GENERAL

Annual Report 2008

EFU GENERAL INSURANCE LTD.

- Established in 1932
- Largest Non-Life Insurer inside Pakistan
- Financial Strength Rating AA, Outlook Stable
- Extensive Countrywide Branch Network
- Experienced Underwriters
- Efficient in Settlement of Claims
- Recipient of Brands of the Year Award 2008

efu GENERAL

Contents

Vision Statement

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.

Mission Statement

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 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
Javid Niaz Khan, M.A., A.C.I.I.
Malik Akbar Awan
Muhammad Iqbal Lodhia
Nudrat Ali
Nurallah A. Merchant, A.I.A.
S. M. Haider, M.Sc.
S. Salman Rashid
Salim Rafik Sidiki, M.A.
Shaukat Saeed Ahmed
Syed Ahmad A. Haq, M.Sc.

Executive Directors
Khurram Ali Khan, B.E.
Syed Mehdi Imam, M.A.

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. Shezad Habib
Mohammad Iqbal Dada, M.A., A.C.I.I.
Thomas Leo Fernandez

Assistant Executive Directors
Aftab Fakhruddin, B.E.
Bashir Seja
Imran Ahmed, M.B.A., B.E., A.C.I.I.
Jehanzeb Karamat
Kamran Arshad Inam, M.B.A., B.E.
Khawaja Ghulam Wajahat, M.Sc. ACII
Khurram Nasim
M. Shoaib Razzak Bramchari
S. Aftab Hussain Zaidi, M.A., M.B.A.

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

Executive Vice Presidents
Aamir Ahmad
Abdul Razzak A. Sattar
Adam Dur Mohammad Baloch
Ali Kausar
Amin Nizar Ali, F.S.A., F.P.S.A.
Amir Hasan
Aslam A. Ghole, F.C.I.S.
Babar A. Sheikh
Baqar Aneel Jafari
Javed Akhtar Shaikh, B.B.A.
Khalid Ashfaq Ahmed
Liaquat Ali Khan, F.C.I.I., AMPIM
Mansoor Abbas Abbasi, B.E.
Masroor Hussain
Mazhar H. Qureshi
Mohammad Arif Bhatti
Mohammad Haji Hashim
Mohammad Hussain
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.
Muhammad Sohail Nazir, M.Sc., A.C.I.I.
Qasim Ali Mohammad
Rizwan-ul-Haq
Ross Masood M.B.E.
Salemmullah Tahir
Syed Abid Raza Rizvi
Syed Ahmad Hassan, M.B.A.
Syed Shahid Hussain
Zafar Ali Khokhar, M.A.
Zakaria Suleman
Zarar Ibn Zahoor Bandey

Senior Vice Presidents

Abdul Qadir Memon, M.Sc.
Abdul Wahid
Atta-ur-Rehman Riaz
Badar Amin Sissodia
Iftikharuddin
Mahmood Jafri
Mohammad Afzal Khan, EMBA
Mohammad Naeem Shaikh, A.C.I.I.
Mohammad Pervaiz
Muhammad Azhar Ali
Muhammad Mustafa Saleem, M.Com
Muhammad Razzaq Chaudhry
Muhammad Sohail
Muhammad Suleman Qasim
Muhammad Tawheed Alam
Naseeruddin Ahmed
Pervez Ahmad
Ramesh Mulraj Bherwani
Rashid Mohammad Iqbal
Rehanul Haque Qazi
Riaz Ahmad
S. M. Shamim
Shamim Pervez, M.B.A.
Shazim Altaf Kothawala
Suleman Poonjani, A.C.A.
Syed Abdul Quddus, M.A.
Syed Sadiq Ali Jafri
Tauqir Hussain Abdullah
Tayab Nisar, A.C.I.I.
Tayyab Hussain Gardezi, M.Sc.
Wasim Tasawwar
Zahid Hussain, A.C.I.I.
Zia Mahmood, M.B.A.

Vice Presidents

A. Ghaffar A. Kareem
Abbas Ali, A.C.A.
Abdul Hameed
Abdul Majeed
Abdul Mateen Farooqui, M.Sc.
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-ul-Haq
Inayatullah Chaoudhry
Inayatullah Khalil
Irshad Zamir Hashmi
Kaiser Ali
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.
Mohammad Amin Sattar, M.Com
Muhammad Naseem
Muhammad Salahuddin
Muhammad Shakil Khan, M.B.A.
Muhammad Siddique
Nadeem Ahmad Khan
Nadir Hussain
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
Shahid Abdullah Godil, M.B.A.
Shahzad Zakaria
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
Abdul Rashid Yaqoob
Agha Ali Khan
Asadullah Khan
Ashfaque Ahmed
Asif Ahmad
Atif Anwar, A.C.C.A.
Farnazia Khatri
Farrukh Ahmad Qureshi
Fawad Maseel Jafri, M.B.A.
Haider R. Rizvi
Haseeb Ahmad Bajwa
Hassan Aziz
Ikramul Ghani
Imran Ahmad
Imran Saleem
Imran Yasin
Irfan Ahmad, A.C.M.A.
Javed Iqbal Khan
Kaleem Imtiaz
Kamran Bashir, M.B.A.
M. Saghiruddin
Mehdi Asghar
Mohammad Adil Khan
Mohammad Amin Memon
Mohammad Hanif
Mohammad Idrees Abbasi
Mohammad Shoaib
Mohammad Siddique Khan
Mohsin Ali Baig
Ms. Menija N. Messman
Muhammad Asif Hussain, A.P.A, F.C.M.A.
Muhammad Ilyas
Muhammad Khalil Khan
Muhammad Mujtaba
Muhammad Owais Alam
Muhammad Rashid Awan, A.C.I.I.
Muhammad Saleem Gaho
Muhammad Shahjahan Khan
Muhammad Sirajuddin
Muhammad Zeeshan
Murtaza Noorani, A.C.C.A.
Musarrat Zaman Shah
Mutahir Hussain
Nadeemuddin Farooqi
Naseer Ahmad
Nausherwan Haji
Noor Asghar Khan
Quaid Johar
Quaid Jouhar
Rahim Khowaja
Rana Zafar Iqbal
Rehanuddin Qureshi
Riaz Hussain Siddiqui
Riazuddin, M.A.
S. Asim Iijaz
S. Ferozuddin Haider
S. Khaliluddin
S. Kamran Shemsher Ali
Saifullah
Salimullah Khan
Salma Ghani
Sarfaraz Muhammad Khan
Shahab Khan
Shaikh Mohammad Yousuf
Sikandar Kasbati
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
Syed Kamran Rashid
Syed Rizwan Hussain

Deputy Executive Directors

Agha S. U. Khan
Ali Safdar
Haroon Haji Sattar Dada

Assistant Executive Directors

Abdullah H. Godil
Akhtar Kothawala
Syed Amir Aftab
Syed Asim Iqbal
Syed Jaweed Envor
Talib Abbas Shigri

Senior Executive Vice Presidents

Abdul Wahab
Anis Mehmood
Iftekhar A. Khan, M.A.
Mrs. Nargis Mehmood
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
Rashid Habib, M.A.
S. Ashad H. Rizvi
Saad Anwar Shaikh
Shahid Younus
Syed Ali Zaheer
Yousuf Alvi

Senior Vice Presidents

Ejaz Ahmed
Jameel Masood
Kh. Zulqarnain Rasheed
Ms. Shazia Rahil Razzak
Muhammad Ashraf Khan
Muhammad Azhar Dawra
Muhammad Farooq
Muhammad Mushtaq Najam Butt
Muhammad Sheeraz, M.B.A.
Muneeb Farooq Kothawala
S. Sohail Haider Abidi
Syed Baqar Hasan, M.A.
Usman Ali Khan
Wasim Ahmed

Vice Presidents

Adeel Ahmed
Atique H. Patel
Azam Rafique
Bashir Ahmed Sangi
Faisal Hassan
Faisal Mahmood Jaffery
Fakhar-e-Alam
Imdadullah Awan
M. Amir Arif Bhatti
M. Ashraf Samana
M. Saleem Babar
M. Zia-ul-Haq
Mian Abdul Razak Raza, B.Ed.
Ms. Fatima Moiz Shaikh
Ms. Fauzia Khawja
Ms. Nighat Sartaj
Muhammad Hamid Ali Khan
Muhammad Imran Naeem
Muhammad Niamatullah
Muhammad Rehan Iqbal Booti
Muhammad Shamim Siddiqui
Muhammad Siddiq
Naeem Ullah Jan
Omar Javaid
Rizwan Humayun
Saad Wahid
Syed Hasan Ali
Syed Iftikhar Haider Zaidi, M.A.
Syed Imran Zaidi
Syed Rashid Ali
Syed Rizwan Haider
Syed Saad Jafri
Syed Shahid Raza
Tariq Jamil
Wajid Ali Shaikh
Wasif Mubeen, L.L.B.

