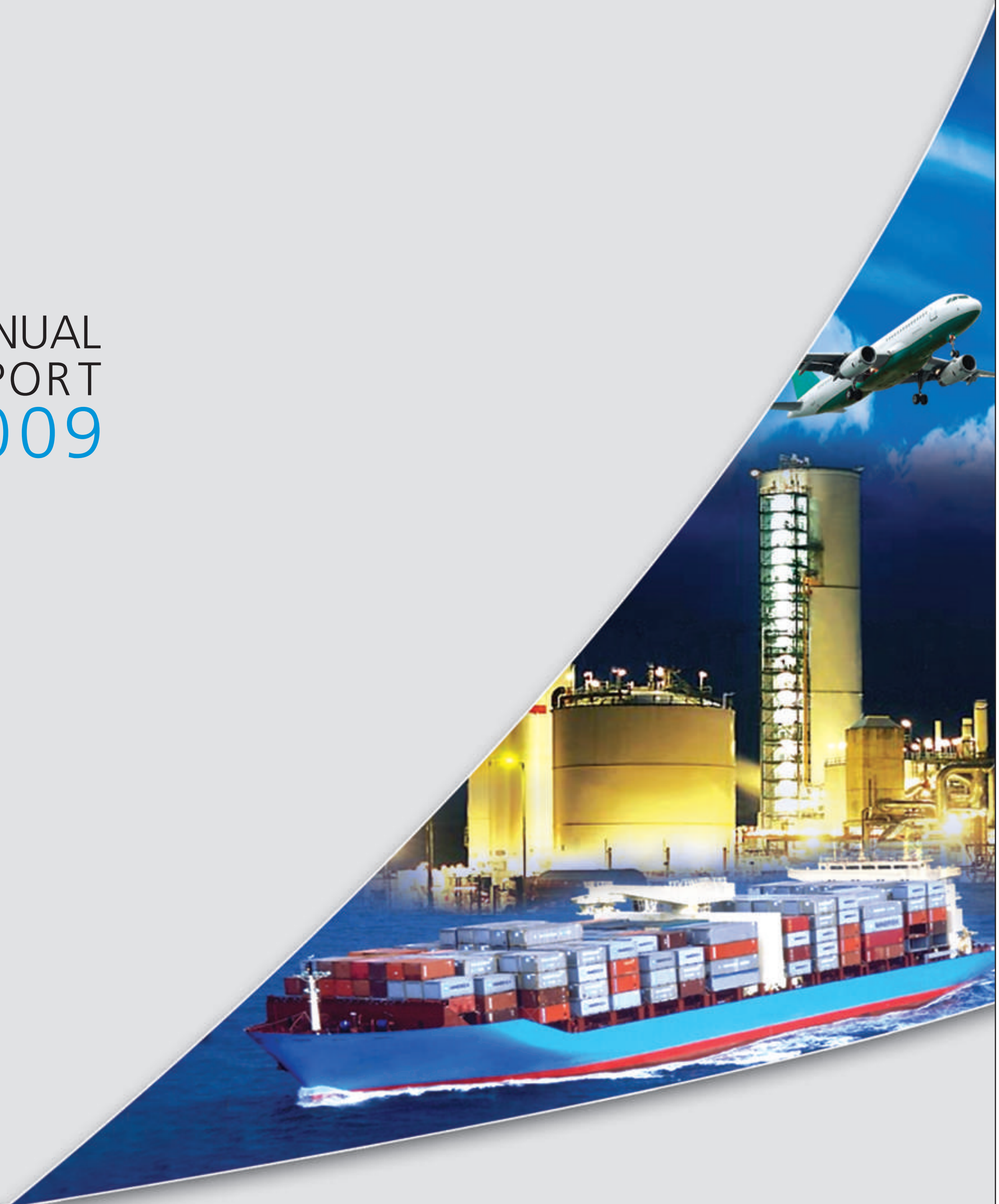
ANNUAL REPORT 2009



GENERAL

EFU GENERAL INSURANCE LTD.

Contents

Vision

Our vision is to be the first choice company for our customers, shareholders and employees. To achieve this we will be driven by an obsession to be better than the best in a continuous journey, not a destination.

At EFU first choice means a sustained commitment to meet and exceed stakeholder expectations. A will to go the “Extra Mile” to delight our customers with products and services that exceed their expectations.

Mission

We will manage our affairs through modern technology, collective wisdom and institutionalised leadership. We will be a respected, cultured and an educated company with a strong market position. Together with our customers, reinsurers and employees we will achieve world class quality standards through continuous quality improvement. Achieve zero defects in everything we do.

We will do good business, with good clients and of the highest integrity. We will not compromise our principles and we will like to be known as a responsible corporate citizen aware of our obligation to the Government and the society we serve.

Company Information

Chairman

Rafique R. Bhimjee

Managing Director & Chief Executive

Saifuddin N. Zoomkawala

Directors

Sultan Ahmad
Abdul Rehman Haji Habib
Jahangir Siddiqui
Wolfram W. Karnowski
Muneer R. Bhimjee
Hasanali Abdullah
Taher G. Sachak

Chief Financial Officer & Corporate Secretary

Altaf Qamruddin Gokal, F.C.A.

Legal Advisor

Mohammad Ali Sayeed

Senior Advisor

S.C. (Hamid) Subjally, A.C.I.I.

Advisors

Akhtar K. Alavi, A.C.I.I.
Naqi Zamin Ali
Salim Rafik Sidiki, B.A. (Hons), M.A.
Syed Ahmad A. Haq, M.Sc.
Syed Mehdi Imam, M.A.

Audit Committee

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

Rating Agency: JCR-VIS

Insurer Financial Strength Rating : AA
Outlook : Stable

Auditors

Hyder Bhimji & Co.
Chartered Accountants
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi

Registrar

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

Website

www.efuinsurance.com

Registered Office

11/4, Shahrah-e-Pehlavi, Peshawar

Main Offices

EFU House
M. A. Jinnah Road, Karachi

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

Management

Managing Director
Saifuddin N. Zoomkawala

Joint Managing Director
Hasanali Abdullah, F.C.A.

Senior Deputy Managing Director
Mahmood Lotia, A.C.I.I.

Deputy Managing Director
Qamber Hamid, LL.B., LL.M.

Senior Executive Directors
Abdul Rehman Khandia, A.C.I.I.
Jaffer Dossa
Malik Akbar Awan
Muhammad Iqbal Lodhia
Nudrat Ali
S. M. Haider, M.Sc.
S. Salman Rashid
Shaukat Saeed Ahmed

Executive Directors
Ali Safdar
Khurram Ali Khan, B.E.
Syed Kamran Rashid
Syed Rizwan Hussain

Deputy Executive Directors
Altaf Qamruddin Gokal, F.C.A.
Austen B. Freitas
Darius H. Sidhwa, F.C.I.I.
K. M. Anwar Pasha
Mahmood Ali Khan, M.A.
M. Shehzad Habib
Mohammad Iqbal Dada, M.A., A.C.I.I.
Salim Razzak Bramchari
Thomas Leo Fernandez

Assistant Executive Directors
Abdul Sattar Baloch
Aftab Fakhruddin, B.E., Dip C.I.I.
Bashir Seja
Imran Ahmed, M.B.A., B.E., A.C.I.I.
Jehanzeb Karamat
Kamran Arshad Inam, M.B.A., B.E.
Khalid Usman
Khawaja Ghulam Wajahat, M.Sc., A.C.I.I.
Khawaja Khalid Mustafa, M.A.
Khurram Nasim
M. Shoaib Razzak Bramchari
S. Aftab Hussain Zaidi, M.A., M.B.A.
Syed Amir Aftab
Syed Asim Iqbal
Syed Basit Hussain
Talib Abbas Shigri

Senior Executive Vice Presidents
Abdul Hameed Qureshi, M.Sc.
Ali Kausar
Baqar Aneel Jafari
Javed Iqbal Barry, M.B.A., L.L.B., F.C.I.I.
Jawahar Ali Kassim
Iftikhar A. Khan, M.A.
Kauser Ali Zuberi
Khalid Mahmood Mirza
Khozema T. Haider Mota
M. Mubashirullah Khan
Mir Babar Ali
Muhammad Asif Arif, M.B.A., A.C.I.I.
Muhammad Naeem Hanif
Muhammad Sohail Nazir, M.Sc., A.C.I.I.
Musakhar-uz-Zaman, B.E.
Shaharyar Jalees, M. A.
Yawar Aminuddin

Executive Vice Presidents
Aamir Ahmad
Abdul Razzak A. Sattar
Adam Dur Mohammad Baloch
Amin Nizar Ali, F.S.A., F.P.S.A.
Aslam A. Ghole, F.C.I.S.
Babar A. Sheikh
Badar Amin Sissodia
Javed Akhtar Shaikh, B.B.A.
Khalid Ashfaq Ahmed
Liaquat Ali Khan, F.C.I.I., A.M.P.I.M.
Mansoor Abbas Abbasi, B.E.
Masroor Hussain
Mazhar H. Qureshi
Mohammad Arif Bhatti
Mohammad Haji Hashim
Mohammad Kamil Khan, M.A.
Mohammad Nasir
Mohammad Rizwanul Haq
Mohammad Younus
Muhammad Arif Khan
Muhammad Ilyas Khan, A.C.I.I.
Muhammad Rashid Akmal, M.B.A.
Pervez Ahmad
Qasim Ali Mohammad
Rizwan-ul-Haq

Ross Masood M.B.E.
Salemmullah Tahir
Shamim Pervez, M.B.A.
Syed Abid Raza Rizvi, M.Com
Syed Ahmad Hassan, M.B.A.
Syed Sadiq Ali Jafri
Syed Shahid Hussain
Zafar Ali Khokhar, M.A.
Zakaria Suleman
Zarar Ibn Zahoor Bandey

Senior Vice Presidents

A. Ghaffar A. Kareem
Abdul Qadir Memon, M.Sc.
Abdul Wahid
Atta-ur-Rehman Riaz
Iftikharuddin
Mahmood Jafri
Mohammad Afzal Khan, E.M.B.A.
Mohammad Amin Sattar, M.Com
Mohammad Naeem Shaikh, A.C.I.I.
Mohammad Pervaiz
Muhammad Azhar Ali
Muhammad Razzaq Chaudhry
Muhammad Sohail
Muhammad Tawheed Alam, M.B.A., B.E.
Nadir Hussain
Naseeruddin Ahmed
Ramesh Mulraj Bherwani
Rashid Mohammad Iqbal
Rehanul Haque Qazi, M.B.A.
Riaz Ahmad
S. M. Shamim
Shahzad Zakaria
Shazim Altaf Kothawala
Suleman Poonjani, A.C.A.
Syed Abdul Quddus, M.A.
Tayab Nisar, A.C.I.I.
Tayyab Hussain Gardezi, M.Sc.
Wasim Tasawwar, M.B.A.
Zahid Hussain, A.C.I.I.
Zia Mahmood, M.B.A.

Vice Presidents

Abbas Ali, A.C.A.
Abdul Hameed
Abdul Majeed
Abdul Mateen Farooqui, M.Sc.
Abdul Rashid
Abdul Shakoor Piracha
Ali Raza
Arshad Ali Khan, A.C.M.A.
Asghar Ali
Asif Mehmood
Dr. Ghulam Jaffar, Ph.D.
Faisal Gulzar
Fakhruddin Saifee
Farhat Iqbal
Farman Ali Afridi
Fatima Bano, M.B.A., A.C.I.I.
Ghulam Haider, M.Sc.
Imran Yasin, M.B.A., A.C.I.I.
Imran-ul-Haq
Inayatullah Chaoudhry
Inayatullah Khalil
Irshad Zamir Hashmi
Javed Iqbal Khan
Kaleem Imtiaz, M.A.
Liaquat Imran
M. A. Qayum, M.Com
M. Hussain Khatri
Malik Firdaus Alam
Mannan Mehboob, A.C.I.I.
Moaz Nabi, A.C.I.I.
Muhammad Ilyas
Muhammad Naseem
Muhammad Rashid Awan, M.B.A., A.C.I.I.
Muhammad Salahuddin
Muhammad Shahjahan Khan
Muhammad Shakil Khan, M.B.A.
Muhammad Siddique
Nadeem Ahmad Khan
Rana Zafar Iqbal
Rao Abdul Hafeez Khan
Rizwan Ahmed, M.B.A.
S. Anwar Hasnain
S. M. Aamir Kazmi
S. M. Adnan Ashraf Jelani, A.C.I.I.
Saghirul Hasan
Shah Asghar Abbas
Shahab Khan
Shahid Abdullah Godil, M.B.A.
Sohail Shaukat Ali, A.C.A., A.C.M.A.
Usman Ali, B.A., L.L.B.
Waqar Hasan Qureshi
Zia Ur Rehman
Zulfiqar Ali Khan, M.Sc., A.C.I.I.

