



Report (Unaudited)
Second Quarter 2008



GENERAL

EFU GENERAL INSURANCE LTD.

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

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 Shakra-e-Quaideen

Ph: (92-21) 4391316-17

Fax: (92-21) 4391318

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.

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We are pleased to present the unaudited financial statements for the six months period ended 30 June 2008.

The written premium for the six months period was Rs. 5,305 million as against Rs. 4,210 million in the corresponding period of last year, representing a growth of Rs. 1,095 million (26 %). The overall claim ratio on net premium revenue was 71% as against 73% in the corresponding period of last year. The total underwriting profit in the six months period was Rs. 215 million as compared to Rs. 273 million in corresponding period of 2007.

As a result of decline in the stock market, the investment income for the six months period was lower at Rs. 254 million compared to Rs. 651 million in corresponding period of last year. The prospects for investment income in the second half of the year does not appear to be bright at this point in time.

The after tax profit for the six months was Rs. 325 million compared to Rs. 688 million in the corresponding period of last year

The pace of economic activities in the country is in a downward trend which is negatively impacting the insurance industry including your company. The indices of stock exchanges have declined steeply resulting in the erosion of the market value of investments to Rs. 18,949 million (on 30 June 2008) as compared to Rs. 20,603 million (on 31 December 2007).

The auditors in their review report have made mention for the policy of treating leases as operating leases and prospective application of accounting for investment in an associate to equity method. The details for these items are in Notes 5 and 6 to the financial statements. The reason for treating the leases as operating leases is due to specialised nature of taxability of profits of insurance companies. The Company has from this year adopted IAS 28 (Equity Method) for accounting for investments in associates. This has been done due to change in Income Tax Ordinance, 2000 which was requested by insurance industry for many years.

Your Directors would like to place on record their highest appreciation to the field force, officers and staff of the Company for the dedicated contribution.

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

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
*Managing Director & Chief Executive
Chairman of the meeting*

Karachi, 29 August 2008

Introduction

We have reviewed the accompanying:

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

of EFU General Insurance Ltd. ("the Company") as at and for the six months period ended 30 June 2008 (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for qualified conclusion

As fully explained in note 5 to this interim financial information, the company has changed its accounting policy in respect of investments in associates from "lower of cost and market value" to "equity method". This change in accounting policy has been applied prospectively. Had the change been applied retrospectively as required by approved accounting standards, the value of investments at 30 June 2007 would have been higher by Rs.285 million with the corresponding effect on profit for the period and opening retained earning by Rs. 100 million and Rs. 185 million respectively.

Further the Company follows the policy of treating all leases as operating leases the effect of which has not been determined. Total commitments under leases are disclosed in note 9.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended 30 June 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim reporting.

Other matters

The figures for the quarter ended 30 June 2008 and 30 June 2007 in the accompanying interim financial information have not been reviewed and we do not express a conclusion on them.

Hyder Bhimji & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi, 29 August 2008

Condensed Interim Balance Sheet
As at 30 June 2008 (Unaudited)



	<u>Note</u>	<u>AS AT</u>	
		<u>30-06-2008</u>	<u>31-12-2007</u>
Share capital and reserves			
Authorised capital		1 500 000	1 500 000
150 000 000 (2007: 150 000 000) Ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up share capital	10	1 150 000	1 000 000
Retained earnings		381 930	14 564 267
Reserves		14 400 000	600 000
Reserve for exceptional losses		12 902	12 902
		14 794 832	15 177 169
		15 944 832	16 177 169
Underwriting provisions			
Provision for outstanding claims (including IBNR)		5 061 243	5 335 723
Provision for unearned premium		4 563 959	3 984 881
Premium deficiency reserve		21 652	32 308
Commission income unearned		316 773	276 831
Total underwriting provisions		9 963 627	9 629 743
Creditors and accruals			
Premiums received in advance		17 175	43 226
Amounts due to other insurers/reinsurers		703 400	818 289
Accrued expenses		134 119	112 646
Agent balances		372 446	298 101
Unearned rentals		57 988	46 693
Other creditors and accruals		284 671	110 818
		1 569 799	1 429 773
Other liabilities			
Other deposits		169 382	134 819
Unclaimed dividend		31 434	18 471
		200 816	153 290
Total liabilities		11 734 242	11 212 806
Total equity and liabilities		27 679 074	27 389 975
Contingencies and commitments	7,9		

Rupees '000

	<u>Note</u>	<u>AS AT</u>	
		<u>30-06-2008</u>	<u>31-12-2007</u>
Cash and bank deposits			
Cash and other equivalent		2 708	1 862
Current and other accounts		885 702	939 204
Deposits maturing within 12 months		225 342	221 810
		1 113 752	1 162 876
Loans - secured considered good			
To employees		3 427	3 770
Investments	5	17 623 392	18 595 362
Investment properties		264 213	272 494
Deferred taxation		51 557	84 183
Other assets			
Premiums due but unpaid - net		2 087 914	1 546 814
Amounts due from other insurers / reinsurers		536 239	63 753
Salvage recoveries accrued		42 453	34 319
Accrued investment income		21 713	29 205
Reinsurance recoveries against outstanding claims		2 919 549	2 980 797
Taxation-provision less payments		162 345	140 334
Deferred commission expense		434 226	420 389
Prepayments		1 865 899	1 532 766
Security deposits		12 758	13 899
Other receivables		78 754	83 975
		8 161 850	6 846 251
Fixed assets-tangible & intangible			
Land and buildings		137 435	113 767
Furniture, fixtures and office equipment		163 542	148 388
Motor vehicles		154 566	156 716
Computer software		5 340	6 168
		460 883	425 039
Total assets		<u>27 679 074</u>	<u>27 389 975</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Profit And Loss Account
for the six months period ended 30 June 2008 (Unaudited)**



GENERAL

Rupees '000

	Three months period ended 30 June							
	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate		
						2008	2007	
Revenue account								
Net premium revenue	168 746	245 024	1 065 226	16 997	73 234	1 569 227	1 485 914	
Add: Change in premium deficiency reserve	-	-	2 526	-	-	2 526	-	
Less: Net claims	103 740	99 523	852 377	6 677	57 310	1 119 627	1 120 129	
Less: Expenses	81 513	44 696	106 841	22 992	-	256 042	178 912	
Less: Net commission	(2 428)	87 524	63 643	(17 873)	8 044	138 910	92 530	
Underwriting result	(14 079)	13 281	44 891	5 201	7 880	57 174	94 343	
Investment income						(32 239)	454 732	
Rental income						20 760	18 480	
Other income						14 171	16 858	
Difference in exchange						5 684	(336)	
Share of profit of an associate - note 5						43 017	-	
General and administration expenses						(128 076)	(89 977)	
						(76 683)	399 757	
Profit before tax						(19 509)	494 100	
Provision for taxation - current						(955)	(60 500)	
- deferred						90 535	(2 580)	
						89 580	(63 080)	
Profit after tax						70 071	431 020	
Earnings per share - basic and diluted					(Rupees)	0.61	3.75	

	Six months period ended 30 June							
	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate		
						2008	2007	
Revenue account								
Net premium revenue	338 529	451 914	2 125 212	39 653	135 406	3 090 714	3 003 355	
Add: Change in premium deficiency reserve	-	-	10 656	-	-	10 656	-	
Less: Net claims	185 787	144 622	1 732 370	13 751	106 218	2 182 748	2 201 365	
Less: Expenses	151 788	80 255	209 338	40 085	-	481 466	355 721	
Less: Net commission	(19 003)	125 852	129 117	(31 424)	17 696	222 238	173 617	
Underwriting result	19 957	101 185	65 043	17 241	11 492	214 918	272 652	
Investment income						253 885	651 273	
Rental income						40 732	36 862	
Other income						28 067	27 892	
Difference in exchange						6 760	1	
Share of profit of an associate - note 5						43 017	-	
General and administration expenses						(222 548)	(177 378)	
						149 913	538 650	
Profit before tax						364 831	811 302	
Provision for taxation - current						(11 569)	(120 000)	
- deferred						(27 923)	(3 502)	
						(39 492)	(123 502)	
Profit after tax						325 339	687 800	
Profit and loss appropriation account								
Balance at commencement of period						14 564 267	777 958	
Profit after tax						325 339	687 800	
Share of equity of an associate - net of tax						42 324	-	
Dividend 2007 @ 60% (2006 @ 30%)						600 000	150 000	
Issue of bonus shares						150 000	500 000	
Transfer to general reserve						13 800 000	100 000	
Balance unappropriated profit at end of the period						381 930	715 758	
Earnings per share - basic and diluted					(Rupees)	2.83	5.98	

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Statement of Changes in Equity
for the six months period ended 30 June 2008 (Unaudited)**



Rupees '000

	<u>Share capital</u>	<u>General reserve</u>	<u>Unappropri- ated profit</u>	<u>Reserve for exceptional losses</u>	<u>Total</u>
Balance as at 1 January 2007	500 000	500 000	777 958	12 902	1 790 860
Profit for the six months ended 30 June 2007			687 800		687 800
Issue of bonus shares for the year 2006 @ 100%	500 000		(500 000)		-
Dividend paid for the year 2006 @ 30%			(150 000)		(150 000)
Transfer to general reserve		100 000	(100 000)		-
Balance as at 30 June 2007	<u>1 000 000</u>	<u>600 000</u>	<u>715 758</u>	<u>12 902</u>	<u>2 328 660</u>
Balance as at 1 January 2008	1 000 000	600 000	14 564 267	12 902	16 177 169
Profit for the six months ended 30 June 2008	□	□	325 339	□	325 339
Share of equity of an associate - net of tax	□	□	42 324	□	42 324
Total income recognised for the period	-	-	367 663	-	367 663
Issue of bonus shares for the year 2007 @ 15%	150 000		(150 000)		-
Dividend paid for the year 2007 @ 60%			(600 000)		(600 000)
Transfer to general reserve		13 800 000	(13 800 000)		-
Balance as at 30 June 2008	<u>1 150 000</u>	<u>14 400 000</u>	<u>381 930</u>	<u>12 902</u>	<u>15 944 832</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

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Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Statement of Cash Flows
for the six months period ended 30 June 2008 (Unaudited)**



GENERAL

Rupees '000

	2008	2007
Operating cash flows		
a) Underwriting activities		
Premiums received	4 636 368	3 891 199
Reinsurance premiums paid	(2 066 116)	(1 148 578)
Claims paid	(4 324 454)	(2 961 293)
Reinsurance and other recoveries received	1 575 374	723 005
Commissions paid	(442 273)	(361 074)
Commissions received	320 486	226 808
Management expenses paid	(428 026)	(295 760)
Net cash flow from underwriting activities	(728 641)	74 307
b) Other operating activities		
Income tax paid	(33 580)	(55 896)
Other operating payments	(211 771)	(323 021)
Other operating receipts	189 125	155 888
Loans advanced	(453)	(250)
Loan repayments received	796	835
Net cash flow from other operating activities	(55 883)	(222 444)
Total cash flow from all operating activities	(784 524)	(148 137)
Investment activities		
Profit/ return received	46 479	67 748
Dividends received	117 006	89 934
Rentals received	52 027	13 915
Payments for investments	(2 753 536)	(2 975 565)
Proceeds from disposal of investments	3 937 467	2 918 559
Fixed capital expenditure	(85 327)	(91 492)
Proceeds from disposal of fixed assets	8 321	8 059
Total cash flow from investing activities	1 322 437	31 158
Financing activities		
Dividends paid	(587 037)	(147 060)
Net cash outflow from all activities	(49 124)	(264 039)
Cash at the beginning of the year	1 162 876	1 135 916
Cash at the end of the period	1 113 752	871 877
Reconciliation to profit and loss account		
Operating cash flows	(784 526)	(148 137)
Depreciation expense	(53 482)	(43 598)
Investment and rental income	294 617	688 135
Other Income	28 067	27 892
Share of profit of an associate	43 017	-
Increase in assets other than cash	1 294 823	385 903
(Increase) in liabilities other than running finance	(497 177)	(222 395)
Profit after taxation	325 339	687 800
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	2 708	6 942
Current and other accounts	885 702	522 158
Deposits maturing within 12 months	225 342	342 777
	1 113 752	871 877

