



Annual Report  
2006



**GENERAL**

E F U GENERAL INSURANCE LTD.



1932

75 Years: Reaching this milestone is a significant accomplishment in the life of any organization. It demonstrates the strong culture and vision of EFU together with the exceptional capabilities of the EFU employees. And it brings home the fact that we have a 75 year history of commitment to customers, partners, employees and the communities in which we operate. However, the real importance of the occasion is not in celebrating the past. Instead, we enter our 75th year energized for the future as even a better trustee, a better employer, a better partner and a better citizen. The knowledge, experience, and strength that we have built up over 75 years is invaluable, and we will continue growing and expanding, as always in the spirit of **caring and sharing.**

2007

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## Company Information

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### 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

### Auditors

Gardezi & Co.  
Chartered Accountants  
Karachi

### 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.



### 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

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 Director

Altaf Qamruddin Gokal, F.C.A.

### Assistant Executive Directors

Austen B. Freitas

Darius H. Sidhwa, F.C.I.I

K. M. Anwar Pasha

M. Shezad Habib

Mahmood Ali Khan, M.A.

Mohammad Iqbal Dada, M.A., A.C.I.I.

S. Aftab Hussain Zaidi, M.A., M.B.A.

S. M. M. Rizvi

Thomas Leo Fernandez

### Senior Executive Vice Presidents

Abdul Hameed Qureshi, M.Sc.

Abdul Sattar Baloch

Aftab Fakhruddin, B.E.

Bashir Seja

Imran Ahmed, M.B.A., A.C.I.I.

Javed Iqbal Barry, M.B.A., L.L.B., F.C.I.I.

Jawahar Ali Kassim

Jehanzeb Karamat

Kamran Arshad Inam, B.E.

Kauser Ali Zuberi

Khalid Mahmood Mirza

Khozema T. Haider Mota

Khurram Nasim

M. Mubashirullah Khan

M. Shoaib Razzak Bramchari

### Executive Vice Presidents

Abdul Razzak A. Sattar

Babar A. Sheikh

Javed Akhtar Shaikh, B.B.A.

Khalid Usman

Mir Babar Ali

Mohammad Arif Bhatti

Mohammad Rizwanul Haq

Muhammad Naeem Hanif

Musakhar-uz-Zaman, B.E.

Ross Masood M.B.E.

Salemmullah Tahir

Shaharyar Jalees, M. A.

Syed Shahid Hussain

Yawar Aminuddin

Zarar Ibn Zahoor Bandey



#### Senior Vice Presidents

Adam Dur Mohd. Baloch  
Ali Kausar  
Amin Nizar Ali, F.S.A. (USA) F.P.S.A.  
Aslam A. Ghole, F.C.I.S.  
Atta-ur-Rehman Riaz  
Azharul Hassan Chishti  
Haji Mohammad Ayub  
Khalid Ashfaq Ahmed  
Liaquat Ali Khan, F.C.I.I., AMPIM  
Mahmood Jafri  
Masroor Hussain  
Mazhar H. Qureshi  
Mohammad Haji Hashim  
Mohammad Hussain  
Mohammad Kamil Khan, M.A.  
Mohammad Nasir  
Mohammad Yunus  
Muhammad Arif Khan  
Muhammad Asif Arif, M.B.A., A.C.I.I.  
Muhammad Ilyas Khan, A.C.I.I.  
Muhammad Rashid Akmal, M.B.A.  
Muhammad Razzaq Chaudhry  
Muhammad Sohail  
Muhammad Suleman Qasim  
Naseeruddin Ahmed  
Qasim Ali Mohammad  
Rizwan-ul-Haq  
Syed Sadiq Ali Jafri  
Tariq A. Niazi, M.B.A.  
Tayyab Hussain Gardezi, M.Sc.  
Zafar Ali Khokhar, M.A.  
Zakaria Suleman

#### Vice Presidents

A. Ghaffar A. Kareem  
Abdul Qadir Memon, M.Sc.  
Abdul Shakoor Piracha  
Abdul Wahid  
Ali Akbar Zaidy, A.P.A, A.C.A.  
Atta-ul-Haq Khan  
Badar Amin Sissodia  
Baqar Aneel Jafari  
Farman Ali Afridi  
Iftikharuddin

Imran-ul-Haq  
Inayatullah Chaoudhry  
Inayatullah Khalil  
Irshad Zamir Hashmi  
Kaiser Ali  
M. Hussain Khatri  
Mansoor Abbas Abbasi  
Mohammad Afzal Khan  
Mohammad Amin Sattar, M.Com  
Mohammad Pervaiz  
Muhammad Azhar Ali  
Muhammad Shakil Khan  
Muhammad Sohail Nazir, M.Sc., A.C.I.I.  
Pervez Ahmad  
Riaz Ahmad  
S. M. Aamir Kazmi  
S. M. Shamim  
Shahzad Zakaria  
Shazim Altaf Kothawala  
Suleman Poonjani, A.C.A.  
Syed Abdul Quddus  
Syed Abid Raza Rizvi, M.Com  
Syed Ahmad Hassan, M.B.A.  
Tayab Nisar, A.C.I.I.  
Wasim Tasawwar  
Zahid Hussain, A.C.I.I.  
Zia Mahmood

#### Assistant Vice Presidents

Abdul Hameed  
Abdul Majeed  
Abdul Mateen Farooqui, M.Sc.  
Abdul Rashid  
Agha Ali Khan  
Ali Raza  
Arshad Ali Khan, A.C.M.A.  
Asghar Ali  
Asif Mehmood  
Dr. Ghulam Jaffar, Ph.D  
Fakhruddin Saifee  
Faisal Gulzar  
Farhat Iqbal  
Farrukh Ahmad Qureshi  
Ghulam Haider, M.Sc.  
Haider R. Rizvi  
Haseeb Ahmad Bajwa

Irfan Ahmad, A.C.M.A.  
Javed Iqbal Khan  
Kaleem Imtiaz  
Laeq Ahmad  
Liaquat Imran  
M. A. Qayum  
Malik Firdaus Alam  
Manan Meboob  
Ms. Menija N. Messman  
Moaz Nabi  
Mohammad Adil Khan  
Mohammad Hanif  
Muhammad Ilyas  
Muhammad Salahuddin  
Mohammad Siddique Khan  
Muhammad Asif Hussain, A.P.A, A.C.M.A.  
Muhammad Naseem  
Muhammad Shahjahan Khan  
Muhammad Shoaib  
Musarrat Zaman Shah  
Nadeem Ahmad Khan  
Nadeemuddin Farooqi  
Nadir Hussain  
Quaid Johar  
Rana Zafar Iqbal  
Rao Abdul Hafeez Khan  
Rizwan Ahmed, M.B.A.  
S. Anwar Hasnain  
Saghirul Hasan  
Salimullah Khan  
Shah Asghar Abbas  
Shahid Abdullah Godil  
Shaikh Mohammad Yousuf  
Syed Salahuddin, A.C.I.I.  
Usman Ali  
Waqar Ahmad, M.Sc.  
Waqar Hasan Qureshi  
Zia Ur Rehman

#### Business Consultant

Maqbool Saeed

#### Chief Medical Officer

Dr. Mohbat Ali Khowaja



#### Marketing Executives

##### Senior Executive Directors

Altaf Kothawala  
Jahangir Anwar Shaikh

##### Executive Director

Abdul Wahab Polani

##### Deputy Executive Directors

Haroon Haji Sattar Dada  
Mohd. Khalid Saleem, M.A.  
Syed Kamran Rashid  
Syed Rizwan Hussain

##### Assistant Executive Director

Agha S. U. Khan

##### Senior Executive Vice Presidents

Abdullah H. Godil  
Akhtar Kothawala  
Ali Safder  
Mrs. Nargis Mehmood  
Syed Amir Aftab  
Syed Asim Iqbal  
Syed Jaweed Envor

##### Executive Vice Presidents

Aamir Ali Khan  
Abdul Wahab  
Alamgir Anwar Shaikh  
Anis Mehmood  
Faisal Fasih  
Iftexhar A. Khan  
M. Yousuf Jagirani  
Muhammad Umer, M.A.  
Muhammad Umer Memon  
Rizwan Siddiqui  
Syed Ali Zaheer  
Talib Abbas Shigri

#### Senior Vice Presidents

Abootalib Dada  
Amin Yaqoob  
Azmat Maqbool, M.B.A.  
Imran Ali Khan  
Irfan Raja Jagirani  
Kh. Zulqarnain Rasheed  
Malik Akhtar Rafique  
Mohammad Iqbal  
Ms. Kehkashan Sultana  
Muhammad Azhar Dawra  
Muhammad Farooq  
Muneeb Farooq Kothawala  
Rashid Habib  
S. Ashad H. Rizvi  
Shahid Younus  
Ms. Shazia Rahil Razzak  
Syed Baqar Hasan, M.A.  
Wasim Ahmed  
Yousuf Alvi

#### Vice Presidents

Amir Hassan  
Atique H. Patel  
Azam Rafique  
Ejaz Ahmed  
Fakhar-e-Alam  
Fatima Moiz Shaikh  
Ghulam Murtaza Khuru  
Hamza Siddiq Godil  
Jameel Masood  
M. Ashraf Samana  
M. Mushtaq Najam Butt  
M. Saleem Babar  
M. Zia-ul-Haq  
Mian Ikram Ellahi  
Muhammad Javed  
Muhammad Niamatullah  
Muhammad Rehan Iqbal Booti  
Muhammad Sheeraz  
Rizwan Humayun  
S. Sohail Haider Abidi

Syed Hasan Ali  
Syed Rizwan Haider  
Syed Shahid Raza  
Tariq Jamil  
Usman Ali Khan

#### Assistant Vice Presidents

Ali Hasnain Shah  
Arshad Iqbal  
Asif Elahi  
Asrar Ahmed  
Badar Hasan Qureshi  
Bashir Ahmed Sangi  
Farid Khan  
H.H. Ansari  
Imdadullah Awan  
Javed Iqbal Cheema  
M. Amir Arif Bhatti  
M. Anis-ur-Rehman  
M. Aslam Hayat  
M. Owais Jagirani  
M.A. Qayyum Khan  
Maria N. Jagirani  
Mian Abdul Razak Raza  
Mubashir Saleem  
Muhammad Hamid Ali Janjua  
Muhammad Imran Naeem  
Muhammad Tayyab Nazir  
Naeem-ullah Jan  
Omar Javid  
Qamarul Hasan Ansari  
Mrs. Sadia Muneer  
Syed Imran Zaidi  
Mrs. Tanveer Khurshid  
Tanveer Masood  
Tauqir Hussain Abdullah



## 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.





## Notice Of Meeting



Notice is hereby given that the 74th Annual General Meeting of the Shareholders of **E F U General Insurance Ltd.** will be held at the Registered Office of the Company at 11/4, Shahrah-e-Pehlavi, Peshawar on Friday April 27, 2007 at 10:00 a.m. to:

**A. ORDINARY BUSINESS:**

1. confirm the minutes of the 73rd Annual General Meeting held on April 29, 2006.
2. receive, consider and approve the Audited Financial Statements for the year ended December 31, 2006 together with the Directors' and Auditors' reports thereon.
3. consider and if thought fit to approve the payment of Dividend at the rate of Rs. 3 per share for the year ended December 31, 2006 as recommended by the Board of Directors.
4. appoint Auditors for the year 2007 and fix their remuneration.

**B. SPECIAL BUSINESS:**

- 5 consider and if thought fit to pass the following Ordinary Resolution with or without modification(s):

RESOLVED that a sum of Rs. 500,000,000 out of the free reserves of the Company be capitalised and applied to the issue of 50,000,000 Ordinary Shares of Rs.10/- each and allotted as fully paid up Bonus Shares to the Members, who are registered in the Books of the Company at the close of business on April 16, 2007 in the proportion of one new share for every one existing Ordinary Share held and that such new shares shall rank pari passu with the existing Ordinary Shares of the Company.

That for the purpose of giving effect to the foregoing, the Managing Director/Chief Executive or the Corporate Secretary be and are hereby singly authorised to give such directions as may be necessary and settle any questions or any difficulties that may arise in the distribution of the said new shares.

6. consider and if thought fit to pass the following Special Resolution with or without modification(s):

RESOLVED that consent of the Company be and is hereby accorded to further invest maximum of Rs. 300,000,000 (Rupees three hundred million only) in the shares of EFU Life Assurance Ltd., an associated public limited company.

This investment be made from time to time as the Managing Director (Chief Executive) and/or other Attorney(s) of the Company may deem fit.

FURTHER RESOLVED that Chief Executive or Corporate Secretary be and are hereby individually authorized to fulfill all legal and corporate formalities for making the above investment.

FURTHER RESOLVED that the Special Resolution be and is hereby passed for the purpose of compliance of Section 208 of the Companies Ordinance, 1984.

7. transact any other matter with the permission of the Chair.

By Order of the Board

HASANALI ABDULLAH  
Joint Managing Director  
& Corporate Secretary

March 24, 2007

### 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 17, 2007 to April 27, 2007 (both days inclusive).
- 4. Members are requested to communicate to the Company of any change in their addresses.
- 5. Statement under section 160 of the Companies Ordinance, 1984 is being sent to all the members.

**Statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special business:**

- 1. This statement sets out the material facts pertaining to the Special business to be transacted at the Annual General Meeting of the Company to be held on April 27, 2007.
- 2. Item 5 regarding Bonus issue:  
Your Directors have recommended the issue of Bonus Shares in the proportion of one new share for every one existing Ordinary Share held at the close of business on April 16, 2007. The Directors are interested in this business to the extent of their entitlement to Bonus Shares as Members.
- 3. Item 6 regarding investment in associated company:  
EFU Life Assurance Ltd. (EFU Life) is the leading life insurance company in the private sector in the country. As on December 31, 2006 it had asset base of Rs. 7.70 Billion. Its After tax profit for the years 2004, 2005 & 2006 have been Rs. 141 million, Rs. 196 million and Rs. 236 million respectively. EFU Life as on December 31, 2006 has Paid-up Capital of Rs. 300 million, General Reserve of Rs. 190 million and Accumulated Profit of Rs. 240 million.

The information required under SRO No. 865 (1) 2000 is as under:

- i) **Name of Investee Company:**  
EFU Life Assurance Ltd.
- ii) **Nature, amount and extent of investment:**  
Long-term strategic investment up to Rs. 300 million in Ordinary shares of Rs. 10 by way of purchase from time to time from the Stock Exchange at a price ruling on the date of purchase.
- iii) **Average market price of the shares intended to be purchased during preceding six months:**  
Rs. 243.48 (September 15, 2006 to March 15, 2007).
- iv) **Break-up value of shares intended to be purchased on the basis of last published financial statements:**  
Rs. 22.46 (September 30, 2006).
- v) **Price at which shares will be purchased:**  
Not more than the price quoted on Stock Exchange.
- vi) **Earning per share of investee company in last three years:**

2004	Rs. 8.54
2005	Rs. 9.33
2006	Rs. 7.87
- vii) **Sources of funds from where shares will be purchased:**  
Internal generation.
- viii) **Period for which Investment will be made:**  
Long-term.
- ix) **Purpose of Investment:**  
Strategic Investment.
- x) **Benefits likely to accrue to the Company and the shareholders from the proposed investment:**  
Better return and capital appreciation.
- xi) **Interest of Directors and their relatives in the investee company:**  
No Director or Chief Executive has any interest in the proposed investments, except in their capacities as "Directors/Chief Executive" and/or as shareholders of the Company.
- xii) **Status of approval for investment in associated companies:**  
As required under the SRO No. 865(1)2000 dated December 6, 2000, the position of investments in associated and subsidiary companies against approval is as under:  
Against the approval accorded by shareholders of the Company at last Annual General Meeting for investments in associated/subsidiary public limited companies of Rs. 100 million in EFU Life Assurance Ltd, Rs. 30 million in EFU Family Takaful Ltd. and Rs. 60 million in EFU General Takaful Ltd., the Company has invested Rs. 47.88 million in shares of EFU Life Assurance Ltd. No investment has been made in EFU Family Takaful Ltd. and proposed EFU General Takaful Ltd. as outcome of the proposal of the insurance industry to the Government of Pakistan for allowing Takaful business also to be carried out as Window operation similar to the window operations allowed to Banks is awaited.



*Board of Directors (Sitting Left to Right) Rafique R. Bhimjee, Chairman, Saifuddin N. Zoomkawala, Managing Director & Chief Executive, (Standing Left to Right) Taher G. Sachak, Sultan Ahmed, Abdul Rehman Haji Habib, Wolfram W. Karnowski, Jahangir Siddiqui, Muneer R. Bhimjee, Hasanali Abdullah*

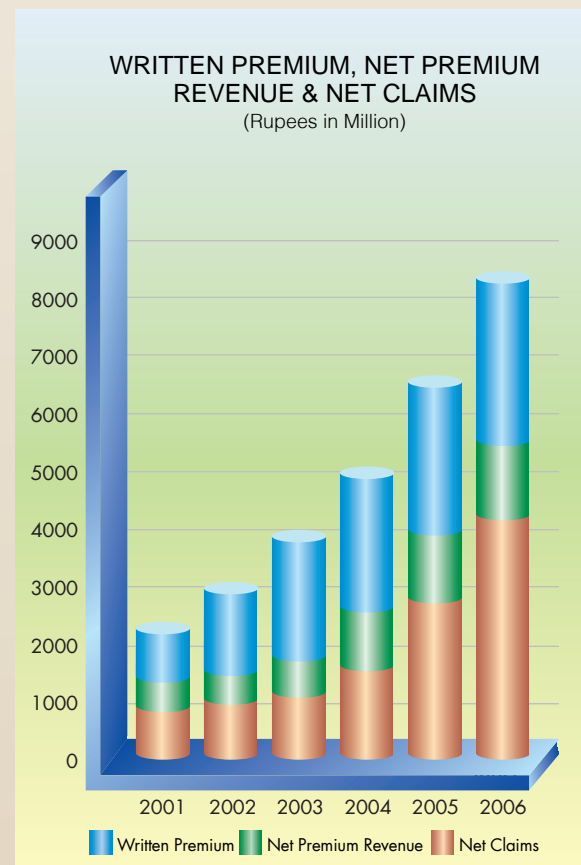
The Directors of the Company are pleased to present before you the Seventy Fourth audited accounts for the year ended December 31, 2006. In the year 2007 the Company is celebrating its Platinum Jubilee marking the Seventy fifth year of its existence which began in the year 1932 in the city of Calcutta (now Kolkata).

Your Directors are pleased to report in 2006 Company's Written Premium reached Rs 8.46 billion which represents a growth of 27 % over the previous year. The increase of Rs 1.8 billion in Written Premium is the highest by any insurance company in a single year in Pakistan and was achieved despite the high level of competition currently prevailing in the insurance market. The Net Premium Revenue increased by 40 % to Rs. 5.4 billion compared to Rs. 3.8 billion in 2005.

The condition in the insurance industry in Pakistan is characterised by increasing capacity with entry of new companies in the market resulting in a highly competitive environment for procurement of business. On the other hand the frequency and severity of losses are higher due to recurring natural disasters (e.g. earthquake, floods), inflation in value of insured assets and the deterioration in the law and order situation in the country.

The overall claim ratio (i.e. claims as a percentage of net premium revenue) was 76 % as against 70 % in the previous year, mainly on account of some large losses in Fire and Property Departments. The loss ratio in Motor Department was higher on account of claims from damage to vehicles from incidents of

riots and vandalism and higher cost of repairs due to inflation in cost of parts and labour charges. The total underwriting profit of the Company in 2006 was Rs 188 million as against Rs 312 million in the previous year.



The Reserve for Un-earned Premium as at 31st December 2006 increased by Rs. 546 M to Rs. 2,944 M from Rs. 2,398 M as on 31st December 2005.

The income from investment in the year under review was Rs. 696 M as compared to Rs. 356 M in the previous year and was able to offset the decline in underwriting profits.

The Profit after tax for the year was Rs. 762 M compared to Rs. 506 M last year.

The Department wise performance was as follows:

#### FIRE & PROPERTY

The Written Premium of this Department increased by 20 % to Rs. 2,308 M as compared to Rs. 1,930 M in 2005. In the last quarter the Company faced major engineering losses affecting the overall underwriting profits. The Underwriting Profit was Rs. 31 M compared to Rs. 52 M last year.

#### MARINE, AVIATION AND TRANSPORT

The Written Premium of this Department increased by 30 % to Rs. 1,186 M as compared to Rs. 914 M in 2005. The Claims ratio on Net Premium Revenue improved by 9 % to 47 % as against 56 % in 2005. The Underwriting Profit for the year was Rs. 119 M compared to Rs. 54 M in 2005.

#### MOTOR

The Written Premium of this Department showed an increase of 32 % to Rs. 4,532 M as compared to Rs. 3,440 M in 2005. The Claims ratio on Net Premium Revenue was 84 % as against 75 % in 2005 due to losses on account of riots and vandalism and inflation in the cost of parts and repairs of partially damaged vehicles. The Underwriting Profit for the year was Rs. 1 M compared to Rs. 184 M last year.

#### OTHERS

The Written Premium of this department increased by 11 % to Rs. 266 M compared to Rs. 240 M in 2005. The Claims ratio on Net Premium Revenue was 37 % as against 29 % in 2005. The Underwriting Profit was Rs. 30 M compared to Rs. 26 M in 2005.

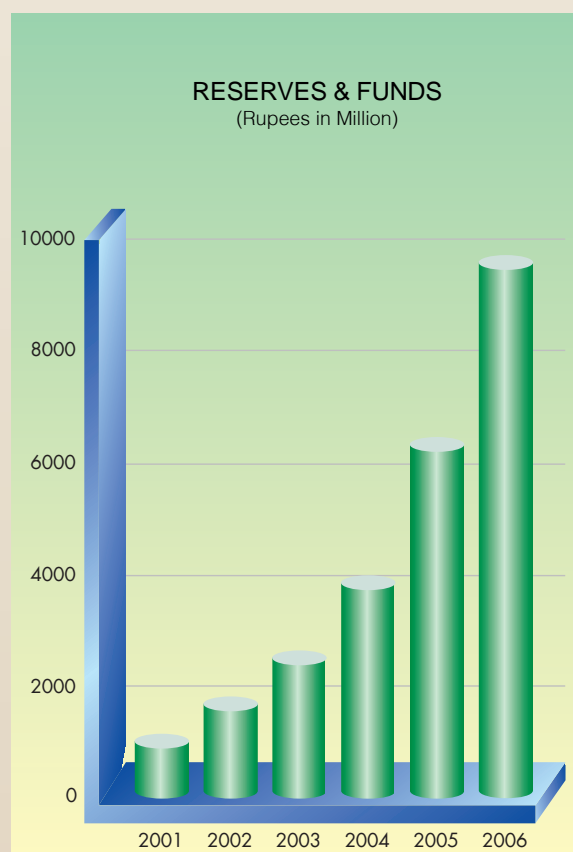
#### Other Comments

The after tax profit for the year under report amounted to Rs. 762 M. Your Board proposes to make the following appropriation:

	Rupees '000
Profit after tax	761 978
Add: Unappropriated profit brought forward	<u>305 980</u>
	1 067 958
Less: Dividend paid for last year	90 000
Bonus Shares issued for last year	<u>200 000</u> <u>290 000</u>
Unappropriated Profit carried forward	<u><u>777 958</u></u>

#### Dividend

Your Directors have pleasure in recommending dividend of Rs. 3 per share (30 %) and issuance of one Bonus Share for every one share held by the Shareholders whose names appear in the Share Register of the Company at the close of business on April 16, 2007.



### Investment

Your Company invests in equities, TFCs, and PIBs. You would be glad to know that the Prime Minister of Pakistan has very kindly announced extension in Exemption of Income Tax on Capital Gains for one year and thus the Income from Capital Gains realised in the accounting year 2007 would be exempt. The equity investment of your Company has increased to Rs. 2,634 M compared to Rs.1,457 M. The Company has short-term and long-term portfolio strategies for equity investments. The equity portfolio of your Company showed excellent performance even after realising capital gains of Rs. 397 M. The market value of investment in equities showed an appreciation of Rs. 3,434 M as on December 31, 2006 compared to Rs 2,497 M as on December 31, 2005.

### Information Technology

The company is committed to maintain its competitive advantage over its competitors. The company has migrated to Novell SUSE Linux Enterprise Server (SLES10) Operating system. Using additional features in the said Operating System the performance of our main core application has been further improved ultimately raising the level of efficiency. The Company has introduced B2B solutions for managing Motor Claims, which has considerably improved services to customers.

During the year the Company has successfully implemented eCertificate B2B solution employing digital certificates. EFU remains the only insurance company in Pakistan which is using state of art information security solution based on digital certificates which are being used by partner banks and leasing companies, enabling digital signing of transactions and strong authentication based on digital certificates.

The Company has developed its Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) and is in the process of implementing them.

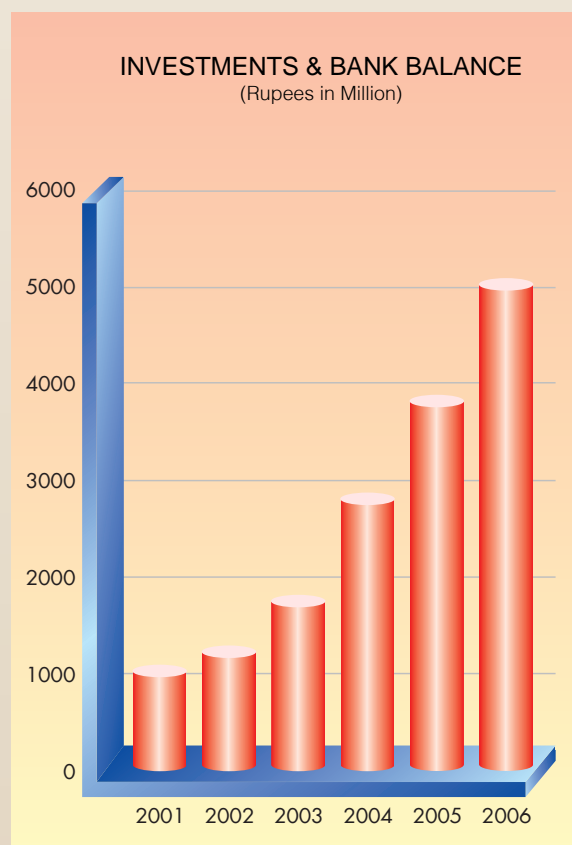
The Auditors in their report have made mention for the policy of treating leases as operating leases and investments in an associated Company have been accounted for at cost. The details for these items have been provided in the Notes 17 and 5.9 to the Account. The reason for treating the lease as operating lease and investments in associated company recorded at cost is due to specialised nature of taxability of profits of insurance companies.

As reported last year your Company continues to have JCR-VIS as its rating agency. JCR-VIS has improved the Financial Strength Rating to **AA** and Outlook to **'Stable'**.

### Prospects for 2007

The management's short and long term objectives as in the past will continue to strongly focus on providing the best service to its client and intends to keep providing the risk management service at the forefront.

The prospects for 2007 will depend on the pace of economic activities in the country, which would have its reflection on our Industry and Company as well. On our part we will lay emphasis on strengthening the underwriting discipline with a view to improving the quality and profitability across all classes of business in our portfolio. In order to meet the challenges of the future we have initiated a programme to improve the quality of human resources available to the company by inducting young, educated and professionally trained people. Last year a dedicated training programme was initiated and a batch of Management trainees and Probation Officers were appointed who are undergoing training.



#### 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 Extra Ordinary General Meeting held on June 28, 2005 for a term of three years expiring on July 9, 2008.

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 4
2.	Saifuddin N. Zoomkawala	4 out of 4
3.	Sultan Ahmad	2 out of 4
4.	Abdul Rehman Haji Habib	4 out of 4
5.	Jahangir Siddiqui	3 out of 4
6.	Wolfram W. Karnowski	2 out of 4
7.	Muneer R. Bhimjee	4 out of 4
8.	Hasanali Abdullah	4 out of 4
9.	Taher G. Sachak	4 out of 4

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 Frame Work

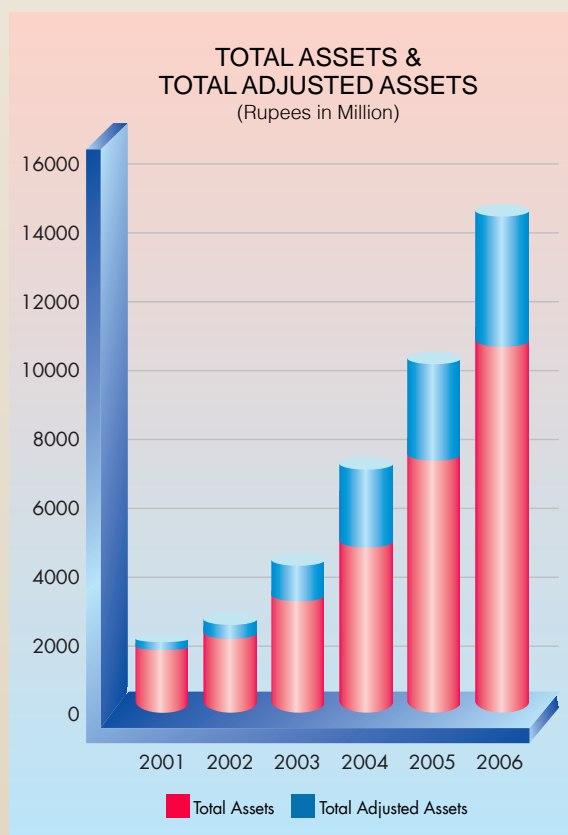
- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements.
- The International Accounting Standards, as applicable in Pakistan, have been followed in

preparation of financial statements and any departure therefrom has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- The Key operating and financial data for the last six years is annexed.
- The value of investments of provident, gratuity and pension funds based on their audited accounts, as on December 31, 2006 were the following:

Provident Fund	Rs. 337 million
Gratuity Fund	Rs. 149 million
Pension Fund	Rs. 122 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:

	<u>No. of Shares</u>
Purchase of Shares	
Wolfram W. Karnowski	1 000
Saifuddin N. Zoomkawala	16 000
Taher G. Sachak	2 000
Sale of Shares	
Wolfram W. Karnowski	35 000
Sultan Ahmad	5 000
Abdul Rehman Haji Habib	2 800

- k) The statement of pattern of shareholding in the Company as at December 31, 2006 is included with the Report.

The Board of Directors recommends the appointment of Messrs Hyder Bhimji & Co. Chartered Accountants and Messrs KPMG Taseer Hadi & Co. Chartered Accountants as Joint Auditors of the Company for the year 2007 as suggested by Audit Committee in place of retiring auditors Messrs Gardezi & Co. Chartered Accountants. The Audit Committee's

suggestion is based on receipt of a notice from a shareholder.

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.

We are proud to inform that your Company has one of the finest reinsurance arrangements backed by the largest Reinsurance Company in the world as the leader of our reinsurance treaty panel, i.e. Munich Reinsurance Company, Germany (AA-), followed by Hanover Reinsurance Company, Germany (AA-), Mapfre Re Compania De Reassurance, Spain (AA), Mitsui Sumitomo, Japan (AA-) and SCOR Global P & C, France (A-) are few to quote.

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*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

*Karachi March 24, 2007*

## Key Financial Data for the Last Six Years

(Rupees in Million)

	2006	2005	2004	2003	2002	2001
Written Premium	8 459	6 644	5 043	3 944	3 079	2 374
Net Premium Revenue	5 418	3 862	2 536	1 662	1 432	1 293
Investment & Other Income	814	445	165	141	107	110
Profit before tax	858	646	474	157	70	23
Profit after tax	762	506	322	106	47	17
Shareholders Equity	1 778	1 106	663	378	272	251
Investments & Properties	3 965	2 694	1 987	1 328	936	765
Cash & Bank Balances	1 136	1 193	866	483	339	339
Total Assets Book Value	10 628	7 286	4 784	3 256	2 182	1 853
Total Assets Market Value	14 760	10 475	7 448	4 684	2 870	2 347
Dividend %	30.00	30.00	30.00	20.00	15.00	12.50
Bonus %	100.00	66.67	42.86	10.50	11.76	–



## 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 the 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 independent non-executive Directors, who were elected on June 28, 2005 for the three years' term effective July 10, 2005.
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 NBFIs 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 and 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 October 28, 2006 to consider it as an orientation course for its Directors and to apprise them of their duties and responsibilities.
10. There was no new appointment 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 meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company, as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board 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.

18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

## Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of EFU General Insurance Limited to comply with the listing Regulation No.37 of the Karachi Stock Exchange and chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquires 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.

GARDEZI & CO.  
*Chartered Accountants*

*Karachi March 24, 2007*

## 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) Cash Flow Statement;
- v) Statement of Premiums;
- vi) Statement of Claims;
- vii) Statement of Expenses; and
- viii) Statement of Investment Income

of EFU General Insurance Limited as at December 31, 2006 together with the notes forming part thereof, for the year then ended in which are incorporated the un-audited certified returns from the branches, except four branches which have been audited by us.

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 statement 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. These 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. As audit also includes assessing the accounting policies 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.

The Company follows the policy of treating finance leases as operating leases the effect of which has not been determined as referred to in Note 17.

As more fully explained in note 5.9 to the financial statements the Company's investments in an associated company have been accounted for at cost. International Accounting Standard 28 "Investments in Associates" requires that such investment be valued using Equity Method. Had the equity method been used for valuation, the value of investments and effect on profit as on December 31, 2006 would have been higher by Rs.184 million (2005: Rs. 113 million) and Rs. 71 million (2005: Rs. 52 million) respectively.

Except for the financial effect of the matters referred to in the preceding paragraph, in our opinion:

- a) proper books of accounts 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;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2006 and of the profit, 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 was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

GARDEZI & CO.  
Chartered Accountants

Karachi March 24, 2007

## Balance Sheet As At 31 December 2006



	Note	2006	2005
<b>Share Capital and Reserves</b>			
Authorised capital		1 500 000	500 000
150 000 000 (2005: 50 000 000) Ordinary shares of Rs. 10 each			
Paid-up share capital	6	500 000	300 000
Retained earnings		777 958	305 980
Reserves		500 000	500 000
		1 277 958	805 980
Reserve for exceptional losses	5.2	12 902	12 902
		1 790 860	1 118 882
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)	5.4	3 662 663	1 826 554
Provision for unearned premium	5.3	4 091 401	3 350 041
Commission income unearned	5.5	216 042	192 392
Total underwriting provisions		7 970 106	5 368 987
<b>Deferred liabilities</b>			
Staff retirement benefits	7	12 457	1 114
Deferred taxation	8	14 831	5 447
		27 288	6 561
<b>Creditors and Accruals</b>			
Premiums received in advance		8 426	8 610
Amounts due to other insurers/reinsurers		255 469	261 178
Accrued expenses		75 390	73 087
Agent balances		242 555	181 925
Unearned rentals		59 043	23 221
Taxation-provision less payments		-	58 613
Other creditors	9	48 574	47 670
		689 457	654 304
<b>Other Liabilities</b>			
Other deposits		134 654	124 069
Unclaimed dividend		15 631	13 503
		150 285	137 572
<b>Total Liabilities</b>		<b>8 837 136</b>	<b>6 167 424</b>
<b>Total Equity and Liabilities</b>		<b>10 627 996</b>	<b>7 286 306</b>
<b>Contingencies and Commitments</b>	8, 17 & 28		

		Rupees '000	
	Note	2006	2005
<b>Cash and Bank Deposits</b>			
Cash and other equivalent		5 865	9 788
Current and other accounts	18	610 035	554 206
Deposits maturing within 12 months		520 016	628 912
		1 135 916	1 192 906
<b>Loans-secured considered good</b>			
To employees		4 972	5 839
<b>Investments</b>	10	3 675 085	2 387 155
<b>Investment properties</b>	11	289 437	306 886
<b>Other Assets</b>			
Premiums due but unpaid - net	12	1 293 089	995 344
Amounts due from other insurers/reinsurers		225 680	84 848
Salvage recoveries accrued		46 217	32 835
Premium and claim reserves retained by cedants		1 610	1 667
Accrued investment income	13	29 723	29 208
Reinsurance recoveries against outstanding claims		1 938 300	603 215
Taxation-provision less payments	8	59 226	-
Deferred commission expense	5.5	358 439	312 097
Prepayments	14	1 170 113	970 115
Security deposits		19 125	21 086
Other receivables	15	37 044	88 372
		5 178 566	3 138 787
<b>Fixed Assets-Tangible &amp; Intangible</b>			
Land and buildings	16	114 429	107 158
Furniture, fixtures and office equipment		108 429	86 471
Motor vehicles		118 847	61 104
Computer Software		2 315	-
		344 020	254 733
<b>Total Assets</b>		<u>10 627 996</u>	<u>7 286 306</u>

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

Profit And Loss Account  
For The Year Ended 31 December 2006



Rupees '000

	Note	Fire & Property Damage	Marine, Aviation & Transport	Motor	Others	Treaty	Aggregate 2006	Aggregate 2005
<b>Revenue Account</b>								
Net Premium Revenue	19	493 191	681 446	4 042 129	49 933	151 253	5 417 952	3 861 995
Less: Net Claims		279 501	317 103	3 414 267	18 257	102 577	4 131 705	2 694 347
Less: Expenses	20	278 886	134 799	388 133	35 461	–	837 279	717 791
Less: Net Commission		( 96 306 )	110 584	238 377	( 34 026 )	42 258	260 887	137 590
<b>Underwriting result</b>		<b>31 110</b>	<b>118 960</b>	<b>1 352</b>	<b>30 241</b>	<b>6 418</b>	<b>188 081</b>	<b>312 267</b>
Investment Income							696 466	355 801
Rental Income							70 650	64 317
Other Income	21						46 445	24 985
Difference in Exchange							307	1 035
General and administration expenses	22						( 144 376 )	( 109 834 )
Amount due from State Life Insurance Corporation of Pakistan-written off							–	( 2 856 )
							<u>669 492</u>	<u>333 448</u>
<b>Profit before tax</b>							<b>857 573</b>	<b>645 715</b>
Provision for Taxation- current							93 000	128 000
- Prior years							( 6 789 )	–
- deferred							9 384	11 447
							<u>95 595</u>	<u>139 447</u>
<b>Profit after tax</b>							<b>761 978</b>	<b>506 268</b>
<b>Profit and Loss Appropriation Account</b>								
Balance at commencement of year							305 980	162 712
Profit after tax for the year							761 978	506 268
							<u>1 067 958</u>	<u>668 980</u>
Dividend 2005 @ 30 % (2004:@ 30 %) 5.22							90 000	63 000
Issue of bonus shares 5.22							200 000	90 000
Transfer to General Reserve							–	210 000
							<u>290 000</u>	<u>363 000</u>
<b>Balance Unappropriated Profit at end of year</b>							<b>777 958</b>	<b>305 980</b>
							<u>Rupees</u>	<u>Rupees</u>
Earnings per share - basic 27							<u>15.24</u>	<u>10.13</u>

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
Director

SULTAN AHMAD  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

Karachi March 24, 2007

Statement of Changes in Equity  
For The Year Ended 31 December 2006



Rupees '000

	Share Capital	General Reserve	Unappropriated Profit	Total
Balance as at 1 January 2005	210 000	290 000	162 712	662 712
Issue of bonus shares	90 000		( 90 000 )	-
Dividend declared for the year 2004			( 63 000 )	( 63 000 )
Profit for the year			506 268	506 268
Transfer to General Reserve		210 000	( 210 000 )	-
Balance as at 31 December 2005	300 000	500 000	305 980	1 105 980
Issue of bonus shares 2005	200 000		( 200 000 )	-
Dividend declared for the year 2005			( 90 000 )	( 90 000 )
Profit for the year			761 978	761 978
Balance as at 31 December 2006	500 000	500 000	777 958	1 777 958

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*



**Statement of Cash Flows**  
**For The Year Ended 31 December 2006**



	Rupees '000	
	2006	2005
<b>Operating Cash Flows</b>		
a) Underwriting activities		
Premiums received	7 994 247	6 199 200
Reinsurance premiums paid	( 2 501 518 )	( 2 025 119 )
Claims paid	( 4 462 928 )	( 3 299 777 )
Reinsurance and other recoveries received	845 483	1 137 803
Commissions paid	( 686 237 )	( 547 742 )
Commissions received	463 289	396 632
Net cash flow from underwriting activities	1 652 336	1 860 997
b) Other operating activities		
Income tax paid	( 204 050 )	( 128 649 )
General management expenses paid	( 804 045 )	( 681 759 )
Other operating payments	( 96 470 )	( 89 618 )
Other operating receipts	307	1 035
Loans advanced	( 1 348 )	( 2 046 )
Loan repayments received	2 215	2 528
Other payments on operating assets	49 024	( 68 963 )
Other receipts in respect of operating assets	11 308	44 158
Net cash flow from other operating activities	( 1 043 059 )	( 923 314 )
<b>Total cash flow from all operating activities</b>	<b>609 277</b>	<b>937 683</b>
<b>Investment activities</b>		
Profit / Return received	121 991	49 053
Dividends received	198 989	139 212
Rentals received	106 472	41 492
Payments for investments	( 4 031 621 )	( 1 924 886 )
Proceeds from disposal of investments	3 156 052	1 267 924
Fixed capital expenditure	( 147 204 )	( 131 835 )
Proceeds from disposal of fixed assets	16 925	9 857
<b>Total cash flow from Investing activities</b>	<b>( 578 396 )</b>	<b>( 549 183 )</b>
<b>Financing activities</b>		
Dividends paid	( 87 871 )	( 61 588 )
<b>Net cash (outflow)/inflow from all activities</b>	<b>( 56 990 )</b>	<b>326 912</b>
Cash at the beginning of the year	1 192 906	865 994
<b>Cash at the end of the year</b>	<b>1 135 916</b>	<b>1 192 906</b>
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	609 277	937 683
Depreciation expense	( 67 496 )	( 59 154 )
Investment and rental income	767 116	420 118
Other Income	46 445	24 985
Increase in assets other than cash	2 097 013	240 971
(Increase) in liabilities other than running finance	( 2 690 377 )	( 1 058 335 )
<b>Profit after taxation</b>	<b>761 978</b>	<b>506 268</b>
<b>Definition of cash</b>		
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	5 865	9 788
Current and other accounts	610 035	554 206
Deposits maturing within 12 months	520 016	628 912
	<b>1 135 916</b>	<b>1 192 906</b>

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

Karachi March 24, 2007

Statement of Premiums  
For The Year Ended 31 December 2006



Rupees '000

Class	Premiums				Reinsurance				Net Premium Revenue	
	Written	Unearned Premium Reserve		Earned	Reinsurance ceded	Prepaid Reinsurance		Reinsurance expense	2006	2005
		Opening	Closing			Opening	Closing			
<u>Direct and Facultative</u>										
Fire and Property Damage	2 307 763	931 122	1 056 837	2 182 048	1 812 668	704 881	828 692	1 688 857	493 191	437 549
Marine, Aviation and Transport	1 185 867	468 206	579 234	1 074 839	455 785	148 074	210 466	393 393	681 446	543 648
Motor	4 532 326	1 771 123	2 252 950	4 050 499	6 910	4 887	3 427	8 370	4 042 129	2 749 744
Miscellaneous	266 036	119 950	126 599	259 387	220 446	93 827	104 819	209 454	49 933	43 488
Total	8 291 992	3 290 401	4 015 620	7 566 773	2 495 809	951 669	1 147 404	2 300 074	5 266 699	3 774 429
Treaty	167 394	59 640	75 781	151 253	-	-	-	-	151 253	87 566
Grand Total	8 459 386	3 350 041	4 091 401	7 718 026	2 495 809	951 669	1 147 404	2 300 074	5 417 952	3 861 995

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
Director

SULTAN AHMAD  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

Karachi March 24, 2007

Statement of Claims  
For The Year Ended 31 December 2006



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		2006	2005
<u>Direct and Facultative</u>										
Fire and Property Damage	986 351	575 305	1 687 763	2 098 809	779 102	436 721	1 476 927	1 819 308	279 501	245 579
Marine, Aviation and Transport	364 299	297 752	567 215	633 762	37 102	51 968	331 525	316 659	317 103	307 011
Motor	2 999 785	798 105	1 210 414	3 412 094	16 410	25 886	7 303	( 2 173 )	3 414 267	2 064 239
Miscellaneous	99 110	104 842	139 187	133 455	81 293	88 640	122 545	115 198	18 257	12 733
Total	4 449 545	1 776 004	3 604 579	6 278 120	913 907	603 215	1 938 300	2 248 992	4 029 128	2 629 562
Treaty	95 043	50 550	58 084	102 577	-	-	-	-	102 577	64 785
Grand Total	4 544 588	1 826 554	3 662 663	6 380 697	913 907	603 215	1 938 300	2 248 992	4 131 705	2 694 347

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
Director

SULTAN AHMAD  
Director

SAIFUDDIN N. ZOOMKAWALA  
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE  
Chairman

Karachi March 24, 2007

## Statement of Expenses For The Year Ended 31 December 2006



Rupees '000

Class	Paid or payable	Commission		Net expense	Other Management expenses	Underwriting expense	Commission from reinsurers	Net underwriting expense	
		Opening	Closing					2006	2005
<u>Direct and Facultative</u>									
Fire and Property Damage	270 217	113 089	127 665	255 641	278 886	534 527	351 947	182 580	139 480
Marine, Aviation and Transport	155 586	60 926	77 390	139 122	134 799	273 921	28 538	245 383	182 425
Motor	260 732	104 827	126 488	239 071	388 133	627 204	694	626 510	501 831
Miscellaneous	23 199	11 419	10 184	24 434	35 461	59 895	58 460	1 435	4 660
Total	709 734	290 261	341 727	658 268	837 279	1 495 547	439 639	1 055 908	828 396
Treaty	37 133	21 836	16 711	42 258	-	42 258	-	42 258	26 985
Grand Total	746 867	312 097	358 438	700 526	837 279	1 537 805	439 639	1 098 166	855 381

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

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

**Statement of Investment Income  
For The Year Ended 31 December 2006**



	Rupees '000	
	2006	2005
<b>Income from Trading Investments</b>		
Gain on Trading of Shares	172 008	112 959
Dividend Income	46 494	7 093
	218 502	120 052
<b>Income from Non-Trading Investments</b>		
<b>Held to maturity</b>		
Return on Government Securities	54 072	52 678
Return on Other Fixed Income Securities and Deposits	54 660	16 092
Amortisation of premium relative to par	( 18 157 )	( 21 410 )
	90 575	47 360
<b>Available for sale</b>		
Dividend Income	153 217	131 205
<b>Gain on Sale of Non-Trading Investments</b>	225 148	57 493
	468 940	236 058
<b>Gain on Revaluation of Trading Investments</b>	15 207	779
<b>Less: Investment Related Expenses</b>	6 183	1 088
<b>Net Investment Income</b>	<u>696 466</u>	<u>355 801</u>

The annexed notes 1 to 33 form an integral part of these accounts.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

Karachi March 24, 2007

## Notes To The Accounts For The Year Ended 31 December 2006



### 1. Status and Nature of Business

The Company was incorporated as a Public Limited Company on 2 September 1932. The shares of the company are quoted on 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 57 (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 Insurance Rules 2002.

### 3. Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules 2002. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Where the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and the SEC (Insurance) Rules 2002 or directives issued by the Securities and Exchange Commission of Pakistan differ with requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules 2002 and the requirements of the said directives take precedence.

#### 3.1. Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, with effective dates mentioned against each, are either not relevant to the Company's operations or are not expected to have significant effect on the Company's financial statements other than increased disclosures in certain cases:

IAS-1	Presentation of Financial Statements – amendments relating to capital disclosures	effective from accounting periods beginning on or after 1 January 2007
IFRS-2	Share Based Payments	effective from accounting periods beginning on or after 1 January 2007
IFRS-3	Business Combinations	effective from accounting periods beginning on or after 1 January 2007
IFRS-5	Non-current Assets Held for Sale and Discontinued Operations	effective from accounting periods beginning on or after 1 January 2007
IFRS-6	Explorations for and Evaluation of Mineral Resources	effective from accounting periods beginning on or after 1 January 2007
IFRIC-8	Scope of IFRS 2 Share Based Payments	effective from accounting periods beginning on or after 1 May 2006
IFRIC-9	Reassessment of embedded derivatives	effective from accounting periods beginning on or after 1 June 2006
IFRIC-10	Interim Financial Reporting and Impairment	effective from accounting periods beginning on or after 1 November 2006
IFRIC-11	Group and Treasury Share Transactions	effective from accounting periods beginning on or after 1 March 2007
IFRIC-12	Service Concession Arrangements	effective from accounting periods beginning on or after 1 January 2008

### 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 and obligation under certain employee retirement benefits are measured at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience

and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from the other sources.

Actual results may differ from these estimates. The estimates and underlying assumption 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.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in the next year are:

(a) Provision for un-earned premiums	(see note 5 (5.3))
(b) Outstanding claims	(see note 5 (5.4))
(c) Employees' retirement benefits	(see notes 5 (5.6) & 7)
(d) Taxation	(see notes 5 (5.7) & 8)
(e) Held to maturity investments	(see notes 5 (5.9) & 10)

### Functional currency 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, claims, commission, allocable expenses of management and provision for un-earned premium.

### 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 un-earned premiums

The liability for unearned premiums has been calculated by applying 1/24th method.

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 year, 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.

### 5.4 Outstanding claims

The liability in respect of outstanding claims is based on certified returns of the branches and represents the estimates of the claims intimated or assessed before the end of the accounting year less anticipated recoveries and estimates of claims incurred but not reported (IBNR) by the year-end. During the year management has carried out an exercise whereby all claims incurred before 31 December 2005 but reported upto 31 December 2006 were aggregated and the ratio of such claims to outstanding claims has been applied to outstanding claims at 31 December 2006 to arrive at liability for IBNR.

### 5.5 Revenue recognition

#### Premium

Premiums 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.

#### Return on investments

Return on investments and profit and loss sharing accounts are recognised on a time proportion basis. Dividend income is recognised when right to receive such dividend is established. Profit or loss on sale of investments is recognised at the time of sale. Rental income on investment properties is recognised on time proportion basis.

#### Claims

Claims are considered to be incurred at the time when claims are lodged with the company. However, claims incurred but not reported at year end are determined as mentioned in Note 5.4.

*Acquisition cost*

Commission due on Direct, Facultative and treaty business and on Re-insurance cessions are recognised in accordance with the policy of recognising premium revenue.

5.6 *Employees' retirement benefits*

The Company has the following plans for its employees:

*Funded Gratuity Scheme*

Defined benefit funded gratuity 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 schemes is carried out on a yearly basis using the Projected Unit Credit Method and contributions to the schemes are made accordingly. The latest actuarial valuation, at December 31, 2006 uses a discount rate of 11%, basic salary and pension increases to average 8.9% and 5.7% respectively per annum in the long term.

Actuarial gains and losses are recognised in profit and loss account in the year they arise.

*Contributory Provident Fund*

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.

5.7 *Taxation*

*Current taxation*

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, 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.

5.8 *Creditors, Accruals and Provisions*

Liabilities for creditors and other amount payable are carried at cost which is the fair value of the consideration to be paid in future for goods and / or services. 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.

5.9 *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 Ltd. an associated company where EFU General Insurance Ltd., has significant influence. The Investment in EFU Life Assurance Ltd., is carried at a value of Rs. 87 million (as at December 31 2005: Rs. 60 million) at cost. International Accounting Standard IAS-28 (revised) "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. 184 million and profit for the year would have been higher by Rs. 71 million.

#### 5.10 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%.
- 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%.
- Subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

#### 5.11 Fixed assets - Tangibles

##### Cost

Fixed assets are stated at cost less accumulated depreciation calculated on the straight line basis using the following rates:

Buildings	5%
Furniture, Fixtures and Office Equipments	10%
Vehicles	20%
Computers	30%

Depreciation on all fixed assets is charged to profit on the straight line method so as to write off historical cost of an asset over its useful life at the rates stated in note 16 without taking into account any residual value, as considered immaterial. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to income currently.

Gains or losses on disposal of fixed assets are included in income currently.

Change in accounting estimates.

Until the previous years, the Company used to charge full annual depreciation on assets added during the year, while no depreciation was charged in the year of disposal. Pursuant to change in IAS-16 'Property, plant and equipment', the company has changed its policy for charging depreciation. Under the new treatment, depreciation charge commences from the month in which asset is available for use and continues until the month of disposal. This change has been accounted for as a change in accounting estimate, in accordance with the International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors", thereby current and future periods are corrected. Had there been no change in accounting estimate, the depreciation charge for the year would have been higher by Rs. 14 million while carrying value of fixed assets and profit before tax would have been lower by the same amount.

#### 5.12 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.

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

**5.13 Expenses of management**

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

**5.14 Compensated absences**

The liability towards compensated absences accumulated by the employees is provided when the leaves are accumulated.

**5.15 Loans, advances, deposits, prepayments and other receivables.**

Known bad debts are written off while provisions are made for debts considered doubtful.

**5.16 Foreign currencies**

Revenue transactions in foreign currencies are converted into Pak rupees at the rates prevailing on the date of the transactions as quoted by State Bank of Pakistan. Income and expense amounts relating to foreign branches have been translated to Pak rupees at the average of the rates of exchange applicable at the end of each quarter. Assets and Liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing on the Balance Sheet date. Exchange gains or losses are taken into income currently.

**5.17 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.

**5.18 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 & Loss Account.

**5.19 Off setting 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.

**5.20 Financial Assets and liabilities**

Financial Assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. Subsequently, these are measured at fair / market value, amortised cost or cost as disclosed in the individual policy statements associated with each item. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently.

**5.21 Segment Reporting**

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, atmospheric damage, flood, electric fluctuation and engineering losses.

Marine insurance segment provides coverage against cargo risk, war risk 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.

**5.22 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.

**5.23 Zakat deductible compulsorily under the Zakat and Ushr Ordinance 1980 is accounted for in the year of deduction.**

## 6. Share Capital

Number of Shares			Rupees '000	
2006	2005		2006	2005
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.		
29 750 000	20 750 000	- Opening balance	297 500	207 500
20 000 000	9 000 000	- Issued during the year	200 000	90 000
49 750 000	29 750 000		497 500	297 500
<u>50 000 000</u>	<u>30 000 000</u>		<u>500 000</u>	<u>300 000</u>

As at December 31, 2006, EFU Life Assurance Ltd. and JS Bank Ltd. (formerly Jahangir Siddiqui Investment Bank Ltd.), associated undertakings, held 2 382 437 (2005: 1 097 655) and 1 465 000 (2005: 945 000) ordinary shares of Rs. 10 each, respectively.

## 7. Staff Retirement Benefits

	Rupees '000
	2006
<b>Obligation</b>	
Obligation at beginning of the year	232 420
Service cost	9 557
Interest cost	24 613
Benefits paid	( 8 420 )
Actuarial loss	13 055
Obligation at end of the year	<u>271 225</u>
<b>Plan Asset</b>	
Fair value at beginning of the year	231 617
Expected return	24 677
Company contributions	1 467
Employee contributions	1 411
Benefits paid	( 8 420 )
Actuarial gain	7 442
Fair value at end of the year	<u>258 194</u>
Actual return on plan assets	<u>32 119</u>
<b>Reconciliation</b>	
Plan assets	258 194
Obligation	( 271 225 )
Provision	<u>( 13 031 )</u>
<b>Expenses</b>	
Service cost	9 557
Interest cost	24 613
Expected return on plan assets	( 24 677 )
Net loss	5 613
Employee contributions	( 1 411 )
Expense	<u>13 695</u>
<b>Asset (Liability)</b>	
Provision at beginning of the year	( 803 )
Expense	( 13 695 )
Company contributions	1 467
Provision at end of the year	<u>( 13 031 )</u>
<b>Fund Investment</b>	
Debt	89 %
Equity	1 %
Mixed funds	6 %
Cash	4 %

The expected contribution to the pension and gratuity funds for the year 2007 amounts to Rs 13 million. The Company amortises gains and losses over the expected remaining service of current plan members. 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:

Year	Rs. in '000			Loss on Obligation	Gain on Plan assets
	Obligation	Plan assets	Surplus		
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%
2003	161 685	145 227	( 16 458 )	17%	7%
2002	124 184	124 567	383	13%	( 23% )

## 8. Taxation

8.1. 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 the 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.

### 8.2 Reconciliation of tax charge

	2006 %	2005 %
Applicable tax rate	35.00	35.00
Less: Tax effect of amount that are deductible for tax purpose	0.99	0.14
Tax effect of amounts tax at reduced rates	6.99	6.43
Tax effect of income exempt from tax	16.21	8.41
Tax effect of rebates and tax credit	0.15	0.19
	10.66	19.83
Add: Deferred tax effect	1.09	1.77
Average effective tax rate charged on income	11.75	21.60

Rupees '000

	2006	2005
8.3 Deferred Taxation		
Opening Balance	5 447	( 6 000 )
Charge for the year due to accelerated depreciation	9 384	11 447
	14 831	5 447
9. Other Creditors		
Federal Insurance Fee	6 850	5 194
Federal Excise Duty	29 793	30 302
Sundry creditors	4 750	5 746
EFU pension fund payable	572	-
Others	6 609	6 428
	48 574	47 670

## 10. Investments

Rupees '000

	2006	2005
Held for Trading – at Market Value		
Ordinary shares of Companies–Listed	851 798	32 252
Available for Sale		
Preference Shares of Companies - Listed	60 000	20 000
Equity Investment in Associated undertakings - Listed	142 673	60 384
Ordinary shares of other Companies–Listed	1 579 499	1 344 634
	1 782 172	1 425 018

- (a) Market value of listed equities (including investment in associated undertaking) and preference shares carried at cost amounted to Rs. 5 201 million (2005: Rs. 3 985 million).
- (b) Investments in associated undertakings include equity investments in EFU Life Assurance Ltd. carried at cost amounted to Rs. 87 million (2005: Rs. 60 million) and JS Bank Ltd. carried at cost amounted to Rs. 55 million (2005: Rs. 0.7 million) and represent 39.5% and 1.25% of the issued Capital of those companies respectively.

### Held to Maturity

Name of Investment	Maturity Year	Effective Yield %	Profit Payment	2006	2005
Certificate of Investments	2007	9.50–10.25	On Maturity	32 500	–
Government Securities					
6 Months Treasury Bills	2006	8.14	On Maturity	–	48 050
1 Year Treasury Bills	2006	8.60 – 8.79	On Maturity	–	122 881
3 Years Pakistan Investment Bonds	2006	4.50	Half Yearly	–	50 460
5 Years Pakistan Investment Bonds	2007	4.92 – 5.62	Half Yearly	275 361	288 166
10 Years Pakistan Investment Bonds	2011 – 2013	4.47 – 13.00	Half Yearly	145 312	148 536
10 Years WAPDA Sukuk Bonds	2012	10.89	Half Yearly	42 500	–
				463 173	658 093

Market value of Government Securities carried at amortised cost amounted to Rs. 450 million (2005: Rs. 632 million).

### Term Finance Certificates (TFCs):

Pakistan Mobile Communications Ltd.	2006	11.60	Half Yearly	–	75 000
Dawood Leasing Company Ltd.	2006	10.02	Half Yearly	–	15 343
Optimus Ltd.	2007	14.00	On Maturity	80 000	–
First Dawood Investment Bank Ltd.	2007	5.38	Half Yearly	9 155	9 728
Jahangir Siddiqui & Co. Ltd.	2008	7.50	Half Yearly	7 490	9 990
Union Bank Ltd.	2008	5.84	Half Yearly	10 568	11 150
Pakistan Mobile Communications Ltd.	2008	10.60	Half Yearly	30 523	38 265
Jahangir Siddiqui & Co. Ltd. - 3rd Issue	2010	12.14	Half Yearly	7 647	7 650
Azgard Nine Ltd.	2012	12.79	Half Yearly	19 992	20 000
Askari Commercial Bank Ltd.	2013	11.74	Half Yearly	50 398	50 464
United Bank Ltd. – 2nd Issue	2013	9.72	Half Yearly	24 229	24 202
Askari Commercial Bank Ltd. - 2nd Issue	2013	11.98	Half Yearly	36 105	10 000
Pakistan Mobile Communications Ltd.	2013	13.41	Half Yearly	24 995	–
Dominion Fertilizer (Pvt) Ltd.	2013	12.76	Quarterly	175 000	–
Financial Receivable Securitization Co.	2013	12.65	Half Yearly	10 000	–
United Bank Ltd. – 3rd Issue	2014	12.07	Half Yearly	39 340	–
Allied Bank Ltd.	2014	12.49	Half Yearly	20 000	–

Market value of Term Finance Certificates carried at amortised cost amounted to Rs. 543 million (2005: Rs. 268 million).

	545 442	271 792
	1 041 115	929 885
	<u>3 675 085</u>	<u>2 387 155</u>

11. Investment Properties	2006							Rupees '000
	Cost			Rate %	Depreciation			Written Down Value
	As at 01 January	Additions	As at 31 December		As at 01 January	For the Year	As at 31 December	As at 31 December
Leasehold Land	48 006	-	48 006	-	-	-	48 006	
Buildings	343 079	-	343 079	5	85 677	17 154	102 831	
Lifts and other installations	2 952	-	2 952	10	1 474	295	1 769	
	<u>394 037</u>	<u>-</u>	<u>394 037</u>		<u>87 151</u>	<u>17 449</u>	<u>104 600</u>	
							<u>289 437</u>	
	2005							
	Cost			Rate %	Depreciation			Written Down Value
	As at 01 January	Additions	As at 31 December		As at 01 January	For the Year	As at 31 December	As at 31 December
Leasehold Land	48 006	-	48 006	-	-	-	48 006	
Buildings	343 079	-	343 079	5	68 523	17 154	85 677	
Lifts and other installations	2 952	-	2 952	10	1 179	295	1 474	
	<u>394 037</u>	<u>-</u>	<u>394 037</u>		<u>69 702</u>	<u>17 449</u>	<u>87 151</u>	
							<u>306 886</u>	

11.1 The market value of land and buildings is estimated at Rs. 1 017 million (2005: Rs. 966 million). The valuations have been carried out by independent valuers.

	Rupees '000	
	2006	2005
<b>12. Premium due but unpaid - net</b>		
Considered good	1 293 089	995 344
Considered doubtful	1 093	1 093
	<u>1 294 182</u>	<u>996 437</u>
Less: Provision for doubtful balances	1 093	1 093
	<u>1 293 089</u>	<u>995 344</u>
<b>13. Accrued Investment Income</b>		
Return accrued on Fixed Income securities	19 920	22 682
Dividend Income	3 894	3 172
Return on bank deposits	5 827	3 290
Others	82	64
	<u>29 723</u>	<u>29 208</u>

	Rupees '000	
	2006	2005
<b>14. Prepayments</b>		
Prepaid reinsurance premium ceded	1 147 404	951 669
Prepaid Rent	9 282	8 686
Others	13 427	9 760
	<u>1 170 113</u>	<u>970 115</u>
<b>15. Other Receivables</b>		
Advances to employees	1 230	1 652
Advances to suppliers and contractors	33 264	13 514
EFU pension fund receivable	-	311
For shares disposal	2 538	72 827
Others	12	68
	<u>37 044</u>	<u>88 372</u>

**16. Fixed Assets – Tangible & Intangible**

**2006**

Rupees '000

	Cost					Depreciation / Amortisation				Written Down Value
	As at 01 January	Additions	Sales/ Adjust-ment	As at 31 December	Rate %	As at 01 January	For the Year	Sales/ Adjust-ment	As at 31 December	As at 31 December
<b>Tangibles</b>										
Leasehold land	-	5 580	-	5 580	-	-	-	-	-	5 580
Buildings	135 257	8 698	-	143 955	5	28 100	7 006	-	35 106	108 849
Furniture and fixtures	178 840	15 954	6 614	188 180	10	110 180	11 489	5 792	115 877	72 303
Office equipments	23 979	10 481	3 735	30 725	10	15 050	1 817	3 729	13 138	17 587
Vehicles	120 300	86 918	15 423	191 795	20	59 196	22 132	8 380	72 948	118 847
Computers	16 238	16 099	115	32 222	30	7 355	6 443	115	13 683	18 539
<b>Intangibles</b>										
Computer software	-	3 473	-	3 473	33	-	1 158	-	1 158	2 315
	<u>474 614</u>	<u>147 203</u>	<u>25 887</u>	<u>595 930</u>		<u>219 881</u>	<u>50 045</u>	<u>18 016</u>	<u>251 910</u>	<u>344 020</u>

**2005**

	Cost					Depreciation / Amortisation				Written Down Value
	As at 01 January	Additions	Sales/ Adjust-ment	As at 31 December	Rate %	As at 01 January	For the Year	Sales/ Adjust-ment	As at 31 December	As at 31 December
<b>Tangibles</b>										
Buildings	126 829	8 428	-	135 257	5	21 337	6 763	-	28 100	107 157
Furniture and fixtures	143 696	36 732	1 588	178 840	10	99 898	11 854	1 572	110 180	68 660
Office equipments	19 012	5 254	287	23 979	10	13 684	1 447	81	15 050	8 929
Vehicles	63 218	69 006	11 924	120 300	20	51 750	17 555	10 109	59 196	61 104
Computers	3 848	12 411	21	16 238	30	3 288	4 088	21	7 355	8 883
	<u>356 603</u>	<u>131 831</u>	<u>13 820</u>	<u>474 614</u>		<u>189 957</u>	<u>41 707</u>	<u>11 783</u>	<u>219 881</u>	<u>254 733</u>

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

Mode of Disposal	Original Cost	Accumulated Depreciation	Book Value	Rupees '000	
				Sale Proceeds	Sold to
Vehicles (Negotiation)	5 500	1 100	4 400	5 307	Jehangir A. Sheikh, Karachi
	700	–	700	774	Qamar Saleem, Karachi
	96	–	96	454	Insurance Claim
	117	–	117	400	Sabra Bano, Karachi
	365		365	365	Insurance Claim
	365	73	292	365	Insurance Claim
	365	73	292	365	Insurance Claim
	115	–	115	350	Farzana Javed, Karachi
	86	34	52	250	Mohammad Asif, Karachi
	76	15	61	250	Mohammad Younus, Karachi
	81	16	65	150	Matloob Ali Ansari, Karachi
	275	165	110	125	S. Abdul Quddus, Karachi
Written down value Below Rs. 50 000	7 238	6 862	376	5 539	Various
Furniture, Fixture & Office Equipments (Negotiation)	119	46	73	573	Muhammad Asif, Karachi
	175	52	123	428	Muhammad Asif, Karachi
	388	78	310	388	Insurance Claim
	312	75	237	314	Insurance Claim
Written down value Below Rs. 50 000.	1 455	1 368	87	528	Various
	<u>17 828</u>	<u>9 957</u>	<u>7 871</u>	<u>16 925</u>	

### 17. Commitments

Commitments under operating leases for Equipments, Vehicles and Computers amounts to Rs. 58 million and the period in which these payments will become due are:

	Rupees '000	
	2006	2005
Year to 31 December 2006	–	48 673
Year to 31 December 2007	38 198	37 768
Year to 31 December 2008	18 506	18 437
Year to 31 December 2009	989	1 349
	<u>57 693</u>	<u>106 227</u>

### 18. Cash and Bank Balances

Current and other account balances include cheques in hand amounting to Rs. 17.84 million (2005: Rs. 19.79 million)



	Rupees '000	
	<u>2006</u>	<u>2005</u>
<b>19. Net premium revenue</b>		
Premium revenue (net of reinsurers)	5 214 678	3 736 544
Administrative surcharge	203 274	125 451
	<u>5 417 952</u>	<u>3 861 995</u>
<b>20. Management Expenses</b>		
Salaries, wages and benefits	530 248	448 707
Rent, rates and taxes	22 614	20 644
Telephone	18 038	20 729
Postage & telegrams	8 404	6 875
Gas and electricity	14 413	14 764
Printing and stationery	21 130	19 544
Travelling and entertainment	58 922	40 990
Depreciation	43 380	35 285
Repairs furniture, equipment and computer	8 919	7 393
Legal and professional charges	1 554	498
Publicity	35 032	25 318
Other expenses	74 625	77 044
	<u>837 279</u>	<u>717 791</u>
<b>21. Other Income</b>		
Gain on sale of fixed assets	9 054	7 820
Interest on loan to employees	195	230
Return on term deposits with banks	26 524	13 950
Return on saving accounts	10 622	2 985
Miscellaneous	50	-
	<u>46 445</u>	<u>24 985</u>
<b>22. General and Administration Expenses</b>		
Bonus	66 182	53 732
Gratuity	12 457	1 114
Depreciation	24 114	23 870
Property management expenses	35 093	26 321
Donation	6 242	4 518
Other expenses	288	279
	<u>144 376</u>	<u>109 834</u>

## 23. 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:

	2006				2005				Rupees '000	
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total		
	Managerial Remuneration (Including Bonus)	10 975	6 678	70 595	88 248	9 495	5 588	54 918	70 001	
Utilities	149	337	3 004	3 490	153	328	2 493	2 974		
Medical expenses	492	568	2 865	3 925	270	212	1 326	1 808		
Leave passage	-	71	832	903	-	276	1 696	1 972		
Total	<u>11 616</u>	<u>7 654</u>	<u>77 296</u>	<u>96 566</u>	<u>9 918</u>	<u>6 404</u>	<u>60 433</u>	<u>76 755</u>		
Number of persons	<u>1</u>	<u>3</u>	<u>42</u>	<u>46</u>	<u>1</u>	<u>3</u>	<u>35</u>	<u>39</u>		

In addition, the Chief Executive, 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.

## 24. Segment Reporting

Rupees '000

	Fire Insurance Business		Marine, Aviation & Transport		Motor		Miscellaneous		Treaty Business		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Segment assets	3 114 216	1 699 862	788 385	405 423	187 487	176 939	903 939	677 615	16 711	21 836	5 010 738	2 981 675
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	5 617 258	4 304 631
Total Assets	<u>3 114 216</u>	<u>1 699 862</u>	<u>788 385</u>	<u>405 423</u>	<u>187 487</u>	<u>176 939</u>	<u>903 939</u>	<u>677 615</u>	<u>16 711</u>	<u>21 836</u>	<u>10 627 996</u>	<u>7 286 306</u>
Segment liabilities	3 216 704	1 918 772	1 264 503	868 054	3 464 412	2 600 513	397 072	323 173	133 865	110 190	8 476 556	5 820 702
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	360 580	346 722
Total Liabilities	<u>3 216 704</u>	<u>1 918 772</u>	<u>1 264 503</u>	<u>868 054</u>	<u>3 464 412</u>	<u>2 600 513</u>	<u>397 072</u>	<u>323 173</u>	<u>133 865</u>	<u>110 190</u>	<u>8 837 136</u>	<u>6 167 424</u>
Unallocated capital expenditures	-	-	-	-	-	-	-	-	-	-	147 204	131 835
Segment Depreciation	14 775	10 437	7 304	4 944	19 590	18 608	1 713	1 295	-	-	43 382	35 284
Unallocated Depreciation	-	-	-	-	-	-	-	-	-	-	24 114	23 870
Total Depreciation	<u>14 775</u>	<u>10 437</u>	<u>7 304</u>	<u>4 944</u>	<u>19 590</u>	<u>18 608</u>	<u>1 713</u>	<u>1 295</u>	<u>-</u>	<u>-</u>	<u>67 496</u>	<u>59 154</u>

Location	External Premium less reinsurance by Geographical Segments		Carrying amount of Segmented Assets		Capital Expenditure	
	2006	2005	2006	2005	2006	2005
	Pakistan	5 413 013	3 856 919	10 552 576	7 183 592	147 204
EPZ	4 939	5 076	17 879	19 525	-	-
Saudi Arabia	-	-	57 541	83 189	-	-
Total	<u>5 417 952</u>	<u>3 861 995</u>	<u>10 627 996</u>	<u>7 286 306</u>	<u>147 204</u>	<u>131 831</u>

## 25. Financial Instruments and related disclosures

### (a) 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.

### (b) Mark-up Rate Risk Exposures

The company's exposure to markup rate risk, based on the earlier of contractual repricing or maturity date as at December 31, 2006 is as follows:

Rupees '000

2006

	Interest/Mark-up bearing									Non-Interest/Mark-up bearing				2006 Total	
	Effective yield %	Maturity Upto one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity over one year to two years	Maturity over two years to three years	Maturity over three years to five years	Maturity over five years to ten years	Maturity over ten years	Sub Total	Maturity upto one year	Maturity after one year		Sub Total
<b>Financial Assets</b>															
Cash and stamps in hand											-	5 865	-	5 865	5 865
Current and Saving accounts with banks	3.50	379 080									379 080	230 955	-	230 955	610 035
Bank deposit	7.50	362 594	11 480	125 550	20 392						520 016	-	-	-	520 016
Loans to employees	3.75	120	240	361	720	757	757	1 247	385	385	4 972	-	-	-	4 972
Investments	20.00	50 270	89 390	158 532	136 543	49 397	46 691	138 583	371 709		1 041 115	2 633 970	-	2 633 970	3 675 085
Premiums due but unpaid-net											-	1 293 087	-	1 293 087	1 293 087
Amount due from other insurers/reinsurers											-	225 680	-	225 680	225 680
Salvage recoveries accrued											-	46 217	-	46 217	46 217
Premium and claim reserves retained by cedants											-	1 610	-	1 610	1 610
Accrued investment income											-	29 723	-	29 723	29 723
Reinsurance recoveries against outstanding claims											-	1 938 300	-	1 938 300	1 938 300
Security deposits											-	19 125	-	19 125	19 125
Other receivables											-	37 045	-	37 045	37 045
		<u>792 064</u>	<u>101 110</u>	<u>284 443</u>	<u>157 655</u>	<u>50 154</u>	<u>47 448</u>	<u>139 830</u>	<u>372 094</u>	<u>385</u>	<u>1 945 183</u>	<u>6 461 577</u>	<u>-</u>	<u>6 461 577</u>	<u>8 406 760</u>
<b>Financial Liabilities</b>															
Provision for outstanding claims (including IBNR)											-	3 662 663	-	3 662 663	3 662 663
Amount due to other insurers/reinsurers											-	255 469	-	255 469	255 469
Accrued expenses											-	75 390	-	75 390	75 390
Agent balances											-	242 555	-	242 555	242 555
Other creditors											-	48 574	-	48 574	48 574
Other deposits											-	134 654	-	134 654	134 654
Un-claimed dividends											-	15 631	-	15 631	15 631
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4 434 936</u>	<u>-</u>	<u>4 434 936</u>	<u>4 434 936</u>
On-balance sheet sensitivity gap		<u>792 064</u>	<u>101 110</u>	<u>284 443</u>	<u>157 655</u>	<u>50 154</u>	<u>47 448</u>	<u>139 830</u>	<u>372 094</u>	<u>385</u>	<u>1 945 183</u>				
Total yield / markup rate risk sensitivity gap		<u>792 064</u>	<u>101 110</u>	<u>284 443</u>	<u>157 655</u>	<u>50 154</u>	<u>47 448</u>	<u>139 830</u>	<u>372 094</u>	<u>385</u>	<u>1 945 183</u>				

2005

	Interest/Mark-up bearing									Non-Interest/Mark-up bearing				2005 Total	
	Effective yield %	Maturity Upto one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity over one year to two years	Maturity over two years to three years	Maturity over three years to five years	Maturity over five years to ten years	Maturity over ten years	Sub Total	Maturity upto one year	Maturity after one year		Sub Total
<b>Financial Assets</b>															
Cash and stamps in hand											-	9 788	-	9 788	9 788
Current and Saving accounts with banks	2.25	179 782									179 782	374 424	-	374 424	554 206
Bank deposit	4.25	244 375	213 457	147 175	23 904						628 911	-	-	-	628 911
Loans to employees	4.00	141	282	424	846	889	889	1 464	452	452	5 839	-	-	-	5 839
Investments	17.75	1 011	124 080	129 863	80 017	319 123	26 948	22 274	226 570		929 886	1 457 270	-	1 457 270	2 387 156
Premiums due but unpaid-net											-	995 344	-	995 344	995 344
Amount due from other insurers/reinsurers											-	84 848	-	84 848	84 848
Salvage recoveries accrued											-	32 835	-	32 835	32 835
Premium and claim reserves retained by cedants											-	1 667	-	1 667	1 667
Accrued investment income											-	29 208	-	29 208	29 208
Reinsurance recoveries against outstanding claims											-	603 215	-	603 215	603 215
Security deposits											-	21 086	-	21 086	21 086
Other receivables											-	88 372	-	88 372	88 372
		<u>425 309</u>	<u>337 819</u>	<u>277 462</u>	<u>104 767</u>	<u>320 012</u>	<u>27 837</u>	<u>23 738</u>	<u>227 022</u>	<u>452</u>	<u>1 744 418</u>	<u>3 698 057</u>	<u>-</u>	<u>3 698 057</u>	<u>5 442 475</u>
<b>Financial Liabilities</b>															
Provision for outstanding claims (including IBNR)											-	1 826 554	-	1 826 554	1 826 554
Amount due to other insurers/reinsurers											-	261 178	-	261 178	261 178
Accrued expenses											-	73 087	-	73 087	73 087
Agent balances											-	181 925	-	181 925	181 925
Other creditors											-	47 670	-	47 670	47 670
Other deposits											-	124 069	-	124 069	124 069
Un-claimed dividends											-	13 503	-	13 503	13 503
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 527 986</u>	<u>-</u>	<u>2 527 986</u>	<u>2 527 986</u>
On-balance sheet sensitivity gap		<u>425 309</u>	<u>337 819</u>	<u>277 462</u>	<u>104 767</u>	<u>320 012</u>	<u>27 837</u>	<u>23 738</u>	<u>227 022</u>	<u>452</u>	<u>1 744 418</u>				
Total yield / markup rate risk sensitivity gap		<u>425 309</u>	<u>337 819</u>	<u>277 462</u>	<u>104 767</u>	<u>320 012</u>	<u>27 837</u>	<u>23 738</u>	<u>227 022</u>	<u>452</u>	<u>1 744 418</u>				

(c) 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.

(d) 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.

(e) Reinsurance Risk

Reinsurance ceded do 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 minimize 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.

(f) 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 (held for trading), detail of which is given in note No. 10 to these financial statements.

		Rupees '000	
		<u>2006</u>	<u>2005</u>
<b>26.</b>	<b>Auditors' Remuneration</b>		
	Audit fee (Gardezi & Co.)	200	200
	Branches and other Certification (Gardezi & Co.)	100	100
	Audit of Accounts of Provident Fund, Gratuity and Pension Funds (Hyder Bhimji & Co.)	15	15
		<u>315</u>	<u>315</u>
<b>27.</b>	<b>Basic earnings per shares</b>		
	Profit for the year	761 978	506 268
	Weighted average number of ordinary shares (Numbers '000)	<u>50 000</u>	<u>50 000</u>
	Earnings per share Rupees	<u>15.24</u>	<u>10.13</u>

27.1 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.

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

## 28. Non-adjusting event after the balance sheet date

The Board of Directors in its meeting held on March 24, 2007 has proposed a payment of dividend of Rs. 3 per share amounting to Rs. 150 million and a bonus issue of 100 percent. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2006 do not reflect the effects of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2007.

## 29. Related party transactions

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

	Rupees in '000	
	<u>2006</u>	<u>2005</u>
<b>Associated companies</b>		
<b>Transactions</b>		
Premium written	183 360	137 635
Premium paid	8 118	3 547
Commission paid	37 137	41 966
Claims incurred	107 953	67 889
Claims lodged	4 833	2 427
Dividend paid	31 838	22 228
Dividend received	16 387	9 657
Bonus Shares issued	70 750	31 744
Bonus Share received	35 115	9 657
Investment made	26 412	-
Rent received	58	693
Travelling expenses paid	88	70
<b>Balances</b>		
Balance receivable	1 090	7 343
Balance payable	25	12 109
<b>Employees' funds</b>		
<b>Transactions</b>		
Contribution to provident fund	13 099	11 259
Contribution to gratuity fund	12 457	1 114
Contribution to pension fund	1 238	10 440
<b>Balances</b>		
<b>Balance receivable</b>		
EFU pension fund	-	311
<b>Balance payable</b>		
EFU gratuity fund	12 457	1 114
EFU pension fund	572	-

## Key Management Personnel

Key management personnel receive compensation in the form of short term employee benefits, use of Company maintained cars and post employments benefits. Key management personnel received total compensation of Rs. 68.63 million (2005: Rs. 58.39 million).

### 30 Corresponding figures

Previous year's figures have been rearranged and reclassified wherever necessary for the purpose of comparison. Major changes made during the year are as follows:

Rupees '000

Reclassification from		Reclassification to		Reason for Reclassification	Amount
Note	Component	Note	Component		
11	Investment properties (EFU House Karachi.)	16	Fixed assets (Buildings)	The company is now occupying its significant portion.	108 704
5.3	Provision for unearned premium (Prepaid premium on reinsurance ceded).	14	Prepayments (Prepaid premium on reinsurance ceded).	For better presentation	1 147 404

### 31. Number of Employees

Number of employees as at December 31, 2006 was 1 238 (2005: 1 195).

### 32 Date of Authorisation for issue

These financial statements were authorised for issue by the Board of Directors in their meeting held on March 24, 2007.

### 33 General

Figures have been rounded off to the nearest thousands.

HASANALI ABDULLAH  
*Director*

SULTAN AHMAD  
*Director*

SAIFUDDIN N. ZOOMKAWALA  
*Managing Director & Chief Executive*

RAFIQUE R. BHIMJEE  
*Chairman*

## Pattern Of Shareholding As At 31 December 2006

Number of Shareholders	Shareholdings		Shares Held
	From	To	
252	1	100	11 663
271	101	500	77 452
133	501	1 000	104 002
287	1 001	5 000	757 649
86	5 001	10 000	641 915
40	10 001	15 000	517 969
33	15 001	20 000	609 535
15	20 001	25 000	353 980
12	25 001	30 000	340 438
4	30 001	35 000	129 054
8	35 001	40 000	307 332
5	40 001	45 000	212 270
2	45 001	50 000	93 233
4	50 001	55 000	204 813
2	55 001	60 000	115 134
2	60 001	65 000	125 645
3	65 001	70 000	200 162
3	70 001	75 000	213 100
10	95 001	100 000	995 196
2	100 001	105 000	202 049
2	105 001	110 000	212 987
1	115 001	120 000	120 000
1	120 001	125 000	120 579
2	130 001	135 000	262 978
2	135 001	140 000	137 301
2	145 001	150 000	287 100
1	160 001	165 000	161 935
1	165 001	170 000	168 035
1	175 001	180 000	352 791
3	195 001	200 000	600 000
1	215 001	220 000	215 790
2	240 001	245 000	480 240
1	250 001	255 000	252 344
2	255 001	260 000	512 536
2	275 001	280 000	555 840
1	290 001	295 000	292 844
1	300 001	305 000	303 589
2	315 001	320 000	635 978
1	335 001	340 000	335 994
1	350 001	355 000	353 335
1	400 001	405 000	402 249
1	600 001	605 000	603 362
1	625 001	630 000	629 206
1	790 001	795 000	792 535
1	1 180 001	1 185 000	1 184 313
1	1 465 001	1 470 000	1 465 000
1	1 710 001	1 715 000	1 712 823
1	2 380 001	2 385 000	2 382 437
1	2 710 001	2 715 000	2 713 435
1	3 135 001	3 140 000	3 135 233
1	3 380 001	3 385 000	3 382 076
1	4 030 001	4 035 000	4 034 915
1	4 140 000	4 145 000	4 144 985
1	4 770 001	4 775 000	4 771 244
1	6 070 000	6 075 000	6 071 400
1 219		Total	50 000 000

Categories of Shareholders	Shareholders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	4	3 968 137	7.94
NIT & ICP	-	-	-
CEO, Directors, their spouses and minor children	12	9 491 120	18.98
Executives	14	602 434	1.20
Public sector companies & corporations	1	1 184 313	2.37
Joint Stock companies	32	5 269 277	10.54
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Co. Modaraba and Mutual Funds	14	1 936 209	3.87
Foreign investors (repatriable basis)	1	3 135 233	6.27
Charitable Institutions	2	6 091 400	12.18
Administrator of Abandoned Properties	1	2 713 435	5.43
Individuals/Others	1 138	15 608 442	31.22
Total	1 219	50 000 000	100.00

### Information as required under the Code of Corporate Governance

Categories of Shareholders	Shareholders	Shares Held
<b>Associated Companies, Undertakings and Related Parties</b>		
EFU Life Assurance Limited	1	2 382 437
JS Bank Ltd.	1	1 465 000
Trustees EFU Staff Provident Fund (Pakistan)	1	105 334
Trustees EFU Gen. Ins. Emp. Gratuity Fund	1	15 366
<b>NIT &amp; ICP</b>	-	-
<b>CEO, Directors, their spouses and minor children</b>		
Rafique R. Bhimjee	1	4 144 985
Saifuddin N. Zoomkawala	1	161 935
Sultan Ahmad	1	168 035
Abdul Rehman Haji Habib	1	3 103
Jahangir Siddiqui	1	4 383
Wolfram W. Karnowski	1	47 955
Muneer R. Bhimjee	1	4 034 915
Hasanali Abdullah	1	252 344
Taher G. Sachak	1	4 078
Mrs. Naila Bhimjee W/o. Rafique R. Bhimjee	1	335 994
Mrs. Lulua Saifuddin W/o. Saifuddin N. Zoomkawala	1	317 053
Mrs. Onaiza Ahmad W/o. Sultan Ahmad	1	16 340
<b>Shareholders holding 10% or more voting interest</b>		
Ebrahim Alibhai Foundation	1	6 071 400

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*Asst. Vice President*

MOHAMMAD IQBAL  
*Senior Vice President (Development)*

SHAHID RAZA KAZMI  
*Chief Manager (Development)*

MRS. GHAZALA AMBREEN  
*Manager (Development)*

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5204021, 5204022, 5172381. Fax: 5172281

MUHAMMAD RAZZAQ CHAUDHRY  
*Senior Vice President*

WASEEM PURI  
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#### **Al Hamd Branch**

Murtaza Shopping Centre  
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5419273 - 5418687. Fax: 5419268

SALEEMULLAH TAHIR  
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MUBASHIR SALEEM  
*Asst. Vice President (Development)*

CHOUDHRAY MUHAMMAD SALEEM  
*Manager (Development)*

MUHAMMAD QASIM BUTT  
*Manager (Development)*

#### **Bank Square Branch**

Al - Khush Building, Bank Square, Lahore  
7323081 - 7323640. Fax: 7314244

BABAR A. SHEIKH  
*Executive Vice President*

#### **Canal Branch**

137-Habitat Flat Shadman II  
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IFTIKHAR UDDIN  
*Vice President*

M. SALEEM BABAR  
*Vice President (Development)*

ARSHAD AZEEM CHOUDHARY  
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7352934 - 7352938. Fax: 7352941

ZARRAR IBN ZAHOOR BANDEY  
*Executive Vice President*

#### **Eden Centre Branch**

Room No. 201  
Eden Centre, Jail Road, Lahore  
7576029 - 7551059. Fax: 7570068

ROSS MASOOD, M.B.E.  
*Executive Vice President*

MUHAMMAD LATIF BHATTI  
*Chief Manager (Development)*





**Egerton Road Branch**

Venus Plaza, 7 - E, Egerton Road  
Egerton & Davis Road Crossing, Lahore  
6365826 - 6306454 - 6302695. Fax: 6302705

MUHAMMAD RIZWAN-UL-HAQ  
*Executive Vice President*

MIAN IKRAM ELLAHI  
*Vice President (Development)*

**Gulberg Branch**

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5879242 - 5757428 - 5750763. Fax: 5756764

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204, Latif Center  
101 Ferozepur Road, Lahore  
7533731-32. Fax: 7585814

JAVAID IQBAL KHAN  
*Asstt. Vice President*

MIAN SIKANDER SHIRAZ  
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**Lahore Division**

Co-operative Insurance Building  
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7312166 - 7243290 - 7244178 - 7350616  
7312196 - 7323130 - 7353566. Fax: 7357966

LIAQUAT ALI KHAN FCII, AMPIM  
*Senior Vice President*

USMAN ALI  
*Asstt. Vice President*

FAKHAR-E-ALAM  
*Vice President (Development)*

MUHAMMAD TAYYAB NAZIR  
*Asstt. Vice President (Development)*

ASHLEY ARSHAD  
*Manager (Development)*

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*Senior Vice President*

**New Garden Town Branch**

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5833759 - 5834721. Fax: 5881671

MOHAMMAD SOHAIL  
*Senior Vice President*

**FAISALABAD**

**Faisalabad Branch**

Ahmed Plaza, Bilal Road, Faisalabad  
2610363 - 2610368 - 2610566 - 2625001  
Fax: 2611667

MAHMOOD ALI KHAN, M.A.  
*Asstt. Executive Director*

USMAN ALI KHAN  
*Vice President (Development)*

ASRAR AHMED  
*Asstt. Vice President (Development)*

CH. A. RAZZAK  
*Manager (Development)*

TARIQ NAWAZ ADIL  
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**City Branch**

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8732902 - 8734649 - 8714642. Fax: 8733402

DR. GHULAM JAFFAR, Ph.D  
*Asstt. Vice President*



**GUJRANWALA**

**Gujranwala Branch**

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MOHAMMAD ARIF BHATTI  
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M. AMIR ARIF BHATTI  
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HAJI MOHAMMAD AYUB  
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QASIM AYUB  
*Chief Manager (Development)*

**SIALKOT**

**Sialkot Branch**

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TARIQ NAEEM BAJWA  
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*Vice President*

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**Sargodha Branch**

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5584563. Fax: 5516882

MALIK FIRDAUS ALAM  
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SHEHZAD AKHTAR  
*Manager (Development)*

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2875018 - 2875084 - 2271373 - 2823868  
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RIZWANUL HAQ  
*Senior Vice President & Branch Head*

EJAZ AHMED  
*Vice President (Development)*

IMDADULLAH AWAN  
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MISS AZRA QURESHI  
*Manager (Development)*

MOIN-UR-REHMAN  
*Manager (Development)*

QAZI ALTAF HUSSAIN  
*Manager (Development)*

ZAKA ULLAH KHAN  
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**Markaz Branch**

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2802256, 2802257, 2271375. Fax: 2271376

NASEERUDDIN AHMED  
*Senior Vice President*

CH. SAJJID MAHMOOD  
*Manager (Development)*



**Murree Road Branch**

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5794684. Fax: 5794685

AGHA ALI KHAN  
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SYED ZEESHAN ABBAS ABEDI  
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ZAFAR ALI KHOKHAR, M.A.  
*Senior Vice President*

MANAN MEHBOOB  
*Asstt. Vice President*

MUHAMMAD SIDDIQUE KHAN  
*Asstt. Vice President*

**ABBOTTABAD**

106 Iqbal Shopping Complex  
Mall Road, 336371

KAMRAN SAMI KHAN  
*Officer Incharge*

**GOTH MACHI**

**Goth Machi Branch**  
6, Commercial Area (F.F.C.)  
Distt. Rahim Yar Khan  
5873001-9 - 5786420-9 Ext.: 5154  
Fax: 5786410

ALTAF HUSSAIN  
*Officer Incharge*

**PESHAWAR REGION**

11/4, Shahrah-e-Pehlavi  
5272185 - 5275487 - 5278476 - 5284384  
Fax: 5271709

SYED AFTAB HUSSAIN ZAIDI, M.A., M.B.A.  
*Asstt. Executive Director & Regional Head*

**Peshawar Division**

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5272185 - 5275487 - 5278476 - 5284384  
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S. M. AAMIR KAZMI  
*Vice President*

SALEEMULLAH KHAN  
*Asstt. Vice President*

OMER JAVID  
*Asstt. Vice President (Development)*

MANSOOR AHMAD KASHIF PARACHA  
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**Jamrud Road Branch**

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FARMAN AI AFRIDI B.E.  
*Vice President*

NAEEM ULLAH JAN  
*Asstt. Vice President (Development)*

**MARDAN**

**Mardan Branch**  
3 Cantonment Plaza, Bank Road  
862294. Fax: 866096

INAYATULLAH KHALIL  
*Vice President*

ARSHAD IQBAL  
*Asstt. Vice President (Development)*

KHIZER HAYAT  
*Manager (Development)*

**DERA ISMAIL KHAN (Sub-Office)**

3rd Floor State Life Building  
Circular Road, D.I. Khan  
9280192

ABDUL QAYYUM KAKAR  
*Officer Incharge*

**ABBOTTABAD (Sub-Office)**  
Al-Asif Plaza, Mansehra Road  
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 74th Annual General Meeting of the Company to be held on Friday April 27, 2007 at 10:00 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2007.

### WITNESSES:

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_   
CNIC Or  
Passport No: \_\_\_\_\_



*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.