Assistant Vice Presidents

Abdul Aziz
Abdul Bari
Abdul Rashid Yaqoob
Agha Ali Khan
Asadullah Khan
Ashfaque Ahmed
Asif Ahmad
Atif Anwar, A.C.C.A.
Aziz Ahmed
Farnazia Khatri, M.B.A.
Farrukh Ahmad Qureshi
Fawad Maseel Jafri, M.B.A.
Haider R. Rizvi
Haseeb Ahmad Bajwa
Hassan Aziz, M.Sc.
Ikramul Ghani, M.A.

Imran Ahmad
Imran Saleem, M.B.A., M.C.S.
Irfan Ahmad, A.C.M.A.
Kamran Bashir, M.B.A.
Khawaja Samiullah
M. Saghiruddin, M.Com.
Mansoor Ahmed
Mansoor Hassan Khan
Mehdi Asghar, M.B.A.
Mehwish Siddiqui, B.E.
Ms. Menija N. Messman
Mohammad Adil Khan
Mohammad Amin Memon
Mohammad Hanif
Mohammad Idrees Abbasi
Mohammad Saleem
Mohammad Shoaib
Mohammad Siddique Khan
Mohsin Ali Baig
Muhammad Asif Hussain, A.P.A, F.C.M.A.
Muhammad Khalil Khan
Muhammad Mujtaba
Muhammad Owais Alam, M.B.A.
Muhammad Saleem Gaho
Muhammad Sirajuddin
Muhammad Zeeshan
Murtaza Noorani, A.C.C.A, C.A.T.
Musarrat Zaman Shah
Mutahir Hussain
Nadeem Ahmed
Nadeemuddin Farooqi
Naseer Ahmad
Nausherwan Haji
Nayyar Sultana
Noor Asghar Khan
Qasim Ayub
Quaid Johar
Quaid Jouhar
Rahim Khowaja, M.A.
Rehanuddin Qureshi
Riaz Hussain Siddiqui
Riazuddin, M.A.
S. Asim Iijaz
S. Ferozuddin Haider
S. Kamran Shemsher Ali
S. Khaliluddin
Saifullah
Salimullah Khan, M.Com.
Salma Ghani
Sarfaraz Muhammad Khan
Shahab Saleem
Shaikh Mohammad Yousuf
Sikandar Kasbati
Sirajuddin
Syed Ishaq Kamal Hashimi, M.B.A.
Tariq Mahmood
Tariq Naeem Bajwa
Umair Ali Khan
Waqar Ahmad, M.Sc.
Waseem Ahmed
Zohra Abdullah

Business Consultant

Maqbool Saeed

Chief Medical Officer

Dr. Mohbat Ali Khowaja

Marketing Executives

Senior Executive Directors

Altaf Kothawala
Jahangir Anwar Shaikh

Executive Directors

Abdul Aziz Khadeli
Abdul Wahab Polani
Muhammad Khalid Saleem
Saleem Tariq Ahmed

Deputy Executive Directors

Agha S. U. Khan
Haroon Haji Sattar Dada

Assistant Executive Directors

Abdullah H. Godil
Akhtar Kothawala
Syed Jaweed Envor

Senior Executive Vice Presidents

Abdul Wahab
Anis Mehmood
Mrs. Nargis Mehmood
Muhammad Hussain
Muhammad Umer Memon
Muhammad Umer, M.A.
Rizwan Siddiqui

Executive Vice Presidents

Aamir Ali Khan
Abootalib Dada, LL.B.
Amin Yaqoob, M.A.
Azharul Hassan Chishty
Azmat Maqbool, M.B.A.
Imran Ali Khan
Irfan Raja Jagirani
M. Yousuf Jagirani, M.A.
Malik Akhtar Rafique
Ms. Kehkashan Sultana

Muhammad Iqbal, M.A.
Muhammad Javed
Muhammad Sheeraz, M.B.A.
Rashid Habib, M.A.
S. Ashad H. Rizvi
Saad Anwar Shaikh
Shahid Younus
Syed Ali Zaheer
Syed Baqar Hasan, M.A.
Syed Saad Jafri
Tauqir Hussain Abdullah
Yousuf Alvi

Senior Vice Presidents

Adeel Ahmed
Asif Elahi
Bashir Ahmed Sangi
Ejaz Ahmed
Faisal Hassan
Faisal Khalid
Farid Khan
Jameel Masood
Kh. Zulqarnain Rasheed
Mian Abdul Razak Raza, B.Ed.
Muhammad Azhar Dawra
Muhammad Farooq
Muhammad Mushtaq Najam Butt
Muhammad Shamim Siddiqui
Muneeb Farooq Kothawala
Rizwan Humayun
S. Sohail Haider Abidi
Ms. Shazia Rahil Razzak
Shela Farooq Kothawala
Syed Iftikhar Haider Zaidi, M.A.
Syed Imran Zaidi
Tariq Jamil
Usman Ali Khan
Wasif Mubeen, L.L.B.
Wasim Ahmed

Vice Presidents

Abul Nasar
Atique H. Patel
Azam Rafique
Faisal Mahmood Jaffery
Fakhar-e-Alam
Ms. Fatima Moiz Shaikh
Ms. Fauzia Khawja
Imdadullah Awan
M. Amir Arif Bhatti
M. Anis-ur-Rehman
M. Ashraf Samana
M. Saleem Babar
M. Zia-ul-Haq
Muhammad Aslam Hayat
Muhammad Haider H. Hashmi
Muhammad Hamid Ali Khan
Muhammad Iftikhar Siddiqui
Muhammad Imran Naeem
Muhammad Niamatullah
Muhammad Rehan Iqbal Booti
Muhammad Siddiq
Naeem Ullah Jan
Ms. Nighat Sartaj
Omar Javaid
Rashid A. Islam
Saad Wahid
Shahzeb Lodhi
Syed Abdul Ghaffar Asad
Syed Abid Raza
Syed Hasan Ali
Syed Rashid Ali
Syed Rizwan Haider
Syed Shahid Raza
Tahir Ali Zuberi
Wajid Ali Shaikh

Assistant Vice Presidents

Ali Hasnain Shah
Arshad Iqbal
Babar Zeeshan
Bashir Ahmed Khaskhaly, M.A.
Fahad Omar Farouk
H.H. Ansari
Hamid-Us-Salam
Javed Aslam Awan
Javed Iqbal Cheema
Khadim Hussain
M. Murtaza Ispahani
M.A. Qayyum Khan
Ms. Maria N. Jagirani
Mubashir Saleem
Muhammad Hamid Ali Janjua
Muhammad Musarat Hussain
Muhammad Owais Jagirani
Muhammad Tayyab Nazir
Muhammad Yasir Hussain Choudhry
Parvez Baig
Pheroo Mal
Qamar Aziz
Qamarul Hasan Ansari
Rashid Umer Burney
Mrs. Sadia Muneer
Mrs. Shagufta Asrar Ahmed
S. Shahid Mahmood
Ms. Shahida Asim
Shahid Iqbal
Shakil Wahid
Syed Mojiz Hasan
Syed Muhammad Waseem
Mrs. Tanveer Khurshid

Notice Of Meeting

Notice is hereby given that the 77th Annual General Meeting of the Shareholders of E F U General Insurance Ltd. will be held at Al-Malik Centre, 3rd Floor, 70 W, F-7/G 7, Jinnah Avenue, (Blue Area) Islamabad on Friday 30 April 2010 at 11 a.m. to:

A. ORDINARY BUSINESS:

1. confirm the minutes of the 76th Annual General Meeting held on 27 April 2009.
2. receive, consider and approve the Audited Financial Statements for the year ended 31 December 2009 together with the Directors' and Auditors' reports thereon.
3. consider and if thought fit to approve the payment of Dividend at the rate of Rs. 4.00 per share for the year ended 31 December 2009 as recommended by the Board of Directors.
4. appoint Auditors for the year 2010 and fix their remuneration.

B. SPECIAL BUSINESS:

5 . consider and if thought fit to pass the following Ordinary Resolution with or without modification(s):

RESOLVED that a sum of Rs. 100,000,000 out of the free reserves of the Company be capitalised and applied to the issue of 10,000,000 Ordinary Shares of Rs.10/- each and allotted as fully paid Bonus Shares to the Members, who are registered in the Books of the Company at the close of business on 20 April 2010 in the proportion of two new shares for every twenty three existing Ordinary Shares held and that such new shares shall rank pari passu with the existing Ordinary Shares of the Company.

Further resolved that the members' fractional entitlement to Bonus Shares may be consolidated and sold in the stock market and the net sale proceeds of such fractional entitlements when realized be paid to a charitable institution.

That for the purpose of giving effect to the foregoing, the Managing Director/Chief Executive or the Corporate Secretary be and are hereby singly authorised to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractions..

6. transact any other matter with the permission of the Chair.

Attached to this notice of meeting being sent to the members is a statement under Section 160(1)(b) of the Companies Ordinance 1984 setting forth:

(a) All material facts concerning the resolutions contained in item No. 5 of the notice which will be considered for adoption at the Meeting.

(b) Status of previous approvals of investments in associated company.

By Order of the Board

ALTAF QAMRUDDIN GOKAL
Chief Financial Officer
& Corporate Secretary

Karachi 29 March 2010

NOTES

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.

2. CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

   A. For attending the meeting:

      (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

      (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

   B. For appointing proxies:

      (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

      (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

      (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

      (iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.

      (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

3. The Share Transfer Books of the Company will be closed from 21 April 2010 to 30 April 2010 (both days inclusive). Transfers received in order by our Shares Registrar, Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Shahrah-e-Quaideen, Karachi at the close of business on 20 April 2010 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend and Bonus Shares.

4. Members are requested to communicate to our Shares Registrar of any change in their addresses.

Statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special business:

1. This statement sets out the material facts pertaining to the Special business to be transacted at the Annual General Meeting of the Company to be held on 30 April 2010.

2. Item 5 regarding Bonus issue:

   Your Directors have recommended the issue of Bonus Shares in the proportion of two new shares for every twenty three existing Ordinary Shares held at the close of business on 20 April 2010. The Directors are interested in this business to the extent of their entitlement to Bonus Shares as Members.

3. Status of approval for investment in associated companies:

   As required under the SRO No. 865(1)2000 dated 6 December 2000, the position of investment in associated company against approval is as under:

   Against the approval accorded by shareholders of the Company at the 74th Annual General Meeting held on 27 April 2007 of Rs. 300 million for investment in shares of EFU Life Assurance Ltd., the Company has so far invested Rs. 204.03 million and the remaining amount will be invested on availability of shares at a reasonable price.

Report of the Directors to Members

Board of Directors (Sitting Left to Right) Rafique R. Bhimjee, Chairman, Saifuddin N. Zoomkawala, Managing Director & Chief Executive, (Standing Left to Right) Taher G. Sachak, Sultan Ahmad, Abdul Rehman Haji Habib, Wolfram W. Karnowski, Jahangir Siddiqui, Muneer R. Bhimjee, Hasanali Abdullah

The Directors of your Company are pleased to present to you the Seventy Seventh audited financial statements for the year ended 31 December 2009.

The written premium was Rs. 9.6 billion in 2009 as compared to Rs. 9.7 billion in 2008 while the net premium revenue was Rs. 5.57 billion as against Rs. 6.14 billion in 2008. The decline in net premium was due to reduction in premiums from vehicle leasing insurance business.

The year 2009 was another challenging year characterised by difficult economic conditions and acts of terrorism in the country with negative effects on the level of business activities in the country. The insurance industry continued to operate in an environment in Pakistan marked by heavy competition among the major players in the market and provided an unprecedented challenge for your company. The agreement with the IMF has however brought a degree of stabilisation in the economy and we have seen anecdotal evidence of modest improvement in some parts of the manufacturing sectors in the past couple of months. We hope that the improvement will continue into the future but remained concerned on the short term impact of introduction of across the board VAT and capital gains tax on the level of business activity in the country.

The total Underwriting Profit of the Company for the year under review was Rs. 67 million as against profit of Rs. 371 million in the previous year. The reduction in Underwriting Profit was due to losses in the fire and property business. However, overall claims ratio stayed constant at 71%.

The department wise performance is as follows:

FIRE AND PROPERTY

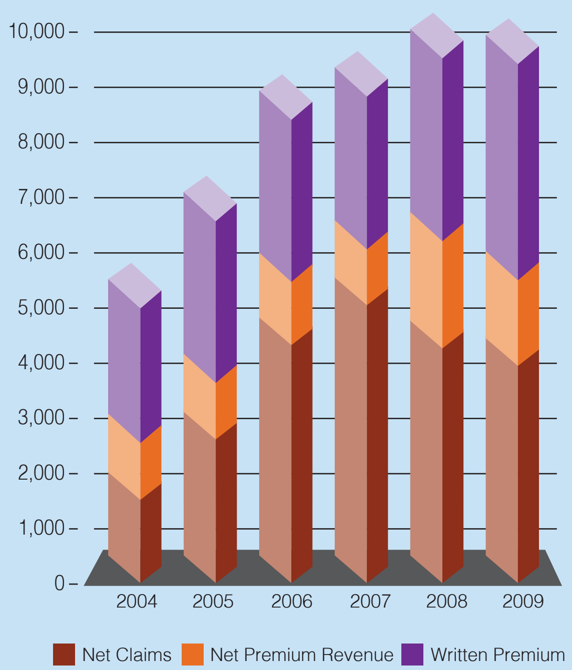
The written premium increased to Rs. 4,169 million as compared to Rs. 3,459 million in 2008. This year the company faced some major fire losses as well as losses from rains in Karachi in July which adversely affected the overall underwriting results. The underwriting loss was Rs. 380 million compared to Rs. 27 million last year.

MARINE, AVIATION AND TRANSPORT

The written premium amounted to Rs. 1,376 million as compared to Rs. 1,498 million in 2008 due to reduced imports in the country. Claims as a percentage of net premium revenue was 49 % as against 39 % in 2008. The Underwriting Profit for the year was Rs. 134 million compared to Rs. 232 million in 2008.

WRITTEN PREMIUM,
NET PREMIUM REVENUE
AND NET CLAIMS

(Rupees in Million)



MOTOR

The written premium was Rs. 3,335 million as compared to Rs. 3,927 million in 2008. The reduction in premium was due to decline in the leasing business of vehicles. Claims as a percentage of net premium revenue was 68% as against 75% in 2008 and the underwriting profit for the year was Rs. 187 million compared to Rs. 88 million in 2008.

OTHERS

The written premium increased to Rs. 724 million compared to Rs. 536 million in 2008. Claims as percentage of net premium revenue was 51% as against 31% in 2008. The underwriting profit was Rs. 100 million compared to Rs. 101 million in 2008.

Investment Income

The KSE - 100 Index™ rose from 5,865 points on 31 December 2008 to 9,387 points on 31 December 2009 (increase of 60%) which resulted in the capital gains of Rs. 989 million as against Rs. 192 million in 2008. The market value of available for sale investments increased from Rs. 3.35 billion on 31 December 2008 to Rs. 3.93 billion on 31 December 2009. However, market prices of certain stocks in the portfolio declined, due to which the company provided further impairment of Rs. 521 million. The provision for impairment thus stands at Rs. 1.88 billion (2008: Rs. 3.7 billion) in available for sale and Rs. 1.987 billion (2008: Rs. 1.987 billion) in investment in associate (EFU Life Assurance Limited).

During the period, your Company earned dividend income of Rs. 143 million as against Rs. 128 million last year i.e. increase of 12%. The share of profit from EFU Life Assurance

Limited during the period was Rs. 295 million compared to share of loss of Rs. 189 million last year. The total investments income for the year was Rs. 674 million as against loss of Rs. 5.3 billion last year.

Your company's investments in associated company EFU Life Assurance Limited is being accounted for using equity method of accounting in accordance with the requirements of IAS 28. The carrying amount of investment in EFU Life was tested for impairment based on value in use by independent actuary. No change in impairment has been recognised in the current year as the recoverable amount calculated by the independent actuary is more than the carrying amount.

Information Technology

This year your company has taken the initiative to transform its Enterprise Information Systems including the core insurance application on Oracle technology platform with an end to end solution comprising of software and hardware. This key technological initiative aligns with our vision to transform and further support our key decision makings, further streamline operations and inject enhanced visibility into Company's distributed business operations across Pakistan.

In doing so we have also selected Oracle's Exadata V2 Database Machine as part of the infrastructure solution to meet Company's projected Online Transactions Processing needs keeping in mind both the present requirements and future needs such as Data Warehouse, business intelligence and Customer Relationship Management Systems.

Earnings per share

Your company has reported earning per share of Rs. 6.37 in 2009 as compared to loss per share of Rs. 47.58 in 2008.

Appropriation and Dividend

The Company's profit after tax for the year ended 2009 is Rs. 732 million compared to loss after tax of Rs. 5,471 million in 2008. Your Directors have pleasure in recommending dividend of Rs. 4 per share (40%) and issuance of two bonus shares for every twenty three shares to the shareholders whose names appear in the share register of the Company at the close of business on 20 April 2010.

Credit Rating

As reported last year your Company continues to have JCR-VIS as its rating agency. JCR-VIS has reaffirmed the financial strength rating to AA and outlook to 'Stable'.

Human Resource

One of the key factors of the Company's success is the increasing number of officers equipping themselves with professional qualifications from Chartered Insurance Institute London. EFU takes pride in its people and considers them a vital resource in achieving its objectives and employees are encouraged to excel in their fields by providing them opportunities and motivation to equip themselves with the professional qualifications as well as organizing various training schemes, workshops and seminars for their education and skill improvements.

During the year, one officer of the Company qualified as Associates of the Chartered Insurance Institute (ACII). Currently, your Company has 24 ACIIs, 24 Engineers and 13 Professional Accountants in its team of well qualified and dedicated people.

This year also your Company has been awarded Brands of the year Award 2009 by Brands Award Council of Pakistan.

Prospects for 2010

The management's short and long term objectives as in the past will continue to strongly focus on providing best service to its clients and intends to keep providing the risk management service at the forefront.

Our strategy in 2010 will depend on the overall level of economic activities in the country and its impact on the insurance industry. In our company we will lay greater emphasis on strengthening our underwriting discipline with a view to improving the quality of business and increase our underwriting profits.

Reinsurance

Your Company continues to enjoy reinsurance arrangements backed by leading reinsurers in the world i.e. Swiss Reinsurance Company, Switzerland (A+), Hanover Reinsurance Company, Germany (AA-), Korean Reinsurance Company, South Korea (A-), SCOR Global P & C, France (A-), Malaysian Reinsurance Behrad, Malaysia (A-) and some others.

Related Party Transactions

At each board meeting the board of directors approves company's transactions made with Associated Companies / Related parties. All the transactions executed with related parties are on arm's length basis.

Management Committees and Internal Audit

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditors in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the Internal Auditors is to conduct periodic audits of the Branches and to ensure adequacy in operational controls, consistency in application of policies and procedures and compliance with applicable laws and regulations.

As part of the Corporate Governance, your company has Underwriting Committee, Claims Settlement Committee and Reinsurance & Co-insurance Committees which meet at least once every quarter to review and improve operations.

Training and Development

Our Human Resource Development (HRD) conducts training workshops and seminars for the staff development and growth. This year the department organised various programs including team building, creativity & innovation in business, art of negotiation and problem solving skills among others.

Corporate Social Responsibility

Business Ethics and Consumer Protection

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations. Statement of Ethics and business practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

Occupational Safety and Health

Fire extinguishers have been installed at various points at working premises all over Pakistan. Further, the company has a full time Chief Medical Officer at Karachi to take care of employees and their families' health matters and advise on preventive health care.

Scholarship Awards

To encourage academic endeavours within the employees' families, scholarship of Rs. 13,000 per child is awarded to those children of unionised staff who pass matriculation or intermediate examinations with 70% plus marks.

Relationship with other Stakeholders

Your company tries to maintain good relationship with:

- Its employees by providing good work environment;
- Its clients through building trust and providing quality service;
- The business community through honest and fair dealing;
- The government through promoting free enterprise along with competitive market system and comply with all applicable laws; and
- The society in general through providing safe and healthy workplace and provide employees the opportunity to improve their skills.

National-cause Donations and Welfare spending for under-privileged classes

Your Company, being a responsible corporate citizen donates generously every year. In 2009, the company donated Rs 5.4 million to various charitable organizations including Aga Khan Hospital and Medical College Foundation, Pakistan Centre for Philanthropy, Memon Health and Education Foundation, The Kidney Centre, Shaukat Khanum Memorial Trust and Sindh Institute of Urology & Transplantation among others.

Contribution to the National Exchequer

Your company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the company grows. This year the Company contributed Rs. 1,400 million to the National Exchequer in the form of Federal Excise Duty, Federal Insurance Fee, Custom Duties, Income Tax, etc.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

The Directors of your Company were elected at the Extraordinary General Meeting held on 20 June 2008 for a term of three years expiring on 9 July 2011.

The number of meetings attended by each Director is given hereunder:

Sr. no.	Name of Directors	Number of meetings attended
1	Rafique R. Bhimjee	4 out of 4
2	Saifuddin N. Zoomkawala	4 out of 4
3	Sultan Ahmad	3 out of 4
4	Abdul Rehman Haji Habib	4 out of 4
5	Jahangir Siddiqui	4 out of 4
6	Wolfram W. Karnowski	1 out of 4
7	Muneer R. Bhimjee	2 out of 4
8	Hasanali Abdullah	4 out of 4
9	Taher G. Sachak	4 out of 4

Leave of absence was granted to Directors who could not attend the Board meetings.

Statement of Ethics and Business Practices

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Corporate and Financial Reporting Framework

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgements.

d) The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

h) The key operating and financial data for the last six years is annexed.

i) The value of investments of provident, gratuity and pension funds based on their audited accounts, as on 31 December 2009 were the following:

Provident Fund	Rs. 375 million
Gratuity Fund	Rs. 185 million
Pension Fund	Rs. 150 million

The value of investments include accrued interest.

j) Trading of shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children were:

Purchase of shares	No. of shares
Mrs. Onaiza Ahmad	600
Sale of shares	
Mr. Saifuddin N. Zoomkawala	46,900
Mrs. Lulua Saifuddin	40,000
Mrs. Onaiza Ahmad	9,000

k) The statement of pattern of shareholding in the Company as at 31 December 2009 is included with the Report.

Messrs Hyder Bhimji & Co. and Messrs KPMG Taseer Hadi & Co. Chartered Accountants retire and being willing to continue as suggested by Audit Committee are recommended for reappointment as Joint Auditors of the Company for the ensuing year.

We would like to thank our valued customers for their continued patronage and support and to Pakistan Reinsurance Company Limited, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for their guidance and assistance.

It is a matter of deep gratification for your Directors to place on record their appreciation of the efforts made by officers, field force and staff who had contributed to the growth of the Company and the continued success of its operations.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Key Financial Data for the Last Six Years

(Rupees in Million)

	2009	2008	2007	2006	2005	2004
Written Premium	9 614	9 699	8 961	8 459	6 644	5 043
Net Premium Revenue	5 570	6 137	6 111	5 418	3 862	2 536
Investment & Other Income	1 157	(5 334)	15 013	814	445	165
Profit / (loss) before tax	801	(5 443)	14 457	858	646	474
Profit / (loss) after tax	732	(5 471)	14 536	762	506	322
Shareholders Equity	10 464	10 106	16 177	1 791	1 119	676
Investments & Properties	12 886	12 091	18 868	3 964	2 694	1 987
Cash & Bank Balances	1 350	1 304	1 163	1 136	1 193	866
Total Assets Book Value	21 939	21 230	27 390	10 628	7 286	4 784
Dividend %	40.00	32.50	60.00	30.00	30.00	30.00
Bonus %	8.695	–	15.00	100.00	66.67	42.86

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance,whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive Directors on its Board. At present the Board includes seven non-executive Directors, who were elected on 20 June 2008 for the three years' term effective 10 July 2008.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The significant policies in greater detail are being documented. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment and determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The management of the Company has submitted a paper to the Board of Directors on 29 August 2009 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three non-executive Directors including the Chairman of the Committee.

16. The meetings of underwriting, claims settlement and reinsurance and coinsurance committees were held atleast once every quarter.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Company has an effective team for internal audit. The team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on full time basis.

19. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit committee and Board of Directors alongwith pricing method.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. We confirm that all other material principles contained in the Code have been complied with.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of EFU General Insurance Limited ("the Company") to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

Further sub-regulation (xiii a) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2009.

HYDER BHIMJI & CO.
Chartered Accountants

KPMG TASEER HADI & CO.
Chartered Accountants

Karachi 29 March 2010

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in equity;
- (v) statement of cash flows;
- (vi) statement of premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

of EFU General Insurance Limited ("the Company") as at 31 December 2009 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as described in note 3.1 to the financial statements with which we concur;

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2009 and of the profits, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

HYDER BHIMJI & CO.
Chartered Accountants
Hyder Ali Bhimji

KPMG TASEER HADI & CO.
Chartered Accountants
Muhammad Taufiq

Karachi 29 March 2010

Balance Sheet
As at 31 December 2009

	Note	2009	2008
Share capital and reserves			
Authorised capital			
150 000 000 (2008: 150 000 000) ordinary shares of Rs. 10 each		1 500 000	1 500 000
Issued, subscribed and paid-up share capital	4	1 150 000	1 150 000
Reserves		8 500 000	14 400 000
Reserve for exceptional losses	5	12 902	12 902
Retained earnings		801 590	(5 456 959)
		9 314 492	8 955 943
		10 464 492	10 105 943
Underwriting provisions			
Provision for outstanding claims (including IBNR)		5 508 917	5 193 349
Provision for unearned premium		4 004 955	4 085 774
Premium deficiency reserve		54 900	–
Commission income unearned		141 326	262 115
Total underwriting provisions		9 710 098	9 541 238
Deferred liabilities			
Staff retirement benefits	6	24 379	42 111
Creditors and accruals			
Premiums received in advance		16 562	18 665
Amounts due to other insurers / reinsurers		788 955	717 727
Accrued expenses		139 140	121 450
Agent balances		341 408	325 398
Unearned rentals		48 143	49 061
Other creditors and accruals	7	105 005	69 337
		1 439 213	1 301 638
Other liabilities			
Other deposits		260 238	200 600
Unclaimed dividend		40 530	38 162
		300 768	238 762
Total liabilities		11 474 458	11 123 749
Total equity and liabilities		21 938 950	21 229 692
Contingencies and commitments	8		

Rupees '000

	Note	2009	2008
Cash and bank deposits			
Cash and other equivalents	9	2 734	4 091
Current and other accounts	10	654 639	669 415
Deposits maturing within 12 months		692 233	630 178
		1 349 606	1 303 684
Loans - secured considered good			
To employees		2 775	2 880
Investments	11	12 643 728	11 831 998
Investment properties	12	242 110	259 084
Deferred taxation	13	33 657	74 729
Other assets			
Premiums due but unpaid - net	14	1 788 272	1 752 417
Amounts due from other insurers / reinsurers		98 239	182 069
Salvage recoveries accrued		26 271	24 130
Accrued investment income	15	30 620	23 789
Reinsurance recoveries against outstanding claims		3 274 763	3 030 338
Taxation - payments less provision		199 379	173 269
Deferred commission expense		382 595	369 386
Prepayments	16	1 297 074	1 630 841
Security deposits		5 190	5 366
Other receivables	17	19 196	32 188
		7 121 599	7 223 793
Fixed assets - tangible and intangible	18		
Land and buildings		174 515	169 482
Furniture, fixtures and office equipments		197 518	188 687
Motor vehicles		138 330	171 183
Computer softwares		4 068	4 172
Capital work-in-progress	18.3	31 044	–
		545 475	533 524
Total assets		21 938 950	21 229 692

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Profit and Loss Account
For the year ended 31 December 2009

Rupees '000

	Note	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate 2009	Aggregate 2008
Revenue account								
Net premium revenue	19	936 093	800 071	3 573 985	156 269	103 793	5 570 211	6 136 944
Net claims		(941 068)	(394 556)	(2 416 810)	(79 825)	(79 185)	(3 911 444)	(4 369 507)
Change in premium deficiency reserve		(54 900)	–	–	–	–	(54 900)	32 308
Management expenses	20	(163 697)	(139 911)	(745 204)	(27 327)	–	(1 076 139)	(1 001 268)
Net commission		(156 820)	(131 714)	(225 280)	50 132	2 489	(461 193)	(427 044)
Underwriting result		(380 392)	133 890	186 691	99 249	27 097	66 535	371 433
Investment income / (loss)							673 524	(5 299 619)
Rental income							86 079	82 895
Other income	21						102 201	71 681
Share of profit / (loss) of an associate							295 196	(188 525)
Difference in exchange							5 935	22 576
General and administration expenses	22						(428 027)	(503 363)
							734 908	(5 814 355)
Profit / (loss) before tax							801 443	(5 442 922)
Provision for taxation - current	23						(28 072)	(18 850)
- deferred							(41 072)	(9 454)
							(69 144)	(28 304)
Profit / (loss) after tax							732 299	(5 471 226)
Profit and loss appropriation account								
Balance at commencement of year							(5 456 959)	14 564 267
Profit / (loss) after tax for the year							732 299	(5 471 226)
							(4 724 660)	9 093 041
Dividend 2008 @ 32.5 % (2007: @ 60 %)							(373 750)	(600 000)
Issue of bonus shares							–	(150 000)
Transfer from / (to) general reserve							5 900 000	(13 800 000)
							5 526 250	(14 550 000)
Balance unappropriated profit / (loss) at end of year							801 590	(5 456 959)
							Rupees	Rupees
Earnings / (loss) per share - basic & diluted	24						6.37	(47.58)

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Statement of Comprehensive Income
For the year ended 31 December 2009

Rupees '000

	2009	2008
Profit / (loss) for the year	732 299	(5 471 226)
Other comprehensive income	–	–
Total comprehensive income for the year	732 299	(5 471 226)

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Statement of Changes in Equity
For the year ended 31 December 2009

Rupees '000

	Share capital	General reserve	Reserve for exceptional losses	Unappropriated profit / (loss)	Total
Balance as at 1 January 2008	1 000 000	600 000	12 902	14 564 267	16 177 169
Total comprehensive income for the year ended 31 December 2008					
Loss for the year				(5 471 226)	(5 471 226)
Transactions with owners, recorded directly in equity					
Dividend declared for the year 2007 @ 60%				(600 000)	(600 000)
Issue of bonus shares for the year 2007 @ 15%	150 000			(150 000)	–
Transfer to general reserve		13 800 000		(13 800 000)	–
Balance as at 31 December 2008	1 150 000	14 400 000	12 902	(5 456 959)	10 105 943
Total comprehensive income for the year ended 31 December 2009					
Profit for the year				732 299	732 299
Transactions with owners, recorded directly in equity					
Dividend declared for the year 2008 @ 32.50%				(373 750)	(373 750)
Transfer from general reserve		(5 900 000)		5 900 000	–
Balance as at 31 December 2009	1 150 000	8 500 000	12 902	801 590	10 464 492

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 29 March 2010

Statement of Cash Flows
For the year ended 31 December 2009

Rupees '000

	2009	2008
Operating activities		
a) Underwriting activities		
Premiums received	9 567 912	9 214 552
Reinsurance premiums paid	(3 727 138)	(3 658 702)
Claims paid	(4 825 580)	(7 328 523)
Reinsurance and other recoveries received	1 077 214	2 937 491
Commissions paid	(889 411)	(922 596)
Commissions received	310 230	559 138
Management expenses paid	(988 621)	(939 153)
Net cash flow from / (used in) underwriting activities	524 606	(137 793)
b) Other operating activities		
Income tax paid	(54 183)	(51 785)
Other operating payments	(364 705)	(340 781)
Other operating receipts	99 138	22 315
Loans advanced	(973)	(653)
Loan repayments received	1 078	1 543
Net cash flow used in other operating activities	(319 645)	(369 361)
Total cash flow from / (used in) all operating activities	204 961	(507 154)
Investment activities		
Profit / return received	133 242	99 457
Dividends received	281 621	192 086
Rentals received	85 161	85 263
Payments for investments	(4 143 679)	(3 278 437)
Proceeds from disposal of investments	3 972 349	4 328 845
Fixed capital expenditure	(127 724)	(217 055)
Proceeds from disposal of fixed assets	11 373	18 112
Total cash flow from investing activities	212 343	1 228 271
Financing activities		
Dividends paid	(371 382)	(580 309)
Net cash inflow from all activities	45 922	140 808
Cash at the beginning of the year	1 303 684	1 162 876
Cash at the end of the year	1 349 606	1 303 684
Reconciliation to profit and loss account		
Operating cash flows	204 961	(507 154)
Depreciation expense	(130 201)	(114 235)
Investment income / (loss) and rentals	759 603	(5 216 724)
Share of profit / (loss) of an associate	295 196	(188 525)
Other income	102 201	71 681
(Decrease) / increase in assets other than cash	(150 203)	372 614
(Increase) / decrease in liabilities other than running finance	(349 258)	111 117
Profit / (loss) after taxation	732 299	(5 471 226)
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	2 734	4 091
Current and other accounts	654 639	669 415
Deposits maturing within 12 months	692 233	630 178
	1 349 606	1 303 684

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Statement of Premiums
For the year ended 31 December 2009

Rupees '000

Class	Premiums: Written	Unearned premium reserve: Opening	Unearned premium reserve: Closing	Earned	Reinsurance ceded	Prepaid reinsurance premium ceded: Opening	Prepaid reinsurance premium ceded: Closing	Reinsurance expense	Net premium revenue 2009	Net premium revenue 2008
Direct and facultative										
Fire and property damage	4 168 819	1 690 920	1 828 651	4 031 088	2 729 202	1 236 556	870 763	3 094 995	936 093	640 108
Marine, aviation and transport	1 376 265	291 300	335 275	1 332 290	531 214	156 170	155 165	532 219	800 071	972 228
Motor	3 334 581	1 755 157	1 503 549	3 586 189	12 489	(52)	233	12 204	3 573 985	4 150 748
Miscellaneous	724 102	254 851	337 480	641 473	525 460	204 777	245 033	485 204	156 269	86 720
Total	9 603 767	3 992 228	4 004 955	9 591 040	3 798 365	1 597 451	1 271 194	4 124 622	5 466 418	5 849 804
Treaty - proportional	10 247	93 546	–	103 793	–	–	–	–	103 793	287 140
Grand total	9 614 014	4 085 774	4 004 955	9 694 833	3 798 365	1 597 451	1 271 194	4 124 622	5 570 211	6 136 944

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Statement of Claims
For the year ended 31 December 2009

Rupees '000

	Claims				Reinsurance				Net claims expense	
Class	Paid	Outstanding		Claims	Reinsurance and other recoveries	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries		
		Opening	Closing	expense	received	Opening	Closing	revenue	2009	2008
Direct and facultative										
Fire and property damage	1 728 089	2 848 397	2 905 488	1 785 180	940 630	2 377 924	2 281 406	844 112	941 068	616 174
Marine, aviation and transport	437 647	689 506	915 746	663 887	28 603	419 501	660 229	269 331	394 556	377 233
Motor	2 476 854	1 412 142	1 336 973	2 401 685	1 791	70 060	53 144	(15 125)	2 416 810	3 107 147
Miscellaneous	180 849	183 382	339 977	337 444	140 488	162 853	279 984	257 619	79 825	27 305
Total	4 823 439	5 133 427	5 498 184	5 188 196	1 111 512	3 030 338	3 274 763	1 355 937	3 832 259	4 127 859
Treaty - proportional	128 374	59 922	10 733	79 185	–	–	–	–	79 185	241 648
Grand total	4 951 813	5 193 349	5 508 917	5 267 381	1 111 512	3 030 338	3 274 763	1 355 937	3 911 444	4 369 507

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Statement of Expenses
For the year ended 31 December 2009

Rupees '000

Class	Commission: Paid or payable	Commission: Deferred Opening	Commission: Deferred Closing	Commission: Net expense	Other management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense 2009	Net underwriting expense 2008
Direct and facultative									
Fire and property damage	438 575	189 690	200 735	427 530	163 697	591 227	270 710	320 517	50 678
Marine, aviation and transport	184 308	27 247	47 610	163 945	139 911	303 856	32 231	271 625	363 065
Motor	215 577	105 295	95 597	225 275	745 204	970 479	(5)	970 484	988 164
Miscellaneous	85 764	30 840	38 653	77 951	27 327	105 278	128 083	(22 805)	(41 467)
Total	924 224	353 072	382 595	894 701	1 076 139	1 970 840	431 019	1 539 821	1 360 440
Treaty - proportional	(18 803)	16 314	–	(2 489)	–	(2 489)	–	(2 489)	67 872
Grand total	905 421	369 386	382 595	892 212	1 076 139	1 968 351	431 019	1 537 332	1 428 312

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

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Statement of Investment Income
For the year ended 31 December 2009

	2009	2008
	Rupees '000	
Income from trading investments		
Gain / (loss) on trading of shares	2 357	(50 971)
Return on fixed income securities	2 579	539
Dividend income	–	6 198
	4 936	(44 234)
Income from non-trading investments		
Return on government securities	29 030	14 437
Return on other fixed income securities and deposits	36 492	33 979
Amortisation of premium relative to par	(3 864)	(3 722)
Dividend income	143 543	121 800
Gain on sale of non-trading investments	986 705	242 928
	1 191 906	409 422
Gain on revaluation of trading investments	–	38 280
Impairment in the value of investments - available for sale	(521 030)	(3 707 167)
Impairment in the value of investments - associated company	–	(1 987 000)
Investment related expenses	(2 288)	(8 920)
Net investment income / (loss)	673 524	(5 299 619)

The annexed notes 1 to 32 form an integral part of these financial statements.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Notes to the Financial Statements
For the year ended 31 December 2009

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 & property, marine, motor, etc.

The registered office of the Company is situated in Peshawar while the principal place of business is located at EFU House, M.A. Jinnah Road, Karachi. The Company operates through 61 (2008: 65) branches in Pakistan including one in Export Processing Zone (EPZ) and one branch in Jeddah, Saudi Arabia.

2. Basis of preparation

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 Basis of measurement

These financial statements have been prepared on the historical cost basis except held for trading investments which have been measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest thousand.

2.4 Use of judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the revision and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

– Provision for unearned premiums (note 3.4)
– Premium deficiency reserve (note 3.5)

– Provision for outstanding claims (including IBNR)	(note 3.7)
– Employees' retirement benefits	(note 3.11)
– Taxation	(note 3.12)
– Impairment in value of investments	(note 3.14)
– Useful lives of fixed assets	(note 3.17)
– Premium due but unpaid	(note 14)

2.5 *Standards, amendments and interpretations to the published standards that are not yet effective*

The following standards, amendments to the existing standards and interpretations are effective for financial periods beginning from the dates below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Standards, interpretations	Content	Effective for financial periods beginning on / after
– IFRS 2	Share based payment – Amendments relating to group cash-settled share based payment transactions	1 January 2010
– IFRS 3	Business combinations (revised)	1 July 2009
– IAS 24	Related party disclosures – Revised definition of related parties	1 January 2011
– IAS 27	Consolidated and separate financial statements – Consequential amendments arising from amendments to IFRS 3	1 July 2009
– IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3	1 July 2009
– IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	1 July 2009
– IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues	1 February 2010
– IAS 39	Financial Instruments: Recognition and measurement – Amendments for eligible hedged items	1 July 2009
– IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction – Amendment with respect to voluntary prepaid contributions	1 January 2011
– IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
– IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
– The International Accounting Standards Board second annual improvements project published in April 2009.		1 January 2010

3. Summary of significant accounting policies

3.1 *Changes in accounting policies arising from standards, interpretations and amendments to published standards that are effective in current year*

The Company has changed its accounting policies due to adoption of the following new and revised International Financial Reporting Standards (IFRS) during the year. Adoption of these standards did not have any material effect on the financial performance or position of the Company. However, they have resulted in additional disclosures. Comparative information has been re-presented so that it is in conformity with the new / revised standards.

3.1.1 IFRS 4 – Insurance Contracts

The IFRS requires the insurance companies to present additional disclosures relating to identification and explanation of the amount in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The required information has been disclosed in the relevant notes to these financial statements.

3.1.2 IFRS 7 – Financial Instruments

The standard requires disclosures of the significance of financial instruments for an entity's financial position and performance and information about exposure to risks arising from these financial instruments. The required information has been disclosed in the relevant notes to these financial statements.

3.1.3 IFRS 8 – Operating Segments

IFRS 8 replaced IAS 14, Segment Reporting, upon its effective date. The new standard introduces the "management approach" to segment reporting under which the segment information is presented on the same basis as that used for internal reporting purposes. However, these have been aggregated in line with the disclosures required by the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

3.1.4 IAS 1 – Presentation of Financial Statements (revised)

The standard introduced the term total comprehensive income which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

3.2 Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

The Company underwrites non-life insurance contracts that can be categorised into Fire and Property Damage, Marine, Aviation and Transport, Motor, Miscellaneous and Treaty contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration.

Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those which fall under Treaty.

Fire and Property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, Aviation and Transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, personal accident, infidelity, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, bonds, workers compensation etc. are included under Miscellaneous.

3.3 *Premium*

For all the insurance contracts, premiums including administrative surcharge received / receivable under a policy are recognised as written at the time of issuance of policy. Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognised as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

3.4 *Provision for unearned premiums*

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge which relates to business in force at the balance sheet date. Unearned premiums have been calculated by applying 1/24th method as specified in the SEC (Insurance) Rules, 2002.

3.5 *Premium deficiency reserve (liability adequacy test)*

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit.

The expected future liability is estimated by reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable.

The movement in the premium deficiency reserve is recognised as an expense or income in the profit and loss account for the year.

As at 31 December 2009, the Company has created a provision in respect of premium deficiency reserve for fire and property damage class of business because the Company believes that the unearned premiums for that class will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of policies in force at the balance sheet date.

The expected ultimate net claim ratios for the unexpired periods of policies in force at balance sheet date for each class of business is as follows:

– Fire and property damage	82%
– Marine, aviation and transport	39%
– Motor	70%
– Others	44%

3.6 *Claims*

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts.

3.7 *Provision for outstanding claims (including IBNR)*

A liability for outstanding claims is recognised in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

3.7.1 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognised outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

3.7.2 Claims incurred but not reported

The provision for claims incurred but not reported at balance sheet date (IBNR) is based on an analysis of the past claims reporting pattern experienced by the Company. The provision for IBNR has been accounted for on the basis whereby all claims incurred before 31 December 2008 but reported up to 31 December 2009 were aggregated and the ratio of such claims to outstanding claims at 31 December 2008 has been applied to outstanding claims except exceptional losses at 31 December 2009 to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

3.8 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

Reinsurance premium is recognised as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions are recognised in accordance with the policy of recognising premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognised at the same time when reinsurance premium are recognised as an expense.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

An impairment review of reinsurance assets is performed at each balance sheet date. If there is an objective evidence that the asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

3.9 Commission

3.9.1 Commission expense

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

3.9.2 Commission income

Commission from reinsurers is deferred and recognised as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit / commission, if any, under the terms of reinsurance arrangements is recognised when the Company's right to receive the same is established.

3.10 Revenue recognition

3.10.1 Premium

The revenue recognition policy for premiums is given under note 3.3.

3.10.2 Investment income

Return on investments, profit and loss sharing accounts and bank deposits are recognised using effective interest rate method.

Profit or loss on sale of investments is recognised at the time of sale.

Dividend income is recognised when right to receive such dividend is established.

3.10.3 Rental income

Rental income on investment properties is recognised on straight line basis over the term of lease.

3.10.4 Commission from reinsurers

The revenue recognition policy for commission from reinsurer is given under note 3.9.

3.11 Employees' retirement benefits

3.11.1 Defined benefit plans

The Company operates the following employee defined benefit plans:

– Funded gratuity scheme
  The Company operates an approved gratuity fund for all employees who complete qualifying period of service.

– Funded pension scheme
  Defined benefit funded pension for all eligible officers.

These funds are administered by trustees. The pension plan is a career average salary plan and the gratuity plan is a final basic salary plan. The actuarial valuation of both the plans is carried out on yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly. The latest actuarial valuation, at 31 December 2009, uses a discount rate of 12.7% (2008: 16%) for defined benefit obligation and plan assets, basic salary and pension increases to average 10.6% and 4.4% (2008: 13.8% and 7.4%) respectively per annum in the long term.

Actuarial gains and losses are recognised in profit and loss account in the year they arise.

3.11.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

3.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity.

3.12.1 Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax also includes adjustments to charge for prior years, if any.

3.12.2 Deferred

Deferred tax is recognised using the balance sheet liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Creditors, accruals and provisions

Liabilities for creditors and other amount payable are carried at the fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at balance sheet date and adjusted to reflect current best estimates.

3.14 Investments

All investments are initially recognised at the fair value of the consideration given and include transaction costs except for held for trading in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments.

3.14.1 Fair value through profit or loss - held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognised directly in the profit and loss account.

3.14.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are considered as available for sale. After initial recognition, these are stated at lower of cost or market value (if the fall in market value is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002.

A fall in market value is treated as other than temporary if there is a significant or prolonged decline in fair value of security below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share prices.

In case of fixed income securities where the cost is different from the redemption value, such difference is amortised uniformly between the date of acquisition and the date of maturity in determining “cost”.

3.14.3 Investment in associates

Entities in which the Company has significant influence but not control and which are neither its subsidiary nor joint ventures are associates and are accounted for by using the equity method of accounting.

Under equity method of accounting, the investments are initially recognised at cost; thereafter its carrying amount is increased or decreased for the Company’s share of post acquisition changes in the net assets of the associate and dividend distributions. Goodwill relating to an associate is included in carrying amount of the investment and is not amortised. The Company’s share of the profit and loss of the associate is accounted for in the Company’s profit and loss account, whereas changes in the associate’s equity which has not been recognised in the associate’s profit and loss account are recognised directly in the equity of the Company.

After application of equity method, the carrying amount of investment in associate is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit and loss account.

3.15 *Investment properties*

The investment properties are accounted for under the cost model in accordance with International Accounting Standard (IAS) 40, Investment Property, where;

– Leasehold land is stated at cost.

– Building on leasehold land is depreciated to its estimated salvage value on straight line basis over its useful life at the rate of 5%.

– Installations forming a part of building on leasehold land but having separate useful lives are depreciated to their estimated salvage values on straight line basis over their useful lives at the rate of 10%.

Subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

3.16 *Receivables and payables related to insurance contracts*

Receivables and payables related to insurance contracts are recognised when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

3.17 *Fixed assets*

3.17.1 *Tangibles*

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight line basis using the following rates:

– Buildings	5%
– Furniture, fixtures and office equipments	10%
– Vehicles	20%
– Computers	30%

The assets' residual values, useful lives and method for depreciation are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to fixed assets is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is possible that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account currently.

Gains or losses on disposal of fixed assets are included in income currently.

3.17.2 *Intangibles*

Material computer software licenses acquired are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortisation on additions to intangibles is charged from the month in which an asset is available for use, while no amortisation is charged for the month in which the asset is disposed off.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

The assets' residual values, useful lives and method for amortisation are reviewed at each financial year end and adjusted if impact on amortisation is significant.

3.17.3 Capital work in progress

Capital work in progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible fixed assets.

3.18 Expenses of management

Expenses of management have been allocated to various revenue accounts on equitable basis.

3.19 Compensated absences

The liability towards compensated absences accumulated by the employees is provided in the period in which they are earned.

3.20 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and bank deposits.

3.21 Foreign currencies

Revenue transactions in foreign currencies are recorded at the rates prevailing on the date of the transactions. Income and expense amounts relating to foreign branches have been translated at the applicable exchange rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Exchange gains or losses, if any, are taken into profit and loss account.

3.22 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Changes in the provisions are recognised as income or expense.

3.23 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers/reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers/ reinsurers, accrued expenses, agents balances, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on de-recognition of financial assets and financial liabilities are taken to income directly.

3.24 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.25 *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.26 *Operating segments*

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

The Company has four primary business segments for reporting purposes namely, fire & property, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in note no. 3.2.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

3.27 *Dividend and bonus shares*

Dividend to shareholders is recognised as liability in the period in which it is declared. Similarly, reserve for issue of bonus shares is recognised in the year in which such issue is declared.

4. Issued, subscribed and paid-up share capital

Number of Shares '000			Rupees '000	
2009	2008		2009	2008
250	250	Ordinary shares of Rs. 10 each, fully paid in cash	2 500	2 500
		Ordinary shares of Rs. 10 each, issued as fully paid bonus shares		
114 750	99 750	- Opening balance	1 147 500	997 500
–	15 000	- Issued during the year	–	150 000
114 750	114 750		1 147 500	1 147 500
115 000	115 000		1 150 000	1 150 000

4.1 As at 31 December 2009, EFU Life Assurance Limited, an associated undertaking, held 7 834 091 (31 December 2008: 7 625 451) ordinary shares of Rs. 10 each.

5. Reserve for exceptional losses

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.

6. Staff retirement benefits

Rupees '000

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
Obligation				
Obligation at beginning of year	128 800	211 600	152 433	193 272
Service cost	1 608	11 504	2 191	9 999
Interest cost	20 205	32 776	16 545	20 509
Benefits paid	(5 233)	(14 025)	(4 149)	(14 017)
Gain on change in assumptions	–	–	(33 569)	–
Actuarial (gain) / loss	(611)	(32 083)	(4 651)	1 837
Obligation at end of year	144 769	209 772	128 800	211 600
Plan assets				
Fair value at beginning of year	141 586	169 489	171 883	227 795
Expected return	15 383	22 099	19 021	25 057
Company contributions	404	20 959	427	–
Employee contributions	1 618	–	1 702	–
Benefits paid	(5 233)	(14 025)	(4 149)	(14 017)
Actuarial loss	(3 756)	(13 129)	(47 298)	(69 346)
Fair value at end of year	150 002	185 393	141 586	169 489
Actual return / (loss) on plan assets	11 627	8 970	(28 277)	(44 289)
Reconciliation				
Plan assets	150 002	185 393	141 586	169 489
Obligation	(144 769)	(209 772)	(128 800)	(211 600)
Asset / (liability)	5 233	(24 379)	12 786	(42 111)
Expenses				
Service cost	1 608	11 504	2 191	9 999
Interest cost	20 205	32 776	16 545	20 509
Expected return on plan assets	(15 383)	(22 099)	(19 021)	(25 057)
Net loss / (gain)	3 145	(18 954)	9 078	71 183
Employee contributions	(1 618)	–	(1 702)	–
Expense	7 957	3 227	7 091	76 634
Asset / (liability)				
Balance at beginning of year	12 786	(42 111)	19 450	34 523
Expense	(7 957)	(3 227)	(7 091)	(76 634)
Company contributions	404	20 959	427	–
Balance at end of year	5 233	(24 379)	12 786	(42 111)

Rupees '000

Fund Investments	2009		2008	
Debt	45%	150 909	18%	56 729
Equity	26%	86 866	17%	54 292
Mixed funds	–	–	22%	66 978
Cash	29%	97 620	43%	133 076
	100%	335 395	100%	311 075

The expected contribution to the pension and gratuity funds for 2010 amount to Rs. 21 million. The Company recognises its gains and losses in the year in which they arise. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year. Similarly, it shows plan assets at the end of the year and proportion resulting from experience gain during the year.

	Rupees '000				
Year	Obligation	Plan assets	(Deficit) / surplus	(Gain) / loss on obligation	(Loss) / gain on plan assets
2009	354 541	335 395	(19 146)	-9%	-5%
2008	340 400	311 075	(29 325)	-11%	-37%
2007	345 705	399 678	53 973	7%	27%
2006	271 225	258 194	(13 031)	5%	3%
2005	232 420	231 617	(803)	1%	8%

Rupees '000

	2009	2008
7. Other creditors and accruals		
Federal insurance fee payable	5 702	4 870
Federal excise duty payable	60 030	40 304
Workers' welfare fund payable	16 111	1 353
Sundry creditors	23 162	22 810
	105 005	69 337

8. Contingencies – Taxation

The income tax assessments of the Company have been finalised up to and including Tax Year 2007 (Financial year ended 31 December 2006) and Tax Year 2009 (Financial year ended 31 December 2008). The Tax Year 2008 (Financial year ending 31 December 2007) has been selected by the taxation authorities for the audit purpose and the proceedings thereof are underway.

The Company has filed appeals with Income Tax Appellate Tribunal (ITAT) for assessment years 1999-2000 and 2000-01 in respect of disallowance of provision of gratuity and bonus and management expenses.

The Company has also filed a writ petition in the honourable High Court of Sindh against the order of Collector of Customs, Sales Tax and Central Excise on account of central excise duty on commission. If the case is decided against the Company, the tax liability of Rs. 31 million may arise.

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

Rupees '000

	2009	2008
9. Cash and other equivalents		
Cash in hand	2	–
Policy stamps in hand	2 732	4 091
	2 734	4 091
10. Current and other accounts		
Current accounts	202 672	253 017
Saving accounts	451 967	416 398
	654 639	669 415

10.1 The balances in saving accounts carry mark-up at the rates ranging from 5% to 11.50% per annum (2008: 5% to 11.50% per annum).

Rupees '000

		2009	2008
11. Investments			
Investment in associate	note 11.1	8 703 884	8 455 906
Held for trading		–	85 353
Available for sale	note 11.2	3 939 844	3 290 739
		12 643 728	11 831 998
11.1 Investment in associate			
Carrying amount	note 11.1.2	10 690 884	10 442 906
Provision for impairment		(1 987 000)	(1 987 000)
		8 703 884	8 455 906

11.1.1 Investment in associate comprises of investment in 31 113 292 (2008: 30 480 484) ordinary shares of EFU Life Assurance Limited. Market value of investment and the percentage of holding as at 31 December 2009 is Rs. 4 278 million and 41.48% (2008: Rs. 10 874 million and 40.64%).

Rupees '000

	2009	2008
11.1.2 Movement of investment in associate		
Opening balance	10 442 906	10 600 437
Purchases during the year	89 960	91 494
Share in profit / (loss) of associate	295 196	(188 525)
Dividend received	(137 178)	(60 500)
Closing balance	10 690 884	10 442 906

11.1.3 Summarised financial information in respect of associate based on its financial statement as at 31 December 2009 (2008: 31 December 2008) is set out below:

Total assets	1 662 862	1 278 269
Total liabilities	(34 322)	(23 888)
Net assets	1 628 540	1 254 381
Profit / (loss) after tax	711 659	(473 159)
Company's share of net assets of associate	675 518	509 780

11.1.4 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 forecasts approved by the management for ten years. These are then extrapolated till perpetuity using a steady long term expected growth rate of insurance business of 15% and value in use is determined by discounting cash flows using a discount rate of 18%.

Rupees '000

		2009	2008
11.2 Available for sale			
In related parties			
Equity securities	note 11.2.1	2 570 504	2 514 080
Provision for impairment – net of reversals	note 11.2.2	(1 609 171)	(1 427 402)
		961 333	1 086 678
Fixed income securities	note 11.2.3	36 685	39 621
Others			
Equity securities	note 11.2.1	2 858 788	4 092 603
Provision for impairment – net of reversals	note 11.2.2	(274 499)	(2 279 765)
		2 584 289	1 812 838
Fixed income securities	note 11.2.3	357 537	351 602
		3 939 844	3 290 739

11.2.1 The market value of available for sale - equity securities as at 31 December 2009 is Rs. 3 546 million (2008: Rs. 2 994 million).

11.2.2 The impairment balance includes a further charge of Rs. 521 million which the Company has provided during the year on its available for sale – equity securities in accordance with the SECP Circular 03/2009 dated 16th February 2009.

11.2.3 Fixed income securities

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	2009	2008
Certificate of Investments	2009	11.50	On maturity	–	30 000
Government Securities					
10 Years Pakistan Investment Bonds	2011 - 2013	4.42–13.00	Half yearly	134 631	138 463

Market value of Government Securities amounted to Rs. 122 million (2008: Rs. 113 million).

The amount of Pakistan Investment Bonds includes Rs. 124 million (2008: Rs. 128 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	2009	2008
Term Finance Certificates (TFCs) – quoted					
In related parties					
Jahangir Siddiqui & Co. Ltd. – 2nd Issue	2009	10.43	Half yearly	–	1 968
Jahangir Siddiqui & Co. Ltd. – 3rd Issue	2010	14.40	Half yearly	6 209	7 165
Jahangir Siddiqui & Co. Ltd. – 5th Issue	2013	14.13	Half yearly	30 476	30 488
				36 685	39 621
Others					
New Allied Electronics Ltd.	2012	15.48	Quarterly	4 722	8 333
Pakistan Mobile Comm. Ltd. – 3rd Issue	2013	15.26	Half yearly	24 965	24 975
Pak American Fertilizer Ltd. – 3rd Issue	2013	15.55	Quarterly	34 972	35 000
Askari Commercial Bank Ltd. – 2nd Issue	2013	14.27	Half yearly	36 022	36 050
Financial Receivable Securitization Co. Ltd.	2014	13.95	Half yearly	7 497	9 163
United Bank Ltd. – 3rd Issue	2014	14.26	Half yearly	39 293	39 309
Allied Bank Ltd.	2014	14.00	Half yearly	30 250	30 309
Engro Chemical Pakistan Ltd.	2016	14.86	Half yearly	45 185	–
				222 906	183 139
Market value of TFCs amounted to Rs. 257 million (2008: Rs. 213 million).				394 222	391 223

11.2.4 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 December 2009 would have been lower by Rs. 15 million (2008: higher by Rs. 70 million).

12. Investment properties

Rupees '000

	2009							
	Cost				Depreciation			Written down value
	As at 01 January	Addition	As at 31 December	Rate %	As at 01 January	For the year	As at 31 December	As at 31 December
Leasehold land	47 468	–	47 468	–	–	–	–	47 468
Buildings	344 904	466	345 370	5	137 146	17 263	154 409	190 961
Lifts and other installations	6 425	509	6 934	10	2 567	686	3 253	3 681
	398 797	975	399 772		139 713	17 949	157 662	242 110

Rupees '000

	2008							
	Cost				Depreciation			Written down value
	As at 01 January	Addition	As at 31 December	Rate %	As at 01 January	For the year	As at 31 December	As at 31 December
Leasehold land	47 468	–	47 468	–	–	–	–	47 468
Buildings	343 079	1 825	344 904	5	119 985	17 161	137 146	207 758
Lifts and other installations	4 005	2 420	6 425	10	2 073	494	2 567	3 858
	394 552	4 245	398 797		122 058	17 655	139 713	259 084

12.1 The market value of land and buildings is estimated at Rs. 1 242 million (2008: Rs. 1 242 million). The valuations have been carried out by independent valuers.

Rupees '000

	2009	(Charge) / reversal	2008
13. Deferred taxation			
Deferred tax asset / (liability) arising in respect of:			
– accelerated tax depreciation	(27 638)	4 382	(32 020)
– unutilised tax losses carried forward	91 225	9 379	81 846
– share of profit / loss from associate	(29 930)	(54 833)	24 903
	33 657	(41 072)	74 729

		2009	2008
14. Premiums due but unpaid – net – unsecured			
Considered good		1 788 272	1 752 417
Considered doubtful		1 093	1 093
		1 789 365	1 753 510
Provision for doubtful balances		(1 093)	(1 093)
		1 788 272	1 752 417
15. Accrued investment income			
Return accrued on fixed income securities		9 486	12 108
Dividend income		750	1 650
Return on bank deposits		20 384	10 031
		30 620	23 789
16. Prepayments			
Prepaid reinsurance premium ceded		1 271 194	1 597 451
Prepaid rent		20 544	12 740
Others		5 336	20 650
		1 297 074	1 630 841
17. Other receivables			
Advances to employees		1 463	2 505
Advances to suppliers and contractors		12 500	16 033
Receivable from pension funds	note 6	5 233	12 786
Others		–	864
		19 196	32 188

18. Fixed assets – Tangible and Intangibles

Rupees '000

2009

	Cost					Depreciation / Amortisation				Written down value
	As at 01 January	Additions	Disposals	As at 31 December	Rate %	As at 01 January	For the year	Disposals	As at 31 December	As at 31 December
Tangibles										
Leasehold land	5 580	–	–	5 580	–	–	–	–	–	5 580
Buildings	215 322	16 226	428	231 120	5	51 420	11 193	428	62 185	168 935
Furniture and fixtures	263 633	30 775	382	294 026	10	130 106	20 576	334	150 348	143 678
Office equipments	48 169	8 004	144	56 029	10	15 168	4 763	69	19 862	36 167
Computers	60 389	9 523	119	69 793	30	38 230	14 009	119	52 120	17 673
Vehicles	316 782	28 468	14 793	330 457	20	145 599	58 898	12 370	192 127	138 330
Intagibles										
Computer softwares	10 328	2 709	–	13 037	33	6 156	2 813	–	8 969	4 068
	920 203	95 705	15 866	1 000 042		386 679	112 252	13 320	485 611	514 431

2008

	Cost					Depreciation / Amortisation				Written down value
	As at 01 January	Additions	Disposals	As at 31 December	Rate %	As at 01 January	For the year	Disposals	As at 31 December	As at 31 December
Tangibles										
Leasehold land	5 580	–	–	5 580	–	–	–	–	–	5 580
Buildings	150 609	64 713	–	215 322	5	42 422	8 998	–	51 420	163 902
Furniture and fixtures	208 979	58 339	3 685	263 633	10	117 377	15 895	3 166	130 106	133 527
Office equipments	43 541	4 980	352	48 169	10	11 097	4 206	135	15 168	33 001
Computers	49 632	10 817	60	60 389	30	25 290	13 000	60	38 230	22 159
Vehicles	260 356	72 725	16 299	316 782	20	103 640	51 249	9 290	145 599	171 183
Intagibles										
Computer softwares	9 092	1 236	–	10 328	33	2 924	3 232	–	6 156	4 172
	727 789	212 810	20 396	920 203		302 750	96 580	12 651	386 679	533 524

18.1 The market value of land and buildings is estimated at Rs. 756 million (2008: Rs. 727 million). The valuations have been carried out by independent valuers.

18.2 Details of tangible assets disposed off during the year are as follows:

Mode of disposal	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	Rupees '000				
Vehicles					
(Negotiation)	1 001	634	367	1 000	Shaukat Saeed Ahmed, Lahore
	795	662	133	795	Faisal Jehangir, Karachi
	504	319	185	504	Rizwan Humayun, Karachi
	476	166	310	320	Arif Farooq, Karachi
	440	205	235	425	Mian Pervez Mahmood, Lahore
	365	304	61	250	Shehla Salim, Karachi
	365	219	146	180	Iqbal Hussain, Karachi
	114	24	90	150	Abdul Wahab, Karachi
	101	11	90	150	Nahid Makki, Karachi
	555	314	241	225	Insurance Claim
Other assets having written down value below Rs. 50,000	11 150	10 462	688	7 374	
	15 866	13 320	2 546	11 373	

Rupees '000

		2009	2008
18.3	**Capital work-in-progress**		
	Buildings – improvements	29 585	–
	Advances to suppliers	1 459	–
		31 044	–
19.	**Net premium revenue**		
	Premium revenue (net of reinsurance)	5 247 302	5 806 070
	Administrative surcharge	322 909	330 874
		5 570 211	6 136 944
20.	**Management expenses**		
	Salaries, wages and benefits	660 584	596 868
	Bonus to staff	68 441	65 650
	Rent, rates and taxes	36 712	34 457
	Telephone	13 098	15 684
	Postage	8 660	9 068
	Gas and electricity	22 340	23 335
	Printing and stationery	26 237	26 306
	Traveling and entertainment	40 262	45 285
	Depreciation	72 601	60 496
	Repairs and maintenance	11 928	9 624
	Other expenses	115 276	114 495
		1 076 139	1 001 268
21.	**Other income**		
	Gain on sale of fixed assets	8 827	10 365
	Interest on loan to employees	109	126
	Return on term deposits with banks	33 743	20 546
	Return on saving accounts	59 390	40 617
	Others	132	27
		102 201	71 681

Rupees '000

22. General and administration expenses

		2009	2008
Salaries, wages and benefits		159 239	153 191
Bonus to staff		18 661	17 922
Gratuity		3 227	76 634
Rent, rates and taxes		2 732	1 162
Telephone		1 574	2 490
Postage		1 474	1 628
Gas and electricity		5 860	7 899
Printing and stationery		3 387	8 883
Traveling and entertainment		14 969	21 423
Depreciation		57 600	53 739
Repairs and maintenance		5 445	5 261
Auditors' remuneration	note 22.1	1 500	1 258
Legal and professional charges		6 168	6 706
Publicity		51 526	53 437
Property management expenses		46 434	37 934
Donations	note 22.2	5 423	21 367
Workers' Welfare Fund		16 111	1 353
Zakat		–	42
Other expenses		26 697	31 034
		428 027	503 363

22.1 Auditors' remuneration

	2009	2008
Audit fee and other certifications (KPMG Taseer Hadi & Co.)	950	800
Audit fee (Hyder Bhimji & Co.)	475	383
Audit of financial statements of provident, gratuity and pension funds (Hyder Bhimji & Co.)	75	75
	1 500	1 258

22.2 Donations

Donations include the following in whom a director is interested:

Rupees '000

Name of director	Interest in donee	Name of donee	2009	2008
Saifuddin N. Zoomkawala	Member	Kashif Iqbal Thalassaemia Care Centre	–	471
	Board member	Shaukat Khanum Memorial Trust	250	250
	Board member	Sindh Institute of Urology and Transplantation	250	250
Hasanali Abdullah	Board Member	Aga Khan Hospital and Medical College Foundation	1 150	1 050

Rupees '000

		2009	2008
23.	**Taxation**		
	For the year		
	– Current	28 072	18 850
	– Deferred	41 072	9 454
		69 144	28 304

		2009	2008
23.1	Reconciliation of tax charge	%	%
	Applicable tax rate	35.00	35.00
	Tax effects of amounts that are:		
	– deductions not allowed	0.38	(0.22)
	– taxed at reduced rates	(11.97)	(0.44)
	– exempt from tax	(20.44)	(34.86)
	– reversal of deferred tax assets	5.66	–
	Average effective tax rate charged on income	8.63	(0.52)

24. Earnings / (loss) per share

24.1 Basic earnings / (loss) per share

		2009	2008
Profit / (loss) for the year	(Rupees '000)	732 299	(5 471 226)
Weighted average number of ordinary shares	(Numbers '000)	115 000	115 000
Earnings / (loss) per share	(Rupees)	6.37	(47.58)

24.2 Diluted earnings per share

No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

25. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

Rupees '000

	2009				2008			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	12 915	7 937	111 454	132 306	12 300	7 554	102 437	122 291
Bonus	4 043	2 150	23 835	30 028	3 850	2 047	22 514	28 411
Retirement benefits	1 715	913	9 117	11 745	1 632	868	10 460	12 960
Utilities	159	367	7 847	8 373	99	324	6 322	6 745
Medical expenses	553	882	3 641	5 076	604	745	3 602	4 951
Leave passage	328	201	1 604	2 133	431	382	1 923	2 736
Total	19 713	12 450	157 498	189 661	18 916	11 920	147 258	178 094
Number of persons	1	3	81	85	1	3	73	77

25.1 In addition, the Chief Executive, certain Directors and certain Executives are provided with free use of Company cars and certain items of household furniture and fixtures in accordance with their entitlements. The Chief Executive is not given any rent allowance but is provided with maintained furnished accommodation.

26. Segment reporting

Rupees '000

	Fire and property		Marine, aviation and transport		Motor		Others		Treaty		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Corporate segment assets	4 180 441	4 704 148	1 155 659	865 767	487 103	522 978	1 018 131	846 583	–	16 314	6 841 334	6 955 790
Corporate unallocated assets											15 097 616	14 273 902
Total assets											21 938 950	21 229 692
Corporate segment liabilities	5 595 250	5 392 163	1 435 889	1 185 311	2 881 585	3 195 401	1 193 746	676 687	10 733	153 467	11 117 203	10 603 029
Corporate unallocated liabilities											357 255	520 720
Total liabilities											11 474 458	11 123 749
Capital expenditures											127 724	217 055
Segment depreciation	–	–	–	–	–	–	–	–	–	–	–	–
Unallocated depreciation											130 201	114 235
Total depreciation											130 201	114 235

Location	External premium less reinsurance by geographical segments		Carrying amount of assets by geographical segments		Capital expenditure	
	2009	2008	2009	2008	2009	2008
Pakistan	5 564 456	6 118 910	21 750 994	21 142 902	127 724	217 055
EPZ	5 755	18 034	158 605	58 947	–	–
Saudi Arabia	–	–	29 351	27 843	–	–
Total	5 570 211	6 136 944	21 938 950	21 229 692	127 724	217 055

27. Management of insurance and financial risk

27.1 Insurance risk

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

27.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

	2009				2008			
Class	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities	Gross claims liabilities	Net claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	53	28	46	35	55	22	43	19
Marine, aviation & transport	17	11	8	7	13	13	7	6
Motor	24	58	38	55	28	64	44	73
Others	6	3	8	3	4	1	6	2
	100	100	100	100	100	100	100	100

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. For earthquake risk, a complete city is classified as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk.

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

The Company's class wise major gross risk exposure is as follows:

	Rupees '000	
Class	2009	2008
Fire and property	25 561 000	16 193 000
Marine, aviation and transport	69 660 000	58 650 000
Motor	37 000	17 500
Others	12 450 000	15 800 000

Since the Company operates in Pakistan only, hence, all the insurance risks relate to policies written in Pakistan.

27.1.2 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extend to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 3.7.

27.1.3 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

27.1.4 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the profit before tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analysed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

Rupees '000

	Profit before tax		Shareholders' equity	
	2009	2008	2009	2008
Impact of change in claim liabilities by +10%				
Fire and property	(62 408)	(47 047)	(40 565)	(30 581)
Marine, aviation and transport	(25 552)	(27 001)	(16 609)	(17 551)
Motor	(128 383)	(134 208)	(83 449)	(87 235)
Others	(5 999)	(2 053)	(3 899)	(1 334)
	(222 342)	(210 309)	(144 522)	(136 701)
Impact of change in claim liabilities by -10%				
Fire and property	62 408	47 047	40 565	30 581
Marine, aviation and transport	25 552	27 001	16 609	17 551
Motor	128 383	134 208	83 449	87 235
Others	5 999	2 053	3 899	1 334
	222 342	210 309	144 522	136 701

27.1.5 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of marine cargo, general average adjustments take longer for the final amounts to be determined which in the last five years are given below:

Rupees '000

Accident year	2005	2006	2007	2008	2009
Estimate of ultimate claims costs:					
- At end of accident year	31 118	94 006	10 348	89 740	42 228
- One year later	31 994	94 006	8 072	80 696	–
- Two years later	29 586	94 006	8 072	–	–
- Three years later	27 496	94 006	–	–	–
- Four years later	27 637	–	–	–	–
Current estimate of cumulative claims	27 637	94 006	8 072	80 696	42 228
Cumulative payments to date	(15 396)	–	(4 889)	(18 285)	–
Liability recognised in the balance sheet	12 241	94 006	3 183	62 411	42 228

27.2 Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (comprising of currency risk, interest rate risk and other price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. There are Board Committees and Management Committees for developing and monitoring the risk management policies.

27.2.1 Credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The management monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

The carrying amounts of the following financial assets represent the Company's maximum exposure to credit risk:

Rupees '000

	2009	2008
Financial assets:		
Bank balances and deposits	1 346 872	1 299 593
Investments (Term Finance Certificates)	259 591	222 760
Premiums due but unpaid	1 788 272	1 752 417
Amount due from other insurers / reinsurers	98 239	182 069
Accrued investment income	30 620	23 789
Reinsurance recoveries against outstanding claims	3 274 763	3 030 338
Security deposits	5 190	5 366
Other receivables	19 196	32 188
	6 822 743	6 548 520

The credit quality of Company's bank balances and deposits can be assessed with reference to external credit ratings as follows:

Rupees '000

Rating	2009	2008
AAA	68 561	107 496
AA	1 127 456	1 072 401
A	150 855	118 654
BBB	–	1 000
Others	–	42
	1 346 872	1 299 593

The credit quality of Company's investment in term finance certificates can be assessed with reference to external credit ratings as follows:

Rupees '000

Name of investment	Rating	Rating Agency	2009	2008
Jahangir Siddiqui & Co. Limited – 3rd Issue	AA+	PACRA	6 209	7 165
Jahangir Siddiqui & Co. Limited – 2nd Issue	AA+	PACRA	-	1 968
Jahangir Siddiqui & Co. Limited – 5th Issue	AA+	PACRA	30 476	30 488
United Bank Limited – 3rd Issue	AA	JCR-VIS	39 293	39 309
Askari Commercial Bank Limited – 2nd Issue	AA-	PACRA	36 022	36 050
Pakistan Mobile Communications Limited – 3rd Issue	AA-	PACRA	24 965	24 975
Allied Bank Limited	AA-	JCR-VIS	30 250	30 309
Financial Receivable Securitization Co. Limited	A+	PACRA	7 497	9 163
New Allied Electronics Limited	D	JCR-VIS	4 722	8 333
Pak American Fertilizer Limited – 3rd Issue	AA-	PACRA	34 972	35 000
Engro Chemical Pakistan Limited	AA	PACRA	45 185	–
			259 591	222 760

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables. As at 31 December 2009, the premium due but unpaid includes amount receivable within one year and above one year amounting to Rs. 1 473 million and Rs. 315 million respectively.

The credit quality of amount due from other insurers / reinsurers and claim recoveries from reinsurers can be assessed with reference to external credit ratings as follows:

Rating	Amounts due from insurers / reinsurers	Reinsurance recoveries against outstanding claims	2009
A or above (including Pakistan Reinsurance Company Limited)	71 420	2 889 652	2 961 072
BBB	19 604	208 361	227 965
Others	7 215	176 750	183 965
	98 239	3 274 763	3 373 002

27.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. In respect of major loss event, there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected re-insurance recoveries.

The objective of the Company's liquidity management process is to ensure, as far as possible, that it will always have sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

The table below provides the maturity analysis of the Company's liabilities as at balance sheet date. All liabilities are presented on a contractual cash flow basis except for the outstanding claims, which are presented with their expected cash flows.

Rupees '000

	2009		
		Maturity	
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Provision for outstanding claims (including IBNR)	5 508 917	5 508 917	–
Amounts due to other insurers / reinsurers	788 955	788 955	–
Accrued expenses	139 140	139 140	–
Agent balances	341 408	341 408	–
Other creditors and accruals	105 005	105 005	–
Other deposits	260 238	260 238	–
Unclaimed dividends	40 530	40 530	–
	7 184 193	7 184 193	–

	2008		
		Maturity	
	Carrying amount	Up to one year	Greater than one year
Financial liabilities:			
Provision for outstanding claims (including IBNR)	5 193 349	5 193 349	–
Amounts due to other insurers / reinsurers	717 727	717 727	–
Accrued expenses	122 803	122 803	–
Agent balances	325 398	325 398	–
Other creditors and accruals	69 337	69 337	–
Other deposits	200 600	200 600	–
Unclaimed dividends	38 162	38 162	–
	6 667 376	6 667 376	–

27.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices such as interest rates, foreign exchange rates and equity prices.

The Company is exposed to market risk with respect to its bank balances deposits and investments.

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in Government securities, equity and term finance certificates markets. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

27.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has securities and deposits that are subject to interest rate risk. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

Rupees '000

	2009								
	Interest / mark-up bearing					Non-Interest / mark-up bearing			
	Effective yield %	Upto one year	Over one year to five years	Over five years	Sub total	Upto one year	Over one year	Sub total	Total
Financial assets									
Cash and bank deposits	5.0-11.5	1 144 200	–	–	1 144 200	205 406	–	205 406	1 349 606
Loans to employees	5.21	833	1 884	–	2 717	58	–	58	2 775
Investments	10.07	38 117	323 572	32 533	394 222	12 249 506	–	12 249 506	12 643 728
Premiums due but unpaid-net		–	–	–	–	1 788 272	–	1 788 272	1 788 272
Amount due from other insurers / reinsurers		–	–	–	–	98 239	–	98 239	98 239
Accrued investment income		–	–	–	–	30 620	–	30 620	30 620
Reinsurance recoveries against outstanding claims		–	–	–	–	3 274 763	–	3 274 763	3 274 763
Security deposits		–	–	–	–	5 190	–	5 190	5 190
Other receivables		–	–	–	–	19 196	–	19 196	19 196
		1 183 150	325 456	32 533	1 541 139	17 671 250	–	17 671 250	19 212 389
Financial liabilities									
Provision for outstanding claims (including IBNR)		–	–	–	–	5 508 917	–	5 508 917	5 508 917
Amount due to other insurers / reinsurers		–	–	–	–	788 955	–	788 955	788 955
Accrued expenses		–	–	–	–	139 140	–	139 140	139 140
Agent balances		–	–	–	–	341 408	–	341 408	341 408
Other creditors and accruals		–	–	–	–	105 005	–	105 005	105 005
Other deposits		–	–	–	–	260 238	–	260 238	260 238
Un-claimed dividends		–	–	–	–	40 530	–	40 530	40 530
		–	–	–	–	7 184 193	–	7 184 193	7 184 193
On-balance sheet sensitivity gap		1 183 150	325 456	32 533	1 541 139				
Total yield / markup rate risk sensitivity gap		1 183 150	325 456	32 533	1 541 139				

Rupees '000

	2008								
	Interest / mark-up bearing					Non-Interest / mark-up bearing			
	Effective yield %	Upto one year	Over one year to five years	Over five years	Sub total	Upto one year	Over one year	Sub total	Total
Financial assets									
Cash and bank deposits	5.0-11.5	630 178	–	–	630 178	673 506	–	673 506	1 303 684
Loans to employees	3.98	991	1 449	429	2 869	11	–	11	2 880
Investments	13.71	290 972	135 251	–	426 223	11 405 775	–	11 405 775	11 831 998
Premiums due but unpaid-net		–	–	–	–	1 752 417	–	1 752 417	1 752 417
Amount due from other insurers / reinsurers		–	–	–	–	182 069	–	182 069	182 069
Accrued investment income		–	–	–	–	23 789	–	23 789	23 789
Reinsurance recoveries against outstanding claims		–	–	–	–	3 030 338	–	3 030 338	3 030 338
Security deposits		–	–	–	–	5 366	–	5 366	5 366
Other receivables		–	–	–	–	32 188	–	32 188	32 188
		922 141	136 700	429	1 059 270	17 105 459	–	17 105 459	18 164 729
Financial liabilities									
Provision for outstanding claims (including IBNR)		–	–	–	–	5 193 349	–	5 193 349	5 193 349
Amount due to other insurers / reinsurers		–	–	–	–	717 727	–	717 727	717 727
Accrued expenses		–	–	–	–	122 803	–	122 803	122 803
Agent balances		–	–	–	–	325 398	–	325 398	325 398
Other creditors and accruals		–	–	–	–	69 337	–	69 337	69 337
Other deposits		–	–	–	–	200 600	–	200 600	200 600
Un-claimed dividends		–	–	–	–	38 162	–	38 162	38 162
		–	–	–	–	6 667 376	–	6 667 376	6 667 376
On-balance sheet sensitivity gap		922 141	136 700	429	1 059 270				
Total yield / markup rate risk sensitivity gap		922 141	136 700	429	1 059 270				

Sensitivity analysis

As on 31 December 2009, the Company had no financial instruments valued at fair value through profit or loss. For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

Rupees '000

	Change in basis points	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2009	100	9 144	5 944
	(100)	(9 144)	(5 944)
31 December 2008	100	10 765	6 997
	(100)	(10 765)	(6 997)

27.2.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani Rupees.

27.2.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity investments amounting to Rs. 3 546 million are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The Company also has strategic equity investments in its associate amounting to Rs. 8 704 million which is held for long term. The management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business and economic characteristic of the investee remain favourable.

The table below summarises Company's market price risk as of 31 December 2009 and 2008. It shows the effect of a 10% increase and 10% decrease in the market prices of equity investments as on those dates on Company's profit and equity.

Had all equity investments, other than associates, been measured at fair values as required by IAS 39, Financial Instruments: Recognition and Measurement, the impact of hypothetical change would be as follows:

Rupees '000

	Fair value	Price change	Estimated fair value	Effect on profit and loss before tax	Effect on shareholders' equity
31 December 2009	3 546 116	10% increase	3 900 728	–	354 612
		10% decrease	3 191 505	–	(354 612)
31 December 2008	3 044 746	10% increase	3 349 221	5 035	304 475
		10% decrease	2 740 272	(5 035)	(304 475)

27.3 Fair value

The fair value of all major financial assets are estimated to be not significantly different from their carrying values except for quoted investments, details of which are given in note no. 11 to these financial statements.

27.4 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development in its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. The Company currently meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

28. Non-adjusting event after the balance sheet date

The Board of Directors in its meeting held on 29 March 2010 have announced a cash dividend in respect of the year ended 31 December 2009 of Rs. 4 per share 40% (2008: Rs. 3.25 per share, 32.50%) and bonus share in proportion of 2 shares for every 23 existing ordinary shares i.e. 8.695% (2008: Nil). In addition, the Board of Directors have also approved the transfer from unappropriated profit to general reserve amounting to Rs. 150 million (2008: Rs. 5.9 billion transfer from general reserve to unappropriated profit). These financial statements for the year ended 31 December 2009 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

29. Related party transactions

Related parties comprise of directors, 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:

	2009	2008
	Rupees in '000	
Transactions		
Associated company		
Premium written	6 240	5 505
Premium paid	9 310	3 891
Claims incurred	6 998	5 808
Claims lodged	6 998	1 698
Investment made	89 960	91 494
Bonus shares received	–	100 833
Dividend received	137 178	60 500
Bonus shares issued	–	8 550
Dividend paid	25 441	34 201
Key management personnel		
Premium written	528	474
Claims incurred	114	81
Bonus shares issued	–	45 364
Dividend paid	112 135	181 458
Compensation	126 265	108 315
Others		
Premium written	136 718	289 438
Premium paid	6 579	5 692
Commission paid	18 335	46 003
Claims incurred	166 812	231 389
Claims lodged	2 224	4 567
Investments made	438 687	1 404
Investments sold	506 773	43 218
Bonus shares issued	–	25 719
Bonus shares received	3 640	158 812
Dividend paid	76 687	102 874
Dividend received	41 791	–
Bank deposit	120 500	70 500
Expenses paid	140	290
Brokerage paid	8 210	–
Donation paid	1 650	2 021
Employees' funds		
Contribution to provident fund	17 397	16 804
Contribution to gratuity fund	20 959	–
Contribution to pension fund	404	427
Bonus shares issued	–	772
Dividend paid	1 923	3 086

	2009	2008
	Rupees in '000	
Balances		
Associated company		
Balance receivable	2	1 827
Key management personnel		
Balance receivable	51	48
Others		
Balance receivable	13 016	4 616
Balance payable	(8 123)	(4 167)
Employees' funds receivable / (payable)		
EFU gratuity fund	(24 379)	(42 111)
EFU pension fund	5 233	12 786

30. Number of employees

Number of employees as at 31 December 2009 was 1 338 (2008: 1 342).

31. Corresponding figures

The following corresponding figure has been reclassified for the purpose of better classification and presentation:

Rupees in '000

Component	Reclassification from	Reclassification to	Note	Amount
Workers' welfare fund	Accrued expenses	Other creditors and accruals	7	1 353

32. Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors in their meeting held on 29 March 2010.

HASANALI ABDULLAH	MUNEER R. BHIMJEE	SAIFUDDIN N. ZOOMKAWALA	RAFIQUE R. BHIMJEE
Director	*Director*	*Managing Director & Chief Executive*	*Chairman*

Karachi 29 March 2010

Pattern of Shareholding as at 31 December 2009

Number of shareholders	Shareholdings From	To	Shares held
523	1	100	31 715
736	101	500	241 663
365	501	1 000	308 628
497	1 001	5 000	1 194 596
160	5 001	10 000	1 164 677
71	10 001	15 000	883 009
44	15 001	20 000	778 858
19	20 001	25 000	430 033
22	25 001	30 000	616 398
10	30 001	35 000	338 286
7	35 001	40 000	268 043
6	40 001	45 000	249 229
17	45 001	50 000	789 692
4	50 001	55 000	215 759
8	55 001	60 000	456 035
3	60 001	65 000	189 033
10	65 001	70 000	685 014
1	70 001	75 000	74 768
4	75 001	80 000	312 216
4	80 001	85 000	326 449
4	85 001	90 000	349 125
3	90 001	95 000	278 200
2	95 001	100 000	196 146
3	100 001	105 000	305 146
2	110 000	115 000	226 699
2	115 001	120 000	233 070
2	125 001	130 000	255 951
1	130 001	135 000	131 846
1	135 001	140 000	138 000
1	150 001	155 000	152 726
1	160 001	165 000	161 460
1	165 001	170 000	167 042
1	170 001	175 000	172 500
1	180 001	185 000	184 285
2	195 001	200 000	397 928
2	200 001	205 000	405 460
1	210 001	215 000	213 603
7	225 001	230 000	1 605 250
1	245 001	250 000	249 196
1	275 001	280 000	278 506
1	335 001	340 000	336 636
1	345 001	350 000	346 688
1	360 001	365 000	360 752
1	380 001	385 000	384 180
1	410 001	415 000	412 825
2	455 001	460 000	915 505
1	550 001	555 000	552 545
1	555 001	560 000	555 090
1	565 001	570 000	569 200
1	595 001	600 000	599 466
1	630 001	635 000	633 721
2	635 001	640 000	1 274 062
1	730 001	735 000	733 527
1	770 001	775 000	772 785
1	915 001	920 000	920 000
1	1 295 001	1 300 000	1 292 445
1	1 385 001	1 390 000	1 387 732
1	1 445 001	1 450 000	1 447 173
1	2 550 001	2 555 000	2 551 334
1	4 345 001	4 350 000	4 347 726
1	5 025 001	5 030 000	5 020 682
1	6 910 000	6 915 000	6 911 035
2	7 830 001	7 835 000	15 665 164
1	9 180 001	9 185 000	9 180 303
1	9 530 001	9 535 000	9 533 464
1	13 960 001	13 965 000	13 964 220
1	18 675 001	18 680 000	18 675 500
2 580		Total	115 000 000

Categories of shareholders	Shareholders	Shares held	Percentage
Associated companies, undertakings and related parties	7	32 018 076	27.84
NIT & ICP	–	–	–
CEO, Directors, their spouses and minor children	12	20 938 035	18.21
Executives	19	351 992	0.31
Public sector companies & corporations	1	2 551 334	2.22
Joint stock companies	78	2 458 862	2.14
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Co. Modaraba and Mutual Funds	34	1 683 781	1.46
Foreign investors (repatriable basis)	5	6 980 210	6.07
Charitable institutions	3	14 104 405	12.26
Administrator of Abandoned Properties	1	5 020 682	4.37
Individuals / others	2 420	28 892 623	25.12
Total	2 580	115 000 000	100.00

Information as required under the Code of Corporate Governance

Categories of shareholders	Shareholders	Shares held
Associated companies, undertakings and related parties		
EFU Life Assurance Limited	1	7 834 091
Trustees EFU General Insurance Ltd. Staff Provident Fund (Pakistan)	1	346 688
Trustees EFU General Insurance Ltd. Emp. Gratuity Fund	1	128 951
Trustees EFU General Insurance Ltd. Officers Pension Fund	1	115 920
Jahangir Siddiqui & Co. Ltd.	1	18 675 500
JS Value Fund Ltd.	1	569 200
Jahangir Siddiqui & Sons (Pvt) Ltd.	1	4 347 726
NIT & ICP	–	–
CEO, Directors, their spouses and minor children		
Rafique R. Bhimjee	1	9 533 464
Saifuddin N. Zoomkawala	1	203 750
Sultan Ahmad	1	1 150
Abdul Rehman Haji Habib	1	4 836
Jahangir Siddiqui	1	10 080
Wolfram W. Karnowski	1	14 796
Muneer R. Bhimjee	1	9 180 303
Hasanali Abdullah	1	555 090
Taher G. Sachak	1	1 178
Mrs. Naila Bhimjee W/o. Rafique R. Bhimjee	1	772 785
Mrs. Lulua Saifuddin W/o. Saifuddin N. Zoomkawala	1	633 721
Mrs. Onaiza Ahmad W/o. Sultan Ahmad	1	26 882
Shareholders holding 10% or more voting interest (other than those reported above)		
Managing Committee of Ebrahim Alibhai Foundation	1	13 964 220

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JAFFER DOSSA
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Advisor

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Assistant Executive Director

SYED ABDUL QUDDUS, BSc., M.A.
Senior Vice President

ZIA MAHMOOD, M.B.A.
Senior Vice President

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MUHAMMAD SIDDIQUE KHAN
Asstt. Vice President

SAIFULLAH
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Vice President (Development)

OMER JAVID
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Asstt. Vice President (Development)

KHIZER HAYAT
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334186

IJAZ ALI
Manager (Development)

E F U GENERAL INSURANCE LIMITED

Form Of Proxy

I/We ____________________

of ____________________

being a member of E F U GENERAL INSURANCE LIMITED hereby appoint

Mr. ____________________

of ____________________

or failing him ____________________

of ____________________

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 77th Annual General Meeting of the Company to be held on Friday 30 April 2010 at 11:00 a.m. and at any adjournment thereof.

Signed this __________ day of April 2010.

WITNESSES:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   CNIC Or Passport No: ____________________

Revenue Stamp

Signature of Member(s)

2. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   CNIC Or Passport No: ____________________

Shareholder's Folio No. __________
and/or CDC
Participant I.D.No. __________
and Sub Account No. __________

Important:

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at 11/4, Shahrah-e-Pehlavi, Peshawar, not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.