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

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Director

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Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Statement of Premiums
for the six months period ended 30 June 2008 (Unaudited)**



Rupees '000

Three months period ended 30 June

Class	Premiums			Earned	Reinsurance			Net premium revenue		
	Written	Unearned premium reserve			Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2008	2007
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and property damage	1 043 328	1 455 399	1 725 530	773 197	803 196	1 222 690	1 421 435	604 451	168 746	134 604
Marine, aviation and transport	512 239	242 746	391 530	363 455	223 623	72 469	177 661	118 431	245 024	184 259
Motor	955 503	2 202 562	2 091 219	1 066 846	1 657	(37)	-	1 620	1 065 226	1 102 997
Miscellaneous	132 143	259 252	261 394	130 001	117 748	212 337	217 081	113 004	16 997	13 677
Total	2 643 213	4 159 959	4 469 673	2 333 499	1 146 224	1 507 459	1 816 177	837 506	1 495 993	1 435 537
Treaty - proportional	46 544	120 976	94 286	73 234	-	-	-	-	73 234	50 377
Grand Total	2 689 757	4 280 935	4 563 959	2 406 733	1 146 224	1 507 459	1 816 177	837 506	1 569 227	1 485 914

Six months period ended 30 June

Direct and facultative										
Fire and property damage	1 834 966	1 407 375	1 725 530	1 516 811	1 388 383	1 211 334	1 421 435	1 178 282	338 529	273 625
Marine, aviation and transport	823 647	266 406	391 530	698 523	325 774	98 496	177 661	246 609	451 914	380 780
Motor	2 233 160	1 986 555	2 091 219	2 128 496	3 284	-	-	3 284	2 125 212	2 224 822
Miscellaneous	285 694	222 373	261 394	246 673	233 785	190 316	217 081	207 020	39 653	25 374
Total	5 177 467	3 882 709	4 469 673	4 590 503	1 951 226	1 500 146	1 816 177	1 635 195	2 955 308	2 904 601
Treaty - proportional	127 520	102 172	94 286	135 406	-	-	-	-	135 406	98 754
Grand Total	5 304 987	3 984 881	4 563 959	4 725 909	1 951 226	1 500 146	1 816 177	1 635 195	3 090 714	3 003 355

Note: Premium written includes administrative surcharge of Rs. 172.96 million (2007: Rs. 113.25 million)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

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Director

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Director

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Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Statement of Claims
for the six months period ended 30 June 2008 (Unaudited)**



Rupees '000

Class	Three months period ended 30 June										
	Paid	Claims			Reinsurance and other recoveries received	Reinsurance			Reinsurance and other recoveries revenue	Net claims expense	
		Outstanding		Claims expense		Reinsurance and other recoveries in respect of outstanding claims		Net claims expense		2008	2007
		Opening	Closing			Opening	Closing				
Direct and facultative											
Fire and property damage	877 528	3 044 033	2 327 751	161 246	698 548	2 719 438	2 078 396	57 506	103 740	69 007	
Marine, aviation and transport	112 991	586 844	868 139	394 286	21 092	365 938	639 609	294 763	99 523	88 098	
Motor	870 353	1 645 901	1 622 551	847 003	23 498	56 076	27 204	(5 374)	852 377	929 694	
Miscellaneous	78 229	203 449	196 545	71 325	74 903	184 595	174 340	64 648	6 677	1 342	
Total	1 939 101	5 480 227	5 014 986	1 473 860	818 041	3 326 047	2 919 549	411 543	1 062 317	1 088 141	
Treaty - proportional	53 880	42 827	46 257	57 310	-	-	-	-	57 310	31 988	
Grand Total	1 992 981	5 523 054	5 061 243	1 531 170	818 041	3 326 047	2 919 549	411 543	1 119 627	1 120 129	

Class	Six months period ended 30 June										
	Paid	Claims			Reinsurance and other recoveries received	Reinsurance			Reinsurance and other recoveries revenue	Net claims expense	
		Outstanding		Claims expense		Reinsurance and other recoveries in respect of outstanding claims		Net claims expense		2008	2007
		Opening	Closing			Opening	Closing				
Direct and facultative											
Fire and property damage	2 058 725	2 695 377	2 327 751	1 691 099	1 805 152	2 378 236	2 078 396	1 505 312	185 787	88 316	
Marine, aviation and transport	245 477	641 777	868 139	471 839	60 128	372 520	639 609	327 217	144 622	132 712	
Motor	1 898 383	1 794 223	1 622 551	1 726 711	49 859	82 722	27 204	(5 659)	1 732 370	1 910 039	
Miscellaneous	113 735	164 270	196 545	146 010	105 238	147 319	174 340	132 259	13 751	10 875	
Total	4 316 320	5 295 647	5 014 986	4 035 659	2 020 377	2 980 797	2 919 549	1 959 129	2 076 530	2 141 942	
Treaty - proportional	100 037	40 076	46 257	106 218	-	-	-	-	106 218	59 423	
Grand Total	4 416 357	5 335 723	5 061 243	4 141 877	2 020 377	2 980 797	2 919 549	1 959 129	2 182 748	2 201 365	

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Statement of Expenses
for the six months period ended 30 June 2008 (Unaudited)**



Rupees '000

Class	Three months period ended 30 June								
	Commission			Net expense	Other management expenses	Underwriting expenses	Commissions from reinsurers	Net underwriting expenses	
	Paid or payable	Deferred						2008	2007
a	b	c	d=a+b-c	e	f=d+e	g	h=f-g		
<u>Direct and facultative</u>									
Fire and property damage	145 107	172 159	222 012	95 254	81 513	176 767	97 682	79 085	59 964
Marine, aviation and transport	56 529	85 846	40 266	102 109	44 696	146 805	14 585	132 220	61 370
Motor	58 267	130 984	125 623	63 628	106 841	170 469	(15)	170 484	139 553
Miscellaneous	12 672	24 749	25 445	11 976	22 992	34 968	29 849	5 119	(535)
Total	272 575	413 738	413 346	272 967	256 042	529 009	142 101	386 908	260 352
Treaty - proportional	(5 308)	34 232	20 880	8 044	-	8 044	-	8 044	11 090
Grand Total	267 267	447 970	434 226	281 011	256 042	537 053	142 101	394 952	271 442

Six months period ended 30 June									
<u>Direct and facultative</u>									
Fire and property damage	238 111	172 606	222 012	188 705	151 788	340 493	207 708	132 785	102 603
Marine, aviation and transport	101 841	83 360	40 266	144 935	80 255	225 190	19 083	206 107	121 525
Motor	140 706	114 009	125 623	129 092	209 338	338 430	(25)	338 455	279 202
Miscellaneous	28 708	19 091	25 445	22 354	40 085	62 439	53 778	8 661	4 240
Total	509 366	389 066	413 346	485 086	481 466	966 552	280 544	686 008	507 570
Treaty - proportional	7 253	31 323	20 880	17 696	-	17 696	-	17 696	21 768
Grand Total	516 619	420 389	434 226	502 782	481 466	984 248	280 544	703 704	529 338

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

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
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Managing Director & Chief Executive
Chairman of the meeting

**Condensed Interim Statement of Investment Income
for the six months period ended 30 June 2008 (Unaudited)**



GENERAL

Rupees '000

	Six months period ended 30 June		Three months period ended 30 June	
	2008	2007	2008	2007
Income from trading investments				
(Loss)/gain on sale of trading investments	(53 712)	209 746	(65 746)	166 627
Dividend income	6 198	28 033	1 703	13 662
	(47 514)	237 779	(64 043)	180 289
Income from non-trading investments				
Return on government securities	7 184	19 729	3 594	7 532
Return on other fixed income securities and deposits	17 860	35 589	8 541	17 802
Amortisation of premium relative to par	(2 365)	(6 649)	(1 581)	(3 267)
(Loss)/gain on sale of TFC's	(4 952)	160	(4 952)	160
Dividend income - note 5	49 621	91 310	(52 020)	56 876
Gain on sale of non-trading investments	247 285	164 795	116 600	104 200
	314 633	304 934	70 182	183 303
Gain on revaluation of trading investments	38 007	116 392	9 599	96 542
Provision for impairment - available for sale	(44 198)	-	(44 198)	-
Investment related expenses	(7 043)	(7 832)	(3 779)	(5 402)
Net investment income/(loss)	<u>253 885</u>	<u>651 273</u>	<u>(32 239)</u>	<u>454 732</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive
Chairman of the meeting

1. Status and nature of business

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

The principal place of business is located at EFU House, M.A. Jinnah Road, Karachi.

2. Basis for presentation

These condensed interim financial statements are unaudited and are being circulated to the shareholders in accordance with the listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984 and being presented in condensed form in accordance with the requirements of the approved accounting standards as applicable in Pakistan relating to interim reporting and in the format prescribed under SEC (Insurance) Rules, 2002. They do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2007.

3. Summary of significant accounting policies

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with the policies applied in the preparation of the financial statements of the Company for the year ended 31 December 2007 except for the change in policy mentioned in note 5.

4. Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency reserve to meet expected future liability after reinsurance from claims and other expenses including reinsurance expense, commission and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in that class of business in force at balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in the profit and loss account for the period.

5. 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.

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 remeasured at fair values with any resulting gains or losses recognised directly in the profit and loss account.

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 determined on an aggregate portfolio basis at the balance sheet date.

Held to maturity

Investments with fixed or determinable payments and fixed maturity, where management has both the positive intent and the ability to hold to maturity are classified as held to maturity. These are valued at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisitions by using effective interest rate method.

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.

These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the each balance sheet date. Share of post acquisition profit and loss of associates 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 associates' profit and loss account are recognised directly in the equity of the Company.

The International Accounting Standard (IAS) 28, "Investment in Associates" requires that the measurement of the value of investments in associates can only be made on equity basis of accounting under which the carrying amount of such investments are increased or decreased for the Company's share of post acquisition gains and losses of associates (including the changes in items recognised directly in the associate's equity) and dividend distributions.

In order to comply with the requirements of IAS 28, during the period, the management of the Company has decided to change its accounting policy for valuation of investments in associates, in which the Company has significant influence but not control, from lower of cost or market value to equity basis of accounting. This change in accounting policy has been accounted for prospectively.

Had there been no change in the accounting policy, the investments and equity as at 30 June 2008 would have been lower by Rs. 29.54 million and profit after tax for the period would have been higher by Rs. 15.74 million.

	30 June 2008	Ruppes '000 31 December 2007
In related parties		
Investment in associate	10 698 604	10 600 438
Held for trading	7 315	7 469
Available for sale	2 505 361	2 552 958
	<u>13 211 280</u>	<u>13 160 865</u>
Others		
Held for trading	312 382	371 041
Available for sale		
- Equity investments	3 780 552	4 601 946
Provision for impairment	(44 198)	-
	3 736 354	4 601 946
- Fixed income securities	363 376	-
	4 099 730	4 601 946
Held to maturity *	-	461 510
	<u>4 412 112</u>	<u>5 434 497</u>
	<u>17 623 392</u>	<u>18 595 362</u>

The market value of investments in shares and securities including investments in associate as on 30 June 2008 was Rs. 18 949 million (31 December 2007: Rs. 20 603 million).

* During the period, the Company has reclassified all Held to Maturity investments as Available for Sale investments.

6. Operating leases

Rental for vehicles, office equipments and computers under operating leases are charged to income currently.

7. Taxation

The income tax assessments of the Company have been finalised upto and including Tax Year 2007 (Financial year ending 31 December 2006). The appeals relating to assessment years 1962-63 to 1975-76 have been decided in Company's favour. However, the department has filed references with the Supreme Court of Pakistan and with the High Court of Sindh for assessment years 1962-63 to 1971-72. Consequently there is a contingent tax liability of Rs. 5.33 million which may arise if the reference petitions are decided against the Company.

The tax department has filed appeals with Income Tax Appellate Tribunal (ITAT) in respect of accounting years 1998 to 2001 and 2003. In case appeals are decided against the Company additional tax liability of Rs. 125 million may arise.

No provision has been made in these financial statements for the above contingencies, as the management, based on tax advisor's opinion, considers that it has good arguable cases and there is remote possibility of future outflow of resources.

8. Fixed assets – tangible and intangible

The details of additions and disposals during the six months period ended 30 June 2008 are as follows:

	Additions (at cost)		Disposals (at net book value)	
			Rupees '000	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Tangibles				
Buildings	27 828	2 580	-	-
Furniture and fixtures	23 005	13 236	519	2 007
Vehicles	25 269	51 471	3 678	8 529
Office equipments	2 570	12 858	96	169
Computers	5 430	10 827	-	33
Intangibles				
Computer softwares	724	520	-	-
	<u>84 826</u>	<u>91 492</u>	<u>4 293</u>	<u>10 738</u>

9. Commitments

Commitments under operating leases for vehicles, office equipments and computers as at 30 June 2008 were Rs. 6.2 million (31 December 2007: Rs. 17 million).

10. Share capital

Number of shares		Rupees '000	
30 June 2008	31 December 2007	30 June 2008	31 December 2007
250 000	250 000	2 500	2 500
114 750 000	99 750 000	1 147 500	997 500
<u>115 000 000</u>	<u>100 000 000</u>	<u>1 150 000</u>	<u>1 000 000</u>

11. Related party transactions

Related parties comprise of directors, key management personnel, associated companies, entities under common control and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions. The transactions and balances with related parties are as follows:

	30 June 2008	30 June 2007
Transactions		
Associated company		
Premium written	5 341	4 318
Premium paid	3 024	3 144
Claims incurred	3 495	2 630
Claims lodged	425	3 489
Investment made	68 623	34 766
Bonus shares received	100 833	79 502
Bonus shares issued	8 550	23 826
Dividend received	60 500	23 851
Dividend paid	34 201	7 148
Key Management Personnel		
Premium written	401	383
Claims incurred	153	22
Bonus shares issued	45 364	155 632
Dividend paid	181 458	46 690
Compensation	34 759	30 399

Rupees '000

	<u>30 June 2008</u>	<u>30 June 2007</u>
Others		
Premium written	139 442	105 634
Premium paid	2 837	2 448
Premium ceded	387 645	-
Commission paid	7 308	20 991
Commission earned on cession	71 688	-
Claims incurred	107 415	67 586
Claims lodged	2 198	1 651
Claims on cession	97 562	-
Bonus shares received	87 026	-
Bonus shares issued	5 671	16 303
Dividend paid	22 684	4 891
Expenses paid	95	113
Donation paid	1 521	1 050
Employees' funds		
Contribution to provident fund	7 835	6 583
Contribution to gratuity fund	9 404	8 203
Contribution to pension fund	219	170
Bonus shares issued	772	2 572
Dividend paid	3 086	772
	<u>30 June 2008</u>	<u>31 December 2007</u>
Balances		
Associated company		
Balances receivable	448	5 662
Key Management Personnel		
Balances receivable	140	41
Others		
Balance receivable	96 945	760
Balance payable	2 219	27 462
Employees' funds receivable		
EFU pension fund	19 450	19 450
EFU gratuity fund	25 119	34 523

13. Corresponding figures

Corresponding figures relating to certain items have been reclassified from "Management expenses" to "General and administration expenses" for the purpose of better classification and presentation.

14. Date of authorisation for issue

These condensed interim financial statements were authorised for issue by the Board of Directors in the meeting held on 29 August 2008.

HASANALI ABDULLAH
Director

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*Managing Director & Chief Executive
Chairman of the meeting*