

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the annexed consolidated financial statements comprising ;

- (i) consolidated balance sheet;
- (ii) consolidated profit and loss account;
- (iii) consolidated statement of changes in equity;
- (iv) consolidated cash flow statement;
- (v) consolidated statement of premiums;
- (vi) consolidated statement of claims;
- (vii) consolidated statement of expenses; and
- (viii) consolidated statement of investment income;

of Beema-Pakistan Company Limited (the holding company) and its subsidiaries, Shabestan Foods (Private) Limited and Phoolwala (Private) Limited as at December 31, 2006 together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Beema Pakistan Company Limited. The financial statements of Shabestan Foods (Private) Limited and Phoolwala (Private) Limited were audited by other firm of chartered accountants, whose reports have been furnished to us and our opinion is so far as it relates to the amounts included in the subsidiary companies, is based solely on the report of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

Our audit was conducted in accordance with the International Standards on auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances and we report that;

1. The financial statements of the holding 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.
3. The financial statements of Shabestan Foods (Private) Limited and Phoolwala (Private) Limited were audited by another firm of chartered accountants who have expressed following qualifications in their audit report :

- i) Shabestan Foods (Private) Limited has incurred net loss after taxation of Rs.6,791,432 during the year raising the accumulated losses to Rs.13,448,303 and eroding the share holders' equity to negative amounting Rs.12,498,303. Company's current liabilities exceeded current assets by Rs.13,918,226. Also as stated in note 1.2 the disinvestments of parent company, which also indicates serious financial crises and creates doubts about company's ability to continue as going concern. The accounts have been prepared this year also on a going concern basis instead of realizable value of assets and liability, 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 or loss arising on realizing on realization of company's assets.
- ii) Phoolwala (Private) Limited has incurred net loss after taxation of Rs.214,270 during the year raising the accumulated losses to Rs.492,198 and eroding the share holders' equity to negative amounting Rs.314,748. Company's current liabilities exceeded current assets by Rs.314,748. Also as stated in note 1.2 the disinvestments of parent company, which also indicates serious financial crises and creates doubts about company's ability to continue as going concern. The accounts have been prepared this year also on a going concern basis instead of realizable value of assets and liability, 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 or loss arising on realizing on realization of company's assets.

In our opinion, except for the effect of matters referred to in above paragraphs, the consolidated financial statements audited by us present true and fair view of the financial position of Beema Pakistan Company Limited and its subsidiary companies as at December 31, 2006 and the results of their operations for the year then ended.

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

Karachi: April 07, 2007

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants