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

Contents

Company Information

BOARD OF DIRECTORS

MR. SHAHID AZIZ SIDDIQI
CHAIRMAN

SYED YAWAR ALI
DIRECTOR

MR. RASHEED Y. CHINOY
DIRECTOR

MR. MAUDOOD AHMAD LODHI
DIRECTOR

MRS. YASMIN SAUD
DIRECTOR

MR. MUHAMMAD ARIF KHAN
DIRECTOR

MR. UMAIR KHAN
MANAGING DIRECTOR/CEO

COMPANY SECRETARY

MR. MOHAMMAD IMTIAZ A. AZIZ

BOARD COMMITTEES

AUDIT COMMITTEE

MR. RASHEED Y. CHINOY
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MRS. YASMIN SAUD
MEMBER

MR. MUHAMMAD ARIF KHAN
MEMBER

HUMAN RESOURCE COMMITTEE

MR. RASHEED Y. CHINOY
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MRS. YASMIN SAUD
MEMBER

MR. UMAIR KHAN
MEMBER

BUSINESS PLAN COMMITTEE

SYED YAWAR ALI
CHAIRMAN

MR. RASHEED Y. CHINOY
MEMBER

MRS. YASMIN SAUD
MEMBER

MR. UMAIR KHAN
MEMBER

UNDERWRITING COMMITTEE

MR. UMAIR KHAN
CONVENOR

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. M. ASLAM SABIR
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. KHALID MEHMOOD
MEMBER

CLAIMS SETTLEMENT COMMITTEE

MR. UMAIR KHAN
CONVENOR

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. MOHAMMAD IMTIAZ A. AZIZ
MEMBER

MR. ANSAR HUSSAIN
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. SABIR ALI
MEMBER/SECRETARY

REINSURANCE & CO-INSURANCE COMMITTEE

MR. UMAIR KHAN
CONVENOR

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. M. ASLAM SABIR
MEMBER

MR. GEORGE ANTHONY
MEMBER

MR. KHALID MEHMOOD
MEMBER

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Insurance Company Limited.
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Company Information

MANAGEMENT

MR. UMAIR KHAN
Managing Director/CEO

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

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

MR. ANSAR HUSSAIN
General Manager
(Finance and Investment)

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

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

MR. MANZOOR AHMED
General Manager & Regional Chief
Corporate Region

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

MR. MALIK AMIR AHMED
Assistant General Manager (Finance)

MR. GEORGE ANTHONY
Assistant General Manager
(Reinsurance)

MR. MOHAMMAD FAROOQ
Assistant General Manager
(Underwriting)

MISS. FAIZA KHALID
Manager (Internal Auditor)

MR. KHALID MEHMOOD
Manager (Underwriting)

MR. SABIR ALI
Manager (Claims)

MR. MALIK BASHIR AHMAD
Manager (HR & Admin)

AUDITORS

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

LEGAL CONSULTANTS

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

TAX CONSULTANTS

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

BANKERS

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

REINSURERS

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

REGISTERED OFFICE

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

Financial Highlights Ten Years At A Glance

(Rupees in '000)

	2011	2010 (Restated)	2009 (Restated)	2008	2007	2006	2005	2004	2003	2002
Paid Up Capital	303,600	303,600	303,600	161,920	121,440	101,200	88,000	88,000	80,000	80,000
Reserves & Funds	296,639	261,810	221,554	262,999	342,941	280,562	234,920	210,784	230,256	240,815
Investments, Cash & Bank Balances	393,184	356,898	340,488	243,880	268,732	223,910	196,017	177,427	153,469	141,561
Gross Premium	155,043	139,767	109,245	118,809	147,918	168,739	139,689	128,982	105,943	118,668
Retained Premium	74,277	59,099	61,511	77,039	99,501	109,740	85,729	64,194	59,600	59,752
Claims Incurred	51,839	46,514	44,796	48,543	61,658	58,618	47,805	26,663	31,284	34,900
Investments and Miscellaneous Income	64,098	48,133	35,044	30,254	95,125	28,457	23,062	14,939	20,683	17,542
Profit / (Loss) Before Tax	4,876	(255)	(1,596)	2,870	86,487	36,784	28,007	21,574	17,317	5,499
Profit / (Loss) After Tax	17,848	(1,034)	(2,417)	(17,486)	84,023	27,666	18,044	13,542	11,735	567
Dividend - Cash	-	-	-	-	5%	5%	12.50%	12.50%	-	-
Stock	-	-	25%	-	33%	20%	15%	-	10%	-
Underwritting Profit / (Loss)	(38,580)	(30,544)	(20,128)	(9,723)	4,453	22,265	16,481	18,426	7,300	(7,785)

