

DIRECTOR'S REPORT TO THE SHARE HOLDERS

The Directors are pleased to present the 46th Annual Report of the Company together with the Audited Financial Statements and Auditors' report thereon for the year ended December 31st 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 12th, 2007 as an external statutory auditors of the Company for the year ended December 31st, 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 13th, 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 31st, 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
Special Initiative			
Mukammal Tahafuz	Fire Protection and Rescue Securitization Insurance Project	13,999	MoU Signed. Application pending with Ministry of Interior, Govt. of Pakistan
Reinsurance			
Daulat	Gold- Asset Based Reinsurance Pool	24,400	Ready for Launch
Primary Insurance			
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
Total		676	
Grand Total		39,076	

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