

BEEMA-PAKISTAN COMPANY LIMITED

AUDITOR 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 premium;
- vi. Statement of claims;
- vii. Statement of expenses; and
- viii. Statement of investment;

of Beema-Pakistan Company Limited as at 31 December 2003 together with the notes forming part thereof for the year ended. The auditor of these statements and related documents were finalized by us post receive by authorization from S.E.C.P.

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 financial statements based on our audit.

We conducted our audited in accordance with the auditing standard 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.

The design, implementation and monitoring of the system of internal control suffers from concentration of management in the hands of the Chief Executive. This is presumably because of extra ordinary status of the Company with its regulators.

We are not expressing any opinion regarding matters relating to Insurance Ordinance, 2000 as per the letter number 23(6): INS; S.E.C.P/2004 dated September 23, 2004 of S.E.C.P.

The Company's license to carry on the insurance business was also not valid during the year 2003. Due to this reason the company could not continue on its business in the year 2003. However, the Company has received underwriting income for some insurance business during the year.

The Company legal advisor mentions six legal cases between the company and the various parties without mentioning any monetary effect. Therefore we cannot express any opinion about these cases and also unable to quantify its financial impacts on these financial statements.

BEEMA-PAKISTAN COMPANY LIMITED

We have not observed the physical stock taking of the Company as at December 2003.

The shares were issued against land amounting to Rs.38,962,000 in 2002, the mutation of the title of land remains to be made in the name of company. All properties are under registered Power of Attorney and Sale Agreement favoring the Company.

We have not received bank confirmation from various banks consisting of balances aggregation Rs. 27,584/- as at balance sheet date.

As mentioned in note 14. The amount due to/ from other Insurance/ Reinsurance companies is remain unconfirmed.

The provision for doubtful debts is in inadequate by Rs. 12,726,753/- as we did not receive any confirmation from these parties, hence in our opinion, theses are no more recoverable, if the Company writes off this amount the loss of the company will be increased by the same amount.

We are not issuing the Review Report on statement of Compliance with best practices of Code of Corporate Governance.

The Company is not supposed to be a going concern entity in the absence of License to carry on the insurance business.

Except for the financial effects of the matters referred to in the preceding paragraphs, in our opinion:

- a) Proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b)
 - i. the financial statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied.
 - ii. the expenditure incurred during the year was for the purpose of the Company's business and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
 - iv. in our opinion and to the best our information and explanation given to us, the financial statements together with the notes thereof present fairly, except as stated in foregoing paragraphs, in all material respects, the state of company's affair at the 31st December 2003 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 given the information required to be disclosed by the Insurance Ordinance, 2000 and the Company Ordinance, 1984; and
- c) No Zakat was deductible at source, under Zakat & Ushar Ordinance 1980.

BEEMA-PAKISTAN COMPANY LIMITED

- d) Without qualifying our opinion, we would like to point out the followings.
- i. The Company has filed Writ petition in the honorable High Court of Sindh for the ratification of capitalization process and allotment of shares to Mr.Shahnawaz Agha for Rs. 8,750,000 in the year 2001 and Rs.36,277,390 in the year 2002.
 - ii. The company has not made any provision regarding the contingencies in respect of claims, as per the opinion of the Management of the Company that no liability will accrue or arise in this respect.

Rao & Company
Chartered Accountant

Place: Karachi
Date: 22nd November, 2004