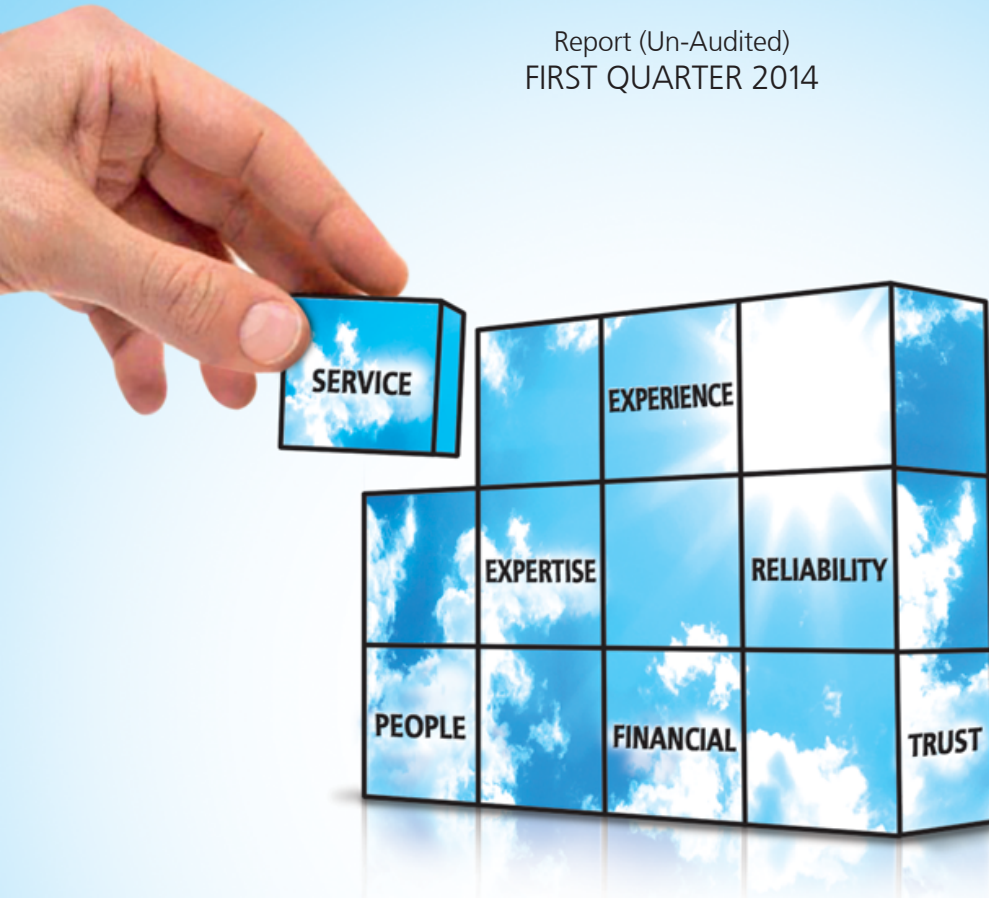


Report (Un-Audited)
FIRST QUARTER 2014



Building Upon Our Strengths



GENERAL

EFU 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

Rating Agency: JCR-VIS

Insurer Financial Strength Rating : AA+

Registrar

Technology Trade (Pvt.) Ltd.
Dagia 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 three months period ended 31 March 2014.

The written premium for the three months period was Rs. 3 917 million as against Rs. 3 507 million in the corresponding period last year showing a growth of 12%. The overall ratio of Claims to Net Premium Revenue was 51% compared to 50% for the corresponding period last year. The total underwriting profit for the three months period was Rs. 336 million as compared to Rs. 252 million in corresponding period last year.

The after tax profit for the three months period was Rs. 463 million compared to Rs. 226 million in the corresponding period last year.

The total Market value of Investment Properties, Equity, Fixed Income Securities and Bank Balance as at 31 March 2014 was Rs.17.7 billion compared to Rs.15.8 billion as on 31 December 2013.

The Break up value of Company's share as at 31 March 2014 was Rs. 98.96.

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.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH 2014 (UNAUDITED)

| | Note | 31 March 2014 (Unaudited) | 31 December 2013 (Audited) |
|--|------|-----------------------------------|------------------------------------|
| Share capital and reserves | | | |
| Authorised share capital | | | |
| 150 000 000 (31 December 2013: 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 | 11 120 446 | 10 657 929 |
| | | 12 370 446 | 11 907 929 |
| Underwriting provisions | | | |
| Provision for outstanding claims (including IBNR) | | 7 959 726 | 6 622 140 |
| Provision for unearned premium | | 6 516 382 | 6 118 483 |
| Commission income unearned | | 321 860 | 287 357 |
| Total underwriting provisions | | 14 797 968 | 13 027 980 |
| Deferred liabilities | | | |
| Deferred taxation | | 70 194 | 85 815 |
| Creditors and accruals | | | |
| Premiums received in advance | | 11 277 | 9 012 |
| Amounts due to other insurers / reinsurers | | 2 554 251 | 2 351 337 |
| Accrued expenses | | 144 436 | 182 773 |
| Agent balances | | 559 123 | 561 261 |
| Unearned rentals | | 51 617 | 52 766 |
| Taxation - payments less provision | | 65 651 | - |
| Other creditors and accruals | | 239 179 | 191 853 |
| | | 3 625 534 | 3 349 002 |
| Other liabilities | | | |
| Other deposits | | 490 401 | 487 022 |
| Unclaimed dividends | | 81 785 | 80 789 |
| | | 572 186 | 567 811 |
| Total liabilities | | 19 065 882 | 17 030 608 |
| Total equity and liabilities | | 31 436 328 | 28 938 537 |
| Contingencies | 7 | | |

Rupees '000

| | Note | 31 March 2014 (Unaudited) | 31 December 2013 (Audited) |
|---|------|-----------------------------------|------------------------------------|
| Cash and bank deposits | | | |
| Cash and other equivalents | | 3 404 | 2 898 |
| Current and other accounts | | 1 089 776 | 1 279 637 |
| Deposits maturing within 12 months | | 587 122 | 800 607 |
| | | 1 680 302 | 2 083 142 |
| Loans - secured considered good | | | |
| To employees | | 2 282 | 2 309 |
| Investments | 8 | 15 328 812 | 14 771 234 |
| Investment properties | | 225 929 | 230 408 |
| Current assets - others | | | |
| Premiums due but unpaid - net | 9 | 3 329 744 | 2 843 331 |
| Amounts due from other insurers / reinsurers | | 42 090 | 45 949 |
| Salvage recoveries accrued | | 16 761 | 13 843 |
| Accrued investment income | | 252 009 | 18 147 |
| Reinsurance recoveries against outstanding claims | | 5 418 228 | 4 137 638 |
| Taxation - payments less provision | | - | 9 838 |
| Deferred commission expense | | 638 160 | 567 544 |
| Prepayments | | 3 582 176 | 3 292 038 |
| Security deposits | | 6 393 | 5 857 |
| Sundry receivables | | 75 725 | 56 848 |
| | | 13 361 286 | 10 991 033 |
| Fixed assets - tangible and intangibles | 10 | | |
| Land and buildings | | 320 687 | 315 264 |
| Furniture, fixtures and office equipments | | 363 631 | 378 593 |
| Vehicles | | 144 584 | 157 633 |
| Computer softwares | | 368 | 405 |
| Capital work-in-progress | | 8 447 | 8 516 |
| | | 837 717 | 860 411 |
| Total assets | | 31 436 328 | 28 938 537 |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| | Note | Fire & property damage | Marine, aviation & transport | Motor | Others | Treaty | Aggregate 2014 | Restated Aggregate 2013 |
|---|------|------------------------|------------------------------|---------------|---------------|-----------------|------------------|-------------------------|
| Revenue account | | | | | | | | |
| Net premium revenue | | 521 577 | 411 318 | 696 133 | 104 125 | – | 1 733 153 | 1 499 491 |
| Net claims | | (239 061) | (106 885) | (446 367) | (84 902) | – | (877 215) | (754 322) |
| Management expenses | | (93 548) | (73 772) | (156 756) | (18 675) | – | (342 751) | (320 718) |
| Net commission | | (73 079) | (63 464) | (61 508) | 20 773 | – | (177 278) | (172 085) |
| Underwriting result | | <u>115 889</u> | <u>167 197</u> | <u>31 502</u> | <u>21 321</u> | <u>–</u> | <u>335 909</u> | <u>252 366</u> |
| Investment income | | | | | | | 236 505 | 50 820 |
| Rental income | | | | | | | 28 401 | 25 201 |
| Profit on deposits | | | | | | | 25 718 | 25 528 |
| Other (loss) / income | | | | | | | (922) | 5 496 |
| Share of profit of an associate | | | | | | | 91 051 | 78 411 |
| General and administration expenses | | | | | | | (146 717) | (128 097) |
| Workers' welfare fund | | | | | | | (11 175) | (6 144) |
| | | | | | | | <u>222 861</u> | <u>51 215</u> |
| Profit before tax | | | | | | | 558 770 | 303 581 |
| Provision for taxation | | | | | | | (96 253) | (77 650) |
| Profit after tax | | | | | | | <u>462 517</u> | <u>225 931</u> |
| Profit and loss appropriation account | | | | | | | | |
| Balance at commencement of the period | | | | | | | 1 645 027 | 1 518 262 |
| Other comprehensive income | | | | | | | – | 2 383 |
| Profit after tax for the period | | | | | | | 462 517 | 225 931 |
| Balance unappropriated profit at end of the period | | | | | | | <u>2 107 544</u> | <u>1 746 576</u> |
| Earnings per share - basic and diluted | | | | | | (Rupees) | <u>3.70</u> | <u>1.81</u> |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| | 2014 | Restated 2013 |
|---|---------|------------------|
| Profit for the period | 462 517 | 225 931 |
| Other comprehensive income | | |
| <i>Item not to re-classified to profit and loss account in subsequent period:</i> | | |
| Actuarial gains on defered benefit plains - net of deferred tax | - | 2 383 |
| Total comprehensive income for the period | 462 517 | 228 314 |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| | Share capital | General reserve | Reserve for exceptional losses | Unappropri- ated profit / (loss) | Total |
|--|------------------|--------------------|--------------------------------------|--|-------------------|
| 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 (Restated) | - | - | - | 225 931 | 225 931 |
| Other comprehensive income (Restated) | - | - | - | 2 383 | 2 383 |
| | - | - | - | 228 314 | 228 314 |
| Balance as at 31 March 2013 | <u>1 250 000</u> | <u>8 350 000</u> | <u>12 902</u> | <u>1 746 576</u> | <u>11 359 478</u> |
| Balance as at 1 January 2014 | 1 250 000 | 9 000 000 | 12 902 | 1 645 027 | 11 907 929 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 462 517 | 462 517 |
| Other comprehensive income | - | - | - | - | - |
| | - | - | - | 462 517 | 462 517 |
| Balance as at 31 March 2014 | <u>1 250 000</u> | <u>9 000 000</u> | <u>12 902</u> | <u>2 107 544</u> | <u>12 370 446</u> |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| | 2014 | 2013 |
|---|--------------------|--------------------|
| Operating Cash Flows | | |
| a) Underwriting activities | | |
| Premiums received | 3 430 210 | 3 257 305 |
| Reinsurance premiums paid | (1 823 461) | (914 095) |
| Claims paid | (1 094 545) | (895 162) |
| Reinsurance and other recoveries received | 275 267 | 224 644 |
| Commissions paid | (416 189) | (333 340) |
| Commissions received | 200 659 | 193 994 |
| Management expenses paid | (287 886) | (248 308) |
| Net cash inflow from underwriting activities | 284 055 | 1 285 038 |
| b) Other operating activities | | |
| Income tax paid | (36 385) | (5 899) |
| General and administration expenses | (195 652) | (167 719) |
| Other operating payments | (68 747) | (52 640) |
| Other operating receipts | 48 043 | (2 781) |
| Loans advanced | (202) | (98) |
| Loan repayments received | 267 | 453 |
| Net cash outflow from other operating activities | (252 676) | (228 684) |
| Total cash inflow from all operating activities | 31 379 | 1 056 354 |
| Investment activities | | |
| Profit / return received | 31 312 | 49 788 |
| Dividends received | 39 227 | 23 853 |
| Rentals received | 14 089 | 13 352 |
| Payments for investments | (4 356 629) | (1 501 784) |
| Proceeds from disposal of investments | 3 847 968 | 751 408 |
| Fixed capital expenditures | (18 636) | (63 517) |
| Proceeds from disposal of fixed assets | 7 456 | 6 257 |
| Total cash outflow from investing activities | (435 213) | (720 643) |
| Financing activities | | |
| Dividends paid | 995 | 477 |
| Net cash (outflow) / inflow from all activities | (402 839) | 336 188 |
| Cash at the beginning of the period | 2 083 141 | 1 669 886 |
| Cash at the end of the period | 1 680 302 | 2 006 074 |
| Reconciliation to profit and loss account | | |
| Operating cash flows | 31 379 | 1 056 354 |
| Depreciation / amortisation expense | (42 280) | (41 194) |
| Rentals and investment income | 251 743 | 63 071 |
| Profit on deposits | 25 718 | 25 528 |
| Other income | 4 006 | 4 907 |
| Share of profit of an associate | 91 051 | 78 411 |
| Increase / (decrease) in assets other than cash | 2 070 674 | (96 918) |
| Increase in liabilities other than running finance | (1 969 774) | (864 228) |
| Profit after taxation | 462 517 | 225 931 |
| Definition of cash | | |
| Cash for the purposes of the statement of cash flows consists of: | | |
| Cash and other equivalents | 3 404 | 3 874 |
| Current and other accounts | 1 089 776 | 1 510 858 |
| Deposits maturing within 12 months | 587 122 | 491 342 |
| | 1 680 302 | 2 006 074 |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM STATEMENT OF PREMIUMS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| Class | Premiums | | | | Reinsurance | | | | Net premium revenue | Net premium revenue |
|--------------------------------|------------------|--------------------------|------------------|------------------|-------------------|-----------------------------------|------------------|---------------------|---------------------|---------------------|
| | Written | Unearned premium reserve | | Earned | Reinsurance ceded | Prepaid reinsurance premium ceded | | Reinsurance expense | 2014 | 2013 |
| | | Opening | Closing | | | Opening | Closing | | | |
| Direct and facultative | | | | | | | | | | |
| Fire and property damage | 2 263 231 | 3 896 805 | 4 146 610 | 2 013 426 | 1 685 727 | 2 850 225 | 3 044 103 | 1 491 849 | 521 577 | 388 983 |
| Marine, aviation and transport | 444 543 | 437 619 | 376 648 | 505 514 | 60 408 | 95 530 | 61 742 | 94 196 | 411 318 | 377 938 |
| Motor | 781 999 | 1 304 949 | 1 386 520 | 700 428 | 4 082 | 760 | 547 | 4 295 | 696 133 | 648 083 |
| Miscellaneous | 426 851 | 479 110 | 606 604 | 299 357 | 276 158 | 323 554 | 404 480 | 195 232 | 104 125 | 84 487 |
| Total | <u>3 916 624</u> | <u>6 118 483</u> | <u>6 516 382</u> | <u>3 518 725</u> | <u>2 026 375</u> | <u>3 270 069</u> | <u>3 510 872</u> | <u>1 785 572</u> | <u>1 733 153</u> | <u>1 499 491</u> |
| Treaty - proportional | - | - | - | - | - | - | - | - | - | - |
| Grand total | <u>3 916 624</u> | <u>6 118 483</u> | <u>6 516 382</u> | <u>3 518 725</u> | <u>2 026 375</u> | <u>3 270 069</u> | <u>3 510 872</u> | <u>1 785 572</u> | <u>1 733 153</u> | <u>1 499 491</u> |

