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Company Information

BOARD OF DIRECTORS

(In Alphabetical Order)

Chaudhry Muhammad Sadiq	<i>Chairman</i>
Mr. Mudassar Imran	
Mrs. Navida Abid	
Mr. Muhammad Kashif	
Mr. Waheed Ahmed	
Mr. Faisal Zaka Bajwa	
Mr. Zahir Muhammad Sadiq	<i>Managing Director & Chief Executive</i>

COMPANY SECRETARY

Mr. Nazir Ahmed Khan

MANAGEMENT

Mr. Muhammad Imran Qureshi	<i>General Manager</i>
Mr. Muhammad Kashif	<i>Chief Financial Officer</i>
Mr. Muhammad Sajjad	<i>Dy. General Manager</i>
Mr. Zia-ud-Din Zia	<i>Senior Manager</i>
Mr. Muhammad Tariq Baloch	<i>Senior Manager</i>
Mr. Nazir Ahmed Khan	<i>Senior Manager</i>
Mr. Islahuddin Ayyabi	<i>Senior Manager</i>
Mr. Abdul Gaffar Shah	<i>Manager</i>
Mr. Syed Mumtaz Hussain	<i>Manager</i>

AUDITORS

- Ilyas Saeed & Company
Chartered Accountants
- SARWARS
Chartered Accountants

LEGAL ADVISOR

- Mr. Maqsood Hussain
- Ahmed & Pansota - Advocates
& Legal Consultants

TAX ADVISOR

SARWARS
Chartered Accountants

REGISTERED & HEAD OFFICE

Silver Star House, 5-Bank Square
P.O. Box 2533, Lahore-54000 (Pakistan)
PABX : +(92-42) 37324488, 37355614
37237518, 37231449
Telefax : +(92-42) 37229966
E-mail : info@silverstarinsurance.com
silvrstr@nexlinx.net.pk

BANKERS

(In Alphabetical Order)

Al-Baraka Islamic Bank Limited
Allied Bank Limited
Askari Bank Limited
Atlas Bank Limited
Bank AlFalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Federal Bank of Cooperative Islamabad
First Standard Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial Development Bank of Pakistan
J.S Bank Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
SME Bank Limited
Standard Chartered Bank Ltd.
State Bank of Pakistan
The Bank of Khyber
The Bank of Punjab
The Punjab Provincial Co-operative Bank Limited
United Bank Limited
Zarai Taraqati Bank Limited

AUDIT & CORPORATE

GOVERNANCE COMMITTEE

Mr. Faisal Zaka Bajwa	Chairman
Mr. Mudassar Imran	Member
Mr. Waheed Ahmed	Member
Mr. Muhammad Sajjad	Secretary

WEB PRESENCE

www.silverstarinsurance.com

Notice of Annual General Meeting

Notice is hereby given that Twenty Seventh Annual General Meeting of the Shareholders of Silver Star Insurance Company Limited will be held at the Registered and Head Office of the Company at Silver Star House, 5-Bank Square, Lahore, on Saturday, April 30, 2011 at 10:30 a.m. to transact the following business:

A) ORDINARY BUSINESS

1. To confirm the Minutes of the Twenty Sixth Annual General Meeting held on Thursday, April 30, 2010.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2010 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors for the year ending December 31, 2011 and to fix their remuneration.

B) SPECIAL BUSINESS

4. To consider and approve the issue of Bonus Shares in the ratio of ONE new share for every 6.67 ordinary shares held, i.e. @ 15%.

C) OTHER BUSINESS

5. To transact any other business of the company with the permission of Chair.

(See appended statement as required under section 160(1)(b) of the Companies Ordinance, 1984, in respect of above mentioned special business)

By order of the Board

Nazir Ahmed Khan
Company Secretary

Lahore: March 28, 2011

NOTES:

1. The share transfer books of the Company will remain closed from April 21, 2011 to April 29, 2011 (both days inclusive) for the purpose of Annual General Meeting and to determine the above entitlements. Transfers received in order at the Registered Office of the Company: 5-Bank Square, P.O. Box No. 2533, Lahore-54000, uptill April 20th 2011, will be considered in time for the entitlements as above.
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his proxy to attend, speak and vote instead of him.
3. The instruments appointing a proxy must be received at the Registered Office of the Company not later than 48 hours before the time appointed for the Meeting.
4. Changes of address of a member, if any, should be notified immediately at the Registered Office of the Company.
5. For attending the Meeting and appointing the proxies CDC account holders will further have to follow the guideline as laid in Circular 01 dated 26 January, 2000 issued by the Securities and Exchange Commission of Pakistan.

Statements under Section 160(1) (b) of the Companies Ordinance, 1984, regarding the Special Business
Item No. 4 of the Agenda - Issuance of Bonus Shares

In Order to increase the Paid-up Capital of the Company and declare a final dividend by way of issue of fully paid bonus shares, the Directors have recommended the issue of 3,796,875 bonus shares of Rs.10/- each, by way of capitalization of sum of Rs. 37,968,750 out of the current year's profit of the company.

The Directors have recommended to consider and if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions.

- a) "RESOLVED that a sum of Rs. 37,968,750 out of the unappropriated profit of the company be capitalized and applied to the issue of 3,796,875 ordinary shares of Rs. 10/- each and allotted as fully paid-up bonus shares to the members of the company who are registered in the books of the Company on April 20, 2011 in the proportion of ONE such new shares for every 6.67 existing ordinary shares of the Company as regards future dividends and all other respects."
- b) "RESOLVED that all fractional bonus shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares in Stock Market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 2001."
- c) "RESOLVED that for the purpose of giving effect to the foregoing the directors be and are hereby authorized to give such directions as may be necessary and as deem fit to settle any questions or difficulties that may arise in the distribution of the said new shares."

The Directors of the Company have no interest in the above Special Business except as shareholders of the Company.

Item No. 5 of the Agenda - Increase in the Authorized Capital

To make provision for further increase in the paid-up capital of the Company for strengthening the domestic underwriting capacity and financial structure and to achieve better internal retention limits, the Board has recommended an increase in the Authorized Capital of the Company, and, if thought fit, to pass with or without modification the following resolution as Special Resolution:

"RESOLVED that the Authorized Capital of the Company be and is hereby increased from Rs. 300,000,000 to Rs. 400,000,000 and 'clause 5' of the Memorandum of Association of the Company and 'article 5' of the Articles of Association of the Company be and are hereby amended to read as follows:

'Clause 5, of the Memorandum of Association

'The Authorized Share Capital of the Company is Rs. 400,000,000 divided into 40,000,000 ordinary shares of the denomination of Rs. 10/- each with power from time to time to increase the capital of the Company.'


Article 5, of the Articles of Association

'The Authorized Capital of the Company is Rs. 400,000,000 divided into 40,000,000 ordinary shares of the denomination of Rs. 10/-

The Board of Directors be and are hereby authorized and empowered to do or cause to be done all acts, deeds and things that may be necessary to give effect to this resolution."


The Directors have no interest in the above Special Business except as shareholders of the Company.

Vision Statement



To ensure efficient and prompt service of insurance solutions to the industry, through an integrated and well organized system, governed by motivated and prudently managed human resources.

Mission Statement



Our Mission is to strengthen our position in the insurance industry, initially by concentrating upon our vigilant expansion in the province of Punjab, while channeling out into other provinces, by way of continuing to provide reliable and quality insurance security, with the persistent support of "A" rated International Reinsurers; thus maintaining high ethical and professional standards, vis-a-vis profitable returns to all our shareholders.

Company Products



FIRE (PROPERTY & CASUALTY) INSURANCE

Covers Fire, including Lightning, with allied perils of Riot Strike Damage, Riot Fire Damage, Earth Quake (including Shock), Atmospheric Disturbance, Malicious Damage, Explosion Damage, Air Craft Damage, Impact Damage, Burglary and Electrical risks.

MARINE INSURANCE

Provides coverage for goods in transit for both Import and Export by conveyance through Ship, Aircraft and Rail/Road and Inland Transit.

MOTOR INSURANCE

Insurance of Private, Commercial, Industrial and Agricultural Vehicles of all categories and sorts, for Comprehensive and Third Party Liabilities.

ASSORTED INSURANCES

Provides Workmen's Compensation Insurance, Personal Accident Insurance, Fidelity Guarantee Insurance, Cash in Transit insurance, Cash in Safe & Hand insurance and Burglary / Theft Insurance.

ENGINEERING INSURANCE

Covers Contractor's All Risks, Erection All Risks, Machinery Breakdown, Machinery Equipment / Plant and Boiler Pressure Vessel Explosion.

BOND INSURANCE

Provides guarantees against Bid Bond, Performance Bond, Mobilization Advance Bond, Professional Indemnity Bond, Maintenance Bond, Excise Bond, Custom Duty Bond and Surety Bond.

LIVESTOCK INSURANCE

Covering Death of an animal due to Disease or Accident including Fire and Lightning.

CROP INSURANCE

Covering Catastrophic damages to Crops by Drought, Excessive Rain, Flood, Hail Storm, Wind Storm, Frost, Plant diseases and Pest infection.

Key Financial Data (Ten Years at a Glance)



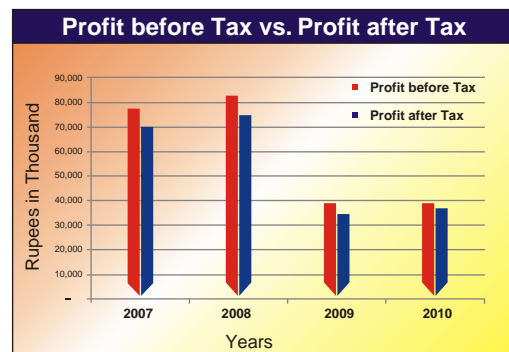
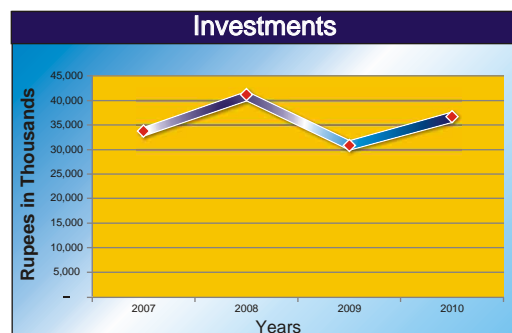
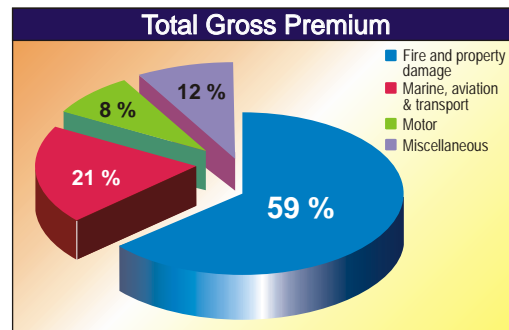
(Rupees in '000')

Years	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Data										
Gross Premium	249,604	219,808	212,849	191,986	165,748	120,876	49,479	28,618	23,912	23,351
Net Premium	154,114	147,869	139,662	120,026	86,271	42,034	19,444	14,756	11,462	14,025
Net Claims	31,957	22,819	19,368	19,556	23,774	9,432	5,151	5,554	6,096	6,426
Management expenses	50,378	48,837	33,897	20,188	18,491	10,297	7,801	5,851	4,463	4,093
Administrative expenses	22,852	17,035	15,578	11,542	9,362	8,457	5,280	3,550	3,528	4,282
Total expenses	73,230	65,871	49,475	31,730	27,853	18,754	13,081	9,401	7,991	8,375
Underwriting results	50,892	58,972	84,270	75,377	49,343	32,471	10,817	6,064	5,451	6,951
Investment & other incomes	10,693	(3,240)	13,600	13,964	14,008	3,661	1,787	1,673	1,475	931
Profit before tax	38,733	38,698	82,292	77,798	53,990	27,675	7,325	4,187	3,397	5,254
profit after tax	37,291	34,073	74,774	70,173	49,611	25,082	6,076	3,436	2,791	4,539
Financial Data										
Paid up capital	253,125	210,938	168,750	125,000	100,000	80,000	80,000	50,000	50,000	28,829
Reserves & Retained Earnings	139,656	144,343	152,237	120,981	75,431	45,425	20,113	16,537	13,134	11,784
Underwriting provisions	184,264	124,452	120,025	114,472	92,591	92,406	64,980	61,388	57,643	5,610
Cash & bank deposit	328,765	315,872	279,284	211,517	126,268	64,391	47,960	25,395	28,106	11,561
Investments at book value	36,177	31,349	40,554	33,513	26,944	13,936	9,911	7,755	7,140	4,640
Due from reinsurers	1,515	1,831	2,864	3,174	3,941	6,636	6,636	7,304	4,989	8,475
Total assets	746,429	584,051	536,238	439,614	332,285	282,287	197,765	153,767	150,142	93,429
Ratio analysis										
Net Claim to net premium	20.74 %	15.45%	13.87%	16.29%	27.56%	22.44%	26.49%	37.64%	53.18%	45.82%
Total expenses to gross Premium	29.34 %	29.97%	23.24%	16.53%	16.80%	15.52%	26.44%	32.85%	33.42%	35.87%
Underwriting profit to gross Premium	20.39 %	26.83%	39.59%	39.26%	29.77%	26.86%	21.86%	21.19%	22.80%	29.77%
Profit before tax to gross Premium	15.52 %	17.61%	38.66%	40.52%	32.57%	22.90%	14.80%	14.63%	14.21%	22.50%
Profit after tax to gross Premium	14.94 %	15.50%	35.13%	36.55%	29.93%	20.75%	12.28%	12.01%	11.67%	19.44%
Return on assets	5.00 %	5.83%	13.94%	15.96%	14.93%	8.89%	3.07%	2.23%	1.86%	4.86%
Return on equity	9.49 %	9.59%	23.30%	28.53%	28.28%	20.00%	6.07%	5.16%	4.42%	11.18%
EPS (Rs.)	1.47	1.35	3.54	4.16	3.97	2.51	0.760	0.687	0.558	1.49

