Contents:

Company Vision

To serve and serve with excellence.
Excellence achieved through our corporate mission.

Corporate Mission

First and foremost to secure the interest of our policy holders by adopting proper risk management techniques, prudent financial planning and maintaining reinsurance arrangements with world-class reinsurers.

To ensure profitability to our reinsurers who afford us underwriting capacity.

To recognise human resources as the key element in progress and to provide our officers and field force due recompence for their efforts in building up the company.

To generate operational profits and dividend return for our shareholders.

Company Information

Board of Directors

MUNIR I. MILLWALA
CEO

ARDESHIR COWASJEE
Non Executive Director

ABDUL RAZZAK E. JAFFER
Non Executive Director

MRS. RUKHSANA SALEEM
Non Executive Director

QUTUBUDDIN A. MILLWALA
Non Executive Director

HUSSAINI I. MILLWALA
Non Executive Director

M. H. MILLWALA
Non Executive Director

FAYYAZ F. MILLWALA
Executive Director

Management

Munir I. Millwala
CEO

Fayyaz F. Millwala
Executive Director

Moiz Ali
General Manager

Fakhruddin A. Bandukwala
Deputy General Manager

Zahid Ali
Assistant General Manager

Khuzaima Hakimi
Company Secretary

Fakhruddin Khetty
Accounts Manager

Zoaib Quettawala, F.C.A.
Internal Auditor

Khwaja Balighuddin
Manager

Qutubuddin Kaleemi
Assistant Manager

Azmat Shaikh
Assistant General Manager

Iqbal Macha
Assistant General Manager

Yunus Shaheen
Assistant General Manager

Muhammad Ashraf Ansari
Assistant General Manager

Advisor	Syed Ahmed Ali
Auditors	MG Moochhala Gangat & Co. Chartered Accountants
Bankers	United Bank Limited National Bank of Pakistan Bank Alfalah Limited Habib Bank Limited Muslim Commercial Bank Limited Silkbank Limited
Registered Office	2nd Floor, Nadir House, I. I. Chundrigar Road, P.O. Box No. 4616, Karachi
Share Registrar Office	MG Associate Private Limited 2, Mustafa Avenue, F/4, Block -9 Behind "The Forum" Clifton, Karachi. Tel #: 35877806-09 Fax # : 35877810

COMMITTEES :

Audit Committee:

Hussaini. I.Millwala	Chairman
Qutubddin A. Millwala	Member
Mohammadi H. Millwala	Member
Zoaib A. Quettawala	Member/Secretary
Khuzaima Hakimi	Member
Fakhruddin A. Khetty	Member

Underwriting Committee:

Hussaini I. Millwala	Chairman
Munir I. Millwala	Member
Moiz Madrasswala	Member
Khawaja Baliguddin	Member/Secretary

Claim Settlement Committee:

Munir I. Millwala	Chairman
Mohammadi H. Millwala	Member
Fayyaz F. Millwala	Member
Hussaini I. Millwala	Member
Moiz Madrasswala	Member
Firoz Ahmed	Member/Secretary

Re-insurance Committee:

Munir I. Millwala	Chairman
Moiz Madrasswala	Member
Khwaja Baliguddin	Member/Secretary
Hussaini I. Millwala	Member
Fayyaz F. Millwala	Member

Investment Committee:

Munir I. Millwala	Chairman
Hussaini I. Millwala	Member
Fayyaz F. Millwala	Member
Khuzaima Hakimi	Member
Moiz Madrasswala	Member

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 55th Annual General Meeting of the shareholders of the company will be held on 28th April 2011 at 4.00 p.m. at Plot # 13, Steel House, West Wharf Road, Karachi, to transact the following business.

1. To confirm the minutes of the 54th AGM held on 30th April 2011.

2. To receive, consider and adopt Directors' and Auditors' report and Audited Accounts for the year ended 31st December, 2011.

3. To appoint Auditors for the year ending December 31, 2012 and fix their Remuneration, M/s Moochhala Gangat & Co. Chartered Accountant retires and M/s Muniff Ziauddin Junaidy & Co Chartered Accountant have offered themselves for appointment as external auditor.

4. To consider any other business of the Company with the permission of the Chair.

By order of the Board
KHUZAIMA HAKIMI
Secretary

Karachi : 3rd April 2012

Notes:

1. The Share Transfer Books of the Company shall remain closed from 22nd April 2012 to 28thApril 2012 (both days inclusive). Transfers received at our registrar office M/s MG Associate Private Limited, 2, Mustafa Avenue, F/4, Block-9, Behind "The Forum" Clifton, Karachi by the close of business on 21st April 2012 will be treated in time.

2. A member of the company entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote instead of him/her. A proxy must be deposited at the Company's registrar office not less than 48 hours before the time of holding the meeting. A proxy need, not be a member of the Company. The proxy shall produce his/her original CNIC or Passport to prove his/her identity.

3. Any individual Beneficial Owner of Central Depository Company, entitled to vote at this Meeting must bring his/her Computerized National Identity Card ("CNIC") with him/her to provide his/her identity and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution/power of Attorney and/or all such documents as are required under Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for this purpose.

4. Change of address, if any, should be notified immediately to the Company's Share Registrar aforestated.

NOTICE OF ANNUAL GENERAL MEETING

5. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Registrar of our Company are requested to send the same at the earliest
6. The CDC account/sub account holders are requested to bring with them their Computerised National ID Cards along with the Participants(s) ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.

7. Members are requested to promptly communicate to the Registrar of the Company any change in their address.

Director's Report

Director's Report

I am pleased to present, the annual report and audited accounts for the year ended 31st December 2011. The company in spite of the it's difficulties and challenges has done reasonably well to have stayed in profit. The brief operational details of last three years are tabulated below.

	2011	2010	2009	%
Gross Premium	78,848,272	105,080,533	132,579,281	(24.96)
Net Premium	60,230,480	74,157,379	105,363,790	(18.78)
Profit/(loss)BeforeTax	2,219,774	4,605,212	(43,378,915)	(51.80)
Profit/(Loss)After tax	1,427,522	3,744,026	(30,482,845)	(61.87)
Total Assets	202,377,804	214,605,828	237,776,231	(5.70)

Operating Conditions; SECP has decided to give us a hearing on the issue of capital requirements. The company will use this opportunity to present its views with requests for bringing in appropriate changes. The SRO amending the Insurance Ordinance 2000 stood frustrated in 2008 and needs renegotiation. Extensions in meeting capital requirements were negotiated and given by SECP to all the NBFC in 2008 but our request for extension as an insurance company was denied. We were served with a directive which was ruled illegal by the Sindh High Court. The events of 2008 dawned that the capital requirements for insurers were flawed and were incorrectly framed. As a responsible entity, we voiced our concerns and reservations at various forums including SECP. Complacency in the matter is unacceptable and will damage the industry. We will emphasize again, our apprehensions in the matter be properly addressed. The bitterness and resentment all this has caused over the last few years and the loss suffered by our company on this count is indeed painful but requires our firm commitment. Your management feels, the cause is important. Without the desired changes it is difficult to recommend further capitalization. We have suggested for established insurers a more meaningful table of risk based capital and solvency requirement be established instead of a meaningless minimum requirement. The supreme court of Pakistan in a recent ruling has declared that it is the constitutional responsibility of all government organizations to frame policies which meet the socioeconomic development needs of the country. We hope our objections will merit SECP consideration for change.

Effective 30th April 2012, the undersigned will step down as the company CEO and Managing Director. The Board after careful evaluation has appointed Mr. Moiz Ali as the new CEO (subject to SECP) in addition to his responsibilities of the general manager. This will ensure continued smooth working of our business operations. Mr. Moiz Ali is a dedicated insurance professional with long experience with the company. He has accepted the additional charge with courage and determination. I am confident in his ability to deliver and to grow the company on sound footings. I will be there to advise him. Hence forth i will be a non executive Director and Chairman of the Board.

Concluding, i wish to thank the Board members for their understanding, cooperation and advice's that i always received as the Chief Executive/Managing Director. I also wish to thank the management officers, staff and development officers for their loyalty, support and devotion to the company and for their cooperation. I would take this opportunity to personally acknowledge the contribution of the Chairperson Pakistan Re insurance, Mrs. Rukhsana Saleem and for her support and advices that i received during her tenure on our Board as a nominee director of Pakistan Reinsurance Company Limited. The Chairperson has intimated vide her letter dated 29th March 2012 that she will be retiring as Chairperson Of Pakistan Reinsurance Co. as of 2nd April 2009. On behalf of our directors i express our sincere thanks and appreciation for her invaluable services. Her contribution and support in our difficult moments will always be remembered and treasured by the company. We wish her well for the future and in her new assignment. I will also take this opportunity to thank all our re insurers namely Mitsui Summitomo RE, Pakistan Re-insurance Company Limited, and Korea Re insurance for their understanding, support and for their continued confidence shown in our company. We inshallah hope and expect the company will be able to overcome the difficulties and i wish the company and the new chief executive all success.

Compliance with the Code of Corporate Governance:

The requirements of the code set out by the stock exchanges in the listing regulations, relevant for the year ended December 31, 2011, have been duly complied with. A statement to this effect is annexed with the report.

The directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Governance for the followings:-

a) The financial statements, prepared by the Company, present fairly, its state of affair, the results of its operations, cash flows and changes in equity.

b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.

c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates area on the basis of prudent and reasonable judgement.

d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance.1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.

e) The system of internal control is sound, effectively implemented and monitored. The process of review will continue to strengthen the system for its effective \ implementation.

f) There is no significant doubts upon the Company's ability to continue as a going.

The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

Board Meetings and Attendance:

During the year four meetings of the Board of Directors were held and the number of meetings attended by each director is given hereunder:-

Name of Director	Number of Board Meetings Attended
Mr. Ardeshir Cowasjee	3
Mr. Abdul Razzak E. Jaffer	1
Mr. Qutubddin A. Millwala	3
Mr. Munir I. Millwala	4
Mr. Fida Hussain Samoo	1
Mr. Fayyaz F. Millwala	2
Mr. Hussainai I. Millwala	4
Mr. Mohammadi H. Millwala	3
Mrs. Rukhsana Saleem	1

Leave of absence was granted to directors unable to attend a meeting.

Auditors:

The present auditor M/s Moochhala Gangat & Co, Chartered Accountants, retires and M/s Muniff Ziauddin Junaidy & Co, Chartered Accountants have offered themselves for appointment as external auditors for the year ended 31st December 2012.

