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Report (Un-Audited)
THIRD QUARTER 2013



GENERAL

E F U GENERAL INSURANCE LTD.

Contents

Company Information	02
Directors' Review	03
Condensed Interim Balance Sheet	04
Condensed Interim Profit and Loss Account	06
Condensed Interim Statement of Comprehensive Income	07
Condensed Interim Statement of Changes in Equity	08
Condensed Interim Statement of Cash Flows	09
Condensed Interim Statement of Premiums	10
Condensed Interim Statement of Claims	11
Condensed Interim Statement of Expenses	12
Condensed Interim Statement of Investment Income	13
Notes to the Condensed Interim Financial Statements	14

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
Rafique R. Bhimjee
Jahangir Siddiqui
Hasanali Abdullah

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.
Dagia House 241-C
Block-2, P.E.C.H.S.
Off Shakra-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, Shakra-e-Quaid-e-Azam
Lahore

Directors' Review

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

The written Premium for the nine months period increased by 15% to Rs. 11 026 million as compared to Rs. 9 578 million for the corresponding period of last year. The Net Premium Revenue for the nine months period was Rs. 4 659 million as against Rs. 4 587 million in the corresponding period of last year. The overall claims to Net Premium Revenue ratio was 58% as against 54% in the corresponding period of last year. The total underwriting profit for the nine months period was Rs. 439 million as compared to Rs. 648 million in corresponding period of last year.

The after tax profit for the nine months was Rs. 654 million compared to Rs. 1 285 million in the corresponding period of last year.

The earnings per share for the nine months period was Rs. 5.23 as against Rs. 10.28 in the corresponding period of last year.

The total Market value of Properties, Equity (other than investment in associate), Fixed Income securities and Cash and Bank Balances as at 30 September 2013 stood at Rs. 9 710 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 on 30 June 2013 amounted to Rs. 13 932 million.

The Break up value of Company's share as at 30 September 2013 was Rs. 89.28

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.

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.

JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Balance Sheet

as at 30 September 2013 (Unaudited)

	Note	30 September 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	9 910 299	9 881 164
		11 160 299	11 131 164
Underwriting provisions			
Provision for outstanding claims (including IBNR)		6 764 467	8 865 759
Provision for unearned premium		6 724 725	5 506 694
Commission income unearned		345 035	226 242
Total underwriting provisions		13 834 227	14 598 695
Deferred liabilities			
Deferred taxation		63 974	67 000
Creditors and accruals			
Premiums received in advance		10 813	12 346
Amounts due to other insurers / reinsurers		2 060 475	1 748 262
Accrued expenses		185 677	175 220
Agent balances		605 626	528 065
Unearned rentals		58 712	48 318
Other creditors and accruals		186 964	196 441
		3 108 267	2 708 652
Other liabilities			
Other deposits		485 666	462 833
Unclaimed dividends		75 364	67 762
		561 030	530 595
Total liabilities		17 567 498	17 904 942
Total equity and liabilities		28 727 797	29 036 106
Contingencies	7		

		Rupees '000
	Note	
		30 September 2013 (Unaudited)
		31 December 2012 (Audited)
Cash and bank deposits		
Cash and other equivalents		607
Current and other accounts		1 194 161
Deposits maturing within 12 months		442 185
		1 636 953
Loans - secured considered good		
To employees		3 245
		2 612
Investments	8	13 630 008
		13 404 717
Investment properties		236 348
		206 657
Current assets - others		
Premiums due but unpaid - net	9	3 711 532
Amounts due from other insurers / reinsurers		43 876
Salvage recoveries accrued		39 350
Accrued investment income		82 753
Reinsurance recoveries against outstanding claims		4 116 411
Taxation - payments less provision		25 235
Deferred commission expense		646 828
Prepayments		3 598 831
Security deposits		10 469
Sundry receivables		69 283
		12 344 568
		12 881 591
Fixed assets - tangible and intangibles	10	
Land and buildings		302 858
Furniture, fixtures and office equipments		390 651
Vehicles		173 737
Computer softwares		748
Capital work-in-progress		8 681
		876 675
		870 643
Total assets		28 727 797
		29 036 106

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

JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Profit and Loss Account for the nine months period ended 30 September 2013 (Unaudited)

Rupees '000

		Three months period ended 30 September					Aggregate 2013	Restated Aggregate 2012
Note	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty			
Revenue account								
	447 928	392 214	668 471	89 433	(15)	1 598 031	1 618 397	
	(317 018)	(257 296)	(465 007)	(89 116)	-	(1 128 437)	(852 589)	
	(88 051)	(77 218)	(161 140)	(17 623)	-	(344 032)	(322 578)	
	(13 403)	(56 008)	(57 999)	20 557	6	(106 847)	(186 126)	
	<u>29 456</u>	<u>1 692</u>	<u>(15 675)</u>	<u>3 251</u>	<u>(9)</u>	<u>18 715</u>	<u>257 104</u>	
Underwriting result								
						93 531	214 240	
						22 360	24 764	
						25 813	27 505	
	11					8 004	(603)	
						72 012	99 617	
						(150 595)	(156 266)	
						<u>71 125</u>	<u>209 257</u>	
						89 840	466 361	
	12					(21 566)	3 837	
						<u>68 274</u>	<u>470 198</u>	
					(Rupees)	<u>0.55</u>	<u>3.76</u>	

		Nine months period ended 30 September					Aggregate 2013	Restated Aggregate 2012
Revenue account								
	1 319 526	1 113 892	1 976 871	248 814	(15)	4 659 088	4 586 767	
	(651 604)	(652 108)	(1 221 485)	(179 116)	73	(2 704 240)	(2 482 905)	
	(266 709)	(225 145)	(482 026)	(50 292)	-	(1 024 172)	(948 962)	
	(222 174)	(179 620)	(170 373)	80 799	6	(491 362)	(507 156)	
	<u>179 039</u>	<u>57 019</u>	<u>102 987</u>	<u>100 205</u>	<u>64</u>	<u>439 314</u>	<u>647 744</u>	
Underwriting result								
						382 099	657 040	
						73 196	73 640	
						80 347	85 016	
	11					18 810	19 975	
						219 944	288 219	
						(415 117)	(449 958)	
						<u>359 279</u>	<u>673 932</u>	
						798 593	1 321 676	
	12					(144 458)	(37 016)	
						<u>654 135</u>	<u>1 284 660</u>	
Profit and loss appropriation account								
						1 518 262	582 967	
						654 135	1 284 660	
						(500 000)	(343 750)	
						(125 000)	(125 000)	
						-	(200 000)	
						<u>1 547 397</u>	<u>1 198 877</u>	
					(Rupees)	<u>5.23</u>	<u>10.28</u>	

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JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Rachri 26 October, 2013

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

Rupees '000

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	Restated 2012	2013	Restated 2012
Profit for the period	68 274	470 198	654 135	1 284 660
Other comprehensive income				
Actuarial gains on defined benefit plans	–	17 094	–	49 815
Income Tax	–	(5 983)	–	(17 435)
	–	11 111	–	32 380
Total comprehensive income for the period	68 274	481 309	654 135	1 317 040

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JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Statement of Changes in Equity for the nine months period ended 30 September 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)	-	-	-	1 284 660	1 284 660
Other comprehensive income	-	-	-	32 380	32 380
	-	-	-	1 317 040	1 317 040
Transactions with owners, recorded directly in equity					
Final dividend paid for the year 2011 at the rate of Rs. 2.75 per share	-	-	-	(343 750)	(343 750)
Interim dividend paid for the year 2012 at the rate of Re. 1.00 per share	-	-	-	(125 000)	(125 000)
Transfer to general reserve	-	200 000	-	(200 000)	-
Balance as at 30 September 2012	<u>1 250 000</u>	<u>8 350 000</u>	<u>12 902</u>	<u>1 231 257</u>	<u>10 844 159</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	-	-	-	654 135	654 135
Transactions with owners, recorded directly in equity					
Final dividend paid for the year 2012 at the rate of Rs. 4.00 per share	-	-	-	(500 000)	(500 000)
Interim dividend paid for the year 2013 at the rate of Re. 1.00 per share	-	-	-	(125 000)	(125 000)
Balance as at 30 September 2013	<u>1 250 000</u>	<u>8 350 000</u>	<u>12 902</u>	<u>1 547 397</u>	<u>11 160 299</u>

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

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Director

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Director

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SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Statement of Cash Flows

for the nine months period ended 30 September 2013 (Unaudited)

	2013	2012
Rupees '000		
Operating Cash Flows		
a) Underwriting activities		
Premiums received	10 069 479	8 281 331
Reinsurance premiums paid	(5 702 893)	(4 254 872)
Claims paid	(4 529 874)	(4 397 580)
Reinsurance and other recoveries received	2 167 484	2 012 930
Commissions paid	(1 028 648)	(907 870)
Commissions received	654 321	451 868
Management expenses paid	(930 220)	(865 443)
Net cash inflow from underwriting activities	699 649	320 364
b) Other operating activities		
Income tax paid	(84 053)	(72 081)
General and administration expenses	(333 918)	(362 484)
Other operating payments	(17 354)	(37 807)
Other operating receipts	11 822	90 819
Loans advanced	(430)	(1 011)
Loan repayments received	683	702
Net cash outflow from other operating activities	(423 250)	(381 862)
Total cash inflow / (outflow) from all operating activities	276 399	(61 498)
Investment activities		
Profit / return received	134 909	159 914
Dividends received	339 025	301 974
Rentals received	46 435	81 594
Payments for investments	(5 507 202)	(1 980 688)
Proceeds from disposal of investments	5 450 978	2 166 868
Fixed capital expenditures	(170 074)	(220 681)
Proceeds from disposal of fixed assets	13 994	19 965
Total cash inflow from investing activities	308 065	528 946
Financing activities		
Dividends paid	(617 397)	(452 357)
Net cash (outflow) / inflow from all activities	(32 933)	15 091
Cash at the beginning of the period	1 669 886	1 758 119
Cash at the end of the period	1 636 953	1 773 210
Reconciliation to profit and loss account		
Operating cash flows	276 399	(61 498)
Depreciation / amortisation expense	(127 540)	(133 251)
Rentals and investment income	418 139	730 680
Profit on deposits	80 347	85 016
Other income	18 810	16 282
Share of profit of an associate	219 944	288 219
(Decrease) / increase in assets other than cash	(586 519)	1 931 079
Decrease / (increase) in liabilities other than running finance	354 555	(1 539 487)
Profit after taxation	654 135	1 317 040
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	607	7 407
Current and other accounts	1 194 161	1 246 483
Deposits maturing within 12 months	442 185	519 320
	1 636 953	1 773 210

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Director

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Director

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Chairman

Karachi 26 October, 2013

Condensed Interim Statement of Premiums for the nine months period ended 30 September 2013 (Unaudited)

Rupees '000

Class	Three months period ended 30 September								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	2 908 805	3 172 235	4 167 315	1 913 725	2 345 115	2 120 559	2 999 877	1 465 797	447 928	544 261
Marine, aviation and transport	571 534	430 843	518 995	483 382	149 650	86 850	145 332	91 168	392 214	356 868
Motor	860 068	1 258 984	1 446 049	673 003	4 629	102	199	4 532	668 471	634 947
Miscellaneous	281 009	597 541	592 366	286 184	202 184	401 887	407 320	196 751	89 433	82 217
Total	4 621 416	5 459 603	6 724 725	3 356 294	2 701 578	2 609 398	3 552 728	1 758 248	1 598 046	1 618 293
Treaty - proportional	(15)	-	-	(15)	-	-	-	-	(15)	104
Grand total	4 621 401	5 459 603	6 724 725	3 356 279	2 701 578	2 609 398	3 552 728	1 758 248	1 598 031	1 618 397

Class	Nine months period ended 30 September								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	6 251 940	3 293 564	4 167 315	5 378 189	4 911 683	2 146 857	2 999 877	4 058 663	1 319 526	1 444 875
Marine, aviation and transport	1 561 502	573 944	518 995	1 616 451	391 201	256 690	145 332	502 559	1 113 892	1 006 356
Motor	2 219 797	1 214 781	1 446 049	1 988 529	11 707	150	199	11 658	1 976 871	1 902 404
Miscellaneous	992 524	424 405	592 366	824 563	700 515	282 554	407 320	575 749	248 814	233 074
Total	11 025 763	5 506 694	6 724 725	9 807 732	6 015 106	2 686 251	3 552 728	5 148 629	4 659 103	4 586 709
Treaty - proportional	(15)	-	-	(15)	-	-	-	-	(15)	58
Grand total	11 025 748	5 506 694	6 724 725	9 807 717	6 015 106	2 686 251	3 552 728	5 148 629	4 659 088	4 586 767

Note: Premium written includes administrative surcharge of Rs. 219.42 million (2012: Rs. 220.81 million).

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

JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Statement of Claims

for the nine months period ended 30 September 2013 (Unaudited)

Rupees '000

Class	Three months period ended 30 September									Net claims expense 2013	Net claims expense 2012
	Claims				Reinsurance						
	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	657 835	3 996 015	3 958 883	620 703	451 125	3 240 257	3 092 817	303 685	317 018	154 551	
Marine, aviation and transport	334 801	1 086 375	1 037 450	285 876	37 422	526 913	518 071	28 580	257 296	221 981	
Motor	276 741	915 428	1 103 694	465 007	–	3 800	3 800	–	465 007	432 633	
Miscellaneous	94 315	609 249	660 946	146 012	39 246	484 073	501 723	56 896	89 116	42 826	
Total	1 363 692	6 607 067	6 760 973	1 517 598	527 793	4 255 043	4 116 411	389 161	1 128 437	851 991	
Treaty - proportional	–	3 494	3 494	–	–	–	–	–	–	598	
Grand total	1 363 692	6 610 561	6 764 467	1 517 598	527 793	4 255 043	4 116 411	389 161	1 128 437	852 589	

Nine months period ended 30 September										
Direct and facultative										
Fire and property damage	2 534 259	6 321 786	3 958 883	171 356	1 908 908	5 481 973	3 092 817	(480 248)	651 604	554 619
Marine, aviation and transport	721 758	1 124 428	1 037 450	634 780	112 562	647 961	518 071	(17 328)	652 108	539 593
Motor	1 010 474	892 832	1 103 694	1 221 336	(149)	3 800	3 800	(149)	1 221 485	1 287 324
Miscellaneous	236 780	523 146	660 946	374 580	120 955	427 214	501 723	195 464	179 116	100 176
Total	4 503 271	8 862 192	6 760 973	2 402 052	2 142 276	6 560 948	4 116 411	(302 261)	2 704 313	2 481 712
Treaty - proportional	–	3 567	3 494	(73)	–	–	–	–	(73)	1 193
Grand total	4 503 271	8 865 759	6 764 467	2 401 979	2 142 276	6 560 948	4 116 411	(302 261)	2 704 240	2 482 905

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

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Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Statement of Expenses

for the nine months period ended 30 September 2013 (Unaudited)

Rupees '000

Class	Three months period ended 30 September							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	305 270	292 742	405 499	192 513	88 051	280 564	179 110	101 454	191 558
Marine, aviation and transport	78 692	53 341	63 130	68 903	77 218	146 121	12 895	133 226	118 825
Motor	81 934	105 063	128 979	58 018	161 140	219 158	19	219 139	194 310
Miscellaneous	25 383	49 316	49 220	25 479	17 623	43 102	46 036	(2 934)	4 011
Total	491 279	500 462	646 828	344 913	344 032	688 945	238 060	450 885	508 704
Treaty - proportional	(6)	-	-	(6)	-	(6)	-	(6)	-
Grand total	<u>491 273</u>	<u>500 462</u>	<u>646 828</u>	<u>344 907</u>	<u>344 032</u>	<u>688 939</u>	<u>238 060</u>	<u>450 879</u>	<u>508 704</u>

Nine months period ended 30 September									
Direct and facultative									
Fire and property damage	612 625	374 863	405 499	581 989	266 709	848 698	359 815	488 883	536 292
Marine, aviation and transport	211 375	55 472	63 130	203 717	225 145	428 862	24 097	404 765	349 846
Motor	196 635	102 772	128 979	170 428	482 026	652 454	55	652 399	593 190
Miscellaneous	85 580	34 403	49 220	70 763	50 292	121 055	151 562	(30 507)	(23 216)
Total	1 106 215	567 510	646 828	1 026 897	1 024 172	2 051 069	535 529	1 515 540	1 456 112
Treaty - proportional	(6)	-	-	(6)	-	(6)	-	(6)	6
Grand total	<u>1 106 209</u>	<u>567 510</u>	<u>646 828</u>	<u>1 026 891</u>	<u>1 024 172</u>	<u>2 051 063</u>	<u>535 529</u>	<u>1 515 534</u>	<u>1 456 118</u>

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

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JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013

Condensed Interim Statement of Investment Income for the nine months period ended 30 September 2013 (Unaudited)

Rupees '000

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	2013	2012
Income from non - trading investments				
Return on government securities	4 209	16 928	21 158	47 543
Return on other fixed income securities and deposits	1 983	6 571	14 184	20 312
Amortisation of premium relative to par	238	90	518	(686)
Dividend income	74 455	32 381	188 198	141 165
Gain on sale of non - trading investments	44 910	10 396	214 853	121 738
	125 795	66 366	438 911	330 072
(Provision) / Reversal for impairment - available for sale investments - net	(32 064)	148 074	(56 412)	327 368
Investment related expenses	(200)	(200)	(400)	(400)
Net investment income	<u>93 531</u>	<u>214 240</u>	<u>382 099</u>	<u>657 040</u>

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JAHANGIR SIDDIQUI
Director

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Chairman

Karachi 26 October, 2013

Notes to the Condensed Interim Financial Statements for the nine months period ended 30 September 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 period ended 30 September 2013 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 September 2012	32 380
• Net decrease profit and loss account for the period ended 30 September 2012	32 380

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

	30 September 2013 (Unaudited)	31 December 2012 (Audited)
General reserve	8 350 000	8 350 000
Reserve for exceptional losses	12 902	12 902
Retained earnings	1 547 397	1 518 262
	<u>9 910 299</u>	<u>9 881 164</u>

Rupees '000

- 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 September 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		16 586	29 319
Share in profit of associate		219 943	390 185
Dividend received		(209 316)	(233 975)
		<u>10 995 739</u>	<u>10 968 526</u>
Provision for impairment		(1 987 000)	(1 987 000)
		<u>9 008 739</u>	<u>8 981 526</u>
Available for sale	8.2		
In related parties			
Equity securities			
Ordinary shares		2 121 922	2 121 922
Mutual funds		190 315	83 316
Fixed income securities			
Term finance certificates	8.3	—	30 439
		<u>2 312 237</u>	<u>2 235 677</u>
Provision for impairment – net of reversals		(1 931 738)	(1 773 648)
		<u>380 499</u>	<u>462 029</u>
Others			
Equity securities			
Ordinary shares		2 868 374	2 986 439
Mutual funds		1 179 000	529 999
Preference shares		20 000	20 000
Fixed income securities			
Government securities		237 933	609 380
Term finance certificates		163 146	191 151
		<u>4 468 453</u>	<u>4 336 969</u>
Provision for impairment – net of reversals		(227 683)	(375 807)
		<u>4 240 770</u>	<u>3 961 162</u>
		<u>13 630 008</u>	<u>13 404 717</u>

- 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 September 2013 was Rs. 2 959 million (31 December 2012: Rs. 3 383 million) and Rs. 5 702 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. 195 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 September 2013 would have been higher by Rs. 1 081 million (31 December 2012: higher by Rs. 560 million).

9. Premiums due but unpaid – net – unsecured

Rupees '000

	30 September 2013 (Unaudited)	31 December 2012 (Audited)
Considered good	3 711 532	2 755 247
Considered doubtful	26 000	26 000
	<u>3 737 532</u>	<u>2 781 247</u>
Provision for doubtful balances	(26 000)	(26 000)
	<u>3 711 532</u>	<u>2 755 247</u>

10. Fixed assets – tangibles and intangibles

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

Rupees '000

	Additions (at cost)		Disposals (at net book value)	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Tangibles				
Buildings	36 187	40 436	–	–
Furniture and fixtures	26 000	41 778	1 209	241
Vehicles	52 495	97 976	4 718	3 330
Office equipments	18 872	22 120	–	342
Computers	15 525	8 294	–	56
Intangibles				
Computer softwares	469	370	–	–
	<u>149 548</u>	<u>210 974</u>	<u>5 927</u>	<u>3 969</u>

11. Other income

Rupees '000

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	2013	2012
Gain / (loss) on sale of fixed assets	3 337	(1 017)	10 371	15 961
Interest on loan to employees	31	41	104	116
Exchange gain	5 243	342	8 335	3 693
Others	(607)	31	–	205
	<u>8 004</u>	<u>(603)</u>	<u>18 810</u>	<u>19 975</u>

12. Provision for taxation

Rupees '000

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	2013	2012
	For the year			
Current	14 292	72 974	147 484	195 520
Prior year - minimum tax adjustment	-	(65 927)	-	(171 087)
Deferred	7 274	(10 884)	(3 026)	12 583
	<u>21 566</u>	<u>(3 837)</u>	<u>144 458</u>	<u>37 016</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	8 217 132	9 212 345	1 319 405	1 425 107	722 528	431 936	1 851 660	1 582 412	-	-	12 110 725	12 651 800
Corporate unallocated assets											16 617 072	16 384 306
Total assets											<u>28 727 797</u>	<u>29 036 106</u>
Corporate segment liabilities	10 329 008	11 359 443	1 831 174	2 007 951	2 639 268	2 166 967	2 193 863	1 812 272	3 494	3 567	16 996 807	17 350 200
Corporate unallocated liabilities											570 691	554 742
Total liabilities											<u>17 567 498</u>	<u>17 904 942</u>
Capital expenditures											170 074	220 681
Segment depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation											127 540	133 251
Total depreciation											<u>127 540</u>	<u>133 251</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	4 635 775	4 572 781	28 500 570	28 946 044	17 408 500	17 859 535	170 074	220 681
EPZ *	23 313	13 986	226 639	89 474	158 998	45 407	-	-
Saudi Arabia **	-	-	588	588	-	-	-	-
Total	<u>4 659 088</u>	<u>4 586 767</u>	<u>28 727 797</u>	<u>29 036 106</u>	<u>17 567 498</u>	<u>17 904 942</u>	<u>170 074</u>	<u>220 681</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:

	Rupees '000			
	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	2013	2012
Transactions				
Associated company				
Premiums written	94	352	14 880	11 338
Premiums paid	453	–	11 699	6 942
Claims paid	518	995	2 862	3 269
Claims lodged	–	1 938	3 369	3 461
Investments made	11 079	–	16 586	25 350
Dividends received	64 153	54 373	209 316	233 975
Dividends paid	8 516	8 516	42 581	31 936
Expenses recovered	–	600	1 000	1 800
Key management personnel				
Premiums written	20	–	719	881
Claims paid	–	–	–	51
Dividends paid	267	186	1 296	904
Compensation	32 552	32 278	85 820	78 777
Others				
Premiums written	18 399	15 381	75 095	43 805
Premiums paid	(6)	–	8 086	6 651
Claims paid	11 351	4 367	25 617	13 799
Claims lodged	1 061	768	4 528	2 235
Commissions paid	–	–	–	11
Investments made	242 000	–	662 000	45 000
Dividends received	13 357	–	13 357	–
Investments sold	230 000	–	555 000	45 000
Dividends paid	52 041	23 884	308 668	56 919
Bank deposits	(75 000)	(50 000)	(75 000)	–
Brokerage paid	110	186	387	1 455
Profit on TFCs	33	1 065	888	3 126
Employees' funds				
Contribution to provident fund	4 589	4 959	14 466	13 749
Contribution to gratuity fund	4 942	2 554	14 545	13 758
Contribution to pension fund	86	78	232	214
Dividend paid	644	644	3 221	2 416

	30 September 2013 (Unaudited)	31 December 2012 (Audited)
		Rupees '000
Others		
Balances receivable	1 822	595
Balances payable	(146)	(91)
Deposits maturing within 12 months	70 500	145 500
Bank balances	66 404	49 470
Employees' funds receivable / (payable)		
EFU gratuity fund	19 603	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 26 October, 2013.

JAHANGIR SIDDIQUI
Director

RAFIQUE R. BHIMJEE
Director

HASANALI ABDULLAH
Managing Director & Chief Executive

SAIFUDDIN N. ZOOMKAWALA
Chairman

Karachi 26 October, 2013