

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Beema-Pakistan Company Limited and its subsidiary companies as at December 31, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of Beema-Pakistan Company Limited while the financial statements of its subsidiary companies, Shabestan Foods (Private) Limited and Phool Wala (Private) Limited were audited by another firm of Auditors whose report has been submitted to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the report of such other Auditors, responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any 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 and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and report that:

- 1) the financial statements have been prepared on going concern basis although the Company has suffered loss of Rs. 1.937/- million during the year before Tax. The accounts have been prepared this year also on going concern basis validity of which depends on the support from the Directors of the company for providing working capital and in the absence of which the basis would not be valid, consequently adjustments may be required to the recorded asset amount and classification of liabilities. The financial statements (and notes thereto) do not disclose this fact.
- 2) the investment Rs. 927,450/- in shares of subsidiary companies as shown in note No. 18 is at cost and no provision for impairment in value has been made although there is negative equity in both subsidiaries.
- 3) advances to subsidiary include a sum of Rs. 3.9 million (Rs. 0.51 million 2004) and Rs. 2.1 million (Rs. 0.257 million 2004) incurred on wholly owned undertakings. This amount has been shown as receivable instead of recording current period expenditure, and
- 4) subject to facts stated in note No's 16.1, 19.2 & 20.2,

In our opinion the consolidated financial statements examined by us, which have been found adequate for the purposes of our audit, present fairly the financial position of Beema-Pakistan Company Limited and its subsidiary companies as at December 31, 2005 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

The financial statements of subsidiary companies were audited by another firm of Chartered Accountants. Who vide report dated March 22nd, 2006 expressed an unqualified opinion on those statements with the following emphasis points:-

- a We draw your attention to the fact that the Phool Wala (Pvt) Ltd has incurred loss of Rs. 108, 930 during the year raising the accumulated losses to Rs. 277, 928 and eroding the share holders equity to negative amounting Rs. 100, 478. Company's current liabilities exceeded current assets by Rs. 100,478 and total liabilities exceed total assets Rs. 100,478, These factors creates doubts about company's ability to continue as going concern but the account have been prepared on a going concern basis validity of which depends on the support form the Director of the company toward providing working capital and other finance in the absence of which the basis would not be valid and adjustment would have to be made for any gain or loss arising on realization of company's assets.
- b We draw your attention to the fact that the Shabestan Foods (Pvt) Ltd has incurred net loss after taxation of Rs. 4,789,276 during the year raising the accumulated losses to Rs. 6,656,871 and eroding the share holders equity to negative amounting Rs. 5,706,871. Company's current liability exceed current assets by Rs. 7,217,161 and total liabilities exceed total assets Rs. 5,706,871. These factors creates doubts about company's ability to continue as going concern basis validity of which depends on the support from Directors of the company towards providing working capital and other finance in the absence of which the basis would not be valid and adjustment would have to be made for any gain and loss arising on realization of company's assets.

Karachi : 6th April, 2006

RAO & COMPANY
Chartered Accountants