

Report (Un-audited)  
Six Months Ended  
30 June 2014

# THE POWER OF STRINGS





## Company Information



### **Chairman**

Rafique R. Bhimjee

### **Managing Director & Chief Executive**

Taher G. Sachak

### **Directors**

Saifuddin N. Zoomkawala  
Jahangir Siddiqui  
Muneer R. Bhimjee  
Hasanali Abdullah  
Heinz Walter Dollberg  
Syed Salman Rashid  
Kamal Afsar

### **Corporate Secretary**

S. Shahid Abbas

### **Appointed Actuary**

Omer Morshed, F.C.A., F.P.S.A., F.I.A.

### **Legal Advisor**

Mohammad Ali Sayeed, M.A.B.L.

### **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants, Karachi

### **Rating**

Rating Agency: JCR-VIS  
Insurer Financial Strength Rating: AA  
Outlook: Stable

### **Registrar**

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Dagia House 241-C  
Block-2, P.E.C.H.S.  
Off Shahra-e-Quaideen  
Karachi  
Ph: (92-21) 34391316-17  
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### **Website:**

[www.efulife.com](http://www.efulife.com)

### **Registered Office**

Al-Malik Centre  
70 W, F-7/G-7  
Jinnah Avenue, (Blue Area)  
Islamabad

### **Main Office**

37-K, Block 6, P.E.C.H.S.  
Karachi



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## Directors Report - 30 June 2014



The Director's of your Company are pleased to present the Condensed Interim Financial Statements (Un-audited) for the half year ended 30 June 2014.

Your Company's total premium income increased by 33.9% during the first half year of 2014 and was Rs.8.72 billion (2013: Rs 6.51 billion).

Individual life regular premium new business increased by 26.6% at Rs.1.72 billion (2013: Rs.1.36 billion). Renewal premium was Rs. 4.95 billion (2013: Rs. 4.34 billion) an increase of 14%. Inclusive of renewal premium, the total individual life regular premium business increased by 17% to Rs. 6.68 billion (2013: 5.70 billion).

Individual Life Single premium increased to Rs. 1.21 billion (2013: Rs. 86 million).

Group Benefits business increased by 15.7% at Rs. 829 million (2013: Rs. 716 million).

Your Company had a Profit after Tax of Rs. 440 million (2013: Rs. 346 million), an increase of 27%. The Earnings per Share is Rs. 4.40 (2013: Rs. 3.46).

The Directors have pleasure in declaring an Interim Dividend of Rs.1.50 per share. i.e. 15%.

In May 2014, the Sindh High Court lifted the stay order against the implementation of Takaful Rules 2012, paving the way for start of window takaful operations in the industry. Your Company is in the process of applying to Securities and Exchange Commission of Pakistan for license to operate as a Window Takaful Operator.

During the second quarter of 2014, your company won the "Brands of the Year Award 2013" for Best Life Insurance Company for a second time. The award is given by the Brands Foundation and is a distinctive and premier recognition for a brand based on excellence in its category.

Your Directors would like to thank all our clients for their continued confidence in the Company. At the same time we would like to place on record our appreciation for the contributions made by the EFU Life Head Office team and all distribution channels towards the development and growth of the Company. We would also like to thank the Securities and Exchange Commission of Pakistan for its guidance and understanding, and our main reinsurer Munich Re for its continuous support over the years.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

Karachi 21 August, 2014

## Introduction

We have reviewed the accompanying

- i. condensed interim balance sheet;
- ii. condensed interim profit and loss account;
- iii. condensed interim statement of changes in equity;
- iv. condensed interim cash flow statement;
- v. condensed interim revenue account;
- vi. condensed interim statement of premiums;
- vii. condensed interim statement of claims;
- viii. condensed interim statement of expenses; and
- ix. condensed interim statement of investment income

of EFU Life Assurance Limited ("the Company") together with notes to the accounts for the six-month period ended 30 June 2014 (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of the condensed 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 the condensed 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 condensed 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 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

## Other Matters

The figures for the quarter ended 30 June 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

The financial statements of the Company for the year ended 31 December 2013 and six months period ended 30 June 2013 were audited / reviewed by another firm of chartered accountants who have expressed unmodified opinion / conclusion thereon dated 14 February 2014 and 24 July 2013 respectively.

Date: 21 August, 2014  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Taufiq

# Condensed Interim Balance Sheet as at 30 June 2014 (Unaudited)

Rupees '000

Note	Shareholders Fund	Statutory Funds				Aggregate	
		Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2014 Unaudited	31 December 2013 Audited
Share Capital and Reserves							
Authorised share capital [150 000 000 ordinary shares (2013: 100 000 000) of Rs. 10/ each]	1 500 000					1 500 000	1 000 000
Issued, subscribed and paid-up share capital 15 000 000 ordinary shares (2013: 15 000 000) of Rs. 10/ each issued as fully paid in cash	150 000					150 000	150 000
85 000 000 ordinary shares (2013: 85 000 000) of Rs. 10/ each issued as fully paid as bonus shares	850 000					850 000	850 000
	1 000 000					1 000 000	1 000 000
Accumulated surplus	723 004					723 004	1 032 872
General reserves	750 500					750 500	500 500
Net shareholders' equity	2 473 504					2 473 504	2 533 372
Balance of Statutory Fund [including policyholders' liabilities Rs. 49 643 million (2013: Rs. 42 842 million)]		50 099 275	539 145	20 544	3 318	50 662 282	43 582 653
Deferred tax liability	13 300					13 300	16 300
Creditors and Accruals							
Outstanding claims		459 108	521 192	–	774	981 074	906 390
Premiums received in advance		552 793	33 519	620	429	587 361	499 086
Amounts due to reinsurers		53 788	484	256	475	55 003	140 656
Amount due to agents		297 244	13 233	10	178	310 665	410 344
Accrued expenses	200	154 935	9 315	1	14	164 465	342 798
Unclaimed dividend	9 464		–	–	–	9 464	8 684
Other creditors and accruals	50 721	59 671	3 565	–	25	113 982	106 055
Inter - fund payable	–	158 732	35 572	65	1032	195 401	557 921
Total liabilities	60 385	1 736 271	616 880	952	2 927	2 417 415	2 971 934
Contingencies and Commitments	8						
Total equity and liabilities	2 547 189	51 835 546	1 156 025	21 496	6 245	55 566 501	49 104 259

The annexed notes 1 to 12 form an integral part of these financial statements.

Rupees '000

Note	Statutory Funds					Aggregate	
	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2014 Unaudited	31 December 2013 Audited
<b>Cash and Bank Deposits</b>							
Policy stamps in hand	–	11 691	425	–	–	12 116	11 779
Current and other accounts	36 216	4 910 253	280 573	4 488	641	5 232 171	1 507 268
Deposits maturing within 12 months	–	–	–	–	–	–	6 095 000
	36 216	4 921 944	280 998	4 488	641	5 244 287	7 614 047
<b>Loans</b>							
To employees - secured	62 413	–	–	–	–	62 413	67 477
To employees and agents - unsecured	11 113	–	–	–	–	11 113	7 845
	73 526	–	–	–	–	73 526	75 322
<b>Investments</b>	7						
Government securities	994 533	31 774 187	656 270	10 424	4 986	33 440 400	28 654 916
Other fixed income securities	–	2 187 793	31 694	250	–	2 219 737	1 753 113
Listed equities & mutual funds	630 851	10 608 791	42 027	5 965	304	11 287 938	9 177 182
Unlisted equities	508	–	–	–	–	508	508
	1 625 892	44 570 771	729 991	16 639	5 290	46 948 583	39 585 719
<b>Current Assets - others</b>							
Premiums due but unpaid	–	–	89 218	–	–	89 218	51 297
Amounts due from reinsurers	–	223	10 554	–	–	10 777	4 777
Prepayments	–	43 265	3 339	–	23	46 627	20 422
Sundry receivables	–	27 893	769	–	1	28 663	42 838
Investment income accrued	39 185	1 630 710	34 952	369	256	1 705 472	157 176
Taxation - provision less payments	182 557	–	–	–	–	182 557	113 259
Advances and deposits	–	61 191	6 204	–	34	67 429	71 246
Inter-fund receivable	195 401	–	–	–	–	195 401	557 921
	417 143	1 763 282	145 036	369	314	2 326 144	1 018 936
<b>Fixed Assets</b>	9						
<b>Tangible Assets</b>							
Leased hold land	–	126 505	–	–	–	126 505	126 505
Furniture, fixtures, office equipment and vehicles	385 804	–	–	–	–	385 804	354 158
Capital work in progress	–	453 044	–	–	–	453 044	316 491
Intangible (Computer software)	8 608	–	–	–	–	8 608	13 081
	394 412	579 549	–	–	–	973 961	810 235
<b>Total Assets</b>							
	2 547 189	51 835 546	1 156 025	21 496	6 245	55 566 501	49 104 259

The annexed notes 1 to 12 form an integral part of these financial statements.

HASANALI ABDULLAH  
DirectorSAIFUDDIN N. ZOOMKAWALA  
DirectorTAHER G. SACHAK  
Managing Director &  
Chief ExecutiveRAFIQUE R. BHIMJEE  
Chairman

## Condensed Interim Profit and Loss Account for the six months period ended 30 June 2014 (Unaudited)

Rupees '000

	Six months ended 30 June		Three months ended 30 June	
	2014	2013	2014	2013
<b>Investment income not attributable to statutory funds</b>				
Return on government securities	51 435	28 849	27 176	11 934
Return on other fixed income securities and deposits	6 447	621	1 868	376
Dividend income	17 774	21 361	2 197	2 050
	75 656	50 831	31 241	14 360
Gain on disposal of available-for-sale of investments	–	603	–	603
(Provision for) / reversal of impairment in the value of available for sale investments	206 283	( 5 498 )	92 509	1 557
Net investment income	281 939	45 936	123 750	16 520
Other revenue	5 726	12 187	3 208	7 754
	287 665	58 123	126 958	24 274
Expenses not attributable to statutory funds	( 17 538 )	( 14 470 )	( 10 748 )	( 8 550 )
	270 127	43 653	116 210	15 724
Surplus transferred from statutory funds	398 005	472 759	233 550	225 037
Profit before tax	668 132	516 412	349 760	240 761
Taxation	( 228 000 )	( 170 207 )	( 121 500 )	( 78 207 )
Profit after tax	440 132	346 205	228 260	162 554
Earnings per share - basic and diluted (Rupees)	4.40	3.46	2.28	1.63

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman



**Condensed Interim Statement of Changes in Equity  
for the six months period ended 30 June 2014 (Unaudited)**

	(Rupees '000)			
	Share Capital	General Reserves	Statutory Funds Accumulated Surplus	Total
<b>Balance as at 1 January 2013</b>	850 000	232 500	1 011 758	2 094 258
Profit for the six months period ended 30 June 2013	–	–	346 205	346 205
Transfer to General Reserve	–	268 000	( 268 000 )	–
<b>Transactions with owners of the company</b>				
Bonus shares	150 000	–	( 150 000 )	–
Final dividend for the year ended 31 December 2012 (Rs. 4.00 per share)	–	–	( 340 000 )	( 340 000 )
<b>Balance as at 30 June 2013</b>	<b>1 000 000</b>	<b>500 500</b>	<b>599 963</b>	<b>2 100 463</b>
<b>Balance as at 1 January 2014</b>	<b>1 000 000</b>	<b>500 500</b>	<b>1 032 872</b>	<b>2 533 372</b>
Profit for the six months period ended 30 June 2014	–	–	440 132	440 132
Transfer to General Reserve	–	250 000	( 250 000 )	–
<b>Transactions with owners of the company</b>				
Final dividend for the year ended 31 December 2013 (Rs. 5.00 per share)	–	–	( 500 000 )	( 500 000 )
<b>Balance as at 30 June 2014</b>	<b>1 000 000</b>	<b>750 500</b>	<b>723 004</b>	<b>2 473 504</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

## Condensed Interim Statement of Cash Flows for the six months period ended 30 June 2014 (Unaudited)

	Statutory Funds					Rupees '000	
	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Aggregate 30 June 2014	Aggregate 30 June 2013
<b>Operating Cash Flows</b>							
<b>a) Underwriting activities</b>							
Premiums received		7 973 423	790 856	391	908	8 765 578	6 551 644
Reinsurance premiums paid		(86 785)	(72 965)	(10)	(448)	(160 208)	(166 491)
Claims paid		(244 540)	(589 726)	—	(712)	(834 978)	(592 686)
Surrenders paid		(1 651 670)	—	(365)	—	(1 652 035)	(1 218 249)
Commissions paid		(1 343 039)	(115 470)	(14)	(189)	(1 458 712)	(1 229 873)
<b>Net cash generated from / (used in) underwriting activities</b>		4 647 389	12 695	2	(441)	4 659 645	3 344 345
<b>b) Other operating activities</b>							
Income tax paid	(300 298)	—	—	—	—	(300 298)	(173 076)
General management expenses paid	(18 938)	(959 373)	(84 976)	(26)	(340)	(1 063 653)	(807 873)
Other operating payments	—	(571 620)	(1 025)	(402)	(191)	(573 238)	(433 789)
Other operating receipts	551 254	—	29 910	—	—	581 164	424 969
Loans advanced	24 163	—	—	—	—	24 163	(27 959)
Loan repayments received	(22 367)	—	—	—	—	(22 367)	26 963
Other payments on operating assets	780	(8 308)	116	—	(21)	(7 433)	(13 677)
<b>Net cash generated from / (used in) Other operating activities</b>	234 594	(1 539 301)	(55 975)	(428)	(552)	(1 361 662)	(1 004 442)
<b>Total cash generated from / (used in) all operating activities</b>	234 594	3 108 088	(43 280)	(426)	(993)	3 297 983	2 339 903
<b>Investment activities</b>							
Profit / return received	26 046	391 589	14 272	328	411	432 646	1 400 463
Dividends received	17 774	253 964	500	139	—	272 377	281 614
Payments for investments	(99 531)	(28 463 147)	(56 809)	(1 164)	16	(28 620 635)	(13 083 790)
Proceeds from disposal of investments	124 385	22 792 662	31 743	—	—	22 948 790	10 250 732
Fixed capital expenditure	(206 970)	—	—	—	—	(206 970)	(140 936)
Proceeds from disposal of fixed assets	6 049	—	—	—	—	6 049	6 669
<b>Total cash (used in) / generated from investing activities</b>	(132 247)	(5 024 932)	(10 294)	(697)	427	(5 167 743)	(1 285 248)
<b>Financing activities</b>							
Surplus appropriated to Shareholders' Fund	398 005	(360 912)	(35 906)	(15)	(1 172)	—	—
Dividends paid	(500 000)	—	—	—	—	(500 000)	(340 000)
<b>Total cash (used in) / generated from financing activities</b>	101 995	(360 912)	(35 906)	(15)	(1 172)	(500 000)	(340 000)
<b>Net cash generated from / (used in) all activities</b>	352	(2 277 756)	(89 480)	(1 138)	(1 738)	(2 369 760)	714 655
Cash & cash equivalents at beginning of the period	35 864	7 199 700	370 478	5 626	2 379	7 614 047	1 723 572
<b>Cash &amp; cash equivalents at end of the period</b>	36 216	4 921 944	280 998	4 488	641	5 244 287	2 438 227
<b>Reconciliation to Profit and Loss Account</b>							
Operating cash flows						3 297 983	2 339 903
Depreciation						(34 072)	(28 027)
Amortization						(4 473)	(4 473)
Profit on disposal of fixed assets						1 350	3 917
Others revenue						4 376	8 270
Investment revenue						2 248 943	1 771 170
Appreciation in market value of investments						775 486	681 040
Reversal of / (provision for) impairment in the value of available for sale equity investment						215 056	(6 457)
Reversal of / (provision for) impairment in the value of available for sale fixed income securities						52 519	(125 430)
Profit on sale of investment						647 958	618 628
(Decrease) / Increase in assets other than cash						(242 884)	33 922
Increase in liabilities						(6 522 110)	(4 946 258)
<b>Profit after taxation</b>						440 132	346 205

The annexed notes 1 to 12 form an integral part of these finance statements.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

## Condensed Interim Revenue Account for the Six months period ended 30 June 2014 (Unaudited)

Rupees '000

Note	Statutory Funds				Six months ended		Three months ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<b>Income</b>								
Premiums less reinsurances	7 769 581	604 587	382	661	8 375 211	6 174 596	4 430 088	3 323 960
Net investment income	3 609 005	46 974	1 435	609	3 658 023	2 893 015	1 963 491	1 797 004
Total net income	11 378 586	651 561	1 817	1 270	12 033 234	9 067 611	6 393 579	5 120 964
<b>Claims and expenditure</b>								
Claims net of reinsurance recoveries	1 920 520	375 736	365	15	2 296 636	1 721 229	1 176 846	865 821
Management expenses	2 066 601	191 953	43	367	2 258 964	1 912 595	1 235 188	1 055 413
<b>Total claims and expenditure</b>	<b>3 987 121</b>	<b>567 689</b>	<b>408</b>	<b>382</b>	<b>4 555 600</b>	<b>3 633 824</b>	<b>2 412 034</b>	<b>1 921 234</b>
<b>Excess of income over claims and expenditure</b>	<b>7 391 465</b>	<b>83 872</b>	<b>1 409</b>	<b>888</b>	<b>7 477 634</b>	<b>5 433 787</b>	<b>3 981 545</b>	<b>3 199 730</b>
Add : Policyholder liabilities at beginning of period	42 509 820	310 273	18 907	3 022	42 842 022	33 099 374	46 038 296	34 988 947
Less : Policyholder liabilities at end of period	49 286 805	332 961	20 240	2 814	49 642 820	37 958 956	49 642 820	37 958 956
	( 6 776 985 )	( 22 688 )	( 1 333 )	208	( 6 800 798 )	( 4 949 582 )	( 3 604 524 )	( 2 970 009 )
<b>Surplus before tax</b>	<b>614 480</b>	<b>61 184</b>	<b>76</b>	<b>1 096</b>	<b>676 836</b>	<b>484 205</b>	<b>377 021</b>	<b>229 721</b>
Movement in policyholder's liabilities	6 776 985	22 688	1 333	( 208 )	6 800 798	4 949 582	3 604 524	2 970 009
Transfer of surplus to shareholders' fund	( 360 912 )	( 35 906 )	( 15 )	( 1 172 )	( 398 005 )	( 472 759 )	( 233 550 )	( 225 037 )
Balance of statutory funds at beginning of the period	43 068 722	491 179	19 150	3 602	43 582 653	33 743 933	46 914 287	35 730 268
Balance of statutory funds at end of the period	50 099 275	539 145	20 544	3 318	50 662 282	38 704 961	50 662 282	38 704 961
<b>Represented by:</b>								
Policyholder liabilities	49 286 805	332 961	20 240	2 814	49 642 820	37 958 956	49 642 820	37 958 956
Retained earnings on other than participating business	812 470	206 184	304	504	1 019 462	746 005	1 019 462	746 005
<b>Balance of statutory fund</b>	<b>50 099 275</b>	<b>539 145</b>	<b>20 544</b>	<b>3 318</b>	<b>50 662 282</b>	<b>38 704 961</b>	<b>50 662 282</b>	<b>38 704 961</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

## Condensed Interim Statement of Premiums for the six months period ended 30 June 2014 (Unaudited)

Rupees '000

	Statutory Funds				Six months ended		Three months ended	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June		30 June	
					2014	2013	2014	2013
<b>Gross Premiums</b>								
Regular premium individual policies*								
First year	1 720 233	1 579	–	124	1 721 936	1 360 593	1 062 033	812 427
Second year renewal	1 149 747	716	–	45	1 150 508	1 041 811	571 248	536 433
Subsequent year renewal	3 800 303	1 471	391	738	3 802 903	3 301 429	1 964 430	1 721 734
Single premium individual policies	1 210 955	–	–	–	1 210 955	86 502	577 718	58 596
Group policies with cash values	7 099	–	–	–	7 099	5 306	3 451	3 481
Group policies without cash values	–	821 823	–	–	821 823	711 097	377 009	322 435
<b>Total Gross Premiums</b>	<b>7 888 337</b>	<b>825 589</b>	<b>391</b>	<b>907</b>	<b>8 715 224</b>	<b>6 506 738</b>	<b>4 555 889</b>	<b>3 455 106</b>
<b>Less: Reinsurance Premiums Ceded</b>								
On individual life first year business	16 552	200	–	5	16 757	14 488	9 152	8 436
On individual life second year business	14 287	57	–	3	14 347	12 217	6 382	6 190
On individual life renewal business	87 917	1 193	9	238	89 357	83 326	42 617	39 886
On group policies	–	219 552	–	–	219 552	222 111	67 650	76 634
<b>Total Reinsurance Premium Ceded</b>	<b>118 756</b>	<b>221 002</b>	<b>9</b>	<b>246</b>	<b>340 013</b>	<b>332 142</b>	<b>125 801</b>	<b>131 146</b>
<b>Net Premiums</b>	<b>7 769 581</b>	<b>604 587</b>	<b>382</b>	<b>661</b>	<b>8 375 211</b>	<b>6 174 596</b>	<b>4 430 088</b>	<b>3 323 960</b>

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

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

## Condensed Interim Statement of Claims for the six months period ended 30 June 2014 (Unaudited)

Rupees '000

	Statutory Funds				Six months ended 30 June		Three months ended 30 June	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	2014	2013	2014	2013
<b>Gross Claims</b>								
Claims under individual policies								
by death	249 998	1 130	–	–	251 128	163 009	136 777	78 336
by insured event other than death	9 092	20	–	19	9 131	14 652	5 790	8 561
by maturity	41 999	–	–	–	41 999	23 560	25 048	12 159
by surrender	1 672 047	–	365	–	1 672 412	1 229 770	831 035	619 041
<b>Total gross individual policy claims</b>	<b>1 973 136</b>	<b>1 150</b>	<b>365</b>	<b>19</b>	<b>1 974 670</b>	<b>1 430 991</b>	<b>998 650</b>	<b>718 097</b>
Claims under group policies								
by death	–	533 849	–	–	533 849	376 196	308 148	189 422
by insured event other than death	–	20 598	–	–	20 598	18 045	16 677	8 236
experience refund	–	32 580	–	–	32 580	74 353	4 904	38 914
<b>Total gross group claims</b>	<b>–</b>	<b>587 027</b>	<b>–</b>	<b>–</b>	<b>587 027</b>	<b>468 594</b>	<b>329 729</b>	<b>236 572</b>
<b>Total gross claims</b>	<b>1 973 136</b>	<b>588 177</b>	<b>365</b>	<b>19</b>	<b>2 561 697</b>	<b>1 899 585</b>	<b>1 328 379</b>	<b>954 669</b>
<b>Less: Reinsurance recoveries</b>								
On individual life first year business	33 142	–	–	4	33 146	13 440	14 213	5 799
On individual life second year business	5 492	–	–	–	5 492	1 327	3 802	( 1 598 )
On individual life subsequent renewal business	13 982	–	–	–	13 982	11 772	8 805	8 000
On group claims	–	196 661	–	–	198 661	132 833	121 207	58 086
On experience refund of premiums	–	13 780	–	–	13 780	18 984	3 506	18 561
<b>Total Reinsurance</b>	<b>52 616</b>	<b>212 441</b>	<b>–</b>	<b>4</b>	<b>265 061</b>	<b>178 356</b>	<b>151 533</b>	<b>88 848</b>
<b>Net Claims</b>	<b>1 920 520</b>	<b>375 736</b>	<b>365</b>	<b>15</b>	<b>2 296 636</b>	<b>1 721 229</b>	<b>1 176 846</b>	<b>865 821</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH  
Director

