
Net cash outflow from other operating activities	(242 044)	(160 164)
Total cash inflow / (outflow) from all operating activities	460 551	(326 112)
Investment activities		
Profit / return received	237 661	104 538
Dividends received	258 856	288 461
Rentals received	11 819	41 865
Payments for investments	(3 468 821)	(1 342 718)
Proceeds from disposal of investments	3 304 382	1 347 467
Fixed capital expenditure	(123 403)	(166 533)
Proceeds from disposal of fixed assets	9 983	18 164
Total cash outflow from investing activities	230 477	291 244
Financing activities		
Dividends paid	(494 527)	(337 749)
Net cash inflow / (outflow) from all activities	196 501	(372 617)
Cash at the beginning of the period	1 669 886	1 758 119
Cash at the end of the period	1 866 387	1 385 502
Reconciliation to profit and loss account		
Operating cash flows	460 551	(326 112)
Depreciation / amortisation expense	(86 007)	(87 155)
Rentals and investment income	313 741	491 676
Profit on deposits	54 534	57 511
Other income	7 714	17 227
Share of profit of an associate	147 932	188 602
(Decrease) / increase in assets other than cash	(2 742 013)	783 099
Decrease / (increase) in liabilities other than running finance	2 429 409	(289 117)
Profit after taxation	585 861	835 731
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	3 889	3 305
Current and other accounts	1 241 703	724 743
Deposits maturing within 12 months	620 795	657 454
	1 866 387	1 385 502

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Premiums

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

Class	Three months period ended 30 June									Net premium revenue 2013	Net premium revenue 2012
	Premiums				Reinsurance						
	Written	Unearned premium reserve		Earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense			
		Opening	Closing			Opening	Closing				
Direct and facultative											
Fire and property damage	1 401 858	3 526 352	3 172 235	1 755 975	1 101 182	2 292 737	2 120 559	1 273 360	482 615	433 221	
Marine, aviation and transport	516 445	462 624	430 843	548 226	152 144	139 192	86 850	204 486	343 740	345 333	
Motor	640 927	1 281 724	1 258 984	663 667	3 340	112	102	3 350	660 317	633 925	
Miscellaneous	338 118	535 576	597 541	276 153	244 634	358 512	401 887	201 259	74 894	80 708	
Total	2 897 348	5 806 276	5 459 603	3 244 021	1 501 300	2 790 553	2 609 398	1 682 455	1 561 566	1 493 187	
Treaty - proportional	-	-	-	-	-	-	-	-	-	(55)	
Grand total	2 897 348	5 806 276	5 459 603	3 244 021	1 501 300	2 790 553	2 609 398	1 682 455	1 561 566	1 493 132	

Class	Six months period ended 30 June									Net premium revenue 2013	Net premium revenue 2012
	Premiums				Reinsurance						
	Written	Unearned premium reserve		Earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense			
		Opening	Closing			Opening	Closing				
Direct and facultative											
Fire and property damage	3 343 135	3 293 564	3 172 235	3 464 464	2 566 568	2 146 857	2 120 559	2 592 866	871 598	900 614	
Marine, aviation and transport	989 968	573 944	430 843	1 133 069	241 551	256 690	86 850	411 391	721 678	649 488	
Motor	1 359 729	1 214 781	1 258 984	1 315 526	7 078	150	102	7 126	1 308 400	1 267 457	
Miscellaneous	711 515	424 405	597 541	538 379	498 331	282 554	401 887	378 998	159 381	150 857	
Total	6 404 347	5 506 694	5 459 603	6 451 438	3 313 528	2 686 251	2 609 398	3 390 381	3 061 057	2 968 416	
Treaty - proportional	-	-	-	-	-	-	-	-	-	(46)	
Grand total	6 404 347	5 506 694	5 459 603	6 451 438	3 313 528	2 686 251	2 609 398	3 390 381	3 061 057	2 968 370	

Note: Premium written includes administrative surcharge of Rs. 138.95 million (2012: Rs. 141.91 million).

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Claims

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

Class	Three months period ended 30 June										
	Claims				Reinsurance					Net claims expense 2013	Net claims expense 2012
	Paid	Outstanding		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue			
	Opening	Closing			Opening	Closing					
Direct and facultative											
Fire and property damage	1 624 250	5 977 506	3 996 015	(357 241)	1 336 656	5 085 567	3 240 257	(508 654)	151 413	134 267	
Marine, aviation and transport	192 104	1 080 827	1 086 375	197 652	12 618	563 172	526 913	(23 641)	221 293	154 372	
Motor	354 049	868 778	915 428	400 699	(103)	3 800	3 800	(103)	400 802	404 448	
Miscellaneous	79 247	571 299	609 249	117 197	44 668	459 517	484 073	69 224	47 973	23 969	
Total	2 249 650	8 498 410	6 607 067	358 307	1 393 839	6 112 056	4 255 043	(463 174)	821 481	717 056	
Treaty - proportional	–	3 494	3 494	–	–	–	–	–	–	(438)	
Grand total	2 249 650	8 501 904	6 610 561	358 307	1 393 839	6 112 056	4 255 043	(463 174)	821 481	716 618	
	Six months period ended 30 June										
Direct and facultative											
Fire and property damage	1 876 424	6 321 786	3 996 015	(449 347)	1 457 783	5 481 973	3 240 257	(783 933)	334 586	400 068	
Marine, aviation and transport	386 957	1 124 428	1 086 375	348 904	75 140	647 961	526 913	(45 908)	394 812	317 612	
Motor	733 733	892 832	915 428	756 329	(149)	3 800	3 800	(149)	756 478	854 691	
Miscellaneous	142 465	523 146	609 249	228 568	81 709	427 214	484 073	138 568	90 000	57 350	
Total	3 139 579	8 862 192	6 607 067	884 454	1 614 483	6 560 948	4 255 043	(691 422)	1 575 876	1 629 721	
Treaty - proportional	–	3 567	3 494	(73)	–	–	–	–	(73)	595	
Grand total	3 139 579	8 865 759	6 610 561	884 381	1 614 483	6 560 948	4 255 043	(691 422)	1 575 803	1 630 316	

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Expenses

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

Class	Three months period ended 30 June							Net	Net
	Paid or payable	Commission		Net expense	Other management expenses	Underwriting expense	Commission from reinsurers	underwriting expenses	underwriting expenses
		Opening	Closing					2013	2012
Direct and facultative									
Fire and property damage	95 805	391 327	292 742	194 390	101 510	295 900	65 146	230 754	174 113
Marine, aviation and transport	66 089	52 325	53 341	65 073	72 970	138 043	3 687	134 356	126 557
Motor	54 558	107 477	105 063	56 972	169 083	226 055	17	226 038	209 192
Miscellaneous	25 773	48 567	49 316	25 024	15 859	40 883	60 179	(19 296)	(1 886)
Total	242 225	599 696	500 462	341 459	359 422	700 881	129 029	571 852	507 976
Treaty - proportional	-	-	-	-	-	-	-	-	-
Grand total	242 225	599 696	500 462	341 459	359 422	700 881	129 029	571 852	507 976
	Six months period ended 30 June								
Direct and facultative									
Fire and property damage	307 355	374 863	292 742	389 476	178 658	568 134	180 705	387 429	344 734
Marine, aviation and transport	132 683	55 472	53 341	134 814	147 927	282 741	11 202	271 539	231 021
Motor	114 701	102 772	105 063	112 410	320 886	433 296	36	433 260	398 880
Miscellaneous	60 197	34 403	49 316	45 284	32 669	77 953	105 526	(27 573)	(27 227)
Total	614 936	567 510	500 462	681 984	680 140	1 362 124	297 469	1 064 655	947 408
Treaty - proportional	-	-	-	-	-	-	-	-	6
Grand total	614 936	567 510	500 462	681 984	680 140	1 362 124	297 469	1 064 655	947 414

Note: Commission from reinsurers is arrived at after taking impact of opening and closing unearned commission.

