



CONTENTS

<i>Company information.....</i>	<i>02</i>
<i>Mission statement.....</i>	<i>05</i>
<i>Statement of Ethics & Business Practices.....</i>	<i>06</i>
<i>Notice of Annual General Meeting.....</i>	<i>07</i>
<i>Directors' Report to the Share Holders.....</i>	<i>08</i>
<i>Operational Results & Financial Strength.....</i>	<i>14</i>
<i>Statement of Compliance with the Code of Corporate of Governance.....</i>	<i>15</i>
<i>Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance.....</i>	<i>17</i>
<i>Auditors' Report to the members.....</i>	<i>18</i>
<i>Balance Sheet.....</i>	<i>20</i>
<i>Profit and Loss Account.....</i>	<i>22</i>
<i>Statement of Change in Equity.....</i>	<i>23</i>
<i>Statement of Cash Flows.....</i>	<i>24</i>
<i>Statement of Premium.....</i>	<i>26</i>
<i>Statement of Claims.....</i>	<i>27</i>
<i>Statement of Expenses.....</i>	<i>28</i>
<i>Statement of Investment Income.....</i>	<i>29</i>
<i>Notes to the Accounts.....</i>	<i>30</i>
<i>Pattern of Holding of share</i>	<i>52</i>
<i>Prox Form</i>	<i>Attached</i>



COMPANY INFORMATION

BOARD OF DIRECTORS

Air Vice Marshal (R) Syed Imtiaz Haider

Air Commodore (R) Tayyab N. Akhtar

Ahsan Hameed Malik

M. Naveed Tariq

Miles Louis Japhet

Robert Collings Hallier

Hamid Gulzar

CHIEF EXECUTIVE OFFICER

Shaharyar Akbar

CHIEF FINANCIAL OFFICER

Asif Suleman

COMPANY SECRETARY

Asif Suleman

AUDITORS

KPMG Taseer Hadi & Company

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 E- 74200
Tel. # 2630370-73, 2213950-51, Fax # 2626674
E - mail : sihifc@cyber.net.pk

Lahore

Branch Manager - Mr. Naveed Butt
14 Askari Villas, Main Shami Road Lahore Cantt.
Tel. # (042)6667008, 6675243, 6681107, 6689541, Fax. # (042) 6669819
E - mail : lhr_zone@shaheeninsurance.com

Karachi

Progressive Plaza Branch

Branch Manager - Mr. Sohel Najam Kidwai

605, Progressive Plaza, 7th Floor,
Beaumont Road, Near P.I.D.C
Tel. # (021) 5653041-2, (021) 5658251-2
Fax. # (021) 5653043
E - mail : ppb@shaheeninsurance.com

Hyderabad

Branch Manager - Syed Shaukat Ali

Upper 2nd Floor
H # 75, Soldier Bazar
Tel. # (0221) 720487, Fax. # (0021) 720489
E - mail : hyd@shaheeninsurance.com

Islamabad

Branch Manager - Mr. Khalid Sarwar

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

Madina City Mall Branch

Branch Manager - Mr. Saad Jafri
Office # 317, 3rd floor, Madina City Mall,
Abdullah Haroon Road, Karachi
Tel # (021)5651120-21, Fax # (021)5651122
E - mail : mcm@shaheeninsurance.com



Faisalabad

Branch Manager - Mr. Kashif Ghamza

2nd Floor, Sitara Towers, Bila Chowk
Civil Lines, Faisalabad
Tel. # (041)614112-621370, 630645,
630644, Fax. # (041) 631514
E - mail : fsd@shaheeninsurance.com

Peshawar

Branch Manager - Mr. Muhammad Shoaib Khan

6th Floor, State Life Building
34 - The Mall Peshawar Cantt.
Tel. # (091) 273122, Fax. # (091) 273106
E - mail : psw@shaheeninsurance.com

Mirpur Azad Kashmir

Branch Manager - Mr. Younis Malik

House No. 122, Sector F-2
Mirpur Azad Kashmir
Tel # (058610) 35823

Sialkot

Branch Manager - Mr. Mujahid Ali Khan

Opposite Grays of Cambridge
Shahab Pura, Sialkot
Tel. # (0432) 550131,(0432) 252322
Fax. # (0432) 257412
E - mail : sil@shaheeninsurance.com

Multan

Contact person - Mr. Arshad Mehmood Khan

Khawaja Centre, 1st Floor,
Muhammad Arcade L.M.Q Road, Multan.
Tel # (061) 750001-5, Fax # (061) 750004
E - mail : mul@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 science 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 Policyholders is supreme. We shall endeavour our utmost to render the best possible service to our clients and shall give them no cause for complaint relating to claims settlement or otherwise.

The reinsurers provide underwriting capacity to the Company, therefore 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 11th Annual General Meeting of Shaheen Insurance Company Limited will be held on Saturday, April 29, 2006 at the Registered Office of the Company at 10th Floor, Shaheen Complex, M.R.Kayani Road, Karachi at 10.00 a.m. to transact the following;

Ordinary Business

1. To confirm the minutes of the 10th Annual General Meeting of the members.
2. To receive, consider and adopt the Annual Audited Accounts for the year ended December 31, 2005 together with the Directors' and Auditors report thereon.
3. To appoint auditors for the year ended December 31, 2006 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By the Order of Board

Asif Suleman
Company Secretary
Karachi, April 08, 2006

Notes;

1. The share transfer Books of the Company will remain close from April 22, 2006 to April 29, 2006 (both days inclusive). Shareholders are requested to intimate any change in their addresses immediately.
2. CDC share holders are requested to bring their original National Identity Cards, Account, Sub-Account number and participant number in Central Depository 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.



DIRECTORS REPORT

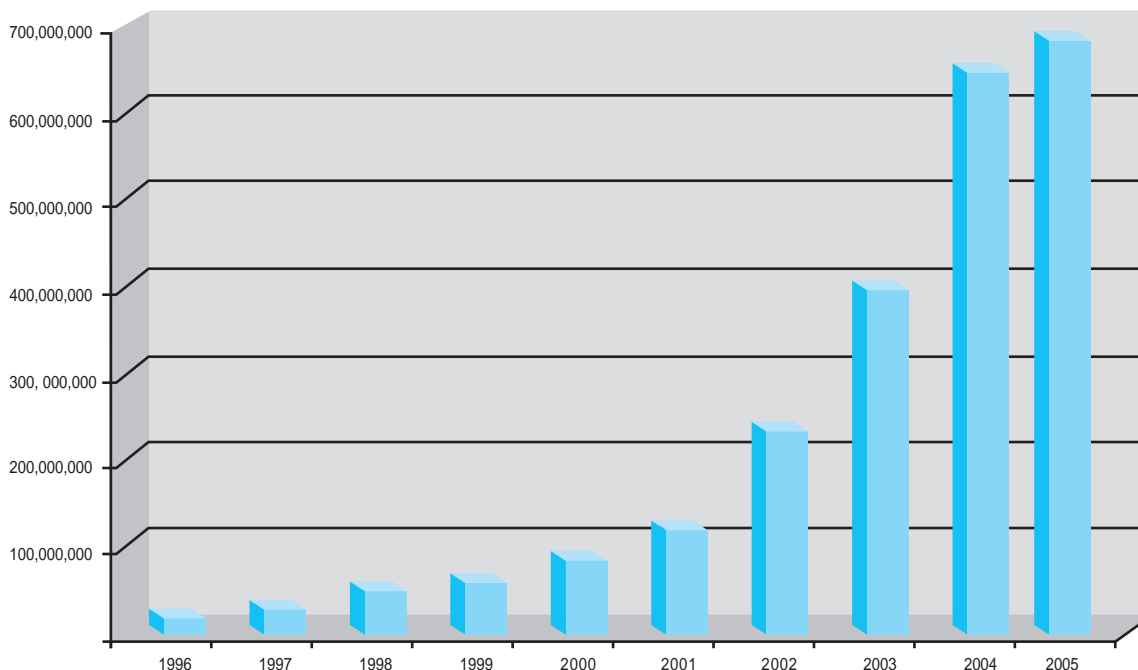
The Directors of your Company take pleasure in presenting to you the 11th Annual Report along with the audited financial statements for the year ended December 31, 2005.

COMPANY'S PERFORMANCE

We are proud to declare that your Company has earned record profits during the year 2005. Our pre tax and after tax profits of Rs. 57.8 million and Rs. 55.4 million respectively are the highest by far in the history of your Company. Only in its 10th year of its operations your Company has increased equity to Rs. 168.4 million. At the last year ended December 31, 2004, your Company was ranked 4th in Pakistan on the basis of gross premium.

Our total portfolio has become a lot more balanced than it was only a year ago. Our non motor businesses showed a remarkable growth of Rs. 70.1 million that is 52 % from Rs. 134.0 million in year 2004 to to Rs. 204.1 million in 2005. Whereas, motor business decreased by 8 % from Rs. 507.2 million in 2004 to Rs. 466.5 million in 2005. Our motor business stands at 69.5 % of gross written premium as compared to 79.1 % in year 2004.

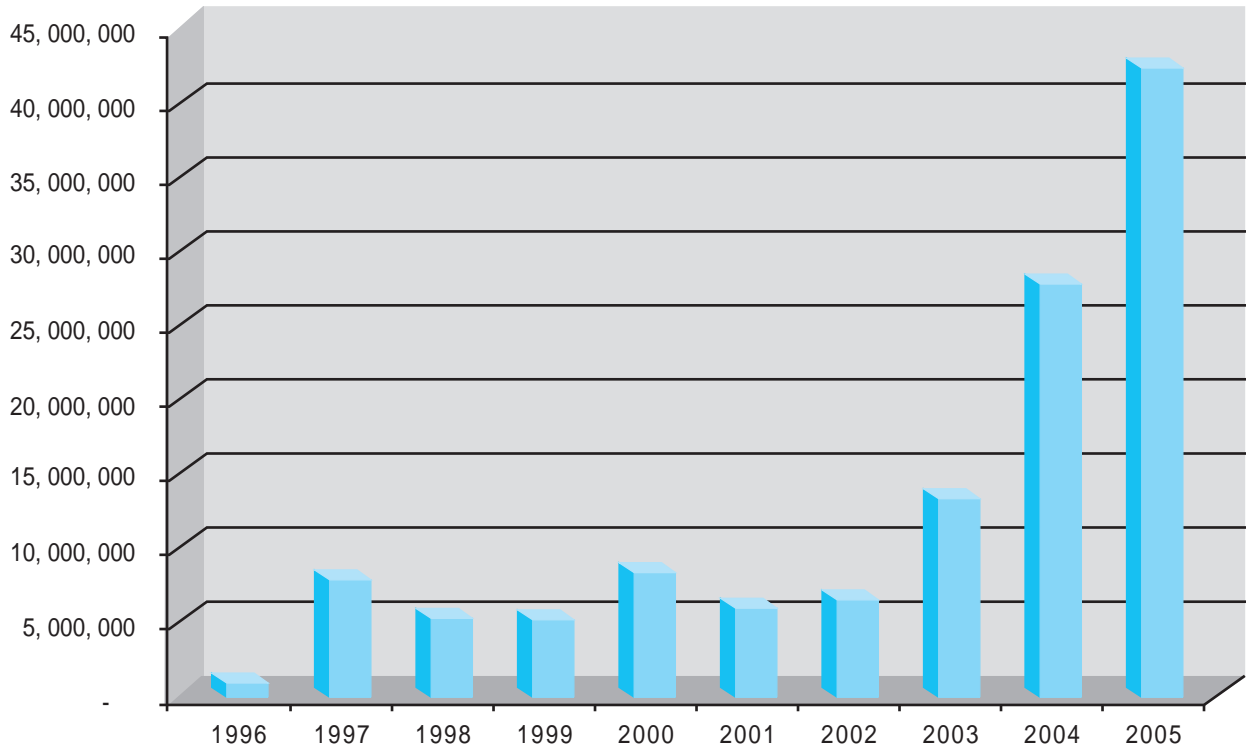
Gross Premium Written



Our net profit after tax for the year 2005 is truly reflective of the sustained all round efforts over the last few years to maintain profitable growth. Our after tax profits have increased by 3.5 times to Rs. 55.4 million as compared to Rs. 11.8 million in the preceding year. This increase in profitability is mainly attributable to better claim management and an increase in investment income.



Investment Income



CAPITAL GAINS

The stock exchanges of the country maintained the trend of remarkable increase in value over the past few years. The Karachi Stock Exchange 100 Index stood at 9556 points on December 31, 2005 as compared to 6218 points on same day last year. During the year our Company employed the services of a professional investor advisor company for equity and money market investments to ensure your company participated in this growth. This resulted in an increase of 1.72 times in earnings from the equity market from Rs. 15.6 million in 2004 to Rs. 42.6 million in the current year. Unrealized gains from investment property stands at Rs. 42.9 million as against Rs. 24.2 million at the last yearend. .

INVESTMENT POLICY

During the last financial year, the Company classified its equity portfolio and mutual funds into two portfolios. The first portfolio being classified as “held for trading” which is valued at fair value and the second classified as “available for sale” which is valued in terms of the Securities and Exchange Commission of Pakistan (Insurance) Rules, 2002 at the lower of cost or market value. Accordingly, management created a provision of Rs. 3.5 million against impairment of securities where market value of certain securities did not exceeded their cost for the entire year.

The book value of Company’s investments in stocks/shares and mutual funds aggregated to Rs. 134.1 million as compared to its market value of Rs. 142.4 million resulting in an unrealized gain of Rs. 4.6 million net of tax.



DIVIDEND PAYMENT TO THE SHAREHOLDERS

The growth of your company has increased the need to retain capital in the business. Therefore, in the circumstances your directors have decided not to recommend payment of a cash dividend. However, Bonus shares in the ratio of one share for every four shares held (25%) is recommended by the Board for your approval.

EARNING PER SHARE

Basic and Diluted Earning per Share of the Company for the year ended December 31, 2005 is Rs. 6.92

INVESTMENT PROPERTIES

The Auditors at the end of their report have drawn attention to investment properties costing Rs. 9.555 Million which is in the name of our Ex-CEO of the Company. The said properties were purchased in Defence Housing Islamabad (DHI) with an aim of disposing off at good prices. The Company will sell these properties during the current year.

CONTRIBUTORY PROVIDENT FUND

The investments of Employees' Provident Fund as at December 31, 2005 are Rs.1.082 million. These investments are in Term Finance Certificates and the return ranges from 8.45% to 9.5% p.a. which is distributed bi annually.

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 described in the financial statement.

AUDIT COMMITTEE

The Audit committee of the Company comprises the following members:

1. Air Vice Marshall R. Syed Imtiaz Hyder (Chairman)
2. Mr. Hamid Gulzar (Member)
3. Mr. Naveed Tariq (Member)

KEY OPERATIONAL AND FINANCIAL DATA

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



	2005	2004	2003	2002	2001	2000	1999
Reserve and earning	168.353	112.966	101.10	92.45	86.04	60.72	51.35
Investment Income	44.640	20.737	12.62	6.83	5.34	7.57	4.98
Gross Premium written	670.609	641.164	395.30	231.50	117.25	82.56	57.00
Net Premium Revenue	527.103	376.765	276.65	128.40	75.62	54.12	33.93
Net Claims	353.150	270.939	126.82	59.89	36.84	21.68	10.03
Profit after Tax	55.387	11.870	20.65	16.409	5.324	9.366	7.358
Dividend declared -cash	-	-	15%	12.5%	-	-	-
Dividend declared -bonus	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.
- 3) The Company has consistently followed appropriate accounting policies in preparation of the financial statements. Changes wherever made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgment.
- 4) Financial statements have been prepared by the Company in accordance with International Accounting Standards as applicable in Pakistan. Although IAS 39 requires all companies to record marketable securities classified as available for sale subsequent to initial recognition at market value your Company has not done so in view of the exemption since obtained by the insurance companies from SECP.
- 5) The Company has implemented a sound system of internal control. However, such a system is designed to provide reasonable but not absolute assurance against material misstatements or loss.
- 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.



BOARD OF DIRECTORS

On June 22, 2005 All seven members of the Board of Directors completed their term in office and election of directors was held on June 22, 2005. The retiring seven directors consented to act as directors were all elected unopposed.

Following are the name of directors retired and re-elected on June 23, 2005:

1. Air Vice Marshall R. Syed Imtiaz Hyder
2. Hamid Gulzar
3. Air Commodore R. Tayyab N. Akhtar
4. Shaan Taseer
5. Naveed Tariq
6. Robert Collings Hallier
7. Miles Louis Japhet

On December 31, 2005 Mr. Shaan Taseer resigned from the Board of Directors and the Board appointed Mr. Ahsan Hamid Malik to fill the casual vacancy on the same day.

On behalf of the Company we would like to place on record our gratitude and thank Mr. Shaan Taseer for his services to the Company and wish him luck in his future endeavors.

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

S.No	Name of Director	No. of meetings held during the tenure	No. of meetings attended
1	Air Vice Marshall R. Syed Imtiaz Hyder	6	6
2	Hamid Gulzar	6	6
3	Tayyab Naeem Akhtar	6	6
4	Ahsan Hamid Malik	0	0
5	Shaan Taseer	6	6
6	Robert Collings Hallier	6	6
7	Miles Louis Japhet	6	6
8	Mohammad Naveed Tariq	6	6

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

Macro economic indicators of the country are showing constant improvements year on year. Pakistan is expected to achieve Gross Domestic Product growth of 7% for the fiscal year despite the earthquake which shook the whole nation in October 2005. Our export products are performing better and better. Stock markets and real estate markets are moving upwards at an exceptional pace. Foreign investment is flowing in and the balance of Special Rupee Convertible Account is at the highest mark of US\$ 400 million at the end of December 2005. Privatization of state owned entities are moving ahead. Overall economic environment of the country looks to be very positive. Despite all this, the insurance with the exception of Motor business is not growing rapidly. Motor business is still increasing steadily. As a result of the increase in imported vehicles, sales of motor vehicles in 2005 were even higher than the previous year. All these factors have made the market highly competitive.

As you all are aware our Company is relatively new in the market as compared to our competitors. Insurance Companies historically takes time to build their reputation in the market and fetch business. However, we are confident the Company will continue to grow profitably and will provide a valuable service to the policyholders.

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 reinsurers and London market brokers for their valued support to us.

With profound grief we would like to state that during the year under review two of our technical advisors Mr. Munir Ahmad and Mr. Jamal Hashmi, both highly respected and experienced in insurance sector in Pakistan passed away. We are thankful to them for their valuable services in the early years of the Company. We also like to condole the families of all those who lost their lives in the October earthquake in the northern areas of our country.

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 2005.

For and on behalf of the Board

Syed Imtiaz Hyder
Air Vice Marshal (Retd.)
Chairman

Dated : March 29, 2006
Karachi.



OPERATIONAL RESULTS AND FINANCIAL STRENGTH

From 1996 to 2005

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
	(In Thousand of Rupees)									
1 Gross Direct Premium	670,609.00	641,164.00	395,302	231,500	117,254	82,561	57,000	46,240	26,800	14,496
<i>Increase %</i>	4.59	62.20	70.76	97.43	42.02	44.84	23.27	72.54	84.88	
2 Net Premium	527,103.00	376,765.00	276,649	128,396	75,624	54,121	33,931	24,913	10,643	5,979
<i>Increase %</i>	39.90	36.19	115.47	69.78	39.73	59.50	36.20	134.08	78.01	
<i>% to 11</i>	658.88	470.96	345.81	160.50	94.53	90.20	56.55	41.52	17.74	9.97
3 Claims Incurred	353,150.00	273,807.00	126,816	59,891	36,836	21,678	10,034	9,979	4,415	634
<i>% to 2</i>	67.00	72.67	45.84	46.65	48.71	40.05	29.57	40.06	41.48	10.60
4 Commission	69,613.00	33,430.00	12,523	2,552	2,067	2,411	(854)	798	(2,343)	(523)
<i>% to 2</i>	13.21	8.87	4.53	1.99	2.73	4.45	(2.52)	3.20	(22.01)	(8.75)
5 Management Expenses	49,623.00	49,093.00	23,741	17,509	9,237	8,889	8,950	8,965	7,459	3,375
<i>% to 1</i>	7.40	7.66	6.01	7.56	7.88	10.77	15.70	19.39	27.83	23.28
<i>% to 2</i>	9.41	13.03	8.58	13.64	12.21	16.42	26.38	35.99	70.08	56.45
6 Interest & Dividend Income	44,640.00	26,851.00	12,623	6,832	5,335	7,569	4,984	4,857	7,486	4,364
<i>% to 21</i>	13.62	10.84	7.80	6.40	7.04	10.59	8.69	9.39	14.64	5.67
7 Other Income	129.00	10,728.00	2,629	1,115	1,134	2,334	1,801	157	(5)	
8 Provision for Taxation	2,464.00	5,456.00	11,135	6,580	4,268	1,113	493	-	-	-
9 Profit/(Loss) before Tax	57,852.00	17,326.00	31,780	22,989	9,592	10,479	7,851	(11,453)	(3,502)	(1,119)
10 Profit/(Loss) after Tax	55,388.00	11,870.00	20,645	16,409	5,324	9,366	7,358	(11,453)	(3,502)	(1,191)
<i>% to 2</i>	10.51	3.15	7.46	12.78	7.04	17.31	21.69	(45.97)	(32.90)	(19.92)
11 Paid-up Capital	80,000.00	80,000.00	80,000	80,000	80,000	60,000	60,000	60,000	60,000	60,000
11 General Reserve	20,000.00	20,000.00	20,000	-	-	-	-	-	-	-
12 Reserve for Unexpired Risks	212,175.00	211,456.00	73,306	51,359	30,249	21,648	13,572	9,965	4,257	2,392
13 Unappropriated Profit	48,354.00	12,966.00	1,095	12,450	6,040	716	(8,650)	(16,007)	(4,555)	(1,052)
Capital Available for Shares	148,354.00	112,966.00	101,095	92,450	86,040	60,716	51,350	43,993	55,445	58,948
14 Total Outstanding Claims	85,384.00	90,509.00	47,077	20,405	9,743	6,161	3,959	4,485	2,442	267
<i>% to 2</i>	16.20	24.02	17.02	15.89	12.88	11.38	11.67	18.00	22.94	4.47
15 Other Liabilities	86,894.00	78,053.00	64,558	27,185	16,133	8,842	7,178	1,973	7,690	6,269
16 Total Capital & Liabilities	512,807.00	472,984.00	266,036	191,399	142,165	97,367	76,059	60,416	69,834	67,876
17 Land & Properties	16,794.00	17,331.00	21,714	8,851	9,389	10,734	2,706	-	-	-
<i>% to 2</i>	3.19	4.60	7.85	6.89	12.42	19.83	7.98	-	-	-
18 Shares Investment	120,727.00	60,807.00	32,374	5,742	8,743	2,053	-	-	-	-
<i>% to 21</i>	36.83	24.54	20.00	5.38	11.54	2.87	-	-	-	-
19 Cash & Bank Balances	155,720.00	135,302.00	59,794	49,239	47,052	22,281	20,125	33,361	20,523	37,781
<i>% to 2</i>	29.54	35.91	21.01	38.35	62.22	41.17	59.31	133.91	192.83	631.89
20 Investment & Cash Deposits	172,032.00	112,466.00	102,059	57,536	28,715	49,165	37,235	18,370	30,602	39,232
21 Total Investment	327,752.00	247,768.00	161,853	106,775	75,767	71,446	57,360	51,731	51,125	77,013
22 O/S Premium	148,446.00	131,272.00	106,322	66,635	42,051	23,162	18,887	11,662	5,443	6,739
<i>% to 1</i>	22.14	20.47	26.90	28.78	35.86	28.05	33.14	25.22	20.31	46.49
24 Fixed Assets	21,995.00	27,540.00	14,759	13,589	8,625	8,338	8,243	12,948	8,885	5,801
<i>% to 2</i>	4.17	7.31	5.33	10.58	11.41	15.41	24.29	51.97	83.48	97.02
25 Total Assets	626,342.00	614,669.00	325,663	204,091	145,371	99,003	76,581	60,445	69,864	67,904
26 Break-up Value Per Share	18.54	14.12	12.64	11.56	10.76	10.12	8.56	7.33	9.24	9.82
27 Earning Per Share	6.92	1.46	2.58	2.05	0.67	1.17	0.92	(1.43)	(0.44)	(0.15)
	<i>(After Tax)</i>									



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 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 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present 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 or a Non Banking Finance Company and none of them is a member of any stock exchange.
4. A casual vacancy occurred in the Board of Directors on 31 December 2005 which was filled by the directors on the same day.
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. However, overall corporate strategy and significant policies of the Company are in the process of development. A complete record of particulars of significant policies will be maintained and approved after these are developed and approved.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There was no new appointment of the Chief Executive Officer. 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 has met once in every quarter, except in the first quarter of the year ended 31 December 2005 in which no meeting was held. The Board met twice during the second quarter of the year ended 31 December 2005. 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 sound internal control, which is effectively implemented at all levels within the company. The company include all the necessary aspects of internal control given in the code. However, as indicated in paragraph 6 above, the significant policies, etc. of the company are in process of development. This includes the preparation of risk management guidelines, etc.
10. An informal 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 the director appointed on 31 December 2005 in respect of a casual vacancy referred in paragraph 4 above. In the previous year an orientation course had also been conducted for the directors to apprise them of their duties and responsibilities.



11. The Board during the year approved the appointment of a new Chief Finance Officer including his remuneration and terms and conditions of employment. However, there was no new appointment of Company Secretary and Head of Internal Audit during the year. The remuneration and the terms and conditions of the employment of the Company Secretary and Head of Internal Audit, as determined by the Chief Executive Officer, were approved by the Board in the previous year. However, the revisions in their remuneration during the current year have not yet been ratified by the Board.
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, except that the Form A (annual return of companies having share capital) and Secretarial Compliance Certificate due for filing with the Securities and Exchange Commission of Pakistan on 31 May 2005 was filed by the Company on 10 June 2005.
16. The Board has formed underwriting, claims and reinsurance 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. However, the Chief Financial Officer is also the Secretary of the audit committee. Arrangements are being made to appoint another employee of the company as the secretary of the audit 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, except in the first quarter of the year ended 31 December 2005 in which no meeting was held. Two meetings were held in the second quarter of the year ended 31 December 2005. 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 is in the process of setting up an effective internal audit functions.
20. 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.
21. 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.
22. We confirm that all other material principles contained in the Code have been complied with.

Syed Imtiaz Hyder	Shaharyar Akbar
Air Vice Marshall (Retd.)	Chief Executive Officer
Chairman	

Dated : March 29, 2006

Karachi.



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Shaheen Insurance Company Limited (Company) to comply with the listing regulations of the respective stock exchanges where the Company is listed and the Code of Corporate Governance applicable to listed insurance companies issued by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the above Codes of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes 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 Codes.

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

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

Dated : March 29, 2006
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of Shaheen Insurance Company Limited (the Company) as at 31 December 2005 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 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984);
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984), and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2005 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 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984); and



- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to notes 13.1 to the financial statements. Certain investment properties of the Company are in the name of former chief executive officer of the Company. The Insurance Ordinance, 2000 (XXXIX of 2000) requires that title to the company's assets should be held in its corporate name.

Dated : March 29, 2006
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



BALANCE SHEET

	Note	2005	2004
SHARE CAPITAL AND RESERVES			
Authorised share capital: 20,000,000 (2004: 20,000,000) ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up 8,000,000 (2004: 8,000,000) ordinary shares of Rs. 10 each fully paid in cash	6	80,000,000	80,000,000
General reserve		20,000,000	20,000,000
Reserve for proposed issue of bonus shares		20,000,000	-
Accumulated profit		<u>48,353,627</u>	<u>12,965,632</u>
		<u>168,353,627</u>	<u>112,965,632</u>
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		98,818,385	118,380,682
Additional provision for unexpired risks (PDR)		1,413,098	1,000,000
Provision for unearned premium		262,268,235	290,097,100
Commission income unearned		8,595,151	13,331,241
Total underwriting provisions		<u>371,094,869</u>	<u>422,809,023</u>
CREDITORS AND ACCRUALS			
Premium received in advance		7,434,050	-
Amount due to other insurers / reinsurers		40,366,977	22,283,911
Accrued expenses	7	10,243,798	6,348,277
Agents balances		15,811,220	21,506,790
Taxation - provision less payment		<u>4,167,633</u>	<u>9,367,052</u>
		<u>78,023,678</u>	<u>59,506,030</u>
BORROWING			
Liability against an asset subject to finance lease		-	841,007
OTHER LIABILITIES			
Other payables	8	8,471,098	12,769,443
Dividend payable - unclaimed		<u>398,934</u>	<u>398,934</u>
		<u>8,870,032</u>	<u>13,168,377</u>
Total liabilities		<u>457,988,579</u>	<u>496,324,437</u>
Total equity and liabilities	Rupees	<u>626,342,206</u>	<u>609,290,069</u>
COMMITMENTS			
	9		

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



SHAHEEN INSURANCE COMPANY LIMITED

ANNUAL REPORT 2005

AS AT 31 DECEMBER 2005

	Note	2005	2004
CASH AND BANK DEPOSITS	10		
Cash and other equivalents		52,711,995	20,396,650
Current and saving accounts		53,794,128	104,716,652
Deposits maturing within 12 months		49,213,609	10,189,263
		<u>155,719,732</u>	<u>135,302,565</u>
LOANS TO EMPLOYEES			
- secured	11	739,289	575,776
INVESTMENTS	12	172,032,487	112,466,193
INVESTMENT PROPERTIES	13	16,793,992	17,331,408
OTHER ASSETS			
Balance receivable for securities purchased under resale arrangements		-	25,200,000
Premium due but unpaid	14	122,483,576	114,488,653
Amount due from other insurers / reinsurers	15	25,962,291	11,827,201
Deferred commission expense		41,433,424	38,618,051
Accrued investment income	16	1,352,406	1,377,653
Reinsurance recoveries against outstanding claims		13,434,255	27,871,033
Salvage receivable		-	2,867,339
Advances, deposits and prepayments	17	53,172,011	85,590,403
Other receivables	18	1,223,919	8,233,363
		<u>259,061,882</u>	<u>316,073,696</u>
FIXED ASSETS	19		
Tangible			
Furniture and fixtures		3,943,081	4,749,112
Motor vehicles		12,387,894	18,848,981
Office and electrical equipment		1,565,995	1,659,742
Computer equipments		2,097,854	2,092,929
		<u>19,994,824</u>	<u>27,350,764</u>
Intangible			
Capital work in progress		2,000,000	189,667
Total assets		<u><u>626,342,206</u></u>	<u><u>609,290,069</u></u>

Rupees

Chairman

Chief Executive Officer

Director

Chief Financial Officer

SHAHEEN INSURANCE COMPANY LIMITED



PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Note	Fire and property	Marine, Aviation and Transport	Motor	Others	Treaty	2005 Aggregate	2004 Aggregate
Revenue account								
Net premium revenue		37,056,505	15,039,813	453,819,020	21,187,781	-	527,103,119	376,764,965
Net claims		(6,006,409)	(1,206,300)	(321,195,231)	(24,742,027)	-	(353,149,967)	(270,939,606)
Premium deficiency expense		-	-	-	(413,098)	-	(413,098)	(1,000,000)
Management expenses	20	(3,488,624)	(1,415,898)	(42,724,045)	(1,994,689)	-	(49,623,256)	(49,093,432)
Net commission		(7,757,645)	2,099,349	(65,248,466)	1,293,783	-	(69,612,979)	(33,430,175)
Net underwriting expenses		(11,246,269)	683,451	(107,972,511)	(700,906)	-	(119,236,235)	(82,523,607)
Underwriting result	Rupees	<u>19,803,827</u>	<u>14,516,964</u>	<u>24,651,278</u>	<u>(4,668,250)</u>	-	<u>54,303,819</u>	22,301,752
Investment income							44,640,153	20,737,871
Rental income							1,902,240	1,701,120
Other income	21						129,011	12,810,938
General and administration expenses	20						(43,123,532)	(40,226,126)
Profit before tax							<u>57,851,691</u>	17,325,555
Provision for taxation - current	22						(4,070,000)	(5,455,785)
- prior year							1,606,304	-
							(2,463,696)	(5,455,785)
Net profit after tax							<u>55,387,995</u>	11,869,770
Profit and loss appropriation account:							Rupees	
Balance at commencement of the year							12,965,632	13,095,862
Profit for the year							55,387,995	11,869,770
Final dividend for the year ended 31 December 2003							-	(12,000,000)
Proposed issue of bonus shares							(20,000,000)	-
Balance of unappropriated profit at end of the year							Rupees <u>48,353,627</u>	<u>12,965,632</u>
Earnings per share- basic and diluted	23						Rupees <u>6.92</u>	<u>1.48</u>

The annexed notes from 1 to 36 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 2005

	Share capital	General reserve	Reserve for proposed issue of bonus shares	Accumulated profit	Total
Balance at 1 January 2004	80,000,000	20,000,000	-	13,095,862	113,095,862
Net profit for the year ended 31 December 2004	-	-	-	11,869,770	11,869,770
Final dividend for the year 2003	-	-	-	(12,000,000)	(12,000,000)
Balance as at 31 December 2004	80,000,000	20,000,000	-	12,965,632	112,965,632
Net profit for the year ended 31 December 2005	-	-	-	55,387,995	55,387,995
Proposed issue of bonus shares	-	-	20,000,000	(20,000,000)	-
Balance at 31 December 2005	Rupees 80,000,000	20,000,000	20,000,000	48,353,627	168,353,627

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

Chairman

Chief Executive Officer

Director

Chief Financial Officer

SHAHEEN INSURANCE COMPANY LIMITED



STATEMENT OF CASH FLOW

	2005	2004
Operating cash flows		
<i>a) Underwriting activities</i>		
Premiums received	633,786,273	581,435,463
Reinsurance premium paid	(144,551,673)	(153,335,006)
Claims paid	(420,497,555)	(303,075,346)
Reinsurance and other recoveries received	65,522,069	72,700,861
Commissions paid	(104,974,305)	(69,938,968)
Commissions received	22,114,294	31,016,214
Other underwriting receipts	<u>24,603,783</u>	<u>23,975,937</u>
Net cash flow from underwriting activities	76,002,886	182,779,155
 <i>b) Other operating activities</i>		
Income tax paid	(7,632,934)	(4,219,930)
General management expenses paid	(69,271,742)	(65,744,388)
Loans advanced	(163,513)	(963,309)
Loans disbursement / repayments received (net)	-	673,679
Net cash flow from other operating activities	<u>(77,068,189)</u>	<u>(70,253,948)</u>
Total cash flows from operating activities	(1,065,303)	112,525,207
 Investment activities		
Profit / return received	9,685,079	9,600,372
Rentals received	1,902,240	1,500,000
Payments for investments	(26,580,412)	(57,104,053)
Proceeds from disposal of investments	38,801,958	39,078,325
Fixed capital expenditure	(2,688,588)	(20,983,722)
Proceeds from disposal of fixed assets	1,203,200	3,129,340
Total cash flows from investing activities	22,323,477	(24,779,738)



For the year ended 31 December 2005

	2005	2004
Financing activities		
Financial Charges	-	(19,532)
Lease payments	(841,007)	(97,992)
Dividends paid	-	(12,119,712)
Total cash flows from financing activities	(841,007)	(12,237,236)
Net cash flows from all activities	20,417,167	75,508,233
Cash and cash equivalents at beginning of the year	135,302,565	59,794,332
Cash and cash equivalents at end of the year	155,719,732	135,302,565
	<i>Rupees</i>	
Reconciliation to profit and loss account		
Operating cash flows	(1,065,304)	112,525,207
Depreciation expense	(8,535,945)	(8,953,548)
Gain on disposal of fixed assets	129,011	585,024
Provision for doubtful debts	(8,091,731)	(7,499,800)
Taxes paid	7,632,934	(4,219,930)
Financial charges	(70,312)	(19,532)
Assets written off	(189,667)	-
(Increase) / decrease in assets other than cash	(19,690,883)	47,132,381
Increase / (decrease) in liabilities	41,191,195	(159,804,099)
Investment and other income	46,542,393	37,579,852
Provision for tax	(2,463,606)	(5,455,785)
Profit after taxation	55,387,995	11,869,770
	<i>Rupees</i>	
Cash and cash equivalents		
Cash and other equivalents	52,711,995	20,396,650
Current and saving accounts	53,794,128	104,716,652
Deposit maturing within 12 months	49,213,609	10,189,263
	<i>Rupees</i>	
	155,719,732	135,302,565

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

Chairman

Chief Executive Officer

Director

Chief Financial Officer

SHAHEEN INSURANCE COMPANY LIMITED



STATEMENT OF PREMIUM

For the year ended 31 December 2005

Business underwritten inside Pakistan

Class	*Premiums written (Note 25)	Unearned Premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2005 Net premium revenue	2004 Net premium revenue
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+b-c	e	f	g	h=e+f-g	i=d-h	
Direct and facultative										
Fire and property damage	66,554,774	24,477,191	24,247,216	66,784,749	31,189,584	12,951,173	14,412,513	29,728,244	37,056,505	20,139,430
Marine, aviation and transport	97,518,165	20,417,700	28,718,464	89,217,401	78,218,619	17,001,741	21,042,772	74,177,588	15,039,813	9,511,725
Motor	466,461,580	232,200,622	191,171,759	507,490,443	17,532,970	44,928,070	8,789,617	53,671,423	453,819,020	332,275,789
Others	40,074,872	13,001,587	18,130,796	34,945,663	17,258,476	3,760,223	7,260,817	13,757,882	21,187,781	13,994,633
Total	<u>670,609,391</u>	<u>290,097,100</u>	<u>262,268,235</u>	<u>698,438,256</u>	<u>144,199,649</u>	<u>78,641,207</u>	<u>51,505,719</u>	<u>171,335,137</u>	<u>527,103,119</u>	<u>375,921,577</u>
Treaty	-	-	-	-	-	-	-	-	-	843,388
Grand Total	<i>Rupees</i> <u>670,609,391</u>	<u>290,097,100</u>	<u>262,268,235</u>	<u>698,438,256</u>	<u>144,199,649</u>	<u>78,641,207</u>	<u>51,505,719</u>	<u>171,335,137</u>	<u>527,103,119</u>	<u>376,764,965</u>

* 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 36 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Chief Financial Officer



STATEMENT OF CLAIMS

For the year ended 31 December 2005

Business underwritten inside Pakistan Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2005 Net claims expense	2004 Net claims expense
		Opening	Closing			Opening	Closing			
	a	b	c	d=a+c-b	e	f	g	h=e+g-f	i=d-h	
Direct and facultative										
Fire and property damage	22,746,848	6,998,511	11,647,927	27,396,264	18,975,712	5,002,055	7,416,198	21,389,855	6,006,409	3,683,831
Marine, aviation and transport	1,909,774	373,951	495,957	2,031,780	767,878	268,424	326,026	825,480	1,206,300	753,678
Motor	422,685,103	109,403,907	84,248,814	397,530,010	92,890,236	21,895,284	5,339,827	76,334,779	321,195,231	253,394,394
Others	26,664,356	1,604,313	2,425,687	27,485,730	3,096,769	705,270	352,204	2,743,703	24,742,027	13,321,217
Total	474,006,081	118,380,682	98,818,385	454,443,784	115,730,595	27,871,033	13,434,255	101,293,817	353,149,967	271,153,120
Treaty	-	-	-	-	-	-	-	-	-	(213,514)
Grand Total	<i>Rupees</i> 474,006,081	118,380,682	98,818,385	454,443,784	115,730,595	27,871,033	13,434,255	101,293,817	353,149,967	270,939,606

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

Chairman

Chief Executive Officer

Director

Chief Financial Officer

SHAHEEN INSURANCE COMPANY LIMITED



STATEMENT OF EXPENSES

For the year ended 31 December 2005

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred Commission		Net Commission expenses	Management (underwriting) expenses	Underwriting expenses	*Commission from reinsurers	2005	2004
		Opening	Closing					Net underwriting expenses	Net underwriting expenses
	a	b	c	d=a+b-c	e	f=d+e	g	h=f-g	
Direct and facultative									
Fire and property damage	20,889,902	4,199,880	7,772,448	17,317,334	3,488,624	20,805,958	9,559,689	11,246,269	1,309,677
Marine, aviation and transport	7,272,753	875,133	3,148,992	4,998,894	1,415,898	6,414,792	7,098,243	(683,451)	(1,671,448)
Motor	67,104,701	33,019,071	28,672,112	71,451,660	42,724,045	114,175,705	6,203,194	107,972,511	81,941,718
Others	4,011,379	523,967	1,839,872	2,695,474	1,994,689	4,690,163	3,989,257	700,906	882,719
Total	99,278,735	38,618,051	41,433,424	96,463,362	49,623,256	146,086,618	26,850,383	119,236,235	82,462,666
Treaty	-	-	-	-	-	-	-	-	60,941
Grand Total	<i>Rupees</i> 99,278,735	38,618,051	41,433,424	96,463,362	49,623,256	146,086,618	26,850,383	119,236,235	82,523,607

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

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

Chairman

Chief Executive Officer

Director

Chief Financial Officer

SHAHEEN INSURANCE COMPANY LIMITED



STATEMENT OF INVESTMENT INCOME

For the year ended 31 December 2005

	Note	2005	2004
Held for trading investments			
Income from trading investments (including unrealised gain of Rs. 4 million)		11,515,667	2,092,192
Income from non-trading investments			
<i>Held to maturity</i>			
Return on government security		157,298	266,917
Return on other fixed income securities and deposits		4,712,794	4,501,669
		4,870,092	4,768,586
<i>Available-for-sale</i>			
Dividend income		4,947,039	4,061,439
		9,817,131	8,830,025
Gain on sale of non-trading investments - available-for-sale		21,319,791	10,406,280
Income from reverse repo transactions in listed equity securities		9,669,483	3,091,236
Investment related expenses		(4,163,565)	(3,681,862)
		<u>48,158,507</u>	<u>20,737,871</u>
Provision against impairment in value of investments	12.1	(3,518,354)	-
Net investment income	<i>Rupees</i>	<u>44,640,153</u>	<u>20,737,871</u>

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

Chairman

Chief Executive Officer

Director

Chief Financial Officer



Shaheen Insurance Company Limited
Notes to the Financial Statements
For the year ended 31 December 2005

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. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared 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. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Where the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 or directives issued by the Securities and Exchange Commission of Pakistan differ with requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 or the requirements of the said directives take precedence.

4. BASIS OF MEASUREMENT

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

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.

Judgements made by the management in the application of approved accounting standards as applicable in Pakistan that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in note 34.



5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Claims liability

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 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 31 December 2005. Any significant event may effect the judgement which could effect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognised as an asset and measured at the amount expected to be received.

5.2 Premium deficiency reserve (PDR)

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 is recognised in the profit and loss account for the year.

The requirement for PDR is determined on the basis of an actuarial valuation. The latest valuation was carried out as of 31 December 2005. Based on the actuarial valuation so carried out, the company is not required to make any provision for PDR in respect of fire, marine and motor insurance classes of business. Provision of Rs. 1.4 million required against the 'others' class of insurance business determined through the actuarial valuation has been recognised by the company.

5.3 Premium

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 and commission income are determined on the basis of 1/24th method for all classes of business. Under this method, the liability for above unearned income is equal to 1/24 of the premiums / commission relating to policies commencing in the first month of financial year. 3/24 of the premiums / commission relating to policies commencing in the second month of the financial year, and so on.

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.

Pakistan Reinsurance Company Limited (PRCL) retrocession business is booked on the basis of PRCL statements pertaining to the previous years.

Administrative surcharge is included in premium at the time the policies are issued.



5.4 Operating fixed assets

Owned

- Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.
- Depreciation is calculated so as to write off the assets over their expected economic lives under the straight line balance method at rates given in note 19 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. Up to the previous year full year's depreciation was charged on fixed assets acquired during the year, while no depreciation was charged in the year of disposal. Financial impact of the change is not material.
- 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

Leased assets in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Lease payments are accounted for in the manner described in note 5.8 to these financial statements.

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

5.5 Investments

Investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognised and classified as follows:

5.5.1 *Held-for-trading*

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 net profit or loss of the period in which it arises.

5.5.2 *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 these arise.

5.5.3 *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.

Unquoted

Unquoted investments are recorded at cost less impairment (if any).

Basis of measurement and recognition / derecognition of investments

5.5.4

The fair value of investments held for trading is their quoted bid price at the balance sheet date.

Investments held for trading and available-for-sale investments are recognised / derecognised by the company on the date it commits to purchase / sell the investments. Investments held-to-maturity are recognised / derecognised on the day they are transferred to / sold by the company.

Securities under repurchase / resale agreements

5.6

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.



5.7 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 the Securities and Exchange Commission of Pakistan. Accordingly;

- Freehold land is stated at cost.
- 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 13 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.

5.8 Lease obligations

The company accounts for lease obligations by recording the asset and the corresponding liability there against determined on the basis of discounted value of minimum lease payments. Financial charge is recognised in the profit and loss account using the effective mark-up rate method.

5.9 Trade and other receivables

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

5.10 Retirement benefit — *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 @10 % of their basic salaries.

5.11 Taxation

Current taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account available tax credits and rebates.

Deferred taxation

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

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

5.12 Foreign currency translation

Foreign currency transactions are translated into Pak. Rupees at exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak. rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account currently.



5.13 Financial instruments

Financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Gains or losses on de-recognition of financial assets and liabilities are taken to the profit and loss account currently.

5.14 Revenue recognition

Premium and commission

- Premium received / receivable under a policy are recognized from the date of the attachment of the policy to which it relates (at the time of the issuance of the policy).
- Commission and other forms of revenue receivable from reinsurers are recognised at the time of the issuance of policy. These are deferred and recognised in the profit and loss account in accordance with the pattern of the recognition of the reinsurance premium to which they relate.

Investments and investment properties

- Profit on held-to-maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investments.
- 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.
- Gains / losses on sale of investments are recognised in the profit and loss account at the time of sale.
- Rent income on investment properties and return on bank balances are recognised on time portion basis.

5.15 Expenses of management

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses. Directly identifiable expenses are charged to respective classes, whereas indirect management expenses are allocated on the basis of net premium revenue.

5.16 Claims recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are 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.

5.17 Commission expense

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with the pattern of recognition of premium revenue.

5.18 Off setting

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



5.19 Impairment

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

5.20 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.

5.21 Segment reporting

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

As the operations of the company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets / liabilities used / incurred jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The company has four primary business segments for reporting purposes as follows.

- The fire and property damage segment, which provides coverage against, fire engineering and allied perils, atmospheric disturbances.
- Marine, aviation and transport insurance segment, which provides coverage against cargo, by land, sea, air, hull and third party liability.
- Motor segment, which provides comprehensive vehicle coverage.
- Others segment, which provides cover against engineering, cash in safe, cash in-transit, personal accident, health insurance and fidelity guarantees, etc.

5.22 Cash and cash equivalents

Cash and cash equivalents include cash and balances with banks in current, saving and deposit accounts.

6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2005	2004		2005	2004
(Number of shares)				
8,000,000	8,000,000	Ordinary shares of Rs. 10 each fully paid in cash	80,000,000	80,000,000
<u>8,000,000</u>	<u>8,000,000</u>		<i>Rupees</i>	<u>80,000,000</u>

At 31 December 2005, 6.717 million (2004: 6.452 million) shares of the company were held by associated undertakings.



7. ACCRUED EXPENSES	2005	2006
Staff bonus payable	9,098,000	5,000,000
Advisory fee payable to a related party	253,854	-
Due to the provident fund	-	412,922
Others	891,944	935,355
	<i>Rupees</i>	
	<u>10,243,798</u>	<u>6,348,277</u>

8. OTHER PAYABLES		2005	2006
Security deposits against lease obligation		33,520	33,520
Central excise duty payable		5,408,823	6,958,833
Federal insurance fee payable		1,064,663	1,358,223
Unearned rental income		-	167,600
Withholding tax payable	8.1	232,782	3,407,203
Others	8.2	1,731,310	844,064
	<i>Rupees</i>		
		<u>8,471,098</u>	<u>12,769,443</u>

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

8.2 This include Rs. 1.458 million (2004: Rs.0.626 million) representing the amount paid by the employees to the company against purchase of vehicles.

9. COMMITMENTS

Commitments in respect of resale transactions of listed equity securities (under reverse repo deals)	<i>Rupees</i>	-	25,208,280
Commitment in respect of acquisition of computer software	<i>Rupees</i>	-	379,333

10. CASH AND BANK DEPOSIT

Cash and other equivalents			
- Cash in hand		57,697	143,405
- Cheques in hand	10.1	52,580,588	20,199,557
- Policy stamps and bond papers in hand		73,710	53,688
		<u>52,711,995</u>	<u>20,396,650</u>
Current and other accounts			
- Current accounts		31,522,337	46,202,979
- Saving accounts		22,271,791	58,513,673
		<u>53,794,128</u>	<u>104,716,652</u>
Deposit maturing within 12 months - term deposits			
	<i>Rupees</i>	<u>49,213,609</u>	<u>10,189,263</u>
		<u>155,719,732</u>	<u>135,302,565</u>

10.1 This represents a cheque dated 30 December 2005 which was deposited in the bank on 20 January 2006. The balance was credited in the company's bank account on the same day.

LOANS TO EMPLOYEES - Secured, considered good

Due from - an executive		-	256,405
- others		739,289	319,371
	<i>Rupees</i>	<u>739,289</u>	<u>575,776</u>

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 executives calculated with reference to month end balances was Rs. 0.384 million (2004: Rs. 0.345 million). None of the above loans are due for more than one year.



12 INVESTMENTS

12.1 Type of investments

	2005	2004
Held to maturity		
Government security:		
- Defence Saving Certificate - deposited with the State Bank of Pakistan in accordance with section 29 of Insurance Ordinance, 2000	12.2 1,097,102	939,804
Certificate of Investments	12.3 5,000,000	-
Other fixed income securities - Term Finance Certificates - listed	12.4 31,810,491	35,099,370
	37,907,593	36,039,174
Held for trading		
	12.5 67,458,438	-
Available-for-sale		
Investments in ordinary shares of listed companies	12.6 52,518,268	53,837,261
Provision for impairment	(3,518,354)	-
	48,999,914	53,837,261
Units of mutual funds	12.7 17,666,542	22,589,758
	12.8 66,666,456	76,427,019
	Rupees 172,032,487	112,466,193

12.2 The Defence Saving Certificate will mature in 20 August 2008 and carry effective profit rate of 16.73% per annum. The certificate is pledged with the State Bank of Pakistan in connection with the provisions of Insurance Ordinance (XXXIX of 2000).

12.3 These represent two Certificate of Investments of Rs. 2.5 million each and carry rate of return of 6% and 10.5% per annum. These will be matured on 25 February 2006 and 6 July 2006 respectively.

12.4 Held to maturity - Term Finance Certificates (TFC'S)

<u>No. of Certificates</u>		<u>Name of Investment</u>	<u>Principal repayment</u>	<u>Maturity date</u>	2005	2004
2005	2004					
-	400	Orix Leasing Limited - 1st	Semi-annually	April 2005	-	814,200
800	800	Orix Leasing Limited - 2nd	Semi-annually	July 2006	4,000,000	4,000,000
75	75	Pakistan Services Limited	Semi-annually	November 2008	321,311	374,925
-	220	Engro Chemical Pakistan Limited	Semi-annually	July 2007	-	1,099,120
189	189	Trust Leasing Limited - 1st	Semi-annually	June 2007	845,691	918,929
190	190	Ittehad Chemicals Limited	Semi-annually	June 2008	791,034	949,430
109	109	Crescent leasing Limited	Semi-annually	September 2007	545,000	545,000
600	600	Muslim Commercial Bank Limited	Semi-annually	February 2008	2,996,400	2,997,600
2,000	2,000	Union Bank Limited - 1st	Semi-annually	June 2008	9,988,000	9,992,000
1,000	1,000	Union Bank Limited - 2nd	Semi-annually	January 2011	4,997,000	4,999,000
800	800	Dawood leasing Limited - 1st	Semi-annually	September 2006	4,000,000	4,000,000
611	611	Dawood leasing Limited - 2nd	Semi-annually	July 2006	3,055,000	3,055,000
650	650	Securetel SPV Limited	Quarterly	March 2006	271,055	1,354,166
					Rupees 31,810,491	35,099,370



Details of rates of returns are as follows:

Particulars	Profit rate per annum
Orix Leasing Limited - 2nd	SBP Discount rate plus 2% per annum subject to floor of 10% per annum and cap of 13% per annum
Pakistan Services Limited	SBP Discount rate plus 2.25% per annum subject to floor of 9.75% per annum and cap of 13.75% per annum
Trust Leasing Limited - 1st	SBP Discount rate plus 2% per annum subject to floor of 9% per annum and cap of 14% per annum
Ittehad Chemicals Limited	SBP Discount rate plus 2.50% per annum subject to floor of 4.5% per annum and cap of 9.5% per annum
Crescent Leasing Limited	Five years Pakistan Investment Bond (PIB) rate plus 2% per annum subject to floor of 12% per annum and cap of 15.75% per annum
Muslim Commercial Bank Limited	Five years PIB rate plus 1.5% per annum subject to floor of 11.75% per annum and cap of 15.75% per annum
Union Bank Limited - 1st	Five years PIB rate plus 2.25% per annum subject to floor of 11% per annum and cap of 15.5% per annum
Union Bank Limited - 2nd	Five years PIB rate plus 0.75% per annum subject to floor of 5% per annum and cap of 10.75% per annum
Dawood Leasing Limited - 1st	SBP Discount rate plus 1.75% per annum subject to floor of 13.5% per annum and cap of 17.5% per annum
Dawood Leasing Limited - 2nd	SBP Discount rate plus 1.75% per annum subject to floor of 12.25% per annum and cap of 16.25% per annum
Securitel SPV Limited	SBP discount rate plus 2% per annum subject to floor of 11.5% per annum and cap of 16% per annum

At 31 December 2005, market value of Term Finance certificates, based on rates quoted by certain brokers, was Rs. 34.51 million (2004: 38.068 million).

12.5 Held for trading investments - quoted shares

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

No. of shares		Name of the investee entity	Carrying (market) value	
2005	2004		2005	2004
Oil & Gas Marketing				
5,000	-	Pakistan State Oil Company Limited	2,084,250	-
Oil & Gas Exploration				
30,000	-	Pakistan Oilfields Limited	12,840,000	-
90,000	-	Oil and Gas Development Company Limited	10,620,000	-
Fertilizers				
167,400	-	Fauji Fertilizer Bin Qasim Limited	6,386,310	-
Technology & Communication				
60,000	-	Pakistan Telecommunication Limited	3,924,000	-
Commercial banks				
57,093	-	Bank of Punjab	5,849,178	-
70,000	-	National Bank of Pakistan	13,961,500	-
Cement				
60,000	-	D.G. Khan Cement Limited	6,396,000	-
75,000	-	Fauji Cement Limited	1,725,000	-
Textile Composite				
43,000	-	Nishat Chunia Mills Limited	3,672,200	-
			Rupees	
			<u>67,458,438</u>	<u>-</u>



12.6 Available-for-sale investments - quoted shares

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

No. of shares		Name of the investee entity	Carrying Value	
2005	2004		2005	2004
Related parties				
-	187,000	World Call Broad Band Limited	-	2,362,007
-	833	World Call Communication Limited	-	10,287
Others				
187,000	187,000	Power Generation	7,302,436	7,302,441
-	17,000	Hub Power Company Limited	-	565,931
-	20,000	Sitara Energy Limited	-	143,586
-	20,000	Japan Power Generation Limited	-	323,790
100,000	-	Southern Electric Power Company Limited	4,150,811	-
		Kot Addu Power Co. Limited		
Oil & Gas Marketing				
-	18,500	Pakistan State Oil Company Limited	-	4,828,873
-	8,500	Shell Pakistan Limited	-	3,507,273
-	8,000	Sui Southern Gas Company Limited	-	250,930
Oil & Gas Exploration				
-	1,000	Pakistan Petroleum Limited	-	55,000
-	39,497	Oil and Gas Development Company Limited	-	2,208,964
Fertilizers				
-	9,000	Engro Chemical Pakistan Limited	-	848,335
68,000	5,000	Fauji Fertilizer Company Limited	8,288,001	568,070
32,600	2,608	Fauji Fertilizer Bin Qasim Limited	905,333	44,037
Insurance				
-	23,225	Adamjee Insurance Company Limited	-	1,752,500
Transport				
-	125,000	Pakistan International Airline Corporation Limited	-	3,253,750
12,000	-	Pakistan National Shipping Corporation Limited	1,176,258	-
Technology & Communication				
-	115,000	Pakistan Telecommunication Limited	-	4,788,110
-	50,000	TRG Pakistan Limited	-	919,898
99,538	-	Call Mate Teleps Limited	7,796,445	-
Paper & Board				
-	6,500	Packages Limited	-	1,048,682
-	20,000	Crescent Board Limited	-	236,465
Modaraba				
-	1,500	Standard Chartered Modaraba	-	54,618
Commercial banks				
-	33,751	Muslim Commercial Bank Limited	-	1,988,314
2,907	65,000	Bank of Punjab	107,460	3,631,266
15,000	18,000	National Bank of Pakistan	1,666,192	1,154,195
-	10,500	Askari Commercial Bank Limited	-	758,005
-	49,000	Faysal Bank Limited	-	1,806,466
35,000	-	Union Bank Limited	2,082,408	-
50,000	-	Bank Al Falah Limited	2,909,296	-



SHAHEEN INSURANCE COMPANY LIMITED

ANNUAL REPORT 2005

No. of shares		Name of the investee entity	Carrying Value	
2005	2004		2005	2004
5,100	3,400	Investment banks/companies	1,035,510	1,035,510
5,730	21,938	Javed Omer Vohra & Company	289,724	1,206,810
5,900	3,600	Pakistan Industrial Credit and Investment Corporation Limited	1,387,301	1,031,127
3,900	22,000	Arif Habib Securities Limited	838,974	895,831
10,000	-	Jahangir Siddiqui & Company Limited	463,046	-
		First National Equities Limited		
		Cement		
-	12,500	Charat Cement Limited	-	851,492
10,000	-	Lucky Cement Limited	815,782	-
		Refinery		
3,000	7,000	Attock Refinery Limited	504,512	745,896
		Chemical		
-	20,000	ICI Pakistan Limited	-	1,878,151
-	55,000	Pakistan PTA Limited	-	672,245
-	2,200	BOC Pakistan Limited	-	347,886
-	1,000	Berger Paints Limited	-	145,463
		Cable & Electronic Goods		
-	16,500	Singer Pakistan Limited	-	614,057
		Textile Composite		
80,000	-	Nishat Mills Limited	8,554,255	-
		Miscellaneous		
40,000	-	Tri-Pack Films	2,244,524	-
			52,518,268	53,837,261

Rupees

12.7 Available-for-sale of mutual funds (quoted)

No. of units		Name of the fund	Carrying Value	
2005	2004		2005	2004
75,000	500,000	Close ended	750,750	5,000,000
-	25,000	Pakistan Strategic Allocation Fund	-	1,298,296
-	35,000	PICIC Growth Fund	-	672,496
		PICIC Investment Fund	750,750	6,970,792
		Open ended		
7,661	5,546	Pakistan Stock Market Fund	471,772	321,800
94,035	93,442	Pakistan Income Fund	5,046,061	5,016,402
10,574	9,609	UTP Income Fund	5,773,009	5,280,764
56,225	50,000	Faysal Growth Fund	5,625,000	5,000,000
			16,915,792	15,618,966
			17,666,542	22,589,758

Rupees

The face value of unit of close ended mutual fund is Rs. 10 each.

12.7.1 This include units of Rs. 4.56 million pledged with the State Bank of Pakistan under the provisions of Insurance Ordinance (XXXIX of 2000).

12.8 At 31 December 2005, the fair value of available-for-sale securities was Rs. 74.812 million (2004: Rs. 82.339 million). As mentioned in note 5.5.3 to those financial statements, available-for-sale investments are stated at lower of cost or market value. However, International Accounting Standard 39 dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value and the company's equity as at 31 December 2005 would have been higher by Rs. 4.628 million (2004: Rs. 6.531 million).

12.9 The fair value of available-for-sale and held-for-trading instruments have been determined on the basis of values quoted on the stock exchanges / applicable redemption price of relevant mutual funds.

SHAHEEN INSURANCE COMPANY LIMITED



13. INVESTMENT PROPERTIES - at cost less accumulated depreciation

		Cost			Depreciation			Written down value as at 31 December 2005	Depreciation rate %
		At 1 January 2005	Additions/ (deletions)	At 31 December 2005	At 1 January 2005	For the year	At 31 December 2005		
Freehold lands	13.1	9,555,000	-	9,555,000	-	-	-	9,555,000	-
Shop premises		7,900,000	-	7,900,000	1,975,000	395,000	2,370,000	5,530,000	5
Office premises		2,848,320	-	2,848,320	996,912	142,416	1,139,328	1,708,992	5
2005	<i>Rupees</i>	20,303,320	-	20,303,320	2,971,912	537,416	3,509,328	16,793,992	
2004	<i>Rupees</i>	21,300,000	17,603,320 (18,600,000)	20,303,320	2,434,496	537,416	2,971,912	17,331,408	

13.1 Title to leasehold lands of Rs. 9.555 million is held in the name of a former chief executive of the company. These properties are situated at Defence Housing Authority, Islamabad and its rules does not allow membership to corporate entities. The management is arranging to dispose off these properties.

13.2 Premises and leasehold and have been valued under the market value basis by F.J. Enterprises (surveyors and engineering consultants), Baddar and company and Mustafa Haider and company, professional valuers. Market value of land and premises based on the valuations as of 5 January 2006 and 22 February 2006 respectively amounted to Rs. 11.10 million and Rs. 48.62 million, respectively (2004: Rs. 11.500 and Rs. 30.067 million, respectively).

14. PREMIUM DUE BUT UNPAID - unsecured

		2005	2004
Considered good	14.1	122,483,576	114,488,653
Considered doubtful		7,091,731	-
		129,575,307	114,488,653
Provision against doubtful debts	14.2	(7,091,731)	-
	<i>Rupees</i>	122,483,576	114,488,653

14.1 It includes Rs. 29.84 million (2004: Rs. 19.15 million) due from related parties.

14.2 Reconciliation of provision against doubtful balances

Balance as on 1 January		-	1,778,000
Charge for the year		7,091,731	9,135,453
Bad debts written off		-	(10,913,453)
Balance as on 31 December	<i>Rupees</i>	7,091,731	-

14.3 The maximum balance from related parties at the end of any month during the year was Rs. 32.816 million (2004: Rs. 19.15 million).

15. AMOUNT DUE FROM OTHER INSURERS / REINSURERS

		2005	2004
Considered good		25,962,291	11,827,201
Considered doubtful		3,644,884	2,644,884
		29,607,175	14,472,085
Provision against doubtful debts	15.1	(3,644,884)	(2,644,884)
	<i>Rupees</i>	25,962,291	11,827,201

15.1 Reconciliation of provision against doubtful balances

Balance as on 1 January 2005		2,644,884	-
Charge for the year		1,000,000	2,644,884
Bad debts written off		-	-
Balance as on 31 December 2005	<i>Rupees</i>	3,644,884	2,644,884



SHAHEEN INSURANCE COMPANY LIMITED

ANNUAL REPORT 2005

16. ACCRUED INVESTMENT INCOME	2005	2004
Return accrued on Term Finance Certificates	846,265	858,275
Dividend income	202,907	244,979
Profit accrued on term deposits with banks	303,234	274,399
	Rupees 1,352,406	<u>1,377,653</u>
17. ADVANCES, DEPOSITS AND PREPAYMENTS		
Advances	388,597	344,536
Advance for the purchase of marketable securities	-	3,000,000
Deposits	935,870	1,333,188
Prepaid reinsurance premium ceded	51,505,719	78,641,207
Prepayments	341,825	2,271,472
	Rupees 53,172,011	<u>85,590,403</u>
18. OTHER RECEIVABLES - considered good (unsecured)		
Receivable from a related party	18.1 337,464	2,383,363
Receivable from the provident fund	651,815	-
Other	18.2 234,640	5,850,000
	Rupees 1,223,919	<u>8,233,363</u>

18.1 This represents amount receivable from First Capital Equity Limited on account of dealings in marketable securities, which were received subsequent to the year-end.

18.2 This represents amount receivable on account of rental income from an investment property, which was received subsequent to year-end.

19. FIXED ASSETS	2005	2004
Tangible - operating fixed assets	19.1 19,994,824	27,350,764
Intangible - capital work-in progress	19.3 2,000,000	189,667
	Rupees 21,994,824	<u>27,540,431</u>

19.1 Operating fixed assets - at cost less accumulated depreciation

	Note	Cost			Depreciation			Written down value as at 31 December 2005	Depreciation rate %		
		At 1 January 2005	Additions/ (Deletions)	Transfer to investment property	At 31 December 2005	At 1 January 2005	For the year			Transfer to investment property	
Owned											
Furniture and fixtures		8,968,841	100,600	-	9,069,441	4,219,729	906,631	-	5,126,360	3,943,081	10
Office and electrical equipments		5,259,108	534,700 (146,020)	-	5,647,788	3,599,366	628,444 (146,017)	-	4,081,793	1,565,995	15 - 20
Computer equipment		5,268,042	864,288 (32,810)	-	6,099,520	3,175,113	826,553	-	4,001,666	2,097,854	33.3
Motor vehicles	19.2	33,069,330	1,189,000 (1,603,976)	-	32,654,354	14,971,549	5,636,901 (341,990)	-	20,266,460	12,387,894	20
Leased-											
motor vehicles		939,000	- (939,000)	-	-	187,800	- (187,800)	-	-	-	
2005	<i>Rupees</i>	53,504,321	2,688,588 (2,688,996)		53,503,913	26,153,557	7,998,529 (675,807)		33,476,279	19,994,824	
2004	<i>Rupees</i>	36,770,330	23,551,322 (3,969,331)	(2,848,000)	53,504,321	20,017,842	8,414,730 (1,425,015)	(854,000)	26,153,557	27,350,764	



19.2 Owned motor vehicles include repossessed vehicles of carrying value of Rs. 1.6 million, title of which has not been transferred in the company's name. However, the letters of subrogation been executed in favour of the company. Arrangements are being made for the transfer of their title in the company's name.

During the current year the rate of depreciation relating to computer equipment has been changed to 33.2% (2004:20%)

19.3 Intangible fixed assets - capital work-in-progress

This represents payment for the purchase of computer software

19.4 Particulars of disposal of fixed assets

	Cost	Written down value	Sale proceeds	Profit	Mode of Disposal	Sold to	Address
Motor vehicles	500,000	200,000	300,000	100,000	Negotiation	Mr. Najeem Ahmed	Plot # 62/C DHA Karachi.
	104,976	62,989	60,000	(2,989)	Negotiation	Ms. Akber Autos	Rizvi Chamber Akber Road, Saddar Karachi.
	999,000	999,000	1,019,000	20,000	Negotiation	Mr. Zilay Elahi	Flat # 7/C, Humaira Apartments, Saddar, Karachi.
	939,000	751,200	751,200	-	Negotiation	Mr. Muhammad Shahid	H#100A, Jinnah Town Quetta
Office equipment							
5 Airconditioners	136,520	-	10,000	10,000	Negotiation	Mr. Azeem Sheikh	Plot # 160, Siddque Wahab Road, Garden, Karachi.
Electrical equipment							
Fridge	9,500	-	2,000	2,000	Negotiation	New Electronics	Aabpara Market, Islamabad.
<i>Rupees</i>	<u>2,688,996</u>	<u>2,013,189</u>	<u>2,142,200</u>	<u>129,011</u>			

20. MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

	2005			2004		
	Management expenses	General and administration expenses	Total	Management expenses	General and administration expenses	Total
Salaries and other benefits	27,735,349	15,379,840	43,115,189	21,181,890	14,054,601	35,236,491
Rent	3,318,449	1,930,437	5,248,886	2,884,516	1,952,864	4,837,380
Utilities	4,502,128	2,127,157	6,629,285	4,742,114	2,116,872	6,858,986
Repair maintenance	1,788,705	919,863	2,708,568	1,859,372	1,956,769	3,816,141
Legal and professional charges	12,000	1,190,570	1,202,570	4,000	614,237	618,237
Auditors' remuneration	20.1	200,000	200,000	-	200,000	200,000
Depreciation	13 & 19.1	8,535,945	8,535,945	-	8,952,136	8,952,136
Insurance Expenses	-	1,258,670	1,258,670	-	1,042,609	1,042,609
Financial charges	-	70,311	70,311	115,759	29,803	145,562
Zakat	-	-	-	-	132,686	132,686
Advertisement and sales promotion	31,662	1,698,440	1,730,102	557,974	1,558,277	2,116,251
Provident Fund	-	1,334,649	1,334,649	-	1,560,971	1,560,971
Travelling and entertainment	1,864,082	2,263,766	4,127,848	1,807,727	1,602,688	3,410,415
Printing and stationary	1,626,924	2,449,295	4,076,219	1,392,778	2,144,282	3,537,060
Newspaper and periodicals	32,180	37,964	70,144	41,109	21,693	62,802
Fee and subscription	2,848	2,407,276	2,410,124	2,100	803,631	805,731
Bad debts written off	-	-	-	12,577,396	-	12,577,396
Provision for doubtful debts	8,091,731	-	8,091,731	-	-	-
Intangible asset (software) written off	-	189,667	189,667	-	-	-
Miscellaneous	617,198	1,129,682	1,746,880	1,926,697	1,482,007	3,408,704
<i>Rupees</i>	<u>49,623,256</u>	<u>43,123,532</u>	<u>92,746,788</u>	<u>49,093,432</u>	<u>40,226,126</u>	<u>89,319,558</u>



20.1 Auditors' remuneration

	2005	2004
Annual audit	125,000	125,000
Interim review	50,000	50,000
Certification fees	25,000	25,000
	<u>Rupees 200,000</u>	<u>200,000</u>

21. OTHER INCOME

Gain on sale of fixed assets	19.4	129,011	5,535,024
Exchange loss		-	(46,219)
Liability no longer required written back		-	6,332,883
Others		-	989,250
	<u>Rupees</u>	<u>129,011</u>	<u>12,810,938</u>

22. TAXATION

Relationship between tax expense and accounting profit is as follows:

Profit before taxation		<u>57,851,691</u>	<u>17,325,555</u>
Tax charge at enacted tax rate of 35 % (2004 : 35%)	<u>Rupees</u>	<u>20,248,092</u>	6,063,944
Tax effect of exempt income		(13,419,456)	-
Tax effect of brought forward losses		(1,043,449)	-
Tax effect of prior years taxation		(1,606,304)	-
Tax effect of dividend income taxable at lower tax rate		(1,484,112)	(1,218,432)
Others		(231,075)	610,273
	<u>Rupees</u>	<u>2,463,696</u>	<u>5,455,785</u>

22.1 The income tax assessments of the company have been finalised up to and including the assessment year 2002-03 (financial year ended 31 December 2001), while returns have been filed for the financial years ended 31 December 2002, 2003 and 2004, which under the Income Tax Ordinance, 2001 is considered to be deemed assessments.

22.2 At 31 December 2005, deductible temporary differences amounted to Rs. 0.01 million (2004: Rs. 0.496 million) against which deferred tax asset has not been recognised.

23. EARNINGS PER SHARE - basic and diluted

Profit for the year	<u>Rupees</u>	<u>55,387,995</u>	<u>11,869,770</u>
Weighted average of number of shares of Rs. 10 each	<u>Number</u>	<u>8,000,000</u>	<u>8,000,000</u>
Earning per share of Rs. 10 each	<u>Rupees</u>	<u>6.92</u>	<u>1.48</u>

24. REMUNERATION TO THE EXECUTIVES

	<u>Chief Executive Officer</u>	
	2005	2004
Managerial remuneration	1,403,681	1,112,000
Contribution to the provident fund	59,940	70,572
Bonus	2,850,000	600,000
	<u>Rupees</u>	<u>4,313,621</u>
	<u>1</u>	<u>2</u>

In addition to the above, the Chief Executive Officer is also entitled to company maintained vehicle.



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.

25. NET PREMIUM

Premium written and net premium revenue include administrative surcharge, class-wise detail of which is given below:

Direct and facultative	2005	2004
Fire and property damage	1,499,787	1,167,607
Marine, aviation and transport	791,401	634,029
Motor	18,994,325	21,925,448
Others	450,931	239,853
	<i>Rupees</i> <u>21,736,444</u>	<u>23,966,937</u>



SHAHEEN INSURANCE COMPANY LIMITED

ANNUAL REPORT 2005

26. SEGMENT REPORTING

The following table presents revenue and profit information regarding segments for the year ended 31 December 2005 and 31 December 2004 and the estimated information regarding certain assets and liabilities of the segments as at 31 December 2005 and 31 December 2004. (Rupees)

	FIRE AND PROPERTY DAMAGE		MARINE & AVIATION		MOTOR		OTHER		TREATY		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
REVENUE:												
Net Premiums earned	37,056,505	20,139,430	15,039,813	9,511,725	453,819,020	332,275,789	21,187,781	13,994,633	-	843,388	527,103,119	376,764,965
Results												
Segment result	19,803,827	15,145,922	14,516,964	10,429,495	24,651,278	(4,010,323)	(4,668,250)	(259,303)	-	995,961	54,303,819	22,301,752
Investment income												
Rental income											44,640,153	20,737,871
Other income											1,902,240	1,701,120
General and administration expenses											129,011	12,810,938
Profit before tax											(43,123,532)	(40,226,126)
Provision for taxation											3,547,872	(4,976,197)
Net profit											57,851,691	17,325,555
OTHER INFORMATION :											(3,800,696)	(5,455,785)
Segments assets	60,739,242	45,686,242	56,157,393	29,284,238	284,697,650	348,719,075	32,605,828	20,020,558	-	399,563	434,200,113	444,109,676
Unallocated corporate assets											192,142,093	165,184,393
Total assets											626,342,206	609,294,069
Segment liabilities	47,199,943	41,604,071	34,700,327	25,514,855	336,448,248	388,542,464	26,602,396	18,062,777	-	64,841	444,950,914	473,789,008
Unallocated corporate liabilities											13,975,731	22,136,495
Total liabilities											458,926,645	495,925,503
Capital expenditure	189,008	2,053,219	76,894	965,319	2,314,874	33,782,345	107,812	1,421,165	-	84,274	2,688,888	38,306,322
Depreciation	600,077	479,834	244,128	225,594	7,349,449	7,894,889	342,291	332,124	-	19,695	8,535,946	8,952,136

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

27.1 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

27.2 Profit / mark-up rate risk

The company invests in securities and maintains profit bearing bank accounts (including term deposit accounts). However, it has no liability to mark-up rate risk. Profit / mark-up rate risk to market profit / mark-up rates reducing the overall return on its profit bearing assets. The company limits profit / mark-up rates risk by monitoring the changes in profit / mark-up rates. The company's profit positions based on the contractual and maturity dates, whichever is earlier is as follows:

	2005						
	Profit rate % per annum	Profit / mark-up bearing financial Instruments		Non-profit / mark-up bearing financial instruments		Total	
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years	Sub Total		
Financial assets							
Cash and bank deposits	1-10	71,485,400	-	-	71,485,400	84,234,332	155,719,732
Investments	6-16.73	16,326,055	84,042,976	4,997,000	105,366,031	66,666,456	172,032,487
Premium due but unpaid		-	-	-	-	122,483,576	122,483,576
Loans to the employees		-	-	-	-	739,289	739,289
Amount due from other insurers / reinsurers		-	-	-	-	25,962,291	25,962,291
Reinsurance recoveries against outstanding claims		-	-	-	-	13,434,255	13,434,255
Accrued investment income		-	-	-	-	1,352,406	1,352,406
Advances and deposits		-	-	-	-	1,324,467	1,324,467
Other receivable		-	-	-	-	1,223,919	1,223,919
		87,811,455	84,042,976	4,997,000	176,851,431	317,420,991	494,272,422
Financial liabilities							
Amounts due to other insurers / reinsurers		-	-	-	-	40,366,977	40,366,977
Accrued expenses		-	-	-	-	10,243,798	10,243,798
Provision for outstanding claims (including IBNR)		-	-	-	-	98,818,385	98,818,385
Agent balances		-	-	-	-	15,811,220	15,811,220
Other payables		-	-	-	-	1,764,830	1,764,830
Dividend payable		-	-	-	-	398,934	398,934
Inter risk sensitivity gap		-	-	-	-	167,404,144	167,404,144
Cumulative interest risk sensitivity gap		87,811,455	84,042,976	4,997,000			



28. FOREIGN CURRENCY RISK

The company is not materially exposed to risk from foreign currency exchange rate fluctuation.

29. MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market

The company is exposed to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stock and TFCs market movements.

30. CREDIT RISK AND CONCENTRATION OF 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 counter parties in various industries and by continually assessing the credit worthiness of the counter parties.

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

The company is exposed to credit risk on premiums receivable from customers and coinsurers and for commission and claim recoverable from reinsurers. The management monitors exposure to credit risk through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

31. REINSURANCE RISK

Reinsurance ceded do not relieve the company from its obligation to policy holders and as a result the company remain liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements. In common with other insurance companies, in order to minimise the financial exposure arising from large claims, the company, in the normal course of business, enters into agreement with other reinsurers. To minimise its exposure to significant losses from reinsurer insolvencies, the company obtains reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

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 values estimates.

The fair value of all the financial instruments are estimated to be not significantly different from their carrying values except for quoted investments. The carrying value and fair value of quoted investment is Rs. 89.476 million (2004: Rs. 147.566 million) and Rs. 109.322 million (2004: Rs.120.407 million) respectively.



33. TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with its employee provident fund, key management personnel and other parties. Transactions are entered into with such related parties for the issuance of policies to and disbursements of claims incurred by them and payments of rental for use of premises rented from them.

There are no transactions with key management personnel other than their terms of employment. Remuneration to the key personnel are included in note 24 to these financial statements and are determined in accordance with the terms of their appointment.

Transaction with related parties during the year are as follows:

	2005	2004
Insurance premium		
Balance at beginning of the year	19,149,524	9,151,819
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)	44,596,976	28,902,861
Received / adjusted during the year	(33,907,244)	(18,905,156)
Balance at end of the year	<u>Rupees 29,839,256</u>	<u>19,149,524</u>
Insurance claim expense		
Out standing claims at beginning of the year	423,121	689,911
Gross claim expense for the year	20,050,274	1,922,550
Claim paid during the year	(15,138,300)	(2,189,340)
Outstanding claims at end of the year	<u>Rupees 5,335,095</u>	<u>423,121</u>
Receivable from the provident fund	<u>Rupees 651,815</u>	<u>-</u>
Accrued rent	<u>Rupees 442,080</u>	<u>-</u>
Other receivable	<u>Rupees 337,464</u>	<u>2,383,363</u>
Advisory fee payable	<u>Rupees 253,854</u>	<u>-</u>
Due to the provident fund	<u>Rupees -</u>	<u>412,922</u>
Prepaid rent	<u>Rupees -</u>	<u>1,206,000</u>
Investment in securities	<u>Rupees -</u>	<u>2,372,284</u>
Balance due for securities purchased under resale arrangement (due from the related broker)	<u>Rupees -</u>	<u>25,200,000</u>
Payment for the purchase of computer software	<u>Rupees -</u>	<u>189,667</u>
Profit / expense for the year		
Gross insurance premium written	<u>Rupees 44,596,976</u>	<u>28,902,861</u>
Gross claims expense	<u>Rupees 20,050,274</u>	<u>1,922,550</u>
Contribution to the provident fund	<u>Rupees 1,334,649</u>	<u>1,560,971</u>
Rental income	<u>Rupees 1,500,000</u>	<u>1,500,000</u>
Rental expense	<u>Rupees 1,648,080</u>	<u>1,614,113</u>
Brokerage, commission and advisory expenses	<u>Rupees 4,163,565</u>	<u>3,681,862</u>
Gain on trading securities	<u>Rupees 5,141,817</u>	<u>2,092,192</u>
Income from reverse repo transactions in listed equity securities	<u>Rupees 9,669,483</u>	<u>3,091,236</u>
Advertisement expenses	<u>Rupees 1,574,290</u>	<u>885,877</u>
Proceeds for sale of vehicle	<u>Rupees 751,200</u>	<u>-</u>
Dividend paid	<u>Rupees -</u>	<u>11,270,772</u>



34. ACCOUNTING ESTIMATES AND JUDGEMENTS

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Premium deficiency reserve

Premium deficiency reserve (PDR) is based on actuarial valuation for individual class wise insurance business. The actuary considers the trends of gross and net off reinsurance loss ratio of the company.

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 finalised based on surveyor's assessment. Therefore, reinsurance recoveries booked could proportionately differ with amount of reinsurance recoveries accrued at 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. There are various matters where company's view differs with the view taken by the income tax department.

35. DATE OF ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on March 29, 2006.

36. GENERAL

36.1 Total number of employee as at 31 December 2005 was 145 (2004: 131).

36.2 The corresponding figures of amount due from/ due to other insurance / reinsurers amounting to Rs. 4.857 million have been set-off as these are payable on a net basis and for comparison purposes.

Chairman

Chief Executive Officer

Director

Chief Financial Officer



PATTERN OF SHARE HOLDING
HELD BY THE SHARE HOLDERS AS AT 31st Dec.2005

No of ShareholdersShareholding.....		Total Shares Held
	From	To	
85	101	500	42,500
21	501	1000	20,666
19	1001	5000	52,000
5	5001	15000	40,500
1	15001	20000	11,500
1	20001	30000	15,500
1	30001	50000	29,973
1	50001	125000	49,500
1	125001	160000	122,500
1	160001	200000	158,000
1	200001	230000	199,987
1	230001	290000	226,000
1	290001	590000	585,500
1	590001	1000000	1,000,000
1	1000001	1270000	1,269,500
1	1270001	1640000	1,638,255
1	1640001	2540000	2,538,119
143			8,000,000

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

As on 31st December,2005

Name	Holding	% AGE
Associated Companies	2,638,255	32.9782%
Directors, CEO their Spouse & Minor Children	3,500	0.0438%
Insurance Companies	2,538,119	31.7265%
Share Held by the General Public	387,653	4.8457%
Share Holders Holding 10% or more of Total Capital	6,457,374	80.7172%
Joint Stock Companies	2,432,473	30.4059%



PROXY FORM

I / We _____ of _____
 being a
 Member(s) of Shaheen Insurance Company Limited, and holder 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 11th Annual General Meeting of the Company to be held at 10th
 Floor, Shaheen Complex M.R. Kayani Road, Karachi on April 29, 2006 at 10:00 A.M. and at any adjournment thereof.

Signed by : _____

Witness : _____

Date : _____

<p>Affix Revenue Stamp</p>

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.