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COMPANY INFORMATION

BOARD OF DIRECTORS
Air Vice Marshal (R) Arshad Rashid Sethi
Air Commodore (R) Mustansar Suhail Toor
Robert Collings Hallier
M. Naveed Tariq
Ian Howell Ross
Shahid Hameed
Ahmed Bilal

CHIEF EXECUTIVE OFFICER
Shaharyar Akbar

CHIEF FINANCIAL OFFICER
Asif Suleman

COMPANY SECRETARY
Asif Suleman

AUDITORS
KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR
Shaukat Law Associates

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

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

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

OFFICES

Head Office
10th Floor, Shaheen Complex
M.R. Kayani Road, Karachi- 74200
Tel. # 2630370-75, 2213950-51, Fax # 2626674
E - mail : sihifc@cyber.net.pk
URL : www.shaheeninsurance.com

Lahore

Zonal Head - Mr. Naveed Butt

14 Askari Villas, Main Shami Road, Lahore Cantt.
Tel. # (042)6667008, 6675243, 6681107, 6689541
UAN: 111-765-111 Fax # (042) 6669819
E - mail : lhr_zone@shaheeninsurance.com

Islamabad

Zonal Head - Mr. Khalid Sarwar

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

Karachi

Progressive Plaza Branch
Branch Manager - Mr. Sohail Najam Kidwai

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

Hyderabad

Branch Manager - Syed Shaukat Ali

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

Faisalabad

Branch Manager - Mr. Akhtar Rao

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

Sialkot

Branch Manager - Mr. Muhammad Mujahid Ali

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

Peshawar

Branch Manager - Mr. Muhammad Shoaib Khan

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

Multan

Branch Manager - Mr. Arshad Mehmood Khan

1st Floor, Muhammad Arcade L.M.Q Road, Multan.
Tel # (061) 6750001-5, 8164777, Fax # (061) 6750004
E - mail : mul@shaheeninsurance.com

Rawalpindi Branch

Branch Manager - Mr. Mujahid Raza

Office No. 9, First Floor, Chandni Centre,
Chandni Chowk, Muree Road, Rawalpindi.
Tel # (051) 4571317, 4571103, Fax # (051) 4571366
E – mail: rwp@shaheeninsurance.com

MISSION STATEMENT

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

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that 14th Annual General Meeting of Shaheen Insurance Company Limited will be held on Thursday, April 30, 2009 at Beach Luxury Hotel , M.T. Khan Road, Karachi at 11.00 A.M. to transact the following;

Ordinary Business

1. To confirm the minutes of the Extra Ordinary General Meeting held on June 21, 2008.

2. To receive, consider and adopt the Annual Audited Accounts for the year ended December 31, 2008 together with the Directors' and Auditors' report thereon.

3. To appoint auditors for the year ended December 31, 2009 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 09, 2009

Notes :

1. The share transfer books of the Company will remain closed from April 23, 2009 to April 30, 2009 (both days inclusive).

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

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

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

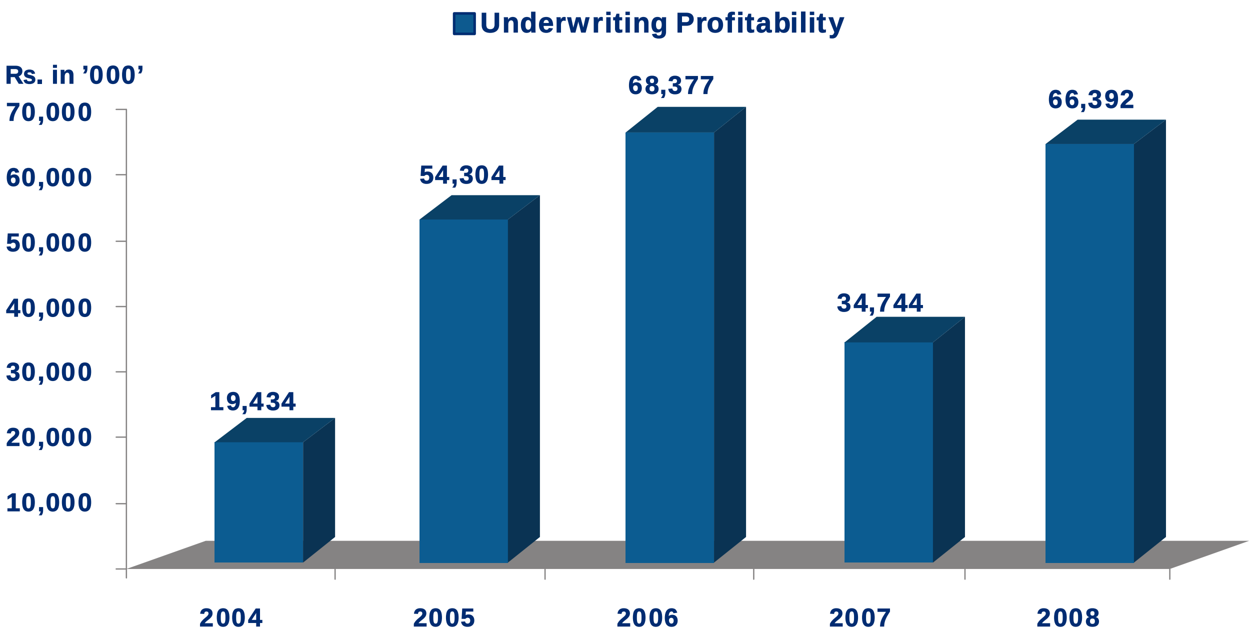
DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting to you the 14th Annual Report along with the audited financial statements for the year ended December 31, 2008.

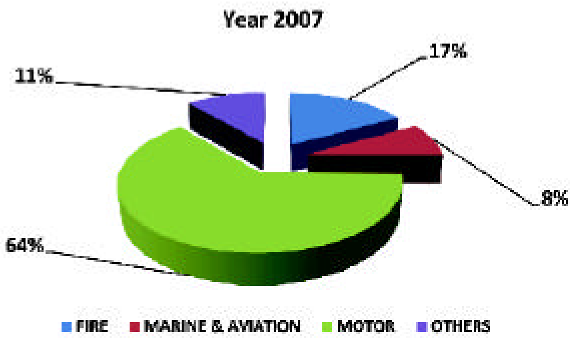
GENERAL ECONOMIC REVIEW

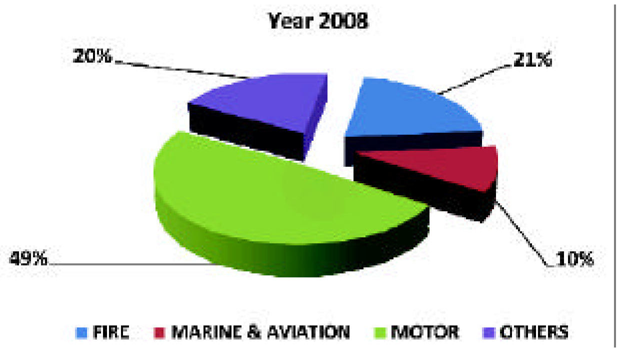
The year 2008 witnessed a slow growth in the economy of Pakistan. The year 2008 was a challenging period for the financial services sector globally. The economic picture during the last months of 2008 was extremely volatile. A confluence of factors was responsible for this situation led mainly by deepening of the global recession, market insulation due to the presence of an asset bubble accumulated over the years, macro-economic instability compounded with political uncertainty, surge in trade & current account deficits, weaker currency in response to forex reserve depletion, hike in interest rates and persistent rise in inflation. Insurance sector was no exception to this and moreover, worsening law and order situation and cut throat competition in general insurance sector put further pressure on the margins of the Insurance Companies.

UNDERWRITING RESULTS



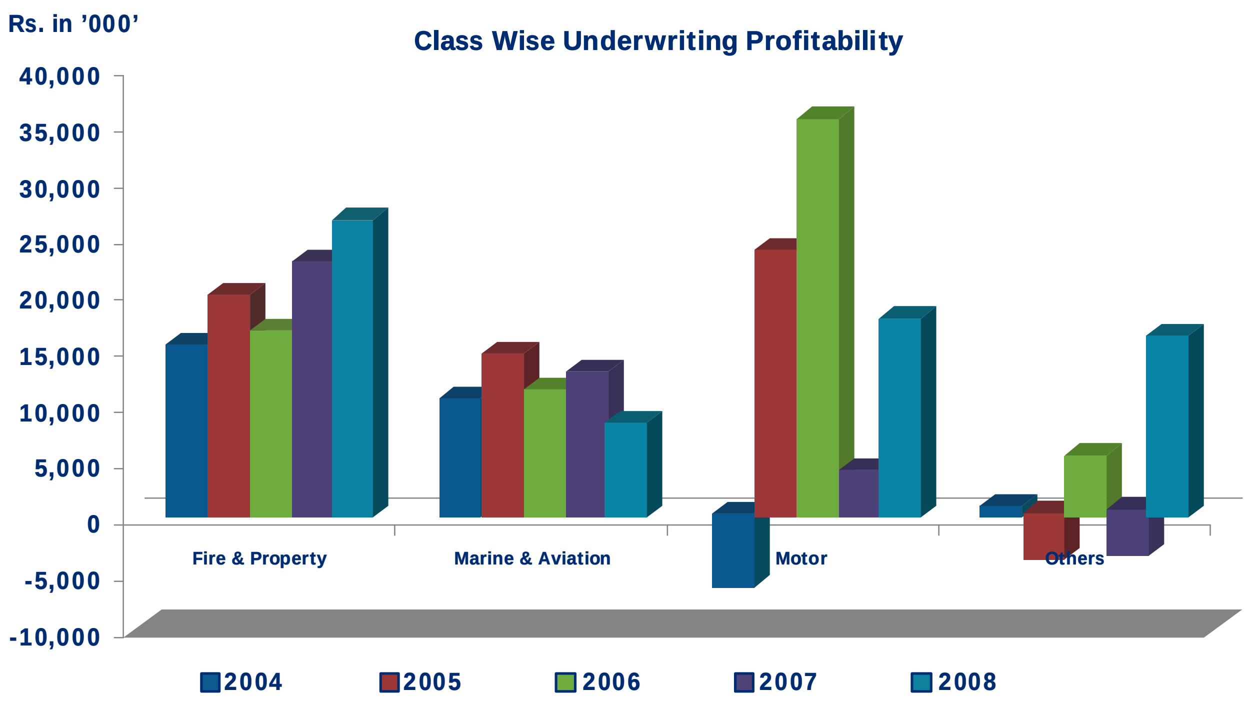
As a strategic shift from motor to non motor portfolio your Company achieved a substantial topline growth of 30.95% in its non motor portfolio as compared to corresponding period. During the year under review total non motor portfolio stood at Rs. 357.466 million as compared to Rs. 272.961 million for the year 2007, thereby, showing an increase of Rs. 84.505 million. However, this growth was mitigated by reduction in your Company's motor portfolio by 27.39% as compared to corresponding period. Motor portfolio stood at Rs. 343.779 million as compared to Rs. 473.458 million a year ago, thereby, registering a decline of Rs. 129.679 million during the year 2008. As a result of this shift, motor portfolio of your company is at an all time low of 49.02% of the total portfolio. However, this reduction has caused a decline in Gross Premiums Underwritten of 6.05% to Rs. 701.245 million in the year 2008 as compared to Rs. 746.419 million in the year 2007.





