

**COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	M. Shahnawaz Agha	Pakistani Chairman & Chief Executive
	M. Zaheer Agha	Pakistani Director
	Syed M. Salahuddin	Pakistani Director
	Jaweid Ishaque	Pakistani Director
	M. Salman Agha	Pakistani Director
	Rear Admiral (R) Syed Hamid Khalid	Pakistani Director
	Dr. Naseemuddin Qureshi	Pakistani Director

**COMPANY SECRETARY** Syed Misbah Uddin Ahmed

**MANAGEMENT**

M. Shahnawaz Agha

Chairman & Chief Executive

Syed Misbah Uddin Ahmed

Chief Financial Officer

**LEGAL ADVISORS**

Javied Malik (Advocate)  
2nd Floor, Uzma Arcade,  
Main Clifton, Karachi.

**AUDITORS**

Khalid Majid Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountant  
180-A, S.M.C.H.S.  
Karachi

**BANKERS**

Allied Bank of Pakistan Limited  
Bank Alfalah Limited  
KASB Commercial Bank Limited  
Standard Chartered Bank Limited  
MCB bank Limited  
My Bank Limited  
NIB Bank Limited

**REGISTERED  
& HEAD OFFICE**

412-427, 4th Floor, Muhammadi House,  
I. I. Chundrigar Road,  
P.O. Box: 5626 Karachi - 74000  
Phone PABX - 242-9530-31-32-33  
Fax - 242-9534  
e-mail: [info@beemapakistan.com](mailto:info@beemapakistan.com)  
Website: [www-beemapakistan.com](http://www-beemapakistan.com)

## VISION

Here at **BEEMA-PAK1STAN**, we take great pride in having initiated a process towards Islamization of insurance in Pakistan. We call this "**Real Insurance**". We believe, that "**Life and property of the UMMAH must be protected by the UMMAH**". In line with our belief, we have therefore, engineered a mechanism. Through which we re-insure our domestic risk at home. More, we use (the re-insurance pool to assume cross border risk just as much. This enables the insurance industry to become an export revenue earner and also enables (multi-currency based) resource mobilization for Pakistan.

We now hope to address the new millennium providing directional leadership globally.

## MISSION

We have taken '**evaluation**' and '**securitization**' as an integral part of risk assumption. This activity provides a very futuristic money management technique and in all cases "**real asset**" based synchronization. Risk assumed, is first evaluated, securitized and then reinsured. The proliferation of this proprietary method as the norm in the Pakistan Insurance Industry is our mission indeed.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 46<sup>TH</sup> Annual General Meeting of Beema-Pakistan Company Limited, will Insha Allah be held at the Shabestan, Mezzanine Floor, Chappal Ocean Center, Block-4, Clifton, Karachi, on 30<sup>th</sup> April 2007 at 4:00 p.m. to transact the following business.

### A) Ordinary Business

1. To confirm the minute of the 4<sup>th</sup> Extra Ordinary Annual General Meeting held on the 13<sup>th</sup> December 2006.
2. To receive, consider and adopt the Annual Audited accounts of the Company for the year ended 31<sup>st</sup> December, 2006, together with Directors' and Auditors' report thereon.
3. To appoint Auditors of the Company and fix their remuneration. The retiring Auditors, M/s. Khalid Majid Rehman Rahim Sarfaraz Iqbal Rafiq Chartered Accountants & Co., are eligible for reappointment and have offered themselves for reappointment.
4. To transact any other business with the permission of the Chairman.

### B) Special Business:

5. To approve the disinvestment in M/s. Shabestan Foods (Pvt) Limited with effect from July 1<sup>st</sup> 2007. And further that Mr. Shahnawaz Agha will no more be acting as a nominee director of M/s. Shabestan Foods (Pvt) Limited on behalf of M/s. Beema Pakistan Company Limited.
6. To approve the disinvestment in M/s. Phoolwala (Pvt) Limited with effect from July 1<sup>st</sup> 2007. And further that Mr. Shahnawaz Agha will no more be acting as a nominee director of M/s. Phoolwala (Pvt) Limited on behalf of M/s. Beema Pakistan Company Limited.

By order of the Board

Syed Misbahuddin Ahmed  
Company Secretary

Karachi: 6th April ,2007

#### Notes:

- a) The Share Transfer Books of the Company shall remain closed from 22nd to 29th April 2007 (both days inclusive).
- b) A member entitled to attend and vote at the meeting may appoint another member as his/ her proxy to attend and vote in his /her place. Proxies, complete in every respect, in order to be effective, must be received at 4<sup>th</sup> Floor Mohammadi House I.I.Chundrighar Road, Karachi , the Registered Office of the Company ,not later than 48 hours before the time of the meeting .
- c) Central Depository Company Account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

#### A) For Attending the Meeting

1. In case of individual , 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 /her original National Identity Card (CNIC) or Original passport at the time of attending the Meeting.
2. 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**

1. In case of individual, 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 requirements.
2. Two persons whose name , addresses and CNIC numbers shall be mentioned on the form shall witness the proxy form.\
3. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his /her original CNIC or original passport at the time of the Meeting.
5. In case of corporate entity ,the Board of Director's resolution/ power of attorney with specimen signature of the nominee shall be produced ( Unless it has been provided earlier) at the time of meeting
6. Members are requested to notify the Company of change in their addresses, if any.

Statement under section 160(1)(b) of the Companies Ordinance 1984 in respect of the special business to be considered at the meeting is being sent to the members along with a copy of this Notice.

**1) Item #5 on the agenda disinvestment in M/s. Shabestan Foods (Pvt) Limited.**

To consider and if though fit, To approve the disinvestment in M/s.Shabestan Foods (Pvt) Limited with effect from July 1<sup>st</sup>2007 and repayment of the loan as at July 1st, 2007 And further that Mr.Shahnawaz Agha will no more be acting as a nominee director of M/s. Shabestan Foods (Pvt) Limited on behalf of M/s. Beema Pakistan Company Limited.

The shareholders are requested to consider and approve, if though fair, to pass with or without modification the following resolution:

“Resolved that the Company be and hereby is authorized to disinvest in M/s. Shabestan Foods (Pvt) Limited with effect from July 1<sup>st</sup>, 2007 & repayment of the loan as at July 1st 2007 and further that Mr.Shahnawaz Agha will no more be acting as a nominee director of M/s. Shabestan Foods (Pvt) Limited on behalf of M/s. Beema Pakistan Company Limited”.

**2) Item #6 on the agenda disinvestment in M/s. Phoolwala (Pvt). Limited**

To consider and if though fit, To approve the disinvestment in M/s.Phoolwala (Pvt) Limited with effect from July 1<sup>st</sup>2007 and repayment of the loan amount as at July 1st, 2007. And further that Mr.Shahnawaz Agha will no more be acting as a nominee director of M/s. PhoolWala (Pvt) Limited on behalf of M/s. Beema Pakistan Company Limited.

The shareholders are requested to consider and approve, if though fair, to pass with or without modification the following resolution:

“Resolved that the Company be and hereby is authorized to disinvest in M/s. Phoolwala (Pvt) Limited with effect from July 1<sup>st</sup>, 2007 and repayment of the loan amount as at July 1st, 2007 and further that Mr.Shahnawaz Agha will no more be acting as a nominee director of M/s. Phoolwala (Pvt) Limited on behalf of M/s. Beema Pakistan Company Limited”.

## DIRECTOR'S REPORT TO THE SHARE HOLDERS

The Directors are pleased to present the 46<sup>th</sup> Annual Report of the Company together with the Audited Financial Statements and Auditors' report thereon for the year ended December 31<sup>st</sup> 2006.

### Review of the Business Activities

During the year under review, the losses are attributable to the “development expenses” incurred for product processes which are a requirement prior to the launching of the products both reinsurance and insurance. These include the reinsurance product, 'Daulat' and “Mukammal Tahaffuz” the Fire Protection and Rescue Securitization insurance project agreed with Ministry of Interior. The other insurance products which are ready and therefore envisaged for launch are:

- 1) **Darban** Securitized property insurance
- 2) **Gulnar** Securitized fire insurance
- 3) **Humsafar** Securitized travel insurance
- 4) **Baaz** Securitized motor insurance
- 5) **Roze-ana** One day bearer insurance cover

That towards selling and marketing of the retail products, three channel products supportive to the distribution regime are also ready to be introduced. These are **Jeeaala**, **Wazifa** and **Sitara**. An exclusive agreement with a major autonomous body has been structured such that these channel products get a jump-start towards introduction through their 4000 plus branches that are envisaged to become franchised outlets for the company introducing 'SITARA' (franchised outlets); and their 50,000 employees are envisaged to become 'JEEAALAs' (insurance agents) with the WAZIFA (monthly income plan) benefit envisaged to provide an army of foot-soldiers for the company.

Daulat a global proprietary reinsurance product is gold based. The purpose to initiate this product globally was to meet the growing re-insurance demand in Pakistan and internationally and also to replace the outflow of the foreign exchange in the form of premium paid to other re-insurers. Burgeoning economy, booming financial sector and the ongoing reforms particularly in the Afro-Asian region will provide further impetus to the general insurance industry globally, hence the company is all set up to reap the benefits there-from. This reinsurance pool is physically backed by tangible gold assets and these without fail, bridge the contingency of loss. This global proprietary reinsurance product also meets with the mission statement of the company in consonance with Islam that “the life and property of the Ummah must be protected by the Ummah.”

Profit and loss statement reflects an overall underwriting income of Rs.3.16 million during the year under review as compared to Rs.0.13 million during the previous year 2005. This increase is coincidental as the formal launch of the Company's products remain to be made.

### Going Concern

The observations made in the auditor's report to the Members has expressed “doubt towards material uncertainty because of low underwriting results about the company to continue as a going concern, unless the business milestones declared in 1.2 are eventually realized”. This observation is countered and qualified by your company's management on three counts:

- a) That the directors unceasingly are putting their money into the company towards development of the products and the business plan, resounding their confidence there-towards.
- b) That the assumed delay in launching the products are evidently attributed to hurdles which have consistently been put in the way of the company from regulatory authorities, and all of which without exception thus far have legally been ruled in the company's favour;
- c) That the Corporate Structure of the Company and its product philosophy, undeniably make it way futurist and different from its peers. The development of these products and its diginization with a team of professionals and its IT support has taken considerable time. Strategic alliances with other global institutions did also take time. Your management is however pleased to report that the launching of the products will Inshallah be done before June of 2007, as the state of readiness is complete.

**Compliance with the code of Corporate Governance**

That Board of Directors remained engaged in performing their duties as required under the Code of Corporate Governance,. In addition, the Code of Corporate Governance for the Insurance Companies has also been adopted and complied with, and such compliance is attached with this report.

**Change in Board of Directors**

There is no change in the Board of Directors of the Company during the year 2006.

**Board of Audit committee**

There is no change in the Board of Audit Committee during the year 2006

**Appointment of the Auditors**

M/s. Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq & Company, Chartered Accountants were appointed by the Securities & Exchange Commission of Pakistan vide letter ID/SECP/Beema Pak/2006, dated January 12<sup>th</sup>, 2007 as an external statutory auditors of the Company for the year ended December 31<sup>st</sup>, 2006 in place of retiring auditors M/s. Muniff Ziauddin & Company, Chartered Accountants. The auditors M/s. Muniff Ziauddin & Company were removed from the post of the statutory auditors through Extra Ordinary General Meeting (EOGM) dated December 13<sup>th</sup>, 2006 duly approved by the shareholders.

**Patterns of Shareholding**

A statement showing the pattern of shareholding is attached with this report.

**Corporate Financial Reporting**

1. The Financial statements together with the notes forming integral part of these statements are drawn up in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2002, prepared by the management of your Company, these present fairly the state of affairs, the result of the operations, cash flows and changes in the statement of equity.

2. Proper Books of Accounts of the Company have been maintained.
3. Appropriate accounting policies have consistently been applied in preparation of these financial statements, and accounting estimates are based on reasonable and prudent judgment.
4. The International Accounting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and any departure there-from, has been adequately disclosed.
5. The system of the internal control is satisfactory and has been continuously monitored by the internal auditors. This is in course of process and any weaknesses will be removed soon after Company comes into operation.
6. There is no doubt on the Company's ability to continue as going concern.
7. There has been no material change from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the past ten years is attached with this report.
9. Outstanding amounts, taxes and duties are accounted for in the financial statements.

**Financial Statements**

The financial statements of the company for the year ended December 31<sup>st</sup>, 2005 have been audited by M/s. Rao & Company, Chartered Accountants.

There were no material changes and commitments affecting the financial position of the company from the end of the financial year upto the date of signing of the director's report.

**Insurance ordinance**

1. In their opinion and to the best of their belief the annual statutory accounts of the company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance 2002 and the rules made there under .
2. The company has, all times in the year, where practicable complied with the provision of the Ordinance and rules made there under.
3. As at the date of the statement, the company continues to be in compliance with the provision of the Ordinance and rules framed thereunder as mentioned above .

**Corporate Governance**

The board is pleased to announce that the company has adopted and complied with the Code of Corporate Governance as per the provisions set out by the SECP and consequent listing regulations of the Karachi & Lahore Stock Exchanges, on which the company is listed.

**Future outlook**

Product / Initiative	Description	Expected Premium Income (Rupees in Millions)	Status
<b>Special Initiative</b>			
Mukammal Tahafuz	Fire Protection and Rescue Securitization Insurance Project	13,999	MoU Signed. Application pending with Ministry of Interior, Govt. of Pakistan
<b>Reinsurance</b>			
Daulat	Gold- Asset Based Reinsurance Pool	24,400	Ready for Launch
<b>Primary Insurance</b>			
Darbaan	Securitized Property Insurance	99	Test Marketing / Ready for Launch
Gulnaar	Securitized Fire Insurance	132	Test Marketing / Ready for Launch
Baaz	Securitized Auto Insurance	120	Ready for Launch
Nakhuda	Securitized Marine Hull Insurance	15	Ready for Launch
Zakheera	Securitized Marine Cargo Insurance	45	Ready for Launch
Humsafar	Securitized Travel Insurance	89	Ready for Launch (Embassy Enlistment)
Rozana	One Day Bearer Accidental Insurance	177	Ready for Launch
<b>Total</b>		<b>676</b>	
<b>Grand Total</b>		<b>39,076</b>	

**General**

We take the opportunity to express our appreciation to our valued clients, other re-insurers, Banks DFIs and Statutory Bodies, our auditors, for their extensive co- operation and support to the company. We wish to also place as token our special thanks to the Securities and Exchange Commission of Pakistan & Pakistan Reinsurance Company.

The Directors are pleased to record their appreciation of the valuable services rendered by the staff of the company.

Karachi: 06th April 2007

Mirza Shahnawaz Agha  
Chairman & C.E.O



## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the code) Contained in Regulation No. 37 and Chapter XIII, of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited, respectively, 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 independent non-executive Directors on its Board of Directors including those representing minority interests. At present the Board includes four non-executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies including this company.
3. All the resident Directors of the Company are registered as taxpayers in Pakistan and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or an Non Banking Finance Company and none of them is the member of any stock exchange.
4. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and is in the process of being signed by the employees of the Company.
5. The Board has developed and approved a vision/mission statement. However, overall corporate strategy and significant policies of the Company in vogue are in the process of being developed/approved.
6. All the powers of the Board have been duly exercised and Board has taken decisions on material transactions including appointment and determinations of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and the executive director.
7. All meetings of the Board were presided over by the Chairman of the respective meeting elected by the directors amongst their body. The Board met at least once in every quarter. Written notices of the Board meetings, agenda and working papers were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. Most of the directors have attended orientation courses. Further, the directors of the company at the time of filing their consent to act as such, have given a declaration that they are aware of their duties and powers under the Companies Ordinance, 1984, the listing regulations of the stock exchange and relevant laws.
9. The appointments of CFO, Company Secretary and the Head of Internal Audit have been approved by the Board.
10. 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.
11. The financial statements of the Company were duly endorsed by CEO before approval of the Board.

12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code except that the financial statements for the half year ended 30 June 2006 and for third quarter ended 30 September 2006 were not circulated as the appointment of new auditors was made by Securities and Exchange Commission of Pakistan vide their letter dated January 12, 2007.
14. The Board has formed. an audit committee, it comprises of three members who are non-executive directors.
15. The meetings of the audit committee were held at least once every quarter Prior to approval of interim and final results of the company and as required by the code. However, the members of the audit committee did communicate among themselves and with the management and external auditors on the issues relating to the financial statements and approved the same. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Company has an internal audit department and is managed by experienced and qualified personnel. The audit team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
17. 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 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

Karachi: 06th April 2007

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

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE  
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

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 Beema Pakistan Company Limited ("the company") to comply with the Listing Regulations of Stock Exchanges 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 to review, to the extent where such compliance can be objectively verified, whether the Statement of compliance reflects the status of Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code of Corporate Governance.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control system 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 effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that 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.

Karachi: April 07, 2007

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants

**STATEMENT OF COMPLIANCE WITH BEST PRACTICES  
ON TRANSFER PRICING FOR THE YEAR ENDED DECEMBER 31, 2006**

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the respective Stock Exchanges where the Company is listed.

Director

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

Karachi: 06th April 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 Beema-Pakistan Company Limited (the company) as at December 31, 2006 together with the notes forming part thereof for the year then ended.

It is the responsibility of the Company's Management to establish and maintain a system of internal control, and prepare and present the financial statements 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 Standards as applicable in Pakistan. Those 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. An audit also includes assessing the accounting policies used 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, and after due verification, we report that:

1. The financial statements of the company discloses that the company suffered loss of Rs. 34.89 million (2005:Rs.7.18 million) for the year, its accumulated loss increased to Rs.81.50 million (2005:Rs.46.61 million) and there had been low underwriting revenue and details of the contingency if any has not been provided to us (refer note 16). These conditions along with other factors referred to in note 1.2 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern. The going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of the matters disclosed in note 1.2.
2. The amount due to/from insurance and re-insurance companies and that mentioned under note 14.2 remain unconfirmed.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984);
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984) and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) except for the effect of the matters referred to in above paragraphs, the financial statements together with the notes thereon present fairly, in all material respects, the state of Company's affairs as at 31 December 2006 and of the **loss**, 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 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984); and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The prior year financial statements were audited by Rao & Company, Chartered Accountants who expressed qualified opinion in their audit report dated April 06, 2006.

Karachi: 07th April 2007

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants

**BALANCE SHEET AS AT**

<b><u>EQUITY AND LIABILITIES</u></b>	Note	<b>2006</b>	(Restated) 2005
		(Rupees in '000)	
<b>Share capital and reserves</b>			
<b>Share Capital</b>			
<b>Authorized</b>			
100,000,000 shares of Rs. 10 each		<u>1,000,000</u>	<u>500,000</u>
<b>Paid-up</b>			
41,683,739 Ordinary shares of Rs. 10 each	6	416,837	416,837
5,906,000 Preference shares of Rs. 10 each	7	59,060	59,060
Advance against shares	8	118,658	-
<b>Reserves</b>			
Capital reserves	9	662	662
Accumulated losses		(81,501)	(46,611)
		(80,839)	(45,949)
<b>TOTAL EQUITY</b>		<b>513,716</b>	<b>429,948</b>
<b>Underwriting provisions</b>			
Provision for unearned premium		101	4,787
Commission income unearned		-	256
Provision for outstanding claim		254	383
<b>Total underwriting provision</b>		<b>355</b>	<b>5,426</b>
<b>Creditors and accruals</b>			
Amounts due to other insurers/reinsurers		222	496
Accrued expenses	10	6,306	5,489
Advance against sale of land	11	64,968	-
Taxation-provision less payment	12	40	38
Current portion of lease liability	13	73	55
Long term portion of lease liability	13	156	215
Other creditors and accruals	14	2,838	1,051
		74,603	7,344
<b>Borrowings</b>			
Loan from director	15	50,735	41,575
<b>Other liabilities</b>			
Unclaimed dividends		20	20
<b>CONTINGENCIES</b>	16		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>639,429</b></u>	<u><b>484,313</b></u>

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

DECEMBER 31, 2006

<u>ASSETS</u>	Note	2006	(Restated) 2005
		(Rupees in '000)	
<b>Cash and bank deposits</b>	17		
Cash and other equivalent	17.1	7	235
Current and other accounts	17.2	87	32
		94	267
<b>Investments</b>	18	7,712	7,110
<b>Other Assets</b>			
Premiums due but unpaid		2	2
Amounts due from other insurers/reinsurers		99	120
Advances, deposits and prepayments	19	4,225	4,621
Advances and loans to subsidiaries	20	12,540	7,003
Markup receivable from subsidiary	20.3	1,420	418
Prepaid reinsurance premium ceded		-	918
Advance against purchase of properties	21	67,798	-
Sundry receivable	22	68	-
		86,152	13,082
<b>Fixed assets - Tangible</b>	23		
<b>Owned</b>			
Land		459,608	459,608
Immovable properties		80,218	263
Computer equipment		340	220
Office - Lahore		331	348
Lease hold improvement		833	288
Furniture and fixtures		1,411	1,483
Electronic equipment		842	91
Office equipment		988	428
Motor vehicles		731	914
<b>Leased</b>			
Motor vehicles		169	211
		545,471	463,854
<b>TOTAL ASSETS</b>		639,429	484,313

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007



**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	Fire and Property	Marine Aviation and Transport	Motor	Others	2006	(Restated) 2005
(Rupees in '000)							
<b>Revenue account</b>							
Net premiums		968	2,619	17	775	4,379	2,072
Administrative surcharge		11	12	4	4	31	379
Recovery or net claims		(12)	(7)	-	-	(19)	(609)
Expenses	24	(372)	(847)	(5)	(263)	(1,487)	(1,916)
Net commission		112	113	-	31	256	204
<b>Underwriting result</b>		<u>707</u>	<u>1,890</u>	<u>16</u>	<u>547</u>	<u>3,160</u>	<u>130</u>
Investment income						1,319	188
Other income	25					1,003	14,590
General and administrative expenses	26					(40,291)	(22,033)
Financial charges	27					(59)	(48)
						<u>(38,028)</u>	<u>(7,303)</u>
<b>Profit / (Loss) before tax</b>						<u>(34,868)</u>	<u>(7,173)</u>
Provision for taxation - current						(22)	(10)
<b>Profit/(Loss) after tax</b>						<u>(34,890)</u>	<u>(7,183)</u>
<b>Profit and loss appropriation account</b>							
Accumulated loss at the beginning of the year						(46,611)	(39,428)
<b>Accumulated loss at the end of the year</b>						<u>(81,501)</u>	<u>(46,611)</u>
<b>Loss per share-basic &amp; diluted</b>	28					<u>(0.84)</u>	<u>(0.17)</u>

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Rupees in '000)

	Issued Subscribed and Paid Up Capital	Advance Against Shares	Reserve for Exceptional losses	Accumulated loss	Total
Balance as at Jan 01, 2005 (as restated)	475,897	-	662	(39,428)	437,131
Loss for the year ended Dec. 31, 2005 (as restated)	-	-	-	(7,183)	(7,183)
Balance as at Dec. 31, 2005 (as restated)	475,897	-	662	(46,611)	429,948
Advance by way of consideration other than cash	-	118,658	-	-	118,658
Loss for the year ended Dec. 31, 2006	-	-	-	(34,890)	(34,890)
Balance as at Dec. 31, 2006	475,897	118,658	662	(81,501)	513,716

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	2006 (Rupees in '000)	(Restated) 2005
<b>Operating cash flows</b>			
<b>(a) Underwriting activities</b>			
Premium received		643	6,320
Claims paid		(127)	(226)
Commission received		-	460
Net cash flow from underwriting		516	6,554
<b>(b) Other operating activities</b>			
General management expenses		(35,898)	(25,201)
Other operating payments		(78)	(58)
Net cash flow from other operating activities		<u>(35,976)</u>	<u>(25,259)</u>
<b>Total cash flow from all operating activities</b>		<b>(35,460)</b>	<b>(18,705)</b>
<b>Investing activities</b>			
Dividends received		25	21
Purchase of fixed assets		(9,180)	(712)
Sale of fixed assets		-	812
Advance against purchase of assets		(67,798)	-
Advance against sale of assets		64,968	-
Loans and advances to subsidiaries		(5,537)	(5,135)
Amount due to other insurers		(275)	(120)
Advances, deposits and prepayments		397	(3,525)
Sundry receivable		(68)	10,812
Other creditors and accruals		1,788	-
Investment in shares		692	(6,341)
<b>Total cash flow from investing activities</b>		<b>(14,988)</b>	<b>(4,188)</b>
<b>Financing activities</b>			
Loans received from directors		50,316	8,256
Interest received		-	14,589
Lease liability paid		(41)	(50)
<b>Total cash flow from financing activities</b>		<b>50,275</b>	<b>22,795</b>
<b>Net cash inflow/(outflow) from all activities</b>		<b>(173)</b>	<b>(98)</b>
<b>Cash at the beginning of the year</b>		<b>267</b>	<b>365</b>
<b>Cash at the end of the year</b>	19	<b>94</b>	<b>267</b>

Director

Director

Chairman &amp; Chief Executive

Karachi : 6th April, 2007

	Note	2006	(Restated) 2005
		(Rupees in '000)	
<b>Reconciliation to profit and loss account</b>			
Operating cash flows		(35,460)	(18,705)
Depreciation		(5,063)	662
Financial charges		-	
Profit/(loss) on disposal of fixed assets		-	215
Increase/(decrease) in assets other than cash		(939)	374
(Increase)/decrease in liabilities other than medium term finance		4,253	(4,507)
Revaluation adjustment		390	-
Provision for fluctuation in investments		-	-
Dividend		24	-
Bad debts expense		-	-
interest income		1,907	14,778
Provision for taxation		(2)	
Profit after taxation		<u>(34,890)</u>	<u>(7,183)</u>

**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

Stamps in hand

7	235
-	-
7	235

**Current and other account**

Current account

PLS account

87	32
-	-
87	32

Deposit maturing within 12 month

Cash with State Bank of Pakistan

-	-
94	267

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

**STATEMENT OF PREMIUM  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Rupees in '000)

Class of Business	Premiums written	Unearned premium reserve		Premiums earned	Re-insurance ceded	Prepaid reinsurance Premium ceded		Reinsurance expense	Net Premium Revenue	
		Opening	Closing			Opening	Closing		2006	2005
Direct and Facultative										
1 Fire and property damage	215	1,158	31	1,342	-	374	-	374	968	396
2 Marine, aviation and transport	230	2,810	-	3,040	-	421	-	421	2,619	1,326
3 Motor	82	-	65	17	-	-	-	-	17	-
4 Miscellaneous	85	818	5	898	-	123	-	123	775	350
<b>Total</b>	<b>612</b>	<b>4,786</b>	<b>101</b>	<b>5,297</b>	<b>-</b>	<b>918</b>	<b>-</b>	<b>918</b>	<b>4,379</b>	<b>2,072</b>

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

**STATEMENT OF CLAIMS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Rupees in '000)

Class of Business	Claims Paid	Outstanding claims		Claim expense	Re-insurance and other recoveries received	Re-insurance and other recoveries in respect of outstanding claims		Re-insurance and other recoveries revenue	Net Claims expenses		
		Opening	Closing			Opening	Closing		2006	2005	
Direct and Facultative											
1	Fire and property damage	12	135	135	12	-	62	62	-	12	17
2	Marine, aviation and transport	7	115	115	7	-	37	37	-	7	292
3	Motor	-	-	-	-	-	-	-	-	-	-
4	Miscellaneous	129	133	4	-	21	21	-	-	-	300
	<b>Total</b>	<u>148</u>	<u>383</u>	<u>254</u>	<u>19</u>	<u>21</u>	<u>120</u>	<u>99</u>	<u>-</u>	<u>19</u>	<u>609</u>

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

**STATEMENT OF INVESTMENT INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006	(Restated) 2005
	(Rupees in '000)	
<b>Income from non-trading investments</b>		
<b>Available for sale</b>		
Surplus/(diminution) in value of available for sale investment	390	(3)
Dividend income	24	21
	414	18
<b>Held to maturity</b>		
Return on government securities	212	170
Discount on PIB's	285	-
Interest income on PIB's	325	-
Gain on conversion from UMMF to PIB's	83	-
	905	170
<b>Net investment income</b>	<u>1,319</u>	<u>188</u>

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

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1 STATUS AND NATURE OF BUSINESS**

- 1.1** The Company was incorporated in the year 1961 under the Companies Act, 1913 as a public limited company under the name and style of Khyber Insurance Company Limited. The name of the Company was changed to Heritage Insurance Company Limited in the year 1994. In the year 2000, the name of the Company was again changed and since then its name stands changed to Beema-Pakistan Company Limited. The business of the Company is to undertake general insurance business. It is listed on both Karachi and Lahore Stock Exchange. The registered office of the Company is situated at 412-427, 4th Floor, Muhammadi House, I.I. Chundrigar Road, Karachi.
- 1.2** The financial statements for the year reflects loss of Rs.34.89 million (2005:Rs.7.18 million) accumulated loss of Rs.81.50 million (2005:Rs.46.61 million) and low underwriting activity. The management envisages launching of its various products by mid of June, 2007 and expects premium revenue generation streams therefrom of substantial amounts. Losses are attributable to expenses incurred during the process of completing the spade work prior to launching of these products. These include reinsurance product, Daulat and Fire protection securitized insurance concept agreed with Ministry of Interior. The sponsoring directors continue to inject funds to meet operating expenses till revenue streams inflows become certain. All agreements for the launching of products are in process at finalization stage. Moreover, Company's assets and equity shall be consolidated with the completion of matter referred to in note 6.

In view of the above these financial statements have been prepared using going concern basis.

**2 BASIS OF PRESENTATION**

These financial statements have been prepared on the format of financial statements issued by Securities and Exchange Commission of Pakistan through Securities and Exchange Commission (Insurance) Rules, 2002.

**3 STATEMENT 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 historical cost convention except that certain financial instruments are measured at their fair value.

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments/estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgment/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 estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a) Reserve for unexpired risk**

The company follows the method of un-expired risk as per regulation 8(4) of the Accounting Regulations for non-life insurance companies.

**b) 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 un-expired risks.

**c) 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

**d) Investments**

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified into the following categories:

**i) Held for trading**

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

**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 as available for sale at lower of cost or market value determined on an aggregate portfolio basis at the balance sheet date.

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 provisions 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.

**e) 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 effectively yield on the asset.
- Mark up / income on government and other securities are recognized on accrual basis.

**f) 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 and determined from subsequent to year end data.

**g) Operating fixed assets**

Fixed assets are stated at cost less accumulated depreciation calculated on reducing balancing method at the rates specified in note 23.

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.

**h) 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.

**i) Foreign currencies**

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

**j) Management expenses**

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

**k) Rate of exchange**

Revenue transactions in foreign currencies are converted into rupees at the rates ruling on the date of the transactions. 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.

**l) 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.

**m) Cash and cash equivalents**

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

**n) Segment reporting**

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

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.

		2006	2005
		(Rupees in '000)	
<b>6</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL ORDINARY SHARE CAPITAL</b>		
550,000	Fully paid ordinary shares of Rs.10/- each 550,000 (2001-550,000) issued for cash	<b>5,500</b>	5,500
1,997,739	1,997,739 Right shares of Rs. 10/- each	<b>19,977</b>	19,977
45,042,000	45,042,000 shares of Rs. 10/- each (issued as paid up otherwise than in cash)	<b>450,420</b>	450,420
(5,906,000)	5,906,000 Ordinary shares converted into Preference shares with the right to hold management of the Company	<b>(59,060)</b>	(59,060)
		<b>416,837</b>	416,837
		<b>41,683,739</b>	

**6.1** During the year Company resolved to raise further capital by issue of 52,365,756 shares of face value of Rs. 523,657,560/- in accordance with first proviso of Section 86(1) of the Companies Ordinance, 1984. The resolution in this respect was approved by the shareholders in Extraordinary General Meeting. The Company filed required forms with the Securities and Exchange Commission of Pakistan (SECP) and also filed application as required under section 86(1) of the Companies Ordinance, 1984 for necessary permission. Company awaits approval of its application already acknowledged by SECP on January 18, 2007.

<b>7 PREFERENCE SHARE CAPITAL</b>	<b>2006</b>	<b>2005</b>
	(Rupees in '000)	
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.Shahnawaz Agha Chairman & Chief Executive of the Company.	<u><b>59,060</b></u>	<u><b>59,060</b></u>
<b>8 ADVANCE AGAINST SHARES</b>	<b>8.1</b>	<b>118,658</b>
<b>8.1</b> Included in the above is the amount of Rs. 41.16 million transferred from Director's loan (refer note- 15) and amount of Rs.77.50 million credited against property acquired by the company against issue of equity shares referred to in note 6.1.		<u><b>-</b></u>
<b>9 RESERVES</b>		
Reserve for exceptional losses	<u><b>662</b></u>	<u><b>662</b></u>
<b>9.1</b> 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.		
<b>10 ACCRUED EXPENSES</b>		
Accrued expenses	<b>5,359</b>	4,438
Federal insurance fee	<b>141</b>	135
Central excise duty	<b>806</b>	916
	<u><b>6,306</b></u>	<u><b>5,489</b></u>
<b>11 ADVANCE AGAINST SALE OF LAND</b>	<b>11.1</b>	<b>64,968</b>
<b>11.1</b> During the year company entered into a transaction for sale of its land for Rs. 460 million and received advance payment of Rs.64.97 million. The agreement to sell the said land has been signed and formal conveyance and title deed in favor of the buyer will be executed upon receipt of remaining balance amount of consideration, which is expected to be received by June 30, 2007.		<u><b>-</b></u>
<b>12 PROVISION FOR TAXATION</b>		
<b>12.1</b> Prior year's liability	<b>18</b>	28
Current year's tax	<b>22</b>	10
	<u><b>40</b></u>	<u><b>38</b></u>
<b>12.2 Deferred</b>		
As there are no material temporary or timing differences, therefore, deferred taxation has not been recognized.		

**13 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	Minimum Lease Payment		Present Value	
	2006	2005	2006	2005
------(Rupees in '000)-----				
Within one year	91	73	73	55
After one year but not more than five years	166	239	156	215
Total minimum lease payments	<u>257</u>	<u>312</u>	<u>229</u>	<u>270</u>
Less: Amounts representing finance charges	<u>(28)</u>	<u>(42)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	<u>229</u>	<u>270</u>	<u>229</u>	<u>270</u>
Less: Current portion shown under current liabilities	<u>73</u>	<u>55</u>	<u>73</u>	<u>55</u>
Long term portion of leased liability	<u>156</u>	<u>215</u>	<u>156</u>	<u>215</u>

**14 OTHER CREDITORS AND ACCRUALS**

Payables to suppliers		1,055	-
Payables to government	14.1	1,048	194
Deposits		103	295
Employees		490	420
Long overdue balances	14.2	142	142
		<u>2,838</u>	<u>1,051</u>

**14.1** These represent old balances prior to 1999 on account of withholding taxes, Zakat and Stock Exchange fees. The management is examining these balances and shall clear these liabilities after due verification latest by June 30, 2007.

**14.2 Long overdue balances**

- Amount due to other insurers	4,205	4,205
- Creditors and other accruals	616	616
	<u>4,821</u>	<u>4,821</u>
- Amount due from other insurers	1,529	1,529
- Advances, deposits and prepayments	1,235	1,235
- Sundry receivables (net of provision)	1,915	1,915
	<u>4,679</u>	<u>4,679</u>
Net overdue payable	<u>142</u>	<u>142</u>

These represents old balances. These accounts are dormant since last several years and relate to periods prior to year 1999 before the present management took over. Therefore, for the purpose of fair presentation the net balance of these various balances of Rs. 142,306 has been parked in this head. These will be investigated and properly disposed off in due course of business after proper verification and approval of the Board.

<b>15 LOAN FROM DIRECTOR</b>	<b>2006</b>	<b>2005</b>
Unsecured - interest free	(Rupees in '000)	
	<b>50,734</b>	<b>41,575</b>

During the year company has transferred Rs. 41.16 million to advance against shares (refer note- 8.1).

**16 CONTINGENCIES**

Company is contesting the following lawsuits:

- Suit no 1045/2004 pending in High Court of Karachi for recovery of Rs. 4,950,000. Kulsoom Zehra V/s Company. Matter is in the process of filing draft issues.
- Suit no 1365/2004 pending in the Court of VI Senior Civil Judge and Rent Controller, Karachi South. S.A.R.Hashmi Vs Company.
- Suit no 179/2004 pending in the Court of VI Senior Civil Judge and Rent Controller Karachi. South and was originally filed in High Court and then transferred to aforesaid Civil Judge as its jurisdiction enhanced upto Rs.3 million. Indus Chemicals Vs Company.
- Company Vs S.E.C.P pending in the High Court and matter is in the process of filing draft issues.

Company foresees that aforesaid cases will be decided in its favor and consequently no provision has been recognized.

**17 CASH AND BANK DEPOSITS**
**17.1 Cash and other equivalents**

Cash in hand	<b>7</b>	<b>235</b>
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**17.2 Current and other accounts**

Current accounts	<b>87</b>	<b>32</b>
PLS accounts	<b>-</b>	<b>-</b>

**18 INVESTMENTS**
**Available for sale**

Listed companies	18.1	<b>532</b>	<b>143</b>
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<b>Investment in subsidiaries - at cost</b>	18.2	<b>927</b>	<b>927</b>
---	------	------------	------------

**Held to maturity**

Pakistan Investment Bonds	18.3	<b>5,000</b>	<b>-</b>
Investment in U.M.M.F	18.3	<b>-</b>	<b>5,000</b>
Defence Saving Certificates	18.4	<b>1,253</b>	<b>1,040</b>

	<b>6,253</b>	<b>6,040</b>
	<b>7,712</b>	<b>7,110</b>

**18.1 Available for sale (Marketable - Listed)**

No. of Shares/Certificates		Face value	Company's name	Book value	
2006	2005			2006	2005
1,476	1,476	10	Nishat Mills Ltd.	8	8
62	62	10	Burewala Textile Mills Ltd.	1	1
3,794	3,794	10	Kyber Textile Mills Ltd.	46	46
2,338	2,338	10	Noon Sugar Mills Ltd.	11	11
1,452	1,452	10	Facto Sugar Mills Ltd.	15	15
21,507	21,507	10	Sind Alkalis Ltd.	237	237
363	363	10	Dawood Cotton Mills Ltd.	1	1
2,602	1,150	10	P.I.C.I.C.	4	4
<b>33,594</b>	<b>32,142</b>			<b>323</b>	<b>323</b>
			Less: Provision for diminution in value of shares	<b>(997)</b>	<b>(1,386)</b>
				<b>(674)</b>	<b>(1,063)</b>

No. of Shares/Certificates		Face value	Company's name	Book value	
2006	2005			2006	2005

**Quoted (Preference shares)**

8,089	8,089	10	Sind Alkalis Ltd.	90	90
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**Delisted**

72,310	72,310	10	Allied Textile Mills Ltd.	453	453
28,109	28,109	10	Sun Publication	219	219
<b>100,419</b>	<b>100,419</b>			<b>672</b>	<b>672</b>

**Debentures (Delisted)**

887	887	10	Sun Publication	444	444
				<b>532</b>	<b>143</b>

**18.2 Investment in subsidiaries - at cost**

75,000		10	Shabestan Foods (Pvt) Ltd	18.2.1	750	750
17,745		10	Phool Wala (Pvt. ) Ltd.	18.2.1	177	177
<b>92,745</b>					<b>927</b>	<b>927</b>

**18.2.1** Shabestan Foods (Private) Limited and Phoolwala (Private) Limited have both reported loss of Rs. 6,791,432 (2005:Rs.4,789,276) and Rs. 214,270 (2005:Rs.108,930) respectively for the year ended December 31, 2006. Their net capital deficiencies as at December 31, 2006 stood at Rs.12,498,303 (2005:Rs.5,706,871) and Rs. 314,748 (2005:Rs.100,478) respectively.



Management has decided to disinvest its shares in both the companies after seeking approval of shareholders in forthcoming Annual General Meeting and expect recovery of the full amount of its investment, as well as advances by June 30, 2007 (referred to in note 20).

### 18.3 Held to maturity PIBs

This amount represent investment made by the Company to comply with the requirement of Section 29 of Insurance Ordinance 2000.

### 18.4 Held to maturity-Government securities

No. of Shares/Certificates		Face value	Company's name	Book value	
2006	2005			2006	2005
19	19		Defence Saving Certificates	354	354
-	-		Accrued interest	899	686
<u>19</u>	<u>19</u>			<u>1,253</u>	<u>1,040</u>

## 19 ADVANCES, DEPOSITS AND PREPAYMENTS

### Advances

-Employees

- Contractors

-Taxes

Deposits

Prepayments

Miscellaneous

986	709
1,300	-
1,299	1,106
3,585	1,815
206	173
100	-
334	2,633
<u>4,225</u>	<u>4,621</u>

## 20 ADVANCES AND LOANS TO SUBSIDIARIES

Shabestan Foods (Pvt.) Ltd.

20.1

12,265

6,893

Phool Wala (Pvt.) Ltd. - Interest free

20.2

275

110

12,540

7,003

- 20.1 This represents amounts advanced to its subsidiary which carries Mark-up @ 10% p.a. (2005: 10%) (Refer note 18.2.1).
- 20.2 It is a company incorporated under Companies Ordinance 1984. Its main activity is to undertake sale of flower/bouquets.
- 20.3 This represents interest accrued on advances provided to M/s. Shabestan Foods (Private) Limited which carries Mark up @ 10% p.a.

**21 ADVANCE AGAINST PURCHASE OF PROPERTIES 67,798 -**

This represents amount paid by the Company against sale agreements executed for purchase of properties for an aggregate consideration of Rs. 865 million. The Deed of Conveyance of these properties shall be executed against payment of Rs. 395 million and Company's equity shares of face value of Rs. 405 million as referred to in note 6.1.

**22 SUNDRY RECEIVABLE**

Sundry receivable	22.1	<b>335</b>	267
Less: Provision for doubtful debts		<b>(267)</b>	(267)
		<b>68</b>	-

22.1 This represents old outstanding which are in process of recovery. No provision has been made during the year.

**23 OPERATING FIXED ASSETS (Rupees in '000)**

PARTICULARS	COST				DEPRECIATION					Written down value as on 31-Dec-06	Rate (%)
	As on 1-Jan-06	Addition (Deduction)	Disposal/ adjustment	As on 31-Dec-06	Depreciation as at 1-Jan-06	Addition/ adjustment	Provided on written down value Balance	Charged for the year	Accumulated Depreciation		
	1	2	3	4	5	6	7	8	9	10	11
<b>Owned</b>											
Land	459,608	-	-	459,608	-	-	-	-	-	459,608	--
Immoveable property	323	84,177	-	84,500	60	-	84,440	4,222	4,282	80,218	5
Lease Hold Improvement	355	637	-	992	67	-	925	92	159	833	10
Office-Lahore	450	-	-	450	102	-	348	17	119	331	5
Furniture & Fixture	2,202	85	-	2,287	719	-	1,568	157	876	1,411	10
Office Equipments	1,263	670	-	1,933	835	-	1,098	110	945	988	10
Computer Equipment	409	266	-	675	189	-	486	146	335	340	30
Vehicles	1,650	-	-	1,650	736	-	914	183	919	731	20
Electronic Equipment	101	845	-	946	10	-	936	94	104	842	10
<b>Leased</b>											
Vehicles	330	-	-	330	119	-	211	42	161	169	20
<b>2006</b>	<b>466,691</b>	<b>86,680</b>	<b>-</b>	<b>553,371</b>	<b>2,837</b>	<b>-</b>	<b>90,926</b>	<b>5,063</b>	<b>7,900</b>	<b>545,471</b>	
<b>2005</b>	<b>466,385</b>	<b>306</b>	<b>-</b>	<b>466,691</b>	<b>2,432</b>	<b>(257)</b>	<b>4,909</b>	<b>662</b>	<b>2,837</b>	<b>463,854</b>	

**23.1 Disposal of fixed assets**

Year	Particulars	Cost	Accumulated Depreciation	Book Value	Sale Price	Mode of Disposal	Gain /(Loss)	Name of buyer
2006		-	-	-	-		-	
2005	vehicle	1,284	257	1,027	812	Negotiation	(215)	Cars Club

23.2 The title of the above land is not held in the name of the Company. The land was acquired by the Company by execution of registered power of attorney in its favor by the seller of the land in the year 2002 in consideration for issue of Company's shares of aggregate face value of Rs. 389.62 million.

(Restated)  
2006 2005  
(Rupees in '000)

**24 MANAGEMENT EXPENSES**

Advertisement expenses	<b>96</b>	248
Computer expenses	<b>9</b>	21
Conveyance, fare and traveling Expenses	<b>138</b>	246
Corporate and filing fee	<b>65</b>	31
Depreciation accounts	<b>253</b>	66
Electricity and gas expenses	<b>20</b>	60
Entertainment expenses	<b>18</b>	45
EOBI Contribution	<b>4</b>	2
Labour charges	-	2
Legal and professional charges	<b>13</b>	-
Listing and license fee	<b>15</b>	57
Miscellaneous and general	<b>40</b>	8
Office renovation and maintenance	<b>15</b>	169
Postage and revenue stamps	<b>9</b>	8
Printing and stationery	<b>39</b>	65
Rent and taxes	<b>67</b>	165
Salary and allowances	<b>661</b>	657
Telephone expenses.	<b>13</b>	24
Insurance expenses	<b>4</b>	23
Vehicle running and maintenance	<b>8</b>	19
	<b><u>1,487</u></b>	<b><u>1,916</u></b>

25	OTHER INCOME	(Restated)	
		2006	2005
		(Rupees in '000)	
	Gain on disposal of fixed assets	-	11
	Interest income	1,003	14,579
		<b>1,003</b>	<b>14,590</b>
<b>26</b>	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
	Advertisement expenses	1,825	1,404
	Audit fee	235	100
	Books and periodicals	66	16
	Consultancy fee expenses	3,760	182
	Depreciation expense	4,810	596
	Staff salaries and allowances	12,931	5,934
	Rent, rate and taxes	1,264	937
	Entertainment expenses	346	181
	Conveyance, fare and traveling expenses	2,680	880
	Legal and professional charges	152	645
	Labour charges	4	19
	Listing and license fee	287	511
	Director's remuneration and allowances	2,457	1,957
	Miscellaneous and general expenses	757	199
	Computer expenses	180	21
	Electricity and gas	381	342
	Telephone	241	136
	Office renovation & maintenance	293	958
	Vehicle maintenance Expenses	143	173
	Postage and revenue stamps	174	44
	Charity and donations	26.1	44
	Printing and stationery	731	583
	Repair and maintenance	1	-
	Loss on sales of fixed assets	-	215
	Corporate and filing fee	1,240	281
	Insurance Expenses	79	130
	Employees training and research	801	-
	Bad debt written off	-	300
	Project expenses	32	5,245
	Brokerage expense	75	-
		<b>40,291</b>	<b>22,033</b>

2006                      2005  
(Rupees in '000)

**27 FINANCIAL CHARGES**

Bank charges	39	25
Markup on leased finance	20	23
	59	48

**28 EARNING PER SHARE - BASIC & DILUTED**

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 (Rupees in '000)	(34,890)	(7,183)
Average number of ordinary shares outstanding during the year (in '000)	41,684	41,684
Earning/(loss) per share	(0.84)	(0.17)

**29 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	
	2006	2005	2006	2005	2006	2005	2006	2005
Remuneration	1,900	1,000	574	-	4,263	1,784	6,737	2,784
House rent allowance	120	400	230	-	1,705	714	2,055	1,114
Utilities	427	100	57	-	426	179	910	279
Medical	-	457	-	-	-	-	-	457
Other allow	-	-	-	-	-	46	-	46
	2,447	1,957	861	-	6,394	2,723	9,702	4,680
No. of Persons	1	1	1	-	6	5	8	6

Company has provided free use of company maintained furnished accommodation to its chief executive.

## 30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

### 30.1 Financial assets and liabilities

	2006						
	Interest/mark-up bearing				Non-Interest/mark-up bearing		
	Effective yield mark-up rate	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
<b>Financial assets</b>							
Available for sale investments	-	-	-	-	-	532	532
Held to maturity investments	-	-	6,253	6,253	-	-	-
Investments at cost	-	-	-	-	-	927	927
Unpaid premium	-	-	-	-	2	-	2
Amount due from other insurers/ reinsurers	-	-	-	-	99	-	99
Advances and deposits	-	-	-	-	1,526	-	1,526
Advances and loans to subsidiaries	-	-	12,265	12,265	-	275	275
Accrued interest	-	-	-	-	1,420	-	1,420
Cash, Bank and Stationery	-	-	-	-	94	-	94
	-	-	18,518	18,518	3,141	1,734	4,875
<b>Financial liabilities</b>							
Outstanding claims	-	-	-	-	254	-	254
Amount due to other insurers/ reinsurers	-	-	-	-	222	-	222
Accrued expenses	-	-	-	-	5,359	-	5,359
Dividends	-	-	-	-	20	-	20
Loan from Director	-	-	-	-	50,735	-	50,735
Other creditors	-	-	-	-	1,790	-	1,790
Subject to finance lease	-	73	156	229	-	-	-
	-	73	156	229	58,380	-	58,380
On balance sheet gap		(73)	18,362	18,289	(55,239)		(53,505)
	2005						
	Interest/mark-up bearing				Non-Interest/mark-up bearing		
	Effective yield mark-up 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	-	-	-	-	-	7,110	7,110
Statutory deposit	-	-	354	354	-	-	-
Unpaid premium	-	-	-	-	2	-	2
Amount due from other insurers/ reinsurers	-	-	-	-	120	-	120
Sundry debtors	-	-	-	-	2,215	-	2,215
Advances and loans to subsidiaries	-	-	6,894	6,894	-	110	110
Advances, deposits and prepayments	-	-	-	-	6,482	-	6,482
Accrued interest	-	-	-	-	418	-	418
Cash, Bank and Stationery	-	-	-	-	267	-	267
	-	-	7,248	7,248	9,504	7,220	16,724
<b>Financial liabilities</b>							
Outstanding claims	-	-	-	-	383	-	383
Amount due to other insurers/ reinsurers	-	-	-	-	496	-	496
Accrued expenses	-	-	-	-	5,489	-	5,489
Overdraft	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	1,524	-	1,524
Dividends	-	-	-	-	20	-	20
Loan from Director	-	-	-	-	41,575	-	41,575
Subject to finance lease	-	55	215	270	-	-	-
	-	55	215	270	49,487	-	49,487

**30.2 Foreign currency risk**

The company is not materially exposed to risk from foreign currency exchange rate fluctuation.

**30.3 Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. 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.

**30.4 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.

To minimize its exposure to significant losses from reinsurer insolvencies, the company's reinsurance arrangements are diversified and with reputable parties.

**30.5 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.

**2006**                      **2005**  
(Rupees in '000)

**31 TRANSACTIONS WITH RELATED PARTIES**

Advances to subsidiary/associated companies	12,540	7,003
Profit due from subsidiary	1,420	418

**32 RETROSPECTIVE RESTATEMENT OF ERRORS**

Included in advances and loans to subsidiaries as on June 30, 2005 were amounts paid on account of two projects i.e. Live Rostrum and Pak Fire Protection Academy. Entities for these projects could however not be incorporated to date. The expenses incurred on the projects on account of salaries etc were not in the nature of being recovered.

Accordingly the previous treatment of accounting for such expenses as receivables has been corrected by charging them to profit and loss account retrospectively. Consequently the loss for the year 2005 has increased by Rs.5,245,310 and opening retained earnings of prior year has been restated by Rs.767,852 resulting in reduction of loan and advances to subsidiaries by Rs.6,013,162.

**33 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on April 06, 2007 by the Board of Directors of the Company.

**34 FIGURES**

- Figures have been rounded off to the nearest rupee.
- Comparative figures have been reclassified as disclosed in note 14.2 under respective headings for the reasons stated there-against.

Director

Director

Chairman & Chief Executive

Karachi : 6th April, 2007



**PATTERN OF SHAREHOLDINGS  
AS AT DECEMBER 31, 2006**
**ORDINARY AND PREFERENCE SHARES**

Number of Shareholders	Shareholdings From	To	Total Number of Shares Held
678	1	1000	532,358
1,420	1,001	5,000	4,657,809
574	5,001	10,000	5,078,370
177	10,001	15,000	2,359,541
126	15,001	20,000	2,385,100
113	20,001	25,000	2,724,400
60	25,001	30,000	1,740,350
25	30,001	35,000	842,000
31	35,001	40,000	1,203,000
10	40,001	45,000	440,500
52	45,001	50,000	2,578,500
12	50,001	55,000	642,658
7	55,001	60,000	416,000
10	60,001	65,000	628,880
10	65,001	70,000	685,000
4	70,001	75,000	295,500
6	75,001	80,000	472,000
5	80,001	85,000	417,500
6	85,001	90,000	531,000
3	90,001	95,000	282,000
28	95,001	100,000	2,791,000
3	100,001	105,000	310,500
1	105,001	110,000	110,000
1	110,001	115,000	115,000
1	115,001	120,000	117,500
3	120,001	125,000	368,500
3	125,001	130,000	388,500
2	130,001	135,000	265,500
4	135,001	140,000	552,500
2	140,001	145,000	283,000
1	145,001	150,000	150,000
1	150,001	155,000	154,500
2	170,001	175,000	350,000
1	175,001	180,000	178,000
1	185,001	190,000	187,000
2	190,001	195,000	385,500
4	195,001	200,000	800,000
1	205,001	210,000	206,000
1	215,001	220,000	220,000
1	240,001	245,000	241,000
2	245,001	250,000	500,000
1	250,001	255,000	253,000
1	255,001	260,000	260,000
1	260,001	265,000	265,000
1	275,001	280,000	277,800
3	295,001	300,000	900,000
1	320,001	325,000	321,000
1	330,001	335,000	331,000
1	350,001	355,000	353,000
1	360,001	365,000	361,000
1	395,001	400,000	400,000
1	405,001	410,000	405,500
1	430,001	450,000	440,000
2	495,001	500,000	1,000,000
2	500,001	505,000	1,001,500
1	595,001	600,000	600,000
1	690,001	695,000	693,500
1	730,001	735,000	731,500
1	2,020,001	2,025,000	2,025,000
1	2,030,001	2,500,000	2,400,133
1	2,560,001	2,565,000	2,565,000
1	6,000,001	7,500,000	6,285,095
3,419			59,455,494

**CATEGORY OF SHARE HOLDERS:**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Financial Institutions	5	108,600	0.18
Individuals	3,366	53,527,285	90.03
Investment Companies	10	309,038	0.52
Joint Stock Companies	65	3,326,185	5.59
Leasing Companies	1	25,000	0.04
Others	4	2,159,386	3.63

**PREFERENCE SHARES**

Categories of Share Holders	Number of Shareholders	Number of Shares Held	Holding Percentage
1. Individuals	1	5,906,000	100%
		<u>5,906,000</u>	<u>100%</u>

**Shareholders having more than 10% Holding**

1. Mr. M. Shahnawaz Agha	5,906,000	100%
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Director

Director

Chairman &amp; Chief Executive

**KEY FINANCIAL DATA  
(Ten Years at a Glance)**

	Rupees in 000									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Premium written	612	7,597	18	3	234	1,790	1,842	3,077	2,941	2,962
Net Premium revenue	4,379	2,072	-	3	221	1,961	1,485	1,383	1,746	2,596
Investment and other income	1,319	14,777	434	121	97	338	450	140	57	178
Profit /(loss) before tax	(34,867)	(1,928)	(11,297)	(3,679)	(7,009)	(3,556)	(3,230)	(2,227)	(1,803)	(1,724)
Profit /(loss) after tax	(34,889)	(1,938)	(11,429)	(3,679)	7,010	(3,556)	(3,230)	(2,227)	(1,803)	(1,724)
Paid -up Capital	475,897	475,897	475,897	475,897	475,897	50,000	41,250	41,250	41,250	41,250
Cash and bank balances	93	267	365	825	30	(56)	330	407	603	411
Face Value per - share	10	10	10	10	10	10	10	10	10	10
Income tax paid	-	-	-	-	-	-	-	29	-	-