

Auditor's Report to the Shareholders

Auditors' Report to the Shareholders



We have audited the accompanying Balance Sheet of the **Mercantile Insurance Company Limited** For the period ended 31st December, 2009 and the related Revenue Accounts as well as the Profit & Loss Account, Profit & Loss Appropriation Account and statement of Cash Flow for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standard Auditing (BSA). Those standard require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement 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 principles used and significant estimates made by management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting standards (BAS), given a true and fair view of the state at the company's affairs for the period ended 31st December, 2009 and of the result of its operation and its cash flow for the period then ended and comply with the companies Act 1994, the Securities and Exchange Rules-1987 the Insurance Act 1938, the insurance rule 1958 and other applicable laws and regulations. Subject to our magement letter of even date addressed to the Board of Director.

We report that:

- i) We have obtain all the information and the explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books and proper return adequate for the purpose of our audit have been received from branches not visited by us;
- iii) The Company's Balance Sheet and Profit & Loss Account and its Cash Flow dealt with by the report are in agreement with the books of account and returns;
- iv) The expenditure incurred was for the purpose of the Company's business;
- v) As per section 40-C(2) of the Insurance Act 1938 as amended, we certify that to the best of our knowledge and belief and accordance to the information and explanation given to us, all expenses of management wherever incurred directly or indirectly, in respect of insurance business of the company transacted in Bangladesh during the period under report have been debited to the related Revenue Accounts and the profit and loss account of the Company; and
- vi) As per regulation-II and part I of the third schedule of the Insurance Act 1938 as amended, we certify that to the best of our information and as shown by its books, the Company during the period under report has not paid any person any commission in any form, outside Bangladesh in respect of its business re-insured abroad.

Dhaka
29th April, 2010


MAHFEL HUQ & CO.
CHARTERED ACCOUNTANTS