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Company Information

BOARD OF DIRECTORS

(In Alphabetical Order)

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

COMPANY SECRETARY

Mr. Nazir Ahmed Khan

ADVISOR ON STRATEGIC PLANNING

Mr. Sajid Asghar Khan

MANAGEMENT

Mr. Imran Amjad Khan	<i>General Manager</i>
Mr. Muhammad Kashif	<i>Chief Financial Officer</i>
Mr. Muhammad Sajjad	<i>Head of Reinsurance</i>
Mr. Syed Mumtaz Hussain	<i>Head of Marketing</i>
Mr. Zia-ud-Din Zia	<i>Head of Risk</i>
Mr. Abdul Gaffar Shah	<i>Senior Manager Underwriting</i>
Mr. Muhammad Tariq Baloch	<i>Senior Manager</i>
Mr. Islahuddin Ayyabi	<i>Senior Manager Claims</i>
Mr. Fahad Riaz	<i>Manager Internal Audit</i>

AUDITORS

- Ilyas Saeed & Company
Chartered Accountants
- SARWARS
Chartered Accountants

LEGAL ADVISOR

- Mr. Maqsood Hussain
- Amir Basharat & Umar
Law Associates

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@ssic.com.pk

BANKERS

(In Alphabetical Order)

Al-Baraka Islamic Bank Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal 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
Summit Bank Limited
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.ssic.com.pk

Notice of Annual General Meeting

Notice is hereby given that Twenty Eighth 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 Monday, April 30, 2012 at 10:30 a.m. to transact the following business:

A) ORDINARY BUSINESS

1. To confirm the Minutes of the Twenty Seventh Annual General Meeting held on Saturday, April 30, 2011.
2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2011 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors for the year 2012 and to fix their remuneration.

B) OTHER BUSINESS

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

Lahore: March 31, 2012

By order of the Board

Nazir Ahmed Khan
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from April 20, 2012 to April 30, 2012 (both days inclusive)
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 less 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.

Vision Statement



To provide value-added and cost effective insurance solutions by a team of professionals with a passionate commitment to service excellence.

Mission Statement



Our mission is to provide financially secure insurance protection to individuals and businesses, a quality working environment, emphasis on easy to use services, a commitment to continuous improvement and a passion for pleasing our customers.

Company Products



Fire Insurance

This is the most important form of insurance and is essential for all types of business concerns. Fire and Allied Perils Insurance provides comprehensive cover in respect of loss or damage to your property against Riot Strike Damage, Riot Fire Damage, Malicious Damage, Explosion Damage, Earthquake (Fire and Shock), Atmospheric disturbance (Rain, Flood, Hurricane, etc.), Impact Damage, Air Craft Damage and Electrical Risks.



Marine Insurance

Provides coverage of goods in transit for both imports and exports through following modes of transport:

- Sea
- Rail
- Road
- Air



Motor Insurance

Motor Insurance deals with the comprehensive insurance of road transport such as private, commercial, Industrial and Agricultural Vehicles and also covers Third Party Liability.



Assorted Insurances

Provides solutions to cover a range of insurance needs.

The product range includes:

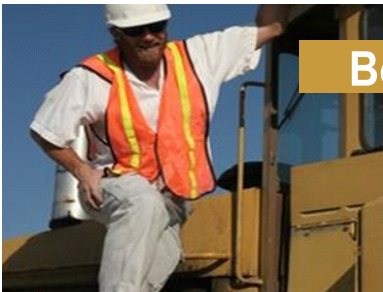
- Workmen's compensation Insurance
- Personal accident Insurance
- Fidelity Guarantee Insurance
- Cash in Transit Insurance
- Cash in Safe & Hand Insurance
- Burglary/Theft Insurance



Engineering Insurance

Provides a wide variety of engineering insurance solutions such as:

- Contractors All Risk
- Erections All Risks
- Machinery Equipment
- Machinery Breakdown including boilers and pressure vessels



Bond Insurance

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



Livestock Insurance

Protection against mortality due to disease, theft & disability of the insured animals including fire and lightning.



Crop Insurance

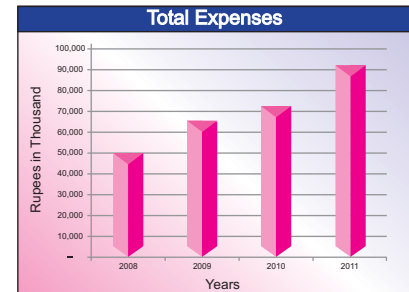
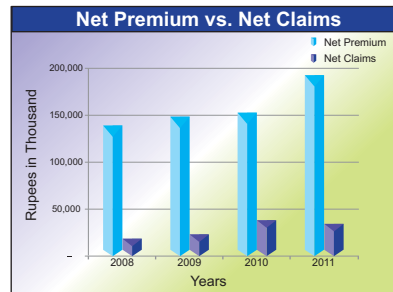
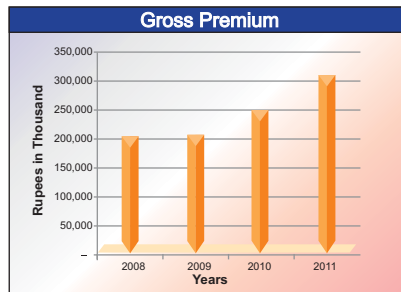
Protection against natural disasters, Excessive Rain, Flood, Hail storm, Wind Storm, Frost, fire & lightning and insect / pest attack on standing crop.

Key Financial Data (Ten Years at a Glance)



Years	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
(Rupees in '000')										
Operating Data										
Gross Premium	310,728	249,604	219,808	212,849	191,986	165,748	120,876	49,479	28,618	23,912
Net Premium	188,429	154,114	147,869	139,662	120,026	86,271	42,034	19,444	14,756	11,462
Net Claims	26,950	31,957	22,819	19,368	19,556	23,774	9,432	5,151	5,554	6,096
Management expenses	63,425	50,378	48,837	33,897	20,188	18,491	10,297	7,801	5,851	4,463
Administrative expenses	30,402	22,852	17,035	15,578	11,542	9,362	8,457	5,280	3,550	3,528
Total expenses	93,827	73,230	65,871	49,475	31,730	27,853	18,754	13,081	9,401	7,991
Underwriting results	69,821	50,892	58,972	84,270	75,377	49,343	32,471	10,817	6,064	5,451
Investment & other incomes	8,717	10,693	(3,240)	13,600	13,964	14,008	3,661	1,787	1,673	1,475
Profit before tax	48,137	38,733	38,698	82,292	77,798	53,990	27,675	7,325	4,187	3,397
profit after tax	48,454	37,291	34,073	74,774	70,173	49,611	25,082	6,076	3,436	2,791
Financial Data										
Paid up capital	305,648	253,125	210,938	168,750	125,000	100,000	80,000	80,000	50,000	50,000
Reserves & Retained Earnings	135,809	139,656	144,343	152,237	120,981	75,431	45,425	20,113	16,537	13,134
Underwriting provisions	223,725	184,264	124,452	120,025	114,472	92,591	92,406	64,980	61,388	57,643
Cash & bank deposit	324,146	328,765	315,872	279,284	211,517	126,268	64,391	47,960	25,395	28,106
Investments at book value	65,635	36,314	31,349	40,554	33,513	26,944	13,936	9,911	7,755	7,140
Due from reinsurers	1,883	1,515	1,831	2,864	3,174	3,941	6,636	6,636	7,304	4,989
Total assets	837,063	746,429	584,051	536,238	439,614	332,285	282,287	197,765	153,767	150,142
Ratio analysis										
Net Claim to net premium	14.30 %	20.74 %	15.45%	13.87%	16.29%	27.56%	22.44%	26.49%	37.64%	53.18%
Total expenses to gross Premium	30.20 %	29.34 %	29.97%	23.24%	16.53%	16.80%	15.52%	26.44%	32.85%	33.42%
Underwriting profit to gross Premium	22.47 %	20.39 %	26.83%	39.59%	39.26%	29.77%	26.86%	21.86%	21.19%	22.80%
Profit before tax to gross Premium	15.49%	15.52 %	17.61%	38.66%	40.52%	32.57%	22.90%	14.80%	14.63%	14.21%
Profit after tax to gross Premium	15.59 %	14.94 %	15.50%	35.13%	36.55%	29.93%	20.75%	12.28%	12.01%	11.67%
Return on assets	5.79 %	5.00 %	5.83%	13.94%	15.96%	14.93%	8.89%	3.07%	2.23%	1.86%
Return on equity	10.98 %	9.49 %	9.59%	23.30%	28.53%	28.28%	20.00%	6.07%	5.16%	4.42%
EPS (Rs.)	1.59	1.22	1.35	3.54	4.16	3.97	2.51	0.760	0.687	0.558

Vertical Analysis

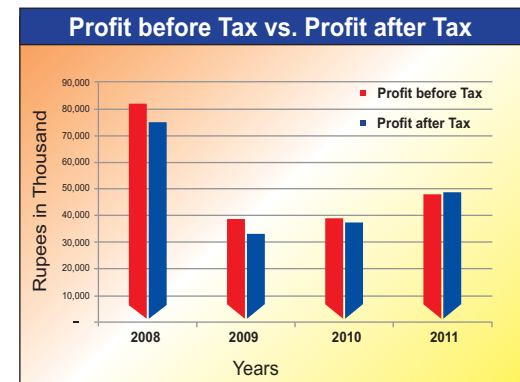
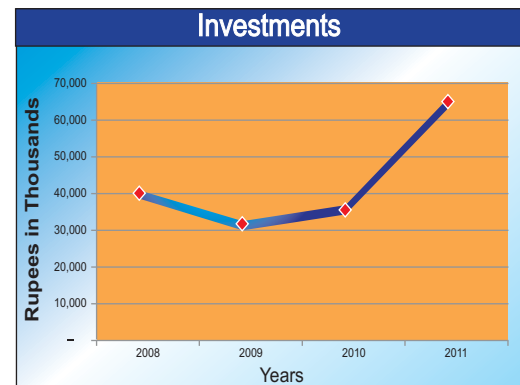


Year	2011 (Rs.'000')	%	2010 (Rs.'000')	%	2009 (Rs.'000')	%	2008 (Rs.'000')	%
Profit & Loss Account								
Net Premium Revenue	188,429	100.00	154,114	100.00	147,869	100.00	139,662	100.00
Net Claims	33,999	18.04	40,909	26.54	28,462	19.25	16,044	11.49
Expenses	63,425	33.66	50,378	32.69	48,837	33.03	33,897	24.27
Net Commission	21,184	11.24	11,936	7.74	11,598	7.84	5,451	3.90
Underwriting Profits	69,821	37.05	50,892	33.02	58,972	39.88	84,270	60.34
General and Administration Expenses	30,402	16.13	22,852	14.83	17,035	11.52	15,578	11.15
Investment Income	3,493	1.85	8,997	5.84	(5,369)	3.63	12,149	8.70
Other income	5,224	2.77	1,696	1.10	2,129	1.44	1,451	1.04
Profit/ (Loss) before Tax	48,137	25.55	38,733	25.13	38,698	26.17	82,292	58.92
Income Tax	(317)	(0.17)	1,442	0.94	4,625	3.13	7,518	5.38
Profit/ (Loss) after Tax	48,454	25.71	37,291	24.20	34,073	23.04	74,775	53.54
Balance Sheet								
Cash and Current Accounts	118,713	14.18	89,575	12.00	54,374	9.31	43,312	8.08
Short and Long Term Deposits	205,433	24.54	239,190	32.04	261,499	44.77	235,972	44.01
Loans to Employees	3,774	0.45	6,697	0.89	8,167	1.40	5,439	1.01
Investments	65,635	7.84	36,314	4.82	31,349	5.37	40,554	7.56
Investment Property	11,259	1.35	11,300	1.51	11,343	1.94	11,388	2.12
Others Assets	283,865	33.91	218,491	29.27	120,297	20.60	107,716	20.09
Fixed Assets-Tangible & intangible	109,533	13.09	102,191	13.69	74,727	12.79	73,140	13.64
Leased Assets	38,850	4.64	42,670	5.72	22,297	3.82	18,716	3.49
Total Assets	837,063	100.00	746,429	100	584,051	100.00	536,238	100.00
Equity & Liabilities								
Share Capital and Reserves	441,457	52.74	392,781	52.09	355,280	60.83	320,987	59.86
Surplus on Revaluation of Fixed Assets	60,397	7.22	60,620	8.12	36,829	6.31	37,049	6.91
Underwriting Provisions	223,725	26.73	184,264	24.69	124,452	21.31	120,025	22.38
Deferred Liabilities	1,273	0.15	5,579	0.74	7,816	1.34	7,020	1.31
Creditors and Accruals	79,886	9.54	68,521	9.18	43,870	7.51	35,744	6.67
Other Liabilities	30,325	3.62	34,665	4.64	15,804	2.71	15,413	2.87
Total Equity and Liabilities	837,063	100.00	746,429	100	584,051	100.00	536,238	100.00

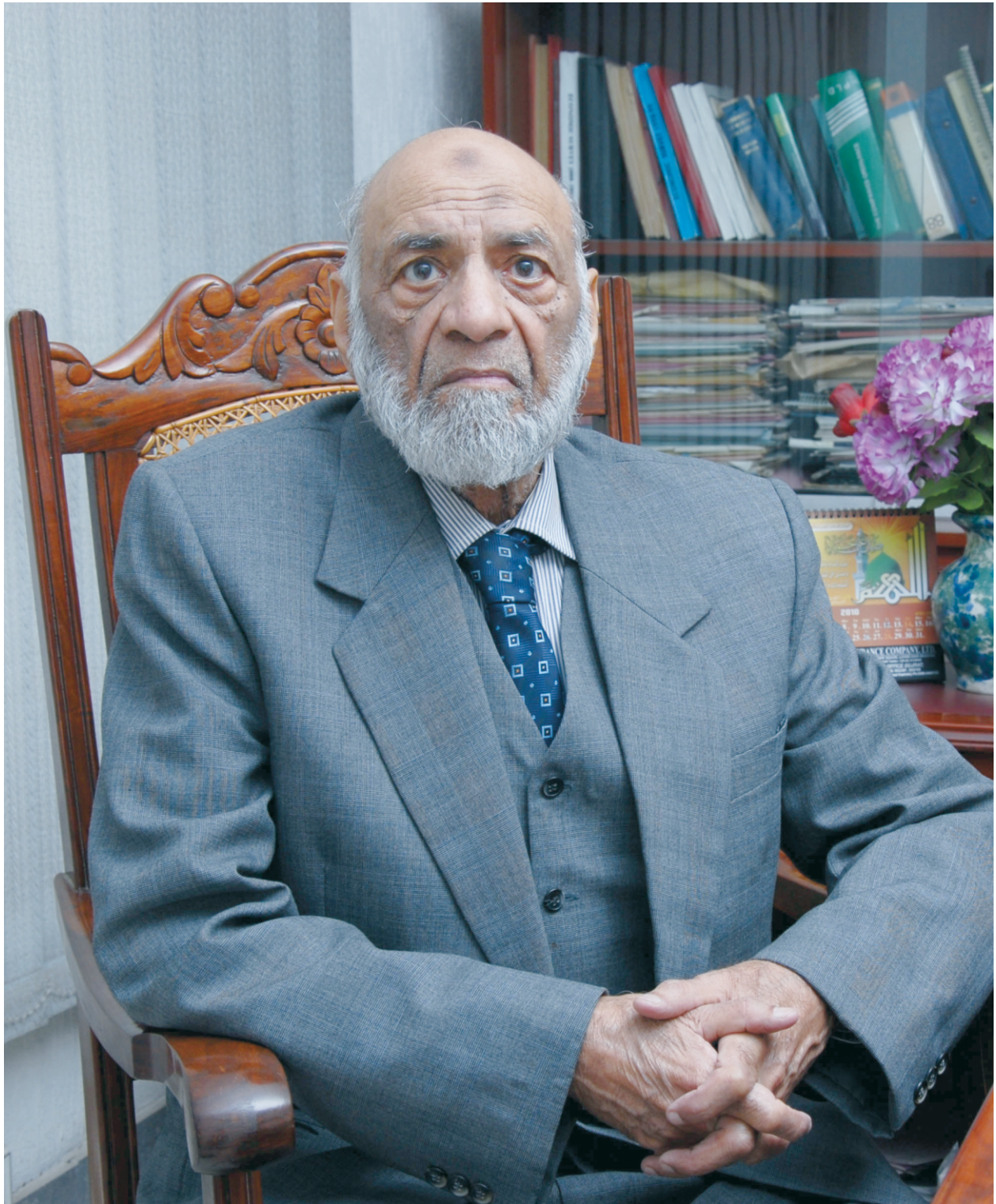
Horizontal Analysis



	Change %	2011 (Rs.'000')	2010 (Rs.'000')
Profit and Loss Account			
Underwriting results			
Net Premium	22.27	188,429	154,114
Net Claims	(16.89)	33,999	40,909
Expenses	25.90	63,425	50,378
Net Commission	77.48	21,184	11,936
Underwriting profits	37.19	69,821	50,892
General and administration Expenses	33.04	30,402	22,852
Investment Income	(61.18)	3,493	8,997
Other Incomes	208.02	5,224	1,696
Profit/ (Loss) before Tax	24.28	48,137	38,733
Income Tax	(121.98)	(317)	1,442
Profit/ (Loss) after Tax	29.93	48,454	37,291
Balance Sheet			
Assets			
Cash and Current Accounts	32.53	118,713	89,575
Short and Long Term Deposits	(14.11)	205,433	239,190
Loans to Employees	(43.65)	3,774	6,697
Investments	80.74	65,635	36,314
Investment Property	(0.36)	11,259	11,300
Others Assets	29.92	283,865	218,491
Fixed Assets-Tangible & Intangible	7.18	109,533	102,191
Leased Assets	(8.95)	38,850	42,670
Total Assets	12.14	837,063	746,429
Equity and Liabilities			
Shareholders equity			
Share Capital and Reserves	12.39	441,457	392,781
Surplus on Revaluation of Fixed Assets	(0.10)	60,397	60,620
Liabilities and Provisions			
Underwriting Provisions	21.42	223,725	184,264
Deferred Liabilities	(77.18)	1,273	5,579
Creditors and Accruals	16.59	79,886	68,521
Other Liabilities	(12.52)	30,325	34,665
Total Equity and Liabilities	12.14	837,063	746,429



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, 2011.

The highlights for the period under review are as under:

	2011	(Rupees in million)	2010
Gross Premium	311		250
Net Premium	188		154
Underwriting Results	70		51
Investment Income	3		9
Profit before tax	48		39
Profit after tax	48		37
Earning per share	1.59		1.22

During the period under review, your company has underwritten premium of Rs. 311 million which is a growth of 24.4 % over the corresponding period. This growth is also reflected in the underwriting results which have shown growth of 37% over 2010

Insurer Financial Strength Rating

JCR-VIS Credit Rating Company Limited has upgraded the Insurer Financial Strength Rating of Silver Star Insurance Company to A- (Aminus) from BBB+ with a stable outlook.

Earning Per Share

The earning per share for the year is Rs. 1.59

Dividend

Please note that interim bonus shares @5% i.e. ONE bonus share for every TWENTY shares held, have already been issued in September 2011.

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 it's 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.

Information Technology

The Company is pleased to announce the successful implementation of our new IT system, which has brought most 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 and shall only be issued after strict perusal by our team of experienced underwriters.

Human Resource

The Company focuses on this dimension by making a dedicated department for it and refining its internal policies and procedures for effective and efficient management of its human resource. The purpose of HR is to provide the employees the opportunity for career development with a vision to achieve maximum flexibility in meeting current and future skills requirements. Learning & development provide vital support in personal development of employees. The company conducts training sessions for staff to update them with developments of topical importance in the industry, which enhances their capabilities. Training programs also help to improve knowledge and skills of the employees. We will continue to focus on attracting, motivating and retaining high quality human resources through market based compensation and benefits policies and superior training programs.

Board of Directors

Four meetings of the board of Directors were held in the year 2011. The attendance of each Director was as follows:

Sr.	Name of Director	Remarks	Meetings
1.	Chaudhary Muhammad Sadiq	Re-appointed	04
2.	Mr. Mudassar Imran	Re-appointed	04
3.	Mr. Muhammad Kashif	Re-appointed	03
4.	Mr. Faisal Zaka Bajwa	Re-appointed	04
5.	Mr. Waheed Ahmed	Re-appointed	04
6.	Mr. Zahir Muhammad Sadiq	Re-appointed	04
7.	Mrs. Navida Abid	Resigned	02
8.	Mr. Imran Amjad Khan	New appointment	02

Audit & Corporate Governance Committee

The audit committee comprised of the following members during the year 2011.

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

Main responsibilities of the Audit & Corporate Governance Committee are to determine appropriateness of measures taken by the management to safeguard the company's assets, review financial statements and fulfill statutory and code of corporate governance requirements. The committee also ensures that an independent and effective internal audit is in place. They also recommend appointment of external auditors.

Corporate Social Responsibility

The Company is committed to act ethically towards the society at large and aims to contribute to the social development in the country. Our Company continuously contributes donation to Shaukat Khanum, LRBT, Saylani Welfare International Trust, Care and Kindness Society, Edhi Welfare.

Future Outlook

Pakistan went through one crises after another in the 2011 and the government is continuously borrowing from banks, withdrawing subsidies from various sectors and introducing new taxation policies. Coupled with them are problems like, poor law and order situation as well as crises in the energy sector which directly hampers our industrial growth. In spite of these extremely challenging conditions Silver Star Insurance performed very well and has shown improved performance over the preceding year. The future for Silver Star Insurance is very bright as our increase in branch network two years ago paid off in terms of results. With an upgraded IFS rating we at SSIC are poised to open up new avenues of business and shall show even greater growth during this year whilst keeping a vigilant eye on our underwriting.

Significant policies formulated by the Board of Directors

As the world economy is going through a tough time and Pakistan too is facing numerous challenges, our Board acted pro-actively formulated a strategy encompassing risk management, human resource and marketing in order to ensure that the shareholder's interests are looked after at all times. This strategy has also worked as a safety net for the company which has assured retention of quality human resources, induction of new highly sought after employees and of course keeping claim ratio within an acceptable level.

SSICL implemented it's new software with respect to controlling underwriting and brought number of its branches online. Risk control subsequently returned to the head office where our team of experienced underwriters go through each cover note before they are issued. The board has a multi layered risk control system, where any deviations from the norm in any policy/cover note is brought to the attention of the risk control committee where a decision is taken whether to underwrite the particular risk or not.

SSICL in 2011 entered into an agreement with one of the leading Head hunter agency in Pakistan and has discussed various roles and requirement with them. This guarantees our company immediate replacement for any unplanned events as this agency has a database of over 3000 prospective employees.

The board has also revamped the marketing department and has not only doubled its head count but has also implemented aggressive marketing campaigns in order to increase premium.

All of these activities and ongoing changes have translated into an increase in growth rate related to premium, whilst keeping the claim ratio within reasonable levels, upgraded rating of A- from JCR-VIS for our company which has lead to enhanced limits with most of the banks we work with.

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 retiring auditors, Ilyas Saeed & Co. Chartered Accountants and SARWARS Chartered Accountants have retired and are eligible for re-appointment. Further they have offered themselves for re-appointment. Audit & Corporate Governance Committee has received recommendations from some shareholders for appointment of M/s. Avais Hyder Liaquat Nauman Chartered Accountants, as joint auditors with SARWARS Chartered Accountants for the financial year 2012.

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 and State Bank of Pakistan for their continued guidance and assistance.

Lahore: March 31, 2012

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 2011

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. Imran Amjad Khan has been elected as a director in place of Mrs. Navida Abid on her retirement.
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 a training course for its directors during the year 2011 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 & Co. Chartered Accountants and SARWARS Chartered Accountants have retired and are eligible for re-appointment. Further they have offered themselves for re-appointment. Audit & Corporate Governance Committee has received recommendations from some shareholders for appointment of M/s. Avais Hyder Liaquat Nauman Chartered Accountants, as joint auditors with SARWARS Chartered Accountants for the financial year 2012.
 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 31, 2012

Ilyas Saeed & Co
Chartered Accountants
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Shershah Block, New Garden Town,
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Sarwars
Chartered Accountants
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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 2011, 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 2011

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

SARWARS
Chartered Accountants

Date : March 31, 2012

Rashid Sarwar

Place: Lahore

Ilyas Saeed & Co
Chartered Accountants
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Shershah Block, New Garden Town,
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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 2011 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:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2011 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.
- d) 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 31, 2012

Place: Lahore

Financial Statements

for the Year Ended December 31, 2011



As At December 31, 2011

	Note	2011 Rupees	2010 Rupees
Cash and Bank Deposits	12		
Cash and other equivalents		6,364,725	5,690,810
Current and other accounts		112,348,406	83,884,490
Deposits maturing within 12 months		198,305,400	231,622,282
Deposits maturing after 12 months		7,127,887	7,567,725
		324,146,418	328,765,307
Loans to Employees	13	3,773,606	6,696,771
Investments	14	65,635,037	36,314,495
Investment Property	15	11,259,190	11,299,788
Other Assets			
Premium due but unpaid	16	161,510,651	113,705,539
Amounts due from other insurers / reinsurers	17	1,883,008	1,515,185
Accrued investment income		1,253,243	959,567
Reinsurance recoveries against outstanding claims		32,897,503	34,212,132
Deferred commission expense		30,582,663	23,107,064
Prepayments	18	55,684,459	44,931,322
Stationery		53,970	60,345
		283,865,497	218,491,154
Fixed Assets-Tangible & Intangible	19		
Owned			
Land and buildings		77,288,672	77,243,244
Motor vehicles		8,712,154	11,118,184
Furniture & fixtures		7,312,735	6,993,843
Office and computer equipments		4,321,811	3,572,650
Capital Work-in-Progress		8,466,129	-
Intangible assets		3,431,742	3,263,230
		109,533,242	102,191,151
Leased			
Motor vehicles		38,850,266	42,670,360
TOTAL ASSETS		<u>837,063,257</u>	<u>746,429,025</u>



BALANCE SHEET

	Note	2011 Rupees	2010 Rupees
Share Capital and Reserves			
Authorized share capital	5	<u>400,000,000</u>	<u>300,000,000</u>
Paid-up share capital	5	305,648,440	253,125,000
Retained earnings		59,308,934	76,305,671
Reserves	6	76,500,095	63,350,095
		441,457,469	392,780,766
Surplus on Revaluation of Fixed Assets	7	60,397,250	60,619,560
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		60,568,859	54,834,088
Provision for unearned premium		150,419,914	118,237,225
Commission income unearned		12,735,835	11,192,567
Total underwriting provisions		223,724,608	184,263,880
Deferred Liabilities			
Deferred taxation	8	1,272,631	5,578,936
Creditors and Accruals			
Amounts due to other insurers/reinsurers		5,211,874	6,630,984
Taxation - Provision less payments		11,080,208	9,103,190
Other creditors and accruals	9	63,594,197	52,787,070
		79,886,279	68,521,244
Other Liabilities			
Obligation under finance lease	10	<u>30,325,020</u>	<u>34,664,639</u>
TOTAL LIABILITIES		<u>335,208,538</u>	<u>293,028,699</u>
TOTAL EQUITY AND LIABILITIES		<u>837,063,257</u>	<u>746,429,025</u>
CONTINGENCIES AND COMMITMENTS	11	<u>-</u>	<u>-</u>

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

Chairman

Managing Director
& Chief Executive



PROFIT AND LOSS ACCOUNT

FINANCIAL YEAR ENDED DECEMBER 31, 2011

	Note	Fire & Property Damage Rupees	Marine Aviation & Transport Rupees	Motor Rupees	Others Rupees	2011 Aggregate Rupees	2010 Aggregate Rupees
Revenue Account							
Net premium revenue		110,557,881	32,631,823	22,579,980	22,659,704	188,429,388	154,114,266
Net claims		(11,455,997)	(4,896,977)	(2,398,951)	(15,247,186)	(33,999,091)	(40,908,613)
Expenses	21	(37,213,541)	(10,983,800)	(7,600,372)	(7,627,207)	(63,424,920)	(50,378,417)
Net commission		(15,452,035)	(945,697)	(2,465,622)	(2,320,537)	(21,183,892)	(11,935,579)
Underwriting results		<u>46,436,328</u>	<u>15,805,349</u>	<u>10,115,035</u>	<u>(2,535,226)</u>	<u>69,821,486</u>	<u>50,891,657</u>
Investment income / (Loss)						3,493,357	8,997,130
Rental income						415,552	429,376
Other income	22					4,808,536	1,266,905
						8,717,445	10,693,411
General and administration expenses	23					(30,401,583)	(22,851,762)
Profit before tax						48,137,347	38,733,306
Less: Provision for Taxation	24					317,046	(1,442,125)
Profit after tax						<u>48,454,393</u>	<u>37,291,181</u>
Profit and Loss Appropriation Account							
Balance at commencement of year						76,305,671	91,592,527
Amortization of surplus on revaluation						222,310	209,463
Profit after tax for the year						48,454,393	37,291,181
Profit available for appropriation						124,982,374	129,093,171
Appropriations							
Issuance of bonus shares for the year 2010: 15% per share of Rs. 10 each [2009: 20% per share of Rs. 10 each]						(52,523,440)	(42,187,500)
Transfer to general reserve						(13,150,000)	(10,600,000)
						(65,673,440)	(52,787,500)
Balance unappropriated profit at the end of the year						<u>59,308,934</u>	<u>76,305,671</u>
Earnings / (loss) per share of Rs. 10 Each - Basic and diluted	25					<u>1.59</u>	<u>1.22</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, 2011

	2011 Rupees	2010 Rupees
Profit after tax for the period	48,454,393	37,291,181
Other Comprehensive income	-	-
Total Comprehensive income for the period	<u>48,454,393</u>	<u>37,291,181</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, 2011

	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, 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
Balance as at January 01, 2011	57,229,760	195,895,240	-	63,350,095	76,305,671	392,780,766
Transferred to general reserve	-	-	-	13,150,000	(13,150,000)	-
Transferred to reserve for issue of bonus shares	-	-	52,523,440	-	(52,523,440)	-
Bonus shares issued	-	52,523,440	(52,523,440)	-	-	-
Profit after taxation	-	-	-	-	48,454,393	48,454,393
Incremental depreciation-net of deferred tax	-	-	-	-	222,310	222,310
Reversal of deferred tax liability relating to revaluation surplus	-	-	-	-	-	-
Balance as at December 31, 2011	57,229,760	248,418,680	-	76,500,095	59,308,934	441,457,469

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, 2011

	2011 Rupees	2010 Rupees
OPERATING CASH FLOW		
a) Underwriting activities		
Premium received	256,960,139	188,197,111
Reinsurance premium paid	(100,532,991)	(79,955,120)
Claims paid	(91,366,799)	(78,950,263)
Reinsurance and other recoveries received	64,049,283	47,308,949
Commission paid	(52,668,770)	(40,868,229)
Commission received	25,552,548	22,925,779
Net cash flow from underwriting activities	101,993,410	58,658,227
b) Other operating activities		
General management expenses paid	(57,462,547)	(49,356,788)
Other operating receipts	1,708,642	13,794,618
Other receipts / (payments) on operating assets	2,761,735	8,939,854
Taxes Paid	(3,605,614)	(4,362,347)
Net cash flow from other operating activities	(56,597,784)	(30,984,663)
Total cash flow from operating activities	45,395,626	27,673,564
INVESTMENT ACTIVITIES		
Profit/ Return received	4,993,928	7,126,254
Dividend received	615,820	590,478
Rentals received	415,552	429,376
Payments for investments	(31,711,731)	(4,576,513)
Payments for deposits	33,756,720	22,308,736
Fixed Capital Expenditure	(12,939,123)	(3,761,458)
Proceeds from disposal of fixed assets	9,655,423	2,440,496
Total cash flow from investing activities	4,786,589	24,557,369
FINANCING ACTIVITIES		
Lease liability paid	(21,044,382)	(17,029,302)
Total cash flow from financing activities	(21,044,382)	(17,029,302)
Net cash inflow/outflow from all activities	29,137,833	35,201,631
Cash at the beginning of the year	89,575,300	54,373,670
Cash at the end of the year	118,713,131	89,575,300

CASH FLOW STATEMENT

FINANCIAL YEAR ENDED DECEMBER 31, 2011

	2011 Rupees	2010 Rupees
Reconciliation to Profit and Loss Account		
Operating cash flows	45,395,626	27,673,564
Depreciation expenses	(15,698,764)	(11,450,560)
Amortization expenses	(355,747)	(339,065)
Financial charges expense	(5,242,212)	(3,144,576)
Investment Income	5,903,425	8,607,807
Gain/(loss) on sale of non -trading investment	(9,989,264)	-
Provision for impairment	7,579,196	389,323
Rent Received	415,552	429,376
Profit/(loss) on disposal of fixed assets	4,800,711	1,266,409
Other Income	7,825	496
Increase/(decrease) in assets other than cash	62,157,503	95,832,811
(Increase)/decrease in liabilities other than running finance	(46,519,458)	(81,974,404)
Profit or loss after taxation	48,454,393	37,291,181

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	123,206	500,810
Cheques in Hand	6,241,519	5,190,000
	6,364,725	5,690,810

Current and other accounts

Current accounts	97,973,412	62,224,655
PLS savings account	14,326,116	21,610,957
Foreign currency account	48,878	48,878
	112,348,406	83,884,490
	118,713,131	89,575,300

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, 2011

Business underwritten inside Pakistan

Class	Premiums written Rupees	Unearned premium reserve		Premiums earned Rupees	Reinsurance ceded Rupees	Prepaid Reinsurance Premium Ceded		Reinsurance expenses Rupees	2011 Net premium revenue Rupees	2010 Net premium revenue Rupees
		Opening Rupees	Closing Rupees			Opening Rupees	Closing Rupees			
(Note - 20)										
Direct and facultative										
1 Fire and Property damage	190,530,132	64,712,894	87,785,921	167,457,105	64,377,565	23,434,627	30,912,968	56,899,224	110,557,881	91,942,012
2 Marine, aviation & transport	63,874,896	26,714,533	33,235,132	57,354,297	26,465,799	12,284,724	14,028,049	24,722,474	32,631,823	25,598,281
3 Motor	27,635,514	11,358,396	14,908,953	24,084,957	1,691,320	743,051	929,394	1,504,977	22,579,980	15,905,808
4 Miscellaneous	28,687,082	15,451,402	14,489,908	29,648,576	6,579,197	3,872,467	3,462,792	6,988,872	22,659,704	20,668,165
Total	310,727,624	118,237,225	150,419,914	278,544,935	99,113,881	40,334,869	49,333,203	90,115,547	188,429,388	154,114,266

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, 2011

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	2011 Net claims expenses Rupees	2010 Net claims expenses Rupees
		Opening Rupees	Closing Rupees			Opening Rupees	Closing Rupees			
Direct and facultative										
1 Fire and property damage	56,967,160	44,836,480	42,844,257	54,704,937	44,426,152	32,353,081	31,175,889	43,248,960	11,455,977	22,662,606
2 Marine, aviation and transport	21,187,612	3,052,512	4,475,922	22,611,092	17,816,552	1,824,051	1,721,614	17,714,115	4,896,977	2,576,917
3 Motor	3,181,127	500,750	553,575	3,233,952	870,000	35,000	-	835,000	2,398,951	2,611,793
4 Miscellaneous	10,300,900	6,444,346	12,695,035	16,551,589	1,304,402	-	-	1,304,402	15,247,186	13,057,297
Total	91,366,799	54,834,088	60,568,859	97,101,570	64,417,106	34,212,132	32,897,503	63,102,477	33,999,091	40,908,613

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, 2011

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	2011 Net underwriting expenses Rupees	2010 Net underwriting expenses Rupees
		Opening Rupees	Closing Rupees						
Direct and facultative					(Note - 21)				
1 Fire and property damage	35,265,229	14,769,177	19,888,835	30,145,571	37,213,541	67,359,112	14,693,536	52,665,576	36,988,645
2 Marine, aviation and transport	9,788,022	4,758,111	5,876,576	8,669,557	10,983,800	19,653,357	7,723,860	11,929,497	7,624,503
3 Motor	3,386,991	1,498,964	2,420,333	2,465,622	7,600,372	10,065,994	-	10,065,994	6,847,974
4 Miscellaneous	4,228,528	2,080,812	2,396,919	3,912,421	7,627,207	11,539,628	1,591,884	9,947,744	10,852,873
Total	<u>52,668,770</u>	<u>23,107,064</u>	<u>30,582,663</u>	<u>45,193,172</u>	<u>63,424,920</u>	<u>108,618,092</u>	<u>24,009,280</u>	<u>84,608,812</u>	<u>62,313,996</u>

* 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, 2011

	2011 Rupees	2010 Rupees
Income from non-trading investments		
— Income from available for sale investments		
Dividend income	615,820	590,478
— Income from held to maturity investments		
Return on Government Securities	3,492,684	3,625,143
— Return on other fixed income securities & deposits	1,794,921	4,392,186
— Gain/ (loss) on sale of non-trading investment	(9,989,264)	-
Provision for diminution in the value of available for sale investment		
Reversal / (Provision)	7,759,196	389,323
Net investment income	<u>3,493,357</u>	<u>8,997,130</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, 2011

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. The financial statements have been prepared on the format given in the rules.

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 2010. 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 2010.

- IFRS 3 'Business Combinations'.
- IFRS 7 'Financial Instruments'.
- IAS 1 'Presentation of Financial Statements'.
- IAS 27 'Consolidated and Separate Financial Statements'.
- IAS 34 'Interim Financial Reporting'.
- IFRIC 13 'Customer Loyalty Programmes'.

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

- IAS 24- Related Party Disclosures (revised 2009) (effective for annual periods beginning on 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 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 instruments 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 prepayments made to a defined benefit pension plan by companies which are subject to minimum funding requirement should be recognized 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 recognised immediately in profit or loss.

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 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 de-recognition 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 IASB amended IFRS 9 to require application for annual period beginning on or after 1, January 2015 and do not require the restatement of comparative period financial statement upon initial application.

IAS 12- Income Tax: (effective for annual periods beginning on or after January 1, 2012) provide an exception to measurement principle in respect of investment property measure at fair value in accordance with fair value model as envisaged in IAS 40 Investment property.

IAS 19 - Employee Benefits : (effective for annual periods beginning on or after January 01, 2013). The company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company's financial statements in the period of initial application other than the amendments to IAS - 19 'Employee Benefits'.

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.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	ASB Effective date (annual Period beginning or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

3 BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention, except for certain investments.

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. The words and meaning assigned to different word denote the same meaning assigned in the Insurance Ordinance 2000 and Companies Ordinance 1984, without differentiating the singular and plural gender.

4.1 Insurance contracts

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

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 related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers 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 expired.

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 up to 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 expressing indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported , 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. Provision 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 accounts 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 days 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.

CAPITAL WORK IN PROGRESS

This represents the incomplete capital cost. The capital cost of any completed unit of the overall project cost is transferred to the relevant component of fixed asset of the project on completion.

The capital work in progress costs towards the project are debited to this account on remittances or equipment receipt basis.

The capital cost of any completed unit of the overall project is transferred to the relevant component / fixed asset on completion. The capital cost means the direct costs, without changing any proportional indirect costs.

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 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	2011 Rupees	2010 Rupees
5	SHARE CAPITAL			
5.1	Authorized Share Capital			
	2011 (Number of shares)	2010 (Number of shares)		
	<u>40,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs. 10 each.	<u>400,000,000</u>
				<u>300,000,000</u>
5.2	PAID-UP SHARE CAPITAL			
	Issued, subscribed and paid up share capital			
	2011 (Number of Shares)	2010 (Number of Shares)		
	5,722,976	5,722,976	Ordinary shares of Rs. 10/- each fully paid in cash	57,229,760
				57,229,760
	24,841,868	19,589,524	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	248,418,680
				195,895,240
	<u>30,564,844</u>	<u>25,312,500</u>		<u>305,648,440</u>
				<u>253,125,000</u>
	Reconciliation of issued, subscribed and paid up share capital			
	2011 (Number of Shares)	2010 (Number of Shares)		
	25,312,500	21,093,750	At the beginning of the year	253,125,000
				210,937,500
	5,252,344	4,218,750	Bonus shares issued during the year	52,523,440
				42,187,500
	<u>30,564,844</u>	<u>25,312,500</u>	At the end of the year	<u>305,648,440</u>
				<u>253,125,000</u>
	No ordinary shares of the Company are held by the associated Companies (2010:NIL).			
6.	RESERVES			
	Reserve for bonus shares	6.1	-	-
	Revenue reserve	6.2	<u>76,500,095</u>	<u>63,350,095</u>
			<u>76,500,095</u>	<u>63,350,095</u>
6.1.	Reserve for bonus shares			
	- Balance at the beginning of the year		-	-
	- Transfer from unappropriated profit		52,523,440	42,187,500
	- Bonus share issued		(52,523,440)	(42,187,500)
	- Balance at the end of the year		-	-

	Note	2011 Rupees	2010 Rupees
6.2 Revenue reserves			
General reserve			
- Balance at the beginning of the year		63,350,095	52,750,095
- Transfer from unappropriated profit		13,150,000	10,600,000
- Balance at the end of the year		76,500,095	63,350,095

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.

		2011 Rupees	2010 Rupees
Movement in Surplus on revaluation of fixed assets			
Opening balance		60,619,560	36,828,570
Less: Incremental depreciation transferred to retained earnings		(342,015)	(322,250)
Less: Deferred tax adjustment - net off incremental depreciation		119,705	112,787
		(222,310)	(209,463)
ADD:	7.2		
Additions of surplus on revaluation		-	31,890,250
Transferred to deferred tax		-	(251,154)
		-	31,639,096
Less: Surplus related to investment property	7.2.1	-	(7,638,643)
Balance as on 31st December, 2011		60,397,250	60,619,560

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 If there had been no revaluation, the related figures of Land & Buildings as at December 31, 2011 would have been as follows:

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees
Land	10,432,000	-	10,432,000
Buildings	8,036,157	4,613,392	3,422,765
Total	<u>18,468,157</u>	<u>4,613,392</u>	<u>13,854,765</u>

8. DEFERRED TAXATION

The liability / (asset) for deferred taxation comprises timing differences relating to :

	2011 Rupees	2010 Rupees
Accelerated Depreciation	5,647,421	8,362,374
Provision for doubtful debts	(6,329,267)	(4,675,787)
Lease liability	2,983,836	2,802,002
Revaluation surplus	2,274,401	2,394,107
Unused tax losses	(3,303,760)	(3,303,760)
	<u>1,272,631</u>	<u>5,578,936</u>

	Note	2011 Rupees	2010 Rupees
9. OTHER CREDITORS AND ACCRUALS			
Provision for Government Levies		59,422,035	50,090,097
Others		<u>4,172,162</u>	<u>2,696,973</u>
		<u><u>63,594,197</u></u>	<u><u>52,787,070</u></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:

	2011		2010	
	Minimum lease payments Rupees	Present value of MLP Rupees	Minimum lease payments Rupees	Present value of MLP Rupees
Due within one year	18,207,998	15,434,823	16,298,702	12,602,578
Due after one year but not later than five years	<u>15,589,023</u>	<u>14,890,198</u>	<u>24,274,041</u>	<u>22,062,061</u>
Total minimum lease payments	33,797,021	30,325,021	40,572,743	34,664,639
Less:				
Lease finance charges allocable to future periods	<u>3,472,001</u>	-	<u>5,908,104</u>	-
Present value of minimum lease payments	30,325,020	30,325,021	34,664,639	34,664,639
Less:				
Current maturity under finance lease	<u>15,434,823</u>	<u>15,434,823</u>	<u>12,602,578</u>	<u>12,602,578</u>
Long term liability	<u><u>14,890,197</u></u>	<u><u>14,890,198</u></u>	<u><u>22,062,061</u></u>	<u><u>22,062,061</u></u>

- 10.1 The rentals are payable in equal monthly installments.
- 10.2 Implicit interest rate ranges between 13% to 20% (2010: 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 provisions and estimates in arriving at the financial statements are adequate . There are no known unreported contingencies and commitments. (2010 : Nil)

	Note	2011 Rupees	2010 Rupees
12 CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		123,206	500,810
Cheques in hand		6,241,519	5,190,000
		<u>6,364,725</u>	<u>5,690,810</u>
Current and other accounts			
Foreign currency accounts		48,878	48,878
Current accounts		97,973,412	62,224,655
PLS saving accounts	12.1	14,326,116	21,610,957
		112,348,406	83,884,490
Deposits maturing within 12 months		198,305,400	231,622,282
Deposits maturing after 12 months		7,127,887	7,567,725
		<u>324,146,418</u>	<u>328,765,307</u>
12.1	The balances in PLS saving accounts carry mark-up from 6% to 15% per annum (2010: 6% to 15%).		
13. LOANS TO EMPLOYEES			
Considered Good			
Unsecured	13.1	<u>3,773,606</u>	<u>6,696,771</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	30,966,185	25,842,215
Available for sale	14.2	34,668,852	10,472,280
		<u>65,635,037</u>	<u>36,314,495</u>

14.1 Held to maturity - Government securities

Face Value (Rupees)	Profit rate %	Profit payment	Particulars	Maturity date	2011 Rupees	2010 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	11.25%	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	4,576,513
4,000,000	12%	Semi annually	Pakistan Investment Bond - 10 years	July 2020	3,717,950	-
1,500,000	12%	Semi annually	Pakistan Investment Bond - 10 years	August 2020	1,406,020	-
<u>31,100,000</u>					<u>30,966,185</u>	<u>25,842,215</u>

14.1.1 Market value of Pakistan Investment Bonds as at December 31,2011 is Rs. 30,297,143/- (2010: Rs. 25,789,781/-).

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	2011 Rupees	2010 Rupees
14.2 Available for sale - quoted			
Cost	14.2.1	39,971,494	23,354,118
Less: Provision for Impairment of investment	14.2.2	(5,302,642)	(12,881,838)
		<u>34,668,852</u>	<u>10,472,280</u>

14.2.1 Available for sale- Marketable securities

No. of Shares/ Certificates		Face value Rupees	Company's name	2011	2010
2011	2010			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	236,220	236,219
509	509	10	Security Investment Bank Ltd.	6,027	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>		
66	43,851	10	Askari Commercial Bank Ltd.	2,887	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
108,505	131,095	10	Habib Metropolitan Bank Ltd.	2,887,112	4,185,827
196	2,196	10	The Bank of Punjab	11,648	130,502
10	10,010	10	Standard Chartered Bank Pak. Ltd.	546	546,507
30,000	37,500	10	National Bank of Pakistan	1,240,500	4,449,000
3,215,771	-		KASB Securities	8,039,428	-
1,730,452	-		Soneri Bank Ltd.	6,402,672	-
			<u>Insurance Companies</u>		
-	12,077	10	EFU General Ins. Co. Ltd.	-	4,326,542
10,000	20,000	10	Pakistan Reinsurance Co.Ltd	145,600	1,663,000
			<u>Refinery</u>		
-	50,000	10	Bosicor Pakistan Ltd.	-	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
19,000	20,000	10	Lafrage Pakistan Cement	285,950	301,000
			<u>Oil and Gas Marketing</u>		
1,052	12,500	10	Sui Southern Gas Company Ltd.	23,168	289,058
5,000	-	10	Pak Petroleum	845,000	-
24,781	-	10	Pak Refinery	1,627,616	-
			<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.	1,157,500	903,590
50,000	-	10	Fatima Fertilizer	1,048,000	-
			<u>Personal Goods</u>		
38,537	-	10	Service Industry	7,707,015	-
			<u>Industrial Engineering</u>		
11,665	-	10	Hino Pak	817,133	-
			<u>Tobacco</u>		
36,081	-	10	Pakistan Tobacco	2,002,496	-
			<u>Pharma & Biotech</u>		
2,557	-	10	Wyeth Pak	2,010,620	-
Total				39,971,494	23,354,118

Market value of quoted available for sale investments is Rs.34,668,851 (2010: Rs. 10,472,280).

	<u>2011</u> Rupees	<u>2010</u> Rupees
14.2.2 Provision for impairment of investment		
Balance at the beginning of the year	12,881,838	13,271,161
add: provision/ (reversals) for the year	(7,579,196)	(389,323)
	5,302,642	12,881,838

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 1/1/2011	Addition	Transfer	As at 31/12/2011		As at 1/1/2011	Transfer	For the year	As at 31/12/2011	As at 31/12/2011
 Rupees Rupees				
Land	10,487,840	-		10,487,840		-	-	-	-	10,487,840
Building	1,389,750	-		1,389,750	5	577,802		40,597	618,399	771,351
Total 2011	11,877,590	-		11,877,590		577,802	-	40,597	618,399	11,259,191
Total 2010	11,877,590	-	-	11,877,590		535,068	-	42,734	577,802	11,299,789

15.1 The market value of investment property is estimated at Rs. 18.94 million. (2010: 18.94 million)

16. PREMIUM DUE BUT UNPAID		2011 Rupees	2010 Rupees
	Note		
Unsecured			
– Considered good		161,510,651	113,705,539
– Considered doubtful		<u>18,083,620</u>	<u>12,121,247</u>
		179,594,271	125,826,786
Provision for doubtful receivables	16.1	<u>(18,083,620)</u>	<u>(12,121,247)</u>
		<u>161,510,651</u>	<u>113,705,539</u>
16.1. Provision for doubtful receivables			
Balance at the beginning of the year		12,121,247	11,099,618
Provision made during the year		<u>5,962,373</u>	<u>1,021,629</u>
Balance at the end of the year		<u>18,083,620</u>	<u>12,121,247</u>
17. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS			
Unsecured			
– Considered good		1,883,008	1,515,185
– Considered doubtful		<u>-</u>	<u>1,238,145</u>
		1,883,008	2,753,330
Provision for doubtful receivables		<u>-</u>	<u>(1,238,145)</u>
		<u>1,883,008</u>	<u>1,515,185</u>
17.1. Provision for doubtful receivables			
Balance at the beginning of the year		1,238,145	1,238,145
Provision made during the year		<u>(1,238,145)</u>	<u>-</u>
Balance at the end of the year		<u>-</u>	<u>1,238,145</u>
18. PREPAYMENTS			
Prepaid reinsurance premium		49,333,203	40,334,869
Advance rent		198,000	24,000
Advance tax		3,787,862	2,194,489
Other advances - considered good		-	-
Other receivables		<u>2,365,394</u>	<u>2,377,964</u>
		<u>55,684,459</u>	<u>44,931,322</u>
19. FIXED ASSETS			
Owned assets - tangible	19.1	97,635,371	98,927,921
– intangible	19.2	11,897,871	3,263,230
Leased - tangible	19.1	38,850,266	42,670,360
		<u>148,383,508</u>	<u>144,861,511</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, 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>
Balance as at January 01, 2011	55,846,183	29,213,060	33,670,960	12,182,762	4,189,518	3,118,284	138,220,768	53,586,112	53,586,112	191,806,880
Additions during the year	-	1,150,000	205,900	1,124,850	928,025	539,960	3,948,735	11,462,551	11,462,551	15,411,286
Disposals	-	-	(12,785,728)	(72,100)	-	-	(12,857,828)	(116,800)	(116,800)	(12,974,628)
Revaluation surplus	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	9,902,670	-	-	-	9,902,670	(9,902,670)	(9,902,670)	-
Balance as at December 31, 2011	<u>55,846,183</u>	<u>30,363,060</u>	<u>30,993,802</u>	<u>13,235,512</u>	<u>5,117,543</u>	<u>3,658,244</u>	<u>139,214,345</u>	<u>55,029,193</u>	<u>55,029,193</u>	<u>194,243,538</u>
Depreciation										
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>
Balance as at January 01, 2011	-	7,816,000	22,552,776	5,188,919	1,663,714	2,071,438	39,292,847	10,915,752	10,915,752	50,208,599
Charge for the year	-	1,104,572	3,403,083	769,746	312,843	405,981	5,996,225	9,661,941	9,661,941	15,658,166
Depreciation on disposal	-	-	(8,020,228)	(35,888)	-	-	(8,056,116)	(52,748)	(52,748)	(8,108,864)
Transfers/ Adjustments	-	-	4,346,018	-	-	-	4,346,018	(4,346,018)	(4,346,018)	-
Balance as at December 31, 2011	<u>-</u>	<u>8,920,572</u>	<u>22,281,648</u>	<u>5,922,777</u>	<u>1,976,557</u>	<u>2,477,419</u>	<u>41,578,974</u>	<u>16,178,927</u>	<u>16,178,927</u>	<u>57,757,901</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>
Written down value as at December 31, 2011	<u>55,846,183</u>	<u>21,442,488</u>	<u>8,712,154</u>	<u>7,312,735</u>	<u>3,140,986</u>	<u>1,180,825</u>	<u>97,635,371</u>	<u>38,850,266</u>	<u>38,850,266</u>	<u>136,485,637</u>
Rate of depreciation (%)	-	5%	20%	10%	10%	30%	-	20%	-	-

19.2 Owned assets - intangible

Cost	Website Development Rupees	Network Resources Rupees	Computer Software Rupees	Capital Work in Progress Rupees	Total Rupees
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>-</u>	<u>4,390,000</u>
Balance as at January 01, 2011	53,000	55,000	4,282,000	-	4,390,000
Additions during the year	18,000	-	506,259	8,466,129	8,990,388
Disposals	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
Balance as at December 31, 2011	<u>71,000</u>	<u>55,000</u>	<u>4,788,259</u>	<u>8,466,129</u>	<u>13,380,388</u>
Depreciation					
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>-</u>	<u>1,126,770</u>
Balance as at January 01, 2011	20,290	22,986	1,083,494	-	1,126,770
Charge for the year	4,363	3,201	348,183	-	355,747
Depreciation on disposal	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
Balance as at December 31, 2011	<u>24,653</u>	<u>26,187</u>	<u>1,431,677</u>	<u>-</u>	<u>1,482,517</u>
Written down value as at December 31, 2010	<u>32,710</u>	<u>32,014</u>	<u>3,198,506</u>	<u>-</u>	<u>3,263,230</u>
Written down value as at December 31, 2011	<u>46,347</u>	<u>28,813</u>	<u>3,356,582</u>	<u>8,466,129</u>	<u>11,897,871</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 Rupees	Proceeds Rupees	Gain / (Loss) on Sale Rupees	Mode of Disposal	Particulars of Buyers	
Vehicles									
Toyota Corolla Xli LEJ 6470	962,827	482,714	480,113	482,526	2,413	Negotiation	Mr. Yousaf Kamal CNIC# 35201-1544919-5	Other	
Honda CD 70 LEX 5832	54,260	28,334	25,926	25,926	-	Negotiation	Mr. Yousaf Kamal CNIC# 35201-1544919-5	Other	
Tayota Corolla XLI LEH 4031	962,827	506,392	456,435	456,435	-	Negotiation	Mr. Munir Ahmed CNIC # 35202-0231110-7	Other	
Honda CD 70 LRS 3194	58,500	56,289	2,211	2,211	-	Negotiation	Mr. Munir Ahmed CNIC # 35202-0231110-7	Other	
Honda CD 70 LRX 9439	60,200	43,564	16,636	17,000	364	Negotiation	Mr. Shahzad Masih CNIC # 35201-1189269-9	Other	
Honda CD 70 LZC 5860	60,200	45,961	14,239	17,000	2,761	Negotiation	Mr. Shahzad Masih CNIC # 35201-1189269-9	Other	
Honda Civic LXG 7726	680,500	644,238	36,262	350,000	313,738	Negotiation	Mr. M Shafiq CNIC # 35202-2827333-3	Other	
Suzuki Mehran LZS 4934	346,000	249,925	96,075	200,000	103,925	Negotiation	Mr. M Ashfaq CNIC # 35202-0147485-5	Other	
Suzuki Cultus LEJ 07 4306	679,450	362,164	317,286	635,000	317,714	Negotiation	Mr. M Ashfaq CNIC # 35202-0147485-5	Other	
Suzuki Mehran LZS 4943	364,000	263,125	100,875	350,000	249,125	Negotiation	Mr. M Majeed CNIC # 35202-2339712-7	Other	
Toyota Corolla LWO 0324	1,107,150	759,742	347,408	820,000	472,592	Negotiation	Mr. Shabbir Ahmed CNIC # 81302-5417892-7	Other	
Honda CD 70 LZH 6144	55,700	42,221	13,479	17,000	3,521	Negotiation	Mr. Pervaiz Azeem CNIC # 35202-2957740-3	Other	
Suzuki Mehran LZH 8249	424,404	309,847	114,557	225,000	110,443	Negotiation	Mr. Mujahid Khurshid CNIC # 35202-9379331-1	Other	
Toyota Corolla LEH 2182	997,827	636,097	361,730	1,050,000	688,270	Negotiation	Mr. Mujahid Khurshid CNIC # 35202-9379331-1	Other	
Suzuki Mehran LEH 1946	362,870	199,096	163,774	375,000	211,226	Negotiation	Mr. M Ashfaq CNIC # 35202-0147485-5	Other	
Honda CD 70 LZC 5967	60,200	46,660	13,540	25,000	11,460	Negotiation	Mr. M Azeem CNIC # 35201-4345601-9	Other	
Honda CD 70 LEX 5873	54,260	30,140	24,120	35,000	10,880	Negotiation	Mr. Kashif Butt CNIC # 35200-1411051-5	Other	
Honda CD 70 LZC 5840	60,200	47,001	13,199	21,000	7,801	Negotiation	Mr. Rizwan Ahmed CNIC # 35201-8314838-7	Other	
Honda City LEJ 8097	875,400	460,120	415,280	875,000	459,720	Negotiation	Mr. Mujahid Khurshid CNIC # 35202-9379331-1	Other	

Honda CD 70 LZV 2703	54,000	39,532	14,468	19,000	4,532	Negotiation	Mr. Syed Waqas CNIC# 35202-4233703-5	Other
Honda CD 125 LRY 5870	75,150	59,720	15,430	15,000	(430)	Negotiation	Mr. M Nawaz CNIC # 35403-0268260-5	Other
Honda CD 70 LEX 5869	54,260	30,678	23,582	36,000	12,418	Negotiation	Mr. M Shahid CNIC # 35202-2411163-3	Other
Suzuki Cultus LEB 7960	590,000	364,123	225,877	600,000	374,123	Negotiation	Mr. Rahat Idrees CNIC # 35201-9991625-8	Other
Suzuki Cultus LEB 9817	612,490	356,502	255,988	665,000	409,012	Negotiation	Mr. M Ashfaq CNIC # 35202-0147485-5	Other
Toyota Corolla LEA 5942	1,002,450	556,207	446,243	446,243	-	Negotiation	Mr. M Imran Qureshi CNIC # 35202-7810694-9	Other
Honda CD 70 LRS 4851	58,500	56,543	1,957	1,957	-	Negotiation	Mr. M Imran Qureshi CNIC # 35202-7810694-9	Other
Suzuki Cultus LEF 4889	841,440	420,863	420,577	750,000	329,423	Negotiation	Mr. Abu Bakar Anwar CNIC # 35202-5283211-3	Other
Suzuki Cultus LZC 1788	651,663	525,835	125,828	450,000	324,172	Negotiation	Mr. M Younis CNIC # 35201-1890637-9	Other
Suzuki Cultus LEC 4911	619,000	415,472	203,528	600,000	396,472	Negotiation	Mr. Bilal Shafique CNIC # 35202-2826383-6	Other
Honda CD 70 LEK 8639	58,400	26,374	32,026	33,000	974	Negotiation	Mr. Fawad Sheikh CNIC # 35202-4352565-1	Other
Honda CD LEX 5869	58,400	26,374	32,026	42,000	9,974	Negotiation	Mr. M Sajjad CNIC # 13503-2283865-1	Other
SUB TOTAL	12,902,528	8,091,853	4,810,675	9,637,298	4,826,623			
Furniture	72,100	35,888	36,212	10,300	(25,912)			
GRAND TOTAL	12,974,628	8,127,741	4,846,887	9,647,598	4,800,711			

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

	Note	2011 Rupees	2010 Rupees
20. ADMINISTRATIVE SURCHARGE			
Premium written and net premium revenue include administrative surcharge, class wise detail of which is given below:			
Fire and property damage		7,712,232	6,999,541
Marine, aviation and transport		1,172,356	1,728,178
Motor		504,073	689,110
Miscellaneous		1,156,710	1,192,324
		<u>10,545,371</u>	<u>10,609,153</u>
21. MANAGEMENT EXPENSES			
Salaries, wages and benefits		26,756,867	22,818,138
Rent expenses		2,212,850	2,252,000
Electricity expenses		1,312,291	1,533,654
Telephone expenses		1,289,096	1,327,987
Printing and stationery expenses		3,014,142	3,664,598
Traveling and conveyance expenses		8,540,488	8,356,506
Legal and professional expenses		5,475,137	2,789,227
Provision for doubtful debts		5,962,373	1,021,629
Advertisement expenses		145,500	167,935
Other expenses		8,716,176	6,446,743
		<u>63,424,920</u>	<u>50,378,417</u>

			2011 Rupees	2010 Rupees
22.	OTHER INCOME	Note		
	Income from non-financial assets			
	Gain on sale of fixed assets		4,800,711	1,266,409
	Amortization of sale and lease back		-	-
	Miscellaneous income		7,825	496
			<u>4,808,536</u>	<u>1,266,905</u>
23.	GENERAL AND ADMINISTRATION EXPENSES			
	Directors' & Executive's remuneration		7,653,220	6,938,397
	Auditors' remuneration	23.1	293,876	720,000
	Professional & service charges		881,000	11,000
	Depreciation	15 & 19	15,698,764	11,450,560
	Professional Tax		78,600	75,000
	Property Tax		198,164	173,164
	Lease rent & other charges		5,242,212	3,144,576
	Amortization of intangible assets	19.2	355,747	339,065
			<u>30,401,583</u>	<u>22,851,762</u>

23.1. AUDITORS' REMUNERATION

	Ilyas Saeed & Company CA's Rupees	SARWARS CA's Rupees	Total 2011 Rupees	Total 2010 Rupees
Annual Audit fee	200,000	200,000	400,000	340,000
Fee for half yearly review	100,000	100,000	200,000	130,000
Out of pocket	23,000	23,000	46,000	40,000
Other Charges	55,000	55,000	110,000	110,000
Taxation Services	-	125,000	125,000	100,000
	<u>378,000</u>	<u>503,000</u>	<u>881,000</u>	<u>720,000</u>

			2011 Rupees	2010 Rupees
24.	PROVISION FOR TAXATION			
	Current		4,576,021	3,930,464
	Prior year adjustment		(586,762)	-
			3,989,259	3,930,464
	Deferred		(4,306,305)	(2,488,339)
			<u>(317,046)</u>	<u>1,442,125</u>

24.1	Reconciliation between effective and applicable tax rate	Percentage %	
		2011	2010
	Applicable tax rate	35.00	35.00
	- Effect of exempted income	(0.34)	(8.17)
	- Effect of tax on amounts deductible for tax purposes	(26.37)	(16.05)
	- Effect of opening deferred tax	(8.95)	(7.06)
	Effective tax rate	<u>(0.66)</u>	<u>3.72</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>48,454,393</u>	<u>37,291,181</u>
	(Number of shares)	
Weighted average number of shares of Rs. 10 each	<u>30,564,844</u>	<u>30,564,844</u>
	(Rupees per share)	
Earnings / (loss) per share of Rs. 10 each	<u>1.59</u>	<u>1.22</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 are as follows:

Description	Chairman		Chief Executive		Directors	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial Remuneration	1,560,000	1,421,332	2,160,000	1,965,332	929,583	796,003
House Rent Allowance	780,000	710,668	1,080,000	982,668	464,788	397,997
Utilities	-	-	-	-	-	-
Bonus	130,000	130,000	180,000	180,000	78,788	78,267
Provident Fund	-	-	216,000	196,532	74,061	79,598
Leave Encashment	-	-	-	-	-	-
Total	<u>2,470,000</u>	<u>2,262,000</u>	<u>3,636,000</u>	<u>3,324,532</u>	<u>1,547,220</u>	<u>1,351,865</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 four 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
..... Rupees										
SEGMENT ASSETS										
Segment assets	<u>182,166,452</u>	<u>139,238,326</u>	<u>55,214,347</u>	<u>42,685,228</u>	<u>17,881,643</u>	<u>11,293,500</u>	<u>20,944,586</u>	<u>19,657,735</u>	<u>276,207,028</u>	<u>212,874,789</u>
Unallocated corporate assets									<u>560,856,229</u>	<u>533,554,236</u>
CONSOLIDATED TOTAL ASSETS									<u><u>837,063,257</u></u>	<u><u>746,429,025</u></u>
SEGMENT LIABILITIES										
Segment liabilities	<u>141,554,205</u>	<u>119,829,396</u>	<u>42,990,921</u>	<u>35,130,332</u>	<u>15,926,062</u>	<u>12,378,047</u>	<u>28,465,294</u>	<u>23,557,089</u>	<u>228,936,482</u>	<u>190,894,864</u>
CONSOLIDATED TOTAL LIABILITIES									<u><u>335,208,538</u></u>	<u><u>293,028,699</u></u>
Capital expenditure	<u>14,962,475</u>	<u>21,761,346</u>	<u>5,016,144</u>	<u>7,546,714</u>	<u>2,170,238</u>	<u>2,856,825</u>	<u>2,252,818</u>	<u>4,342,183</u>	<u>24,401,674</u>	<u>36,507,068</u>
Depreciation	<u>9,819,317</u>	<u>7,002,155</u>	<u>3,291,909</u>	<u>2,428,309</u>	<u>1,424,246</u>	<u>919,241</u>	<u>1,478,441</u>	<u>1,397,186</u>	<u>16,013,913</u>	<u>11,746,891</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:

	2011 Rupees	2010 Rupees
Current and other accounts	112,348,406	83,884,490
Deposits	205,433,287	239,190,007
Investments - Held to maturity	30,966,185	25,842,215
Premium due but unpaid	161,510,151	113,705,539
Amounts due from other insurers/reinsurers	1,883,008	1,515,185
Accrued investment income	1,253,243	959,567
Reinsurance recoveries against outstanding claims	32,897,503	34,212,132
Other receivables	2,365,394	2,377,964
	548,657,677	501,687,099

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 receivables on account of premium due but unpaid amounting to Rs. 5,962,373 were further impaired and provided for. No further provision for receivables on account of amount due from other insurers/ reinsurers was required as the same are considered good. 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	2011 Rupees	2010 Rupees
Allied Bank Limited	AA	PACRA	11,737,161	28,299,624
Al-Baraka Islamic Bank	A	JCR-VIS	379,484	146,266
Bank of Punjab	AA-	PACRA	21,148,943	2,752,406
Bank Al-Habib Limited	AA+	PACRA	2,204	1,035,779
Bank Islamic Limited	AA-	PACRA	826	1,000
Habib Bank Limited	AA+	JCR - VIS	11,694,574	4,277,860
MCB Bank Limited	A	PACRA	1,478,711	74,371
National Bank of Pakistan	A-	JCR - VIS	5,062,189	5,093,894
Standard Chartered Bank	AAA	PACRA	3,670,654	96,071
United Bank Limited	AA+	JCR-VIS	7,003,256	941,549
NIB Bank Limited	AA-	PACRA	4,547,380	8,105,259
Bank of Khyber	BBB	PACRA	10,921	10,921
Bank Alfalah Limited	AA	PACRA	9,553,473	703,362
Soneri Bank Limited	AA-	PACRA	4,525,473	948,108
Silk Bank Limited	A-	JCR-VIS	3,299,360	1,813,000
Askari Bank Limited	AA	PACRA	4,372,653	7,380,677
Punjab Provincial Cooperative Bank	CCC	JCR-VIS	8,929,446	4,211,294
Habib Metropolitan Bank Limited	AA+	PACRA	4,439,848	3,466,717
Faysal Bank Limited	AA-	PACRA	4,555,074	5,058,722
KASB Bank Limited	A	PACRA	5,560,002	58,183
JS Bank Limited	A	PACRA	161,956	21,883
Summit Bank Limited	A-	PACRA	214,819	9,387,546

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	2011	2010
 Rupees				
A or above (including PRCL)	1,883,008	32,897,503	49,333,203	84,113,714	76,062,186
BBB	-	-	-	-	-
Others	-	-	-	-	-
Total	1,883,008	32,897,503	49,333,203	84,113,714	76,062,186

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 Company 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. 118,713,131 (2010:Rs . 89,575,300).

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

	2011			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	Rupees			
Financial liabilities				
Claims Outstanding	60,568,859	60,568,859	63,568,859	-
Amount due to other insurers / reinsurers	5,211,874	5,211,874	5,211,874	-
Other creditors and accruals	63,594,197	63,594,197	63,594,197	-
Liabilities against assets subject to finance lease	30,325,021	33,797,021	18,207,998	15,589,023
	<u>159,699,951</u>	<u>163,171,951</u>	<u>147,582,928</u>	<u>15,589,023</u>
	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>

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 mismatches 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:

	2011	2010	2011	2010
	Effective interest rate (%)		Carrying amount	Carrying amount
			Rupees	
Financial assets				
PLS savings account	6% - 15%	6% - 15%	<u>14,326,116</u>	<u>21,610,957</u>
TDRs	13% - 15%	13% - 15%	<u>205,433,287</u>	<u>239,190,007</u>
PIBs	8% - 12%	8% - 12%	<u>30,966,185</u>	<u>25,842,215</u>
Financial liabilities				
Finance lease	8% - 21%	8% - 21%	<u>30,325,020</u>	<u>34,664,639</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. 39,971,494 (2010: 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 2011 and 2010 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, 2011	34,668,852	10% increase 10% decrease	38,135,737 31,201,967	3,466,885 (3,466,885)
December 31, 2010	10,472,280	10% increase 10% decrease	11,519,507 9,425,052	1,047,228 (1,047,228)

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 underlined 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 disburse 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	
	2011	2010	2011	2010	2011	2010
 Rupees					
Fire	95,899,013,290	85,220,712,108	45,532,427,126	39,105,664,747	50,366,586,164	46,115,047,361
Marine	15,574,726,452	13,091,736,084	8,649,959,642	8,234,367,529	6,924,766,810	4,857,368,555
Motor	742,634,515	582,553,942	-	-	742,634,515	582,553,942
Miscellaneous	11,168,073,874	9,883,251,216	7,027,237,662	5,889,179,365	4,140,836,212	3,994,071,851

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	
	2011	2010	2011	2010
 Rupees			
10% increase in loss				
Net				
Fire	(1,145,598)	(2,266,261)	(744,639)	(1,473,069)
Marine	(489,698)	(257,692)	(318,304)	(167,500)
Motor	(239,895)	(261,179)	(155,932)	(169,767)
Miscellaneous	(1,524,719)	(1,305,730)	(991,067)	(848,724)
	<u>(3,399,909)</u>	<u>(4,090,862)</u>	<u>(2,209,941)</u>	<u>(2,659,060)</u>

	Pre tax Profit		Shahreholders' equity	
	2011	2010	2011	2010
10% decrease in loss Rupees			
Net				
Fire	1,145,598	2,266,261	744,639	1,473,069
Marine	489,698	257,692	318,304	167,500
Motor	239,895	261,179	155,932	169,767
Miscellaneous	1,524,719	1,305,730	991,067	848,724
	<u>3,399,909</u>	<u>4,090,862</u>	<u>2,209,941</u>	<u>2,659,060</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 2011.

Accident year	2009	2010	2011	Total
 Rupees			
Estimate of ultimate claims cost:				
At the end of year	6,658,512	44,534,500	28,144,579	79,337,591
one year later	2,106,512	35,287,220	-	37,393,732
Two year later	1,784,800	-	-	1,784,800
Three year later	-	-	-	-
Estimate of cumulative claims	1,784,800	35,287,220	28,144,579	65,216,599
Cumulative payments to date	3,872,984	5,628,266	-	9,501,250
Liability recognized in financial statements	<u>(2,088,184)</u>	<u>29,658,954</u>	<u>28,144,579</u>	<u>55,715,349</u>

29. CAPITAL MANAGEMENT

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. FAIRVALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reported in the financial statements approximate their fair value except for investments classified as 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 31, 2012, the Board of Directors of the Company recommended bonus shares in the ratio of one share for each NIL shares held (2010: one share for each 6.67 shares held) for the year ended December 31, 2011 amounting to Rs. NIL (2010: Rs. 37.97 million), for approval of members at the Annual General Meeting. In addition, the Board has approved appropriation to the general reserve of Rs. NIL (2010: Rs. 9.5 million).



32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on March 31, 2012 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.

Chairman

Managing Director
& Chief Executive

Director

Director

PATTERN OF SHAREHOLDING 2011

Number of Shareholders	Shareholding		Total Shares Held	Percentage %
	From	To		
125	1	100	3,711	0.01
169	101	500	42,575	0.14
131	501	1,000	99,949	0.33
266	1,001	5,000	631,521	2.07
77	5,001	10,000	566,939	1.85
31	10,001	15,000	375,718	1.23
12	15,001	20,000	204,442	0.67
10	20,001	25,000	223,766	0.73
7	25,001	30,000	194,715	0.64
8	30,001	35,000	256,140	0.84
4	35,001	40,000	146,993	0.48
7	40,001	45,000	296,192	0.97
1	45,001	50,000	48,136	0.16
3	55,001	60,000	160,591	0.53
1	60,001	65,000	64,498	0.21
1	65,001	70,000	67,606	0.22
2	75,001	80,000	152,480	0.50
1	85,001	90,000	88,200	0.29
2	90,001	95,000	191,789	0.63
1	95,001	100,000	98,659	0.32
1	105,001	110,000	107,545	0.35
4	110,001	115,000	457,385	1.50
2	115,001	120,000	234,919	0.77
1	120,001	125,000	121,420	0.40
6	130,001	135,000	803,338	2.63
1	145,001	150,000	149,001	0.49
5	150,001	155,000	765,731	2.51
1	160,001	165,000	162,374	0.53
6	170,001	175,000	1,031,171	3.37
1	180,001	185,000	180,518	0.59
5	190,001	195,000	1,146,168	3.75
2	210,001	215,000	420,258	1.37
3	225,001	230,000	684,009	2.24
2	245,001	250,000	496,672	1.62
1	305,001	310,000	307,831	1.01
1	285,001	290,000	286,541	0.94
1	340,001	345,000	343,850	1.12
1	380,001	385,000	382,058	1.25
1	435,001	440,000	439,366	1.44
1	510,001	515,000	510,048	1.67
1	705,001	710,000	706,800	2.31
1	820,001	825,000	824,328	2.70
1	840,001	845,000	843,501	2.76
2	1,040,001	1,045,000	2,088,708	6.83
1	1,275,001	1,280,000	1,275,072	4.17
1	4,160,001	4,165,000	4,164,550	13.63
1	7,715,001	7,720,000	7,717,062	25.25
<u>913</u>			<u>30,564,844</u>	<u>100.00</u>

Categories of Shareholders

Particulars	Number of Shareholders	Number of Shares Held	Percentage
Cooperative Societies	1	54,523	0.18
Financial Institutions	2	56,211	0.18
Individuals	886	30,356,491	99.32
Investment Companies	1	1,282	0.00
Insurance Companies	1	94	0.00
Joint Stock Companies	22	96,243	0.31
	<u>913</u>	<u>30,564,844</u>	<u>100.00</u>

Information Under Clause XIX (1) of the Code of Corporate Governance As at December 31, 2011

1	CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1.1	ASSOCIATED COMPANIES UNDERTAKING & RELATED PARTIES	-	-
1.2	NIT AND ICP	1,282	0.0042
1.3	DIRECTORS, CEO & THEIR SPOUSES & MINOR CHILDREN		
	Chaudhry Muhammad Sadiq Chairman / Director	7,717,062	25.2482
	Mr. Faisal Zaka Bajwa Director	8,150	0.0267
	Mr. Muhammad Kashif Director	2,002	0.0066
	Mr. Waheed Ahmed Director	4,513	0.0148
	Mr. Mudassar Imran Director	2,002	0.0066
	Mr. Imran Amjad Khan Director	3,998	0.0131
	Mr. Zahir Muhammad Sadiq Director / CEO	1,275,072	4.1717
1.4	EXECUTIVES / EMPOLYEES	295,669	0.9673
1.5	PUBLIC SECTOR COMPANIES & CORPORATIONS	-	-
1.6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS FINANCIAL INSTITUTION	56,211	0.1839
1.7	JOINT STOCK COMPANIES	96,243	0.3149
1.8	COOPERATIVE SOCITIES	54,523	0.1784
1.9	GENERAL PUBLIC & OTHERS	21,048,023	68.8635
2.0	INSURANCE COMPANIES	94	0.0003
	TOTAL	30,564,844	100

3	SHAREHOLDERS MORE THAN 10%	SHARES HELD	PERCENTAGE
3.1	Chaudhry Muhammad Sadiq	7,717,062	25.2482
3.2	Mrs. Shehnaz Sadiq	4,164,550	13.6253

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 Haider
A.V.P./ Branch Manager

Mr. Muhammad Azeem
Branch Manager

Mr. Sattar Ahmed
Manager

Ch. Habibullah
Branch Manager

Mr. Daulat Qadir Khan
Branch Manager

Mr. Abdul Rehman
Branch Manager

Mr. Syed Touseef 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, Fax: 042-37314024, Cell: 0302-4332097

Lahore Marketing Unit:

5-Bank Square, Lahore. Tel: 042-37358041, Fax: 042-37358041, Cell: 0300-9496572

Regional Office:

Suite # 24, 2nd Floor, 73-Jail Road, Lahore.

Tel: 042-37576907, Fax: 042-37582296, Cell : 0300-8416602

1st. Floor, Carpet Plaza, 10- Abbot Road, Lahore.

Tel: 042-36311662, Fax: 042-36311663, Cell: 0333-4303511

Office # 7, 2nd Floor, Patiala Complex, 2-Link Macleod Road, Lahore.

Tel: 042-37351138, Fax: 042-37351139, Cell: 0301-4464115

Room # 50-G, Ground Floor, Auto Centre, 108-Lytton Road, Lahore.

Tel: 042-37245606, Fax: 042-37245606, Cell: 0333-4748644

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

89-A, Temple Road, Lahore.

Tel: 042-36366997, Fax: 042-36361206, Cell: 0300-4250811

Javed Manzil, Opp. Nawab Tubewell, Chah Miran Road, Gorey Shah, Lahore

Tel: 042-36858002, Cell: 0322-4642588

1st Floor, Tabarak Chamber, 19-Abbot Road, Lahore.

Tel: 042-3636585, Fax: 042-36308071, Cell: 0333-4290875

C/O OCS, Sheikhpura.

Cell: 0333-4343703, 0300-9468582

280-X, Housing Colony, Lahore Road, Sheikhpura.

Tel: 056-3500462, Cell: 0300-4329021

438-1, 2nd Floor, B-Block, Mini Market, Model Town, Gujranwala.

Tel: 055-3841278, Fax: 055-3857461, Cell: 0300-8741041

3rd Floor, Din Plaza, G.T. Road, Gujranwala.

Tel: 055-3252489, Fax: 055-3258716, Cell: 0300-9640020

3-H Block, Trust Plaza, Gujranwala.

Tel: 055-3856698, Fax: 055-3859007, Cell: 0321-6470412

Shehroze Plaza, Near Sultan Public School, G.T. Road, Gujrat.

Tel: 053-3536111, Fax: 053-3535105, Cell: 0300-6228211

Alvi Chowk, Mandi Bahauddin.

Cell: 0321-7750589

House # 94, Sector C-4, Mirpur, A.K..

Tel: 05827-432838, Cell: 0300-5485103

1st Floor, Irsilan Plaza, Kotwali Road, Faisalabad.

Tel: 041-2636160, Tel: 041-2631275, Cell: 0333-6500739

1st Floor, Ummed Plaza, Near Rays Hotel, Allama Iqbal Road,

Faisalabad. Tel: 041-32647933, Fax: 041-2601098, Cell: 0300-7227170

Gali # 1, Muhallah Wazir Park, Mehdiabad Road, Tehsil Gojra,

Distt. Toba Tek Singh. Tel: 046-3515595, Cell: 0300-7978418

Mr. Rai Nawazish Ali Branch Manager	Near NBP, Quaid-e-Azam Road, Tandlianwala. Tel: 041-3441342, Cell: 0333-6581781
Mr. 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
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
Mr. Khawaja Shahid Mehmood Zonal Manager	1st Floor, Khushi Trade Centre, M.A. Jinnah Road, Okara. 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, Fax: 040-4226247, Cell: 0314-3612110
Mr. Rao M. Ashiq Sajid Assistant Vice President	New Taj Jamia Masjid, Muhallah Haripura, Mailsi. Tel: 067-3411525, Cell: 0300-6346645
Mr. Rai Anwar Alam Zonal Manager	Street # 13, Main Road, Madni Colony, Bahawalnager. Cell: 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: 061-4582628, Fax: 061-4582628, Cell: 0300-8738770
Mr. Rao M. Naeem Akhter Branch Manager	Shaheen Town, Opp. Railway Station Muzaffarabad, Sher Shah Road, Multan Cantt. Tel: 061-3536326, Cell: 0308-7836093
Ch. Muhammad Amin Manager	Ghalla Mandi, Chishtian. Tel: 063-2503042, Cell: 0333-8904180
Mr. Khalil Ahmed Khan Branch Manager	Plot # 54, Kangan Road, Dera Ghazi Khan. Cell: 0321-6782000
Mr. Laal Muhammad Khan Branch Manager	2046-New Civil Line, Block # 18, Dera Ghazi Khan. Tel: 0642-463219, Cell: 0333-6475175
Mr. Rao Nisar Ahmed Zonal Manager	Zonal Office, 1st Floor, Shahdin Plaza, Farid Gate, Bahawalpur. Tel: 062-2886272, Fax: 062-2886272, 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. Tel: 062-2000620, Cell: 0301-8683121
Mr. Zia Ullah Vice President	9-D, Firdous Market, Upper Story, D-Link, Net Cafe, Rahim Yar Khan. Tel: 068-5877523, Cell: 0300-6746912
Ch. Ihsan-ul-Haq Branch Manager	6-Railway Road, Rahim Yar Khan. Tel: 068-5876961, Cell: 0300-6731885
Mr. Amir Manzoor Regional Head/ S.V.P	Office # 8, 1st Floor, Royal Plaza, 6th Road, Rawalpindi. Tel: 051-4423944, Fax: 051-4423955, Cell: 0333-5112370
Mr. Ghulam Ali Branch Manager	Dr. Atiq-ur-Rehman Plaza, Sonehri Masjid Road, Peshawar. Tel: 091-5285487, Fax: 091-5260362, Cell: 0333-9145139
Mr. Jamil Akhter Bhatti Zonal Manager	Office # 6, Behind. BOP, Supply Bazar, Abbotabad. Tel: 099-2341431, Cell: 0333-5115628

Mr. Raja Munir Akhtar Branch Manager	Silver Star Insurance Company Ltd. Chakwal. Tel: 054-3551150, Cell: 0333-6798679
Mr. Jamshaid Akhter Samo Senior Vice President	B-268, New Liaqat Market, Mohni Bazar, Nawab Shah. Tel: 024-4361284, Fax: 024-4361284, Cell: 0300-3200323
Mr. Junaid Akhter Samo V.P./ Regional Chief	Room # 26, 2nd Floor, Goal Building, Risala Road, Hyderabad. Tel: 022-2728707, Fax: 022-2728707, Cell: 0300-2038707
Mr. Muhammad Afzal Vice President	1-C, 2nd Floor, Namco Centre, New Challi, Campbell Street, Karachi. Tel: 021-32621558, Fax: 021-32621563, Cell: 0333-2211472
Mr. Jan Muhammad Senior Vice President	B-1/3, Malir Cantt. Bazar, Karachi. Tel: 021-34491943, Fax: 021-32621563, Cell: 0333-2193195
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, Cell: 0300-2285929
Mr. Farooq Rashid Branch Manager	Suite # 206, 2nd Floor, Europa Centre, Hasrat Mohani Road, I.I. Chundrigar Road, Karachi. Tel: 021-32631750, Cell: 0300-2379846
Mr. Muhammad Hassan Rajput Branch Manager	House # B-204/3, Baburki Bazar Challa, Sukkar. Cell: 0345-4931333, 0333-7118078
Mr. Ghulam Qasim Khan Branch Manager	Swag Hosue, Opp. Canal Colony, Layyah. Tel: 0606-411621, Cell: 0300-6767088
Mr. Muhammad Asif Iqbal Branch Manager	Farrukh Abad Khan Pur, Distt. Rahim Yar Khan. Cell: 0300-6727412
Mr. Muhammad Sadiq Ghauri Branch Manager	381-L, Shah Rukan-Alam, Multan. Tel: 061-6770771, Cell: 0322-6646316
Mr. Muhammad Kashif Shah Branch Manager	Paris Raod, Sialkot. Cell: 0333-4622663
Mr. Ghulam Safdar Malik Branch Manager	G.T. Road, Wazirabad. Cell: 0301-6494194
Mr. Rana Najmul Haasan Manager	Railway Road, Muzaffar Garh. Cell: 0302-7428804
Mr. Muhammad Iqbal Branch Manager	Daska. Cell: 0301-8644286



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 28th Annual General Meeting of the Company to be held on April 30, 2012 at the Company's Registered Office at Silver Star House, 5 - Bank Square Lahore, and at any adjournment thereof,

Signed this _____ day of _____ 2012.

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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