Assistant Vice Presidents

Ali Hasnain Shah
Arshad Iqbal
Asif Elahi
Asrar Ahmed, M.B.A.
Badar Hasan Qureshi
Bashir Ahmed Khaskhaly, M.A.
Farid Khan
H.H. Ansari
Hamid-Us-Salam
Javed Aslam Awan
Javed Iqbal Cheema
M. Anis-ur-Rehman
M.A. Qayyum Khan
M. Murtaza Ispahani
Maria N. Jagirani
Mrs. Sadia Muneer
Mrs. Tanveer Khurshid
Mubashir Saleem
Muhammad Aslam Hayat
Muhammad Hamid Ali Janjua
Muhammad Musarat Hussain
Muhammad Owais Jagirani
Muhammad Tayyab Nazir
Parvez Baig
Pheroo Mal
Qamar Aziz
Qamarul Hasan Ansari
Qasim Ayub
Rashid A. Islam
Rashid Umer Burney
S. Shahid Mahmood
Shakil Wahid
Syed Abid Raza
Syed Mojiz Hasan
Tahir Ali Zuberi

Notice Of Meeting

Notice is hereby given that the 76th Annual General Meeting of the Shareholders of E F U General Insurance Ltd. will be held at the Pearl Continental Hotel, Khyber Road, Peshawar on Monday April 27, 2009 at 9:30 a.m. to:

1. confirm the minutes of the 75th Annual General Meeting held on April 30, 2008
2. confirm the minutes of Extraordinary General Meeting held on June 20, 2008.
3. receive, consider and approve the Audited Financial Statements for the year ended December 31, 2008 together with the Directors' and Auditors' reports thereon.
4. consider and if thought fit to approve the payment of Dividend at the rate of Rs. 3.25 per share for the year ended December 31, 2008 as recommended by the Board of Directors.
5. appoint Auditors for the year 2009 and fix their remuneration.
6. transact any other matter with the permission of the Chair.

By Order of the Board

ALTAF QAMRUDDIN GOKAL
Chief Financial Officer &
Corporate Secretary

March 21, 2009

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 April 21, 2009 to April 27, 2009 (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 April 20, 2009 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend.

4. Members are requested to communicate to the Company of any change in their addresses.

Board of Directors (Siting 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 Sixth audited financial statements for the year ended December 31, 2008.

Your Directors are pleased to report that despite severe economic downturn the gross premium income of the Company exceeded Rs. 9 billion mark for the year under review. The written premium was Rs. 9.7 billion in 2008 as compared to Rs. 8.96 billion in 2007 while the net premium revenue was Rs. 6.14 billion as against Rs. 6.11 billion in 2007.

The year 2008 has been an eventful but a difficult period for both businesses and households. It has seen a change in the country's government as well as the worst global economic meltdown in decades triggered by credit crisis. The economy of Pakistan too has come under great pressure with inflation hovering between 20-25 %, a severe liquidity crunch and a steep decline in the value of the Pak rupee. The macro economic stabilisation programme under IMF guidelines has caused a steep decline in aggregate demand with little prospects of any improvement in 2009.

The total underwriting profit of the Company for the year under review was Rs. 371 million as against loss of Rs. 177 million in the previous year. This is the result of decline in claims ratio to 71 % against 83 % in the previous year and is attributed to improvements in the performance of Motor and Miscellaneous Departments.

The department wise performance was as follows:

FIRE AND PROPERTY

The written premium of this department increased to Rs. 3,459 million as compared to Rs. 2,896 million in 2007. This year too the Company experienced some major fire losses which adversely affected the overall underwriting results of this department. The underwriting loss was however reduced to Rs. 27 million compared to a loss of Rs. 413 million last year.

MARINE, AVIATION AND TRANSPORT

The written premium of this department increased to Rs. 1,498 million as compared to Rs. 1,257 million in 2007. Claims as a percentage of net premium revenue was 39 % as against 32 % in 2007. The underwriting profit for the year was Rs. 232 million compared to Rs. 429 million in 2007.

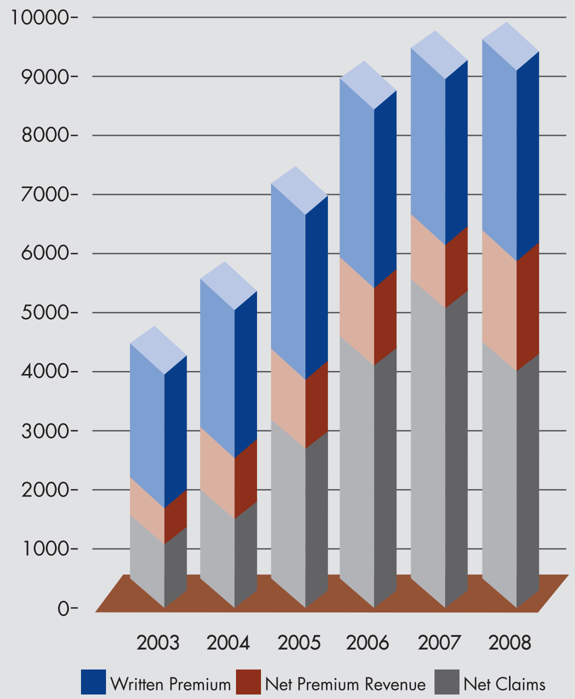
MOTOR

The written premium of this department was Rs. 3,927 million as compared to Rs. 4,110 million in 2007. The reduction in premium was due to decline in sales of new vehicles as a result of lower lending by financial institutions for car purchases. Claims as percentage of net premium revenue reduced to 75 % as against 90 % in 2007 and the underwriting profit for the year was Rs. 88 million compared to loss of Rs. 253 million last year.

OTHERS

The written premium of this department increased to Rs. 536 million compared to Rs. 452 million in 2007. The underwriting profit was Rs. 101 million compared to Rs. 23 million in 2007.

WRITTEN PREMIUM, NET PREMIUM REVENUE & NET CLAIMS
(Rupees in Million)



Investment income

After registering robust performance for the past five years, prices of shares on the Karachi Stock Market suffered a sharp decline with KSE 100 index falling by 63 % from its peak of 15,676 points in April 2008 to 5,865 points in December 2008 i.e. its lowest level in five years. This massive decline in share prices has caused erosion in the market value of the Company's investments which has reduced by 30 % to Rs. 14.32 billion as compared to Rs. 20.60 billion on December 31, 2007. There was also reduction in income from capital gains and dividends income in the year. Following conservative accounting policies your Company has decided to provide impairment loss in value of shares of Rs. 5,694 million and the investment losses of your Company for the year was Rs. 5,299 million as compared to income of Rs. 14,812 million in the previous year.

Your Company had booked capital gains in 2007 of Rs 13,527 million by undertaking programme of selling and then repurchasing shares in which the market prices were significantly higher than their holding cost. The objective of the exercise was to take advantage of tax exemption available on sale of shares originally scheduled to expire on 31 December 2007. The capital gains of Rs. 13,527 million included a gain of Rs. 10,394 million on sale and repurchase of shares of EFU Life Assurance Limited. If the extension of capital gains exemption had been announced well in time your Company would have continued to hold the investments at book value and the need for present recognition of impairment would not have arisen and the Company would have recorded some capital gains in 2008.

Securities and Exchange Commission of Pakistan through a recent circular had allowed insurance companies, where the market value of any available for sale of equity investment is less than the cost, to treat such a fall in value as temporary and value the investments at cost. Under this approach the insurance companies are required to provide for the impact of impairment every quarter in 2009.

Your Company considers the fall in market value as not temporary and therefore has decided to provide the fall in market value of equity investments. Had the Company decided to defer the recognition of impairment in value of available for sale investments to 2009, the after tax profit of the Company as at December 31, 2008 would have been Rs. 223 million.

Despite the above mentioned impairment loss in investments the financial position of your Company remains strong with General Reserve as on December 31, 2008 at Rs 14.4 billion before appropriation.

Your Company has changed its accounting policy in respect of investment in associates and now it accounts for its share in the profit of associate company, EFU Life Assurance Limited, under equity accounting in accordance with IAS 28 "Investment in Associates" instead of lower of cost and market value.

Earnings per share

Due to loss on account of impairment in value of shares of Rs. 5,299 million, there has arisen loss per share of Rs. 47.58 in 2008 as compared to earning of Rs. 126.40 in 2007.

Appropriation and Dividend

The Company's loss after tax for the year under review is Rs. 5,471 million. Your Board has proposed transfer from General Reserve of Rs. 5.9 billion to retained earnings and has also proposed payment of dividend. Your Directors have pleasure in recommending dividend of Rs. 3.25 per share (32.5 %) to the shareholders whose names appear in the share register of the Company at the close of business on April 20, 2009.

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'.

One of the key factors of the Company's success is the increasing number of our 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, three officers of the Company qualified as Associates of the Chartered Insurance Institute (ACII). Currently, your Company has 23 ACIIs in its team of well qualified and dedicated people.

Your Company has been awarded Certificate of Excellence of 25th Corporate Excellence Awards of the Management Association of Pakistan for demonstrating excellence in Corporate Management in Insurance Sector.

Prospects for 2009

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 2009 strategy will depend on the overall level of economic activities in the country and will lay greater emphasis on consolidation of our business coupled with improved underwriting results.

Reinsurance

We are proud to inform that your Company has reinsurance arrangements backed by leading reinsurers in the world i.e. Swiss Reinsurance Company, Switzerland (AA-), Hanover Reinsurance Company, Germany (AA-), Mapfre Re Compania De Reassurance, Spain (AA), Korean Reinsurance Company, South Korea (A) and SCOR Global P & C, France (A-) and some others.

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 June 20, 2008 for a term of three years expiring on July 9, 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 5
2	Saifuddin N. Zoomkawala	5 out of 5
3	Sultan Ahmad	4 out of 5
4	Abdul Rehman Haji Habib	3 out of 5
5	Jahangir Siddiqui	4 out of 5
6	Wolfram W. Karnowski	1 out of 5
7	Muneer R. Bhimjee	4 out of 5
8	Hasanali Abdullah	2 out of 5
9	Taher G. Sachak	4 out of 5

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 flow 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 December 31, 2008 were the following:

Provident Fund	Rs. 392	million
Gratuity Fund	Rs. 168	million
Pension Fund	Rs. 139	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:

Sale of shares	No. of shares
Mr. Saifuddin N. Zoomkawala	121,800
Mrs. Lulua Saifuddin	55,500
Mr. Sultan Ahmad	335,070
Mrs. Onaiza Ahmad	4,000
Mr. Muneer R.Bhimjee	100,000
Mr. Taher G. Sachak	10,500
Mr. Wolfram Karnowski	15,000
Mr. Altaf Q. Gokal	8,900

k) The statement of pattern of shareholding in the Company as at 31 December 2008 is included with the Report.

Messrs Hyder Bhimji & Co. and Messrs KPMG Taseer Hadi & Co. Chartered Accountants retire and being willing to continue 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 *Director*	JAHANGIR SIDDIQUI *Director*	SAIFUDDIN N. ZOOMKAWALA *Managing Director & Chief Executive*	RAFIQUE R. BHIMJEE *Chairman*

Karachi March 21, 2009

Key Financial Data for the Last Six Years

(Rupees in Million)

	2008	2007	2006	2005	2004	2003
Written Premium	9 699	8 961	8 459	6 644	5 043	3 944
Net Premium Revenue	6 137	6 111	5 418	3 862	2 536	1 662
Investment & Other Income	(5 334)	15 013	814	445	165	141
(Loss) / Profit before tax	(5 443)	14 457	858	646	474	157
(Loss) / Profit after tax	(5 471)	14 536	762	506	322	106
Shareholders Equity	10 106	16 177	1 791	1 119	676	391
Investments & Properties	12 091	18 868	3 964	2 694	1 987	1 328
Cash & Bank Balances	1 304	1 163	1 136	1 193	866	483
Total Assets Book Value	21 230	27 390	10 628	7 286	4 784	3 256
Total Assets Market Value	25 248	30 707	14 760	10 475	7 448	4 684
Dividend %	32.50	60.00	30.00	30.00	30.00	20.00
Bonus %	–	15.00	100.00	66.67	42.86	10.50

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 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 June 20, 2008 for the three years' term effective July 10, 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, except once when the Chairman was abroad, the meeting was presided by the Managing Director/Chief Executive. 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 August 29, 2008 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. There was no new appointments 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 meeting 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 & procedures of the Company and is involved in the internal audit function on full time basis.

19. 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.

20. 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.

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

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

GENERAL

Review Report to the Members on Statement of Compliance with the 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 for the year ended December 31, 2008 prepared by the Board of Directors of EFU General Insurance Limited ("the Company") to comply with the listing Regulation of the Karachi and Lahore Stock Exchanges, where the Company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68 (I)/2003, by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the above Codes 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 Codes 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 2008.

HYDER BHIMJI & CO.	KPMG TASEER HADI & CO.
Chartered Accountants	*Chartered Accountants*

Karachi March 21, 2009

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 changes in equity;
(iv) statement of cash flows;
(v) statement of premiums;
(vi) statement of claims;
(vii) statement of expenses; and
(viii) statement of investment income

of EFU General Insurance Limited ("the Company") as at 31 December 2008 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 change as stated in note 5.11 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 2008 and of the loss, 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	KPMG TASEER HADI & CO. Chartered Accountants

Karachi March 21, 2009

GENERAL

Balance Sheet as at 31 December 2008

	Note	2008	2007
Share capital and reserves			
Authorised capital			
150 000 000 (2007: 150 000 000) ordinary shares of Rs. 10 each		1 500 000	1 500 000
Issued, subscribed and paid-up share capital	6	1 150 000	1 000 000
Retained earnings		(5 456 959)	14 564 267
Reserves		14 400 000	600 000
Reserve for exceptional losses		12 902	12 902
		8 955 943	15 177 169
		10 105 943	16 177 169
Underwriting provisions			
Provision for outstanding claims (including IBNR)		5 193 349	5 335 723
Provision for unearned premium		4 085 774	3 984 881
Premium deficiency reserve		–	32 308
Commission income unearned		262 115	276 831
Total underwriting provisions		9 541 238	9 629 743
Deferred liabilities			
Staff retirement benefits	7	42 111	–
Creditors and accruals			
Premiums received in advance		18 665	43 226
Amounts due to other insurers / reinsurers		717 727	818 289
Accrued expenses		122 803	112 646
Agent balances		325 398	298 101
Unearned rentals		49 061	46 693
Other creditors and accruals	9	67 984	110 818
		1 301 638	1 429 773
Other liabilities			
Other deposits		200 600	134 819
Unclaimed dividend		38 162	18 471
		238 762	153 290
Total liabilities		11 123 749	11 212 806
Total equity and liabilities		21 229 692	27 389 975
Contingencies and commitments	8 & 17		

	Note	2008	2007
			Rupees '000
Cash and bank deposits			
Cash and other equivalent		4 091	1 862
Current and other accounts		669 415	939 204
Deposits maturing within 12 months		630 178	221 810
		1 303 684	1 162 876
Loans - secured considered good			
To employees		2 880	3 770
Investments	10	11 831 998	18 595 362
Investment properties	11	259 084	272 494
Deferred taxation	8.3	74 729	84 183
Other assets			
Premiums due but unpaid - net	12	1 752 417	1 546 814
Amounts due from other insurers / reinsurers		182 069	63 753
Salvage recoveries accrued		24 130	34 319
Accrued investment income	13	23 789	29 205
Reinsurance recoveries against outstanding claims		3 030 338	2 980 797
Taxation - payments less provision		173 269	140 334
Deferred commission expense		369 386	420 389
Prepayments	14	1 630 841	1 532 766
Security deposits		5 366	13 899
Other receivables	15	32 188	83 975
		7 223 793	6 846 251
Fixed assets - tangible and intangible	16		
Land and buildings		169 482	113 767
Furniture, fixtures and office equipments		188 687	148 388
Motor vehicles		171 183	156 716
Computer softwares		4 172	6 168
		533 524	425 039
Total assets		21 229 692	27 389 975

The annexed notes 1 to 30 form an integral part of these financial statements.

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

EFU GENERAL

Profit and Loss Account
For the year ended 31 December 2008

Rupees '000

	Note	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate 2008	Aggregate 2007
Revenue account								
Net premium revenue	18	640 108	972 228	4 150 748	86 720	287 140	6 136 944	6 110 504
Net claims		(616 174)	(377 233)	(3 107 147)	(27 305)	(241 648)	(4 369 507)	(5 092 241)
Change in premium deficiency reserve		–	–	32 308	–	–	32 308	(32 308)
Management expenses	19	(98 073)	(148 935)	(740 951)	(13 309)	–	(1 001 268)	(839 731)
Net commission		47 395	(214 130)	(247 213)	54 776	(67 872)	(427 044)	(323 156)
Underwriting result		(26 744)	231 930	87 745	100 882	(22 380)	371 433	(176 932)
Investment (loss) / income							(5 299 619)	14 812 295
Rental income							82 895	75 562
Other income	20						71 681	124 713
Share of loss of an associate							(188 525)	–
Difference in exchange							22 576	(99)
General and administration expenses	21						(503 363)	(378 244)
							(5 814 355)	14 634 227
(Loss) / profit before tax							(5 442 922)	14 457 295
Provision for taxation - current							(18 850)	(20 000)
- deferred							(9 454)	99 014
							(28 304)	79 014
(Loss) / profit after tax							(5 471 226)	14 536 309
Profit and loss appropriation account								
Balance at commencement of year							14 564 267	777 958
(Loss) / profit after tax for the year							(5 471 226)	14 536 309
							9 093 041	15 314 267
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
							(14 550 000)	(750 000)
Balance unappropriated (loss) / profit at end of year							(5 456 959)	14 564 267
							Rupees	Rupees
(Loss) / earnings per share - basic and diluted	26						(47.58)	126.40

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Statement of Changes in Equity
For the year ended 31 December 2008

