

AUDITORS' REPORT TO THE MEMBERS

We were engaged to audit the annexed financial statements comprising of:

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

of **Hallmark Insurance Company Limited** (the Company) as at December 31, 2014 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). We report that:

1. The Insurance Ordinance, 2000 requires the minimum capital of Rs. 300 million to be maintained by an insurance company; the Company does not find itself in a position to increase its paid up capital, and does not comply with this solvency requirements;
2. Sundry receivables as disclosed in the balance sheet amount to Rs. 591,106. In our opinion the company is unlikely to receive any payment and full provision of Rs. 591,106 should have been made. Accordingly, sundry receivables should be reduced and net loss for the year should be increased by the same amount;
3. The Company could not reconcile its accounts with Pakistan Reinsurance Corporation Limited;
4. The commercial operations of the Company were suspended from January 1, 2003. Due to discontinued operations, depreciation for the year amounting to Rs. 93,684 (2013: Rs. 86,707) has not been charged in these financial statements. Had the depreciation been charged, the accumulated loss would have been increased by Rs. 93,684 and the written down value of fixed assets would have been reduced by Rs. 93,684;

5. As disclosed in the financial statements, the Company has a land acquired for a value of Rs. 800,000 which is classified as investment property, however no title documents or valuation report if any, of this land were provided to us for our verification. Furthermore, we were also unable to verify the income of Rs. 300,000 as generated from investment property, due to non availability of relevant record.
6. The Company earned a net profit of RS. 155,808 during the year ended December 31, 2014. However, the Company's accumulated loss is amounted to Rs. 4,753,529 and its total current liabilities exceeded its current assets by Rs. 1,490,373. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Furthermore, no disclosure has been made in these financial statements regarding the financing plans for the revival of the company; and
7. Due to non availability of records and direct confirmation, we were unable to verify bank balances amounting to Rs. 26,445.

Because of the significance of the matters as disclosed in the paragraph 1 to 7 above, we are unable to form an opinion as to whether:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied; and
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2014 and of its profit, 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.

Karachi:

MUNIFF ZIAUDDIN & CO
CHARTERED ACCOUNTANTS
(Muhammad Moin Khan)