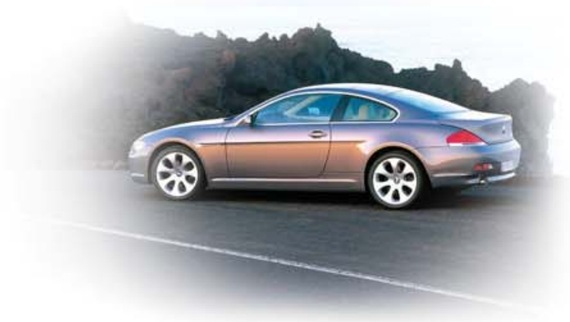
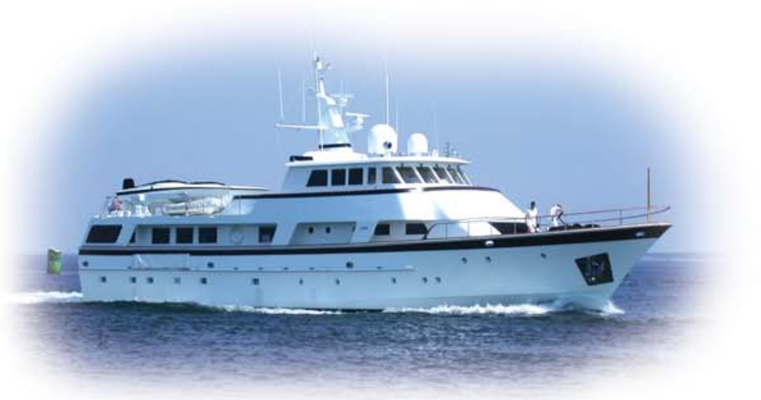
62nd Annual Report

2013





Good People to Deal with

alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Contents

Company Information

BOARD OF DIECTORS

MR. ALAMUDDIN BULLO
CHAIRMAN

SYED YAWAR ALI
DIRECTOR

MR. RASHEED Y. CHINOY
DIRECTOR

MR. MAUDOOD AHMAD LODHI
DIRECTOR

MR. MUHAMMAD RASHID
DIRECTOR

MR. MUHAMMAD IZQAR KHAN
DIRECTOR

MR. UMAIR KHAN
MANAGING DIRECTOR/CEO

COMPANY SECRETARY

MR. ANSAR HUSSAIN

BOARD COMMITTEES

AUDIT COMMITTEE

MR. RASHEED Y. CHINOY
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. MUHAMMAD RASHID
MEMBER

MR. MUHAMMAD IZQAR KHAN
MEMBER

HUMAN RESOURCE COMMITTEE

MR. RASHEED Y. CHINOY
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. MUHAMMAD IZQAR KHAN
MEMBER

MR. UMAIR KHAN
MEMBER

MR. LATIF AHMAD CHOUDHRI
MEMBER / SECRETARY

BUSINESS PLAN COMMITTEE

SYED YAWAR ALI
CHAIRMAN

MR. RASHEED Y. CHINOY
MEMBER

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. UMAIR KHAN
MEMBER

INFORMATION TECHNOLGY COMMITTEE

MR RASHEED Y. CHINOY
CHAIRMAN

MR. MUHAMMAD RASHID
MEMBER

MR. UMAIR KHAN
MEMBER

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. ANSAR HUSSAIN
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. ANSAR HUSSAIN
MEMBER

MR.SALEEM ABDUL SATTAR
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

Company Information

MANAGEMENT

MR. UMAIR KHAN
Managing Director/CEO

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

MR ANSAR HUSSAIN
FCMA
General Manager (Finance and Investment)
& Company Secretary

MR. SALEEM ABDUL SATTAR
Chief Financial Officer

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

MR. GEORGE ANTHONY
Assistant General Manager
(Re-Insurance)

MR. MOHAMMAD FAROOQ
Assistant General Manager
(Underwriting)

MR. SABIR ALI
Assistant General Manager (Claims)

MR. KHALID MEHMOOD
Assistant General Manager
(Underwriting & Re-Insurance)

MR. MUHAMMAD SHOAIB ABRRO
Manager (Information Technology)

MISS. FAIZA KHALID
Manager (Internal Audit)

MR. MALIK BASHIR AHMAD
Manager (HR & Admin)

MARKETING

MR. MOHAMMAD REYAZ AHMED
General Manager / Branch Head
Main Branch,
Karachi

MR. SULEMAN BASARIA
General Manager / Branch Head
Clifton Branch
Karachi

MR. MALIK SULTAN MEHMOOD
General Manager / Branch Head
Tower 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. AZMAT ULLAH SHAIKH
Asst. General Manager/ Branch Head
Central Branch
Karachi

MR. RIAZ AHMAD RAZZI
Chief Manager
Multan Branch
Multan

MR. MOHAMMAD AMIN RIFFAT
Branch Manager
Bahawalpur Branch
Bhawalpur

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
Mian Mohammad Sharif
Mr. Mohammad Yousuf Khan
Mr. Bashir A. 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

Pakistan Re-Insurance Company Limited
Malaysian Re
Trust Re
Saudi Re
Emirates Re
J.B. Boda (Insurance Brokers)

REGISTERED OFFICE

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

Financial Highlights - Ten Years At A Glance

(Rupees in '000)

	2013	2012 (Restated)	2011	2010 (Restated)	2009 (Restated)	2008	2007	2006	2005	2004
Paid Up Capital	403,600	403,600	303,600	303,600	303,600	161,920	121,440	101,200	88,000	88,000
Reserves & Funds	435,720	377,600	296,639	261,810	221,554	262,999	342,941	280,562	234,920	210,784
Investments, Cash & Bank Balances	663,172	556,168	393,184	356,898	340,488	243,880	268,732	223,910	196,017	177,427
Gross Premium	265,239	203,849	155,043	139,767	109,245	118,809	147,918	168,739	139,689	128,982
Retained Premium	115,148	67,428	74,277	59,099	61,511	77,039	99,501	109,740	85,729	64,194
Claims Incurred	55,815	37,441	51,839	46,514	44,796	48,543	61,658	58,618	47,805	26,663
Investments and Miscellaneous Income	162,460	99,131	64,098	48,133	35,044	30,254	95,125	28,457	23,062	14,939
Profit / (Loss) Before Tax	103,200	31,883	4,876	(255)	(1,596)	2,870	86,487	36,784	28,007	21,574
Profit / (Loss) After Tax	97,677	35,208	17,848	(1,034)	(2,417)	(17,486)	84,023	27,666	18,044	13,542
Dividend - Cash	-	-	-	-	-	-	5%	5%	12.50%	12.50%
Stock	-	-	-	-	25%	-	33%	20%	15%	-
Underwritting Profit / (Loss)	(30,534)	(43,419)	(38,580)	(30,544)	(20,128)	(9,723)	4,453	22,265	16,481	18,426

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.

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 62nd Annual General Meeting of Alpha Insurance Company Limited will be held on Tuesday, April 29, 2014 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 Extra Ordinary General Meeting held on Thursday, March 27, 2014.

2. To receive, consider and adopt Directors' report and Audited Financial Statements of the Company for the year ended December 31, 2013 together with the Auditors' report thereon.

3. To appoint the auditors for the year 2014 and fix their remuneration.

4. Any other matter with the permission of the Chair.

By Orders of the Board

Ansar Hussain
Company Secretary

Karachi: April 07, 2014

Notes:

1. The share transfer Books of the Company will remain closed from April 20, 2014 to April 29, 2014 (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) relating to unlisted Insurance Companies, voluntarily adopted by the Company, 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 a stock exchange, has been declared as a defaulter by a stock exchange.

3. Casual vacancies occurring in the Board on April 1, 2013 and September 17, 2013 were filled up by the Directors within 30 days.

4. The Company has prepared a 'Statement of Ethics and Business Practices, which has been approved by the Board. This will be signed by all the employees of the Company.

5. The Board has adopted vision and mission statements and an overall corporate strategy has been approved by the Board. Significant policies of the Company have been formulated, and have been approved by the Board.

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.

7. The meetings of the Board were presided over by the Chairman, where present, 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 has included 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 the Directors for any orientation course.

10. There were no new appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year. However, the Board has approved appointment of Mr. Saleem Sattar as Chief Financial Officer and Mr. Ansar Hussain as Company Secretary, including their remuneration and terms and conditions of employment as determined by the HR Committee in its 21st meeting held on January 15, 2014 and approved by the Board in its 322nd meeting held on February 19, 2014.

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 the 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 Board has formed underwriting, claim settlement, reinsurance & co-insurance and IT committees.

16. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the Committee.

17. The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The term of reference of the audit committee have been formed and advised to the audit committee for compliance.

18. The Board has established an 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. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the company.

22. The Board ensures that the appointed actuary complied with the requirements set out for him in the Code.

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

   - that underwriting committee and reinsurance and co-insurance committee did not meet as per the required frequency and their minutes have not been documented;

   - secretarial compliance certificate has not been submitted.

Karachi: Dated: March 20, 2014

Umair Khan
Managing Director &
Chief Executive Officer

Report of the Directors to the Members

The Directors of your company take pleasure in presenting 62nd Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2013.

Financial Results

	(Rupees)	
	2013	**2012 Restated**
Gross premium	**265,238,867**	203,849,152
Net Premium Revenue	**115,148,812**	67,428,186
Underwriting results (Loss)	**(30,534,293)**	(43,418,963)
Profit / (Loss) before tax	**103,199,722**	31,883,282
Profit / (Loss) after tax	**97,676,753**	35,208,635
Profit available for appropriation	**169,945,963**	72,774,974

Gross premium has increased by 30% 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. 21.345 million and increase in expenses incurred for increasing business of the Company. Though, the underwriting result was negative by Rs. 30.624 million it significantly improved as compared to negative result of Rs. 43.418 million in 2012. The Company has made pre tax profit of Rs. 103.199 million and after tax profit of Rs. 97.677 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 assigned "A" rating with stable outlook to the Company.

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. This will strengthen the financial position of the Company.

Earning Per Share

The profit per share after tax for the year is Rs. 2.42 as against profit per share of Rs. 0.96 in 2012.

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 2014.

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 except for changes as specified in note 5.1.1 of the financial statement 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. Alamuddin Bullo	1
2	Mr. Shahid Aziz Siddiqi	2
3	Syed Yawar Ali	3
4	Mr. Rasheed Y. Chinoy	5
5	Mr. Maudood Ahmad Lodhi	5
6	Mr. Muhammad Rashid	2
7	Mr. Muhammad Izqar Khan	0
8	Mr. Umair Khan	5

During the year Board welcomed Chairman Mr. Alamuddin Bullo two Directors Mr. Muhammad Rashid and Mr. Muhammad Izqar Khan on their Co-option as Directors of the Company. The Directors wish to place on record their appreciation of valuable contributions made by outgoing Chairman Mr. Shahid Aziz Siddiqi and to the two Directors Mr. Abdul Hafeez Shaikh and Mr. Muhammad Aslam Hayat.

Employees Provident and Gratuity Funds

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

Provident Fund	Rs:- 27,381,800
Gratuity Fund	Rs:- 9,043,810

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

Rasheed Y. Chinoy
Chairman of the Meeting

Karachi: March 24th, 2014

AUDITORS' REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH 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) for the year ended December 31, 2013 to voluntarily comply with the Code of Corporate Governance relevant to the 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, 2013.

Chartered Accountants
Dated: March 26, 2014
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

AUDITORS' REPORT TO THE MEMBERS OF ALPHA INSURANCE COMPANY LIMITED

We have audited the annexed financial statements comprising of:

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

of **Alpha Insurance Company Limited** as at **December 31, 2013** 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 except for the changes as stated in note 5.1.1 to the financial statements with which we concur;

(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, 2013, 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).

AFF & Co

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: March 26, 2014

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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Balance Sheet

As at December 31, 2013

	Note	2013	2012	2011
		Rupees		
			Restated	Restated
SHARE CAPITAL AND RESERVES				
Authorised share capital				
[50,000,000 (2012: 50,000,000)				
Ordinary shares of Rs.10 each]		500,000,000	500,000,000	500,000,000
Issued, subscribed and paid-up share capital	7			
[40,360,000 (2012: 40,360,000)				
Ordinary shares of Rs.10 each]		403,600,000	403,600,000	303,600,000
Retained earnings		169,945,963	72,774,974	37,957,772
Reserves		10,175,000	10,175,000	10,175,000
TOTAL EQUITY		583,720,963	486,549,974	351,732,772
LIABILITIES				
Underwriting provisions				
Provision for outstanding claims (including IBNR)		134,201,532	171,258,059	168,164,270
Provision for premium deficiency		4,236,084	5,329,844	4,969,509
Provision for unearned premium		99,454,938	101,981,497	68,448,105
Commission income unearned		17,706,851	16,080,913	10,472,397
		255,599,405	294,650,313	252,054,281
Creditors and accruals				
Amounts due to other insurers / reinsurers		100,315,458	84,985,474	60,329,859
Accrued expenses	8	33,785,370	29,125,748	17,205,892
Other creditors and accruals	9	51,796,796	44,077,856	37,686,627
		185,897,624	158,189,078	115,222,378
Unclaimed dividend		3,083,705	3,095,475	3,095,475
TOTAL LIABILITIES		444,580,734	455,934,866	370,372,134
TOTAL EQUITY AND LIABILITIES		1,028,301,697	942,484,840	722,104,906
CONTINGENCIES AND COMMITMENTS	10			

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

Chief Executive	Director	Director	Director

Balance Sheet

As at December 31, 2013

	Note	2013	2012	2011
		----------	Rupees	----------
			Restated	Restated
ASSETS				
Cash and bank deposits	11			
Cash and other equivalents		66,289	209,798	162,904
Current and other accounts		75,780,577	33,440,447	7,411,377
Deposits maturing within 12 months		-	-	12,000,000
		75,846,866	33,650,245	19,574,281
Investments	12	587,324,794	522,517,813	373,610,004
Other assets				
Premiums due but unpaid	13	75,222,441	70,769,300	72,863,590
Amounts due from other insurers / reinsurers	14	61,178,505	52,152,063	47,351,282
Accrued investment income	15	18,024,583	16,210,639	1,476,448
Reinsurance recoveries against outstanding claims	16	47,257,671	82,350,393	81,392,921
Taxation - payments less provision		37,711,635	34,830,626	31,196,345
Deferred commission expense		22,619,936	20,847,490	13,537,791
Prepayments	17	61,501,796	63,363,422	45,386,192
Sundry receivables	18	7,274,199	8,315,470	4,612,973
		330,790,766	348,839,403	297,817,542
Deferred taxation	19	18,974,580	20,281,550	14,510,803
Fixed assets	20			
Tangible				
Furniture and fixtures		6,158,929	6,919,655	2,389,705
Office equipment		741,422	1,163,343	1,668,699
Computer and related accessories		752,911	1,033,731	1,138,229
Motor vehicles		6,358,791	6,402,035	3,317,100
Electrical installation		1,352,638	1,545,089	643,748
Capital work in progress		-	-	6,675,846
		15,364,691	17,063,853	15,833,327
Intangible				
Computer software		-	131,976	758,949
		15,364,691	17,195,829	16,592,276
TOTAL ASSETS		1,028,301,697	942,484,840	722,104,906

Chief Executive | Director | Director | Director

Profit and Loss Account
For the year ended December 31, 2013

	Note	Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Credit and suretyship	Miscella-neous	Aggregate 2013	Aggregate 2012 Restated
		Rupees							
Revenue account									
Net premium revenue		20,336,960	10,765,121	46,942,686	3,892,421	27,339,845	5,871,779	115,148,812	67,428,186
Net claims		(3,414,031)	(4,522,955)	(42,094,717)	(3,406,965)	(1,945,051)	(430,950)	(55,814,669)	(37,441,008)
Premium deficiency expense		-	-	1,464,126	(370,367)	-	-	1,093,759	(360,335)
Management expenses	21	(33,458,045)	(14,092,734)	(12,117,277)	(1,229,501)	(10,283,055)	(4,992,390)	(76,173,002)	(67,428,544)
Net commission		(6,476,652)	634,574	(5,720,277)	(188,887)	(3,324,655)	286,704	(14,789,193)	(5,617,262)
Underwriting results		(23,011,768)	(7,215,994)	(11,525,459)	(1,303,299)	11,787,084	735,143	(30,534,293)	(43,418,963)
Net investment income								158,328,339	96,872,676
Other income	22							4,132,123	2,258,161
General and administrative expenses	23							(28,726,447)	(23,828,592)
Profit for the year before taxation								103,199,722	31,883,282
Taxation	24								
- Current								(4,215,999)	(2,384,154)
- Prior year								-	(61,240)
- Deferred								(1,306,970)	5,770,747
								(5,522,969)	3,325,353
Profit for the year after taxation								97,676,753	35,208,635
Profit and loss appropriation account									
Balance at commencement of the year								72,774,974	37,957,772
Profit for the year after taxation								97,676,753	35,208,635
Re-measurement of post employment benefit obligations - net of tax								(505,764)	(391,433)
Balance of unappropriated profit at the end of the year								169,945,963	72,774,974
Earnings per share - basic and diluted	25							2.42	0.96

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

Chief Executive	Director	Director	Director

Statement of Comprehensive Income
For the year ended December 31, 2013

	2013	2012
	--------- Rupees ---------	
		Restated
Profit for the year	97,676,753	35,208,635
Other comprehensive income		
Item that may not be reclassified to profit and loss account		
Remeasurements of defined benefit plan	(766,309)	(391,433)
Tax on remeasurements of defined benefit plan	260,545	-
	(505,764)	(391,433)
Total comprehensive income for the year	97,170,989	34,817,202

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

Chief Executive | Director | Director | Director

Statement of Changes in Equity
For the year ended December 31, 2013

	Issued, subscribed and paid-up share capital	Capital reserves	Revenue reserves		
		Reserve for exceptional losses *	General reserve	Retained earnings	Total shareholders' equity
	--------------------------------(Rupees)--------------------------------				
Balance as at January 1, 2012	303,600,000	3,355,000	6,820,000	34,410,152	348,185,152
Effect of change in accounting policy with respect to accounting for re-measurment gain on defined benefit plan - refer note 5.1.1	-	-	-	3,547,620	3,547,620
Balance as at January 1, 2012 (restated)	303,600,000	3,355,000	6,820,000	37,957,772	351,732,772
Issue of right shares	100,000,000	-	-	-	100,000,000
Net profit for the year (restated)	-	-	-	35,208,635	35,208,635
Re-measurement of post employment benefit obligations - (restated)	-	-	-	(391,433)	(391,433)
Balance as at December 31, 2012 (restated)	403,600,000	3,355,000	6,820,000	72,774,974	486,549,974
Net profit for the year	-	-	-	97,676,753	97,676,753
Re-measurement of post employment benefit obligations - net of tax	-	-	-	(505,764)	(505,764)
Balance as at December 31, 2013	403,600,000	3,355,000	6,820,000	169,945,963	583,720,963

* 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	Director	Director	Director

Statement of Cash Flows

For the year ended December 31, 2013

	Note	2013	2012
		--------- Rupees ---------	
OPERATING CASH FLOWS			
Underwriting activities			
Premiums received		260,785,726	205,943,442
Reinsurance premiums paid		(135,375,004)	(96,362,653)
Claims paid		(98,983,930)	(70,151,830)
Reinsurance and other recoveries received		41,205,456	34,847,139
Commissions paid		(59,030,046)	(38,879,126)
Commissions received		36,245,767	28,753,917
Other underwriting payments		(64,908,757)	(53,340,113)
Net cash generated from underwriting activities		(20,060,788)	10,810,776
Other operating activities			
Income tax paid		(7,097,008)	(6,079,675)
General management expenses paid		(30,545,297)	(25,101,230)
Operating payments		(357,176)	(2,040,875)
Operating receipts		11,030,375	8,629,666
Net cash used in other operating activities		(26,969,106)	(24,592,114)
Net cash used in all operating activities		(47,029,894)	(13,781,338)
INVESTMENT ACTIVITIES			
Profit / return received		58,589,962	33,545,382
Dividend received		8,302,429	8,498,715
Payment made against purchase of investments		(1,039,403,737)	(640,228,782)
Proceeds from disposal of investments		1,064,218,760	531,415,361
Fixed capital expenditure		(2,469,129)	(5,479,875)
Proceeds from disposal of fixed assets		-	106,501
Net cash generated from / (used in) investment activities		89,238,285	(72,142,698)
FINANCING ACTIVITIES			
Unclaimed dividend paid during the year		(11,770)	-
Proceeds from issue of right shares		-	100,000,000
Net cash generated from financing activities		(11,770)	100,000,000
Net cash generated from / (used in) all activities		42,196,621	14,075,964
Cash and cash equivalents at the beginning of the year		33,650,245	19,574,281
Cash and cash equivalents at the end of the year	11	75,846,866	33,650,245

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

Statement of Cash Flows

For the year ended December 31, 2013

	2013	2012
	--------- Rupees ---------	
		Restated
Reconciliation to Profit and Loss Account		
Operating cash flows	(47,029,894)	(13,781,338)
Depreciation expense	(4,168,291)	(4,209,431)
Amortisation	(131,976)	(626,973)
Gain on disposal of fixed assets	-	66,583
Increase in assets other than cash	(19,356,817)	36,679,103
Decrease in liabilities	11,342,362	(85,562,732)
Investment and other income	158,328,339	96,872,676
Deferred tax charge	(1,306,970)	5,770,747
Profit after taxation	97,676,753	35,208,635

Definition of cash:

Cash comprises of cash in hand, stamps in hand and bank balances.

	2013	2012
	--------- Rupees ---------	
Cash for the purpose of the Statement of Cash Flows consists of:		
Cash and other equivalents	66,289	209,798
Current and other accounts	75,780,577	33,440,447
	75,846,866	33,650,245

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

Chief Executive	Director	Director	Director

Statement of Premiums
For the year ended December 31, 2013

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 2013	Net premium revenue 2012
		Opening	Closing			Opening	Closing			
	------(Rupees)------									
Direct and facultative										
Fire and property damage	116,502,879	50,158,578	58,658,944	108,002,513	91,301,845	43,050,402	46,686,694	87,665,553	20,336,960	13,131,397
Marine, aviation and transport	49,071,727	5,932,503	6,505,508	48,498,722	37,767,036	4,964,877	4,998,312	37,733,601	10,765,121	6,069,018
Motor	42,193,070	23,185,385	18,435,769	46,942,686	-	-	-	-	46,942,686	35,327,440
Accident and health	4,281,195	1,511,270	1,900,044	3,892,421	-	-	-	-	3,892,421	5,179,032
Credit and suretyship	35,806,202	13,574,994	6,797,569	42,583,627	9,075,979	9,862,177	3,694,374	15,243,782	27,339,845	1,831,894
Miscellaneous	17,383,794	7,618,767	7,157,104	17,845,457	12,560,128	5,178,586	5,765,036	11,973,678	5,871,779	5,889,405
Total	265,238,867	101,981,497	99,454,938	267,765,426	150,704,988	63,056,042	61,144,416	152,616,614	115,148,812	67,428,186

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

Chief Executive

Director

Director

Director

Statement of Claims
For the year ended December 31, 2013

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Re-insurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense 2013	Net claims expense 2012
		Opening	Closing			Opening	Closing			
	-----	-----	-----	-----	-----(Rupees)-----	-----	-----	-----	-----	-----
Direct and facultative										
Fire and property damage	20,780,966	40,701,458	32,774,520	12,854,028	16,079,459	28,475,570	21,836,108	9,439,997	3,414,031	2,419,881
Marine, aviation and transport	24,159,762	51,045,745	19,261,179	(7,624,804)	19,170,251	45,382,258	14,064,248	(12,147,759)	4,522,955	1,666,421
Motor	48,300,284	73,176,137	66,513,955	41,638,102	3,773,502	4,637,362	407,245	(456,615)	42,094,717	28,480,226
Accident and health	3,257,309	78,426	228,082	3,406,965	-	-	-	-	3,406,965	3,645,702
Credit and suretyship	-	-	9,725,255	9,725,255	-	-	7,780,204	7,780,204	1,945,051	-
Miscellaneous	2,485,609	6,256,293	5,698,541	1,927,857	2,182,244	3,855,203	3,169,866	1,496,907	430,950	1,228,778
Total	98,983,930	171,258,059	134,201,532	61,927,403	41,205,456	82,350,393	47,257,671	6,112,734	55,814,669	37,441,008

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

Chief Executive	Director	Director	Director

Statement of Expenses
For the year ended December 31, 2013

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 2013	Net underwriting expenses 2012 (Restated)
		Opening	Closing						
	----------	----------	----------	----------	(Rupees)	----------	----------	----------	----------
Direct and facultative									
Fire and property damage	32,117,804	13,351,052	15,913,537	29,555,319	33,458,045	63,013,364	23,078,667	39,934,697	33,041,220
Marine, aviation and transport	12,772,751	1,287,541	1,558,425	12,501,867	14,092,734	26,594,601	13,136,441	13,458,160	8,748,692
Motor	5,506,893	2,606,613	2,393,229	5,720,277	12,117,277	17,837,554	-	17,837,554	17,808,557
Accident and health	213,693	70,123	94,929	188,887	1,229,501	1,418,388	-	1,418,388	1,885,089
Creditor and suretyship	6,618,592	2,226,470	1,335,482	7,509,580	10,283,055	17,792,635	4,184,925	13,607,710	6,460,428
Miscellaneous	2,978,177	1,305,691	1,324,334	2,959,534	4,992,390	7,951,924	3,246,238	4,705,686	5,101,820
Total	60,207,910	20,847,490	22,619,936	58,435,464	76,173,002	134,608,466	43,646,271	90,962,195	73,045,806

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.

Chief Executive | Director | Director | Director

Statement of Investment Income

For the year ended December 31, 2013

	2013	2012
	--------- Rupees ---------	
Income from non-trading investments		
Held-to-maturity		
Return on government securities	54,749,961	44,836,259
Return on term deposit receipts	1,549,096	119,178
Return on term finance certificates	837,351	755,698
Amortisation of discount and premium on Pakistan Investment Bonds	3,263,280	2,590,197
	60,399,688	48,301,332
Available-for-sale investments		
Dividend income	8,306,647	8,476,956
Gain on sale of available-for-sale investments	85,218,556	37,953,833
	93,525,203	46,430,789
Provision for impairment in value of investments		
Reversal of diminution in value of available-for-sale investments	4,403,448	2,140,555
Total investment income	158,328,339	96,872,676

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

Chief Executive   Director   Director   Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, credit and suretyship 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 20 (2012: 15) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan Limited holding 93.99% (2012: 93.99%) 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, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 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 SEC (Insurance) Rules, 2002 or the said directives prevail.

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 Changes in accounting policies

a) IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

b) IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

During the year the Company has changed its accounting policy to comply with the changes made in IAS 19. As per the previous policy actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected only by the 'remeasurements' relating to prior years. The effects for the current and prior year have been summarised below:

	December 31, 2013	December 31, 2012	December 31, 2011
	---------------- Rupees ----------------		
Impact on Statement of Financial Position			
Increase / (decrease) in sundry receivables	**(766,309)**	(591,648)	3,547,620
Increase in taxation (other assets)	**260,545**	-	-
Increase / (decrease) in unappropriated profit	**(505,764)**	(591,648)	3,547,620
Impact on Statement of Changes in Equity			
Increase / (decrease) in unappropriated profit			
- Impact on reported retained earnings for 2011	**-**	-	3,547,620
- Impact for the year	**(505,764)**	(591,648)	-

	December 31, 2013	December 31, 2012
	------- Rupees -------	
Impact on Profit and Loss Account		
Increase in management expenses	-	200,215
Impact on Statement of Comprehensive Income		
Decrease in other comprehensive income	(505,764)	(391,433)

There is no impact of this change on the cash flow statement for the current or prior year. The Company's policy for Employee Benefits (note 5.15) and disclosure relating to Defined Benefit Plan (note 27) have been amended to comply with the requirement of IAS 19 (revised).

5.1.2 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting period beginning on or after January 1, 2013 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.

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

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, 2014 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.

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, for direct business, 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, evenly over the period of the policy.

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 up to 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 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. 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, 2013, using the Projected Unit Credit Method.

The liability / asset 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 amounts arising as a result of remeasurements with a charge or credit to other comprehensive income in the periods in which they occur (note 5.1.1). 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 of investments is included in profit and loss account in the period of sale.

Return on investment is recognised using effective interest method.

Profit on bank deposits

Profit on bank 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 includes 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. 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 and 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.

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 and premium deficiency reserve	5.4
Classification of investments	5.14
Useful lives of assets and methods of depreciation	5.16
Provision for current and deferred taxation	5.19
Defined benefit plan	5.15
Provision for impairment	5.5 & 5.9
Reinsurance recoveries against outstanding claims	5.7

7. SHARE CAPITAL

7.1 Authorised share capital

2013	2012		2013	2012
.....Number of shares.....			--------- Rupees ---------	
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	500,000,000	500,000,000

7.2 Issued, subscribed and paid-up share capital

2013	2012		2013	2012
.....Number of shares.....			--------- Rupees ---------	
		Ordinary shares of Rs. 10 each:		
1,162,000	1,162,000	- fully paid in cash	11,620,000	11,620,000
29,198,000	29,198,000	- issued as fully paid bonus shares	291,980,000	291,980,000
10,000,000	10,000,000	- issued as right shares	100,000,000	100,000,000
40,360,000	40,360,000		403,600,000	403,600,000

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

2013	2012		Percentage of holding 2013	2012	2013	2012
.....Number of shares.....					--------- Rupees ---------	
37,934,843	37,934,843	State Life Insurance Corporation of Pakistan (Parent Company)	93.99%	93.99%	379,348,430	379,348,430
2,412,526	2,412,526	Individuals	5.98%	5.98%	24,125,260	24,125,260
12,631	12,631	Director	0.03%	0.03%	126,310	126,310
40,360,000	40,360,000				403,600,000	403,600,000

7.4 Capital management policies and procedures

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

a) 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 it's ability to continue as a going concern.

b) 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 as specified by the Securities and Exchange Commission of Pakistan.

8 ACCRUED EXPENSES

	2013	2012
	--------- Rupees ---------	
Commission in respect of outstanding premium	27,570,824	17,388,406
Other accrued expenses	6,214,546	11,737,342
	33,785,370	29,125,748

9 OTHER CREDITORS AND ACCRUALS

	2013	2012
	--------- Rupees ---------	
Commission payable to agents	15,500,420	14,322,556
Cash margins against performance bonds	4,547,157	4,617,952
Federal excise duty	27,513,727	22,825,567
Federal insurance fee	36,731	197,747
Income tax deducted at source	167	125,532
Workers welfare fund	2,860,396	754,280
Others	1,338,198	1,234,222
	51,796,796	44,077,856

10 CONTINGENCIES AND COMMITMENTS

Contingencies

Various insurance claims amounting to Rs. 99.662 million (2012: Rs. 94.752 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 (2012: None).

11 CASH AND BANK DEPOSITS

	Note	2013	2012
		--------- Rupees ---------	
Cash and other equivalent			
- cash in hand		-	11,181
- stamps in hand		66,289	198,617
		66,289	209,798
Current and other accounts			
- current accounts		11,618,945	9,065,276
- saving accounts	11.1	64,161,632	24,375,171
		75,780,577	33,440,447
		75,846,866	33,650,245

11.1 These accounts carry interest at the rate of 6% to 7% (2012: 6.5% to 7%) per annum.

12 INVESTMENTS

	Note	2013	2012
		--------- Rupees ---------	
Available-for-sale			
Listed shares	12.1	70,476,637	87,831,433
Less: Diminution in value of investments		-	(4,403,448)
		70,476,637	83,427,985
Held-to-maturity			
Government securities	12.3	503,819,813	434,290,860
Other fixed income securities	12.5	13,028,344	4,798,968
		516,848,157	439,089,828
		587,324,794	522,517,813

12.1 Listed equities

2013	2012	Face value	Nature of entity	2013	2012
No. of shares		Rupees		--------- Rupees ---------	
			Oil and gas		
-	147,233	10	National Refinery Limited	-	35,557,154
6,800	5,361	10	Oil & Gas Development Company Limited	1,652,635	171,605
5,000	5,600	10	Pakistan Oilfields Limited	2,169,519	1,682,857
92,000	68,400	10	Pakistan Petroleum limited	20,281,294	12,146,985
28,051	28,051	10	Shell (Pakistan) Limited	784,895	784,895
			Chemicals		
79,627	79,627	10	Fauji Fertilizer Company Limited	5,892,283	5,892,283
2,000	2,000	10	Linde Pakistan Limited	322,500	322,500
			Forestry (paper & board)		
120,000	120,000	10	Pakistan Paper Product Limited	150,000	150,000
			Industrial Metals and Mining		
110,000	-	10	Crescent Steel & Allied Production	5,320,469	-
			General Industrials		
55,200	-	5	Thal Limited	8,345,555	-
			Engineering		
2,310	2,310	5	Al-Ghazi Tractor Limited	370,125	370,125
			Automobile and Parts		
1,700	-	10	Atlas Battery Limited	527,444	-
			Food Producers		
-	4,446	50	Unilever Pakistan Limited	-	34,485
			Tobacco		
23,367	23,367	10	Pakistan Tobacco Company Limited	78,710	78,710
			Pharma and Bio tech		
154,212	100,648	10	Glaxo Smith Kline Limited	5,919,627	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
			Commercial Banks		
-	1,017,500	10	Bank Alfalah Limited	-	18,420,408
72,500	232,755	10	Bank Al-Habib Limited	3,109,554	6,246,243
1,041,750	-	10	Faysal Bank Limited	11,432,164	-
-	18,100	10	Habib Bank Limited	-	2,078,438
13,000	-	10	United Bank Limited	1,727,089	-
			Non life Insurance		
177,777	177,777	10	Pakistan Reinsurance Company Limited	3,003	3,003
15,865	15,865	5	Habib Insurance Company Limited	95,830	95,830
			Financial Services		
82,000	-	10	Orix Leasing Pakistan Limited	2,094,825	-
				70,476,637	87,831,433

12.2 The fair value of available-for-sale investments is Rs. 125,190,448 (2012: 158,743,909). 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, 2013 would have been higher by Rs. 54,713,813 (2012: 66,509,028) and shareholder's equity increased by the same amount.

12.3 Government securities

	Maturity	Principal repayment	Coupon percentage / yield	Coupon payment	Face Value	Carrying Value	
						2013	2012
					---------------- Rupees	---------------------	
5 years Pakistan Investment Bonds	August-13	On maturity	11.50%	Semi annually	-	-	19,905,833
5 years Pakistan Investment Bonds	September-14	On maturity	11.50%	Semi annually *	11,000,000	10,946,191	10,867,084
5 years Pakistan Investment Bonds	July-15	On maturity	11.50%	Semi annually	1,000,000	964,882	942,287
5 years Pakistan Investment Bonds	August-16	On maturity	11.50%	Semi annually	12,500,000	12,231,059	12,087,518
3 years Pakistan Investment Bonds	July-13	On maturity	11.25%	Semi annually	-	-	984,683
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	123,000,000	122,201,826	120,622,792
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	34,000,000	33,781,797	33,342,903
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	9,700,000	9,640,999	9,520,109
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	15,000,000	14,909,331	14,719,707
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	43,400,000	43,132,927	42,562,886
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	87,000,000	86,469,593	85,325,060
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually *	10,600,000	10,535,376	10,395,927
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	11,200,000	11,129,162	10,971,706
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	5,100,000	5,070,152	5,001,832
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually	2,000,000	1,962,046	1,940,765
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually *	7,000,000	6,998,176	-
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually *	20,000,000	20,236,504	-
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	1,000,000	1,004,771	-
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	20,000,000	19,851,320	-
Treasury Bills	February - March 2014	On maturity	9.81%-10.28%	On maturity	94,000,000	92,753,701	55,099,768
					507,500,000	503,819,813	434,290,860

12.4 *These securities having a face value of Rs. 48.6 million (2012: 41.6 million) have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000.

12.5 Other fixed income securities

Term finance certificates	Tenure	Maturity	Number of certificates	Rate of return	Profit repayment	Face Value	2013	2012
						--------------- Rupees	---------------------	
Pakistan Mobile Communication Limited	7 years	2013	300	12.39%	Semi annually	-	-	249,600
Allied Bank Limited	8 years	2014	600	12.02%	Semi annually	1,445,000	1,496,400	2,992,800
Bank Al Habib Limited	8 years	2015	312	11.04%	Semi annually	1,500,000	1,555,944	1,556,568
Engro Fertilizer Limited	8 years	2015	2000	11.63%	Semi annually	10,000,000	9,976,000	-
						12,945,000	13,028,344	4,798,968

		Note	2013	2012
			--------- Rupees ---------	
13	**PREMIUMS DUE BUT UNPAID - UNSECURED**			
	Considered good		75,222,441	70,769,300
	Considered doubtful		33,421,271	21,219,285
			108,643,712	91,988,585
	Provision for doubtful recovery	13.1	(33,421,271)	(21,219,285)
			75,222,441	70,769,300
13.1	**Reconciliation of provision for doubtful recovery**			
	Opening provision		21,219,285	6,906,387
	Charge for the year		12,201,986	14,312,898
	Closing provision		33,421,271	21,219,285
14	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS**			
	Considered good		61,178,505	52,152,063
	Considered doubtful		19,622,947	10,480,385
			80,801,452	62,632,448
	Provision for doubtful recovery	14.1	(19,622,947)	(10,480,385)
			61,178,505	52,152,063
14.1	**Reconciliation of provision for doubtful recovery**			
	Opening provision		10,480,385	5,359,950
	Charge for the year		9,142,562	5,120,435
	Closing provision		19,622,947	10,480,385
15	**ACCRUED INVESTMENT INCOME**			
	Accrued interest on Government Securities		17,831,414	16,090,252
	Accrued interest on Term Finance Certificates		179,568	111,004
	Dividend receivable		13,601	9,383
			18,024,583	16,210,639
16	**REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**		47,257,671	82,350,393

The balance includes claims receivable from Mitsui Sumitomo Reinsurance Limited (MSIG) and Pakistan Reinsurance Company Limited (PRCL), amounting to Rs. 7.279 million (2012: 17.016 million) and Rs. 17.839 million (2012: 24.748 million) respectively.

		2013	2012
		--------- Rupees ---------	
17	**PREPAYMENTS**		
	Prepaid reinsurance premium ceded	61,144,416	63,056,042
	Others	357,380	307,380
		61,501,796	63,363,422

		Note	2013	2012	2011
			--------------	Rupees	--------------
				Restated	Restated
18	**SUNDRY RECEIVABLES**				
	Advances - secured				
	To staff		5,116	45,583	73,200
	Unsecured				
	Long term security deposit		1,861,051	1,444,651	553,852
	Receivable against sale of shares		-	1,769,416	-
	Temporary loan extended to Provident Fund		1,000,000	-	-
	Receivable from employee gratuity fund	27	2,328,764	3,445,901	3,785,079
	Miscellaneous receivables	18.1	2,079,268	1,609,919	200,842
			7,274,199	8,315,470	4,612,973

18.1 This includes Rs 1,558,728 receivable from State Life Insurance Corporation.

		Note	2013	2012	2011
			--------------	Rupees	--------------
				Restated	Restated
19	**DEFERRED TAXATION**				
	Deferred tax arising on:				
	Accelerated tax depreciation on fixed assets		939,546	714,215	760,119
	Provision against premium due but unpaid		11,363,232	7,426,750	2,417,234
	Provision against amount due from other insurers / reinsurers		6,671,802	3,668,135	1,875,983
	Carry forward tax losses		-	8,472,450	9,457,467
			18,974,580	20,281,550	14,510,803

20. FIXED ASSETS

20.1

	Tangible					Intangible	
	Furniture and fixtures	Office equipment	Computers and related accessories	Motor vehicles	Electrical installations	Computer software	Total
	-----------------------------------(Rupees)-----------------------------------						
At January 1, 2013							
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	6,919,655	1,163,343	1,033,731	6,402,035	1,545,089	131,976	17,195,829
Year ended December 31, 2013							
Opening net book value	6,919,655	1,163,343	1,033,731	6,402,035	1,545,089	131,976	17,195,829
Additions	134,715	14,000	179,088	1,976,620	164,706	-	2,469,129
Disposals							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge for the year	(895,441)	(435,921)	(459,908)	(2,019,864)	(357,157)	(131,976)	(4,300,267)
Closing net book value	6,158,929	741,422	752,911	6,358,791	1,352,638	-	15,364,691
At December 31, 2013							
Cost	12,602,871	4,988,510	8,270,473	25,083,188	3,938,017	2,411,912	57,294,971
Accumulated depreciation	(6,443,942)	(4,247,088)	(7,517,562)	(18,724,397)	(2,585,379)	(2,411,912)	(41,930,280)
Net book value	6,158,929	741,422	752,911	6,358,791	1,352,638	-	15,364,691
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	2,389,705	1,668,699	1,138,229	3,317,100	643,748	758,949	9,916,430
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 / write off							
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	6,919,655	1,163,343	1,033,731	6,402,035	1,545,089	131,976	17,195,829
Depreciation rate % per annum	10%	10 - 20%	20%	20%	15%	30%	

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

	Note	2013	2012
		--------- Rupees ---------	
Management expenses	21	2,834,438	2,862,413
General and administrative expenses	23	1,333,853	1,347,018
		4,168,291	4,209,431

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

	Note	2013	2012
Management expenses	21	89,744	426,342
General and administrative expenses	23	42,232	200,631
		131,976	626,973

	Note	2013	2012
		--------- Rupees ---------	
			Restated

21 MANAGEMENT EXPENSES

	Note	2013	2012
Salaries, wages and other benefits	21.1	34,539,642	27,713,369
Rent, rates, taxes and electricity		7,375,360	6,581,525
Legal and professional charges		1,375,548	2,954,726
Repair and maintenance		1,587,591	1,614,505
Communication		1,302,180	1,255,190
Printing and stationery		1,384,602	1,252,651
Travelling and conveyance		2,571,796	1,886,850
Advertisement and sales promotion		525,158	316,331
Provision for doubtful recovery	13 & 14	21,344,548	19,433,333
Depreciation	20.2	2,834,438	2,862,413
Amortisation	20.3	89,744	426,342
Miscellaneous expenses		1,242,395	1,131,309
		76,173,002	67,428,544

21.1 This includes an amount of Rs. 719,968 (2012: Rs. 619,618) in respect of staff retirement benefits.

22 OTHER INCOME

	2013	2012
Interest on saving accounts	3,471,122	1,301,036
Gain on disposal of fixed assets	-	66,583
Miscellaneous income	661,001	890,542
	4,132,123	2,258,161

23 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, wages and benefits		16,253,948	12,947,366
Rent, rates, taxes and electricity		3,470,757	3,097,188
Legal and professional charges		599,104	841,971
Repairs and maintenance		747,103	759,767
Communication		612,791	590,678
Printing and stationery		651,576	589,483
Travelling and conveyance		1,210,256	887,929
Subscriptions		134,772	207,771
Directors fee		590,000	535,000
Workers' welfare fund		2,106,116	754,280
Depreciation	20.2	1,333,853	1,347,018
Amortisation	20.3	42,232	200,631
Auditors' remuneration	23.1	524,052	537,130
Miscellaneous expenses		449,887	532,380
		28,726,447	23,828,592

23.1 Auditors' remuneration

	2013	2012
Audit fee	250,000	225,000
Half yearly review	80,000	80,000
Other certification	85,000	85,000
Out of pocket expenses	109,052	147,130
	524,052	537,130

24 TAXATION

	Note	2013	2012
		--------- Rupees ---------	
Current - for the year		4,215,999	2,384,154
- for prior years		-	61,240
Deferred		1,306,970	(5,770,747)
	24.1	5,522,969	(3,325,353)

24.1 Reconciliation between tax expense and accounting profit

	2013	2012
Profit before taxation	103,199,722	32,083,497
Effects of:		
Tax at the applicable rate of 34% (2012: 35%)	35,087,905	11,229,224
Tax effect of capital gain taxed at lower rate	(26,914,179)	(11,747,384)
Prior year adjustment	-	61,240
Tax impact of change in rate of tax	558,076	-
Tax effect of expenses not admissible	(1,497,172)	(749,194)
Tax effect of dividend income taxed at lower rate	(1,993,595)	(2,119,239)
Tax effect of permanent differences		-
Others	281,934	-
Tax expense for the year	5,522,969	(3,325,353)

25 EARNINGS PER SHARE - basic and diluted

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

	2013	2012
	--------- Rupees ---------	
		Restated
Profit after tax for the year	97,676,753	35,208,635
	------ Number of Shares ------	
Weighted average number of ordinary shares	40,360,000	36,743,148
	------------ Rupee ------------	
Basic earnings per share	2.42	0.96

25.1 There are no convertible dilutive potential ordinary shares outstanding on December 31, 2013 and 2012.

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. Remuneration of chief executive and directors have been disclosed in note 29. The transactions with related parties other than those disclosed elsewhere in the financial statement are as follows:

Transactions	2013	2012
	--------- Rupees ---------	
State Life Insurance Corporation of Pakistan		
Rent paid	4,167,828	4,246,192
Net premium revenue	895,990	405,949
Contribution to provident fund	719,968	619,168
Right shares issued	-	100,000,000
Balances		
Investment in Orix Leasing Pakistan Limited	2,094,825	-
Receivable from associated company	41,014	41,014
Payable to associated company IGI Insurance Limited	-	523,508

27 DEFINED BENEFIT PLAN - STAFF RETIREMENT GRATUITY

27.1 General description

The Company operates a funded gratuity scheme established in 1982 for its permanent staff who have completed the qualifying period under the scheme. The funded scheme is administered by the trustees in accordance with the provisions of the Trust Deed and contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2013, using the Projected Unit Credit Method for valuation of the scheme.

The disclosures made in notes 27.2 to 27.11 are based on the information included in the actuarial report of the Company as of December 31, 2013.

27.2 The amount recognised in the Statement of Financial Position are determined as follows:

	Note	2013	2012	2011
		--------------- Rupees ---------------		
			Restated	Restated
Present value of defined benefit obligations		7,107,817	5,892,236	5,663,176
Fair value of plan assets		(9,436,581)	(9,338,137)	(9,448,255)
		(2,328,764)	(3,445,901)	(3,785,079)

27.3 Plan assets consist of the following:

	2013		2012		2011	
	(Rupees)	%	(Rupees)	%	(Rupees)	%
Certificate of investment	-	-	-	-	2,000,000	21.17%
Treasury bills	9,043,810	95.84%	9,074,579	97.18%	7,346,452	77.75%
Bank balance	392,771	4.16%	263,558	2.82%	101,803	1.08%
	9,436,581	100%	9,338,137	100%	9,448,255	100%

27.4 The movement in the defined benefit obligation over the year is as follows:

	2013		
	Present value of obligation	Fair value of plan assets	Total
	Rupees		
At January 1 (Restated)	5,892,236	(9,338,137)	(3,445,901)
Current service cost	539,487	-	539,487
Interest expense / (income)	716,343	(1,106,445)	(390,102)
	7,148,066	(10,444,582)	(3,296,516)
Remeasurements:			
- Interest on plan assets, excluding amounts included in interest expense / (income)	-	348,158	348,158
- Loss from change in demographic assumptions	-	-	-
- Loss from change in financial assumptions	25,580	-	25,580
- Experience losses	392,571	-	392,571
	418,151	348,158	766,309
	7,566,217	(10,096,424)	(2,530,207)
Refund from the Fund	-	492,443	492,443
Benefit payments	(458,400)	167,400	(291,000)
At December 31	7,107,817	(9,436,581)	(2,328,764)

	2012		
	Present value of obligation	Fair value of plan assets	Total
	Rupees		
At January 1 (Restated)	5,663,176	(9,448,255)	(3,785,079)
Current service cost	397,554	-	397,554
Interest expense / (income)	677,175	(1,126,984)	(449,809)
	6,737,905	(10,575,239)	(3,837,334)
Remeasurements:			
- Interest on plan assets, excluding amounts included in interest expense / (income)	-	65,284	65,284
- (Gain) / loss from change in demographic assumptions	-	-	-
- (Gain) / loss from change in financial assumptions	(32,780)	-	(32,780)
- Experience (gains) / losses	358,929	-	358,929
	326,149	65,284	391,433
	7,064,054	(10,509,955)	(3,445,901)
Contribution	-	-	-
Benefit payments	(1,171,818)	1,171,818	-
At December 31 (Restated)	5,892,236	(9,338,137)	(3,445,901)

	2013	2012	2011
	-------------- Rupees --------------		
		Restated	Restated
Charge for defined benefit plan			
Current service cost	539,487	397,554	430,012
Net return cost	(390,102)	(449,809)	(470,274)
	149,385	(52,255)	(40,262)

The plan assets and defined benefit obligations are based in Pakistan.

	2013	2012	2011
27.5 Principal actuarial assumptions			
Discount rate	12.75% p.a.	12% p.a.	13% p.a.
Expected rate of salary increase	12.25% p.a.	11.5% p.a.	12.5% p.a.
Normal retirement age	60 years	60 years	60 years

27.6 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 ultimate mortality tables.

27.7 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		-------- Rupees --------	
Discount rate	1.0%	494,456	582,988
Salary growth rate	1.0%	614,364	532,127
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy / Withdrawal rate		7,106,547	7,110,449

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

27.8 The weighted average duration of the defined benefit obligation is 8.2 years.

27.9 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2013	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	-----	-----	Rupees	-----	-----
Gratuity	707,559	2,025,106	2,209,119	207,163,598	212,105,382

27.10 Historical results

	2013	2012	2011	2010	2009
	-----	-----	Rupees	-----	-----
Present value of defined benefit obligation	**7,107,817**	5,892,236	5,663,176	5,842,417	5,503,177
Fair value of plan assets	**(9,436,581)**	(9,338,137)	(9,448,255)	(9,419,419)	(8,801,448)
Surplus	**(2,328,764)**	(3,445,901)	(3,785,079)	(3,577,002)	(3,298,271)
Remeasurements of plan liabilities	**(418,151)**	(326,149)	932,317	224,176	1,819,782
Remeasurements of plan assets	**(348,158)**	(65,284)	(693,001)	458,149	(980,118)

27.11 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs. 307,206 as per the actuarial valuation report of the Company as of December 31, 2013.

27.12 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Company's support, the current investment strategy manages this risk adequately.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' investment holdings.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, plan assets are instruments which are short term and shall be managed accordingly to off set inflationary impacts.
Life expectancy / Withdrawal rate	The majority of the plans' obligations are to provide benefits on severance with the Company on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

28 PROVIDENT FUND RELATED DISCLOSURES

The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Trust in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31, 2013 was Rs. 719,968 (2012: Rs. 619,618).

The following information is based on the un-audited financial statements of the Fund as at December 31, 2013 and 2012:

	2013	2012
	--------- Rupees ---------	
Size of the fund - Total assets	32,558,852	30,206,433
Fair value of investments	31,436,513	29,984,496
Percentage of investments made	97%	99%

28.1 The cost of above investments amounted to Rs 30.248 million (2012: Rs. 27.382 million).

28.2 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		--------- Rupees ---------	
Market Treasury Bill	100%	100%	31,436,513	29,984,496

28.3 The investments out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

29 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive		Directors		Total	
	2013	2012	2013	2012	2013	2012
	--------------------------------Rupees--------------------------------					
Managerial remuneration	3,467,040	2,967,040	-	-	3,467,040	2,967,040
Directors' fee	-	-	590,000	535,000	590,000	535,000
	3,467,040	2,967,040	590,000	535,000	4,057,040	3,502,040
Number of persons	1	1	6	6		

The Chief Executive is also provided with free use of Company maintained car.

30 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 credit and suretyship.

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.

	2013						
	Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
	Rupees						
Net premium revenue	20,336,960	10,765,121	46,942,686	3,892,421	27,339,845	5,871,779	115,148,812
Segment results	(23,011,768)	(7,215,994)	(11,525,459)	(1,303,299)	11,787,084	735,143	(30,534,293)
Segment assets	108,146,743	40,762,053	24,117,793	1,449,240	16,972,263	14,796,372	206,244,464
Unallocated corporate assets							822,057,233
Consolidated total assets							1,028,301,697
Segment liabilities	104,736,427	27,499,351	84,949,724	2,128,126	17,534,756	14,514,937	251,363,321
Unallocated corporate liabilities							193,217,413
Consolidated total liabilities							444,580,734

	2012 (Restated)						
	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 - restated	(20,181,015)	(4,283,322)	(13,057,126)	(500,815)	(4,588,459)	(410,814)	(43,021,551)
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 - restated							705,461,615
Consolidated total assets - restated							942,484,840
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 - restated							165,198,394
Consolidated total liabilities - restated							455,934,866

31 FINANCIAL INSTRUMENTS BY CATEGORY

31.1 Financial assets and financial liabilities

	2013	2012
	--------- Rupees ---------	
		Restated
Financial assets		
Loans and receivables		
Cash and bank deposits		
Cash and other equivalent	66,289	209,798
Current and other accounts	75,780,577	33,440,447
	75,846,866	33,650,245
Current assets - others		
Premium due but unpaid	75,222,441	70,769,300
Amounts due from other insurers / reinsurers	61,178,505	52,152,063
Accrued investment income	18,024,583	16,210,639
Reinsurance recoveries against outstanding claims	47,257,671	82,350,393
Sundry receivables	7,274,199	8,315,470
	208,957,399	229,797,865
Investments		
Available-for-sale	70,476,637	83,427,985
Held-to-maturity	516,848,157	439,089,828
	587,324,794	522,517,813
	872,129,059	785,965,923
Financial liabilities		
Amortised cost		
Provision against outstanding claims	118,458,369	165,487,706
Amounts due to other insurers / reinsurers	100,315,458	84,985,474
Accrued expenses	33,785,370	29,125,748
Other creditors and accruals	21,385,775	20,174,730
	273,944,972	299,773,658

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks: market risk (including yield / mark-up rate risk, foreign currency and price risk), credit risk and liquidity risk that could result in 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 summarises the Company's equity price risk as of December 31, 2013 and 2012 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, 2013	125,190,448	10% increase	137,709,493	-	-
		10% decrease	112,671,403	(12,519,045)	(8,262,570)
December 31, 2012	158,743,909	10% increase	174,618,300	-	-
		10% decrease	142,869,518	(15,874,391)	(10,318,354)

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 is exposed to interest / markup rate risk in respect of the following:

	2013							
		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 - 7	64,161,632	-	64,161,632	11,685,234	-	11,685,234	75,846,866
Investments	9.81 - 12.02	442,067,455	74,780,702	516,848,157	70,476,637	-	70,476,637	587,324,794
Premium due but unpaid		-	-	-	75,222,441	-	75,222,441	75,222,441
Amount due from other insurers / reinsurers		-	-	-	61,178,505	-	61,178,505	61,178,505
Accrued investment income		-	-	-	18,024,583	-	18,024,583	18,024,583
Reinsurance recoveries against oustanding claims		-	-	-	47,257,671	-	47,257,671	47,257,671
Sundry receivables		-	-	-	7,274,199	-	7,274,199	7,274,199
		506,229,087	74,780,702	581,009,789	291,119,270	-	291,119,270	872,129,059
Financial liabilities								
Provision against outstanding claims		-	-	-	118,458,369	-	118,458,369	118,458,369
Amounts due to other insurers / reinsurers		-	-	-	100,315,458	-	100,315,458	100,315,458
Accrued expenses		-	-	-	33,785,370	-	33,785,370	33,785,370
Other creditors and accruals		-	-	-	21,385,775	-	21,385,775	21,385,775
		-	-	-	273,944,972	-	273,944,972	273,944,972
Total yield / mark-up rate risk sensitivity gap 2013		506,229,087	74,780,702	581,009,789	17,174,298	-	17,174,298	598,184,087

	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
Financial assets		----------	----------	----------	Rupees	----------	----------	----------
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 oustanding claims		-	-	-	82,350,393	-	82,350,393	82,350,393
Sundry receivables - restated		-	-	-	8,315,470	-	8,315,470	5,359,498
		220,253,164	243,211,835	463,464,999	322,500,924	-	322,500,924	783,009,951
Financial liabilities								
Provision against outstanding claims		-	-	-	165,487,706	-	165,487,706	165,487,706
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
		-	-	-	299,773,658	-	299,773,658	299,773,658
Total yield / mark-up rate risk sensitivity gap 2012		220,253,164	243,211,835	463,464,999	22,727,266	-	22,727,266	483,236,293

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, 2013	100	(100)	5,810,098	(5,810,098)	3,776,564	(3,776,564)
December 31, 2012	100	(100)	4,634,650	(4,634,650)	3,012,522	(3,012,522)

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:

	2013	2012
	--------- Rupees ---------	
		Restated
Bank deposits	75,780,577	33,440,447
Investments	13,028,344	4,798,968
Premium due but unpaid	75,222,441	70,769,300
Amount due from other insurers / reinsurers	61,178,505	52,152,063
Accrued investment income	179,568	111,004
Reinsurance recoveries against outstanding claims	47,257,671	82,350,393
Sundry receivables	7,274,199	8,315,470

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	2013	2012
	Short term	Long term			
				--------- Rupees ---------	
Allied Bank Limited	A1+	AA+	PACRA	131,121	117,608
Faysal Bank Limited	A1+	AA	PACRA	40,006,854	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	680,571	5,572
JS Bank Limited	A1	A+	PACRA	592,100	284,048
MCB Bank Limited	A1+	AAA	PACRA	520,303	105,119
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,167,008	514,864
NIB Bank Limited	A1+	AA-	PACRA	631,542	218,452
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	597,470
Soneri Bank Limited	A1+	AA-	PACRA	1,146,094	977,478
United Bank Limited	A-1+	AA+	JCR-VIS	30,904,984	30,619,836
				75,780,577	33,440,447

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

	2013	2012
	--------- Rupees ---------	
Up to 30 days	5,813,801	8,536,376
31 to 180 days	24,706,019	22,918,129
Over 180 days	44,702,621	39,314,795
	75,222,441	70,769,300

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	2013	2012
	---------------------(Rupees)---------------------				
A or above	49,722,247	26,339,730	-	76,061,977	87,308,445
A-	2,485,714	-	-	2,485,714	531,189
BBB	3,404,769	-	-	3,404,769	11,182,963
Others	5,565,775	20,917,941	-	26,483,716	35,479,859
Total	61,178,505	47,257,671	-	108,436,176	134,502,456

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 table below summarises 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.

	2013			
	Within one year	Over one year to five years	Over five years	Total
	----------------------(Rupees)------------------			
Financial liabilities				
Provision against outstanding claims	118,458,369	-	-	118,458,369
Amount due to other insurers / reinsurers	100,315,458	-	-	100,315,458
Accrued expense	33,785,370	-	-	33,785,370
Other creditors and accruals	21,385,775	-	-	21,385,775
	273,944,972	-	-	273,944,972

	2012			
	Within one year	Over one year to five years	Over five years	Total
	----------------------(Rupees)------------------			
Financial liabilities				
Provision for outstanding claims	165,487,706	-	-	165,487,706
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
	299,773,658	-	-	299,773,658

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.

	2013 Maximum gross risk exposure	2012 Maximum gross risk exposure
The Company's class wise major risk exposure is as follows:	--------Rupees in million--------	
Fire and property damage	59,750	38,527
Marine, aviation and transport	25,322	15,002
Motor	1,611	1,816
Accidental, health and others	3,913	4,291
Credit and suretyship	7,270	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	
	2013	2012	2013	2012
	--------------------Rupees--------------------			
10% increase in net claims (i.e. loss)				
Fire and property damage	(341,403)	(241,988)	(221,912)	(157,292)
Marine, aviation and transport	(452,295)	(166,642)	(293,992)	(108,317)
Motor	(4,209,472)	(2,848,023)	(2,736,157)	(1,851,215)
Accident and health	(340,697)	(364,570)	(221,453)	(236,971)
Credit and suretyship	(194,505)	-	(126,428)	-
Miscellaneous	(43,095)	(122,878)	(28,012)	(79,871)
	(5,581,467)	(3,744,101)	(3,627,954)	(2,433,666)
10% decrease in net claims (i.e. loss)				
Fire and property damage	341,403	241,988	221,912	157,292
Marine, aviation and transport	452,295	166,642	293,992	108,317
Motor	4,209,472	2,848,023	2,736,157	1,851,215
Accident and health	340,697	364,570	221,453	236,971
Credit and suretyship	194,505	-	126,428	-
Miscellaneous	43,095	122,878	28,012	79,871
	5,581,467	3,744,101	3,627,954	2,433,666

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

Analysis on gross basis	2009	2010	2011	2012	2013	Total
Accident year			Rupees			
Estimate of ultimate claims cost:						
At end of accident year	7,684,440	5,796,340	9,523,919	8,683,822	35,269,690	66,958,211
One year later	5,248,070	10,027,978	32,750,038	11,368,206	-	59,394,292
Two years later	2,300,201	6,473,256	7,952,700	-	-	16,726,157
Three years later	2,959,391	3,220,128	-	-	-	6,179,519
Four years later	196,000	-	-	-	-	196,000
Estimate of cumulative claims	196,000	3,220,128	7,952,700	11,368,206	35,269,690	58,006,724
Cumulative payments to date	(140,500)	(3,055,129)	(7,546,251)	(8,497,284)	(31,449,542)	(50,688,706)
Liability recognised in the balance sheet	55,500	164,999	406,449	2,870,922	3,820,148	7,318,018

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:

	2013		
	Maximum sum insured	Reinsurance cover	Highest net liability
	Rupees		
Fire and property damage	1,907,899,135	1,887,899,135	20,000,000
Marine, aviation and transport	316,104,272	296,104,272	20,000,000
Motor	5,700,000	3,200,000	2,500,000
Accident and health	32,200,000	-	32,200,000
Credit and suretyship	158,071,955	126,457,565	31,614,390
Miscellaneous	25,000,000	20,000,000	5,000,000
	2,444,975,362	2,333,660,972	111,314,390

	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
Accident and health	5,200,000	-	5,200,000
Credit and suretyship	51,952,359	12,000,000	39,952,359
Miscellaneous	515,717,090	240,000,000	275,717,090
	1,267,928,449	858,159,000	409,769,449

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

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. There were no significant reclassifications / restatements except as disclosed in note 5.1.1 to these financial statements during the year.

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 24, 2014 by the Board of Directors of the Company.

Chief Executive	Director	Director	Director

Pattern of Shareholding

As at December 31, 2013

Number of Shareholders	Shareholdings		Total Shares Held	
	From	To		
3	1	100	193	193
3	101	500	1,081	888
15	501	1,000	13,365	12,284
17	1,001	5,000	61,402	48,037
20	5,001	10,000	194,325	132,923
22	10,001	25,000	493,580	299,255
5	25,001	50,000	641,326	147,746
7	50,001	75,000	1,072,651	431,325
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
102				40,360,000

Number of Shareholders	Category of Shareholders	Total Shares Held	Percentage %
100	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%
102		40,360,000	100.00%

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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 62nd Annual General Meeting of the Company to be held on 29th day of April, 2014 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.. 2014

1. **Witness:**

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

Revenue
Stamp

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.