GENERAL

Rupees '000

	Share capital	General reserve	Unappropriated profit / (loss)	Reserve for exceptional losses	Total
Balance as at 1 January 2007	500 000	500 000	777 958	12 902	1 790 860
Issue of bonus shares for the year 2006 @ 100%	500 000		(500 000)		–
Dividend declared for the year 2006 @ 30%			(150 000)		(150 000)
Profit for the year 2007 - net recognised income and expense for the year			14 536 309		14 536 309
Transfer to general reserve		100 000	(100 000)		–
Balance as at 31 December 2007	1 000 000	600 000	14 564 267	12 902	16 177 169
Issue of bonus shares for the year 2007 @ 15%	150 000		(150 000)		–
Dividend declared for the year 2007 @ 60%			(600 000)		(600 000)
Transfer to general reserve		13 800 000	(13 800 000)		–
Loss for the year 2008 - net recognised income and expense for the year			(5 471 226)		(5 471 226)
Balance as at 31 December 2008	1 150 000	14 400 000	(5 456 959)	12 902	10 105 943

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Statement of Cash Flows
For the year ended 31 December 2008

	2008	2007
		Rupees '000
Operating cash flows		
a) Underwriting activities		
Premiums received	9 214 552	8 462 652
Reinsurance premiums paid	(3 658 702)	(2 747 333)
Claims paid	(7 328 523)	(5 596 681)
Reinsurance and other recoveries received	2 937 491	1 555 455
Commissions paid	(922 596)	(830 479)
Commissions received	559 138	561 708
Management expenses paid	(937 799)	(764 993)
Net cash flow from underwriting activities	(136 439)	640 329
b) Other operating activities		
Income tax paid	(51 785)	(101 108)
Other operating payments	(340 781)	(385 451)
Other operating receipts	20 961	97 110
Loans advanced	(653)	(425)
Loan repayments received	1 543	1 627
Net cash flow from other operating activities	(370 715)	(388 247)
Total cash flow from all operating activities	(507 154)	252 082
Investment activities		
Profit / return received	99 457	185 894
Dividends received	192 086	209 728
Rentals received	85 263	63 212
Payments for investments	(3 278 437)	(25 205 459)
Proceeds from disposal of investments	4 328 845	24 816 673
Fixed capital expenditure	(217 055)	(166 752)
Proceeds from disposal of fixed assets	18 112	18 742
Total cash flow from investing activities	1 228 271	(77 962)
Financing activities		
Dividends paid	(580 309)	(147 160)
Net cash inflow from all activities	140 808	26 960
Cash at the beginning of the year	1 162 876	1 135 916
Cash at the end of the year	1 303 684	1 162 876
Reconciliation to profit and loss account		
Operating cash flows	(507 154)	252 082
Depreciation expense	(114 235)	(94 347)
Investment (loss) / income and rentals	(5 216 724)	14 887 857
Share of loss of an associate	(188 525)	-
Other income	71 681	124 713
Increase in assets other than cash	372 614	1 751 187
Decrease / (increase) in liabilities other than running finance	111 117	(2 385 183)
(Loss) / profit after taxation	(5 471 226)	14 536 309
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	4 091	1 862
Current and other accounts	669 415	939 204
Deposits maturing within 12 months	630 178	221 810
	1 303 684	1 162 876

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Statement of Premiums
For the year ended 31 December 2008

Rupees '000

Class	Premiums: Written	Unearned premium reserve: Opening	Unearned premium reserve: Closing	Premiums: Earned	Reinsurance ceded	Prepaid reinsurance premium ceded: Opening	Prepaid reinsurance premium ceded: Closing	Reinsurance expense	Net premium revenue 2008	Net premium revenue 2007
Direct and facultative										
Fire and property damage	3 458 590	1 407 375	1 690 920	3 175 045	2 560 159	1 211 334	1 236 556	2 534 937	640 108	440 846
Marine, aviation and transport	1 498 131	266 406	291 300	1 473 237	558 683	98 496	156 170	501 009	972 228	1 030 708
Motor	3 927 135	1 986 555	1 755 157	4 158 533	7 733	–	(52)	7 785	4 150 748	4 364 463
Miscellaneous	536 300	222 373	254 851	503 822	431 563	190 316	204 777	417 102	86 720	55 861
Total	9 420 156	3 882 709	3 992 228	9 310 637	3 558 138	1 500 146	1 597 451	3 460 833	5 849 804	5 891 878
Treaty - proportional	278 514	102 172	93 546	287 140	–	–	–	–	287 140	218 626
Grand total	9 698 670	3 984 881	4 085 774	9 597 777	3 558 138	1 500 146	1 597 451	3 460 833	6 136 944	6 110 504

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Statement of Claims
For the year ended 31 December 2008

Rupees '000

Class	Claims: Paid	Claims: Outstanding Opening	Claims: Outstanding Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims: Opening	Reinsurance and other recoveries in respect of outstanding claims: Closing	Reinsurance and other recoveries revenue	Net claims expense 2008	Net claims expense 2007
Direct and facultative										
Fire and property damage	3 124 999	2 695 377	2 848 397	3 278 019	2 662 157	2 378 236	2 377 924	2 661 845	616 174	672 585
Marine, aviation and transport	448 374	641 777	689 506	496 103	71 889	372 520	419 501	118 870	377 233	331 978
Motor	3 530 941	1 794 223	1 412 142	3 148 860	54 375	82 722	70 060	41 713	3 107 147	3 943 482
Miscellaneous	234 397	164 270	183 382	253 509	210 670	147 319	162 853	226 204	27 305	24 169
Total	7 338 711	5 295 647	5 133 427	7 176 491	2 999 091	2 980 797	3 030 338	3 048 632	4 127 859	4 972 214
Treaty - proportional	221 802	40 076	59 922	241 648	–	–	–	–	241 648	120 027
Grand total	7 560 513	5 335 723	5 193 349	7 418 139	2 999 091	2 980 797	3 030 338	3 048 632	4 369 507	5 092 241

The annexed notes 1 to 30 form an integral part of these financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Statement of Expenses
For the year ended 31 December 2008

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 2008	Net underwriting expense 2007
Direct and facultative									
Fire and property damage	407 743	172 606	189 690	390 659	98 073	488 732	438 054	50 678	181 473
Marine, aviation and transport	190 481	83 360	27 247	246 594	148 935	395 529	32 464	363 065	270 161
Motor	238 474	114 009	105 295	247 188	740 951	988 139	(25)	988 164	641 595
Miscellaneous	60 333	19 091	30 840	48 584	13 309	61 893	103 360	(41 467)	9 172
Total	897 031	389 066	353 072	933 025	1 001 268	1 934 293	573 853	1 360 440	1 102 401
Treaty - proportional	52 863	31 323	16 314	67 872	–	67 872	–	67 872	60 486
Grand total	949 894	420 389	369 386	1 000 897	1 001 268	2 002 165	573 853	1 428 312	1 162 887

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

The annexed notes 1 to 30 form an integral part of these financial statements.

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

EFU GENERAL

Statement of Investment Income
For the year ended 31 December 2008

Rupees '000

	2008	2007
Income from trading investments		
(Loss) / gain on trading of shares	(50 971)	347 074
Return on fixed income securities	539	–
Dividend income	6 198	35 281
	(44 234)	382 355
Income from non-trading investments		
Return on government securities	14 437	31 061
Return on other fixed income securities and deposits	33 979	65 999
Amortisation of premium relative to par	(3 722)	(9 736)
Dividend income	121 800	175 791
Gain on sale of non-trading investments	242 928	14 187 517
	409 422	14 450 632
Gain / (loss) on revaluation of trading investments	38 280	(3 102)
Impairment in the value of investments - available for sale	(3 707 167)	–
Impairment in the value of investments - associated company	(1 987 000)	–
Investment related expenses	(8 920)	(17 590)
Net investment (loss) / income	(5 299 619)	14 812 295

The annexed notes 1 to 30 form an integral part of these financial statements.

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

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 general insurance business comprising of fire & property, marine, motor etc. The registered office of the Company is situated in Peshawar and operates through 65 (2007: 59) (including KEPZ Branch) branches in Pakistan and one branch in Jeddah, Saudi Arabia.

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

2. Basis of presentation

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

3. 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 prevail.

3.1 Standards or interpretations effective in current year

The following new standards and interpretations became effective during the year:

IFRIC 9	Reassessment of embedded derivatives
IFRIC 11	IFRS 2 Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The limit on defined benefit asset, minimum funding requirements and their interaction

The adoption of these interpretations did not have any material effect on Company’s financial statements.

3.2 Standards or interpretations not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting 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:

- Revised IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009), introduces 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. The changes will be effected after discussions with regulators.
- IFRS 4 – Insurance Contracts (effective for annual periods beginning on or after 1 January 2009), requires to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test. Further, it requires additional disclosure 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 application of the standard will only effect the disclosure requirements in Company’s financial statements.
- Amendment in IFRS 2 – Share based payments (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 – Business Combinations (Revised) (effective for annual periods beginning on or after 1 July 2009)
- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2008)
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 – Borrowing Costs (Revised) (effective for annual periods beginning on or after 1 January 2009)

- IAS 27 – Consolidated and Separate Financial Statements (Revised) (effective for annual periods beginning on or after 1 July 2009)
- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008)
- Amendment in IAS 32 – Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 13 – Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15 – Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17 – Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- The International Accounting Standards Board annual improvements project published in May 2008 (effective for annual periods beginning on or after 1 January 2009).

