



Report (Un-audited)
Second Quarter 2007



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, M.A.B.L.

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

Website

www.efuinsurance.com

Registered Office

11/4, Shahrah-e-Pehlavi, Peshawar

Main Offices

EFU House

M.A. Jinnah Road, Karachi

Co-operative Insurance Building

23-Shahrah-e-Quaid-e-Azam, Lahore.

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We are pleased to present the un-audited accounts for the six months period ended June 30, 2007.

The Written Premium for the six months period was Rs. 4,210 million compared to Rs. 4,177 million in the same period of previous year. The overall claim ratio on Net Premium Revenue was 73 % as against 75 % in the corresponding period of last year. The total Underwriting Profit for the six months period was Rs. 175 million compared to Rs. 97 million in the corresponding period of 2006.

The Investments Income increased by 29 % to Rs. 651 million compared to Rs. 505 million in corresponding period of last year.

The pre-tax profit for the six months was Rs. 811 million compared to Rs. 588 million in the corresponding period of 2006.

During the six months the Company made investments of Rs. 477 million in Equities and Fixed Income securities. The Market value of total investments as on June 30, 2007 was Rs. 13,111 million as against Rs. 9,184 million as on December 31, 2006.

The auditors in their review report have made mention for the policy of treating leases as operating leases and for accounting of investments in an associated Company at cost. The details for these items have been provided in the Notes 6 and 7 to the Account. The reason for treating the leases as operating lease and recording of investments in associated company at cost is due to specialized nature of taxability of profits of insurance companies.

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 Co. Limited and all our re-insurers for their continued guidance and support.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi 27 August, 2007

Introduction

We have reviewed the accompanying:

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

of EFU General Insurance Ltd. ("the Company") as at and for the six months period ended 30 June 2007 (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for qualified conclusion

As more fully explained in note – 6 of interim financial information the Company's investments in an associated company have been accounted for at lower of cost or market value. International Accounting Standard 28 (IAS 28: Accounting for Investments in Associates) requires that such investments be valued using equity method. Had equity method been used for valuation, the value of investments at 30 June 2007 would have been higher by Rs.285 million with the corresponding effect on profit for the period and opening retained earning by Rs. 100 million and Rs. 185 million respectively.

Further the Company follows the policy of treating all leases as operating leases the effect of which has not been determined. Total commitments under leases are disclosed in note 10

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended 30 June 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The interim financial statements for six months period ended 30 June 2006, and financial statements for the year ended 31 December 2006 were reviewed / audited by another firm of Chartered Accountants who had expressed in their review / audit reports qualified conclusion / opinion vide their reports dated 28 August 2006 and 24 March 2007 respectively, due to the matters described in the preceding paragraphs.

The figures for the quarter ended 30 June 2007 and 30 June 2006 in the accompanying interim financial information have not been reviewed and we do not express a conclusion on them.

Hyder Bhimji & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi 27 August, 2007

**Condensed Interim Balance Sheet
As at 30 June 2007 (Unaudited)**



	<u>Note</u>	<u>AS AT</u>	
		<u>30-06-2007</u>	<u>31-12-2006</u>
Share Capital and Reserves			
Authorised capital		1,500,000	1,500,000
150 000 000 (2006: 150 000 000) Ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up share capital	11	1,000,000	500,000
Retained earnings		715,758	777,958
Reserves		600,000	500,000
Reserve for exceptional losses		12,902	12,902
		1,328,660	1,290,860
		2,328,660	1,790,860
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		3,437,498	3,662,663
Provision for unearned premium		4,059,667	4,091,401
Commission income unearned		231,978	216,042
Total underwriting provisions		7,729,143	7,970,106
Deferred Liabilities			
Deferred taxation		18,333	14,831
Creditors and Accruals			
Premiums received in advance		3,704	8,426
Amounts due to other insurers/reinsurers		467,101	255,469
Accrued expenses		95,642	75,390
Agent balances		273,770	242,555
Unearned rentals		36,096	59,043
Taxation-provision less payments		4,878	-
Other creditors and Accruals		255,396	48,574
		1,136,587	689,457
Other Liabilities			
Staff retirement benefits		8,203	12,457
Other deposits		133,568	134,654
Unclaimed dividend		18,571	15,631
		160,342	162,742
Total Liabilities		9,044,405	8,837,136
Total Equity and Liabilities		11,373,065	10,627,996
Contingencies and Commitments	8,10		