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

LLOYD'S REGISTER QUALITY ASSURANCE · ISO9001

UKAS MANAGEMENT SYSTEMS 001

OUR QUALITY POLICY

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

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

Notice of Annual General Meeting

Notice is hereby given that Sixtieth Annual General Meeting of Alpha Insurance Company Limited will be held on Monday, April 30, 2012 at 11:30 a.m. at the Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, off I. I. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Fifty Ninth Annual General Meeting held on April 30, 2011.

2. To receive, consider and adopt Directors' report and Audited Financial Statements of the Company for the year ended December 31, 2011 including restated figures of 2009 and 2010 together with the Auditors' report thereon.

3. To appoint the auditors for the year 2012 and fix their remuneration.

4. To consider and approve out of pocket Expenses of the auditors for the year 2011.

By Order of the Board

Mohammad Imtiaz A. Aziz
Company Secretary & CFO

Karachi: April 9, 2012

Notes:

1. The share transfer Books of the Company will remain closed from April 21, 2012 to April 30, 2012 (both days inclusive)

2. A member entitled to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting.

3. The instrument appointing a proxy must be received at the Head Office of the Company at 4th Floor, Building No. 1-B, State Life Square, off. I. I. Chundrigar Road, Karachi not later than 48 hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxies shall be rendered invalid.

4. Change of address, if any, should be notified immediately to the Company at 4th Floor, Building No. 1-B, State Life Square, off. I .I. Chundrigar Road, Karachi.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of corporate governance 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 or waiver for notice period was approved by the board. The minutes of the meetings were appropriately recorded and circulated.

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

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

10. 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, except for the half yearly review of financial statements for the half year ended June 30, 2011, by the external auditors of the Company.

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 four members, all of whom are non-executive Directors including the Chairman of the Committee.

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

18. The Company has established Internal Audit Department and hired Manager 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.

Umair Khan
Managing Director & CEO

Report of the Directors to the Members

The Directors of your company take pleasure in presenting Sixtieth Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2011.

Financial Results

	(Rupees)	
	2011	2010 (Restated)
Gross premium	155,043,460	139,767,189
Net Premium earned	74,277,048	59,099,375
Underwriting results (Loss)	(38,580,070)	(30,543,722)
Profit / (Loss) before tax	4,876,209	(254,570)
Profit / (Loss) after tax	17,848,371	(1,033,818)
Profit available for appropriation	34,410,152	16,561,781

Gross premium has increased by 10.93% 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 and provision against doubtful debts. However, the Company has made pre tax profit of Rs. 4,876,209 and after tax profit of Rs. 17,848,371 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 negative outlook.

The Board is confident that ultimate outcome of contingencies mentioned in note 11 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. 0.59 as against Loss per share of Rs. (0.03) in 2010 (Restated).

Auditors

M/s A. F. Ferguson & Co. Chartered Accountants, on completion of their tenure, being eligible, offer themselves for reappointment as Auditors of the Company. On recommendation of Audit Committee the Board proposes to appoint them for the year 2012.

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 six meetings. Attendance by each Director was as follows:

S. No.	Name of the Director	Attendance
1	Mr. Shahid Aziz Siddiqi	4
2	Mr. Mahmood Hashmi (Expired)	4
3	Syed Yawar Ali	2
4	Mr. Rasheed Y. Chinoy	4
5	Mr. Shoaib Mir (Resigned)	5
6	Mr. Ansar Hussain	6
7	Mr. Maudood Ahmad Lodhi	1
8	Mrs. Yasmin Saud	0
9	Mr. Nasir Javed Khan (Resigned)	4
10	Mr. Umair Khan	1

During the year Board welcomed Mr. Maudood Ahmad Lodhi, Mrs. Yasmin Saud on their Co-option as Directors and Mr. Umair Khan on his appointment as Managing Director & Chief Executive Officer of the Company. The Directors wish to place on record their appreciation of valuable contributions made by outgoing Directors Late Mr. Mahmood Hashmi, Mr. Shoaib Mir and Managing Director & Chief Executive Officer Mr. Nasir Javed Khan.

