

**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) cash flow statement;
- (v) statement of premiums;
- (vi) statement of claims;
- (vii) statement of expenses; and
- (viii) statement of investment income;

of Beema-Pakistan Company Limited (the company) as at December 31, 2006 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 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 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, and after due verification, we report that:

1. The financial statements of the company discloses that the company suffered loss of Rs. 34.89 million (2005:Rs.7.18 million) for the year, its accumulated loss increased to Rs.81.50 million (2005:Rs.46.61 million) and there had been low underwriting revenue and details of the contingency if any has not been provided to us (refer note 16). These conditions along with other factors referred to in note 1.2 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern. The going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of the matters disclosed in note 1.2.
2. The amount due to/from insurance and re-insurance companies and that mentioned under note 14.2 remain unconfirmed.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984);
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984) and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) except for the effect of the matters referred to in above paragraphs, the financial statements together with the notes thereon present fairly, in all material respects, the state of Company's affairs as at 31 December 2006 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 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984); and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The prior year financial statements were audited by Rao & Company, Chartered Accountants who expressed qualified opinion in their audit report dated April 06, 2006.

Karachi: 07th April 2007

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants