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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**

Shaharyar Akbar

### **CHIEF FINANCIAL OFFICER**

Asif Suleman

### **COMPANY SECRETARY**

Asif Suleman

### **AUDITORS**

Anjum Asim Shahid Rahman  
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.

## DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to announce the results of your Company for the nine months ended on September 30, 2009.

The Results are summarized below:

	All Figures Rs. in '000'			
	September 2009	September 2008	% Age	December 2008
Gross Premium Written	530,737	587,848	(9.72)	701,245
Net Premium Revenue	391,795	439,219	(10.80)	575,732
Net Claims	213,739	269,913	(20.81)	333,832
Underwriting Profits	57,785	40,267	43.50	66,392
Investment Income	36,528	(74,071)	149.31	(64,649)
Profit Before Tax	50,693	(82,238)	161.64	(63,847)
Profit After Tax	48,734	(82,520)	159.06	(71,753)
Earning Per Share	2.78	(4.72)	159.06	(4.10)

Pakistani economy is showing signs of recovery of late. However, interest rates and inflation are still in double digits and higher costs of consumer financing are discouraging new consumer products. Your Company is also facing decline in motor premiums which on one hand are helping in achieving better portfolio mix and on the other hand putting pressure on gross premiums underwritten by the Company. During the period under review motor portfolio of your Company registered a decrease of 19.62% as compared to the corresponding period. We foresee motor business to remain under pressure unless discount rates are in single digits and financial institutions starting consumer financing actively.

Your Company's underwriting profitability has increased by 43.5% as compared to corresponding period due to better portfolio mix and lower risk retentions by the Company. This growth in underwriting results was further supplemented by investment results in current period. Overall income from investments showed a net gain position of Rs. 36.528 million in current period as compared to a loss of Rs. 74.071 million in corresponding period, thereby, registering a substantial increase of Rs. 110.599 million that is 1.49 times.

In accordance with circular 3 dated February 16, 2009 issued by the SECP your company treated fall in the market values of its available for sale investments as at December 31, 2008 as temporary. Consequently, entire such amount of Rs. 69.467 million was to be recognized during 2009. The Company has recorded full impairment on equities amounting to Rs. 68.138 million on first day of the current quarter that is July 1, 2009 and decreased book value of the securities resultantly. However, fall in value of open ended mutual funds amounting to Rs. 1.348 million as at December 31, 2008 has not been recorded as no more required due to increase in market value above book value.

Due to gains from investment portfolio profit before tax and profit after tax have registered a substantial increase of 1.61 times and 1.59 times respectively as compared to corresponding period.

Our progress is the result of constructive contribution made by our dedicated officers and staff members, our field force and of the cooperation and understanding extended towards us by our Reinsurers, Securities and Exchange Commission of Pakistan, the State Bank of Pakistan and above all, by our satisfied clients.

*M. Ikram - M. Bhatti*

**M. Ikramullah Bhatti**

**Air Vice Marshal R.**

**Chairman**

**Dated: October 29, 2009**

**Condensed Interim Balance Sheet  
As at September 30, 2009**

Note	Un-audited 30-Sep-2009	Audited 31-Dec-2008
	(Rupees)	
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised share capital 20,000,000 (December 31, 2008 : 20,000,000) ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up share capital 17,500,000 (December 31, 2008 : 17,500,000) ordinary shares of Rs. 10 each	175,000,000	175,000,000
Retained earnings	61,521,236	12,787,033
General reserve	<u>20,000,000</u>	<u>20,000,000</u>
<b>Total equity</b>	<b>256,521,236</b>	<b>207,787,033</b>
<b>UNDERWRITING PROVISIONS</b>		
Provision for outstanding claims (including IBNR)	179,969,616	169,724,895
Provision for unearned premium	301,980,793	284,139,520
Commission income unearned	19,505,854	14,962,415
<b>Total underwriting provisions</b>	<b>501,456,263</b>	<b>468,826,830</b>
<b>CREDITORS AND ACCRUALS</b>		
Premium received in advance	3,981,882	9,645,300
Amount due to the reinsurer	74,930,919	26,522,481
Accrued expenses	3,713,389	2,772,342
Agents balances	24,542,061	10,937,198
Taxation - provision less payments	-	7,425,944
Deferred gain on disposal of assets under sale and leaseback	640,599	915,126
Other creditors and accruals	<u>19,821,384</u>	<u>16,978,751</u>
	127,630,234	75,197,142
<b>BORROWINGS</b>		
Liabilities against assets subject to finance lease	2,382,645	3,031,837
<b>OTHER LIABILITIES</b>		
Unclaimed dividend	398,384	398,934
<b>Total liabilities</b>	<u>631,867,526</u>	<u>547,454,743</u>
<b>Total equity and liabilities</b>	<u><b>888,388,762</b></u>	<u><b>755,241,776</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>		

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The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

**Condensed Interim Balance Sheet - continued**  
**As at September 30, 2009**

	Note	Un-audited 30-Sep-2009	Audited 31-Dec-2008
<b>(Rupees)</b>			
<b>CASH AND BANK DEPOSITS</b>			
Cash and other equivalents		203,986	52,109
Current and saving accounts		75,987,897	129,685,234
Deposits maturing within 12 months		27,745,437	37,103,923
		103,937,320	166,841,266
<b>LOANS TO EMPLOYEES</b>			
- secured, considered good		1,681,003	1,406,306
<b>INVESTMENTS</b>			
	6	154,647,947	175,907,446
<b>INVESTMENT PROPERTIES</b>			
	7	5,223,682	5,626,744
<b>OTHER ASSETS - considered good</b>			
Balance receivable for securities purchased under resale agreements	8	79,350,000	-
Premium due but unpaid	9	220,895,160	114,417,478
Amounts due from other insurers / reinsurers		37,948,829	37,776,179
Accrued investment income		4,062,820	1,806,221
Reinsurance recoveries against outstanding claims		67,628,431	56,607,780
Taxation - payments less provisions		3,435,889	-
Deferred commission expense		58,591,547	63,372,721
Advances, deposits and prepayments		94,176,801	67,910,335
Other receivables		2,717,045	10,623,634
		568,806,522	352,514,348
<b>FIXED ASSETS - tangible</b>			
	10		
Furniture, fixtures and office equipments		5,528,121	6,851,015
Motor vehicles		13,814,159	17,425,895
Capital work in progress - Office premises	-	34,750,008	28,668,756
		54,092,288	52,945,666
<b>Total assets</b>		888,388,762	755,241,776

*M. Gnanam - maha .*

**Chairman**

*[Signature]*

**Chief Executive Officer**

*[Signature]*

**Director**

*[Signature]*

**Chief Financial Officer**

**Condensed Interim Profit and Loss Account (Unaudited)  
For the quarter and nine month period ended September 30, 2009**

	Quarter ended September 30,				(Rupees)	
					2009	2008
	Fire and property	Marine, aviation and transport	Motor	Others	Aggregate	Aggregate
<b>Revenue account</b>						
Net premium revenue	30,264,265	3,722,570	78,067,247	26,217,736	138,271,818	142,437,522
Net claims	(213,802)	(205,582)	(66,337,025)	(10,969,490)	(77,725,899)	(119,586,716)
Management expenses	(2,943,631)	(343,570)	(7,352,239)	(2,506,412)	(13,145,852)	(16,474,639)
Net commission	(7,981,362)	(496,805)	(6,734,845)	830,500	(14,382,512)	(26,525,252)
Net underwriting expenses	(10,924,993)	(840,375)	(14,087,084)	(1,675,912)	(27,528,364)	(42,999,891)
<b>Underwriting result</b>	<b>19,125,470</b>	<b>2,676,613</b>	<b>(2,356,862)</b>	<b>13,572,334</b>	<b>33,017,555</b>	<b>(20,149,085)</b>
Investment income					24,511,329	(60,886,571)
Rental income					458,097	408,195
Other income					199,185	73,533
General and administration expenses					(16,717,888)	(13,082,156)
					8,450,723	(73,486,999)
<b>Profit / (loss) before tax</b>					<b>41,468,278</b>	<b>(93,636,084)</b>
Provision for taxation - current					2,059,192	9,013,274
- prior year					-	-
					2,059,192	9,013,274
<b>Profit / (loss) after tax</b>					<b>43,527,470</b>	<b>(84,622,810)</b>
Earnings per share	12				2.49	(4.84)

**Condensed Interim Profit and Loss Account (Unaudited) - continued  
For the quarter and nine month period ended September 30, 2009**

	Nine month period ended September 30,				(Rupees)	
					2009	2008
	Fire and property	Marine, aviation and transport	Motor	Others	Aggregate	Aggregate
<b>Revenue account</b>						
Net premium revenue	74,553,492	12,294,598	232,992,947	71,953,675	391,794,712	439,219,442
Net claims	(4,348,064)	(2,279,416)	(165,187,000)	(41,924,159)	(213,738,639)	(269,913,215)
Management expenses	(7,897,503)	(1,302,375)	(24,681,105)	(7,622,103)	(41,503,086)	(44,608,079)
Net Commission	(32,699,263)	(3,134,309)	(35,173,663)	(7,760,274)	(78,767,509)	(84,431,038)
Net underwriting expenses	(40,596,766)	(4,436,684)	(59,854,768)	(15,382,377)	(120,270,595)	(129,039,117)
<b>Underwriting result</b>	<b>29,608,662</b>	<b>5,578,498</b>	<b>7,951,179</b>	<b>14,647,139</b>	<b>57,785,478</b>	<b>40,267,110</b>
Investment income					36,527,623	(74,071,307)
Rental income					1,788,724	1,224,585
Other income					579,640	1,159,108
General and administration expenses					(45,988,288)	(50,817,601)
					(7,092,301)	(122,505,215)
<b>Profit before tax</b>					<b>50,693,177</b>	<b>(82,238,105)</b>
Provision for taxation - current					(1,958,974)	(3,500,000)
- prior year					-	3,217,879
					(1,958,974)	(282,121)
<b>Profit after tax</b>					<b>48,734,203</b>	<b>(82,520,226)</b>
<b>Profit and loss appropriation account:</b>						
Balance at commencement of the period					12,787,033	84,540,069
Profit after tax for the period					48,734,203	(82,520,226)
<b>Balance of unappropriated profit at end of the period</b>					<b>61,521,236</b>	<b>2,019,843</b>
Earnings per share	12				2.78	(4.72)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



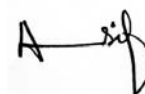
Chairman



Chief Executive Officer



Director



Chief Financial Officer

**Condensed Interim Statement of Changes in Equity (Unaudited)  
For the nine month period ended September 30, 2009**

(Rupees)

	Share capital	General reserve	Retained earnings	Total
Balance as at January 1, 2008	175,000,000	20,000,000	84,540,069	279,540,069
Profit for the nine month period ended September 30, 2008	-	-	(82,520,226)	(82,520,226)
<b>Balance as at September 30, 2008</b>	<b>175,000,000</b>	<b>20,000,000</b>	<b>2,019,843</b>	<b>197,019,843</b>
Profit for the three month period ended December 31, 2008	-	-	10,767,190	10,767,190
Balance as at January 1, 2009	175,000,000	20,000,000	12,787,033	207,787,033
Profit for the nine month period ended September 30, 2009	-	-	48,734,203	48,734,203
<b>Balance as at September 30, 2009</b>	<b>175,000,000</b>	<b>20,000,000</b>	<b>61,521,236</b>	<b>256,521,236</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Chief Financial Officer

**Condensed Interim Cash Flow Statement (Unaudited)  
For the nine month period ended September 30, 2009**

	Nine month period ended September 30, 2009	Nine month period ended September 30, 2008
	(Rupees)	
<b>OPERATING CASH FLOWS</b>		
<i>Underwriting activities</i>		
Premiums received	423,583,081	541,009,278
Reinsurance premium paid	(100,455,777)	(130,679,889)
Claims paid	(292,955,627)	(372,768,738)
Reinsurance and other recoveries received	78,441,058	93,512,346
Commissions paid	(85,408,952)	(105,645,572)
Commissions received	25,027,480	30,744,776
Net cash flow from underwriting activities	<u>48,231,263</u>	<u>56,172,201</u>
<i>Other operating activities</i>		
Income tax paid	(12,820,807)	(9,953,329)
General management expenses paid	(79,494,981)	(92,087,606)
Loans disbursement / repayments received (net)	(274,697)	(685,983)
Net cash flow (used in) other operating activities	(92,590,485)	(102,726,918)
<b>Total cash flow (used in) operating activities</b>	<u>(44,359,222)</u>	<u>(46,554,717)</u>
<b>INVESTMENT ACTIVITIES</b>		
Profit / Return received	9,953,115	20,556,776
Rentals received	2,042,805	1,224,585
Payments for investments	(56,479,326)	(88,856,907)
Proceeds from disposal of investments	33,254,236	(12,015,897)
Fixed capital expenditure	(6,307,050)	(20,912,859)
Proceeds from disposal of fixed assets	-	5,674,750
<b>Total cash flow (used in) investing activities</b>	<u>(17,536,220)</u>	<u>(94,329,552)</u>
<b>FINANCING ACTIVITIES</b>		
Financial charges paid	(359,321)	-
Lease payments	(649,183)	-
<b>Total cash flow (used in) financing activities</b>	<u>(1,008,504)</u>	<u>-</u>
<b>Net cash (used in) all activities</b>	<u>(62,903,946)</u>	<u>(140,884,269)</u>
Cash and cash equivalents at beginning of the period	166,841,266	235,860,565
<b>Cash and cash equivalents at end of the period</b>	<u>103,937,320</u>	<u>94,976,296</u>