Employees Provident and Gratuity Funds

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

Provident Fund	23,970,450
Gratuity Fund	8,552,091

Pattern of Share Holdings

Pattern of share holdings is enclosed in this annual report.

Ten Years Key Data

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

Our thanks are due to our valued clients for placing confidence in the Company. Our thanks are also due to the Securities & Exchange Commission of Pakistan, The Insurance Association of Pakistan, State Bank of Pakistan and all our foreign correspondents and reinsurers, 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, 2012

A.F . FERGUSON & CO.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Alpha Insurance Limited (the Company) to voluntarily comply with the Code of Corporate Governance relevant to unlisted insurance companies, issued by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

Chartered Accountants
Karachi: April 6, 2012

Auditors' Report to the Members of Alpha Insurance Company Limited

We have audited the annexed financial statements comprising of:

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

of **Alpha Insurance Company Limited** as at December 31, 2011 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

(a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000;

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company;

(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, 2011, and of its financial performance and its cash flows for the year then ended, in accordance with the approved accounting standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

Other matter

The financial statements of the Company for the year ended December 31, 2010 were audited by another firm of Chartered Accountants. Their audit report dated April 5, 2011 included an emphasis of matter paragraph in respect of contingencies, the ultimate outcome of which was not certain.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Karachi: April 6, 2012

Balance Sheet
As at December 31, 2011

	Note	2011 Rupees	2010 Rupees (Restated)	2009 Rupees (Restated)
SHARE CAPITAL AND RESERVES				
Authorised share capital				
[50,000,000 (2010: 50,000,000)				
Ordinary shares of Rs.10/- each]		500,000,000	500,000,000	500,000,000
Issued, subscribed and paid-up share capital	8			
[30,360,000 (2010: 30,360,000)				
Ordinary shares of Rs.10/- each]		303,600,000	303,600,000	303,600,000
Retained earnings		34,410,152	16,561,781	17,595,599
Reserves		10,175,000	10,175,000	10,175,000
TOTAL EQUITY		348,185,152	330,336,781	331,370,599
LIABILITIES				
Underwriting provisions				
Provision for outstanding claims (including IBNR)		168,164,270	150,787,031	136,957,843
Provision for premium deficiency		4,969,509	4,371,308	2,223,705
Provision for unearned premium		68,448,105	70,701,119	46,658,851
Commission income unearned		10,472,397	9,213,634	7,943,178
Total underwriting provisions		252,054,281	235,073,092	193,783,577
Creditors and accruals				
Amounts due to other insurers / reinsurers		60,329,859	24,617,854	13,177,341
Accrued expenses	9	17,205,892	14,625,641	8,212,772
Other creditors and accruals	10	37,686,627	35,625,139	28,146,429
		115,222,378	74,868,634	49,536,542
Unclaimed dividend		3,095,475	3,095,475	3,101,886
TOTAL LIABILITIES		370,372,134	313,037,201	246,422,005
TOTAL EQUITY AND LIABILITIES		718,557,286	643,373,982	577,792,604
CONTINGENCIES AND COMMITMENTS	11			

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive | Chairman | Director | Director

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

Balance Sheet

As at December 31, 2011

	Note	2011 Rupees	2010 Rupees	2009 Rupees
			------------ Restated	-------------
ASSETS				
Cash and bank deposits	12			
Cash and other equivalent		162,904	226,336	35,992
Current and other accounts		7,411,377	11,929,869	10,659,524
Deposits maturing within 12 months		12,000,000	12,450,555	134,190,555
		19,574,281	24,606,760	144,886,071
Investments	13	373,610,004	332,290,887	195,601,966
Other assets				
Premiums due but unpaid	14	72,863,590	73,427,578	52,932,608
Amounts due from other insurers / reinsurers	15	47,351,282	39,077,559	21,893,791
Accrued investment income	16	1,476,448	1,548,875	5,979,056
Reinsurance recoveries against outstanding claims	17	81,392,921	81,823,029	85,950,594
Taxation - payments less provision		31,196,345	27,129,476	23,801,369
Deferred commission expense		13,537,791	12,981,044	8,548,486
Prepayments	18	45,386,192	36,055,156	24,933,031
Sundry receivables	19	1,065,353	1,645,920	2,476,755
		294,269,922	273,688,637	226,515,690
Deferred taxation	20	14,510,803	492,247	364,307
Fixed assets	21			
Tangible				
Furniture and fixtures		2,389,705	2,603,013	2,396,319
Office equipment		1,668,699	966,700	994,993
Computer equipment		1,138,229	1,403,264	1,341,734
Motor vehicles		3,317,100	5,133,380	3,218,912
Electrical installation		643,748	706,571	830,412
Capital work in progress	21.5	6,675,846	-	-
		15,833,327	10,812,928	8,782,370
Intangible				
Computer software		758,949	1,482,523	1,642,200
		16,592,276	12,295,451	10,424,570
TOTAL ASSETS		718,557,286	643,373,982	577,792,604