Moreover, management of your Company adopted prudent risk management procedures and transferred higher risks to the re-insurers as compared to prior years thereby increasing the re-insurance cost of the Company by 27.57% to Rs. 161.915 million during the year 2008 as compared to Rs. 126.922 million for the year 2007. While always considering the interest of its policyholders supreme, and endeavoring its utmost to render the best possible services to its clients, management of your Company was able to reduce its net claims to net premium ratio on motor portfolio to 70.76% for the year 2008 as compared to 73.81% for the year 2007. Aggregate net claim ratio for the year 2008 also reduced from 64.82% for the year 2007 to 57.98% for the year under review.

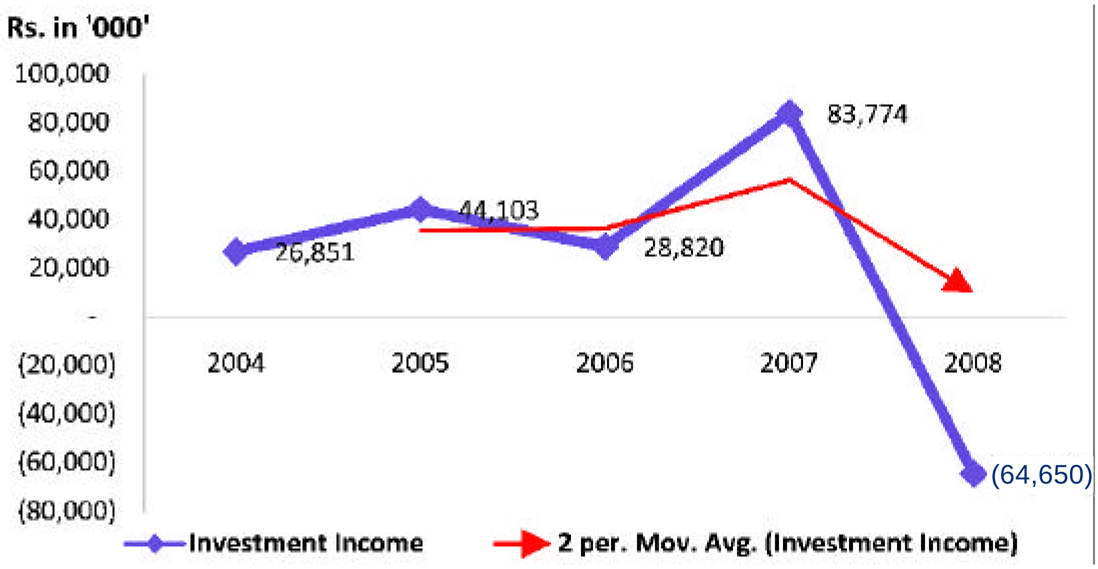
Underwriting profitability for the year 2008 is truly reflective of these prudent risk management policies and much improved portfolio mix. Underwriting results of your Company has shown a substantial growth of 91.09% from Rs. 34.743 million for the year 2007 to Rs. 66.392 million in the year under review.



INVESTMENT INCOME

The equity markets went through a roller coaster ride during the year 2008. During the first quarter or so market continued its strong run of previous years taking all the indices to all time highs in the month of April. However, concerns regarding political instability, rising inflation, depletion in foreign currency reserves and weakening Pak Rupee against other currencies, deteriorating law and order situation and to top it all, the credit crunch which gripped the country, caused deep and continuous correction in prices of most of the stocks. By the end of year 2008 Karachi Stock Exchange benchmark 100 index slipped to 5,865.01 down by 58.33% on year on year basis with market capitalization of Rs.1,859 billion as against Rs. 4,330 billion at the end of year 2007. Your Company's net loss for the year 2008 from investments in equity markets stood at Rs. 94.749 million as against a profit of Rs. 53.476 million for the year 2007 thereby registering a decline of Rs. 148.225 million that was 2.77 times of decline as compared to corresponding year.

INVESTMENT INCOME



During the year, the Company transferred its investment in equity securities having cost of Rs. 191.142 and market value of Rs. 143.106 million from 'held for trading' category to 'available for sale' category as on 3 November 2008, at the market rates prevailing on the said date. The difference between the carrying amount and market value totaling Rs. 48.037 million was charged to profit and loss account of the current period.

The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of 'floor mechanism' by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009 and disclosed in the financial statements as required.

Furthermore, SECP vide circular no.3/2009 dated 16 February, 2009 has allowed that for the purpose of application of clause 16(1)(a) of Part A and clause 13(1)(a) of Part B to the Annexure II: "Statements required to be filed by life and non-life insurers" of the Insurance Rules, 2002, where the market value of any 'available for sale' investment as at 31 December 2008 is less then cost, the fall in value may be treated as temporary and the investment valued at cost. If the fall in value of 'available for sale' investments is temporary, then twenty five percent of the difference after any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The decline in value of ‘available for sale’ investment as at 31 December 2008 shall be treated as charge to profit and loss account for the purpose of distribution of dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that ‘available for sale’ equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be charged to profit and loss account. In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are ‘rare circumstances’ and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for ‘available for sale’ equity securities through profit and loss account would not be a true reflection of the financial performance of the Company

Carrying value of ‘available for sale’ investments of the Company stood at Rs. 170.620 million on 31 December, 2008 against market value of Rs. 101.153 million on the same date. However, out of this resulting unrecorded loss in market value of Rs. 69.467 million a substantial amount of Rs. 31.162 million have already been recovered to the date of this report thereby reducing pressure on first quarter results of the year 2009.

Favorable difference between the fair value and carrying value of the investment properties stands at Rs. 58.963 million as at December 31 2008 as against Rs. 57.016 million at the end of year 2007. However, this has not been recognized in the profit and loss account as the same is not allowed under accounting regulations for non life insurance companies issued by the Securities and Exchange Commission of Pakistan.

CREDIT RATING

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

DIVIDEND PAYMENT TO THE SHAREHOLDERS

The increase in minimum capital requirements of Insurance Companies has increased the need to retain capital in the business. Therefore, in the circumstances your directors have decided not to recommend payment of dividend.

EARNING PER SHARE

Basic and Diluted Loss per Share of the Company for the year ended December 31, 2008 is Rs. 4.10 (December 31, 2007: Earning Per Share Rs. 3.44)

CONTRIBUTORY PROVIDENT FUND

The value of investments including accrued income of provident fund on the basis of un-audited accounts as on December 31, 2008 is as follows:

Term Deposit Receipt carrying mark-up at the rate of 15% per annum	Rupees 8.000 million
Units of KASB Liquid Fund	Rupees 3.683 million

STATUTORY PAYMENTS ON ACCOUNT OF TAXES, DUTIES ETC.

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

AUDIT COMMITTEE

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

1. Air Vice Marshall R. Arshad Rashid Sethi	(Chairman)
2. Mr. Hamid Gulzar	(Member)
3. Mr. Naveed Tariq	(Member)

MATERIAL CHANGES

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2008.

KEY OPERATIONAL AND FINANCIAL DATA

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

	2008	2007	2006	2005	2004	2003
	------------- Rupees in Million -------------					
Reserve and Earning	207.787	279.540	219.333	168.353	112.966	101.10
Investment Income	(64.649)	83.774	28.819	44.102	26.851	12.62
Gross Premium Written	701.245	746.419	671.328	670.609	641.164	395.30
Net Premium Revenue	575.731	570.800	565.327	527.103	376.765	276.65
Net Claims	333.832	369.997	352.571	353.150	273.807	126.82
Profit After Tax	(71.753)	60.207	50.979	55.387	11.870	20.65
Dividend Declared -Cash	-	-	-	-	-	15%
Dividend Declared -Bonus	-	-	75%	25%	-	-

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS

The Directors of your Company were elected in the Extra Ordinary General Meeting held on June 21, 2008 for a period of three years and we would like to take this opportunity to congratulate all the directors for their re-election and we look forward to their valuable contribution in the deliberations of the Board.

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

Name of Director	No. of meetings attended
Air Vice Marshall R. Arshad Rashid Sethi	5
Hamid Gulzar	5
Robert Collings Hallier	5
Ian Howell Ross	5
Ahmed Bilal	5
Qazi Mahmood Gul	5
Mohammad Naveed Tariq	5

AUDITORS

Auditors of the company Messrs. KPMG Taseer Hadi & Company, Chartered Accountants retires. In accordance with the requirements of clause xli of the Code of Corporate Governance, the auditors of the company are required to be changed once at least in 5 years. As present auditors of the company have completed their term of five years, the Board of Directors proposes, on recommendation of the Audit Committee, appointment of Anjum Asim Shahid Rahman, Chartered Accountants as auditors of the company for the year ending December 31, 2009.

PATTERN OF SHAREHOLDING

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

TRADING IN COMPANY'S SHARES

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

FUTURE OUTLOOK OF THE COMPANY

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

ACKNOWLEDGEMENTS

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

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

Most of all we are also grateful to our customers for their continued trust and confidence which has made it possible for us to achieve these results. We would also like to convey our profound gratitude to the management and staff at all levels for their loyalty, devotion and hard work which helped the Company to accomplish good results in 2008.