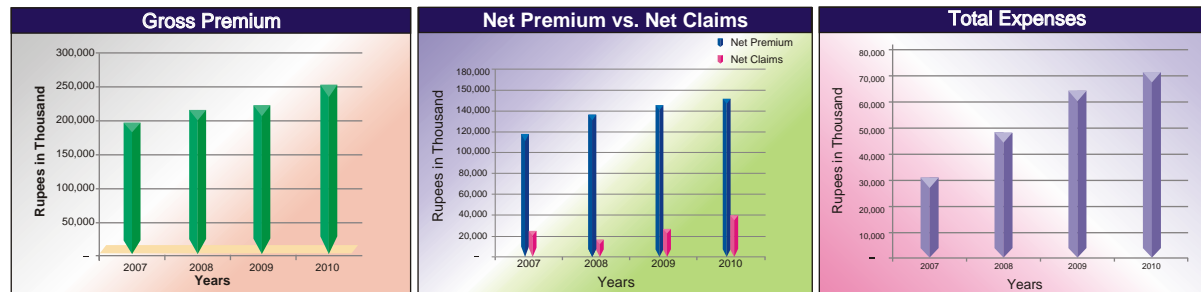
Horizontal Analysis



	Change %	2010 (Rs.'000')	2009 (Rs.'000')
Profit and Loss Account			
Underwriting results			
Net Premium	4.22	154,114	147,869
Net Claims	43.73	40,909	28,462
Expenses	3.16	50,378	48,837
Net Commission	2.91	11,936	11,598
Underwriting profits	(13.70)	50,892	58,972
General and administration Expenses	34.15	22,852	17,035
Investment Income	267.57	8,997	(5,369)
Other Incomes	(20.34)	1,696	2,129
Profit/ (Loss) before Tax	0.09	38,733	38,698
Income Tax	(68.82)	1,442	4,625
Profit/ (Loss) after Tax	9.44	37,291	34,073
Balance Sheet			
Assets			
Cash and Current Accounts	64.74	89,575	54,374
Short and Long Term Deposits	(8.53)	239,190	261,499
Loans to Employees	(18.00)	6,697	8,167
Investments	15.84	36,314	31,349
Investment Property	(0.38)	11,300	11,343
Others Assets	81.63	218,491	120,297
Fixed Assets-Tangible & Intangible	36.75	102,191	74,727
Leased Assets	91.37	42,670	22,297
Total Assets	27.80	746,429	584,051
Equity and Liabilities			
Shareholders equity			
Share Capital and Reserves	10.56	392,781	355,280
Surplus on Revaluation of Fixed Assets	64.60	60,620	36,829
Liabilities and Provisions			
Underwriting Provisions	48.06	184,264	124,452
Deferred Liabilities	(28.62)	5,579	7,816
Creditors and Accruals	56.19	68,521	43,870
Other Liabilities	119.34	34,665	15,804
Total Equity and Liabilities	27.80	746,429	584,051

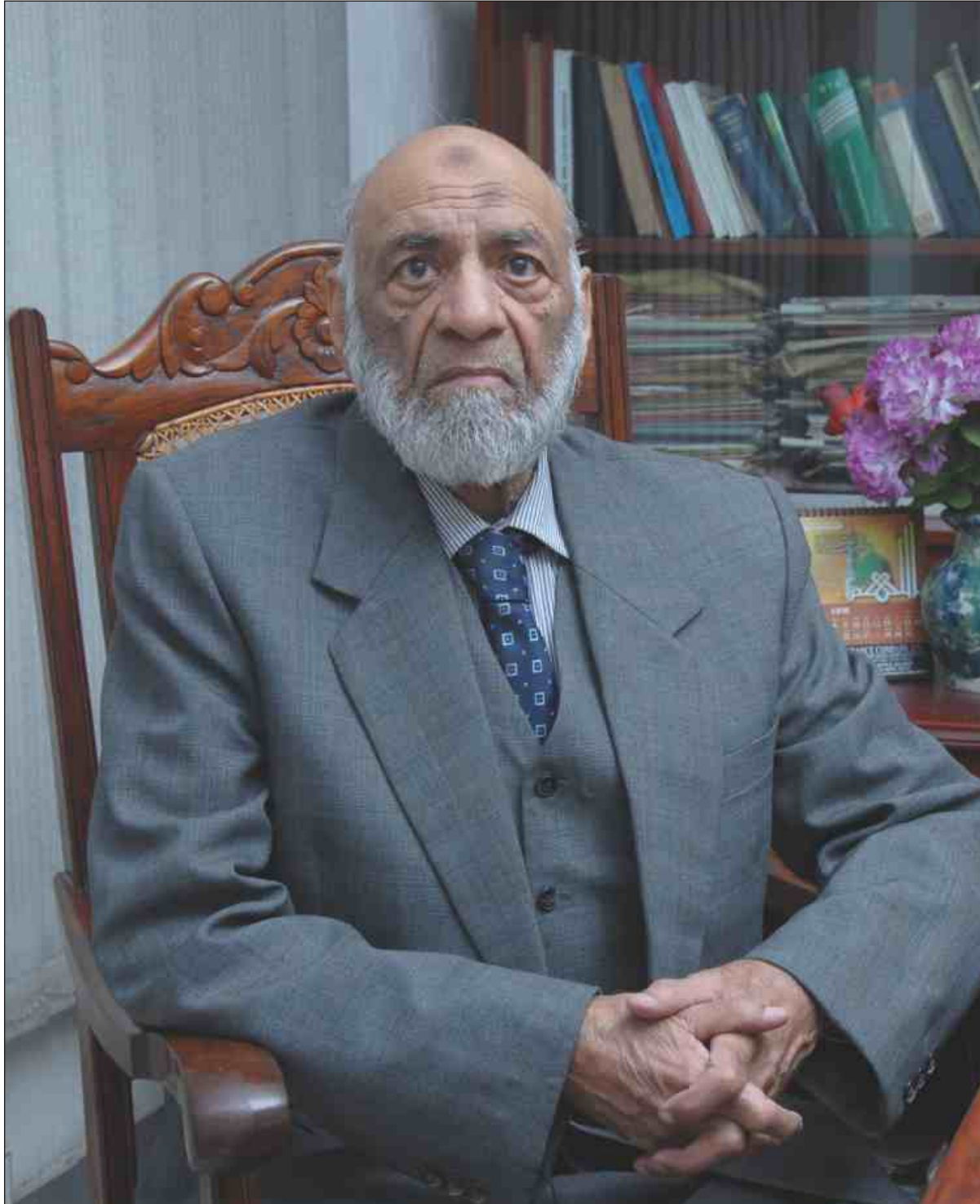


Vertical Analysis



Year	2010 (Rs.'000')	%	2009 (Rs.'000')	%	2008 (Rs.'000')	%	2007 (Rs.'000')	%
Profit & Loss Accounts								
Net Premium Revenue	154,114	100.00	147,869	100.00	139,662	100.00	120,026	100.00
Net Claims	40,909	26.54	28,462	19.25	16,044	11.49	25,476	21.23
Expenses	503,78	32.69	48,837	33.03	33,897	24.27	20,188	16.82
Net Commission	11,936	7.74	11,598	7.84	5,451	3.90	(1,015)	(0.85)
Underwriting Profits	50,892	33.02	58,972	39.88	84,270	60.34	75,376	62.80
General and Administration Expenses	22,852	14.83	17,035	11.52	15,578	11.15	11,542	9.62
Investment Income	8,997	5.84	(5,369)	3.63	12,149	8.70	13,240	11.03
Other income	1,696	1.10	2,129	1.44	1,451	1.04	723	0.60
Profit/ (Loss) before Tax	38,733	25.78	38,698	26.17	82,292	58.92	77,798	64.82
Income Tax	1,442	0.94	4,625	3.13	7,518	5.38	7,625	6.35
Profit/ (Loss) after Tax	37,291	24.20	34,073	23.04	74,775	53.54	70,173	58.46
Balance Sheet								
Cash and Current Accounts	89,575	11.88	54,374	9.31	43,312	8.08	37,765	8.59
Short and Long Term Deposits	239,190	31.72	261,499	44.77	235,972	44.01	173,752	39.52
Loans to Employees	6,697	0.89	8,167	1.40	5,439	1.01	4,421	1.01
Investments	36,314	4.82	31,349	5.37	40,554	7.56	33,513	7.62
Investment Property	11,300	1.51	11,343	1.94	11,388	2.12	11,435	2.60
Others Assets	218,491	28.97	120,297	20.60	107,716	20.09	98,966	22.51
Fixed Assets-Tangible & intangible	102,191	13.69	74,727	12.79	73,140	13.64	60,466	13.75
Leased Assets	42,670	5.66	22,297	3.82	18,716	3.49	19,296	4.39
Total Assets	746,429	100	584,051	100.00	536,238	100.00	439,614	100.00
Equity & Liabilities								
Share Capital and Reserves	392,781	52.09	355,280	60.83	320,987	59.86	245,980	55.95
Surplus on Revaluation of Fixed Assets	68,258	9.05	36,829	6.31	37,049	6.91	37,281	8.48
Underwriting Provisions	184,264	24.44	124,452	21.31	120,025	22.38	114,472	26.04
Deferred Liabilities	5,579	0.74	7,816	1.34	7,020	1.31	5,480	1.25
Creditors and Accruals	68,521	9.09	43,870	7.51	35,744	6.67	20,753	4.72
Other Liabilities	34,667	4.60	15,804	2.71	15,413	2.87	15,647	3.56
Total Equity and Liabilities	746,429	100	584,051	100.00	536,238	100.00	439,614	100.00

Directors' Report



The directors are pleased to present the annual report of your company along with audited financial statements for the year ended December 31, 2010.

The highlights for the period under review are as under:

	2010	(Rupees in million)	2009
Gross Premium	250		220
Net Premium	154		148
Underwriting Results	51		59
Investment Income	9		(5)
Profit before tax	39		39
Profit after tax	37		34
Earnings per share	1.47		1.35

During the period under review, your company has underwritten premium of Rs. 250 million which is a growth of 13.6 % over the corresponding period. This growth could not be reflected in the underwriting results as 2010 saw drastic increase in claims due to the unnatural and unprecedented floods in our country.

Earning Per Share

The earning per share for the year is Rs. 1.47

Dividend

The Directors are pleased to recommend the issuance of 15% Bonus shares for the year ended 31 December 2010, subject to the approval of the members at the Annual General Meeting in accordance with the "policy and sharing" with shareholders and at the same time maximizing Capitalization.

Investment Performance

The investment income has shown a turnaround and has posted a profit of Rs.9 million versus a loss of Rs.5 million in the same period last year as the stock market has shown growth last year.

Claim Settlement

Prompt settlement of all genuine claims and customer satisfaction remains our top priority. By the grace of God, the Company has managed to keep its image intact by settling all valid claims in a timely manner.

Re-Insurance Treaties

The company has very strong re-insurance arrangements with world renowned "A" rated companies which demonstrates faith and confidence of the re-insurers in the underwriting practices of the company. We are grateful to all our re-insurers for their unwavering support and continued cooperation.

Branch Expansion

During the year, the company opened 24 new branches thereby increasing the total network to 61 branches from which the company's sales force operates. This increase in branch network will show positive results in the coming years.

Information Technology

The Company is pleased to announce the successful development of our new IT system, which will enable us to bring all of our branches on line with the head office. Our new system will ensure better underwriting results as all cover notes being issued from our branch network will be shared with the head office in real time.

Human Resource

Silver Star gives top priority to the training and development of its employees at every level. Training programs are regularly arranged to upgrade the knowledge, skills and aptitudes of all employees to ensure increased productivity and better service to policy holders and corporate clients.

Board of Directors

Five meetings of the board of Directors were held in the year 2010. The attendance of each Director was as follows:

Sr.	Name of Director	Remarks	Meetings
1.	Chaudhary Muhammad Sadiq	Re-appointed	05
2.	Mr. Mudassar Imran	Re-appointed	05
3.	Mr. Muhammad Kashif	Re-appointed	05
4.	Mr. Munir Ahmed	Re-appointed	05
5.	Mr. Waheed Ahmed	Re-appointed	03
6.	Mr. Zahir Muhammad Sadiq	Re-appointed	05
7.	Mrs. Shahnaz Sadiq	Deceased	
8.	Mrs. Navida Abid	New appointment	

Audit Committee

The following non-executive Directors served on the audit committee during the year 2010.

Mr. Faisal Zaka Bajwa	Chairman
Mr. Muhammad Kashif	Member
Mr. Waheed Ahmed	Member
Mrs. Shahnaz Sadiq	Member

In order to further strengthen the internal audit function and introduce a comprehensive Risk Based Audit, the company has strengthened its existing in-house Internal Audit department which reports to the Audit Committee. The committee's terms of reference have been determined by the board in accordance with the guidelines provided in the Code of Corporate Governance.

Corporate Social Responsibility

The company recognizes that it has a major role to play in the uplift and betterment of the less advantaged members of our society as well as the victims of natural disasters our country faced in 2010. Besides financial contributions in the form of donations, the company always encourages its employees to participate directly towards social causes.

Future Outlook

Pakistan is currently going through a tough period. Tax to GDP ratio is one of the lowest in the world and to meet its expenditure our government is continuously borrowing from banks, withdrawing subsidies from various sectors and introducing new forms of taxation policies. Coupled with them are problems like, poor law and order situation as well as a crisis in the energy sector which directly hampers our industrial growth. The future for Silver Star Insurance remains bright, as insurance penetration within Pakistan is on the increase, and we have increased our branch network in order to ensure a larger share for the company. We look forward to be able to grow our business in the coming years.

Compliance with the Code of Corporate Governance

Corporate and financial reporting framework

1. The financial statements, together with the notes form an integral part of these statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates, wherever applicable, are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored. This is a continuing process and any weakness shall be removed and its effective implementation shall be ensured.
6. There is no doubt about the Company's ability to continue as a 'going concern'.
7. There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.
8. All the major decisions relating to investments / disinvestments of fund change in the policy of underwriting, if any, appointment, remuneration and terms & conditions of CEO are placed before the Board of Directors.

INSURANCE ORDINANCE 2000

As required under the Insurance Ordinance and rules framed thereunder, the directors confirm that:

1. In their opinion and to the best of their belief the annual statutory accounts of the Company set out in the forms attached to this statement have been drawn up in accordance with the Insurance Ordinance 2000 and rules made thereunder;
2. The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid up capital, solvency and reinsurance arrangements; and
3. As at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed thereunder.

Auditors

The joint auditors, M/s. Ilyas Saeed & Co. Chartered Accountants and SARWARS Chartered Accountants retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment and our audit committee has recommended their re-appointment.

Acknowledgments

We thank our shareholders, valued customers, employees and development staff for their support in ensuring the continued success of your company and trusting Silver Star Insurance as their choice. We are also grateful to the Insurance Division, Security and Exchange Commission of Pakistan, PRCL, Overseas Re-insurers and State Bank of Pakistan for their continued guidance and assistance.

Lahore: March 28, 2011

On behalf of the Board of Directors

Chaudhry Muhammad Sadiq

Chairman

Statement to Compliance with the Code of Corporate Governance

Financial year ended 31 December 2010

This statement is being presented to comply with the code of corporate governance as contained in the Listing Regulations of respective stock exchanges and SRO 68 (1) / 2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good corporate governance, whereby a listed 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 and directors representing minority interests on its Board of Directors. At present the Board includes four non-executive directors out of seven.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Institution of, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The current Board has been elected by the shareholders of the Company in Extra Ordinary General Meeting held on November 02, 2009. Mr. Waheed Ahmed has been elected as a director in place of Mrs. Shahnaz Sadiq after her sad demise.
5. The Company has prepared a "Statement of Ethics and Business Practices" (Code of Conduct), which has been signed by all directors and employees of the Company.
6. Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith 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 the appointment and determination of remuneration and terms and conditions of the employment of the CEO and other executive directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter during the year. Written notices of the Board meetings, alongwith agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has arranged an orientation course for its directors during the year 2010 to appraise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.
10. The Board has established a system of sound internal control which is effectively implemented at all levels within the Company.
11. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.
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 financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
 14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 15. The Company has complied with all the corporate and financial reporting requirements of the Code.
 16. The Board has formed investment, reinsurance, claims settlement, underwriting and Audit Committees. The Audit Committee comprises of three members, three of whom are non-executive directors including the chairman of the committee.
 17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
 18. The Board has set-up an effective internal audit function who are considered suitable qualified and experienced personnel who are conversant with policies and procedures of the Company and are involved in the Internal Audit function on a full time basis.
 19. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under quality control review programme 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 shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 20. 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 IFAC guidelines in this regard.
 21. The Board has approved the appointment of Company Secretary, including his remuneration and terms and conditions of employment as determined by the CEO.
 22. The retiring auditors Ilyas Saeed & Company Chartered Accountants and SARWARS Chartered Accountants have retired and are eligible for reappointment. Further they have offered themselves for reappointment. Audit and Corporate Governance Committee has also recommend M/S Ilyas Saeed & Co. Chartered Accountants, as joint auditors with SARWARS Chartered Accountants for the financial year 2011.
 23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Chaudhry Muhammad Sadiq
Chairman

Lahore: March 28, 2011

Ilyas Saeed & Co
Chartered Accountants

A-4, Sea Breeze Homes,

Shershah Block, New Garden Town,
Lahore - Pakistan
Telephone: (92-42) 35861852, 35868849
Telefax: (92-42) 35856145
E-mail: iscooca@wol.net.pk

Sarwars
Chartered Accountants

Off # 12, II - Floor, Lahore Centre,
77-D Main Boulevard,
Gulberg - III, Lahore - Pakistan
Telephone: (92-42) 35782920-22
Telefax : (92-42) 35773825
E-mail : sarwars@wol.net.pk

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 for the year ended 31 December 2010, prepared by the Board of Directors of SILVER STAR INSURANCE COMPANY LIMITED ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed and the Code of Corporate Governance applicable to listed Insurance Companies issued under SRO 68 (i) / 2003 by Securities and Exchange Commission of Pakistan.

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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 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 under taken at arm's length price or not.

Based on our review, nothing has come to our attention 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 Company for the year ended 31 December 2010.

Ilyas Saeed & Company
Chartered Accountants
Audit Engagement Partner: Irfan Ilyas

Date : March 28, 2011

Place: Lahore

SARWARS
Chartered Accountants

Rashid Sarwar

Ilyas Saeed & Co
Chartered Accountants

A-4, Sea Breeze Homes,

Shershah Block, New Garden Town,
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Sarwars
Chartered Accountants

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Telephone: (92-42) 35782920-22
Telefax : (92-42) 35773825
E-mail : sarwars@wol.net.pk

Auditors' Report to the Members of Silver Star Insurance Company Limited

We have audited the annexed financial statements comprising of:

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

of Silver Star Insurance Company Limited ("the Company") as at 31 December 2010 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted 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 statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- 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;
- the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2010 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and.
- no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

Ilyas Saeed & Company
Chartered Accountants
Audit Engagement Partner: Irfan Ilyas

SARWARS
Chartered Accountants
Rashid Sarwar

Date : March 28, 2011

Place: Lahore

Financial Statements

for the Year Ended December 31, 2010



BALANCE SHEET

	Note	2010 Rupees	2009 Rupees
Share Capital and Reserves			
Authorized share capital	5	<u>300,000,000</u>	<u>300,000,000</u>
Paid-up share capital	5	<u>253,125,000</u>	<u>210,937,500</u>
Retained earnings		<u>76,305,671</u>	<u>91,592,527</u>
Reserves	6	<u>63,350,095</u>	<u>52,750,095</u>
		<u>392,780,766</u>	<u>355,280,122</u>
Surplus on Revaluation of Fixed Assets	7	<u>60,619,560</u>	<u>36,828,570</u>
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		<u>54,834,088</u>	<u>14,339,746</u>
Provision for unearned premium		<u>118,237,225</u>	<u>100,204,693</u>
Commission income unearned		<u>11,192,567</u>	<u>9,907,526</u>
Total underwriting provisions		<u>184,263,880</u>	<u>124,451,965</u>
Deferred Liabilities			
Deferred taxation	8	<u>5,578,936</u>	<u>7,816,121</u>
Creditors and Accruals			
Amounts due to other insurers/reinsurers		<u>6,630,984</u>	<u>3,933,751</u>
Taxation - Provision less payments		<u>9,103,190</u>	<u>8,875,947</u>
Other creditors and accruals	9	<u>52,787,070</u>	<u>31,060,719</u>
		<u>68,521,244</u>	<u>43,870,417</u>
Other Liabilities			
Obligation under finance lease	10	<u>34,664,639</u>	<u>15,803,755</u>
TOTAL LIABILITIES		<u><u>293,028,699</u></u>	<u><u>191,942,258</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>746,429,025</u></u>	<u><u>584,050,950</u></u>
CONTINGENCIES AND COMMITMENTS	11	<u><u>-</u></u>	<u><u>-</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

As At December 31, 2010

	Note	2010 Rupees	2009 Rupees
Cash and Bank Deposits	12		
Cash and other equivalents		5,690,810	4,707,864
Current and other accounts		83,884,490	49,665,806
Deposits maturing within 12 months		231,622,282	257,159,726
Deposits maturing after 12 months		7,567,725	4,339,017
		328,765,307	315,872,413
Loans to Employees	13	6,696,771	8,167,281
Investments	14	36,314,495	31,348,658
Investment Property	15	11,299,788	11,342,522
Other Assets			
Premium due but unpaid	16	113,705,539	53,320,222
Amounts due from other insurers / reinsurers	17	1,515,185	1,831,006
Accrued investment income		959,567	68,492
Reinsurance recoveries against outstanding claims		34,212,132	2,669,270
Deferred commission expense		23,107,064	15,815,151
Prepayments	18	44,931,322	46,546,444
Stationery		60,345	46,173
		218,491,154	120,296,758
Fixed Assets-Tangible & Intangible	19		
Owned			
Land and buildings		77,243,244	54,080,030
Motor vehicles		11,118,184	6,905,139
Furniture & fixtures		6,993,843	6,986,821
Office and computer equipments		3,572,650	3,485,435
Intangible assets		3,263,230	3,269,295
		102,191,151	74,726,719
Leased			
Motor vehicles		42,670,360	22,296,599
TOTAL ASSETS		746,429,025	584,050,950

Director

Director

PROFIT AND LOSS ACCOUNT

FINANCIAL YEAR ENDED DECEMBER 31, 2010

Note	Fire & Property Damage Rupees	Marine Aviation & Transport Rupees	Motor Rupees	Others Rupees	2010 Aggregate Rupees	2009 Aggregate Rupees
Revenue Account						
Net premium revenue	91,942,012	25,598,281	15,905,808	20,668,165	154,114,266	147,868,570
Net claims	(22,662,606)	(2,576,917)	(2,611,793)	(13,057,297)	(40,908,613)	(28,461,829)
Expenses	21 (30,054,927)	(8,367,823)	(5,199,450)	(6,756,217)	(50,378,417)	(48,736,558)
Net commission	(6,933,718)	743,320	(1,648,524)	(4,096,656)	(11,935,579)	(11,598,187)
Underwriting results	<u>32,290,761</u>	<u>15,396,861</u>	<u>6,446,041</u>	<u>(3,242,005)</u>	<u>50,891,657</u>	<u>59,071,996</u>
Investment income / (Loss)					<u>8,997,130</u>	<u>(5,368,751)</u>
Rental income					429,376	429,376
Other income	22				<u>1,266,905</u>	<u>1,699,796</u>
					10,693,411	(3,239,579)
General and administration expenses	23				<u>(22,851,762)</u>	<u>(17,134,755)</u>
Profit before tax					38,733,306	38,697,662
Less: Provision for Taxation	24				<u>(1,442,125)</u>	<u>(4,625,028)</u>
Profit after tax					<u><u>37,291,181</u></u>	<u><u>34,072,635</u></u>
Profit and Loss Appropriation Account						
Balance at commencement of year					<u>91,592,527</u>	<u>110,033,781</u>
Amortization of surplus on revaluation					209,463	220,486
Profit after tax for the year					<u>37,291,181</u>	<u>34,072,635</u>
Profit available for appropriation					129,093,171	144,326,902
Appropriations						
Issuance of bonus shares for the year 2009: 20% per share of Rs. 10 each [2008: 25% per share of Rs. 10 each]					<u>(42,187,500)</u>	<u>(42,187,500)</u>
Transfer to general reserve					<u>(10,600,000)</u>	<u>(10,546,875)</u>
					<u>(52,787,500)</u>	<u>(52,734,375)</u>
Balance unappropriated profit at the end of the year					<u>76,305,671</u>	<u>91,592,527</u>
Earnings / (loss) per share of Rs. 10 Each - Basic and diluted	25				<u>1.47</u>	<u>1.35</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED DECEMBER 31, 2010

	2010 Rupees	2009 Rupees
Profit after tax for the period	37,291,181	34,072,635
Other Comprehensive income	-	-
Total Comprehensive income for the period	<u>37,291,181</u>	<u>34,072,635</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

STATEMENT OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2010

	Share Capital		Reserve for issue of bonus shares Rupees	General reserve Rupees	Retained earnings Rupees	Total Rupees
	Issued for cash Rupees	Other than cash Rupees				
Balance as at January 01, 2009	57,229,760	111,520,240	-	42,203,220	110,033,781	320,987,001
Transferred to general reserve	-	-	-	10,546,875	(10,546,875)	-
Transferred to reserve for issue of bonus shares	-	-	42,187,500	-	(42,187,500)	-
Bonus shares issued	-	42,187,500	(42,187,500)	-	-	-
Profit after taxation	-	-	-	-	34,072,635	34,072,635
Incremental depreciation-net of deferred tax	-	-	-	-	-	-
Reversal of deferred tax liability relating to revaluation surplus	-	-	-	-	220,486	220,486
Balance as at January 01, 2010	57,229,760	153,707,740	-	52,750,095	91,592,527	355,280,122
Transferred to general reserve	-	-	-	10,600,000	(10,600,000)	-
Transferred to reserve for issue of bonus shares	-	-	42,187,500	-	(42,187,500)	-
Bonus shares issued	-	42,187,500	(42,187,500)	-	-	-
Profit after taxation	-	-	-	-	37,291,181	37,291,181
Incremental depreciation-net of deferred tax	-	-	-	-	209,463	209,463
Reversal of deferred tax liability relating to revaluation surplus	-	-	-	-	-	-
Balance as at December 31, 2010	57,229,760	195,895,240	-	63,350,095	76,305,671	392,780,766

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

CASH FLOW STATEMENT

FINANCIAL YEAR ENDED DECEMBER 31, 2010

	2010 Rupees	2009 Rupees
OPERATING CASH FLOW		
a) Underwriting activities		
Premium received	188,197,111	205,348,716
Reinsurance premium paid	(79,955,120)	(72,649,585)
Claims paid	(78,950,263)	(65,985,498)
Reinsurance and other recoveries received	47,308,949	42,961,773
Commission paid	(40,868,229)	(33,625,101)
Commission received	22,925,779	20,816,057
Net cash flow from underwriting activities	58,658,227	96,866,362
b) Other operating activities		
General management expenses paid	(49,356,788)	(41,494,840)
Other operating receipts	13,794,618	3,351,444
Other receipts / (payments) on operating assets	8,939,854	(6,501,017)
Taxes Paid	(4,362,347)	(6,768,067)
Net cash flow from other operating activities	(30,984,663)	(51,412,481)
Total cash flow from operating activities	27,673,564	45,453,881
INVESTMENT ACTIVITIES		
Profit/ Return received	7,126,254	8,651,754
Dividend received	590,478	317,648
Rentals received	429,376	429,376
Payments for investments	(4,576,513)	(4,065,720)
Payments for deposits	22,308,736	(25,526,375)
Fixed Capital Expenditure	(3,761,458)	(5,512,988)
Proceeds from disposal of fixed assets	2,440,496	2,927,132
Total cash flow from investing activities	24,557,369	(22,779,173)
FINANCING ACTIVITIES		
Lease liability paid	(17,029,302)	(11,613,042)
Total cash flow from financing activities	(17,029,302)	(11,613,042)
Net cash inflow/outflow from all activities	35,201,631	11,061,667
Cash at the beginning of the year	54,373,670	43,312,003
Cash at the end of the year	89,575,300	54,373,670

CASH FLOW STATEMENT

FINANCIAL YEAR ENDED DECEMBER 31, 2010

	2010 Rupees	2009 Rupees
Reconciliation to Profit and Loss Account		
Operating cash flows	27,673,564	45,453,881
Depreciation expenses	(11,450,560)	(8,696,263)
Amortization expenses	(339,065)	(341,367)
Financial charges expense	(3,144,576)	(2,129,688)
Investment Income	8,607,807	7,902,410
Provision for impairment	389,323	(13,271,161)
Rent Received	429,376	429,376
Profit/(loss) on disposal of fixed assets	1,266,409	1,661,965
Other Income	496	37,831
Increase/(decrease) in assets other than cash	95,832,811	15,308,352
(Increase)/decrease in liabilities other than running finance	(81,974,404)	(12,282,702)
	<u>37,291,181</u>	<u>34,072,635</u>

Definition of Cash

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

Cash and Bank deposits

Cash and other equivalents		
Cash	500,810	407,864
Cheques in Hand	5,190,000	4,300,000
	5,690,810	4,707,864
Current and other accounts		
Current accounts	62,224,655	34,496,017
PLS savings account	21,610,957	15,121,406
Foreign currency account	48,878	48,382
	83,884,490	49,665,806
	<u>89,575,300</u>	<u>54,373,670</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

STATEMENT OF PREMIUMS

FINANCIAL YEAR ENDED DECEMBER 31, 2010

Business underwritten inside Pakistan

Class	Premiums written Rupees	Unearned premium reserve		Premiums earned Rupees	Reinsurance ceded Rupees	Prepaid Reinsurance Premium Ceded		Reinsurance expenses Rupees	2010 Net premium revenue Rupees	2009 Net premium revenue Rupees
		Opening Rupees	Closing Rupees			Opening Rupees	Closing Rupees			
(Note - 20)										
Direct and facultative 1 Fire and Property damage	148,785,441	56,898,157	64,712,894	140,970,704	51,345,249	21,118,070	23,434,627	49,028,692	91,942,012	88,486,324
2 Marine, aviation & transport	51,597,964	21,573,478	26,714,533	46,456,909	22,932,707	10,210,645	12,284,724	20,858,628	25,598,281	24,153,177
3 Motor	19,532,522	8,658,616	11,358,396	16,832,742	1,232,711	437,274	743,051	926,934	15,905,808	14,819,728
4 Miscellaneous	29,688,130	13,074,442	15,451,402	27,311,170	7,141,686	3,373,786	3,872,467	6,643,005	20,668,165	20,409,341
Total	<u>249,604,057</u>	<u>100,204,693</u>	<u>118,237,225</u>	<u>231,571,525</u>	<u>82,652,353</u>	<u>35,139,775</u>	<u>40,334,869</u>	<u>77,457,259</u>	<u>154,114,266</u>	<u>147,868,570</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

STATEMENT OF CLAIMS

FINANCIAL YEAR ENDED DECEMBER 31, 2010

Business underwritten inside Pakistan

Class	Claims Paid Rupees	Outstanding Claims		Claims expenses Rupees	Reinsurance and other recoveries received Rupees	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue Rupees	2010 Net claims expenses Rupees	2009 Net claims expenses Rupees
		Opening Rupees	Closing Rupees			Opening Rupees	Closing Rupees			
Direct and facultative 1										
1 Fire and property damage	47,231,578	6,883,431	44,836,480	85,184,627	31,865,088	1,696,148	32,353,081	62,522,021	22,662,606	15,250,817
2 Marine, aviation and transport	15,928,993	1,800,212	3,052,512	17,181,293	13,708,447	928,122	1,824,051	14,604,376	2,576,917	2,369,005
3 Motor	3,619,044	954,500	500,750	3,165,294	563,500	45,000	35,000	553,500	2,611,793	2,375,513
4 Miscellaneous	12,170,648	4,701,603	6,444,346	13,913,391	856,093	-	-	856,093	13,057,297	8,466,494
Total	<u>78,950,263</u>	<u>14,339,746</u>	<u>54,834,088</u>	<u>119,444,605</u>	<u>46,993,128</u>	<u>2,669,270</u>	<u>34,212,132</u>	<u>78,535,990</u>	<u>40,908,613</u>	<u>28,461,829</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

STATEMENT OF EXPENSES

FINANCIAL YEAR ENDED DECEMBER 31, 2010

Business underwritten inside Pakistan

Class	Commission paid or payable Rupees	Deferred Commission		Net Commission expense Rupees	Other management expenses Rupees	Underwriting expense Rupees	Commission from reinsurers Rupees	2010 Net underwriting expenses Rupees	2009 Net underwriting expenses Rupees
		Opening Rupees	Closing Rupees						
Direct and facultative					(Note - 21)				
1 Fire and property damage	26,485,879	8,376,448	14,769,177	20,093,150	30,054,927	50,148,077	13,159,432	36,988,645	36,144,794
2 Marine, aviation and transport	7,674,638	3,272,367	4,758,111	6,188,894	8,367,823	14,556,717	6,932,214	7,624,503	7,777,908
3 Motor	2,151,716	1,014,598	1,498,964	1,667,350	5,199,450	6,866,800	18,826	6,847,974	6,686,183
4 Miscellaneous	4,555,996	3,151,738	2,080,812	5,626,922	6,756,217	12,383,139	1,530,266	10,852,873	9,825,860
Total	40,868,229	15,815,151	23,107,064	33,576,317	50,378,417	83,954,734	21,640,738	62,313,996	60,434,745

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

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

STATEMENT OF INVESTMENT INCOME

FINANCIAL YEAR ENDED DECEMBER 31, 2010

	2010 Rupees	2009 Rupees
Income from non-trading investments		
- Income from available for sale investments		
Dividend income	590,478	317,648
- Income from held to maturity investments		
Return on Government Securities	3,625,143	2,156,387
- Return on other fixed income securities & deposits	4,392,186	5,428,375
Provision for diminution in the value of available for sale investment		
Reversal / (Provision)	389,323	(13,271,161)
Net investment income	<u><u>8,997,130</u></u>	<u><u>(5,368,751)</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

Managing Director
& Chief Executive

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2010

1 STATUS AND NATURE OF BUSINESS

The Silver Star Insurance Company Limited (hereinafter called "the Company") is a public limited company incorporated in Pakistan on May 03, 1984 under the repealed Companies Act, 1913 and the business commencement certificate was issued on September 02, 1984. The Company is engaged in providing General Insurance Services in sphere of Fire, Marine, Motor and miscellaneous business in Pakistan. The Company is listed on Karachi, Lahore, and Islamabad Stock Exchanges and is classified as a domestic general insurance company under Insurance Ordinance 2000. The Company has not transacted any insurance or other business outside Pakistan. The registered and head office of the Company is situated at Silver Star House, 5-Bank Square, Lahore.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format of financial statements prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated December 31, 2002.

2.1 Statement of compliance

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, 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.

2.2 Initial application of standard, amendment or an interpretation to an existing standard and forthcoming requirements

2.2.1 *Initial application of standards or interpretations*

The International Accounting standards Board made certain amendments to existing standards as part of its annual improvements project 2009. The effective dates for these amendments vary by standard and most became applicable during the year. These amendments however did not have an impact on the Company's financial statements. The implementation / changes / amendments have not necessitated change in accounting policies. Following standards / interpretations were amended under IASB's annual improvements project 2009.

- IFRS 2 'Share-based payment'.
- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- IFRS 8 'Operating Segments'.
- IAS 1 'Presentation of Financial Statements'.
- IAS 7 'Statement of Cash Flows'.
- IAS 17 'Leases'.

- IAS 18 'Revenue'.
- IAS 36 'Impairment of Assets'.
- IAS 38 'Intangible Assets'.
- IAS 39 'Financial instruments: Recognition and measurement'.
- IFRIC 9 'Reassessment of embedded derivatives'.
- IFRIC 16 'Hedges of net investment in a foreign operation'.

The following standards, amendments and interpretations of approved accounting standards became effective during the year:

- Amendments to IFRS 2 *Share Based Payments Group Cash-settled Share-based Payment Transactions*. The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. This amendment also supersedes IFRIC 8 and IFRIC 11. The amendment has no effect on the financial statements of the Company.
- Revised IFRS 3 *Business Combinations*. This standard has been revised to improve financial reporting while promoting the international convergence of accounting standards. The application of the standard did not have any effect on the Company's financial statements.
- Revised IAS 27 *Consolidated and Separate Financial Statements*. The amendments relate primarily to accounting for non-controlling interests and the loss of control of a subsidiary. The application of the standard did not have any effect on the Company's financial statements.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* - The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment has no effect on the financial statements of the Company as the Company has not entered into any such hedges.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or on the performance of the Company.
- IFRIC 18 *Transfers of Assets from Customers* requires the transferred assets to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period. The interpretation has no effect on the Company as no asset has been transferred to the Company by its policy holders during the year.

2.2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases, unless stated otherwise.

- Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* (effective for annual periods beginning on or after 1 July 2010) grant relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 *Financial instruments: Disclosures*.

- Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* (effective for annual periods beginning on or after 1 July 2011) providing exemption to an entity that has been subject to severe hyperinflation which resumes presenting, or presents for the first time, financial statements in accordance with IFRSs and removal of fixed dates for derecognition and valuation of financial assets and financial liabilities.
- IFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets* (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement.
- IFRS 9 *Financial Instruments* was issued by the International Accounting Standards Board in November 2009 (effective date for annual periods beginning on or after 1 January 2013) as part of its project to replace IAS 39 *Financial Instruments: Recognition and measurement*. The project is expected to be complete by early 2011. The adoption of IFRS 9 may have an impact in respect of the company's financial assets and financial liabilities.
- Amendments to IAS 12 - *Deferred tax* (effective for annual periods beginning on or after January 1, 2012) provide an exception to measurement principle in respect of investment property measured at fair value in accordance with fair value model as envisaged in IAS 40 *Investment Property*.
- IAS 24 - *Related Party Disclosures* (revised 2009) (effective for annual periods beginning on or after 1 January 2011) modifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- Amendments to IAS 32 - *Financial Instruments: Presentation* - (effective for annual periods beginning on or after 1 February 2010 with retrospective application). The amendments address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendment to IFRIC 14 IAS 19 - *The Limit on Defined Benefit Assets, Minimum Funding Requirements and their interaction* (effective for annual periods beginning on or after 1 January 2011 with retrospective application). The amendment clarifies that pre-payments made to a defined benefit pension plan by companies which are subject to minimum funding requirement should be recognised as an asset.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods, beginning on or after 1 July 2010) provides guidance on accounting for "debt for equity swaps". The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

The International Accounting Standards Board (IASB) made certain amendments to existing standards as part of its annual improvements project 2010 in May 2010 (Annual Improvements to IFRSs 2010). The amendments include the list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned award credits. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statement. These amendments are unlikely to have an impact on the Company's financial statements.

Furthermore, International Accounting Standard-1 (IAS-1) (Revised) "Presentation of Financial Statement" was effective for financial years beginning on or after January 01, 2009. However, since the Company has followed the format of financial statements as prescribed by the Securities and Exchange Commission of Pakistan through SEC (Insurance) Rules, 2002 vide its Circular No. 7 of 2003 dated August 27, 2003, therefore changes introduced through IAS-1 (Revised) have not been taken into consideration in preparation of these financial statements.

IFRS 8 - Operating segments introduced the "management approach" to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. However, these have been aggregated in line with the disclosures required by the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.

3 BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention, except for certain investments, which are stated at fair value, and certain obligation under employee retirement benefits which are measured at present value.

3.1 Use of estimates and judgments

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 assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends 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 an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Provision for outstanding claims including IBNR (Note no. 4.1.3)
- Provision for taxation and deferred tax (Note no. 4.3)
- Defined contribution plan (Note no. 4.10)
- Useful lives and residual values of fixed assets (Note no. 4.7)
- Premium deficiency reserve (Note no. 4.1.6)

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest rupee, unless otherwise stated.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

4.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policy holders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

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, aviation and transport
- Motor
- Miscellaneous

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 lost 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 of 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, crop and livestock, 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).

The Company does not issue any insurance contracts with discretionary participation features (DPF) or any investment contracts.

4.1.1 Premium

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the company from policy holders in respect of policies issued, at the rate of 5% of the premium written subject to a maximum of Rs. 2,000 per policy.

Receivables under insurance contracts are recognized when due at the fair value of consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in profit and loss account.

4.1.2 Reinsurance ceded

The Company enters in to reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balance due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsures are estimated in a manner consistent with the provisions for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire.

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in the profit and loss account.

4.1.3 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of incident giving rise to the claims except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

.Provisions for liability in respect of unpaid reported claims are made on the basis of individual case estimates. Provisions for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.1.4 Reinsurance recoveries against outstanding claims

Claims recoveries recoverable from the reinsurer are recognized 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.

4.1.5 Commission expenses and other acquisition costs

Commission expenses and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates, profit commission, if any, which the company may be entitled to under the terms of reinsurance is recognized on accrual basis.

4.1.6 Premium Deficiency Reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability 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 / income in profit and loss account for the year.

For this purpose, loss ratios for each class are estimated based on historical claim development. Historical experience is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is determined.

Based on analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all the classes 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 those classes of business in force at the balance sheet date. Hence no reserve for the same has been made in these financial statements.

4.2 Creditors, accruals and provisions

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 services received, whether or not billed to the Company.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.3 Taxation

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.

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 to the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, pay orders, demand drafts and balances with banks.

4.5 Investments

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

- Held to maturity
- Available for sale

4.5.1.1 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortized cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortized over the term of the investment using the effective yield unless the impact of amortisation is immaterial to the financial statements.

Income from held to maturity investments is recognized 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 amortized and taken to the profit and loss account over the term of investment.

4.5.1.2 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity are classified as available for sale .

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002. The Company uses latest stock exchange quotation to determine the market value of its quoted investments.

Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend and bonus shares is established.

Gain / (loss) on sale of available for sale investments are recognized in profit and loss account.

Return on fixed income securities classified as available-for-sale is recognized on a time proportion basis.

4.6 Rental and Other income

Rental and other incomes are recognized as and when accrued.

4.7 Fixed assets

Tangible-Owned

These are stated at cost less accumulated depreciation except for freehold land, which is stated at cost, and certain buildings which are stated at revalued amount so as to keep the carrying value equal to the fair market value of the asset.

Depreciation on all fixed assets is charged to profit and loss account on the reducing balance method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 26. Depreciation on additions to fixed assets is charged on "number of day's basis".

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount. The Company's estimate of the residual value of its fixed assets as at 31 December 2010 did not require any adjustment as its impact is considered insignificant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Tangible-Leased

-Finance Lease

Assets held under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and their fair value. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities.

Assets acquired are depreciated over their expected useful life on reducing balance method on the basis of number of days, at the rates mentioned in the relevant note.

Intangible

Cost of Intangible is only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

4.8 Surplus on Revaluation of Fixed Assets

In accordance with the provisions of section 235 of the Companies Ordinance, 1984 and SRO 45(1) 2003, the Company has the policy to charge surplus account for incremental depreciation of related revalued assets by transferring the amounts to retained earnings.

4.9 Investment property

Investment properties are accounted for under the cost model where building is depreciated at 5% using the reducing balance method.

4.10 Staff retirement benefits

Defined Contribution Plan:

The Company operates an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10 percent of basic salary.

4.11 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is included in the profit and loss account for the year

Financial instruments carried on the balance sheet include cash and bank deposits, investments, premium due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves detained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.11.1 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.12 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.

Based on its classification of insurance contracts issued, the Company has four primary business segments for reporting purposes namely fire, marine, motor and miscellaneous. The nature and business activities of these segments are disclosed in respective notes to the Financial Statements.

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

4.13 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. In addition impairment on available for sale investments and reinsurance assets are recognized as follows:

4.13.1 Available for sale

The Company determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged required judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

4.13.2 Reinsurance Assets

The Company determines the impairment of the reinsurance assets by looking at objective evidence, as a result of an event that occurred after initial recognition of the reinsurance assets, which indicates that the Company may not be able to recover amount due from reinsurer under the terms of reinsurance contract. In addition the Company also monitors the financial ratings of its reinsurers on each reporting date.

4.13.3 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the date of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.14 Expenses of management

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

4.15 Zakat

Zakat on investment income is accounted for in the year of deduction, under Zakat & Ushr Ordinance, 1980.

		Note	2010 Rupees	2009 Rupees
5	SHARE CAPITAL			
5.1	Authorized Share Capital			
	2010 (Number of shares)	2009 (Number of shares)		
	<u>30,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs. 10 each.	<u>300,000,000</u>
5.2	PAID-UP SHARE CAPITAL			
	Issued, subscribed and paid up share capital			
	2010 (Number of Shares)	2009 (Number of Shares)		
	5,722,976	5,722,976	Ordinary shares of Rs. 10/- each fully paid in cash	57,229,760
	19,589,524	15,370,774	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	153,707,740
	<u>25,312,500</u>	<u>21,093,750</u>		<u>253,125,000</u>
	Reconciliation of issued, subscribed and paid up share capital			
	2010 (Number of Shares)	2009 (Number of Shares)		
	21,093,750	16,875,000	At the beginning of the year	168,750,000
	4,218,750	4,218,750	Bonus shares issued during the year	42,187,500
	<u>25,312,500</u>	<u>21,093,750</u>	At the end of the year	<u>253,125,000</u>
	No ordinary shares of the Company are held by the associated Companies (2009:NIL).			
6.	RESERVES			
	Reserve for bonus shares	6.1	-	-
	Revenue reserve	6.2	<u>63,350,095</u>	<u>52,750,095</u>
			<u>63,350,095</u>	<u>52,750,095</u>
6.1.	Reserve for bonus shares			
	- Balance at the beginning of the year		-	-
	- Transfer from unappropriated profit		42,187,500	42,187,500
	- Bonus share issued		(42,187,500)	(42,187,500)
	- Balance at the end of the year		-	-

	Note	2010 Rupees	2009 Rupees
6.2	Revenue reserves		
	General reserve		
	- Balance at the beginning of the year	52,750,095	42,203,220
	- Transfer from unappropriated profit	10,600,000	10,546,875
	- Balance at the end of the year	<u>63,350,095</u>	<u>52,750,095</u>

7. SURPLUS ON REVALUATION OF FIXED ASSETS

The land and building of the company were revalued by an independent valuer as on 24 December, 2010 resulting in surplus of Rs.31,639,096 which was charged to surplus on revaluation of fixed assets as per requirements of section 235 of Companies Ordinance 1984. Revaluation surplus is carried at the amount after adjustments of deferred taxation.

		2010 Rupees	2009 Rupees
	Movement in Surplus on revaluation of fixed assets		
	Opening balance	36,828,570	37,049,056
	Less: Incremental depreciation transferred to retained earnings	(322,250)	(339,209)
	Less: Deferred tax adjustment - net off incremental depreciation	112,787	118,723
		(209,463)	(220,486)
	ADD:		
	Additions of surplus on revaluation	31,890,250	-
	Transferred to deferred tax	(251,154)	-
		31,639,096	-
	Less: Surplus related to investment property	(7,638,643)	-
	Balance as on 31st December, 2010	<u>60,619,560</u>	<u>36,828,570</u>

7.1 The incremental depreciation charged on revalued assets has been transferred to equity as per SECP S.R.O. 45(1)/ 2003 read along with Section 235 of Companies Ordinance, 1984.

7.2 Surplus on revaluation undertaken as at December 24, 2010 of Land & Buildings have been arrived at as follows;

	Total Rupees	Land Rupees	Building Rupees
Values as at December 31, 2009	72,685,226	42,800,000	29,885,226
Accumulated depreciation	7,262,675	-	7,262,675
Depreciation from January 2010 to December 2010	1,131,127	-	1,131,127
	<u>8,393,802</u>	-	<u>8,393,802</u>
Written down value as at December 2010	64,291,424	42,800,000	21,491,424
Revalued amounts	96,181,674	73,972,666	22,209,008
Revaluation Surplus	<u>31,890,250</u>	<u>31,172,666</u>	<u>717,584</u>

7.2.1 The amount of revaluation surplus relating to investment property is not included in the revaluation surplus as the company follows the cost model for investment property as per company policy.

7.3 If there had been no revaluation, the related figures of Land & Buildings as at December 31, 2010 would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees
	<u> </u>	<u> </u>	<u> </u>
Land	10,432,000	-	10,432,000
Buildings	8,036,157	4,433,246	3,602,911
Total	<u>18,468,157</u>	<u>4,433,246</u>	<u>14,034,911</u>

	2010 Rupees	2009 Rupees
8. DEFERRED TAXATION		
The liability / (asset) for deferred taxation comprises timing differences relating to :		
Accelerated Depreciation	8,362,374	9,161,247
Provision for doubtful debts	(4,675,787)	(2,569,601)
Lease liability	2,802,002	2,272,495
Revaluation surplus	2,394,107	2,255,740
Unused tax losses	(3,303,760)	(3,303,760)
	<u>5,578,936</u>	<u>7,816,121</u>

	Note	2010 Rupees	2009 Rupees
9. OTHER CREDITORS AND ACCRUALS			
Provision for Government Levies		50,090,097	30,127,253
Others		2,696,973	933,466
		<u>52,787,070</u>	<u>31,060,719</u>

10. OBLIGATION UNDER FINANCE LEASE

The amount of future minimum lease payments under the finance lease agreements together with the present value of minimum lease payments and financial charges allocable to future periods in which these payments will become due, are as under:

	2010		2009	
	Minimum lease payments Rupees	Present value of MLP Rupees	Minimum lease payments Rupees	Present value of MLP Rupees
Due within one year	16,298,702	12,602,578	7,973,496	6,780,161
Due after one year but not later than five years	24,274,041	22,062,061	9,477,914	9,023,594
Total minimum lease payments	40,572,743	34,664,639	17,451,410	15,803,755
Less:				
Lease finance charges allocable to future periods	5,908,104	-	1,647,655	-
Present value of minimum lease payments	34,664,639	34,664,639	15,803,755	15,803,755
Less:				
Current maturity under finance lease	12,602,578	12,602,578	6,780,147	6,780,147
Long term liability	<u>22,062,061</u>	<u>22,062,061</u>	<u>9,023,608</u>	<u>9,023,608</u>

- 10.1 The rentals are payable in equal monthly installments.
 10.2 Implicit interest rate ranges between 8% to 21% (2009: 8% to 21%) subject to KIBOR fluctuations.
 10.3 Lease agreement is terminable only with the consent of lessor.
 10.4 All taxes, duties, fees, insurance costs and repair costs are to be borne by the lessee.
 10.5 The company has an option to purchase the assets upon completion of lease period and intends to exercise the option.

11 CONTINGENCIES AND COMMITMENTS

- 11.1 The company, at year end, has no known unreported contingencies and commitments. (2009 : Nil)

	Note	2010 Rupees	2009 Rupees
12 CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		500,810	407,864
Cheques in hand		5,190,000	4,300,000
		<u>5,690,810</u>	<u>4,707,864</u>
Current and other accounts			
Foreign currency accounts		48,878	48,382
Current accounts		62,224,655	34,496,017
PLS saving accounts	12.1	21,610,957	15,121,406
		83,884,490	49,665,806
Deposits maturing within 12 months	12.2	231,622,282	257,159,726
Deposits maturing after 12 months		7,567,725	4,339,017
		<u>328,765,307</u>	<u>315,872,413</u>
12.1	The balances in PLS saving accounts carry mark-up from 6% to 15% per annum (2009: 6% to 15%).		
12.2	The rate of return on Term Deposit Certificates issued by various banks range from 13% - 15% (2009:13%-15%) per annum due on maturity. These Term Deposit Certificates have maximum maturities period up to May 31,2011.		
13. LOANS TO EMPLOYEES			
Considered Good Unsecured	13.1	<u>6,696,771</u>	<u>8,167,281</u>
13.1	These represent interest free loans to employees for general purposes in accordance with the terms of their employment and are recoverable within one year.		
14 INVESTMENTS			
Held to maturity	14.1	25,842,215	21,265,702
Available for sale	14.2	10,472,280	10,082,957
		<u>36,314,495</u>	<u>31,348,658</u>

14.1 Held to maturity - Government securities

Face Value (Rupees)	Profit rate %	Profit payment	Particulars	Maturity date	2010 Rupees	2009 Rupees
2,200,000	8%	Semi annually	Pakistan Investment Bond - 10 years	October 2013	2,244,000	2,244,000
15,000,000	12%	Semi annually	Pakistan Investment Bond - 10 years	August 2018	14,925,011	14,925,011
4,000,000	10%	Semi annually	Pakistan Investment Bond - 3 years	September 2012	4,096,691	4,096,691
4,400,000	12%	Semi annually	Pakistan Investment Bond - 10 years	September 2019	4,576,513	-
<u>25,600,000</u>					<u>25,842,215</u>	<u>21,265,702</u>

14.1.1 Market value of Pakistan Investment Bonds as at December 31,2010 is Rs. 25,789,781/- (2009: Rs. 21,904,098/-).

14.1.2 Pakistan Investment Bonds are placed as statutory deposit with state Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 29 of Insurance Ordinance, 2000.

	Note	2010 Rupees	2009 Rupees
14.2 Available for sale - quoted			
Cost	14.2.1	23,354,118	23,354,118
Less: Provision for Impairment of investment	14.2.2	(12,881,838)	(13,271,161)
		<u>10,472,280</u>	<u>10,082,957</u>

14.2.1 Available for sale- Marketable securities

No. of Shares/ Certificates		Face value Rupees	Company's name	2010	2009
2010	2009			Rupees	Rupees
<u>Modarabas</u>					
575	575	10	I.B.L. Modaraba	15,220	15,220
5,000	5,000	5	L T V Cap. Modaraba	2,250	2,250
400	400	10	Trust Modaraba	1,480	1,480
<u>Investment Banks</u>					
275	275	10	Innovative Housing Finance	236,219	236,219
509	509	10	Security Investment Bank Ltd.	6,026	6,026
62	62	10	Trust Leasing & Invst. Bank	978	978
55,000	55,000	10	J.O.V.& Co.	3,252,395	3,252,395
<u>Commercial Banks</u>					
43,851	35,854	10	Askari Commercial Bank Ltd.	2,082,490	2,082,490
112	112	10	Bank Alfalah Ltd.	4,809	4,809
150	150	10	Samba/Crescent Commercial Bank Ltd.	2,938	2,938
131,095	113,013	10	Habib Metropolitan Bank Ltd.	4,185,827	4,185,827
2,196	2,196	10	The Bank of Punjab	130,502	130,502
10,010	10,010	10	Standard Chartered Bank Pak. Ltd.	546,507	546,507
37,500	30,000	10	National Bank of Pakistan	4,449,000	4,449,000
<u>Insurance Companies</u>					
12,077	11,111	10	EFU General Ins. Co. Ltd.	4,326,542	4,326,542
20,000	20,000	10	Pakistan Reinsurance Co.Ltd	1,663,000	1,663,000
<u>Refinery</u>					
50,000	50,000	10	Bosicor Pakistan Ltd.	760,000	760,000
<u>Textile Spinning</u>					
250	250	10	Amin Spinning Ltd.	975	975
<u>Textile Composite</u>					
39	39	10	Nishat Chunian Ltd.	849	849
<u>Cement and Building</u>					
80	80	10	Cherat Cement Co. Ltd	3,966	3,966
20,000	20,000	10	Lafrage Pakistan Cement	301,000	301,000
<u>Oil and Gas Marketing</u>					
12,500	10,000	10	Sui Southern Gas Company Ltd.	289,058	289,058
<u>Power Generation and Distribution</u>					
10,648	10,648	10	Karachi Electric Supply Co. Ltd.	188,496	188,496
<u>Fertilizer</u>					
25,000	25,000	10	Fauji Fertilizer Bin Qasim Ltd.	903,590	903,590
Total				23,354,118	23,354,118

Market value of quoted available for sale investments is Rs.10,472,280 (2009: Rs. 10,082,957).

	<u>2010</u> Rupees	<u>2009</u> Rupees
14.2.2 Provision for impairment of investment		
Balance at the beginning of the year	13,271,161	-
add: provision/ (reversals) for the year	(389,323)	13,271,161
	<u>12,881,838</u>	<u>13,271,161</u>

15. INVESTMENT PROPERTY

Particulars	C O S T / R E V A L U A T I O N			R A T E %	D E P R E C I A T I O N			W. D. V.	
	As at 1/1/2010	Addition	Transfer		As at 31/12/2010	As at 1/1/2010	For the year	As at 31/12/2010	As at 31/12/2010
	Rupees				Rupees				
Land	10,487,840	-	10,487,840		-	-	-	-	10,487,840
Building	1,389,750	-	1,389,750	5	535,068	42,734	577,802	811,948	
Total 2010	<u>11,877,590</u>	<u>-</u>	<u>11,877,590</u>		<u>535,068</u>	<u>-</u>	<u>42,734</u>	<u>577,802</u>	<u>11,299,788</u>
Total 2009	<u>11,877,590</u>	<u>-</u>	<u>11,877,590</u>		<u>490,085</u>	<u>-</u>	<u>44,983</u>	<u>535,068</u>	<u>11,342,522</u>

15.1 The market value of investment property is estimated at Rs. 18.94 million. (2009: 9.15 million)

16. PREMIUM DUE BUT UNPAID		2010 Rupees	2009 Rupees
	Note		
Unsecured			
– Considered good		113,705,539	53,320,222
– Considered doubtful		<u>12,121,247</u>	<u>11,099,618</u>
		125,826,786	64,419,840
Provision for doubtful receivables	16.1	<u>(12,121,247)</u>	<u>(11,099,618)</u>
		<u>113,705,539</u>	<u>53,320,222</u>
16.1. Provision for doubtful receivables			
Balance at the beginning of the year		11,099,618	4,996,045
Provision made during the year		<u>1,021,629</u>	<u>6,103,573</u>
Balance at the end of the year		<u>12,121,247</u>	<u>11,099,618</u>
17. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS			
Unsecured			
– Considered good		<u>1,515,185</u>	<u>1,831,006</u>
– Considered doubtful		<u>1,238,145</u>	<u>1,238,145</u>
		2,753,330	3,069,151
Provision for doubtful receivables		<u>(1,238,145)</u>	<u>(1,238,145)</u>
		<u>1,515,185</u>	<u>1,831,006</u>
17.1. Provision for doubtful receivables			
Balance at the beginning of the year		1,238,145	-
Provision made during the year		-	1,238,145
Balance at the end of the year		<u>1,238,145</u>	<u>1,238,145</u>
18. PREPAYMENTS			
Prepaid reinsurance premium		40,334,869	35,139,775
Advance rent		24,000	-
Advance tax		2,194,489	1,535,363
Other advances - considered good		-	7,500,000
Other receivables		<u>2,377,964</u>	<u>2,371,306</u>
		<u>44,931,322</u>	<u>46,546,444</u>
19. FIXED ASSETS			
Owned assets - tangible	19.1	98,927,921	71,457,424
- intangible	19.2	3,263,230	3,269,295
Leased - tangible	19.1	<u>42,670,360</u>	<u>22,296,599</u>
		<u>144,861,511</u>	<u>97,023,318</u>

19.1 Owned assets - tangible, Leased assets - tangible

Cost	Owned Assets							Leased Assets		Grand Total
	Land Rupees	Building Rupees	Motor vehicles Rupees	Furniture & fixture Rupees	Office equipment Rupees	Computer equipment Rupees	Total Rupees	Motor vehicles Rupees	Total Rupees	
Balance as at January 01, 2009	32,312,160	26,370,167	22,440,622	10,438,999	4,110,009	3,147,466	98,819,424	25,083,755	25,083,755	123,903,179
Additions during the year	-	2,125,309	1,174,252	1,010,630	239,739	413,058	4,962,988	9,874,243	9,874,243	14,837,231
Disposals	-	-	(3,665,400)	-	(367,455)	(942,520)	(4,975,375)	-	-	(4,975,375)
Transfers/ Adjustments	-	-	2,593,815	-	-	-	2,593,815	(2,593,815)	(2,593,815)	-
Balance as at December 31, 2009	<u>32,312,160</u>	<u>28,495,476</u>	<u>22,543,289</u>	<u>11,449,629</u>	<u>3,982,293</u>	<u>2,618,004</u>	<u>101,400,852</u>	<u>32,364,183</u>	<u>32,364,183</u>	<u>133,765,035</u>
Balance as at January 01, 2010	32,312,160	28,495,476	22,543,289	11,449,629	3,982,293	2,618,004	101,400,852	32,364,183	32,364,183	133,765,035
Additions during the year	-	-	1,987,820	733,133	207,225	500,280	3,428,458	32,745,610	32,745,610	36,174,068
Disposals	-	-	(2,383,830)	-	-	-	(2,383,830)	-	-	(2,383,830)
Revaluation surplus	23,534,023	717,584	-	-	-	-	24,251,607	-	-	24,251,607
Transfers/ Adjustments	-	-	11,523,681	-	-	-	11,523,681	(11,523,681)	(11,523,681)	-
Balance as at December 31, 2010	<u>55,846,183</u>	<u>29,213,060</u>	<u>33,670,960</u>	<u>12,182,762</u>	<u>4,189,518</u>	<u>3,118,284</u>	<u>138,220,768</u>	<u>53,586,112</u>	<u>53,586,112</u>	<u>191,806,880</u>
Depreciation										
Balance as at January 01, 2009	-	5,636,669	15,528,291	3,751,900	1,451,146	2,371,866	28,739,872	6,367,900	6,367,900	35,107,772
Charge for the year	-	1,090,938	1,573,181	710,908	271,640	259,515	3,906,182	4,745,098	4,745,098	8,651,280
Depreciation on disposal	-	-	(2,508,735)	-	(328,782)	(910,523)	(3,748,040)	-	-	(3,748,040)
Transfers/ Adjustments	-	-	1,045,414	-	-	-	1,045,414	(1,045,414)	(1,045,414)	-
Balance as at December 31, 2009	<u>-</u>	<u>6,727,607</u>	<u>15,638,151</u>	<u>4,462,808</u>	<u>1,394,004</u>	<u>1,720,858</u>	<u>29,943,428</u>	<u>10,067,584</u>	<u>10,067,584</u>	<u>40,011,012</u>
Balance as at January 01, 2010	-	6,727,607	15,638,151	4,462,808	1,394,004	1,720,858	29,943,428	10,067,584	10,067,584	40,011,012
Charge for the year	-	1,088,393	2,861,162	726,111	269,710	350,580	5,295,956	6,111,870	6,111,870	11,407,826
Depreciation on disposal	-	-	(1,210,239)	-	-	-	(1,210,239)	-	-	(1,210,239)
Transfers/ Adjustments	-	-	5,263,702	-	-	-	5,263,702	(5,263,702)	(5,263,702)	-
Balance as at December 31, 2010	<u>-</u>	<u>7,816,000</u>	<u>22,552,776</u>	<u>5,188,919</u>	<u>1,663,714</u>	<u>2,071,438</u>	<u>39,292,847</u>	<u>10,915,752</u>	<u>10,915,752</u>	<u>50,208,599</u>
Written down value as at December 31, 2009	<u>32,312,160</u>	<u>21,767,869</u>	<u>6,905,138</u>	<u>6,986,820</u>	<u>2,588,289</u>	<u>897,146</u>	<u>71,457,424</u>	<u>22,296,599</u>	<u>22,296,599</u>	<u>93,754,023</u>
Written down value as at December 31, 2010	<u>55,846,183</u>	<u>21,397,060</u>	<u>11,118,184</u>	<u>6,993,843</u>	<u>2,525,804</u>	<u>1,046,846</u>	<u>98,927,921</u>	<u>42,670,360</u>	<u>42,670,360</u>	<u>141,598,281</u>
Rate of depreciation (%)	-	5%	20%	10%	10%	30%	-	20%	-	-

19.1.1 No depreciation has been charged on revaluation surplus arising on revaluation carried out in current year. The revaluation was finalized on 24 December, 2010 by an independent valuer.

19.2 Owned assets - intangible

Cost	Website Development Rupees	Network Resources Rupees	Computer Software Rupees	Total Rupees
Balance as at January 01, 2009	45,000	55,000	3,407,000	3,507,000
Additions during the year	-	-	550,000	550,000
Disposals	-	-	-	-
Transfers/ Adjustments	-	-	-	-
Balance as at December 31, 2009	<u>45,000</u>	<u>55,000</u>	<u>3,957,000</u>	<u>4,057,000</u>
Balance as at January 01, 2010	45,000	55,000	3,957,000	4,057,000
Additions during the year	8,000	-	325,000	333,000
Disposals	-	-	-	-
Transfers/ Adjustments	-	-	-	-
Balance as at December 31, 2010	<u>53,000</u>	<u>55,000</u>	<u>4,282,000</u>	<u>4,390,000</u>
Depreciation				
Balance as at January 01, 2009	13,507	15,477	417,354	446,338
Charge for the year	3,149	3,952	334,266	341,367
Depreciation on disposal	-	-	-	-
Transfers/ Adjustments	-	-	-	-
Balance as at December 31, 2009	<u>16,656</u>	<u>19,429</u>	<u>751,620</u>	<u>787,705</u>
Balance as at January 01, 2010	16,656	19,429	751,620	787,705
Charge for the year	3,634	3,557	331,874	339,065
Depreciation on disposal	-	-	-	-
Transfers/ Adjustments	-	-	-	-
Balance as at December 31, 2010	<u>20,290</u>	<u>22,986</u>	<u>1,083,494</u>	<u>1,126,770</u>
Written down value as at December 31, 2009	<u>28,344</u>	<u>35,571</u>	<u>3,205,380</u>	<u>3,269,295</u>
Written down value as at December 31, 2010	<u>32,710</u>	<u>32,014</u>	<u>3,198,506</u>	<u>3,263,230</u>
Rate of depreciation (%)	10%	10%	10%	-

19.3 DISPOSAL OF FIXED ASSETS

The following assets disposed off during the year.

Particulars	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Sale Proceeds Rupees	Gain / (Loss) on Sale Rupees	Mode of Disposal	Particulars of Buyers	
Vehicles								
Toyota Corolla Xli LEF2295	926,500	479,851	446,649	1,025,000	578,351	Negotiation	Mr. Muhammad Mushtaq CNIC# 35202-6520314-7	Other
Honda Civic LEH 9332	1,457,330	730,388	726,942	1,415,000	688,058	Negotiation	Mr. Imran Hussain CNIC # 35202-5366641-1	Other
Total	2,383,830	1,210,239	1,173,591	2,440,000	1,266,409			

19.3.1 No assets were sold to any director, executives or shareholders having more than 10% share holding.

		2010	2009
20. ADMINISTRATIVE SURCHARGE	Note	Rupees	Rupees
Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:			
Fire and property damage		6,999,541	5,187,873
Marine, aviation and transport		1,728,178	1,661,298
Motor		689,110	503,999
Miscellaneous		1,192,324	1,366,076
		<u>10,609,153</u>	<u>8,719,246</u>
21. MANAGEMENT EXPENSES			
Salaries, wages and benefits		22,818,138	19,163,616
Rent expenses		2,252,000	1,210,940
Electricity expenses		1,533,654	404,295
Telephone expenses		1,327,987	946,574
Printing and stationery expenses		3,664,598	3,553,680
Traveling and conveyance expenses		8,356,506	5,394,457
Legal and professional expenses		2,789,227	2,478,102
Provision for doubtful debts		1,021,629	7,341,718
Advertisement expenses		167,935	1,927,250
Other expenses		6,446,743	6,315,926
		<u>50,378,417</u>	<u>48,736,558</u>

	Note	2010 Rupees	2009 Rupees
22. OTHER INCOME			
Income from non-financial assets			
Gain on sale of fixed assets		1,266,409	1,661,965
Amortization of sale and lease back		-	4,200
Miscellaneous income		496	33,631
		<u>1,266,905</u>	<u>1,699,796</u>
23. GENERAL AND ADMINISTRATION EXPENSES			
Directors' & Executive's remuneration		6,938,397	4,952,298
Auditors' remuneration	23.1	720,000	654,530
Professional & service charges		11,000	110,800
Depreciation	15 & 19	11,450,560	8,696,263
Professional Tax		75,000	75,000
Property Tax		173,164	174,808
Lease rent & other charges		3,144,576	2,129,688
Amortization of intangible assets	19.2	339,065	341,367
		<u>22,851,762</u>	<u>17,134,755</u>

23.1. AUDITORS' REMUNERATION

	Ilyas Saeed & Company CA's Rupees	SARWARS CA's Rupees	Total 2010 Rupees	Total 2009 Rupees
Annual Audit fee	170,000	170,000	340,000	300,000
Fee for half yearly review	65,000	65,000	130,000	120,000
Out of pocket	20,000	20,000	40,000	34,530
Other Charges	55,000	55,000	110,000	100,000
Taxation Services	-	100,000	100,000	100,000
	<u>310,000</u>	<u>410,000</u>	<u>720,000</u>	<u>654,530</u>

	2010 Rupees	2009 Rupees
24. TAXATION - NET		
Current	3,930,464	3,829,081
Deferred	(2,488,339)	795,947
	<u>1,442,125</u>	<u>4,625,028</u>

24.1	Reconciliation between effective and applicable tax rate	Percentage %	
		2010	2009
	Applicable tax rate	35.00	35.00
	- Effect of exempted income	(8.17)	(7.58)
	- Effect of tax on amounts deductible for tax purposes	(16.05)	(19.63)
	- Effect of opening deferred tax	(7.06)	4.16
	Effective tax rate	<u>3.72</u>	<u>11.95</u>

25. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share are calculated by dividing the net profit /(loss) for the year by the weighted average number of shares as at the year end as follows:

Profit / (loss) after tax for the year	<u>37,291,181</u>	<u>34,072,635</u>
	(Number of shares)	
Weighted average number of shares of Rs. 10 each	<u>25,312,500</u>	<u>25,312,500</u>
	(Rupees per share)	
Earnings / (loss) per share of Rs. 10 each	<u>1.47</u>	<u>1.35</u>

25.1 No figure of diluted earnings per share has been presented as the company has not issued any instrument which would have an impact on earnings per share when exercised.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to Chairman, Chief Executive, and Directors of the Company is as follows:

Description	Chairman		Chief Executive		Directors	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Managerial Remuneration	1,421,332	1,003,998	1,965,332	1,435,998	796,003	581,665
House Rent Allowance	710,668	502,002	982,668	718,002	397,997	290,835
Utilities	-	-	-	-	-	-
Bonus	130,000	72,000	180,000	108,000	78,267	38,800
Provident Fund	-	-	196,532	143,598	79,598	57,400
Leave Encashment	-	-	-	-	-	-
Total	<u>2,262,000</u>	<u>1,578,000</u>	<u>3,324,532</u>	<u>2,405,598</u>	<u>1,351,865</u>	<u>968,700</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

27. OPERATING SEGMENT

The company has primary business segments for reporting purpose namely fire, marine, motor and miscellaneous.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of gross premium written by the segments.

	FIRE		MARINE		MOTOR		MISCELLANEOUS		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
 Rupees									
SEGMENT ASSETS										
Segment assets	<u>139,238,326</u>	<u>59,269,548</u>	<u>42,685,228</u>	<u>23,850,828</u>	<u>11,293,500</u>	<u>4,958,192</u>	<u>19,657,735</u>	<u>13,374,094</u>	<u>212,874,789</u>	<u>101,452,663</u>
Unallocated corporate assets									<u>533,554,236</u>	<u>482,598,287</u>
CONSOLIDATED TOTAL ASSETS									<u><u>746,429,025</u></u>	<u><u>584,050,950</u></u>
SEGMENT LIABILITIES										
Segment liabilities	<u>119,829,396</u>	<u>70,766,954</u>	<u>35,130,332</u>	<u>27,303,142</u>	<u>12,378,047</u>	<u>9,780,992</u>	<u>23,557,089</u>	<u>14,200,163</u>	<u>190,894,864</u>	<u>122,051,251</u>
Unallocated corporate liabilities									<u>102,133,835</u>	<u>69,891,007</u>
CONSOLIDATED TOTAL LIABILITIES									<u><u>293,028,699</u></u>	<u><u>191,942,258</u></u>
Capital expenditure	<u>21,761,346</u>	<u>9,033,454</u>	<u>7,546,714</u>	<u>3,036,910</u>	<u>2,856,825</u>	<u>1,113,566</u>	<u>4,342,183</u>	<u>2,203,301</u>	<u>36,507,068</u>	<u>15,387,231</u>
Depreciation	<u>7,002,155</u>	<u>5,279,355</u>	<u>2,428,309</u>	<u>1,774,839</u>	<u>919,241</u>	<u>650,793</u>	<u>1,397,186</u>	<u>1,287,659</u>	<u>11,746,891</u>	<u>8,992,647</u>

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, credit risks, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

28.1 Credit risk and concentration of 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.

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. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	2010 Rupees	2009 Rupees
Current and other accounts	83,884,490	49,665,806
Deposits	239,190,007	261,498,743
Investments - Held to maturity	25,842,215	21,265,702
Premium due but unpaid	113,705,539	53,320,222
Amounts due from other insurers/reinsurers	1,515,185	1,831,006
Accrued investment income	959,567	68,492
Reinsurance recoveries against outstanding claims	34,212,132	2,669,270
Other receivables	2,377,964	2,371,306
	501,687,099	392,690,546

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due. During the year premium due but unpaid amounting to Rs. 1,021,629 were further impaired and provided for. The remaining past due balances were not impaired as they relate to a number of policyholders and other insurers / reinsurers for whom there is no recent history of default.

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

	Rating	Rating agency	2010 Rupees	2009 Rupees
Allied Bank Limited	AA	PACRA	28,299,624	5,777,343
Al-Baraka Islamic Bank	A	JCR-VIS	146,266	-
Bank of Punjab	AA-	PACRA	2,752,406	5,690,596
Bank Al-Habib Limited	AA+	PACRA	1,035,779	-
Bank Islamic Limited	AA-	PACRA	1,000	-
Habib Bank Limited	AA+	JCR - VIS	4,277,860	5,034,084
MCB Bank Limited	A	PACRA	74,371	3,099,083
National Bank of Pakistan	A-	JCR - VIS	5,093,894	1,466,636
Standard Chartered Bank	AAA	PACRA	96,071	138,124
United Bank Limited	AA+	JCR-VIS	941,549	2,795,690
NIB Bank Limited	AA-	PACRA	8,105,259	4,328,661
Bank of Khyber	BBB	PACRA	10,921	10,920
Bank Alfalah Limited	AA	PACRA	703,362	305,706
Soneri Bank Limited	AA-	PACRA	948,108	1,921,957
Silk Bank Limited	A-	JCR-VIS	1,813,000	1,982,859
Askari Bank Limited	AA	PARCA	7,380,677	2,002,501
Punjab Provincial Cooperative Bank	CCC	JCR-VIS	4,211,294	2,498,863
Habib Metropolitan Bank Limited	AA+	PACRA	3,466,717	1,812,554
Faysal Bank Limited	AA-	PACRA	5,058,722	3,259,660
KASB Bank Limited	A	PACRA	58,183	1,746,804
JS Bank Limited	A	PACRA	21,883	4,285,635
Atlas Bank Limited	A--	PACRA	9,387,546	1,508,131

The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets	2010	2009
..... Rupees					
A or above (including PRCL)	1,515,185	34,212,132	40,334,869	76,062,186	39,640,051
BBB	-	-	-	-	-
Others	-	-	-	-	-
Total	<u>1,515,185</u>	<u>34,212,132</u>	<u>40,334,869</u>	<u>76,062,186</u>	<u>39,640,051</u>

28.2 Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

On the balance sheet date the company has cash and bank balance of Rs. 83,884,490 (2009:Rs . 49,665,806).

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis

	2010			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	Rupees			
Financial liabilities				
Claims Outstanding	54,834,088	54,834,088	54,834,088	-
Amount due to other insurers / reinsurers	6,630,984	6,630,984	6,630,984	-
Other creditors and accruals	52,787,070	52,787,070	52,787,070	-
Liabilities against assets subject to finance lease	34,664,639	40,572,743	16,298,702	24,274,041
	<u>148,916,781</u>	<u>154,824,885</u>	<u>130,550,844</u>	<u>24,274,041</u>
	2009			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	Rupees			
Financial liabilities				
Claims Outstanding	14,339,746	13,182,970	13,182,970	-
Amount due to other insurers / reinsurers	3,933,751	3,933,751	3,933,751	-
Other creditors and accruals	31,060,719	31,060,719	31,316,852	-
Liabilities against assets subject to finance lease	15,803,755	15,803,755	6,780,161	9,023,594
	<u>65,137,971</u>	<u>63,981,195</u>	<u>55,213,734</u>	<u>9,023,594</u>

28.3 Market Risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters by optimizing the result. The market risk associated with company's business activities are interest/mark-up rate risk and price risk. The company is not exposed to material currency risk.

a) Interest/mark-up rate risk

Interest/mark-up rate risk is the risk that value of financial instrument or future cash flows of the financial instruments will fluctuate due to changes in market interest/mark-up rates. Sensitivity to interest/mark-up rate risk arises from mismatches of financial assets and liabilities the mature or reprice in a given period. The company manages these mismatched through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2010	2009	2010	2009
	Effective interest rate (%)		Carrying amount	
			Rupees	
Financial assets				
PLS savings account	6% - 15%	6% - 15%	<u>21,610,957</u>	<u>15,121,406</u>
TDRs	13% - 15%	13% - 15%	<u>239,190,007</u>	<u>261,498,743</u>
PIBs	8% - 12%	7% - 12%	<u>25,842,215</u>	<u>21,265,702</u>
Financial liabilities				
Finance lease	8% - 21%	8% - 21%	<u>34,664,639</u>	<u>15,803,755</u>

b) Price risk

Price risk represents the risk that the fair value of financial instrument will fluctuate because of changes in the market prices (other than arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factor affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 23,354,118 (2009: Rs. 23,354,118) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time, thus Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favourable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are based on quoted market process as of the balance sheet date except for investments available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Market prices are subject to fluctuation 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 particular security may be affected by relative quantity of the security being sold. The company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes company's price risk as of 31 December 2010 and 2009 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios indeed results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical changes in price	hypothetical increase / (decrease) in profit / (loss) before tax
	Rupees	%	Rupees	
December 31, 2010	10,472,280	10% increase 10% decrease	11,519,507 9,425,052	1,047,228 (1,047,228)
December 31, 2009	10,082,955	10% increase 10% decrease	11,091,251 9,074,660	1,008,296 (1,008,296)

28.4 Fair value of financial instruments

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

28.5 Insurance risk

The Company accepts the insurance risk through its insurance contract where it assumes the risk of loss from persons or organizations that are directly subject to the underline loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limit and criteria. Reinsurance is purchased to mitigate the risk of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a single insurance contract issued to particular demographic 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 disbursed over several geographical regions.

28.6 Geographical concentration of insurance risk

Insurance risks normally become lower by taking usual advantage of 'general principle of insurance', i.e. by spreading coverage of insurance risks at large number, extended to wider geographical locations. There are a number of techniques remained in consideration of management of the Company, which are applied on prudence basis for assessment of the accumulation of risks with reference to the geographical, the most important of which is pre-insurance inspections and surveys before accepting new insurance risks.

The review and assessment of insurance risks underwritten are carried out on a regular basis, at least once in a year, for the evaluation of physical hazards related to relevant geographical location covering the insured. These surveys are carried out keeping in view the areas prone to atmospheric damage, for winds and storms, and earthquake so that the risk does not concentrate in a dangerous area. The risk assessment is done by various analysis techniques including Delphi technique, physical inspections, etc. This assessment is then studied in case of covering different insurance risks of factory building by the underwriting and reinsurance department for risk estimation and evaluation. For instance, the use of party walls, fire resisting floors and roofs, fire doors, insulating linings, the protection of stairwells within an insured premise. Ideally, the construction should confine a fire starting within a building to the originating compartment, protecting the insured's own and neighbouring buildings.

For Marine risks complete underwriting details besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland transit), origin and destination of the shipments, per bottom limits, etc, are evaluated and updated to underwriting and reinsurance department. The information system of underwriting and reinsurance facilitates the Company's management to evaluate marine transit risk of different territories and regions.

28.7 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity of the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the company.

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

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

	Gross sum insured		Reinsurance		Net	
	2010	2009	2010	2009	2010	2009
 Rupees					
Fire	85,220,712,108	69,088,002,462	39,105,664,747	31,321,971,993	46,115,047,361	37,766,030,469
Marine	13,091,736,084	12,001,806,852	8,234,367,529	7,537,915,557	4,857,368,555	4,463,891,295
Motor	582,553,942	468,254,117	-	-	582,553,942	468,254,117
Miscellaneous	9,883,251,216	7,565,948,176	5,889,179,365	4,468,952,403	3,994,071,851	3,096,995,773

Sensitivity analysis

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 developments 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 expired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre tax Profit		Shareholders' equity	
	2010	2009	2010	2009
 Rupees			
10% increase in loss				
Net				
Fire	(2,266,261)	(1,398,329)	(1,473,069)	(908,914)
Marine	(257,692)	(233,663)	(167,500)	(151,881)
Motor	(261,179)	(244,161)	(169,767)	(158,705)
Miscellaneous	(1,305,730)	(405,710)	(848,724)	(263,712)
	<u>(4,090,861)</u>	<u>(2,281,863)</u>	<u>(2,659,060)</u>	<u>(1,483,212)</u>

	Pre tax Profit		Shahreholders' equity	
	2010	2009	2010	2009
10% decrease in loss Net Rupees			
Fire	2,266,261	1,398,329	1,473,069	908,914
Marine	257,692	233,663	167,500	151,881
Motor	261,179	244,161	169,767	158,705
Miscellaneous	1,305,730	405,710	848,724	263,712
	<u>4,090,861</u>	<u>2,281,863</u>	<u>2,659,060</u>	<u>1,483,212</u>

28.8 Claims development tables

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

Accident year	2008	2009	2010	Total
 Rupees			
Estimate of ultimate claims cost:				
At the end of year	6,798,425	6,658,512	44,534,500	57,991,437
one year later	4,873,225	2,106,512	-	6,979,737
Two year later	1,090,000	-	-	1,090,000
Three year later	-	-	-	-
Estimate of cumulative claims	2,398,610	2,106,512	44,534,500	49,039,622
Cumulative payments to date	3,783,225	3,800,000	-	7,583,225
Liability recognized in financial statements	<u>(1,384,615)</u>	<u>(1,693,488)</u>	<u>44,534,500</u>	<u>41,456,397</u>

29. CAPITALMANAGEMENT

The Company's goals and objectives when managing capital are:

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business. The management closely monitors the return on capital along with the level of distribution to ordinary shareholders. The Company meets minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reported in the financial statements approximate their fair value except for investments available for sale included in note 14. Fair value is determined on the basis of objective evidence at each reporting date.

31. EVENTS AFTER BALANCE SHEET DATE

In the meeting held on March 28, 2011, the Board of Directors of the Company recommended bonus shares in the ratio of one share for each 6.67 shares held (2009: one share for each five shares held) for the year ended December 31, 2010 amounting to Rs. 37.97 million (2009: 42.19 million), for approval of members at the Annual General Meeting. In addition, the Board has approved appropriation to the general reserve of Rs. 9.5 million (2009: Rs. 10.6 million).

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 28, 2011 by the Board of Directors of the company.

33. GENERAL

Previous year figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. There were no major changes in comparatives during the year, effecting the income of company, otherwise as reported to that extent only.

