

**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

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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	6,109	4,765
	Federal insurance fee	140	135
	Central excise duty	806	916
		<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>156</u>	<u>215</u>	<u>156</u>	<u>215</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
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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.

		(Restated)	
		2006	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	<u>(997)</u>	<u>(1,386)</u>
				<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.

		2006	(Restated) 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
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22 TRADE DEBTS

	46	55
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23 ADVANCE AGAINST PURCHASE OF PROPERTIES

	<u>67,798</u>	<u>-</u>
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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
	<u>70</u>	<u>66</u>

32 OTHER INCOME

Gain on disposal of fixed assets	-	11
Interest income	-	14,191
	<u>-</u>	<u>14,202</u>

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
	<u>3,059,238</u>	<u>2,382,535</u>	<u>860,000</u>	<u>-</u>	<u>6,395,244</u>	<u>2,722,485</u>	<u>10,314,482</u>	<u>5,105,020</u>
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 mark-up rate	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
<u>Financial assets</u>							
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
<u>Financial liabilities</u>							
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