



Report (Unaudited)  
Third Quarter 2008



**GENERAL**

E F U GENERAL INSURANCE LTD.

## Company Information

### Chairman

Rafique R. Bhimjee

### Managing Director & Chief Executive

Saifuddin N. Zoomkawala

### Directors

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

### Chief Financial Officer & Corporate Secretary

Altaf Qamruddin Gokal, F.C.A.

### Legal Advisor

Mohammad Ali Sayeed

### Senior Advisor

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

### Advisors

Akhtar K. Alavi, A.C.I.I.  
Naqi Zamin Ali

### Audit Committee

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

### Rating Agency: JCR-VIS

Insurer Financial Strength Rating: AA  
Outlook Stable

### Auditors

Hyder Bhimji & Co.  
Chartered Accountants  
Karachi

KPMG Taseer Hadi & Co.,  
Chartered Accountants  
Karachi

### Registrar

Technology Trade (Pvt.) Ltd.  
Dagia House 241-C  
Block-2, P.E.C.H.S.  
Off Shakra-e-Quaideen  
Ph : (92-21) 4391316-17  
Fax : (92-21) 4391318

### Website

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

### Registered Office

11/4, Shahrah-e-Pehlavi, Peshawar.

### Main Offices

EFU House  
M.A. Jinnah Road, Karachi.

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

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We are pleased to present the unaudited condensed financial statements for the nine months period ended 30 September 2008.

The Written Premium for the nine months period was Rs. 7,755 million as against Rs. 7,227 million in the corresponding period of last year, representing a growth of Rs. 528 million (7%). The overall claim ratio on Net Premium Revenue was 71% as against 75% in the corresponding period of last year. The total Underwriting Profit in the nine months period was Rs. 313 million as compared to Rs. 266 million in corresponding period of 2007 showing a growth in underwriting profit by 18%.

As a result of continued decline in the stock market, the investment income for the nine months period was lower at Rs. 233 million compared to Rs. 1,008 million in corresponding period of last year.

The after tax profit for the nine months was Rs. 345 million compared to Rs. 1,010 million in the corresponding period of last year.

The pace of economic activities in the country continued to slide down in the last quarter also. The insurance industry has also been impacted by it. The values of investments have depreciated considerably due to continuous fall in stock indices and it is likely to fall further when the floors are unfrozen.

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

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

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

Karachi, 30 October 2008

**Condensed Interim Balance Sheet**  
**As at 30 September 2008 (Unaudited)**



**GENERAL**

	<u>Note</u>	<u>AS AT</u>	
		<u>30-09-2008</u>	<u>31-12-2007</u>
<b>Share capital and reserves</b>			
Authorised capital		1,500,000	1,500,000
150 000 000 (2007: 150 000 000) Ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up share capital	10	1,150,000	1,000,000
Retained earnings		446,456	14,564,267
Reserves		12,541,844	600,000
Reserve for exceptional losses		12,902	12,902
		13,001,202	15,177,169
		14,151,202	16,177,169
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		5,420,345	5,335,723
Provision for unearned premium		4,524,159	3,984,881
Premium deficiency reserve		21,652	32,308
Commission income unearned		311,002	276,831
Total underwriting provisions		10,277,158	9,629,743
<b>Creditors and accruals</b>			
Premiums received in advance		15,344	43,226
Amounts due to other insurers/reinsurers		773,954	818,289
Accrued expenses		126,841	112,646
Agent balances		380,656	298,101
Unearned rentals		46,317	46,693
Other creditors and accruals		99,494	110,818
		1,442,606	1,429,773
<b>Other liabilities</b>			
Other deposits		185,316	134,819
Unclaimed dividend		31,211	18,471
		216,527	153,290
<b>Total liabilities</b>		11,936,291	11,212,806
<b>Total equity and liabilities</b>		26,087,493	27,389,975
<b>Contingencies and commitments</b>	7,9		

**GENERAL**

Rupees '000

	<u>Note</u>	<u>AS AT</u>	
		<u>30-09-2008</u>	<u>31-12-2007</u>
<b>Cash and bank deposits</b>			
Cash and other equivalent		6,761	1,862
Current and other accounts		709,694	939,204
Deposits maturing within 12 months		243,482	221,810
		959,937	1,162,876
<b>Loans - secured considered good</b>			
To employees		3,274	3,770
<b>Investments</b>	5	15,903,229	18,595,362
<b>Investment properties</b>		261,716	272,494
<b>Deferred taxation</b>		29,740	84,183
<b>Other assets</b>			
Premiums due but unpaid - net		2,387,503	1,546,814
Amounts due from other insurers / reinsurers		224,187	63,753
Salvage recoveries accrued		32,056	34,319
Accrued investment income		27,793	29,205
Reinsurance recoveries against outstanding claims		3,231,566	2,980,797
Taxation-provision less payments		164,051	140,334
Deferred commission expense		427,264	420,389
Prepayments		1,854,626	1,532,766
Security deposits		10,218	13,899
Other receivables		73,059	83,975
		8,432,323	6,846,251
<b>Fixed assets-tangible &amp; intangible</b>			
Land and buildings		146,932	113,767
Furniture, fixtures and office equipment		177,291	148,388
Motor vehicles		168,357	156,716
Computer software		4,694	6,168
		497,274	425,039
<b>Total assets</b>		<u>26,087,493</u>	<u>27,389,975</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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



Rupees '000

	Three months period ended 30 September						
	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate	
						2008	2007
<b>Revenue account</b>							
Net premium revenue	146,628	289,558	1,028,316	21,515	64,332	1,550,349	1,407,131
Add: Change in premium deficiency reserve	-	-	-	-	-	-	-
Less: Net claims	81,383	124,084	830,544	8,143	60,940	1,105,094	1,102,648
Less: Expenses	99,433	39,939	104,970	18,687	-	263,029	249,218
Less: Net commission	(27,712)	46,441	60,462	(11,895)	16,775	84,071	62,041
<b>Underwriting result</b>	(6,476)	79,094	32,340	6,580	(13,383)	98,155	(6,776)
Investment income						(20,721)	356,806
Rental income						20,960	19,265
Other income						16,538	12,996
Difference in exchange						13,669	(242)
Share of profit of an associate - note 5						23,280	-
General and administration expenses						(113,263)	(120,118)
						(59,537)	268,707
<b>Profit before tax</b>						38,618	261,931
Provision for taxation - current						(2,540)	62,000
- deferred						(16,782)	(1,459)
						(19,322)	60,541
<b>Profit after tax</b>						19,296	322,472
<b>Earnings per share - basic and diluted</b>					(Rupees)	0.17	2.80

	Nine months period ended 30 September						
	Fire & property damage	Marine, aviation & transport	Motor	Others	Treaty	Aggregate	
						2008	2007
<b>Revenue account</b>							
Net premium revenue	485,157	741,472	3,153,528	61,168	199,738	4,641,063	4,410,486
Add: Change in premium deficiency reserve	-	-	10,656	-	-	10,656	-
Less: Net claims	267,170	268,706	2,562,914	21,894	167,158	3,287,842	3,304,013
Less: Expenses	251,221	120,194	314,308	58,772	-	744,495	604,939
Less: Net commission	(46,715)	172,293	189,579	(43,319)	34,471	306,309	235,658
<b>Underwriting result</b>	13,481	180,279	97,383	23,821	(1,891)	313,073	265,876
Investment income						233,164	1,008,079
Rental income						61,692	56,127
Other income						44,605	40,888
Difference in exchange						20,429	(241)
Share of profit of an associate - note 5						66,297	-
General and administration expenses						(335,811)	(297,496)
						90,376	807,357
<b>Profit before tax</b>						403,449	1,073,233
Provision for taxation - current						(14,109)	(58,000)
- deferred						(44,705)	(4,961)
						(58,814)	(62,961)
<b>Profit after tax</b>						344,635	1,010,272
<b>Profit and loss appropriation account</b>							
Balance at commencement of period						14,564,267	777,958
Profit after tax						344,635	1,010,272
Share of equity of an associate - net of tax						87,554	-
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
<b>Balance unappropriated profit at end of the period</b>						446,456	1,038,230
<b>Earnings per share - basic and diluted</b>					(Rupees)	3.00	8.78

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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



Rupees '000

	Share capital	Reserves		Unappropriated profit	Reserve for exceptional losses	Total	
		General reserve	Investment revaluation reserve				Sub total
Balance as at 1 January 2007	500,000	500,000	-	500,000	777,958	12,902	1,790,860
Profit for the nine months ended 30 September 2007				-	1,010,272		1,010,272
Issue of bonus shares for the year 2006 @ 100%	500,000			-	(500,000)		-
Dividend paid for the year 2006 @ 30%				-	(150,000)		(150,000)
Transfer to general reserve		100,000		100,000	(100,000)		-
Balance as at 30 September 2007	<u>1,000,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>1,038,230</u>	<u>12,902</u>	<u>2,651,132</u>
Balance as at 1 January 2008	1,000,000	600,000	-	600,000	14,564,267	12,902	16,177,169
Profit for the nine months ended 30 September 2008				-	344,635		344,635
Share of equity of an associate - net of tax				-	87,554		87,554
Total income recognised for the period	-	-		-	432,189	-	432,189
Loss on available for sale investments			(1,858,156)	(1,858,156)			(1,858,156)
Issue of bonus shares for the year 2007 @ 15%	150,000			-	(150,000)		-
Dividend paid for the year 2007 @ 60%				-	(600,000)		(600,000)
Transfer to general reserve		13,800,000		13,800,000	(13,800,000)		-
Balance as at 30 September 2008	<u>1,150,000</u>	<u>14,400,000</u>	<u>(1,858,156)</u>	<u>12,541,844</u>	<u>446,456</u>	<u>12,902</u>	<u>14,151,202</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman



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



Rupees '000

	<b>2008</b>	<b>2007</b>
<b>Operating cash flows</b>		
a) Underwriting activities		
Premiums received	6,713,308	6,181,329
Reinsurance premiums paid	(2,923,494)	(2,231,280)
Claims paid	(5,793,056)	(4,365,673)
Reinsurance and other recoveries received	2,381,954	1,362,513
Commissions paid	(674,746)	(579,428)
Commissions received	478,289	482,048
Management expenses paid	(683,172)	(514,845)
Net cash flow from underwriting activities	(500,917)	334,664
b) Other operating activities		
Income tax paid	(37,826)	(89,339)
Other operating payments	(303,022)	(311,250)
Other operating receipts	31,720	51,391
Loans advanced	(603)	(380)
Loan repayments received	1,099	1,236
Net cash flow from other operating activities	(308,632)	(348,342)
<b>Total cash flow from all operating activities</b>	<b>(809,549)</b>	<b>(13,678)</b>
<b>Investment activities</b>		
Profit/ return received	70,752	100,324
Dividends received	135,253	141,911
Rentals received	61,316	44,277
Payments for investments	(3,188,967)	(5,666,648)
Proceeds from disposal of investments	4,254,171	5,347,380
Fixed capital expenditure	(149,686)	(129,562)
Proceeds from disposal of fixed assets	11,031	11,443
<b>Total cash flow from investing activities</b>	<b>1,193,870</b>	<b>(150,875)</b>
<b>Financing activities</b>		
Dividends paid	(587,260)	(147,063)
<b>Net cash outflow from all activities</b>	<b>(202,939)</b>	<b>(311,616)</b>
Cash at the beginning of the year	1,162,876	1,135,916
<b>Cash at the end of the period</b>	<b>959,937</b>	<b>824,300</b>
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(809,549)	(13,678)
Depreciation expense	(82,738)	(68,183)
Investment and rental income	294,856	1,064,206
Other Income	44,605	40,888
Share of profit of an associate	66,297	-
Increase in assets other than cash	1,542,285	1,387,757
(Increase) in liabilities other than running finance	(711,121)	(1,400,718)
<b>Profit after taxation</b>	<b>344,635</b>	<b>1,010,272</b>
<b>Definition of cash</b>		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	6,761	7,477
Current and other accounts	709,694	601,965
Deposits maturing within 12 months	243,482	214,858
	<b>959,937</b>	<b>824,300</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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



Rupees '000

**Three months period ended 30 September**

Class	Premiums				Reinsurance				Net premium revenue	
	Written	Unearned premium reserve		Earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2008 2007	
		Opening	Closing			Opening	Closing			
<b>Direct and facultative</b>										
Fire and property damage	895,224	1,725,530	1,772,659	848,095	682,007	1,421,435	1,401,975	701,467	146,628	64,070
Marine, aviation and transport	363,767	391,530	342,990	412,307	118,817	177,661	173,729	122,749	289,558	184,964
Motor	969,567	2,091,219	2,030,836	1,029,950	1,634	-	-	1,634	1,028,316	1,085,284
Miscellaneous	147,972	261,394	274,180	135,186	125,474	217,081	228,884	113,671	21,515	14,418
Total	2,376,530	4,469,673	4,420,665	2,425,538	927,932	1,816,177	1,804,588	939,521	1,486,017	1,348,736
Treaty - proportional	73,540	94,286	103,494	64,332	-	-	-	-	64,332	58,395
Grand Total	2,450,070	4,563,959	4,524,159	2,489,870	927,932	1,816,177	1,804,588	939,521	1,550,349	1,407,131

**Nine months period ended 30 September**

<b>Direct and facultative</b>										
Fire and property damage	2,730,190	1,407,375	1,772,659	2,364,906	2,070,390	1,211,334	1,401,975	1,879,749	485,157	337,695
Marine, aviation and transport	1,187,414	266,406	342,990	1,110,830	444,591	98,496	173,729	369,358	741,472	565,744
Motor	3,202,727	1,986,555	2,030,836	3,158,446	4,918	-	-	4,918	3,153,528	3,310,106
Miscellaneous	433,666	222,373	274,180	381,859	359,259	190,316	228,884	320,691	61,168	39,792
Total	7,553,997	3,882,709	4,420,665	7,016,041	2,879,158	1,500,146	1,804,588	2,574,716	4,441,325	4,253,337
Treaty - proportional	201,060	102,172	103,494	199,738	-	-	-	-	199,738	157,149
Grand Total	7,755,057	3,984,881	4,524,159	7,215,779	2,879,158	1,500,146	1,804,588	2,574,716	4,641,063	4,410,486

Note: Premium written includes administrative surcharge of Rs. 254.05 million (2007: Rs. 181.30 million)

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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



Rupees '000

Class	Three months period ended 30 September										
	Claims				Reinsurance					Net claims expense	
	Paid	Outstanding		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2008		
		Opening	Closing			Opening	Closing				
<b>Direct and facultative</b>											
Fire and property damage	457,512	2,327,751	2,879,457	1,009,218	413,009	2,078,396	2,593,222	927,835	81,383	60,904	
Marine, aviation and transport	117,798	868,139	654,242	(96,099)	8,965	639,609	410,461	(220,183)	124,084	90,848	
Motor	843,942	1,622,551	1,612,041	833,432	2,778	27,204	27,314	2,888	830,544	913,169	
Miscellaneous	59,746	196,545	223,236	86,437	52,065	174,340	200,569	78,294	8,143	6,757	
Total	1,478,998	5,014,986	5,368,976	1,832,988	476,817	2,919,549	3,231,566	788,834	1,044,154	1,071,678	
Treaty - proportional	55,828	46,257	51,369	60,940	-	-	-	-	60,940	30,970	
Grand Total	1,534,826	5,061,243	5,420,345	1,893,928	476,817	2,919,549	3,231,566	788,834	1,105,094	1,102,648	

Nine months period ended 30 September										
<b>Direct and facultative</b>										
Fire and property damage	2,516,237	2,695,377	2,879,457	2,700,317	2,218,161	2,378,236	2,593,222	2,433,147	267,170	149,220
Marine, aviation and transport	363,275	641,777	654,242	375,740	69,093	372,520	410,461	107,034	268,706	223,560
Motor	2,742,325	1,794,223	1,612,041	2,560,143	52,637	82,722	27,314	(2,771)	2,562,914	2,823,208
Miscellaneous	173,481	164,270	223,236	232,447	157,303	147,319	200,569	210,553	21,894	17,632
Total	5,795,318	5,295,647	5,368,976	5,868,647	2,497,194	2,980,797	3,231,566	2,747,963	3,120,684	3,213,620
Treaty - proportional	155,865	40,076	51,369	167,158	-	-	-	-	167,158	90,393
Grand Total	5,951,183	5,335,723	5,420,345	6,035,805	2,497,194	2,980,797	3,231,566	2,747,963	3,287,842	3,304,013

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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



**GENERAL**

Rupees '000

**Three months period ended 30 September**

Class	Commission						Commissions from reinsurers	Net underwriting expenses	
	Paid or payable	Deferred		Net expense	Other management expenses	Underwriting expenses		2008	2007
		Opening	Closing					2008	2007
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
<u>Direct and facultative</u>									
Fire and property damage	100,905	222,012	220,527	102,390	99,433	201,823	130,102	71,721	64,203
Marine, aviation and transport	47,523	40,266	32,804	54,985	39,939	94,924	8,544	86,380	225,104
Motor	55,243	125,623	120,397	60,469	104,970	165,439	7	165,432	4,924
Miscellaneous	16,595	25,445	29,015	13,025	18,687	31,712	24,920	6,792	3,593
Total	220,266	413,346	402,743	230,869	263,029	493,898	163,573	330,325	297,824
Treaty - proportional	20,416	20,880	24,521	16,775	-	16,775	-	16,775	13,437
Grand Total	240,682	434,226	427,264	247,644	263,029	510,673	163,573	347,100	311,261

**Nine months period ended 30 September**

<u>Direct and facultative</u>									
Fire and property damage	339,016	172,606	220,527	291,095	251,221	542,316	337,810	204,506	166,806
Marine, aviation and transport	149,364	83,360	32,804	199,920	120,194	320,114	27,627	292,487	346,629
Motor	195,949	114,009	120,397	189,561	314,308	503,869	(18)	503,887	284,126
Miscellaneous	45,303	19,091	29,015	35,379	58,772	94,151	78,698	15,453	7,833
Total	729,632	389,066	402,743	715,955	744,495	1,460,450	444,117	1,016,333	805,394
Treaty - proportional	27,669	31,323	24,521	34,471	-	34,471	-	34,471	35,205
Grand Total	757,301	420,389	427,264	750,426	744,495	1,494,921	444,117	1,050,804	840,599

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

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

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



Rupees '000

	<b>Nine months period ended 30 September</b>		<b>Three months period ended 30 September</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Income from trading investments</b>				
(Loss)/gain on sale of trading investments	(51,550)	300,508	2,162	90,762
Dividend income	6,198	32,355	-	4,322
	(45,352)	332,863	2,162	95,084
<b>Income from non-trading investments</b>				
Return on government securities	10,812	27,204	3,628	7,475
Return on other fixed income securities and deposits	24,824	48,595	6,964	13,006
Amortisation of premium relative to par	(3,009)	(8,935)	(644)	(2,286)
Loss on sale of TFCs	(4,952)	-	-	(160)
Dividend income - note 5	74,394	137,696	24,773	46,386
Gain on sale of non-trading investments	247,857	474,439	572	309,644
	349,926	678,999	35,293	374,065
<b>Gain/(loss) on revaluation of trading investments</b>	38,830	8,228	823	(108,164)
<b>Provision for impairment - available for sale</b>	(102,136)	-	(57,938)	-
<b>Investment related expenses</b>	(8,104)	(12,011)	(1,061)	(4,179)
<b>Net investment income/(loss)</b>	<u>233,164</u>	<u>1,008,079</u>	<u>(20,721)</u>	<u>356,806</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

**1. Status and nature of business**

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

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

**2. Basis for presentation**

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

**3. Summary of significant accounting policies**

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

**4. Premium deficiency reserve**

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

**5. Investments**

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

*Held for trading*

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

*Available for sale*

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are considered as available for sale. After initial recognition, these are stated at lower of cost or market value determined on an aggregate portfolio basis at the balance sheet date.

*Held to maturity*

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

*Investment in associates*

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

These investments are initially recognised at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the each balance sheet date. Share of post acquisition profit and loss of associates is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognised in the associates' profit and loss account are recognised directly in the equity of the Company.

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

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

Had there been no change in the accounting policy, the investments and equity as at 30 September 2008 would have been lower by Rs. 103.18 million and profit after tax for the period would have been lower by Rs. 5.22 million.

