

# Company Vision

Providing the best service with the highest  
integrity and an unbeatable reputation.





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## Company Vision

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

## Corporate Mission

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

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

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

To generate operational profits and dividend return in due measure to the shareholders of the company.



# Company Information

## Board of Directors

**ARDESHIR COWASJEE**

Chairman

**MUNIR I. MILLWALA**

Managing Director & CEO

**FAYYAZ F. MILLWALA**

Executive Director

**ABDUL RAZZAK E. JAFFER**

Non Executive Director

**FIDA HUSSAIN SAMOO**

Non Executive Director

**QUTUBUDDIN A. MILLWALA**

Non Executive Director

**HUSSAINI I. MILLWALA**

Non Executive Director

**M. H. MILLWALA**

Non Executive Director



# Management

**Munir I. Millwala**  
Managing Director  
& CEO

**Fayyaz F. Millwala**  
Executive Director

**Moiz Ali**  
General Manager

**Fakhruddin A. Bandukwala**  
Deputy General Manager

**Zahid Ali**  
Assistant General Manager

**Khuzaima Hakimi**  
Company Secretary

**Fakhruddin Khetty**  
Accounts Manager

**Zoeb Quettawala, F.C.A.**  
Internal Auditor

**Khwaja Balighuddin**  
Manager

**Qutubuddin Kaleemi**  
Assistant Manager

**Azmat Shaikh**  
Assistant General Manager

**Iqbal Macha**  
Assistant General Manager

**Yunus Shaheen**  
Assistant General Manager

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**Advisor**

Syed Ahmed Ali

**Auditors**

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

**Bankers**

United Bank Limited  
National Bank of Pakistan  
Bank Alfalah Limited  
Habib Bank Limited  
Muslim Commercial Bank Limited  
Prime Commercial Bank Limited  
Saudi Pak Commercial Bank Limited

**Registered Office**

2nd Floor,  
Nadir House,  
I. I. Chundrigar Road,  
P.O. Box No. 4616, Karachi

**Share Registrar Office**

MG Associate Private Limited  
608-610, Paradise Chamber,  
off: Shahrah-e-Iraq, Karachi.  
Tel: 92-21-5212769, 5212842 Fax: 5650453



## COMMITTEES :

### Audit Committee:

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

### Underwriting Committee:

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

### Claim Settlement Committee:

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

### Re-insurance Committee:

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

### Investment Committee:

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



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 52nd Annual General Meeting of the shareholders of the company will be held on 30<sup>th</sup> May 2009 at 3 p.m. at the company's registered office, 2nd floor, Nadir House, I.I. Chundrigar Road, Karachi to transact the following business.

1. To confirm the minutes of the 51<sup>st</sup> AGM held on 31<sup>st</sup> March 2008.
2. To receive, consider and adopt Directors' and Auditors' report and Audited Accounts for the year ended 31<sup>st</sup> December, 2008.
3. To appoint Auditors for the year ending December 31, 2009 and fix their remuneration. The retiring auditors M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountant have completed three years term and the directors have proposed M/s Moochhala Gangat & Co, Chartered Accountants, who have offered themselves for appointment.
4. To consider any other business of the Company with the permission of the Chair.

Karachi : May 7, 2009

By order of the Board  
KHUZAIMA HAKIMI  
Secretary

Notes:

1. The Share Transfer Books of the Company shall remain closed from 24<sup>th</sup> May 2009 to 30<sup>th</sup> May 2009 (both days inclusive). Transfers received at our registrar office M/s MG Associate Private Limited, 608 610, Paradise Chambers, Off. Shahrah-e-Iraq, Karachi-74400, tel # 92-21-5212769, 5212842, fax # 92-21-5650453 by the close of business on 23<sup>rd</sup> May 2009 will be treated in time.
2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. Form of proxy, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the Meeting.
3. The CDC account/sub account holders are requested to bring with them their Computerised National ID Cards along with the Participants(s) ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
4. Members are requested to promptly communicate to the Company any change in their address.



## Director's Report

I present before you the audited annual Financial Statements and report for the year ended 31st December 2008. The year in review was a difficult year. Business confidence suddenly eroded as the world economies slowed pace. The developed world became deeply mired in recession and it's dawning after effects sent shock waves through out the world. The financial system in vogue faced systematic challenges and there exists significant doubts to date that the measures undertaken by the developed world for revival of the system can really be put back to work. In this bleak scenario our fears were compounded with growing political instability and the worsening law and order problems in our country.

The operational results for the year under review are as below.

	2008	2007	%
Gross Premium	175,567,208	197,212,378	(10.97)
Net Premium	140,800,091	170,280,661	(17.31)
Investment Income	(9,010,802)	19,392,772	(53.53)
(Loss)/Profit Before Tax	(37,399,074)	26,086,171	(43.37)
(Loss)/Profit After Tax	(37,728,837)	24,035,996	(56.97)
Total Assets	286,698,340	310,798,156	(7.76)
Earning Per Share (EPS)	(3.14)	2.19	(45.37)

The business confidence particularly in the insurance industry world wide is currently at its lowest ebb. The unbridled economic development in the developed economies through credit growth over the years obtained on the back of insurance covers had provided cushions for creating a highly leveraged credit economy and a cause for pumped up assets values which eventually created sub prime loaning. This is now under correction resulting in defaults. Credit insurance is difficult to obtain restricting fresh loaning by the banks. The world's major insurers as well as re insurers as a result stand badly mauled by the economic down turn. Their investments now stand bamboozled and returns much reduced. This has created new challenges in risk management. The Reinsurance market internationally has thus hardened.

I am pleased to say that in spite of the adverse developments in the world we were able to renew our treaties on improved terms with our re insurers. This is largely due to our risk profile and spread in small and medium sized industrial and commercial risks which give our treaties a good spread and to recoup any losses. Our risk exposure in relation to our capital / equity is satisfactory.

Faced with daunting challenges, the political and economic situation in Pakistan continues to remain grim with growing difficulties in governance. Businesses confidence during the year stood eroded amidst instability and confusion that prevailed. The rupee was depreciated by an unimaginable 30% which came as a rude shock to investors. There after KSE closed it's trading for over 110 days which was unprecedented. SECP then allowed the mutual funds to stop encashment of money market securities thus completely eroding the market confidence the investors had placed in our markets. Our negotiation's with a foreign investor for investments in the company in line with SECP capital compliance was at a nearing stage. The foreign investor's confidence in our market was suddenly gone and business deal was called off. It is believed that it will take time and efforts to rebuild the lost confidence in our economy and with international scenario that continues to look bleak the task is ever more difficult. We have thus initiated several action plans.

To meet the challenges ahead we have in the first instance approached SECP for suitable extension in time limit for meeting the capital compliance requirements. The reason for seeking extension is that the capital markets and investors confidence in the country is deeply eroded and the existing environment and political situation as well as law and order situation in the country is far from satisfactory. The increased capital requirements were agreed when the economic and political conditions were stable and improving. The obtaining conditions no longer remain the same, whereas the future seems be set with uncertainties and difficulties. In such a circumstance it is difficult to get underwriter confirmation for a fresh right issue While we expect the political and economic situation will improve, we are engaged in discussions with investors for meeting the capital compliance of Rs.300 million in one go. We have received encouraging response from a potential





institutional investor but it is still to reach a maturing stage. We are also engaged in preliminary discussions for a merger with a mid sized private insurance company. We believe the synergies between the two companies will be beneficial for both the companies. This process is under initiation and preliminary talks are underway. We will be disclosing the details once the finer points are sorted out. Any decision on our part will be in the best interest of the stakeholders. We will keep SECP and the various stakeholders fully informed on the ensuing developments.

The auditors have qualified our company accounts for its inability to timely meet the SECP capital compliance and raised doubts of material uncertainty of treating the company as a going concern on account of this non compliance. The company is aware of the shortfall in capital requirement and is making necessary efforts. The difficulties are essentially due to force majeure conditions and uncertainties in the country from second half of 2008. We are confident of meeting the compliance requirements in the very near future. The above addresses the issues raised by the auditors in their report regarding going concern. Non banking financial institutions are already allowed extension in meeting of capital requirements by SECP and the State Bank. In recent weeks The State Bank has recently lowered and allowed relaxation to Banks in meeting its capital requirements because of the many difficulties. We are confident that SECP will grant us requisite extension in lieu of disturbed conditions in the country.

During the year on account of growing uncertainties and disturbed political and law and order conditions we took decisions to restrict business expansion through credit growth. We have taken measures to restrict growth in motor business through increases in premiums rates. This will bring the motor Portfolio to a more comfortable business mix with fire and other business. We anticipate the disturbed law and order conditions may give rise to sudden increases in claims etc. For such reasons, our volume of business particularly in motor department is reduced and for such reasons we have created an additional risk reserve of Rs. 3.7449 million for premium deficiency on motor business. Business volumes in other departments remain satisfactory. Because of changes in our underwriting mix and seeking growth in other lines of business, our expenses remained high during the year. Measures are afoot to reduce on expenses etc. We are seized of the fact that we have to bring profitability back to our core business of underwriting. We have also made heavy provisioning in our premium receivables as market situation and business condition dampens. Our limitations and difficulties in growth remain on account of small bank limits which hamper our progress. This limitation is due to our small sized capital. We expect with the merger and or increases in our paid up capital our single risk limits with the banks would improve considerably thereby help increase our business and profitability. Our investments on the Karachi stock Exchange during the year suddenly turned sour and needs heavy provisioning for the eroded values. We have made a large provisions during the year and for the eroded values will have to still account for such losses in the ensuing year. We expect the stock market to some what recover in 2009 as such we have treated part of the loss in value as temporary in accordance with SECP directives. On account of the difficulties narrated the company has suffered losses in the year 2008 and therefore there will be no dividends/profits etc. for the year.

**The details of loss appropriation etc are as follows**

Loss)/Profit Before Tax	(37,399,074)
Add: Provision for Tax	( 329,763)
(Loss)/Profit After Tax	(37,728,837)
Un-appropriated Profit (from last year)	111,656
Balance Unappropriated Profit at the end of the year	(37,617,181)

The auditors have qualified their report for expenses incurred at branch offices as unverified for Rs.16.431 . Although we have made efforts to compile as many supporting documents from our branches as possible and have accordingly managed to reduce the amount of unverified expenses this year. We have presented the expenses in an arranged manner as best possible but the auditors still assume certain difficulties for verification and in need for more supporting details. We are still thus continually engaged in the process to compile the supports for all such expenses in an arranged manner to have the observation cleared altogether, as required by the auditors.



The company has been rated BBB stable by JCR lower from their previous assessment of BBB positive. This is on account of company adopting a cautious business policy particularly in motor department. The cautious policy adopted is due to disturbed law and order conditions in the country.

The value of investment of Provident Fund maintained by the company based on latest audited financial statement as at 31st December 2007 is Rs.20,644,929

Auditors. The retiring auditors have completed three years of service. The board has proposed the appointment of M/s Moochala Gangat & Co. as the company auditors for the year 2009.

#### **Compliance with the Code of Corporate Governance:**

**The requirements of the code set out by the stock exchanges in the listing regulations, relevant for the year ended December 31, 2008, have been duly complied with. A statement to this effect is annexed with the report.**

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

- a) The financial statements, prepared by the Company, present fairly, its state of affair, the results of its operations, cash flows and changes in equity. See comments in auditors report.
- b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984. See comments in auditors report.
- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates area on the basis of prudent and reasonable judgement.
- d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance.1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002. See comments in auditors report.
- e) The system of internal control is sound, effectively implemented and monitored. The process of review will continue to strengthen the system for its effective implementation. See paragraph 17 of the Companies Statements on code of corporate governance.
- f) There is no significant doubts upon the Company's ability to continue as a going concern. See auditors report and notes No 32 to the financial statement.

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

#### **Board Meetings and Attendance:**

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

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

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

**Auditors:**

The present auditor M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountants, retires and the board have proposed M/s Moochhala Gangat & Co, Chartered Accountants who have offered themselves for appointment as external auditors for the year ended 31st December 2009.

**Audit Committee:**

The Company has an audit Committee, and had four meetings during the year 2008.

**STATEMENT OF ETHICS AND BEST BUSINESS PRACTICES**

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

**Company Reporting:**

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

**Pattern of shareholding:**

A pattern of shareholding is shown separately.

**Acknowledgement:**

On conclusion of my report I take this opportunity to thank the Chairman and the Board of Directors for the valuable advice, support and cooperation that I and my team received during the year, motivating us to improve and perform better. My thanks at the close are reserved for the General Manager, officers, staff and the field force whose hard work and dedication has helped us move forward each year with renewed determination to succeed and do better.

My thanks at the end are also reserved for the Securities and Exchange Commission of Pakistan (Insurance Directorate) and our re insurers, namely Mitsui Sumitomo, Pakistan Reinsurance Company and Korea Re, whose cooperation and support during the year was invaluable to us.

Finally, I also thank our valuable clients and the shareholders for having reposed their trust in the company .

**Muinir I. Millwala**  
(Managing Director & C.E.O.)



## Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2008

This statement is being presented to comply with the Code of Corporate Governance contained Regulation No.37 of listing regulations of the stock exchange the purpose of establishing a framework of good governance, whereby a listed company/insurance company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors. At present the Board included six independent non-executive directors, including one non-executive director representing minority shareholders.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange has been defaulter by that stock exchange.
4. No casual vacancy has occurred in the year 2008.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees upon joining the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant accounting policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. An orientation course was conducted for the directors to apprise them of their duties and responsibilities in the previous year.
10. There was no new appointment of CFO, Company Secretary and head of Internal Audit during the year.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
14. The Company has functioning the committees namely, Underwriting Committee, Claim Settlement Committee and Re-insurance Committee.



15. The Board has formed an audit committee. It comprises of three members, of whom all are non-executive directors including a Chairman of the committee.
16. The meetings of the audit committee were held once in every quarter prior to approval of interim and final results of the Company, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The internal audit department of the company is currently being organized.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality Control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold the shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountant (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountant (IFAC) guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

**MUNIR I. MILLWALA**  
Managing Director & CEO



## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNMENT**

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2008 prepared by the Board of Directors of the Crescent Star Insurance Company Limited (the Company) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company, for the year ended 31 December 2008.

**FORD ROHDES SIDAT HYDER & CO.**

**Chartered Accountants**

KARACHI: May 07, 2009



## 10 Years at a Glance

(amounts in million rupees)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Gross premium	175.57	197.21	207.38	165.91	115.92	69.19	41.69	36.16	38.93	38.20
Net premium	140.80	170.28	146.58	102.40	63.53	32.02	24.80	20.81	24.09	22.20
Paid-up capital	121.00	96.80	88.00	80.00	80.00	50.00	50.00	50.00	40.00	40.00
General reserve	24.50	24.50	22.10	17.10	17.10	12.60	10.10	10.10	8.10	4.10
Reserve for exceptional losses and unexpired risks	70.80	85.99	110.56	93.78	64.90	25.48	11.68	10.09	11.40	10.65
Total assets	286.69	310.80	278.83	275.34	227.04	115.24	83.64	79.90	71.64	67.33
Profit before tax	(37.40)	26.09	9.84	28.76	26.45	10.07	3.24	3.38	4.92	5.59
Profit after tax	(37.73)	24.04	8.58	21.58	20.50	7.04	0.33	2.20	3.87	4.39
Distribution as percentage of paid-up capital- cash dividend					10.00	10.00	-	-	-	10.00
paid-up capital- cash dividend Interim		25.00		10.00	10.00					
- bonus shares			10.00	10.00						
- right shares		25.00				60.00				25.00
Return on total assets-%	(13.16)	7.73	3.08	7.84	9.03	6.11	0.39	2.75	5.40	6.52
Return on shareholders' equity-%	(34.41)	18.06	6.96	18.80	5.33	10.86	0.53	3.53	7.69	9.48
Break-up value per share	9.06	13.75	14.02	14.34	13.65	12.98	12.57	12.51	12.59	11.62
Earnings per share in rupees	(3.14)	2.19	0.98	2.70	3.43	1.41	0.07	0.44	0.97	1.10



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

- i) balance sheet;
- ii) profit and loss account;
- iii) statement of changes in equity;
- iv) cash flow statement;
- v) statement of premiums;
- vi) statement of claims;
- vii) statement of expenses; and
- viii) statement of investment income;

of **The Crescent Star Insurance Company Limited (the Company)** as at 31 December 2008 together with notes forming part thereof, for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984).

Except as discussed in paragraphs (i) and (ii) below, we planned our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

We report that:

- (i) we have not been able to verify the expenses incurred at the branches, amounting to Rs.16.431 million, included in 'Expenses' in the 'Profit and Loss Account' which were recorded by the Company on the basis of statement of expenses received from the branches, due to the reason stated in note 21.2 to the accompanying financial statements. Further, we were unable to satisfy ourselves as to the propriety of such expenses.

Accordingly, the effects of the above matter on the accompanying financial statements of the Company cannot presently be determined.

- (ii) in addition to the matter stated in paragraph (i) above, the following conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Further, the financial statements and notes thereto do not disclose this fact.





- (a) According to Circular No. ID/01/2007 dated 10 April 2007, issued by the Securities and Exchange Commission of Pakistan (SECP), all non-life insurance companies are required to have a minimum paid up capital of Rs.160 million as at 31 December 2008. However, the paid up share capital of the Company was Rs.121 million at the end of the current year. Under the Insurance Ordinance, 2000, failure to comply with the said requirement may result in issuance of a direction by the SECP to cease the Company from entering into new contracts of insurance and any other action it may deem necessary.
- (b) The Company has incurred a loss of Rs.37.729 million during the current year which resulted in accumulated loss of Rs.37.617 million at the end of the current year. The reported loss for the year and accumulated loss at the end of year would have been Rs.75.467 million and Rs.75.355 million, respectively, had the Company treated the decline in the value of its available for sale investments as other than temporary, as stated in note 14.7 to the financial statements of the current year.

However, the evidence available to us to confirm the appropriateness of preparing the financial statements on the going concern basis was limited because the Company has not demonstrated to us any plans to raise its Capital to meet the legal requirements and also not prepared any profit or cash flow projections for an appropriate period subsequent to the balance sheet date. As a result, and in the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis.

Accordingly, the effects of the above matter on the accompanying financial statements cannot presently be determined.

Because of the significance of the matters discussed in paragraphs (i) and (ii) above, we are unable to form an opinion as to whether:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000, and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied; and
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31st December 2008, and of the loss, its changes in equity and cash flows 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 Companies Ordinance, 1984.

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



## BALANCE SHEET AS AT

	Note	2008 ----- (Rupees) -----	2007 -----
<b>Share Capital and Reserves</b>			
Authorised share capital	7	<u>350,000,000</u>	<u>150,000,000</u>
Paid-up share capital	7	<u>121,000,000</u>	<u>96,800,000</u>
(Accumulated loss) / unappropriated profit		<u>(37,617,181)</u>	<u>111,656</u>
Reserves	8	<u>26,264,833</u>	<u>26,264,833</u>
<b>TOTAL EQUITY</b>		<b>109,647,652</b>	<b>123,176,489</b>
Advance against issue of right shares		-	9,889,680
<b>Underwriting Provisions</b>			
Provision for outstanding claims (including IBNR)		<u>66,837,514</u>	<u>72,363,639</u>
Provision for unearned premium		<u>69,036,192</u>	<u>84,220,192</u>
Premium deficiency reserve		<u>3,746,883</u>	-
Commission income unearned		<u>7,042,384</u>	<u>7,686,656</u>
		<b>146,662,973</b>	<b>164,270,487</b>
<b>Deferred Liability</b>			
Deferred taxation	9	9,880	-
<b>Creditors and Accruals</b>			
Premiums received in advance		<u>612,281</u>	<u>507,856</u>
Amounts due to other insurers / reinsurers	10	<u>15,913,077</u>	<u>7,526,251</u>
Accrued expenses		<u>1,551,097</u>	<u>1,591,384</u>
Other creditors and accruals	11	<u>11,883,171</u>	<u>1,955,398</u>
		<b>29,959,626</b>	<b>11,580,889</b>
<b>Other Liabilities</b>			
Unclaimed dividend		418,209	1,880,611
<b>TOTAL LIABILITIES</b>		<u>177,050,688</u>	<u>177,731,987</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>286,698,340</u>	<u>310,798,156</u>
<b>CONTINGENCIES AND COMMITMENT</b>	12		

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive



**DECEMBER 31, 2008**

	Note	2008 ----- (Rupees) -----	2007
<b>Cash and Bank Deposits</b>	13		
Cash and other equivalents		53,549	28,599
Current and other accounts with banks		13,861,058	33,712,548
Deposits maturing within 12 months		14,000,000	28,000,000
		<b>27,914,607</b>	61,741,147
<b>Investments</b>	14	<b>70,863,267</b>	49,377,460
<b>Deferred Taxation</b>	9	-	872,550
<b>Current Assets – Others</b>			
Premiums due but unpaid	15	75,503,382	90,535,534
Amounts due from other insurers / reinsurers	16	12,698,491	5,860,931
Salvage recoveries accrued		333,000	390,000
Accrued investment income		207,121	23,520
Reinsurance recoveries against outstanding claims		28,725,054	32,849,079
Deferred commission expense		12,329,791	14,513,186
Taxation - net	17	4,263,645	1,102,226
Prepayments	18	22,195,552	22,177,715
Sundry receivables	19	4,795,686	3,328,520
		<b>161,051,722</b>	170,780,711
<b>Fixed Assets</b>	20		
<b>Tangible</b>			
Freehold land		6,392,500	6,392,500
Furniture and fixtures		2,506,913	2,672,195
Office equipment		1,861,339	1,639,723
Computers and related equipment		1,188,337	1,008,614
Motor vehicles		13,386,322	14,703,256
<b>Intangible</b>			
Computer software		1,533,333	-
Capital work in progress		-	1,610,000
		<b>26,868,744</b>	28,026,288
<b>TOTAL ASSETS</b>		<b>286,698,340</b>	<b>310,798,156</b>

