Contents:

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

MUNIR I. MILLWALA
Chairman & CEO

ARDESHIR COWASJEE
Non 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

FAYYAZ F. MILLWALA
Executive Director

Management

Munir I. Millwala
Chairman & CEO

Fayyaz F. Millwala
Executive Director

Moiz Ali
General Manager

Fakhruddin A. Bandukwala
Deputy General Manager

Zahid Ali
Assistant General Manager

Khuzaima Hakimi
Company Secretary

Fakhruddin Khetty
Accounts Manager

Zoaib Quettawala, F.C.A.
Internal Auditor

Khwaja Balighuddin
Manager

Qutubuddin Kaleemi
Assistant Manager

Azmat Shaikh
Assistant General Manager

Iqbal Macha
Assistant General Manager

Yunus Shaheen
Assistant General Manager

Muhammad Ashraf Ansari
Assistant General Manager

Advisor	Syed Ahmed Ali
Auditors	MG Moochhala Gangat & Co. Chartered Accountants
Bankers	United Bank Limited National Bank of Pakistan Bank Alfalah Limited Habib Bank Limited Muslim Commercial Bank Limited Silkbank Limited
Registered Office	2nd Floor, Nadir House, I. I. Chundrigar Road, P.O. Box No. 4616, Karachi
Share Registrar Office	MG Associate Private Limited 608-610, Paradise Chamber, off: Shahrah-e-Iraq, Karachi. Tel: 92-21-35212769, 35212842 Fax: 35650453

COMMITTEES :

Audit Committee:

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

Underwriting Committee:

Hussaini I. Millwala	Chairman
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 53rd Annual General Meeting of the shareholders of the company will be held on 30th April 2010 Friday at 3.30 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 52nd AGM held on 30th May 2009.

2. To receive, consider and adopt Directors' and Auditors' report and Audited Accounts for the year ended 31st December, 2009.

3. To appoint Auditors for the year ending December 31, 2010 and fix their remuneration, retiring Auditor M/s Moochhala Gangat & Co. Chartered Accountant being eligible, offered themselves for reappointment.

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

Karachi : April 1, 2010

By order of the Board
KHUZAIMA HAKIMI
Secretary

Notes:

1. The Share Transfer Books of the Company shall remain closed from 24th April 2010 to30th April 2010 (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 23rd April 2010 will be treated in time.

2. The CDC accounts/sub account holders are requested to bring their computerized NIC along with participant(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.

3. 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.

4. Shareholders are requested to promptly notify the Company Registrar Office, any change in their address.

Director's Report

Dear Shareholders,

I herewith present to you the annual report and audited accounts for the year ended 31st December 2009. The year 2009 was a difficult year for many a businesses. I am pleased to report that the difficulties faced by us in the aftermath of global financial crisis and ensuing losses suffered by our company particularly investment losses on the stock market have been fully accounted for and we can now expect a turnaround in business with profitable results in the future. As we move forward in the year 2010 we expect the company to recoup and regain its lost ground and profitability. While the world's major economies talk of an economic rebound, unfortunately in Pakistan the future remains uncertain and tied in confusion. In an indebted economy compounded with a war like situation in the northern areas, disturbed law and order situation and growing economic imbalances, frankly speaking, no easy solution exists. The situation is however not insurmountable and we believe the government has the maturity and the ability to tide things over.

Capital Compliance Requirements:

The SECP, in May of last year, issued a directive without the mandatory show cause, asking us to stop business as the company failed to meet the minimum capital requirements as prescribed under the Insurance ordinance 2000. We had no recourse but to seek relief from the Sind High Court. Amongst the issues in contention was fact that the regulator, in May of 2009, gave a two year extension in meeting the capital requirements to NBFC (Leasing and Modarba companies) on account of a poor investment climate prevailing in the country. However, for some reason insurance companies were denied such an extension, although we too had well in time requested the SECP for such an extension, citing that there was very little investor confidence in our markets.

The penetration of the insurance industry in our society is abysmally low when compared to other developing countries in our region. There exists a much greater need for the proliferation of more insurance companies with good reinsurance arrangements to meet the development needs of the country. In these existing circumstances, when the investment climate in the country is not favourable, we expected better maturity in deciding the capital and solvency requirements which must be asessed in line with our country's needs. It was expected that the SECP would reconsider the matter in light of the changed situation in the country. We believe a better basis for capital and solvency requirements, in existing circumstances, could be on the basis of business underwritten. I am pleased to inform you that the reinsurance treaty renewals for the year 2010 were completed well in time with our existing AA rated reinsurers. In a difficult national environment, I wish to thank the reinsurers for having reposed their continued confidence in our company.

The salient details of our operating results for the last three years are given below. During the year we followed a cautious business policy. We adopted improved risk management practices and restricted credit. SECP directives also had its toll on our business and we continued to face difficulties with the banks and with small single risk bank limits. I wish to take this opportunity to thank all our clients who continued to repose their confidence in the company. The motor department was the focus of our attention during the year as we tried to reduce its share in our overall business mix. We discontinued with a large part of our motorcycle business as our experience was unsatisfactory. As a result, there was an expected drop in premium in our motor business. Our operational profits for the year were accordingly rendered thin. However we expect that the measures undertaken by the management will help improve the underwriting profitability and financial health of our company.

	2009	2008	2007	%
Gross Premium	132,579,281	175,567,208	197,212,378	(24.48)
Net Premium	105,363,790	140,800,091	170,280,661	(25.17)
Investment Income	(25,008,889)	(9,010,802)	19,392,772	(177.54)
(Loss)/Profit Before Tax	(43,378,915)	(37,399,074)	26,086,171	15.98
(Loss)/Profit After Tax	(30,482,845)	(37,728,837)	24,035,996	(19.20)
Total Assets	237,776,231	286,698,340	310,798,156	(17.06)
Earning Per Share (EPS)	(.2.52)	(3.14)	2.19	(19.74)

Future Business Plans:

During the year we were engaged in discussions with several companies for merger, accquisition and or amalgamation. Our preliminary talks with some companies after a positive start, as reported to you in my last annual report, could not materialise. After greart efforts we were able to find a company which suited our needs and met our requirements. I am pleased to report that we are now in an advanced stage of our negotiations/discussions wherein Crescent Star will be the accquisition company and the surving entity. We expect to keep our stakeholders fully informed and will make a formal announcement very soon in the near future. The synergies and addition of financial muscle to our company will be of great benefit to all the stakeholders.

The company continues to enjoy BBB rating from JCR and once the merger / acquisition is completed, we expect Crescent Star's IFS rating to improve for the better. We also expect that the easing of single risk bank limits and other restraining factors, which hamper our growth and progress, will be overcome and we expect to become a significant player in the market.

The details of loss appropriation for the year is as follows.

(Loss)/Profit Before Tax	(43,378,915)
Add:Provision for Tax	12,896,071
(Loss)/Profit After Tax	(30,482,845)
Un-appropriated (loss)/ Profit (form last year)	(37,617,181)
Balance Un appropriated Loss at the end of the year	(68,100,026)

The auditors qualification on capital requirements as required under insurance ordinance 2000 will hopefully be met by the accquistion merger and we are confident that hopefully we will soon be in full compliance with the insurance ordinance.

The value of investment Provident Fund maintained by the company based on latest audited financial statement a at 31th December 2008 is Rs. 13,928,260.

Auditors: The retiring auditors M/S. Moochala Gangat & Company have offered themselves for reappoinment

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, 2009, have been duly complied with. A statement to this effect is annexed with the report.

Statement of Directors responsibilities under the code of corporate governance:

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

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

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

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

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

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

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

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

Board Meetings and Attendance:

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

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

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

Auditors:

The present auditor M/s Moochhala Gangat & Co, Chartered Accountant retires and present themselves for re-appointment as external auditors for the year ended 31st December 2010.

Audit Committee:

The Company has an audit Committee, and had four meetings during the year 2009.

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 Stock exchanges and to the registered with the Company.

Pattern of Shareholding

A pattern of shareholding is shown separately.

Acknowledgement:

On conclusion of my report, I wish to thank the Board of Directors for their valuable advices. In difficult times their support and advices have indeed been very valuable to me and motivating for the management. My thanks are also for the General Manager, officers, staff and the field force whose loyalty and dedication made us ever more determined to succeed. My thanks are also for our reinsurers namely Mitsui Sumitomo, Pakistan Reinsurance company and Korea Re, whose cooperation and support during the year was invaluable to us. My thanks are also due to The Securities and Exchange Commissions (Insurance Department) for their support and assistance. Finally, I also wish to thank our valuable clients and shareholders for having reposed their continuing trust in our company.

Muinir I. Millwala
Chairman & CEO

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2009

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 NBFI or, being a member of stock exchange has been defaulter by that stock exchange.

4. No casual vacancy has occurred in the year 2009.

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company the year ended December 31, 2009.

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin

Moochhala Gangat & Co.
Chartered Accountants

KARACHI: May 07, 2009

10 Years at a Glance

(amounts in million rupees)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Gross premium	**132.58**	175.57	197.21	207.38	165.91	115.92	69.19	41.69	36.16	38.93
Net premium	**105.36**	140.80	170.28	146.58	102.40	63.53	32.02	24.80	20.81	24.09
Paid-up capital	**121.00**	121.00	96.80	88.00	80.00	80.00	50.00	50.00	50.00	40.00
General reserve	**24.50**	24.50	24.50	22.10	17.10	17.10	12.60	10.10	10.10	8.10
Reserve for exceptional losses and unexpired risks	**52.12**	70.80	85.99	110.56	93.78	64.90	25.48	11.68	10.09	11.40
Total assets	**237.78**	286.69	310.80	278.83	275.34	227.04	115.24	83.64	79.90	71.64
Profit before tax	**(43.38)**	(37.40)	26.09	9.84	28.76	26.45	10.07	3.24	3.38	4.92
Profit after tax	**(30.48)**	(37.73)	24.04	8.58	21.58	20.50	7.04	0.33	2.20	3.87
Distribution as percentage of										
paid-up capital- cash dividend						10.00	10.00	-	-	-
paid-up capital- cash dividend Interim			25.00		10.00	10.00				
- bonus shares				10.00	10.00	-	-	-	-	-
- right shares			25.00				60.00	-	-	-
Return on total assets-%	**(12.82)**	(13.16)	7.73	3.08	7.84	9.03	6.11	0.39	2.75	5.40
Return on shareholders' equity-%	**(38.51)**	(34.41)	18.06	6.96	18.80	5.33	10.86	0.53	3.53	7.69
Break-up value per share	**6.54**	9.06	13.75	14.02	14.34	13.65	12.98	12.57	12.51	12.59
Earnings per share in rupees	**(2.52)**	(3.14)	2.19	0.98	2.70	3.43	1.41	0.07	0.44	0.97

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:i. balance sheet;

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 2009 together with notes forming part thereof, for the year then ended.

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

Except as discussed in Paragraphs (i) 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) 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. 200 million as at 31 December 2009. However, the paid up share capital of the company was Rs.121 million at the end of the current year.

   b) The company has incurred a loss of Rs.30.482 million during the current year which resulted in accumulated loss of Rs.68.100 million at the end 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.

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

Because of the significance of the matters discussed in paragraphs (i) 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 except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards and a change in accounting estimate, as stated in note 3.2 and 18.2, with which we concur; and

c) the financial statement together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31St December 2009 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 the Companies Ordinance, 1984.

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

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin

Moochhala Gangat & Co.
Chartered Accountants

Karachi

BALANCE SHEET

	Note	2009	2008
Share Capital and Reserves		------------ (Rupees) ------------	
Authorised share capital			
35,000,000 (2008: 35,000,000) ordinary shares of Rs. 10/- each		**350,000,000**	350,000,000
Issued, subscribed and paid up share capital	7	**121,000,000**	121,000,000
Accumulated loss		**(68,100,026)**	(37,617,181)
Reserves	8	**26,264,833**	26,264,833
TOTAL EQUITY		**79,164,807**	109,647,652
Surplus on revalution of Land	9	**21,107,500**	-
		100,272,307	109,647,652
Underwriting Provisions			
Provision for outstanding claims (including IBNR)		**49,899,615**	66,837,514
Provision for unearned premium		**50,352,635**	69,036,192
Premium deficiency reserve		**730,044**	3,746,883
Commission income unearned		**6,237,030**	7,042,384
		107,219,324	146,662,973
Deferred Liability			
Deferred taxation	10	**-**	9,880
Creditors and Accruals			
Premiums received in advance		**943,069**	612,281
Amounts due to other insurers / reinsurers	11	**25,710,319**	15,913,077
Accrued expenses		**1,410,843**	1,551,097
Other creditors and accruals	12	**1,802,160**	11,883,171
		29,866,391	29,959,626
Other Liabilities			
Unclaimed dividend		**418,209**	418,209
TOTAL LIABILITIES		**137,503,924**	177,050,688
TOTAL EQUITY AND LIABILITIES		**237,776,231**	**286,698,340**
CONTINGENCIES AND COMMITMENT	13		

The annexed notes from 1 to 36 form an integral part of these financial statements.

MUNIR I. MILLWALA
Chairman & CEO

M.H. Millwala
Director

AS AT DECEMBER 31, 2009

	Note	2009	2008
Cash and Bank Deposits		------------ (Rupees)	------------
Cash and other equivalents	14	23,112	53,549
Current and other accounts	15	10,862,451	13,861,058
Deposits maturing within 12 months	16	7,176,124	14,000,000
		18,061,687	27,914,607
Investments	17	35,219,607	70,863,267
Deferred tax	10	13,543,178	-
Current Assets – Others			
Premiums due but unpaid	18	51,160,336	75,503,382
Amounts due from other insurers / reinsurers	19	14,619,522	12,698,491
Salvage recoveries accrued		261,000	333,000
Accrued investment income		98,763	207,121
Reinsurance recoveries against outstanding claims		19,273,850	28,725,054
Deferred commission expense		9,253,067	12,329,791
Taxation - net	20	3,992,819	4,263,645
Prepayments	21	19,881,848	22,195,552
Sundry receivables	22	7,162,633	4,795,686
		125,703,838	161,051,722
Fixed Assets			
Tangible	23		
Freehold land		27,500,000	6,392,500
Furniture and fixtures		3,529,564	2,506,913
Office equipment		1,764,910	1,861,339
Computers and related equipment		781,369	1,188,337
Motor vehicles		10,905,410	13,386,322
Intangible	24		
Computer software		766,667	1,533,333
		45,247,920	26,868,744
TOTAL ASSETS		237,776,231	286,698,340

The annexed notes from 1 to 36 form an integral part of these financial statements.

Fayyaz F.Millwala
Director

Ardeshir Cowasjee
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	Fire & Property	Marine & Transport	Motor	Miscellaneous	2009 Aggregate	2008 Aggregate
		Rupees					
Revenue Account							
Net premium revenue		31,726,294	20,207,751	42,281,569	11,148,175	105,363,790	140,800,091
Net claims		(6,566,570)	(1,847,266)	(25,885,037)	(176,724)	(34,475,597)	(62,822,423)
Premium deficiency reserve		-	-	3,016,839	-	3,016,839	(3,746,883)
Expenses	25	(15,189,697)	(9,736,985)	(8,958,026)	(5,063,232)	(38,947,940)	(44,114,632)
Net commission		(1,290,359)	(131,617)	(6,746,469)	(649,541)	(8,817,986)	(19,504,453)
Underwriting result		8,679,669	8,491,883	3,708,876	5,258,678	26,139,106	10,611,700
Investment loss - net						(25,008,889)	(9,010,802)
Loss on assets written off						(538,951)	-
Profit on sale of fixed assets						161,024	405,492
Other income	26					210,118	998,398
General and administrative expenses	27					(44,341,323)	(40,403,862)
						(69,518,021)	(48,010,774)
Loss before tax						(43,378,915)	(37,399,074)
Provision for taxation	28					12,896,071	(329,763)
Loss after tax						(30,482,845)	(37,728,837)
Profit and loss appropriation account							
Balance at commencement of the year						(37,617,181)	111,656
Loss after tax for the year						(30,482,846)	(37,728,837)
Balance of accumulated loss at end of the year						(68,100,026)	(37,617,181)
Loss per share (basic and diluted) – rupees	29					(2.52)	(3.12)

The annexed notes from 1 to 36 form an integral part of these financial statements.

MUNIR I. MILLWALA Chairman & CEO	**M.H. Millwala** Director	**Fayyaz F.Millwala** Director	**Ardeshir Cowasjee** Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Share Capital	Capital Reserves	Revenue Reserves		
	Issued, subscribed and paid up	Reserve for Exceptional Losses	General reserve	Accumulated loss	Total
	----------	----------	Rupees	----------	----------
Balance as on December 31, 2008	96,800,000	1,767,568	24,497,265	111,656	123,176,489
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)
Balance as on December 31, 2008	**121,000,000**	**1,767,568**	**24,497,265**	**(37,617,181)**	**109,647,652**
Loss for the year	-	-	-	**(30,482,845)**	(30,482,845)
Balance as on December 31, 2009	**121,000,000**	**1,767,568**	**24,497,265**	**(68,100,026)**	**79,164,807**

The annexed notes from 1 to 36 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Fayyaz F.Millwala**	**Ardeshir Cowasjee**
Chairman & CEO	Director	Director	Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		(Rupees)	
Operating Cash Flows			
a) **Underwriting activities**			
Premiums received		160,914,644	175,596,376
Reinsurance premiums paid		(39,307,745)	(49,935,662)
Claims paid		(86,142,996)	(95,673,323)
Reinsurance and other recoveries received		44,180,704	31,448,800
Commissions paid		(22,375,454)	(36,499,379)
Commissions received		15,828,837	18,534,049
Net cash flow from underwriting activities		73,097,990	43,470,861
b) **Other operating activities**			
Income tax paid		270,826	(2,608,752)
General management expenses paid		(89,234,197)	(52,861,114)
Other operating payments		(2,084,829)	(741,768)
Net cash flow from other operating activities		(91,048,200)	(56,211,634)
Total cash flow from all operating activities		(17,950,210)	(12,740,773)
Investment activities			
Profit / return received		1,895,777	3,935,026
Dividends received		1,301,680	1,455,256
Payments for investments		(4,407,336)	(73,145,939)
Proceeds from disposal of investments		11,296,019	37,075,447
Fixed capital expenditure		(2,623,849)	(4,738,475)
Proceeds from disposal of fixed assets		634,999	1,485,000
Total cash flow from investing activities		8,097,290	(33,933,685)
Financing activities			
Advance received against issue of right shares			
Proceeds from right issue			14,310,320
Dividends paid		-	(1,462,402)
Total cash outflow from financing activities		-	12,847,918
Net cash (outflow) / inflow from all activities		(9,852,920)	(33,826,540)
Cash at the beginning of the year		27,914,607	61,741,147
Cash at the end of the year	13	18,061,687	27,914,607

	Note	2009	2008
		---------------- (Rupees) ----------------	
Reconciliation to Profit and Loss Account			
Operating cash flows		**(17,950,210)**	(12,740,773)
Depreciation expense		**(3,572,578)**	(4,049,844)
Amortization expense		**(766,667)**	(766,667)
Profit on disposal of fixed assets		**(377,927)**	405,492
Provision for doubtful balances		**14,568,651**	16,813,507
Other income		**210,118**	998,398
(Decrease) / increase in assets other than cash		**(49,537,351)**	(29,887,516)
Increase in liabilities		**39,536,884**	(771,223)
		(17,889,081)	(29,998,626)
Other adjustments			
Profit / return received		**1,907,777**	4,118,627
Other income		**(210,118)**	(998,398)
Dividend income		**1,301,680**	1,455,256
Capital gain		**(28,218,347)**	(14,584,685)
Income tax paid		**(270,826)**	2,608,752
Provision for taxation		**12,896,071**	(329,763)
		(12,593,762)	(7,730,211)
(Loss) / profit after taxation		**(30,482,843)**	(37,728,837)

Definition of cash

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

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

	Note	2009	2008
Cash and other equivalents			
Cash in hand		**22,623**	37,399
Policy stamps		**440**	15,650
Revenue stamps		**49**	-
		23,112	53,049
Current and other accounts with banks			
Current accounts		**10,845,118**	13,851,955
PLS savings accounts		**17,333**	9,103
		10,862,451	13,861,058
Deposits with banks maturing within 12 months			
Deposit accounts		**7,176,124**	14,000,000
Total	13	**18,061,686**	27,914,107

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

MUNIR I. MILLWALA	**M.H. Millwala**	**Fayyaz F.Millwala**	**Ardeshir Cowasjee**
Chairman & CEO	Director	Director	Director

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2009

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2009 Net premium revenue	2008 Net premium revenue
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direc' and facultative										
1 Fire and property	54,856,139	29,619,115	25,997,987	58,477,266	24,927,795	14,893,733	13,070,556	26,750,972	**31,726,294**	34,672,213
2 Marine and transport	34,947,774	2,977,002	4,525,228	33,399,548	13,785,315	1,219,634	1,813,151	13,191,797	**20,207,751**	19,363,610
3 Motor	31,479,204	26,571,947	11,823,974	46,227,178	3,870,000	2,041,121	1,965,513	3,945,608	**42,281,569**	76,810,060
4 Miscellaneous	16,878,724	9,868,128	8,005,447	18,741,405	6,521,877	4,007,730	2,936,377	7,593,230	**11,148,175**	9,954,208
Total	138,161,841	69,036,192	50,352,635	156,845,397	49,104,987	22,162,218	19,785,597	51,481,607	105,363,790	140,800,091

The annexed notes from 1 to 36 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Fayyaz F.Millwala**	**Ardeshir Cowasjee**
Chairman & CEO	Director	Director	Director

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2009

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	2009 Net claims expense	2008 Net claims expense
	(Rupees)									
Direct and facultative										
1 Fire and property	44,166,130	29,154,318	21,767,106	36,778,918	38,941,659	23,679,729	14,950,418	30,212,348	**6,566,570**	268,823
2 Marine and transport	3,899,521	6,253,021	7,184,915	4,831,415	3,664,195	2,792,848	2,112,802	2,984,149	**1,847,266**	3,096,782
3 Motor	35,384,673	26,193,531	17,693,895	26,885,037	-	-	1,000,000	1,000,000	**25,885,037**	57,672,907
4 Miscellaneous	2,692,672	5,236,644	3,253,699	709,727	1,574,850	2,252,477	1,210,630	533,003	**176,724**	1,783,911
Total	**86,142,996**	**66,837,514**	**49,899,615**	**69,205,097**	**44,180,704**	**28,725,054**	**19,273,850**	**34,729,500**	**34,475,597**	**62,822,423**

The annexed notes from 1 to 36 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Fayyaz F.Millwala**	**Ardeshir Cowasjee**
Chairman & CEO	Director	Director	Director

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers *	2009 Net underwriting expense	2008 Net underwriting expense
	(Rupees)								
Direct and facultative									
1 Fire and property	9,478,973	5,923,823	5,199,597	10,203,198	15,189,697	25,392,895	8,912,839	**16,480,056**	18,313,510
2 Marine and transport	4,980,982	446,550	678,784	4,748,748	9,736,985	14,485,733	4,617,131	**9,868,602**	8,082,118
3 Motor	4,534,273	3,985,792	1,773,596	6,746,469	8,958,026	15,704,495	-	**15,704,495**	31,121,757
4 Miscellaneous	3,381,226	1,973,626	1,601,089	3,753,762	5,063,232	8,816,994	3,104,221	**5,712,773**	6,101,700
Total	**22,375,454**	**12,329,791**	**9,253,066**	**25,452,177**	**38,947,940**	**64,400,117**	**16,634,191**	**47,765,926**	**63,619,085**

* 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.

MUNIR I. MILLWALA
Chairman & CEO

M.H. Millwala
Director

Fayyaz F.Millwala
Director

Ardeshir Cowasjee
Director

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
	(Rupees)	
Income from Non-Trading Investments		
Held to Maturity		
Return on government securities	**24,000**	24,000
Return on other fixed income securities and deposits	**1,883,777**	4,094,627
	1,907,777	4,118,627
Available-for-Sale		
Dividend income	**1,301,680**	1,455,256
Net (loss) / gain on sale of 'available-for-sale' investments	**(13,478,624)**	(2,923,099)
	(12,176,944)	(1,467,843)
Provision for impairment in the value of available-for-sale investments	**(14,739,723)**	(11,661,586)
Net investment income	**(25,008,889)**	(9,010,802)

The annexed notes from 1 to 36 form an integral part of these financial statements.

MUNIR I. MILLWALA	**M.H. Millwala**	**Fayyaz F.Millwala**	**Ardeshir Cowasjee**
Chairman & CEO	Director	Director	Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 situated at 2nd Floor, Nadir House, I.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 the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance,1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

3.2 INITIAL APPLICATION OF A STANDARD, AMENDMENT OR AN INTERPRETATION TO AN EXISTING STANDARD AND FORTHECOMING REQUIREMENT

3.2.1 Initial application standards, amendments and interpretation of approved accounting standards became effective during the year

Revised IAS 1- Presentation of financial statements has introduced the term total comprehensive income. Total comprehensive income may be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income .The Company does not have any items of comprehensive income to report for the year ended 31 December 2009 and comparative period.

Revised IAS 23- Borrowing costs has removed the option to expense borrowing costs and requires that an entity capitalize borrowing costs of the asset. This standard did not affect the company's financial statements

IAS 27- Consolidated and separate financial statements. The amendment removed the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not relevant to the Company's financial statements.

IFRS 4- Insurance Contracts. The IFRS makes limited improvements to according for insurance contracts until the board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these financial statements.

IFRS 7- Financial Instruments : Discloses (effective for annual periods beginning on or after 28April 2008) supersedes IAS 30- Disclosure in the financial statements of banks and similar Financial Institution and the disclosure requirements of IAS 32- Financial Instruments: Discloses and Presentation. The application of the standards did not have significant impact on the company's financial statements other than increase in disclosure only.

IFRS 8- Operating Segments introduces the " managements approach " to segment reporting , IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by tha companys chief operating decision maker in order to assess each segments performance and to allocate resources to them. The application of the standard has resulted in increased disclosures only.

Amendments to IAS 32- Financial Instruments: Presentation and IAS 1-Presentation of Financial statements- puttable Financial Instruments and obligation Arising on Liquidation Requires non-vesting Condition to be reflected in grant-date fair value and provides the accounting treatments for non-vesting condition and cancellation. The application of this standard did not have any effect on the company's financial statements

Amendments to IFRS 2- Share-based Payments-Vesting Condition and cancellation clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellation. The application of this standard did not have any effect on the company's financial statements

Amendments to IFRS 7- Improving disclosure about Financial Instruments. These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US Standards. The amendments introduce a three-level hierarchy for fair value measurements disclosure and require entities to provide additional disclosure about the relative reliability of fair value measurements. The amendment did not affect the company's financial statements

Amendments to IAS 39 and IFRIC 9- Embedded derivates. Amendments require entities to assess whether they need to separate an embedded derivate from hybrid (combined) financial instruments when financial assets are reclassified out of the fair value. The amendments are not relevant to the company's financial statements.

IFRIC 16- Hedge of Net Investment in a foreign operation has clarified that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, hedging instrument may be held by an entity within the group except the foreign operation that is being hedge and that on disposal of a hedge operation, the cumulative gain or loss on the hedging instrument that was determine to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choices to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation has been used. The amendment is not relevant to the company's operations.

IFRIC 18- Transfers of assets from customers classified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. This interpretation is not relevant to the company's operations.

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

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

Revised IFRS 3- Business Combinations (applicable for annual periods beginning on or after 1 July 2009)

Amended IAS 27- Consolidated and separate Financial statements (effective for annual periods beginning on or after July 2009)

IAS 24- Related Party Disclosure (revised 2009) – (effective for annual periods beginning on or after 1 January 2011)

Amendments to IAS 39- Financial instruments: Recognition and measurements – Eligible hedge items (effective for annual periods beginning on or after 1 July 2009)

Amendments to IFRS 2 – Share-based payment- Group cash-settled share-based payments Transactions (effective for annual periods beginning on or after 1 January 2010

Amendments to IAS 32 – Financial instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)

Amendments to IFRIC 14 IAS 19 – The limit on a defined Benefit assets, Minimum Funding requirements and their interaction (effective for annual periods beginning on or after 1 January 2011)

IFRIC 15 Agreement for the construction of real Estate (effective for annual periods beginning on or after 1 October 2009)

IFRIC 17 Distributions of Non-Cash Assets to owners (effective for annual periods beginning on or after 1 July 2009)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods on or after 1 July 2010)

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statement. These amendments are unlikely to have an impact on the company's financial statements.

Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after 1 July 2009).

4. **BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost.

5. **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to 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 the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

	Note
• Insurance contracts	6.1
• Provision for outstanding claims (including IBNR)	6.2
• Premium deficiency reserves	6.3
• Reinsurance Contracts Held	6.4
• Receivables and payables related to insurance contracts	6.5
• Staff retirement benefits	6.6
• Classification of investments	6.7
• Useful lives of assets and methods of depreciation	6.8
• Provision for taxation (current and deferred)	6.14
• Impairment	6.18

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

6.1 **Insurance contracts**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.3 Premium deficiency reserves

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

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

Fire & Property 0%
Marine & Transport 0%
Motor 28%
Miscellaneous 0%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

6.4 Reinsurance Contracts Held

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

6.5 Receivables and payables related to insurance contracts

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

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

6.6 Staff retirement benefits

6.6.1 Defined contribution plan

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

6.6.2 Employees' compensated absences

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

6.7 Investments

6.7.1 Recognition

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

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

6.7.2 Measurement

6.7.2.1 Investment at fair value through profit or loss

– Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

– Investments which are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

6.7.2.2 Held to maturity

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

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

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

6.7.2.3 Available for sale

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

Quoted

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

Unquoted

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

6.7.2.4 Date of recognition

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

6.8 Fixed assets

6.8.1 Tangibles

These are stated at cost less accumulated depreciation and impairment loss, if any, except for the freehold land which is stated at cost. Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying the reducing balance method at the rates specified in note 22 to the financial statements.

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

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

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

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

6.8.2 Intangibles

These are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 23 to the financial statements.

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

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

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

6.9 Premiums

6.9.1 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.

6.9.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is

- 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.

6.9.3 Premiums due but unpaid

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

6.10 Commissions

6.10.1 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.

6.10.2 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.

6.10.3 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.

6.11 Investment income

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

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

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

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

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

6.12 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriation are recognized when approved.

6.13 Expenses of management

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

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

6.14 Taxation

6.14.1 Current

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

6.14.2 Deferred

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

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

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

6.15 Segment reporting

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

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

- The perils covered under this segment include damages by fire, riot and strike, explosion, earthquake, atmospheric damages, floods, electrical fluctuation impact and other coverage.
- Marine insurance provides coverage against cargo risk, war risk and Strike Riot Civil Commotion (S.R.C.C.), for loss occurring whether cargo is transported by sea, air or by inland conveyance.
- Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.
- Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit or on counter, fidelity guarantee, personal accident, plate glass, householder's policy, engineering losses etc.

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

6.16 Foreign currency transaction

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

6.17 Offsetting of financial assets and liabilities

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

6.18 Impairment

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

6.19 Provisions

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

6.20 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.

6.21 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.

6.22 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, case 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.

6.23 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.

6.24 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-propotional 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.

6.25 Financial instruments

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

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

7. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2009	2008		Note	2009	2008
---- (Number of shares) -----				------------ (Rupees) ------------	
9,133,453	9,133,453	Ordinary shares of Rs.10 each fully paid in cash		**91,334,530**	91,334,530
2,966,547	2,966,547	Ordinary shares of Rs.10 each issued as fully paid bonus shares		**29,665,470**	29,665,470
12,100,000	12,100,000			**121,000,000**	121,000,000

8. RESERVES

	2009	2008
Reserve for expectional losses	**1,767,568**	1,767,568
General reserve	**24,497,265**	24,497,265
	26,264,833	26,264,833

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.

9. Surplus on Revaluation of Fixed Assest

	2009	2008
Balance as at January 01	-	-
Surplus for the year	**21,107,500**	-
Balance as at December 31	**21,107,500**	-

The closing balance of surplus on revaluation of operating assets is not available for distribution to shareholders.

	Note	2009	2008
		------------ (Rupees) ------------	

10. DEFERRED TAXATION

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

	2009	2008
Depreciation	**77,719**	(9,880)
Provisions	**11,052,794**	-
Unused Tax losses	**2,412,665**	-
	13,543,178	(9,880)

11. AMOUNTS DUE TO OTHER INSURERS / REINSURERS

	2009	2008
Foreign reinsurers	**17,802,824**	8,182,567
Local reinsurers	**1,515,212**	6,506,990
Co-insurers	**6,392,283**	1,223,520
	25,710,319	15,913,077

12. OTHER CREDITORS AND ACCRUALS

	2009	2008
Federal insurance fee	**97,296**	2,388,240
Federal excise duty	**1,304,648**	7,217,195
Withholding tax	**357,592**	1,976,719
Sundry creditors	**42,624**	301,017
	1,802,160	11,883,171

13. CONTINGENCIES AND COMMITMENTS

13.1 CONTINGENCIES

The Company is a defendant in certain law suits pending in various court of law aggregation to Rs.5.795 (2008: Rs.5.795) million. The Managegment 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.

13.2 COMMITMENTS

There were no commitments as at December 31, 2009 (2008: Rs. Nil).

14. CASH AND OTHER EQUIVALENTS

	2009	2008
Cash in hand	**22,623**	37,399
Policy stamps	**440**	15,650
Revenue stamps	**49**	500
	23,112	53,549

15. CURRENT AND OTHER ACCOUNTS WITH BANKS

	Note	2009	2008
Current accounts	15.1	**10,845,118**	13,851,955
PLS savings accounts	15.2	**17,333**	9,103
		10,862,451	13,861,058

15.1 This includes Rs. 0.4 million (2008: Rs. 0.4 million) placed with State Bank of Pakistan as statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

15.2 These carry mark-up at the rate of 4% (2008: 4.45%) per annum.

16. DEPOSITS MATURING WITHIN 12 MONTHS

	Note	2009	2008
		(Rupees)	
Term deposits	16.1	**7,176,124**	14,000,000

16.1 This represents term deposits placed with various commercial banks carrying mark-up at the rates ranging between 5.0% to 10% (2008: 6.0% to 11.5%) per annum.

17. INVESTMENTS

	Note	2009	2008
Held to maturity	17.1	**6,080,000**	6,149,555
Available for sale	16.2	**29,139,607**	64,713,712
		35,219,607	70,863,267

17.1 Held to maturity

	Note	2009	2008
Government securities			
Pakistan Investment Bonds	17.1.1	**5,200,000**	5,389,555
Fixed income securities			
Defence Savings Certificates		**880,000**	760,000
		6,080,000	6,149,555

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

These carry mark-up at the rate of 12 (2008: 11.2 to 12) percent per annum receivable semi-annually and have terms of three to ten years maturing upto December 2011.

17.2 Available for sale

	Note	2009	2008
Quoted	17.2.1	**29,139,607**	64,713,712
Un-quoted	17.2.2	-	-
		29,139,607	64,713,712

17.2.1 Quoted

No. of shares 2009	No. of shares 2008	Face value	Market value 2009	Market value 2008	Name of entity	Note	2009 (Rupees)	2008 (Rupees)
					INVESTMENT COMPANIES / BANKS			
5,000	5,000	10	8.95	8.65	Standard Chartered Bank		**190,000**	190,000
8,750	8,750	10	19.50	13.20	The Bank of Punjab Limited		**593,750**	593,750
67	67	10	3.00	N/A	Innovative Investment Bank Limited		**243,755**	243,755
1,408	1,408	10	3.53	3.15	IGI Investment Bank Limited		**18,818**	18,818
2,653	2,106	10	7.39	18.56	KASB Bank Limited		**26,878**	26,878
1,080	22,700	10	74.37	50.32	National Bank of Pakistan		**131,139**	4,461,003
254,966	214,966	10	4.80	4.67	NIB Bank Limited		**3,604,891**	3,948,331
24,400	20,000	10	11.07	11.00	Soneri Bank Limited		**786,000**	786,000
668	608	10	58.73	31.32	Allied Bank Limited		**72,854**	72,854
9,600	11,000	10	58.45	36.91	United Bank Limited		**1,120,321**	1,551,674
10,000	-	10	13.77	16.73	Bank Al Falah Ltd		**142,900**	-
					INSURANCE			
534	475	10	16.00	26.30	Habib Insurance Company Limited		**1,565**	1,565
8,499	1,999	10	26.10	23.69	Pakistan Reinsurance Corporation		**202,110**	1,000
562	511	10	12.57	17.98	Premier Insurance Limited		**2,793**	2,793
					TEXTILE COMPOSITE			
80	1,080	10	69.90	22.60	Nishat Mills Limited		**6,388**	86,233
4,900	4,900	10	17.76	22.09	Babri Cotton Mills Limited		**207,172**	207,172
12,100	11,000	10	7.49	6.17	Gulistan Spinning Mills Limited		**88,000**	88,000
16,960	15,419	10	8.00	7.17	Gulshan Spinning Mills Limited		**261,691**	261,691
12,000	12,000	10	4.42	3.02	Idrees Textiles Mills Limited		**180,395**	180,395
7,095	6,450	10	11.74	10.60	Paramount Spinning Mills Limited		**77,825**	77,825
158	158	10	0.48	0.50	Service Fabrics Limited		**1,859**	1,859
					SYNTHETIC AND RAYON			
86	86	10	1.55	1.00	Tristar Polyester Limited		**1,307**	1,307
38,367	39,500	10	37.80	37.05	Rupali Polyester Limited		**1,398,477**	1,439,775
50,625	50,625	10	1.48	1.41	Dewan Salman Fibre Limited		**705,173**	705,173
					SUGAR AND ALLIED			
-	2,000	10			Al-Asif Sugar Mills Limited		**-**	19,700
					CEMENT			
2,278	2,278	10	12.55	11.41	Cherat Cement Limited		**87,537**	87,537
240,990	300,990	10	3.76	4.10	Maple Leaf Cement Limited		**5,119,947**	7,674,258
548	548	10	10.68	22.93	Pioneer Cement Limited		**15,796**	15,796
185,000	185,000	10	2.51	3.03	Dewan Cement Limited		**3,353,474**	3,353,474
211,000	304,000	10	6.16	4.70	Fauji Cement Company Limited		**2,784,882**	5,142,045
-	2,500	10	-	31.27	Lucky Cement Limited		**-**	373,125
215,500	242,500	10	2.19	3.20	Pakistan Cement Company Limited(Lafarge)		**2,020,659**	3,299,585
					FUEL AND ENERGY			
100,882	50,882	10	2.66	2.07	Karachi Electric Supply Corporation Limited		**612,975**	515,657
700	350	10	136.83	98.95	Mari Gas Company Limited		**48,625**	11,010
500	14,000	10	110.61	49.99	Oil and Gas Development Company Limited		**46,838**	1,766,550
62	62	10	297.44	144.58	Pakistan State Oil Company Limited		**20,789**	20,789
224	10,224	10	24.80	21.46	Sui Northern Gas Pipelines Limited		**12,146**	554,380
769	769	10	13.43	10.51	Sui Sourthern Gas Company Limited		**20,180**	20,180
795,000	795,000	10	3.99	2.89	Southern Electric Power Company Limited		**10,710,060**	10,710,060
					AUTO & ALLIED ENGINEERING			
225	225	10	1.49	2.01	Dewan Farooq Motors Limited		**5,806**	
					The General Tyre and Rubber Company			5,806
40,500	40,500	10	23.96	16.50	of Pakistan Limited		**1,373,426**	
700	16,700	10	88.96	79.61	Pak Suzuki Motors Company Limited		**151,589**	1,373,426
								3,616,096
					CABLE & ELECTRICAL GOODS			
10	10	10	1260.86	1130.50	Siemens (Pakistan) Engineering Company Limited		**205**	
								205
					TRANSPORT & COMMUNICATIONS			
268	7,268	10	3.70	2.97	World Call Communication Limited		**2,281**	
-	16,000	10	-	1.99	Tele Card Limited		**-**	60,591
								220,904
					Balance carry forward		**36,453,276**	**53,789,025**

17.2.1 Quoted

No. of shares		Face value	Market value		Name of entity	Note	2009	2008
2009	2008		2009	2008			------------ (Rupees)	------------
					Balance brought forward		**36,453,276**	53,789,025
					CHEMICAL & PHARMACEUTICAL			
38	38	10	168.49	68.71	I.C.I. Pakistan Limited		**6,031**	6,031
132,287	628,287	10	7.83	1.59	Pakistan PTA Limited		**683,390**	2,728,360
					LEATHER AND TANNERIES			
33	33	10	979.00	747.00	Bata (Pakistan) Limited		**1,540**	1,540
					FOOD AND ALLIED			
8,000	8,000	10	0.75	2.50	Indus Fruits Product Limited		**101,800**	101,800
43	43	10	1245.96	1333.50	Nestle Milkpak Limited		**290**	290
					FERTILIZER			
62,000	112,000	10	26.13	12.90	Fauji Fertilizer Bin Qasim Limited		**2,744,061**	4,957,014
					MISCELLANEOUS			
43,000	43,000	10	3.20	2.40	Macpac Films Limited		**1,392,084**	1,392,084
					MUTUAL FUND			
150,996	133,941	50	50.86	51.92	Pakistan Income Fund (PIF)	16.2.1.1	**7,353,886**	6,953,886
9,018	9,018	10	3.00	2.04	Golden Arrow Selected Stocks Fund Limited		**53,030**	53,030
31,066	31,066	10	5.82	2.03	PICIC Investment Fund		**554,715**	554,715
243,124	243,124	10	14.26	5.59	PICIC Growth Fund		**6,953,687**	6,953,687
42,500	32,500	10	4.74	2.29	PICIC Energy Fund		**306,750**	244,250
25,000	25,000	10	12.10	12.10	Pakistan Capital Market Fund		**265,000**	265,000
66,000	66,000	10	5.95	2.02	Pakistan Premier Fund		**791,313**	791,313
69,750	69,750	10	1.69	2.16	First Dawood Fund		**567,814**	567,814
35,153	35,153	10	4.94	2.98	JS Growth Fund		**484,169**	484,169
					MODARABA			
7,500	7,500	10	2.56	3.15	B.R.R International Modaraba		**96,775**	96,775
29,572	9,786	10	2.45	1.18	First Equity Modaraba		**393,113**	96,323
57,978	57,978	10	9.05	6.81	Standard Chartered Modaraba		**1,017,741**	1,017,741
100,005	100,005	10	4.15	3.03	Habib Bank Modaraba		**1,058,944**	1,058,944
48,400	48,400	5	5.83	5.67	First Habib Modaraba		**335,381**	335,381
16,300	16,300	10	1.61	1.44	Modaraba Al-Mali		**283,900**	283,900
65,500	65,500	10	3.47	3.00	First National Bank Modaraba		**561,350**	561,350
154	154	10	0.97	1.36	First Prudential Modaraba		**715**	715
							62,460,755	83,295,137
					Provision for impairment		**(33,321,148)**	(18,581,425)
							29,139,607	**64,713,712**

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

17.2.2 Quoted

No. of shares		Face value	Name of entity	Note	2009	2008
2009	2008				------------ (Rupees)	------------
1200	1200	25	Agricultural Development Co-operative Society		**30,000**	30,000
			Provision for impairment		**(30,000)**	(30,000)
					-	-

	Note	2009	2008
		------------ (Rupees) ------------	

18. PREMIUMS DUE BUT UNPAID

	Note	2009	2008
Considered good		**65,549,077**	75,503,382
Considered doubtful		**13,648,449**	13,468,539
		79,197,526	88,971,921
Less: Provision for doubtful balances	18.1	**(28,037,190)**	(13,468,539)
		51,160,336	75,503,382

18.1 Reconciliation of provision for doubtful balances

	Note	2009	2008
Opening provision		**13,468,539**	197,253
Charge for the year	18.2	**14,568,651**	13,271,286
Closing balance		**28,037,190**	13,468,539

18.2 During the year, the Company changed its basis for estimating provision against premiums due but unpaid. With effect from the current year, full provison is made against balances overdue by three years or more and 25% provision is made against balances overdue by more than one year and less than three years. Previously, full provison is made against balances overdue by three years or more and 50% provision is made against balances overdue by more than one year and less than 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 increased by Rs. 14.39 million.

19. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

	2009	2008
Considered good	**14,619,522**	12,698,491
Considered doubtful	**3,212,221**	3,212,221
	17,831,743	15,910,712
Less: Provision for doubtful balances	**(3,212,221)**	(3,212,221)
	14,619,522	12,698,491

20. TAXATION - NET

	2009	2008
Advance tax	**4,649,806**	4,263,645
Provision for taxation	**(656,987)**	-
	3,992,819	4,263,645

21. PREPAYMENTS

	2009	2008
Prepaid reinsurance premium ceded	**19,785,598**	22,162,218
Others	**96,250**	33,334
	19,881,848	22,195,552

22. SUNDRY RECEIVABLES – unsecured

	2009	2008
Advances		
Considered good		
To employees	**759,800**	901,400
Against expenses	**4,135,144**	3,207,350
Against purchase of shares	**394,540**	296,790
	5,289,484	4,405,540
Considered doubtful		
Against expenses	**330,000**	330,000
	5,619,484	4,735,540
Less: Provision for doubtful balances	**(330,000)**	(330,000)
	5,289,484	4,405,540
Deposits	**390,146**	390,146
Others	**1,483,003**	-
	7,162,633	4,795,686

	Note	2009	2008
		------------ (Rupees) ------------	

18. PREMIUMS DUE BUT UNPAID

	Note	2009	2008
Considered good		**65,549,077**	75,503,382
Considered doubtful		**13,648,449**	13,468,539
		79,197,526	88,971,921
Less: Provision for doubtful balances	18.1	**(28,037,190)**	(13,468,539)
		51,160,336	75,503,382

18.1 Reconciliation of provision for doubtful balances

	Note	2009	2008
Opening provision		**13,468,539**	197,253
Charge for the year	18.2	**14,568,651**	13,271,286
Closing balance		**28,037,190**	13,468,539

18.2 During the year, the Company changed its basis for estimating provision against premiums due but unpaid. With effect from the current year, full provison is made against balances overdue by three years or more and 25% provision is made against balances overdue by more than one year and less than three years. Previously, full provison is made against balances overdue by three years or more and 50% provision is made against balances overdue by more than one year and less than 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 increased by Rs. 14.39 million.

19. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

	2009	2008
Considered good	**14,619,522**	12,698,491
Considered doubtful	**3,212,221**	3,212,221
	17,831,743	15,910,712
Less: Provision for doubtful balances	**(3,212,221)**	(3,212,221)
	14,619,522	12,698,491

20. TAXATION - NET

	2009	2008
Advance tax	**4,649,806**	4,263,645
Provision for taxation	**(656,987)**	-
	3,992,819	4,263,645

21. PREPAYMENTS

	2009	2008
Prepaid reinsurance premium ceded	**19,785,598**	22,162,218
Others	**96,250**	33,334
	19,881,848	22,195,552

22. SUNDRY RECEIVABLES – unsecured

	2009	2008
Advances		
Considered good		
To employees	**759,800**	901,400
Against expenses	**4,135,144**	3,207,350
Against purchase of shares	**394,540**	296,790
	5,289,484	4,405,540
Considered doubtful		
Against expenses	**330,000**	330,000
	5,619,484	4,735,540
Less: Provision for doubtful balances	**(330,000)**	(330,000)
	5,289,484	4,405,540
Deposits	**390,146**	390,146
Others	**1,483,003**	-
	7,162,633	4,795,686

23.3 Tangible fixed assets written off

Item	Cost	Accumulated depreciation	Book value
Furniture and fixtures	1,104,949	719,993	384,956
Office equipment	328,825	269,330	59,495
Computers and related equipment	1,060,827	966,327	94,500
2009	2,494,601	1,955,650	538,951
2008	-	-	-

23.4 Disposal of tangible fixed assets

Item	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain / (loss)	Mode of disposal	Sold to
Vehicles							
Suzuki Mehran ABP-049	65,000	47,962	17,038	100,000	82,962	Negotiation	Mr. Siddique
Honda City STM-7222	615,000	211,005	403,995	395,000	(8,995)	Negotiation	Mr. Khalid Latif
Honda CD 70 KCT-6674	69,500	58,760	10,740	10,000	(740)	Negotiation	Mr. Rao Salim Akhter
Suzuki Alto ACN-911	354,425	312,222	42,203	130,000	87,797	Negotiation	Mr. Aqeel
2009	1,103,925	629,949	473,976	635,000	161,024		
2008	2,958,437	1,906,520	1,051,917	1,425,000	373,083		

24. Fixed Assets - Intangible

	Note	2009	2008
		------------ (Rupees) ------------	
Computer software	24.1	**766,667**	1,533,333

24.1 Computer Software

	2009	2008
Cost		
Opening balance	**2,300,000**	-
Additions	**-**	2,300,000
Closing balance	**2,300,000**	2,300,000
Amortization		
Opening balance	**766,667**	-
Charge for the year	**766,666**	766,667
Closing balance	**1,533,333**	766,667
CARRYING AMOUNT	**766,667**	1,533,333
Rate of Amortization (%)	**33.33%**	33.33%

25. MANAGEMENT EXPENSES

	Note	2009	2008
		------------ (Rupees) ------------	
Salaries, allowances and other benefits	27.1	**21,254,002**	24,577,371
Travelling and conveyance expenses		**3,299,091**	2,548,661
Repairs and maintenance		**2,186,115**	2,170,206
Rent, rates and taxes		**2,110,583**	2,086,352
Printing and stationery		**1,253,113**	979,104
Telephone and postage		**2,574,707**	2,366,785
Utilities		**2,134,950**	1,867,246
Insurance expense		**-**	1,272,258
Entertainment		**2,380,715**	2,213,578
Bank charges		**341,398**	402,226
Others		**1,413,266**	3,630,845
		38,947,940	44,114,632

26. OTHER INCOME

- Non financial assets

	2009	2008
Inspection charges	**210,118**	998,398

26.1 Gross inspection charges received / Less: Inspection expenses incurred

	2009	2008
Gross inspection charges received	**210,118**	1,196,199
Less: Inspection expenses incurred	**-**	(197,801)
	210,118	998,398

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

27. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, allowances and other benefits	27.1	**7,134,558**	5,327,663
Travelling and conveyance expenses		**4,540,521**	4,435,078
Depreciation		**3,572,578**	4,049,844
Amortization		**766,667**	766,666
Repairs and maintenance		**3,258,038**	2,025,097
Fees, subscription and periodicals		**2,431,506**	1,872,231
Printing and stationery		**1,027,395**	972,996
Telephone and postage		**2,015,840**	1,504,495
Legal and professional charges		**1,706,192**	579,985
Advertisement and promotion expenses		**1,719,910**	1,106,469
Donation	27.2	**12,560**	17,430
Entertainment		**228,898**	278,355
Provision for doubtful balances	17, 18 & 21	**14,568,651**	16,813,507
Auditors' remuneration	27.3	**413,056**	401,475
Others		**944,953**	252,570
		44,341,323	40,403,861

27.1 This includes staff retirement benefits amounting to Rs.0.90 million (2008: Rs. Rs.0.898 million).

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

27.3 Auditors' remuneration

	2009	2008
Annual audit fee	**300,000**	300,000
Half yearly review	**55,000**	60,500
Out of pocket expenses	**58,056**	40,975
	413,056	401,475

28. TAXATION

	2009	2008
	---------- Rupees ----------	
Current	**(656,987)**	-
Prior year	-	(552,667)
Deferred	**13,553,058**	882,430
	12,896,071	329,763

28.1 'The income tax returns of the Company have been filed up to tax year 2009 (corresponding to the income year ended December 31, 2008) and the same are deemed to be assessed under the provisions of the Income Tax Ordinance, 2001.

28.2 Relationship between accounting profit and tax expense

Accounting profit before tax	**(43,378,916)**	(37,399,074)
Tax at the applicable rate of 35%	-	(13,089,676)
Tax effect of expenses that are not allowed in determining taxable income	-	14,948,484
Tax effect of exempt income and expenses that are deductible from	-	
but not included in determing accounting profit	-	(1,349,468)
Tax effect of dividend income taxed at a lower rate	-	(509,340)
Prior year tax	-	(552,667)
Effect of deferred taxation	-	882,430
Tax expense for the year	-	329,763

28.3 In view of accounting loss, tax reconciliation has not been presented for the current period.

29. EARNINGS PER SHARE - BASIC AND DILUTED

Net loss for the year attributable to Ordinary shareholders	**(30,482,846)**	(37,728,837)
Number of shares	**12,100,000**	12,100,000
Loss earnings per share	**(2.52)**	(3.12)

29.1 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.

30. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2009			2008		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
	(Rupees)					
Managerial remuneration	**235,200**	**177,600**	**412,800**	205,800	155,400	361,200
Retirement benefits	**23,520**	**17,760**	**41,280**	20,577	15,537	36,114
House rent	**99,600**	**75,600**	**175,200**	84,900	64,500	149,400
Utilities	**18,000**	**13,200**	**31,200**	18,000	13,200	31,200
Total	**376,320**	**284,160**	**660,480**	329,277	248,637	577,914
Number of persons	**1**	**1**	**2**	1	1	2

30.1 Directors were paid Rs.0.040 (2008: Rs.0.040) million for attending board of directors meetings during the year.

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

31 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the Directors, major shareholders and the companies owned by such shareholders, entities owned by the Directors of the Company where they also hold directorships, staff retirement funds and key management personnel. Material transactions with related parties, other than remuneration and benefits to Directors and key management personnel under the terms of their employment, which are disclosed in note 28, are given below:

	2009	2008
	---------- Rupees ----------	
Companies having common directorship		
Premium underwritten	1,206,069	1,326,031
Claims paid	150,784	304,997
Staff retirement benefits		
Provident fund contribution	900,200	898,294
Relatives of Directors		
Sale of office equipment	-	150,000
Repair and maintenance	-	65,437
IT consulting charges	-	88,200

32. SEGMENT REPORTING

	Fire & Property		Marine & Transport		Motor		Miscellaneous		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees)									
Revenue										
Premiums earned	**31,726,294**	34,672,213	**20,207,751**	19,363,610	**42,281,569**	76,810,060	**11,148,175**	**9,954,208**	**105,363,790**	140,800,091
Segment Result	**8,679,669**	16,089,880	**8,491,883**	8,184,710	**3,708,876**	(15,731,487)	**5,258,678**	2,068,597	**26,139,105**	10,611,700
Investment income									**(25,008,889)**	(9,010,802)
Profit on sale of fixed assets									**161,024**	405,492
Other income - net									**210,118**	998,398
General and administration expenses									**(44,341,323)**	(40,403,862)
									(68,979,070)	(48,010,774)
Profit before tax									**(42,839,965)**	(37,399,074)
Provision for taxation									**12,896,071**	(329,763)
Net profit									**(29,943,895)**	(37,728,837)
Other Information										
Segment Assets	**33,220,572**	44,497,285	**4,604,737**	4,459,032	**4,739,109**	6,026,913	**5,748,096**	8,233,832	**48,312,515**	63,217,062
Unallocated corporate assets									**175,920,538**	223,481,277
Consolidated total assets									**224,233,053**	286,698,339
Segment Liabilities	**52,339,788**	63,986,239	**12,344,746**	9,656,895	**32,534,708**	56,512,361	**12,286,878**	16,507,477	**109,506,120**	146,662,972
Unallocated corporate liabilities									**29,824,015**	30,387,714
Consolidated total liabilities									**139,330,135**	177,050,686
Unallocated capital expenditures									**23,731,349**	6,348,475
Unallocated depreciation / amortisation									**4,339,247**	4,816,511

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

33.1 Insurance risk management

Insurance risk

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

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

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

(a) Frequency and severity of claims

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

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

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

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

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

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

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

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

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

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

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

(C) Process used to decide on assumptions

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

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

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

(d) Changes in assumptions

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

(e) Sensitivity analysis

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

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

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

	Underwriting results		Shareholders' equity	
	2009	2008	2009	2008
	---------------------------- Rupees		----------------------------	
10% increase in loss / decrease				
Fire & Property	(656,657)	(26,882)	(426,827)	(17,473)
Marine & Transport	(184,727)	(309,678)	(120,073)	(201,291)
Motor	(2,588,504)	(5,767,291)	(1,682,528)	(3,748,739)
Miscellaneous	(17,672)	(178,391)	(11,487)	(115,954)
	(3,447,560)	(6,282,242)	(2,240,914)	(4,083,457)
10% decrease in loss / increase				
Fire & Property	656,657	26,882	426,827	17,473
Marine & Transport	184,727	309,678	120,073	201,291
Motor	2,588,504	5,767,291	1,682,528	3,748,739
Miscellaneous	17,672	178,391	11,487	115,954
	3,447,560	6,282,242	2,240,914	4,083,457

Concentration of insurance risk

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

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

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

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
		------------------------------- Rupees		-------------------------------		
Fire & Property	31,326,544,431	33,322,227,999	17,534,111,300	19,536,087,000	13,792,433,131	13,786,140,999
Marine & Transport	15,078,314,636	14,676,723,281	7,641,815,712	7,448,450,830	7,436,498,924	7,228,272,451
Motor	1,551,714,058	2,111,986,803	-	-	1,551,714,058	2,111,986,803
Miscellaneous	320,818,023	308,275,395	198,903,798	174,324,492	121,914,225	133,950,903
	48,277,391,148	50,419,213,478	25,374,830,810	27,158,862,322	22,902,560,338	23,260,351,156

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

Claims development tables

The following table shows the development of claims over a period of time on gross basis. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For each class of business the uncertainty about the amount and timings of claims payments is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2009.

Analysis on gross basis

Accident year	2007	2008	2009	Total
	---------- Rupees ----------			
Estimate of ultimate claims cost:				
At end of accident year	72,363,639	54,971,946	33,853,643	161,189,228
One year later	11,865,568	8,197,930	-	-
Two years later	7,848,042	-	-	-
Estimate of cumulative claims:	92,077,249	63,169,876	33,853,643	161,189,228
Cumulative payments to date	64,515,597	46,774,016	-	111,289,613
Liability recognized in the balance sheet	27,561,652	16,395,860	33,853,643	49,899,615

33.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

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

33.2.1 Credit risk

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

33.2.1.1 Exposure to credit risk

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

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

	Note	2009	2008
		------------ Rupees -----------	
Cash and bank deposits	14 , 15 & 16	18,061,687	27,914,607
investments	17	30,019,607	65,473,712
Premium due but unpaid	18	51,160,336	75,503,382
Amounts due from other insurers / reinsurers	19	14,619,522	12,698,491
Accrued investment income		98,763	207,121
Reinsurance recoveries against outstanding claims		19,273,850	28,725,054
Sundry receivable		7,162,633	4,795,686
		140,396,398	215,318,053

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

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

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

Concentration of credit risk

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

Age analysis of premium due but unpaid at the reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
	----------------------- Rupees -----------------------			
Upto 1 year	20,288,748	14,568,650	31,269,588	
1-2 years	22,716,503	13,468,539	32,963,953	559,229
2-3 years	24,738,380		24,738,380	12,909,310
Over 3 years	11,453,894		-	-
Total	79,197,525	28,037,189	88,971,921	13,468,539

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

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

	Amount due from reinsurance	Reinsurance recoveries against outstanding claims	Prepaid Reinsurance Premium ceded	2009	2008
	----------	----------	Rupees	----------	----------
A or above (including PRCL)	(22,661,017)	19,273,850	19,785,598	16,398,431	36,197,715
BBB	-	-	-	-	-
Total	(22,661,017)	19,273,850	19,785,598	16,398,431	36,197,715

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

	2009		2008	
	Gross	Impairment	Gross	Impairment
	----------	Rupees	----------	
Upto 1 year	9,521,447	-	21,019,862	-
1-2 years	4,022,003	-	3,614,775	-
2-3 years	3,039,240	-	1,789,304	-
Over 3 years	2,691,160	-	2,301,113	-
Total	19,273,850	-	28,725,054	-

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

33.2.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2009	
	Carrying Amount	Contractual cash flows upto one year
Non-Derivative Financial liabilities	---------- Rupees	----------
Provision for outstanding claims	49,899,615	(49,899,615)
Amount due to other insurers / reinsurers	25,710,319	(25,710,319)
Accrued expenses	1,410,843	(1,410,843)
Other creditor and accruals	1,802,160	(1,802,160)
Unclaimed dividend	418,209	(418,209)
	79,241,146	(79,241,146)

Non-Derivative Financial liabilities	2008 Carrying Amount	2008 Contractual cash flows upto one year
	------------ Rupees	------------
Provision for outstanding claims	66,837,514	(66,837,514)
Amount due to other insurers / reinsurers	15,913,077	(15,913,077)
Accrued expenses	1,551,097	(1,551,097)
Other creditor and accruals	11,883,171	(11,883,171)
Unclaimed dividend	418,209	(418,209)
	96,603,068	(96,603,068)

33.2.3 Market risk

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

33.2.3.1 Interest rate risk

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

	2009	2008	2009	2008
	Effective interest rate (in %)		------------ Rupees	------------
Fixed rate instruments				
- Government securities	12%	11.2% to 12%	5,200,000	5,389,555
Variable rate instruments				
- PLS savings accounts	4%	4.45%	17,333	9,103

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

33.2.3.2 Equity price risk

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

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

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

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2009 and 2008 and shows the effects of a hypothetical 10% decrease in market prices as at year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets in Company's equity investment portfolio.

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

- For available for sale equity investments, in case of 10% decrease in equity prices at the reporting date, the net income and equity would have been lower by Rs. 2.914 million (2008: Rs. 6.47 million). However, an increase of 10% in equity prices at the reporting such increase is restricted to amount of cost of investment of such securities, i.e., Rs. 2.914 million (2008: 6.47 million) as per the policy of the Company.

33.3 Fair value of financial instruments

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

34 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.
The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

35. 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 **1st April 2010**.

36. GENERAL

Figures have been rounded off to the nearest rupee.

MUNIR I. MILLWALA	**FAYYAZ F. MILLWALA**	**M. H. MILLWALA**	**ARDESHIR COWASJEE**
Chairman & CEO	Director	Director	Director

Pattern of Shareholdings as at December 31, 2009

No of Shares of shareholders	Shareholding Rs. 10/- each			Total Shares held
50	1	To	100	1038
32	101	To	500	6572
14	501	To	1000	9851
22	1001	To	5000	57385
9	5001	To	10000	61964
8	10001	To	15000	102690
5	15001	To	20000	81538
1	20001	To	25000	23903
1	25001	To	30000	26722
1	30001	To	35000	31521
2	35001	To	40000	79920
4	40001	To	45000	162091
2	45001	To	50000	93248
0	50001	To	55000	0
1	55001	To	60000	55866
2	60001	To	65000	128720
4	65001	To	70000	267583
3	70001	To	75000	215626
11	75001	To	100000	904580
0	100001	To	105000	0
7	105001	To	150000	914098
9	150001	To	200000	1526269
3	200001	To	300000	708035
6	300001	To	500000	2156053
4	500001	To	1000000	2506357
1	1000001	To	10000000	1978370
202				12100000

Categories of Shareholders

Particulars	No.of Sharesholders	No of Shares	Percentage
1. Investment Companies	1	105	0.00
2. Individual	181	10,441,716	86.30
3. Joint Stock Companies	15	717,334	5.93
4. Insurance Companies	2	605,841	5.01
5. Charitable Institution	3	335,004	2.77
	202	12,100,000	100.00

Pattern of Shareholdings as at December 31, 2009
Information as required under the code of Corporate Governance

Directors & Director's Spouses & Executives

Director	Mr. Ardeshir Cowasjee	58,552
Director	Mr. Abdul Razzak E. Jaffer	23,903
Chairman &CEO	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

Insurance Companies	
Two	605,841
Investment Companies	
One	105
Joint Stock Companies	
Fifteen	717,334
Charitable Trusts	
Three	335,004
Individuals	
One hundred and eighty one	8,635,322

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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
BAHAWALPUR			
Mr. M Saleem Faruqi	5-Jameel Market, Circular Road, Bahawalpur-A	Phone- Cell:	(062) 2882038 (062) 2885997 (Fax) (0300) 9681288

SAHIWAL Mr. Muzaffar Joya	House-899-Block D, Farid Town, Sahiwal.	Phone- Cell	(040) 4550899 0302-3141140
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Mr. Izzuddin Adamali	Arkay Square Ground Floor, Room No. 169, Shahrae Liaquat, Karachi.	Phone- Cell	(021) 32428398 (0300) 2672318
FAISALABAD Mr. Khalid Latif	Room No. 246-A, Shoaib Bilal Market, Sargodha Road, Faisalabad	Phone- Cell:	(041) 8785227 (0300) 6660468
TANDO ADAM Mr. Rashid Hussain	House No. B-173, Gulshan-e-Suleman, Hyderabad Road, Tando Adam.	Phone- Cell:	(023) 5572138 (0300) 3038235