Chief Executive   Chairman   Director   Director

Profit and Loss Account
For the year ended December 31, 2011

	Note	Fire and property	Marine, aviation & transport	Motor business	Accident and health	Miscella-neous	Aggregate 2011	Aggregate 2010 Restated
		-----	-----	-----	Rupees	-----	-----	-----
Revenue account								
Net premium revenue		13,007,426	4,575,430	45,041,532	5,494,569	6,158,091	74,277,048	59,099,375
Net claims		(4,386,081)	(652,548)	(39,435,253)	(4,468,447)	(2,896,372)	(51,838,701)	(46,514,411)
Premium deficiency expense		(1,078,672)	-	475,670	4,801	-	(598,201)	(2,147,603)
Management expenses	22	(25,799,468)	(8,441,812)	(13,331,030)	(1,668,508)	(5,746,493)	(54,987,311)	(37,785,634)
Net commission		(2,000,454)	1,482,616	(4,446,837)	(564,938)	96,708	(5,432,905)	(3,195,449)
Underwriting results		(20,257,249)	(3,036,314)	(11,695,918)	(1,202,523)	(2,388,066)	(38,580,070)	(30,543,722)
Net investment income							62,431,880	47,185,531
Other income	23						1,666,070	947,414
General and administrative expenses	24						(20,641,671)	(17,843,793)
Profit / (loss) for the year before taxation							4,876,209	(254,570)
Taxation	25							
- Current							(887,352)	(907,189)
- Prior year							(159,040)	-
- Deferred							14,018,554	127,941
							12,972,162	(779,248)
Profit / (loss) for the year after taxation							17,848,371	(1,033,818)
Profit and loss appropriation account								
Balance at commencement of the year							16,561,781	17,595,599
Profit / (loss) for the year - Restated							17,848,371	(1,033,818)
Balance at end of the year							34,410,152	16,561,781
Earning / (loss) per share - basic and diluted	26						0.59	(0.03)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive   Chairman   Director   Director

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Statement of Comprehensive Income

For the year ended December 31, 2011

	2011 Rupees	2010 Rupees Restated
Profit / (loss) for the year	17,848,371	(1,033,818)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	17,848,371	(1,033,818)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive | Chairman | Director | Director

Statement of Changes in Equity
For the year ended December 31, 2011

		Capital reserves	Revenue reserves		
	Issued, subscribed and paid-up share capital	Reserve for exceptional losses *	General reserve	Retained earnings	Total shareholders' equity
	(Rupees)				
Balance as at January 1, 2010	303,600,000	3,355,000	6,820,000	11,454,279	325,229,279
Effects of restatement as referred to in note 7	-	-	-	6,141,320	6,141,320
Balance as at January 1, 2010 - Restated	303,600,000	3,355,000	6,820,000	17,595,599	331,370,599
Net profit / (loss) for the year - Restated	-	-	-	(1,033,818)	(1,033,818)
Balance as at December 31, 2010 - Restated	303,600,000	3,355,000	6,820,000	16,561,781	330,336,781
Total comprehensive income for the year					
Net profit for the year	-	-	-	17,848,371	17,848,371
Balance as at December 31, 2011	**303,600,000**	**3,355,000**	**6,820,000**	**34,410,152**	**348,185,152**

* 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 37 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Cash Flows

For the year ended December 31, 2011

	Note	2011 Rupees	2010 Rupees
Operating Cash Flows			
a) Underwriting activities			
Premiums received		155,607,448	119,272,219
Reinsurance premiums paid		(57,310,558)	(55,370,812)
Claims paid		(57,938,768)	(65,570,674)
Reinsurance and other recoveries received		23,907,414	37,013,016
Commission paid		(30,790,650)	(25,199,700)
Commission received		17,039,938	1,740,473
Other underwriting payments		(45,893,269)	(31,017,286)
Net cash flow (used in) underwriting activities		4,621,555	(19,132,764)
b) Other operating activities			
Income tax paid		(5,113,261)	(4,235,296)
General management expenses paid		(21,596,833)	(14,596,370)
Operating payments		(1,191,606)	(755,962)
Operating receipts		5,499,304	8,664,923
Net cash flow (used in) other operating activities		(22,402,396)	(10,922,705)
Total cash flow (used in) all operating activities		(17,780,841)	(30,055,469)
Investment activities			
Profit / return received		40,965,314	39,487,555
Dividend received		7,708,956	9,041,268
Payments for investments		(516,802,678)	(404,597,006)
Proceeds from disposal of investments		489,764,153	271,710,600
Fixed capital expenditure		(8,436,828)	(5,715,448)
Proceeds from disposal of fixed assets		-	95,600
Total cash flow (used in) investing activities		13,198,917	(89,977,431)
Financing activities			
Dividend paid		-	(6,411)
Proceeds from issue of right shares		-	-
Total cash flow (used in) from financing activities		-	(6,411)
Net cash inflow / (outflow) from all activities		(4,581,924)	(120,039,311)
Cash at the beginning of the year		24,156,205	144,195,516
Cash at the end of the year	12	19,574,281	24,156,205

The annexed notes 1 to 37 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2011

Reconciliation to profit and loss account

	2011 Rupees	2010 Rupees Restated
Operating cash flows	(17,780,841)	(30,055,469)
Depreciation expense	(3,416,430)	(3,204,978)
Amortisation	(723,574)	(639,589)
Gain on disposal of fixed assets	-	95,600
Decrease in assets other than cash	20,653,714	51,857,259
(Decrease) in liabilities	(57,334,934)	(66,550,211)
Investment and other income	62,431,880	47,335,629
Deferred tax charge	14,018,554	127,941
Profit / (loss) after taxation	17,848,369	(1,033,818)

Definition of cash:

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

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

	2011 Rupees	2010 Rupees Restated
Cash and other equivalent	162,904	226,336
Current and other accounts	7,411,377	11,929,869
Deposits maturing within 12 months	12,000,000	12,450,555
Margins held by banks	-	(450,555)
	19,574,281	24,156,205

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Premiums
For the year ended December 31, 2011

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 2011	Net premium revenue 2010
		Opening	Closing			Opening	Closing			
	---(Rupees)---									
Direct and facultative										
Fire and property	72,744,760	32,223,453	37,142,353	67,825,860	60,568,336	27,459,732	33,209,634	54,818,434	13,007,426	8,265,614
Marine, aviation and transport	23,802,724	2,674,432	4,130,439	22,346,717	19,046,738	2,456,991	3,732,442	17,771,287	4,575,430	2,564,202
Motor	37,588,473	25,892,735	17,188,587	46,292,621	2,428,296	911,840	2,089,047	1,251,089	45,041,532	40,662,183
Accident and health	4,704,563	2,542,002	1,751,996	5,494,569	-	-	-	-	5,494,569	3,884,795
Miscellaneous	16,202,940	7,368,497	8,234,730	15,336,707	10,979,193	4,093,648	5,894,225	9,178,616	6,158,091	3,722,581
Total	155,043,460	70,701,119	68,448,105	157,296,474	93,022,563	34,922,211	44,925,348	83,019,426	74,277,048	59,099,375

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive — Chairman — Director — Director

Statement of Claims
For the year ended December 31, 2011

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 2011	Net claims expense 2010
		Opening	Closing			Opening	Closing			
	(Rupees)									
		(Restated)				(Restated)				(Restated)
Direct and facultative										
Fire and property damage	14,732,021	45,080,642	51,866,073	21,517,452	15,365,687	32,035,322	33,801,006	17,131,371	4,386,081	2,769,044
Marine, aviation and transport	4,269,805	46,810,237	43,502,983	962,551	3,415,843	42,470,117	39,364,277	310,003	652,548	1,715,632
Motor	30,913,285	56,929,990	68,248,051	42,231,346	2,768,723	5,907,664	5,935,034	2,796,093	39,435,253	38,125,722
Accident and health	4,378,233	-	90,214	4,468,447	-	-	-	-	4,468,447	3,348,817
Miscellaneous	3,645,424	1,966,162	4,456,949	6,136,211	2,357,161	1,409,926	2,292,604	3,239,839	2,896,372	555,196
Total	57,938,768	150,787,031	168,164,270	75,316,007	23,907,414	81,823,029	81,392,921	23,477,306	51,838,701	46,514,411

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive   Chairman   Director   Director

Statement of Expenses
For the year ended December 31, 2011

Business underwritten inside Pakistan

Class	Commission paid/ payable	Deferred commission expense		Commission expense	Management expenses (Refer Note 5.18 and 22)	Underwriting expenses	Commission from reinsurers (Refer Note below)	Net underwriting expenses 2011	Net underwriting expenses 2010
		Opening	Closing						
	---------------	---------------	---------------	---------------	(Rupees)	---------------	---------------	---------------	---------------
Direct and facultative									
Fire and property damage	19,054,440	8,321,548	9,851,857	17,524,131	25,799,468	43,323,599	15,523,677	27,799,922	14,826,644
Marine, aviation and transport	4,474,865	467,433	774,595	4,167,703	8,441,812	12,609,515	5,650,319	6,959,196	3,303,867
Motor	3,491,228	2,509,125	1,522,556	4,477,797	13,331,030	17,808,827	30,960	17,777,867	18,136,004
Accident and health	224,148	421,587	80,797	564,938	1,668,508	2,233,446	-	2,233,446	1,570,238
Miscellaneous	2,799,869	1,261,351	1,307,986	2,753,234	5,746,493	8,499,727	2,849,942	5,649,785	3,144,330
Total	30,044,550	12,981,044	13,537,791	29,487,803	54,987,311	84,475,114	24,054,898	60,420,216	40,981,083

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

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive	Chairman	Director	Director

Statement of Investment Income

For the year ended December 31, 2011

Income from non-trading investment	2011 Rupees	2010 Rupees
Held-to-maturity		
Return on government securities	39,377,072	27,143,414
Return on term deposit receipts	187,003	5,660,753
Return on term finance certificates	1,103,930	1,124,595
Amortisation of discount / (premium)	198,422	158,786
	40,866,427	34,087,548
Available-for-sale		
Dividend income	7,740,098	8,835,678
Gain on sales of available for sale investment	19,442,860	2,898,735
	27,182,958	11,734,413
Provision for impairment in value of investments		
Appreciation / (diminution) in value of available-for-sale investment	(5,612,823)	1,513,668
Investment related expenses	(4,682)	(150,098)
Total investment income	62,431,880	47,185,531

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Chairman Director Director

Notes to the Financial Statements
for the year ended December 31, 2011

1. STATUS AND NATURE OF BUSINESS

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

The registered office of the Company is situated at State Life Building, I. I. Chundrigar Road, Karachi. The Company has 14 (2010: 14) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan Limited holding 92.01% (2010: 92.01%) shares of the Company.

2. BASIS OF PRESENTATION

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

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

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF MEASUREMENT

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following revised standards and amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on or after January 1, 2011:

- IFRS 7, Financial Instruments (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

- IAS 1, Presentation of financial statements (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Company's financial statements, other than certain additional disclosures.

- IAS 24 (revised), 'Related party disclosures' issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government - related entities to disclose details of all transactions with the government and other government - related entities. The revised standard does not have any significant effect on the Company's financial statements.

- IFRIC 14 (amendments), ‘Prepayments of a minimum funding requirement’. The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. The amendment does not have any significant impact on the Company's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning January 1, 2011 and not early adopted:

IAS 19, ‘Employee benefits’ was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The management is yet to assess the full impact of the amendments.

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

5.2 Insurance contracts

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

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

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

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

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

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

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

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

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

5.3 Premium income

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

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

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

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

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

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

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.

5.4 Underwriting provisions

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

Provision for outstanding claims

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 and expected claims settlement costs. In addition, confirming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made on an estimated basis for the claims which may have incurred in the current reporting period but have not been reported to the Company as of the balance sheet date (IBNR), after taking into consideration the expected recoveries and settlement costs. Any difference between the provision at the balance sheet date and settlements in the following years is included in the financial statements of that year.