Audit Committee:

The Company has an audit Committee, and had four meetings during the year 2011. The committee consists of the following members:

Mr. Hussaini I. Millwala	Chairman
Mr. Qutubuddin A. Millwala	Member
Mr. Mohammadi H. Millwala	Member
Mr. Zoaib A. Quettawala	Member
Mr. Khuzaima Hakimi	Member
Mr. Fakhruddin A. Khetty	Member

STATEMENT OF ETHICS AND BEST BUSINESS PRACTICES

The Board has adopted "the Statement of Ethics and Business Practices" and circulated to all the directors and employees for their acknowledgement and acceptance.

Company Reporting:

The company reports to the shareholders 4 times a year with its 1st quarter, half-yearly, 3rd quarter and full year results, along with the director's reports on the operations and future outlook for the company. All reports are sent to the Stock Exchanges and to the registered shareholders at the address registered with the company.

The value of investment provident fund maintained by the company based on latest audited financial statement as at 31st December 2011 Rs. 14,116,269/=.

Pattern of shareholding

A pattern of shareholding is shown separately

Munir I. Millwala
(C.E.O.)

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange and SRO 68(I)/2003 dated January 21, 2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed insurance company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner.

1. The Company encourages representation of independent non-executive directors. At present the Board included seven independent non-executives directors, including one non-executive director representing minority shareholders.

2. The directors have confirmed that none of them is serving as director in more than ten listed companies.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange has been defaulter by that stock exchange.

4. No casual vacancy has occurred in the year 2011.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9 The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all the necessary aspects of internal control given in the code.

10 An orientation course was conducted for the directors to apprise them of their duties and responsibilities.

11. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, Company Secretary and Head of Internal Audit are approved by the Board of Directors. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

15. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

16. The Company has functioning the committees namely, Underwriting Committee, Claim Settlement Committee, Re-insurance Committee and Investment Committee.

17. The Board has formed an audit committee. It comprises of six members, of whom three are non-executive directors including Chairman of the Board.

18. The meetings of the audit committee were held once in every quarter prior to approval of interim and final results of the Company, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The company has an internal audit department and regular brief/meetings are conducted.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality Control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold the shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountant (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountant (IFAC) guidelines in this regard.

22. We confirm that all other material principles contained in the Code have been complied with.

MUNIR I. MILLWALA
CEO

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of The Crescent Star Insurance Company Limited ("The Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such Compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange(Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price.

Based on our review, except for the matters highlighted in paragraph 02, 03, 05, 10 and 15 of the Statement of Compliance, nothing has come to our attention except above matters which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

Moochhala Gangat & Co.
Chartered Accountants

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin

Karachi
Date:

10 Years at a Glance

(amounts in million rupees)

	2011	**2010**	2009	2008	2007	2006	2005	2004	2003	2002
Gross premium	**78.85**	105.08	132.58	175.57	197.21	207.38	165.91	115.92	69.19	41.69
Net premium	**60.23**	74.16	105.36	140.80	170.28	146.58	102.40	63.53	32.02	24.80
Paid-up capital	**121.00**	121.00	121.00	121.00	96.80	88.00	80.00	80.00	50.00	50.00
General reserve	**24.50**	24.50	24.50	24.50	24.50	22.10	17.10	17.10	12.60	10.10
Reserve for exceptional losses and unexpired risks	**32.05**	44.07	52.12	70.80	85.99	110.56	93.78	64.90	25.48	11.68
Total assets	**202.38**	214.61	237.78	286.69	310.80	278.83	275.34	227.04	115.24	83.64
Profit before tax	**2.22**	4.61	(43.38)	(37.40)	26.09	9.84	28.76	26.45	10.07	3.24
Profit after tax	**1.43**	3.75	(30.48)	(37.73)	24.04	8.58	21.58	20.50	7.04	0.33
Distribution as percentage of										
paid-up capital- cash dividend								10.00	10.00	-
paid-up capital- cash dividend Interim					25.00		10.00	10.00		
- bonus shares						10.00	10.00	-	-	-
- right shares					25.00				60.00	-
Return on total assets-%	**0.71**	1.74	(12.82)	(13.16)	7.73	3.08	7.84	9.03	6.11	0.39
Return on shareholders' equity-%	**1.69**	4.52	(38.51)	(34.41)	18.06	6.96	18.80	5.33	10.86	0.53
Break-up value per share	**6.97**	6.85	6.54	9.06	13.75	14.02	14.34	13.65	12.98	12.57
Earnings per share in rupees	**0.12**	0.31	(2.52)	(3.14)	2.19	0.98	2.70	3.43	1.41	0.07

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 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 The Crescent Star Insurance Company Limited (the Company) as at 31 December 2011 together with 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 requirement 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.

Except as discussed in paragraphs below, we planned our audit in accordance with the auditing 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 statement presentation.

We report that:

According to circular No. 3 of 2007 dated 10 April 2007, issued by the Securities and Exchange Commission of Pakistan (SECP), all non-life insurance companies are required to have a minimum paid up capital of Rs. 300 million as at 31 December 2011. However, the paid up share capital of the company was Rs.121 million at the end of the year. This matter is further explained in note 1.2 of these financial statements.

Based on the above mentioned fact, there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. Therefore the financial statements of the company should have been prepared on realizable value and not on going concern basis.

In our opinion

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) in view of paragraph above, in our opinion and to the best of our information and according to the explanations given to us, the financial statement together with the notes thereon do not give a true and fair view of the state of the Company's affairs as at December 31, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Moochhala Gangat & Co.
Chartered Accountants

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin

Karachi
Date:

BALANCE SHEET

	Note	2011	2010
		------------- (Rupees) -------------	
Share Capital and Reserves			
Authorised share capital 35,000,000 (2010: 35,000,000) ordinary shares of Rs. 10/- each		350,000,000	350,000,000
Issued, subscribed and paid up			
Share capital	7	121,000,000	121,000,000
Accumulated loss		(62,928,478)	(64,356,000)
Reserves	8	26,264,833	26,264,833
TOTAL EQUITY		84,336,355	82,908,833
Surplus on revaluation of Land	9	21,107,500	21,107,500
		105,443,855	104,016,333
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		36,830,460	32,780,640
Provision for unearned premium		30,284,163	42,305,005
Commission income unearned		4,013,053	4,117,613
		71,127,676	79,203,258
Creditors and Accruals			
Premiums received in advance		1,992,985	1,362,185
Amounts due to other insurers / reinsurers	10	20,174,219	25,895,752
Accrued expenses		1,680,700	1,476,699
Other creditors and accruals	11	1,540,160	2,233,393
		25,388,064	30,968,029
Other Liabilities			
Unclaimed dividend		418,209	418,209
TOTAL LIABILITIES		96,933,949	110,589,496
TOTAL EQUITY AND LIABILITIES		202,377,804	214,605,829
CONTINGENCIES AND COMMITMENT	12		

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA
Chief Executive Officer

M.H. Millwala
Director

AS AT DECEMBER 31, 2011

	Note	2011	2010
		------------- (Rupees)	-------------
Cash and Bank Deposits			
Cash and other equivalents	13	16,670	49,493
Current and other accounts	14	5,454,819	8,273,599
Deposits maturing within 12 months	15	4,985,274	6,745,197
		10,456,763	15,068,289
Investments	16	24,105,918	29,739,152
Deferred taxation	17	13,543,178	13,543,178
Current Assets – Others			
Premiums due but unpaid	18	42,426,515	46,455,305
Amounts due from other insurers / reinsurers	19	25,672,399	20,359,005
Salvage recoveries accrued		-	243,000
Accrued investment income		79,086	95,960
Reinsurance recoveries against outstanding claims		16,538,342	12,868,083
Deferred commission expense		5,323,531	7,672,633
Taxation - net	20	3,155,280	3,517,317
Prepayments	21	13,660,170	14,555,357
Sundry receivables	22	5,618,890	7,661,424
		112,474,213	113,428,084
Fixed Assets			
Tangible	23		
Freehold land		27,500,000	27,500,000
Furniture and fixtures		3,145,151	3,374,256
Office equipment		1,583,201	1,678,914
Computers and related equipment		414,548	587,606
Motor vehicles		9,045,694	9,500,174
Intangible	24		
Computer software		109,138	186,177
		41,797,732	42,827,127
TOTAL ASSETS		202,377,804	214,605,829

The annexed notes from 1 to 37 form an integral part of these financial statements.

Qutubuddin.A.Millwala
Director

Hussaini I. Millwala
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	Fire & Property	Marine & Transport	Motor	Miscellaneous	2011 Aggregate	2010 Aggregate
		Rupees					
Revenue Account							
Net premium revenue		16,157,610	15,310,529	23,773,130	4,989,211	**60,230,480**	74,157,379
Net claims		(1,888,824)	(2,241,120)	(14,232,553)	(9,405)	**(18,371,902)**	(21,095,025)
Premium deficiency reserve		-	-	-	-	**-**	730,044
Expenses	25	(5,472,029)	(5,185,152)	(8,051,145)	(1,689,675)	**(20,398,001)**	(22,268,423)
Net commission		(766,134)	(263,136)	(3,819,040)	(1,049,801)	**(5,898,111)**	(5,689,444)
Underwriting result		**8,030,623**	**7,621,121**	**(2,329,608)**	**2,240,330**	**15,562,466**	25,834,531
Investment gain - net						**396,432**	1,910,564
Profit on sale of fixed assets						**1,291,400**	500,624
Other income	26					**4,089,872**	4,432,369
General and administrative expenses	27					**(19,120,396)**	(28,072,876)
						(13,342,692)	(21,229,319)
Profit before tax						**2,219,774**	4,605,212
Provision for taxation	28					**(792,252)**	(861,186)
Profit after tax						**1,427,522**	3,744,026
Profit and loss appropriation account							
Balance at commencement of the year						**(64,356,000)**	(68,100,026)
Profit after tax for the year						**1,427,522**	3,744,026
Balance of accumulated loss at end of the year						**(62,928,478)**	(64,356,000)
Earning per share (basic and diluted) – rupees	29					**0.12**	0.31

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Qutubuddin.A.Millwala**	**Hussaini I. Millwala**
Chief Executive Officer	Director	Director	Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		------------- (Rupees) -------------	
Profit after tax for the year		1,427,522	3,744,026
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,427,522	3,744,026