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Condensed Interim Statement of Investment Income

for the six months period ended 30 June 2013 (Unaudited)

Rupees '000

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	2013	2012
Income from non - trading investments				
Return on government securities	3 408	12 236	16 949	30 615
Return on other fixed income securities and deposits	6 275	4 923	12 201	13 741
Amortisation of premium relative to par	509	(200)	280	(776)
Dividend income	48 386	47 194	113 743	108 784
Gain on sale of non - trading investments	162 549	109 904	169 943	111 342
	221 127	174 057	313 116	263 706
(Provision) / Reversal for impairment - available for sale investments - net	16 721	(168 846)	(24 348)	179 294
Investment related expenses	(100)	(100)	(200)	(200)
Net investment income	237 748	5 111	288 568	442 800

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013

Notes to the Condensed Interim Financial Statements

for the six months period ended 30 June 2013 (Unaudited)

1. Status and nature of business

EFU General Insurance Limited (the Company) was incorporated as a public limited company on 2 September 1932. The Company is listed on the Karachi and Lahore Stock Exchanges and is engaged in non-life insurance business comprising of fire and property, marine, motor, etc.

The registered office of the Company is situated in Islamabad while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi.

2. Statement of compliance

These condensed interim financial statements of the Company for the half year ended 30 June 2012 have been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case where requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2012.

3. Significant accounting policies

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year other than as described below:

3.1 New, amended and revised International Financial Reporting (IFRSs) standards and interpretations of IFRSs

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current period:

- IAS 1 – Presentation of financial statements - Presentation of items of other comprehensive income (Amendment)
- IAS 19 – Employee Benefits - (Revised)
- IFRS 7 – Financial Instruments: Disclosures - (Amendment)
 - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

The adoption of the above revision and amendments of the standards did not have any effect on the financial statements except for as described in note 3.2 below.

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after January 1, 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

3.2 Change in accounting policy:

During the period, the Company has adopted Revised IAS 19 - 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

The adoption of above revised standard has resulted in change in accounting policy of the Company related to recognition of actuarial gains and losses to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. Previously, actuarial gains or losses were recognised in profit and loss account. The impact of the said changes on these condensed interim financial statements is as under:

	Rupees in '000
• Net increase in other comprehensive income for the period ended 30 June 2012	21 269
• Net decrease profit and loss account for the period ended 30 June 2012	21 269

4. Accounting estimates and judgements

The preparation of these condensed interim financial statements are in conformity with approved accounting standards which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statement, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

5. Management of insurance and financial risk

Insurance and financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2012.

6. Reserves and retained earnings

	Rupees '000	
	31 June 2013 (Unaudited)	31 December 2012 (Audited)
General reserve	8 350 000	8 350 000
Reserve for exceptional losses	12 902	12 902
Retained earnings	1 604 123	1 518 262
	<u>9 967 025</u>	<u>9 881 164</u>

- 6.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of the repealed Income Tax Act, 1922 and has been so retained to date.

7. Contingencies

The income tax assessments of the Company have been finalised upto Tax Year 2012 (Financial year ending 31 December 2011).

The Company has filed appeal for the Tax year 2010 with Commissioner of Income Tax (appeals) in respect of disallowances for management expenses, provision for IBNR and proration of expenses. There could arise a contingent tax liability of Rs. 89 million if the matter is decided against the Company.

The Company has filed appeals with Income Tax Appellate Tribunal (ITAT) in respect of assessment years 1999-2000 and 2000-2001 in respect of disallowance of management expenses, provision for gratuity and bonus. If the appeals are decided against the Company, a tax liability of Rs. 13 million would be payable.

The Company has filed appeal for the Tax year 2008 with Income Tax Appellate Tribunal (ITAT) in respect of addition made by Commissioner Appeals on Reinsurance Premium. If the appeal is decided against the Company, a tax liability of Rs. 5.3 million would be payable.

The department has filed appeals for the Tax years 2005 to 2007 before Honourable Supreme Court against the decision of the Honourable High Court in respect of proration of management expenses and if the appeals are decided against the Company, a tax liability of Rs. 37 million would be payable.

The department has filed appeal for the Tax year 2008 before Income Tax Appellate Tribunal (ITAT) against the order of Commissioner of Income Tax (appeals) in respect of Capital gain. If the appeal is decided against the Company, a tax liability of Rs. 5 094 million would be payable. The department has been over ruled by the Appellate Tribunal (ITAT) on the identical case of capital gain tax liability.

No provision has been made in these financial statements for the above contingencies as the management, based on tax adviser's opinion, is confident that the decision in this respect will be received in the favour of the Company.

Rupees '000

8. Investments

	Note	31 June 2013 (Unaudited)	31 December 2012 (Audited)
Investment in associate - EFU Life Assurance Ltd.			
Opening balance		10 968 526	10 782 997
Purchase during the period		5 507	29 319
Share in profit of associate		147 930	390 185
Dividend received		(145 163)	(233 975)
		10 976 800	10 968 526
Provision for impairment		(1 987 000)	(1 987 000)
		8 989 800	8 981 526
Available for sale	8.2		
In related parties			
Equity securities			
Ordinary shares		2 121 922	2 121 922
Mutual funds		178 315	83 316
Fixed income securities			
Term finance certificates	8.3	15 219	30 439
		2 315 456	2 235 677
Provision for impairment – net of reversals		(1 873 048)	(1 773 648)
		442 408	462 029
Others			
Equity securities			
Ordinary shares		2 854 729	2 986 439
Mutual funds		1 180 634	529 999
Preference shares		20 000	20 000
Fixed income securities			
Government securities		184 007	609 380
Term finance certificates		170 451	191 151
		4 409 821	4 336 969
Provision for impairment – net of reversals		(269 673)	(375 807)
		4 140 148	3 961 162
		13 572 356	13 404 717

- 8.1 The carrying amount of the investment in EFU Life Assurance Limited was tested for impairment based on value in use, in accordance with IAS 36 - Impairment of Assets. The value in use calculations were carried out by an independent actuary and are based on cash flow projections based on the budget and the forecasts approved by the management up to five years.
- 8.2 The market value of investments in associate and available for sale investments as on 30 June 2013 was Rs 3 263 million (31 December 2012: Rs 3 393 million) and Rs 5 615 million (31 December 2012: Rs 4 984 million) respectively.
- 8.3 The fixed income securities includes Pakistan Investment Bonds and Treasury Bills amounting to Rs. 129 million (31 December 2012: Rs. 132 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.
- 8.4 As per the Company's accounting policy, available for sale investments are stated at lower of cost or market value. However, IAS 39 - Financial Instruments: Recognition and Measurement, requires that these instruments should be measured at their fair value. Accordingly, had these investments been measured at fair value, their carrying value as on 30 June 2013 would have been higher by Rs. 1 032 million (31 December 2012: Rs. 560 million).

Rupees '000

9. Premiums due but unpaid – net – unsecured

	31 June 2013 (Unaudited)	31 December 2012 (Audited)
Considered good	2 530 594	2 755 247
Considered doubtful	26 000	26 000
	2 556 594	2 781 247
Provision for doubtful balances	(26 000)	(26 000)
	<u>2 530 594</u>	<u>2 755 247</u>

10. Fixed assets – tangibles and intangibles

The details of additions and disposals during the six months period ended 30 June 2013 are as follows:

Rupees '000

	Additions (at cost)		Disposals (at net book value)	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Tangibles				
Buildings	22 037	19 931	–	–
Furniture and fixtures	24 235	33 132	1 170	228
Vehicles	32 092	88 057	1 937	651
Office equipments	17 805	18 571	–	342
Computers	14 119	7 631	–	14
Intangibles				
Computer softwares	–	370	–	–
	<u>110 288</u>	<u>167 692</u>	<u>3 107</u>	<u>1 235</u>

Rupees '000

11. Other income

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	2013	2012
Gain on sale of fixed assets	2 161	16 058	7 034	16 978
Interest on loan to employees	39	44	73	75
Exchange gain	2 503	2 893	3 092	3 351
Others	607	169	607	174
	<u>5 310</u>	<u>19 164</u>	<u>10 806</u>	<u>20 578</u>

12. Provision for taxation

Rupees '000

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	2013	2012
For the year				
Current	41 948	105 107	133 192	122 546
Prior year - minimum tax adjustment	–	(82 428)	–	(105 160)
Deferred	2 067	(5 757)	(10 300)	23 467
	<u>44 015</u>	<u>16 922</u>	<u>122 892</u>	<u>40 853</u>

13. Operating segments

Rupees '000

	Fire and property damage		Marine, aviation and transport		Motor		Others		Treaty		Total	
	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)
Corporate segment assets	6 645 564	9 212 345	1 187 451	1 425 107	515 542	431 936	1 618 283	1 582 412	–	–	9 966 840	12 651 800
Corporate unallocated assets											16 725 591	16 384 306
Total assets											<u>26 692 431</u>	<u>29 036 106</u>
Corporate segment liabilities	8 738 206	11 359 443	1 762 079	2 007 951	2 236 116	2 166 967	2 135 544	1 812 272	3 494	3 567	14 875 439	17 350 200
Corporate unallocated liabilities											599 967	554 742
Total liabilities											<u>15 475 406</u>	<u>17 904 942</u>
Capital expenditures											123 403	166 533
Segment depreciation	–	–	–	–	–	–	–	–	–	–	–	–
Unallocated depreciation											86 007	87 155
Total depreciation											<u>86 007</u>	<u>87 155</u>

Location	External premium less reinsurance by geographical segments		Carrying amount of assets by geographical segments		Carrying amount of liabilities excluding branch account by geographical segments		Capital expenditures	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Unaudited)
Pakistan	3 048 851	2 959 055	26 575 863	28 946 044	15 415 177	17 859 535	123 403	166 533
EPZ *	12 206	9 315	115 969	89 474	60 229	45 407	–	–
Saudi Arabia **	–	–	599	588	–	–	–	–
Total	<u>3 061 057</u>	<u>2 968 370</u>	<u>26 692 431</u>	<u>29 036 106</u>	<u>15 475 406</u>	<u>17 904 942</u>	<u>123 403</u>	<u>166 533</u>

* This represents US Dollar equivalent in Pak Rupees

** This represents US Dollar and Saudi Riyal equivalent in Pak Rupees

14. Related party transactions

Related parties comprise of directors, key management personnel, associated companies and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties are as follows:

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	2013	2012
Rupees '000				
Transactions				
Associated company				
Premiums written	2 058	758	14 786	10 986
Premiums paid	247	281	11 246	6 942
Claims paid	1 786	1 497	2 344	2 274
Claims lodged	647	1 264	3 369	1 523
Investments made	5 507	25 219	5 507	25 350
Dividends received	–	179 602	145 163	179 602
Dividends paid	34 065	23 420	34 065	23 420
Expenses recovered	400	800	1 000	1 200
Key management personnel				
Premiums written	353	609	1 042	881
Claims paid	–	45	–	51
Dividends paid	1 029	718	1 029	718
Compensation	29 103	24 264	53 268	46 499
Others				
Premiums written	7 436	6 530	56 696	29 718
Premiums paid	17	114	8 092	6 651
Claims paid	7 206	6 355	14 266	10 519
Claims lodged	1 263	1 126	3 467	1 467
Commissions paid	–	3	–	11
Investments made	190 000	25 000	420 000	45 000
Investments sold	240 644	25 000	325 000	45 000
Dividends paid	246 735	164 316	246 785	164 316
Bank deposits	75 000	50 000	–	50 000
Brokerage paid	246	702	277	1 269
Profit on TFCs	322	1 027	855	2 061
Employees' funds				
Contribution to provident fund	5 138	4 433	9 877	8 790
Contribution to gratuity fund	3 557	5 637	9 603	11 204
Contribution to pension fund	79	64	146	136
Dividend paid	2 577	1 772	2 577	1 772

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
Rupees '000		
Others		
Balances receivable	683	595
Balances payable	(9)	(91)
Deposits maturing within 12 months	145 500	145 500
Bank balances	13 042	49 470
Employees' funds receivable / (payable)		
EFU gratuity fund	30 607	34 147
EFU pension fund	(7 666)	(7 666)

15. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current period except as disclosed in note 3.2 to the condensed interim financial statements.

16. Date of authorisation for issue

These condensed interim financial statements were authorised for issue by the Board of Directors in the meeting held on 24 July 2013.

MUNEER R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 24 July 2013