



Report (Un-audited)
First Quarter 2007



GENERAL

E F U GENERAL INSURANCE LTD.

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

Corporate Secretary

Hasanali Abdullah

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

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 three months period ended March 31, 2007.

The Written Premium for the three months period was Rs. 2,190 million as against 2,070 in the corresponding period of last year. The overall claim ratio on Net Premium Revenue was 71 % as against 79 % in the corresponding period of last year. The loss in Motor Business was due to inflation in cost of parts and repairs of partially damaged vehicles. The total Underwriting Profit for the three months period was Rs. 129 million compared to Rs. 20 million in the corresponding period of 2006.

The pre-tax profit for the three months was Rs. 317 million compared to Rs. 324 million in the corresponding period of 2006.

The Investments Income was Rs. 196 million compared to Rs. 312 million in corresponding period of last year.

The Market value of investments in Shares and Securities appreciated by Rs. 1,156 million during three months period. The total appreciation as on March 31, 2007 was Rs. 4,135 million.

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

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi April 24, 2007

Balance Sheet as at 31 March 2007 (Unaudited)



	<u>Note</u>	<u>AS AT</u>	
		<u>31-03-2007</u>	<u>31-12-2006</u>
Share Capital and Reserves			
Authorised capital			
150 000 000 (2006: 150 000 000) Ordinary shares of Rs. 10 each		1,500,000	1,500,000
Paid-up share capital	9	500,000	500,000
Retained earnings		1,034,738	777,958
Reserves		500,000	500,000
		1,534,738	1,277,958
Reserve for exceptional losses		12,902	12,902
		2,047,640	1,790,860
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		3,701,037	3,662,663
Provision for unearned premium		4,163,273	4,091,401
Commission income unearned		227,620	216,042
Total underwriting provisions		8,091,930	7,970,106
Deferred Liabilities			
Staff retirement benefits		4,069	12,457
Deferred taxation		15,753	14,831
		19,822	27,288
Creditors and Accruals			
Premiums received in advance		5,371	8,426
Amounts due to other insurers/reinsurers		363,069	255,469
Accrued expenses		79,763	75,390
Agent balances		260,386	242,555
Unearned rentals		46,737	59,043
Other creditors		154,231	48,574
		909,557	689,457
Other Liabilities			
Other deposits		134,115	134,654
Unclaimed dividend		15,586	15,631
		149,701	150,285
Total Liabilities		9,171,010	8,837,136
Total Equity and Liabilities		11,218,650	10,627,996
Contingencies and Commitments			
	8		

	<u>Note</u>	<u>AS AT</u>	
		<u>31-03-2007</u>	<u>31-12-2006</u>
Cash and Bank Deposits			
Cash and other equivalent		8,939	5,865
Current and other accounts		638,885	610,035
Deposits maturing within 12 months		169,028	520,016
		816,852	1,135,916
Loans-secured considered good			
To employees		4,578	4,972
Investments	4	4,099,595	3,675,085
Investment properties		285,074	289,437
Other Assets			
Premiums due but unpaid - net		1,508,804	1,293,089
Amounts due from other insurers/reinsurers		371,560	225,680
Salvage recoveries accrued		64,376	46,217
Premium and claim reserves retained by cedants		-	1,610
Accrued investment income		61,951	29,723
Reinsurance recoveries against outstanding claims		1,885,509	1,938,300
Taxation-payments less provision		30,211	59,226
Deferred commission expense		376,119	358,439
Prepayments		1,302,502	1,170,113
Security deposits		13,018	19,125
Other receivables		30,496	37,044
		5,644,546	5,178,566
Fixed Assets-Tangible & Intangible			
Land and buildings		113,385	114,429
Furniture, fixtures and office equipment		119,512	108,429
Motor vehicles		133,018	118,847
Computer Software		2,090	2,315
		368,005	344,020
Total Assets		<u>11,218,650</u>	<u>10,627,996</u>

The annexed notes 1 to 13 form an integral part of these accounts.

**Profit And Loss Account
for the three months period ended 31 March 2007 (Unaudited)**



Rupees '000

	<u>Fire & Property Damage</u>	<u>Marine, Aviation & Transport</u>	<u>Motor</u>	<u>Others</u>	<u>Treaty</u>	<u>Aggregate 2007</u>	<u>Aggregate 2006</u>
Revenue Account							
Net Premium Revenue	139,021	196,521	1,121,825	11,697	48,377	1,517,441	1,257,348
Less: Net Claims	19,309	44,614	980,345	9,533	27,435	1,081,236	996,629
Less: Expenses	78,907	33,578	99,425	13,882	-	225,792	183,678
Less: Net Commission	(20,663)	31,900	65,098	(5,926)	10,678	81,087	56,853
Underwriting result	61,468	86,429	(23,043)	(5,792)	10,264	129,326	20,188
Investment Income						196,541	311,927
Rental Income						18,382	16,874
Other income						11,034	6,260
Difference in Exchange						337	204
General and administration expenses						(38,418)	(31,078)
						187,876	304,187
Profit before tax						317,202	324,375
Provision for taxation - current						59,500	15,000
- deferred						922	1,465
						60,422	16,465
Profit after tax						256,780	307,910
Profit and Loss Appropriation Account							
Balance at commencement of period						777,958	305,980
Profit after tax for the period						256,780	307,910
Balance unappropriated profit at end of the period						1,034,738	613,890
						Rupees	Rupees
Earnings per share - basic and diluted						5.14	6.16

The annexed notes 1 to 13 form an integral part of these accounts.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Statement of Changes in Equity
for the three months period ended 31 March 2007 (Unaudited)**



Rupees '000

	<u>Share Capital</u>	<u>General Reserve</u>	<u>Unappropriated Profit</u>	<u>Total</u>
Balance as at 1 January 2006	300,000	500,000	305,980	1,105,980
Profit for the period			307,910	307,910
Balance as at 31 March 2006	<u>300,000</u>	<u>500,000</u>	<u>613,890</u>	<u>1,413,890</u>
Balance as at 1 January 2007	500,000	500,000	777,958	1,777,958
Profit for the period			256,780	256,780
Balance as at 31 March 2007	<u>500,000</u>	<u>500,000</u>	<u>1,034,738</u>	<u>2,034,738</u>

The annexed notes 1 to 13 form an integral part of these accounts.

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Director

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Director

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Managing Director & Chief Executive

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Chairman

Statement of Cash Flows
for the three months period ended 31 March 2007 (Unaudited)



Rupees '000

	2007	2006
Operating Cash Flows		
a) Underwriting activities		
Premiums received	1,901,035	1,791,428
Reinsurance premiums paid	(603,692)	(467,721)
Claims paid	(1,274,196)	(979,151)
Reinsurance and other recoveries received	194,449	150,099
Commissions paid	(190,129)	(174,070)
Commissions received	120,770	111,028
Management expenses paid	(208,299)	(175,312)
Net cash flow from underwriting activities	(60,062)	256,301
b) Other operating activities		
Income tax paid	(30,484)	(36,131)
Other operating payments	(47,725)	(2,023)
Other operating receipts	102,399	16,790
Loans advanced	(50)	-
Loan repayments received	444	207
Net cash flow from other operating activities	24,584	(21,157)
Total cash flow from all operating activities	(35,478)	235,144
Investment activities		
Profit / return received	35,236	26,678
Dividends received	15,439	45,045
Rentals received	6,076	31,408
Payments for investments	(1,320,401)	(1,585,498)
Proceeds from disposal of investments	1,019,456	935,849
Fixed capital expenditure	(43,798)	(23,006)
Proceeds from disposal of fixed assets	4,452	3,087
Total cash flow from investing activities	(283,540)	(566,437)
Financing activities		
Dividends paid	(46)	(2)
Net cash (outflow) from all activities	(319,064)	(331,295)
Cash at the beginning of the year	1,135,916	1,192,906
Cash at the end of the period	816,852	861,611
Reconciliation to Profit and Loss Account		
Operating cash flows	(35,478)	235,144
Depreciation / amortisation expense	(20,830)	(15,221)
Investment and rental income	214,923	328,801
Other income	11,034	6,260
Increase in assets other than cash	433,352	247,821
(Increase) in liabilities other than running finance	(346,221)	(494,895)
Profit after taxation	256,780	307,910
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	8,939	8,316
Current and other accounts	638,885	640,126
Deposits maturing within 12 months	169,028	213,169
	816,852	861,611

The annexed notes 1 to 13 form an integral part of these accounts.

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Director

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**Statement Of Premiums
for the three months period ended 31 March 2007 (Unaudited)**



Rupees '000

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			
<u>Direct and Facultative</u>										
Fire and Property Damage	728,107	1,056,837	1,208,431	576,513	560,348	828,692	951,548	437,492	139,021	147,050
Marine, Aviation and Transport	249,378	579,234	527,962	300,650	54,112	210,466	160,449	104,129	196,521	159,587
Motor	1,027,753	2,252,950	2,157,214	1,123,489	2,040	3,427	3,803	1,664	1,121,825	907,533
Miscellaneous	111,512	126,599	169,510	68,601	94,791	104,819	142,706	56,904	11,697	13,768
Total	2,116,750	4,015,620	4,063,117	2,069,253	711,291	1,147,404	1,258,506	600,189	1,469,064	1,227,938
Treaty	72,752	75,781	100,156	48,377	-	-	-	-	48,377	29,410
Grand Total	2,189,502	4,091,401	4,163,273	2,117,630	711,291	1,147,404	1,258,506	600,189	1,517,441	1,257,348

The annexed notes 1 to 13 form an integral part of these accounts.

HASANALI ABDULLAH
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**Statement of Claims
for the three months period ended 31 March 2007 (Unaudited)**



Rupees '000

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	Net Claims Expense	
		Opening	Closing			Opening	Closing		2007	2006
<u>Direct and Facultative</u>										
Fire and Property Damage	346,523	1,687,763	1,581,252	240,012	275,285	1,476,927	1,422,345	220,703	19,309	74,498
Marine, Aviation and Transport	52,403	567,215	557,724	42,912	1,805	331,525	328,018	(1,702)	44,614	88,457
Motor	835,222	1,210,414	1,355,708	980,516	524	7,303	6,950	171	980,345	806,729
Miscellaneous	21,890	139,187	150,991	33,694	18,510	122,545	128,196	24,161	9,533	4,986
Total	1,256,038	3,604,579	3,645,675	1,297,134	296,124	1,938,300	1,885,509	243,333	1,053,801	974,670
Treaty	30,157	58,084	55,362	27,435	-	-	-	-	27,435	21,959
Grand Total	1,286,195	3,662,663	3,701,037	1,324,569	296,124	1,938,300	1,885,509	243,333	1,081,236	996,629

The annexed notes 1 to 13 form an integral part of these accounts.

HASANALI ABDULLAH
Director

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**Statement Of Expenses
for the three months period ended 31 March 2007 (Unaudited)**



Rupees '000

Class	Paid or Payable	Commission		Net expense	Other management expenses	Underwriting expenses	Commissions from reinsurers	Net Underwriting Expenses	
		Opening	Closing					2007	2006
<u>Direct and Facultative</u>									
Fire and Property Damage	76,539	127,665	135,042	69,162	78,907	148,069	89,825	58,244	44,799
Marine, Aviation and Transport	36,797	77,390	74,729	39,458	33,578	73,036	7,558	65,478	45,948
Motor	67,123	126,488	128,566	65,045	99,425	164,470	(53)	164,523	143,586
Miscellaneous	11,494	10,184	15,743	5,935	13,882	19,817	11,861	7,956	(727)
Total	191,953	341,727	354,080	179,600	225,792	405,392	109,191	296,201	233,606
Treaty	16,006	16,711	22,039	10,678	-	10,678	-	10,678	6,925
Grand Total	207,959	358,438	376,119	190,278	225,792	416,070	109,191	306,879	240,531

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

The annexed notes 1 to 13 form an integral part of these accounts.

HASANALI ABDULLAH
Director

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Director

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Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

**Statement of Investment Income
for the three months period ended 31 March 2007 (Unaudited)**



Rupees '000

	2007	2006
Income from Trading Investments		
Gain on Sale of Trading Investments	43,119	15,645
Dividend Income	14,371	16,556
	57,490	32,201
Income from Non-Trading Investments		
Held to maturity		
Return on Government Securities	12,197	16,497
Return on Other Fixed Income Securities and Deposits	17,787	10,517
Amortisation of premium relative to par	(3,382)	(4,581)
	26,602	22,433
Available for sale		
Dividend Income	34,434	45,956
Gain on Sale of Non-Trading Investments	60,595	207,446
	121,631	275,835
Gain on Revaluation of Trading Investments	19,850	7,135
Less: Investment Related Expenses	2,430	3,244
Net Investment Income	<u>196,541</u>	<u>311,927</u>

The annexed notes 1 to 13 form an integral part of these accounts.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

1. Status and Nature of Business

The Company was incorporated as a Public Limited Company on September 2, 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. Summary of significant accounting policies

The accounting policies adopted for the preparation of these accounts are consistent with the policies applied in the preparation of the preceding annual accounts of the Company.

These accounts are un-audited and are being presented in terms of Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the format prescribed under Insurance Rules 2002 and with the requirements of the International Accounting Standard 34 "Interim Financial Reporting".

3. Deficiency Reserve

The Insurance Rules 2002 require 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.

4. Investments

All investments are initially recognised at cost being the fair value of the consideration given and include transaction costs. 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 values 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. 108 million (as at December 31 2006: Rs. 87 million) at cost. International Accounting Standard 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 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. 207 million and profit for the period would have been higher by Rs. 23 million.

	As on March 31 2007	As on December 31 2006
Held for Trading – at Market Value		
Ordinary shares of Companies - Listed	947 885	851 798
Available for Sale		
Preference shares of Companies - Listed	60 000	60 000
Equity Investment in Associated undertakings - Listed	164 145	142 673
Ordinary shares of other Companies - Listed	2 039 955	1 579 499
	2 264 100	1 782 172
Held to Maturity		
Certificate of Investments	32 500	32 500
Pakistan Investment Bonds	317 624	420 673
WAPDA - First Sukuk Certificates	-	42 500
Term Finance Certificates	537 486	545 442
	887 610	1 041 115
	4 099 595	3 675 085

The market value of investments in Shares and Securities including investments in associates as on March 31 2007 was Rs. 8 235 million (as at December 31 2006: Rs. 7 079 million).

5. Rental for Vehicles, Computers and Equipments under operating leases are charged to income currently.

6. 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.

7. Fixed Assets – Tangible and Intangible

The details of additions and disposals during the three months period ended March 31 2007 are as follows:

	Additions	Disposals
Buildings	755	-
Furniture, fixtures and fittings	7 250	1 252
Office equipments	3 317	149
Computers and Softwares	6 384	33
Motor vehicles	26 091	4 548
	43 797	5 982

8. Commitments

8.1 Commitments under operating leases for Equipments, Vehicles and Computers as at March 31 2007 were Rs. 39 million (as at December 31 2006: Rs. 58 million).

8.2 Commitments for the purchase of fixed interest securities amounting to Rs. 20 million.

9. Share Capital

Issued, subscribed and paid-up		Rupees '000	
Number of Shares			
2007	2006	2007	2006
250,000	250,000	2,500	2,500
49,750,000	49,750,000	497,500	497,500
<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000</u>	<u>500,000</u>

10. Related party transactions

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

	2007	2006
Associated companies		
Transactions		
Premium written	79 992	33 784
Premium paid	2 669	1 716
Commission paid	16 013	6 118
Claims incurred	31 416	22 664
Claims lodged	3 471	954
Investment made	21 472	-
Rent received	-	58
Traveling expenses paid	16	11
Donation paid	1 050	-
Medical expenses paid	13	6
Balances		
Balance receivable	28 704	3 713
Balance payable	24	-
Employees' funds		
Transactions		
Contribution to provident fund	3 278	2 881
Contribution to gratuity fund	4 069	3 529
Contribution to pension fund	85	76
Balances		
Balance receivable		
EFU pension fund	572	311
Balance payable		
EFU gratuity fund	4 069	3 643
EFU provident fund	89	-

11. 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. 16.86 million for the three months period ended March 31 2007 (March 31 2006: Rs. 13.06 million).

12. General

Figures have been rounded off to the nearest thousands.

13. These accounts were authorized for issue by the Board of Directors in the meeting held on April 24, 2007.

HASANALI ABDULLAH
Director

MUNEER R. BHIMJEE
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman