

**CONSOLIDATED 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 it 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 consolidated financial statements for the year reflects loss of Rs.40.68 million (2005: 11.15 million) accumulated loss of Rs. 92.91 million (2005: 52.23 million) as attributable to the holding company as well as reflects 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 CONSOLIDATION

The consolidated financial statements include the financial statements of Beema Pakistan Company Limited and its subsidiaries - Phoolwala (Private) Limited (100 %) and Shabestan Foods (Private) Limited (78.9%) - (the "Group Companies").

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the parent company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of the net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

3 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.

4 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.

5 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) 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.

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) Stock in trade

Stock in trade is valued at lower of cost or net realizable value

Net realizable value signifies the selling price less cost necessary to be incurred in order to make the sale.

e) **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

The Securities 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.

f) **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.

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- 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.
- iii) Sales
 - Sales are recorded on accrual basis.
- g) **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.
- h) **Operating fixed assets**

Fixed assets are stated at cost less accumulated depreciation calculated on reducing balancing method at the rates specified in note 25.

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
- i) **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.
- j) **Staff retirement benefits**

The company does not maintained provident fund scheme for its employees and no provision is made to cover the obligation under the scheme as none of the existing employee opts for the same.
- k) **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
- l) **Management expenses**

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

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n) **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.

o) **Cash and Cash equivalents**

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

p) **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.

7 **ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL ORDINARY SHARE CAPITAL**

| | | 2006 | 2005 |
|-------------|---|------------------|----------------|
| | | (Rupees in '000) | |
| 550,000 | Fully paid ordinary shares of Rs.10/- each 550,000 (2001-550,000) issued for cash | 5,500 | 5,500 |
| 1,997,739 | 1,997,739 Right shares of Rs. 10/- each | 19,977 | 19,977 |
| 45,042,000 | 45,042,000 shares of Rs. 10/- each (issued as paid up otherwise than in cash) | 450,420 | 450,420 |
| (5,906,000) | 5,906,000 Ordinary shares converted into Preference shares with the right to hold management of the Company | 8 (59,060) | (59,060) |
| | 41,683,739 | 416,837 | 416,837 |

- 7.1 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.

| | | 2006 | (Restated) 2005 |
|-----------|--|------------------|--------------------|
| | | (Rupees in '000) | |
| 8 | 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.Shahnawaz Agha Chairman & Chief Executive of the Company. | <u>59,060</u> | <u>59,060</u> |
| 9 | ADVANCE AGAINST SHARES | | |
| | 9.1 | <u>118,658</u> | <u>-</u> |
| | 9.1 Included in the above is the amount of Rs. 41.16 million transferred from Director's loan (refer note- 15) and amount credited against property acquired by the company against issue of equity shares referred to in note 6.1. | | |
| 10 | RESERVES | | |
| | Reserve for exceptional losses | <u>662</u> | <u>662</u> |
| | | <u>662</u> | <u>662</u> |
| | 10.1 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. | | |
| 11 | ACCRUED EXPENSES | | |
| | Accrued expenses | <u>6,109</u> | <u>4,765</u> |
| | Federal insurance fee | <u>140</u> | <u>135</u> |
| | Central excise duty | <u>806</u> | <u>916</u> |
| | | <u>7,055</u> | <u>5,816</u> |
| 12 | ADVANCE AGAINST SALE OF LAND | | |
| | 12.1 | <u>64,968</u> | <u>-</u> |
| | 12.1 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. | | |

13 PROVISION FOR TAXATION

| | | | |
|-------------|------------------------|------------------|-----------|
| 13.1 | Prior year's liability | 33 | 32 |
| | Current year's tax | 31 | 21 |
| | | <u>64</u> | <u>53</u> |

13.2 Deferred

As there are no material temporary or timing differences, therefore, deferred taxation has not been recognized.

14 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><u>156</u></u> | <u><u>215</u></u> | <u><u>156</u></u> | <u><u>215</u></u> |

(Restated)
2006 2005
(Rupees in '000)

15 OTHERS CREDITORS AND ACCRUALS

| | | | |
|------------------------|------|---------------------|--------------|
| Payables to suppliers | | 1,061 | - |
| Payables to Government | 15.1 | 1,048 | 194 |
| Deposits | | 103 | 295 |
| Employees | | 490 | 420 |
| Long overdue balances | 15.2 | 142 | 142 |
| | | <u>2,844</u> | <u>1,051</u> |

15.1 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.