	<u>Note</u>	<u>AS AT</u>	
		<u>30-06-2007</u>	<u>31-12-2006</u>
Cash and Bank Deposits			
Cash and other equivalent		6,942	5,865
Current and other accounts		522,158	610,035
Deposits maturing within 12 months		342,777	520,016
		871,877	1,135,916
Loans - secured considered good			
To employees		4,387	4,972
Investments	6	4,268,310	3,675,085
Investment properties		280,712	289,437
Other Assets			
Premiums due but unpaid - net		1,516,891	1,293,089
Amounts due from other insurers / reinsurers		462,661	225,680
Salvage recoveries accrued		43,210	46,217
Premium and claim reserves retained by cedants		-	1,610
Accrued investment income		56,432	29,723
Reinsurance recoveries against outstanding claims		1,613,126	1,938,300
Taxation-payments less provision		-	59,226
Deferred commission expense		366,238	358,439
Prepayments		1,316,389	1,170,113
Security deposits		13,447	19,125
Other receivables		163,123	37,044
		5,551,517	5,178,566
Fixed Assets-Tangible & Intangible			
Land and buildings		113,390	114,429
Furniture, fixtures and office equipment		132,973	108,429
Motor vehicles		147,652	118,847
Computer Software		2,247	2,315
		396,262	344,020
Total Assets		<u>11,373,065</u>	<u>10,627,996</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**Condensed Interim Profit And Loss Account
for the six months period ended 30 June 2007 (Unaudited)**



Rupees '000

	Three months period ended 30 June							
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Others	Treaty	Aggregate		
						2007	2006	
Revenue Account								
Net Premium Revenue	134,604	184,259	1,102,997	13,677	50,377	1,485,914	1,341,946	
Less: Net Claims	69,007	88,098	929,694	1,342	31,988	1,120,129	965,344	
Less: Expenses	75,279	35,862	102,332	13,669	-	227,142	223,545	
Less: Net Commission	(2,281)	30,801	65,574	(12,654)	11,090	92,530	75,612	
Underwriting result	(7,401)	29,498	5,397	11,320	7,299	46,113	77,445	
Investment Income						454,732	193,530	
Rental Income						18,480	17,297	
Other Income						16,858	8,862	
Difference in Exchange						(336)	96	
General and administration expenses						(41,747)	(34,026)	
						447,987	185,759	
Profit before tax						494,100	263,204	
Provision for taxation - current						60,500	60,000	
- deferred						2,580	1,303	
						63,080	61,303	
Profit after tax						431,020	201,901	
Earnings per share - basic and diluted				(Rupees)		4.31	2.02	

	Six months period ended 30 June							
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Others	Treaty	Aggregate		
						2007	2006	
Revenue Account								
Net Premium Revenue	273,625	380,780	2,224,822	25,374	98,754	3,003,355	2,599,294	
Less: Net Claims	88,316	132,712	1,910,039	10,875	59,423	2,201,365	1,961,973	
Less: Expenses	154,186	69,440	201,757	27,551	-	452,934	407,223	
Less: Net Commission	(22,944)	62,701	130,672	(18,580)	21,768	173,617	132,465	
Underwriting result	54,067	115,927	(17,646)	5,528	17,563	175,439	97,633	
Investment Income						651,273	505,457	
Rental Income						36,862	34,171	
Other Income						27,892	15,122	
Difference in Exchange						1	300	
General and administration expenses						(80,165)	(65,104)	
						635,863	489,946	
Profit before tax						811,302	587,579	
Provision for taxation - current						120,000	75,000	
- deferred						3,502	2,768	
						123,502	77,768	
Profit after tax						687,800	509,811	
Profit and Loss Appropriation Account								
Balance at commencement of period						777,958	305,980	
Profit after tax						687,800	509,811	
Dividend 2006 @ 30% (2005 @ 30%)						150,000	90,000	
Issue of bonus shares						500,000	200,000	
Transfers to General Reserve						100,000	-	
Balance unappropriated profit at end of the period						715,758	525,791	
Earnings per share - basic and diluted				(Rupees)		6.88	5.10	

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Condensed Interim Statement of Changes in Equity
for the six months period ended 30 June 2007 (Unaudited)**



Rupees '000

	Share Capital	General Reserve	Unapprop- riated Profit	Reserve for exceptional Losses	Total
Balance as at 1 January 2006	300,000	500,000	305,980	12,902	1,118,882
Profit for the Period			509,811		509,811
Issue of bonus shares for the year 2005 @ 66.67%	200,000		(200,000)		-
Dividend paid for the year 2005 @ 30%			(90,000)		(90,000)
Balance as at 30 June 2006	<u>500,000</u>	<u>500,000</u>	<u>525,791</u>	<u>12,902</u>	<u>1,538,693</u>
Balance as at 1 January 2007	500,000	500,000	777,958	12,902	1,790,860
Profit for the Period			687,800		687,800
Issue of bonus shares for the year 2006 @ 100%	500,000		(500,000)		-
Dividend paid for the year 2006 @ 30%			(150,000)		(150,000)
Transfers to General Reserve		100,000	(100,000)		-
Balance as at 30 June 2007	<u>1,000,000</u>	<u>600,000</u>	<u>715,758</u>	<u>12,902</u>	<u>2,328,660</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Condensed Interim Statement of Cash Flows
for the six months period ended 30 June 2007 (Unaudited)**



Rupees '000

	2007	2006
Operating Cash Flows		
a) Underwriting activities		
Premiums received	3,891,199	3,831,068
Reinsurance premiums paid	(1,148,578)	(1,093,340)
Claims paid	(2,961,293)	(2,163,619)
Reinsurance and other recoveries received	723,005	354,440
Commissions paid	(361,074)	(339,893)
Commissions received	226,808	205,140
Management expenses paid	(371,745)	(361,711)
Net cash flow from underwriting activities	(1,678)	432,085
b) Other operating activities		
Income tax paid	(55,896)	(75,380)
Other operating payments	(247,036)	(21,923)
Other operating receipts	155,888	38,632
Loans advanced	(250)	(68)
Loan repayments received	835	261
Net cash flow from other operating activities	(146,459)	(58,478)
Total cash flow from all operating activities	(148,137)	373,607
Investment activities		
Profit/ Return received	67,748	49,194
Dividends received	89,934	116,703
Rentals received	13,915	65,349
Payments for investments	(2,975,565)	(2,586,757)
Proceeds from disposal of investments	2,918,559	2,133,960
Fixed capital expenditure	(91,492)	(61,756)
Proceeds from disposal of fixed assets	8,059	5,595
Total cash flow from investing activities	31,158	(277,712)
Financing activities		
Dividends paid	(147,060)	(88,212)
Net cash (outflow)/inflow from all activities	(264,039)	7,683
Cash at the beginning of the year	1,135,916	1,192,906
Cash at the end of the period	871,877	1,200,589
Reconciliation to Profit and Loss Account		
Operating cash flows	(148,137)	373,607
Depreciation expense	(43,598)	(31,136)
Investment and Rental income	688,135	539,628
Other Income	27,892	15,122
Increase in assets other than cash	385,903	353,912
(Increase) in liabilities other than running finance	(222,395)	(741,322)
Profit after taxation	687,800	509,811
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	6,942	10,056
Current and other accounts	522,158	723,608
Deposits maturing within 12 months	342,777	466,925
	871,877	1,200,589

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Condensed Interim Statement of Premiums for the six months period ended 30 June 2007 (Unaudited)



Rupees '000

Three months period ended 30 June

Class	Premiums				Reinsurance				Net Premium Revenue	
	Written	Unearned Premium Reserve		Earned	Reinsurance ceded	Prepaid Reinsurance Premium ceded		Reinsurance expense	2007	2006
		Opening	Closing			Opening	Closing			
Direct and Facultative										
Fire and Property Damage	498,148	1,208,431	1,108,263	598,316	406,914	951,548	894,750	463,712	134,604	144,715
Marine, Aviation and Transport	361,904	527,962	598,789	291,077	154,972	160,449	208,603	106,818	184,259	158,778
Motor	1,041,140	2,157,214	2,093,628	1,104,726	2,087	3,803	4,161	1,729	1,102,997	996,213
Miscellaneous	97,059	169,510	186,528	80,041	84,946	142,706	161,288	66,364	13,677	13,133
Total	1,998,251	4,063,117	3,987,208	2,074,160	648,919	1,258,506	1,268,802	638,623	1,435,537	1,312,839
Treaty	22,680	100,156	72,459	50,377	-	-	-	-	50,377	29,107
Grand Total	2,020,931	4,163,273	4,059,667	2,124,537	648,919	1,258,506	1,268,802	638,623	1,485,914	1,341,946