**Condensed Interim Cash Flow Statement (Unaudited) - continued**  
**For the nine month period ended September 30, 2009**

	Nine month period ended September 30, 2009	Nine month period ended September 30, 2008
	(Rupees)	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(44,359,222)	(46,554,717)
Depreciation expense	(5,839,673)	(7,112,135)
Profit on disposal of fixed assets	-	1,085,575
Amortization of gain on assets under sale and lease back	91,563	-
Financial charges	(359,321)	-
Taxes paid	12,820,807	9,953,329
Increase in assets other than cash	134,596,572	74,646,257
(Increase) in other liabilities	(85,061,975)	(41,483,225)
Investment and other income	38,804,424	(72,773,189)
Provision for taxation	(1,958,974)	(282,121)
<b>Profit / (loss) after taxation</b>	<b>48,734,203</b>	<b>(82,520,226)</b>
<b>Cash and Cash Equivalents</b>		
Cash and others equivalents	203,986	26,840
Current and saving accounts	75,987,897	57,036,691
Deposit maturing within 12 months	27,745,437	37,912,765
	<b>103,937,320</b>	<b>94,976,296</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



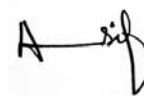
**Chairman**



**Chief Executive Officer**



**Director**



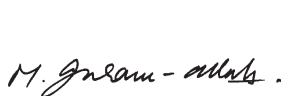
**Chief Financial Officer**

**Condensed Interim Statement of Premium (Unaudited)**  
**For the quarter and nine month period ended September 30, 2009**

	Quarter ended September 30,							(Rupees)		
								2009	2008	
	Premiums written	Unearned premium reserve		* Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium	Net premium
(A)	Opening	Closing	(D = A+B-C)	(E)	Opening	Closing	(H = E+F-G)	(I = D-H)		
<b>Business underwritten inside Pakistan</b>										
<b>Direct and facultative</b>										
Fire and property damage	31,152,532	85,221,315	70,790,904	45,582,943	18,192,313	36,097,633	38,971,268	15,318,678	<b>30,264,265</b>	22,772,225
Marine, aviation and transport	8,919,525	38,029,780	30,031,325	16,917,980	2,626,325	31,902,098	21,333,013	13,195,410	<b>3,722,570</b>	2,878,736
Motor	54,523,881	155,069,991	129,590,671	80,003,201	2,126,250	3,337,176	3,527,472	1,935,954	<b>78,067,247</b>	92,116,811
Others	24,915,041	83,856,963	71,567,893	37,204,111	2,707,350	34,722,308	26,443,283	10,986,375	<b>26,217,736</b>	24,669,750
<b>Grand total</b>	<b>119,510,979</b>	<b>362,178,049</b>	<b>301,980,793</b>	<b>179,708,235</b>	<b>25,652,238</b>	<b>106,059,215</b>	<b>90,275,036</b>	<b>41,436,417</b>	<b>138,271,818</b>	<b>142,437,522</b>
<b>Nine month period ended September 30,</b>										
<b>2009</b>										
<b>2008</b>										
	Premiums written	Unearned premium reserve		* Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium	Net premium
	(A)	Opening	Closing	(D = A+B-C)	(E)	Opening	Closing	(H = E+F-G)	(I = D-H)	
<b>Direct and facultative</b>										
Fire and property damage	128,774,699	61,596,032	70,790,904	119,579,827	58,301,483	25,696,120	38,971,268	45,026,335	<b>74,553,492</b>	66,447,735
Marine, aviation and transport	57,485,968	20,453,755	30,031,325	47,908,398	45,229,275	11,717,538	21,333,013	35,613,800	<b>12,294,598</b>	11,238,417
Motor	223,509,900	145,747,285	129,590,671	239,666,514	4,756,294	5,444,745	3,527,472	6,673,567	<b>232,992,947</b>	299,939,438
Others	120,966,781	56,342,448	71,567,893	105,741,336	40,404,513	19,826,431	26,443,283	33,787,661	<b>71,953,675</b>	61,593,852
<b>Grand total</b>	<b>530,737,348</b>	<b>284,139,520</b>	<b>301,980,793</b>	<b>512,896,075</b>	<b>148,691,565</b>	<b>62,684,834</b>	<b>90,275,036</b>	<b>121,101,363</b>	<b>391,794,712</b>	<b>439,219,442</b>

\* This includes 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 14 form an integral part of these condensed interim financial statements.



**Chairman**



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

**Condensed Interim Statement of Claims (Unaudited)**  
**For the quarter and nine month period ended September 30, 2009**

	Quarter ended September 30,							(Rupees)		
								2009	2008	
	Claims paid (A)	Outstanding claims		Claims expense (D = A-B+C)	Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H = E-F+G)	Net claims (I = D-H)	Net claims
	Opening (B)	Closing (C)			Opening (F)	Closing (G)				
<b>Business underwritten inside Pakistan</b>										
<b>Direct and facultative</b>										
Fire and property damage	11,414,763	12,403,031	13,186,114	12,197,846	10,339,813	7,912,868	9,557,099	11,984,044	213,802	2,650,031
Marine, aviation and transport	1,395,404	46,826,836	46,421,100	989,668	1,097,194	43,498,815	43,185,707	784,086	205,582	32,366
Motor	53,502,535	80,868,286	97,950,963	70,585,212	3,542,007	51,000	757,180	4,248,187	66,337,025	100,356,127
Others	28,427,215	21,819,924	22,411,439	29,018,730	16,283,979	12,363,184	14,128,445	18,049,240	10,969,490	16,548,192
<b>Grand total</b>	<b>94,739,917</b>	<b>161,918,077</b>	<b>179,969,616</b>	<b>112,791,456</b>	<b>31,262,993</b>	<b>63,825,867</b>	<b>67,628,431</b>	<b>35,065,557</b>	<b>77,725,899</b>	<b>119,586,716</b>
<b>Nine month period ended September 30,</b>										
<b>2009</b>										
<b>2008</b>										
	Claims paid (A)	Opening (B)	Closing (C)	Claims expense (D = A-B+C)	Reinsurance and other recoveries received (E)	Opening (F)	Closing (G)	Reinsurance and other recoveries revenue (H = E-F+G)	Net claims (I = D-H)	Net claims
<b>Direct and facultative</b>										
Fire and property damage	36,067,297	10,314,042	13,186,114	38,939,369	31,784,459	6,750,253	9,557,099	34,591,305	4,348,064	5,405,566
Marine, aviation and transport	4,259,142	46,192,534	46,421,100	4,487,708	3,587,388	44,564,803	43,185,707	2,208,292	2,279,416	1,024,807
Motor	187,587,124	101,272,874	97,950,963	184,265,213	18,474,908	153,875	757,180	19,078,213	165,187,000	222,974,424
Others	65,042,064	11,945,445	22,411,439	75,508,058	24,594,303	5,138,849	14,128,445	33,583,899	41,924,159	40,508,418
<b>Grand total</b>	<b>292,955,627</b>	<b>169,724,895</b>	<b>179,969,616</b>	<b>303,200,348</b>	<b>78,441,058</b>	<b>56,607,780</b>	<b>67,628,431</b>	<b>89,461,709</b>	<b>213,738,639</b>	<b>269,913,215</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

*M. G. Khan - ul-Haq*

**Chairman**

*[Signature]*

**Chief Executive Officer**

*[Signature]*

**Director**

*[Signature]*

**Chief Financial Officer**



**Condensed Interim Statement of Investment Income (Unaudited)**  
**For the quarter and nine month period ended September 30, 2009**

	Nine month ended 30-Sep-09	Nine month ended 30-Sep-08	Quarter ended 30-Sep-09	Quarter ended 30-Sep-08
	(Rupees in '000)			
<b>Income from trading investments</b>				
Capital gain on sale of held for trading investments	6,522,480	(11,181,013)	6,048,685	(25,781,054)
Dividend Income (earned while holding the securities)	1,012,580	5,875,477	1,012,580	402,655
	<u>7,535,060</u>	<u>(5,305,536)</u>	<u>7,061,265</u>	<u>(25,378,399)</u>
<b>Income from non-trading investments</b>				
<i>Held to Maturity</i>				
Return on government securities	-	140,003	-	-
Return on other fixed income securities and deposits	3,979,988	7,564,863	1,016,357	1,482,606
	<u>3,979,988</u>	<u>7,704,866</u>	<u>1,016,357</u>	<u>1,482,606</u>
<i>Available-for-sale</i>				
Dividend income	7,217,146	2,117,359	3,393,145	801,459
<b>Gain on sale of non-trading investments (available-for-sale)</b>	78,340,749	(1,749,730)	78,340,749	(2,518,700)
<b>Gain / (Loss) on revaluation of held for trading investments</b>	(53,416)	(77,753,112)	47,815	(37,544,549)
<b>Impairment of available for sale securities</b>	(68,138,336)	-	(68,138,336)	-
<b>Income from reverse repo transactions in listed equity securities</b>	9,607,350	6,167,171	3,612,612	2,296,742
<b>Investment related expenses</b>	(1,960,918)	(5,252,325)	(822,278)	(25,730)
<b>Net investment income</b>	<u>36,527,623</u>	<u>(74,071,307)</u>	<u>24,511,329</u>	<u>(60,886,571)</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



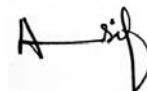
**Chairman**



**Chief Executive Officer**



**Director**



**Chief Financial Officer**

**Notes to the Condensed Interim Financial Statements (Unaudited)  
For the nine month period ended September 30, 2009**

**1. STATUS AND NATURE OF BUSINESS**

Shaheen Insurance Company Limited 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 STATEMENT OF COMPLIANCE**

These condensed interim financial statements i.e 'interim financial information' have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and the SECP (Insurance) Rules, 2002. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SECP (Insurance) Rules, 2002 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SECP (Insurance) Rules, 2002 or the requirements of the said directives shall prevail.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of International Accounting Standard 34 (IAS-34): "Interim Financial Reporting" and in accordance with the format prescribed under SECP (Insurance) Rules, 2002.

During the current period, International Accounting Standard 1 (Revised) 'Presentation of Financial Statements' (IAS 1) and International Financial Reporting Standard 4 'Insurance Contracts' (IFRS 4) became effective from January 1, 2009. The application of these standards has resulted in certain increased disclosures only. Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or to have any significant effect on the company, are not detailed in these condensed interim financial statements.

**3. BASIS OF PRESENTATION**

These condensed interim financial statements have been prepared under the historical cost convention except that held for trading investments are carried at fair value.

These condensed interim financial statements have been prepared under accrual basis of accounting except for cash flow information.

**4. ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the company for the year ended December 31, 2008.

#### 4.1 ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended December 31, 2008.

#### 5. CONTINGENCIES AND COMMITMENTS

##### CONTINGENCY

A show cause proceeding under section 5 of the Listed Companies (Substantial acquisition of voting shares and take overs) Ordinance 2002, was initiated by the Securities and Exchange Commission of Pakistan against certain parties including the company (for the acquisition of certain shares without due notices to the company whose shares were acquired). However, the company's management was of the view that it had acquired the shares in the capacity of a financier (under carry over transactions) and as such was not a member of the company. During the period, SECP vide its order dated April 09, 2009 decided the case in favor of the company.

##### COMMITMENTS

This represents payments made to a related party for the purchase of office premises in an under construction building in Lahore. The remaining commitments amounted to Rs. Nil (December 31, 2008: Rs. 6.081 million).

	<b>Un-audited 30-Sep-2009</b>	<b>Audited 31-Dec-2008</b>
	<b>(Rupees)</b>	
<b>6. INVESTMENTS</b>		
<b>Held to maturity</b>		
Certificates of Investment	515,313	-
Term Finance Certificates Market Value: {(as per the rates quoted by the Mutual Fund Association of Pakistan) Rs. 4.121 million (December 31, 2008 : Rs. 5.540 million)}	<u>4,040,990</u>	<u>5,287,000</u>
	<b>4,556,303</b>	<b>5,287,000</b>
<b>Held for trading - quoted ordinary shares</b>	<b>68,499,921</b>	<b>-</b>
<b>Available for sale</b>		
Investments in ordinary shares of listed companies	56,493,779	143,105,884
Mutual funds		
open-end funds Market value: Rs.24.618 million (December 31, 2008: Rs.24.66)	6.1 <span style="border: 1px solid black; padding: 2px;">24,025,716</span>	<span style="border: 1px solid black; padding: 2px;">20,437,106</span>
closed-end funds Market value : Rs.2.124 million (December 31, 2008: Rs. 5.86 million)	<u>1,072,228</u>	<u>7,077,456</u>
	<u>25,097,944</u>	<u>27,514,562</u>
	<u>154,647,947</u>	<u>175,907,446</u>

- 6.1 These include units having carrying value of Rs. 20.437 million (December 31, 2008: Rs. 20.437 million) held with the State Bank of Pakistan in accordance with the requirement of section 29 of the Insurance Ordinance, 2000.
- 6.2 The quoted market values as at December 31, 2008 of certain securities classified as "available for sale" were significantly below their cost.

In accordance with circular 3 dated February 16, 2009 issued by the SECP the company treated fall in the equity values as at December 31, 2008 as temporary. Consequently, entire of Rs. 69.467 million was to be recognised during 2009. The Company has recorded full impairment on equities amounting to Rs. 68.138 million on first day of the current quarter that is July 1, 2009 and decreased book value of the securities resultingly. However, fall in value of open ended mutual funds amounting to Rs. 1.348 million as at December 31, 2008 has not been recorded as no more required due to increase in market value above book value.

## 7. INVESTMENT PROPERTIES

These comprises shop and office premises (lease hold properties). Market value of these investment properties as per the valuation carried out by BFA (Private) Limited and MJ Surveyors (Private) limited as of February 23, 2009 and February 24, 2009 amounted to Rs. 53.20 million and Rs. 11.39 million respectively.

## 8. BALANCE RECEIVABLE FOR SECURITIES PURCHASED UNDER RESALE AGREEMENT

This represents company's lendings under reverse repurchase transactions through First Capital Equities Limited (a related broker) against listed securities purchased under resale obligations market value at September 30, 2009 was Rs. 80.50 million (December 31, 2008: Nil). These carry profit at the rate of 18% per annum (December 31, 2008: Nil). The amount was subsequently received by the company.

## 9. PREMIUMS DUE BUT UNPAID - unsecured

	<b>Un-audited Sep 30, 2009</b>	<b>Audited Dec 31, 2008</b>
	<b>(Rupees)</b>	
Considered good	220,895,160	114,417,478
Considered doubtful	13,742,644	13,742,644
	<u>234,637,804</u>	<u>128,160,122</u>
Provision against doubtful debts	<u>(13,742,644)</u>	<u>(13,742,644)</u>
	<u><u>220,895,160</u></u>	<u><u>114,417,478</u></u>



## 10. ADDITIONS AND DELETIONS IN FIXED ASSETS

Details of the cost of operating assets that have been acquired/disposed off during the nine month period ended September 30, 2009 are as follows:

	Nine month period ended 30 September 2009		Nine month period ended 30 September 2008	
	Additions (Rupees)	Disposals	Additions (Rupees)	Disposals
Furniture and fixtures	-	-	312,505	-
Motor vehicles	170,600	-	12,245,696	13,601,500
Office equipment	-	-	790,550	-
Computer equipment	55,198	-	1,081,378	-
	<u>225,798</u>	<u>-</u>	<u>14,430,129</u>	<u>13,601,500</u>

## 11. RELATED PARTY TRANSACTIONS

Related parties comprise the employees, provident fund, key management personnel, Shaheen Foundation - Pakistan Air Force, Central Non Public Fund - Pakistan Air Force, The Hollard Company Limited - South Africa, First Capital Securities Corporation Limited, World Call Telecom Limited and companies with common directors. Transactions with related parties during the period and balances with them as at period-end are as follows :

	Nine month period ended 30 September 2009		Quarter ended 30 September 2009	
	2009	2008	2009	2008
	----- Rupees -----			
<b><i>Transactions and balances with associated companies</i></b>				
Insurance premium	59,410,379	40,693,937	116,430,497	92,209,660
Balance at beginning of the period				
Gross insurance premium written (including administrative surcharge, government levies and policies stamps)	119,593,280	129,467,140	14,295,225	26,235,782
Received / Adjusted during the period	(52,719,597)	(66,147,595)	(4,441,660)	(14,431,960)
Balance at end of the period	<u>126,284,062</u>	<u>104,013,482</u>	<u>126,284,062</u>	<u>104,013,482</u>
Insurance claim expense				
Outstanding claims at beginning of the period	16,159,935	12,309,605	15,507,742	30,337,789
Gross claim expense for the period	54,573,328	69,850,768	23,637,041	23,412,870
Claim paid during the period	(52,025,567)	(53,711,167)	(20,437,087)	(25,301,453)
Outstanding claims at end of the period	<u>18,707,696</u>	<u>28,449,206</u>	<u>18,707,696</u>	<u>28,449,206</u>
<b><i>Other transactions for the period with associated companies</i></b>				
Rental income	<u>925,920</u>	<u>925,920</u>	<u>308,640</u>	<u>308,640</u>
Rental expense	<u>2,090,880</u>	<u>1,900,800</u>	<u>696,960</u>	<u>633,600</u>
Brokerage, commission and advisory expenses	<u>1,960,918</u>	<u>5,484,612</u>	<u>822,278</u>	<u>526,725</u>

**30-Sep-2009 31-Dec-2008**  
**(Rupees)**

***Other balances with associated companies***

Advance to broker	-	8,438,670	
Payable to broker	<u>444,241</u>	<u>-</u>	
Advisory fee payable	<u>2,315,896</u>	<u>979,844</u>	
Prepaid rent	<u>-</u>	<u>2,090,880</u>	
Advance for the purchase of an office premises in Lahore	<u>34,750,008</u>	<u>28,668,756</u>	

	<b>Nine month period</b>	<b>Quarter ended</b>	
	<b>ended 30 September</b>	<b>30 September</b>	
	<b>2009</b>	<b>2009</b>	<b>2008</b>
	2008		
	----- Rupees -----		

***Transactions for the period with other related parties***

Contribution to the provident fund	<u>1,706,147</u>	1,839,987	<u>566,337</u>	587,648
Remuneration of key management personnel	<u>9,337,653</u>	8,324,079	<u>3,135,471</u>	3,246,681
Commission to key management personnel	<u>20,187,442</u>	19,771,488	<u>3,590,396</u>	4,722,405

**30-Sep-2009 31-Dec-2008**  
**(Rupees)**

***Balances with other related parties***

Due to the provident fund	<u>233,258</u>	<u>-</u>	
Commission payable to key management personnel (as agents)	<u>318,940</u>	<u>589,628</u>	
Loan to key management personnel	<u>83,340</u>	<u>320,835</u>	
Receivable from the provident fund	<u>-</u>	<u>93,383</u>	

***Commitment***

Purchase of office premises from a related party	<u>-</u>	<u>6,081,252</u>	
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- 11.1** Remuneration to the key management personnel are in accordance with the terms of their employment.
- 11.2** Contribution to the provident fund is in accordance with the Company's staff services rules.
- 11.3** The commission is payable in accordance with the respective agency agreements (between 10% to 35% of gross premium).
- 11.4** Other transactions are at agreed terms.

**12. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares as at the period end as follows:

	Nine month period ended 30 September		Quarter ended 30 September	
	2009	2008	2009	2008
	----- Rupees -----			
Profit / (Loss)after tax for the period	<u>48,734,203</u>	<u>(82,520,226)</u>	<u>43,527,470</u>	<u>(84,622,810)</u>
	Number of Shares			
Weighted average number of shares of Rs. 10 each	<u>17,500,000</u>	<u>17,500,000</u>	<u>17,500,000</u>	<u>17,500,000</u>
Earnings per share	<u>2.78</u>	<u>(4.72)</u>	<u>2.49</u>	<u>(4.84)</u>

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

**13. DATE OF AUTHORIZATION OF ISSUE**

These condensed interim financial statements have been authorized for issue in the board of directors meeting held on October 29, 2009.

**14. GENERAL**

The figures for the nine month period ended September 30, 2009 have been rounded of to the nearest rupees.



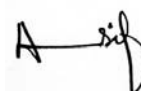
Chairman



Chief Executive Officer



Director



Chief Financial Officer