Following Notes to the accounts have been added:

Surplus on revaluation	7.2
Provision for impairment in investment	14.2.2
Provision for doubtful receivables	17.1

Chairman

Managing Director
& Chief Executive

Director

Director

PATTERN OF SHAREHOLDING 2010

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
114	1	100	3,707
147	101	500	37,981
150	501	1,000	111,435
258	1,001	5,000	608,915
70	5,001	10,000	474,608
27	10,001	15,000	319,000
11	15,001	20,000	192,197
15	20,001	25,000	315,569
11	25,001	30,000	300,272
4	30,001	35,000	133,078
3	35,001	40,000	112,637
1	40,001	45,000	42,500
5	45,001	50,000	229,498
1	55,001	60,000	55,989
2	60,001	65,000	126,279
3	80,001	85,000	240,539
1	85,001	90,000	89,065
4	90,001	95,000	378,798
2	95,001	100,000	194,552
1	100,001	105,000	100,556
6	110,001	115,000	665,297
1	120,001	125,000	123,397
5	125,001	130,000	634,148
1	130,001	135,000	134,472
1	135,001	140,000	138,000
6	140,001	145,000	853,977
1	145,001	150,000	149,498
6	155,001	160,000	949,212
2	170,001	175,000	348,040
2	185,001	190,000	379,684
2	205,001	210,000	411,324
1	235,001	240,000	237,302
1	250,001	255,000	254,871
1	280,001	285,000	284,763
1	315,001	320,000	316,405
1	360,001	365,000	363,865
1	420,001	425,000	422,400
1	585,001	590,000	585,342
1	665,001	670,000	669,196
1	695,001	700,000	698,553
2	860,001	865,000	1,729,780
1	1,055,001	1,060,000	1,055,961
1	3,445,001	3,450,000	3,3448,904
1	6,390,001	6,395,000	6,390,942
<u>877</u>			<u>25,312,500</u>

Categories of Shareholders

Particulars	Number of Shareholders	Number of Shares Held	Percentage
Cooperative Societies	1	45,154	0.180
Financial Institutions	4	46,471	0.18
Individuals	844	25,082,057	99.09
Investment Companies	2	2,666	0.01
Charitable Trust	1	7,336	0.51
Insurance Companies	1	600	0.03
Joint Stock Companies	24	128,216	0.002
	<u>877</u>	<u>25,312,500</u>	<u>100.00</u>

Information Under Clause XIX (1) of the Code of Corporate Governance As at December 31, 2010

1	CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE	
1.1	ASSOCIATED COMPANIES UNDERTAKING & RELATED PARTIES	-	-	
1.2	NIT AND ICP	2,666	0.010	
1.3	DIRECTORS, CEO & THEIR SPOUSES & MINOR CHILDREN			
	Chaudhry Muhammad Sadiq	Chairman / Director	6,390,942	25.248
	Mr. Faisal Zaka Bajwa	Director	6,750	0.027
	Mr. Muhammad Kashif	Director	1,659	0.007
	Mr. Waheed Ahmed	Director	3,739	0.015
	Mr. Mudassar Imran	Director	1,659	0.007
	Mrs. Naveeda Abid	Director	1,659	0.007
	Mr. Zahir Muhammad Sadiq	Director / CEO	1,055,961	4.172
1.4	EXECUTIVES / EMPLOYEES	315,000	1.244	
1.5	PUBLIC SECTOR COMPANIES & CORPORATIONS	-	-	
1.6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS FINANCIAL INSTITUTION	46,471	0.184	
1.7	JOINT STOCK COMPANIES	128,216	0.506	
1.8	COOPERATIVE SOCIETIES	45,154	0.178	
1.9	CHARITABLE TRUST	7,336	0.029	
2.0	GENERAL PUBLIC & OTHERS	17,304,688	68.364	
2.1	INSURANCE COMPANIES	600	0.002	
	TOTAL	25,312,500	100	

3	SHAREHOLDERS MORE THAN 10%	SHARES HELD	PERCENTAGE
3.1	Chaudhry Muhammad Sadiq	6,390,942	25.248
3.2	Mrs. Shehnaz Sadiq	3,448,904	13.625

BRANCH NETWORK

Mr. Waleed Babar
Vice President

Mr. Niaz Ahmed
Vice President

Mr. Muhammad Rafique Baig
Vice President

Mr. Riaz Bhatti
Vice President

Mr. Nadeem Zia
Vice President

Mr. Nadeem Hyder
A.V.P./ Branch Manager

Mr. Jaffer Abbas
Assistant General Manager

Mr. Muhammad Azeem
Branch Manager

Mr. Sattar Ahmed
Manager

Ch. Habibullah
Branch Manager

Mr. Abdul Rehman
Branch Manager

Mr. Salahuddin Sarfraz
Branch Manager

Mr. Syed Toseef Raza
Manager

Mr. Shehram Rafiq
Branch Manager

Mr. Asad Iqbal
Regional Manager

Mr. Sahibzada Aftab Ahmed
Vice President

Mr. Yasir Mumtaz
Vice President

Ch. Shehnaz Ahmed
Joint General Manager

Mr. Masood Ahmad
Manager

Mr. Amir Ashfaq Qurashi
Manager

Mr. Rana Faqir Hussain
Vice President

Ch. Muhammad Akram
Branch Manager

Mr. Tariq Mehmood Goraya
Branch Manager

Regional Office:

5-Bank Square, Lahore. Tel: 042-37314024

Lahore Marketing Unit:

5-Bank Square Lahore. Tel: 042-37358041,37593907

Regional Office:

Suite # 24, 2nd Floor, 73-Jail Road, Lahore.
Tel: 042-37576907, 37593907 Fax: 042-37582296

1st. Floor, Carpet Plaza, 10- Abbot Road, Lahore.
Tel: 042-35069649

House#. 341-A Block D-3, Wapda Town, Lahore.
Tel: 042-37003874 Cell: 0300-9670626

Office #.7, 2nd Floor, Patiala Complex, 2-Link Macleod Road,
Lahore. Tel: 042-36366997,37351138-39 Fax: 042-37351139

Room #.305, Khaleej Tower, Jail Road, Lahore.
Tel: 042-35004916 Cell: 0321-4039814

Room#. 50-G, Ground Floor, Auto Centre, 108-Lytton Road, Lahore.
Tel: 042-37245606

Shouaib Manzil, Chowk Chohan Park, Out Fall Road,
Karishan Nager, Lahore. Tel: 042-37154029 Cell: 0300-4870280

89-A, Temple Road, Lahore.
Fax: 042-36366997

1st. Floor, Tabarak Chamber, 19-A, Abbot Road, Lahore.
Tel: 042-3636585 Cell: 0333-4290875

Office#. 15, 2nd Floor, Imtiaz Centre, 85-Temple Road, Lahore.
Tel: 36374201 Cell: 0300-4462841

C/O OCS, (Sheikhupura)
Cell: 0333-4343703, 0300-9468582

280-X, Housing Colony, Lahore Road, Sheikhupura
Tel: 056-37811362

438-1, 2nd Floor, B-Block, Mini Market, Model Town, Gujrawala.
Tel: 055-3841278 Fax: 055-3857461

3rd Floor, Din Plaza, G.T. Road, Gujranwala.
Tel: 055-3252489 Fax: 055-3258716

3-H Block, Trust Plaza, Gujranwala.
Tel: 055-3856698 Fax: 055-3859007 Cell: 0321-6470412

1st. Floor, Saraj Plaza, Ramtalai Road, Gujrat.
Tel: 053-3535105 Fax: 053-3522207

Alvi Chowk Mandi Bahauddin.
Cell: 0321-7750589

House #.94, Sector C-4, Mirpur, A.K..
Tel: 056810-32838

1st. Floor, Irsilan Plaza, Kotwali Road, Faisalabad.
Tel: 041-2636160

1st.Floor, Ummad Plaza, Near Rays Hotel, Allama Iqbal Road,
Faisalabad. Tel: 041-32647933 Cell: 0300-7227170

Gali #.1, Muhallah Wazir Park, Mehdiabad Road, Tehsil Gojra,
Distt.Tobba Tek Singh. Tel: 046-3515595 Cell: 0300-7978418

Rai Nawazish Ali A.V.P./ Branch Manager	Near NBP, Quaid-e-Azam Road, Tandilianwala. Cell: 0300-7210037, 0333-6581781
Sheikh M. Ishaq Branch Manager	C/o Ashraf Computer, 1st. Floor, Trust Plaza, Sargodha Tel: 048-3011474 Cell: 0300-9601439
Mr. Muhammad Ameen Branch Manager	Habib Bank Ltd, Adda Jahan Khan, Bhakkar. Cell: 0300-7782846, 0333-8904180
Mr. Mushtaq Ahmad Bhatti Regional Manager	Street#.2, Block-2, Housing Colony, Layyah. Cell: 0300-6760164
Mr. Riaz Ahmed Akhter Branch Manager	517-A, Nai Eid Ghah Road, Jhang Saddar. Tel: 047-7611102 Cell: 0300-7504200, 0333-6725696
Khawaja Shahid Mehmood Zonal Manager	1st Floor, Khushi Trade Centre M.A Jinnah Raod, Okara Tel: 0442-010203 Cell: 0300-6951586
Mr. Sabir Hussain Zonal Manager	Room#. 9-10, 3rd Floor, Khawar Plaza, Stadium Chowk, Opp. Five Ways Hotel, Sahiwal. Tel: 040-4226247
Rao M. Ashiq Sajid Assist. Vice President	C/o, Rao Homoeo Clinic, Super Market, Malsi. Tel: 067-3411525 Cell: 0300-6346645
Rai Mumtaz Ali Khan/ Rai Anwar Alam Zonal Manager	Street#. 13, Main Road, Madni Colony, Bahawalnager. Cell: 0345-7991348, 0300-7585601, 0300-7920337
Mr. Ghulam Rasool Ch. Circle Chief	Fiesta Garden opp. Income Tax House, Nawan Shaher, Multan. Tel: 061-4781588, Fax:: 061-4781585 Cell: 0321-6326588
Mr. Ibad Ali Malik Chief Manager	Room#. 8, Al-Muzaffar Building Chowk Ghanta Ghar, Multan. Tel: 061-4782955 Cell: 0300-8738770
Rao M. Naeem Akhter Branch Manager	Shaheen Town, Opp. Raillway Station Muzaffarabad, Sher Shah Road, Multan Cantt. Tel; 061-3536326 Cell: 0308-7836093
Ch. Muhammad Amin Manager	Ghalla Mandi, Chishtian. Tel: 063-2503042 Cell: 0300-6980542
Mr. Khalil Ahmed Khan Branch Manager	Plot#. 54, Kangan Road, Dera Ghazi Khan. Cell: 0321-6782000
Mr. Lal Muhammad Khan Branch Manager	2046-New Civil Line, Block #.18, Dera Ghazi Khan. Cell: 0333-6475175
Rao Nisar Ahmed Zonal Manager	Zonal Office, 1st. Floor, Shahdin Plaza, Farid Gate, Bahawalpur. Cell: 0300-6808832
Mr. Muhammad Bilal A. Qureshi Assistant Vice President	Street#. 3, Muhallah Qureshian, Bahawalpur. Tel: 062-2882436 Cell: 0300-8686468
Mr. Shafiq Qamar Branch Manager	Outside Grain Market, Ahmed Pur East . Cell: 0301-8683121
Mr. Zia Ullah Vice President	9-D, Firdous Market, Upper Story, D-Link, Net Café, Rahim Yar Khan. Cell: 0300-6746912
Mr. Shabbir Ahmed Butt Branch Manager	Rauf Shopping Centre, Behind New Sadiq Bazar, Rahim Yar Khan. Cell: 0300-9679647
Ch. Ihsan-ul-Haq Branch Manager	6-Railway Road, Rahim Yar Khan. Cell: 0300-6731885
Mr. Amir Manzoor Branch Manager	Office#.8, 1st. Floor, Royal Plaza, 6th Road, Rawalpindi. Tel: 051-4423944, 4423955 Fax: 051-4423955
Mr. Ghulam Ali Branch Manager	Dr. Atiq-ur-Rehman Plaza, Sonehri Masjid Road, Peshawar. Tel: 091-5286218, 5278924 Fax: 091-5260362

Mr. Jamil Akhter Bhatti
Zonal Manager

Office #.6, Behind. BOP, Supply Bazar, Abbotabad.
Cell: 0323-9816246, 0333-5115628

Mr. Raja Munir Akhtar
Branch Manager

Silver Star Insurance Company Ltd. Chakwal.
Tel: 054-3551150 Cell: 0300-5477177

Mr. Jamshaid Akhter Samo
Senior Vice President

B-268, New Liaqat Market, Mohni Bazar, Nawab Shah.
Tel: 024-4360228

Mr. Junaid Akhter Samo
Branch Manager

Room#. 26, 2nd Floor, Goal Building, Risala Road, Hyderabad.
Tel: 022-2728707 Cell: 033-3230844

Mr. Javed Akhter Samo
Branch Manager

C/o.Hadi Bux, Soneri Bank Ltd. Main Branch,
Opp. Qasim Park, Sukkur. Cell: 0300-3200929

Mr. Muhammad Afzal
Vice President

1-C, 2nd Floor, Namco Centre, New Challi, Campbell Street,
Karachi. Tel: 021-32621558, 32623650 Fax: 021-32621563

Mr. Jan Muhammad
Senior Vice President

B-1/3, Malir Cantt.Bazar, Karachi.
Tel: 021-32621558, 021-32623650 Fax: 021-32621563

Syed Safdar Ali Shah
S.E.V.P.

Suite#.205, 2nd Floor, Europa Centre, Hasrat Mohani Road,
I.I. Chundrigar Road,Karachi.
Tel: 021-32217771 Fax: 021-32626732

Mr. Farooq Rashid
Branch Manager

Suite#.206, 2nd Floor, Europa Centre, Hasrat Mohani Road,
I.I. Chundrigar Road,Karachi. Tel:021-32631750

Farrukh Noor
Vice President

Flat#. 3, Building#. 16, Pakistan Housing Authority,
Gulistan-e-Johar, Block 10, Karachi. Cell: 0300-2626281

PROXY FORM

I/We _____

of _____

being a member of SILVER STAR INSURANCE COMPANY LIMITED and holder of _____

Ordinary Shares, as per:

Share Register Folio No. _____ and / or

CDC Participant ID No. _____ Sub A/c No. _____ ,

hereby appoint Mr. / Ms. _____ of

_____, another member of the Company (or failing him / her _____

of _____, another member of the Company) as my / our proxy to attend, speak and vote for me / us and on my / our behalf, at the 27th Annual General Meeting of the Company to be held on April 30, 2011 at the Company's Registered Office at Silver Star House, 5 - Bank Square Lahore, and at any adjournment thereof,

Signed this _____ day of _____ 2011.

1) Witness

Signature _____

Name _____

Address _____

CNIC No. or _____

Passport No. _____

Affix
Revenue
Stamp of Rs. 5/-

Signature should agree with the
specimen signature with the Company.

2) Witness

Signature _____

Name _____

Address _____

CNIC No. or _____

Passport No. _____

Note:

- 1) This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.
- 2) CDC shareholders and their proxies are each requested to attach an attested photocopy of their new/ computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
- 3) All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

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AFFIX
CORRECT
POSTAGE

The Company Secretary

SILVER STAR INSURANCE COMPANY LIMITED

Silver Star House, 5 Bank Square

P.O. Box 2533, Lahore- 54000 (Pakistan)

Phone : +(92- 42) 37324488, 37355614, 37237518, 37231449

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