

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Beema-Pakistan Company Limited and its subsidiary companies as at December 31, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of Beema-Pakistan Company Limited while the financial statements of its subsidiary companies, Shabestan Foods (Private) Limited and Phool Wala (Private) Limited were audited by another firm of Auditors whose report has been submitted to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such other Auditors, responsibility is to express an opinion on these financial 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 any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and report that:

- 1) the financial statements have been prepared on going concern basis although the Company has suffered loss of Rs. 1.937/- million during the year before Tax. The accounts have been prepared this year also on going concern basis validity of which depends on the support from the Directors of the company for providing working capital and in the absence of which the basis would not be valid, consequently adjustments may be required to the recorded asset amount and classification of liabilities. The financial statements (and notes thereto) do not disclose this fact.
- 2) the investment Rs. 927,450/- in shares of subsidiary companies as shown in note No. 18 is at cost and no provision for impairment in value has been made although there is negative equity in both subsidiaries.
- 3) advances to subsidiary include a sum of Rs. 3.9 million (Rs. 0.51 million 2004) and Rs. 2.1 million (Rs. 0.257 million 2004) incurred on wholly owned undertakings. This amount has been shown as receivable instead of recording current period expenditure, and
- 4) subject to facts stated in note No's 16.1, 19.2 & 20.2,

in our opinion the consolidated financial statements examined by us, which have been found adequate for the purposes of our audit, present fairly the financial position of Beema-Pakistan Company Limited and its subsidiary companies as at December 31, 2005 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

The financial statements of subsidiary companies were audited by another firm of Chartered Accountants. Who vide report dated March 22nd, 2006 expressed an unqualified opinion on those statements with the following emphasis points:-

- a We draw your attention to the fact that the Phool Wala (Pvt) Ltd has incurred loss of Rs. 108, 930 during the year raising the accumulated losses to Rs. 277, 928 and eroding the share holders equity to negative amounting Rs. 100, 478. Company's current liabilities exceeded current assets by Rs. 100,478 and total liabilities exceed total assets Rs. 100,478, These factors creates doubts about company's ability to continue as going concern but the account have been prepared on a going concern basis validity of which depends on the support form the Director of the company toward providing working capital and other finance in the absence of which the basis would not be valid and adjustment would have to be made for any gain or loss arising on realization of company's assets.
- b We draw your attention to the fact that the Shabestan Foods (Pvt) Ltd has incurred net loss after taxation of Rs. 4,789,276 during the year raising the accumulated losses to Rs. 6,656,871 and eroding the share holders equity to negative amounting Rs. 5,706,871. Company's current liability exceed current assets by Rs. 7,217,161 and total liabilities exceed total assets Rs. 5,706,871. These factors creates doubts about company's ability to continue as going concern basis validity of which depends on the support from Directors of the company towards providing working capital and other finance in the absence of which the basis would not be valid and adjustment would have to be made for any gain and loss arising on realization of company's assets.

Karachi : 6th April, 2006

**RAO & COMPANY**  
Chartered Accountants

**DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors present report on the consolidated financial statements of Beema-Pakistan Company Limited and its subsidiaries namely Shabestan Foods (Private) Limited and Phool Wala (Private) Limited for the year ended December 31, 2005.

The following are highlights of Financial Statements

	Rupees ('000)
Loss before taxation	(6,815)
Taxation	(21)
Loss after taxation	(6,836)
Less: Share of Loss attributable to minority interest	926
	(5,910)
Accumulated Losses at the beginning of the year	(39,675)
Accumulated Losses at the end of the year	(45,585)

**PATTERN OF SHARE HOLDING**

The pattern of shareholding as at December 31, 2005 is annexed with the financial statement of Beema-Pakistan Company Limited.

**EARNING PER SHARE**

The Consolidated financial statements reflect Rs. 0.13 loss per share after tax for the year under review and its computation has been shown in note 28 to the accounts.

On Behalf of Directors

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

## CONSOLIDATED BALANCE SHEET

Rupees '000

Share capital and reserves	Notes	2005 Rupees	2004 Rupees
<b>Share Capital</b>			
Authorized		500,000	500,000
Paid-up Ordinary 41,683,739 Ordinary Shares of Rs. 10 each	6	416,837	416,837
Preference shares 5,906,000 Preference Shares of Rs. 10 each	6	59,060	59,060
<b>Reserves</b>			
Capital Reserves	7	662	662
Accumulated Losses		(45,585)	(39,675)
		(44,923)	(39,013)
Minority Interest		(1,122)	(196)
<b>TOTAL EQUITY</b>		429,852	436,688
<b>Underwriting provisions</b>			
Provision for unearned Premium		4,786	—
Commission income unearned		256	—
Provision for Outstanding Claims		383	—
Total underwriting Provision		5,425	
<b>Creditors and accruals</b>			
Amounts due to other insurers/reinsurers	8	4,702	5,721
Accrued expenses	9	5,489	3,623
Taxation-provision less payment	10	53	137
Current portion of Leased Liability	11	55	50
Long term portion of Leased Liability	11	215	270
Others creditors and accruals		1,852	4,825
		12,366	14,626
<b>Borrowing</b>			
Loan from director	12	41,575	33,319
Unclaimed dividends	13	20	20
<b>CONTINGENCIES</b>	14	—	—
<b>TOTAL EQUITY AND LIABILITIES</b>		489,238	484,653

The annexed notes form an integral part of these financial statements.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

## AS AT 31ST DECEMBER, 2005

Rupees in'000

	Notes	2005 Rupees	2004 Rupees
<b>Cash and Bank Deposits</b>			
Cash and other equivalent	15.1	246	42
Current and other accounts	15.2	32	364
Deposit maturing within 12 Month		—	—
		278	406
<b>Investments</b>	16	6,182	1,016
<b>Other Assets</b>			
Premium due but unpaid		2	2
Amounts due from other insurers/reinsurers	17	1,649	1,529
Advances, deposits and prepayments		6,697	2,546
Loans Advance to Subsidiaries	18	6,013	768
Sundry Receivable	19	2,042	12,868
Prepays Insurance Premium Ceded		918	—
Stock in trade	20	36	29
Trade Debts		56	—
		17,413	17,742
<b>Fixed Assets</b>	21		
<b>Tangible</b>			
<b>Owned</b>			
Land		459,608	459,608
Properties		263	277
Computer Equipment		237	221
Offices		348	367
Lease Hold improvemetns		288	94
Furniture and Fixture		2,244	1,331
Office Equipment		443	477
Motor Vehicles		914	2,170
Crockery & Cuttlery		77	96
Electronic Equipment		384	252
Kitchen Equipment		348	332
<b>Leased</b>			
Motor Vehicles		211	264
		465,365	465,489
<b>TOTAL ASSETS</b>		<b>489,238</b>	<b>484,653</b>

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

## CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31st December, 2005

	Note	Fire & Property	Marine, Aviation & Transport	Motor	Others	Rupees in '000 Aggregate 2005	2004
<b>Revenue account</b>							
Net Premiums		396	1,325	—	351	2,072	18
Administrative Surcharge		93	223	—	63	379	—
Recovery or Net Claims Expenses		(16)	(292)	—	(301)	(609)	16
Net commission paid		(470)	(1,128)	—	(318)	(1,916)	(2)
		92	89	—	23	204	—
<b>Underwriting result</b>		<b>95</b>	<b>217</b>		<b>(182)</b>	<b>130</b>	<b>32</b>
Sales	21					2,157	690
Less - Cost of Goods Sold	22					(1,991)	611
Gross Profit						166	79
General and administration expenses	25					(21,106)	(13,710)
Selling Expenses	26					(329)	(135)
Financial Charges	27					(66)	—
Operating Loss						(21,205)	(13,734)
Investment income						188	155
Other income	28					14,202	250
						14,390	405
<b>Profit / (Loss) before tax</b>						<b>(6,815)</b>	<b>(13,329)</b>
Provision for taxation-Current						(21)	(4)
Provision for taxation-Prior Year Adjustment						—	(132)
Profit / (Loss) after tax						(6,836)	(13,465)
Less: Minority Interest						926	395
						(5,910)	(13,070)
<b>Profit and loss appropriation account</b>							
Accumulated Losses at the beginning of the year						(39,675)	(26,605)
<b>Accumulated Losses at the end of year</b>						<b>(45,585)</b>	<b>(39,675)</b>
<b>Loss per share-basic</b>						<b>(0.14)</b>	<b>(0.31)</b>

The annexed notes form an integral part of these financial statements.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended December 31, 2005**

Rupees in '000

	Issued, subscribed and paid up capital	Reserve for Exceptional losses	Unappropriated	Total loss
Balance as at January 1, 2004	475,897	662	(26,605)	449,954
Loss for the year ended Dec. 31 2004	—	—	(13,070)	(13,070)
<b>Balance as at January 1, 2005</b>	475,897	662	(39,675)	436,884
Loss for the year ended Dec. 31 2005	—	—	(5,909)	(5,909)
<b>Balance as at Dec. 31 2005</b>	475,897	662	(45,584)	430,975

The annexed notes form an integral part of these financial statements.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

## CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended December 31, 2005

Rupees in '000

	2005 Rupees	2004 Rupees
<b>Operating Cash Flows</b>		
<b>a) Underwriting activities</b>		
Premium received	2,452	18
Claims paid	(2,526)	16
Commissions paid	204	(2)
Net cash flow from underwriting	130	32
<b>b) Other operating activities</b>		
General management expenses paid	(6,710)	(11,373)
Other operating payments	(110)	(1,197)
Net cash flows from other operating activities	(6,820)	(12,570)
<b>Total cash flow from all operating activities</b>	<b>(6,690)</b>	<b>(12,538)</b>
<b>Investing activities</b>		
Dividends received	21	20
Sale of Fixed Assets	1,284	685
Purchase of Fixed Assets	(1,807)	(14,348)
Investment in Subsidiaries	(5,245)	768
Sundry Receivable	10,512	(1,100)
Investment in Shares/ Securities	(6,410)	—
<b>Total cash flow from investing activities</b>	<b>(1,645)</b>	<b>(15,511)</b>
<b>Financing activities</b>		
Loans received	8,257	27,410
Decrease in overdraft	—	(300)
Leased Liability	(50)	320
Issue of Share Capital - Minority	—	200
<b>Total cash flow from financing activities</b>	<b>8,207</b>	<b>27,630</b>
<b>Net cash inflow/(outflow) from all activities</b>	<b>(128)</b>	<b>(419)</b>
<b>Cash at the beginning of the year</b>	<b>406</b>	<b>825</b>
<b>Cash at the end of the year</b>	<b>278</b>	<b>406</b>



Rupees in'000

## RECONCILIATION TO PROFIT AND LOSS ACCOUNT For the year ended December 31, 2005

	2005 Rupees	2004 Rupees
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(6,690)	(12,538)
Depreciation	(903)	(1,109)
Bad debt Written off.	(300)	—
Dividend Income	21	20
Profit/(Loss) on disposal of fixed assets	(215)	(165)
Increase (Decrease) in assets other than cash	10,183	1,126
(Decrease)/(Increase) in liabilities other than medium term finance	(8,862)	(653)
Financial Charges	(46)	(10)
Provision for fluctuation in investment	(21)	—
Provision for taxation	(3)	(136)
<b>Profit after taxation</b>	<b>(6,836)</b>	<b>(13,465)</b>

### Definition of cash

Cash in hand and at Bank, Stamps in hand and short term placement with bank

Cash for the purposes of the Statement of cash flow consists of:

Cash and other equivalents

Cash in hand	246	42
Current and other account		
Current Account	32	362
PLS Account	—	2
	32	364
Deposit maturing within 12 Months		
Cash with State Bank of Pakistan	—	—
	278	406

Note: The annexed notes form an integral part of these Financial Statements.

## CONSOLIDATED STATEMENT OF PREMIUMS For the year ended December 31, 2005

Direct and Facultative	Class	Premiums written	Unearned premium reserves		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Rupees in '000	
			Opening	Closing			Opening balance	Closing		Net Premium 2005	Revenue 2004
	1 Fire and property damage	1863	—	1158	705	683	—	374	309	396	18
	2 Marine, aviation and transport	4473	—	2810	1663	759	—	421	338	1325	—
	3 Motor	—	—	—	—	—	—	—	—	—	—
	4 Miscellaneous	1261	—	818	443	215	—	123	92	351	—
	<b>Total</b>	<b>7597</b>	<b>—</b>	<b>4786</b>	<b>2811</b>	<b>1657</b>	<b>—</b>	<b>918</b>	<b>739</b>	<b>2072</b>	<b>18</b>

The annexed notes form an integral part of these financial statements.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

## CONSOLIDATED STATEMENT OF CLAIMS For the year ended December 31, 2005

Direct and Facultative	Class	Claims Paid	Outstanding claims		Claim expense	Reinsurance and other recoveries received	Reinsurance & other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net Claims expenses	
			Opening	Closing			Opening	Closing		2005	2004
	1. Fire and property damage	349	—	135	484	406	—	62	468	16	(19)
	2. Marine, aviation and transport	492	—	115	607	279	—	36	315	292	1
	3. Motor	—	—	—	—	—	—	—	—	—	—
	4. Miscellaneous	281	—	133	414	93	—	20	113	301	2
	<b>Total</b>	<b>1,122</b>	<b>—</b>	<b>383</b>	<b>1,505</b>	<b>778</b>	<b>—</b>	<b>118</b>	<b>896</b>	<b>609</b>	<b>(16)</b>

The annexed notes form an integral part of these financial statements.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

## CONSOLIDATED STATEMENT OF EXPENSES For the year ended December 31, 2005

Rupees in '000

Direct and Facultative	Class	Commissions Paid or payable a	Deferred commission		Net Commission expense d=a+b+c	Other management expenses e (Refer note)	Underwriting expense f=d+e	Commissions from reinsurance g	Net Underwriting expense	
			Opening b	Closing c					2005 h=f-g	2004
	1. Fire and property damage	—	—	—	—	470	470	92	378	2
	2. Marine, aviation and transport	—	—	—	—	1,128	1,128	89	1,039	—
	3. Motor	—	—	—	—	—	—	—	—	—
	4. Miscellaneous	—	—	—	—	318	318	23	295	—
	<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,916</b>	<b>1,916</b>	<b>204</b>	<b>1,712</b>	<b>2</b>

The annexed notes form an integral part of these financial statements.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006

**CONSOLIDATED STATEMENT OF INVESTMENT INCOME**  
**For the year ended December 31, 2005**

Rupees 000'

	2005 Rupees	2004 Rupees
<b>Income from Non-Trading Investments</b>		
Interest on investment in subsidiaries	21	20
Dividend Income	21	20
<b>Held to maturity</b>		
Return on Government securities	170	134
Provision for Fluctuation in Investment Value	(3)	—
	188	154
<b>Net Investment income</b>	188	154

The annexed notes form an integral part of these financial statements

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
 Chairman & Chief Executive

Karachi: 6th April, 2006

**NOTES TO THE CONSOLIDATED ACCOUNTS**  
**For the year ended December 31, 2005****1. GROUP AND ITS OPERATION**

The group consists of  
Beema-Pakistan Company Limited (Holding Company)  
Shabestan Foods (Private) Limited (Subsidiary Company)  
Phool Wala (Private) Limited (Subsidiary Company)

Beema-Pakistan Company Limited is an Insurance Company incorporated in Pakistan. The Company is engaged in general insurance business and listed on Karachi & Lahore Stock Exchanges. The registered office of the Company is situated at 412-427, 4th floor, Muhammadi House, I.I. Chundriger Road, Karachi.

The Financial statements of Shabestan Foods (Private) Limited and Phool Wala (Private) Limited have been consolidated based on their Audited Financial Statements as at December 31, 2005.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with the format prescribed under the insurance Rules 2002 and Companies Ordinance, 1984.

**3. STATEMENTS OF COMPLIANCE**

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

**4. BASIS OF MEASUREMENT**

These financial statements have been prepared on the basis of historical cost convention.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a) Consolidated Financials Statements**

The Consolidated Financial Statements include the Financial Statements of Beema Pakistan Company Limited and its subsidiary companies. The Financial Statements of such subsidiary companies have been consolidated on a line by line basis.

**b) Intragroup Transactions**

Material intragroup balances and transactions have been eliminated.

**c) Reserve for unexpired risk**

The company has changed the method of un-expired risk as per regulation 8 (4) of the Accounting Regulations for non-life insurance companies. No insurance business was carried by the company during the year due to the suspension of insurance license. Premium shown in financial statements is due to the Pakistan Insurance (PIC) / Pakistan Reinsurance Company Limited (PRCL) statements received during the year.

**d) 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 reserve for unexpired risks.

**e) Provision for un-earned premiums**

The company maintains provisions for un-earned premiums at the end of each year as per regulation 8 (4) of the Accounting Regulations for the non-life insurance companies.

**f) Investments**

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. The group classifies its investments as follows.

**i) Held to maturity**

Quoted investment which are acquired principally for the purpose of generating profit from shortterm fluctuations in price or are part of a portfolio for which there is a recent actual pattern of shortterm profit taking are classified as held for trading.

**AND ITS SUBSIDIARIES****ii) Held to maturity**

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using effective interest rate method.

**iii) Available for sale-marketable securities**

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 change in interest rates are classified as available for sale.

The company continues to follow its policy of valuing investment held for undefined period of time but may be sold in response to the need for liquidity or change in interest rates are classified as available for sale.

The Security and exchange Commission of Pakistan vide its letter SC/MF/D/179/2002 dated October 16, 2002 has granted exemption from adoption of IAS-39 to insurance companies due to tax implications.

The provision for investment fluctuation charged during the period under review but transferred to reserve for utilization the same against diminution in value of investment.

All regular way purchases and sales of financial assets are accounted for at settlement date.

**g) Revenue recognition****i) Premium income**

Premium received / receivable under a policy are recognized at the time of issuance of policy. Similarly, reinsurance premium is recorded at the time the reinsurance is ceded.

**ii) Investment income**

- Dividend income is recognized when the shareholders' right to receive the payment is established.
- interest income is recognized on the time proportion basis that takes into account effective yield on the asset.
- Mark up / income on government and other securities are recognized on accrual basis.

**h) 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 from subsequent to year end data.

**i) Operating fixed assets**

Fixed assets are stated at cost less accumulated depreciation calculated on reducing balancing method at the rates specified in note 21.

Full year depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. Normal repair and maintenance are charged to income currently.

Gain or loss on disposal of fixed assets are included in income currently.

**j) Deferred expenses**

These represent deferred expenses, the benefit of which will be achieved in future years, to be amortized in three years, as reported last year. Moreover, during the year under review full amount has been amortized from deferred expense in view of Board Resolution.

**k) Taxation**

Provision for taxation is based on taxable income at current rates after taking into account tax credit and rebate available, if any. The company charge deferred taxation on all temporary timing differences.

**l) Staff retirement benefits**

The company maintained provident fund scheme for its employees who opts for the scheme and no provision is made to cover the obligation under the scheme as none of the existing employee opts for the same.

**m) Foreign currencies**

Assets and liabilities in foreign currencies are stated at the rates of exchange ruling on balance sheet date. All exchange difference is included in the profit and loss account.

**n) Management expenses**

Management expenses are allocated to all classes of business in proportion to the gross premium income of the year.

## AND ITS SUBSIDIARIES

### o) *Rate of exchange*

Revenue transactions in foreign currencies are converted into rupees at the rates ruling 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 Pakistan 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.

### p) *Financial instruments*

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instruments. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.

### q) *Cash and cash equivalents*

Cash and cash equivalents are cash in hand and at bank & stamps in hand.

### r) *Transfer Pricing*

The Company as per the Securities and Exchange Commission of Pakistan Notification S.R.O. 66(1)/2003 dated January 22, 2003, adopted a policy of transfer pricing for the determination of price on transaction with its associated companies/ related parties.

These insurance transactions are carried on arm's length basis using comparable uncontrolled price method.

### s) *Segment Reporting*

The company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous.

Marine insurance segment provide coverage against cargo risk, war and damages occurring in inland transit.

The fire insurance segment provides insurance cover against damages caused by fire, riot and strike, explosion, flood, electric fluctuation impact.

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverages.

## 6. ISSUED, SUBSCRIBED & PAID-UP SHARE CAPITAL

### ORDINARY SHARE CAPITAL

550,000	Fully paid ordinary shares of Rs. 10/- each		
	550,000 issued for cash	5,500,000	5,500,000
825,000	825,000 Right shares of Rs. 10/- each	8,250,000	8,250,000
1,172,739	1,172,739 Rights shares of Rs. 10/- each	11,727,390	11,727,390
1,577,261	1,577,761 Right shares of Rs. 10/- (re-alloted) other than cash	15,772,610	15,772,610
875,000	875,000 Right shares of Rs. 10/- each other than cash	8,750,000	8,750,000
3,627,739	3,627,739 Right shares of Rs. 10/- each other than cash	36,277,390	36,277,390
38,962,000	38,962,000 Right shares of Rs. 10/- each other than cash	389,620,000	389,620,000
(5,906,000)	5,906,000 Ordinary shares converted into Preference shares with the right to hold management of the Company	(59,060,000)	(59,060,000)
<u>41,683,739</u>		<u>416,837,390</u>	<u>416,837,390</u>

### PREFERENCE SHARE CAPITAL

5,906,000	Ordinary shares of the company converted into Preference shares with the rights and powers to hold the management of the Company. These are issued to Mr. M. Shah Nawaz Agha, Chairman & Chief Executive of the Company	59,060,000	59,060,000
		<u>59,060,000</u>	<u>59,060,000</u>



## AND ITS SUBSIDIARIES

- 6.1 The 5th right share issued to Mr. Hamidullah had been rescinded by the Board of Directors and subsequently issued to Mr. M. Shah Nawaz Agha, the present Chairman and Chief Executive of the Company.
- 6.2 The above allotment is made from capital credit of Rs. 60.80 million made by Mr. M. Shah Nawaz Agha. The balance shares are issued in year 2001 at Rs. 8,750,000/- and in 2002 at Rs. 36,277,390/-.
- 6.3 Another right shares are issued being purchase consideration of properties acquired during the year, hence, capitalization process as decided in the Annual General Meeting of the company for the year 2001 completed.
- 6.4 In the 41st AGM for the year 2001 it was resolved to convert the holding of present Chairman & Chief Executive into Preference shares vide resolution no. 6 of 41 dated 29/06/2002. This was in line with Section 28 & 29 read with Section 108 of the Companies Ordinance, 1984.
- 6.5 Preference shares amounting to Rs. 59,060,000 carries the same yield will however be without variation, and these will, like other shares, listed on the CDC, representing volume of share capital, they will increase prorata as and when shareholding increases. These shares carries right and power to hold the management and ownership of the Company.

7. RESERVE	2005	2004
Capital Reserve	Rupees	Rupees
Reserve for exceptional losses	662,124	662,124
	<u>662,124</u>	<u>662,124</u>

- 7.1. The reserve for exceptional losses amounting to Rs. 662,124/- is a specific purpose created to provide for possible losses on exceptional insurance claims and is, at present, not available for dividend distribution.

8. **AMOUNT DUE TO OTHER INSURERS/ RE-INSURERS**  
The balances although unconfirmed are considered good.

9. **ACCRUED EXPENSES**

Accrued expenses	4,437,649	2,841,765
Federal insurance fee	134,864	726,711
Central Excise Duty	916,045	55,094
	<u>5,488,558</u>	<u>3,623,570</u>

10. **PROVISION FOR TAXATION**

Current year's tax provision	48,776	3,660
Prir year's tax provision	31,460	131,854
	<u>80,236</u>	<u>135,514</u>

10.1 **DEFERRED TAXATION**

There is no temporary differences arises due to the differences between tax bases of assets and liabilities.

11. **LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	Minimum Lease Payment		Present Value	
	2005	2004	2005	2004
Within one year	72,636	72,636	54,554	50,115
After one year but not more than five years	238,802	311,438	215,291	269,845
Total minimum lease payments	311,438	384,074	269,845	319,960
Less: Amounts representing finance charges	(41,593)	64,114	—	—
Present value of minimum lease payments	269,845	319,960	269,845	319,960
Less: Current portion shown under current liabilities	54,554	50,115	54,554	50,115
Long Term Portion of Leased Liability	<u>215,291</u>	<u>269,845</u>	<u>215,291</u>	<u>269,845</u>

## AND ITS SUBSIDIARIES

	2005 Rupees	2004 Rupees
<b>12. LOAN FROM DIRECTOR</b>		
Unsecured-Interest Free	41,575,557	33,318,669
<b>13. DIVIDENDS</b>		
Unclaimed dividend	20,296	20,296
<b>14. CONTINGENCY</b>		
<b>14.1</b> The Company's Legal adviser mentioned six Legal cases between the company and the various parties without mentioning any monetary effect. Therefore, we have relied on the opinion of Legal adviser.		
<b>14.2</b> In respect of a claim by Sind Alkalis Limited the case was given to the arbitrator for Rs. 1,750,000/-, the company's liability is Rs. 35,000/- and the rest is payable by the Re-insurance corporation. The claimant company has been fully indemnified by the supplier of the machinery, the Company has therefore, filed an application in the Court of Law to set aside the decree.		
<b>15. CASH AND BANK DEPOSITS</b>		
<b>15.1 Cash and other equivalents</b>		
Cash in Hand	245,832	41,801
<b>15.2 Current and other accounts</b>		
Current Accounts	31,858	362,250
PLS Accounts	—	1,698
	31,858	363,952
<b>16. INVESTMENT</b>	365,313	825,458
<b>16.1 Available for sale</b>	1,529,501	1,529,501
Less: Provision for fluctuation in investment	(1,387,189)	(1,383,981)
<b>16.1.1 Investments in Funds</b>	5,000,000	—
<b>16.2 Held to maturity</b>	1,040,364	870,509
	6,782,676	1,016,029
<b>17. AMOUNT DUE FROM OTHER INSURERS/ REINSURERS</b>		
The balances although unconfirmed are considered good.		
<b>18. Advances &amp; Loans to Subsidiaries</b>		
1. Pakistan Fire Protection academy Note 18.1	3,912,388	510,455
2.. Live Rostrum Note 18.2	2,100,774	257,397
	6,013,162	767,852
<b>18.1</b> The Company has carried out expenditure for wholly owned undertaking and the same will be transferred when the said undertaking transform legal entity by Mutual understanding of Ministry of Interior, Government of Pakistan.		
<b>18.2</b> The undertaking is a news agency. The said amount include Equipment & administrative cost. These amounts will be transferred after the undertaking is incorporated as a private limited company.		
<b>19. SUNDRY RECEIVABLE</b>		
Sundry Receivable	2,309,499	1,313,315
<b>Less:</b> Provision for doubtful debts	(267,482)	(267,482)
	2,042,017	1,045,833
<b>19.1</b> This represent old outstanding which are in process of recovery. No provision has been made during the year.		
<b>19.1</b> Last year's balance brought forward includes receivable of Rs. 10.5 million against Mr. Hameedullah which has been adjusted by disposing off 6.7 million shares in the possession of the company as security. The amount adjusted is Rs. 24.7 million including markup 14.91 million @ 15% for 9 years ended Dec. 31 2006. The notice for disposal of security was published in the newspaper on January 6, 2006.		

## AND ITS SUBSIDIARIES

16.1	No. of Shares/Certificates		Face value	Company's name	Book value	
	2005	2004			2005	2004

### Available for sale - Marketable securities

#### - Quoted (Ordinary shares)

1,476	1,476	10	Nishat Mills Ltd.	8,130	8,130
62	62	10	Burewals Texties Mills Ltd.	1,214	1,214
3,794	3,794	10	Kyber Textile Mills Ltd.	45,919	45,919
2,338	2,338	10	Noon Sugar Mills Ltd.	11,602	11,602
1,452	1,452	10	Facto Sugar Mills Ltd.	14,805	14,805
21,507	21,507	10	Sind Alkalis Ltd.	237,170	237,170
363	363	10	Dawood Cotton Mills Ltd.	700	700
2,602	1,150	10	P.I.C.I.C.	4,330	4,330
<u>33,594</u>	<u>32,142</u>			<u>323,870</u>	<u>323,870</u>

#### - Quoted (Preference shares)

8,089	8,089	10	Sind Alkalis Ltd.	90,403	90,403
<u>8,089</u>	<u>8,089</u>			<u>90,403</u>	<u>90,403</u>

#### - Delisted

72,310	72,310	10	Allied Textile Mills Ltd.	452,822	452,822
28,109	28,109	10	Sun Publication	218,906	218,906
<u>100,419</u>	<u>100,419</u>			<u>671,728</u>	<u>671,728</u>

#### - Debentures (Delisted)

887	887	10	Sun Publication	443,500	443,500
<u>887</u>	<u>887</u>			<u>443,500</u>	<u>443,500</u>
<u>142,989</u>	<u>141,537</u>			<u>1,529,501</u>	<u>1,529,501</u>

### 16.2 Held to maturity - Government securities (Deposited with the State Bank of Pakistan as statutory reserve)

			Investment in Funds	16.2.1	5,000,000	—
—	—	—	Defence Saving Certificates		353,865	353,865
—	—	—	Accrued interest		686,499	516,644
<u>—</u>	<u>—</u>				<u>6,040,364</u>	<u>870,509</u>

Total book value as at Dec. 31, 2005

7,569,865      2,400,010

Total Market value of marketable securities as at Dec. 31, 2005

738,386      741,597

16.2.1 This amount represent Investmetn required under section 29 of Insurance Ordinance 2000. The said investment was not an approved category therefore on pointing out by SBP, the same has been converted into PIBs on 09-03-2006.

### 20. STOCK-IN-TRADE

Meat, Vegetable & Grocery Items

2005  
Rupees

2004  
Rupees

35,749

29,569

### 21. OPERATING FIXED ASSETS

Particulars	COST				DEPRECIATION					Written down value on Dec. 31, 2005	Rate %
	As at Jan. 01, 2005	Addition (Deduction)	Disposal/ adjustment	As at Dec. 31, 2005	Depreciation as at 01-Jan-05	Addition/ Adjustment	Provided on written down value Balance	Charged for the year	Accumulated Depreciation		
<b>Owned</b>											
Land	459,607,891		—	459,607,891	—	—	—	—	—	459,607,891	—
Immoveable property	323,000		—	323,000	46,068	—	276,932	13,847	59,915	263,085	5
Lease Hold Improvement	128,380	226,673	—	355,053	34,791	—	320,262	32,026	66,817	288,236	10
Office-Lahore	450,000		—	450,000	83,472	—	366,528	18,326	101,798	348,202	5
Furniture & Fixture	1,979,601	1,162,039	—	3,141,640	648,845	—	2,492,795	249,279	898,124	2,243,516	10
Office Equipments	1,265,736	14,425	—	1,280,161	787,285	—	492,876	49,188	836,473	443,688	10
Computer Equipment	315,350	117,280	—	432,630	95,605	—	314,025	101,407	197,012	220,745	30
Vehicles	2,934,022	(1,284,000)	—	1,650,022	763,980	(256,800)	1,142,842	228,568	735,748	914,274	20
Crockery & Cuttlery	191,327	57,390	—	248,717	95,663	—	101,400	76,527	172,190	76,527	50
Electronic Equipment	280,685	174,462	—	455,147	28,069	—	—	42,708	70,777	384,370	10
Kitchen Equipment	369,600	54,500	—	424,100	36,960	—	—	38,714	75,674	348,426	10
<b>Leased</b>											
Vehicles	330,000			330,000	66,000		264,000	52,800	118,800	211,200	20
2005	468,175,592	522,769	—	468,698,361	2,686,738	(256,800)	5,771,660	903,390	3,333,328	465,369,033	
2004	453,577,000	15,448,592	(850,000)	468,175,592	1,577,753	—	5,502,986	1,108,985	2,686,738	465,488,854	

### 21.1 DISPOSAL OF FIXED ASSETS

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Price	Mode of Disposal	Gain/(Loss)	Name of Seller
Vehicles	1,284,000	256,800	1,027,200	812,000	Negotiation	(215,200)	Cars Club

21.1.2 The shares were issued against Land amounting to Rs. 38,962,000 in 2002, the mutation of the land remains to be made in the name of company. All properties are under Registered Power of Attorney and Sales Agreement favouring the company. The transfer of title is in the process and expected to be completed during the course of year.

### 22 SALES

Sales

2,157,440

690,123

### 22.1. COST OF SLAES

Material Consumed Note 23  
Other benefits  
Gas Charges  
Depreciation  
Conveyance & Transportation

1,770,044

492,071

134,032

50,000

5,361

2,015

43,010

25,440

38,714

4,650

1,991,161

611,136

## AND ITS SUBSIDIARIES

	2005 Rupees	2004 Rupees
<b>23. MATERIAL CONSUMED</b>		
Opening Inventory	29,569	—
Purchases	1,776,224	521,640
Materials available for use	1,805,793	521,640
Less: Closing Inventory	35,749	29,569
	<u>1,776,044</u>	<u>492,071</u>
<b>24. MANAGEMENT EXPENSES</b>		
Advertisement Expenses	1,651,709	
Computer Exp.	214,207	
Conveyance Charges	54,060	
Corporate and filing fee	312,640	
Depreciation Accounts	662,222	
Electricity & Gas Exp.	402,090	
Entertainment Exps.	225,647	
EOBI Cont.	23,460	
Insurance Exp.	153,289	
Labour Charges	21,480	
Listing & License Fee	644,919	
Legal & License Fee	568,213	
Misc. & General	78,070	
Office Renovation & Maint	1,126,463	
Postage & Revenue Stamps	51,146	
Printing & Stationery	648,296	
Rent & Taxes	1,102,081	
Salary & Allowances	6,569,530	
Telephone Exp.	159,845	
Tour & Travelling exp.	1,029,186	
Vehicle Running & Maint	191,792	
	<u>15,890,345</u>	<u>—</u>

## AND ITS SUBSIDIARIES

	2005 Rupees	2004 Rupees
<b>25. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertisement	—	88,930
Allowences to Chairman	457,310	
Audit Fee	150,000	150,000
Books & Periodicals	18,442	12,087
Charity and Donation	68,250	100,905
Computer exp.	27,350	100,442
Consultancy Fee exp.	181,500	100,000
Conveyance Charges	104,140	
Corporate & Filling Fee		1,458,570
Depreciation Accounts	202,454	1,072,020
Director Remuneration	1,500,000	1,185,065
Electricity Exp.	464,820	390,521
Entertainment Exps.	81,200	235,032
Insurance exp.		81,970
Labour Charges	34,260	17,292
Legal & Professional		204,970
Listing Fee		101,875
Loss on Sale of Fixed Assets	215,200	165,000
Medical exp.		
Misc. & General		1,077
Office Renovation & Maint	42,880	454,571
Postage & Revenue Stamps	746,923	638,639
Printing & Stationery		42,301
Property Tax	150,324	327,334
Rent: & Taxes	905,800	695,584
Rent for Crockery & Cuttlery	6,570	14,702
Repair & Maint.	60,719	54,808
Salary, Wages & other benefit	1,365,971	2,209,026
Telephone exp.	17,500	280,462
Tour & Travelling		3,025,242
Vehicle Running & maint	30,800	485,007
	<u>6,801,613</u>	<u>13,697,719</u>
<b>25.1</b> Recipients of donations do not include any entity in which a Director or his spouse had any interest		
<b>26. SELLING EXPENSES</b>		
Advertisement & Publicity	328,932	134,890
<b>27. FINANCIAL CHARGES</b>		
Bank Charges	41,534	10,666
Markup on Leased Finance	22,731	2,066
	<u>64,265</u>	<u>12,732</u>
<b>28. Misc. Income</b>		
Other Income	10,440	—
Interest Income	14,191,249	—
	<u>14,201,689</u>	<u>—</u>
<b>29. EARNING PER SHARE</b>		
Earning per share is calculated by dividing net loss for the year by weighted average number of shares outstanding during year as follows:		
Earning (loss) after taxation	(5,909,483)	13,069,027
Average number of ordinary shares outstanding during the year	41,683,739	41,683,739
(Loss) per share	(0.14)	(0.31)

## AND ITS SUBSIDIARIES

### 30. FINANCIAL INSTRUMENTS & RELATED DISCLOSURE

#### 2005

#### 30.1 Financial Assets and Liabilities

	Interest/mark-up bearing			Non-Interest/mark-up bearing			
	Effective yield markup rate	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
<b>Financial Assets</b>							
Long Term Investment	—	—	—	—	—	—	—
Statutory Deposit	—	—	353,865	353,865	—	—	—
Agents balances	—	—	—	—	1,966	—	1,966
Amount due from other	—	—	—	—	1,528,833	—	1,528,833
Sundry Debtors	—	—	—	—	2,342,017	—	2,342,017
Trade Debts	—	—	—	—	13,780	—	13,780
Investment in Subsidiaries	—	6,013,162	6,013,162	—	—	—	—
Advances Deposits & Prepayments	—	—	—	—	6,497,301	200,000	6,697,301
Accrued Interest	—	—	—	—	686,499	—	686,499
Cash, Bank & Stationery	—	—	—	—	335,015	—	335,015
	—	6,367,027	6,367,027	11,405,411	200,000	11,605,411	
<b>Financial Liabilities</b>							
Outstanding Claims	—	—	—	—	—	—	—
Unearned Premiums	—	—	—	—	—	—	—
Amount due from othe	—	—	—	—	4,701,868	—	4,701,868
Accrued expenses	—	—	—	—	5,488,558	—	5,488,558
Over draft	—	—	—	—	—	—	—
Sundry Creditors	—	—	—	—	1,851,365	—	1,851,365
Dividends	—	—	—	—	20,296	—	20,296
Loan from Director	—	—	—	—	44,401,223	—	44,401,223
Liabilities Against Assats	—	—	—	—	—	—	—
Subject to Finance Lease	54,554	215,291	269,845	—	—	—	—
	54,554	215,291	269,845	56,463,310	—	56,463,310	

## AND ITS SUBSIDIARIES

### 2004

#### 30.2 Financial Assets and Liabilities

	Interest/mark-up bearing			Non-Interest/mark-up bearing			
	Effective yield markup rate	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
<b>Financial Assets</b>							
Long Term Investment	—	—	—	—	—	—	—
Statutory Deposit	—	353,865	353,865	—	—	—	—
Agents balances	—	—	—	1,966	—	—	1,966
Amount due from other	—	—	—	1,528,833	—	—	1,528,833
Sundry Debtors	—	—	—	12,726,753	—	—	12,726,753
Trade Debts	—	—	—	13,780	—	—	13,780
Investment in Subsidiaries	—	767,852	767,852	—	—	—	—
Advances Deposits & Prepayments	—	—	—	2,331,697	200,000	—	2,546,697
Accrued Interest	—	—	—	546,249	—	—	546,249
Cash, Bank & Stationery	—	—	—	401,611	—	—	401,611
	—	1,121,717	1,121,717	17,565,889	200,000	—	17,765,889
<b>Financial Liabilities</b>							
Outstanding Claims	—	—	—	—	—	—	—
Unearned Premiums	—	—	—	—	—	—	—
Amount due from other	—	—	—	5,720,477	—	—	5,720,477
Accrued expenses	—	—	—	3,665,421	—	—	3,665,421
Over draft	—	—	—	—	—	—	—
Sundry Creditors	—	—	—	4,825,121	—	—	3,436,077
Dividends	—	—	—	20,296	—	—	20,296
Loan from Director	—	—	—	33,318,669	—	—	33,318,669
Liabilities Against Assets Subject to Finance Lease	—	269,845	269,845	50,115	—	—	50,115
	—	269,845	269,845	47,600,099	—	—	47,600,099

- a) No Financial assets is exposed to foreign exchange rate risk.
- b) Financial liabilities long term and short term loan are disclosed in the relevant notes with their rate and maturity.

#### 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts during the year for remuneration, including benefits to the Chief Executive, full time working Director and executives of the company is as follows:

	Chief Executive		Directors		Executives		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Remuneration	1,000,875	637,999	—	—	1,784,326	277,420	3,085,201	915,419
House Rent Allowance	520,350	131,072	—	—	713,729	—	1,234,079	131,072
Utilities	130,087	213,277	—	—	178,430	—	308,517	213,277
Medical	—	126,392	—	—	—	—	—	126,392
Other allow	—	—	—	—	46,000	—	46,000	—
	1,951,312	1,106,740	—	—	2,676,485	277,420	4,673,797	1,386,160
No. of Persons	3	3	—	—	5	1	—	1



## AND ITS SUBSIDIARIES

### 32. RISK MANAGEMENT

Overall, risks arising from the Company's financial assets and liabilities are limited

#### a) Foreign exchange rate risk management

No foreign currency loan is repayable.

#### b) Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

#### c) Reinsurance Risk

Reinsurance ceded does not relieve the company from its obligation to policy holders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligation under the reinsurance agreements. In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the company usually, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

### 33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for quoted investment. Fair value of quoted investments are disclosed in the relevant note.

	2005 Rupees	2004 Rupees
<b>34. TRANSACTIONS WITH RELATED PARTIES</b>		
Advances to subsidiary companies	6,013,162	767,852

### 35. NO. OF EMPLOYEES

There were 59 employees as at December 31, 2005 (31: 2004)

### 36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorized for issue on 6th April, 2006 by the Board of Directors of the company.

### 37. FIGURES

Figures have been rounded off to the nearest rupee.

Director

Director

Director

**M. SHAHNAWAZ AGHA**  
Chairman & Chief Executive

Karachi : 6th April, 2006