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA Chief Executive Officer	**M.H. Millwala** Director	**Qutubuddin.A.Millwala** Director	**Hussaini I. Millwala** Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	Share Capital	Capital Reserves	Revenue Reserves		
	Issued, subscribed and paid up	Reserve for Exceptional Losses	General reserve	Accumulated loss	Total
	Rupees				
Balance as on January 1, 2010	121,000,000	1,767,568	24,497,265	(68,100,026)	**79,164,807**
Profit after tax for the year	-	-	-	3,744,026	**3,744,026**
Balance as on December 31, 2010	121,000,000	1,767,568	24,497,265	(64,356,000)	**82,908,833**
Profit after tax for the year	-	-	-	1,427,522	**1,427,522**
Balance as on December 31, 2011	**121,000,000**	**1,767,568**	**24,497,265**	**(62,928,478)**	**84,336,355**

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Qutubuddin.A.Millwala**	**Hussaini I. Millwala**
Chief Executive Officer	Director	Director	Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		---------------- (Rupees)	----------------
Operating Cash Flows			
a) **Underwriting activities**			
Premiums received		**90,531,435**	118,926,746
Reinsurance premiums paid		**(43,801,948)**	(43,607,473)
Claims paid		**(35,299,172)**	(52,144,293)
Reinsurance and other recoveries received		**17,549,831**	20,354,060
Commissions paid		**(13,457,803)**	(17,737,620)
Commissions received		**9,804,235**	11,509,194
Net cash inflow from underwriting activities		**25,326,578**	37,300,614
b) **Other operating activities**			
Income tax paid		**(362,037)**	(385,683)
General management expenses paid		**(36,690,982)**	(46,153,766)
Other operating receipts		**2,022,734**	193,564
Net cash (outflow) from other operating activities		**(35,030,285)**	(46,345,885)
Total cash (outflow) from all operating activities		**(9,703,707)**	(9,045,271)
Investment activities			
Profit / return received		**953,409**	1,042,138
Dividends received		**1,729,037**	985,225
Purchase of investments		**(1,080,823)**	(2,522,375)
Proceeds from disposal of investments		**4,087,699**	7,495,809
Fixed capital expenditure		**(2,947,341)**	(1,906,925)
Proceeds from disposal of fixed assets		**2,350,201**	958,000
Total cash inflow from investing activities		**5,092,182**	6,051,872
Net cash (outflow) from all activities		**(4,611,525)**	(2,993,399)
Cash at the beginning of the year		**15,068,288**	18,061,687
Cash at the end of the year		**10,456,763**	15,068,288

	Note	2011	2010
		(Rupees)	
Reconciliation to Profit and Loss Account			
Operating cash flows		(9,703,707)	(9,045,271)
Depreciation expense		(2,840,897)	(3,058,736)
Amortization expense		(77,039)	(811,606)
Profit on disposal of fixed assets		1,291,400	500,624
Other Income		4,089,872	4,432,369
(Decrease) in assets other than cash		(953,871)	(12,275,756)
Decrease in liabilities		13,655,547	26,976,527
		5,461,306	6,718,151
Other adjustments			
Profit / return received		936,535	1,520,794
Provision for impairment		(2,785,157)	(1,835,732)
Reversal of provision for doubtful balances		(4,000,000)	(4,409,186)
Dividend income		1,899,476	1,196,121
Capital gain		345,578	1,029,381
Income tax paid		362,037	385,683
Provision for taxation		(792,252)	(861,186)
		(4,033,783)	(2,974,125)
Profit after taxation		1,427,523	3,744,026

Definition of cash

Cash comprises of cash in hand, policy stamps, bank balances and other deposits which are readily convertible to cash in hand which are used in the cash management function on a day-to-day basis.

Cash for the purposes of the Statement of Cash Flows consists of:

	2011	2010
Cash and other equivalents		
Cash in hand	15,301	23,487
Policy stamps	1,369	25,957
Revenue stamps	-	49
	16,670	49,493
Current and other accounts with banks		
Current accounts	5,437,584	8,256,364
PLS savings accounts	17,235	17,235
	5,454,819	8,273,599
Deposits with banks maturing within 12 months		
Deposit accounts	4,985,274	6,745,197
	10,456,763	15,068,289

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Qutubuddin.A.Millwala**	**Hussaini I. Millwala**
Chief Executive Officer	Director	Director	Director

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2011

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2011 Net premium revenue	2010 Net premium revenue
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and facultative										
1 Fire and property	25,945,781	20,864,293	12,510,327	34,299,747	18,045,965	9,904,770	9,808,598	18,142,137	16,157,610	24,650,273
2 Marine and transport	25,532,450	2,542,124	3,313,134	24,761,440	9,732,831	1,022,783	1,304,703	9,450,911	15,310,529	16,272,819
3 Motor	24,103,466	13,225,245	11,352,875	25,975,836	1,620,000	1,375,782	793,076	2,202,706	23,773,130	24,649,805
4 Miscellaneous	6,290,148	5,673,344	3,107,827	8,855,665	3,368,225	2,252,022	1,753,793	3,866,454	4,989,211	8,584,482
Total	81,871,845	42,305,005	30,284,163	93,892,688	32,767,021	14,555,357	13,660,170	33,662,208	60,230,480	74,157,379

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Qutubuddin.A.Millwala**	**Hussaini I. Millwala**
Chief Executive Officer	Director	Director	Director

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2011

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2011 Net claims expense	2010 Net claims expense
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and facultative										
Fire and property	10,211,002	17,072,732	20,191,019	13,329,289	9,345,426	9,916,572	12,011,611	11,440,465	1,888,824	2,431,162
Marine and transport	8,071,470	3,723,632	3,695,281	8,043,119	5,275,857	1,335,940	1,862,082	5,801,999	2,241,120	1,066,062
Motor	15,010,231	8,849,199	11,174,941	17,335,973	2,109,920	1,150,000	2,143,500	3,103,420	14,232,553	14,955,645
Miscellaneous	2,006,469	3,135,077	1,769,219	640,611	575,628	465,571	521,149	631,206	9,405	2,642,156
Total	35,299,172	32,780,640	36,830,460	39,348,992	17,306,831	12,868,083	16,538,342	20,977,090	18,371,902	21,095,025

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA
Chief Executive Officer

M.H. Millwala
Director

Qutubuddin.A.Millwala
Director

Hussaini I. Millwala
Director

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers *	2011 Net underwriting expense	2010 Net underwriting expense
	(Rupees)								
Direct and facultative									
1 Fire and property	4,973,178	4,172,859	2,502,065	6,643,972	5,472,029	12,116,001	5,877,838	**6,238,163**	9,749,142
2 Marine and transport	3,686,607	381,319	496,970	3,570,956	5,185,152	8,756,108	3,307,820	**5,448,288**	5,115,186
3 Motor	3,538,184	1,983,787	1,702,931	3,819,040	8,051,145	11,870,185	-	**11,870,185**	10,026,494
4 Miscellaneous	1,259,834	1,134,669	621,565	1,772,938	1,689,675	3,462,613	723,137	**2,739,476**	3,067,045
Total	**13,457,803**	**7,672,633**	**5,323,531**	**15,806,906**	**20,398,001**	**36,204,907**	**9,908,795**	**26,296,112**	**27,957,867**

* Commission from reinsurers is arrived at taking impact of opening and closing unearned commission.

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA
Chief Executive Officer

M.H. Millwala
Director

Qutubuddin.A.Millwala
Director

Hussaini I. Millwala
Director

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	---------------- (Rupees)	----------------
Income from Non-Trading Investments		
Held to Maturity		
Return on government securities	-	24,000
Return on other fixed income securities and deposits	936,535	1,496,794
	936,535	1,520,794
Available-for-Sale		
Dividend income	1,899,476	1,196,121
Net profit on sale of 'available-for-sale' investments	345,578	1,029,381
	2,245,054	2,225,502
Provision for impairment in the value of available-for-sale investments	(2,785,157)	(1,835,732)
Net investment income	396,432	1,910,564

The annexed notes from 1 to 37 form an integral part of these financial statements.

MUNIR I. MILLWALA
Chief Executive Officer

M.H. Millwala
Director

Qutubuddin.A.Millwala
Director

Hussaini I. Millwala
Director

THE CRESCENT STAR INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. THE COMPANY AND ITS OPERATIONS

1.1 The Crescent Star Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1957 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The Company is listed on the Karachi and Lahore Stock Exchanges and is situated at 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi.

1.2 The company has paid up capital of Rs. 121 million, however as per the circular No. 3 of 2007 dated 10th April 2007 of the SECP, paid up capital of the company should be Rs. 300 Million as at 31st December 2011. The SECP has served a show cause notice to the company and its directors dated 1st February 2012 in which it has enquired the reason for the non-compliance and about its future strategy to comply with the regulation. The SECP has also laid down actions to cease the company to entering into new contracts of insurance in case of continuous default. The company has responded this vide a letter dated 24th February 2012.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide SRO 938 dated December 12, 2002.

3. STATEMENT OF COMPLIANCE

3.1 "These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail

The SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of 'available-for-sale investments'. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements"

3.2 Accounting standards not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Standard or Interpretation		Effective date {accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements Amendments to revise the way other comprehensive income is presented	July 01, 2012
MRS 7	Financial Instruments : Disclosures Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12	Income Tax (Amendment) - Deferred Taxes Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material affect on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

		IASB Effective date (annual periods beginning Standard on or after)
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

"The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trend and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

(a) Classification of insurance contracts (note 6.1);
(b) Provision for outstanding claims (including IBNR) (note 6.2);
(c) Premium deficiency reserve (note 6.3);
(d) Accounting for staff retirement benefits (note 6.6);
(e) Classification of investments (note 6.7);
(f) Determining the residual values and useful lives of fixed assets (note 6.8);
(g) Allocation of management expenses (note 6.13);
(h) Recognition of taxation and deferred tax (note 6.14);
(i) Segment reporting (note 6.15);
(j) Impairment (note 6.18); and
(k) Provision for obligations (notes 6.19).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all years presented.

6.1 "Adoption of new and amended International Financial Reporting Standards (IFRSs)"

"The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:"

IAS 24 – Related Party Disclosures (Revised)
IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures
IAS 1 – Presentation of Financial Statements - Clarification on statement of changes in equity
IAS 34 – Interim Financial Reporting - Significant events and transactions

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

6.2 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

- Fire and property
- Marine & Transport
- Motors
- Miscellaneous

These contracts are normally one year insurance contracts except Marine and some contracts of Fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts are of three months period. In miscellaneous class, some engineering insurance contracts are of more than one year period.

These contracts are provided to all types of customers based on assessment of insurance risk by the Company. Normally personal insurance contracts e.g. vehicle are provided to individual customers, whereas, insurance contracts of fire and property, marine and transport, accident and other commercial line products are provided to commercial organizations.

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Marine Insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, personal accident, worker compensation, travel, products of financial institutions and crop insurance etc.

The Company also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the company as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts except retrocession business with Pakistan Reinsurance Company Limited (PRCL).

6.3 Provision for outstanding claims including incurred but not reported (IBNR)

A liability for outstanding claims is recognised in respect of all claims incurred as at the balance sheet date which represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date.

Reinsurance recoveries against outstanding claims and salvage recoveries are recognised as an asset and measured at the amount expected to be received.

6.4 Premium deficiency reserves

"The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account."

No provision has been made as the unearned premium reserve for each class of business as at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in force at balance sheet date.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

6.5 Reinsurance Contracts Held

These are contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contracts as various reinsurance assets.

6.6 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premiums due but unpaid, premium received in advance, premiums due and claims payable to insurance contract holders. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

If there is an objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

6.7 Staff retirement benefits

6.7.1 Defined contribution plan

The Company contributes to a approved provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10% of basic salary.

6.7.2 Employees' compensated absences

The Company accounts for accumulated compensated absences on the basis of the un-availed leave balances at the end of the year.

6.8 Investments

6.8.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for held for trading in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:

- Investment at fair value through profit and loss
- Held to maturity
- Available for sale

6.8.2 Measurement

6.8.2.1 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortised over the term of investment using the effective yield.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

6.8.2.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale.

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

6.8.2.3 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

6.9 Fixed assets

6.9.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any, except for the freehold land which is stated at cost. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the reducing balance method at the rates specified in note 23 to the financial statements.

Depreciation on additions is charged from the date the assets are available for use. While on disposal, depreciation is charged up to the date on which the assets are disposed off.

Subsequent cost are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is possible that the future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to profit and loss account currently.

Surplus on revaluation of Tangible fixed assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of tangible fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

An item of tangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognized, currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit..

6.9.2 Intangibles

These are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 24 to the financial statements.

Amortisation is calculated from the month the assets are available for use. While on disposal, amortisation is charged up to the month in which the assets are disposed off.

Software development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Company.

The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amounts.

6.10 Premiums

6.10.1 Premium income earned

Premium income under a policy is recognised over the period of insurance from the date of issue of the policy to which it relates to its expiry as follows:

(a) for direct business, evenly over the period of the policy.

(b) for retrocession business received from Pakistan Reinsurance Company Limited (PRCL), at the time when statement is received.

Where the pattern of incidence of risk carries over the period of the policies, premium is recognised as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge is recognised as premium at the time policies are written.

Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated as follows:

- for marine cargo business, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and

- for other classes, by applying the twenty-fourths' method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

6.10.2 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration given less provision for impairment, if any.

6.11 Commissions

6.11.1 Deferred commission expense

Commission expense incurred in obtaining and recording policies is deferred and is recognised as an asset on attachment of the related risks. These costs are charged to profit and loss account based on the pattern of recognition of premium revenue.

6.11.2Commission income unearned

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

6.11.3 Commission income

Commission income from reinsurers / co-insurers / others is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and accounted for as revenue in accordance with the pattern of recognition of reinsurance / co-insurance / other premium to which they relate. Profit Commission, if any, which the company may be entitled under the terms of reinsurance is recognised on accrual basis.

6.12 Investment income

Income from held to maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments. The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

Dividend income is recognised when the company's right to receive the payment is established.

Gain / loss on sale of available for sale investments is included in income currently.

Return on fixed income securities classified as available for sale is recognised on a time proportionate basis taking into account the effective yield on the investments.

Return on bank deposit is recognized on a time proportionate basis taking into account the effective yield.

6.13 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriation are recognized when approved.

6.14 Expenses of management

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium written.

Expenses not allocable to the underwriting business are charged as administrative expenses.

6.15 Taxation

6.15.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

6.15.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

6.16 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

The Company has four primary business segments for reporting purposes namely fire, marine, motor, and miscellaneous.

- The perils covered under this segment include damages by fire, riot and strike, explosion, earthquake, atmospheric damages, floods, electrical fluctuation impact and other coverage.

- Marine insurance provides coverage against cargo risk, war risk and Strike Riot Civil Commotion (S.R.C.C.), for loss occurring whether cargo is transported by sea, air or by inland conveyance.

- Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

- Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit or on counter, fidelity guarantee, personal accident, plate glass, householder's policy, engineering losses etc.

Assets and liabilities are allocated to particular segments on the basis of premium earned. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

6.17 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences, if any, are taken to profit and loss account.

6.18 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.19 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

6.20 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

6.21 Amounts due to / from other insurers / reinsurers

Amount due to / from other insurers / reinsurers are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be received / paid in the future for the services rendered / received.

6.22 Creditors and accruals

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

6.23 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand, deposits with banks and short term placements with a maturity of less than three months.

6.24 Claims recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

6.25 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional and non-proportional basis is recorded as a liability on attachment of the underlying risks reinsured or on inception of the reinsurance contract respectively. For proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate. For non-proportional contracts, the reinsurance expense is recognized evenly in the period of indemnity. The portion of reinsurance premium not recognized as an expense is shown as a prepayment.

6.26 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, loans to employees, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits and other payables and unclaimed dividends.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

7. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2011	**2010**			**2011**	**2010**
---- (Number of shares) -----			**Note**	**------------ (Rupees) ------------**	
9,133,453	9,133,453	Ordinary shares of Rs.10 each fully paid in cash		**91,334,530**	91,334,530
2,966,547	2,966,547	Ordinary shares of Rs.10 each issued as fully paid bonus shares		**29,665,470**	29,665,470
12,100,000	12,100,000			**121,000,000**	121,000,000

6.20 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

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12,100,000	12,100,000			**121,000,000**	121,000,000

14. CURRENT AND OTHER ACCOUNTS WITH BANKS

	Note	2011	2010
		(Rupees)	
Current accounts	14.1	**5,437,584**	8,256,364
PLS savings accounts	14.2	**17,235**	17,235
		5,454,819	8,273,599

14.1 This includes Rs. 0.4 million (2010: Rs. 0.4 million) placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

14.2 These carry mark-up at the rate of 5% (2010: 6%) per annum.

15. DEPOSITS MATURING WITHIN 12 MONTHS

Term deposits	15.1	**4,985,274**	6,745,197

15.1 This represents term deposits placed with various commercial banks carrying mark-up at the rates ranging between 9% to 10% (2010: 5% to 10%) per annum.

16. INVESTMENTS

Held to maturity	16.1	**5,000,000**	5,200,000
Available for sale	16.2	**19,105,918**	24,539,152
		24,105,918	29,739,152

16.1 Held to maturity

Government securities

Pakistan Investment Bonds	16.1.1	**5,000,000**	5,200,000

16.1.1 Securities amounting to Rs 5.00 million (2010: Rs. 5.00 million) are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

These carry mark-up at the rate of 11.25 (2010: 12) percent per annum receivable semi-annually and have terms of three years maturing upto August 2014.

16.2 Available for sale

Quoted	16.2.1	**19,105,918**	24,539,152
Un-quoted	16.2.2	**-**	-
		19,105,918	24,539,152

16.2.1 Quoted

No. of shares 2011	No. of shares 2010	Face value	Market value 2011	Market value 2010	Name of entity	Note	2011 (Rupees)	2010 (Rupees)
					INVESTMENT COMPANIES / BANKS			
5,000	5,000	10	7.99	8.60	Standard Chartered Bank Limited		**190,000**	190,000
8,750	8,750	10	5.41	9.81	Bank of Punjab		**593,750**	593,750
67	67	10	3.00	3.00	Innovative Investment Bank Limited		**243,755**	243,755
1,408	1,408	10	0.90	2.93	IGI Investment Bank Limited		**18,818**	18,818
2,653	2,653	10	1.10	2.51	KASB Bank Limited		**26,878**	26,878
1,687	1,350	10	41.05	76.82	National Bank of Pakistan		**131,141**	131,139
345,966	345,966	10	1.73	2.95	NIB Bank Limited		**3,804,298**	3,804,298
27,450	24,400	10	3.90	8.31	Soneri Bank Limited		**786,000**	786,000
807	734	10	53.87	70.15	Allied Bank Limited		**72,854**	72,854
10,560	10,560	10	52.39	68.23	United Bank Limited		**1,120,321**	1,120,321
20,000	20,000	10	11.25	11.21	Bank Al Falah Limited		**267,900**	267,900
					INSURANCE			
600	534	10	9.85	14.05	Habib Insurance		**1,565**	1,565
22,999	35,999	10	15.50	16.25	Pakistan Reinsurance		**456,623**	771,921
646	646	10	7.67	11.41	Premier Insurance		**2,793**	2,793
					TEXTILE COMPOSITE			
80	80	10	40.45	64.17	Nishat Mills		**6,388**	6,388
5,635	5,635	10	8.35	11.53	Babri Cotton		**207,172**	207,172
12,100	12,100	10	4.10	6.89	Gulistan Spinning		**88,000**	88,000
8,352	20,352	10	6.65	7.00	Gulshan Spinning		**107,392**	261,691
12,000	12,000	10	4.29	3.55	Idrees Textiles		**180,395**	180,395
2,304	7,804	10	9.35	10.40	Paramount Spinning		**22,977**	77,825
158	158	10	0.24	0.30	Service Fabrics		**1,859**	1,859
10,000	-	10	2.85	-	Azgard Nine		**121,478**	-
					SYNTHETIC AND RAYON			
86	86	10	0.99	0.63	Tristar Polyester		**1,307**	1,307
34,867	38,367	10	32.50	36.00	Rupali Polyester		**1,270,902**	1,398,477
20,625	50,625	10	1.12	1.83	Dewan Salman Fibre		**287,293**	705,173
					CEMENT			
2,278	2,278	10	7.21	10.75	Cherat Cement		**87,537**	87,537
35,990	60,990	10	1.85	2.87	Maple Leaf Cement		**764,625**	1,295,762
548	548	10	3.30	6.77	Pioneer Cement		**15,796**	15,796
60,000	60,000	10	1.25	2.24	Dewan Cement		**1,087,613**	1,087,613
9,001	186,000	10	3.30	5.02	Fauji Cement		**118,800**	2,454,920
500	35,500	10	1.88	3.21	Lafarge Pakistan Cement		**4,688**	332,870
					FUEL AND ENERGY			
55,257	80,257	10	1.60	2.81	Karachi Electric Supply Company		**335,750**	487,654
62	62	10	227.21	295.18	Pakistan State Oil Company		**20,789**	20,789
235	224	10	15.71	26.74	Sui Northern Gas		**12,146**	12,146
1,009	961	10	19.29	21.42	Sui Sourthern Gas		**20,181**	20,180
670,000	795,000	10	0.70	2.23	Southern Electric Power Company		**9,026,088**	10,710,060
					AUTO & ALLIED ENGINEERING			
225	225	10	1.61	2.28	Dewan Farooq Motors		**5,806**	5,806
15,579	40,500	10	20.91	22.60	General Tyre and Rubber Company		**528,311**	1,373,426
700	700	10	59.03	69.82	Pak Suzuki Motors Company		**151,590**	151,589
					CABLE & ELECTRICAL GOODS			
10	10	10	1,056.75	1253.51	Siemens (Pakistan) Engineering		**205**	205
					TRANSPORT & COMMUNICATIONS			
268	268	10	1.00	2.90	World Call Telecom		**2,281**	2,281
					Balance carry forward		22,194,063	**29,018,913**

						Note	2011	2010
							(Rupees)	
No. of shares 2011	**No. of shares 2010**	**Face value**	**Market value 2011**	**Market value 2010**	**Name of entity**			
					Balance brought forward		**22,194,063**	29,018,913
					CHEMICAL & PHARMACEUTICAL			
38	38	10	120.27	144.24	I.C.I. Pakistan		**6,030**	6,031
22,287	22,287	10	9.27	13.70	Lotte Pakistan PTA		**259,709**	197,224
					LEATHER AND TANNERIES			
33	33	10	818.40	689.15	Bata (Pakistan)		**1,540**	1,540
					FOOD AND ALLIED			
8,000	8,000	10	0.50	1.00	Indus Fruits Product		**101,800**	101,800
-	43	10	-	2375.86	Nestle Pakistan		**-**	290
					MISCELLANEOUS			
6,492	29,445	10	7.50	3.02	Macpac Films		**209,193**	953,255
					MUTUAL FUND			
184,226	172,193	50	53.96	50.86	Pakistan Income Fund (PIF)	16.2.1.2	**7,353,886**	7,353,886
9,018	9,018	10	2.71	3.16	Golden Arrow Selected Stocks Fund		**53,030**	53,030
31,066	31,066	10	5.45	6.41	PICIC Investment Fund		**554,715**	554,715
253,124	253,124	10	12.46	13.25	PICIC Growth Fund		**7,036,187**	7,036,187
2,500	42,500	10	7.12	6.56	PICIC Energy Fund		**18,044**	306,750
25,000	25,000	10	12.10	12.10	Pakistan Capital Market Fund		**265,000**	265,000
66,000	66,000	10	9.01	9.01	Pakistan Premier Fund		**791,313**	791,313
69,750	69,750	10	1.70	2.00	First Dawood Mutual Fund		**567,814**	567,814
35,153	35,153	10	4.70	5.50	JS Growth Fund		**484,169**	484,169
					MODARABA			
7,500	7,500	10	2.53	1.81	B.R.R Guardian Modaraba		**96,775**	96,775
29,572	29,572	10	0.75	1.50	First Equity Modaraba		**393,113**	393,113
57,978	57,978	10	10.35	9.31	Standard Chartered Modaraba		**1,017,741**	1,017,741
100,005	100,005	10	7.09	8.24	First Habib Bank Modaraba		**1,058,944**	1,058,944
48,400	48,400	5	7.26	6.70	First Habib Modaraba		**335,381**	335,381
16,300	16,300	10	0.78	1.51	Modaraba Al-Mali		**283,900**	283,900
65,500	65,500	10	7.15	6.58	First National Bank Modaraba		**561,350**	561,350
154	154	10	1.00	1.10	First Prudential Modaraba		**715**	715
							43,644,413	51,439,836
					Provision for impairment in value of investments	16.2.1.1	**(24,538,495)**	(26,900,684)
							19,105,918	24,539,152

16.2.1.1 Particulars of provision for impairment in value of investments

	2011	2010
	(Rupees)	
Opening balance	26,900,684	33,321,148
Reversal on disposal	(5,147,346)	(8,256,196)
Charged during the year	2,785,157	1,835,732
Closing balance	**24,538,495**	26,900,684

16.2.1.2 Securities amounting to Rs 6.95 million (Rs. 6.95 million) are placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

16.2.2 Unquoted

No. of shares 2011	**No. of shares 2010**	**Face value**	**Name of entity**	2011	2010
1200	1200	25	Agricultural Development Co-operative Society	**30,000**	30,000
			Provision for impairment	**(30,000)**	(30,000)
				-	-

	Note	2011	2010
		------------ (Rupees) ------------	

17. DEFERRED TAXATION

Depreciation		**77,719**	77,719
Provisions		**11,052,794**	11,052,794
Unused Tax losses		**2,412,665**	2,412,665
		13,543,178	13,543,178

Deferred tax is recognized in respect of all temporary differences arising from carrying values of assets and liabilities in financial statements and their tax base. However, the company doesn't recognised further deferred tax asset on the basis that it will not be probable to realize it against future profit.

18. PREMIUMS DUE BUT UNPAID

Considered good		**42,426,515**	46,455,305
Considered doubtful		**19,628,004**	23,628,004
		62,054,519	70,083,309
Less: Provision for doubtful balances	18.1	**(19,628,004)**	(23,628,004)
		42,426,515	46,455,305

18.1 Reconciliation of provision for doubtful balances

Opening provision		**23,628,004**	28,037,190
Charge for the year		**-**	-
Written back		**(4,000,000)**	(4,409,186)
Closing balance		**19,628,004**	23,628,004

19. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Considered good		**25,672,399**	20,359,005
Considered doubtful		**3,212,221**	3,212,221
		28,884,620	23,571,226
Less: Provision for doubtful balances		**(3,212,221)**	(3,212,221)
		25,672,399	20,359,005

20. TAXATION - NET

Advance tax		**3,947,532**	4,378,503
Provision for taxation		**(792,252)**	(861,186)
		3,155,280	3,517,317

21. PREPAYMENTS

Prepaid reinsurance premium ceded		**13,660,170**	14,555,357

22. SUNDRY RECEIVABLES – unsecured

Advances			
Considered good			
To employees		**126,200**	424,100
Against expenses		**4,407,744**	5,607,198
Against purchase of shares		**-**	547,625
		4,533,944	6,578,923
Considered doubtful			
Against expenses		**330,000**	330,000
		4,863,944	6,908,923
Less: Provision for doubtful balances		**(330,000)**	(330,000)
		4,533,944	6,578,923
Deposits		**380,146**	390,146
Others		**704,800**	692,355
		5,618,890	7,661,424

23. Fixed Assets - Tangible

Decsription	Freehold land	Furniture and fixtures	Office equipment	Computers and related equipment	Vehicles	Total
COST						
Balance as at January 01, 2010	27,500,000	4,952,038	2,863,218	2,282,521	35,049,502	72,647,279
Additions	-	197,649	95,700	48,400	1,334,060	1,675,809
Disposals	-				(1,581,960)	(1,581,960)
Balance as at December 31, 2010	**27,500,000**	**5,149,687**	**2,958,918**	**2,330,921**	**34,801,602**	**72,741,128**
Balance as at January 01, 2011	27,500,000	5,149,687	2,958,918	2,330,921	34,801,602	72,741,128
Additions	-	116,215	76,425	3,730	2,750,971	2,947,341
Disposals	-	-	-	-	(5,781,615)	(5,781,615)
Balance as at December 31, 2011	**27,500,000**	**5,265,902**	**3,035,343**	**2,334,651**	**31,770,958**	**69,906,854**
DEPRECIATION						
Balance as at January 01, 2010	-	1,422,474	1,098,308	1,501,152	24,144,092	28,166,026
Charge for the year	-	352,957	181,696	242,163	2,281,920	3,058,736
On disposals	-				(1,124,584)	(1,124,584)
Balance as at December 31, 2010	-	**1,775,431**	**1,280,004**	**1,743,315**	**25,301,428**	**30,100,178**
Balance as at January 01, 2011	-	1,775,431	1,280,004	1,743,315	25,301,428	30,100,178
Charge for the year	-	345,320	172,138	176,788	2,146,651	2,840,897
On disposals	-				(4,722,815)	(4,722,815)
Balance as at December 31, 2011	-	**2,120,751**	**1,452,142**	**1,920,103**	**22,725,264**	**28,218,260**
CARRYING AMOUNT - 2010	**27,500,000**	**3,374,256**	**1,678,914**	**587,606**	**9,500,174**	**42,640,950**
CARRYING AMOUNT - 2011	**27,500,000**	**3,145,151**	**1,583,201**	**414,548**	**9,045,694**	**41,688,594**
RATE OF DEPRECIATION (%)	-	10%	10%	30%	20%	

23.1 The freehold land was professionally reappraised during the year 2009 by Consultancy Support & Services, producing a revaluation surplus of Rs. 21,107,500 and same was added to the book value of the freehold land with corresponding amount appearing as "surplus on revaluation of fixed assets".

23.2 Had the revaluation not been carried out, the net book value of the freehold land would have been as follows:

	2011	2010
	------------ (Rupees) ------------	
Freehold land	**6,392,500**	6,392,500

23.3 Disposal of tangible fixed assets

Item	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain / (loss)	Mode of disposal	Sold to
Vehicles							
Sohrab JS 70	44,500	37,423	7,077	7,500	423	Negotiation	Younus Shaheen
Yamaha 100	68,800	64,828	3,972	5,000	1,028	Negotiation	Qutubuddin Kaleemi
Honda CD 70	61,300	50,621	10,679	22,000	11,321	Negotiation	Sartaj Khan
Suzuki Margalla	435,775	421,408	14,367	293,000	278,633	Negotiation	Muhammad Asim Amir
Suzuki Mehran	271,750	203,760	67,990	170,000	102,010	Negotiation	Irfan Iftaikhar
Suzuki Mehran	315,000	241,203	73,797	210,000	136,203	Negotiation	Imran Ali
CNG Kit	41,500	26,705	14,795	170,000	155,205	Negotiation	Irfan iftikhar
Suzuki Mehran	260,970	180,371	80,599	150,000	69,401	Negotiation	Aqeel
Suzuki Mehran	315,000	246,949	68,051	200,000	131,949	Negotiation	Mohammad Younus Shaheen
Suzuki Khyber	297,230	281,743	15,487	190,000	174,513	Negotiation	Aqeel
Kia Classic	507,000	462,634	44,366	220,000	175,634	Negotiation	Aqeel
Suzuki Mehran	328,900	293,543	35,357	185,000	149,643	Negotiation	Aqeel
Unique UD 70	47,500	39,946	7,554	7,500	(54)	Negotiation	Younus Shaheen
Hero RF 70	41,500	32,362	9,138	7,000	(2,138)	Negotiation	Muhammad Arif
Master MD 70	38,000	23,882	14,118	10,000	(4,118)	Negotiation	Imran Ali
Hero RF 70	42,500	30,802	11,698	7,000	(4,698)	Negotiation	Syed Faisal Malik
Suzuki Mehran	409,750	318,777	90,973	50,000	(40,973)	Negotiation	Nadeem-ur-Rehman
Toyota Corolla	768,300	613,863	154,437	146,201	(8,236)	Negotiation	Aziz Ur Rehman
Honda Civic	1,486,340	1,151,995	334,345	300,000	(34,345)	Negotiation	Pak Asian Autos
2011	**5,781,615**	**4,722,815**	**1,058,800**	**2,350,201**	**1,291,400**		
2010	**1,581,960**	**1,124,584**	**457,376**	**958,000**	**500,624**		

	Note	2011	2010
		------------ (Rupees) ------------	
24. Fixed Assets - Intangible			
Computer software	24.1	**109,138**	186,177
24.1 Computer Software			
Cost			
Opening balance		**2,531,116**	2,300,000
Additions		**-**	231,116
Closing balance		**2,531,116**	2,531,116
Amortization			
Opening balance		**2,344,939**	**1,533,333**
Charge for the year		**77,039**	**811,606**
Closing balance		**2,421,978**	2,344,939
CARRYING AMOUNT		**109,138**	186,177
Rate of Amortization (%)		**33.33%**	33.33%
25. MANAGEMENT EXPENSES			
Salaries, allowances and other benefits	27.1	**10,932,564**	10,975,489
Traveling and conveyance expenses		**141,442**	56,675
Repairs and maintenance		**1,522,559**	2,486,025
Rent, rates and taxes		**2,044,364**	1,860,571
Printing and stationery		**1,011,745**	900,866
Telephone and postage		**1,344,823**	1,577,039
Utilities		**1,496,728**	2,138,600
Entertainment		**1,260,442**	1,667,854
Bank charges		**253,341**	292,119
Others		**389,993**	313,186
		20,398,001	22,268,423

26. OTHER INCOME
- Non financial assets

	Note	2011	2010
		------------ (Rupees) ------------	
Inspection charges		89,872	23,183
Provision for doubtful balances written back	18.1	4,000,000	4,409,186
		4,089,872	**4,432,369**

27. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries, allowances and other benefits	27.1	**5,493,838**	10,417,605
Traveling and conveyance expenses		**4,666,680**	5,771,591
Depreciation		**2,840,897**	3,058,736
Amortization		**77,039**	811,606
Repairs and maintenance		**1,520,928**	956,914
Fees, subscription and periodicals		**1,181,946**	1,703,476
Printing and stationery		-	815,404
Telephone and postage		**582,419**	1,334,852
Legal and professional charges		**921,975**	777,876
Advertisement and promotion expenses		**640,066**	857,173
Donation	27.2	**16,190**	27,560
Entertainment		**299,442**	205,129
Provision for doubtful balances	17, 18 & 21	-	-
Auditors' remuneration	27.3	**418,000**	480,500
Others		**460,976**	854,454
		19,120,396	28,072,876

27.1 This includes staff retirement benefits amounting to Rs.0.39 million (2010: Rs. Rs.0.75 million).

27.2 Donations does not include any donee in which any director or their spouse are interested.

27.3 Auditors' remuneration

	2011	2010
Annual audit fee	**330,000**	300,000
Half yearly review	**55,000**	55,000
Diligence fee/Out of pocket	**33,000**	125,000
	418,000	480,000

28. TAXATION

	2011	2010
Current	**(792,252)**	(861,186)
Deferred	-	-
	(792,252)	(861,186)

28.1 The income tax returns of the Company have been filed up to tax year 2011 (corresponding to the income year ended December 31, 2010) and the same are deemed to be assessed under the provisions of the Income Tax Ordinance, 2001.

28.2 Relationship between accounting profit and tax expense

Accounting profit before tax	**2,219,774**	4,605,212
Tax at the applicable rate of 35%	**776,921**	1,611,824
Tax effect of expenses that are not allowed in determining taxable income	**977,420**	1,287,379
Tax effect of exempt income and expenses that are deductible from	**-**	-
but not included in determining accounting profit	**(772,141)**	(1,738,987)
Tax effect of dividend income taxed at a lower rate	**(189,948)**	(299,030)
Prior year tax	**-**	-
Effect of deferred taxation	**-**	-
Tax expense for the year	**792,252**	861,186

29. EARNINGS PER SHARE - BASIC AND DILUTED

Net profit for the year attributable to Ordinary shareholders	**1,427,522**	3,744,026
Number of shares	**12,100,000**	12,100,000
Earning per share - Basic and Diluted	**0.12**	0.31

30. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2011			2010		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	(Rupees)					
Managerial remuneration	355,200	**74,000**	**429,200**	355,200	177,600	532,800
Retirement benefits	23,520	**-**	**23,520**	23,520	17,760	41,280
House rent	99,600	**31,500**	**131,100**	99,600	75,600	175,200
Utilities	18,000	**5,500**	**23,500**	18,000	13,200	31,200
Total	**496,320**	**111,000**	**607,320**	496,320	284,160	780,480
Number of persons	**1**	**1**	**2**	1	1	2

30.1 Non-Executive Directors were paid Rs.0.065 (2010: Rs.0.040) million for attending board of directors meetings during the year.

30.2 In addition, Chief Executive Officer and Director were also provided with free use of the Company maintained cars in accordance with their entitlements.

31. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the Directors, major shareholders and the companies owned by such shareholders, entities owned by the Directors of the Company where they also hold directorships, staff retirement funds and key management personnel. Material transactions with related parties, other than remuneration and benefits to Directors and key management personnel under the terms of their employment, which are disclosed in note 30, are given below:

	2011	2010
	---------- Rupees ----------	
Millwala Sons (Private) Limited		
Premium underwritten	**3,520**	62,701
Claims paid	**-**	92,883
Pak Arab Trading and Shipping Agency		
Premium underwritten	**62,390**	53,861
Claims paid	**-**	36,777
Ardeshir R. Cowasjee		
Premium underwritten	**165,900**	164,010
Claims paid	**-**	1,007,910
Cowasjee and Sons		
Premium underwritten	**241,305**	530,762
Staff retirement benefits		
Provident fund contribution	**389,964**	746,850

32. SEGMENT REPORTING

	Fire & Property		Marine & Transport		Motor		Miscellaneous		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees)									
Revenue										
Premiums earned	**16,157,610**	24,650,273	**15,310,529**	16,272,819	**23,773,130**	24,649,805	**4,989,211**	8,584,482	**60,230,480**	74,157,379
Segment Result	**8,030,623**	12,469,969	**7,621,121**	10,091,571	**(2,329,608)**	397,710	**2,240,330**	2,875,281	**15,562,466**	25,834,532
Investment income									**396,432**	1,910,564
Profit on sale of fixed assets									**1,291,400**	500,624
Other income - net									**4,089,872**	4,432,369
General and administration expenses									**(19,120,396)**	(28,072,876)
									(13,342,692)	(21,229,319)
Profit before tax									**2,219,774**	4,605,213
Provision for taxation									**(792,252)**	(861,186)
Net profit									**1,427,522**	3,744,027
Other Information										
Segment Assets	**24,322,274**	23,994,200	**3,663,755**	2,740,042	**4,639,507**	4,509,569	**2,896,507**	3,852,261	**35,522,043**	35,096,072
Unallocated corporate assets									**153,312,583**	165,966,579
Consolidated total assets									**188,834,626**	201,062,651
Segment Liabilities	**35,643,925**	40,908,455	**7,465,061**	6,623,730	**22,527,816**	22,804,488	**5,490,874**	9,596,628	**71,127,676**	79,933,301
Unallocated corporate liabilities									**25,806,273**	31,386,238
Consolidated total liabilities									**96,933,949**	111,319,539
Unallocated capital expenditures									**2,947,341**	1,675,809
Unallocated depreciation / amortisation									**2,917,936**	3,870,342

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Company manages them.

33.1 Insurance risk management

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under its insurance contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random, and the actual number and amount of claims will vary from year to year from the level established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

(a) Frequency and severity of claims

Political, Environmental, economical and climatic changes give rise to more frequent and severe extreme events (for example fire, theft, steal, riot and strike, explosion, earthquake, atmospheric damage, hurricanes, typhoons, river flooding, electric fluctuation, terrorism, war risk, damages occurring in inland transit, burglary, loss of cash in safe and cash in transit, engineering losses and other events) and their consequences. For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

Insurance contracts which is divided into direct and facultative arrangements are further subdivided into four segments: Fire & property, marine and travel, motor and miscellaneous. The insurance risk arising from these contracts is concentrated in the territories in which the Company operates, and there is a balance between commercial and personal properties / assets in the overall portfolio of insured properties / assets. The Company underwrites insurance contract in Pakistan.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

- The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. The Company has the right to reprice the risk on renewal. It also has the ability to impose deductions and reject fraudulent claims. Insurance contracts also entitle the Company to peruse third parties for payment of some or all cost (for example, subrogation). The claims payments are limited to the extent of sum insured on occurrence of the insured event.

- The Company has entered into reinsurance cover / arrangements, with local and foreign reinsurers having good credit rating by reputable ratting agencies, to reduce its exposure to risks and resulting claims. Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and nonproportional facultative reinsurance arrangements are place to protect the net account in case of a major catastrophe. The effect of such reinsurance arrangements is that the Company recovers the share of claims from reinsurers thereby reducing its exposure to risk. The adequate event limit which is a multiple of the treaty capacity is very much in line with the risk management philosophy of the Company and market practice.

  In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan (SECP) on annual basis.

- The Company has claims departments dealing with the mitigation of risks surrounding claims incurred whether reported or not. This department investigates and settles all claims based on surveyor's report / assessment. The unsettled claims are reviewed individually at lest semi annually and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claims payments

Claims reported and otherwise are analyzed separately. The development of large losses / catastrophes is analyzed separately. The shorter settlement period for claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims including IBNR. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value, reinsurance and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established. The liability comprises amount in relations to unpaid reported claims, claims incurred but not reported (IBNR), expected claims settlements costs and a provision for unexpired risks at the end of the reporting period.

Liability in respect of outstanding claims is based on the best estimate of the claims intimated or assessed. In calculating the estimated cost of unpaid claims (both reported and not), the Company estimation techniques are a combination of loss-ratio based estimates (where the ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a prior financial years in relation to such claims) and an estimate based upon actual claims experience using predetermined basis where greater weights given to actual claims experience as time passes.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from surveyor's assessment and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis separately.

(c) Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. This exposure is geographically concentrated in the Pakistan only

The Company uses assumptions based on a mixture of internal and market data to measure its related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports, surveyor's report for particular claim and screening of the actual insurance contracts carried out to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industry in which the insured companies operate and the actual exposure years of claims. This information is used to develop related provision for outstanding claims (both reported and non-reported).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. Through this analysis, the Company determines the need for an IBNR or an unexpired risk liability to be held at each reporting date.

(d) Changes in assumptions

The Company did not changes its assumptions for the insurance contracts as disclosed in above (b) and (c).

(e) Sensitivity analysis

The analysis of exposure described in paragraph (c) above is also used to test the sensitivity of the selected assumptions to changes in the key underlying factors. Assumptions of different levels have been used to assess the relative severity of subsidence claims give past experience. the key material factor in the Company's exposure to subsidence claims is the risk of more permanent changes in geographical location in which Company is exposed.

The risk associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, results of sensitivity testing assuming 10% change in the claim incidence net of recoveries showing effect on underwriting results and equity is set out below.

	Underwriting results		Shareholders' equity	
	2011	2010	2011	2010
	Rupees			
10% increase in loss / decrease				
Fire & Property	(188,882)	(243,116)	**(122,774)**	(158,026)
Marine & Transport	(224,112)	(106,606)	**(145,673)**	(69,294)
Motor	(1,423,255)	(1,495,564)	**(925,116)**	(972,117)
Miscellaneous	(941)	(264,216)	**(611)**	(171,740)
	(1,837,190)	(2,109,503)	**(1,194,174)**	(1,371,177)
10% decrease in loss / increase				
Fire & Property	188,882	243,116	**122,774**	158,026
Marine & Transport	224,112	106,606	**145,673**	69,294
Motor	1,423,255	1,495,564	**925,116**	972,117
Miscellaneous	941	264,216	**611**	171,740
	1,837,190	2,109,503	**1,194,174**	1,371,177

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

To optimize benefits from the principle of average and law of large of numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

The concentration of risk by type of contracts is summarized below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2011	2010	2011	2010	2011	2010
	Rupees					
Fire & Property	**15,475,279,249**	23,955,548,795	**10,836,328,700**	12,970,587,700	**4,638,950,549**	10,984,961,095
Marine & Transport	**13,491,521,414**	13,307,099,968	**6,058,444,378**	6,654,842,325	**7,433,077,036**	6,652,257,643
Motor	**708,231,186**	1,000,396,454	**-**	-	**708,231,186**	1,000,396,454
Miscellaneous	**48,615,000**	108,553,187	**29,232,000**	77,544,690	**19,383,000**	31,008,497
	29,723,646,849	38,371,598,404	**16,924,005,078**	19,702,974,715	**12,799,641,771**	18,668,623,689

The net sum is reinsured under the non-proportional treaties (excess of loss). The Company's maximum exposure to a particular policy's claim under non-proportional treaties varies according to class of business.

Claims development tables

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payments is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2010

Accident year	2009	2010	2011	Total
	----------------------- Rupees ------------------------			
Estimate of ultimate claims cost:				
At end of accident year	33,853,643	18,092,617	**9,320,734**	61,266,994
One year later	5,277,566	-	-	-
Two years later	-	-	-	-
Estimate of cumulative claims:	33,853,643	18,092,617	**9,320,734**	61,266,994
Cumulative payments to date	28,576,077	-	**19,340,196**	47,916,273
Liability recognized in the balance sheet	5,277,566	18,092,617	**(10,019,462)**	13,350,721

33.2 Financial risk management

The Board of Directors of the Company has overall responsibilities for the establishment and oversight of the Company's risk management frame work. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established it identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee overseas how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relations to the risk faced by the Company. The Company Audit Committee is assisted in its in its oversight role by in-house Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

33.2.1 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

33.2.1.1 Exposure to credit risk

Credit risk of the Company arises principally from the investments (except for the investment in government securities), Premium due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries. To reduce the credit risk the Company has developed a formal approved process whereby credit limits are applied to its policyholders and other insurers / reinsurers. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and make provision against those balances considered doubtful of recovery.

The carrying amount of financial assets represent the maximum credit exposure, as specified below:

	Note	2011	2010
		------------ Rupees ------------	
Cash and bank deposits	13 , 14 & 15	**10,456,763**	15,068,289
Investments	16	**19,105,918**	24,539,152
Premium due but unpaid	18	**42,426,515**	46,455,305
Amounts due from other insurers / reinsurers	19	**25,672,399**	20,359,005
Accrued investment income		**79,086**	95,960
Reinsurance recoveries against outstanding claims		**16,538,342**	12,868,083
Sundry receivable	22	**5,618,890**	7,661,424
		119,897,913	127,047,217

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating	Rating Agency
Habib Bank Limited	AA+	JCR-VIS
United Bank Limited	AA+	JCR-VIS
Muslim Commercial Bank Limited	AA+	PACRA
National Bank Limited	AAA	JCR-VIS
Standard Chartered Bank (Pak) Limited	AAA	PACRA
Bank Al-Falah Limited	AA	PACRA
Bank of Punjab Limited	AA-	PACRA
NIB Bank Limited	AA-	PACRA
Faysal Bank Limited	AA	PACRA
Soneri Bank Limited	AA-	PACRA
Summit Bank Limited	A-2	JCR-VIS
Silk Bank Limited	A-	JCR-VIS
Atlas Bank Limited	A-	PACRA
Habib Metropolitan Bank Limited	AA+	PACRA
Askari Commercial Bank Limited	AA	PACRA

The Company is exposed to credit risk in respect of investments made in term deposit receipt and quoted securities. The Company invests in term deposit receipt of banks having sound credit rating by recognized credit rating agencies whereas investment in liquid quoted securities are made.

Concentration of credit risk

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner.

	2011		2010	
	Gross	Impairment	Gross	Impairment
	------------ Rupees ------------			
Upto 1 year	**16,607,260**	**6,159,465**	24,813,968	10,159,465
1-2 years	**11,942,060**	**13,468,539**	18,457,495	13,468,539
2-3 years	**7,874,534**	**-**	16,652,378	-
Over 3 years	**25,630,666**	**-**	10,159,468	-
Total	**62,054,519**	**19,628,004**	70,083,309	23,628,004

Amount due from other insurers / reinsurers reinsurance recoveries against outstanding claims

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with with the requirements of circular no. 32 / 2009 dated 27 October 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognized by the rating of the entity from which it is due is as follows:

	Amount due from reinsurance	Reinsurance recoveries against outstanding claims	Prepaid Reinsurance Premium ceded	2011	2010
			Rupees		
A or above (including PRCL)	(16,329,834)	16,538,342	13,660,170	13,868,678	5,197,756
BBB	-	-	-	-	-
Total	(16,329,834)	16,538,342	13,660,170	13,868,678	5,197,756

Age analysis of amount due from other insurers / reinsureres at the reporting date was:

	2011 Gross	2011 Impairment	2010 Gross	2010 Impairment
		Rupees		
Upto 1 year	4,766,708	-	3,496,351	-
1-2 years	1,530,732	-	2,798,103	-
2-3 years	2,632,181	-	1,024,992	-
Over 3 years	7,608,721	-	5,548,637	-
Total	16,538,342	-	12,868,083	-

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

33.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due, under both normal and stresses conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational requirements. The Company also manages this risk by investing in deposit accounts that can be readily encashed. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

The following are the contractual maturities of financial liabilities:

	2011 Carrying Amount	2011 Contractual cash flows upto one year
Non-Derivative Financial liabilities	Rupees	
Provision for outstanding claims	36,830,460	(36,830,460)
Amount due to other insurers / reinsurers	20,174,219	(20,174,219)
Accrued expenses	1,680,700	(1,680,700)
Other creditor and accruals	1,540,160	(1,540,160)
Unclaimed dividend	418,209	(418,209)
	60,643,748	(60,643,748)

Non-Derivative Financial liabilities	2010 Carrying Amount	2010 Contractual cash flows upto one year
	------------ Rupees	------------
Provision for outstanding claims	32,780,640	(32,780,640)
Amount due to other insurers / reinsurers	25,895,752	(25,895,752)
Accrued expenses	1,476,699	(1,476,699)
Other creditor and accruals	2,233,393	(2,233,393)
Unclaimed dividend	418,209	(418,209)
	62,804,693	(62,804,693)

33.2.3 Market risk

Markup risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All transactions are carried in Pak Rupees thereof, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

33.2.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cast flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks. At the balance sheet date the interest rate profit of the Company's interest bearing financial instrument is:

	2011	2010	2011	2010
	Effective interest rate (in %)		------------ Rupees	------------
Fixed rate instruments				
- Government securities	11.25%	12%	5,000,000	5,200,000
Variable rate instruments				
- PLS savings accounts	5%	6%	17,235	17,235

Fair value sensitivity analysis for fixed rate instruments

The Company does not account fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company is not exposed to cash flow interest rate risk in respect of its deposits with banks because the amount is not material.

33.2.3.2 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individuals shares. The equity price risk exposures arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines. A summary analysis of investments by industry sector is disclosed in note 17 to these financial statements.

The Management monitors the fluctuations of prices of equity securities on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market.

Market prices are subject to fluctuations and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Sensitivity analysis of equity investment as at the reporting date is as follows:

- For available for sale equity investments, in case of 10% decrease in equity prices at the reporting date, the net income and equity would have been lower by Rs. 1.91 million (2010: Rs. 2.45 million). However, an increase of 10% in equity prices at the reporting such increase is restricted to amount of cost of investment of such securities, i.e., Rs. 1.91 million (2010: 2.45 million) as per the policy of the Company.

33.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities approximate their fair values, except for certain equity and debt instruments, held whose fair values have been disclosed in their respective notes to these financial statements.

34. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

35. PRIOR PERIOD RECLASSIFICATION

The company has netted off Reversal of impairment on account of disposal of investment and provision of impairment in the year 2010 under the head Provision for impairment in the value of available-for-sale investments which are shown in Statement of Investment Income, this amount has been reclassified in the comparative information of the current period financial statements. This reclassification has resulted in an increase of Rs. 8,256,196 under the head Net profit on sale of 'available-for-sale' investments and decrease of 8,256,196 under the head Provision for impairment in the value of available-for-sale investments. This has resulted in nil impact on the Profit and Loss account of the previous year.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on 3rd April 2012.

37. GENERAL

Figures have been rounded off to the nearest rupee.

MUNIR I. MILLWALA Chief Executive Officer	**M.H. Millwala** Director	**Qutubuddin.A.Millwala** Director	**Hussaini I. Millwala** Director

Pattern of Shareholdings as at December 31, 2011

No. of Sharees of Shareholders	Shareholding Rs. 10/- each			Total Shares held
151	1	To	100	3,616
96	101	To	500	26,588
42	501	To	1000	34,804
88	1001	To	5000	210,364
24	5001	To	10000	171,264
12	10000	To	15000	160,735
9	15001	To	20000	152,029
1	20001	To	25000	23,903
3	25001	To	30000	83,134
5	30001	To	35000	161,252
2	35001	To	40000	79,920
5	40001	To	45000	206,801
2	45001	To	50000	94,654
1	50001	To	55000	55,000
1	55001	To	60000	55,866
2	60001	To	65000	128,720
4	65001	To	70000	267,583
4	70001	To	75000	289,376
10	75001	To	100000	823,164
-	100001	To	105000	-
7	105001	To	150000	912,692
10	150001	To	200000	1,681,268
3	200001	To	300000	708,035
6	300001	To	500000	2,156,053
6	500001	To	1000000	3,613,179
-	1000001	To	10000000	-
494				**12,100,000**

Categories of Shareholders

Particulars	No. of Shareholders	No. of Shares	Percentage
1. Individuals	475	10,409,829	86.0316
2. Charatible Trusts	4	376,229	3.1093
3. Insurance Companies	2	605,841	5.0070
4. Join stock Companies	13	708,101	5.8521
	494	12,100,000	100.0000

Pattern of Shareholdings as at December 31, 2011
Information as required under the Code of Corporate Governance

Directors & Director's Spouses & Executives

Director	Ardeshir Cowasjee	58,552
Director	Abdul Razzak Jaffer	23,903
CEO	Munir Ibrahimbhai Millwala	553,992
Director	Zumana Munir Millwala	40,515
Director	Fayyaz Fakhruddin Millwala	207,495
Director	Batool Fayyaz Millwala	7,562
Director	Hussaini Ibrahim Bhai Millwala	629,038
Director	Qutbuddin Abbas Bhai Millwala	66,513
Director	Moiz Ali	1,176
Director	Muhammadi H. Millwala	217,648
		1,806,394

Insurance Companies	
Two	605,841
Joint Stock Companies	
Thirteen	708,101
Charitable Trusts	
Four	376,229
Individuals	
Three hundred & eighty six	8,603,435

HEAD OFFICE:

2nd Floor, Nadir House, I. I. Chundrigar Road, P. O. Box No. 4616, Karachi, (Pakistan).
Phones : 32415521 - 32415471 to 73 Fax : (92-21) 32415474 - 32415475
E-mail : info@cstar.com.pk

BRANCHES IN PAKISTAN

LAHORE			
Mr. Naveed Yousuf	2nd, Floor,Bashir Building, 15-Mcleod Road, Lahore-A	Phone- Cell:	(042) 7221490 & 7351088 (042) 7238604 (Fax) (0300) 4108462
Mr. Azhar Ali Shah	Room No. 18, 1st Floor, Empress Tower Near Shimla Pahari, Empress Road, Lahore-B	Phone- Cell:	(042) 6297253-&-54 (042) 6297255 (Fax) (0333) 4383053
Mr. Imran Ameer Khan	1 st Floor, Tufail Chambers, Safanwala Chowk, Mozang Road, Lahore- C	Phone- Cell:	(042) 7355533,7352379 & 731142 (042) 7352502 (Fax) (0300) 9402778
Mr. Shehryar H. Rizvi	3rd Floor, Mall Manson, Opp: State Bank Building, Shrah-e-Quaid-e-Azam, Lahore- D	Phone- Cell:	(042) 7233696 (042) 7234092 (Fax) (0303) 7576073
Mr. Mehrajuddin Kardar	House No. 10, Kabeer Street No. 35-A, Nafeerabad, Shalimar Town, Lahore- E	Phone-	(042) 6546423 & 7087347
Mr. Rana Abdul Qayyum	11-Shahrae Quaid-e-Azam, Lahore-F	Phone- Cell:	(042) 7320540 (Off) (042) 7320554 (Fax) (0333) 4303730
SIALKOT			
Mr. M. Younus Shaheen	Room Nos. 11 & 12 Al-Rehman Center, Saga Chowk, Defence Road, Sialkot-B	Phone- Cell:	(052) 3240271-73 (052) 3240270 (Fax) (0333) 8624101
Mr. Mujeeb Mirza	4-Green Wood Street, Off: Railway Road, Sialkot- C	Phone- Cell:	(052) 4589000 (052) 4581847(Fax) (0300) 9616604
Mr. Bashir A. Khan & Mr. Munawar H. Gondal	1st Floor, Salim Market, Mujahid Road, Sialkot-A+ D	Phone- Cell: Phone- Cell:	(052) 4586013 (Bashir) (0300) 6195758 (052) 4582972 (Gondal) (0300) 6167100
GUJRANWALA			
Mr. Syed Javed H. Talat	3rd Floor, Deen Plaza, G.T. Road, Gujranwala - A -	Phone- Cell:	(055) 3735521-&-523 (055) 3735523 (Fax) (0300)6421613
Mr. Fayyaz Malik	2nd Floor, Jalil Plaza, Court Road, Munir Chowk, Gujranwala - B -	Phone- Cell:	(055) 3733255 (0300) 6316103
MULTAN			
Mr. Khalil Ahmed	Kutchery Road, Multan-B	Phone- Cell:	(061) 4571338145141837 (0300) 7323292
RAHIMYAR KHAN			
Mr. Ahsanul Haq	06-Railway Road, Rahimyar Khan.	Phone- Cell:	(068) 5876961 (0300) 6733885
BAHAWALPUR			
Mr. M Saleem Faruqi	5-Jameel Market, Circular Road, Bahawalpur-A	Phone- Cell:	(062) 2882038 (062) 2885997 (Fax) (0300) 9681288

SAHIWAL			
Mr. Muzaffar Joya	House-899-Block D, Farid Town, Sahiwal.	Phone- Cell	(040) 4550899 0302-3141140
HASILPUR			
Mr. Abdul Sattar Aujum	194-Mohallah Alamdar Abbas, Ward No. 28. Old Hasilpur City, Hasilpur. (Dist, Bahawalpur)	Phone- Cell:	(0622) 441108 0300-7850667
QUETTA			
Mr. Sardar Khan	Gul Complex, M.A.Jinnah Road. Quetta. A.	Cell:	(0334) 2418571 (Jawad) (0300) 3896886 (Sardar)
Mr.Atif Idress Khan	1st Floor, Room NoA Perfection House, M. A. Jinnah Road, Quetta. B.	Phone- Cell:	(081) 2820613 (0300) 9127077
PESHAWAR			
Mr. Anwar Hussain	9th Floor, State Life Building, The Mall, Peshawar.	Phone- Cell:	(091) 5274752 (0300) 9318738
HYDERABAD			
Mr. Tanveer Hashim Khan	Office No. 41 + 42, Al Rahim Shopping Centre, Mezzanine Floor, Phase 1, Hyderabad	Phone- Cell:	(022) 2780624 (Off) (0300) 9376541
KARACHI			
Mr. M. Ashraf Ansari	Mian Chamber, Opp:Sind Madressha, Karachi.	Phone- Cell:	(021) 32428365 - 32434906 (021) 32466960 - 32466958 (Dir) (0333) 3048319
Mr. Izzuddin Adamali	3rd Floor, Nadir House I.I. Chundrigar Road, Karachi.	Phone- Cell	(021) 32428398 (0300) 2672318
TANDO ADAM			
Mr. Rashid Hussain	House No. B-173, Gulshan-e-Suleman, Hyderabad Road, Tando Adam.	Phone- Cell:	(023) 5572138 (0300) 3038235

Proxy Form

I/We ____

of ____ (full address)

being a member of Crescent Star Insurance hereby appoint ______________________

of ____

____ (full address)

or failing him/her ____

of ____ (full address)

as my / our Proxy to attend and vote for me / us and on my / our behalf at the 55th Annual General Meeting of the Company to be held on 28th April ,2012 and at any adjournment thereof.

Signed this ______________________ (day) of ______________________ (date, month) 2012.

Signature of Member: ______________________

Folio Number: ______________________

Number of shares held: ______________________

Witnesses:

1. ______________________

2. ______________________

Please affix Revenue Stamp of Rs. 5/-

Signature and Company Seal

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him / her.

2. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his / her attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized. A Proxy need not be a Member of the Company.

3. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Main Office of the Company at 2nd Floor, Nadir House I.I. Chundrigar Road Karachi not later than 48 hours before the time of holding meeting, failing which, Proxy form will not be treated valid.

4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his / her National Identity Card with him / her as proof of his / her identity, and in case of Proxy, must enclose an attested copy of his / her National Identity Card. Representative of corporate entity, shall submit Board of Directors resolutions / power of attorney with specimen signature (unless it has been provided earlier) along with proxy form of the Company.