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

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 by the Company. This liability is calculated as follows:

- For marine, aviation and transport business, as a ratio of unexpired period to the total period of the policy applied on the gross premium of the individual policies.

- For other classes / line of business, by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

Premium deficiency reserve

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

Unearned commission income

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

5.5 Premiums due but unpaid

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

5.6 Reinsurance contracts ceded

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

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

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

5.7 Reinsurance recoveries against outstanding claims

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

5.8 Deferred commission expense

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

5.9 Amount due to / from other insurers / reinsurers

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

5.10 Prepaid reinsurance

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

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

- For non-proportional reinsurance business, evenly over the period of indemnity.

5.11 Provisions

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

5.12 Cash and cash equivalents

For the purpose of 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.

5.13 Sundry receivables

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

5.14 Financial assets

5.14.1 Classification

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

At fair value through profit or loss

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

Available for sale

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

Held to maturity

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

Loans and receivables

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

5.14.2 Initial recognition and measurement

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

5.14.3 Subsequent measurement

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

5.14.4 Impairment against financial assets

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

5.14.5 Derecognition

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

5.14.6 Offsetting of financial assets and liabilities

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

5.15 Employees benefits

Defined benefit plan

The Company operates a funded gratuity scheme for its permanent staff who have completed the qualifying period 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, 2011, 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 the liability in respect of employees' compensated absences in the period in which they are earned.

5.16 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.

Useful lives of assets and methods of depreciation

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

Depreciation is calculated from the date of addition to the date of deletion on a straight line method over the estimated useful life. The rates used are stated in note 21 to the financial statements.

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

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

Intangible

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

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

5.17 Revenue recognition

Investment income

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

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

Return on investment is recognized using effective interest method.

Profit on bank accounts and deposits

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

5.18 Allocation of management expenses

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

5.19 Taxation

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

Current

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

Deferred

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

5.20 Creditors and accruals

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

5.21 Foreign currencies

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

5.22 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

5.23 Segment reporting

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

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

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

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

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

5.24 Earnings per share

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

5.25 Dividend distribution

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

6. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are 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.

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

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

7. RESTATEMENT

During the current year, the Company carried out a detailed exercise to reconcile claims amount balance as per the claims register, maintained electronically on the system, with the provision for outstanding claims (excluding IBNR) as recorded in the general ledger. As a result of this exercise, the Company identified instances where claims paid in prior years were not properly matched and settled against relevant provision maintained in the general ledger due to absence of proper reconciliation between claims register and provision for outstanding claims in these years.

Further, the Company, in the current year, has also carried out detailed calculations for 'premium deficiency reserve' to be maintained in accordance with the Company's policy as stated in Note 5.4 and determined amounts of reserves which should have been maintained in prior years.

As required under IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the Company has rectified and adjusted provision for outstanding claims and premium deficiency reserve in prior years and has restated the comparative information. The effects of the above are summarised are summarised as follows:

	As previously reported	As restated	Re-statement
	------------------Rupees------------------		
Effects on balance sheet			
Provision for outstanding claims as at December 31, 2009	152,235,711	136,957,843	(15,277,868)
Provision for outstanding claims as at December 31, 2010	161,280,839	150,787,031	(10,493,808)
Reinsurance recoveries against outstanding claims as at December 31, 2009	92,863,438	85,950,594	(6,912,844)
Reinsurance recoveries against outstanding claims as at December 31, 2010	85,261,353	81,823,029	(3,438,324)
Premium deficiency reserve as at December 31, 2009	-	2,223,705	2,223,705
Premium deficiency reserve as at December 31, 2010	-	4,371,308	4,371,308
Effects on Profit and Loss Account			
Net Claim expense for the year ended December 31, 2010	45,204,871	46,514,411	1,309,540
Premium deficiency expense for the year ended December 31, 2010	-	2,147,603	2,147,603
Effects on changes in equity			
Retained earnings as at January 1, 2010	11,454,279	17,595,599	6,141,320

There is no impact on prior period tax due to taxable losses.

There is no on cash flow impact due to the above restatement.

8. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 Rupees
		Ordinary shares of Rs. 10 each:		
1,162,000	1,162,000	- fully paid in cash	11,620,000	11,620,000
29,198,000	29,198,000	- issued as fully paid bonus shares	291,980,000	291,980,000
30,360,000	30,360,000		303,600,000	303,600,000

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

2011 Number of shares	2010 Number of shares		Percentage of holding 2011	Percentage of holding 2010	2011 Rupees	2010 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

8.2 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.