4. Basis of measurement

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

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 affect 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:

(a)	Provision for unearned premiums	(see note 5.3)
(b)	Provision for outstanding claims (including IBNR)	(see note 5.5)
(c)	Premium deficiency reserve	(see note 5.4)
(d)	Employees' retirement benefits	(see notes 5.8 & 7)
(e)	Taxation	(see notes 5.9 & 8)
(f)	Useful lives of fixed assets	(see notes 5.14 & 5.15)
(g)	Impairment in value of investments	(see notes 5.11 & 10)
(h)	Premium due but unpaid	(see note 12)

Functional and presentation currency

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

5. Significant accounting policies

5.1 Underwriting result

Underwriting result is calculated by deducting from gross premium of each class of business, reinsurance cost incurred, net claims, commission, allocable expenses of management, provision for unearned premium and premium deficiency reserve, if any.

5.2 *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.

5.3 *Provision for unearned premium*

The provision for unearned premium has been calculated by applying 1/24th method.

5.4 *Premium deficiency reserve*

The Company maintains a provision in respect of premium deficiency reserve where the unearned premium liability is not adequate 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 year.

5.5 *Provision for outstanding claims (including IBNR)*

The liability represents the estimates of the claims intimated or assessed before the end of the accounting year and estimates of claims incurred but not reported (IBNR) by the year-end. The provision for IBNR has been accounted for on the basis whereby all claims incurred before 31 December 2007 but reported up to 31 December 2008 were aggregated and the ratio of such claims to outstanding claims has been applied to outstanding claims except exceptional losses at 31 December 2008 to arrive at liability for IBNR.

Reinsurance recoveries against outstanding claims are recognised as an asset and measured at the amount expected to be received.

5.6 *Revenue recognition*

Premium

Premiums including administrative surcharge received / receivable under a policy are recognised at the time of issuance of policy. Similarly, reinsurance premium is recorded at the time the reinsurance is ceded.

Investment income

Return on investments, profit and loss sharing accounts and bank deposits are recognised on a time proportion basis.

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.

Rental income

Rental income on investment properties is recognised on time proportion basis.

5.7 *Acquisition cost*

Commission due on direct, facultative and treaty business and on reinsurance cessions are recognised in accordance with the policy of recognising premium revenue.

5.8 *Employees' retirement benefits*

Defined benefit plans

The Company operates the following employee defined benefit plans:

- Funded gratuity scheme

  The Company operates an approved gratuity fund for all eligible 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 a yearly basis using the Projected Unit Credit Method and contributions to the plans are made accordingly. The latest actuarial valuation, at 31 December 2008 uses a discount rate of 16 % for defined benefit obligation and plan assets, basic salary and pension increases to average 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.

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 percent of basic salary.

5.9 Taxation

Current taxation

Provision for current taxation is based on taxable income determined under Fourth Schedule of Income Tax Ordinance, 2001 and is calculated at current rates of taxation after taking into account exemptions, tax credits and rebates available, if any. The charge for current tax also includes adjustments relating to prior periods, if any.

Deferred taxation

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. Deferred tax is provided on temporary differences arising on investments in associate stated under equity method of accounting.

5.10 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.

5.11 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 (if the fall in market value is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002.

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”.

Investment in associates

Entities in which the Company has significant influence but not control and which are neither its subsidiary nor joint venture 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 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. After application of equity method, the Company tests for impairment in the carrying amount of the investment with respect to Company’s net investment in associate.

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's distributions.

In order to comply with the requirements of IAS 28, during the years, 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 the accounting policy has been accounted for prospectively. Had equity method been applied retrospectively, the value of investments at 31 December 2007 would have been higher by Rs. 5.4 million.

Had there been no change in the accounting policy, the investment and equity as at 31 December 2008 would have been higher by Rs. 224 million and profit after tax for the year would have been higher by Rs. 224 million.

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

5.13 *Premium due but unpaid*

These are recognised at cost which is the fair value of consideration given less provision for impairment, if any.

5.14 *Fixed assets - 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.

5.15 *Fixed assets - 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.

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

5.16 *Expenses of management*

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

5.17 *Compensated absences*

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

5.18 *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 average of the rates of exchange applicable at the end of each quarter. 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.

5.19 *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.

5.20 *Impairment*

The carrying amounts of the Company's assets are reviewed on an ongoing basis to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the assets is determined and impairment losses, if any, are recognised in the profit and loss account.

5.21 *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.

5.22 *Financial assets and liabilities*

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 looses 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.

5.23 *Segment reporting*

A business segment is a distinguishable component of the company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for 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 fire insurance business provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, terrorism, atmospheric damage, flood, electric fluctuation and engineering losses.

Marine insurance segment provides coverage against cargo risk, war risk, aviation hull liability and inland transit damages.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party losses.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, money and other coverages.

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.

5.24 *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.

GENERAL

6. Share capital

Issued, subscribed and fully paid

Number of Shares 2008	Number of Shares 2007		Rupees '000 2008	Rupees '000 2007
250 000	250 000	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.		
99 750 000	49 750 000	- Opening balance	997 500	497 500
15 000 000	50 000 000	- Issued during the year	150 000	500 000
114 750 000	99 750 000		1 147 500	997 500
115 000 000	100 000 000		1 150 000	1 000 000

As at 31 December 2008, EFU Life Assurance Limited, an associated undertaking, held 7 625 451 (2007: 5 238 804) ordinary shares of Rs. 10 each.

7. Staff retirement benefits (Pension and Gratuity Scheme)

	Rupees '000 2008	Rupees '000 2007
Obligation		
Obligation at beginning of year	345 705	271 225
Service cost	12 190	10 689
Interest cost	37 054	29 287
Benefits paid	(18 166)	(10 210)
Past service cost	–	21 371
Actuarial (gain) / loss	(36 383)	23 343
Obligation at end of year	340 400	345 705
Plan assets		
Fair value at beginning of year	399 678	258 194
Expected return	44 078	28 659
Company contributions	427	13 430
Employee contributions	1 702	1 605
Benefits paid	(18 166)	(10 210)
Actuarial (loss) / gain	(116 644)	108 000
Fair value at end of year	311 075	399 678
Actual return on plan assets	(72 566)	136 659
Reconciliation		
Plan assets	311 075	399 678
Obligation	(340 400)	(345 705)
Closing (payable) / receivable	(29 325)	53 973
Expenses		
Service cost	12 190	10 689
Interest cost	37 054	29 287
Expected return on plan assets	(44 078)	(28 659)
Past service cost	–	21 371
Net loss / (gain)	80 261	(84 657)
Employee contributions	(1 702)	(1 605)
Expense / (gain)	83 725	(53 574)
Asset / (liability)		
Provision at beginning of year	53 973	(13 031)
(Expense) / income	(83 725)	53 574
Company contributions	427	13 430
(Payable) / receivable at end of year	(29 325)	53 973
Asset	12 786	53 973
Liability	(42 111)	–
	(29 325)	53 973

Rupees '000

Fund Investments	2008		2007	
Debt	18 %	56 729	8 %	30 460
Equity	17 %	54 292	42 %	168 947
Mixed funds	22 %	66 978	49 %	195 811
Cash	43 %	133 076	1 %	4 460
	100 %	311 075	100 %	399 678

The expected contribution to the pension and gratuity funds for 2009 amount to Rs. 22 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
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%
2004	193 126	189 384	(3 742)	4%	9%

8. Taxation

8.1 The income tax assessments of the Company have been finalised up to and including Tax Year 2007 (Financial year ending 31 December 2006). 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 tax department has filed appeals with Income Tax Appellate Tribunal (ITAT) in respect of accounting years 1998 to 2001, 2003 and 2005 to 2007. In case appeals are decided against the Company additional tax liability of Rs. 162 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.

8.2 Reconciliation of tax charge

	2008 %	2007 %
Applicable tax rate	35.00	35.00
Tax effect of amount that are deductible for tax purpose	(0.22)	0.01
Tax effect of amounts tax at reduced rates	(0.44)	(0.36)
Tax effect of income exempt from tax	(34.86)	(35.19)
Tax effect of rebates and tax credit	–	(0.01)
Average effective tax rate charged on income	(0.52)	(0.55)

Rupees '000

8.3 Deferred taxation	2008	2007
Opening balance	84 183	(14 831)
Charge for the year due to accelerated depreciation	(10 672)	(6 517)
Tax loss (utilised) / carried forward	(23 685)	105 531
Share of loss from associate	24 903	–
Deferred tax asset	74 729	84 183

	2008	2007
		Rupees '000

9. Other creditors and accruals

	2008	2007
Federal Insurance Fee	4 870	5 785
Federal Excise Duty	40 304	24 288
Sundry creditors	22 228	15 084
For shares acquisition	–	57 710
Others	582	7 951
	67 984	110 818

10. Investments

Rupees '000

		2008	2007
In related parties			
Investment in associate	note 10.1	8 455 906	10 600 438
Held for trading	note 10.2	–	7 469
Available for sale	note 10.3	1 126 299	2 552 958
		9 582 205	13 160 865
Others			
Held for trading	note 10.2	85 353	371 041
Available for sale	note 10.3	2 164 440	4 601 946
Held to maturity	note 10.4	–	461 510
		2 249 793	5 434 497
		11 831 998	18 595 362

– Corresponding figures have been rearranged for better presentation.

10.1 Investment in associate

10.1.1 Investment in associate comprises of investment in 30 480 484 (2007: 20 162 580) ordinary shares of EFU Life Assurance Limited. The carrying value of investment as at 31 December 2008 includes an impairment charge of Rs. 1 987 million based on the recoverable amount of EFU Life Assurance Limited which is its value in use as at 31 December 2008. Market value of investment and the percentage of holding as at 31 December 2008 is Rs. 10 874 million and 40.64 % (2007: Rs. 12 478 million and 40.33 %).

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

Rupees '000

	2008
Total assets	1 278 269
Total liabilities	(23 888)
Net assets	1 254 381
Company's share of net assets of associate	300 891
Loss after tax	(473 159)

The recoverable amount of the investment in EFU Life Assurance Limited was tested for impairment based on value in use, in accordance with International Accounting Standard 36 "Impairment of Assets". The value in use calculations were carried out by an independent actuary and are based on cash flows projections based on the budget and forecast approved by the management for ten years. These are than extrapolated till perpetuity using a steady long term expected growth of insurance business of 15 % and value in use is determined by discounting cash flows using a discount rate of 21.5 %.

		2008	2007
			Rupees '000
10.2 Held for trading			
In related parties		–	7 469
Others			
Equity securities		50 353	371 041
Fixed income securities		35 000	–
		85 353	371 041
		85 353	378 510

10.2.1 During the year, the Company reclassified certain equity securities amounting to Rs. 319.7 million from held for trading to available for sale investments as allowed for reclassification by the amendment published in International Accounting Standard 39, "Financial Instruments" in rare circumstances.

		2008	2007
			Rupees '000
10.3 Available for sale			
In related parties			
Equity securities	note 10.3.1	2 514 080	2 552 958
Impairment during the year		(1 427 402)	–
		1 086 678	2 552 958
Fixed income securities	note 10.3.3	39 621	–
Others			
Equity securities	note 10.3.1	4 092 603	4 601 946
Impairment during the year		(2 279 765)	–
		1 812 838	4 601 946
Fixed income securities	note 10.3.3	351 602	–
		3 290 739	7 154 904

10.3.1 The market value of available for sale - equity securities is Rs. 2 994 million (2007: Rs. 7 286 million).

10.3.2 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/3/2008 dated 29 January 2009 and disclosed in the financial statements as required.

Furthermore, SECP vide circular no 3/2009 dated 16 February 2009 has allowed that for the purpose of application of clause 16(1)(a) of Part A and clause 13(1)(a) of Part B to the Annexure II: "Statements required to be filed by life and non-life insurers" of the Insurance Rules 2002, where the market value of any available for sale investment as at 31 December 2008 is less than cost, the fall in value may be treated as temporary and the investment valued at cost. If the fall in value of available for sale investment is treated as temporary, then twenty five percent of the difference after any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009 and it shall be treated as charge to profit and loss account for the purpose of distribution of dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be charged to Profit and Loss Account.

In order to comply with the requirements of IAS 39 and in view of market conditions and current economic scenario in the country, the Company decided to record full impairment of Rs. 3 707 million in the value of available for sale securities in these financial statements.

10.3.3 Fixed income securities

Rupees '000

Name of investment	Maturity year	Effective yield %	Profit payment	2008	2007
Certificate of Investments	2009	11.50	On maturity	30 000	32 500
Government Securities					
10 Years Pakistan Investment Bonds	2011 - 2013	4.42–13.00	Half yearly	138 463	141 883

Market value of Government Securities amounted to Rs. 113 million (2007: Rs. 131.4 million).

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

Name of investment	Maturity year	Effective yield %	Profit payment	2008	2007
Term Finance Certificates (TFCs):					
In related parties					
Jahangir Siddiqui & Co. Ltd.	2008	11.30	Half yearly	-	2 497
Jahangir Siddiqui & Co. Ltd. – 2nd Issue	2009	10.43	Half yearly	1 968	1 932
Jahangir Siddiqui & Co. Ltd. – 3rd Issue	2010	16.00	Half yearly	7 165	7 644
Jahangir Siddiqui & Co. Ltd. – 5th Issue	2013	15.71	Half yearly	30 488	30 500
				39 621	42 573
Others					
Standard Chartered Bank (Pakistan) Ltd.	2008	5.73	Half yearly	-	3 390
Pakistan Mobile Communications Ltd.	2008	11.30	Half yearly	-	15 830
New Allied Electronics Ltd.	2012	18.19	Quarterly	8 333	10 000
Askari Commercial Bank Ltd.	2013	11.48	Half yearly	-	50 326
Pakistan Mobile Comm. Ltd. – 3rd Issue	2013	18.52	Half yearly	24 975	24 985
Pak American Fertilizer Ltd.	2013	18.73	Quarterly	35 000	-
United Bank Ltd. – 2nd Issue	2013	9.72	Half yearly	-	24 258
Askari Commercial Bank Ltd. – 2nd Issue	2013	16.22	Half yearly	36 050	36 078
Financial Receivable Securitization Co. Ltd.	2014	16.00	Half yearly	9 163	9 998
United Bank Ltd. – 3rd Issue	2014	15.54	Half yearly	39 309	39 324
Allied Bank Ltd.	2014	17.22	Half yearly	30 309	30 365
				183 139	244 554
				391 223	461 510

Market value of Term Finance Certificates (AFS) amounted to Rs. 213 million (2007: Rs. 296.4 million).

10.3.4 As per the Company's accounting policy, available for sale investments are stated at lower of cost or market value. However, International Accounting Standard (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 2008 would have been higher by Rs. 70 million (2007: Rs. 131 million).

10.4 During the year, the management has reclassified all the investments in held to maturity to available for sale – fixed income securities. The corresponding figures have been shown under available for sale for the purpose of comparability.

11. Investment properties

Rupees '000

2008

	Cost				Depreciation			Written down value
	As at 01 January	Additions	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

2007

	Cost				Depreciation			Written down value
	As at 01 January	Additions	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	–	343 079	5	102 831	17 154	119 985	223 094
Lifts and other installations	2 952	1 053	4 005	10	1 769	304	2 073	1 932
	393 499	1 053	394 552		104 600	17 458	122 058	272 494

11.1 The market value of land and buildings is estimated at Rs. 1 242 million (2007: Rs. 1 081 million). The valuations have been carried out by independent valuers.

Rupees '000

	2008	2007
12. Premium due but unpaid – net – unsecured		
Considered good	1 752 417	1 546 814
Considered doubtful	1 093	1 093
	1 753 510	1 547 907
Provision for doubtful balances	(1 093)	(1 093)
	1 752 417	1 546 814
13. Accrued investment income		
Return accrued on fixed income securities	12 108	17 036
Dividend income	1 650	5 237
Return on bank deposits	10 031	6 923
Others	-	9
	23 789	29 205
14. Prepayments		
Prepaid reinsurance premium ceded	1 597 451	1 500 146
Prepaid rent	12 740	19 105
Others	20 650	13 515
	1 630 841	1 532 766
15. Other receivables		
Advances to employees	2 505	1 386
Advances to suppliers and contractors	16 033	22 075
Receivable from pension and gratuity funds - note 7	12 786	53 973
Others	864	6 541
	32 188	83 975

16. Fixed assets – tangible & intangible

Rupees '000

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
Vehicles	260 356	72 725	16 299	316 782	20	103 640	51 249	9 290	145 599	171 183
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
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

2007

	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	144 493	6 116	–	150 609	5	35 106	7 316	–	42 422	108 187
Furniture and fixtures	188 180	31 630	10 831	208 979	10	115 877	12 320	10 820	117 377	91 602
Vehicles	191 795	86 611	18 050	260 356	20	72 948	40 495	9 803	103 640	156 716
Office equipments	30 725	18 279	5 463	43 541	10	13 138	3 351	5 392	11 097	32 444
Computers	32 222	17 443	33	49 632	30	13 683	11 640	33	25 290	24 342
Intagibles										
Computer softwares	3 473	5 619	–	9 092	33	1 158	1 766	–	2 924	6 168
	596 468	165 698	34 377	727 789		251 910	76 888	26 048	302 750	425 039

16.1 The market value of land and buildings is estimated at Rs. 727 million (2007: Rs. 608 million). The valuations have been carried out by independent valuers.

