

AUDITOR'S REPORT TO MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying:

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

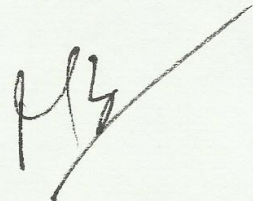
of Hallmark Insurance Company Limited ("the Company") as at 30 June 2013 together with notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the six months period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

1. The Insurance Ordinance, 2000 has enhanced the requirement of minimum capital to Rs. 300 million up to end of the year 2011; the Company does not find itself in a position to increase its paid up capital; and does not comply with the solvency requirements.



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2. The Company's total current liabilities exceeded its current assets by Rs. 826,181 and accumulated loss of the Company stood at Rs. 4,889,337. 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. This condensed interim financial information does not include any adjustment that might result, should the Company not be able to continue as a going concern. Moreover, no disclosure has been made in the condensed interim financial information regarding the financing plans under consideration of the management for the revival of the Company. Furthermore, SECP has issued notice u/s 143 of the Insurance Ordinance 2000, for winding up of the Company.
3. The commercial operations of the Company were suspended from January 01, 2003 thus substantiating the Company's inability to continue as a going concern. Due to discontinued operations, depreciation for the period of six months amounting to Rs. 54,814 has not being charged in this condensed interim financial information that the depreciation would have been charged the net accumulated loss after tax would have been increased by Rs. 54,814 and the written down value of fixed assets would be Rs. 882,030.
4. Sundry receivables shown on the balance sheet amounts to Rs. 591,106. We believe that 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 period and accumulated losses should be increased by the same amount.
5. Due to non availability of records and direct confirmation, we were unable to verify bank balances amounting to Rs. 26,445.
6. The Company could not reconcile its accounts with Pakistan Insurance Corporation Limited (PICL).
7. The Company is not in compliance with the provision of Section 29 of the Insurance Ordinance, 2000 relating to the minimum statutory deposit that is required to be kept with the State Bank of Pakistan.
8. The Company has no reinsurance arrangement as required under Section 14 of the Insurance Ordinance, 2000.



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Adverse Conclusion

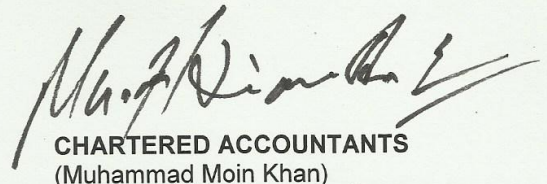
Our review indicates that, because of the significance of matters as mentioned above, the annexed condensed interim financial information do not give a true and fair view of the financial position of the company as at June 30, 2013 and of its financial performance and its cash flows for the period then ended, in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The figures for the three months period ended June 30, 2013 in the accompanying condensed interim financial information have not been reviewed and we do not express conclusion thereon.

Karachi:

10 SEP 2013


CHARTERED ACCOUNTANTS
(Muhammad Moin Khan)