Six months period ended 30 June

Direct and Facultative										
Fire and Property Damage	1,226,255	1,056,837	1,108,263	1,174,829	967,262	828,692	894,750	901,204	273,625	291,765
Marine, Aviation and Transport	611,282	579,234	598,789	591,727	209,084	210,466	208,603	210,947	380,780	318,365
Motor	2,068,893	2,252,950	2,093,628	2,228,215	4,127	3,427	4,161	3,393	2,224,822	1,903,746
Miscellaneous	208,571	126,599	186,528	148,642	179,737	104,819	161,288	123,268	25,374	26,901
Total	4,115,001	4,015,620	3,987,208	4,143,413	1,360,210	1,147,404	1,268,802	1,238,812	2,904,601	2,540,777
Treaty	95,432	75,781	72,459	98,754	-	-	-	-	98,754	58,517
Grand Total	4,210,433	4,091,401	4,059,667	4,242,167	1,360,210	1,147,404	1,268,802	1,238,812	3,003,355	2,599,294

Note: Premium written includes administrative surcharge of Rs. 113.25 million (2006: Rs. 116.23 million)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Condensed Interim Statement of Claims
for the six months period ended 30 June 2007 (Unaudited)**



Rupees '000

Three months period ended 30 June

Class	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	2007	2006
		Opening	Closing			Opening	Closing			
Direct and Facultative										
Fire and Property Damage	664,590	1,581,252	1,327,660	410,998	597,649	1,422,345	1,166,687	341,991	69,007	32,578
Marine, Aviation and Transport	68,496	557,724	580,300	91,072	136	328,018	330,856	2,974	88,098	74,132
Motor	934,491	1,355,708	1,350,206	928,989	(363)	6,950	6,608	(705)	929,694	828,810
Miscellaneous	40,685	150,991	127,028	16,722	34,601	128,196	108,975	15,380	1,342	6,952
Total	1,708,262	3,645,675	3,385,194	1,447,781	632,023	1,885,509	1,613,126	359,640	1,088,141	942,472
Treaty	35,046	55,362	52,304	31,988	-	-	-	-	31,988	22,872
Grand Total	1,743,308	3,701,037	3,437,498	1,479,769	632,023	1,885,509	1,613,126	359,640	1,120,129	965,344

Six months period ended 30 June

Direct and Facultative										
Fire and Property Damage	1,011,113	1,687,763	1,327,660	651,010	872,934	1,476,927	1,166,687	562,694	88,316	107,076
Marine, Aviation and Transport	120,899	567,215	580,300	133,984	1,941	331,525	330,856	1,272	132,712	162,589
Motor	1,769,713	1,210,414	1,350,206	1,909,505	161	7,303	6,608	(534)	1,910,039	1,635,539
Miscellaneous	62,575	139,187	127,028	50,416	53,111	122,545	108,975	39,541	10,875	11,938
Total	2,964,300	3,604,579	3,385,194	2,744,915	928,147	1,938,300	1,613,126	602,973	2,141,942	1,917,142
Treaty	65,203	58,084	52,304	59,423	-	-	-	-	59,423	44,831
Grand Total	3,029,503	3,662,663	3,437,498	2,804,338	928,147	1,938,300	1,613,126	602,973	2,201,365	1,961,973

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Condensed Interim Statement of Expenses
for the six months period ended 30 June 2007 (Unaudited)**



Rupees '000

Three months period ended 30 June

Class	Commission			Net expense	Other management expenses	Underwriting expenses	Commissions from reinsurers	Net Underwriting Expenses	
	Paid or Payable	Deferred						2007	2006
		Opening	Closing						
a	b	c	d=a+b-c	e	f=d+e	g	h=f-g		
Direct and Facultative									
Fire and Property Damage	66,580	135,042	128,779	72,843	75,279	148,122	75,124	72,998	37,159
Marine, Aviation and Transport	39,807	74,729	76,745	37,791	35,862	73,653	6,990	66,663	74,563
Motor	64,839	128,566	127,842	65,563	102,332	167,895	(11)	167,906	180,043
Miscellaneous	8,107	15,743	16,926	6,924	13,669	20,593	19,578	1,015	(1,236)
Total	179,333	354,080	350,292	183,121	227,142	410,263	101,681	308,582	290,529
Treaty	4,997	22,039	15,946	11,090	-	11,090	-	11,090	8,628
Grand Total	184,330	376,119	366,238	194,211	227,142	421,353	101,681	319,672	299,157