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

Rupees '000

Mode of disposal	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
Vehicles					
(Negotiation)	250	54	196	400	Sheeraz Lodhia, Karachi
	275	-	275	350	A. Rehman Khandia, Karachi
	130	-	130	160	Iqbal Aamir, Karachi
	969	630	339	450	Faisal Fasih, Karachi
	500	425	75	130	Arif Pyara, Karachi
	523	122	401	300	Babar Ali Sajid, Lahore
	256	64	192	450	Muhammad Mehmood, Lahore
	56	4	52	200	Durry Fatima, Karachi
	1 209	806	403	1 209	Muhammad Khalid Salim, Karachi
	555	379	176	185	Syed Abid Raza Rizvi, Karachi
	555	398	157	250	Shakila Sultan, Karachi
	238	75	163	375	Sadaf Babar, Karachi
	112	32	80	400	Shaheen Mazhar, Karachi
	95	35	60	397	Khalil Ahmad, Sheikhupura
	267	89	178	375	Muhammad Arshad, Lahore
	108	38	70	165	Muhammad Zahid Alvi, Karachi
	94	33	61	100	Wali Muhammad, Karachi
	145	51	94	100	Syed Kamran Rashid, Karachi
	295	108	187	400	Feruz-un-Nissa, Karachi
	116	41	75	200	Arshad Moin Siddiqi, Karachi
	116	41	75	200	Arshad Moin Siddiqi, Karachi
	250	92	158	400	Muhammad Naeem, Rawalpindi
	555	277	278	300	Maria Noor, Karachi
	89	32	57	150	Wali Muhammad Baig, Karachi
	1 554	181	1 373	1 391	Insurance Claim
	383	57	326	377	Insurance Claim
	365	286	79	300	Insurance Claim
	604	473	131	604	Insurance Claim
	794	331	463	794	Insurance Claim
	560	280	280	560	Insurance Claim
	85	16	69	575	Insurance Claim
	100	3	97	300	Insurance Claim
Written down value below Rs. 50,000	4 096	3 837	259	3 654	
	16 299	9 290	7 009	16 201	
Furniture & fixture					
(Negotiation)	750	231	519	749	Insurance claim
Written down value below Rs. 50,000	2 935	2 935	-	1 074	
	3 685	3 166	519	1 823	
Office equipments					
(Negotiation)	195	74	121	35	Gemco, Karachi
	143	47	96	44	Gemco, Karachi
	14	14	-	1	Saleem, Karachi
	352	135	217	80	
Computers					
(Negotiation)	60	60	-	6	Shamshuddin, Karachi

17. Commitments

Commitments under operating leases for equipments, vehicles and computers amounts to Nil (2007: Rs 17 million).

		2008	2007
		Rupees '000	
18.	**Net premium revenue**		
	Premium revenue (net of reinsurers)	5 806 070	5 864 857
	Administrative surcharge	330 874	245 647
		6 136 944	6 110 504
19.	**Management expenses**		
	Salaries, wages and benefits	596 868	510 973
	Bonus to staff	65 650	76 134
	Rent, rates and taxes	34 457	25 821
	Telephone	15 684	14 283
	Postage	9 068	8 859
	Gas and electricity	23 335	14 530
	Printing and stationery	26 306	21 983
	Traveling and entertainment	45 285	42 069
	Depreciation	60 496	47 808
	Repairs and maintenance	9 624	6 621
	Other expenses	114 495	70 650
		1 001 268	839 731
20.	**Other income**		
	Gain on sale of fixed assets	10 365	10 415
	Interest on loan to employees	126	153
	Return on term deposits with banks	20 546	17 120
	Return on saving accounts	40 617	31 536
	Income from pension and gratuity funds	-	53 973
	Miscellaneous	27	11 516
		71 681	124 713
21.	**General and administration expenses**		
	Salaries, wages and benefits	153 191	133 601
	Bonus to staff	17 922	16 531
	Gratuity	76 634	-
	Rent, rates and taxes	1 162	1 166
	Telephone	2 490	2 095
	Postage	1 628	1 359
	Gas and electricity	7 899	3 458
	Printing and stationery	8 883	3 558
	Traveling and entertainment	21 423	20 931
	Depreciation	53 739	46 540
	Repairs and maintenance	5 261	3 524
	Legal and professional charges	6 706	808
	Publicity	53 437	52 264
	Property management expenses	37 934	44 029
	Donations - note 29	21 367	5 257
	Workers' Welfare Fund	1 353	-
	Zakat	42	167
	Other expenses	32 292	42 956
		503 363	378 244

GENERAL

22. 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

	2008				2007			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration (including bonus)	16 150	9 601	124 951	150 702	14 100	8 441	98 765	121 306
Retirement benefits	1 632	868	10 460	12 960	1 484	780	8 087	10 351
Utilities	99	324	6 322	6 745	89	382	4 165	4 636
Medical expenses	604	745	3 602	4 951	494	904	2 943	4 341
Leave passage	431	382	1 923	2 736	59	-	917	976
Total	18 916	11 920	147 258	178 094	16 226	10 507	114 877	141 610
Number of persons	1	3	73	77	1	3	55	59

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.

23. Segment reporting

Rupees '000

	Fire insurance business		Marine, aviation & transport		Motor		Miscellaneous		Treaty business		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Corporate segment assets	4 704 148	4 411 692	865 767	765 805	522 978	596 191	846 583	741 207	16 314	31 323	6 955 790	6 546 218
Corporate unallocated assets	–	–	–	–	–	–	–	–	–	–	14 273 902	20 843 757
Total assets	4 704 148	4 411 692	865 767	765 805	522 978	596 191	846 583	741 207	16 314	31 323	21 229 692	27 389 975
Corporate segment liabilities	5 392 163	4 992 020	1 185 311	1 217 326	3 195 401	3 801 083	676 687	604 373	153 467	142 248	10 603 029	10 757 050
Corporate unallocated liabilities	–	–	–	–	–	–	–	–	–	–	520 720	455 756
Total liabilities	5 392 163	4 992 020	1 185 311	1 217 326	3 195 401	3 801 083	676 687	604 373	153 467	142 248	11 123 749	11 212 806
Capital expenditures											217 055	166 752
Segment depreciation	–	–	–	–	–	–	–	–	–	–	–	–
Unallocated depreciation	–	–	–	–	–	–	–	–	–	–	114 235	94 346
Total depreciation	–	–	–	–	–	–	–	–	–	–	114 235	94 346

Location	External premium less reinsurance by geographical segments		Carrying amount of segmented assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
Pakistan	6 118 910	6 099 849	21 142 902	27 321 151	217 055	166 752
EPZ	18 034	10 655	58 947	24 902	–	–
Saudi Arabia	–	–	27 843	43 922	–	–
Total	6 136 944	6 110 504	21 229 692	27 389 975	217 055	166 752

24. Financial instruments and related disclosures

24.1 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against this risk, assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure that adequate liquidity is maintained.

24.2 Mark-up rate risk exposures

The Company's exposure to markup rate risk, based on the earlier of contractual re-pricing or maturity date as at 31 December 2008 is as follows:

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 other equivalent		–	–	–	–	4 091	–	4 091	4 091
Current and other accounts		–	–	–	–	669 415	–	669 415	669 415
Deposits maturing within 12 months	13.42	630 178	–	–	630 178	–	–	–	630 178
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
Salvage recoveries accrued		–	–	–	–	24 130	–	24 130	24 130
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	17 129 589	–	17 129 589	18 188 859
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		–	–	–	–	67 984	–	67 984	67 984
Other deposits		–	–	–	–	200 600	–	200 600	200 600
Un-claimed dividends		–	–	–	–	38 162	–	38 162	38 162
		–	–	–	–	6 666 023	–	6 666 023	6 666 023
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				

2007

		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 other equivalent		–	–	–	–	1 862	–	1 862	1 862
Current and other accounts		–	–	–	–	939 204	–	939 204	939 204
Deposits maturing within 12 months	9.90	221 810	–	–	221 810	–	–	–	221 810
Loans to employees	3.75	1 089	2 088	582	3 759	11	–	11	3 770
Investments	10.08	60 369	183 577	217 564	461 510	18 133 852	–	18 133 852	18 595 362
Premiums due but unpaid-net		–	–	–	–	1 546 814	–	1 546 814	1 546 814
Amount due from other insurers / reinsurers		–	–	–	–	63 753	–	63 753	63 753
Salvage recoveries accrued		–	–	–	–	34 319	–	34 319	34 319
Accrued investment income		–	–	–	–	29 205	–	29 205	29 205
Reinsurance recoveries against outstanding claims		–	–	–	–	2 980 797	–	2 980 797	2 980 797
Security deposits		–	–	–	–	13 899	–	13 899	13 899
Other receivables		–	–	–	–	83 975	–	83 975	83 975
		283 268	185 665	218 146	687 079	23 827 691	–	23 827 691	24 514 770
Financial liabilities									
Provision for outstanding claims (including IBNR)		–	–	–	–	5 335 723	–	5 335 723	5 335 723
Amount due to other insurers / reinsurers		–	–	–	–	818 289	–	818 289	818 289
Accrued expenses		–	–	–	–	112 647	–	112 647	112 647
Agent balances		–	–	–	–	298 101	–	298 101	298 101
Other creditors and accruals		–	–	–	–	110 818	–	110 818	110 818
Other deposits		–	–	–	–	134 819	–	134 819	134 819
Un-claimed dividends		–	–	–	–	18 471	–	18 471	18 471
		–	–	–	–	6 828 868	–	6 828 868	6 828 868
On-balance sheet sensitivity gap		283 268	185 665	218 146	687 079				
Total yield / markup rate risk sensitivity gap		283 268	185 665	218 146	687 079				

24.3 Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of change in market prices, whether those changes are caused by factors specific to the individual security, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments.

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

24.4 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.

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.

The Company is exposed to credit risk on premiums receivable from group clients and claim recoveries from insurer and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

24.5 Reinsurance risk

Reinsurance ceded does not relieve the Company from its obligations to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligations under the reinsurance agreements.

In common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other reinsurers.

In order to manage the risk the Company obtains reinsurance cover only from companies with sound financial health.

24.6 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. 10 to these financial statements.

24.7 Capital risk management

The Company's objective when managing capital is to safe guard 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.

Rupees '000

	2008	2007
25. Auditors' remuneration		
Audit fee and branches and other certification (KPMG Taseer Hadi & Co.)	800	375
Audit fee and branches and other certification (Hyder Bhimji & Co.)	383	375
Audit of accounts of Provident Fund, Gratuity and Pension Funds (Hyder Bhimji & Co.)	75	45
	1 258	795

		2008	2007
26. Earnings per share - basic and diluted			
(Loss) / profit for the year	(Rupees '000)	(5 471 226)	14 536 309
Weighted average number of ordinary shares	(Numbers '000)	115 000	115 000
(Loss) / earnings per share	(Rupees)	(47.58)	126.40

26.1 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.

26.2 The number of shares for the prior period has also been adjusted for the effect of bonus shares issued during the current year.

27. Non-adjusting event after the balance sheet date

The Board of Directors in its meeting held on 21 March 2009 have announced a cash dividend in respect of the year ended 31 December 2008 of Rs. 3.25 per share 32.50%, (2007: Rs. 6 per share, 60%). In addition, the Board of Directors have also approved the transfer from general reserve to un-appropriated profit amounting to Rs. 5.90 billion (2007: Rs. 13.80 billion transfer to general reserve from un-appropriated profit). These financial statements for the year ended 31 December 2008 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

28. 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:

	Rupees in '000	
	2008	2007
Transactions		
Associated company		
Premium written	5 505	4 572
Premium paid	3 891	6 917
Claims incurred	5 808	3 936
Claims lodged	1 698	5 513
Investment made	91 494	95 108
Bonus shares received	100 833	79 502
Dividend received	60 500	23 851
Bonus shares issued	8 550	23 826
Dividend paid	34 201	7 148
Key management personnel		
Premium written	474	354
Claims incurred	81	100
Bonus shares issued	45 364	155 632
Dividend paid	181 458	46 690
Compensation	108 315	83 140
Others		
Premium written	289 438	272 342
Premium paid	5 692	4 985
Premium ceded	602 435	-
Commission paid	46 003	75 458
Commission on cession	114 702	-
Claims incurred	231 389	151 311
Claims lodged	4 567	3 275
Claims on cession	281 306	-
Investment made	8 768	383 312
Investments sold	54 436	67 373
Bonus shares issued	25 719	70 343
Bonus shares received	213 320	10 771
Dividend paid	102 874	21 103
Dividend received	-	3 137
Bank Deposit	70 500	70 000
Expenses paid	290	5 870
Donation paid	2 021	1 050

	Rupees in '000	
	2008	2007
Employees' funds		
Contribution to provident fund	16 804	15 364
Contribution to pension fund	427	405
Bonus shares issued	772	2 572
Dividend paid	3 086	772
Balances		
Associated company		
Balance receivable	1 827	5 662
Key management personnel		
Balance receivable	48	41
Others		
Balance receivable	52 407	2 713
Balance payable	4 167	27 462
Employees' funds receivable / (payable)		
EFU gratuity fund	(42 111)	34 523
EFU pension fund	12 786	19 450

29. Donations

Donations include the following in whom a director is interested:

Rupees in '000

Name of director	Interest in donee	Name of donee	2008	2007
Saifuddin N. Zoomkawala	Member	Kashif Iqbal Thalassaemia Care Center	471 120	-
	Board member	Shaukat Khanum Memorial Trust	250 000	-
	Board member	Sindh Institute of Urology and Transplantation	250 000	-
Hasanali Abdullah	Member	Aga Khan Hospital and Medical College Foundation	1 050 000	1 050 000

30. Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors in their meeting held on 21 March 2009.

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

Pattern of shareholding as at 31 December 2008

Number of shareholders	Shareholdings From	Shareholdings To	Shares held
530	1	100	31 954
595	101	500	181 312
238	501	1 000	191 629
392	1 001	5 000	912 454
135	5 001	10 000	994 278
67	10 001	15 000	826 166
34	15 001	20 000	596 279
25	20 001	25 000	569 993
19	25 001	30 000	531 375
10	30 001	35 000	335 139
5	35 001	40 000	182 561
9	40 001	45 000	379 869
15	45 001	50 000	693 816
3	50 001	55 000	160 052
8	55 001	60 000	464 190
2	60 001	65 000	127 183
11	65 001	70 000	752 810
3	70 001	75 000	217 692
2	75 001	80 000	158 196
2	80 001	85 000	161 064
4	85 001	90 000	349 125
2	90 001	95 000	186 185
1	95 001	100 000	99 626
1	100 001	105 000	100 750
3	115 001	120 000	348 769
1	120 001	125 000	124 200
2	125 001	130 000	266 951
1	145 001	150 000	147 589
1	150 001	155 000	152 726
1	160 001	165 000	161 460
1	170 001	175 000	172 500
1	175 001	180 000	179 071
1	180 001	185 000	184 285
1	190 001	195 000	191 761
1	195 001	200 000	197 928
1	200 001	205 000	201 710
1	210 001	215 000	213 029
9	225 001	230 000	2 065 250
1	230 001	235 000	234 100
2	240 001	245 000	483 745
1	245 001	250 000	249 196
1	250 001	255 000	250 650
1	285 001	290 000	287 506
1	305 001	310 000	305 146
1	325 001	330 000	326 900
1	345 001	350 000	346 688
1	380 001	385 000	384 180
4	455 001	460 000	1 835 505
1	470 001	475 000	473 542
1	550 001	555 000	552 545
1	555 001	560 000	555 090
1	580 001	585 000	582 366
1	630 001	635 000	630 150
1	635 001	640 000	636 140
1	670 001	675 000	673 721
1	730 001	735 000	733 527
1	770 001	775 000	772 785
1	1 255 001	1 260 000	1 258 476
1	1 290 001	1 295 000	1 292 445
1	2 065 001	2 070 000	2 065 654
1	2 550 001	2 555 000	2 551 334
1	4 345 001	4 350 000	4 347 726
1	5 635 001	5 640 000	5 638 910
1	6 910 001	6 915 000	6 911 035
1	7 625 001	7 630 000	7 625 451
1	7 830 001	7 835 000	7 831 073
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
2 174		Total	115 000 000

Categories of shareholders	Shareholders	Shares held	Percentage
Associated companies, undertakings and related parties	6	12 564 902	10.93
NIT & ICP	–	–	–
CEO, Directors, their spouses and minor children	12	21 033 335	18.29
Executives	14	320 048	0.28
Public sector companies & corporations	1	2 551 334	2.22
Joint stock companies	88	20 988 736	18.25
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Co. Modaraba and Mutual Funds	57	2 671 838	2.32
Foreign investors (repatriable basis)	9	7 021 610	6.11
Charitable institutions	3	14 104 405	12.26
Administrator of Abandoned Properties	1	5 638 910	4.90
Individuals / others	1 983	28 104 882	24.44
Total	2 174	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	7 625 451
Trustees EFU General Insurance Ltd. Staff Provident Fund	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
JS Bank Limited	1	166
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	250 650
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	673 721
Mrs. Onaiza Ahmad W/o. Sultan Ahmad	1	35 282
Shareholders holding 10% or more voting interest		
Ebrahim Alibhai Foundation	1	13 964 220
Jahangir Siddiqui & Co. Ltd.	1	18 675 500

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MUHAMMAD SIDDIQUE KHAN
Asstt. Vice President

SAIFULLAH
Asstt. Vice President

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Asstt. Vice President

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334186

IJAZ ALI
Officer Incharge

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 76th Annual General Meeting of the Company to be held on Monday April 27, 2009 at 9:30 a.m. and at any adjournment thereof.

Signed this ____________ day of April 2009.

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.

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GENERAL

ANNUAL REPORT 2008


E F U HOUSE