For and on behalf of the Board

A.R. Sethi

Arshad Rashid Sethi
Air Vice Marshal (Retd.)
Chairman

Karachi : 31 Marach, 2009

OPERATIONAL RESULTS AND FINANCIAL STRENGTH

From 1999 to 2008

Rupees in '000

		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
1	Gross Direct Premium	**701,245**	746,419	671,328	670,609	641,164	395,302	231,500	117,254	82,561	57,000
	Increase %	**(6.05)**	11.19	0.11	4.59	62.20	70.76	97.43	42.02	44.84	23.27
2	Net Premium	**575,732**	570,800	565,327	527,103	376,765	276,649	128,396	75,624	54,121	33,931
	Increase %	**0.86**	0.97	7.25	39.90	36.19	115.47	69.78	39.73	59.50	36.20
	% to 11	**328.99**	326.17	565.33	658.88	470.96	345.81	160.50	94.53	90.20	56.55
3	Claims Incurred	**333,832**	369,997	352,571	353,150	273,807	126,816	59,891	36,836	21,678	10,034
	% to 2	**57.98**	64.82	62.37	67.00	72.67	45.84	46.65	48.71	40.05	29.57
4	Commission	**115,711**	105,860	87,891	69,613	33,430	12,523	2,552	2,067	2,411	(854)
	% to 2	**20.10**	18.55	15.55	13.21	8.87	4.53	1.99	2.73	4.45	(2.52)
5	Management Expenses	**62,105**	59,303	56,488	49,623	49,093	23,741	12,393	9,237	8,889	8,950
	% to 1	**8.86**	7.95	8.41	7.40	7.66	6.01	5.35	7.88	10.77	15.70
	% to 2	**10.79**	10.39	9.99	9.41	13.03	8.58	9.65	12.21	16.42	26.38
6	Interest & Dividend Income	**(64,649)**	83,774	28,820	44,103	26,851	12,623	6,832	5,335	7,569	4,984
	% to 22	**(18.86)**	18.06	7.06	13.46	10.84	7.80	6.40	7.04	10.59	8.69
7	Other Income	**1,734**	1,324	9,061	129	10,728	2,629	1,115	1,134	2,334	1,801
8	Provision for Taxation	**7,906**	2,854	8,371	2,464	5,456	11,135	6,580	4,268	1,113	493
9	Profit/(Loss) before Tax	**(63,847)**	63,061	59,350	57,852	17,326	31,780	22,989	9,592	10,479	7,851
10	Profit/(Loss) after Tax	**(71,753)**	60,207	50,979	55,388	11,870	20,645	16,409	5,324	9,366	7,358
	% to 2	**(12.46)**	10.55	9.02	10.51	3.15	7.46	12.78	7.04	17.31	21.69
11	Paid-up Capital	**175,000**	175,000	100,000	80,000	80,000	80,000	80,000	80,000	60,000	60,000
12	General Reserve	**20,000**	20,000	20,000	20,000	20,000	20,000	-	-	-	-
13	Reserve for Unexpired Risks	**346,825**	267,567	225,820	212,175	211,456	73,306	51,359	30,249	21,648	13,572
14	Unappropriated Profit	**12,787**	84,540	99,333	48,354	12,966	1,095	12,450	6,040	716	(8,650)
15	Capital Available for Shares	**207,787**	279,540	219,333	168,354	112,966	101,095	92,450	86,040	60,716	51,350
16	Total Net Outstanding Claims	**113,117**	126,661	98,646	85,384	90,509	47,077	20,405	9,743	6,161	3,959
	% to 2	**19.65**	22.19	17.45	16.20	24.02	17.02	15.89	12.88	11.38	11.67
17	Other Liabilities	**78,628**	84,593	61,251	96,287	78,053	64,558	27,185	16,133	8,842	7,178
18	Total Capital & Liabilities	**726,357**	738,361	585,050	522,200	472,984	266,036	191,399	142,165	97,367	76,059
19	Land & Properties	**5,627**	6,164	6,701	16,794	17,331	21,714	8,851	9,389	10,734	2,706
	% to 2	**0.98**	1.08	1.19	3.19	4.60	7.85	6.89	12.42	19.83	7.98
20	Cash & Bank Balances	**166,841**	235,860	197,362	155,720	135,302	59,794	49,239	47,052	22,281	20,125
	% to 2	**28.98**	41.32	34.91	29.54	35.91	21.61	38.35	62.22	41.17	59.31
21	Investment	**175,907**	227,940	211,114	172,032	112,466	102,059	57,536	28,715	49,165	37,235
22	Total Cash & Investment	**342,748**	463,800	408,476	327,752	247,768	161,853	106,775	75,767	71,446	57,360
23	O/S Premium	**114,417**	155,426	84,586	131,929	131,272	106,322	66,635	42,051	23,162	18,887
	% to 1	**16.32**	20.82	12.60	19.67	20.47	26.90	28.78	35.86	28.05	33.14
24	Fixed Assets	**52,946**	39,422	24,084	21,995	27,540	14,759	13,589	8,625	8,338	8,243
	% to 2	**9.20**	6.91	4.26	4.17	7.31	5.33	10.58	11.41	15.41	24.29
25	Total Assets	**755,242**	871,716	674,977	635,735	614,669	447,918	204,091	145,371	99,003	76,581
26	Break-up Value Per Share	**11.87**	15.97	21.93	18.54	14.12	12.64	11.56	10.76	10.12	8.56
27	Earning Per Share (After Tax)	**(4.10)**	3.44	5.10	6.92	1.46	2.58	2.05	0.67	1.17	0.92

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

4. Term of the Board of Directors of the Company expired on June 21, 2008 and all the retiring directors were re-elected on the same date in an extra ordinary general meeting of the shareholders.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There was re-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 met once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

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

10. An orientation course was arranged for the directors of the company to update them about their duties and responsibilities. All the directors attended the course.

11. There was no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year. The remuneration and the terms and conditions of the employment of Chief Financial Officer,

Company Secretary and Head of Internal Audit, as determined by the Chief Executive Officer, have been approved by the Board of Directors.

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

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

14. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

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

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

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

19. The Board 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.Ê

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

A.R. Sethi

Arshad Rashid Sethi
Air Vice Marshall (Retd.)
Chairman

Shaharyar Akbar
Chief Executive Officer

Dated 31 March, 2009
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** ("the 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 under SRO 68(1)/2003, by the Securities and Exchange Commission of Pakistan.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement 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 as applicable to the Company for the year ended 31 December 2008.

Date: 31 March, 2009
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 2008 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 account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

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

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 2008 and of the loss, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Date: 31 March, 2009	**KPMG Taseer Hadi & Co.**
Karachi	**Chartered Accountants**

BALANCE SHEET

	Note	2008	2007
SHARE CAPITAL AND RESERVES			
Authorised share capital:			
20,000,000 (2007: 20,000,000) ordinary shares			
of Rs. 10 each		**200,000,000**	200,000,000
Paid-up share capital	5	**175,000,000**	175,000,000
Retained earnings		**12,787,033**	84,540,069
General reserve		**20,000,000**	20,000,000
		207,787,033	279,540,069
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)	4.1	**169,724,895**	172,103,681
Provision for unearned premiums		**284,139,520**	320,541,740
Additional provision for unexpired risks	4.8	**-**	2,309,162
Commission income unearned		**14,962,415**	12,628,769
Total underwriting provisions		**468,826,830**	507,583,352
CREDITORS AND ACCRUALS			
Premiums received in advance		**9,645,300**	7,095,373
Amounts due to other insurers / reinsurers	6	**26,522,481**	24,994,409
Accrued expenses	7	**2,772,342**	10,609,966
Agents balances		**10,937,198**	20,649,392
Taxation - provision less payments		**7,425,944**	7,945,200
Deferred gain on disposal of assets under sale and leaseback	9.2	**915,126**	-
Other creditors and accruals	8	**16,978,751**	12,899,518
		75,197,142	84,193,858
BORROWINGS			
Liabilities against assets subject to finance lease	9	**3,031,837**	-
OTHER LIABILITIES			
Dividend payable - unclaimed		**398,934**	398,934
Total liabilities		**547,454,743**	592,176,144
Total equity and liabilities	Rupees	**755,241,776**	871,716,213
Contingency and Commitment	10		

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

The investments in listed securities held as available for sale are valued at prices quoted on the stock exchange / quoted by them as of 31 December 2008 and the resulting decline in the market value below cost is treated as temporary. Had the decline in market value treated as other than temporary, impairment loss on available for sale securities and loss for the year ended 31 December 2008 would have been higher by Rs. 69.468 million with consequential effect on “unappropriated profit” (see note 13.8).

AS AT 31 DECEMBER 2008

	Note	**2008**	2007
CASH AND BANK DEPOSITS	11		
Cash and other equivalents		**52,109**	58,567
Current and saving accounts		**129,685,234**	186,535,036
Deposits maturing within 12 months		**37,103,923**	49,266,962
		166,841,266	235,860,565
LOANS - (secured, considered good)			
To employee	12	**1,406,306**	693,159
INVESTMENTS	13	**175,907,446**	227,940,538
INVESTMENT PROPERTIES	14	**5,626,744**	6,164,160
CURRENT ASSETS - OTHERS			
Premiums due but unpaid	15	**114,417,478**	155,426,075
Amounts due from other insurers / reinsurers	16	**37,776,179**	28,846,323
Accrued investment income	17	**1,806,221**	3,127,453
Reinsurance recoveries against outstanding claims		**56,607,780**	45,443,388
Deferred commission expense		**63,372,721**	69,002,964
Advances, deposits and prepayments	18	**67,910,335**	59,406,793
Sundry receivables	19	**10,623,634**	382,918
		352,514,348	361,635,914
FIXED ASSETS	20		
Tangible and Intangible			
Furniture, fixtures and office equipments		**6,851,015**	6,865,925
Motor vehicles		**17,425,895**	15,369,700
Capital work in progress-office premises		**28,668,756**	16,506,252
Intangible-Computer software		**-**	680,000
		52,945,666	39,421,877
Total assets	Rupees	**755,241,776**	871,716,213

Chairman	**Chief Executive Officer**	**Director**	**Chief Financial Officer**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEBER 2008

	Note	Fire and property damage	Marine, aviation and transport	Motor	Others	Treaty	2008 Aggregate	2007 Aggregate
Revenue account								
Net premium revenues		88,928,596	14,089,068	387,130,231	85,583,960	-	**575,731,855**	570,800,447
Premiums deficiency expenses	4.8	-	-	-	2,309,162	-	**2,309,162**	(896,064)
Net claims		(7,223,679)	(593,989)	(273,967,256)	(52,047,005)	-	**(333,831,929)**	(369,997,494)
Management expenses	21	(9,587,003)	(1,557,039)	(41,734,818)	(9,226,432)	-	**(62,105,292)**	(59,303,496)
Net commission		(45,703,364)	(4,529,607)	(54,799,961)	(10,678,419)	-	**(115,711,351)**	(105,859,608)
Underwriting result	Rupees	26,414,550	7,408,433	16,628,196	15,941,266	-	**66,392,445**	34,743,785
Investment (loss)/income							**(64,649,080)**	83,774,352
Rental income							**1,743,393**	1,677,024
Other income	22						**1,733,514**	1,324,162
General and administration expenses	21						**(69,067,416)**	(58,458,565)
(Loss)/profit before tax							**(63,847,144)**	63,060,758
Provision for taxation - current	23						**(7,905,892)**	(2,854,002)
(Loss)/profit after tax						Rupees	**(71,753,036)**	60,206,756
Profit and loss appropriation account:								
Balance at commencement of the year							**84,540,069**	99,333,313
(Loss)/profit after tax for the year							**(71,753,036)**	60,206,756
Issuance of bonus shares for the year ended 31 December 2007 Rs. 7.5 per share							**-**	(75,000,000)
Balance of unappropriated profit at end of the year						Rupees	**12,787,033**	84,540,069
(Loss)/Earnings per share- basic and diluted	24					Rupees	**(4.10)**	3.44

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

In accordance with SRO 3/2009 dated 16 February, 2009, the investment in listed securities held as available for sale are valued at prices quoted on the stock exchange/quoted by them as of 31 December 2008 and the resulting decline in the market value below cost is treated as temporary and has not been recognised in profit and loss account. In case the decline was treated as other then temporary and the impairment loss charged to profit and loss account, loss for the year would have been higher by Rs. 69.468 million and loss per share would have been higher by Rs. 3.97 (See note 13.8).

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEBER 2008

		Paid-up share capital	General reserve	Retained earnings	Total
Balance as at 01 January 2007		100,000,000	20,000,000	99,333,313	219,333,313
Changes in equity for the year ended 31 December 2007					
Issue of bonus shares		75,000,000	-	(75,000,000)	-
Net profit for the year ended 31 December 2007		-	-	60,206,756	60,206,756
Balance as at 31 December 2007		175,000,000	20,000,000	84,540,069	279,540,069
Changes in equity for the year ended 31 December 2008					
Loss for the year ended 31 December 2008		-	-	(71,753,036)	(71,753,036)
Balance as at 31 December 2008	Rupees	**175,000,000**	**20,000,000**	**12,787,033**	**207,787,033**

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

Chairman	**Chief Executive Officer**	**Director**	**Chief Financial Officer**

CASH FLOW STATEMENT

		2008	2007
Operating cash flows			
a) Underwriting activities			
Premiums received		**731,746,609**	648,807,164
Reinsurance premium paid		**(176,020,264)**	(117,528,218)
Claims paid		**(480,458,575)**	(408,330,947)
Reinsurance and other recoveries received		**133,083,468**	66,348,111
Commissions paid		**(150,866,774)**	(136,597,232)
Commissions received		**31,073,472**	26,492,265
Other underwriting receipts		**19,380,960**	24,396,431
Net cash flow from underwriting activities		**107,938,896**	103,587,574
b) Other operating activities			
Income tax paid		**(8,425,148)**	(5,022,362)
General management expenses paid		**(129,712,368)**	(107,027,183)
Loans (advanced)/refunded		**(713,147)**	229,249
Net cash flow from other operating activities		**(138,850,663)**	(111,820,296)
Total cash flows from all operating activities		**(30,911,767)**	(8,232,722)
Investment activities			
Profit / return received		**19,572,356**	20,368,015
Rentals received		**1,677,024**	1,268,080
Payments for investments		**(45,776,786)**	(356,787)
Proceeds from disposal of investments		**4,402,043**	48,276,205
Fixed capital expenditure		**(25,550,177)**	(28,152,257)
Proceeds from disposal of fixed assets		**8,352,400**	5,327,952
Total cash flows from investing activities		**(37,323,140)**	46,731,208
Financing activities			
Financial charges paid		**(277,516)**	-
Lease payments		**(506,876**	-
Dividends paid		**-**	-
Total cash flows from financing activities		**(784,392)**	-
Net cash flows from all activities		**(69,019,299)**	38,498,486
Cash and cash equivalents at beginning of the year		**235,860,565**	197,362,079
Cash and cash equivalents at end of the year	Rupees	**166,841,266**	235,860,565

FOR THE YEAR ENDED 31 DECEMBER 2008

		2008	2007
Reconciliation to profit and loss account			
Operating cash flows		**(30,911,767)**	(8,232,722)
Depreciation expense		**(10,148,794)**	(9,315,502)
Gain on disposal of fixed assets		**1,300,533**	1,324,162
Amortisation of gains on assets under sale and lease back		**183,024**	-
Provision for doubtful debts		**-**	(2,850,708)
Bad debts written off		**(58,559)**	-
Taxes paid		**8,425,148**	5,022,362
Premium deficiency reserve		**-**	(896,064)
Financial charges		**(277,516)**	-
Increase / (decrease) in assets other than cash		**(16,340,477)**	(144,511,504)
(Increase) / decrease in liabilities		**46,886,951**	136,531,942
Investment and other income		**(62,905,687)**	85,988,792
Provision for taxation		**(7,905,892)**	(2,854,002)
(Loss)/Profit after tax	Rupees	**(71,753,036)**	60,206,756

Definition of cash

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

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

Cash and other equivalents			
- Cash in hand		**52,109**	53,307
- Policy stamps in hand		**-**	5,260
		52,109	58,567
Current and saving accounts			
- Current accounts		**39,582,820**	49,818,293
- Savings accounts		**90,102,414**	136,716,743
		129,685,234	186,535,036
Deposit maturing within 12 months-term deposits		**37,103,923**	49,266,962
	Rupees	**166,841,266**	235,860,565

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 PREMIUMS

FOR THE YEAR ENDED 31 DECEBER 2008

Business underwritten inside Pakistan

Class	Premiums written (Note 26)	Unearned premium reserve		*Premium earned	Reinsurance ceeded	Prepaid reinsurance premium ceeded		Reinsurance expense	2008 Net premium revenue	2007 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	145,164,880	59,885,775	61,596,032	143,454,623	58,322,359	21,899,788	25,696,120	54,526,027	**88,928,596**	74,224,574
Marine, aviation and transport	73,811,411	15,264,553	20,453,755	68,622,209	54,566,631	11,684,048	11,717,538	54,533,141	**14,089,068**	23,432,434
Motor	343,779,373	202,944,029	145,747,285	400,976,117	11,173,290	8,117,341	5,444,745	13,845,886	**387,130,231**	425,849,699
Others	138,489,718	42,447,383	56,342,448	124,594,653	45,254,268	13,582,856	19,826,431	39,010,693	**85,583,960**	47,293,740
Total	701,245,382	320,541,740	284,139,520	737,647,602	169,316,548	55,284,033	62,684,834	161,915,747	**575,731,855**	570,800,447
Treaty	-	-	-	-	-	-	-	-	-	-
Grand total Rupees	701,245,382	320,541,740	284,139,520	737,647,602	169,316,548	55,284,033	62,684,834	161,915,747	**575,731,855**	570,800,447

* 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.

A.R. Sethi

Chairman | **Chief Executive Officer** | **Director** | **Chief Financial Officer**

STATEMENT OF CLAIMS
FOR THE YEAR ENDED 31 DECEBER 2008

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	2008 Net claims expense	2007 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	89,029,436	31,093,279	10,314,042	68,250,199	77,298,451	23,022,184	6,750,253	61,026,520	**7,223,679**	10,714,704
Marine, aviation and transport	16,085,527	17,632,601	46,192,534	44,645,460	12,617,287	13,130,619	44,564,803	44,051,471	**593,989**	4,787,511
Motor	319,129,029	117,217,037	101,272,874	303,184,866	35,171,168	6,107,433	153,875	29,217,610	**273,967,256**	314,356,914
Others	56,214,583	6,160,764	11,945,445	61,999,264	7,996,562	3,183,152	5,138,849	9,952,259	**52,047,005**	40,138,365
Total	480,458,575	172,103,681	169,724,895	478,079,789	133,083,468	45,443,388	56,607,780	144,247,860	**333,831,929**	369,997,494
Treaty	-	-	-	-	-	-	-	-	-	-
Grand total Rupees	480,458,575	172,103,681	169,724,895	478,079,789	133,083,468	45,443,388	56,607,780	144,247,860	**333,831,929**	369,997,494

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 EXPENSES

FOR THE YEAR ENDED 31 DECEBER 2008

Business underwritten inside Pakistan

Class		Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net Commission expenses	Other Management expenses (Note 20)	Underwriting expenses	*Commission from reinsurers	2008 Net underwriting expenses	2007 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		64,182,214	28,373,039	29,609,353	62,945,900	9,587,003	72,532,903	17,242,536	**55,290,367**	40,680,012
Marine, aviation and transport		8,784,739	4,677,798	4,052,907	9,409,630	1,557,039	10,966,669	4,880,023	**6,086,646**	6,497,771
Motor		47,421,564	28,554,962	20,960,925	55,015,601	41,734,818	96,750,419	215,640	**96,534,779**	107,085,254
Others		20,766,063	7,397,165	8,749,536	19,413,692	9,226,432	28,640,124	8,735,273	**19,904,851**	10,900,067
Total		141,154,580	69,002,964	63,372,721	146,784,823	62,105,292	208,890,115	31,073,472	**177,816,643**	165,163,104
Treaty		-	-	-	-	-	-	-	-	-
Grand total	Rupees	141,154,580	69,002,964	63,372,721	146,784,823	62,105,292	208,890,115	31,073,472	**177,816,643**	165,163,104

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

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

Chairman	Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEBER 2008

	Note	**2008**	2007
Income from trading investments			
Capital (loss)/gain on sale of held for trading investments		**(37,894,534)**	56,893,057
Dividend income		**7,515,525**	3,857,043
Income from non-trading investments			
Held to maturity			
Return on government security		**178,468**	253,506
Return on other fixed income securities and deposits		**9,816,937**	17,332,787
		9,995,405	17,586,293
Available for sale			
Dividend income		**3,873,069**	3,317,122
		13,868,474	20,903,415
(Loss)/gain on sale of non-trading investments (available for sale)		**(1,749,453)**	1,045,767
Unrealized loss on revaluation of held for trading investments		**-**	(2,064,742)
Income from reverse repo transactions in listed equity securities		**8,716,688**	7,602,089
Loss on revaluation of held for trading investments (before reclassification to the available for sale category)	13.8	**(48,036,759)**	-
Investment related expenses	13.10	**(7,069,021)**	(4,462,277)
Net investment income	Rupees	**(64,649,080)**	83,774,352

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

Chairman	**Chief Executive Officer**	**Director**	**Chief Financial Officer**

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

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 PREPARATION

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

2.1 Statement of compliance

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

2.2 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.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Classification of investments

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

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

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

Provision for outstanding claims (including IBNR)

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

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

Additional provision for unexpired risks (premium deficiency reserve)

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

Reinsurance recoveries against outstanding claims

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

Income taxes

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

Impairment (available for sale)

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

Impairment of other assets, including premium due but unpaid

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

Fixed assets, investment proprties and depreciation / amortisation

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

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

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

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

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

3.1 The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have a material effect on the Company's financial statements.

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. This standard will have no effect on the Company's reported total profit or loss or equity.

- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. IFRIC 15 would not effect the accounting policy of the Company.

- IFRIC 16- Hedge of Net Investment in a Foreign Operation. (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the Step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial investments.

- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute Non-cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

- IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, Then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Company's financial statements.

- IFRS 4- Insurance Contracts, requires to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test. Further, it required additional disclosure relating to identification and explanation of the amount in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The application of the standard requires additional disclosures in the Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for IBNR of Rs. 3.163 million (2007: Rs. 11.884 million) is made for the cost of settling claims incurred but not reported at the balance sheet date on the basis of actuarial valuation. The latest valuation was carried out as of 31 December 2008.

4.2 Reinsurance recoveries against outstanding claims and salvage recoveries

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

4.3 Premium income and provision for unearned premiums

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

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

4.4 Administrative surcharge

Administrative surcharge is included in the profit and loss accounts (as premium revenue) at the time the policies are issued and are not amortized.

4.5 Commission expense and deferred commission expense

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

4.6 Reinsurance expense and prepaid reinsurance premium ceeded

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

4.7 Commission income and unearned commission income

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

4.8 Additional provision for unexpired risks

The Company is required under SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve (PDR) is recognised in the profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of 31 December 2008. Based on the actuarial valuation so carried out, the Company is not required to make any provision for PDR in respect of any class of business. Accordingly, the Company has reversed the provision of Rs. 2.309 million made in the previous years.

4.9 Claim recoveries

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amount expected to be received. Claims expenses are reported net off reinsurance in the profit and loss account.

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

4.10 Operating fixed assets

Tangibles

Owned

- Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.
- Depreciation is charged over the estimated useful life of the asset on a systematic basis to income applying straight line balance method at rates given in note 20.1 to these financial statements.
- Depreciation is charged from the month the asset is available for intended use. No depreciation is charged from the month of the disposal of the asset.
- Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

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

Leased

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

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

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

Intangibles

- These are stated at cost less accumulated amortisation and impairment loss. Amortisation is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rates specified in note 20.1 to the financial statements.

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

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

Capital work in progress

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

4.11 Investments

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

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

4.11.1 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.

4.11.2 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.

4.11.3 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, in accordance with the above requirement.

4.11.4 Recognition / derecognition of investments

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

4.12 Securities under repurchase / resale agreements

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

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

4.13 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;

- ❑ Premises is depreciated so as to write-off the assets over their expected economic lives under the straight line method at rates given in note 14 to these financial statements.
- ❑ Subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

4.14 Trade and other receivables

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

4.15 Retirement benefits – Defined Contribution Plan (Provident Fund)

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

4.16 Taxation

Current

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

Deferred

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

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

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

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

4.17 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.

4.18 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, loans to employees, premiums due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, security deposits, sundry receivables, amount due to other insurers / reinsurers, accrued expenses, provision for outstanding claims, agent's balances, liabilities against assets subject to finance lease, other creditors and accruals, deposits and other payables and unclaimed dividends.

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

4.19 Investments income

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

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

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

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

4.20 Rental income

Rent income on investment properties are recognised on a time proportion basis.

4.21 Expenses of management

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

4.22 Off setting

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

4.23 Impairment

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

4.24 Provisions

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

4.25 Segment reporting

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

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

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

- ❑ Marine insurance segment provides coverage against cargo risk, war risk and damages occurring in inland transit.
- ❑ Motor insurance provides comprehensive vehicle coverage and indemnity against third party losses.
- ❑ Others insurance provides cover against loss of cash in safe and cash in transit, personal accident, money, engineering losses and other coverages.

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

4.26 Cash and cash equivalents

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

4.27 Amount due to other insurers / reinsurers

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

4.28 Premiums due but unpaid

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

4.29 Amount due from other insurers / reinsurers

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

4.30 Dividend distributions and appropriations

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

4.31 Loss/Earnings per share

Loss / earnings per share is calculated by dividing the loss / profits after tax for the year by the weighted average number of shares outstanding during the year.

5. PAID-UP SHARE CAPITAL

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

2008	2007		**2008**	2007
(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
9,500,000	9,500,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**95,000,000**	95,000,000
17,500,000	17,500,000	Rupees	**175,000,000**	175,000,000

At 31 December 2008, 17.049 million (2007: 16.907 million) shares of the company were held by associated undertakings. Details of these holdings are as follows:

Shaheen Foundation, Pakistan Air Force		**3,586,556**	3,586,556
Central Non Public Fund, Pakistan Air Force		**2,187,500**	2,187,500
The Hollard Company Limited, South Africa		**5,552,134**	5,552,134
First Capital Securities Corporation Limited		**190,827**	53,534
First Capital Equities Limited		**2,787,425**	2,782,625
Worldcall Telecom Limited		**2,744,843**	2,744,843
	Rupees	**17,049,285**	16,907,192

6. AMOUNT DUE TO OTHER INSURERS / REINSURERS

Foreign companies		**6,022,052**	12,651,732
Local Companies		**20,500,429**	12,342,677
	Rupees	**26,522,481**	24,994,409

7. ACCRUED EXPENSES

Staff bonus payable		**-**	9,000,000
Advisory fee payable to a related party		**979,844**	638,588
Provision against utilities		**1,188,947**	451,100
Others		**603,551**	520,278
	Rupees	**2,772,342**	10,609,966

8. OTHER CREDITORS AND ACCRUALS

Amount payable to policy holders in respect of cancelled policies		**3,095,758**	373,485
Federal excise duty payable	8.1	**13,024,363**	10,386,769
Federal insurance fee payable		**-**	594,651
Withholding tax payable	8.2	**472,176**	223,868
Workers welfare fund payable		**386,454**	-
Payable to a related party		**-**	391,933
Others		**-**	928,812
	Rupees	**16,978,751**	12,899,518

8.1 Subsequent to the year-end, the amount of Rs. 5.33 million (2007: Rs. 6.08 million) was paid by the Company.

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

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9.1 Details are as follows:

	2008			2007		
	Minimum lease payments	**Financial charges for future periods**	**Present value**	Minimum lease payments	Financial charges for future periods	Present value
Within one year	**1,344,672**	**447,655**	**897,017**	-	-	-
After one year	**2,479,594**	**344,774**	**2,134,820**	-	-	-
Rupees	**3,824,266**	**792,429**	**3,031,837**	-	-	-

The total lease rentals due under the various lease agreements is Rs. 3.812 million (2007: Nil) and are payable in equal monthly instalments till 2011. Taxes, repairs and insurance costs are to be borne by the Company. Financing rates of 17% per annum has been used as the discounting factor. Purchase option can be exercised by the Company, paying 15% of the leased amount.

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

10. CONTINGENCY AND COMMITMENT

10.1 CONTINGENCY

A show cause proceeding under section 5 of the Listed Companies (Substantial acquisition of voting shares and take overs) Ordinance 2002, has been initiated by the Securities and Exchange Commission of Pakistan against certain parties including the Company (for the acquisition of certain shares without due notices to the company whose shares were acquired). However, the company's management is of the view that it had acquired the shares in the capacity of a financer (under carry over transactions) and as such was/is not a member of the company. Besides the management believes that there will be no financial implication of the same on the Company.

10.2 COMMITMENT

This represents six monthly instalments of Rs. 1.013 million aggregating to Rs. 6.081 million (31 December 2007: Rs. 18.243 million) payable to a related party for the purchase of office premises in an under construction building in Lahore.

11. CASH AND BANK DEPOSITS

	Note	2008	2007
Cash and other equivalents			
- Cash in hand		**52,109**	53,307
- Policy stamps and bond papers in hand		**-**	5,260
		52,109	58,567
Current and saving accounts			
- Current accounts		**39,582,820**	49,818,293
- Profit and loss sharing accounts	11.1	**90,102,414**	136,716,743
		129,685,234	186,535,036
Deposit maturing within 12 months - term deposits	11.2	**37,103,923**	49,266,962
	Rupees	**166,841,266**	235,860,565

11.1 These carry profit rates ranging between 0.5% to 4.75% (2007: 0.5% to 4.75%) per annum.

11.2 These carry profit rates ranging between 9.5% to 13.0% (2007: 9.5% to 11.5%) per annum.

12. LOANS - (secured, considered good)

		2008	2007
To employees			
Due from - an executive		**320,835**	150,006
- others		**1,085,471**	543,153
	Rupees	**1,406,306**	693,159

This represents mark-up free loans to the employees of the company in accordance with the terms of their employment and are secured against their retirement benefits. These loans are recoverable in monthly installments over a period of one year. The maximum amount due from an executive calculated with reference to month end balances was Rs. 0.875 million (2007: Rs. 0.207 million).

13. INVESTMENTS

13.1 Type of investments

		2008	2007
Held to maturity			
Government security - Defence Saving Certificate		-	1,659,032
Certificate of Investments		-	12,886,283
Term Finance Certificates - listed	13.2	**5,287,000**	10,357,080
		5,287,000	24,902,395
At fair value through profit and loss - Held for trading	13.3	-	165,511,407
Available for sale			
Investments in ordinary shares of listed companies	13.4	**143,105,884**	-
Units / certificates of mutual funds	13.5	**27,514,562**	37,526,736
	13.7	**170,620,446**	37,526,736
	Rupees	**175,907,446**	227,940,538

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

Number of certificates 2008	2007			2008	2007
-	2,000	Standard Chartered Bank (Pakistan) Limited - 1st issue		-	3,294,720
1,000	1,000	Standard Chartered Bank (Pakistan) Limited - 2nd issue	13.2.1	**4,742,000**	4,993,000
-	600	MCB Bank Limited		-	898,560
-	189	Trust Leasing & Investment Bank Limited		-	360,433
109	109	Al-Zamin Leasing Corporation Limited	13.2.2	**545,000**	545,000
-	190	Ittehad Chemicals Limited		-	158,213
-	75	Pakistan Services Limited		-	107,154
			Rupees	**5,287,000**	10,357,080

At 31 December 2008, market value of term finance certificates (TFCs), based on rates quoted by Mutual Fund Association of Pakistan (in accordance with circular no. 1 dated 6th January 2009 issued by the Securities and Exchange Commission of Pakistan for the purpose of revaluation of TFCs) was Rs. 5.469 million (2007: Rs. 10.533 million).

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

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

Period		**Six monthly instalments**
20 January 2009	Rupees	250,000
20 January 2010	Rupees	1,992,000
20 January 2011	Rupees	2,500,000

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

13.3 At fair value through profit and loss - Held for trading investments - (quoted shares)

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

Number of shares		Name of the investee entity	Carrying (market) value	
2008	2007		**2008**	2007
		Oil & Gas Exploration		
-	40,900	Pakistan Oilfields Limited	-	13,676,960
-	210,000	Oil and Gas Development Company Limited	-	25,084,500
-	73,000	Pakistan Petroleum Limited	-	17,888,650
		Fertilizers		
-	310,000	Fauji Fertilizer Bin Qasim Limited	-	13,035,500
-	70,000	Fauji Fertilizer Company Limited	-	8,312,500
		Technology & Communication		
-	35,000	Pakistan Telecommunication Company Limited	-	1,471,750
		Commercial Banks		
-	113,974	The Bank of Punjab	-	11,146,657
-	61,000	National Bank of Pakistan	-	14,161,150
-	7,683	MCB Bank Limited	-	3,072,815
-	25,050	United Bank Limited	-	4,331,145
-	2,000	Arif Habib Bank Limited	-	69,200
		Insurance Company		
-	40,000	New Jubilee Life Insurance Company Limited	-	2,822,000
		Power Generation		
-	75,000	The Hub Power Company Limited	-	2,287,500
		Cement		
-	76,400	D.G.Khan Cement Company Limited	-	7,235,080
-	150,000	Lucky Cement Limited	-	17,475,000
		Refinery		
-	7,500	Attock Refinery Limited	-	1,884,750
		Automobile Assembler		
-	5,000	Pak Suzuki Motor Company Limited	-	1,648,250
-	5,000	Indus Motors Company Limited	-	1,596,000
		Engineering		
-	80,000	Crescent Steel and Allied Products Limited	-	7,792,000
		Textile Composite		
-	100,000	Nishat Mills Limited	-	10,520,000
		Rupees	-	165,511,407

13.4 Available for sale investments - quoted shares

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

Number of shares		Name of the investee entity	Cost	
2008	2007		2008	2007
		Cement		
51,400	-	D.G.Khan Cement Company Limited	2,018,992	-
84,400	-	Lucky Cement Limited	4,875,788	-
		Technology & Communication		
367,200	-	Pakistan Telecommunication Company Limited	11,566,800	-
30,000	-	Netsol Technologies Limited	1,400,100	-
		Oil & Gas Exploration		
142,600	-	Oil and Gas Development Company Limited	13,465,718	-
61,080	-	Pakistan Oilfields Limited	14,872,980	-
135,300	-	Pakistan Petroleum Limited	26,200,845	-
31,700	-	Mari Gas Company Limited	4,266,186	-
		Chemical		
83,300	-	ICI Pakistan Limited	10,578,267	-
		Miscellaneous		
60,100	-	Tri-Pack Film Limited	9,194,699	-
		Textile Composite		
55,000	-	Nishat Mills Limited	2,431,550	-
		Engineering		
88,000	-	Crescent Steel and Allied Products Limited	2,605,680	-
		Refinery		
20,000	-	National Refinery Limited	3,520,600	-
		Commercial Banks		
70,000	-	National Bank of Pakistan	6,511,400	-
30,000	-	Habib Bank Limited	4,153,500	-
192,250	-	Bank Alfalah Limited	6,007,813	-
7,683	-	MCB Bank Limited	1,811,267	-
937	-	United Bank Limited	64,019	-
27,777	-	Arif Habib Bank Limited	301,380	-
47,500	-	Bank Al Habib Limited	1,621,650	-
		Insurance Company		
40,000	-	New Jubilee Life Insurance Company Limited	1,805,200	-
		Automobile Assembler		
5,000	-	Pak Suzuki Motor Company Limited	418,950	-
		Pharmaceuticals		
39,200	-	Highinoon Laboratories Limited	1,536,640	-
		Fertilizers		
37,000	-	Engro Chemical Pakistan Limited	6,676,280	-
		Oil & Gas Marketing Companies		
22,320	-	Attock Petroleum Limited	4,612,651	-
2,100	-	Pakistan State Oil Company Limited	586,929	-
		Rupees	143,105,884	-

13.5 Available-for-sale investments - mutual funds

Number of certificates 2008	Number of certificates 2007	Name of the fund	Note	Carrying value 2008	Carrying value 2007
		Closed end fund			
75,000	75,000	Pakistan Strategic Allocation Fund		**750,750**	750,750
195,000	195,000	PICIC Growth Fund		**5,786,706**	5,786,706
60,000	60,000	Atlas Fund of Funds		**540,000**	540,000
-	176,000	BSJS Balance Fund Limited		**-**	2,392,950
-	421,000	Golden Arrow Selected Stocks Fund Limited		**-**	2,963,900
-	114,000	Pakistan Premier Fund Limited		**-**	1,453,700
				7,077,456	13,888,006
Number of units 2008	**Number of units 2007**	**Name of the fund**			
		Open end fund			
-	13,476	Pakistan Stock Market Fund		**-**	961,281
396,012	137,803	Pakistan Income Fund	13.5.1	**20,437,106**	7,241,479
-	65,407	JS Income Fund		**-**	7,043,544
-	81,512	Faysal Growth Fund		**-**	8,392,426
				20,437,106	23,638,730
			Rupees	**27,514,562**	37,526,736

The face value of certificates of closed end mutual funds is Rs. 10 each except for Golden Arrow Selected Stocks Fund Limited having face value of Rs. 5 each.

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

13.6 During the year (on 3 November 2008), the company reclassified certain equity securities amounting to Rs. 143.105 million from held for trading to available for sale investments as allowed for reclassification by the amendment published in International Accounting Standard 39, "Financial Instruments" in rare circumstances (refer note 13.8). The carrying amount (fair value) of the securities reclassified as at 3 November 2008 amounting to Rs. 143.105 million is considered to be new cost of the securities under available for sale category. Had there been no reclassification, loss for the year ended 31 December 2008 and unrealised loss on revaluation of held for trading investments would have been higher by Rs. 62.622 million.

13.7 As of 31 December 2008, market value of quoted available for sale investments is Rs. 101.153 million (31 December 2007: Rs. 38.119 million).

13.8 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of 'floor mechanism' by KSE, the market volumes declined significantly during the period from 28 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009 and disclosed in the financial statements as required.

Furthermore, SECP vide circular no.3/2009 dated 16 February, 2009 has allowed that for the purpose of application of clause 16(1)(a) of Part A and clause 13(1)(a) of Part B to the Annexure II: "Statements required to be filed by life and non-life insurers" of the Insurance Rules, 2002, where the market value of any 'available for sale' investment as at 31 December 2008 is less then cost, the fall in value may be treated as temporary and the investment valued at cost. If the fall in value of 'available for sale' investments is temporary, then twenty five percent of the difference after any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The decline in value of available for sale investment as at 31 December 2008 shall be treated as charge to profit and loss account for the purpose of distribution of dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be charged to profit and loss account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are 'rare circumstances' and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for 'available for sale' equity securities through profit and loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of above circular would have had the following effect on these financial statements:

		2008
Increase in 'impairment loss' in profit and loss account	Rupees	**69,467,792**
Increase in loss for the year	Rupees	**69,467,792**
Increase in loss per share	Rupees	**3.97**
Decrease in un-appropriated profit	Rupees	**69,467,792**

13.9 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.

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

		2008	2007
Brokerage commission - related party		**643,857**	537,618
Coustodian fees		**450,874**	436,335
Investment advisory fees- related party		**2,784,716**	2,950,908
Performance fee to investment advisor - related party		**2,652,158**	-
Depreciation on investment properties	*14*	**537,416**	537,416
	Rupees	**7,069,021**	4,462,277

14. INVESTMENT PROPERTIES - at cost less accumulated depreciation

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

		2007							
		Cost			Depreciation			Written down	Depreciation
		At 1 January 2007	Additions/ (deletions)	At 31 December 2007	At 1 January 2007	For the year	At 31 December 2007	value as at 31 December 2007	rate %
Shop premises	14.1	7,900,000	-	7,900,000	2,765,000	395,000	3,160,000	4,740,000	5
Office premises	14.1	2,848,320	-	2,848,320	1,281,744	142,416	1,424,160	1,424,160	5
	Rupees	10,748,320	-	10,748,320	4,046,744	537,416	4,584,160	6,164,160	

14.1 Shop and Office Premises (leasehold properties) have been valued under the market value basis by BFA (Private) Limited and MJ Surveyors (Private) Limited. Market value of shop and office premises based on the valuations as of 23 February 2009 and 24 February 2009 amounted to Rs.53.20 million and Rs. 11.39 million (2007: 25 February 2008 and 23 February 2008 amounted to Rs. 51.45 million and Rs. 11.73 million) respectively.

15. PREMIUMS DUE BUT UNPAID - unsecured

	Note	**2008**	2007
Considered good	15.1	**114,417,478**	155,426,075
Considered doubtful		**13,742,644**	13,742,644
		128,160,122	169,168,719
Provision against doubtful debts	15.2	**(13,742,644)**	(13,742,644)
	Rupees	**114,417,478**	155,426,075

15.1 It includes Rs. 56.477 million (2007: Rs. 40.694 million) due from related parties. The maximum balance from related parties at the end of any month during the year was Rs. 100.57 million (2007: Rs. 61.10 million).

15.2 Reconciliation of provision against doubtful balances

		2008	2007
Balance as on 1 January		**13,742,644**	10,891,936
Charge for the year		**-**	2,850,708
Balance as on 31 December	Rupees	**13,742,644**	13,742,644

	Note	2008	2007

16. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS-Unsecured

	Note	2008	2007
Considered good - foreign		**22,295,039**	5,123,595
- local		**15,481,140**	23,722,728
		37,776,179	28,846,323

17. ACCRUED INVESTMENT INCOME

	Note	2008	2007
Mark-up accrued on term finance certificates		**255,316**	296,496
Dividend income - (available for sale securities)	17.1	**961,700**	404,938
Profit accrued on term deposits with banks		**589,205**	2,426,019
	Rupees	**1,806,221**	3,127,453

17.1 The amount was subsequently received by the Company.

18. ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2008	2007
Security deposits		**1,813,763**	1,125,480
Prepaid reinsurance premium ceeded		**62,684,834**	55,284,033
Prepayments	18.1	**3,303,675**	2,997,280
Others		**108,063**	-
	Rupees	**67,910,335**	59,406,793

18.1 This includes amount of Rs. 2.09 million (2007: 1.9 million) in respect of prepayment of rent to a related party.

19. SUNDRY RECEIVABLES - unsecured, considered good

	Note	2008	2007
Receivable:			
- against rental income	19.1	**254,081**	187,712
- from the provident fund		**93,383**	195,206
- from a related party for dealing in marketable securities	19.2	**8,182,170**	-
- against maturity of Government Security - Defence Saving Certificate	19.3	**1,837,500**	-
- from a related party	19.4	**256,500**	-
	Rupees	**10,623,634**	382,918

19.1 The amount was subsequently received by the Company.

19.2 The balance was received subsequent to the year end.

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

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

20. FIXED ASSETS

	Note	2008	2007
Tangible - operating fixed assets	20.1	**24,276,910**	22,235,625
Intangible-computer software	20.1	**-**	680,000
Capital work in progress - office premises	20.3	**28,668,756**	16,506,252
	Rupees	**52,945,666**	39,421,877

20.1 Operating fixed assets - at cost less accumulated depreciation

2008

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

2007

	COST			DEPRECIATION			Written down value as at 31 December 2007	Depreciation rate %
	At 1 January 2007	Additions/ (Deletion)	At 31 December 2007	At 1 January 2007	For the year	At 31 December 2007		
Tangible								
- Owned								
Furnitures and fixtures	9,350,276	255,680	9,605,956	5,779,734	681,021	6,460,755	3,145,201	10
Office and electrical equipments	6,504,038	1,461,115	7,965,153	4,694,035	797,365	5,491,400	2,473,573	15 - 20
Computer equipments	6,769,157	872,980	7,642,137	5,360,638	1,034,528	6,395,166	1,246,971	33.3
Furnitures, fixtures & office equipments	22,623,471	2,589,775	25,213,246	15,834,407	2,512,914	18,347,321	6,865,925	
Motor vehicles	39,428,154	9,056,230 (10,048,254)	38,436,130	23,472,784	5,605,172 (6,011,526)	23,066,430	15,369,700	20
	62,051,625	11,646,005 (10,048,254)	63,649,376	39,307,191	8,118,086 (6,011,526)	41,413,751	22,235,625	
Intangible								
Computer software	2,000,000	-	2,000,000	660,000	660,000	1,320,000	680,000	33.3
Rupees	**64,051,625**	**11,646,005 (10,048,254)**	**65,649,376**	**39,967,191**	**8,778,086 (6,011,526)**	**42,733,751**	**22,915,625**	

20.2 Particulars of disposal of fixed assets

	Cost	Written down value	Sale proceeds	Profit/ (loss)	Mode of disposal	Sold to	Address
Motor vehicles	557,100	-					
	250,000	-					
	275,000	9,167					
	625,000	41,667					
	536,300	-					
	4,500	-					
	12,000	-					
	350,000	-					
	2,609,900	50,834	715,000	664,166	Negotiation (as a blocksale)	Muhammad Azeem	Hasan Lashkari House No. 9 Street No. 9, Garden West, Khi.
	700,000	-					
	350,000	23,333					
	250,000	16,667					
	215,000	-					
	27,500	-					
	225,000	15,000					
	1,767,500	55,000	170,000	115,000	Negotiation (as a blocksale)	Syed Farhaj Hashmi	Aziz Saheed Road, H/No. 96-A, Sialkot Cantt. Sialkot.
	60,500	-					
	36,000	27,000					
	35,500	28,400					
	41,000	11,617					
	78,000	-					
	59,900	-					
	310,900	67,017	88,000	20,983	Negotiation (as a blocksale)	Muhammad Shabbir	Flat # D-1, 4th Floor, Shah Wali Ullah Rd. Karachi.
	44,000	-					
	45,000	-					
	61,800	1,030					
	61,800	1,030					
	632,820	-					
	27,500	-					
	872,920	2,060	65,500	63,440	Negotiation (as a blocksale)	Muhammad Saleem	Babu Bhartha, Sialkot.
	42,000	-					
	61,800	3,090					
	26,667	3,111					
	26,667	3,111					
	26,667	3,111					
	183,801	12,423	56,000	43,577	Negotiation (as a blocksale)	Yaqoob Zarin Bangash	H/No. 290, 51 Sector, Hijrat Colony, Karachi
	42,500	708	10,000	9,292	Negotiation	Abdul Razzak	Y-430, Area Y, Sector 40C, Korangi, Karachi.
	880,500	425,575	500,000	74,425	Negotiation	Muhammad Furqan Majeed	H/No. 832, 28/C, Mehmood-Abad Post Office, Karachi.

Cost	Written down value	Sale proceeds	Profit/ (loss)	Mode of disposal	Sold to	Address
720,000	-					
450,000	-					
279,000	18,600					
150,000	-					
1,599,000	18,600	160,000	141,400	Negotiation (as a blocksale)	Imran Khan	Flat No. 4, Street No. 14, Al-Makhtoom Colony, Islamabad.
2,150,000	1,720,000	1,200,000	(520,000)	Negotiation	Sheikh Muhammad Jawad	H/No. 370, Block # 1, Sector C1, Township, Lahore.
1,506,000	828,300	900,000	71,700	Negotiation	Muhammad Hasan	H/No. 333, S/M R Block. Model Town, Lahore.
609,000	91,350	330,750	239,400	Negotiation	Babar Umer	Old Dhooby Ghat, Hasan Lashkry Colony, Karachi.
59,900	-	7,500	7,500	Negotiation	Mushtaq Ali	H/No. 12/1, Malir, Karachi.
600,000	30,000	399,650	369,650	Negotiation	Tanweer Hasan	B-8, Sadat Colony, Drig Road, Karachi.
13,191,921	3,301,867	4,602,400	1,300,533			
1,460,500	900,642	1,186,000	285,358	Sale and Lease Back arrangement		
1,374,500	847,607	1,282,000	434,393	Sale and Lease back arrangement		
1,506,000	903,600	1,282,000	378,400	Sale and Lease back arrangement		
4,341,000	2,651,849	3,750,000	1,098,151*			
17,532,921	5,953,716	8,352,400	2,398,684			

* Gains on disposal of assets under sale and lease back arrangements are deferred and amortised over the lease term of 3 years.

20.3 CAPITAL WORK IN PROGRESS

		2008	2007
Balance as on 1 January		**16,506,252**	-
Add: Payments during the year		**12,162,504**	16,506,252
Balance as on 31 December	Rupees	**28,668,756**	16,506,252

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

21. MANAGEMENT AND GENERAL AND ADMINISTRATION EXPENSES

		2008			2007		
		Management expenses	**General and administration expenses**	**Total**	Management expenses	General and administration expenses	Total
Salaries and other benefits		**41,273,957**	**22,030,038**	**63,303,995**	37,492,258	21,779,395	59,271,653
Provident fund		**-**	**2,376,586**	**2,376,586**	-	1,927,233	1,927,233
Rent		**5,729,240**	**3,091,959**	**8,821,199**	4,973,772	2,955,427	7,929,199
Utilities		**5,355,467**	**3,691,464**	**9,046,931**	4,884,074	2,286,990	7,171,064
Repair and maintenance		**1,810,037**	**1,640,028**	**3,450,065**	1,361,771	1,532,912	2,894,683
Legal and professional charges		**10,000**	**1,139,450**	**1,149,450**	19,000	639,571	658,571
Auditors' remuneration	21.1	**-**	**678,900**	**678,900**	-	678,900	678,900
Depreciation	20.1	**-**	**9,611,378**	**9,611,378**	-	8,778,086	8,778,086
Insurance expenses		**-**	**237,853**	**237,853**	-	262,670	262,670
Bank charges		**729,325**	**52,427**	**781,752**	789,186	48,646	837,832
Financial charges on assets subject to finance lease		**-**	**277,516**	**277,516**	-	-	-
Workers welfare fund		**-**	**386,454**	**386,454**	-	-	-
Advertisement and sales promotion		**31,714**	**6,221,970**	**6,253,684**	417,435	4,358,155	4,775,590
Travelling and entertainment		**3,765,864**	**9,207,136**	**12,973,000**	3,871,379	6,301,812	10,173,191
Printing and stationary		**2,460,906**	**4,512,795**	**6,973,701**	2,192,456	4,436,767	6,629,223
Newspaper and periodicals		**81,245**	**46,280**	**127,525**	62,433	54,083	116,516
Fees and subscriptions		**191,600**	**2,430,401**	**2,622,001**	39,294	1,672,087	1,711,381
Assets written off		**-**	**58,559**	**58,559**	-	-	-
Provision for impaired premium receivable balances		**-**	**-**	**-**	2,850,708	-	2,850,708
License and software fees		**-**	**843,776**	**843,776**	-	-	-
Miscellaneous		**665,937**	**532,446**	**1,198,383**	349,730	745,831	1,095,561
	Rupees	**62,105,292**	**69,067,416**	**131,172,708**	59,303,496	58,458,565	117,762,061

		2008	2007
21.1 Auditors' remuneration			
Annual audit		**350,000**	350,000
Interim review		**150,000**	150,000
Certification fees & review of statement of compliance with code of corporate governance		**115,000**	115,000
Out of pocket expenses		**63,900**	63,900
	Rupees	**678,900**	678,900

22. OTHER INCOME

Gain on sale of fixed assets	20.2	**1,300,533**	1,324,162
Other administrative expenses recovered from policyholders		**92,752**	-
Exchange gain		**157,205**	-
Amortisation of gain on disposal of assets under sale and leaseback		**183,024**	-
	Rupees	**1,733,514**	1,324,162

23. TAXATION

Relationship between tax expense and accounting profit is as follows:

Loss/profit before taxation	Rupees	**(63,847,144)**	63,060,758
Tax charge at enacted tax rate of 35% (2007: 35%)		**(22,346,501)**	22,071,265
Tax effect of inadmissible expense/exempt income		**32,788,044**	(20,654,863)
Tax effect of dividend and rental income taxable at lower tax rate		**(3,317,997)**	(1,597,805)
Tax effect of application of minimum tax rate		**-**	2,854,002
Deferred tax asset not recognised	23.2	**782,346**	-
Others		**-**	181,403
	Rupees	**7,905,892**	2,854,002

23.1 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 to 31 December 2007 which under the Income Tax Ordinance, 2001 is considered to be deemed assessments unless opened for assessments.

23.2 Deferred tax asset on deductible temporary differences amounting to Rs. 2.937 million has not been recognised in view of the uncertainty about its realisation.

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

(Loss)/profit for the year	*Rupees*	**(71,753,036)**	60,206,756
Weighted average of number of shares of Rs. 10 each	*Number*	**17,500,000**	17,500,000
(Loss) / Earnings per share of Rs. 10 each	*Rupees*	**(4.10)**	3.44

25. REMUNERATION TO THE EXECUTIVES

	Chief Executive Officer		Executives		Total	
	2008	2007	**2008**	2007	**2008**	2007
Managerial remuneration	**2,399,988**	1,763,903	**9,383,256**	5,794,853	**11,783,244**	7,558,756
Bonus	**-**	2,500,000	**-**	-	**-**	2,500,000
Provident fund	**159,996**	80,000	**493,740**	296,673	**653,736**	376,673
Rupees	**2,559,984**	4,343,903	**9,876,996**	6,091,526	**12,436,980**	10,435,429
Number of persons	**1**	1	**7**	5	**8**	6

In addition to the above, these executives are also entitled to company maintained vehicles.

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

26. PREMIUM WRITTEN

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

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

	2007				
Direct	114,031,034	60,203,512	451,768,983	79,281,708	705,285,237
Facultative	9,072,691	1,304,341	2,364,265	3,996,530	16,737,827
Administrative surcharge	3,093,444	1,175,274	19,325,442	802,271	24,396,431
Rupees	126,197,169	62,683,127	473,458,690	84,080,509	746,419,495

27. SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets, liabilities as at 31 December 2008 and 31 December 2007, unallocated capital expenditures and non-cash expenses during the year.

(Rupees)

	FIRE & PROPERTY DAMAGE		MARINE, AVIATION & TRANSPORT		MOTOR		OTHERS		TREATY		TOTAL	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
SEGMENT ASSETS												
Segment assets	**120,815,882**	134,086,582	**69,644,693**	48,684,148	**282,358,396**	391,560,074	**90,264,982**	62,897,794	**-**	-	**563,083,953**	637,228,598
Unallocated corporate assets											**192,157,824**	234,487,615
Total assets											**755,241,777**	871,716,213
SEGMENT LIABILITIES												
Segment liabilities	**89,636,721**	107,449,286	**73,180,513**	40,949,179	**284,838,756**	370,753,105	**87,013,804**	63,135,827	**-**	-	**534,669,794**	582,287,397
Unallocated corporate liabilities											**12,784,949**	9,888,747
Total liabilities											**547,454,743**	592,176,144
Capital expenditure	**2,614,479**	1,514,399	**414,215**	478,090	**11,381,536**	8,688,584	**2,516,148**	964,932	**-**	-	**16,926,378**	11,646,005
Depreciation / amortisation	**1,567,601**	1,211,349	**248,357**	382,419	**6,824,192**	6,949,896	**1,508,643**	771,838	**-**	-	**10,148,793**	9,315,502

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 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 mind, maintaining a balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

28.2 Profit / mark-up rate risk

The company invests in securities and maintains profit bearing bank accounts (including term deposit accounts). Profit / mark-up rate risk to the company is the risk of changes in market profit / mark-up rates reducing the overall return on its profit bearing assets. The company limits profit / mark-up rate risk by monitoring the changes in profit / mark-up rates. The company's profit / mark-up sensitivity and liquidity positions based on the contractual and maturity dates, whichever is earlier is as follows:

	Profit rate	2008 Profit / mark-up bearing financial instruments				Non-profit / mark-up bearing financial instruments		
	% per annum	Maturity upto one year	Maturity over one to five years	Maturity more than five years	Sub total	Maturity upto one year	Sub total	Total
Financial assets								
Cash and bank deposits	0.5-13	127,206,337	-	-	127,206,337	39,634,929	39,634,929	166,841,266
Investments	10.75-15.75	-	5,287,000	-	5,287,000	170,620,446	170,620,446	175,907,446
Premiums due but unpaid		-	-	-	-	114,417,478	114,417,478	114,417,478
Loans to the employees		-	-	-	-	1,406,306	1,406,306	1,406,306
Amounts due from other insurers / reinsurers		-	-	-	-	37,776,179	37,776,179	37,776,179
Reinsurance recoveries against outstanding claims		-	-	-	-	54,851,525	54,851,525	54,851,525
Accrued investment income		-	-	-	-	1,806,221	1,806,221	1,806,221
Security deposits		-	-	-	-	1,813,763	1,813,763	1,813,763
Sundry receivables		-	-	-	-	8,786,134	8,786,134	8,786,134
		127,206,337	5,287,000	-	132,493,337	431,112,981	431,112,981	563,606,318
Financial liabilities								
Amounts due to other insurers / reinsurers		-	-	-	-	26,522,481	26,522,481	26,522,481
Accrued expenses		-	-	-	-	2,617,864	2,617,864	2,617,864
Provision for outstanding claims		-	-	-	-	166,561,352	166,561,352	166,561,352
Agents balances		-	-	-	-	10,937,198	10,937,198	10,937,198
Amount payable to policy holders in respect of cancelled policies		-	-	-	-	3,095,758	3,095,758	3,095,758
Liabilities against asset subject to finance lease	17	897,017	2,134,820	-	3,031,837	-	-	3,031,837
Other creditors and accruals		-	-	-	-	386,454	386,454	386,454
Dividend payable		-	-	-	-	398,934	398,934	398,934
		897,017	2,134,820	-	3,031,837	210,520,041	210,520,041	213,551,878
Inter risk sensitivity gap	Rupees	**126,309,320**	**3,152,180**	**-**	**129,461,500**	**220,592,940**	**220,592,940**	**350,054,440**
Cumulative interest risk sensitivity gap	Rupees	**126,309,320**	**129,461,500**	**129,461,500**				
Off balance sheet item								
Commitments for capital expenditure								**6,081,252**

	Profit rate	Profit / mark-up bearing financial instruments				Non-profit / mark-up bearing financial instruments		
		2007						
	% per annum	**Maturity upto one year**	**Maturity over one to five years**	**Maturity more than five years**	**Sub total**	**Maturity upto one year**	**Sub total**	**Total**
Financial assets								
Cash and bank deposits	0.5-11.5	185,983,705	-	-	185,983,705	49,876,860	49,876,860	235,860,565
Investments	9.5-18.036	19,364,395	5,538,000	-	24,902,395	203,038,143	203,038,143	227,940,538
Premiums due but unpaid		-	-	-	-	155,426,075	155,426,075	155,426,075
Loans to the employees		-	-	-	-	693,159	693,159	693,159
Amounts due from other insurers / reinsurers		-	-	-	-	28,846,323	28,846,323	28,846,323
Reinsurance recoveries against outstanding claims		-	-	-	-	45,443,388	45,443,388	45,443,388
Accrued investment income		-	-	-	-	3,127,453	3,127,453	3,127,453
Security deposits		-	-	-	-	1,125,480	1,125,480	1,125,480
Sundry receivables		-	-	-	-	382,918	382,918	382,918
		205,348,100	5,538,000	-	210,886,100	487,959,799	487,959,799	698,845,899
Financial liabilities								
Amounts due to other insurers / reinsurers		-	-	-	-	24,994,409	24,994,409	24,994,409
Accrued expenses		-	-	-	-	10,609,966	10,609,966	10,609,966
Provision for outstanding claims		-	-	-	-	172,103,681	172,103,681	172,103,681
Agents balances		-	-	-	-	20,649,392	20,649,392	20,649,392
Liabilities against asset subject to finance lease		-	-	-	-	3,095,758	3,095,758	3,095,758
Other creditors and accruals		-	-	-	-	1,320,745	1,320,745	1,320,745
Dividend payable		-	-	-	-	398,934	398,934	398,934
		-	-	-	-	233,172,885	233,172,885	233,172,885
Interest rate risk sensitivity gap	Rupees	**205,348,100**	**5,538,000**	-	**210,886,100**	**254,786,914**	**254,786,914**	**465,673,014**
Cumulative interest risk sensitivity gap	Rupees	**205,348,100**	**210,886,100**	**210,886,100**				
Off balance sheet item								
Commitments for capital expenditure								**18,243,756**

29. FOREIGN CURRENCY RISK

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates.

Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at the year end the Company had no material assets or liabilities in foreign currencies.

30. 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 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 markets [including the mutual funds and term finance certificates (TFCs) markets]. In addition, the Company actively monitors the key facors that affect stock and TFCs market movements. At 31 December 2008, financial assets of Rs. 155.470 million (2007: Rs. 189.756 million) were exposed to market rate risk.

31. 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.

At 31 December 2008, financial assets of Rs. 365.917 million (2007: Rs. 486.028 million) were exposed to credit risk. The management monitors exposure to credit risk through regular review of credit exposure and prudent estimates of provisions against impaired receivables.

32. REINSURANCE RISK

Reinsurance ceeded 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.

33. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages it capital structure by monitoring return on net assets and market adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

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

	2008	2009	2010	2011
	------------------------	(Rupees in 000)	------------------------	
Minimum paid up capital	160,000	200,000	250,000	300,000

The Company currently meets the externally imposed capital limit.

34. 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 the following investments:

	Carrying Value		Market Value	
	2008	2007	**2008**	2007
	Rupees		Rupees	
Available for sale investments				
- equity shares	**143,105,884**	-	**80,483,991**	-
(Based on the rates quoted at the stock exchanges)				
- mutual funds	**27,514,562**	37,526,736	**20,668,663**	38,118,974
(Based on the quoted redemption rates)				
Held to maturity investments				
- term finance certificates	**5,287,000**	10,357,080	**5,468,607**	10,553,011

(Based on the average of rates quoted by MUFAP as per circular no. 1 dated 6th January 2008)

35. TRANSACTIONS WITH RELATED PARTIES

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

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

Transactions and balances with associated companies		**2008**	2007
Insurance premium			
Balance at beginning of the year		**40,693,937**	24,125,872
Gross insurance premium written (including government levies, administrative surcharge and policies stamps)		**153,440,270**	83,661,403
Received / adjusted during the year		**(134,723,828)**	(67,093,338)
Balance at end of the year	Rupees	**59,410,379**	40,693,937
Insurance claim expense			
Outstanding claims at beginning of the year		**12,309,605**	12,458,258
Gross claim expense for the year		**64,377,853**	46,287,585
Claim paid during the year		**(60,527,523)**	(46,436,238)
Outstanding claims at end of the year	Rupees	**16,159,935**	12,309,605

	Note		2008	2007
Other transactions for the year with associated companies				
Rental income		Rupees	**1,234,560**	1,234,560
Rental expense		Rupees	**2,874,216**	2,361,600
Brokerage, commission and advisory expenses	13.10	Rupees	**6,080,731**	3,488,526
Advertisement expenses		Rupees	**5,030,470**	3,709,155
Other balances with associated companies				
Sundry receivables	19.2 & 19.3	Rupees	**8,438,670**	-
Other creditors and accruals		Rupees	**-**	391,933
Advisory fee payable	7	Rupees	**979,844**	638,588
Prepaid rent	18.1	Rupees	**2,090,880**	1,900,800
Advance for the purchase of an office premises in Lahore	20.2	Rupees	**28,668,756**	16,506,252
Transactions during the year with other related parties (key management personnel)				
Contribution to the provident fund	35.2	Rupees	**2,376,586**	1,927,233
Proceeds from sale of vehicle		Rupees	**-**	765,522
Remuneration of key management personnel	35.1	Rupees	**12,436,980**	10,435,429
Commission to key management personnel (agents)	35.3	Rupees	**17,359,815**	17,981,170
Balances with other related parties (key management personnel)				
Commission payble to key management personnel (as agents)	35.3	Rupees	**589,628**	2,196,295
Loan to key management personnel	12	Rupees	**320,835**	150,006
Receivable from the provident fund	19	Rupees	**93,383**	195,206
Commitment with associated companies				
Purchase of office premises from a related party	10.2	Rupees	**6,081,252**	18,243,756

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

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

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

35.4 Other transactions are at agreed terms.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on 31 March 2009.

A.R. Sethi			
Chairman	**Chief Executive Officer**	**Director**	**Chief Financial Officer**

PATTERN OF SHARE HOLDING

HELD BY THE SHARE HOLDERS AS AT 31ST DECEMBER, 2008

No. of Share Holders	………...Share Holding………... From	To	Total Shares Held
136	1	100	6,583
98	101	500	36,620
46	501	1000	41,703
87	1001	5000	141,994
6	5001	10000	38,498
2	10001	15000	21,874
1	15001	20000	18,593
1	20001	25000	21,875
1	30001	35000	31,293
2	35001	40000	74,975
1	45001	50000	48,000
1	155001	160000	159,534
1	1340001	1345000	1,344,843
1	1395001	1400000	1,400,000
1	2185001	2190000	2,187,500
1	2785001	2790000	2,787,425
1	3585001	3590000	3,586,556
1	5550001	5555000	5,552,134
388			17,500,000

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

AS ON 31ST DECEMBER, 2008

Name	Holding	% AGE
Associated Companies	17,049,285	97.4244%
Directors, CEO their Spouse & Minor Children	5,872	0.0336%
Insurance Companies	5,552,134	31.7265%
Share Held by the General Public	208,953	1.1940%
Share Holders Holding 10% or more of Total Capital	14,113,615	80.6492%
Joint Stock Companies	5,798,358	33.1335%

PROXY FORM

I / We ____ of ____ being a

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

Ordinary shares as per Registered Folio No. ____and / or CDC

Participant I.D. No. ________________________________ and Sub Account No. ________________________ do

Hereby appoint ____of __________________________________or

Failing him/her ___________________________________of____

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

attend and vote for me / us and on my / our behalf at the 14th Annual General Meeting of the Company to be held at Beach Luxury Hotel, M.T. Khan Road, Karachi on April 30, 2009 at 11:00 A.M. and at any adjourment thereof.

Signed by :

____

Witness :

____

Affix Revenue Stamp

Date :

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.