

AUDITORS' 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) Statement of Cash flows;
- (v) Statement of Premiums;
- (vi) Statement of Claims;
- (vii) Statement of Expenses;
- (viii) Statement of Investment Income;

of Beema-Pakistan Company Limited as at December 31, 2005 together with the notes forming part thereof for the year then ended.

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 audit in accordance with the Standards 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 mis-statement. 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 the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion, and after due verification, we 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 amounts 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. 16 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 14.1, 19.2 & 20.2

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 statements 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 of our information and explanations given to us, the financial statements together with the notes thereof present fairly, except as stated in forgoing paragraphs, in all material respects, the state of Company's affairs at the 31st December 2005 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 give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- c) No zakat was deductible at source, under the Zakat & Ushar Ordinance 1980.

Rao & Company
Chartered Accountants

Karachi : 6th April, 2006