Note: Premium written includes administrative surcharge of Rs. 80.08 million (2013: Rs. 69.40 million).

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM STATEMENT OF CLAIMS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| Class | Claims | | | | Reinsurance | | | | Net claims expense 2014 | Net claims expense 2013 |
|--------------------------------|------------------|------------------|------------------|------------------|---|---|------------------|--|----------------------------|----------------------------|
| | 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 | 425 762 | 4 090 104 | 5 406 446 | 1 742 104 | 212 688 | 3 162 894 | 4 453 249 | 1 503 043 | 239 061 | 183 173 |
| Marine, aviation and transport | 155 588 | 955 872 | 917 545 | 117 261 | 8 247 | 510 805 | 512 934 | 10 376 | 106 885 | 173 519 |
| Motor | 395 351 | 964 739 | 1 015 930 | 446 542 | 197 | 3 999 | 3 977 | 175 | 446 367 | 355 676 |
| Miscellaneous | 114 927 | 607 931 | 616 311 | 123 307 | 50 277 | 459 940 | 448 068 | 38 405 | 84 902 | 42 027 |
| Total | 1 091 628 | 6 618 646 | 7 956 232 | 2 429 214 | 271 409 | 4 137 638 | 5 418 228 | 1 551 999 | 877 215 | 754 395 |
| Treaty - proportional | - | 3 494 | 3 494 | - | - | - | - | - | - | (73) |
| Grand total | 1 091 628 | 6 622 140 | 7 959 726 | 2 429 214 | 271 409 | 4 137 638 | 5 418 228 | 1 551 999 | 877 215 | 754 322 |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

CONDENSED INTERIM STATEMENT OF EXPENSES FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| Class | Paid or payable | Commission | | Net expense | Other management expenses | Underwriting expenses | Commission from reinsurers | Net | Net |
|--------------------------------|-----------------|------------|------------------|-------------|---------------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| | | Opening | Deferred Closing | | | | | underwriting expenses | underwriting expenses |
| | | | | | | | | 2014 | 2013 |
| Direct and facultative | | | | | | | | | |
| Fire and property damage | 243 739 | 357 561 | 413 550 | 187 750 | 93 548 | 281 298 | 114 671 | 166 627 | 156 675 |
| Marine, aviation and transport | 65 534 | 56 537 | 51 909 | 70 162 | 73 772 | 143 934 | 6 698 | 137 236 | 137 183 |
| Motor | 66 557 | 115 895 | 120 884 | 61 568 | 156 756 | 218 324 | 60 | 218 264 | 207 222 |
| Miscellaneous | 38 221 | 37 551 | 51 817 | 23 955 | 18 675 | 42 630 | 44 728 | (2 098) | (8 277) |
| Total | 414 051 | 567 544 | 638 160 | 343 435 | 342 751 | 686 186 | 166 157 | 520 029 | 492 803 |
| Treaty - proportional | - | - | - | - | - | - | - | - | - |
| Grand total | 414 051 | 567 544 | 638 160 | 343 435 | 342 751 | 686 186 | 166 157 | 520 029 | 492 803 |

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

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014



CONDENSED INTERIM STATEMENT OF INVESTMENT INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

Rupees '000

| | 2014 | 2013 |
|---|---------|------------|
| Income from non - trading investments | | |
| Return on government securities | 3 669 | 13 541 |
| Return on other fixed income securities and deposits | 1 911 | 5 926 |
| Amortisation of premium relative to par | 43 | (229) |
| Dividend income | 58 343 | 65 357 |
| Gain on sale of non-trading investments | 62 259 | 7 394 |
| | 126 225 | 91 989 |
| Reversal / (provision) for impairment - available for sale investments - net | 110 480 | (41 069) |
| Investment related expenses | (200) | (100) |
| Net investment income | 236 505 | 50 820 |

The annexed notes 1 to 15 form an integral part of these financial statements.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 (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, miscellaneous 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 period ended 31 March 2014 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 2013.

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 and revised and amended standards and interpretations

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

- IAS 32 – Offsetting Financial Assets and Financial liabilities - (Amendment)
- IAS 36 – Recoverable Amount for Non-Financial Assets - (Amendment)
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendment)
- IFRIC 21 – Levies

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on these financial statements.

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 for the year ended 31 December 2013.

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 2013.



6. Reserves and retained earnings

Rupees '000

| | 31 March 2014 (Unaudited) | 31 December 2013 (Audited) |
|--------------------------------|-----------------------------------|------------------------------------|
| General reserve | 9 000 000 | 9 000 000 |
| Reserve for exceptional losses | 12 902 | 12 902 |
| Retained earnings | 2 107 544 | 1 645 027 |
| | <u>11 120 446</u> | <u>10 657 929</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 2013 (Financial year ending 31 December 2012).

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 Inland Revenue (Appeals) on Reinsurance Premium. If the appeal is decided against the Company, a tax liability of Rs. 5.3 million would be payable.

The Company has selected for audit under section 72B of Sales tax Act, 1990 and under section 42B of the Federal Excise Act 2005 the Deputy Commissioner Inland Revenue (Audit) had passed an order on non payment of sales tax on disposal of fixed assets and short payment of federal excise duty. Company has filed appeals against aforesaid order, if appeals are decided against the Company, a tax liability of Rs. 7 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 assessment year 2002-2003 before Honourable High Court against the order of Income Tax Appellate Tribunal (ITAT) in respect of estimated liability of claims, excess perquisites and retrocession commission. If the appeal is decided against the Company, a tax liability of Rs. 71 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.

The department has filed appeal for the Tax year 2010 before Income Tax Appellate Tribunal (ITAT) against the order of Commissioner of Income Tax (Appeals) in respect of provision for IBNR and proration of management expenses. If the appeal is decided against the Company, a tax liability of Rs. 89 million would be payable.

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.

8. Investments

Rupees '000

| | Note | 31 March 2014 (Unaudited) | 31 December 2013 (Audited) |
|--|-----------|-----------------------------------|------------------------------------|
| Investment in associate - EFU Life Assurance Limited | 8.1 & 8.2 | | |
| Opening balance | | 11 178 362 | 10 968 526 |
| Purchases during the period | | – | 20 590 |
| Share in profit of associate | | 91 051 | 398 562 |
| Dividend received | | (214 873) | (209 316) |
| | | 11 054 540 | 11 178 362 |
| Provision for impairment | | (1 987 000) | (1 987 000) |
| | | 9 067 540 | 9 191 362 |
| Available for sale | 8.2 & 8.4 | | |
| In related parties | | | |
| Mutual funds | | 298 815 | 253 316 |
| Ordinary shares | | 2 121 922 | 2 121 922 |
| | | 2 420 737 | 2 375 238 |
| Provision for impairment – net of reversals | | (1 857 516) | (1 912 418) |
| | | 563 221 | 462 820 |
| Others | | | |
| Mutual funds | | 2 964 500 | 2 436 050 |
| Ordinary shares | | 2 514 958 | 2 470 083 |
| Preference shares | | 20 000 | 20 000 |
| Fixed income securities | 8.3 | | |
| Government securities | | 191 879 | 232 396 |
| Term finance certificates | | 104 599 | 111 986 |
| | | 5 795 936 | 5 270 515 |
| Provision for impairment – net of reversals | | (97 885) | (153 463) |
| | | 5 698 051 | 5 117 052 |
| | | 15 328 812 | 14 771 234 |

- 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 31 March 2014 was Rs. 4 491 million (31 December 2013: Rs. 3 511 million) and Rs. 8 786 million (31 December 2013: Rs. 7 420 million) respectively.
- 8.3 The fixed income securities includes Government Securities amounting to Rs. 130 million (31 December 2013: Rs. 128 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 31 March 2014 would have been higher by Rs. 2 524 million (31 December 2013: higher by Rs. 1 841 million).

9. Premiums due but unpaid – net – unsecured

Rupees '000

| | 31 March 2014 (Unaudited) | 31 December 2013 (Audited) |
|---------------------------------|-----------------------------------|------------------------------------|
| Considered good | 3 329 744 | 2 843 331 |
| Considered doubtful | 26 000 | 26 000 |
| | <u>3 355 744</u> | <u>2 869 331</u> |
| Provision for doubtful balances | (26 000) | (26 000) |
| | <u><u>3 329 744</u></u> | <u><u>2 843 331</u></u> |

10. Fixed assets – tangibles and intangibles

The details of additions and disposals during the three months period ended 31 March 2014 are as follows:

Rupees '000

| | Additions (at cost) | | Disposals (at net book value) | |
|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31 March 2014 (Unaudited) | 31 March 2013 (Unaudited) | 31 March 2014 (Unaudited) | 31 March 2013 (Unaudited) |
| Tangibles | | | | |
| Buildings | 10 975 | 12 229 | – | – |
| Furniture and fixtures | 256 | 12 480 | – | 1 170 |
| Vehicles | 4 000 | 16 595 | 3 446 | 214 |
| Office equipments | 728 | 5 714 | – | – |
| Computers | 1 179 | 9 635 | 42 | – |
| Intangibles | | | | |
| Computer softwares | 95 | – | – | – |
| | <u>17 233</u> | <u>56 653</u> | <u>3 488</u> | <u>1 384</u> |

11. Other (loss) / income

Rupees '000

| | 31 March 2014 (Unaudited) | 31 March 2013 (Unaudited) |
|-------------------------------|-----------------------------------|-----------------------------------|
| Gain on sale of fixed assets | 3 968 | 4 873 |
| Interest on loan to employees | 38 | 34 |
| Exchange (loss) / gain | (4 928) | 589 |
| | <u>(922)</u> | <u>5 496</u> |

12. Provision for taxation

Rupees '000

| | 31 March 2014 (Unaudited) | 31 March 2014 (Unaudited) |
|----------------|-----------------------------------|-----------------------------------|
| For the period | | |
| Current | 111 874 | 91 244 |
| Deferred | (15 621) | (13 594) |
| | <u>96 253</u> | <u>77 650</u> |

13. Operating segment

Rupees '000

| | Fire and property damage | | Marine, aviation and transport | | Motor | | Others | | Treaty | | Total | |
|-----------------------------------|--------------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) |
| Corporate segment assets | 9 642 258 | 7 620 077 | 1 157 607 | 1 180 598 | 624 903 | 524 891 | 1 531 087 | 1 552 808 | - | - | 12 955 855 | 10 878 374 |
| Corporate unallocated assets | | | | | | | | | | | 18 480 473 | 18 060 163 |
| Total assets | | | | | | | | | | | <u>31 436 328</u> | <u>28 938 537</u> |
| Corporate segment liabilities | 12 049 294 | 10 405 610 | 1 509 316 | 1 664 416 | 2 482 172 | 2 344 045 | 2 273 125 | 2 019 047 | 3 494 | 3 494 | 18 317 401 | 16 436 612 |
| Corporate unallocated liabilities | | | | | | | | | | | 748 481 | 593 996 |
| Total liabilities | | | | | | | | | | | <u>19 065 882</u> | <u>17 030 608</u> |
| Capital expenditures | | | | | | | | | | | <u>18 635</u> | <u>63 517</u> |
| Segment depreciation | - | - | - | - | - | - | - | - | - | - | - | - |
| Unallocated depreciation | | | | | | | | | | | 42 280 | 41 194 |
| Total depreciation | | | | | | | | | | | <u>42 280</u> | <u>41 194</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 | |
|-----------------|--|-----------------------|--|---------------------|--|---------------------|-----------------------|-----------------------|
| | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Unaudited) |
| Pakistan | 1 722 918 | 1 494 513 | 31 283 871 | 28 781 798 | 18 981 466 | 16 939 719 | 18 635 | 63 517 |
| EPZ * | 10 235 | 4 978 | 151 907 | 156 151 | 84 416 | 90 889 | - | - |
| Saudi Arabia ** | - | - | 550 | 588 | - | - | - | - |
| Total | <u>1 733 153</u> | <u>1 499 491</u> | <u>31 436 328</u> | <u>28 938 537</u> | <u>19 065 882</u> | <u>17 030 608</u> | <u>18 635</u> | <u>63 517</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, major share holders key management personnel, associated companies 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:

Rupees '000

| | 31 March 2014 (Unaudited) | 31 March 2013 (Unaudited) |
|---------------------------------|-----------------------------------|-----------------------------------|
| Transactions | | |
| Associated company | | |
| Premiums written | 16 178 | 12 728 |
| Premiums paid | 5 162 | 10 999 |
| Claims paid | 3 962 | 558 |
| Claims lodged | 2 232 | 2 722 |
| Dividends received | 214 873 | 145 163 |
| Expenses recovered | – | 600 |
| Key management personnel | | |
| Premiums written | 11 | 8 |
| Compensation | 25 194 | 24 165 |
| Others | | |
| Premiums written | 58 723 | 49 260 |
| Premiums paid | 9 021 | 8 075 |
| Claims paid | 22 163 | 7 060 |
| Claims lodged | 1 067 | 2 204 |
| Investments made | 350 500 | 230 000 |
| Investments sold | 350 500 | 84 356 |
| Bank deposits made | 195 500 | (75 000) |
| Brokerage paid | 1 529 | 31 |
| Profit on TFC | – | 533 |
| Employees' funds | | |
| Contribution to provident fund | 4 678 | 4 739 |
| Contribution to gratuity fund | 2 423 | 2 435 |
| Contribution to pension fund | (9) | 86 |

Rupees '000

| | 31 March 2014 (Unaudited) | 31 December 2013 (Audited) |
|--|-----------------------------------|------------------------------------|
| Others | | |
| Balances receivable | 33 115 | 1 353 |
| Balances payable | (30 213) | (227) |
| Deposits maturing within 12 months | 195 500 | 145 500 |
| Bank balances | 96 016 | 95 502 |
| Employees' funds receivable / (payable) | | |
| EFU gratuity fund | 22 980 | 27 863 |
| EFU pension fund | (3 530) | (3 530) |

15. Date of authorisation for issue

These condensed interim financial statements were authorised for issue by the Board of Directors in the meeting held on 28 April 2014.

RAFIQUE R. BHIMJEE
Director

TAHER G. SACHAK
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 28 April 2014