Six months period ended 30 June

Direct and Facultative									
Fire and Property Damage	143,119	127,665	128,779	142,005	154,186	296,191	164,949	131,242	81,958
Marine, Aviation and Transport	76,604	77,390	76,745	77,249	69,440	146,689	14,548	132,141	120,511
Motor	131,962	126,488	127,842	130,608	201,757	332,365	(64)	332,429	323,629
Miscellaneous	19,601	10,184	16,926	12,859	27,551	40,410	31,439	8,971	(1,963)
Total	371,286	341,727	350,292	362,721	452,934	815,655	210,872	604,783	524,135
Treaty	21,003	16,711	15,946	21,768	-	21,768	-	21,768	15,553
Grand Total	392,289	358,438	366,238	384,489	452,934	837,423	210,872	626,551	539,688

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

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Condensed Interim Statement of Investment Income
for the six months period ended 30 June 2007 (Unaudited)**



Rupees '000

	Six months period ended 30 June		Three months period ended 30 June	
	2007	2006	2007	2006
Income from Trading Investments				
Gain on Sale of Trading Investments	209,746	53,808	166,627	38,163
Dividend Income	28,033	31,528	13,662	14,972
	237,779	85,336	180,289	53,135
Income from Non-Trading Investments				
Held to maturity				
Return on Government Securities	19,729	30,440	7,532	13,943
Return on Other Fixed Income Securities and Deposits	35,589	20,891	17,802	10,374
Amortisation of premium relative to par	(6,649)	(9,186)	(3,267)	(4,605)
	48,669	42,145	22,067	19,712
Available for sale				
Dividend Income	91,310	101,863	56,876	55,907
Gain/(Loss) on Sale of Non-Trading Investments	164,955	206,800	104,360	(646)
	304,934	350,808	183,303	74,973
Gain on Revaluation of Trading Investments	116,392	73,098	96,542	65,963
Less: Investment Related Expenses	7,832	3,785	5,402	541
Net Investment Income	<u>651,273</u>	<u>505,457</u>	<u>454,732</u>	<u>193,530</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

1. Status and Nature of Business

EFU General Insurance Ltd. (the Company) was incorporated as a Public Limited Company on 2 September 1932 and is engaged in general insurance business comprising of fire, marine, motor, engineering 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 un-audited and are being presented in a condensed form in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan in the format prescribed under Insurance Rules, 2002 and Securities and Exchange Commission of Pakistan (SECP) circular No. 7 of 2003. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2006.

These condensed interim financial statements are being circulated to the shareholders as required by section 245 of the Companies Ordinance, 1984.

3 Significant accounting policies

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 31 December 2006.

4 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates. The significant assumptions made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2006.

5 Deficiency Reserve

The Insurance Rules, 2002 requires the Company to establish 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. During the period, management has reviewed the results of each class of business and considers that no additional reserve is required to be created other than already accounted for unearned premiums.

6 Investments

All investments are initially recognised at fair value being the cost of the consideration given and include transaction costs excluding held for trading investments. 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.

The above investments are classified into the following categories:

Held-for-trading

Available-for-sale

Held-to-maturity

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. Subsequent to initial recognition, these are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

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. The Company continues to follow its policy of valuing investments classified as available for sale at lower of cost or market value determined on an aggregate portfolio basis at the balance sheet.

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.

Available for sale Investments include investment in EFU Life Assurance Limited an associated company where EFU General Insurance Ltd. has significant influence. The Investment in EFU Life Assurance Limited is carried at a value of Rs. 122 million (31 December 2006: Rs. 87 million) at cost. International Accounting Standard 28 (IAS 28) "Investment in Associate" requires that an investment in associate in which the investor has significant influence shall be accounted for under the equity method. The Company considers that accounting for these investments at a value above cost would result in complications similar to those related to the adoption of International Accounting Standard 39 (IAS 39) "Financial Instrument-Recognition and Measurement". Had this investment been valued using equity method, the carrying amount of investment would have been higher by Rs. 285 million and profit for the period would have been higher by Rs. 100 million.

	As on 30 June 2007	Rupees '000 As on 31 December 2006
Held for Trading – at Market Value		
Mutual Funds – open ended	208 970	36 267
Mutual Funds – closed ended	84 134	74 632
Ordinary shares of Companies - Listed	783 898	740 899
	<u>1 077 002</u>	<u>851 798</u>
Available for Sale		
Mutual Funds – open ended	10 000	10 000
Mutual Funds – closed ended	201 272	201 322
Preference shares of Companies - Listed	60 000	60 000
Equity Investments in Associated undertakings - Listed	177 439	142 673
Ordinary shares of other Companies - Listed	2 011 102	1 368 177
	<u>2 459 813</u>	<u>1 782 172</u>
Held to Maturity		
Certificate of Investments	32 500	32 500
Pakistan Investment Bonds	244 668	420 673
WAPDA - First Sukuk Certificates	-	42 500
Term Finance Certificates	454 326	545 442
	<u>731 494</u>	<u>1 041 115</u>
	<u><u>4 268 309</u></u>	<u><u>3 675 085</u></u>

Investments in associated undertakings include equity investments in EFU Life Assurance Limited carried at cost amounting to Rs. 122 million (31 December 2006: Rs. 87 million) and JS Bank Ltd. carried at cost amounting to Rs. 56 million (31 December 2006: Rs. 55 million) and represent 39.9 % (31 December 2006: 39.5%) and 1.01 % (31 December 2006: 1.01%) of the issued capital of those companies respectively.

The market value of investments in Shares and Securities including investments in associates as on 30 June 2007 was Rs. 11,259 million (31 December 2006: Rs. 7,079 million).

7 Lease rental for Vehicles, Computers and Equipments under operating leases are charged to income currently.

8 Taxation

The income tax assessments of the Company have been finalized upto and including Tax Year 2005 (Financial year ending 31 December 2004). 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 in respect of accounting years 1998 to 2001 and 2003. In case appeals are decided against the Company additional tax liability of Rs. 124 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 reversal of the appellate decision.

9 Fixed Assets – Tangible and Intangible

The details of additions and disposals during the six months period ended 30 June 2007 were as follows:

	<u>Additions</u>	<u>Disposals</u>
Buildings	2 580	-
Furniture, fixtures and fittings	13 236	2 007
Office equipments	12 858	169
Computers and Softwares	10 827	33
Motor vehicles	51 471	8 529
Softwares	520	-
	<u>91 492</u>	<u>10 738</u>

10 Commitments

Commitments under operating leases for Equipments, Vehicles and Computers as at 30 June 2007 were Rs. 31 million (31 December 2006: Rs. 58 million).

11 Share Capital

Number of Shares			Rupees '000	
<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
250,000	250,000	Ordinary shares of Rs. 10 each, fully paid in cash.	2,500	2,500
<u>99,750,000</u>	<u>49,750,000</u>	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares.	<u>997,500</u>	<u>497,500</u>
<u>100,000,000</u>	<u>50,000,000</u>		<u>1,000,000</u>	<u>500,000</u>

12 Related party transactions

The related parties comprise of directors, key management personnel, associated undertakings, entities with common directors and employees' funds

	<u>Six month period ended 30 June 2007</u>	<u>Six months period ended 30 June 2006</u>
		Rupees '000
Associated companies		
Transactions		
Premium written	110 335	75 880
Premium paid	5 592	3 865
Commission paid	20 991	15 239
Claims incurred	70 238	52 461
Claims lodged	5 140	2 386
Investment made	34 766	19 543
Bonus shares issued	198 334	73 792
Bonus shares received	79 502	35 115
Dividend paid	59 500	33 206
Dividend received	23 851	16 387
Rent received	-	58
Traveling expenses paid	66	25
Donation paid	1 050	50
Medical expenses paid	47	8

Balances

Balance receivable	3 240	8 217
Balance payable	17 531	-

Employees' funds

Transactions

Contribution to provident fund	6 583	6 604
Contribution to gratuity fund	8 203	7 717
Contribution to pension fund	170	172

Balances

Balance receivable

EFU pension fund	-	311
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Balance payable

EFU provident fund	-	3
EFU gratuity fund	8 203	7 713
EFU pension fund	572	-

13 Transaction with Key Management Personnel

Key management personnel receive compensation in the form of short term employee benefits, use of Company maintained cars and post employment benefits. Key management personnel received total compensation of Rs. 30.40 million for the six months period ended 30 June 2007 (30 June 2006: Rs. 29.24 million).

14 Date of Authorisation

These condensed Interim financial statements were authorized for issue by the Board of Directors in the meeting held on 27 August, 2007.

15 General

Figures have been rounded off to the nearest thousands.