



Contents

	Page No.
▪ Company Information	02
▪ Financial Highlights	04
▪ Vision and Mission Statements	05
▪ Quality Policy	06
▪ Notice of Annual General Meeting	07
▪ Statement of Compliance with Code of Corporate Governance	08
▪ Directors' Report to the Shareholders	10
▪ Review Report on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	13
▪ Auditors' Report to the Members	14
▪ Balance Sheet	16
▪ Profit & Loss Account	18
▪ Statement of Comprehensive Income	19
▪ Statement of Changes in Equity	20
▪ Statement of Cash Flows	21
▪ Statement of Premiums	23
▪ Statement of Claims	24
▪ Statements of Expenses	25
▪ Statements of Investment Income	26
▪ Notes to the Financial Statements	27
▪ Pattern of Shareholdings	60
▪ Offices	61
▪ Form of Proxy	



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Company Information

BOARD OF DIRECTORS

MR. SHAHID AZIZ SIDDIQI
CHAIRMAN

SYED YAWAR ALI
DIRECTOR

MR. RASHEED Y. CHINYOY
DIRECTOR

MR. MAUDOOD AHMAD LODHI
DIRECTOR

MR. ABDUL HAFEEZ SHAIKH
DIRECTOR

MR. MUHAMMAD ASLAM HAYAT
DIRECTOR

MR. UMAIR KHAN
MANAGING DIRECTOR/CEO

COMPANY SECRETARY

MR. MOHAMMAD IMTIAZ A. AZIZ

BOARD COMMITTEES

AUDIT COMMITTEE

MR. RASHEED Y. CHINYOY
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. ABDUL HAFEEZ SHAIKH
MEMBER

MR. MUHAMMAD ASLAM HAYAT
MEMBER

HUMAN RESOURCE COMMITTEE

MR. RASHEED Y. CHINYOY
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. MUHAMMAD ASLAM HAYAT
MEMBER

MR. UMAIR KHAN
MEMBER

BUSINESS PLAN COMMITTEE

SYED YAWAR ALI
CHAIRMAN

MR. RASHEED Y. CHINYOY
MEMBER

MR. MUHAMMAD ASLAM HAYAT
MEMBER

MR. UMAIR KHAN
MEMBER

INFORMATION TECHNOLOGY COMMITTEE

MR. RASHEED Y. CHINYOY
CHAIRMAN

MR. ABDUL HAFEEZ SHAIKH
MEMBER

MR. UMAIR KHAN
MEMBER

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. MOHAMMAD IMTIAZ A. AZIZ
MEMBER / SECRETARY

UNDERWRITING COMMITTEE

MR. UMAIR KHAN
CONVENOR

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. M. ASLAM SABIR
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. KHALID MEHMOOD
MEMBER

CLAIMS SETTLEMENT COMMITTEE

MR. UMAIR KHAN
CONVENOR

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. MOHAMMAD IMTIAZ A. AZIZ
MEMBER

MR. ANSAR HUSSAIN
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. SABIR ALI
MEMBER / SECRETARY

REINSURANCE & CO- INSURANCE COMMITTEE

MR. UMAIR KHAN
CONVENOR

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. M. ASLAM SABIR
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. KHALID MEHMOOD
MEMBER



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Company Information

MANAGEMENT

MR. UMAIR KHAN
Managing Director/CEO

MR. MOHAMMAD IMTIAZ A. AZIZ
FCMA
Chief Financial Officer &
Company Secretary

MR. LATIF AHMAD CHOUDHRI
LLB, ACII
General Manager (Operations)

MR. ANSAR HUSSAIN
FCMA
General Manager (Finance and
Investment)

MR. S. A. RAZA
Sr. General Manager & Regional Chief
Northern Region

MR. M. ASLAM SABIR, FCII
General Manager & Regional Chief
Central Region

MR. MANZOOR AHMED
General Manager & Regional Chief
Corporate Region

SYED SHUJAAT ABBAS
General Manager (HR & Admin)

MR. SALEEM A. SATTAR
Deputy General Manager (Finance)

MR. GEORGE ANTHONY
Assistant General Manager
Reinsurance

MR. MOHAMMAD FAROOQ
Assistant General Manager
(Underwriting)

MR. SABIR ALI
Assistant General Manager (Claims)

MR. KHALID MEHMOOD
Assistant General Manager
(Underwriting)

MR. MUHAMMAD TARIQ KHAN
Assistant General Manager
(Information Technology)

MISS. FAIZA KHALID
Manager (Internal Audit)

MR. MALIK BASHIR AHMAD
Manager (HR & Admin)

MARKETING

MR. SOHEL N. KIDWAI
General Manager/Country Head
(Marketing)
Corporate Branch,
Karachi.

MR. MOAMMAD REYAZ AHMED
General Manager
Main Branch,
Karachi

MR. SULEMAN BASAREIA
Deputy General Manager
Clifton Branch
Karachi

MR. IQBAL MACHA
Deputy General Manager / Branch Head
I.I. Chundrigar Road Branch
Karachi

MR. FAHEEM AHMAD AWAN
Asst. General Manager/ Branch Head
Karachi - 1 Branch
Karachi

MR. MALIK SULTAN MEHMOOD
Branch Head
Tower Branch
Karachi

MR. RIAZ AHMAD RAZZI
Chief Manager
Multan Branch
Multan

MR. MOHAMMAD AMIN RIFFAT
Branch Manager
Bahawalpur Branch
Bahawalpur

MR. HAMZULLAH KHAN
Branch Manager
New Peshawar Branch
Peshawar

MR. SHAHMAST KHAN
Branch Manager
Peshawar Branch
Peshawar

AUDITORS

M/s A.F. FERGUSON & CO
(A member firm of
PRICEWATERHOUSECOOPERS)

LEGAL CONSULTANTS

M/s Mansoor Ahmed Khan & Co
Mian Mushtaq Ahmed
Mr. Mohammad Shafiq Mughal
M/s Kashif Piracha Associates
Mian Mohammad Sharif
Mrs. Samia Mahmood Rana
Mr. Mohammad Yousuf Khan

TAX CONSULTANTS

M/s Ernst & Young Ford Rhodes
Sidat Hyder, Chartered Accountants

BANKERS

United Bank Limited
NIB Bank Limited
Allied Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Limited
National Bank of Pakistan
Standard Chartered Bank Limited
Soneri Bank Limited

REINSURERS

J.B. Boda (Insurance Brokers)
Pakistan Re-Insurance Company Limited
AON Limited (Insurance Brokers)

REGISTERED OFFICE

Building # 1-B,
State Life Square,
Off: I.I.Chundrigar Road
Karachi -Pakistan
Tel: 32416041-45
Fax:32419968, 32422478-9
E-mail: info@alphainsurance.com.pk
Web: www.alphainsurance.com.pk



Financial Highlights Ten Years At A Glance

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
				(Restated)						(Rupees in '000)
Paid Up Capital	403,600	303,600	303,600	303,600	161,920	121,440	101,200	88,000	88,000	80,000
Reserves & Funds	374,644	296,639	261,810	221,554	262,999	342,941	280,562	234,920	210,784	230,256
Investments, Cash & Bank Balances	556,168	393,184	356,898	340,488	243,880	268,732	223,910	196,017	177,427	153,469
Gross Premium	203,849	155,043	139,767	109,245	118,809	147,918	168,739	139,689	128,982	105,943
Retained Premium	67,428	74,277	59,099	61,511	77,039	99,501	109,740	85,729	64,194	59,600
Claims Incurred	37,441	51,839	46,514	44,796	48,543	61,658	58,618	47,805	26,663	31,284
Investments and Miscellaneous Income	99,131	64,098	48,133	35,044	30,254	95,125	28,457	23,062	14,939	20,683
Profit / (Loss) Before Tax	32,083	4,876	(255)	(1,596)	2,870	86,487	36,784	28,007	21,574	17,317
Profit / (Loss) After Tax	35,409	17,848	(1,034)	(2,417)	(17,486)	84,023	27,666	18,044	13,542	11,735
Dividend - Cash	-	-	-	-	-	5%	5%	12.50%	12.50%	-
Dividend - Stock	-	-	-	25%	-	33%	20%	15%	-	10%
Underwriting Profit / (Loss)	(43,219)	(38,580)	(30,544)	(20,128)	(9,723)	4,453	22,265	16,481	18,426	7,300



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

VISION STATEMENT

With help and involvement of all its Stakeholders to make Alpha one of the leading General Insurance Company of the Country with a vibrant marketing force and efficient and responsive office staff, so as to provide best quality services to its policyholders.

MISSION STATEMENT

To work zealously towards attaining these objectives and be able to compete in the open market by developing a vibrant field force and efficient and responsive office staff.

RATING

JCR-VIS has assigned Insurers Financial Strength rating 'A' to Alpha Insurance.



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

OUR QUALITY POLICY

We are committed to provide best quality service to our valued policyholders to their satisfaction by assessing their risk need, tailoring product to their requirements and by consistent efforts to reduce time for settlement of claims. We believe that proper assessment of risks of our clients and prompt settlement of claims are the key to our Company's growth.

To comply with and continuously improve the effectiveness of our Quality Management System.



Notice of Annual General Meeting

Notice is hereby given that 61st Annual General Meeting of Alpha Insurance Company Limited will be held on Tuesday, April 30, 2013 at 11:30 a.m. at the Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, off I. I. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Sixtieth Annual General Meeting held on April 30, 2012.
2. To receive, consider and adopt Directors' report and Audited Financial Statements of the Company for the year ended December 31, 2012 together with the Auditors' report thereon.
3. To appoint the auditors for the year 2013 and fix their remuneration.
4. Any other matter with the permission of the Chair.

By Order of the Board

Mohammad Imtiaz A. Aziz
Company Secretary & CFO

Karachi: April 6, 2013

Notes:

1. The share transfer Books of the Company will remain closed from April 21, 2013 to April 30, 2013 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting.
3. The instrument appointing a proxy must be received at the Head Office of the Company at 4th Floor, Building No. 1-B, State Life Square, off. I. I. Chundrigar Road, Karachi not later than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxies shall be rendered invalid.
4. Change of address, if any, should be notified immediately to the Company at 4th Floor, Building No. 1-B, State Life Square, off. I. I. Chundrigar Road, Karachi.



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) applicable on unlisted Insurance Companies for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with the best practices of Corporate Governance.

The Board of Directors of the Company have adopted and applied the principles contained in the Code in the following manner:

1. The Directors have confirmed that none of them is serving as a Director of more than ten listed companies.
2. All the resident Directors of the Company are registered as taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
3. Casual vacancies occurring in the Board during the year were filled up by the Directors within prescribed period.
4. The Company is in the process of preparing a 'Statement of Ethics and Business Practices, which will be signed by all the Directors and employees of the Company.
5. The board has adopted vision and mission statements and overall corporate strategy has been approved by the Board. Significant policies of the Company have been formulated, which will be submitted to the Board for approval.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board on the recommendation of HR Committee.
7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings or waiver for notice period was approved by the Board. The minutes of the meetings were appropriately recorded and circulated.
8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. Such system is continuously reviewed for improvements. The company includes all the necessary aspects of internal control given in the Code.
9. The Board comprises of senior executives, professionals and entrepreneurs who are fully aware of their duties and responsibilities, hence no need was felt by Directors for any orientation course.
10. There was no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year.



11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Company has formed underwriting, claim settlement, reinsurance & co-insurance and IT committees approved by the Board.
16. The Board has formed an Audit Committee. It comprises four members, all of whom are non-executive directors including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
18. The Board has established Internal Audit Department, which has been assigned pre-audit of payments and other internal control functions.
19. 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 or its associates 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 the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Umair Khan
Managing Director & CEO



Report of the Directors to the Members

The Directors of your company take pleasure in presenting 61st Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2012.

Financial Results	(Rupees)	
	2012	2011
Gross premium	203,849,152	155,043,460
Net Premium Revenue	67,428,186	74,277,048
Underwriting results (Loss)	(43,218,748)	(38,580,070)
Profit / (Loss) before tax	32,083,497	4,876,209
Profit / (Loss) after tax	35,408,850	17,848,371
Profit available for appropriation	69,819,002	34,410,152

Gross premium has increased by 31.5% over the previous year inspite of your Company's selective underwritings to avoid excessive risk exposure. Underwriting result is negative due to increase in provision against doubtful debts by Rs. 19.433 million and increase in expenses incurred for increasing business of the Company. However, the Company has made pre tax profit of Rs. 32.083 million and after tax profit of Rs. 35.409 million for the year.

The Company is in the process of reorganising its marketing functions and Management is hopeful of profitable growth by activating the existing dormant branches and opening new branches in regions not optimally attended till now and focusing on large clients. JCR-VIS has maintained the Company "A" rating with negative outlook.

The Board is confident that ultimate outcome of contingencies mentioned in note 10 to the Financial Statements will be in Company's favour.

Appropriations

In view of nominal profit for the year Directors have decided not to pay dividends for the year.

Earning Per Share

The profit per share after tax for the year is Rs. 0.96 as against profit per share of Rs. 0.59 in 2011.

Auditors

M/s A. F. Ferguson & Co. Chartered Accountants, on completion of their tenure, being eligible, offer themselves for reappointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2013.



Statements of Directors

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The internal control system has been augmented by implementation of new information system and strengthening of Internal Audit function.
- There are no significant doubts upon the company's ability to continue as a going concern.
- Statement of Compliance with the Code of Corporate Governance is attached with these Financial Statements.

Board of Directors' Meetings

During the year the Board had five meetings. Attendance by each Director was as follows:

S. No.	Name of the Director	Attendance
1	Mr. Shahid Aziz Siddiqi	5
2	Syed Yawar Ali	3
3	Mr. Rasheed Y. Chinoy	5
4	Mr. Maudood Ahmad Lodhi	4
5	Mrs. Yasmin Saud	2
6	Mr. Ansar Hussain	1
7	Mr. Muhammad Arif Khan	2
8	Mr. Abdul Hafeez Shaikh	2
9	Mr. Muhammad Aslam Hayat	0
10	Mr. Umair Khan	5

During the year Board welcomed Mr. Muhammad Arif Khan, Mr. Abdul Hafeez Shaikh and Mr. Muhammad Aslam Hayat on their Co-option as Directors of the Company. The Directors wish to place on record their appreciation of valuable contributions made by outgoing Directors Mr. Ansar Husain, Mrs. Yasmin Saud and Mr. Muhammad Arif Khan.



Employees Provident and Gratuity Funds

Values of investments based on the last audited accounts of the respective funds are:

Provident Fund	26,858,380
Gratuity Fund	9,346,452

Pattern of Share Holdings

Pattern of share holdings is enclosed in this annual report.

Ten Years Key Data

Ten years key data is also enclosed in this annual report.

Our thanks are due to our valued clients for placing confidence in the Company. Our thanks are also due to the Securities & Exchange Commission of Pakistan, The Insurance Association of Pakistan, State Bank of Pakistan and all our foreign correspondents and reinsurers and our major shareholder State Life Insurance Corporation of Pakistan, whose cooperation and advice have been a source of valued assistance to us.

Last but not the least; I take this opportunity to place on record our appreciation of the services rendered by our field and office staff throughout the country.

For and on behalf of the Board

Shahid Aziz Siddiqi
Chairman

Karachi: March 29, 2013



Review Report on the Statement of Compliance with the Best Practices of the 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 Alpha Insurance Company Limited (the Company) to voluntarily comply with the Code of Corporate Governance relevant to unlisted insurance companies, issued 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

A handwritten signature in black ink, appearing to read 'A.F. Ferguson & Co.', written in a cursive style.

Chartered Accountants
Karachi
Dated: April 3, 2013



Auditors' Report to the Members of Alpha Insurance Company Limited

We have audited the annexed financial statements comprising of:

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

of **Alpha Insurance Company Limited** as at December 31, 2012 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) 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 December 31, 2012, and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended, in accordance with the 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 (XVIII of 1980).

A handwritten signature in black ink, appearing to read 'Rashid A. Jafer', written in a cursive style.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: April 3, 2013

Karachi:



alpha

Insurance Company Limited.

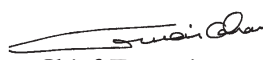
A subsidiary of State Life Insurance Corporation of Pakistan

Balance Sheet

As at December 31, 2012

	Note	2012	2011
----- Rupees -----			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
[50,000,000 (2011: 50,000,000)]			
Ordinary shares of Rs.10/- each]		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up share capital	7		
[40,360,000 (2011: 30,360,000)]		<u>403,600,000</u>	303,600,000
Ordinary shares of Rs.10/- each]		<u>69,819,002</u>	34,410,152
Retained earnings		<u>10,175,000</u>	10,175,000
Reserves			
TOTAL EQUITY		<u>483,594,002</u>	348,185,152
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)		<u>171,258,059</u>	168,164,270
Provision for premium deficiency		<u>5,329,844</u>	4,969,509
Provision for unearned premium		<u>101,981,497</u>	68,448,105
Commission income unearned		<u>16,080,913</u>	10,472,397
		<u>294,650,313</u>	252,054,281
Creditors and accruals			
Amounts due to other insurers / reinsurers		<u>84,985,474</u>	60,329,859
Accrued expenses	8	<u>29,125,748</u>	17,205,892
Other creditors and accruals	9	<u>44,077,856</u>	37,686,627
		<u>158,189,078</u>	115,222,378
Unclaimed dividend		<u>3,095,475</u>	3,095,475
TOTAL LIABILITIES		<u>455,934,866</u>	370,372,134
TOTAL EQUITY AND LIABILITIES		<u>939,528,868</u>	<u>718,557,286</u>
CONTINGENCIES AND COMMITMENTS	10		

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


Chief Executive


Chairman


Director


Director



alpha

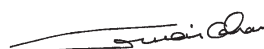
Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Balance Sheet

As at December 31, 2012

	Note	2012	2011
----- Rupees -----			
ASSETS			
Cash and bank deposits	11		
Cash and other equivalent		209,798	162,904
Current and other accounts		33,440,447	7,411,377
Deposits maturing within 12 months		-	12,000,000
		<u>33,650,245</u>	<u>19,574,281</u>
Investments	12	522,517,813	373,610,004
Other assets			
Premiums due but unpaid	13	70,769,300	72,863,590
Amounts due from other insurers / reinsurers	14	52,152,063	47,351,282
Accrued investment income	15	16,210,639	1,476,448
Reinsurance recoveries against outstanding claims	16	82,350,393	81,392,921
Taxation - payments less provision		34,830,626	31,196,345
Deferred commission expense		20,847,490	13,537,791
Prepayments	17	63,363,422	45,386,192
Sundry receivables	18	5,359,498	1,065,353
		<u>345,883,431</u>	<u>294,269,922</u>
Deferred taxation	19	20,281,550	14,510,803
Fixed assets	20		
Tangible			
Furniture and fixtures		6,919,655	2,389,705
Office equipment		1,163,343	1,668,699
Computer and related accessories		1,033,731	1,138,229
Motor vehicles		6,402,035	3,317,100
Electrical installation		1,545,089	643,748
Capital work in progress	20.4	-	6,675,846
		<u>17,063,853</u>	<u>15,833,327</u>
Intangible			
Computer software		131,976	758,949
		<u>17,195,829</u>	<u>16,592,276</u>
TOTAL ASSETS		<u><u>939,528,868</u></u>	<u><u>718,557,286</u></u>


Chief Executive


Chairman


Director


Director



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan


Profit and Loss Account


For the year ended December 31, 2012

18

	Note	-----Rupees-----						Aggregate	
		Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Credit and suretyship	Miscellaneous	2012	2011
Revenue account									
Net premium revenue		13,131,397	6,069,018	35,327,440	5,179,032	1,831,894	5,889,405	67,428,186	74,277,048
Net claims		(2,419,881)	(1,666,421)	(28,480,226)	(3,645,702)	-	(1,228,778)	(37,441,008)	(51,838,701)
Premium deficiency expense		1,978,767	-	(2,180,419)	(158,683)	-	-	(360,335)	(598,201)
Management expenses	21	(28,744,954)	(10,618,948)	(14,317,463)	(1,628,626)	(6,779,252)	(5,139,086)	(67,228,329)	(54,987,311)
Net commission		(4,210,660)	1,901,881	(3,448,455)	(251,613)	339,014	52,571	(5,617,262)	(5,432,905)
Underwriting results		(20,265,331)	(4,314,470)	(13,099,123)	(505,592)	(4,608,344)	(425,888)	(43,218,748)	(38,580,070)
Net investment income								96,872,676	62,431,880
Other income	22							2,258,161	1,666,070
General and administrative expenses	23							(23,828,592)	(20,641,671)
Profit for the year before taxation								32,083,497	4,876,209
Taxation	24								
- Current								(2,384,154)	(887,352)
- Prior year								(61,240)	(159,040)
- Deferred								5,770,747	14,018,554
								3,325,353	12,972,162
Profit for the year after taxation								35,408,850	17,848,371
Profit and loss appropriation account									
Balance at commencement of the year								34,410,152	16,561,781
Profit for the year after taxation								35,408,850	17,848,371
Balance of unappropriated profit at the end of the year								69,819,002	34,410,152
Earning per share -basic and diluted	25							0.96	0.59

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


Chief Executive


Chairman


Director


Director



alpha

Insurance Company Limited.

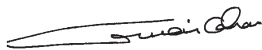
A subsidiary of State Life Insurance Corporation of Pakistan

Statement of Comprehensive Income

For the year ended December 31, 2012

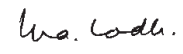
	2012	2011
	----- Rupees -----	
Profit for the year	35,408,850	17,848,371
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>35,408,850</u></u>	<u><u>17,848,371</u></u>

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


Chief Executive


Chairman


Director


Director



Statement of Changes in Equity

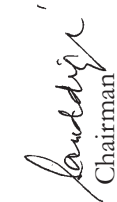
For the year ended December 31, 2012

	Capital reserves		Revenue reserves		Total shareholders' equity
	Issued, subscribed and paid-up share capital	Reserve for exceptional losses *	General reserve	Retained earnings	
Balance as at January 1, 2011	303,600,000	3,355,000	6,820,000	16,561,781	330,336,781
Net profit for the year	-	-	-	17,848,371	17,848,371
Balance as at December 31, 2011	303,600,000	3,355,000	6,820,000	34,410,152	348,185,152
Issue of right shares	100,000,000	-	-	-	100,000,000
Net profit for the year	-	-	-	35,408,850	35,408,850
Balance as at December 31, 2012	<u>403,600,000</u>	<u>3,355,000</u>	<u>6,820,000</u>	<u>69,819,002</u>	<u>483,594,002</u>

* The reserve for exceptional losses represent amount set aside till December 31, 1978 to avail deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of the Repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company discontinued the setting aside of amounts thereafter as reserve for exceptional losses.

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


 Chief Executive


 Chairman


 Director


 Director



Statement of Cash Flows

For the year ended December 31, 2012

	Note	2012	2011
		----- Rupees -----	
Operating Cash Flows			
a) Underwriting activities			
Premiums received		205,943,442	155,607,448
Reinsurance premiums paid		(96,362,653)	(57,310,558)
Claims paid		(70,151,830)	(57,938,768)
Reinsurance and other recoveries received		34,847,139	23,907,414
Commissions paid		(38,879,126)	(30,790,650)
Commissions received		28,753,917	17,039,938
Other underwriting payments		(53,340,113)	(45,893,269)
Net cash generated from underwriting activities		<u>10,810,776</u>	<u>4,621,555</u>
b) Other operating activities			
Income tax paid		(6,079,675)	(5,113,261)
General management expenses paid		(25,101,230)	(21,596,833)
Operating payments		(2,040,875)	(1,191,606)
Operating receipts		8,629,666	5,499,304
Net cash used in other operating activities		<u>(24,592,114)</u>	<u>(22,402,396)</u>
Net cash used in all operating activities		<u>(13,781,338)</u>	<u>(17,780,841)</u>
Investment Activities			
Profit / return received		33,545,382	40,965,314
Dividend received		8,498,715	7,708,956
Payment made against purchase of investments		(640,228,782)	(516,802,678)
Proceeds from disposal of investments		531,415,361	489,764,153
Fixed capital expenditure		(5,479,875)	(8,436,828)
Proceeds from disposal of fixed assets		106,501	-
Net cash (used in) / generated from investment activities		<u>(72,142,698)</u>	<u>13,198,917</u>
Financing Activities			
Proceeds from issue of right shares		100,000,000	-
Net cash generated from financing activities		<u>100,000,000</u>	<u>-</u>
Net cash generated from / (used in) all activities		<u>14,075,964</u>	<u>(4,581,924)</u>
Cash and cash equivalents at the beginning of the year		19,574,281	24,156,205
Cash and cash equivalents at the end of the year	11	<u><u>33,650,245</u></u>	<u><u>19,574,281</u></u>

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



Statement of Cash Flows

For the year ended December 31, 2012

2012 2011

----- Rupees -----

Reconciliation to Profit and Loss Account

Operating cash flows	(13,781,338)	(17,780,841)
Depreciation expense	(4,209,431)	(3,416,430)
Amortisation	(626,973)	(723,574)
Gain on disposal of fixed assets	66,583	-
Increase in assets other than cash	36,879,318	20,653,716
Decrease in liabilities	(85,562,732)	(57,334,934)
Investment and other income	96,872,676	62,431,880
Deferred tax charge	5,770,747	14,018,554
Profit after taxation	35,408,850	17,848,371

Definition of cash:

Cash comprises of cash 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. However, cash held with the State Bank of Pakistan and margin held by banks have been excluded.

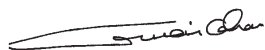
2012 2011

----- Rupees -----

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

Cash and other equivalent	209,798	162,904
Current and other accounts	33,440,447	7,411,377
Deposits maturing within 12 months	-	12,000,000
	33,650,245	19,574,281

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


Chief Executive


Chairman


Director


Director



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Statement of Premiums


For the year ended December 31, 2012

Business underwritten inside Pakistan

Class	Premium written	Unearned premium reserve		Premium earned	Re-insurance ceded	Prepaid re-insurance premium ceded		Re-insurance expense	Net premium revenue 2012	Net premium revenue 2011
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
Direct and facultative										
Fire and property damage	87,160,199	37,142,353	50,158,578	74,143,974	70,853,345	33,209,634	43,050,402	61,012,577	13,131,397	13,007,426
Marine, aviation and transport	32,198,682	4,130,439	5,932,503	30,396,618	25,560,035	3,732,442	4,964,877	24,327,600	6,069,018	4,575,430
Motor	43,413,285	17,188,587	23,185,385	37,416,487	-	2,089,047	-	2,089,047	35,327,440	45,041,532
Accident and health	4,938,306	1,751,996	1,511,270	5,179,032	-	-	-	-	5,179,032	5,494,569
Credit and suretyship	20,555,989	-	13,574,994	6,980,995	15,011,278	-	9,862,177	5,149,101	1,831,894	-
Miscellaneous	15,582,691	8,234,730	7,618,767	16,198,654	9,593,610	5,894,225	5,178,586	10,309,249	5,889,405	6,158,091
Total	203,849,152	68,448,105	101,981,497	170,315,760	121,018,268	44,925,348	63,056,042	102,887,574	67,428,186	74,277,048

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


Chief Executive


Chairman


Director


Director



Statement of Claims

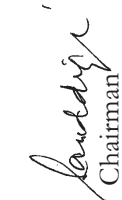
For the year ended December 31, 2012

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Re-insurance and other recoveries of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense 2012	Net claims expense 2011
		Opening	Closing			Opening	Closing			
------(Rupees)-----										
Direct and facultative										
Fire and property damage	27,579,717	51,866,073	40,701,458	16,415,102	19,320,657	33,801,006	28,475,570	13,995,221	2,419,881	4,386,081
Marine, aviation and transport	7,936,610	43,502,983	51,045,745	15,479,372	7,794,970	39,364,277	45,382,258	13,812,951	1,666,421	652,548
Motor	26,128,945	68,248,051	73,176,137	31,057,031	3,874,477	5,935,034	4,637,362	2,576,805	28,480,226	39,435,253
Accident and health	3,657,490	90,214	78,426	3,645,702	-	-	-	-	3,645,702	4,468,447
Credit and suretyship	-	-	-	-	-	-	-	-	-	-
Miscellaneous	4,849,068	4,456,949	6,256,293	6,648,412	3,857,035	2,292,604	3,855,203	5,419,634	1,228,778	2,896,372
Total	70,151,830	168,164,270	171,258,059	73,245,619	34,847,139	81,392,921	82,350,393	35,804,611	37,441,008	51,838,701

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


 Chief Executive


 Chairman


 Director


 Director



Statement of Expenses

For the year ended December 31, 2012

Business underwritten inside Pakistan

Class	Commission paid/payable	Deferred commission expense		Commission expense	Management expenses (Refer Note 5.18 and 21)	Underwriting expenses	Commission from reinsurers (Refer Note below)	Net underwriting expenses 2012	Net underwriting expenses 2011
		Opening	Closing						
------(Rupees)-----									
Direct and facultative									
Fire and property damage	23,057,653	9,851,857	13,351,052	19,558,458	28,744,954	48,303,412	15,347,798	32,955,614	27,799,922
Marine, aviation and transport	6,841,409	774,595	1,287,541	6,328,463	10,618,948	16,947,411	8,230,344	8,717,067	6,959,196
Motor	4,707,449	1,522,556	2,606,613	3,623,392	14,317,463	17,940,855	174,937	17,765,918	17,777,867
Accident and health	240,939	80,797	70,123	251,613	1,628,626	1,880,239	-	1,880,239	2,233,446
Creditor and suretyship	3,303,459	-	2,226,470	1,076,989	6,779,252	7,856,241	1,416,003	6,440,238	-
Miscellaneous	2,722,234	1,307,986	1,305,691	2,724,529	5,139,086	7,863,615	2,777,100	5,086,515	5,649,785
Total	<u>40,873,143</u>	<u>13,537,791</u>	<u>20,847,490</u>	<u>33,563,444</u>	<u>67,228,329</u>	<u>100,791,773</u>	<u>27,946,182</u>	<u>72,845,591</u>	<u>60,420,216</u>

Note: Commission from reinsurer is arrived at after taking the impact of opening and closing unearned commission.

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


 Chairman


 Director


 Director



Statement of Investment Income

For the year ended December 31, 2012

	2012	2011
	----- Rupees -----	
Income from non-trading investments		
Held-to-maturity		
Return on government securities	44,836,259	39,377,072
Return on term deposit receipts	119,178	187,003
Return on term finance certificates	755,698	1,103,930
Amortisation of discount	2,590,197	198,422
	<u>48,301,332</u>	<u>40,866,427</u>
Available-for-sale investments		
Dividend income	8,476,956	7,740,098
Gain on sale of available-for-sale investments	37,953,833	19,442,860
	<u>46,430,789</u>	<u>27,182,958</u>
Provision for impairment in value of investments		
Reversal of / (charge for) diminution in value of available-for-sale investments - net	2,140,555	(5,612,823)
Investment related expenses	-	(4,682)
	<u>96,872,676</u>	<u>62,431,880</u>
Total investment income		

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


Chief Executive


Chairman


Director


Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

Alpha Insurance Company Limited (the Company) was incorporated in Pakistan on December 24, 1951 under the Indian Companies Act VII of 1913 as a public limited company and registered as a non-life insurance company by the Securities and Exchange Commission of Pakistan (SECP) under the Insurance Ordinance, 2000. The Company is engaged in providing non-life insurance business comprising fire, marine, motor, health and miscellaneous. The Company commenced its commercial operations on January 23, 1952.

The registered office of the Company is situated at State Life Building 1-B, I. I. Chundrigar Road, Karachi. The Company has 15 (2011: 14) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan Limited holding 93.99% (2011: 92.01%) shares of the Company.

2. BASIS OF PRESENTATION

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

These financial statements are prepared and presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortised cost as applicable.

The financial statements have been prepared following the accrual basis of accounting.



5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

5.1.1 New and amended standards and interpretation that are effective in the current year:

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting period beginning on or after January 1, 2012 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

5.1.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning January 1, 2012 and have not been early adopted:

- Presentation of items of other comprehensive income (Amendments to IAS 1, 'Presentation of financial statements') - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. This amendment will have no impact on the financial statements of the Company.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The management is yet to assess the full impact of the amendments.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

5.2 Insurance contracts

Insurance contracts are those contracts under which the Company, as insurer, has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.



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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Accidental and health
- Credit and suretyship
- Miscellaneous

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

The Company also accepts insurance risk pertaining to insurance contracts of other insurers as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

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

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

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

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalization.

Other various types of insurance are classified in miscellaneous category which includes mainly engineering, terrorism, worker compensation, and travel insurances etc.

5.3 Premium income

Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates to its expiry as follows:

- a) for direct business, evenly over the period of the policy;
- b) for proportional reinsurance business, evenly over the period of underlying reinsurance policies; and
- c) for non-proportional reinsurance business, on inception of the reinsurance contract in accordance with the pattern of reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of incidence of risk.



Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

Administrative surcharge is recognised as premium at the time the policies are written.

5.4 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Company are accounted for as under:

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

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

The Company recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims and expected claims settlement costs. In addition, conforming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have been incurred in the current reporting period but have not been reported to the Company as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions, for reported claims and claims incurred but not reported, on a quarterly basis.

Premium deficiency reserve

As per SEC (Insurance) Rules, 2002 where the cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business in force at the balance sheet date, a premium deficiency reserve is recognised as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company. This liability is calculated as follows:



- For marine, aviation and transport business, as a ratio of unexpired period to the total period of the policy applied on the gross premium of the individual policies.
- For other classes / line of business, by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

Commission income unearned

Commission income and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as a liability and are recognised in the profit and loss account as revenue in accordance with the pattern of recognition of reinsurance premiums.

5.5 Premiums due but unpaid

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

5.6 Reinsurance contracts ceded

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premium is accounted for in the same period as the related premium for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against income or expenses from related insurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

The portion of reinsurance premium not recognised as an expense is shown as a prepayment.

The Company assesses its reinsurance assets for impairment on the balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

5.7 Reinsurance recoveries against outstanding claims

These are recognised as assets at the same time as the claims which gives rise to the right of recovery are recognised as liabilities and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

5.8 Deferred commission expense

Commission expense and costs incurred in obtaining and recording policies are deferred and recognised as an asset and are recognised in the profit and loss account as expenses in accordance with the pattern of recognition of premium income.



5.9 Amount due to / from other insurers / reinsurers

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

5.10 Prepaid reinsurance

Prepaid reinsurance represents the portion of reinsurance premium which is not yet recognised as an expense. Re-insurance premium is recognised as an expense as follows:

- For proportional reinsurance business, evenly over the period of the underlying policies; and
- For non-proportional reinsurance business, evenly over the period of indemnity.

5.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

5.12 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consists of cash, cheques and stamps in hand, deposits with banks on current and saving accounts and term deposits receipts with banks.

5.13 Sundry receivables

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

5.14 Financial assets

5.14.1 Classification

The Company classifies its financial assets into the following categories: 'at fair value through profit or loss', 'available-for-sale', 'held-to-maturity' and 'loans and receivables'. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

At fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management.

Available-for-sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price.



Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Company has the positive intention and ability to hold to maturity.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

5.14.2 Initial recognition and measurement

Investments other than those categorised into 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the securities. Investments classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date when the Company commits to purchase or sell the investment.

5.14.3 Subsequent measurement

Investments classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. Available-for-sale investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. In case of quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. However, in case of Government securities the market value is determined using Reuters rates. Investments classified as held-to-maturity are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

5.14.4 Impairment against financial assets

The Company assesses at each balance sheet date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If any such evidence exists for 'Available-for-sale' financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, as the case may be, is taken to the profit and loss account. For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

5.14.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.



5.14.6 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

5.15 Employees benefits

Defined benefit plan

The Company operates a funded gratuity scheme for its permanent staff who have completed the qualifying period of service under the scheme. The funded scheme is administered by the trustees and contributions therein are made in accordance with actuarial recommendations.

The most recent valuation in this regard was carried out as at December 31, 2012, using the Projected Unit Credit Method. Actuarial gains and losses are recognised on the basis of actuarial recommendations.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by an independent actuary using the Projected Unit Credit Method.

Defined contribution plan

The Company also operates a funded contributory provident fund (defined contribution plan) for all employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the period in which they are earned.

5.16 Fixed assets

Tangible

These are initially recognised at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

These are subsequently measured at cost less accumulated depreciation and provision for impairment loss, if any.

Useful lives of assets and methods of depreciation

The Company's estimate of useful economic lives of its fixed assets takes into account the renovation frequency of the asset and the future plans of the Company.

Depreciation is calculated from the date of addition to the date of deletion on a straight line method over the estimated useful life. The rates used are stated in note 20 to the financial statements.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred.

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



Intangible

Intangible assets having finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any

Intangibles are amortised using the straight line method over their estimated useful life.

5.17 Revenue recognition

Investment income

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

Gain / loss on sale / redemption of investments is included in profit and loss account in the period of sale / redemption.

Return on investment is recognised using effective interest method.

Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

5.18 Allocation of management expenses

Management expenses have been allocated to various business segments as deemed equitable by the management.

5.19 Taxation

Tax charge for the period comprises current and deferred taxation. Tax charge is recognised in the profit and loss account, except to the extent that it relates to the items recognised directly in the equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates. The charge for current tax also include adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year. Provision for current taxation is based on taxable income calculated in accordance with the provisions of the Fourth Schedule to the Income Tax Ordinance, 2001 at current rates of taxation, after taking into account tax credits available if any.

Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.



5.20 Creditors and accruals

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

5.21 Foreign currencies

Transactions in foreign currencies are translated into the reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are taken to the profit and loss account.

5.22 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has five primary business segments for reporting purposes namely fire and property damage, marine aviation and transport, motor, accident and health and miscellaneous.

Investment and income taxes are managed on an overall basis and are, therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

Financing, investment and income taxes are managed on an overall basis and are, therefore, not allocated to any segment. The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

5.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.



6. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and underlying assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgment 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. Revision 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.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
Underwriting provisions	5.4
Classification of investments	5.14
Useful lives of assets and methods of depreciation	5.16
Deferred taxation	5.19
Defined benefit plan	5.15
Provision for impairment	5.5 & 5.9

7. SHARE CAPITAL

7.1 Authorised share capital

2012	2011		2012	2011
.....Number of shares.....			----- Rupees -----	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>

7.2 Issued, subscribed and paid-up share capital

2012	2011		2012	2011
.....Number of shares.....			----- Rupees -----	
		Ordinary shares of Rs. 10 each:		
<u>1,162,000</u>	1,162,000	- fully paid in cash	<u>11,620,000</u>	11,620,000
<u>29,198,000</u>	29,198,000	- issued as fully paid bonus shares	<u>291,980,000</u>	291,980,000
<u>10,000,000</u>	-	- issued as right shares during the year	<u>100,000,000</u>	-
<u>40,360,000</u>	<u>30,360,000</u>		<u>403,600,000</u>	<u>303,600,000</u>



7.3 Following is the breakup of the shareholding of the Company:

2012Number of shares.....	2011	Percentage of holding		2012 ----- Rupees -----	2011	
		2012	2011			
		State Life Insurance Corporation of Pakistan (Parent Company)	93.99%	92.01%	379,348,430	279,348,430
37,934,843	27,934,843	Individuals	5.98%	7.99%	24,125,260	24,251,570
2,412,526	2,425,157	Director	0.03%	-	126,310	-
12,631	-					
<u>40,360,000</u>	<u>30,360,000</u>			<u>403,600,000</u>	<u>303,600,000</u>	

7.4 Capital management policies and procedures

The Company's goals and objectives when managing capital are:

- to maintain a strong capital base to support sustained development of its business so as to provide reasonable rewards and protections to all stakeholders, without compromising on its ability to continue as a going concern.
- to be an appropriate capitalised institution in compliance with the paid-up capital requirements as prescribed by the Securities and Exchange Commission of Pakistan.

The company is in compliance with the regulatory capital requirement which presently stands at Rs 300 million

8. ACCRUED EXPENSES

	2012 ----- Rupees -----	2011
Commission in respect of outstanding premium	17,388,406	14,256,118
Other accrued expenses	11,737,342	2,949,774
	<u>29,125,748</u>	<u>17,205,892</u>

9. OTHER CREDITORS AND ACCRUALS

Commission payable to agents	14,322,556	12,328,539
Cash margins against performance bonds	4,617,952	5,829,021
Federal excise duty	22,825,567	17,324,453
Federal insurance fee	197,747	100,376
Income tax deducted at source	125,532	40,210
Workers welfare fund	754,280	-
Others	1,234,222	2,064,028
	<u>44,077,856</u>	<u>37,686,627</u>

10. CONTINGENCIES AND COMMITMENTS

Contingencies

Various insurance claims amounting to Rs. 94.752 million (2011: Rs. 93.504 million) have been lodged by various parties against the Company. The Company has not acknowledged these claims as the management considers that the Company is not liable to settle these claims.

Commitments

There are no commitments as at the balance sheet date (2011: None)



	Note	2012	2011
		----- Rupees -----	
11. CASH AND BANK DEPOSITS			
Cash and other equivalent			
- cash in hand		11,181	2,158
- stamps in hand		198,617	160,746
		<u>209,798</u>	<u>162,904</u>
Current and other accounts			
- current accounts		9,065,276	3,271,828
- saving accounts	11.1	24,375,171	4,139,549
		33,440,447	7,411,377
Deposits maturing within 12 months		-	12,000,000
		<u>33,650,245</u>	<u>19,574,281</u>

11.1 These accounts carry interest at the rate of 6.5% to 7% (2011: 5% to 9%) per annum.

	Note	2012	2011
		----- Rupees -----	
12. INVESTMENTS			
Available-for-sale			
Listed shares	12.1	87,831,433	56,742,973
Listed modaraba certificates	12.2	-	1,197,815
		87,831,433	57,940,788
Less: Diminution in value of investments		(4,403,448)	(6,544,003)
		<u>83,427,985</u>	<u>51,396,785</u>
Held-to-maturity investment			
Government securities	12.4	434,290,860	316,192,027
Other fixed income securities	12.6	4,798,968	6,021,192
		439,089,828	322,213,219
		<u>522,517,813</u>	<u>373,610,004</u>



12.1 Listed equities

2012	2011	Face value	Nature of entity	2012	2011
No. of shares		Rupees		----- Rupees -----	
			Oil & gas		
5,361	5,361	10	Oil & Gas Development Corporation Limited	171,605	171,605
5,600	5,600	10	Pakistan Oilfields Limited	1,682,857	1,682,857
-	7,000	10	Pakistan State Oil	-	1,728,921
68,400	61,100	10	Pakistan Petroleum limited	12,146,985	11,486,696
147,233	-	10	National Refinery Limited	35,557,154	-
28,051	22,441	10	Shell (Pakistan) Limited	784,895	784,895
			Chemicals		
-	285,494	10	Engro Corporation Limited	-	9,650,852
79,627	53,085	10	Fauji Fertilizer Company Limited	5,892,283	2,970,959
-	1,254	10	I.C.I. Pakistan Limited	-	160,211
-	58,260	10	Fauji Fertilizer Bin Qasim Limited	-	932,250
2,000	2,000	10	Linde Pakistan Limited	322,500	322,500
-	20,475	10	Clariant Pakistan Limited	-	3,211,123
			Forestry (paper & board)		
120,000	100,000	10	Pakistan Paper Product Limited	150,000	150,000
			General Industrials		
-	32,900	5	Thal Ltd	-	2,792,888
			Engineering		
2,310	2,310	5	Al-Ghazi Tractor Limited	370,125	370,125
			Industrial transportation		
-	7,084	10	Pakistan National Shipping Corporation Limited	-	41,134
			Food Producers		
4,446	4,446	50	Unilever Pakistan Limited	34,485	34,485
			Personal goods		
-	34,801	10	Crescent Textile Mills Limited	-	245,434
-	1,188	10	National Silk and Rayon Limited	-	13,823
			Tobacco		
23,367	23,367	10	Pakistan Tobacco Company Limited	78,710	78,710
			Pharma and Bio tech		
100,648	91,499	10	Glaxo Smith Kline Limited	72,021	72,021
81,000	-	10	The Searle Company Limited	3,524,775	-
			Travel and Leisure		
28,815	28,815	10	Pakistan Services Limited	199,116	199,116
			Fixed line telecommunication		
-	481,260	10	Pakistan Telecommunication Company Limited	-	7,287,618
-	4,650	10	Pak Datacom Limited	-	228,708



2012	2011	Face value	Nature of entity	2012	2011
No. of shares		Rupees		----- Rupees -----	
Commercial Banks					
232,755	63,266	10	Bank Al-Habib Limited	6,246,243	640,119
-	37,620	10	Soneri Bank Limited	-	130,120
-	55,700	10	MCB Bank Limited	-	9,809,811
-	125,000	10	Askari Bank Limited	-	1,447,159
1,017,500	-	10	Bank Alfalah Limited	18,420,408	-
18,100	-	10	Habib Bank Limited	2,078,438	-
Non life Insurance					
177,777	177,777	10	Pakistan Reinsurance Company Limited	3,003	3,003
15,865	14,423	5	Habib Insurance Company Limited	95,830	95,830
				<u>87,831,433</u>	<u>56,742,973</u>
12.2 Listed modaraba certificates					
-	62,329	10	Standard Chartered Modaraba	-	1,197,815

12.3 The fair value of available-for-sale investments is Rs. 158,743,909 (2011: 121,397,721). Available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) as required by the Securities and Exchange Commission Rules, 2002. However, the International Accounting Standard 39, Financial Instruments: Recognition and Measurement requires that these instruments should be measured at fair value. Had these investments been measured at fair value, their carrying values (cost less diminution in value) as at December 31, 2012 would have been higher by Rs. 66,509,028 (2011: 56,912,930) and shareholder's equity increased by the same amount.

12.4 Government securities

Maturity	Principal repayment	Coupon percentage / yield	Coupon payment	Face Value	Carrying Value		
					2012	2011	
----- Rupees -----							
5 years Pakistan Investment Bonds	August-13	On maturity	11.50%	Semi annually	20,000,000	19,905,833	19,797,328
5 years Pakistan Investment Bonds	September-14	On maturity	11.50%	Semi annually	11,000,000	10,867,084	10,811,877
5 years Pakistan Investment Bonds	July-15	On maturity	11.50%	Semi annually	1,000,000	942,287	929,014
3 years Pakistan Investment Bonds	July-13	On maturity	11.25%	Semi annually	1,000,000	984,683	964,697
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	123,000,000	120,622,792	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	34,000,000	33,342,903	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	9,700,000	9,520,109	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	15,000,000	14,719,707	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	43,400,000	42,562,886	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	87,000,000	85,325,060	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	10,600,000	10,395,927	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	11,200,000	10,971,706	-
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	5,100,000	5,001,832	-
5 years Pakistan Investment Bonds	August-16	On maturity	11.50%	Semi annually	12,500,000	12,087,518	-
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually	2,000,000	1,940,765	-
Treasury Bills	March - May 2013	On maturity	9.56%-10.58%	On maturity	56,550,000	55,099,768	283,689,111
					<u>443,050,000</u>	<u>434,290,860</u>	<u>316,192,027</u>



12.5 *These securities having a face value of Rs. 41.6 million (2011: 31 million) have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000.

12.6 Other fixed income securities

Term finance certificates	Tenure	Maturity	Number of certificates	Rate of return	Profit repayment	Face Value	2012	2011
						----- Rupees -----		
Jahangir Siddiqui & Company Limited	5 1/2 years	2012	-	-	Half yearly	3,000,000	-	721,200
Allied Bank Limited	8 years	2014	600	11.41%	Half yearly	1,445,000	2,992,800	2,994,000
Pakistan Mobile Communication Limited	7 years	2013	300	12.39%	Half yearly	1,560,000	249,600	748,800
Bank Al Habib Limited	8 years	2015	312	13.65%	Half yearly	1,500,000	1,556,568	1,557,192
						<u>7,505,000</u>	<u>4,798,968</u>	<u>6,021,192</u>
						2012	2011	
						----- Rupees -----		

13. PREMIUMS DUE BUT UNPAID - UNSECURED

Considered good		70,769,300	72,863,590
Considered doubtful		21,219,285	6,906,387
		<u>91,988,585</u>	<u>79,769,977</u>
Provision for doubtful recovery	13.1	(21,219,285)	(6,906,387)
		<u>70,769,300</u>	<u>72,863,590</u>

13.1. Reconciliation of provision for doubtful recovery

Opening provision	6,906,387	-
Charge for the year	14,312,898	6,906,387
Written off during the year	-	-
Closing provision	<u>21,219,285</u>	<u>6,906,387</u>

14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Considered good		52,152,063	47,351,282
Considered doubtful		10,480,385	5,359,950
		<u>62,632,448</u>	<u>52,711,232</u>
Provision for doubtful recovery	14.1	(10,480,385)	(5,359,950)
		<u>52,152,063</u>	<u>47,351,282</u>

14.1. Reconciliation of provision for doubtful recovery

Opening provision	5,359,950	-
Charge for the year	5,120,435	5,359,950
Written off during the year	-	-
Closing provision	<u>10,480,385</u>	<u>5,359,950</u>



	Note	2012 ----- Rupees -----	2011
15. ACCRUED INVESTMENT INCOME			
Accrued interest on Term Deposit Receipts		-	12,329
Accrued interest on Government Securities		16,090,252	1,288,466
Accrued interest on Term Finance Certificates		111,004	144,511
Dividend receivable		9,383	31,142
		<u>16,210,639</u>	<u>1,476,448</u>
16. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS		<u>82,350,393</u>	<u>81,392,921</u>
The balance includes claims receivable from Mitsui Sumitomo Reinsurance Limited (MSIG) and Pakistan Reinsurance Company Limited (PRCL), amounting to Rs. 17.016 million (2011: 15.517 million) and Rs. 24.748 million (2011: 28.406 million) respectively.			
17. PREPAYMENTS			
Prepaid reinsurance premium ceded		63,056,042	44,925,348
Others		307,380	460,844
		<u>63,363,422</u>	<u>45,386,192</u>
18. SUNDRY RECEIVABLES			
Advances - secured			
To staff		45,583	73,200
Unsecured			
Long term security deposit		1,444,651	553,852
Advances to suppliers		1,769,416	-
Receivable from employee gratuity fund	27	489,929	237,459
Miscellaneous receivables		1,609,919	200,842
		<u>5,359,498</u>	<u>1,065,353</u>
19. DEFERRED TAXATION			
Deferred tax arising on:			
Accelerated tax depreciation on fixed assets		714,215	760,119
Provision against premium due but unpaid		7,426,750	2,417,234
Provision against amount due from other insurers / reinsurers		3,668,135	1,875,983
Carry forward tax losses		8,472,450	9,457,467
		<u>20,281,550</u>	<u>14,510,803</u>

The Company has an aggregate amount of Rs 24.207 million (2011: Rs 27.021 million) in respect of tax losses as at December 31, 2012. The management carries out periodic assessment to assess the benefit of these losses as the Company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance of Rs 8.472 million on the entire amount of losses [including on unabsorbed tax depreciation of Rs 9.835 million (2011: 6.355 million)]. For the purpose of computing this benefit, the management has prepared projected financial statements of the Company for the next three years (2013-2015) using assumptions which are linked to various variable factors such as the economic outlook of the country, interest rate movements, growth in underwriting business of the Company.



20. FIXED ASSETS

20.1

	Tangible				Intangible		Total
	Furniture and fixtures	Office equipment	Computers and related accessories	Motor vehicles	Electrical installations	Computer software	
----- (Rupees) -----							
At January 1, 2012							
Cost	7,047,927	5,179,767	7,711,749	18,679,214	2,396,637	2,411,912	43,427,206
Accumulated depreciation	(4,658,222)	(3,511,068)	(6,573,520)	(15,362,114)	(1,752,889)	(1,652,963)	(33,510,776)
Net book value	<u>2,389,705</u>	<u>1,668,699</u>	<u>1,138,229</u>	<u>3,317,100</u>	<u>643,748</u>	<u>758,949</u>	<u>9,916,430</u>
Year ended December 31, 2012							
Opening net book value	2,389,705	1,668,699	1,138,229	3,317,100	643,748	758,949	9,916,430
Additions	5,420,229	59,082	379,636	4,920,100	1,376,674	-	12,155,721
Disposals							
Cost	-	264,339	-	492,746	-	-	757,085
Accumulated depreciation	-	224,422	-	492,745	-	-	717,167
	-	39,917	-	1	-	39,918	
Depreciation charge for the year	(890,279)	(524,521)	(484,134)	(1,835,164)	(475,333)	(626,973)	(4,836,404)
Closing net book value	<u>6,919,655</u>	<u>1,163,343</u>	<u>1,033,731</u>	<u>6,402,035</u>	<u>1,545,089</u>	<u>131,976</u>	<u>17,195,829</u>
At December 31, 2012							
Cost	12,468,156	4,974,510	8,091,385	23,106,568	3,773,311	2,411,912	54,825,842
Accumulated depreciation	(5,548,501)	(3,811,167)	(7,057,654)	(16,704,533)	(2,228,222)	(2,279,936)	(37,630,013)
Net book value	<u>6,919,655</u>	<u>1,163,343</u>	<u>1,033,731</u>	<u>6,402,035</u>	<u>1,545,089</u>	<u>131,976</u>	<u>17,195,829</u>
At January 1, 2011							
Cost	6,890,640	4,043,662	7,454,949	18,679,214	2,185,846	2,411,912	41,666,223
Accumulated depreciation	(4,287,627)	(3,076,962)	(6,051,685)	(13,545,834)	(1,479,275)	(929,389)	(29,370,772)
Net book value	<u>2,603,013</u>	<u>966,700</u>	<u>1,403,264</u>	<u>5,133,380</u>	<u>706,571</u>	<u>1,482,523</u>	<u>12,295,451</u>
Year ended December 31, 2011							
Opening net book value	2,603,013	966,700	1,403,264	5,133,380	706,571	1,482,523	12,295,451
Additions	157,287	1,136,105	256,800	-	210,791	-	1,760,983
Disposals / write off							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge for the year	(370,595)	(434,106)	(521,835)	(1,816,280)	(273,614)	(723,574)	(4,140,004)
Closing net book value	<u>2,389,705</u>	<u>1,668,699</u>	<u>1,138,229</u>	<u>3,317,100</u>	<u>643,748</u>	<u>758,949</u>	<u>9,916,430</u>
Depreciation rate % per annum	10%	10 - 20%	20%	20%	15%	30%	

Note

2012 2011
 ----- Rupees -----

20.2 The depreciation charged during the year has been allocated as follows:

Management expenses	21	2,862,413	2,323,172
General and administrative expenses	23	1,347,018	1,093,258
		<u>4,209,431</u>	<u>3,416,430</u>

20.3 The amortisation charged during the year has been allocated as follows:

Management expenses	21	426,342	492,030
General and administrative expenses	23	200,631	231,544
		<u>626,973</u>	<u>723,574</u>



	Note	2012 ----- Rupees -----	2011
20.4 Capital work in progress			
Advance to suppliers		-	4,952,518
Civil works		-	1,723,328
		<u>-</u>	<u>6,675,846</u>
21. MANAGEMENT EXPENSES			
Salaries, wages and other benefits	21.1	27,513,154	24,694,498
Rent, rates, taxes and electricity		6,581,525	6,007,964
Legal and professional charges		2,954,726	1,773,304
Repair and maintenance		1,614,505	2,063,321
Communication		1,255,190	1,174,696
Printing and stationery		1,252,651	1,356,809
Travelling and conveyance		1,886,850	1,629,234
Advertisement and sales promotion		316,331	609,331
Provision for doubtful recovery	13 & 14	19,433,333	12,266,337
Depreciation	20.2	2,862,413	2,323,172
Amortisation	20.3	426,342	492,030
Miscellaneous expenses		1,131,309	596,615
		<u>67,228,329</u>	<u>54,987,311</u>
21.1			
This includes an amount of Rs. 619,618 (2011: Rs. 524,168) in respect of staff retirement benefits.			
22. OTHER INCOME			
Interest on saving accounts		1,301,036	702,958
Gain on disposal of fixed assets		66,583	-
Miscellaneous income		890,542	963,112
		<u>2,258,161</u>	<u>1,666,070</u>
23. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		12,947,366	11,620,940
Rent, rates, taxes and electricity		3,097,188	2,827,277
Legal and professional charges		841,971	666,225
Repairs and maintenance		759,767	970,974
Communication		590,678	552,798
Printing and stationery		589,483	638,499
Travelling and conveyance		887,929	766,699
Subscriptions		207,771	100,290
Directors' fee		535,000	425,000
Workers' welfare fund		754,280	-
Depreciation	20.2	1,347,018	1,093,258
Amortisation	20.3	200,631	231,544
Auditors' remuneration	23.1	537,130	467,407
Miscellaneous expenses		532,380	280,760
		<u>23,828,592</u>	<u>20,641,671</u>
23.1 Auditors' remuneration			
Audit fee		225,000	200,000
Half yearly review		80,000	75,000
Other certification		85,000	75,000
Out of pocket expenses		147,130	117,407
		<u>537,130</u>	<u>467,407</u>



24. TAXATION	Note	2012 ----- Rupees -----	2011
Current - for the year		2,384,154	887,352
Current - for prior years		61,240	159,040
Deferred		<u>(5,770,747)</u>	<u>(14,018,554)</u>
	24.1	<u><u>(3,325,353)</u></u>	<u><u>(12,972,162)</u></u>

24.1 Reconciliation between tax expense and accounting profit

Profit before taxation	<u>32,083,497</u>	4,876,209
Effects of:		
Tax at the applicable rate of 35%	11,229,224	1,706,673
Tax effect of capital gain taxed at lower rate	<u>(11,747,384)</u>	(6,691,658)
Prior year adjustment	61,240	159,040
Tax impact on unabsorbed losses brought forward	-	(8,035,019)
Tax effect of expenses not admissible	<u>(749,194)</u>	1,964,488
Tax effect of dividend income taxed at lower rate	<u>(2,119,239)</u>	(1,935,025)
Others	-	(140,661)
Tax expense for the year	<u><u>(3,325,353)</u></u>	<u><u>(12,972,162)</u></u>

25. EARNINGS PER SHARE - basic and diluted

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

	2012 ----- Rupees -----	2011
Profit after tax for the year	<u>35,408,850</u>	<u>17,848,371</u>
	----- Number of Shares -----	
Weighted average number of shares of Rs. 10 each outstanding during the year	<u>36,743,148</u>	<u>30,360,000</u>
	----- Rupee -----	
Basic earnings per share of Rs. 10 each	<u>0.96</u>	<u>0.59</u>

25.1. There are no convertible dilutive potential ordinary shares outstanding on December 31, 2012 and 2011.

26. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise State Life Insurance Corporation of Pakistan being the parent company, associated entities having directors in common, key management personnel, gratuity fund and provident fund. The transactions with related parties other than remuneration of directors and executives which is disclosed in note 28 are as follows:



	2012	2011
	----- Rupees -----	
Transactions		
Rent paid (Parent company)	4,246,192	3,644,712
Contribution to provident fund	619,168	524,168
Cash dividend received from Fauji Fertilizer Company Limited	1,114,780	931,642
Right shares issued	100,000,000	-
	----- Number of Shares -----	
Bonus shares received from Fauji Fertilizer Company Limited	26,542	10,617
	2012	2011
	----- Rupees -----	
Balances		
Investment in Fauji Fertilizer Company Limited	5,892,283	2,970,959
Receivable from associate company	41,014	21,514
Payable to associated company IGI Insurance Limited	523,508	19,923,973

27. DEFINED BENEFIT PLAN - STAFF RETIREMENT GRATUITY

27.1 General description

The Company operates a funded gratuity scheme for its permanent staff who have completed the qualifying period under the scheme. The funded scheme is administered by the trustees and contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2012, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains and losses are recognised on the basis of actuarial recommendations.

The disclosures made in notes 27.2 to 27.12 are based on the information included in the actuarial report of the Company as of December 31, 2012.

	2012	2011
	% per annum	
27.2 Principal actuarial assumptions		
Following principal actuarial assumptions were used for the valuation:		
Discount rate	12.00%	13.00%
Expected return on plan assets	12.00%	13.00%
Future salary increase	11.50%	12.50%

	2012	2011
	----- Rupees -----	
27.3 Amounts recognised in the balance sheet		
Present value of the defined benefit obligation	5,892,236	5,663,176
Fair value of plan assets	(9,338,137)	(9,448,255)
Unrecognised actuarial loss	2,955,972	3,547,620
Gratuity asset as at December 31	<u>(489,929)</u>	<u>(237,459)</u>

27.4 Movement in the present value of the defined benefit obligation

	2012	2011
Obligation at the beginning of the year	5,663,176	5,842,417
Current service cost	397,554	430,012
Interest cost	677,175	853,926
Actuarial loss / (gain)	326,149	(932,317)
Benefits paid	(1,171,818)	(530,862)
Obligation at the end of the year	<u>5,892,236</u>	<u>5,663,176</u>



	2012	2011
	----- Rupees -----	
27.5 Movement in the fair value of plan assets		
Fair value at the beginning of the year	9,448,255	9,419,419
Expected return on plan assets	1,126,984	1,324,200
Transfers to the Company	-	(71,501)
Benefits paid	(1,171,818)	(530,862)
Actuarial loss	(65,284)	(693,001)
Fair value at the end of the year	<u>9,338,137</u>	<u>9,448,255</u>

27.6 Amounts recognised in the profit and loss account

Current service cost	397,554	430,012
Interest cost	677,175	853,926
Expected return on plan assets	(1,126,984)	(1,324,200)
Amortisation of actuarial gain	(200,215)	(197,197)
	<u>(252,470)</u>	<u>(237,459)</u>

27.7 Reconciliation of liability

Opening net liability	(237,459)	(71,501)
Charge for the year	(252,470)	(237,459)
Transfers to the Company	-	71,501
Closing net liability	<u>(489,929)</u>	<u>(237,459)</u>

27.8 Actual return on plan assets

Expected return on plan assets	1,126,984	1,324,200
Actuarial loss on plan assets	(65,284)	(693,001)
Actual return on plan assets	<u>1,061,700</u>	<u>631,199</u>

27.9 Plan assets comprise of:

	2012		2011	
	(Rupees)	%	(Rupees)	%
Certificate of investment	-	-	2,000,000	21.17%
Treasury bills	9,074,579	97.18%	7,346,452	77.75%
Cash at bank and in saving account	263,558	2.82%	101,803	1.08%
	<u>9,338,137</u>	<u>100%</u>	<u>9,448,255</u>	<u>100%</u>

27.10 Expected charge for the year ending December 31, 2013 is Rs 149,385 (2012: 252,470).

27.11 5 year data on deficit of the plan (before actuarial gains and losses) is as follows:

Historical results	2012	2011	2010	2009	2008
	----- Rupees -----				
Present value of defined benefit obligation	5,892,236	5,663,176	5,842,417	5,503,177	6,443,680
Fair value of plan assets	9,338,137	9,448,255	9,419,419	8,801,448	10,562,943
Surplus	<u>3,445,901</u>	<u>3,785,079</u>	<u>3,577,002</u>	<u>3,298,271</u>	<u>4,119,263</u>



27.12 5 year data on experience adjustments is as follows:

	2012	2011	2010	2009	2008
	-----Rupees-----				
Experience gain / (loss) on plan liabilities	(326,149)	932,317	224,176	1,819,782	(1,064,132)
Experience gain / (loss) on plan assets	(65,284)	(639,001)	458,149	(980,118)	152,124

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in financial statements for remuneration including all benefits, to the Chief Executive, Directors and Executives is as follows:

	Chief Executive		Directors		Total	
	2012	2011	2012	2011	2012	2011
	-----Rupees-----					
Managerial remuneration	2,967,040	3,115,064	-	-	2,967,040	3,115,064
Directors' fee	-	-	535,000	425,000	535,000	425,000
	<u>2,967,040</u>	<u>3,115,064</u>	<u>535,000</u>	<u>425,000</u>	<u>3,502,040</u>	<u>3,540,064</u>
Number of persons	1	2	6	6		

The Chief Executive and other executives are provided with free use of Company maintained cars.

29. SEGMENT REPORTING

The Company has five primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor, accident and health and liability.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of the gross premium written by the segments.

	-----2012-----						
	Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
	-----Rupees-----						
Net premium revenue	13,131,397	6,069,018	35,327,440	5,179,032	1,831,894	5,889,405	67,428,186
Segment results	(20,265,331)	(4,314,470)	(13,099,123)	(505,592)	(4,608,344)	(425,888)	(43,218,748)
Segment assets	102,970,995	60,874,473	39,701,210	1,709,903	17,358,594	14,408,050	237,023,225
Unallocated corporate assets							702,505,643
Consolidated total assets							<u>939,528,868</u>
Segment liabilities	101,335,396	58,577,910	96,361,522	1,589,696	17,703,096	15,168,852	290,736,472
Unallocated corporate liabilities							165,198,394
Consolidated total liabilities							<u>455,934,866</u>



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

	-----2011-----						
	Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
	-----Rupees-----						
Net premium revenue	13,007,426	4,575,430	45,041,532	5,494,569	-	6,158,091	74,277,048
Segment results	(20,257,249)	(3,036,314)	(11,695,918)	(1,202,523)	-	(2,388,066)	(38,580,070)
Segment assets	98,971,187	52,561,338	44,969,913	1,927,448	-	14,289,764	212,719,650
Unallocated corporate assets							505,837,636
Consolidated total assets							<u>718,557,286</u>
Segment liabilities	96,758,767	48,783,415	85,611,575	1,842,210	-	14,088,805	247,084,772
Unallocated corporate liabilities							123,287,362
Consolidated total liabilities							<u>370,372,134</u>

30. FINANCIAL INSTRUMENTS BY CATEGORY

30.1 Financial assets and financial liabilities

Financial assets

Loans and receivables

Cash and bank deposits

Cash and other equivalent	209,798	162,904
Current and other accounts	33,440,447	7,411,377
Deposits maturing within 12 months	-	12,000,000
	33,650,245	19,574,281

Current assets - others

Premium due but unpaid	70,769,300	72,863,590
Amounts due from other insurers / reinsurers	52,152,063	47,351,282
Accrued investment income	16,210,639	1,476,448
Reinsurance recoveries against outstanding claims	82,350,393	81,392,921
Sundry receivables	5,359,498	1,065,353
	226,841,893	204,149,594

Investments

Available-for-sale	83,427,985	51,396,785
Held-to-maturity	439,089,828	322,213,219
	522,517,813	373,610,004

Financial liabilities

Amortised cost

Provision for outstanding claims (including IBNR)	171,258,059	168,164,270
Amounts due to other insurers / reinsurers	84,985,474	60,329,859
Accrued expenses	29,125,748	17,205,892
Other creditors and accruals	20,174,730	20,221,588
	305,544,011	265,921,609



32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks: market risk, yield / mark-up rate risk, foreign currency risk, credit risk and liquidity risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing risk management policies and its monitoring.

32.1 Market risk

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

Market risk comprises of three types of risk namely foreign currency risk, interest rate risk and price risk.

32.1.1 Price Risk

Primarily, the Company's equity investments are exposed to price risk. Price risk is limited by diversification of the portfolio and active monitoring of capital markets.

The table below summarizes the Company's equity price risk as of December 31, 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in profit / (loss) before tax	Hypothetical increase / (decrease) in shareholder's equity
	Rupees			-----Rupees-----	
December 31, 2012	158,743,909	10% increase	174,618,300	-	-
		10% decrease	142,869,518	(15,874,391)	(10,318,354)
December 31, 2011	121,397,721	10% increase	133,537,493	-	-
		10% decrease	109,257,949	(12,139,772)	(7,890,852)

32.1.2 Yield / Mark-up rate risk

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



2012								
Exposed to yield/mark-up risk				Not exposed to yield/mark-up rate risk				
Effective yield/mark-up rate %	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total	
-----Rupees-----								
Financial assets								
Cash and bank deposits	6.5-7	24,375,171	-	24,375,171	9,275,074	-	9,275,074	33,650,245
Investments	9.56 - 13.65	195,877,993	243,211,835	439,089,828	83,427,985	-	83,427,985	522,517,813
Premium due but unpaid		-	-	-	70,769,300	-	70,769,300	70,769,300
Amount due from other insurers / reinsurers		-	-	-	52,152,063	-	52,152,063	52,152,063
Accrued investment income		-	-	-	16,210,639	-	16,210,639	16,210,639
Reinsurance recoveries against outstanding claims		-	-	-	82,350,393	-	82,350,393	82,350,393
Sundry receivables		-	-	-	5,359,498	-	5,359,498	5,359,498
		<u>220,253,164</u>	<u>243,211,835</u>	<u>463,464,999</u>	<u>319,544,952</u>	<u>-</u>	<u>319,544,952</u>	<u>783,009,951</u>
Financial liabilities								
Provision for outstanding claims (Including IBNR)		-	-	-	171,258,059	-	171,258,059	171,258,059
Amounts due to other insurers / reinsurers		-	-	-	84,985,474	-	84,985,474	84,985,474
Accrued expenses		-	-	-	29,125,748	-	29,125,748	29,125,748
Other creditors and accruals		-	-	-	20,174,730	-	20,174,730	20,174,730
		<u>-</u>	<u>-</u>	<u>-</u>	<u>305,544,011</u>	<u>-</u>	<u>305,544,011</u>	<u>305,544,011</u>
Total yield / mark-up rate risk sensitivity gap 2012		<u>220,253,164</u>	<u>243,211,835</u>	<u>463,464,999</u>	<u>14,000,941</u>	<u>-</u>	<u>14,000,941</u>	<u>477,465,940</u>

2011								
Exposed to yield/mark-up risk				Not exposed to yield/mark-up rate risk				
Effective yield/mark-up rate %	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total	
-----Rupees-----								
Financial assets								
Cash and bank deposits	5 - 12.5	16,139,549	-	16,139,549	3,434,732	-	3,434,732	19,574,281
Investments	11.25 - 15.31	284,410,311	37,802,908	322,213,219	51,396,785	-	51,396,785	373,610,004
Premium due but unpaid		-	-	-	72,863,590	-	72,863,590	72,863,590
Amount due from other insurers / reinsurers		-	-	-	47,351,282	-	47,351,282	47,351,282
Accrued investment income		-	-	-	1,476,448	-	1,476,448	1,476,448
Reinsurance recoveries against outstanding claims		-	-	-	81,392,921	-	81,392,921	81,392,921
Sundry receivables		-	-	-	1,065,353	-	1,065,353	1,065,353
		<u>300,549,860</u>	<u>37,802,908</u>	<u>338,352,768</u>	<u>258,981,111</u>	<u>-</u>	<u>258,981,111</u>	<u>597,333,879</u>
Financial liabilities								
Provision for outstanding claims (Including IBNR)		-	-	-	168,164,270	-	168,164,270	168,164,270
Amounts due to other insurers / reinsurers		-	-	-	60,329,859	-	60,329,859	60,329,859
Accrued expenses		-	-	-	17,205,892	-	17,205,892	17,205,892
Other creditors and accruals		-	-	-	20,221,588	-	20,221,588	20,221,588
		<u>-</u>	<u>-</u>	<u>-</u>	<u>265,921,609</u>	<u>-</u>	<u>265,921,609</u>	<u>265,921,609</u>
Total yield / mark-up rate risk sensitivity gap 2011		<u>300,549,860</u>	<u>37,802,908</u>	<u>338,352,768</u>	<u>(6,940,498)</u>	<u>-</u>	<u>(6,940,498)</u>	<u>331,412,270</u>

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



	Increase / Decrease in basis points		Effect on profit / (loss) before tax		Effect on equity	
	----- Rupees -----					
December 31, 2012	100	(100)	4,634,650	(4,634,650)	3,012,522	(3,012,522)
December 31, 2011	100	(100)	3,383,528	(3,383,528)	2,199,293	(2,199,293)

32.1.3 Foreign currency risk

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

32.1.4 Credit risk and concentration of credit risk

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

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

	2012	2011
	----- Rupees -----	
Bank deposits	33,440,447	19,411,377
Investments	522,517,813	373,610,004
Premium due but unpaid	70,769,300	72,863,590
Amount due from other insurers / reinsurers	52,152,063	47,351,282
Accrued investment income	16,210,639	1,476,448
Reinsurance recoveries against outstanding claims	82,350,393	81,392,921
Sundry receivables	5,359,498	1,065,353

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

Name of Banks	Rating		Rating Agency	2012	2011
	Short term	Long term			
	----- Rupees -----				
Allied Bank Limited	A1+	AA+	PACRA	117,608	107,976
Bank Al-falah Limited	A1+	AA	PACRA	-	12,000,000
Faysal Bank Limited	A1+	AA	PACRA	-	29,880
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	5,572	145,861
JS Bank Limited	A1	A+	PACRA	284,048	270,401
MCB Bank Limited	A1+	AAA	PACRA	105,119	300,549
National Bank of Pakistan	A-1+	AAA	JCR-VIS	514,864	331,081
NIB Bank Limited	A1+	AA-	PACRA	218,452	1,186,973
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	597,470	6,654
Soneri Bank Limited	A1+	AA-	PACRA	977,478	626,629
United Bank Limited	A-1+	AA+	JCR-VIS	30,619,836	4,405,373
				<u>33,440,447</u>	<u>19,411,377</u>

An analysis of the age of premiums due but unpaid that are past due but not impaired are as under:



	2012	2011
	----- Rupees -----	
Upto 30 days	8,536,376	6,846,014
31 to 180 days	22,918,129	21,323,589
Over 180 days	39,314,795	44,693,987
	<u>70,769,300</u>	<u>72,863,590</u>

The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2012	2011
	----- (Rupees) -----				
A or above	40,988,262	46,320,183	-	87,308,445	84,428,145
A-	531,189	-	-	531,189	5,971,782
BBB	9,573,901	1,609,062	-	11,182,963	5,281,569
Others	1,058,711	34,421,148	-	35,479,859	33,062,707
Total	<u>52,152,063</u>	<u>82,350,393</u>	-	<u>134,502,456</u>	<u>128,744,203</u>

32.1.5 Liquidity risk

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

The Company has the ability to borrow in the short term to ensure payment of claims. The present borrowing limit available to the Company is five million rupees up to one year and is secured by the pledge of Pakistan Investment Bonds with at least 10% margin over the financing amount.

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

	2012			
	Within one year	Over one year to five years	Over five years	Total
	----- (Rupees) -----			
Financial liabilities				
Provision for outstanding claims	171,258,059	-	-	171,258,059
Amount due to other insurers / reinsurers	84,985,474	-	-	84,985,474
Accrued expense	29,125,748	-	-	29,125,748
Other creditors and accruals	20,174,730	-	-	20,174,730
	<u>305,544,011</u>	<u>-</u>	<u>-</u>	<u>305,544,011</u>



	2011			Total
	Within one year	Over one year to five years	Over five years	
Financial liabilities	------(Rupees)-----			
Provision for outstanding claims	168,164,270	-	-	168,164,270
Amount due to other insurers / reinsurers	60,329,859	-	-	60,329,859
Accrued expense	17,205,892	-	-	17,205,892
Other creditors and accruals	20,221,588	-	-	20,221,588
	<u>265,921,609</u>	<u>-</u>	<u>-</u>	<u>265,921,609</u>

32.2 Insurance risk

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

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

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

Frequency and severity of claims

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

	2012 Maximum gross risk exposure	2011 Maximum gross risk exposure
	-----Rupees in million-----	
The Company's class wise major risk exposure is as follows:		
Fire and property damage	38,527	29,710
Marine, aviation and transport	15,002	11,515
Motor	1,816	4,260
Accidental, health and others	4,291	1,195
Credit and suretyship	5,470	-

The reinsurance arrangements against major risk exposures include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on the Company's net retentions.



Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management's judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from the initially recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence actual amount of incurred but not reported claims may differ from the amount estimated.

Sensitivity analysis

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

As the Company mostly enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre tax profit / (loss)		Shareholders' equity	
	2012	2011	2012	2011
	-----Rupees-----			
10% increase in net claims (i.e. loss)				
Fire and property damage	(241,988)	(438,608)	(157,292)	(285,095)
Marine, aviation and transport	(166,642)	(65,255)	(108,317)	(42,416)
Motor	(2,848,023)	(3,943,525)	(1,851,215)	(2,563,291)
Accident and health	(364,570)	(446,845)	(236,971)	(290,449)
Credit and suretyship	-	-	-	-
Miscellaneous	(122,878)	(289,637)	(79,871)	(188,264)
	(3,744,101)	(5,183,870)	(2,433,666)	(3,369,515)
10% decrease in net claims (i.e. loss)				
Fire and property damage	241,988	438,608	157,292	285,095
Marine, aviation and transport	166,642	65,255	108,317	42,416
Motor	2,848,023	3,943,525	1,851,215	2,563,291
Accident and health	364,570	446,845	236,971	290,449
Credit and suretyship	-	-	-	-
Miscellaneous	122,878	289,637	79,871	188,264
	3,744,101	5,183,870	2,433,666	3,369,515



32.3 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted to the Securities and Exchange Commission of Pakistan on an annual basis.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

	2012		
	Maximum sum insured	Reinsurance cover	Highest net liability
	-----Rupees-----		
Fire and property damage	509,000,000	447,200,000	61,800,000
Marine, aviation and transport	178,959,000	158,959,000	20,000,000
Motor	7,100,000	-	7,100,000
Credit and suretyship	51,952,359	12,000,000	39,952,359
Miscellaneous	515,717,090	240,000,000	275,717,090
	<u>1,262,728,449</u>	<u>858,159,000</u>	<u>404,569,449</u>

	2011		
	Maximum sum insured	Reinsurance cover	Highest net liability
	-----Rupees-----		
Fire and property damage	1,113,715,691	1,069,715,691	44,000,000
Marine, aviation and transport	431,112,000	384,889,600	46,222,400
Motor	1,666,500	1,466,500	200,000
Credit and suretyship	-	-	-
Miscellaneous	275,000,000	240,000,000	35,000,000
	<u>1,821,494,191</u>	<u>1,696,071,791</u>	<u>125,422,400</u>

32.4 Geographical concentration of insurance risk

To optimise benefits from the principle of averages and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insured.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. It provides a way to better visualise the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.



33. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

34. GENERAL

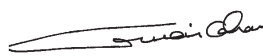
All figures have been rounded off to the nearest rupee unless otherwise stated.

35. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There is no event subsequent to the balance sheet date that requires adjustment or disclosure in these financial statements.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 29, 2013 by the Board of Directors of the Company.


Chief Executive


Chairman


Director


Director



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Pattern of Shareholding

As at December 31, 2012

Number of Shareholders	Shareholdings		Total Shares Held	
	From	To		
4	1	100	193	193
3	101	500	1,081	888
15	501	1,000	13,365	12,284
18	1,001	5,000	62,611	49,246
20	5,001	10,000	195,534	132,923
22	10,001	25,000	494,789	299,255
5	25,001	50,000	642,535	147,746
7	50,001	75,000	1,072,651	430,116
3	75,001	100,000	1,306,687	234,036
1	100,001	150,000	1,408,302	101,615
4	150,001	205,000	2,217,902	809,600
1	205,001	300,000	2,425,157	207,255
1	300,001	37,934,843	40,360,000	37,934,843
104				40,360,000

Number of Shareholders	Category of Shareholders	Total Shares Held	Percentage %
102	Individuals	2,412,526	5.98%
1	Director - Mr. Maudood Ahmad Lodhi	12,631	0.03%
1	Others: State Life Insurance Corporation of Pakistan	37,934,843	93.99%
104		40,360,000	100.00%



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

BRANCHES

MAIN BRANCH, KARACHI

406, 4th Floor,
Business & Finance Centre,
Opp. State Bank of Pakistan,
I.I. Chundrigar Road, Karachi.
Ph: 021-32429151, 021-32425547
Fax: 021-32435142

RUBY CENTER, KARACHI

Suit # 21, 1st Floor, Ruby Center,
Opp: City Post Office, Talpur Road,
Karachi.
Ph: 021-32429151, 021-32425547
Fax: 021-32435142

CLIFTON, KARACHI

E-48, Executive Floor,
Glass Tower, Clifton, Karachi.
Ph: 021-35639634, 021-35639631-3
Fax: 021-35213314

KARACHI-I

4th Floor Building # 1-B,
State Life Square,
Off: I.I. Chundrigar Road,
Karachi.
Ph: 32416041-45
Fax: 32419968, 32422478-9

TOWER, KARACHI

4th Floor Building # 1-B,
State Life Square,
Off: I.I. Chundrigar Road,
Karachi.
Ph: 32416041-45
Fax: 32419968, 32422478-9

I.I. CHUNDRIGAR ROAD

Room No. 4, 3rd Floor,
Nadir House,
I.I. Chundrigar Road,
Karachi.
Ph: 021-32426910, 021-32422110
Ph: 021-32422119
Fax: 021-32426910

HYDERABAD

Church Building, Tilak Incline,
Hyderabad.
Ph: 022-2621938
Fax: 022-2618867

QUETTA

Room No. G-1, Kabir Building,
Jinnah Road,
Quetta.
Ph: 081-2865678
Fax: 081-2865678

SUKKUR

25, Shikarpur Road,
Police Shopping, Center,
Sukkur.
Ph: 071-5616681

NAWABSHAH (Representative)

H.No.702,
Nouabad,
Nawabshah.
Ph: 0312-3363063

GENERAL MANAGER & COUNTRY HEAD (MARKETING)

CORPORATE BRANCH

4th Floor Building # 1-B,
State Life Square,
Off: I.I. Chundrigar Road,
Karachi.
Ph: 32416041-45
Fax: 32419968, 32422478-9
E-mail: kidwai@alphainsurance.com.pk

REGIONAL OFFICES

GENERAL MANAGER & REGIONAL CHIEF (NORTHERN)

Ground Floor, State Life Building-5,
China Chowk, Jinnah Avenue,
Blue Area,
Islamabad.
Ph: 051-2274032-34
Fax: 051-2274964
E-mail: raza@alphainsurance.com.pk

BRANCHES

ISLAMABAD

Ground Floor, State Life Building-5,
China Chowk, Jinnah Avenue,
Blue Area,
Islamabad.
Ph: 051-2274032-34
Fax: 051-2274964

PESHAWAR

- Room # 7, 1st Floor,
Khair Mohammad Plaza,
Opp: State Bank of Pakistan,
Peshawar Cantt.
Ph: 091-5261691
Fax: 091-5261692

- Masood Building, Saddar Road,
Near Jinnah Street,
Peshawar Cantt.
Ph: 091-5279449
Fax: 091-5279414

GENERAL MANAGER & REGIONAL CHIEF (CORPORATE)

2nd Floor, State Life Building # 8,
Kashmir Road,
Rawalpindi Cantt.
Ph: 051-5568349, 051-5562249
Fax: 051-5519201
E-mail: manzoor@alphainsurance.com.pk

GENERAL MANAGER & REGIONAL CHIEF (CENTRAL)

Cooperative Building,
23-Shahrah-e-Quaid-e-Azam,
Lahore.
Ph: 042-37232136-7
Fax: 042-37232138
E-mail:
aslamsabir@alphainsurance.com.pk

BRANCHES

BANK SQUARE LAHORE

4-Bank Square. Shahrah-e-Quaid-e-Azam,
P.O.Box # 125,
Lahore.
Ph: 042-37322518, 042-37311618
Fax: 042-37324628

FAISALABAD

6th Floor, State Life Building, Liaquat
Road,
Faisalabad.
Ph: 041-2640383
Fax: 041-2640384

MULTAN

1st Floor, Room # 1 and 2,
Khiliji Arcade Centre,
Railway Road,
Multan.
Tel: 061-4510694
Fax: 061-4541649

BAHAWALPUR

1st Floor, Shah Din Plaza, Outside Farid
Road, Stadium Road,
Bahawalpur.
Ph: 062-2874236
Fax: 062-2884090
Fax: 062-2887761

SAHIWAL

Green View Center,
Stadium Road,
Sahiwal.
Ph: 040-4463870



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

PROXY FORM

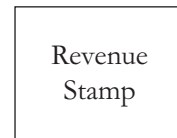
Annual General Meeting

I/We.....of.....being a member of Alpha Insurance Company Limited hereby appoint Mr..... of of failing him Mr..... of.....as my/our Proxy to vote for me/us and on my/our behalf at the 61st Annual General Meeting of the Company to be held on 30th day of April, 2013 at 11:30 a.m. at Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, off. I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this.....day of..... 2013

1. Witness:

Signature.....
Name
Address.....
.....
CNIC



2.

Signature.....
Name
Address.....
.....
CNIC

Signature.....
Holder of.....Ordinary Shares
Share Register Folio No.....

Note:

- 1. A Proxy must be member of the Company.
2. Proxies must be received at the Registered office of the Company not less than 48 hours before the time appointed for the Meeting.

The signature of the instrument of proxy must confirm to the specimen signature recorded with the Company.