	30 September 2008	Rupees '000 31 December 2007
<b>In related parties</b>		
Investment in associate	10 795 109	10 600 438
Held for trading	-	7 469
Available for sale	1 981 033	2 552 958
	<u>12 776 142</u>	<u>13 160 865</u>
<b>Others</b>		
Held for trading	103 928	371 041
Available for sale		
- Equity investments	2 784 206	4 601 946
Provision for impairment	(102 136)	-
	<u>2 682 070</u>	<u>4 601 946</u>
- Fixed income securities	341 089	-
	<u>3 023 159</u>	<u>4 601 946</u>
Held to maturity *	-	461 510
	<u>3 127 087</u>	<u>5 434 497</u>
	<u>15 903 229</u>	<u>18 595 362</u>

The market value of investments in associate as on 30 September 2008 was Rs. 10 874 million (31 December 2007: Rs. 12 478 million) and the market value of investments in shares and securities as on 30 September 2008 was Rs. 5 070 million (31 December 2007: Rs. 8 125 million).

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

## 6. Operating leases

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

## 7. Taxation

The income tax assessments of the Company have been finalised upto and including Tax Year 2008 (Financial year ending 31 December 2007). The appeals relating to assessment years 1962-63 to 1975-76 have been decided in Company's favour. However, the department has filed references with the Supreme Court of Pakistan and with the High Court of Sindh for assessment years 1962-63 to 1971-72. Consequently there is a contingent tax liability of Rs. 5.33 million which may arise if the reference petitions are decided against the Company.

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

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

## 8. Fixed assets – tangible and intangible

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

	Rupees '000			
	Additions (at cost)		Disposals (at net book value)	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
<b>Tangibles</b>				
Buildings	39 611	4 052	-	-
Furniture and fixtures	40 218	22 345	519	2 612
Vehicles	53 325	66 923	4 790	5 458
Office equipments	5 643	17 540	95	202
Computers	9 895	14 411	-	33
<b>Intangibles</b>				
Computer softwares	994	4 291	-	-
	<u>149 686</u>	<u>129 562</u>	<u>5 404</u>	<u>8 305</u>

## 9. Commitments

Commitments under operating leases for vehicles, office equipments and computers as at 30 September 2008 were Rs. 2.8 million (31 December 2007: Rs. 17 million).

## 10. Share capital

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

## 11. Related party transactions

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

	Rupees '000	
	30 September 2008	30 September 2007
<b>Transactions</b>		
<b>Associated company</b>		
Premium written	5 406	4 449
Premium paid	3 024	6 917
Claims incurred	4 411	3 331
Claims lodged	1 698	4 397
Investment made	91 494	94 119
Bonus shares received	100 833	79 502
Bonus shares issued	8 550	23 826
Dividend received	60 500	23 851
Dividend paid	34 201	7 148



Rupees '000

	<b>30 September 2008</b>	<b>30 September 2007</b>
<b>Key Management Personnel</b>		
Premium written	462	270
Claims incurred	99	100
Bonus shares issued	45 364	155 632
Dividend paid	181 458	46 690
Compensation	68 749	60 662
<b>Others</b>		
Premium written	253 251	228 523
Premium paid	4 101	2 296
Premium ceded	537 326	-
Commission paid	27 992	46 428
Commission earned on cession	107 703	-
Claims incurred	176 986	104 483
Claims lodged	3 216	1 015
Claims on cession	220 327	-
Investments made	8 767	-
Sale of investments	54 436	8 084
Bonus shares received	87 026	-
Bonus shares issued	5 671	16 303
Dividend paid	22 684	4 891
Expenses paid	135	5 908
Donation paid	1 771	1 050
<b>Employees' funds</b>		
Contribution to provident fund	12 609	11 287
Contribution to gratuity fund	15 128	13 812
Contribution to pension fund	346	302
Bonus shares issued	772	2 572
Dividend paid	3 086	772
	<b>30 September 2008</b>	<b>31 December 2007</b>
<b>Balances</b>		
<b>Associated company</b>		
Balances receivable	1 526	5 662
<b>Key Management Personnel</b>		
Balances receivable	48	41
<b>Others</b>		
Balance receivable	129 987	760
Balance payable	1 499	27 462
<b>Employees' funds receivable / (payable)</b>		
EFU pension fund	19 450	19 450
EFU gratuity fund	19 395	34 523
EFU provident fund	(439)	-

**12. Corresponding figures**

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

**13. Date of authorisation for issue**

These condensed interim financial statements were authorised for issue by the Board of Directors in the meeting held on 30 October 2008.

SULTAN AHMAD  
Director

JAHANGIR SIDDIQUI  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman