



R E P O R T
(UN-AUDITED)
THIRD QUARTER
2 0 0 6

Company Information

Chairman

Rafique R. Bhimjee

Managing Director & Chief Executive

Saifuddin N. Zomkrawala

Directors

Sultan Ahmad

Abdul Rehman Haji Habib

Jahangir Siddiqui

Wolfram W. Karnowski

Muneer R. Bhimjee

Hassanali Abdullah

Tahir 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.

Nazki Zamin Ali

Rating Agency: JCR-VIS

Insurer Financial Strength Rating:
Outlook

AA
STABLE

Auditors

Gardezi & Co.
Chartered Accountants
Karachi

Website

www.efuinsurance.com

Registered Office

11/4, Shahrat-e-Pahlavi, Peshawar

Main Offices

EFU House
M.A. Jinnah Road, Karachi

Co-operative Insurance Building

23-Shahrat-e-Quaid-e-Azam, Lahore

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We are pleased to present the un-audited accounts for the nine months period ended September 30, 2006.

You would be glad to know that the Written Premium for the nine month period was Rs. 6,653 million, representing growth of 32 % over corresponding period of 2005. The loss in Fire and Property Business for the quarter was due to some major losses and numerous flood claims. As reported earlier, the claim on account of risk and vandalism and inflation in cost of parts and repairs of partially damaged vehicles continue to be major factors for increased claim in the Motor Business and has effected the total Underwriting Profit for the nine months period, which was Rs. 135 million compared to Rs. 324 million in the corresponding period of 2005.

The pre-tax profit for the nine months was Rs. 751 million compared to Rs. 475 million in the corresponding period of 2005 showing an increase of 58 %.

The Investments Income increased to Rs. 660 million compared to Rs. 188 million in corresponding period of last year showing significant growth by 251 %.

The investments in Shares and Securities continue to grow satisfactorily and have risen to Rs. 3,529 million at the end of September 2006 from Rs. 2,387 million as on December 31, 2005, showing improvement of Rs. 1,142 million.

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

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

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Karachi October 28, 2006

	<u>Note</u>	<u>AS AT</u>	
		<u>30-09-2006</u>	<u>31-12-2005</u>
Share Capital and Reserves			
Authorised			
150 000 000 (2005: 50 000 000) Ordinary shares of Rs. 10 each		<u>1,500,000</u>	<u>500,000</u>
Paid-up share capital	9	500,000	300,000
Retained earnings		662,482	305,980
Reserves		500,000	500,000
		1,162,482	805,980
Reserve for exceptional losses		12,902	12,902
		1,675,384	1,118,882
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		2,897,125	1,826,554
Provision for unearned premium-net		2,987,691	2,398,372
Commission income unearned		268,692	192,392
Total underwriting provisions		6,153,508	4,417,318
Deferred Liabilities			
Staff retirement benefits		11,852	1,114
Deferred taxation		11,986	5,447
		23,838	6,561
Creditors and Accruals			
Premiums received in advance		4,823	8,610
Amounts due to other insurers/reinsurers		397,563	261,178
Accrued expenses		93,003	73,087
Agent balances		262,222	181,925
Unearned rentals		50,204	23,221
Taxation - provision less payments		-	58,613
Other creditors		88,778	47,670
		896,593	654,304
Other Liabilities			
Other deposits		144,846	124,069
Unclaimed dividend		15,107	13,503
		159,953	137,572
Total Liabilities		<u>7,233,892</u>	<u>5,215,755</u>
Total Equity and Liabilities		<u>8,909,276</u>	<u>6,334,637</u>
Contingencies and Commitments	6 & 8		

Rupees '000

	<u>Note</u>	<u>AS AT</u>	
		<u>30-09-2006</u>	<u>31-12-2005</u>
Cash and Bank Deposits			
Cash and other equivalent		9,772	9,788
Current and other accounts		580,350	554,206
Deposits maturing within 12 months		427,457	628,912
		1,017,579	1,192,906
Loans - secured considered good			
To employees		5,451	5,839
Investments			
	4	3,529,385	2,387,155
Investment properties			
		407,537	412,375
Other Assets			
Premiums due but unpaid - net		1,678,607	995,344
Amounts due from other insurers / reinsurers		65,370	84,848
Salvage recoveries accrued		51,030	32,835
Premium and claim reserves retained by cedants		1,667	1,667
Accrued investment income		56,766	29,208
Reinsurance recoveries against outstanding claims		1,394,802	603,215
Taxation - payments less provision		16,370	-
Deferred commission expense		403,587	312,097
Prepayments		27,211	18,446
Security deposits		20,071	21,086
Other receivables		20,807	88,372
		3,736,288	2,187,118
Fixed Assets			
Tangible			
Land and buildings		156	191
Furniture, fixtures and office equipment		106,891	87,949
Motor vehicles		105,989	61,104
		213,036	149,244
Total Assets		<u>8,909,276</u>	<u>6,334,637</u>

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Rupees '000

	Three months period ended 30 September							
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Others	Treaty	Aggregate		
						2006	2005	
Revenue Account								
Net Premium Revenue	85,624	180,761	1,050,442	12,737	39,142	1,368,706	994,157	
Less: Net Claims	58,231	84,868	882,737	1,122	26,856	1,053,814	652,402	
Less: Expenses	76,751	24,545	112,197	5,656	-	219,149	184,574	
Less: Net Commission	(40,724)	28,755	65,902	(8,565)	12,928	58,296	22,523	
Underwriting result	(8,634)	42,593	(10,394)	14,524	(642)	37,447	134,658	
Investment Income						142,817	71,943	
Rental Income						18,561	16,571	
Profit on sale of Fixed assets						1,544	3,334	
Difference in Exchange						173	153	
General and administration expenses						(37,080)	(34,374)	
						126,015	57,627	
Profit before tax						163,462	192,285	
Provision for taxation - current						23,000	45,000	
- deferred						3,771	4,547	
						26,771	49,547	
Profit after tax						136,691	142,738	

	Nine months period ended 30 September							
	Fire & Property Damage	Marine, Aviation & Transport	Motor	Others	Treaty	Aggregate		
						2006	2005	
Revenue Account								
Net Premium Revenue	377,389	499,126	2,954,188	39,638	97,659	3,968,000	2,756,826	
Less: Net Claims	165,307	247,457	2,518,276	13,060	71,687	3,015,787	1,819,014	
Less: Expenses	185,035	90,969	330,097	20,271	-	626,372	512,276	
Less: Net Commission	(67,050)	82,842	171,631	(25,143)	28,481	190,761	101,058	
Underwriting result	94,097	77,858	(65,816)	31,450	(2,509)	135,080	324,478	
Investment Income						659,515	187,886	
Rental Income						52,732	47,807	
Profit on sale of Fixed assets						5,425	5,922	
Difference in Exchange						473	893	
General and administration expenses						(102,184)	(91,582)	
						615,961	150,926	
Profit before tax						751,041	475,404	
Provision for taxation - current						98,000	120,000	
- deferred						6,539	10,414	
						104,539	130,414	
Profit after tax						646,502	344,990	
Profit and Loss Appropriation Account								
Balance at commencement of period						305,980	162,712	
Profit after tax						646,502	344,990	
Less: dividend paid						90,000	63,000	
Less: issue of bonus shares						200,000	90,000	
Balance unappropriated profit at end of the period						662,482	354,702	
Earnings per share - basic and diluted						12.93	6.90	

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
 Director

JAHANGIR SIDDIQUI
 Director

SAIFUDDIN N. ZOOMKAWALA
 Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
 Chairman

**Statement of Changes in Equity
for the nine months period ended 30 September 2006 (Unaudited)**

EFU GENERAL INSURANCE LTD.

	Share Capital	General Reserve	Unappropriated Profit	Rupees '000
	_____	_____	_____	_____
Balance as at 1 January 2005	210,000	290,000	162,712	662,712
Profit for the period			344,990	344,990
Issue of bonus shares for the year 2004	90,000		(90,000)	-
Dividend paid for the year 2004			(63,000)	(63,000)
Balance as at 30 September 2005	<u>300,000</u>	<u>290,000</u>	<u>354,702</u>	<u>944,702</u>
Balance as at 1 January 2006	300,000	500,000	305,980	1,105,980
Profit for the period			646,502	646,502
Issue of bonus shares for the year 2005	200,000		(200,000)	-
Dividend paid for the year 2005			(90,000)	(90,000)
Balance as at 30 September 2006	<u>500,000</u>	<u>500,000</u>	<u>662,482</u>	<u>1,662,482</u>

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Statement of Cash Flow
for the nine months period ended 30 September 2006 (Unaudited)

EFU GENERAL INSURANCE LTD.

Rupees '000

Operating Cash Flows

	2006	2005
a) Underwriting activities		
Premiums received	5,836,260	4,552,240
Reinsurance premiums paid	(1,959,076)	(1,532,627)
Claims paid	(3,259,968)	(2,468,881)
Reinsurance and other recoveries received	657,706	774,108
Commissions paid	(518,182)	(401,537)
Commissions received	392,529	289,075
Net cash flow from underwriting activities	1,149,269	1,212,378
b) Other operating activities		
Income tax paid	(172,983)	(91,015)
General management expenses paid	(568,139)	(473,227)
Other operating payments	(80,552)	(78,314)
Other operating receipts	473	893
Loans advanced	(116)	(1,663)
Loan repayments received	503	1,624
Other receipts/(payments) in respect of operating assets	117,911	(17,266)
Net cash flow from other operating activities	(702,903)	(658,968)
Total cash flow from all operating activities	446,366	553,410
Investment activities		
Profit/ Return received	86,744	39,888
Dividends received	147,512	89,935
Rentals received	79,715	31,771
Payments for investments	(3,275,353)	(979,287)
Proceeds from disposal of investments	2,530,826	302,627
Fixed capital expenditure	(110,845)	(66,510)
Proceeds from disposal of fixed assets	8,104	6,926
Total cash flow from investing activities	(533,297)	(574,650)
Financing activities		
Dividends paid	(88,396)	(61,658)
Net cash outflow from all activities	(175,327)	(82,898)
Cash at the beginning of the year	1,192,906	865,994
Cash at the end of the period	1,017,579	783,096
Reconciliation to Profit and Loss Account		
Operating cash flows	446,366	553,410
Depreciation expense	(49,210)	(35,643)
Investment and Rental income	712,247	235,692
Profit on disposal of fixed assets	5,425	5,922
Increase in assets other than cash	1,579,839	423,627
(Increase) in liabilities other than running finance	(2,048,165)	(838,018)
Profit after taxation	646,502	344,990
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalent	9,772	15,253
Current and other accounts	580,350	524,899
Deposits maturing within 12 months	427,457	242,944
	1,017,579	783,096

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Statement of Premiums
for the nine months period ended 30 September 2006 (Unaudited)

EFU GENERAL INSURANCE LTD.

Rupees '000

Three months period ended 30 September

Class	Premiums			Reinsurance				Net Premium Revenue		
	Written	Unearned Premium Reserve		Earned	Reinsurance ceded	Prepaid Reinsurance Premium ceded		Reinsurance expense	2006	2005
		Opening	Closing			Opening	Closing			
Direct and Facultative										
Fire and Property Damage	818,267	967,297	1,218,909	566,655	712,819	775,465	1,007,253	481,031	85,624	79,137
Marine, Aviation and Transport	270,014	636,767	619,514	287,267	94,973	271,623	260,090	106,506	180,761	152,376
Motor	1,259,385	2,093,004	2,300,547	1,051,842	1,354	2,856	2,810	1,400	1,050,442	726,704
Miscellaneous	63,831	139,217	136,076	66,972	55,750	110,925	112,440	54,235	12,737	11,561
Total	2,411,497	3,836,285	4,275,046	1,972,736	864,896	1,160,869	1,382,593	643,172	1,329,564	969,778
Treaty	63,937	70,443	95,238	39,142	-	-	-	-	39,142	24,379
Grand Total	2,475,434	3,906,728	4,370,284	2,011,878	864,896	1,160,869	1,382,593	643,172	1,368,706	994,157

Nine months period ended 30 September

Direct and Facultative										
Fire and Property Damage	1,888,549	931,122	1,218,909	1,600,762	1,525,745	704,881	1,007,253	1,223,373	377,389	307,557
Marine, Aviation and Transport	932,378	468,206	619,514	781,070	393,960	148,074	260,090	281,944	499,126	414,385
Motor	3,489,384	1,771,123	2,300,547	2,959,960	3,695	4,887	2,810	5,772	2,954,188	1,948,911
Miscellaneous	209,212	119,950	136,076	193,086	172,061	93,827	112,440	153,448	39,638	31,293
Total	6,519,523	3,290,401	4,275,046	5,534,878	2,095,461	951,669	1,382,593	1,664,537	3,870,341	2,702,146
Treaty	133,257	59,640	95,238	97,659	-	-	-	-	97,659	54,680
Grand Total	6,652,780	3,350,041	4,370,284	5,632,537	2,095,461	951,669	1,382,593	1,664,537	3,968,000	2,756,826

Note: Premium written includes administrative surcharge of Rs. 180.40 million

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
 Director

JAHANGIR SIDDIQUI
 Director

SAIFUDDIN N. ZOOMKAWALA
 Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
 Chairman

Statement of Claims

for the nine months period ended 30 September 2006 (Unaudited)

EFU GENERAL INSURANCE LTD.

Rupees '000

Class	Three months period ended 30 September										
	Claims				Reinsurance					Net Claims Expense	
	Paid	Outstanding		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claims Expense		
		Opening	Closing			Opening	Closing		2006	2005	
Direct and Facultative											
Fire and Property Damage	218,450	584,192	1,065,336	699,594	168,305	458,834	931,892	641,363	58,231	34,257	
Marine, Aviation and Transport	95,981	287,356	576,827	385,452	338	31,239	331,485	300,584	84,868	42,309	
Motor	751,856	930,220	1,061,089	882,725	1,375	10,687	9,300	(12)	882,737	548,299	
Miscellaneous	16,411	145,158	139,363	10,616	11,793	124,424	122,125	9,494	1,122	3,453	
Total	1,082,698	1,946,926	2,842,615	1,978,387	181,811	625,184	1,394,802	951,429	1,026,958	628,318	
Treaty	20,894	48,548	54,510	26,856	-	-	-	-	26,856	24,084	
Grand Total	1,103,592	1,995,474	2,897,125	2,005,243	181,811	625,184	1,394,802	951,429	1,053,814	652,402	

Class	Nine months period ended 30 September										
	Claims				Reinsurance					Net Claims Expense	
	Paid	Outstanding		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claims Expense		
		Opening	Closing			Opening	Closing		2006	2005	
Direct and Facultative											
Fire and Property Damage	629,998	575,305	1,065,336	1,120,029	459,551	436,721	931,892	954,722	165,307	114,268	
Marine, Aviation and Transport	283,248	297,752	576,827	562,323	35,349	51,968	331,485	314,866	247,457	207,218	
Motor	2,254,694	798,105	1,061,089	2,517,678	15,988	25,886	9,300	(598)	2,518,276	1,445,615	
Miscellaneous	73,832	104,842	139,363	108,353	61,808	88,640	122,125	95,293	13,060	9,489	
Total	3,241,772	1,776,004	2,842,615	4,308,383	572,696	603,215	1,394,802	1,364,283	2,944,100	1,776,590	
Treaty	67,727	50,550	54,510	71,687	-	-	-	-	71,687	42,424	
Grand Total	3,309,499	1,826,554	2,897,125	4,380,070	572,696	603,215	1,394,802	1,364,283	3,015,787	1,819,014	

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

Statement of Expenses
for the nine months period ended 30 September 2006 (Unaudited)

EFU GENERAL INSURANCE LTD.

Rupees '000

Class	Three months period ended 30 September								
	Paid or Payable	Commission		Net expense	Other management expenses	Underwriting expenses	Commissions from reinsurers	Net Underwriting Expenses	
		Deferred Opening	Closing					2006	2005
Direct and Facultative									
Fire and Property Damage	104,428	118,660	154,273	68,815	76,751	145,566	109,539	36,027	19,470
Marine, Aviation and Transport	37,150	78,864	79,108	36,906	24,545	61,451	8,151	53,300	41,449
Motor	80,592	120,411	134,925	66,078	112,197	178,275	176	178,099	141,097
Miscellaneous	6,950	11,508	12,301	6,157	5,656	11,813	14,722	(2,909)	423
Total	229,120	329,443	380,607	177,956	219,149	397,105	132,588	264,517	202,439
Treaty	14,068	21,840	22,980	12,928	-	12,928	-	12,928	4,658
Grand Total	243,188	351,283	403,587	190,884	219,149	410,033	132,588	277,445	207,097

Nine months period ended 30 September									
Direct and Facultative									
Fire and Property Damage	227,760	113,089	154,273	186,576	185,035	371,611	253,626	117,985	88,368
Marine, Aviation and Transport	119,249	60,926	79,108	101,067	90,969	192,036	18,225	173,811	132,277
Motor	202,647	104,827	134,925	172,549	330,097	502,646	918	501,728	376,766
Miscellaneous	19,198	11,419	12,301	18,316	20,271	38,587	43,459	(4,872)	2,566
Total	568,854	290,261	380,607	478,508	626,372	1,104,880	316,228	788,652	599,977
Treaty	29,625	21,836	22,980	28,481	-	28,481	-	28,481	13,357
Grand Total	598,479	312,097	403,587	506,989	626,372	1,133,361	316,228	817,133	613,334

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

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
 Director

JAHANGIR SIDDIQUI
 Director

SAIFUDDIN N. ZOOMKAWALA
 Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
 Chairman

Statement of Investment Income
for the nine months period ended 30 September 2006 (Unaudited)

EFU GENERAL INSURANCE LTD.

Rupees '000

	Nine months period ended 30 September		Three months period ended 30 September	
	2006	2005	2006	2005
Income from Trading Investments				
Gain on Trading of Shares	96,591	15,841	42,784	1,003
Dividend Income	44,183	3,684	12,655	1,127
	140,774	19,525	55,439	2,130
Income from Non-Trading Investments				
Held to maturity				
Return on Government Securities	43,750	38,517	13,310	13,451
Return on Other Fixed Income Securities and Deposits	59,626	16,798	27,495	6,176
Amortisation of premium relative to par	(13,705)	(12,428)	(4,518)	(2,761)
	89,671	42,887	36,287	16,866
Available for sale				
Dividend Income	132,248	103,748	30,385	28,465
Gain/(Loss) on Sale of Non-Trading Investments	206,810	449	10	(3)
	428,729	147,084	66,682	45,328
Gain on Revaluation of Trading Investments	94,300	22,030	21,202	24,807
Less: Investment Related Expenses	4,288	753	505	322
Net Investment Income	<u>659,515</u>	<u>187,886</u>	<u>142,818</u>	<u>71,943</u>

The annexed notes 1 to 14 form an integral part of these accounts.

HASANALI ABDULLAH
 Director

JAHANGIR SIDDIQUI
 Director

SAIFUDDIN N. ZOOMKAWALA
 Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
 Chairman

1. Status and Nature of Business

The Company was incorporated as a Public Limited Company on September 2, 1932 and is engaged in general insurance business comprising of fire, marine, motor, engineering etc. The shares of the company are quoted on Karachi and Lahore Stock Exchanges.

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

2. Summary of significant accounting policies

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

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

3. Deficiency Reserve

The Insurance Rules 2002 require the company to establish premium deficiency reserve to meet expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commission and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in that class of business in force at balance sheet date. During the period, management has reviewed the results of each class of business and considers that no additional reserve is required to be created other than already accounted for unearned premiums.

4. Investments

All investments are initially recognised at cost being the fair value of the consideration given and include transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the company commits to purchase or sell the investments.

The above investments are classified into the following categories:

- Held-for-trading
- Available-for-sale
- Held-to-maturity

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

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are considered as available for sale. The company continues to follow its policy of valuing investments classified as available for sale at lower of cost or market value determined on an aggregate portfolio basis at the balance sheet date in accordance with the requirement of Insurance rules 2002.

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 an Associated company, EFU Life Assurance Limited carried at a value of Rs. 81 million (as at December 31 2005 : Rs. 60 million) at cost. International Accounting Standard IAS-28 (revised) Investment in Associate effective for the financial periods beginning on or after January 1 2005 requires that an investment in associate shall be accounted for under the equity method. The Company considers that accounting for these investment 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, their carrying value would have been higher by approximately Rs. 157 million (as at December 31 2005: Rs. 113 million) with consequent increase in the equity by the same amount.

	As on September 30 2006	Rupees '000 As on December 31 2005
Held for Trading – at Market Value		
Shares of Listed Companies	1 187 232	32 252
Available for Sale		
Preference Shares of Companies - Listed	20 000	20 000
Investment in Associated undertaking - Listed	81 298	60 384
Shares of other Listed Companies	1 240 130	1 344 634
	1 341 428	1 425 018
Held to Maturity		
Treasury Bills	-	170 931
Term Finance Certificates & Bonds	575 922	271 792
Pakistan Investment Bonds	424 803	487 162
	1 000 725	929 885
	<u>3 529 385</u>	<u>2 387 155</u>

The market value of investments in Shares and Securities including investments in associates as on September 30 2006 was Rs. 6 631 million (as at December 31 2005 : Rs. 4 917 million).

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

6. Taxation

The income tax assessments of the Company have been finalized upto and including Tax Year 2006 (Financial year ending December 31 2005). The appeals relating to assessment years 1962-63 to 1975-76 have been decided in Company's favour. However, the department has filed references with the Supreme Court of Pakistan and with the High Court of Sindh for assessment years 1962-63 to 1971-72. Consequently there is a contingent tax liability of Rs. 5.33 million which may arise if the reference petitions are decided against the Company.

The Tax Department has filed appeals with Income Tax Appellate Tribunal in respect of Accounting years 1998 to 2001 and 2003. In case appeals are decided against the company additional tax liability of Rs. 131 million may arise.

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

7. Fixed Assets - Tangible

The details of additions and deletions during the nine months period ended September 30 2006 are as follows:

	Additions	Deletions
Furniture, fixtures and fittings	11 167	1 751
Office equipments	8 073	142
Computers	15 759	115
Motor vehicles	62 567	6 034
	<u>97 566</u>	<u>8 042</u>

8. Commitments

8.1 Commitments under operating leases for Equipments, Vehicles and Computers as at September 30 2006 were Rs. 69 million (as at December 31 2005: Rs. 106 million).

8.2 Commitments for the purchase of fixed interest securities amounting to Rs. 115 million.

9. Share Capital

Number of Shares		Rupees '000	
2006	2005	2006	2005
250,000	250,000	2,500	2,500
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>

10. Transactions with Associated Undertakings

Related parties comprise of associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and employee retirement benefit funds. The transaction with these related parties are carried out at arm's length prices determined under "comparable uncontrolled price method". The transactions and balances with related parties, other than remuneration under the terms of employment or those disclosed elsewhere, are as follows:

	Rupees '000	
	Nine months period ended September 30 2006	Nine months period ended September 30 2005
Premiums written	146 540	106 883
Rent received	58	520
Premiums paid	6 502	1 255
Commission paid	29 303	21 351
Travelling expenses paid	62	25
Claims paid	74 864	39 520
Dividend paid	31 838	22 228
Dividend received	16 387	9 657
Bonus Shares issued	70 750	31 744
Bonus Share received	35 115	17 557
Investment made	20 914	-
Contribution to Provident, Gratuity and Pension Funds	21 706	18 051
Balance receivables	33 047	21 715

11. Transaction with Key Management Personnel

Key management personnel receive compensation in the form of short term employee benefits, use of Company maintained cars and post employment benefits. Key management personnel received total compensation of Rs. 43.97 million for the nine months period ended September 30 2006 (September 30 2005: Rs. 35.28 million).

12. Earnings per Share

Earning per share for current and prior period have been calculated to give effect of issue of bonus shares, issued during the current period. In accordance with the requirements of IAS-33 "Earnings per share"

13. General

Figures have been rounded off to the nearest thousands.

14. These accounts were authorized for issue by the Board of Directors in the meeting held on October 28, 2006.

HASANALI ABDULLAH
Director

JAHANGIR SIDDIQUI
Director

SAIFUDDIN N. ZOOMKAWALA
Managing Director & Chief Executive

RAFIQUE R. BHIMJEE
Chairman

EFU Offices