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

Note	Rupees				2008 Aggregate	2007 Aggregate
	Fire & Property	Marine & Transport	Motor	Other Classes		
<b>Revenue Account</b>						
Net premium revenue	34,672,213	19,363,610	76,810,060	9,954,208	140,800,091	170,280,661
Net claims	(268,823)	(3,096,782)	(57,672,907)	(1,783,911)	(62,822,423)	(86,993,496)
Premium deficiency reserve			(3,746,883)		(3,746,883)	
Expenses	(14,988,974)	(7,940,634)	(16,322,414)	(4,852,610)	(44,114,632)	(37,564,527)
Net commission	(3,314,536)	(141,484)	(14,799,343)	(1,249,090)	(19,504,453)	(14,966,360)
	<b>16,089,880</b>	<b>8,184,710</b>	<b>(15,731,487)</b>	<b>2,068,597</b>	<b>10,611,700</b>	<b>30,756,278</b>
<b>Underwriting result</b>						
Investment income - net					(9,010,802)	19,392,772
Profit on sale of fixed assets					405,492	230,202
Other income - net					998,398	-
General and administrative expenses					(40,403,862)	(24,293,080)
					(48,010,774)	(4,670,106)
<b>(Loss) / profit before tax</b>					(37,399,074)	26,086,172
Provision for taxation					(329,763)	(2,050,175)
<b>(Loss) / profit after tax</b>					(37,728,837)	24,035,997
<b>Profit and loss appropriation account</b>						
Balance at commencement of the year					111,656	9,275,659
(Loss) / profit after tax for the year					(37,728,837)	24,035,997
Interim dividend paid [(Nil per share) (2007: Re.0.25 per share)]					-	(24,200,000)
Transfer to general reserve					-	(9,000,000)
<b>Balance of (accumulated loss) / unappropriated profit at end of the year</b>					(37,617,181)	111,656
(Loss) / earnings per share (basic and diluted) - rupees					(3.14)	2.19

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Share Capital Issued, subscribed and paid up	Capital Reserves		Revenue Reserves		Unappropriated profit / (accumulated loss)	Total
		Share premium	Reserve for Exceptional Losses	General reserve			
	----- Rupees -----						
Balance as on January 01, 2007	88,000,000	2,197,265	1,767,568	22,100,000		9,275,659	123,340,492
Issue of bonus shares (in the ratio of 1 share for every 10 shares held)	8,800,000	-	-	(8,800,000)		-	
Transfer to general reserve	-	(2,197,265)	-	2,197,265		-	
Transfer to general reserve	-	-	-	9,000,000		(9,000,000)	
Profit for the year	-	-	-	-		24,035,997	24,035,997
Interim dividend paid	-	-	-	-		(24,200,000)	(24,200,000)
<b>Balance as on December 31, 2007</b>	<u>96,800,000</u>	<u>-</u>	<u>1,767,568</u>	<u>24,497,265</u>		<u>111,656</u>	<u>123,176,489</u>
Issue of right shares (see note 7.2.1.1)	24,200,000	-	-	-		-	24,200,000
Loss for the year	-	-	-	-		(37,728,837)	(37,728,837)
<b>Balance as on December 31, 2008</b>	<u>121,000,000</u>	<u>-</u>	<u>1,767,568</u>	<u>24,497,265</u>		<u>(37,617,181)</u>	<u>109,647,652</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
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**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director





**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Note	2008	2007
		----- (Rupees) -----	
<b>Operating Cash Flows</b>			
<b>a) Underwriting activities</b>			
Premiums received		175,596,376	184,497,062
Reinsurance premiums paid		(49,935,662)	(49,844,261)
Claims paid		(95,673,323)	(85,578,666)
Reinsurance and other recoveries received		31,448,800	22,382,364
Commissions paid		(36,499,379)	(33,412,723)
Commissions received		18,534,049	20,067,767
Net cash flow from underwriting activities		43,470,861	58,111,543
<b>b) Other operating activities</b>			
Income tax paid		(2,608,752)	(3,757,647)
General management expenses paid		(52,861,114)	(59,596,958)
Other operating payments		(741,768)	(677,744)
Net cash flow from other operating activities		(56,211,634)	(64,032,349)
Total cash flow from all operating activities		(12,740,773)	(5,920,806)
<b>Investment activities</b>			
Profit / return received		3,935,026	2,043,331
Dividends received		1,455,256	2,125,360
Payments for investments		(73,145,939)	(91,569,531)
Proceeds from disposal of investments		37,075,447	127,624,550
Fixed capital expenditure		(4,738,475)	(6,608,268)
Proceeds from disposal of fixed assets		1,485,000	345,000
Total cash flow from investing activities		(33,933,685)	33,960,442
<b>Financing activities</b>			
Advance received against issue of right shares		-	9,889,680
Proceeds from right issue		14,310,320	-
Dividends paid		(1,462,402)	(22,498,693)
Total cash outflow from financing activities		12,847,918	(12,609,013)
Net cash (outflow) / inflow from all activities		(33,826,540)	15,430,623
Cash at the beginning of the year		61,741,147	46,310,524
Cash at the end of the year		27,914,607	61,741,147



	Note	2008	2007
		----- (Rupees) -----	
<b>Reconciliation to Profit and Loss Account</b>			
Operating cash flows		(12,740,773)	(5,920,806)
Depreciation expense		(4,049,844)	(4,213,085)
Amortization expense		(766,667)	-
Profit on disposal of fixed assets		405,492	230,202
Provision for doubtful balances		16,813,507	197,253
Other income		(998,398)	-
(Decrease) / increase in assets other than cash		(29,887,516)	33,184,876
Increase in liabilities		(771,223)	(20,542,687)
		<b>(31,995,422)</b>	<b>2,935,753</b>
<b>Other adjustments</b>			
Profit / return received		4,118,627	2,048,100
Other income		998,398	-
Dividend income		1,455,256	2,125,360
Capital gain		(14,584,685)	15,219,312
Income tax paid		2,608,752	3,757,647
Provision for taxation		(329,763)	(2,050,175)
		<b>(5,733,415)</b>	<b>21,100,244</b>
<b>(Loss) / profit after taxation</b>		<b>(37,728,837)</b>	<b>24,035,997</b>

#### Definition of cash

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

	Note	2008	2007
		----- (Rupees) -----	
<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>			
<b>Cash and other equivalent</b>			
Cash in hand		37,399	17,719
Policy stamps		15,650	10,880
Revenue stamps		500	-
		<b>53,549</b>	<b>28,599</b>
<b>Current and other accounts with banks</b>			
Current accounts		13,851,955	32,663,654
PLS savings accounts		9,103	1,048,894
		<b>13,861,058</b>	<b>33,712,548</b>
<b>Deposits with banks maturing within 12 months</b>			
Deposit accounts		14,000,000	28,000,000
Total	13	<b>27,914,607</b>	<b>61,741,147</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director



## STATEMENT OF PREMIUMS FOR THE YEAR ENDED DECEMBER 31, 2008

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Prepaid reinsurance premium ceded		Reinsurance ceded	Reinsurance expense	2008 Net premium revenue	2007 Net premium revenue
		Opening	Closing		Opening	Closing				
(Rupees)										
Direct and facultative										
1 Fire and property	62,237,695	29,892,517	29,619,115	62,511,097	13,976,544	14,893,733	28,756,073	27,838,884	34,672,213	38,614,889
2 Marine and transport	32,999,013	3,608,964	2,977,002	33,630,975	1,815,699	1,219,634	13,671,300	14,267,365	19,363,610	27,251,408
3 Motor	68,177,693	43,008,083	26,571,947	84,613,829	2,368,414	2,041,121	7,476,476	7,803,769	76,810,060	94,232,858
4 Miscellaneous	20,366,465	7,710,628	9,868,128	18,208,965	3,843,848	4,007,730	8,418,639	8,254,757	9,954,208	10,181,506
<b>Total</b>	<b>183,780,866</b>	<b>84,220,192</b>	<b>69,036,192</b>	<b>198,964,866</b>	<b>22,004,505</b>	<b>22,162,218</b>	<b>58,322,488</b>	<b>58,164,775</b>	<b>140,800,091</b>	<b>170,280,661</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director



**STATEMENT OF CLAIMS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries		Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries	2008		2007	
		Opening	Closing		received	Opening	Closing	Net claims expense		Net claims expense			
Direct and facultative													
1 Fire and property	23,498,597	31,736,861	29,154,318	20,916,054	20,881,724	23,914,222	23,679,729	20,647,231		268,823		10,200,239	
2 Marine and transport	8,082,848	8,503,300	6,253,021	5,832,569	4,067,393	4,124,454	2,792,848	2,735,787		3,096,782		4,646,003	
3 Motor	61,596,501	27,028,691	26,193,531	60,761,341	5,477,954	2,389,520	-	3,088,434		57,672,907		70,081,126	
4 Miscellaneous	2,495,377	5,094,787	5,236,644	2,637,234	1,021,729	2,420,883	2,252,477	853,323		1,783,911		2,066,128	
<b>Total</b>	<b>95,673,323</b>	<b>72,363,639</b>	<b>66,837,514</b>	<b>90,147,198</b>	<b>31,448,800</b>	<b>32,849,079</b>	<b>28,725,054</b>	<b>27,324,775</b>		<b>62,822,423</b>		<b>86,993,496</b>	

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director





**STATEMENT OF EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers *	2008		2007	
		Opening	Closing					Net underwriting expense	Net underwriting expense		
Direct and facultative											
1 Fire and property	13,670,689	5,978,503	5,923,823	13,725,369	14,998,974	28,724,343	10,410,833	18,313,510	9,318,234		
2 Marine and transport	5,761,322	541,345	446,550	5,856,117	7,940,634	13,796,751	5,714,633	8,082,118	4,040,690		
3 Motor	12,333,923	6,451,212	3,985,792	14,799,343	16,322,414	31,121,757	-	31,121,757	36,309,012		
4 Miscellaneous	4,733,445	1,542,126	1,973,626	4,301,945	4,852,610	9,154,555	3,052,855	6,101,700	2,862,951		
<b>Total</b>	<b>36,499,379</b>	<b>14,513,186</b>	<b>12,329,791</b>	<b>38,682,774</b>	<b>44,114,632</b>	<b>82,797,406</b>	<b>19,178,321</b>	<b>63,619,085</b>	<b>52,530,887</b>		

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

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director



**STATEMENT OF INVESTMENT INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
	----- (Rupees) -----	
<b>Income from Non-Trading Investments</b>		
<b>Held to Maturity</b>		
Return on government securities	24,000	24,000
Return on other fixed income securities and deposits	4,094,627	2,024,100
	4,118,627	2,048,100
<b>Available-for-Sale</b>		
Dividend income	1,455,256	2,125,360
Net (loss) / gain on sale of 'available-for-sale' investments	(2,923,099)	17,115,015
	(1,467,843)	19,240,375
Provision for impairment in the value of available-for-sale investments	(11,661,586)	(1,895,703)
<b>Net investment income</b>	<u>(9,010,802)</u>	<u>19,392,772</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

### 1. THE COMPANY AND ITS OPERATIONS

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

### 2. BASIS OF PRESENTATION

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

### 3. STATEMENT OF COMPLIANCE

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

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

#### 3.2 Accounting standards not yet effective

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

	Effective from accounting period beginning on or after
IAS - 1 Presentation of Financial Statements (Revised)	January 01, 2009
IAS - 23 Borrowings Costs (Revised)	January 01, 2009
IAS - 27 Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 Business Combinations (Revised)	July 01, 2009
IFRS 4 Insurance Contracts	January 01, 2009
IFRS 8 Operating segments	January 01, 2009
IFRIC - 13 Customer Loyalty Programs	July 01, 2009
IFRIC - 15 Agreements for the construction of real estate	January 01, 2009
IFRIC - 16 Hedges of a Net Investment in Foreign Operation	October 01, 2008
IFRIC - 17 Distributions of Non - Cash Assets to Owners	July 01, 2009
IFRIC - 18 Transfers of Assets from Customers	July 01, 2009
IFAS 2 Ijarah	January 01, 2009



The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentations and disclosures in the financial statements.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Company's financial statements for the ensuing periods.

#### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost.

#### 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates/judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates/judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

	<b>Note</b>
▪ Provision for outstanding claims (including IBNR)	6.1
▪ Premium deficiency reserves	6.3
▪ Staff retirement benefits	6.5
▪ Classification of investments	6.11
▪ Provision for taxation (current and deferred)	6.14
▪ Useful lives of assets and methods of depreciation	6.15
▪ Impairment	6.22

#### 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 6.1 Provision for outstanding claims including Incurred But Not Reported (IBNR)

Liability for outstanding claims is recognised in respect of all claims incurred upto the balance sheet date which represents the estimates of the claim intimated or assessed before the end of the accounting year and measured at the undiscounted value of the expected future payments.

Consistent with prior years, provisions for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.



Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgement and the Company's prior experience.

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

## **6.2 Premiums**

### **6.2.1 Premium income earned**

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

- (a) for direct business, evenly over the period of the policy
- (b) for retrocession business received from Pakistan Reinsurance Company Limited (PRCL), at the time when statement is received.

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

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

### **6.2.2 Provision for unearned premium**

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

- for marine cargo business, as a ratio of the unexpired period to the total period of the policy applied on the gross premium of the individual policies; and
- for other classes, by applying the twenty-fourths' method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

### **6.2.3 Premiums due but unpaid**

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

## **6.3 Premium Deficiency Reserve**

The Company maintains, if required, a provision in respect of premium deficiency reserve for the class of business, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in that class of business in force at balance sheet date. The movement in premium deficiency reserve is recognised as income / expense in the profit and loss account for the current year.



## **6.4 Commissions**

### **6.4.1 Deferred commission expense**

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

### **6.4.2 Commission income unearned**

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

### **6.4.3 Commission income**

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

## **6.5 Staff Retirement Benefits**

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

## **6.6 Compensated Absences**

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

## **6.7 Amounts due to / from other insurers / reinsurers**

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

## **6.8 Creditors and accruals**

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

## **6.9 Provisions**

Provisions are recognised 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 obligations and a reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



## **6.10 Cash and cash equivalents**

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

## **6.11 Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments these are recognised and classified as follows:

### **6.11.1 Held-to-Maturity**

At the time of acquisition, investment with fixed maturity, where the management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

### **6.11.2 Available-for-Sale**

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rate are classified as available-for-sale.

#### **Quoted**

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SRO 938 issued by the SECP in December 2002. However, in the current year impairment loss if any, on securities held under available for-sale category has been treated as disclosed in note 14.7.

#### **Unquoted**

Unquoted investments are recorded at cost less provision for impairment, if any.

## **6.12 Claims recoveries**

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

## **6.13 Prepaid reinsurance expense**

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





## 6.14 Taxation

### 6.14.1 Current

Provision for taxation is based on taxable income at current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, in accordance with the Income Tax Ordinance, 2001.

### 6.14.2 Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

## 6.15 Operating Fixed Assets and Depreciation

### Tangible

These are stated at cost less accumulated depreciation and provision for impairment, if any. Cost of tangible fixed assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income applying the reducing balance method at the rates specified in note 20 to the financial statements to write off the cost of operating fixed assets over their expected useful life. Depreciation is charged from the date asset is put to use up to the date the asset is disposed of.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceeds the estimated recoverable amounts the assets are written down to their recoverable amounts.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired. Gain or loss on disposal of asset is taken to the profit and loss.

### Intangible

These are stated at cost less accumulated amortisation and any impairment in value. Amortisation on intangible fixed asset is charged to income applying the straight line method at the rates specified in note 20 to the financial statements.

Full month's amortisation is calculated from the month the asset are available for use using the straight line method, whereby the cost of intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet date.



The carrying values of intangible assets are reviewed for impairment when event or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

### Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value. It consist of advances made to suppliers in respect of tangible and intangible assets.

## 6.16 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and direct expenses allocated to the various classes of business on the basis of gross premium written. Previously, these expenses were allocated on the basis of net premium revenue. The above change has been made as it better reflects the ratio of resource allocation and the Company's business mix and future strategy for growth. Had the Company used the same basis of allocation of expenses as last year, the underwriting results of each segment would have been as follows.

	<b>2008 Rupees</b>
Fire and property would have increased by	3,225,911
Marine and transport would have increased by	1,144,476
Motor would have decreased by	(5,021,811)
Other classes would have increased by	651,424

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

## 6.17 Investment and Other Income

### 6.17.1 Dividend Income

Dividend income is recognised when the right to receive the same is established.

### 6.17.2 Income on Held-to-Maturity Investment

Profit / interest on government securities is recognised on a time proportion basis taking into account the effective yield on the investment.

### 6.17.3 Gain / (loss) on sale of investments

Gain / (loss) on sale of available for sale investments is taken to profit and loss account in the year of sale.

### 6.17.4 Profit on Bank Accounts and Deposits

Profit on bank accounts and deposits is recognised on accrual basis.

## 6.18 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities are included in the net profit or loss for the period in which it arises.

## 6.19 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



## **6.20 Segment reporting**

The Company's operating business is organized and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

The Company has four major segments namely fire, marine, motor and miscellaneous.

### **6.20.1 Fire**

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

### **6.20.2 Marine**

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

### **6.20.3 Motor**

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

### **6.20.4 Miscellaneous**

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

## **6.21 Foreign Currencies**

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## **6.22 Impairment**

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

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income / expense currently.



		Note	2008	2007
			----- (Rupees) -----	
<b>7. SHARE CAPITAL</b>				
<b>7.1 Authorised Share Capital</b>				
	2008	2007		
	35,000,000	15,000,000	Ordinary shares of Rs.10 each	<u>350,000,000</u> <u>150,000,000</u>
7.1.1	During the current year, the shareholders of the Company in their Annual General Meeting held on March 31, 2008 passed a special resolution to increase the authorised share capital of the Company to Rs.350 million divided in 35,000,000 shares of Rs.10 each.			
<b>7.2 Paid-up Share Capital</b>				
<b>7.2.1 Issued, subscribed and paid-up</b>				
	9,133,453	6,713,453	Ordinary shares of Rs.10 each fully paid in cash	91,334,530      67,134,530
	2,966,547	2,966,547	Ordinary shares of Rs.10 each issued as fully paid bonus shares	29,665,470      29,665,470
	<u>12,100,000</u>	<u>9,680,000</u>		<u>121,000,000</u> <u>96,800,000</u>
7.2.1.1	During the current year, the Company issued 2.42 million Ordinary shares of Rs.10 each as right shares in the ratio of 01 Ordinary share for every 04 Ordinary shares held.			
<b>8. RESERVES</b>				
<b>Capital reserves</b>				
	Reserve for exceptional losses	8.1	1,767,568	1,767,568
	Share premium		-	-
			<u>1,767,568</u>	<u>1,767,568</u>
<b>Revenue reserves</b>				
	General reserve		24,497,265	24,497,265
			<u>26,264,833</u>	<u>26,264,833</u>
8.1	The reserve for exceptional losses represents the amount set aside in prior years upto December 31, 1978, in order to avail the deduction while computing the taxable income under the old Income Tax Act of 1922. Subsequent to the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts as reserve for exceptional losses.			
<b>9. DEFERRED TAXATION</b>				
<b>Deferred tax debit arising in respect of:</b>				
	Provision against premium due but unpaid		-	(69,039)
	Accelerated depreciation		-	(803,511)
<b>Deferred tax credit arising in respect of:</b>				
	Accelerated depreciation		9,880	-
			<u>9,880</u>	<u>(872,550)</u>



- 9.1 Deferred tax asset, amounting to Rs.8.061 million (2007: Nil), arising on tax loss of Rs.6.019 million (2007: Nil) and provision for doubtful balances of Rs.17.011 million (2007: Nil), has not been recognised in these financial statements as the Company is of the view that it is probable that sufficient taxable profit will not be available in the foreseeable future against which unused tax losses and deductible temporary differences can be utilised.

	Note	2008	2007
		----- (Rupees) -----	
<b>10. AMOUNTS DUE TO OTHER INSURERS / REINSURERS</b>			
Foreign reinsurers		8,182,567	4,705,024
Local reinsurers		6,506,990	2,800,273
Co-insurers		1,223,520	20,954
		<u>15,913,077</u>	<u>7,526,251</u>
<b>11. OTHER CREDITORS AND ACCRUALS</b>			
Federal insurance fee	11.1	2,388,240	986,732
Federal excise duty	11.1	7,217,195	617,569
Withholding tax	11.1	1,976,719	322,910
Sundry creditors		301,017	28,187
		<u>11,883,171</u>	<u>1,955,398</u>
11.1 During the current year, (a) Federal Insurance Fees (FIF) amounting to Rs.2.388 million, (b) Federal Excise Duty (FED) amounting to Rs.7.217 million, and (c) withholding tax amounting to Rs.1.977 million were not paid within the stipulated time as per the statutory requirements. The non-compliance occurred due to delay in the issuance of sales tax registration number under the Sales Tax Act, 1990 and issuance of revised NTN Certificate in the name and title of the Company, which needed amendment before the payment could be made to government treasury. However, subsequent to issuance of sales tax registration number / NTN Certificate after the end of the current year, an aggregate sum of Rs.10.952 million was paid to relevant authorities on account of payments due to them.			
<b>12. CONTINGENCIES AND COMMITMENT</b>			
12.1 CONTINGENCIES			
The Company is a defendant in certain lawsuits pending in various courts of law aggregating to Rs.5.795 (2007: Rs.5.795) million. The management believes that the outcome of above lawsuits will be in favour of the Company and, accordingly, no provision for the same has been made in these financial statements.			
12.2 COMMITMENT			
Commitment in respect of capital expenditure		-	690,000
<b>13. CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
Cash in hand		37,399	17,719
Policy stamps		15,650	10,880
Revenue stamps		500	-
		53,549	28,599
<b>Current and other accounts with banks</b>			
Current accounts	13.1	13,851,955	32,663,654
PLS savings accounts	13.2	9,103	1,048,894
		13,861,058	33,712,548
<b>Deposits maturing within 12 months</b>			
Term deposits	13.3	14,000,000	28,000,000
		27,914,607	61,741,147



- 13.1 Included herein is a sum of Rs.0.400 (2007: Nil) million placed with the State Bank of Pakistan in accordance with the section 29 of Insurance Ordinance, 2000.
- 13.2 These carry mark-up at the rate of 4.45% (2007: 4.45%) per annum.
- 13.3 This represents term deposits placed with various commercial banks carrying mark-up at the rates ranging between 6.0% to 11.5% (2007: 4.5% to 8.5%) per annum maturing latest by March 29, 2009.

#### 14. INVESTMENTS

Held to maturity	14.1		
Government securities		5,389,555	200,000
Fixed income securities		760,000	664,964
		6,149,555	864,964
Available for sale			
Quoted shares	14.2	47,890,077	37,345,051
Unquoted shares	14.3	-	-
Mutual fund units / certificates	14.4	13,969,779	8,106,984
Modaraba certificates	14.5	2,853,856	3,060,461
		64,713,712	48,512,496
		<u>70,863,267</u>	<u>49,377,460</u>

#### 14.1 Held to Maturity

Name of Security	Note	2008 ----- (Rupees) -----	2007 -----
<b>Government securities</b>			
Pakistan Investment Bonds [Including accrued mark-up of Rs.189,555] (2007: Rs.Nil)]	14.1.1	5,389,555	200,000
<b>Fixed income securities</b>			
Defence Savings Certificates [Including accrued mark-up of Rs.560,000 (2007: Rs.464,964)]		760,000	664,964
		<u>6,149,555</u>	<u>864,964</u>

- 14.1.1 These securities are deposited with the State Bank of Pakistan in accordance with the section 29 of Insurance Ordinance, 2000.

These carry mark-up at the rate of 11.2 to 12 (2007: 12) percent per annum receivable semi-annually and have terms of three to ten years maturing upto December 2011.



## 14.2 Quoted – Shares

No. of shares		Face value	Name of entity	2008	2007
2008	2007			----- (Rupees) -----	
<b>INVESTMENT COMPANIES / BANKS</b>					
5,000	-	10	Standard Chartered Bank	190,000	-
8,750	-	10	The Bank of Punjab Limited	593,750	-
67	13,500	10	Innovative Investment Bank Limited	243,755	243,755
1,408	1,049	10	IGI Investment Bank Limited	18,818	18,818
2,106	7,106	10	KASB Bank Limited	26,878	67,001
-	16,928	10	P I C I C Limited	-	735,548
22,700	-	10	National Bank of Pakistan	4,461,003	-
214,966	2,790	10	NIB Bank Limited	3,948,331	46,033
20,000	-	10	Soneri Bank Limited	786,000	-
608	90	10	Allied Bank Limited	72,854	2,364
11,000	300	10	United Bank Limited	1,551,674	53,488
<b>INSURANCE</b>					
475	1,896	10	Habib Insurance Company Limited	1,565	7,491
1,999	360	10	Pakistan Reinsurance Corporation	1,000	1,000
511	5,426	10	Premier Insurance Limited	2,793	35,571
105	105	10	PICIC Insurance Limited	-	-
<b>TEXTILE COMPOSITE</b>					
1,080	80	10	Nishat Mills Limited	86,233	7,298
4,900	4,900	10	Babri Cotton Mills Limited	207,172	207,172
11,000	-	10	Gulistan Spinning Mills Limited	88,000	-
15,419	14,018	10	Gulshan Spinning Mills Limited	261,691	261,691
12,000	12,000	10	Idrees Textiles Mills Limited	180,395	180,395
6,450	-	-	Paramount Spinning Mills Limited	77,825	-
158	158	10	Service Fabrics Limited	1,859	1,859
<b>SYNTHETIC AND RAYON</b>					
86	86	10	Tristar Polyester Limited	1,307	1,307
39,500	39,500	10	Rupali Polyester Limited	1,439,775	1,439,775
50,625	50,625	10	Dewan Salman Fibre Limited	705,173	705,173
15	15	10	Pakistan Synthetics Limited	-	-
<b>SUGAR AND ALLIED</b>					
2,000	2,000	10	Al-Asif Sugar Mills Limited	19,700	19,700
<b>CEMENT</b>					
2,278	3,578	10	Cherat Cement Limited	87,537	132,685
300,990	230,990	10	Maple Leaf Cement Limited	7,674,258	6,437,992
548	548	10	Pioneer Cement Limited	15,796	15,796
185,000	195,000	10	Dewan Cement Limited	3,353,474	3,534,742
304,000	245,000	10	Fauji Cement Company Limited	5,142,045	4,233,061
2,500	-	10	Lucky Cement Limited	373,125	-
242,500	242,500	10	Pakistan Cement Company Limited	3,299,585	3,299,585
<b>Balance c/f.</b>				<b>34,913,371</b>	<b>21,689,300</b>



No. of shares		Face value	Name of entity	2008	2007
2008	2007			(Rupees)	
			Balance b/f.	34,913,371	21,689,300
<b>FUEL AND ENERGY</b>					
50,882	50,882	3.5	Karachi Electric Supply Corporation Limited	515,657	515,657
350	350	10	Mari Gas Company Limited	11,010	11,010
14,000	-		Oil and Gas Development Company Limited	1,766,550	-
62	62	10	Pakistan State Oil Company Limited	20,789	20,789
10,224	5,224	10	Sui Northern Gas Pipelines Limited	554,380	352,419
769	769	10	Sui Southern Gas Company Limited	20,180	20,180
795,000	795,000	10	Southern Electric Power Company Limited	10,710,060	10,710,060
-	1,500	10	Pakistan Petroleum Limited	-	382,500
<b>AUTO &amp; ALLIED ENGINEERING</b>					
225	225	10	Dewan Farooq Motors Limited	5,806	5,806
40,500	40,500	10	The General Tyre and Rubber Company of Pakistan Limited	1,373,426	1,373,426
16,700	-	10	Pak Suzuki Motors Company Limited	3,616,096	-
<b>CABLE &amp; ELECTRICAL GOODS</b>					
10	10	10	Siemens (Pakistan) Engineering Company Limited	205	205
<b>TRANSPORT &amp; COMMUNICATIONS</b>					
7,268	7,268	10	World Call Communication Limited	60,591	60,591
16,000	16,000	10	Tele Card Limited	220,904	220,904
<b>CHEMICAL &amp; PHARMACEUTICAL</b>					
38	38	10	I.C.I. Pakistan Limited	6,031	6,031
628,287	782,287	10	Pakistan PTA Limited	2,728,360	7,117,757
<b>LEATHER AND TANNERIES</b>					
33	33	10	Bata (Pakistan) Limited	1,540	1,540
<b>FOOD AND ALLIED</b>					
8,000	8,000	10	Indus Fruits Product Limited	101,800	101,800
43	43	10	Nestle Milkpak Limited	290	290
<b>FERTILIZER</b>					
112,000	-	10	Fauji Fertilizer Bin Qasim Limited	4,957,014	-
<b>MISCELLANEOUS</b>					
43,000	43,000	10	Macpac Films Limited	1,392,084	1,392,084
				62,976,144	43,982,349
Provision for impairment in the value of investments				(15,086,067)	(6,637,298)
				47,890,077	37,345,051
The market value of quoted investments as on December 31				17,399,666	29,965,655

#### 14.3 Unquoted – Shares

No. of shares		Face value	Name of entity	2008	2007
2008	2007			(Rupees)	
1,200	1,200	25	Agricultural Development Co-operative Society	30,000	30,000
Provision for impairment in the value of investments				(30,000)	(30,000)
<b>Total unquoted shares</b>				-	-





#### 14.4 Mutual Funds

No. of units / certificates	Face value	Name of fund	Note	2008 ----- (Rupees) -----	2007 -----
<b>MUTUAL FUND</b>					
133,941	119,070	50 Pakistan Income Fund (PIF)	14.4.1	<b>6,953,886</b>	5,043,000
9,018	1,516	10 Golden Arrow Selected Stocks Fund Limited		<b>53,030</b>	8,830
31,066	21,066	10 PICIC Investment Fund		<b>554,715</b>	428,465
243,124	19,624	10 PICIC Growth Fund		<b>6,953,687</b>	599,886
32,500	-	10 PICIC Energy Fund		<b>244,250</b>	-
25,000	25,000	10 Pakistan Capital Market Fund		<b>265,000</b>	265,000
-	28,000	10 Atlas Fund of Funds		-	185,586
66,000	56,000	10 Pakistan Premier Fund		<b>791,313</b>	662,313
69,750	61,250	10 First Dawood Fund		<b>567,814</b>	497,989
35,153	35,153	10 UTP Growth Fund		<b>484,169</b>	484,169
				<b>16,867,864</b>	8,175,238
		Provision for impairment in the value of investments		<b>(2,898,085)</b>	(68,254)
				<b>13,969,779</b>	8,106,984
The market value of quoted investments as on December 31				<b>8,668,846</b>	9,422,405

14.4.1 These securities are deposited with the State Bank of Pakistan in accordance with the section 29 of Insurance Ordinance, 2000.

#### 14.5 Modaraba Certificates

<b>MODARABA</b>					
7,500	7,500	10 B.R.R International Modaraba		<b>96,775</b>	96,775
9,786	9,786	10 First Equity Modaraba		<b>96,323</b>	96,323
57,978	57,978	10 Standard Chartered Modaraba		<b>1,017,741</b>	1,017,741
100,005	100,005	10 Habib Bank Modaraba		<b>1,058,944</b>	1,058,944
48,400	25,200	5 First Habib Modaraba		<b>335,381</b>	159,000
16,300	16,300	10 Modaraba Al-Mali		<b>283,900</b>	283,900
65,500	65,500	10 First National Bank Modaraba		<b>561,350</b>	561,350
154	154	10 First Prudential Modaraba		<b>715</b>	715
				<b>3,451,129</b>	3,274,748
		Provision for impairment in the value of investments		<b>(597,273)</b>	(214,287)
				<b>2,853,856</b>	3,060,461
The market value of quoted investments as on December 31				<b>1,227,627</b>	2,566,460

14.6 As per the Company's accounting policy, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the decline is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2008 would have been lower by Rs.37.418 million.

14.7 Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. However, subsequent to the year end, the SECP has issued Circular No. 3/2009 dated February 16, 2009 whereby if the market value of any available for sale investments as at December 31, 2008, is less than the cost, the fall in value may be treated as temporary and the investment valued at cost. The Circular further states that insurance company which wishes to treat the fall in value as other than temporary, in whole or in part, may do so. Accordingly, the Company has opted to treat the fall in value of its investments as at December 31, 2008 amounting to Rs.37.738 million as temporary and has not charged it to the profit and loss account. The decline in value of available for sale investments as at December 31, 2008 shall be considered as other than temporary and shall be deducted from profit for the purpose of distribution of dividend. This amount will be taken to the profit and loss account in the year 2009 on a quarterly basis after adjustment for the effects of price movements or realised through sale of securities in the year 2009.



Had the Company treated the entire amount of fall in value of investments as other than temporary and accounted for the same through the profit and loss account, the impact on the financial statements of the Company would have been as follows:

	2008 Rupees
Increase in the provision for impairment in the value of investments	37,738,165
Loss after tax would have been	(75,467,002)
Increase in the loss per share	3.14
Accumulated losses at the end of the year would have been	(75,355,346)

	2008 ----- (Rupees) -----	2007 -----
<b>15. PREMIUMS DUE BUT UNPAID</b>		
Considered good	<b>75,503,382</b>	90,535,534
Considered doubtful	<b>13,468,539</b>	197,253
	<u><b>88,971,921</b></u>	<u>90,732,787</u>
Less: Provision for doubtful balances	15.1 <u><b>(13,468,539)</b></u>	<u>(197,253)</u>
	<u><b>75,503,382</b></u>	<u>90,535,534</u>
<b>15.1 Reconciliation of provision for doubtful balances</b>		
Opening provision	15.2 <b>197,253</b>	-
Charge for the year	<b>13,271,286</b>	197,253
Written off	-	-
Closing balance	<u><b>13,468,539</b></u>	<u>197,253</u>
<b>15.2</b> During the year, the Company changed its basis for estimating provision against premiums due but unpaid. With effect from the current year, full provision is made against balances overdue by three years or more and 50% provision is made against balances overdue by more than one years and less than three years. Previously, full provision was made against balances overdue by three years. Had the Company not changed the basis for the above accounting estimate, the provision for doubtful balance and net loss for the period would have been lower by Rs.12.928 million.		
<b>16. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS</b>		
Considered good	<b>12,698,491</b>	5,860,931
Considered doubtful	<b>3,212,221</b>	-
	<u><b>15,910,712</b></u>	<u>5,860,931</u>
Less: Provision for doubtful balances	<u><b>(3,212,221)</b></u>	<u>-</u>
	<u><b>12,698,491</b></u>	<u>5,860,931</u>
<b>17. TAXATION - NET</b>		
Advance tax	<b>4,263,645</b>	3,802,226
Provision for taxation	-	(2,700,000)
	<u><b>4,263,645</b></u>	<u>1,102,226</u>
<b>18. PREPAYMENTS</b>		
Prepaid reinsurance premium ceded	<b>22,162,218</b>	22,004,505
Others	<b>33,334</b>	173,210
	<u><b>22,195,552</b></u>	<u>22,177,715</u>



## 19. SUNDRY RECEIVABLES – unsecured

### Advances

#### Considered good

To employees	901,400	233,450
Against expenses	3,207,350	2,245,588
Against purchase of shares	296,790	485,790
	<u>4,405,540</u>	<u>2,964,828</u>

#### Considered doubtful

Against expenses	330,000	-
	<u>4,735,540</u>	<u>2,964,828</u>

Less: Provision for doubtful balances

(330,000)

4,405,540

2,964,828

Deposits

390,146

360,146

Others

-

3,546

4,795,686

3,328,520



## 20. FIXED ASSETS

Tangible	COST		ACCUMULATED DEPRECIATION / AMORTISATION			Written down value as at December 31, 2008	Depreciation rate %
	As at January 01, 2008	As at December 31, 2008	As at January 01, 2008	For the year / (on disposals)	As at December 31, 2008		
Description	Rupees						
Freehold land	6,392,500	-	-	-	-	6,392,500	-
Furniture and fixtures	4,201,979	108,150	1,529,784	273,432	1,803,216	2,506,913	10
Office equipment	2,757,988	796,900 (517,500)	1,118,265	187,770 (129,986)	1,176,049	1,861,339	10
Computers and related equipment	2,733,823	589,725	1,725,209	410,002	2,135,211	1,188,337	30
Motor vehicles	35,612,478	2,553,700 (2,715,287)	20,909,222	3,178,640 (2,023,293)	22,064,569	13,386,322	20
Intangible							
Computer software	-	2,300,000	766,667	766,667	766,667	1,533,333	33.33
2008	51,698,768	6,348,475 (3,232,787)	54,814,456	4,816,511 (2,153,279)	27,945,712	26,868,744	



**Tangible**

Description	COST		ACCUMULATED DEPRECIATION				Depreciation rate %
	As at January 01, 2007	As at December 31, 2007	As at January 01, 2007	For the year / (on disposals)	As at December 31, 2007	Written down value as at December 31, 2007	
Freehold land	6,392,500	-	-	-	-	6,392,500	-
Furniture and fixtures	4,123,979	78,000	1,238,276	291,508	1,529,784	2,672,195	10
Office equipment	2,539,588	218,400	950,359	167,906	1,118,265	1,639,723	10
Computers and related equipment	2,276,924	456,899	1,377,302	347,907	1,725,209	1,008,614	30
Vehicles	31,173,329	5,164,969 (725,820)	18,114,480	3,405,764 (611,022)	20,909,222	14,703,256	20
2007	<u>46,506,320</u>	<u>5,918,268</u> <u>(725,820)</u>	<u>21,680,417</u>	<u>4,213,085</u> <u>(611,022)</u>	<u>25,282,480</u>	<u>26,416,288</u>	

----- Rupees -----



**20.1 Particulars of disposal of fixed assets having written down value above Rs.50,000.**

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Buyer's particulars
<b>Office equipment</b>							
Generator	207,500	58,635	148,865	75,000	(73,865)	Negotiation	Mr. Akther, Karachi
Generator	310,000	71,351	238,649	150,000	(88,649)	Negotiation	Mr. Shabbir Millwala - a related party, Karachi
<b>Vehicles</b>							
Honda Civic	570,937	407,763	163,174	340,000	176,826	Negotiation	Mr. Nadeem Ansari, Karachi
Suzuki Alto	450,000	309,815	140,185	270,000	129,815	Negotiation	Mr. Mohammad Faisal, Karachi
Honda Civic	574,500	355,431	219,069	315,000	95,931	Negotiation	Mr. Saifullah Khan, Karachi
Honda Civic	665,500	611,141	54,359	200,000	145,641	Negotiation	Mr. Aqeel Ahmed, Karachi
Suzuki Mehran	180,000	92,384	87,616	75,000	(12,616)	Negotiation	Mr. Chaudri Allah Reham, Karachi



	Note	2008	2007
		----- (Rupees) -----	
20.2 Capital work in progress			
Advance against purchase of Software		-	1,610,000

## 21. MANAGEMENT EXPENSES

Salaries, allowances and other benefits	23.1	24,577,371	17,411,024
Travelling and conveyance expenses		2,548,661	2,843,373
Repairs and maintenance		2,170,206	3,066,575
Rent, rates and taxes		2,086,352	1,054,563
Printing and stationery		979,104	1,560,603
Telephone and postage		2,366,785	3,766,757
Utilities		1,867,246	2,608,242
Insurance expense		1,272,258	1,187,412
Entertainment		2,213,578	1,800,000
Bank charges		402,226	295,982
Others		3,630,845	1,969,996
	21.1	<u>44,114,632</u>	<u>37,564,527</u>

21.1 Included herein is a sum of Rs.34.832 million representing expenses incurred at the branches and recorded by the Company on the basis of statements received therefrom. The Company is in the process of compiling the supporting documents in respect of certain expenses incurred at the branches aggregating to Rs.16.431 million in an arranged manner.

## 22. OTHER INCOME

	<u>998,398</u>	-
22.1 Gross inspection charges received	1,196,199	-
Less: Inspection expenses incurred	197,801	-
	<u>998,398</u>	-

22.2 This represents initial inspection charges recovered during the year from policy holders. This is stated net of expenses incurred in this respect.

## 23. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	23.1	5,327,663	5,305,006
Travelling and conveyance expenses		4,435,078	3,500,156
Depreciation		4,049,844	4,213,085
Amortization		766,667	-
Repairs and maintenance		2,025,097	2,959,326
Fees, subscription and periodicals		1,872,231	1,337,554
Printing and stationery		972,996	2,362,651
Telephone and postage		1,504,495	881,236
Legal and professional charges		579,985	683,811
Advertisement and promotion expenses		1,106,469	1,796,493
Donation	23.2	17,430	44,715
Entertainment		278,355	311,333
Provision for doubtful balances	15,16 & 19	16,813,507	197,253
Auditors' remuneration	23.3	401,475	301,250
Others		252,570	399,211
		<u>40,403,862</u>	<u>24,293,080</u>



**23.1** This includes staff retirement benefits amounting to Rs.0.898 (Rs.0.764) million.

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

**23.3** Auditors' remuneration

Annual audit fee	300,000	220,000
Half yearly review	60,500	55,000
Out of pocket expenses	40,975	26,250
	<u>401,475</u>	<u>301,250</u>

## 24. TAXATION

Current	-	2,700,000
Prior year	(552,667)	-
Deferred	882,430	(649,825)
	<u>329,763</u>	<u>2,050,175</u>

**24.1** The income tax returns of the Company have been filed up to tax year 2008 (corresponding to the income year ended December 31, 2007) and the same are deemed to be assessed under the provisions of the Income Tax Ordinance, 2001.

**24.2** Relationship between accounting profit and tax expense

Accounting profit before tax	(37,399,074)	26,086,172
Tax at the applicable rate of 35%	(13,089,676)	9,130,160
Tax effect of expenses that are not allowed in determining taxable income	14,948,484	1,541,868
Tax effect of exempt income and expenses that are deductible from but not included in determining accounting profits	(1,349,468)	(7,334,420)
Tax effect of dividend income taxed at a lower rate	(509,340)	(637,608)
Prior year tax	(552,667)	
Effect of deferred taxation	882,430	(649,825)
Tax expense for the year	<u>329,763</u>	<u>2,050,175</u>

## 25. SUBSEQUENT EVENT

Subsequent to year end, a fire broke out at the head office which resulted in the destruction of furniture and fixtures, computers and other office equipment of the Company. The management has arranged an independent survey and the initial assessment of the loss ranges between Rs.2.000 to Rs.2.200 million.

## 26. EARNINGS PER SHARE - BASIC AND DILUTED

	2008	2007
	----- (Rupees) -----	
		(Restated)
Net profit for the year attributable to Ordinary shareholders	<u>(37,728,837)</u>	<u>24,035,997</u>
Weighted average number of shares	<u>12,012,925</u>	<u>10,964,916</u>
(Loss) / earnings per share	<u>(3.14)</u>	<u>2.19</u>





26.1 Number of shares of the corresponding year have been adjusted to take into effect the right shares issued during the year.

26.2 No figure for diluted earnings per share has been presented as the Company has not issued an instrument which would have an impact on earnings per share, when exercised.

## 27. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2008			2007		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial remuneration	205,800	155,400	361,200	196,000	148,000	344,000
Retirement benefits	20,577	15,537	36,114	18,236	13,771	32,007
House rent	84,900	64,500	149,400	84,633	64,733	149,366
Utilities	18,000	13,200	31,200	17,700	12,900	30,600
Total	329,277	248,637	577,914	316,569	239,404	555,973
Number of persons	1	1	2	1	1	2

27.1 Directors were paid Rs.0.040 (2007: Rs.0.040) million for attending board of directors meetings during the year.

27.2 In addition, Chief executive and Director are also provided with free use of the Company maintained cars in accordance with their entitlements.

