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COMPANY INFORMATION

BOARD OF DIRECTORS
Air Vice Marshal (R) M.Ikramullah Bhatti
Air Commodore (R) Mustansar Suhail Toor
Takudzwa Brooks Takundanyika Mparutsa
M. Naveed Tariq
Ian Howell Ross
Shahid Hameed
Ahmed Bilal

CHIEF EXECUTIVE OFFICER
Asif Suleman

CHIEF FINANCIAL OFFICER
Huzaif Hanif Tola

COMPANY SECRETARY
Huzaif Hanif Tola

AUDITORS
Anjum Asim Shahid Rehman
Chartered Accountants

LEGAL ADVISOR
Shaukat Law Associates

REGISTERED OFFICE
10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi.

HEAD OFFICE
10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi.

SHARE REGISTRAR
M/s Corplink (Pvt) Ltd.
Wings Arcade, 1-K, Commercial, Model Town, Lahore.

OFFICES

Head Office
10th Floor, Shaheen Complex
M.R. Kayani Road, Karachi- 74200
Tel. # 32630370-75, 32213950-51, Fax # 32626674
E - mail : sihifc@cyber.net.pk
URl: www.shaheeninsurance.com

Lahore

Zonal Head - Mr. Naveed Butt

14 Askari Villas, Main Shami Road, Lahore Cantt.
Tel. # (042)36667008, 36675243, 36681107, 36689541
UAN: 111-765-111 Fax # (042) 36669819
E - mail : lhr_zone@shaheeninsurance.com

Islamabad

Zonal Head - Mr. Khalid Sarwar

H. # 46, Khayban-e-Suhurwardy, G-6/4, Islamabad
Tel. # (051) 2829590, 2873204, 2829552
Fax # (051) 2829515
E - mail : Isb@shaheeninsurance.com

Karachi

Progressive Plaza Branch
Branch Manager - Mr. Sohail Najam Kidwai

709, 7th Floor, Progressive Plaza,
Beaumont Road, Near P.I.D.C
Tel. # (021) 35653041-2, 35658251-2
Fax # (021) 35653043
E - mail : ppb@shaheeninsurance.com

Clifton Branch

Branch Managers-Mr. Mustufa Zafar Dada
Mr. Asad Hassan
Room No. 112, 1st Floor, Plot No. G-7,
Block-9, The Plaza Kehkashan Clifton
Karachi.
Tel # (021) 35308351-52, 35308359, 35308521
Fax # (021) 35308353

Faisalabad

Branch Manager - Mr. Akhtar Rao

2nd Floor, Sitara Towers, Bilal Chowk
Civil Lines, Faisalabad
Tel. # (041)2614112, 2621370, 2630644-5
Fax # (041) 2631514
E - mail : fsd@shaheeninsurance.com

Sialkot

Branch Manager - Mr. Muhammad Mujahid Ali

Opposite Grays of Cambridge
Shahab Pura, Sialkot
Tel. # (0523)550131, 252322, 250982
Fax # (0523) 257412
E - mail : sil@shaheeninsurance.com

Peshawar

Branch Manager - Mr. Muhammad Shoaib Khan

6th Floor, State Life Building
34 - The Mall, Peshawar Cantt.
Tel. # (091) 5273122, Fax # (091) 5273106
E - mail : psw@shaheeninsurance.com

Multan

Branch Manager - Mr. Arshad Mehmood Khan

Shalimar Colony near Madrasa Khair-ul-Muarif
Bosan Road Multan.
Tel # (061) 6750001-005,
E - mail : mul@shaheeninsurance.com

Rawalpindi Branch

Branch Manager - Mr. Mujahid Raza

House No. 02-A/2, Block 'A',
Satellite Town, Rawalpindi
Tel # (051) 4581354, 4581355, 4580096
Fax # (051) 4581353
E – mail: rwp@shaheeninsurance.com

Mirpur Azad Kashmir

Branch Manager - Mr. Sikandar

House No. 122, Sector F-2
Mirpur Azad Kashmir
Tel # (058) 2743559
E - mail: mpajk@shaheeninsurance.com

Hyderabad

Branch Manager - Syed Shaukat Ali

Upper 2nd Floor
H # 75, Soldier Bazar
Tel. # (0222) 720487
Fax # (0222) 720489
E - mail : hyd@shaheeninsurance.com

MISSION STATEMENT

Our mission is to continuously improve ourselves to become a leading, profitable Company, meeting the needs of our customers and enhancing the value of our Shareholders' Investment.

We will accomplish this by using the strengths of our people and the application of innovative sciences for the development of new insurance products and services that are high in quality and competitive in price.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The interest of the Policyholder is supreme. We shall endeavour our utmost to render the best possible services to our clients and shall give them no cause for complaint relating to claims settlement or otherwise.

It is because the reinsurers provide underwriting capacity to the Company, it shall be our endeavor to ensure that reinsurers make profit on our business ceded to them.

It is the officers and staff members who carry on with the day to day work load. It is they who are involved in running the affairs of the Company within the policy framework laid down by the Board of Directors. As far as permissible by the financial resources available to the Company they shall be duly recompensed.

Observance of business ethics and profit generation are only two sides of the same coin. One is complementary to the other. By observing business ethics to the utmost extent possible we hope to generate due margin of profit so as to pay dividend to the shareholders after having paid tax to the public exchequer and to build up free reserves for purpose of enhancing the financial strength of our Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that 15th Annual General Meeting of Shaheen Insurance Company Limited will be held on Friday, April 30, 2010 at Beach Luxury Hotel , M.T. Khan Road, Karachi at 09:00 A.M. to transact the following;

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on April 30, 2009.

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

3. To appoint auditors for the year ended December 31, 2010 and to fix their remuneration.

4. To approve the interim bonus issue as final distribution for the year ended December 31, 2009 announced on October 29, 2009 and already issued to the shareholders in the proportion of 14.28 Ordinary Shares for every 100 Odinary Share held i.e.14.28 %.

Special Business

5. To increase the Authorised Capital to Rs.300,000,000/= (RupeesThree Hundred Million only)

   To pass the following resolution as special resolution with or without modification:

   i. Resolved that the clause 5 of the Memorandum of Association of the Company be and is hereby amended in the following manner, that is to say:

      By Substitution of the first two lines of clause 5 so as to read “The authrised capital of the company is Rs 300,000,000/-(Rupees Three Hundred million only) divided into 30,000,000 (Thirty million) shares of Rs 10/- each.

   ii. Resolved that the clause 6 of the Articles of Association be substituted by the following :

      " The Authorised Capital of the Company is Rs.300,000,000/- (Rupees Three Hundred Million Only) divided into 30,000,000 (Thirty Million) shares of Rs.10/- each".

6. To transact any other business with the permission of the Chair.

By the Order of Board

Huzaif Hanif Tola
Company Secretary
Karachi, April 09, 2010

Notes :

1. The share transfer books of the Company will remain closed from April 24, 2010 to April 30, 2010 (both days inclusive).

2. CDC Shareholders are requested to bring their original National Identity Cards, Account number, Sub-Account number and participant number in Central Depositary System for identification purpose for attending the meeting. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

3. A member entitle to attend and vote at the Meeting may appoint another person on his/her behalf as his/her proxy to attend, speak and vote, and a proxy so appointed shall have such right with respect to attending, speaking and voting at the Meeting as are available to the Members. Proxy forms must be deposited at the Company's Registered Office not less then 48 hours before the time for holding the Meeting.

4. Shareholders are requested to intimate any change in their addresses immediately.

Statement Under Section 160 (1) (b) of the Companies Ordinance , 1984

Increase in Authorized Capital

Securities and Exchange Commission of Pakistan through its circular number 3 of 2007 prescribed minimum paid up capital requirements for general insurance companies so as to reach at Rs. 300.0 million by the end of December 31, 2011. Company's current authorized Capital is Rs. 200.0 million , therefore , addition in authorized capital of the Company is proposed.

DIRECTORS' REPORT

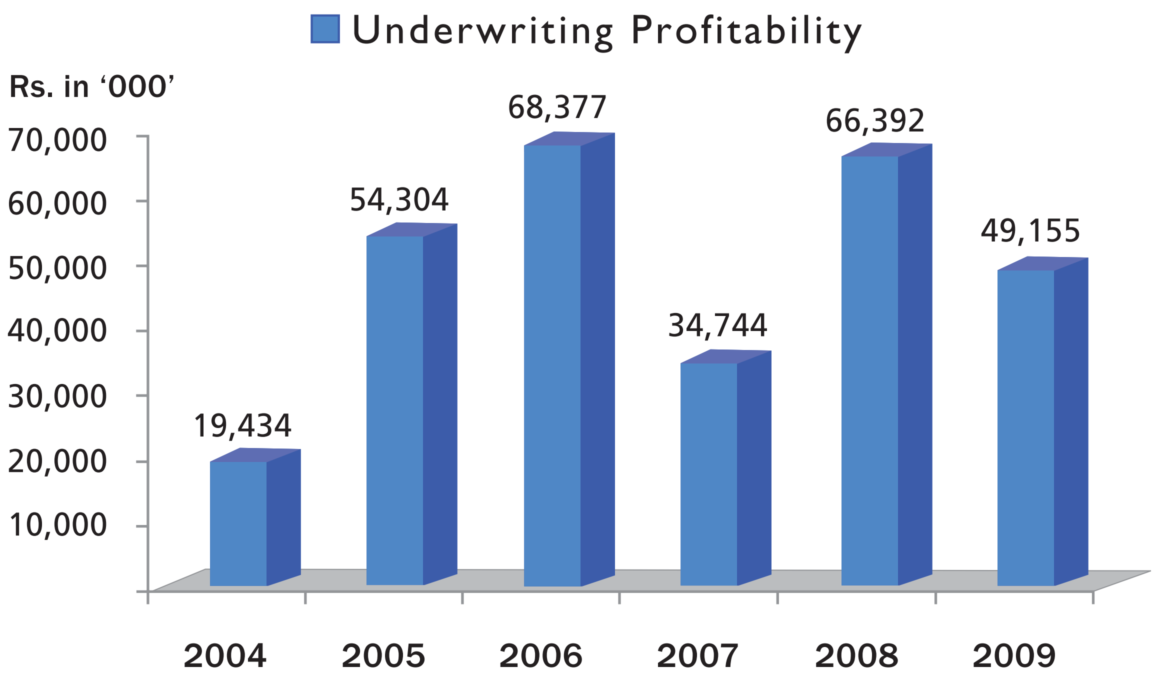
The Directors of your Company take pleasure in presenting to you the 15th Annual Report along with the audited financial statements for the year ended December 31, 2009.

GENERAL ECONOMIC REVIEW

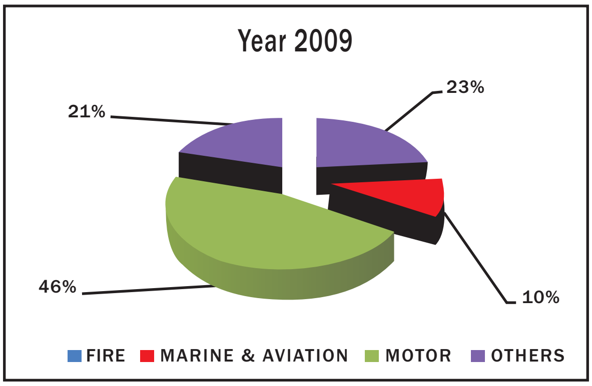
The year 2009 witnessed a slow growth in the economy of Pakistan. The global recession and the stagnant domestic economy during 2009 had an impact on the non-life insurance industry of Pakistan as well. The gross premiums underwritten by entire sector is expected to remain stagnant. The stagnant premium growth is mainly due to a substantial slow down in the motor business, contraction of the large scale manufacturing sector, international trade and low investment especially in large scale infra-structure and industrial projects. Inflation figures, despite lower than as compared to year 2008 are still in double digits and are keeping the interest rate scenario at higher side as well. These levels of interest rates are keeping consumer financing under check, thereby decreasing the availability of new consumer insurance business in the market which in result is putting further stress on the margins due to cut throat competition in insurance prices. Stock markets of Pakistan have recorded significant recovery from the lows of year 2008 making a positive impact on the investment income of the Companies.

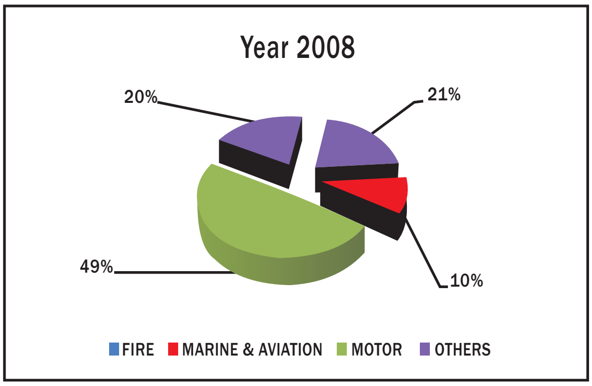
On the regulatory side, the International Financial Reporting Standard-4 "Insurance Contracts" has been made applicable on the insurance companies which are expected to bring more transparency and lead to further strengthening of individual companies.

UNDERWRITING RESULTS

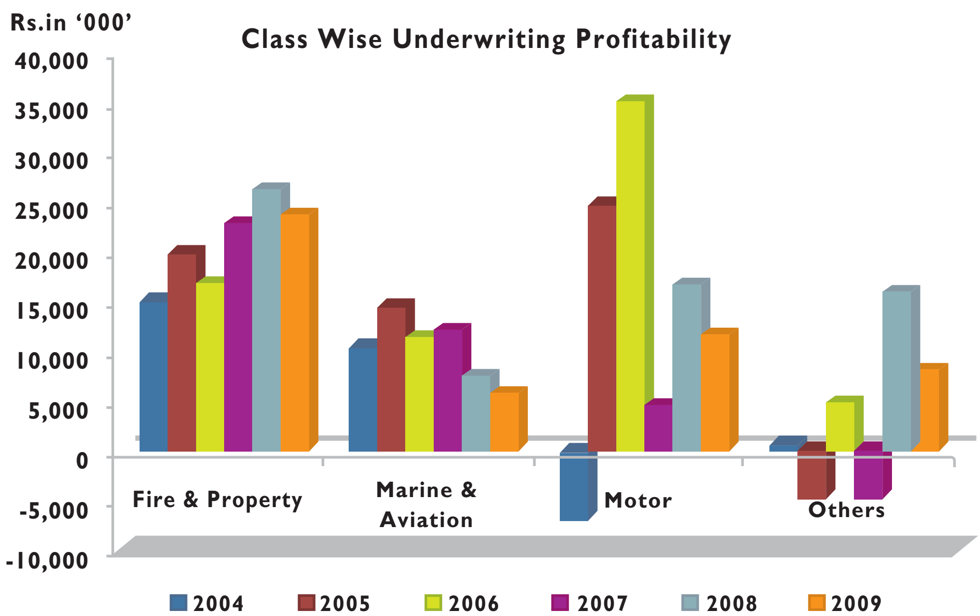


As a strategic shift from motor to non motor portfolio your Company continued decreasing motor portfolio during the year under review in line with previous years. As a result of this shift motor portfolio of your company is at an all time low of 45.85% of the total portfolio. However, this reduction has caused a decline in Gross Premiums Underwritten of 14.96% to Rs. 596.327 million in the year 2009 as compared to Rs. 701.245 million in the year 2008.





Moreover, management of your Company continued with their prudent risk management policies and transferred higher risks to the re-insurers as compared to prior years. During the year under review your Company's re-insurance expense has increased to 27.52% of the gross premiums under written as compared to 23.09% in year 2008.



SEGMENTS AT A GLANCE

Fire and property damage

The Fire & Property portfolio contributed gross premium of Rs. 139.362 million which equals 23.37% of the total gross premium written by the Company. It is slightly below the premium of Rs. 145.164 million written in the previous year due to our selective underwriting.

The underwriting profit of this class of business is Rs. 23.884 million as compared with Rs. 26.414 million in the previous year. The decline is due to increase in re-insurance costs on this class of business.

Marine, aviation and transport

Marine and aviation portfolio of your Company has shown a decline of 16.21% due to decrease in aviation premiums of one of our clients. As a matter of prudence management of your Company re-insures out 99% of the aviation business. Therefore, the above referred decline in the gross premiums have not affected the net premium revenue of this segment of the business.

Marine portfolio contributed 11.61% of the underwriting profitability of your Company as compared to 11.16% in the year 2008.

Motor

Motor portfolio contributes 45.85% of the total business of your Company. Management of your Company is decreasing Motor portfolio in last three years strategically to achieve a better portfolio mix.

Underwriting profits of the motor business of your Company has decreased to Rs. 11.462 million during the year under review as compared to 16.628 million in the year 2008.

Miscellaneous

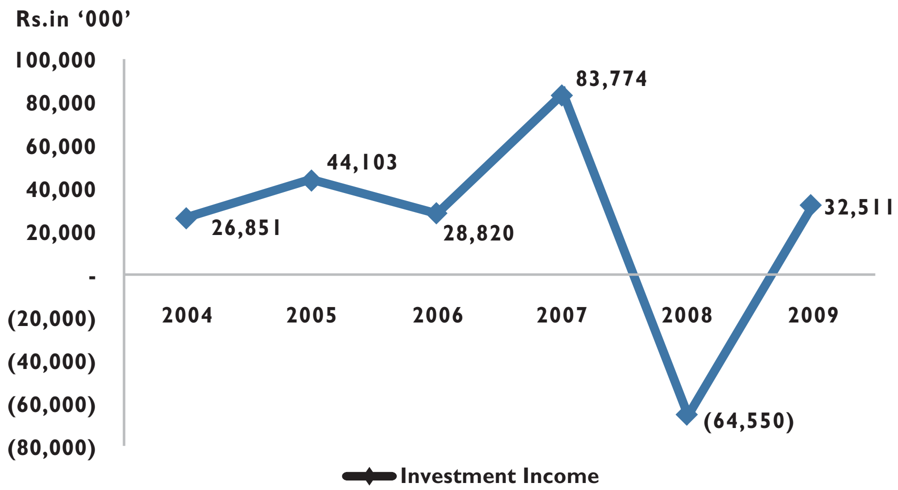
For miscellaneous lines which include engineering, contracts, health, machinery breakdown and cash business, gross premiums decreased by 12.12% as compared to previous year.

Underwriting profitability of this segment declined Rs. 8.102 million as compared with 15.941 million in the previous year.

INVESTMENT INCOME

After an unprecedented year 2008, the equity markets recovered to certain extent during the year 2009. Karachi Stock Exchange 100 index showed a return of 60% year on year basis while market capitalization was also up by 45% during the year 2009. Your Company's recorded a net investment income for the year 2009 of Rs. 32.511 million as compared to loss of Rs. 64.649 million for the year 2008. During the year under review, your Company also recorded impairment of Rs. 68.138 million on the fair valuation of available for sale securities which was unrecorded at the end of year 2008 according to a dispensation then given by the Securities and Exchange Commission of Pakistan to the corporate sector.

INVESTMENT INCOME



Market value of 'available for sale' investments of the Company stood at Rs. 54.561 million as compared to the cost of Rs. 54.429 million. However, this unrealized gain has not been recorded in the current period's financial statements as the same is not allowed under S.R.O 938 issued by SECP in December 2002.

Favorable difference between the fair value and carrying value of the investment properties stands at Rs. 59.98 million as at December 31 2009 as against Rs. 58.963 million at the end of year 2008. However, this has not been recognized in the profit and loss account as the same is not allowed under accounting regulations for non life insurance companies issued by the Securities and Exchange Commission of Pakistan.

CREDIT RATING

It's a matter of great satisfaction that the Pakistan Credit Rating Agency Limited has re-affirmed the Insurer Financial Strength Rating of your Company during the year under review at 'A - ' (single A minus) with stable outlook, which signifies good credit quality. The stable outlook of the Company provides more assurance of the consistency of the Company's financial strength.

DIVIDEND PAYMENT TO THE SHAREHOLDERS

The increase in minimum capital requirements of Insurance Companies has increased the need to retain capital in the business. Therefore, in the circumstances your directors have decided not to recommend payment of cash dividend. However, the Directors recommend for the approval by the shareholders of the interim Bonus issue as final distribution for the year ended December 31, 2009 announced on October 29, 2009 and already issued to the shareholders in the proportion of 14.28 ordinary shares for every 100 ordinary shares held (14.28%) in the forthcoming Annual General Meeting.

EARNING PER SHARE

Basic and Diluted Earning per Share of the Company for the year ended December 31, 2009 is Rs. 0.87 (December 31, 2008: Loss Per Share Rs. 3.59)

CONTRIBUTORY PROVIDENT FUND

The value of investments including accrued income of provident fund on the basis of un-audited accounts as on December 31, 2009 is as follows:

Term Deposit Receipt carrying mark-up at the rate of 11% per annum	Rupees 9.158 million
Certificate of Investment issued by Pak Oman Investment Company Limited carrying mark-up at 12%	Rupees 0.534 million
Units of Faysal Saving Growth Fund	Rupees 3.074 million
Bank deposits in PLS accounts	Rupees 4.804 million

STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES ETC.

There are no statutory payments on account of taxes, duties, levies and charges which are outstanding except in the ordinary course of business and disclosed in the financial statements.

AUDIT COMMITTEE

During the year under review four meetings of the audit committee were held which were attended by all the members of the committee. The Audit committee of the Company comprises the following members:

1. Air Vice Marshal R. Muhammad Ikramullah Bhatti	(Chairman)
2. Mr. Shahid Hameed	(Member)
3. Mr. Naveed Tariq	(Member)

MATERIAL CHANGES

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2009.

KEY OPERATIONAL AND FINANCIAL DATA

Following is the summary of key operational and financial data of the Company for last six years:

	Rs. In Millions					
	2009	2008	2007	2006	2005	2004
Reserve and earning	225.253	207.787	279.540	219.333	168.353	112.966
Investment Income	32.511	(64.649)	83.774	28.819	44.102	20.737
Gross Premium written	596.327	701.245	746.419	671.328	670.609	641.164
Net Premium Revenue	481.636	575.731	570.800	565.327	527.103	376.765
Net Claims	267.997	333.832	369.997	352.571	353.150	270.939
Profit after Tax	17.466	(71.753)	60.207	50.979	55.387	11.870
Dividend declared -cash	-	-	-	-	-	-
Dividend declared -bonus	14.28%	-	-	75%	25%	-

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The corporate laws, rules and regulations framed here-under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

1 The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2 The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984 and Insurance Ordinance, 2000.

3 The Company has consistently followed appropriate accounting policies in preparation of the financial statements and accounting estimates are on the basis of prudent and reasonable judgment.

4 Financial statements have been prepared by the Company in accordance with the requirements of S.R.O. 938 issued by the SECP in December 2002, Insurance Ordinance, 2000, Companies Ordinance, 1984 and approved accounting standards as applicable to insurance companies in Pakistan.

5 The Board has established a system of internal control, which is implemented at all levels within the company. The company is making efforts and arrangements to include all the necessary aspects of internal control given in the code.

6 The fundamentals of the Company are strong and there is no doubt about its ability to continue as a going concern.

7 The Company has followed the best practices of the Corporate Governance as laid down in the Listing Regulations of the stock exchanges and there has been no material departure therefrom.

8 The Company has at all times in the year complied with and as at the date of the statement, the Company continues to be in compliance with the provisions of the Insurance Ordinance, 2000 and rules framed there under.

BOARD OF DIRECTORS

During the year under review three directors and chief executive officer of the Company resigned and the Board of Directors filled the vacancies so created duly. Names of directors / chief executive officer resigned and the new appointments are given as under:

S.No.	Name of Person Resigned	Name of Person Appointed	Position
1	Air Vice Marshal R. Arshad Rashid Sethi	Air Vice Marshal R. M. Ikramullah Bhatti	Director
2	Hamid Gulzar	Shahid Hameed	Director
3	Qazi Mahmood Gul	Mustansar Suhail Toor	Director
4	Shaharyar Akbar	Asif Suleman	Chief Executive Officer

During the year four meetings of the Board of Directors were held and position of attendance by each director is explained below:

Name of Director	No. of meetings held during the tenure	No. of meetings attended
Air Vice Marshal R. M. Ikramullah Bhatti	1	1
Air Vice Marshal R. Arshad Rashid Sethi	3	3
Shahid Hameed	4	4
Robert Collings Hallier	1	1
Ian Howell Ross	4	3
Brooks Mparutsa	3	3
Ahmed Bilal	4	4
Mustansar Suhail Toor	3	3
Mohammad Naveed Tariq	4	4

PATTERN OF SHAREHOLDING

A statement of pattern of shareholding is separately shown in the report.

TRADING IN COMPANY'S SHARES

No trading in the shares of the Company was carried out by the Directors, CEO, CFO, Company Secretary, their spouses or minor children.

FUTURE OUTLOOK OF THE COMPANY

The global economic scenario and uncertain political situation is a challenge to the insurance sector and equally to your Company as well. Worsening law and order situation is putting more and more pressure on general economic environment and potential investment opportunities. Fallout of this situation is raising claim incidents and ever increasing re-insurance expense for the Company. Viewing difficult period ahead, your Company is well geared up to increase its market share gradually year on year basis. Management of your Company will focus on steady topline growth in all segments of the current business as well as working on innovative ideas to offer new value added products to its clients in personal lines of business.

ACKNOWLEDGEMENTS

We would like to record our appreciation for the continued guidance and support being extended to us by the regulators, namely Securities and Exchange Commission of Pakistan. We are much obliged to the State Bank of Pakistan for providing full support, particularly, in the matter of remittances of foreign exchange in respect of aviation business.

We also appreciate and acknowledge the role of our reinsureres and London market brokers for their valued support to us.

Most of all we are also grateful to our customers for their continued trust and confidence which has made it possible for us to achieve these results. We would also like to convey our profound gratitude to the management and staff at all levels for their loyalty, devotion and hard work which helped the Company to accomplish good results in 2009.

For and on behalf of the Board

M. Ikramullah Bhatti
Air Vice Marshal (Retd.)
Chairman
Karachi : 5 April, 2010

OPERATIONAL RESULTS AND FINANCIAL STRENGTH

From 2000 to 2009

Rupees in '000

		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
1	Gross Direct Premium	596,327	701,245	746,419	671,328	670,609	641,164	395,302	231,500	117,254	82,561
	Increase %	(14.96)	(6.05)	11.19	0.11	4.59	62.20	70.76	97.43	42.02	44.84
2	Net Premium	481,636	575,732	570,800	565,327	527,103	376,765	276,649	128,396	75,624	54,121
	Increase %	(16.34)	0.86	0.97	7.25	39.90	36.19	115.47	69.78	39.73	59.50
	% to 11	240.82	328.99	326.17	565.33	658.88	470.96	345.81	160.50	94.53	90.20
3	Claims Incurred	267,997	333,832	369,997	352,571	353,150	273,807	126,816	59,891	36,836	21,678
	% to 2	55.64	57.98	64.82	62.37	67.00	72.67	45.84	46.65	48.71	40.05
4	Commission	104,711	115,711	105,860	87,891	69,613	33,430	12,523	2,552	2,067	2,411
	% to 2	21.74	20.10	18.55	15.55	13.21	8.87	4.53	1.99	2.73	4.45
5	Management Expenses	59,773	62,105	59,303	56,488	49,623	49,093	23,741	12,393	9,237	8,889
	% to 1	10.02	8.86	7.95	8.41	7.40	7.66	6.01	5.35	7.88	10.77
	% to 2	12.41	10.79	10.39	9.99	9.41	13.03	8.58	9.65	12.21	16.42
6	Interest & Dividend Income	100,650	(64,649)	83,774	28,820	44,103	26,851	12,623	6,832	5,335	7,569
	% to 22	32.44	(18.86)	18.06	7.06	13.46	10.84	7.80	6.40	7.04	10.59
7	Other Income	2,291	1,734	1,324	9,061	129	10,728	2,629	1,115	1,134	2,334
8	Provision for Taxation	3,536	7,906	2,854	8,371	2,464	5,456	11,135	6,580	4,268	1,113
9	Profit/(Loss) before Tax	21,002	(63,847)	63,061	59,350	57,852	17,326	31,780	22,989	9,592	10,479
10	Profit/(Loss) after Tax	17,466	(71,753)	60,207	50,979	55,388	11,870	20,645	16,409	5,324	9,366
	% to 2	3.63	(12.46)	10.55	9.02	10.51	3.15	7.46	12.78	7.04	17.31
11	Paid-up Capital	200,000	175,000	175,000	100,000	80,000	80,000	80,000	80,000	80,000	60,000
12	General Reserve	20,000	20,000	20,000	20,000	20,000	20,000	20,000	-	-	-
13	Reserve for Unexpired Risks	169,764	221,456	267,567	225,820	212,175	211,456	73,306	51,359	30,249	21,648
14	Unappropriated Profit	5,253	12,787	84,540	99,333	48,354	12,966	1,095	12,450	6,040	716
15	Capital Available for Shares	225,252	207,787	279,540	219,333	148,354	112,966	101,095	92,450	86,040	60,716
16	Total Net Outstanding Claims	93,004	113,117	126,661	98,646	85,384	90,509	47,077	20,405	9,743	6,161
	% to 2	19.31	19.65	22.19	17.45	16.20	24.02	17.02	15.89	12.88	11.38
17	Other Liabilities	89,947	78,628	84,593	61,251	96,287	78,053	64,558	27,185	16,133	8,842
18	Total Equity & Liabilities	729,670	755,242	871,716	674,977	635,735	614,669	447,918	204,091	145,371	99,003
19	Land & Properties	39,839	34,296	6,164	6,701	16,794	17,331	21,714	8,851	9,389	10,734
	% to 2	8.27	5.96	1.08	1.19	3.19	4.60	7.85	6.89	12.42	19.83
20	Cash & Bank Balances	132,727	166,841	235,860	197,362	155,720	135,302	59,794	49,239	47,052	22,281
	% to 2	27.56	28.98	41.32	34.91	29.54	35.91	21.61	38.35	62.22	41.17
21	Investment	177,520	175,907	227,940	211,114	172,032	112,466	102,059	57,536	28,715	49,165
22	Total Cash & Investment	310,247	342,748	463,800	408,476	327,752	247,768	161,853	106,775	75,767	71,446
23	O/S Premium	134,056	114,417	155,426	84,586	131,929	131,272	106,322	66,635	42,051	23,162
	% to 1	22.48	16.32	20.82	12.60	19.67	20.47	26.90	28.78	35.86	28.05
24	Fixed Assets	16,468	24,277	39,422	24,084	21,995	27,540	14,759	13,589	8,625	8,338
	% to 2	3.42	4.22	6.91	4.26	4.17	7.31	5.33	10.58	11.41	15.41
25	Total Assets	729,670	755,242	871,716	674,977	635,735	614,669	447,918	204,091	145,371	99,003
26	Break-up Value Per Share	11.26	11.87	15.97	21.93	18.54	14.12	12.64	11.56	10.76	10.12
27	Earning Per Share (After Tax)	0.87	(3.59)	3.44	5.10	6.92	1.46	2.58	2.05	0.67	1.17

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges, where Shaheen Insurance Company Limited (the Company) is listed and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(I)/2003 by the Securities and Exchange Commission of Pakistan (the Codes) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Codes in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present all the directors are non-executive directors other than the Chief Executive Officer of the Company.

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

3. All the resident directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non Banking Finance Company (NBFC) and none of them is a member of any stock exchange.

4. Three casual vacancies occurred in the Board of Directors during the year which were filled up by the Directors within 30 days thereof.

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

6. The Board has developed and approved a mission statement and overall corporate strategy and is in process of developing the significant policies and a complete record of the particulars of these significant policies.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. A Chief Executive Officer was appointed by the Board of Directors during the year. His remuneration and terms and conditions of employment have been approved by the Board of Directors.

8. All the meetings of the Board were presided over by the Chairman and the Board met once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has established a system of internal control, which is implemented at all levels within the company. The company is making efforts and arrangements to include all the necessary aspects of internal controls given in the code.

10. An orientation course was arranged for the directors of the company to update them about their duties and responsibilities. All the directors attended the course except for a director who was appointed subsequent to a casual vacancy.

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

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

13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The directors, chief executive officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

16. The Board has formed underwriting, claim settlement and reinsurance & co-insurance committees.

17. The Company has formed an audit committee comprising of three members. All the members are non-executive directors including the Chairman of the committee.

18. The meetings of the audit committee were held once every quarter prior to the approval of interim and final results of the Company, as required by the Code. There was no change in terms of reference of the committee which was formed and advised to the committee for compliance in previous years.

19. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are involved in the internal audit function on a full time basis.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

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

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

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

M. Ikram-ullah.

M.Ikramullah Bhatti
Air Vice Marshall (Retd.)
Chairman

Asif Suleman
Chief Executive Officer

Dated: 05 April 2010
Karachi

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2009 prepared by the Board of Directors of Shaheen Insurance Company Limited to comply with the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal. control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the company's corporate governance procedures and risk.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require 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 or not.

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

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

Date: April 05, 2010
Karachi

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAHEEN INSURANCE COMPANY LIMITED

We have audited the annexed financial statements comprising:

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

of **Shaheen Insurance Company Limited** (the Company) as at December 31, 2009 together with the notes forming part thereof, for the year then ended.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

(b) Financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

(c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2009 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

(d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended December 31, 2008 were audited by another firm of Chartered Accountants whose report dated March 31, 2009 expressed an unqualified opinion thereon.

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

Date: April 05, 2010
Karachi

BALANCE SHEET

	Note	2009	2008
		Rupees	
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
20,000,000 (2008: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Paid-up share capital	5	**200,000,000**	175,000,000
Retained earnings		**5,252,930**	12,787,033
General reserve		**20,000,000**	20,000,000
Shareholder's equity		**225,252,930**	207,787,033
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)	4.4	**165,695,329**	169,724,895
Provision for unearned premium		**234,723,760**	284,139,520
Commission income unearned		**14,050,901**	14,962,415
Total underwriting provisions		**414,469,990**	468,826,830
CREDITORS AND ACCRUALS			
Premiums received in advance		**10,531,970**	9,645,300
Amounts due to other insurers / reinsurers	6	**32,985,232**	26,522,481
Accrued expenses	7	**8,577,744**	2,772,342
Agents balances		**20,625,153**	10,937,198
Taxation - provision less payments		**-**	7,425,944
Deferred gain on disposal of assets under sale and leaseback	9.2	**549,090**	915,126
Other creditors and accruals	8	**14,144,272**	16,978,751
		87,413,461	75,197,142
BORROWINGS			
Liabilities against assets subject to finance lease	9	**2,134,803**	3,031,837
OTHER LIABILITIES			
Dividend payable - unclaimed		**398,934**	398,934
TOTAL LIABILITIES		**504,417,188**	547,454,743
TOTAL EQUITY AND LIABILITIES		**729,670,118**	755,241,776
CONTINGENCIES AND COMMITMENT	10		

The annexed notes from 1 to 34 form an integral part of these financial statements.

AS AT 31 DECEMBER 2009

	Note	2009	2008
		Rupees	
CASH AND BANK DEPOSITS	11		
Cash and other equivalents		**169,938**	52,109
Current and other accounts		**132,556,696**	129,685,234
Deposits maturing within 12 months		**-**	37,103,923
		132,726,634	166,841,266
LOANS - secured, considered good			
To employees	12	**1,390,304**	1,406,306
INVESTMENTS	13	**177,519,757**	175,907,446
INVESTMENT PROPERTIES	14	**5,089,328**	5,626,744
CURRENT ASSETS - OTHERS			
Premiums due but unpaid	15	**134,056,255**	114,417,478
Amounts due from other insurers / reinsurers	16	**29,315,217**	37,776,179
Accrued investment income	17	**200,667**	1,806,221
Reinsurance recoveries against outstanding claims		**72,691,102**	56,607,780
Taxation-payments less provisions		**2,375,877**	-
Deferred commission expense		**50,241,945**	63,372,721
Advances, deposits and prepayments	18	**70,837,722**	67,910,335
Sundry receivables	19	**2,007,193**	10,623,634
		361,725,978	352,514,348
FIXED ASSETS	20		
Tangible and Intangible			
Furniture, fixtures and office equipment		**5,080,901**	6,851,015
Motor vehicles		**11,387,208**	17,425,895
Capital work in progress-office premises		**34,750,008**	28,668,756
		51,218,117	52,945,666
TOTAL ASSETS		**729,670,118**	755,241,776

M. Imran - Malik.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Fire and property damage	Marine, aviation and transport	Motor	Others	Treaty	2009 Aggregate	2008 Aggregate
		Rupees						
Revenue account								
Net premium revenue		87,184,564	15,022,373	291,332,763	88,096,778	-	**481,636,478**	575,731,855
Premium deficiency expenses	4.12	-	-	-	-	-	**-**	2,309,162
Net claims		(8,856,857)	(3,361,425)	(198,225,877)	(57,553,284)	-	**(267,997,443)**	(333,831,929)
Management expenses	21	(10,819,925)	(1,864,332)	(36,155,467)	(10,933,134)	-	**(59,772,858)**	(62,105,292)
Net commission		(43,623,121)	(4,091,597)	(45,488,924)	(11,507,408)	-	**(104,711,050)**	(115,711,351)
Underwriting result		23,884,661	5,705,019	11,462,495	8,102,952	-	**49,155,127**	66,392,445
Investment income / (loss)							**100,649,606**	(64,649,080)
Rental income							**1,831,123**	1,743,393
Other income	22						**2,291,150**	1,733,514
General and administration expenses	21						**(64,786,278)**	(69,067,416)
Impairment of non-trading investments (available-for-sale)	13.7						**(68,138,336)**	-
profit / (Loss) before tax							**21,002,392**	(63,847,144)
Provision for taxation - current	23						**(3,536,495)**	(7,905,892)
profit / (Loss) after tax							**17,465,897**	(71,753,036)
Profit and loss appropriation account:								
Balance at commencement of the year							**12,787,033**	84,540,069
Profit / (Loss) after tax for the year							**17,465,897**	(71,753,036)
Bonus shares for the year 2009 Rs. 1.42 per share (2008: Rs. Nil)							**(25,000,000)**	-
Balance of unappropriated profit at end of the year							**5,252,930**	12,787,033
Earnings / (Loss) per share- basic and diluted	24						**0.87**	(3.59)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

		Revenue reserves		
	Paid-up share capital	General reserve	Retained earnings	Total
	Rupees			
Balance as at January 01, 2008	175,000,000	20,000,000	84,540,069	279,540,069
Changes in equity for the year ended December 31, 2008				
Loss after tax for the year ended December 31, 2008	-	-	(71,753,036)	(71,753,036)
Balance as at December 31, 2008	175,000,000	20,000,000	12,787,033	207,787,033
Changes in equity for the year ended December 31, 2009				
Issue of bonus shares	25,000,000	-	(25,000,000)	-
Profit after tax for the year ended December 31, 2009	-	-	17,465,897	17,465,897
Balance as at December 31, 2009	**200,000,000**	**20,000,000**	**5,252,930**	**225,252,930**

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	Rupees	
OPERATING ACTIVITIES		
a) Underwriting activities		
Premiums received	**558,220,410**	731,746,609
Reinsurance premium paid	**(151,457,828)**	(176,020,264)
Claims paid	**(395,293,639)**	(480,458,575)
Reinsurance and other recoveries received	**107,183,308**	133,083,468
Commissions paid	**(115,188,556)**	(150,866,774)
Commissions received	**32,384,722**	31,073,472
Other underwriting receipts	**15,605,907**	19,380,960
Net cash flow from underwriting activities	**51,454,324**	107,938,896
b) Other operating activities		
Income tax paid	**(13,338,316)**	(8,425,148)
General management expenses paid	**(111,816,645)**	(129,712,368)
Loans advanced / (refunded)	**16,002**	(713,147)
Net cash flow from other operating activities	**(125,138,959)**	(138,850,663)
Total cash flows (used in) operating activities	**(73,684,635)**	(30,911,767)
INVESTING ACTIVITIES		
Profit / return received	**30,568,817**	19,572,356
Rentals received	**2,406,325**	1,677,024
Payments for investments	**(3,876,800)**	(45,776,786)
Proceeds from disposal of investments	**15,790,205**	4,402,043
Fixed capital expenditure	**(6,907,122)**	(25,550,177)
Proceeds from disposal of fixed assets	**2,933,250**	8,352,400
Total cash flows from / (used in) investing activities	**40,914,675**	(37,323,140)
FINANCING ACTIVITIES		
Financial charges paid	**(447,647)**	(277,516)
Lease payments	**(897,025)**	(506,876)
Total cash flows (used in) financing activities	**(1,344,672)**	(784,392)
Net cash flows (used in) all activities	**(34,114,632)**	(69,019,299)
Cash and cash equivalents at beginning of the year	**166,841,266**	235,860,565
Cash and cash equivalents at end of the year	**132,726,634**	166,841,266

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	Rupees	
Reconciliation to profit and loss account		
Operating cash flows	**(73,684,635)**	(30,911,767)
Depreciation expense	**(7,646,971)**	(10,148,794)
Gain on disposal of fixed assets	**1,408,134**	1,300,533
Amortisation of gains on assets under sale and lease back	**366,036**	183,024
Bad debts written off	-	(58,559)
Taxes paid	**13,338,316**	8,425,148
Financial charges	**(447,647)**	(277,516)
Increase / (decrease) in assets other than cash	**9,214,379**	(16,340,477)
Decrease in liabilities	**43,037,555**	46,886,951
Investment and other income	**35,417,225**	(62,905,687)
Provision for tax	**(3,536,495)**	(7,905,892)
Profit / (Loss) after taxation	**17,465,897**	(71,753,036)

Definition of cash

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

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

	2009	2008
	Rupees	
Cash and other equivalents		
- Cash in hand	**132,938**	52,109
- Policy stamps in hand	**37,000**	-
	169,938	52,109
Current and saving accounts		
- Current accounts	**23,905,796**	39,582,820
- Savings accounts	**108,650,900**	90,102,414
	132,556,696	129,685,234
Deposit maturing within 12 months-term deposits	**-**	37,103,923
	132,726,634	166,841,266

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF PREMIUMS

FOR THE YEAR ENDED DECEMBER 31, 2009

Business underwritten inside Pakistan

Class	Premium written (Note 26)	Unearned premium reserve Opening	Unearned premium reserve Closing	*Premium earned	Reinsurance ceeded	Prepaid reinsurance premium ceded Opening	Prepaid reinsurance premium ceded Closing	Reinsuranc expense	2009 Net premium revenue	2008 Net premium revenue
	a	b	c	d=a+b-c	e	f	g	h=e+f-g	i=d-h	
	Rupees									
Direct and facultative										
Fire and property damage	139,362,160	61,596,032	52,903,997	148,054,195	62,137,853	25,696,120	26,964,342	60,869,631	**87,184,564**	88,928,596
Marine, aviation and transport	61,844,739	20,453,755	18,631,013	63,667,481	52,373,210	11,717,538	15,445,640	48,645,108	**15,022,373**	14,089,068
Motor	273,417,936	145,747,285	117,722,176	301,443,045	10,352,930	5,444,745	5,687,393	10,110,282	**291,332,763**	387,130,231
Others	121,702,321	56,342,448	45,466,574	132,578,195	41,517,548	19,826,431	16,862,562	44,481,417	**88,096,778**	85,583,960
Total	596,327,156	284,139,520	234,723,760	645,742,916	166,381,541	62,684,834	64,959,937	164,106,438	**481,636,478**	575,731,855
Treaty	-	-	-	-	-	-	-	-	**-**	-
Grand total	596,327,156	284,139,520	234,723,760	645,742,916	166,381,541	62,684,834	64,959,937	164,106,438	**481,636,478**	575,731,855

* This include administrative surcharge collected from customers along with premium but have not been deferred as this surcharge is levied to recover the administrative cost relating to policies issued during the year.

The annexed notes from 1 to 34 form an integral part of these financial statements.

M. Ikram-ul-Haq.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

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
	a	b	c	d=a+c-b	e	f	g	h=e+g-f	i=d-h	
					Rupees					
Direct and facultative										
Fire and property damage	55,868,466	10,314,042	19,181,736	64,736,160	48,414,839	6,750,253	14,214,717	55,879,303	**8,856,857**	7,223,679
Marine, aviation and transport	15,649,276	46,192,534	46,756,068	16,212,810	11,757,883	44,564,803	45,658,305	12,851,385	**3,361,425**	593,989
Motor	242,080,444	101,272,874	79,505,249	220,312,819	21,825,932	153,875	414,885	22,086,942	**198,225,877**	273,967,256
Others	81,695,453	11,945,445	20,252,276	90,002,284	25,184,654	5,138,849	12,403,195	32,449,000	**57,553,284**	52,047,005
Total	395,293,639	169,724,895	165,695,329	391,264,073	107,183,308	56,607,780	72,691,102	123,266,630	**267,997,443**	333,831,929
Treaty	-	-	-	-	-	-	-	-	**-**	-
Grand total	395,293,639	169,724,895	165,695,329	391,264,073	107,183,308	56,607,780	72,691,102	123,266,630	**267,997,443**	333,831,929

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net Commission expenses	Other Management expenses (Note 21)	Underwriting expenses	*Commission from reinsurers	2009 Net underwriting expenses	2008 Net underwriting expenses
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
	Rupees								
Direct and facultative									
Fire and property damage	58,445,147	29,609,353	24,899,449	63,155,051	10,819,925	73,974,976	19,531,930	**54,443,046**	55,290,367
Marine, aviation and transport	7,019,161	4,052,907	2,936,939	8,135,129	1,864,332	9,999,461	4,043,532	**5,955,929**	6,086,646
Motor	40,907,081	20,960,925	16,227,094	45,640,912	36,155,467	81,796,379	151,988	**81,644,391**	96,534,779
Others	18,505,122	8,749,536	6,178,463	21,076,195	10,933,134	32,009,329	9,568,787	**22,440,542**	19,904,851
Total	124,876,511	63,372,721	50,241,945	138,007,287	59,772,858	197,780,145	33,296,237	**164,483,908**	177,816,643
Treaty	-	-	-	-	-	-	-	**-**	-
Grand total	124,876,511	63,372,721	50,241,945	138,007,287	59,772,858	197,780,145	33,296,237	**164,483,908**	177,816,643

* Commission from reinsures is arrived at after taking the impact of the opening and closing balances of unearned commision.

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		Rupees	
Income from trading investments			
Capital gain / (loss) on sale of held for trading investments		**9,896,394**	(37,894,534)
Dividend income		**3,798,161**	7,515,525
Income from non-trading investments			
Held - to - maturity			
Return on government security		**-**	178,468
Return on other fixed income securities and deposits		**5,587,053**	9,816,937
		5,587,053	9,995,405
Available for sale			
Dividend income		**6,091,571**	3,873,069
		11,678,624	13,868,474
Gain / (Loss) on sale of non-trading investments (available-for-sale)		**69,307,215**	(1,749,453)
Unrealized loss on revaluation of held for trading investments		**(2,254,934)**	-
Income from reverse repo transactions in listed equity securities		**13,486,478**	8,716,688
Loss on revaluation of held for trading investments (before reclassification to the available for-sale-category)		-	(48,036,759)
Investment related expenses	13.8	**(5,262,332)**	(7,069,021)
Net investment income		**100,649,606**	(64,649,080)

The annexed notes from 1 to 34 form an integral part of these financial statements.

Chairman	Chief Executive Officer	Director	Chief Financial Officer

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

1. STATUS AND NATURE OF BUSINESS

Shaheen Insurance Company Limited (the Company) was incorporated under the Companies Ordinance, 1984, as a Public Company in March 1995 and obtained the certificate for commencement of business in July 1995. It was registered with the Controller of Insurance in November 1995 to carry out non-life insurance business comprising fire, marine, motor, aviation, engineering, transportation, etc. The shares of the company are listed on Karachi, Lahore and Islamabad Stock Exchanges.

Its registered office is located at Shaheen Commercial Complex, Karachi.

2. BASIS OF PREPARATION

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 S.R.O. 938 dated December 12, 2002.

2.1 Statement of compliance

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

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

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

2.2.1 Initial application of a standard or an interpretation

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

Revised IAS 1 - Presentation of Financial Statements-As the company follows the format of financial statements prescribed by the SECP through SEC (Insurance) Rules, 2002 vide its Circular No. 7 of 2003 dated August 27, 2003, the changes introduced through IAS 1 (revised) have not been taken into consideration in preparation of these financial statements.

Revised IAS 23 - Borrowing costs has removed the option to expense borrowing costs and requires that an entity capitalize borrowing costs as part of the cost of that 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 accounting 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: Disclosures (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

IFRS 8 - Operating Segments -IFRS 8 replaced IAS 14: Segment Reporting, upon its effective date. The Company concluded that the operating segments determined in accordance with the IFRS 8 are the same as the business segments previously identified under IAS 14.

Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which required retrospective application, had no impact on the Company's financial statements.

Amendment to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations 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 nonvesting conditions and cancellations. The application of this standard did not have any effect on the Company's financial statements.

Amendment to IFRS 7 - Improving disclosures 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 measurement disclosures and require entities to provide additional disclosures 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 - Reassessment of embedded derivatives. Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument 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, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined 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 choice 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 had been used. The amendment is not relevant to the Company's operations.

IFRIC 18 - Transfers of Assets from Customers clarified 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. The interpretation is not relevant to the Company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most became applicable during the year. These amendments however did not have an impact on the Company's financial statements.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or 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 July 01, 2009)

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009)

IAS 24 - Related Party Disclosures (revised 2009) - (effective for annual periods beginning on or after January 01, 2011)

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after July 01, 2009)

Amendment to IFRS 2 - Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010)

Amendment to IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (effective for annual periods beginning on or after February 01, 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 January 01, 2011)

IFRIC 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009)

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009)

IFRIC 19 Extinguishing Financial liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 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 July 01, 2009)

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that ‘held to maturity’ investments are stated at amortised cost and investment ‘at fair value through profit or loss-held for trading investments’ are stated at fair value.

3.1 Use of critical accounting estimates and judgments

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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:

Classification of investment

In classifying investments as "held-for-trading" the Company has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

In classifying investments as "held-to-maturity" the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

Provision for outstanding claims (including IBNR)

The Company records claims based on the amount of claim lodged by the insured. However, the settlement of all the claims is made based on the surveyor's assessment appointed for ascertainment of Company's liability. The surveyor's assessment could differ significantly with the claims lodged by the insured, and accordingly amount of claims settled could materially differ with the amount of liability accrued.

The provision of claims incurred but not reported (IBNR) is made on the basis of actuarial valuation. The actuarial valuation is made on the basis of past trend and pattern of reporting of claims. The actual amount of IBNR may materially differ from the actuarial estimates.

Additional provision for unexpired risks

Additional provision for unexpired risks is based on actuarial valuation for class wise insurance business. The actuary considers the trends of gross and net loss ratio of the Company. Accordingly the actual results may differ with the assumption (based on historical trend) used by the actuary.

Reinsurance recoveries against outstanding claims

Reinsurance recoveries are accrued on the basis of share of reinsurers in outstanding claims including IBNR as stated above. The recoveries are finalised when the amounts of outstanding claims are finalized based on surveyor's assessment. Therefore, reinsurance recoveries booked against settled claims could proportionately differ with the amount of reinsurance recoveries accrued against outstanding claims at the balance sheet date.

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

Impairment - *(available-for-sale)*

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

Impairment of other assets, including premium due but unpaid

The Company also considers the need for impairment provision against other assets, including the premium due but unpaid and the provision required there against. While assessing such a requirement, various factors including the delinquency in the account, financial position of the insured are considered.

Fixed assets, investment properties and amortisation

The Company carries the investment properties at their respective cost. The fair values are determined by the independent valuation experts and such valuations are carried out every year to determine the recoverable amount.

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors"

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

The Company also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge and impairment.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency and have been rounded off to the nearest rupees.

3.3 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rate approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange which approximates those prevailing on the balance sheet date. Gains and losses on translations are taken to income currently. Non monetary items that are major in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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, aviation and transport

- Motor

- 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, whereas, normally travel insurance contracts expire within one month time.

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, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of fire and property, marine, aviation and transport, accident and health 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, medical, terrorism, personal accident, worker compensation, and travel insurances 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).

4.2 Premium income and provision for unearned premiums

Premium under a policy is recognised at the time of the issuance of insurance policy.

Revenue from premiums is recognised after taking into account the unearned portion of premium which is calculated using the 1/24th method. The unearned portion of premium income is recognised as a liability. Unearned premium income are determined on the basis of 1/24th method for all classes of business. Under this method, the liability for above unearned premium is equal to 1/24 of the premiums relating to policies commencing in the first month of financial year, 3/24 of the premiums relating to policies commencing in the second month of the financial year, and so on.

4.3 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.

4.4 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 are 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 of Rs. 1.089 million (2008: Rs. 3.163 million) is made for the cost of settling claims incurred but not reported at the balance sheet date on the basis of actuarial valuation. The latest valuation was carried out as of December 31, 2009.

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

The actuary uses statistical methods to incorporate the various assumptions assumptions made in order to estimate the ultimate cost of claims. The method used is the chain-ladder method which involves the analysis of historic claims development fators and the selection of estimated development factors based on the historic pattern. The selected develpment factors are then applied to cumulative claims data for each accident year. Study of claim lag pattern is conducted annually to account for any changes in experience. The development factors are based on these studies and are updated accordingly. Adequate margins are also built in to compensate for any adverse deviations in claims experience.

The actuary recommends that month wise factor based on an analysis of the past claims reporting pattern be applied to estimation of provision for IBNR. The historic claim lag triangle method is used for determination of month wise factor for each class of business. Accordingly, provision has been made based on IBNR factors applied on incurred claims recommended by the actuary.

4.5 Reinsurance recoveries against outstanding claims and salvage recoveries.

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

4.6 Commission expense and deferred commission expense

Commission incurred in obtaining and recording policies is recognised as expense after taking into account the proportion of deferred commission expense which is calculated using 1/24th method.

4.7 Claims expense

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the actual valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.8 Administrative surcharge

Administrative surcharge is included in the profit and loss account (as premium revenue) at the time the policies are issued.

4.9 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 the insurance receivable and recognizes the loss in the profit and loss account.

4.10 Reinsurance expense and prepaid reinsurance premium ceded

Reinsurance premium is recognised as expense after taking into account the proportion of deferred premium expense which is calculated using 1/24th method. The deferred portion of premium expense is recognised as a prepayment.

4.11 Commission income and unearned commission income

Commission from reinsurers is recognized as income after taking into account the unearned portion of commission which is calculated using the 1/24th method (in accordance with the pattern of recognition of reinsurance premium). The unearned portion of commission is recognized as liability.

4.12 Premium deficiency reserve

The Company is required under SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the individual 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 (PDR) is recognised in the profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of December 31, 2009. Based on the actuarial valuation so carried out, the Company is not required to make any provision for PDR in respect of any class of business. The actuary determines adequacy of liability of premium deficiency by carrying out analysis of Company's loss ratio of expired periods. For this purpose average loss ratio of last six years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

4.13 Claim 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 recognised and are measured at the amount expected to be received. Claims expenses are reported net off reinsurance in the profit and loss account.

Salvage value recoverable is recognised only if a firm and irrevocable contract and price thereon have been agreed with the buyer.

4.14 Creditors, accruals and provisions

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

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

4.15 Operating fixed assets

Tangibles

Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation charged over the estimated useful life of the asset on a systematic basis to income applying straight line balance method at rates given in note 20.1 to these financial statements.

Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of the disposal of the asset.

The asset's residual value, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Expenditure incurred subsequent to the initial acquisition of asset is capitalised only when it increases the future economic lives embodied in the items of fixed assets. All other expenditure is recognised in the profit and loss account as an expense.

Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on assets subject to finance lease is recognised in the same manner as owned assets.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

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 20.1 to the financial statements

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.

Capital work in progress

Capital work in progress is stated at cost less any impairment in value.

4.16 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for ‘ investments at fair value through profit or loss-held for trading investments’ in which case the transaction costs are charged to the profit and loss account.

All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the company commits to purchase or sell the investments. These are recognised and classified as follows:

4.16.1 Investments at fair value through profit or loss-held for trading investments

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of the portfolio in which there is a recent actual pattern of short-term profit taking are classified as held for trading.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in the net profit or loss of the period in which it arises.

4.16.2 Held-to-maturity

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

Subsequently, these are measured at amortised cost. Premium paid or discount availed on the acquisition of held-to-maturity investment is deferred and amortised over the term of investment using the effective yield method.

Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investments.

These are reviewed for impairment at each reporting period and losses arising, if any, are charged to the profit and loss account of the period in which they arise.

4.16.3 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 or equity prices are classified as available-for-sale. These are valued as follows:

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 requirement of the S.R.O. 938 issued by the SECP in December 2002. The Company uses Stock Exchange quotations at the balance sheet date to determine the market value.

Had the Company adopted International Accounting Standard (IAS) 39 "Financial instruments-recognition and measurement" in respect of recognition of gain / (loss) on measurement of available for sale securities directly into equity, the investments of the Company would have been higher by Rs. 0.135 million and the net equity would have increased by the same amount.

Unquoted

Unquoted investments are recorded at cost less impairment (if any) in accordance with the above requirement.

4.16.4 Recognition / derecognition of investments

Investments are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

4.17 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the company does not obtain control over the assets. Amounts paid under these agreements are included in the financial statements as balance receivable for securities purchased under resale arrangements in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the period of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and continue to be recognised as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the period of the repo agreement.

4.18 Investment properties

Investment properties are accounted for under the cost model in accordance with International Accounting

Standard 40, Investment Property, and S.R.O. 938 issued by SECP. Accordingly;

Premises is depreciated so as to write-off the assets over their expected economic lives under the straight line method at rates given in note 14 to these financial statements.

Subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

4.19 Trade and other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts.

4.20 Retirement benefits – Defined Contribution Plan (Provident Fund)

The Company operates a contributory provident fund scheme for its permanent employees. Contribution to the fund is made by the employees and the Company at the rate of 10 % of their basic salaries.

4.21 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

4.22 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, loans, premiums due but unpaid, amount due from other insurers / reinsurers, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, provision for outstanding claims including incurred but not reported, agent's balances, liabilities against assets subject to finance lease, 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 are taken to income directly.

4.23 Investments income

Profit on held-to-maturity instruments and bank balances is recognised on a time proportion basis taking into account the effective yield on the instruments. 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.

Return on bank deposits is recognised on a time proportion basis taking into account the effective yield.

Dividend income is recognised when the right to receive the same is established, i.e., at the time of the closure of share transfer books of the Company declaring the dividend.

Entitlement of bonus shares is recognised when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof which is in accordance with the requirement of the Institute of Chartered Accountants of Pakistan (ICAP) Technical Release-15.

Gains / losses on sale of investments are recognised in the profit and loss account at the time of sale.

4.24 Revenue recognition

Underwriting result

The earned premium less reinsurance, claims, commission and allocable expenses of management are reflected in the profit and loss account as the underwriting result for each class of insurance business undertaken.

Dividend income

Dividend income is recognized when the right to receive such dividend is established.

Gain / Loss on disposal of investments

Gain / Loss on disposal of investments is taken to the profit and loss account on transaction date.

Return on bank accounts, Term Finance Certificates and Certificates of Investments

Return on bank accounts, Term Finance Certificates and Certificates of Investments are accounted for on accrual basis.

Income from investment properties

Rental income from investment properties is recognized on time proportion basis.

4.25 Expenses of management

These are allocated to various classes of business in proportion to the respective net premium revenue for the year. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.26 Off setting

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

4.27 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. In addition impairment on available for sale investments and reinsurance assets are recognised as follows:

- Available for sale

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

-Reinsurance assets

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

4.28 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 obligation and a reliable estimate can be made of the amount of the obligation.

4.29 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 others.

Fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in inland transit.

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

Others insurance provides cover against loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverages.

Assets and liabilities that are directly attributable to segments have been assigned to them while the assets and liabilities pertaining to two or more segments have been allocated to segments on a net premium revenue basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Depreciation and amortisation are allocated to a particular segment on the basis of premium earned.

4.30 Cash and cash equivalents

Cash and cash equivalents include cash, cheques and policy stamps in hand and balances with banks in current, saving and deposit accounts.

4.31 Amount due to other insurers / reinsurers

Liabilities for other insurers / reinsurers are carried at cost which is the fair value of consideration to be paid in the future for services.

4.32 Premiums due but unpaid

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

4.33 Amount due from other insurers / reinsurers

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

4.34 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4.35 Earnings / (Loss) per share

Earnings / (Loss) per share is calculated by dividing the profit / loss after tax for the year by the weighted average number of shares outstanding during the year.

4.36 Related parties transactions

All transactions with related parties are carried out by the Company at arm's length prices.

5. PAID-UP SHARE CAPITAL

Issued, subscribed and paid-up capital (refer note 33)

2009	2008		Note	2009	2008
Number of shares				**Rupees**	
8,000,000	8,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**80,000,000**	80,000,000
		Ordinary shares of Rs. 10 each issued as fully paid bonus shares			
9,500,000	9,500,000	As at January 01,		**95,000,000**	95,000,000
2,500,000	-	Issued during the year		**25,000,000**	-
12,000,000	9,500,000			**120,000,000**	95,000,000
20,000,000	17,500,000			**200,000,000**	175,000,000

At December 31, 2009, 19.164 million (2008: 17.049 million) shares of the Company were held by associated undertaking Details of these holdings are as follows:

	2009	2008
	Number of shares	
Shaheen Foundation, Pakistan Air Force	**4,098,921**	3,586,556
Central Non Public Fund, Pakistan Air Force	**2,500,000**	2,187,500
The Hollard Company Limited, South Africa	**6,345,296**	5,552,134
First Capital Securities Corporation Limited	**843,358**	190,827
First Capital Equities Limited	**2,239,785**	2,787,425
Worldcall Telecom Limited	**3,136,963**	2,744,843
	19,164,323	17,049,285

6. AMOUNT DUE TO OTHER INSURERS / REINSURERS

	2009	2008
	Rupees	
Foreign Companies	**14,111,864**	6,022,052
Local Companies	**18,873,368**	20,500,429
	32,985,232	26,522,481

7. ACCRUED EXPENSES

Staff bonus payable	**5,000,000**	-
Advisory fee payable to a related party	**2,016,927**	979,844
Provision against utilities	**656,480**	1,188,947
Others	**904,337**	603,551
	8,577,744	2,772,342

8. OTHER CREDITORS AND ACCRUALS

Amount payable to policy holders in respect of cancelled policies		**301,976**	3,095,758
Federal excise duty payable	8.1	**11,277,817**	13,024,363
Withholding tax payable	8.2	**1,397,461**	472,176
Workers welfare fund payable		**815,074**	386,454
Unearned rental income		**321,121**	-
Others		**30,823**	-
		14,144,272	16,978,751

8.1 Subsequent to the year-end, amount of Rs. 5.706 million (2008: Rs. 5.33 million) was paid by the Company.

8.2 Subsequent to the year-end, this amount was paid by the company.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9.1 Details are as follows:

	2009			2008		
	Minimum lease payments	**Financial charges for future periods**	**Present value**	Minimum lease payments	Financial charges for future periods	Present value
			Rupees			
Within one year	**1,344,672**	**282,691**	**1,061,981**	1,334,672	447,655	897,017
After one year	**1,143,037**	**70,215**	**1,072,822**	2,479,594	344,774	2,134,820
	2,487,709	**352,906**	**2,134,803**	3,824,266	792,429	3,031,837

The total lease rentals due under the various lease agreements are Rs. 2.487 million (2008: Rs. 3.824 million) and are payable in equal monthly instalments till 2011. Taxes, repairs and insurance costs are to be borne by the Company. Financing rates of 17% per annum (2008: 17% per annum) has been used as the discounting factor. Purchase option can be exercised by the Company, paying 15% of the leased amount.

9.2 Gain on sale and lease back of the assets under leasing arrangements are being recognised over the period of the lease.

10. CONTINGENCY AND COMMITMENT

10.1 CONTINGENCY

10.1.1 The income tax assessments of the Company have been finalised up to and including the assessment year 2002-03 (financial year ended December 31, 2001), while returns have been filed for the financial years ended December 31, 2002 to December 31,2008 which under the Income Tax Ordinance, 2001 are considered to be deermed assessments unless opened for assessments. Assessments for tax year 2004, 2006 and 2007 have been amended by the taxation officer during the current year.

10.1.2 During the current year, the taxation officer has passed the order under section 122 (5A) of the Income Tax Ordinance, 2001 and rised the demand of Rs. 2.045 million for the tax year 2004. Against the order of the taxation officer, the Company has filed an appeal with the Commissioner Inland Revenue (Appeals) which is pending adjudication. Provision created in the financial statements for the year ended December 31,2003 are sufficient to accommodate the increase of this tax demand. However, management of the Company is confident of a favorable outcome from appellate proceedings.

10.1.3 During the current year, the taxation officer has passed orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax year 2006 and 2007. As a result of the revised orders of the taxation officer in these two years additional demand of Rs. 20.315 million over and above the admitted liability has been created. Management of the Company is confident that a favorable outcome is expected in appeals filed before the Commissioner Inland Revenue (Appeals) against the revised order of the taxation officer. Howere, after the expected relief from the appellate proceeding this will leave additional demand of Rs. 6.567 million only. The provision already created for these years of Rs. 18.588 million is sufficient to accommodate this additional demand, therefore, there is no need to create any further provision for remaining additional demand.

10.2 COMMITMENT

This represents monthly installments aggregatting Rs. Nil (2008: Rs. 6.081 million) payable to a related party for the purchase of office premises in an under construction building in Lahore.

11. CASH AND BANK DEPOSITS

	Note	2009	2008
		Rupees	
Cash and other equivalents			
- Cash in hand		**132,938**	52,109
- Policy stamps and bond papers in hand		**37,000**	-
		169,938	52,109
Current and saving accounts			
- Current accounts		**23,905,796**	39,582,820
- Profit and loss sharing accounts	11.1	**108,650,900**	90,102,414
		132,556,696	129,685,234
Deposit maturing within 12 months - term deposits	11.2	**-**	37,103,923
		132,726,634	166,841,266

11.1 These carry profit rates ranging between 0.5% to 8.0% (2008: 0.5% to 4.75%) per annum.

11.2 These carry profit rates ranging between 9.25% to 14.5% (2008: 9.5% to 130.0%) per annum.

12. LOANS - (secured, considered good)

	Note	2009	2008
		Rupees	
To employees			
Due from - an executive		**-**	320,835
- others		**1,390,304**	1,085,471
		1,390,304	1,406,306

This represents mark-up free loans to the employees of the company in accordance with the terms of their employment and are secured against their retirement benefits. These loans are recoverable in monthly installments over a period of one year. The maximum amount due from an executive calculated with reference to month end balances was Rs. Nil million (2008: Rs. 0.875 million).

13. INVESTMENTS

13.1 Type of investments

	Note	2009	2008
Held to maturity		---------- **Rupees** ----------	
Certificate of Investments	13.2	**528,756**	-
Term Finance Certificates - listed	13.3	**4,041,000**	5,287,000
		4,569,756	5,287,000
At fair value through profit or loss - Held for trading	13.4	**118,520,712**	-
Available for sale			
Investments in ordinary shares of listed companies	13.5	**28,433,849**	143,105,884
Units / certificates of mutual funds	13.6	**25,995,440**	27,514,562
	13.6.2	**54,429,289**	170,620,446
		177,519,757	175,907,446

13.2 This represents investment in Certificates of Investments issued by SME Leasing Limited and carrying mark up at the rate of 10.50% per annum maturing on February 23, 2010.

13.3 Held-to-maturity - Term Finance Certificates - (listed)

2009	2008		Note	2009	2008
Number of certificates		Standard Chartered Bank (Pakistan)		---------- **Rupees** ----------	
1,000	1,000	Limited - 2nd issue	13.3.1	**3,496,000**	4,742,000
109	109	Al-Zamin Leasing Corporation Limited	13.3.2	**545,000**	545,000
				4,041,000	5,287,000

At December 31, 2009, market value of Term Finance Certificates (TFCs), was Rs. 4.032 million (2008: Rs. 5.469 million). based on the rates qouted by Mutual Funds Association of Pakistan under SECP circular 1 dated January 6, 2009

13.3.1 This represents listed TFCs (face value of Rs. 5,000 each) carrying mark-up rate equal to five years Pakistan Investment Bond rate plus 0.75% per annum, receivable semi-annually in arrears with floor of 5% per annum and cap of 10.75% per annum.

Remaining balance of the principal amount shall be redeemed in six monthly instalments as follows:

Period	**Six monthly instalments Rupees**
January 20, 2010	996,000
July 20, 2010	1,250,000
January 20, 2011	1,250,000

13.3.2 This represents listed term finance certificates (face value of Rs. 5,000 each) and carrying mark-up rate equal to five years Pakistan Investment Bond rate plus 2% per annum, receivable semi-annually in arrears with floor of 12% per annum and cap of 15.75% per annum. The principal amount is due on maturity in September 2010.

13.4 At fair value through profit or loss - Held for trading - quoted shares

The details of investments in ordinary shares of face value of Rs. 10 each is as follows:

2009	2008	Name of the investee entity	2009	2008
Number of shares			Carrying (market) value	
			-------- Rupees --------	
		Chemicals		
50,000	-	Sitara Peroxide Limited	**791,500**	-
150,000	-	Pakistan PTA Limited	**1,174,500**	-
350,000	-	Nimir Industrial Chemical Limited	**619,500**	-
		Technology & Communication		
400,000	-	TRG Pakistan Limited	**848,000**	-
		Commercial Banks		
11,555,309	-	KASB Bank Limited	**85,393,734**	-
175,000	-	Mybank Limited	**831,250**	-
		Inv.Co's / Investment Banks		
165,000	-	Jahangir Siddiqui Co. Limited	**4,961,550**	-
50,000	-	Arif Habib Securities Limited	**2,463,500**	-
56,000	-	JS Investment Limited	**804,720**	-
		Insurance		
13,000	-	Adamjee Insurance Company Limited	**1,602,900**	-
60,000	-	Pakistan Reinsurance Company Limited	**1,566,000**	-
		Power Generation & Distribution		
51,500	-	Kot Addu Power Limited	**2,362,305**	-
87,000	-	Kohinoor Power Company Limited	**684,690**	-
128,100	-	Hub Power Company Limited	**3,981,348**	-
35,000	-	Nishat Power Limited	**445,550**	-
		Automobile Assembler		
10,000	-	Indus Motors Company Limited	**1,965,200**	-
		Paper and Board		
16,500	-	Packages Limited	**2,376,000**	-
		Synthetic and Rayon		
64,500	-	Ibrahim Fibres Limited	**2,361,990**	-
		Textile Weaving		
48,100	-	Prosperity Weaving Mills Limited	**646,945**	-
		Textile Composite		
87,000	-	Azgard Nine Limited	**1,808,730**	-
5,900	-	Masood Textile Limited	**218,300**	-
		Modarabas		
250,000	-	First Equity Modaraba	**612,500**	-
			118,520,712	-

13.5 Available for sale - quoted shares (also refer note 13.7)

The details of investment in ordinary shares of face value of Rs. 10 each is as follows:

2009	2008	Name of the investee entity	2009	2008
Number of shares			**Cost in Rupees**	
		Cement		
-	51,400	D.G. Khan Cement Company Limited	-	2,018,992
-	84,400	Lucky Cement Limited	-	4,875,788
		Technology & Communication		
215,000	367,200	Pakistan Telecommunication Company Limited	**3,949,889**	11,566,800
25,000	30,000	Netsol Techonogies Limited	**707,070**	1,400,100
		Oil & Gas Exploration		
-	142,600	Oil and Gas Development Company Limited	-	13,465,718
-	61,080	Pakistan Oilfield Limited	-	14,872,980
-	135,300	Pakistan Petroleum Limited	-	26,200,845
-	31,700	Mari Gas Company Limited	-	4,266,186
		Chemical		
-	83,300	ICI Pakistan Limited	-	10,578,267
		Miscellaneous		
-	60,100	Tri-Pack Film Limited	-	9,194,699
		Textile Composite		
-	55,000	Nishat Mills Limited	-	2,431,550
		Engineering		
-	88,000	Crescent Steel and Allied Products Limited	-	2,605,680
		Refinery		
-	20,000	National Refinery Limited	-	3,520,600
		Commercial Banks		
-	70,000	National Bank of Pakistan	-	6,511,400
-	30,000	Habib bank Limited	-	4,153,500
-	192,250	Bank Alfalah Limited	-	6,007,813
8,451	7,683	MCB Bank Limited	**1,750,649**	1,811,267
57,000	937	United Bank Limited	**3,428,307**	64,019
200,000	27,777	Arif Habib Bank Limited	**1,318,000**	301,380
-	47,500	Bank Al Habib Limited	-	1,621,650
		Insurance Company		
-	40,000	New Jubilee Life Insurance Company Limited	-	1,805,200
		Automobile Assembler		
-	5,000	Pak Suzuki Motor Company Limited	-	418,950
		Phamaceuticals		
-	39,200	Highnoon Laboratories Limited	-	1,536,640
		Fertilizers		
-	37,000	Engro Chemical Pakistan Limited	-	6,676,280
		Oil and Gas Marketing Companies		
13,000	22,320	Attock Petroleum Limited	**4,718,833**	4,612,651
40,500	2,100	Pakistan State Oil Company Limited	**12,561,101**	586,929
			28,433,849	143,105,884

13.6 Available-for-sale investments - mutual funds

2009	2008			2009	2008
Number of certificates		**Name of the fund**		**Cost**	
		Closed end fund	Note	**Rupees**	
75,000	75,000	Pakistan Strategic Allocation Fund		**171,000**	750,750
144,000	195,000	PICIC Growth Fund		**1,473,999**	5,786,706
-	60,000	Atlas Fund of Funds		**-**	540,000
75,000	-	Pakistan Premier Fund Limited		**517,225**	-
40,000	-	PICIC Investment Fund		**275,183**	-
				2,437,407	7,077,456
2009	2008				
Number of units					
		Open end fund			
446,438	396,012	Pakistan Income Fund		**23,001,662**	20,437,106
537	-	Atlas Islamic Income Fund	13.6.1	**281,502**	-
2,655	-	Faysal Saving Growth Fund		**274,869**	-
				23,558,033	20,437,106
				25,995,440	27,514,562

The face value of certificates of closed end mutual funds is Rs. 10 each.

13.6.1 These units are pledged with the State Bank of Pakistan under the provisions of Insurance Ordinance, 2000 (XXXIX of 2000).

13.6.2 Market value of quoted available for sale securities is Rs. 54.565 million (2008: Rs. 101.153 million)

13.7 During the year, the Company has recorded impairment on available for sale securities amounting to Rs. 68.138 million (2008: Nil) which was earlier treated as temporary in the financial statements for the year ended December 31, 2008 in accordance with the dispensation given by the SECP vide circular no. 3/2009 dated February 16, 2009.

13.8 Investment related expenses (refer the statement of investment income)

	Note	2009	2008
		Rupees	
Brokerage commission - related party		**2,030,835**	643,857
Federal Excise Duty, Capital Value Tax and other levies		**431,561**	-
Coustodian fees		**225,437**	450,874
Investment advisory fees- related party		**2,037,083**	2,784,716
Performance fee to investment advisor - related party		**-**	2,652,158
Depreciation on investment properties	14	**537,416**	537,416
		5,262,332	7,069,021

14. INVESTMENT PROPERTIES - at cost less accumulated depreciation

2009

	Note	Cost: As at January 01, 2009	Cost: Additions/ (Deletions)	Cost: As at December 31, 2009	Depreciation: As at January 01, 2009	Depreciation: For the year	Depreciation: As at December 31, 2009	Written down value as at December 31, 2009	Depreciation rate %
		Rupees							
Shop premises	14.1	**7,900,000**	-	**7,900,000**	**3,555,000**	**395,000**	**3,950,000**	**3,950,000**	**5**
Office premises	14.1	**2,848,320**	-	**2,848,320**	**1,566,576**	**142,416**	**1,708,992**	**1,139,328**	**5**
		10,748,320	-	**10,748,320**	**5,121,576**	**537,416**	**5,658,992**	**5,089,328**	

2008

	Note	Cost: As at January 01, 2008	Cost: Additions/ (Deletions)	Cost: As at December 31, 2008	Depreciation: As at January 01, 2008	Depreciation: For the year	Depreciation: As at December31, 2008	Written down value as at December 31, 2008	Depreciation rate %
		Rupees							
Shop premises	14.1	7,900,000	-	7,900,000	3,160,000	395,000	3,555,000	4,345,000	5
Office premises	14.1	2,848,320	-	2,848,320	1,424,160	142,416	1,566,576	1,281,744	5
		10,748,320	-	10,748,320	4,584,160	537,416	5,121,576	5,626,744	

14.1 Shop and Office Premises (leasehold properties) have been valued under the market value basis by BFA (Private) Limited and MJ Surveyors (Private) Limited. Market value of shop and office premises based on the valuations as of February 08,2010 and January 28, 2010 amounted to Rs.53.34 million and Rs. 11.73 million (2008: February 23, 2009 and February 24, 2009 amounted to Rs. 53.20 million and Rs. 11.39 million) respectively.

15. PREMIUMS DUE BUT UNPAID - unsecured

	Note	2009	2008
		Rupees	
Considered good	15.1	**134,056,255**	114,417,478
Considered doubtful		**13,742,644**	13,742,644
		147,798,899	128,160,122
Provision against doubtful debts	15.2	**(13,742,644)**	(13,742,644)
		134,056,255	114,417,478

15.1 These includes Rs. 73.711 million (2008: Rs. 56.477 million) due from related parties. The maximum balance from related parties at the end of any month during the year was Rs. 116.430 million (2008: Rs. 100.57 million).

15.2 Reconciliation of provision against doubtful balances

	2009	2008
	Rupees	
Balance as on 1 January	**13,742,644**	13,742,644
Charge for the year	**-**	-
Balance as on 31 December	**13,742,644**	13,742,644

		Note	2009	2008
			---------- Rupees ----------	
16.	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS-Unsecured**			
	Considered good - foreign		**14,133,469**	22,295,039
	- local		**15,181,748**	15,481,140
			29,315,217	37,776,179
17.	**ACCRUED INVESTMENT INCOME**			
	Mark-up accrued on term finance certificates		**194,032**	255,316
	Dividend income - (available for sale securities)		**-**	961,700
	Profit accrued on term deposits with banks		**6,635**	589,205
			200,667	1,806,221
18.	**ADVANCES, DEPOSITS AND PREPAYMENTS**			
	Security deposits		**2,220,624**	1,813,763
	Prepaid reinsurance premium ceeded		**64,959,937**	62,684,834
	Prepayments	18.1	**3,570,086**	3,303,675
	Others		**87,075**	108,063
			70,837,722	67,910,335

18.1 This includes Rs. 2.299 million (2008: 2.09 million) in respect of prepayment of rent to a related party.

		Note	2009	2008
19.	**SUNDRY RECEIVABLES - unsecured, considered good**			
	Receivable:			
	- against rental income		**-**	254,081
	- from the provident fund		**143,788**	93,383
	- from a related party for dealing in marketable securities		**-**	8,182,170
	- against maturity of Government Security - Defence Saving Certificate	19.1	**1,837,500**	1,837,500
	- from a related party	19.2	**25,905**	256,500
			2,007,193	10,623,634

19.1 This represents Defense Saving Certificate which had matured on 20th August 2008. These certificates are pledged with the State Bank of Pakistan in accordance with the provision of section 29 of the Insurance (Ordinance,2000). Face value of the investment is Rs. 0.35 million. This also includes profit Rs. 1.488 million carned on the instrument.

19.2 This represents amount receivable from First Capital Equities Limited on account of dealing in marketable securities.

		Note	2009	2008
20.	**FIXED ASSETS**			
	Operating fixed assets	20.1	**16,468,109**	24,276,910
	Capital work in progress - office premises	20.3	**34,750,008**	28,668,756
			51,218,117	52,945,666

20.1 Operating fixed assets - at cost less accumulated depreciation

2009

	COST			DEPRECIATION			Written down value as at December 31, 2009	Depreciation rate %
	As at January 01, 2009	Additions/ (Deletion)	As at December 31, 2009	As at January 01, 2009	For the year	As at December 31, 2009		
Tangible	Rupees							
- Owned								
Furnitures and fixtures	10,019,661	15,600	10,035,261	7,041,222	574,376	7,615,598	2,419,663	10
Office and electrical equipment	8,909,353	95,157	9,004,510	6,415,815	752,865	7,168,680	1,835,830	15 - 20
Computer equipment	8,723,515	304,613	9,028,128	7,344,477	858,243	8,202,720	825,408	33.3
Furnitures, fixtures & office equipment	27,652,529	415,370	28,067,899	20,801,514	2,185,484	22,986,998	5,080,901	
Motor vehicles	31,851,599	410,500 (5,910,300)	26,351,799	17,374,684	3,744,514 (4,385,184)	16,734,014	9,617,785	20
	59,504,128	825,870 (5,910,300)	54,419,698	38,176,198	5,929,998 (4,385,184)	39,721,012	14,698,686	
- Leased								
Motor vehicles	3,538,706	-	3,538,706	589,726	1,179,557	1,769,283	1,769,423	
Intangible								
Computer software	2,000,000	-	2,000,000	2,000,000	-	2,000,000	-	33.3
	65,042,834	**825,870 (5,910,300)**	**59,958,404**	**40,765,924**	**7,109,555 (4,385,184)**	**43,490,295**	**16,468,109**	

2008

	COST			DEPRECIATION			Written down value as at December 31, 2008	Depreciation rate %
	As at January 01, 2008	Additions/ (Deletion)	As at December 31, 2008	As at January 01, 2008	For the year	As at December 31, 2008		
Tangible	Rupees							
- *Owned*								
Furnitures and fixtures	9,605,956	413,705	10,019,661	6,460,755	580,467	7,041,222	2,978,439	10
Office and electrical equipment	7,965,153	944,200	8,909,353	5,491,400	924,415	6,415,815	2,493,538	15 - 20
Computer equipment	7,642,137	1,081,378	8,723,515	6,395,166	949,311	7,344,477	1,379,038	33.3
Furnitures, fixtures & office equipment	25,213,246	2,439,283	27,652,529	18,347,321	2,454,193	20,801,514	6,851,015	
Motor vehicles	38,436,130	10,948,390 (17,532,921)	31,851,599	23,066,430	5,887,459 (11,579,205)	17,374,684	14,476,915	20
	63,649,376	13,387,673 (17,532,921)	59,504,128	41,413,751	8,341,652 (11,579,205)	38,176,198	21,327,930	
- Leased								
Motor vehicles	-	3,538,706	3,538,706	-	589,726	589,726	2,948,980	
Intangible								
Computer software	2,000,000	-	2,000,000	1,320,000	680,000	2,000,000	-	33.3
	65,649,376	16,926,379 (17,532,921)	65,042,834	42,733,751	9,611,378 (11,579,205)	40,765,924	24,276,910	

20.2 Disposal of operating fixed assets

Particulars of the assets	Cost	Wtitten down value	Sale Proceeds	Gain on Disposal	Made of Disposal	Soldto	Address
Vehicles							
Honda Civic LEB-O8-4245	1,428,500	952,333	980,250	27,917	Negotiation	M. Aslam	House No. 110, LCA, Ashraf Colony, Multan
Honda Civic AJA-134	950,000	538,333	770,000	231,667	Negotiation	Sharjeel Ghani	House No. R-978/15, Federal B-Area, Karachi.
Other assets with book Value Less than Rs, 50,000	3,531,800	34,450	1,183,000	1,148,550			
	5,910,300	1,525,116	2,933,250	1,408,134			

20.3 CAPITAL WORK IN PROGRESS

	2009	2008
	Rupees	
Balance as on January 01	**28,668,756**	16,506,252
Add: Payments during the year	**6,081,252**	12,162,504
Balance as on December 31	**34,750,008**	28,668,756

This represents down payment and 18 monthly instalment payments to a related party for the purchase of an office premises in Lahore (Refer note 10.2 also).

21. MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

		2009			2008		
	Note	**Management expenses**	**General and administration expenses**	**Total**	Management expenses	General and administration expenses	Total
		Rupees					
Salaries and other benefits		**39,370,593**	**26,332,768**	**65,703,361**	41,273,957	22,030,038	63,303,995
Provident fund		**-**	**2,309,813**	**2,309,813**	-	2,376,586	2,376,586
Rent		**5,954,861**	**3,330,326**	**9,285,187**	5,729,240	3,091,959	8,821,199
Utilities		**5,225,316**	**2,915,203**	**8,140,519**	5,355,467	3,691,464	9,046,931
Repair and maintenance		**1,117,660**	**1,092,192**	**2,209,852**	1,810,037	1,640,028	3,450,065
Legal and professional charges		**225,000**	**1,254,764**	**1,479,764**	10,000	1,139,450	1,149,450
Auditors' remuneration	21.1	**-**	**678,900**	**678,900**	-	678,900	678,900
Depreciation	20.1	**-**	**7,109,555**	**7,109,555**	-	9,611,378	9,611,378
Insurance expenses		**-**	**215,012**	**215,012**	-	237,853	237,853
Bank charges		**699,402**	**76,785**	**776,187**	729,325	52,427	781,752
Financial charges on assets subject to finance lease		**-**	**447,647**	**447,647**	-	277,516	277,516
Workers welfare fund		**-**	**428,620**	**428,620**	-	386,454	386,454
Advertisement and sales promotion		**29,392**	**2,385,850**	**2,415,242**	31,714	6,221,970	6,253,684
Travelling and entertainment		**3,817,399**	**6,675,329**	**10,492,728**	3,765,864	9,207,136	12,973,000
Printing and stationary		**2,140,557**	**4,395,201**	**6,535,758**	2,460,906	4,512,795	6,973,701
Newspaper and periodicals		**70,197**	**87,009**	**157,206**	81,245	46,280	127,525
Fees and subscriptions		**37,000**	**3,831,940**	**3,868,940**	191,600	2,430,401	2,662,001
Assets written off		**-**	**-**	**-**	-	58,559	58,559
License and software fees		**8,000**	**887,350**	**895,350**	-	843,776	843,776
Miscellaneous		**1,077,481**	**332,014**	**1,409,495**	665,937	532,446	1,198,383
		59,772,858	**64,786,278**	**124,559,136**	62,105,292	69,067,416	131,172,708

			2009	2008
21.1	**Auditors' remuneration**	Note	---------- **Rupees** ----------	
	Annual audit		**350,000**	350,000
	Interim review		**150,000**	150,000
	Certification fees & review of statement of compliance with code of corporate governance		**115,000**	115,000
	Out of pocket expenses		**63,900**	63,900
			678,900	678,900

22. OTHER INCOME

	Note	2009	2008
Gain on sale of fixed assets	20.2	**1,408,134**	1,300,533
Other administrative expenses recovered from policyholders		**516,980**	92,752
Exchange gain		**-**	157,205
Amortisation of gain on disposal of assets under sale and leaseback		**366,036**	183,024
		2,291,150	1,733,514

23. TAXATION

	Note	2009	2008
Current		**3,536,495**	7,905,892
Relationship between tax expense and accounting profit is as follows:			
Loss/profit before taxation		**21,002,392**	(63,847,144)
Tax charge at enacted tax rate of 35% (2008: 35%)		**7,350,838**	(22,346,501)
Tax effect of inadmissible expense/exempt income		**(3,091,489)**	32,788,044
Tax effect of dividend and rental income taxable at lower tax rate		**(2,973,987)**	(3,317,997)
Tax effect of application of minimum tax rate		**2,408,182**	-
Deferred tax asset not recognised	23.1	**807,043**	782,346
Others		**(964,092)**	-
		3,536,495	7,905,892

23.1 Deferred tax asset on deductible temporary differences amounting to Rs. 8.632 million (2008: Rs. 2.937 million) has not been recognised in view of the uncertainty about its realisation.

24. EARNINGS / (LOSS) PER SHARE - basic and diluted

		2009	2008
		---------- **Rupees** ----------	
Profit / (Loss) for the year		**17,465,897**	(71,753,036)
Weighted average of number of shares of Rs. 10 each	*Number*	**20,000,000**	20,000,000
Earnings / (Loss) per share of Rs. 10 each		**0.87**	(3.59)

24.1 Diluted earnings / (loss) per share has not been presented as the Company does not have any convertible instruments as at December 31, 2009 and December 31, 2008 which would have any effect on the earnings / (loss) per share if the options to convert is exercised.

24.2 Loss per share for the corresponding period has been adjusted for the effect of subsequent issue of bonus shares during 2009.

25. REMUNERATION TO THE CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive Officer		Executives		Total	
	2009	2008	**2009**	2008	**2009**	2008
Managerial remuneration	**2,399,988**	2,399,988	**9,578,808**	9,383,256	**11,978,796**	11,783,244
Bonus	**-**	-	**-**	-	**-**	-
Provident fund	**159,996**	159,996	**493,740**	493,740	**653,736**	653,736
	2,559,984	2,559,984	**10,072,548**	9,876,996	**12,632,532**	12,436,980
Number of persons	**1**	1	**7**	7	**8**	8

No annual increments and performance bonuses were granted to employees during the year. In addition to the above, these executives are also entitled to Company maintained vehicles.

The Company does not have any other employee whose annual basic salary exceeds Rs. 0.5 million. No other amounts have been paid by the Company to its any other director.

26. PREMIUM WRITTEN

Premium written constitute direct and facultative business and administrative surcharge (which is also included in net premium revenue), class-wise details of which are as follows:

	2009				
	Fire and property damage	**Marine, aviation and transport**	**Motor**	**Others**	**Total**
	-----	-----	**Rupees**	-----	-----
Direct	**126,684,398**	**60,544,510**	**262,288,658**	**119,679,636**	**569,197,202**
Facultative	**10,269,181**	**596,167**	**124,024**	**1,051,655**	**12,041,027**
Administrative surcharge	**2,408,581**	**704,062**	**11,005,254**	**971,030**	**15,088,927**
	139,362,160	**61,844,739**	**273,417,936**	**121,702,321**	**596,327,156**

	2008				
	Fire and property damage	Marine, aviation and transport	Motor	Others	Total
	-----	-----	Rupees	-----	-----
Direct	125,250,847	69,830,242	329,187,201	135,358,194	659,626,484
Facultative	16,976,481	2,808,357	679,385	2,023,672	22,487,895
Administrative surcharge	2,937,552	1,172,812	13,912,787	1,107,852	19,131,003
	145,164,880	73,811,411	343,779,373	138,489,718	701,245,382

27. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at December 31, 2009 and December 31, 2008, unallocated capital expenditures and non-cash expenses during the year.

	FIRE & PROPERTY DAMAGE		MARINE, AVIATION & TRANSPORT		MOTOR		OTHERS		TOTAL	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	Rupees									
SEGMENT ASSETS										
Segment assets	**130,300,748**	120,815,8882	**75,106,724**	69,644,693	**236,932,071**	282,358,396	**100,338,419**	90,264,982	**542,677,962**	563,093,953
Unallocated corporate assets									**186,992,156**	192,157,824
Total assets									**729,670,118**	755,241,777
SEGMENT LIABILITIES										
Segment liabilities	**94,880,579**	89,636,721	**72,007,824**	73,180,513	**242,174,618**	284,838,756	**89,706,863**	87,013,804	**498,769,884**	534,669,794
Unallocated corporate liabilities									**5,647,304**	12,784,949
Total liabilities									**504,417,188**	547,454,743
Capital expenditure	**149,497**	2,614,479	**25,759**	414,215	**499,553**	11,381,536	**151,061**	2,516,148	**825,870**	16,926,378
Depreciation	**1,384,235**	1,567,601	**248,357**	248,357	**4,625,508**	6,824,192	**1,398,718**	1,508,643	**7,646,972**	10,148,793

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company is exposed to variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance

The board of directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are board committees and management committees for developing risk management policies and its monitoring.

28.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

28.1.1 Intersed rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The company's profit / mark-up sensitivity and liquidity positions based on the contractual and maturity dates, whichever is earlier is as follows:

		2009					
		Interest/ mark-up bearing financial instruments					
	Profit rate % per annum	Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total	Non-interest / mark-up bearing financial instruments	Total
		Rupees					
Financial assets							
Cash and bank deposits	0.5 - 14.5	108,650,900	-	-	108,650,900	24,075,734	132,726,634
Loans to employees		-	-	-	-	1,390,304	1,390,304
Investments	10.75-19.4	528,756	4,041,000	-	4,569,756	172,950,001	177,519,757
Premiums due but unpaid		-	-	-	-	134,056,255	134,056,255
Amounts due from other insurers / reinsurers		-	-	-	-	29,315,217	29,315,217
Accrued investment income		-	-	-	-	200,667	200,667
Reinsurance recoveries against outstanding claims		-	-	-	-	72,691,102	72,691,102
Security deposits		-	-	-	-	2,220,624	2,220,624
Sundry receivables		-	-	-	-	2,007,193	2,007,193
		109,179,656	4,041,000	-	113,220,656	438,907,097	552,127,753

	Profit rate % per annum	2009 Interest/ mark-up bearing financial instruments Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total	Non-interest / mark-up bearing financial instruments	Total
		Rupees					
Financial liabilities							
Provision for outstanding claims		-	-	-	-	165,695,329	165,695,329
Amounts due to other insurers / reinsurers		-	-	-	-	32,985,232	32,985,232
Accrued expenses		-	-	-	-	8,577,744	8,577,744
Agents balances		-	-	-	-	20,625,153	20,625,153
Other creditors and accruals		-	-	-	-	13,823,151	13,823,151
Liabilities against asset subject to finance lease	17	1,061,981	1,072,822	-	2,134,803	-	2,134,803
Dividend payable		-	-	-	-	398,934	398,934
		1,061,981	1,072,822	-	2,134,803	242,105,543	244,240,346
Interset risk sensitivity gap		**108,117,675**	**2,968,178**	**-**	**111,085,853**	**196,801,554**	**307,887,407**
Cumulative interest risk sensitivity gap		**108,117,675**	**111,085,853**	**111,085,853**			
Off balance sheet item							
Commitments for capital expenditure							-

	Profit rate % per annum	2008 Interest / mark-up bearing financial instruments Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub total	Non-interest / mark-up bearing financial instruments	Total
		Rupees					
Financial assets							
Cash and bank deposits	0.5-13	127,206,337	-	-	127,206,337	39,634,929	166,841,266
Loans to employees		-	-	-	-	1,406,306	1,406,306
Investments	10.75-15.75	-	5,287,000	-	5,287,000	170,620,446	175,907,446
Premiums due but unpaid		-	-	-	-	114,417,478	114,417,478
Amounts due from other insurers / reinsurers		-	-	-	-	37,776,179	37,776,179
Accrued investment income		-	-	-	-	1,806,221	1,806,221
Reinsurance recoveries against outstanding claims		-	-	-	-	54,851,525	54,851,525
Security deposits		-	-	-	-	1,813,763	1,813,763
Sundry receivables		-	-	-	-	8,786,134	8,786,134
		127,206,337	5,287,000	-	132,493,337	431,112,981	563,606,318
Financial liabilities							
Provision for outstanding claims		-	-	-	-	166,561,352	166,561,352
Amounts due to other insurers / reinsurers		-	-	-	-	26,522,481	26,522,481
Accrued expenses		-	-	-	-	2,617,864	2,617,864
Agents balances		-	-	-	-	10,937,198	10,937,198
Other creditors and accruals		-	-	-	-	3,482,212	3,482,212
Liabilities against asset subject to finance lease	17	897,017	2,134,820	-	3,031,837	-	3,031,837
Dividend payable		-	-	-	-	398,934	398,934
		897,017	2,134,820	-	3,031,837	210,520,041	213,551,878
Interest rate risk sensitivity gap		**126,309,320**	**3,152,180**	**-**	**129,461,500**	**220,592,940**	**350,054,440**
Cumulative interest risk sensitivity gap		**126,309,320**	**129,461,500**	**129,461,500**			
Off balance sheet item							
Commitments for capital expenditure							**6,081,252**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and equity based upon average balances and rates :

	Increase / (Decrease) in basis points	Effect on Profit before tax	Effect on Equit y
		Rupees	
December 31, 2009	**100**	**1,110,859**	**722,058**
	(100)	**(1,110,859)**	**(722,058)**
December 31, 2008	100	1,294,615	841,500
	(100)	(1,294,615)	(841,500)

28.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

28.1.3 Other Price risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity, money market fund and term finance certificates (TFCs). In addition, the Company actively monitors the key factors that affect stock, money market and TFCs market.

The following table summarizes the Company's other price risk as of December 31, 2009 and 2008. It shows the effects of an estimated increase of 5% in the market prices as on those dates. A decrease of 5% in the fair values of the quoted securities would affect profit and equity of the Company in a similar but opposite manner.

	Fair vlaue	Price change	Effect on fair value
December 31, 2009	**177,114,846**	**+5%**	**8,855,742**
		-5%	**(8,855,742)**
December 31, 2008	**106,621,261**	**+5%**	**5,331,063**
		-5%	**(5,331,063)**

28.2 Liquidity Risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarizes the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2009				2008			
FANACIAL LIABILITIES	**Carrying amount**	**Contracted cash flows**	**Upto one year**	**More than one year**	**Carrying amount**	**Contracted cash flows**	**Upto one year**	**More than one year**
				Rupees				
Provision for outstanding claims	165,695,329	165,695,329	165,695,329	-	169,724,895	169,724,895	-	169,724,895
Amounts due to other insurers / reinsurers	32,985,232	32,985,232	32,985,232	-	26,522,481	26,522,481	-	26,522,481
Accrued expenses	8,577,744	8,577,744	8,577,744	-	2,772,342	2,772,342	-	2,772,342
agent balances	20,625,153	20,625,153	20,625,153	-	10,937,198	10,937,198	-	10,937,198
other creditors and accruals	13,823,151	13,823,151	13,823,151	-	16,978,751	16,978,751	-	16,978,751
Obligation under finance lease	2,134,803	2,487,709	1,344,672	1,143,037	3,031,837	3,824,266	1,344,672	2,479,594
Unclaimed dividend	398,934	398,934	398,934	-	398,934	398,934	-	398,934
	244,240,346	**244,593,252**	**243,450,215**	**1,143,037**	**230,366,438**	**231,158,867**	**1,344,672**	**229,814,195**

28.3 Credit Risk

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

28.3.1 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties have a similar type of business activities. As a result any change in economic, political or other conditions would affect their ability to meet contractual obligations in a similar manner. The Company manages concentration of credit risk through diversification of activities among individuals, groups and industry segment.

The Company is exposed to major credit risk on bank balances and deposits, Term Finance Certificates, premiums receivable from customers and co-insurers; and on commission and claim recoveries from re-insurers.

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

	Note	**2009**	2008
		Rupees	
Bank deposits	11	**132,556,696,**	166,789,157
Investments	13	**4,569,756**	5,287,000
Premiums due but unpaid	15	**134,056,255**	114,417,478
Amounts due from others insurers / reinurers	16	**29,315,217**	37,776,179
Accrued investment income	17	**200,667**	1,806,221
Reinsurance recoveries against outstanding claims		**72,691,102**	56,607,780
Sundry receivables	19	**169,693**	8,786,134
		373,559,386	391,469,949

The Company did not hold any collateral against the above during the year.

The age analysis of receivables is as follows:

Upto 1 year	**157,480,583**	147,409,992
1 -2 years	**3,253,931**	4,115,535
2 - 3 years	**2,210,106**	119,523
Over 3 years	**426,852**	548,607
	163,371,472	152,193,657

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

Bank	Rating	Rating agency	2009	2008
			---------- Rupees	----------
Standard Chartered Bank Pakistan Limited	AAA	PACRA	**1,013,032**	456,102
Allied Bank Limited	AA	PACRA	**170,878**	585,537
Bank AI-Falah Limited	AA	PACRA	**3,492,697**	2,740,176
NIB Bank Limited	AA-	PACRA	**549,503**	156,231
Silk Bank Limited	A-	JCR-VIS	**2,264,029**	2,011,710
MCB Bank Limited	AA+	PACRA	**492,574**	67,618,909
Royal Bank of Scotland	AA	PACRA	**18,440,011**	45,085,187
Bank Al-Habib Limited	AA+	PACRA	**306,617**	987,382
SAMBA Bank Limited	A	JCR-VIS	**304,267**	10,306,443
HSBC Bank Middle East Limited	AAA+	MOODY'S	**1,586,840**	10,092,213
JS Bank Limited	A	PACRA	**103,936,248**	512,742
Faysal Bank Limited	AA	PACRA	**-**	15,000,000
Dubai Islamic Bank Pakistan Limited	A	JCR-VIS	**-**	70
Oman International Bank SAOG	BBB	JCR-VIS	**-**	249,625
First Dawood Investment Bank Limited	BB	PACRA	**-**	10,973,019
Bank Islami Pakistan Limited	A	PACRA	**-**	49
Industrial Development Bank of Pakistan			**-**	13,762
			132,556,696	166,789,157

The credit quality of Company's exposure in TFC's can be assessed as follows:

	Rating	2009	2008
		---------- Rupees	----------
Standard Chartered Bank Pakistan Limited	AA	**3,496,000**	4,742,000
Al-Zamin Leasing Corporation Limited	A-	**545,000**	545,000
		4,041,000	5,287,000

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 15.

The credit quality of premium receivable from co-insurer, and for commission and claim recoveries from reinsurer can be assessed from external ratings disclosed in note 30.

29. INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes. For health insurance contracts, significant risks arise from epidemics.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Geographical concentration of insurance risk

To optimize benefits from the principle of average and law of large 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.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial/industrial/residential occupation of the insured. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/ reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by lAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system/application through which a number of MIS reports can be generated to assess the concentration of risk.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area.. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement.

Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements, stop loss and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions. As the motor reinsurance arrangements are on excess of loss basis, therefore the reinsurance coverage against Company's risk exposures on motor business is not quantifiable.

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

Class	2009	2008	2009	2008	2009	2008
	Gross sum insured		Reinsurance		Net	
	---------- Rupees ----------					
Fire and property damage	**65,714,251,510**	62,662,294,885	**37,975,418,761**	27,428,114,907	**27,738,832,749**	**35,234,179,978**
Marine and transport	**14,486,784,049**	25,786,860,491	**9,240,096,461**	16,873,472,654	**5,246,687,588**	**8,913,387,837**
Aviation	**2,103,000,000**	1,336,000,000	**2,084,120,000**	1,288,890,000	**18,880,000**	**47,110,000**
Miscellenacous	**17,549,658,234**	15,861,167,978	**8,836,824,512**	10,926,165,056	**8,712,833,722**	**4,935,002,922**
	99,853,693,793	105,646,323,354	**58,136,459,734**	56,516,642,617	**41,717,234,059**	**49,129,680,737**

Uncertainity in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company follows the recommendation of actuary to apply month wise factor based on analysis of the past claim reporting pattern. For this purpose, the claim chain-ladder method is used for each class of business. The month wise factor is applied on claims incurred to determine the amount of IBNR.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for IBNR is based on historic reporting pattern of the claims; hence, actual amount of IBNR may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future.

The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net off reinsurance loss rations for each class of business is as follows:

Class	**2009**	**2008**
	Assumed Net Loss Ratio	
Fire and property	**26%**	**23%**
Marine, aviation and transport	**21%**	**21%**
Motor	**86%**	**86%**
Miscellaneous	**86%**	**82%**

Sensitivities

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, some results of sensitiviy testing are set out below, showing an impact on profit before tax net of reinsurance:

	Pre tax profits		**Shareholders' equity**	
	2009	**2008**	**2009**	**2008**
	------------ **Rupees** ------------			
10% increase in loss	**(885,686)**	(722,367)	**(575,696)**	(469,539)
Fire and property damage	**(336,143)**	(59,398)	**(218,493)**	(38,609)
Marine, aviation and transport	**(19,822,588)**	(27,396,725)	**(12,884,682)**	(17,807,871)
Motor	**(5,755,328)**	(5,204,700)	**(3,740,963)**	(3,383,055)
Miscellenacous				
	(26,799,744)	(33,383,190)	**(17,419,834)**	(21,699,074)
10% descrease in loss	**885,686**	722,367	**575,696**	469,539
Fire and property damage	**336,143**	59,398	**218,493**	38,609
Marine, aviation and transport	**19,822,588**	27,396,725	**12,884,682**	17,807,871
Motor	**5,755,328**	5,204,700	**3,740,963**	3,383,055
Miscellenacous				
	26,799,744	33,383,190	**17,419,834**	21,699,074

Claim development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year

30 REINSURANCE RISK

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

An analysis of all reinsurance assets recognised by the rating of the entity from which it is due are as follows:

Rating	Amount Due from other insurers/ reinsurers	Reinsurance recoveries outstanding claims	Other reinsurance assets	2009	2008
			Rupees		
A or above including Pakistan Reinsurance Company Limited	**19,981,822**	**68,089,188**	**60,534,539**	**148,605,549**	**116,723,403**
BBB	**9,321,019**	**4,601,914**	**4,425,398**	**18,348,331**	**40,327,351**
Others	**12,376**	**-**	**-**	**12,376**	**18,039**
	29,315,217	**72,691,102**	**64,959,937**	**166,966,256**	**157,068,793**

31. CAPITAL RISK 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 to the shareholders and benefits to 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.

In accordance with Circular no. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid-up capital requirement to be complied with by Insurance Companies at the end of each year is as follows:

	2008	**2009**	**2010**	**2011**
	Rupees			
Minimum paid up capital	160,000,000	200,000,000	250,000,000	300,000,000

The Company currently meets the externally imposed capital limit.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transactions. Consequently, difference may arise between the carrying values and the fair value estimates.

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for the following investments:

	Carrying Value		Market Value	
	2009	2008	**2009**	2008
	------------------------ **Rupees** ------------------------			
Available-for-sale Investments				
- equity shares	**30,871,256**	143,105,884	**30,664,036**	80,483,991
(Based on the rates quoted at the stock exchanges)				
- mutual funds	**23,558,033**	27,514,562	**23,897,642**	20,668,663
(Based on the quoted redemption rates)				
Held-to-maturity investments				
- term finance certificates	**4,041,000**	5,287,000	**4,032,456**	5,468,607

(Based on the average of rates quoted by MUFAP as per circular No. 1 dated January 06, 2009)

33. TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with its employee provident fund, key management personnel, entities indicated in note 5 to the financial statements and companies with common directors.

Transactions with related parties during the year and balances with them as at the year-end are as follows:

Transactions and balances with associated companies	**2009**	2008
	------------- **Rupees** -------------	
Insurance premium		
Balance at beginning of the year	**59,410,379**	40,693,937
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)	**124,003,938**	153,440,270
Received / Adjusted during the year	**(109,703,566)**	(134,723,828)
Balance at end of the year	**73,710,751**	59,410,379
Insurance claim expense		
Outstanding claims at beginning of the year	**16,159,935**	12,309,605
Gross claim expense for the year	**71,071,160**	64,377,853
Claim paid during the year	**(71,062,158)**	(60,527,523)
Outstanding claims at end of the year	**16,168,937**	16,159,935

	Notes	2009	2008
Other transactions for the year with associated companies		**Rupees**	
Rental income		**1,234,560**	1,234,560
Rental expense		**2,858,536**	2,874,216
Brokerage, commission and advisory expenses	13.8	**4,067,918**	6,080,731
Advertisement expenses		**2,176,850**	5,030,470
Other balances with associated companies			
Sundry receivables	19.2	**25,905**	8,438,670
Other creditors and accruals		**-**	-
Advisory fee payable	7	**2,016,927**	979,844
Prepaid rent	18.1	**2,299,968**	2,090,880
Advance for the purchase of an office premises in Lahore	20	**34,750,008**	28,668,756
Transactions during the year with other related parties (key management personnel)			
Contribution to the provident fund	33.1	**2,309,813**	2,376,586
Proceeds from sale of vehicle		**-**	-
Remuneration of key management personnel	33.2	**12,632,532**	12,436,980
Commission to key management personnel (agents)		**-**	17,359,815
Balances with other related parties (key management personnel)			
Commission payble to key management personnel (as agents)		**-**	589,628
Loan to key management personnel		**-**	320,835
Receivable from the provident fund	19	**143,788**	93,383
Commitment with associated companies			
Purchase of office premises from a related party		**-**	6,081,252

33.1 Contribution to the provident fund is in accordance with the Company's staff services rules.

33.2 Remuneration to the key management personnel are in accordance with the terms of their employment.

33.3 The commission is payable in accordance with the respective agency agreements (between 10% to 35% of gross premium).

33.4 Other transactions are at agreed terms.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on April 05, 2010

Chairman	Chief Executive Officer	Director	Chief Financial Officer

PATTERN OF SHARE HOLDING

HELD BY THE SHARE HOLDERS AS AT 31ST DECEMBER, 2009

No. of Share Holders	………...Share Holding………... From	To	Total Shares Held
119	1	100	3,062
120	101	500	25,265
77	501	1000	49,993
118	1001	5000	190,429
10	5001	10000	71,401
2	10001	15000	24,998
2	20001	25000	46,249
1	25001	30000	26,245
1	40001	45000	42,514
1	110001	115000	114,285
1	240001	245000	241,236
1	270001	275000	273,516
1	565001	570000	569,842
1	1535001	1540000	1,536,963
1	1595001	1600000	1,600,000
1	2235001	2240000	2,239,785
1	2495001	2500000	2,500,000
1	4095001	4100000	4,098,921
1	6345001	6350000	6,345,296
460			20,000,000

CATEGORIES OF SHARE HOLDERS AS REQUIRED UNDER C.C.G

AS ON 31ST DECEMBER, 2009

Name	Holding	% AGE
Associated Companies	19,164,323	95.8216
Directors, CEO their Spouse & Minor Children	6,709	0.0335
Insurance Companies	6,345,296	31.7265
Share Held by the General Public	685,646	3.4282
Share Holders Holding 10% or more of Total Capital	15,184,002	75.9200
Joint Stock Companies	5,761,306	28.8065

PROXY FORM

I / We ______________________________ of ______________________________

being a

Member(s) of Shaheen Insurance Company Limited, and holders of ______________________________

Ordinary shares as per Registered Folio No. ______________________________ and / or CDC

Participant I.D. No. ______________________ and Sub Account No. ______________________ do

Hereby appoint ______________________________ of ______________________________ or

Failing him/her ______________________________ of ______________________________

who is also a member of the Company vide Registered Folio No. ______________________________ to

attend and vote for me / us and on my / our behalf at the 15th Annual General Meeting of the Company to be held at Beach Luxury Hotel, M.T. Khan Road, Karachi on April 30, 2010 at 9:00 A.M. and at any adjournment thereof

Signed by :

____

Witness :

____

Date :

Affix Revenue Stamp

Note: ______________________________

1. A member entitled to attend and vote at the meeting may appoint in writing another member as his / her proxy to attend and vote instead of him / her at the meeting. If the member is a corporation, its common seal should be affixed on the instrument.

2. This form of proxy in order to be effective, must be deposited duly completed, at 10th Floor Shaheen Complex M.R. Kayani Road, Karachi not less than 48 hours before the time of holding of the meeting.

3. CDC shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

4. A proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.