15.2 Long overdue balances

| | | |
|---|--------------|--------------|
| - Amount due to other insurers | 4,205 | 4,205 |
| - Creditors and other accruals | 616 | 616 |
| | 4,821 | 4,821 |
| - 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 |
| | 4,679 | 4,679 |
| Net overdue payable | 142 | 142 |

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.

16 LOAN FROM DIRECTOR

| | | |
|-------------------------|---------------|---------------|
| Unsecured-Interest Free | 50,735 | 41,575 |
|-------------------------|---------------|---------------|

During the year company has transferred Rs. 41.16 million to advance against shares (refer note- 9.1).

17 CONTINGENCIES

Company is defendant in 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
- 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.

| | | 2006 | (Restated) 2005 |
|-----------|--|------------------|--------------------|
| | | (Rupees in '000) | |
| 18 | CASH AND BANK DEPOSITS | | |
| | 18.1 Cash and other equivalents | | |
| | Cash in Hand | <u>28</u> | <u>245</u> |
| | 18.2 Current and other accounts | | |
| | Current Accounts | 107 | 33 |
| | PLS Accounts | <u>-</u> | <u>-</u> |
| | | <u>107</u> | <u>33</u> |
| 19 | INVESTMENT | | |
| | Available for sale | | |
| | Listed companies | 19.1 532 | 143 |
| | Held to maturity | | |
| | Pakistan Investment Bonds | 19.2 5,000 | - |
| | Investment in U.M.M.F | - | 5,000 |
| | Defence Saving Certificates | 19.3 1,253 | 1,040 |
| | | <u>6,253</u> | <u>6,040</u> |
| | | <u>6,785</u> | <u>6,183</u> |

19.1 Available for sale (Marketable - Listed)

| No. of Shares/Certificates | | Face | Company's name | Book value | |
|-----------------------------------|----------------|-------|--|--------------|----------------|
| 2006 | 2005 | value | | 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 |
| <u>33,594</u> | <u>32,142</u> | | | <u>323</u> | <u>323</u> |
| | | | Less: Provision for diminution in value of shares | (997) | (1,386) |
| | | | | <u>(674)</u> | <u>(1,063)</u> |
| Quoted (Preference shares) | | | | | |
| 8,089 | 8,089 | 10 | Sind Alkalis Ltd. | 90 | 90 |
| Delisted | | | | | |
| 72,310 | 72,310 | 10 | Allied Textile Mills Ltd. | 453 | 453 |
| 28,109 | 28,109 | 10 | Sun Publication | 219 | 219 |
| <u>100,419</u> | <u>100,419</u> | | | <u>672</u> | <u>672</u> |
| Debentures (Delisted) | | | | | |
| 887 | 887 | 10 | Sun Publication | 444 | 444 |
| | | | | <u>532</u> | <u>143</u> |

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19.2 Held to maturity PIBs

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

| | | (Restated) | |
|-------------|---|---------------------|--------------|
| | | 2006 | 2005 |
| | | (Rupees in '000) | |
| 19.3 | Held to maturity-Government securities | | |
| 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> |

20 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances

| | | |
|---------------|--------------|-------|
| -Employees | 986 | 709 |
| - Contractors | 1,300 | - |
| - Suppliers | - | 15 |
| -Taxes | 1,299 | 1,106 |
| | 3,585 | 1,830 |

Deposits

| | | |
|---------------|---------------------|---------------------|
| Prepayments | 406 | 373 |
| Miscellaneous | 100 | - |
| | 334 | 2,633 |
| | <u>4,425</u> | <u>4,836</u> |

21 STOCK IN TRADE

| | | |
|---------------------------------|----|----|
| Meat, vegetable & Grocery items | 92 | 36 |
|---------------------------------|----|----|

22 TRADE DEBTS

| | | |
|--|----|----|
| | 46 | 55 |
|--|----|----|

23 ADVANCE AGAINST PURCHASE OF PROPERTIES

| | | |
|--|----------------------|----------|
| | <u>67,798</u> | <u>-</u> |
|--|----------------------|----------|

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 7.1.

24 SUNDRY RECEIVABLE

| | | | |
|------------------------------------|------|-------------------|------------|
| Sundry Receivable | 24.1 | 335 | 267 |
| Less: Provision for doubtful debts | | (267) | (267) |
| | | 68 | - |
| Deposits | | 127 | 127 |
| | | <u>195</u> | <u>127</u> |

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

25 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 | Charge for the year | Accumulated Depreciation | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Owned | | * | | | | | | | | | |
| 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 | 3,141 | 90 | - | 3,231 | 897 | - | 2,334 | 233 | 1,130 | 2,101 | 10 |
| Office Equipments | 1,280 | 680 | - | 1,960 | 838 | - | 1,122 | 112 | 950 | 1,010 | 10 |
| Computer Equipment | 433 | 266 | - | 699 | 196 | - | 503 | 151 | 347 | 352 | 30 |
| Vehicles | 1,650 | - | - | 1,650 | 736 | - | 914 | 183 | 919 | 731 | 20 |
| Electronic Equipment | 455 | 934 | - | 1,389 | 71 | - | 1,318 | 132 | 203 | 1,186 | 10 |
| Kitchen equipment | 424 | - | - | 424 | 76 | - | 348 | 35 | 111 | 313 | 10 |
| Crockery & Cutlery | 248 | 3 | - | 251 | 172 | - | 79 | 40 | 212 | 39 | 50 |
| Leased | | | | | | | | | | | |
| Vehicles | 330 | - | - | 330 | 119 | - | 211 | 42 | 161 | 169 | 20 |
| | | | | | | | | | | | |
| 2006 | 468,697 | 86,787 | - | 555,484 | 3,334 | - | 92,542 | 5,259 | 8,593 | 546,891 | |
| 2005 | 468,175 | 523 | - | 468,698 | 2,686 | (257) | 6,661 | 903 | 3,332 | 465,366 | |

25.1 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 |

25.2 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 share of aggregate value of Rs. 389.62 million.

| | | 2006 | 2005 |
|-------------|------------------------------------|------------------|--------------|
| | | (Rupees in '000) | |
| 26 | MANAGEMENT EXPENSES | | |
| | Advertisement Expenses | 96 | 248 |
| | Computer Exp. | 9 | 21 |
| | Conveyance, Fare & Traveling Exp. | 138 | 246 |
| | Corporate and filing fee | 65 | 31 |
| | Depreciation Accounts | 253 | 66 |
| | Electricity & Gas Exp. | 20 | 60 |
| | Entertainment Expenses. | 18 | 45 |
| | EOBI Cont. | 4 | 2 |
| | Labour Charges | - | 2 |
| | Legal & Professional Charges | 13 | - |
| | Listing & License Fee | 15 | 57 |
| | Misc. & General | 40 | 8 |
| | Office Renovation & Maintenance | 15 | 169 |
| | Postage & Revenue Stamps | 9 | 8 |
| | Printing & Stationery | 39 | 65 |
| | Rent & Taxes | 67 | 165 |
| | Salary & Allowances | 661 | 657 |
| | Telephone Exp. | 13 | 24 |
| | Insurance Exp. | 4 | 23 |
| | Vehicle Running & maintenance | 8 | 19 |
| | | <u>1,487</u> | <u>1,916</u> |
| 27 | SALES | <u>1,814</u> | <u>2,157</u> |
| 28 | COST OF GOODS SOLD | | |
| | Materials consumed | 1,491 | 1,770 |
| | Salaries, wages and other benefits | 170 | 134 |
| | Repairs and Maintenance | 6 | 5 |
| | Gas Charges | 50 | 43 |
| | Depreciation | 34 | 39 |
| | | <u>1,751</u> | <u>1,991</u> |
| 28.1 | Material consumed | | |
| | Opening Inventory | 36 | 30 |
| | Purchases | 1,547 | 1,776 |
| | Materials available for use | 1,583 | 1,806 |
| | Less: Closing Inventory | 92 | 36 |
| | | <u>1,491</u> | <u>1,770</u> |

| | | 2006 | (Restated) 2005 |
|-------------|---|------------------|--------------------|
| | | (Rupees in '000) | |
| 29 | GENERAL AND ADMINISTRATIVE EXPENSES | | |
| | Advertisement Expenses | 1,825 | 1,404 |
| | Audit Fee | 305 | 150 |
| | Books & Periodicals | 66 | 18 |
| | Consultancy Fee Exp. | 3,760 | 182 |
| | Depreciation Expense | 4,972 | 798 |
| | Staff Salaries & Allowances | 16,101 | 6,848 |
| | Rent, Rate & Taxes | 1,830 | 1,909 |
| | Entertainment Exps. | 353 | 262 |
| | Conveyance, Fare & Traveling Exp. | 2,835 | 984 |
| | Legal & Professional Charges | 152 | 645 |
| | Labour Charges | 10 | 54 |
| | Listing & License Fee | 287 | 511 |
| | Director's Remuneration & Allowances | 2,890 | 2,349 |
| | Misc. & Gen Exp. | 1,063 | 242 |
| | Computer Expenses | 192 | 49 |
| | Electricity & Gas | 988 | 811 |
| | Telephone | 265 | 149 |
| | Office Renovation & Maintenance | 345 | 1,705 |
| | Vehicle Maintenance Exp. | 148 | 203 |
| | Postage & Revenue Stamps | 174 | 44 |
| | Charity & Donations | 55 | 68 |
| | Printing & Stationery | 743 | 734 |
| | Repair & Maintenance | 137 | 61 |
| | Loss on sales of Fixed Assets | - | 215 |
| | Corporate & Filing Fee | 1,240 | 281 |
| | Insurance Exp | 79 | 130 |
| | Employees training and research | 801 | - |
| | Bad Debt Written off | 10 | 300 |
| | Project expenses | 4,323 | 5,245 |
| | Brokerage expense | 75 | - |
| | | <u>46,024</u> | <u>26,351</u> |
| 29.1 | Recipients of donations do not include any entity in which a Director or his spouse had any interest. | | |
| 30 | SELLING EXPENSES | | |
| | Advertisement & Publicity | <u>312</u> | <u>329</u> |

31 FINANCIAL CHARGES

| | | |
|--------------------------|----|----|
| Bank Charges | 50 | 43 |
| Markup on Leased Finance | 20 | 23 |
| | 70 | 66 |
| | 70 | 66 |

32 OTHER INCOME

| | | |
|----------------------------------|---|--------|
| Gain on disposal of fixed assets | - | 11 |
| Interest income | - | 14,191 |
| | - | 14,202 |
| | - | 14,202 |

33 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 | 2,322,838 | 1,300,875 | 573,333 | - | 4,263,496 | 1,784,326 | 7,159,667 | 3,085,201 |
| House rent allowance | 267,175 | 520,350 | 229,334 | - | 1,705,403 | 713,729 | 2,201,912 | 1,234,079 |
| Utilities | 469,225 | 104,000 | 57,333 | - | 426,345 | 178,430 | 952,903 | 282,430 |
| Medical | - | 457,310 | - | - | - | - | - | 457,310 |
| Other allow | - | - | - | - | - | 46,000 | - | 46,000 |
| | 3,059,238 | 2,382,535 | 860,000 | - | 6,395,244 | 2,722,485 | 10,314,482 | 5,105,020 |
| No. of Persons | 3 | 3 | 1 | - | 2 | 5 | 6 | 8 |

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

34 EARNING PER SHARE - BASIC AND DILUTED

Earning per share is calculated by dividing net loss for the year by weighted average number of shares outstanding during year as follows.

| | 2006 | (Restated) 2005 |
|--|------------------|--------------------|
| | (Rupees in '000) | |
| Earning/(loss) after taxation | (41,895) | (12,081) |
| Average number of ordinary shares outstanding during the year (in '000) | 41,684 | 41,684 |
| Earning/(Loss) per share | (1.01) | (0.29) |

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

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE
35.1 Financial assets and liabilities

| | Interest/mark-up bearing | | | | Non-Interest/mark-up bearing | | |
|---|--------------------------|---------------|----------------|--------|------------------------------|----------------|---------|
| | Effective yield | Maturity upto | Maturity after | Total | Maturity upto | Maturity after | Total |
| | mark-up rate | one year | one year | | one year | one year | |
| Financial assets | | | | | | | |
| Available for sale investments | - | - | - | - | - | 532 | 532 |
| Held to maturity investments | - | - | 6,253 | 6,253 | - | - | - |
| Agents balances | - | - | - | - | 2 | - | 2 |
| Amount due from other insurers/ reinsurers | - | - | - | - | 99 | - | 99 |
| Advances and deposits | - | - | - | - | 2,284 | - | 2,284 |
| Advances and loans to subsidiaries | - | 12,540 | - | 12,540 | - | - | - |
| Accrued interest | - | - | - | - | 1,420 | - | 1,420 |
| Cash, Bank and Stationery | - | - | - | - | 136 | - | 136 |
| | - | 12,540 | 6,253 | 18,793 | 3,941 | 532 | 4,473 |
| Financial liabilities | | | | | | | |
| Outstanding claims | - | - | - | - | 254 | - | 254 |
| Amount due from other insurers/ reinsurers | - | - | - | - | 4,702 | - | 4,702 |
| Accrued expenses | - | - | - | - | 6,306 | - | 6,306 |
| Payable for purchase of land | - | - | - | - | 64,968 | - | 64,968 |
| Dividends | - | - | - | - | 20 | - | 20 |
| Loan from Director | - | - | - | - | - | 54,634 | 54,634 |
| Other creditors | - | - | - | - | 2,696 | - | 2,696 |
| Subject to finance lease | - | 73 | 156 | 229 | - | - | - |
| | - | 73 | 156 | 229 | 78,946 | 54,634 | 133,580 |

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 |
| Financial assets | | | | | | | |
| Long term investment | - | - | - | - | - | - | - |
| Statutory deposit | - | - | 354 | 354 | - | - | - |
| Agents balances | - | - | - | - | 2 | - | 2 |
| Amount due from other insurers/ reinsurers | - | - | - | - | 1,649 | - | 1,649 |
| Sundry debtors | - | - | - | - | 2,215 | - | 2,215 |
| Advances and loans to subsidiaries | - | - | 6,894 | 6,894 | - | 6,123 | 6,123 |
| Advances, deposits and prepayments | - | - | - | - | 6,482 | - | 6,482 |
| Accrued interest | - | - | - | - | 1,104 | - | 1,104 |
| Cash, Bank and Stationery | - | - | - | - | 278 | - | 278 |
| | - | - | 7,248 | 7,248 | 11,730 | 6,123 | 17,853 |
| Financial liabilities | | | | | | | |
| Outstanding claims | - | - | - | - | 383 | - | 383 |
| Amount due from other insurers/ reinsurers | - | - | - | - | 4,702 | - | 4,702 |
| Accrued expenses | - | - | - | - | 5,489 | - | 5,489 |
| Overdraft | - | - | - | - | - | - | - |
| Sundry Creditors | - | - | - | - | 1,524 | - | 1,524 |
| Dividends | - | - | - | - | 20 | - | 20 |
| Loan from Director | - | - | - | - | - | 41,576 | 41,576 |
| Subject to finance lease | - | 55 | 215 | 270 | - | - | - |
| | - | 55 | 215 | 270 | 12,118 | 41,576 | 53,694 |

35.2 Foreign currency risk

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

35.3 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.

35.4 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.

35.5 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.

36 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)

37 TRANSACTIONS WITH RELATED PARTIES

| | | |
|---|--------|--------|
| Advances to subsidiary/associated companies | 12,540 | 13,016 |
| Profit due from subsidiary | 1,420 | 417 |

38 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.

39 DATE OF AUTHORIZATION FOR ISSUE

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

40 FIGURES

- Figures have been rounded off to the nearest rupee.
- Comparative figures have been reclassified as disclosed in note 15.1 under respective headings for the reasons stated there-against.

Director

Director

Chairman & Chief Executive