## 28. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the Directors, major shareholders and the companies owned by such shareholders, entities owned by the Directors of the Company where they also hold directorships, staff retirement funds and key management personnel. Material transactions with related parties, other than remuneration and benefits to Directors and key management personnel under the terms of their employment, which are disclosed in note 27, are given below:

	2008	2007
	----- (Rupees) -----	
<b>Companies having Common Directorship</b>		
Premium underwritten	1,326,031	1,185,790
Claims paid	304,997	1,025,000
Dividend paid	-	36,878
Bonus shares issued (number)	-	147,552
<b>Staff retirement benefits</b>		
Provident fund contribution	898,294	764,076
<b>Relatives of Directors</b>		
Sale of office equipment	150,000	-
Repair and maintenance	65,437	-
IT consulting charges	88,200	-



29. SEGMENT REPORTING

	Fire		Marine		Motor		Miscellaneous		Total	
	2008	2007	2008	2007	2008	2007	2008	2007		
<b>Revenue</b>										
Premiums earned	<b>34,672,213</b>	38,614,889	<b>19,363,610</b>	27,251,408	<b>76,810,060</b>	94,232,858	<b>9,954,208</b>	10,181,506	<b>140,800,091</b>	170,280,661
<b>Segment Result</b>	<b>16,089,880</b>	19,096,416	<b>8,184,710</b>	18,564,715	<b>(15,731,487)</b>	(12,157,280)	<b>2,068,597</b>	5,252,427	<b>10,611,700</b>	30,756,278
Investment income							<b>(9,010,802)</b>			19,392,772
Profit on sale of fixed assets							<b>405,492</b>			230,202
Other income - net							<b>998,398</b>			-
General and administration expenses							<b>(40,403,862)</b>			(24,293,080)
Profit before tax							<b>(48,010,774)</b>			(4,670,106)
Provision for taxation							<b>(37,399,074)</b>			26,086,172
Net profit							<b>(329,763)</b>			(2,050,175)
<b>Other Information</b>							<b>(37,728,837)</b>			24,035,997
<b>Segment Assets</b>	<b>44,497,285</b>	43,869,270	<b>4,459,032</b>	6,481,497	<b>6,026,913</b>	11,209,146	<b>8,233,833</b>	7,806,857	<b>63,217,063</b>	69,366,770
Unallocated corporate assets										
<b>Consolidated total assets</b>									<b>223,481,277</b>	241,431,386
									<b>286,698,340</b>	310,798,156
<b>Segment Liabilities</b>	<b>63,986,240</b>	67,188,392	<b>9,656,895</b>	12,702,366	<b>56,512,361</b>	70,136,774	<b>16,507,477</b>	14,342,954	<b>146,662,973</b>	164,370,486
Unallocated corporate liabilities										
<b>Consolidated total liabilities</b>									<b>30,387,715</b>	13,361,501
									<b>177,050,688</b>	177,731,987
<b>Unallocated capital expenditures</b>									<b>6,348,475</b>	5,918,268
<b>Unallocated depreciation / amortisation</b>									<b>4,816,511</b>	4,213,085

(Rupees)



### **30. CREDIT RISK AND ITS CONCENTRATION**

Credit risk is the risk, which 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 arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner.

The Company is exposed to its credit risk on premiums due but unpaid, reinsurance recoveries due but unpaid, amounts due from reinsurer / insurers and reinsurance recoveries against outstanding claims. The management monitors and limits Company's exposure to credit risk through monitoring of credit exposure, review and conservative estimates of provisions for doubtful receivables.

### **31. REINSURANCE RISK**

In common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other parties for reinsurance purposes. Reinsurance ceded does not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

### **32. CAPITAL MANAGEMENT**

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against required capital level on a regular basis. Currently, the Company has paid-up capital of Rs.121,000,000 against the minimum required paid capital of Rs.160,000,000 set by the SECP for the insurance companies for the year ended December 31, 2008. The management has requested the SECP for extension in time for meeting the capital requirements. Pending the SECP's approval, the management is currently looking into possibilities of merger / amalgamation of the Company with other companies.

### **33. MARKET RISK**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factor specific to the individual security, or its issuer, or factors effecting all securities traded in the market the Company manages its exposure to such risk by maintaining a diversify portfolio and self monitoring of investee companies.

The Company minimizes such risk by having a diversified investment portfolio. In addition, the Company actively monitors key factors that affect the investment market.

### **34. MATURITIES OF ASSETS AND LIABILITIES**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balances of cash and cash equivalent and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity.

The table below summarises the maturity profile of the company's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance date to the contractual maturity date and do not take account of the effective maturities. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.



As at December 31, 2008

	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees) -----			
<b>ASSETS</b>				
Cash and bank deposits	27,914,607	27,914,607	-	-
Investments	70,863,267	65,473,712	5,389,555	-
Premiums due but unpaid	75,503,382	75,503,382	-	-
Amounts due from other insurers / reinsurers	12,698,491	12,698,491	-	-
Salvage recoveries accrued	333,000	333,000	-	-
Accrued investment income	207,121	207,121	-	-
Reinsurance recoveries against outstanding claims	28,725,054	28,725,054	-	-
Deferred commission expense	12,329,791	12,329,791	-	-
Advance taxation	4,263,645	4,263,645	-	-
Prepaid reinsurance premium ceded	22,162,218	22,162,218	-	-
Prepayments - others	33,334	33,334	-	-
Sundry receivables	4,795,686	4,795,686	-	-
Fixed assets	26,868,744	4,816,511	19,266,044	2,786,189
	<b>286,698,340</b>	<b>259,256,552</b>	<b>24,655,599</b>	<b>2,786,189</b>
<b>LIABILITIES</b>				
Provision for outstanding claims (including IBNR)	66,837,514	66,837,514	-	-
Provision for unearned premium	69,036,192	69,036,192	-	-
Provision for unearned premium	3,746,883	3,746,883	-	-
Commission income unearned	7,042,384	7,042,384	-	-
Deferred taxation	9,880	-	-	9,880
Premium received in advance	612,281	612,281	-	-
Amounts due to other insurers / reinsurers	15,913,077	15,913,077	-	-
Accrued expenses	1,551,097	1,551,097	-	-
Other creditors and accruals	11,883,171	11,883,171	-	-
Unclaimed dividend	418,209	418,209	-	-
	<b>177,050,688</b>	<b>177,040,808</b>	<b>-</b>	<b>9,880</b>
<b>NET ASSETS</b>	<b>109,647,652</b>	<b>82,215,744</b>	<b>24,655,599</b>	<b>2,776,309</b>
<b>Represented by:</b>				
Share capital and reserves	109,647,652			
Advance against issue of right shares	-			
	<b>109,647,652</b>			



As at December 31, 2007	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees)			
<b>ASSETS</b>				
Cash and bank deposits	61,741,147	61,741,147	-	-
Investments	49,377,460	49,177,460	200,000	-
Deferred taxation	872,550	-	-	872,550
Premiums due but unpaid	90,535,534	90,535,534	-	-
Amounts due from other insurers / reinsurers	5,860,931	5,860,931	-	-
Salvage recoveries accrued	390,000	390,000	-	-
Accrued investment income	23,520	23,520	-	-
Reinsurance recoveries against outstanding claims	32,849,079	32,849,079	-	-
Deferred commission expense	14,513,186	14,513,186	-	-
Advance taxation - net	1,102,226	1,102,226	-	-
Prepaid reinsurance premium ceded	22,004,505	22,004,505	-	-
Prepayments - others	173,210	173,210	-	-
Sundry receivables	3,328,520	3,328,520	-	-
Fixed assets	28,026,288	4,213,085	16,852,340	6,960,863
	<u>310,798,156</u>	<u>285,912,403</u>	<u>17,052,340</u>	<u>7,833,413</u>
<b>LIABILITIES</b>				
Provision for outstanding claims (including IBNR)	72,363,639	72,363,639	-	-
Provision for unearned premium	84,220,192	84,220,192	-	-
Commission income unearned	7,686,656	7,686,656	-	-
Premium received in advance	507,856	507,856	-	-
Amounts due to other insurers / reinsurers	7,526,251	7,526,251	-	-
Accrued expenses	1,591,384	1,591,384	-	-
Other creditors and accruals	1,955,398	1,955,398	-	-
Unclaimed dividend	1,880,611	1,880,611	-	-
	<u>177,731,987</u>	<u>177,731,987</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>	<u><u>133,066,169</u></u>	<u><u>108,180,416</u></u>	<u><u>17,052,340</u></u>	<u><u>7,833,413</u></u>
<b>Represented by:</b>				
Share capital and reserves	123,176,489			
Advance against issue of right shares	9,889,680			
	<u><u>133,066,169</u></u>			

### 35. Interest rate risk

Interest rate risk is the risk that fair value of future cash flow of the financial instrument will fluctuate due to changes in the market interest rates. The Company is expose to interest rate risk only in respect of the following:



	Effective rate per annum %	Exposed to interest rate				Not exposed to interest rate / yield risk
		Total	Within one year	More than one year and less than five years	More than five years	
		(Rupees)				
<b>As at December 31, 2008</b>						
<b>FINANCIAL ASSETS</b>						
Cash and bank deposits	4.45% to 11.5%	27,914,607	8,619,548	5,389,555	-	13,905,504
Investments	12% to 15.97%	70,863,267	6,149,555	-	-	64,713,712
Premiums due but unpaid		75,503,382	-	-	-	75,503,382
Amounts due from other insurers / reinsurers		12,698,491	-	-	-	12,698,491
Salvage recoveries accrued		333,000	-	-	-	333,000
Accrued investment income		207,121	-	-	-	207,121
Reinsurance recoveries against outstanding claims		28,725,054	-	-	-	28,725,054
Prepayments		22,195,552	-	-	-	22,195,552
Deferred commission expense		12,329,791	-	-	-	12,329,791
Sundry receivables		4,795,686	-	-	-	4,795,686
		<u>255,565,951</u>	<u>14,769,103</u>	<u>5,389,555</u>	<u>-</u>	<u>235,407,293</u>
<b>FINANCIAL LIABILITIES</b>						
Provision for outstanding claims (including IBNR)		66,837,514	-	-	-	66,837,514
Premium received in advance		612,281	-	-	-	612,281
Amounts due to other insurers / reinsurers		15,913,077	-	-	-	15,913,077
Accrued expenses		1,551,097	-	-	-	1,551,097
Other creditors and accruals		11,883,171	-	-	-	11,883,171
Unclaimed dividend		418,209	-	-	-	418,209
		<u>97,215,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,215,349</u>
<b>Interest rate / yield sensitivity gap</b>			<u>14,769,103</u>	<u>5,389,555</u>	<u>-</u>	
<b>Cumulative interest rate sensitivity</b>			<u>14,769,103</u>	<u>20,158,658</u>	<u>20,158,658</u>	
<b>As at December 31, 2007</b>						
<b>FINANCIAL ASSETS</b>						
Cash and bank deposits	4.45% - 8.5%	61,741,147	27,912,144	-	-	33,829,003
Investments	12% to 18%	49,377,460	2,393,000	200,000	-	46,984,460
Premiums due but unpaid		90,535,534	-	-	-	90,535,534
Amounts due from other insurers / reinsurers		5,860,931	-	-	-	5,860,931
Salvage recoveries accrued		390,000	-	-	-	390,000
Accrued investment income		23,520	-	-	-	23,520
Reinsurance recoveries against outstanding claims		32,849,079	-	-	-	32,849,079
Prepayments		22,177,715	-	-	-	22,177,715
Deferred commission expense		14,513,186	-	-	-	14,513,186
Sundry receivables		3,328,520	-	-	-	3,328,520
		<u>280,797,092</u>	<u>30,305,144</u>	<u>200,000</u>	<u>-</u>	<u>250,491,948</u>
<b>FINANCIAL LIABILITIES</b>						
Provision for outstanding claims (including IBNR)		72,363,639	-	-	-	72,363,639
Premium received in advance		507,856	-	-	-	507,856
Amounts due to other insurers / reinsurers		7,526,251	-	-	-	7,526,251
Accrued expenses		1,591,384	-	-	-	1,591,384
Other creditors and accruals		1,955,398	-	-	-	1,955,398
Unclaimed dividend		1,880,611	-	-	-	1,880,611
		<u>85,825,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,825,139</u>
<b>Interest rate / yield sensitivity gap</b>			<u>30,305,144</u>	<u>-</u>	<u>-</u>	
<b>Cumulative interest rate sensitivity</b>			<u>30,305,144</u>	<u>30,305,144</u>	<u>30,305,144</u>	



### 36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for quoted available-for-sale investments, which are stated at lower of cost and market value in accordance with the requirements of SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14 to the financial statements.

### 37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on Thursday 7th May 2009

### FIGURES

### 38. CORRESPONDING

Following amounts have been reclassified during the current year:

Transferred from	Transferred to	Note	Amount Rupees
Government Securities	Fixed income securities	38.1	664,964
Deposit	Advance against expenses	38.1	561,000
Management Expenses	General and Administrative Expenses	38.2	18,695,723

38.1 The amount have been reclassified for the purpose of better presentation.

38.2 The ratio of resource allocation is changed because of changes in Company's business mix and future strategy for growth.

### 39. GENERAL

Figures have been rounded off to the nearest rupee.

**ARDESHIR COWASJEE**  
Chairman

**MUNIR I. MILLWALA**  
Managing Director  
& Chief Executive

**FAYYAZ F. MILLWALA**  
Director

**M. H. MILLWALA**  
Director



### Pattern of Shareholdings as at December 31, 2008

No of Shares of shareholders	Shareholding Rs. 10/- each			Total Shares held
49	1	To	100	1,038
32	101	To	500	6,572
14	501	To	1000	9,851
22	1001	To	5000	57,385
9	5001	To	10000	61,964
8	10001	To	15000	102,690
5	15001	To	20000	81,538
1	20001	To	25000	23,903
1	25001	To	30000	26,722
1	30001	To	35000	31,521
3	35001	To	40000	119,920
4	40001	To	45000	162,091
2	45001	To	50000	93,248
0	50001	To	55000	0
1	55001	To	60000	55,866
2	60001	To	65000	128,720
4	65001	To	70000	267,583
3	70001	To	75000	215,626
11	75001	To	100000	904,580
7	100001	To	150000	914,098
9	150001	To	200000	1,526,269
3	200001	To	300000	708,035
6	300001	To	500000	2,156,053
4	500001	To	1000000	2,506,357
1	1000001	To	2000000	1,938,370
202				12,100,000

### Categories of Shareholders

Particulars	No. of Shareholders	No of Shares	Percentage
1 Investment Companies	1	105	0.00
2 Individual	179	10,391,547	85.88
3 Joint Stock Companies	17	725,876	6.00
4 Insurance Companies	2	606,241	5.01
5 Charitable Institution	3	376,231	3.11
	202	12,100,000	100.00





**Pattern of Shareholdings as at December 31, 2008**  
**Information as required under the code of Corporate Governance**

**Directors & Director's Spouses & Executives**

Chairman	Mr. Ardeshir Cowasjee	58,552
Director	Mr. Abdul Razzak E. Jaffer	23,903
Director	Mr. Munir I. Millwala	553,992
Spouse	Mrs. Zumana Munir Millwala	40,515
Director	Mr. Mohammad Ali H. Millwala	217,648
Director	Mr. Fayyaz F. Millwala	207,495
Spouse	Mrs. Batool Fayyaz Millwala	7,562
Director	Mr. Hussaini I. Millwala	629,038
Director	Mr. Qutbuddin A. Millwala	66,513
Executive	Mr. Moiz Ali	1,176

1,806,394

<b>Insurance Companies</b>	
Two	606,241
<b>Investment Companies</b>	
One	105
<b>Joint Stock Companies</b>	
Seventeen	725,876
<b>Charitable Trusts</b>	
Three	376,231
<b>Individuals</b>	
One hundred and Seventy Six	8,585,153



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E-mail : info@cstar.com.pk

### BRANCHES IN PAKISTAN

#### LAHORE

Mr. Naveed Yousuf	2nd, Floor, Bashir Building, 15-Mcleod Road, Lahore-A	Phone- Cell:	(042) 7221490 & 7351088 (042) 7238604 (Fax) (0300) 4108462
Mr. Azhar Ali Shah	Room No. 18, 1st Floor, Empress Tower Near Shimla Pahari, Empress Road, Lahore-B	Phone- Cell:	(042) 6297253-&-54 (042) 6297255 (Fax) (0333) 4383053
Mr. Imran Ameer Khan	1 st Floor, Tufail Chambers, Safanwala Chowk, Mozang Road, Lahore- C	Phone- Cell:	(042) 7355533, 7352379 & 731142 (042) 7352502 (Fax) (0300) 9402778
Mr. Shehryar H. Rizvi	3rd Floor, Mall Manson, Opp: State Bank Building, Shrah-e-Quaid-e-Azam, Lahore- D	Phone- Cell:	(042) 7233696 (042) 7234092 (Fax) (0303) 7576073
Mr. Mehrajuddin Kardar	House No. 10, Kabeer Street No. 35-A, Nafeerabad, Shalimar Town, Lahore- E	Phone-	(042) 6546423 & 7087347
Mr. Rana Abdul Qayyum	11-Shahrae Quaid-e-Azam, Lahore-F	Phone- Cell:	(042) 7320540 (Off) (042) 7320554 (Fax) (0333) 4303730

#### SIALKOT

Mr. M. Younus Shaheen	Room Nos. 11 & 12 Al-Rehman Center, Saga Chowk, Defence Road, Sialkot-B	Phone- Cell:	(052) 3240271-73 (052) 3240270 (Fax) (0333) 8624101
Mr. Mujeeb Mirza	4-Green Wood Street, Off: Railway Road, Sialkot- C	Phone- Cell:	(052) 4589000 (052) 4581847(Fax) (0300) 9616604
Mr. Bashir A. Khan & Mr. Munawar H. Gondal	1st Floor, Salim Market, Mujahid Road, Sialkot-A+ D	Phone- Cell: Phone- Cell:	(052) 4586013 (Bashir) (0300) 6195758 (052) 4582972 (Gondal) (0300) 6167100

#### GUJRANWALA

Mr. Syed Javed H. Talat	3rd Floor, Deen Plaza, G.T. Road, Gujranwala - A -	Phone- Cell:	(055) 3735521-&-523 (055) 3735523 (Fax) (0300)6421613
Mr. Fayyaz Malik	2nd Floor, Jalil Plaza, Court Road, Munir Chowk, Gujranwala - B -	Phone- Cell:	(055) 3733255 (0300) 6316103
Mr, Sarfraz Ahmed C/o. Muh. Tahir	1 st Floor, Al-Azhar Plaza, Opp. Iqbal High School, G.T. Road Gujranwala-C	Phone- Cell:	(055) 3856324 (0300) 8740273

#### MULTAN

Mr. Rao Saleem Akhtar &	2nd Floor, 1 - Commercial Plaza,	Phone-	(061) 4573595 (Saleem)
Mr. Talib Hussain Bhatti	Opp: Civil Hospital, Abdali Road. Multan-A & B	Cell: Cell:	(0301) 7404371 (061) 4588051 (Bhatti) (0301) 7561899
Mr. Khalil Ahmed	Kutchery Road, Multan-B	Phone- Cell:	(061) 4571338145141837 (0300) 7323292

#### RAHIMYAR KHAN

Mr. Ahsanul Haq	06-Railway Road, Rahimyar Khan.	Phone- Cell:	(068) 5876961 (0300) 6733885
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#### BAHAWALPUR

Mr. M Saleem Faruqi	5-Jameel Market, Circular Road, Bahawalpur-A	Phone- Cell:	(062) 2882038 (062) 2885997 (Fax) (0300) 9681288
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<b>SAHIWAL</b> Mr. Muzaffar Joya	House-899-Block D, Farid Town, Sahiwal.	Phone- Cell:	(040) 4550899 0302-3141140
<b>HASILPUR</b> Mr. Abdul Sattar Aujum	194-Mohallah Alamdar Abbas, Ward No. 28. Old Hasilpur City, Hasilpur. (Dist, Bahawalpur)	Phone- Cell:	(0622) 441108 0300-7850667
<b>JEHLUM</b> Mr. Tahir Mehmood	Flat No. 2, Rehmani Manzil, Opp: Tehsil Office, Jehlum	Phone- Cell:	(0544) 620188 (0300) 9514610
<b>RAWALPINDI</b> Mr. Altaf and Mr. Arif	3-Gridlays Market, 2nd Floor, 13-Bank Road, Saddar Rawalpindi.	Phone-	(051) 5519328 (Off)
<b>QUETTA</b> Mr. Jawad Shafqat & Mr. Sardar Khan	1st Floor, Room No. 2, Gul Complex, M.A. Jinnah Road, Quetta. A.	Phone- Cell:	(081) 2828097 (0334) 2418571 (Jawad) (0300) 3896886 (Sardar)
Mr. Atif Idress Khan	1st Floor, Room No A Perfection House, M. A. Jinnah Road, Quetta. B.	Phone- Cell:	(081) 2820613 (0300) 9127077
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<b>KARACHI</b> Mr. M. Ashraf Ansari	Mian Chamber, Opp: Sind Madressha, Karachi.	Phone- Cell:	(021) 2428365 - 2434906 (021) 2466960 - 2466958 (Dir) (0333) 3048319
Mr. Izzuddin Adamali	Arkay Square Ground Floor, Room No. 169, Shahrae Liaquat, Karachi.	Phone- Cell:	(021) 2428398 (0300) 2672318
Mr. Abdul Rasheed	303, Rehmani Center, New Challi, Karachi.	Phone- Cell:	(021) 2625046 & 2218263 (Fax) (0300) 2424826
<b>FAISALABAD</b> Mr. Khalid Latif	Room No. 246-A, Shoaib Bilal Market, Sargodha Road, Faisalabad	Phone- Cell:	(041) 8785227 (0300) 6660468
<b>TANDO ADAM</b> Mr. Rashid Hussain	House No. B-173, Gulshan-e-Suleman, Hyderabad Road, Tando Adam.	Phone- Cell:	(023) 5572138 (0300) 3038235