SAIFUDDIN N. ZOOMKAWALA  
Director

TAHER G. SACHAK  
Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

## Condensed Interim Statement of Expenses for the six months period ended 30 June 2014 (Unaudited)

Rupees '000

	Statutory Funds				Six months ended 30 June		Three months ended 30 June	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	2014	2013	2014	2013
<b>Acquisition Costs</b>								
Remuneration to insurance intermediaries on individual policies:								
- commission on first year premiums	805 320	490	–	51	805 861	649 688	499 277	395 950
- commission on second year premiums	105 646	78	–	18	105 742	113 970	47 119	49 658
- commission on subsequent renewal premiums	88 579	36	10	36	88 661	92 514	45 334	46 425
- commission on single premiums	46 355	–	–	–	46 355	1 833	21 899	1 291
- override commission	197 053	154	4	24	197 235	143 194	117 977	81 274
- other benefits to insurance intermediaries	289 191	189	18	44	289 442	278 159	133 150	146 891
	1 532 144	947	32	173	1 533 296	1 279 358	864 756	721 489
Remuneration to insurance intermediaries on group policies:								
- commission	376	114 803			115 179	122 362	59 793	59 385
- other benefits to insurance intermediaries	195	22 547			22 742	17 005	10 406	8 362
	571	137 350			137 921	139 367	70 199	67 747
Branch overheads	118 473	2 364	11	24	120 872	117 964	59 809	67 215
<b>Other acquisition costs</b>								
- Policy stamps	31 344	202		1	31 547	26 995	14 728	12 939
<b>Total acquisition cost</b>	1 682 532	140 863	43	198	1 823 636	1 563 684	1 009 492	869 390
<b>Administration expenses</b>								
Salaries and other benefits	158 550	30 149	–	82	188 781	167 344	95 088	87 449
Traveling expenses	25 786	2 037	–	2	27 825	35 630	13 626	20 147
Actuary's fees	4 521	349	–	2	4 872	3 600	2 436	1 800
Medical fees	8 151	1 252	–	–	9 403	9 636	4 378	4 542
Legal & professional fee	10 627	817	–	6	11 450	11 053	4 570	7 142
Advertisements & publicity	30 933	2 916	–	17	33 866	18 174	28 053	11 775
Computer expenses	2 459	202	–	1	2 662	1 540	1 355	910
Printing and stationery	15 116	1 537	–	7	16 660	15 131	8 339	7 358
Depreciation	13 424	1 518	–	7	14 949	10 290	10 516	6 219
Amortisation	4 151	320	–	2	4 473	4 473	2 038	2 432
Rental	8 343	1 709	–	3	10 055	10 708	4 628	5 485
Exchange loss / (gain)	6 636	–	–	–	6 636	(1 659)	(886)	(486)
Postage	30 560	204	–	–	30 764	18 179	12 009	8 702
Fees and subscription	17 881	1 643	–	10	19 534	15 686	2 506	7 797
Other management expenses	56 853	6 530	–	30	63 413	34 505	42 380	17 900
Gross management expenses	2 076 523	192 046	43	367	2 268 979	1 917 974	1 240 528	1 058 562
Commission from reinsurers	(6 304)	(93)	–	–	(6 397)	(5 379)	(3 437)	(3 149)
Fees charged to policy holders	(3 618)	–	–	–	(3 618)	–	(1 903)	–
Net management expenses	2 066 601	191 953	43	367	2 258 964	1 912 595	1 235 188	1 055 413

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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Director

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Director

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Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

# Condensed Interim Statement of Investment Income for the six months period ended 30 June 2014 (Unaudited)

Rupees '000

	Statutory Funds				Six months ended 30 June		Three months ended 30 June	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	2014	2013	2014	2013
<b>Investment Income</b>								
On Government securities	1 488 745	34 574	465	241	1 524 025	1 234 295	815 564	633 685
On other fixed income securities and deposits	388 861	8 889	137	427	398 314	228 576	210 176	116 814
Dividend income	253 964	500	139	–	254 603	260 253	69 992	53 113
Amortisation of discount	35 351	772	23	11	36 157	29 251	( 1 051 )	( 11 603 )
	2 166 921	44 735	764	679	2 213 099	1 752 375	1 094 681	792 009
<b>Gain on sale of investments</b>								
Shares and mutual fund units	647 958	–	–	–	647 958	618 025	404 916	590 584
<b>Gain / (loss) on revaluation of investment</b>								
Government securities	4 457	–	( 15 )	–	4 442	( 48 433 )	( 158 )	3 352
Other fixed income securities	20 881	–	9	–	20 890	( 7 993 )	58 770	121 801
Listed equities securities and mutual fund units	713 320	–	677	–	713 997	708 215	374 503	415 746
	738 658	–	671	–	739 329	651 789	433 115	540 899
<b>(Provision for) / reversal of impairment in value of investment</b>								
Available-for-sale fixed income securities	52 519	–	–	–	52 519	( 125 430 )	29 769	( 125 430 )
Available-for-sale equity securities and mutual fund units	6 604	2 239	–	( 70 )	8 773	( 959 )	2 359	335
	59 123	2 239	–	( 70 )	61 292	( 126 389 )	32 128	( 125 095 )
	3 612 660	46 974	1 435	609	3 661 678	2 895 800	1 964 840	1 798 397
Less: Investment related expense	( 3 655 )	–	–	–	( 3 655 )	( 2 785 )	( 1 349 )	( 1 393 )
<b>Net investment income</b>	<u>3 609 005</u>	<u>46 974</u>	<u>1 435</u>	<u>609</u>	<u>3 658 023</u>	<u>2 893 015</u>	<u>1 963 491</u>	<u>1 797 004</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.

HASANALI ABDULLAH  
Director

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Director

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Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

## **Notes to the Condensed Interim Financial Statements (Unaudited) For the six months period ended 30 June 2014**

### **1. STATUS AND NATURE OF BUSINESS**

- 1.1 EFU Life Assurance Limited (the Company) was incorporated in Pakistan on 09 August 1992 as a public limited company under the Companies Ordinance, 1984 and started its operation from 08 November 1992. The shares of the Company are quoted on Karachi Stock Exchange. The registered office of the Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at 37-K, Block 6, PECHS, Karachi.
- 1.2 The Company is engaged in life insurance business including ordinary life business, pension fund business and accident and health business and has established following statutory funds, as required by the Insurance Ordinance, 2000:
- Investment Linked business (includes individual life business)
  - Conventional business (includes group life and individual life businesses)
  - Pension business (unit linked)\*
  - Accident and health business
- \* The Company had discontinued pension business and accordingly no new business has been written under this fund.
- 1.3 The Company in their Annual General Meeting held on 5 April 2014 approved to increase the authorised capital of the Company from Rs. 1,000 million to Rs. 1,500 million. All legal formalities with respect to this matter have been complied with.

### **2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

- 2.1 The condensed interim financial information of the Company for the six months period ended 30 June 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' as applicable in Pakistan, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.
- 2.2 The condensed interim financial information does not include all the information and disclosures required in the annual financial statements, Accordingly, the condensed interim financial information should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2013.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and the methods of computation adopted by the Company in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended 31 December 2013.

### **4. FINANCIAL RISK MANAGEMENT / JUDGEMENTS AND ESTIMATES**

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company for the year ended 31 December 2013.

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements 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 the year ended 31 December 2013.



## 5. POLICYHOLDERS' LIABILITIES

### 5.1 Gross of reinsurance

(Rupees in '000)

	Statutory Fund				Aggregate	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2014 Unaudited	31 December 2013 Audited
Actuarial liability relating to future events	49 185 538	356 916	20 254	3 095	49 565 803	42 837 575
Provision for outstanding reported claims payable over a period exceeding twelve months	275 150	77 568			352 718	298 794
Provision for incurred but not reported claims	72 527	136 164			208 691	176 902
	<u>49 533 215</u>	<u>570 648</u>	<u>20 254</u>	<u>3 095</u>	<u>50 127 212</u>	<u>43 313 271</u>

### 5.2 Net of reinsurance

Actuarial liability relating to future events	49 054 828	229 613	20 240	2 814	49 307 495	42 570 830
Provision for outstanding reported claims payable over a period exceeding twelve months	173 305	17 756			191 061	151 106
Provision for incurred but not reported claims	58 672	85 592			144 264	120 086
	<u>49 286 805</u>	<u>332 961</u>	<u>20 240</u>	<u>2 814</u>	<u>49 642 820</u>	<u>42 842 022</u>

## 6. RECONCILIATION OF STATUTORY FUNDS

(Rupees in '000)

	Statutory Fund				Aggregate	
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2014 Unaudited	31 December 2013 Audited
<b>Policyholder's Liabilities</b>						
Balance at beginning of the year	42 509 820	310 273	18 907	3 022	42 842 022	33 009 374
Increase / (decrease) during the period	6 776 985	22 688	1 333	( 208 )	6 800 798	9 832 648
Balance at the end of the year	<u>49 286 805</u>	<u>332 961</u>	<u>20 240</u>	<u>2 814</u>	<u>49 642 820</u>	<u>42 842 022</u>
<b>Retained earnings on other than participating business</b>						
Balance at the beginning of the year	558 902	180 906	243	580	740 631	734 559
Surplus for the period	614 480	61 184	76	1 096	676 836	1 316 439
Surplus appropriated to shareholder's fund	( 360 912 )	( 35 906 )	( 15 )	( 1 172 )	( 398 005 )	( 1 310 367 )
Balance at end of the period (refer note no 6.1)	<u>812 470</u>	<u>206 184</u>	<u>304</u>	<u>504</u>	<u>1 019 462</u>	<u>740 631</u>
Balance at the end of the period	<u>50 099 275</u>	<u>539 145</u>	<u>20 544</u>	<u>3 318</u>	<u>50 662 282</u>	<u>43 582 653</u>

6.1 The SECP has issued amendments to the SEC (Insurance) Rules, 2002, which includes revision in the solvency margin for the life insurers. Keeping in view such future solvency requirements, the Company has retained an aggregate amount of Rs 1 002 million (2013: 746 million) in the Statutory Funds, based on the advice of the appointed actuary.

## 7. INVESTMENTS

	Statutory Fund					Aggregate	
	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	30 June 2014 Unaudited	31 December 2013 Audited
<b>Government Securities</b>							
Held to maturity (at amortized cost)	994 533	1 014 095	656 270	–	4 986	2 669 884	2 952 654
Available for sale (at fair value)	–	30 760 092	–	10 424	–	30 770 516	25 702 262
	<u>994 533</u>	<u>31 774 187</u>	<u>656 270</u>	<u>10 424</u>	<u>4 986</u>	<u>33 440 400</u>	<u>28 654 916</u>
<b>Other fixed income securities</b>							
Held to maturity (at amortized cost)	–	44 955	31 694	–	–	76 649	76 187
Available for sale (at fair value)	–	2 142 838	–	250	–	2 143 088	1 676 926
	<u>–</u>	<u>2 187 793</u>	<u>31 694</u>	<u>250</u>	<u>–</u>	<u>2 219 737</u>	<u>1 753 113</u>
<b>Listed equities and mutual funds</b>							
Available for sale (at fair value)	–	9 579 866	–	5 965	–	9 585 831	7 428 687
Held for trading (at fair value)	–	934 372	–	–	–	934 372	1 197 964
Available for sale (at lower of cost or market value)	1 293 987	98 188	88 137	–	1 034	1 481 346	1 479 198
	<u>1 293 987</u>	<u>10 612 426</u>	<u>88 137</u>	<u>5 965</u>	<u>1 034</u>	<u>12 001 549</u>	<u>10 105 849</u>
Less: Provision for impairment in value of investments	663 136	3 635	46 110	–	730	713 611	928 667
	<u>630 851</u>	<u>10 608 791</u>	<u>42 027</u>	<u>5 965</u>	<u>304</u>	<u>11 287 938</u>	<u>9 177 182</u>

- 7.1 Market value of the government securities carried at amortized cost amounted to Rs.3,232 million (31 December 2013: Rs.2,943.996 million).
- 7.2 Market value of other fixed income securities carried at amortized cost amounted to Rs. 49.98 million (31 December 2013: Rs. 74.038 million).
- 7.3 Government securities includes Rs.115 million (31 December 2013: Rs. 115 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.
- 7.4 Listed equities include investment in EFU General Insurance Limited (a related party) at carrying value of Rs. 969.674 million (31 December 2013: Rs. 572.634 million) representing 6.81% (31 December 2013: 6.81 %) of the issued capital of the related party.
- 7.5 Market value of the listed equities and mutual funds held at lower of cost or market value amounted to Rs. 1,335 million (31 December 2013: Rs. 931 million).

## 8. CONTINGENCIES AND COMMITMENTS

Income tax assessment for Tax Year 2013 has been finalised. However, Income Tax Department has imposed an additional tax demand under section 151(1)(d) on account of non-deduction of withholding tax on surrender and maturity amounting to Rs. 13.731 million and Rs. 14.967 million for Tax Year 2012 and 2013 respectively. The Company filed an appeal before Commissioner Inland Revenue (Appeals) and the same was dismissed. The Company has now filed a second appeal before the Appellate Tribunal and believes that the matter will be settled in its favour. No provision has been made in respect of the aforementioned additional tax demand.

## 9. FIXED ASSETS

(Rupees in '000)

	Six months ended - Unaudited			
	30 June 2014		30 June 2013	
	Additions	Disposals	Additions	Disposals
<b>9.1 Tangible and intangible</b>				
Furniture, fixture and fittings	1 995	–	14 691	–
Office equipment	1 696	–	2 461	195
Computers	3 397	–	2 902	–
Motor Vehicles	63 329	9 004	59 624	8 856
Intangibles	–	–	4 678	–
Capital work in progress	136 553	–	56 580	–
	<u>206 970</u>	<u>9 004</u>	<u>140 936</u>	<u>9 051</u>

## 10. RELATED PARTY TRANSACTIONS

The related parties comprise of directors, key management personnel, associated undertakings, and entities with common directors and retirement benefit fund. The transactions for the period and balances at the period / year end with related parties are as follows:

(Rupees in '000)

	Six months ended - Unaudited	
	30 June 2014	30 June 2013
<b>10.1 Transactions</b>		
<b>10.1.1 Associated companies</b>		
Premium written	32 236	16 607
Premium paid	30 764	24 699
Claims paid	7 250	6 646
Claims received	1 710	652
Commission paid	56 489	51 684
Dividend paid	316 892	213 326
Dividend received	34 065	39 418
Bonus shares received	262 962	2 914
<b>10.1.2 Employees' funds</b>		
Contribution to provident fund	9 609	8 450
Contribution to pension fund	7 550	6 411
<b>10.1.3 Key Management Personnel</b>		
Compensation paid	55 008	45 075

		(Rupees in '000)	
		30 June 2014 Unaudited	31 December 2013 Audited
<b>10.2</b>	<b>Balances</b>		
	Bank balances	30 915	7 524
	Premium payable	110	34
	Premium receivable	142	325
	Investment in EFU General Insurance Company Limited	969 674	572 635
	Investment in Jhangir Siddiqui & Company Limited	74 509	65 588
	Investment in Associates	408 157	320 270

## 11. GENERAL

11.1 Figures for the quarters ended 30 June 2014 and 30 June 2013 have not been subject to limited scope review by the statutory auditors.

11.2 Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.

11.3 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

## 12. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorized for issue by the Board of Directors of the Company in their meeting held on 21 August 2014.

HASANALI ABDULLAH  
Director

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Director

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Managing Director &  
Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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