Contents

Company Information

BOARD OF DIRECTORS

MR. SHAHID AZIZ SIDDIQUI
CHAIRMAN

MR. MAHMOOD HASHMI
DIRECTOR

SYED YAWAR ALI
DIRECTOR

MR. RASHEED Y. CHINOY
DIRECTOR

MR. SHOAIB MIR
DIRECTOR

MR. ANSAR HUSSAIN
DIRECTOR

MR. NASIR JAVED KHAN
MANAGING DIRECTOR/CEO

COMPANY SECRETARY

MR. ATTAULLAH A. RASHEED

BOARD COMMITTEES

AUDIT COMMITTEE

MR. RASHEED Y. CHINOY
CHAIRMAN

MR. MAHMOOD HASHMI
MEMBER

MR. ANSAR HUSSAIN
MEMBER

HUMAN RESOURCE COMMITTEE

MR. RASHEED Y. CHINOY
CHAIRMAN

MR. MAHMOOD HASHMI
MEMBER

MR. SHOAIB MIR
MEMBER

MR. NASIR JAVED KHAN
MEMBER

BUSINESS PLAN COMMITTEE

SYED YAWAR ALI
CHAIRMAN

MR. RASHEED Y. CHINOY
MEMBER

MR. SHOAIB MIR
MEMBER

MR. NASIR JAVED KHAN
MEMBER

UNDERWRITING COMMITTEE

MR. NASIR JAVED KHAN
CHAIRMAN

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. M. ASLAM SABIR
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. KHALID MEHMOOD
MEMBER

CLAIMS SETTLEMENT COMMITTEE

MR. NASIR JAVED KHAN
CHAIRMAN

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. ATTAULLAH A. RASHEED
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. ZAFAR HUSSAIN
MEMBER

MR. SABIR ALI
MEMBER

REINSURANCE & CO-INSURANCE COMMITTEE

MR. NASIR JAVED KHAN
CHAIRMAN

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. M. ASLAM SABIR
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. KHALID MEHMOOD
MEMBER

Alpha Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

Company Information

MANAGEMENT

MR. NASIR JAVED KHAN
Managing Director/CEO

MR. ATTAULLAH A. RASHEED
Chief Financial Officer &
Company Secretary

MR. LATIF AHMAD CHOUDHRI
General Manager (Operations)

MR. TALIB ALI,
Chief Internal Auditor

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

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

MR. MANZOOR AHMED
General Manager & Regional Chief
Corporate Region

MR. ABDUL SATTAR ABRO
General Manager & Regional Chief
Southern Region

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

MR. GEORGE ANTHONY
Assistant General Manager
(Underwriting & Reinsurance)

ACTUARY

Mr. Faisal Mumtaz,
(Fellow of Society of Actuaries, USA)

AUDITORS

M/s Anjum Asim Shahid Rahman
(A member company of
Grant Thornton)

LEGAL CONSULTANTS

M/s Orr. Dignam & Co
M/s Mansoor Ahmed Khan & Co
Mian Mushtaq Ahmed
Mr. Mohammad Shafiq Mughal

TAX CONSULTANTS

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

BANKERS

NIB Bank Limited
Allied Bank Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial Development Bank of Pakistan
JS Bank Limited
MCB Limited
National Bank of Pakistan
Standard Chartered Bank Limited

INTERNATIONAL CORRESPONDENTS

Mitsui Sumitomo Reinsurance Limited
Mafre Re Renomance Co, S.A,
Marsh Limited
AON Limited
Wills Re

REGISTERED OFFICE

2nd Floor, Building # 1-B,
State Life Square,
Off: I.I.Chundrigar Road
Karachi -Pakistan
Tel: 32416041-45
Fax:32419968, 32422478-9
E-mail: info@alphainsurance.com.pk
Web: www.alphainsurance.com.pk

Financial Highlights Ten Years At A Glance

(Rupees in '000)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Paid Up Capital	303,600	303,600	161,920	121,440	101,200	88,000	88,000	80,000	80,000	80,000
Reserves & Funds	265,248	228,467	262,999	342,941	280,562	234,920	210,784	230,256	240,815	105,128
Investments, Cash & Bank Balances	356,898	340,488	243,880	268,732	223,910	196,017	177,427	153,469	141,561	106,905
Gross Premium	139,767	109,245	118,809	147,918	168,739	139,689	128,982	105,943	118,668	145,347
Retained Premium	59,099	61,511	77,039	99,501	109,740	85,729	64,194	59,600	59,752	77,231
Claims Incurred	45,205	53,161	48,543	61,658	58,618	47,805	26,663	31,284	34,900	44,416
Investments and Miscellaneous Income	48,133	35,044	30,254	95,125	28,457	23,062	14,939	20,683	17,542	17,983
Profit / (Loss) Before Tax	3,203	(7,737)	2,870	86,487	36,784	28,007	21,574	17,317	5,499	10,962
Profit / (Loss) After Tax	2,423	(8,559)	(17,486)	84,023	27,666	18,044	13,542	11,735	567	(700)
Dividend - Cash	-	-	-	5%	5%	12.50%	12.50%	-	-	-
Stock	-	25%	-	33%	20%	15%	-	10%	-	-
Underwritting Profit / (Loss)	(27,087)	(26,270)	(9,723)	4,453	22,265	16,481	18,426	7,300	(7,785)	1,265

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.

ISO 9001

Alpha Insurance is an ISO 9001 certified company

OUR QUALITY POLICY

We are committed to provide best quality service to our valued policyholder 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.

alpha
Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

Notice of Annual General Meeting

Notice is herby given that Fifty Ninth Annual General Meeting of the Alpha Insurance Company Limited will be held on Saturday, April 30, 2011 at 11:30 a.m. at the Company's Head Office, 2nd Floor, Building No. 1-B, State Life Square, off I. I. Chundrigar Road, Karachi to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on March 29, 2011.

2. To receive, consider and adopt Directors' report and Audited Financial Statements of the Company for the year ended December 31, 2010 together with the Auditors' report thereon.

3. To appoint the auditors for the year 2011 and fix their remuneration.

By Order of the Board

Attaullah A. Rasheed
Company Secretary & CFO

Karachi: April 9, 2011

Notes:

1. The share transfer Books of the Company will remain closed from April 21, 2011 to April 30, 2011 (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 instruments for appointing a proxy must be received at the Head Office of the Company at 2nd 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 instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

4. Change of address, if any, should be notified immediately to the Company at 2nd 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 for Insurance Companies for the purpose of establishing a framework of good governance, whereby an Insurance company is managed in compliance with the best practices of corporate governance.

The Company has 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 in ten or more listed companies.

2. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

3. Casual vacancies occurring in the Board during the year were filled up by the Directors within prescribed period.

4. The Company is in the process of preparing a 'Statement of Ethics and Business Practices, which will be signed by all the Directors and employees of the Company.

5. Vision and Mission statements and overall corporate strategy has been approved by the Board. Significant policies of the Company have been scribed, which will be submitted to the Board for approval.

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

7. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. Such system is continuously reviewed for improvements. The company includes all the necessary aspects of internal control given in the code.

9. The Board comprises of senior executives, professionals and entrepreneurs who are fully aware of their duties and responsibilities, hence no need was felt by Directors for any orientation course.

10. The Board has approved appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment as determined by the CEO.

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 CEO and CFO 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 compiled with all the corporate and financial reporting requirements of the Code.

15. The Company has formed under writing, claim settlement, reinsurance & co-insurance committees approved by the Board.

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

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.

18. The Company has established Internal Audit Department and hired Chief Internal Auditor on payroll, who 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 program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

Nasir Javed Khan

Nasir Javed Khan
Managing Director & CEO

Report of the Directors to the Members

The Directors of your company take pleasure in presenting Fifty Ninth Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2010.

Financial Results **(Rupees)**

	2010	2009
Gross premium	**139,767,189**	109,245,024
Net Premium earned	**59,099,375**	61,511,148
Underwriting results (Loss)	**(27,086,579)**	(26,269,770)
Profit / (Loss) before tax	**3,202,573**	(7,737,484)
Profit / (Loss) after tax	**2,423,325**	(8,558,560)
Profit available for appropriation	**13,877,604**	11,454,279

Gross premium has increased by 27.94% over the previous year inspite of your Company's selective underwritings to avoid excessive risk exposure. Underwriting result is negative due to increase in claims, particularly a few high claims of fire business. However, the Company has made pre tax profit of Rs. 3.202,573 and after tax profit of Rs. 2.423,325 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. The Company has obtained ISO 9001 certification which indicates significant improvement in its functioning and operations. JCR-VIS has maintained the Company "A" rating with stable outlook for the second consecutive year.

The Board is confident that ultimate outcome of contingencies mentioned in Auditors' report and in note 9 to the Financial Statements will be in Company's favour.

Appropriations

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

Earning Per Share

The profit per share after tax for the year is Rs. 0.08 as against Loss per share of Rs. (0.42) in 2009.

Auditors

M/s. Anjum Asim Shahid Rahman & Co., Chartered Accountants, on completion of their tenure, have retired and M/s A. F. Ferguson & Co. Chartered Accountants have since consented for appointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2011.

Statements of Directors

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

Board of Directors' Meetings

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

S. No.	Name of the Director	Attendance
1	Mr. Shahid Aziz Siddiqui	5
2	Mr. Mahmood Hashmi	5
3	Syed Yawar Ali	4
4	Mr. Rasheed Y. Chinoy	5
5	Syed Arshad Ali	1
6	Mr. Shoaib Mir	1
7	Mr. Ansar Hussain	5
8	Mr. Nasir Javed Khan	5

During the year Board welcomed Mr. Shoaib Mir. The Directors wish to place on record their appreciation of valuable contributions made by outgoing Director Syed Arshad Ali.

Employees Provident and Gratuity Funds

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

Provident Fund	24,584,173
Gratuity Fund	8,801,448

Pattern of Share Holdings

Pattern of share holdings is enclosed in this annual report.

Ten Years Key Data

Ten years key data are 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, whose cooperation and advice have been a source of valued assistance to us.

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

For and on behalf of the Board

Shahid Aziz Siddiqi
Chairman

Karachi: April 5, 2011

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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Alpha Insurance Company Limited** ('the Company') to comply with the Code of Corporate Governance applicable to unlisted insurance companies, issued by 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 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 and 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, 2010.

Anjum Asim Shahid Rahman

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

Karachi: April 5, 2011

Independent Auditors' Report to the Members of Alpha Insurance Company Limited

We have audited the annexed financial statements comprising:

(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 A**lpha Insurance Company Limited** ("the Company") as at December 31, 2010 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting Standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on the 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 misstatements. 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 the 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 upon 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;

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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, 2010 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) in our opinion no zakat was deductable at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 9.3, 9.4 and 9.5 to the accompanying financial statements in respect of the contingencies the ultimate outcome of which cannot presently be determined and, hence, pending the resolution thereof, no provision for any liability that may arise there from has been made in the accompanying financial statements.

Anjum Asim Shahid Rahman

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

Karachi: April 5, 2011

alpha Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

Balance Sheet

As at December 31, 2010

	Note	2010 Rupees	2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2009: 50,000,000) ordinary shares of Rs.10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	6	303,600,000	303,600,000
Retained earnings		13,877,604	11,454,279
Reserves		10,175,000	10,175,000
Shareholders' equity		327,652,604	325,229,279
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)		161,280,839	152,235,711
Provision for unearned premium		70,701,119	46,658,851
Commission income unearned		9,213,634	7,943,178
Total underwriting provisions		241,195,592	206,837,740
Creditors and accruals			
Amounts due to other insurers / reinsurers		24,617,854	13,177,341
Accrued expenses	7	14,625,641	8,212,772
Other creditors and accruals	8	35,625,139	28,146,429
		74,868,634	49,536,542
Unclaimed dividend		3,095,475	3,101,886
Total liabilities		319,159,701	259,476,168
TOTAL EQUITY AND LIABILITIES		646,812,305	584,705,447
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive   Chairman   Director   Director

Balance Sheet
As at December 31, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Cash and bank deposits			
Cash and other equivalent	10	226,336	35,992
Current and other accounts	11	11,929,869	10,659,524
Deposits maturing within 12 months	12	12,450,555	134,190,555
		24,606,760	144,886,071
Investments	13	332,290,887	195,601,966
Deferred taxation	14	492,247	364,307
Other assets			
Premium due but unpaid		73,427,578	52,932,608
Amount due from other insurers/ reinsurers		39,077,559	21,893,791
Accrued investment income	15	1,548,875	5,979,056
Reinsurance recoveries against outstanding claims		85,261,352	92,863,437
Taxation - Payments less provision		27,129,476	23,801,369
Deferred commission expense		12,981,044	8,548,486
Prepayments	16	36,055,156	24,933,031
Sundry receivables	17	1,645,920	2,476,755
		277,126,960	233,428,533
Fixed assets - tangible and intangible	18		
Tangible			
Furniture and fixtures		2,603,013	2,396,319
Office equipment		966,700	994,993
Computer equipment		1,403,264	1,341,734
Motor vehicles		5,133,380	3,218,912
Electrical installation		706,571	830,412
		10,812,928	8,782,370
Intangible			
Computer software		1,482,523	1,642,200
		12,295,451	10,424,570
TOTAL ASSETS		646,812,305	584,705,447

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Profit and Loss Account
For the year ended December 31, 2010

	Note	Fire and property	Marine, aviation & transport	Motor business	Accident and health	Others	Total 2010	Total 2009
		Rupees						
Revenue account								
Net premium revenue		8,265,614	2,564,202	40,662,183	3,884,795	3,722,581	59,099,375	61,511,148
Net claims		(2,668,058)	(1,102,797)	(37,534,813)	(3,348,817)	(550,386)	(45,204,871)	(53,160,764)
Management expenses	19	(15,348,455)	(4,156,530)	(13,439,674)	(1,394,877)	(3,446,098)	(37,785,634)	(34,648,809)
Net commission		521,811	852,663	(4,696,330)	(175,361)	301,768	(3,195,449)	28,655
Underwriting results		(9,229,088)	(1,842,462)	(15,008,634)	(1,034,260)	27,865	(27,086,579)	(26,269,770)
Investment income							41,524,778	29,215,147
Other income	20						6,608,167	5,829,133
General and administrative expenses	21						(17,843,793)	(16,511,994)
Profit/(loss) for the year before taxation							3,202,573	(7,737,484)
Income tax expense	22						(779,248)	(821,076)
Profit/(loss) for the year							2,423,325	(8,558,560)
Profit and loss appropriation account								
Balance at commencement of the year							11,454,279	20,012,839
Transfer from general reserve							-	40,480,000
Loss for the year							2,423,325	(8,558,560)
Bonus share issued Nil (2009: 25%)							-	(40,480,000)
Balance at end of the year							13,877,604	11,454,279
Earnings/(loss) per share-basic and diluted	23						0.08	(0.42)

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive

Chairman

Director

Director

Statement of Comprehensive Income

For the year ended December 31, 2010

	2010 Rupees	2009 Rupees
Profit/(loss) for the year	2,423,325	(8,558,560)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	2,423,325	(8,558,560)

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Changes in Equity
For the year ended December 31, 2010

		Capital reserves	Statutory reserves		
	Issued, subscribed and paid-up capital	Reserve for exceptional losses *	General reserve	Retained earnings	Total shareholders' equity
	(Rupees)				
Balance as at January 01, 2009	161,920,000	3,355,000	47,300,000	20,012,839	232,587,839
Total comprehensive loss for the year					
Loss for the year	-	-	-	(8,558,560)	(8,558,560)
Transactions with owners					
Transfer to retained earnings	-	-	(40,480,000)	40,480,000	-
Bonus share issued (25% of total shares)	40,480,000	-	-	(40,480,000)	-
Right share issued (50% of total shares)	101,200,000	-	-	-	101,200,000
Balance as at December 31, 2009	303,600,000	3,355,000	6,820,000	11,454,279	325,229,279
Total comprehensive income for the year					
Profit for the year	-	-	-	2,423,325	2,423,325
	-				
Balance as at December 31, 2010	**303,600,000**	**3,355,000**	**6,820,000**	**13,877,604**	**327,652,604**

* 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 31 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Cash Flows

For the year ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
Operating Cash Flows			
a) Underwriting activities			
Premium received		119,272,219	99,213,153
Reinsurance premium paid		(55,370,812)	(64,336,417)
Claims paid		(65,570,674)	(67,178,855)
Reinsurance and other recoveries received		37,013,016	31,111,949
Commission paid		(25,199,700)	(17,774,971)
Commission received		1,740,473	28,874,497
Other underwriting payments		(31,017,286)	(30,915,865)
Net cash (used in) underwriting activities		(19,132,764)	(21,006,509)
b) Other operating activities			
Income tax paid		(4,235,296)	(3,164,858)
General management expenses paid		(14,596,370)	(14,548,643)
Other operating payments		(755,962)	(286,532)
Other operating receipts		8,664,923	9,896,015
Net cash (used in) other operating activities		(10,922,705)	(8,104,018)
Total cash (used in) all operating activities		(30,055,469)	(29,110,527)
Investment activities			
Profit/return received		39,487,555	17,934,068
Dividends received		9,041,268	8,271,558
Payments made for investments		(404,597,006)	(149,542,309)
Proceeds from disposal of investments		271,710,600	30,763,630
Fixed capital expenditure		(5,715,448)	(1,599,453)
Proceeds from disposal of fixed assets	18.5	95,600	337,000
Total cash (used in) investing activities		(89,977,431)	(93,835,506)
Financing activities			
Dividend paid		(6,411)	(24,975)
Proceeds form issue of right shares		-	101,200,000
Total cash (used in)/from financing activities		(6,411)	101,175,025
Net (decrease) in cash and cash equivalents		(120,039,311)	(21,771,008)
Cash and cash equivalents at the beginning of the year		144,195,516	165,966,524
Cash and cash equivalents at the end of the year		24,156,205	144,195,516

Statement of Cash Flows
For the year ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
Reconciliation to profit and loss account			
Operating cash flows		(30,055,469)	(29,110,527)
Depreciation expense	18.3	(3,204,978)	(3,428,486)
Amortization	18.4	(639,589)	(289,800)
Gain on disposal of fixed assets	18.5	95,600	311,455
Decrease in assets other than cash		48,382,737	5,523,784
(Decrease) in liabilities		(59,618,546)	(11,097,723)
Investment and other income		47,335,629	29,215,147
Deferred tax charge		127,941	25,567
Profit/(loss) for the year		2,423,325	(8,850,583)

Definition of cash and cash equivalent

Cash and cash equivalent comprises cash in hand, bank balances, and other deposits which are readily convertible to cash and which are used in the cash management function on a day to day basis. However, cash held with State Bank of Pakistan and margin held by banks have been excluded.

Cash for the purpose of the statement of cash flows consists:

	Note	2010 Rupees	2009 Rupees
Cash and other equivalent	10	226,336	35,992
Current and other accounts	11	11,929,869	10,659,524
Deposits maturing within 12 months	12	12,450,555	134,190,555
Deposits with SBP	12	-	(240,000)
Margins held by banks	12	(450,555)	(450,555)
		24,156,205	144,195,516

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Premiums
For the year ended December 31, 2010

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 2010	Net premium revenue 2009
		Opening	Closing			Opening	Closing			
	(Rupees)									
Direct and facultative										
Fire and property damage	56,773,174	21,687,715	32,223,453	46,237,436	46,371,949	19,059,605	27,459,732	37,971,822	8,265,614	8,950,757
Marine, aviation and transport	15,374,799	1,448,835	2,674,432	14,149,202	12,544,890	1,497,101	2,456,991	11,585,000	2,564,202	3,386,907
Motor	49,712,689	18,078,791	25,892,735	41,898,745	1,038,106	1,110,296	911,840	1,236,562	40,662,183	39,868,777
Accidental and health	5,159,581	1,267,216	2,542,002	3,884,795	-	-	-	-	3,884,795	6,359,115
Others	12,746,946	4,176,294	7,368,497	9,554,743	6,856,380	3,069,430	4,093,648	5,832,162	3,722,581	2,945,592
Total	**139,767,189**	**46,658,851**	**70,701,119**	**115,724,921**	**66,811,325**	**24,736,432**	**34,922,211**	**56,625,546**	**59,099,375**	**61,511,148**

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive   Chairman   Director   Director

Statement of Claims
For the year ended December 31, 2010

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 2010	Net claims expense 2009
		Opening	Closing			Opening	Closing			
	--------------------	(Rupees)	--------------------							
Direct and facultative										
Fire and property damage	36,470,582	62,497,695	51,222,299	25,195,186	31,547,445	49,998,156	40,977,839	22,527,128	2,668,058	11,097,523
Marine, aviation and transport	3,833,583	41,709,796	44,798,857	6,922,644	3,348,598	33,367,837	35,839,086	5,819,847	1,102,797	5,358,050
Motor	19,307,112	44,393,837	62,088,728	37,002,003	149,465	6,589,939	5,907,664	(532,810)	37,534,813	32,825,401
Accidental and health	3,348,817	-	-	3,348,817	-	-	-	-	3,348,817	2,671,850
Others	2,610,580	3,634,383	3,170,955	2,147,152	1,967,508	2,907,506	2,536,764	1,596,766	550,386	1,207,940
Total	**65,570,674**	**152,235,711**	**161,280,839**	**74,615,802**	**37,013,016**	**92,863,438**	**85,261,353**	**29,410,931**	**45,204,871**	**53,160,764**

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive   Chairman   Director   Director

Statement of Expenses
For the year ended December 31, 2010

Business underwritten inside Pakistan

Class	Commission paid/ payable	Deferred commission expense		Commission expense	Management expenses	Underwriting expenses Opening	Commission income Closing	Net underwriting expenses 2010	Net underwriting expenses 2009
		Opening	Closing						
	-----------------------	-----------------------	-----------------------	-----------------------	(Rupees)	-----------------------	-----------------------	-----------------------	-----------------------
Direct and facultative									
Fire and property damage	14,726,498	5,276,282	8,321,548	11,681,232	15,348,455	27,029,687	12,203,043	14,826,644	10,709,321
Marine, aviation and transport	2,982,287	208,395	467,433	2,723,249	4,156,530	6,879,779	3,575,912	3,303,867	2,003,222
Motor	4,866,901	2,338,554	2,509,125	4,696,330	13,439,674	18,136,004	-	18,136,004	17,519,271
Accidental and health	461,452	135,496	421,587	175,361	1,394,877	1,570,238	-	1,570,238	2,206,739
Others	2,244,653	589,759	1,261,351	1,573,062	3,446,098	5,019,160	1,874,830	3,144,330	2,181,601
Total	25,281,791	8,548,486	12,981,044	20,849,234	37,785,634	58,634,868	17,653,785	40,981,083	34,620,154

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Investment Income
For the year ended December 31, 2010

Income from non-trading investment	2010 Rupees	2009 Rupees
Held-to-maturity		
Return on government securities	27,143,414	2,415,686
Return on term finance certificates	1,124,595	18,525,071
Amortization of discount/(premium)	158,786	110,049
	28,426,795	21,050,806
Available-for-sale		
Dividend income	8,835,678	8,466,426
Gain on sales of available for sale investment	2,898,735	-
	40,161,208	29,517,232
Provision for impairment in value of investments		
Reversal of impairment in value of available-for-sale investment	1,513,668	-
Less:		
Investment related expenses	(150,098)	(302,085)
Total investment income	41,524,778	29,215,147

The annexed notes 1 to 31 form an integral part of these financial statements.

Chief Executive   Chairman   Director   Director

Notes to the Financial Statements
for the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

Alpha Insurance Company Limited (the Company) is a public limited Company incorporated in Karachi, Pakistan on December 24, 1951 under the Indian Companies Act VII of 1913. The Company is engaged in non-life insurance business comprising fire, marine, motor, health and miscellaneous. The Company commenced its commercial operations on January 23, 1952. The registered office of the Company is situated at State Life Building No.1-B, I. I. Chundrigar Road, Karachi. The Company has 14 (2009: 14) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan Limited holding 92.01% (2009: 92.01%) shares of the Company.

2. BASIS OF PRESENTATION

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

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

3. STATEMENT OF COMPLIANCE

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

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

3.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

3.2.1 Initial application of a standard or an interpretation

Following standards, interpretations and amendments became effective during the year. However, these amendments to IFRS and interpretations did not have any material effect on the Company's financial statements.

Improvements to IFRSs 2009

- Amendments to IFRS 5 Non current Assets Held for Sale and Discontinued Operations
- Amendments to IFRS 8 Operating Segments
- Amendments to IAS 1 Presentation of Financial Statements

- Amendments to IAS 7 Cash Flows Statements

- Amendments to IAS 17 Leases

- Amendments to IAS 36 Impairment of Assets

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement

Improvements to IFRSs 2010

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standard - Additional Exemptions for First-time Adopters

- Amendment to IFRS 2 - Share based Payment - Group Cash settled Share-based Payment Transaction

- Amendment to IAS 32 Financial Instruments Presentation - Classification of Right Issue. IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

- Amendment to IFRS 1 First-time Adoptions of International Financial Reporting Standards-Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopter

- Improvements to IFRSs 2010 - Amendments to IFRS 3 Business Combination.

- Improvements to IFRSs 2010 - Amendments to IAS 27 Consolidated and Separate Financial Statements

- IAS 24 Related Party Disclosures (revised 2009)

3.2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment may result in certain changes in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment is not likely to have any impact on the Company's financial statements.

- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmers to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments may result in increased disclosures in the financial statements.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

- Amendments to IFRS 7 - Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.

4. BASIS OF MEASUREMENT

4.1 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 amortized cost as applicable.

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

4.2 Use of estimates and judgments

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 associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimate about carrying values of assets and liabilities that are not readily apparent from other sources.

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

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including claims incurred but not reported (IBNR), impairment of assets, premium deficiency reserves, provision for income taxes, classification of investments, impairment, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

Judgments

In the process of applying the Company's accounting policies, management has made following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-to-maturity, held-for-trading, or available-for-sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular the Company has the intention and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held-for-trading.

As the Company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

Impairment of investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying and possible significant degrees of judgment and uncertainly and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

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.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Income tax

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

Impairment - (available-for-sale)

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

Impairment of other assets, including premium due but unpaid

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

Unearned premium reserve

The Company's estimate of the unearned premium reserve is based on current insurance industry practices in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan.

Premium deficiency reserve

The Company is required to estimate a provision for premium deficiency reserve for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance recoveries, and other supplementary expenses expected to be incurred after the balance sheet date in respect of unexpired polices in that class at the balance sheet date.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful life of property and equipment

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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 expire.

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
- Marine, aviation and transport
- Motor
- Accidental and health
- Others

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

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

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

Fire and property 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 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 others category which includes mainly engineering, terrorism, worker compensation, and travel insurances etc.

5.2 Premium income

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

a) for direct business, evenly over the period of the policy;

b) for proportional reinsurance business, evenly over the period of underlying reinsurance policies; and

c) for non-proportional reinsurance business, on inception of the reinsurance contract in accordance with the pattern of reinsurance service.

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

Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognized as income at the inception of the policy and a related asset is set up in respect of the premium receivable, notwithstanding the fact that some installments may not, by agreement between the insurer and the insured, be payable until later.

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

5.3 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage, and is recognized as a liability. The liability is calculated as follows:

a) in the case of marine, aviation and transport business, as a ratio of unexpired period to the total period of the policy applied on the gross premium return.

b) for the other classes/line of business, by applying the twenty-fourth method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

5.4 Receivables and payables related to insurance contracts

Receivables and payables relating to insurance contracts are recognized when due. These include premium due but unpaid, premium received in advance and claims payable to insurance contract holders.

If there is objective evidence that any premium due but unpaid is impaired, the Company reduces the carrying amount of that insurance receivable and recognizes the loss in profit and loss account.

5.5 Reinsurance contracts held

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

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

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

5.6 Claims

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 recognizes liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

5.7 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from reinsurers are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

5.8 Commissions

Commission expense and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognized on a quarterly basis as per terms and conditions agreed with the reinsurers. These are deferred and brought to account as expense or income in accordance with the pattern of recognition of the premium to which they relate.

5.9 Premium deficiency reserve

As per Securities and Exchange Commission (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 balance sheet date, a premium deficiency reserve is recognized 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. The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired risk. In management's opinion the amount carried for unearned premium is sufficient to meet this requirement.

5.10 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.

5.11 Premium due but unpaid

Premium due but unpaid is recognized and carried at original invoice amount less allowance for uncollectible amounts, if any.

5.12 Reinsurance expense and prepaid reinsurance premium ceded

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

5.13 Cash and cash equivalents

For the purpose of cash flow statement, 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.

5.14 Sundry receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

5.15 Securities under repurchase/resale agreements

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

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

5.16 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognized on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.17 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39: Financial Instruments: Recognition and Measurement (IAS-39) at the time of purchase and re-evaluates this classification on a regular basis.

All investments except 'at fair value through profit or loss' and 'held for trading' are initially recognized at cost inclusive of transaction costs. The investments of the Company have been categorized as follows:

At fair value through profit or loss

These are classified as 'held for trading' if (a) acquired or incurred principally for the purpose of selling or re-purchasing it in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).

Upon initial recognition these are designated by the Company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value can not be reliably measured.

At subsequent reporting dates, these investments are measured at fair value and any gains and losses arising from the changes in fair value are included in the profit and loss account for the period in which they arise.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available-for-sale and loans and receivables.

Held to maturity investments are subsequently measured at amortized cost using the effective interest method.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Subsequent to initial recognition at cost, these are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

Investments in unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

5.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

5.19 Employees benefits

Defined benefit plan

The Company operates a funded gratuity scheme for its permanent staff who have completed the qualifying period under the scheme. The funded scheme is administered by the trustees and contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2010, using the Projected Unit Credit Method. Actuarial gains and losses are recognized on the basis of actuarial recommendations.

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.

Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

5.20 Fixed assets

Tangible

These are initially recognized 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.

Depreciation

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 18 to the financial statements.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

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 amortization and accumulated impairment losses, if any

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

5.21 Revenue recognition

Investment income

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

Gain on sale of investments is included in income currently.

Return on investment is recognized using effective interest method.

Profit on bank accounts and deposits

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

5.22 Allocation of management expenses

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

5.23 Income tax expense

Current

Provision for taxation is based on taxable income, calculated in accordance with 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 tax is provided using the balance sheet liability method on all temporary timing differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

5.24 Other 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 goods and services received, whether or not billed to the Company.

5.25 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

5.26 Foreign currencies

Transactions in foreign currencies are translated into reporting currency at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non- monetary assets and liabilities are translated using exchange rates that existed when the values where determined. Exchange differences are included in the income currently.

5.27 Segment reporting

For management purposes, the Company is organized into five business segments fire and property damage, marine, aviation and transport, motor business, accident and health and others.

These segments are the basis on which the Company report its primary segment information. Other operations of the Company comprise investment in securities. The Company operates in Pakistan only. There are no transactions between segments.

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 segment are the same as those described in the summary of significant accounting policies.

5.28 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

5.29 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

5.30 General

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

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		Note	2010	2009
Number of shares				Rupees	Rupees
		Ordinary shares of Rs. 10 each:			
1,162,000	150,000	- fully paid in cash		11,620,000	1,500,000
29,198,000	30,210,000	- issued as fully paid bonus shares		291,980,000	160,420,000
30,360,000	30,360,000			303,600,000	161,920,000

6.1 Following is the reconciliation of number of shares:

	Number of shares	
Number of shares at the beginning of the year	30,360,000	16,192,000
Bonus shares issued during the year	-	4,048,000
Right shares issued during the year	-	10,120,000
Number of shares at the end of the year	30,360,000	30,360,000

6.2 Following is the breakup of the ordinary share holding of the Company:

Number of shares		Shares held by	Percentage of holding		2010	2009
2010	2009		2010	2009	Rupees	Rupees
27,934,843	27,934,843	State Life Insurance Corporation of Pakistan (Parent Company)	92.01	92.01	279,348,430	279,348,430
2,425,157	2,425,157	Individuals	7.99	7.99	24,251,570	24,251,570
30,360,000	30,360,000				303,600,000	303,600,000

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

b) to be an appropriate capitalized institution in compliance with the paid-up capital requirements set by the SECP, which introduced following minimum paid up capital requirement, through circular No. 3 of 2007 as against existing requirement of Rs. 250 million:

To be complied by	Minimum paid up capital Rupees
December 31, 2010	250,000,000
December 31, 2011	300,000,000

In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

7. ACCRUED EXPENSES

	2010 Rupees	2009 Rupees
Commission in respect of outstanding premium	11,217,595	6,585,728
Other accrued expenses	3,408,046	1,627,044
	14,625,641	8,212,772

8. OTHER CREDITORS AND ACCRUALS

	2010	2009
Due to employees' provident fund	-	97,134
Commission payable to agents	13,074,639	12,992,548
Rent payable - holding company	755,889	608,146
Cash margins against performance bonds	5,671,757	5,060,431
Federal excise duty	14,686,789	7,755,131
Federal insurance fee	144,181	146,028
Income tax deducted at source	168,172	45,895
Workers welfare fund	97,991	84,046
Other creditors and accruals	1,025,721	1,357,070
	35,625,139	28,146,429

9. CONTINGENCIES AND COMMITMENTS

Contingencies

9.1 As a result of the appeals filed by the Company in prior years, the orders for assessment years 1999-2000 to 2002-2003 had been set aside by the Income Tax Appellate Tribunal, remanding back the issues to the Deputy Commissioner Inland Revenue (DCIR) for fresh adjudication. The issues are related to (a) treating the Company as a private limited Company, as claimed by the Company in the return of income; and (b) disallowance of management expenses. The DCIR passed the set aside orders wherein disallowances made on account of the status of the Company and excess management expenses have been maintained. During the previous year, appeals were filed before Commissioner Income Tax (Appeals) against the above orders, who either confirmed or set aside the disallowances made in the DCIR order. The Company, as a result of these orders, has further filed appeals with the Income Tax Appellate Tribunal which are pending.

9.2 The Company has also filed a writ petition with the Honorable High Court of Sindh in the matter involving the deduction of management expenses in excess of limits laid down in Section 40C of the Insurance Act, 1938, read with Rule 40 of the Insurance Rules, 1958, which the Finance Act, 1999 {by virtue of insertion of Clause (c) to Rule 5 of the Fourth Schedule to the Income Tax Ordinance, 1979} did not permit.

The said writ petition and the above-referred appeals are currently pending with the relevant authorities, as referred to above. The management believes that the above referred appeals will be decided in their favor. However, pending final outcome thereof, provision aggregating Rs. 14.341 million (2009: Rs. 14.341 million), has already been made in financial statements of prior years.

9.3 Various insurance claims amounting to Rs. 29.278 million (2009: Rs. 29.278 million) have been lodged by various parties against the Company as coinsurer. The Company has not acknowledged these claims as the management considers that the Company is not directly liable to settle these claims. However, provision has been made amounting to Rs. 2.163 million in the financial statements.

9.4 Various insurance claims amounting to Rs. 141.122 million (2009: Rs. 141.122 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 directly liable to settle these claims. However, provision has been made amounting to Rs. 57.57 million in the financial statements.

9.5 Various service related law suits amounting to Rs. 342,352 (2009: Rs.342,352) 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 directly liable to settle these claims. Hence, no provision has been made in these financial statements.

Commitments

There were no commitments as at the balance sheet date (2009: None).

10. CASH AND CASH EQUIVALENTS		**2010 Rupees**	2009 Rupees
Cash in hand		**1,210**	3,547
Policy and revenue stamps		**225,126**	32,445
		226,336	35,992

11. CURRENT AND OTHER ACCOUNTS

Cash with banks in:			
- Current accounts		**2,343,257**	4,730,746
- Savings accounts	11.1	**9,586,612**	5,928,778
		11,929,869	10,659,524

11.1 These accounts carry interest at the rate of 5% to 7% (2009: 2% to 8%) per annum.

		2010 Rupees	2009 Rupees
12. DEPOSITS MATURING WITHIN 12 MONTHS			
Term deposit receipts (TDR)	12.1	12,000,000	133,500,000
Deposit with State Bank of Pakistan		-	240,000
Margin held by banks	12.2	450,555	450,555
		12,450,555	134,190,555

12.1 These receipts carry interest at the rate of 9% to 17% (2009: 9% to 17%) per annum.

12.2 This consists of margins against revolving letter of credit amounting to Rs. 0.450 million (2009: Rs. 0.450 million).

13. INVESTMENTS

Available-for-sale			
Listed equities	13.1	23,482,633	17,354,926
Listed modaraba certificates	13.2	1,197,815	424,460
Units of mutual funds	13.3	20,385,445	23,059,917
		45,065,893	40,839,303
Less: Diminution in value of investment		(931,180)	-
		44,134,713	40,839,303
Held-to-maturity investment			
Government securities	13.5	280,912,470	146,618,957
Other fixed income securities	13.7	7,243,704	8,143,706
		288,156,174	154,762,663
		332,290,887	195,601,966

Available for sale

13.1 Listed equities

Number of shares / certificates 2010	2009	Face value Rupees	Company's name	2010	2009
Banks					
48,778	31,882	10	Bank Al-Habib Limited	96,000	96,000
17,902	17,902	10	Soneri Bank Limited	130,120	130,120
3,000	-	10	MCB Bank Limited	619,099	-
Insurance					
177,777	177,777	10	Pakistan Reinsurance Company Limited	3,003	3,003
12,821	11,397	5	Habib Insurance Company Limited	95,830	95,830
Textile composite					
41,801	41,801	10	Crescent Textile Mills Limited	294,801	294,801
Synthetic & rayon					
1,188	1,188	10	National Silk Rayon Limited	13,812	13,812

Number of shares / certificates 2010	2009	Face value Rupees	Company's name	2010 Rupees	2009 Rupees
Tobacco					
23,367	23,367	10	Pakistan Tobacco Company Limited	78,710	78,710
Fuel & energy					
22,441	22,441	10	Shell Pakistan Limited	784,895	784,895
-	79,647	10	Sui Northern Gas Pipelines Limited	-	1,003,750
-	62,839	10	Sui Southern Gas Pipelines Limited	-	264,960
99,400	-	10	Hub Power Company Limited	3,297,345	-
Auto & allied					
2,310	2,310	5	Al-Ghazi Tractor Limited	370,125	370,125
Transport & communication					
20,000	20,000	10	Pakistan Telecommunication Company Limited	561,500	337,800
7,084	7,084	10	Pakistan National Shipping Corporation Limited	41,134	41,134
Chemical & pharmaceutical					
237,912	154,490	10	Engro Corporation Limited	9,650,852	9,650,852
42,468	30,887	10	Fauji Fertilizer Company Limited	2,970,959	1,813,994
79,565	79,565	10	Glaxo Smith Kline Limited	72,021	72,021
5,500	5,500	10	ICI Pakistan Limited	662,156	377,905
4,446	4,446	50	Lever Brothers (Pakistan) Limited	34,485	34,485
58,260	58,260	10	Fuji Fertilizer Bin Qasim Limited	932,250	751,554
15,000	15,000	10	Pakistan PTA Limited	203,569	23,850
2,000	2,000	10	BOC Pakistan Limited	322,500	225,640
Paper & board					
100,000	75,000	10	Pakistan Paper Product Limited	150,000	150,000
Oil & gas exploration					
5,361	5,361	10	Oil & Gas Development Corporation Limited	171,605	171,605
3,500	-	10	Attock Petroleum Limited	1,142,278	-
3,600	3,600	10	Pakistan Oil Field Limited	584,468	368,964
Miscellaneous					
28,815	28,815	10	Pakistan Services Limited	199,116	199,116
				23,482,633	17,354,926

13.2 Listed modaraba certificates

62,329	62,329	10	Standard Chartered Modaraba	1,197,815	424,460

13.3 Units of mutual funds

1,208,339	1,208,339	10	National Investment Trust (Units)	20,385,445	20,385,445
-	280,733	11.5	Nafa Multi Asset Fund	-	2,674,472
				20,385,445	23,059,917

13.4 The fair value of available for sale investments is Rs. 151,170,638 (2009: Rs. 135,820,654). 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 as at December 31, 2010 would have been higher by Rs. 106,104,745 (2009: Rs. 94,981,351) and shareholder's equity increased by the same amount.

During the year, the Company has reversed impairment loss which was previously charged in accordance with SRO 150(1)/2009 dated February 13, 2009 and circular No. 03 dated February 16, 2009 issued by Securities and Exchange Commission of Pakistan.

13.5 Government securities

	Maturity	Principal repayment	Coupon percentage	Coupon payment	2010 Rupees	2009 Rupees
5 Years Pakistan Investment Bonds	August 2013	On maturity	11.5%	Semi-annually	19,682,724	19,631,423
5 Years Pakistan Investment Bonds	September 2014	On maturity	11.5%	Semi-annually	10,741,440	10,828,920
5 Years Pakistan Investment Bonds	July 2015	On maturity	11.5%	Semi-annually	909,100	-
3 Years Pakistan Investment Bonds	July 2013	On maturity	11.25%	Semi-annually	938,400	-
10 Years Defence Saving Certificates	October, 2009	On maturity	15.00%	Semi-annually	-	664,840
Treasury Bills	Febuary - June 2011	On maturity	12.15 - 13.37%	On maturity	248,640,805	115,493,774
					280,912,470	146,618,957

13.6 The above securities having a face value of Rs. 31.0 million (2009: Rs. 30.2 million) are placed with State Bank of Pakistan in compliance with Section 29 of the Insurance Ordinance, 2000.

13.7 Other fixed income securities

Term finance certificates	Tenure	Maturity	Number of certificates	Rate of return	Profit payment	2010 Rupees	2009 Rupees
Al-Zamin Leasing Modaraba	5 years	2010	381	9.50%	Half yearly	-	647,700
Jahangir Siddiqui & Company Limited	5 1/2 years	2012	289	14.91%	Half yearly	1,248,000	1,443,266
Allied Bank Limited	8 years	2014	600	13.76%	Half yearly	1,442,688	2,996,400
Pakistan Mobile Communication Limited	7 years	2013	300	15.01%	Half yearly	2,995,200	1,497,900
Bank Al-Habib Limited	8 years	2015	312	14.11%	Half yearly	1,557,816	1,558,440
						7,243,704	8,143,706

14. DEFERRED TAXATION

	2010 Rupees	2009 Rupees
Deferred tax asset comprise timing difference relating to:		
Accelerated tax depreciation	492,247	364,307

15. ACCRUED INVESTMENT INCOME

Accrued interest on TDRs	212,104	737,318
Return on government securities	1,175,416	4,874,132
Return on TFCs	161,355	162,016
Dividend income	-	205,590
	1,548,875	5,979,056

		2010 Rupees	2009 Rupees
16. PREPAYMENTS			
Re-insurance premium ceded		34,922,211	24,736,432
Other		1,132,945	196,599
		36,055,156	24,933,031
17. SUNDRY RECEIVABLES			
Advances - secured			
To staff		14,058	31,753
Unsecured			
Long term security deposit		1,132,742	1,132,742
Advances to suppliers		187,884	17,800
Receivable from employee gratuity fund	25	71,501	325,632
Miscellaneous receivables		239,735	968,828
		1,645,920	2,476,755

18 FIXED ASSETS

18.1 Tangible

	Furniture and fixtures	Office equipment	Motor vehicles	Computers and related accessories	Electrical installations	Total
	(Rupees)					
At January 01, 2009						
Cost	6,329,128	4,421,654	17,908,644	6,500,387	2,062,339	37,222,152
Accumulated depreciation	(3,583,780)	(3,143,781)	(12,999,505)	(4,945,190)	(994,771)	(25,667,027)
Net book value	2,745,348	1,277,873	4,909,139	1,555,197	1,067,568	11,555,125
Year ended December 31, 2009						
Opening net book value	2,745,348	1,277,873	4,909,139	1,555,197	1,067,568	11,555,125
Additions	9,595	-	-	379,658	-	389,253
Disposals						
Cost	-	665,200	942,815	-	-	1,608,015
Accumulated depreciation	-	665,199	917,271	-	-	1,582,470
	-	1	(25,544)	-	-	(25,545)
Depreciation charge for the year	(358,624)	(282,879)	(1,664,683)	(593,121)	(237,156)	(3,136,463)
Closing net book value	2,396,319	994,993	3,218,912	1,341,734	830,412	8,782,370
At January 01, 2010						
Cost	6,338,723	3,756,454	16,965,829	6,880,045	2,062,339	36,003,390
Accumulated depreciation	(3,942,404)	(2,761,461)	(13,746,917)	(5,538,311)	(1,231,927)	(27,221,020)
Net book value	2,396,319	994,993	3,218,912	1,341,734	830,412	8,782,370
Year ended December 31, 2010						
Opening net book value	2,396,319	994,993	3,218,912	1,341,734	830,412	8,782,370
Additions	551,917	287,208	3,698,000	574,904	123,507	5,235,536
Disposals						
Cost	-	-	1,984,615	-	-	1,984,615
Accumulated depreciation	-	-	1,984,615	-	-	1,984,615
	-	-	-	-	-	-
Depreciation charge for the year	(345,223)	(315,501)	(1,783,532)	(513,374)	(247,348)	(3,204,978)
Closing net book value	2,603,013	966,700	5,133,380	1,403,264	706,571	10,812,927
At December 31, 2010						
Cost	6,890,640	4,043,662	18,679,214	7,454,949	2,185,846	39,254,311
Accumulated depreciation	(4,287,627)	(3,076,962)	(13,545,835)	(6,051,685)	(1,479,275)	(28,441,384)
Net book value	2,603,013	966,700	5,133,380	1,403,264	706,571	10,812,927
Rate of depreciation	10%	10 - 20%	20%	20%	15%	

18.2 Intangible

	Computer Softwares	
	2010	2009
At January 01		
Cost	1,932,000	-
Accumulated amortization	(289,800)	-
	1,642,200	-
Year ended December 31		
Opening net book value	1,642,200	-
Addition	479,912	1,932,000
Disposal	-	-
Amortization charge for the year	(639,589)	(289,800)
Closing net book value	1,482,523	1,642,200
At December 31		
Cost	2,411,912	1,932,000
Accumulated amortization	(929,389)	(289,800)
Net book value	1,482,523	1,642,200
Rate of amortization	30%	

18.3 Depreciation charged during the year is allocated as follows:

		2010 Rupees	2009 Rupees
Management expenses	19	2,179,385	2,331,370
General and administrative expenses	21	1,025,593	1,097,116
		3,204,978	3,428,486

18.4 Amortization charged during the year is allocated as follows:

Management expenses	19	434,921	197,064
General and administrative expenses	21	204,668	92,736
		639,589	289,800

18.5 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Disposal proceed	Gain (Loss)	Mode of disposal	Disposal to
Honda accord	1,984,615	1,984,615	-	95,600	95,600	Negotiation	Khawaja Nazer Ahmed
2010	1,984,615	1,984,615	-	95,600	95,600		
2009	1,608,015	1,582,470	25,545	337,000	311,455		

		2010 Rupees	2009 Rupees
19. MANAGEMENT EXPENSES			
Salaries, wages and other benefits		22,039,440	18,089,121
Bonus		-	273,753
Rent, rates, taxes and electricity		4,400,158	6,561,510
Legal and professional charges		1,433,544	1,572,227
Repair and maintenance		2,659,930	1,247,414
Communication		1,401,218	918,785
Printing and stationery		1,282,832	702,976
Travelling and conveyance		996,605	1,328,952
Subscription		-	370,840
Pre-inspection fee		-	8,350
Miscellaneous expenses		957,601	1,245,022
Depreciation	18.3	2,179,385	2,132,795
Amortization	18.4	434,921	197,064
		37,785,633	34,648,809

20. OTHER INCOME

Interest on saving accounts		489,511	1,758,837
Gain on disposal of fixed assets	18.5	95,599	311,455
Liabilities no longer required written back		-	3,532,476
Interest on TDRs		5,660,753	-
Miscellaneous income		362,304	226,365
		6,608,167	5,829,133

21. GENERAL AND ADMINISTRATION EXPENSES

Salaries, wages and benefits		9,994,002	8,314,462
Bonus		-	128,825
Rent, rates, taxes and electricity		2,070,662	3,087,770
Legal and professional charges		674,609	743,801
Repairs and maintenance		286,550	587,018
Communication		483,461	432,369
Printing and stationery		603,686	330,812
Travelling and conveyance		468,991	625,389
Subscriptions		965,181	174,513
Miscellaneous expenses		300,538	190,773
Directors fee		377,500	198,065
Advertisement and sales promotion		-	229,590
Workers' welfare fund		13,945	-
Depreciation	18.3	1,025,593	1,003,668
Amortization	18.4	204,668	92,736
Auditors' remuneration	21.1	374,407	372,203
		17,843,793	16,511,994

21.1 Auditors' remuneration

Audit fee		150,000	150,000
Half yearly		80,000	-
Other certification		85,000	165,000
Out of pocket expenses		59,407	57,203
		374,407	372,203

22. TAXATION

	Note	2010 Rupees	2009 Rupees
Current		907,189	846,643
Deferred		(127,941)	(25,567)
	22.1	779,248	821,076

22.1 Reconciliation between tax expense and accounting profit

	2010	2009
Profit/(loss) before taxation	3,202,573	(7,737,484)
Tax at the applicable rate of 35%	1,120,901	(2,708,118)
Tax effect of expenses not admissible	-	105,730
Tax effect of dividend income taxed at lower rate	(3,092,487)	(2,116,607)
Tax impact of business loss	2,804,963	5,596,750
Difference due to deductable difference	(54,129)	(56,678)
Tax expense for the year	779,248	821,076

23. EARNINGS PER SHARE - BASIC AND DILUTED

	2010	2009
Profit/(loss) after tax attributable to ordinary shareholders - Rupee	2,423,325	(8,558,560)
	Number of shares	
Weighted average number of ordinary shares issued and subscribed	30,360,000	20,434,082
	Rupees	
Earnings/(loss) per share - basic and diluted	0.08	(0.42)

23.1 There were no convertible dilutive potential shares outstanding on December 31, 2010.

24. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise the Parent company (State Life Insurance Corporation of Pakistan), the directors, the executives, key management personnel, gratuity fund and provident fund. The Company in the normal course of business carries out transactions at arm's length with its related parties. Following are the transactions with related parties:

Transactions	2010	2009
Rent paid (Parent company)	2,302,856	3,648,876
Right shares issued at par (Parent company)	-	101,195,970
Contribution to provident fund	521,700	571,444
Contribution to gratuity fund	325,632	1,832,476
Remuneration to key management personnel (refer note 26)		
	Number of shares	
Bonus shares issued (Parent company)	-	3,563,049

25. STAFF RETIREMENT GRATUITY

25.1 General description

The Company operates a funded gratuity scheme for its permanent staff who have completed the qualifying period under the scheme. The funded scheme is administered by the trustees and contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2010, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains and losses are recognized on the basis of actuarial recommendations.

25.2 Principal actuarial assumptions

	2010	2009
	% per annum	
Following principal actuarial assumptions were used for the valuation:		
Discount rate	14.50%	12.75%
Expected return on plan assets	14.50%	12.25%
Future salary increase	14.00%	12.75%

25.3 Movement in the receivable recognized in the balance sheet

	Note	Rupees (2010)	Rupees (2009)
Receivable at the beginning of the year		(325,632)	(1,832,476)
Charge for the year	25.5	(71,501)	(325,632)
Transfer from the fund		325,632	1,832,476
(Surplus)		(71,501)	(325,632)

25.4 Gratuity asset

	2010	2009
Present value of funded obligations	5,842,417	5,503,177
Fair value of plan assets	(9,419,419)	(8,801,448)
	(3,577,002)	(3,298,271)
Unrecognized actuarial gain	3,505,501	2,972,639
	(71,501)	(325,632)

25.5 Gratuity scheme expense

	2010 Rupees	2009 Rupees
Current services cost	464,333	392,229
Interest cost	699,043	836,575
Expected return on plan assets	(1,085,414)	(1,400,624)
Amortization of actuarial gain	(149,463)	(153,812)
	(71,501)	(325,632)

	2010	2009
25.6 The actual return on plan assets	1,543,563	420,506

25.7 Historical results

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	5,842,417	5,503,177	6,443,680	6,214,783	5,381,392
Fair value of plan assets	9,419,419	8,801,448	10,562,943	11,141,839	10,977,355
(Deficit) / Surplus	3,577,002	3,298,271	4,119,263	4,927,056	5,595,963
Gain / (Loss) on plan liabilities due to experience adjustment	224,176	1,819,782	(1,064,132)	638,028	65,448
Gain / (Loss) on plan assets	458,149	(980,118)	152,124	(199,714)	(82,172)

26. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive		Directors		Total	
	2010	2009	2010	2009	2010	2009
	------------------	------------------	------------------	Rupees	------------------	------------------
Managerial remuneration	1,311,360	1,419,711	-	-	1,311,360	1,419,711
Directors' fee	-	-	377,500	198,065	377,500	198,065
	1,311,360	1,419,711	377,500	198,065	1,688,860	1,617,776
Number of persons	1	1	6	6		

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

27 SEGMENT REPORTING

The following presents segment revenue and profit information for the years ended December 31, 2010 and December 31, 2009 and estimated information regarding certain assets and liabilities as at December 31, 2010 and December 31, 2009.

	Fire and property		Marine, aviation & transport		Motor		Accident and health		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue												
Net premium revenue	8,265,614	8,950,757	2,564,202	3,386,907	40,662,183	39,868,777	3,884,795	6,359,115	3,722,581	2,945,592	59,099,375	61,511,148
Segment results	(9,229,088)	(12,856,087)	(1,842,462)	(3,974,365)	(15,008,634)	(10,475,895)	(1,034,260)	1,480,526	27,865	(443,949)	(27,086,579)	(26,269,770)
Investment income											41,524,778	29,215,147
Other income											6,608,167	5,829,133
General and administration expenses											(17,843,793)	(16,511,994)
											30,289,152	18,532,286
(Loss) / Profit before tax											3,202,573	(7,737,484)
Provision for taxation											(779,248)	(821,076)
Loss after tax											2,423,325	(8,558,560)
Other information												
Segment assets	104,696,626	88,109,608	46,823,574	39,628,687	35,445,505	38,829,454	421,587	135,496	17,117,931	12,377,718	204,505,223	179,080,963
Unallocated corporate assets											442,307,082	405,624,484
Consolidated total assets											646,812,305	584,705,447
Segment liabilities	90,398,028	90,635,588	47,873,257	43,601,535	89,390,378	62,472,628	2,542,002	1,267,216	11,746,556	8,860,773	241,950,221	206,837,740
Unallocated corporate liabilities											77,209,480	52,638,428
Consolidated total liabilities											319,159,701	259,476,168
Capital expenditure (including intangible)											5,715,448	1,889,253
Depreciation / Amortization											3,844,567	3,426,263

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 Financial risk management objectives and policies

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

28.1.1 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.

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

The table below summarizes the Company's equity price risk as of December 31, 2010 and 2009 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. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity*	Hypothetical increase / (decrease) in profit / (loss) before tax*
December 31, 2010	151,170,638	10% increase	166,287,702	-	-
		10% decrease	136,053,574	-	-
December 31, 2009	135,820,654	10% increase	149,402,719	-	-
		10% decrease	122,238,589	-	-

*As per requirements of Insurance Ordinance 2000, equities are stated at cost. Therefore change in market value does not affect shareholders' equity and profit and loss account.

28.1.2 Yield / Mark-up rate risk

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

	2010							
		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								
Cash and bank deposits	5 - 17%	21,586,612	-	21,586,612	3,020,148	-	3,020,148	24,606,760
Investments	9.5 - 15.01 %	248,640,805	39,515,369	288,156,174	44,134,713	-	44,134,713	332,290,887
Premium due but unpaid		-	-	-	73,427,578	-	73,427,578	73,427,578
Amount due from other insurers / reinsurers		-	-	-	39,077,559	-	39,077,559	39,077,559
Accrued investment income		-	-	-	1,548,875	-	1,548,875	1,548,875
Reinsurance recoveries		-	-	-	85,261,352	-	85,261,352	85,261,352
Sundry receivables		-	-	-	1,645,920	-	1,645,920	1,645,920
		270,227,417	39,515,369	309,742,786	248,116,145	-	248,116,145	557,858,931
Financial liabilities								
Provision for outstanding claims		-	-	-	161,280,839	-	161,280,839	161,280,839
Amount due to other insurers / reinsurers		-	-	-	24,617,854	-	24,617,854	24,617,854
Accrued expenses		-	-	-	14,625,641	-	14,625,641	14,625,641
Other creditors and accruals		-	-	-	35,625,139	-	35,625,139	35,625,139
Dividend payable		-	-	-	3,095,475	-	3,095,475	3,095,475
		-	-	-	239,244,948	-	239,244,948	239,244,948
Total yield / mark-up rate risk sensitivity gap 2010		**270,227,417**	**39,515,369**	**309,742,786**	**8,871,197**	**-**	**8,871,197**	**318,613,983**

	2009							
		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								
Cash and bank deposits	2 - 17%	139,428,778	-	139,428,778	5,457,293	-	5,457,293	144,886,071
Investments	9.5 - 15.01%	116,806,314	37,956,349	154,762,663	40,839,303	-	40,839,303	195,601,966
Premium due but unpaid		-	-	-	52,932,608	-	52,932,608	52,932,608
Amount due from other insurers / reinsurers		-	-	-	21,893,791	-	21,893,791	21,893,791
Accrued investment income		-	-	-	5,979,056	-	5,979,056	5,979,056
Reinsurance recoveries		-	-	-	92,863,437	-	92,863,437	92,863,437
Sundry receivables		-	-	-	2,476,755	-	2,476,755	2,476,755
		256,235,092	37,956,349	294,191,441	222,442,243	-	222,442,243	516,633,684
Financial liabilities								
Provision for outstanding claims		-	-	-	152,235,711	-	152,235,711	152,235,711
Amount due to other insurers / reinsurers		-	-	-	13,177,341	-	13,177,341	13,177,341
Accrued expenses		-	-	-	8,212,772	-	8,212,772	8,212,772
Other creditors and accruals		-	-	-	28,146,429	-	28,146,429	28,146,429
Dividend payable		-	-	-	3,101,886	-	3,101,886	3,101,886
		-	-	-	204,874,139	-	204,874,139	204,874,139
Total yield / mark-up rate risk sensitivity gap 2009		256,235,092	37,956,349	294,191,441	17,568,104	-	17,568,104	311,759,545

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 loss before tax		Effect on equity	
December 31, 2010	**100**	**(100)**	**3,097,428**	**(3,097,428)**	**3,097,428**	**(3,097,428)**
December 31, 2009	100	(100)	2,941,914	(2,941,914)	2,941,914	(2,941,914)

28.1.3 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.

28.1.4 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:

	2010 Rupees	2009 Rupees
Bank deposits	23,929,869	144,159,524
Investments	332,290,887	195,601,966
Premium due but unpaid	73,427,578	52,932,608
Amount due from other insurers / reinsurers	39,077,559	21,893,791
Accrued investment income	1,548,875	5,979,056
Reinsurance recoveries against outstanding claims	85,261,352	92,863,437
Sundry receivables	1,645,920	2,476,755

General provision is made for receivables according to the Company's policies. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default.

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

	Rating Short term	Rating Long term	Rating Agency	2010 Rupees	2009 Rupees
Allied Bank Limited	A1+	AA	PACRA	401,004	819,651
Bank Al-falah Limited	A1+	AA	PACRA	-	90,000,000
Citi Bank Limited	-	-	-	-	127,297
Deutsche Bank Limited	-	-	-	-	111,967
Faysal Bank Limited	A1+	AA	PACRA	1,124,988	813,943
First Women Bank Limited	A2	BBB+	-	-	8,739
Habib Bank Limited	A-1+	AA+	JCR-VIS	13,012	70,941
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	62,746	14,832
Industrial Development Bank of Pakistan	-	-	-	-	38,550
JS Bank Limited	A1	A	PACRA	307,242	350,215
MCB Bank Limited	A1+	AA+	PACRA	827,349	181,039
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,550,593	1,142,320
NIB Bank Limited	A1+	AA-	PACRA	446,090	24,562,949
Pak Oman Investment Company Limited	A-1+	AA+	JCR-VIS	12,000,000	22,000,000
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	526,753	3,330,539
Soneri Bank Limited	A-1+	AA-	PACRA	751,057	133,423
United Bank Limited	A-1+	AA+	JCR-VIS	5,919,035	453,119
				23,929,869	144,159,524

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	2010	2009
	------------------------(Rupees)------------------------				
A or above (including Pakistan Reinsurance Company Limited)	31,804,450	85,261,352	-	117,065,802	116,288,020
BBB	798,139	-	-	798,139	798,139
Others	6,474,970	-	-	6,474,970	2,113,753
Total	39,077,559	85,261,352	-	124,338,911	119,199,912

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

	2010			
	Within one year	Over one year to five years	Over five years	Total
Financial liabilities	------------------------(Rupees)------------------------			
Provision for outstanding claims	161,280,839	-	-	161,280,839
Amount due to other insurers/reinsurers	24,617,854	-	-	24,617,854
Accrued expense	14,625,641	-	-	14,625,641
Unclaimed dividend	3,095,475	-	-	3,095,475
Other creditors and accruals	35,625,139	-	-	35,625,139
	239,244,948	-	-	239,244,948

	2009			
	Within one year	Over one year to five years	Over five years	Total
	------------------------(Rupees)------------------------			
Financial liabilities				
Provision for outstanding claims	152,235,711		-	152,235,711
Amount due to other insurers/reinsurers	13,177,341		-	13,177,341
Accrued expense	8,212,772		-	8,212,772
Unclaimed dividend	3,101,886		-	3,101,886
Other creditors and accruals	28,146,429		-	28,146,429
	204,874,139	-	-	204,874,139

28.2 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.

The Company's class wise major risk exposure is as follows:

	2010 Maximum gross risk exposure	2009 Maximum gross risk exposure
	Rupees in million	
Fire and property	**19,516**	17,880
Marine, aviation and transport	**7,800**	7,146
Motor	**940**	887
Accidental, health and others	**1,587**	1,526

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 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 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 recognized 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 initial recognized 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.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net off reinsurance loss ratios for each class of business is as follows:

Class	Assumed net loss ratio 2010	Assumed net loss ratio 2009
Fire and property	60%	60%
Marine, aviation and transport	55%	55%
Motor	65%	65%
Accidental, health and others	60%	60%

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 recognized 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 off reinsurance.

	Pre tax profit / (loss)		Shareholders' equity	
	2010	2009	2010	2009
10% increase in loss	(4,520,487)	(5,427,144)	(4,520,487)	(5,427,144)
10% decrease in loss	4,520,487	5,427,144	4,520,487	5,427,144

Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

28.3 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, both proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a catastrophe. Apart from the adequate event limit, any loss over and above the said limit would be recovered from the non-proportional treaty which is considered adequate by the Company. In compliance with the regulatory requirements, the reinsurance arrangements are duly submitted to the SECP.

The risk by type of contract is summarized below:

	Gross exposure		Net exposure	
	2010	2009	2010	2009
Fire and property	19,516	17,880	3,903	3,576
Marine, aviation and transport	7,800	7,146	1,560	1,429
Motor	940	887	799	754
Accidental, health and others	1,587	1,526	317	305
	29,843	27,439	6,580	6,064

28.4 Geographical concentration of insurance risk

To optimize 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 insureds.

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

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, difference may arise between the carrying values and the fair values estimates.

The carrying value of the financial instruments reported in the financial statements approximates their fair value except that investments have a higher market value as stated in note 13.4.

30 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.

31 DATE OF AUTHORIZATION

These financial statements were authorized for issue on April 5, 2011 by the Board of Directors of the Company.

Chief Executive | Chairman | Director | Director

Pattern of Shareholding

As at December 31, 2010

Number of Shareholders	Shareholdings From	Shareholdings To		Total Shares Held
3	1	100	193	193
2	101	500	761	568
15	501	1,000	13,045	12,284
18	1,001	5,000	62,291	49,246
20	5,001	10,000	195,214	132,923
22	10,001	25,000	494,789	299,575
5	25,001	50,000	642,535	147,746
7	50,001	75,000	1,072,651	430,116
3	75,001	100,000	1,306,687	234,036
1	102,615	102,615	1,408,302	101,615
4	202,400	202,400	2,217,902	809,600
1	207,255	207,255	2,425,157	207,255
1	27,934,843	27,934,843	30,360,000	27,934,843
102				30,360,000

Number of Shareholders	Category of Shareholders	Total Shares Held	Percentage %
101	Indivuduals	2,425,157	7.99%
1	Others: State Life Insurance Corporation of Pakistan	27,934,843	92.01%
102		30,360,000	100.00%

Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan

REGIONAL OFFICES

NORTHERN REGION
Ground Floor, State Life Building-5,
China Chowk, Jinnah Avenue,
Blue Area, Islamabad.

Ph: 051-2277803, 051-2274032-34
Fax: 051-2274964
E-mail: raza@alphainsurance.com.pk

CORPORATE REGION
2nd floor, State Life Building # 8,
Kashmir Road,
Rawalpindi Cantt.

Ph: 051-5568349, 051-5562249
Fax: 051-5519201
E-mail: manzoor@alphainsurance.com.pk

CENTRAL REGION
Cooperative Building,
23-Shahrah-e-Quaid-e-Azam,
Lahore.

Ph: 042-37232136-7
Fax: 042-37232138
E-mail:
aslamsabir@alphainsurance.com.pk

SOUTHERN REGION
State Life Building, Thandi Sarak,
Hyderabad

Ph: 022-2621938
Fax: 022-2618867
E-mail: abro@alphainsurance.com.pk

BRANCHES

RUBY CENTER, KARACHI
Suit # 21, Ist Floor, Ruby Center,
Opp: City Post Office, Talpur Road,
Karachi.
Ph: 021-32429151, 021-32425547
Fax: 021-32435142

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

UNI PLAZA, KARACHI
10th Floor, Room # 1008,
Uni Plaza
Karachi.
Tel: 32429761-2
Fax: 32429761

HYDERABAD
Church Building, Tilak Incline,
Hyderabad
Ph: 022-2126938

QUETTA
11-A, Swiss Plaza, Jinnah Road,
Quetta
Ph: 081-2846141

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

NAWABSHAH (Representative)
H.No.702,
Nouabad,
Nawabshah
Ph: 0312-3363063

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

MULTAN
Hazvari Arcade, Kutchery Road
Multan
Tel: 061- 4510694
Fax: 061-4541649

FAISALABAD
- 6th Floor, State Life Building, Liaquat Road, Faisalabad
  Ph: 041-2640383
  Fax: 041-2640384
- Room # 5, Ist Floor, Ayub Plaza, Faisalabad
  Ph: 041-2640455

BAHAWALPUR
Ist Floor, Shah Din Plaza, Outside Farid
Road, Stadium Road, Bahawalpur.
Ph: 062-2874236
Fax: 062-2875137

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

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

RAWALPINDI
2nd Floor, State Life Building # 8,
Kashmir Road, Rawalpindi.
Ph: 051-5568349, 051-5562249
Fax: 051-5519201

PESHAWAR
- Room # 7, Ist Floor, Khair Mohammad Plaza, Opp: State Bank of Pakistan, Peshawar Cantt.
  Ph: 091-5261691
  Fax: 091-5261692
- Masood Building, Saddar Road, Near Jinnah Street, Peshawar Cantt.
  Ph: 091-5279449
  Fax: 091-5279414

MIRPUR (AZAD KASHMIR)
Adam & Adil Plaza,
2nd Floor, F-1, Kotli Road,
Mirpur (AK)
Ph: 0582-7210429

JHELUM
6-A/2, Nawaz Road
Jehlum Cantt.
Ph: 0544-612295

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 Fifty Eight Annual General Meeting of the Company to be held on 30th day of April, 2011 at 11:00 a.m. at Company's Head Office, 2nd Floor, Building No. 1-B, State Life Square, off. I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this...day of... 2011

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.