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.

9. ACCRUED EXPENSES

	2011 Rupees	2010 Rupees
Commission in respect of outstanding premium	14,256,118	11,217,595
Other accrued expenses	2,949,774	3,408,046
	17,205,892	14,625,641

10. OTHER CREDITORS AND ACCRUALS

	2011 Rupees	2010 Rupees
Commission payable to agents	12,328,539	13,074,639
Rent payable - holding company	-	755,889
Cash margins against performance bonds	5,829,021	5,671,757
Federal excise duty	17,324,453	14,686,789
Federal insurance fee	100,376	144,181
Income tax deducted at source	40,210	168,172
Workers welfare fund	-	97,991
Others	2,064,028	1,025,721
	37,686,627	35,625,139

11. CONTINGENCIES AND COMMITMENTS

Contingencies

11.1 Various insurance claims amounting to Rs. 93.504 million (2010: Rs.102.229 million) have been lodged by various parties against the Company. The Company has not acknowledged these claims as the management considers that the Company is not liable to settle these claims.

Commitments

There are no commitments as at the balance sheet date (2010: None)

12. CASH AND BANK DEPOSITS

	Note	2011 Rupees	2010 Rupees
Cash and other equivalent			
- cash in hand		2,158	1,210
- stamps in hand		160,746	225,126
		162,904	226,336
Current and other accounts			
- current accounts		3,271,828	2,343,257
- saving accounts	12.1	4,139,549	9,586,612
		7,411,377	11,929,869
Deposits maturing within 12 months	12.2	12,000,000	12,450,555
		19,574,281	24,606,760

12.1 These accounts carry interest at the rate of 5% to 9% (2010: 5% to 7%) per annum.

12.2 These receipts carry interest at the rate of 12.5% (2010: 12.65%) per annum and will mature by January 31, 2012.

13. INVESTMENTS

	Note	2011 Rupees	2010 Rupees
Available-for-sale			
Listed equities	13.1	56,742,973	23,482,633
Listed modaraba certificates	13.2	1,197,815	1,197,815
Units of mutual funds	13.3	-	20,385,445
		57,940,788	45,065,893
Less: Diminution in value of investment		(6,544,003)	(931,180)
		51,396,785	44,134,713
Held-to-maturity investment			
Government securities	13.5	316,192,027	280,912,470
Other fixed income securities	13.7	6,021,192	7,243,704
		322,213,219	288,156,174
		373,610,004	332,290,887

13.1 Listed equities

Number of shares / certificates 2011	2010	Face value Rupees	Company's name	2011	2010
Banks					
63,266	48,778	10	Bank Al-Habib Limited	640,119	96,000
37,620	17,902	10	Soneri Bank Limited	130,120	130,120
55,700	3,000	10	MCB Bank Limited	9,809,811	619,099
125,000	-	10	Askari Bank Limited	1,447,159	-
Insurance					
177,777	177,777	10	Pakistan Reinsurance Company Limited	3,003	3,003
14,423	12,821	5	Habib Insurance Company Limited	95,830	95,830
Textile composite					
34,801	41,801	10	Crescent Textile Mills Limited	245,434	294,801
Synthetic and rayon					
1,188	1,188	10	National Silk Rayon Limited	13,812	13,812
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
-	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					
481,260	20,000	10	Pakistan Telecommunication Company Limited	7,287,618	561,500
7,084	7,084	10	Pakistan National Shipping Corporation Limited	41,134	41,134
4,650	-	10	Pak Datacom	228,708	-
Chemical & pharmaceutical					
285,494	237,912	10	Engro Corporation Limited	9,650,852	9,650,852
53,085	42,468	10	Fauji Fertilizer Company Limited	2,970,959	2,970,959
91,499	79,565	10	Glaxo Smith Kline Limited	72,021	72,021
1,254	5,500	10	ICI Pakistan Limited	160,211	662,156
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	932,250
-	15,000	10	Pakistan PTA Limited	-	203,569
2,000	2,000	10	BOC Pakistan Limited	322,500	322,500
20,475	-	10	Clariant Pakistan	3,211,123	-
Paper & board					
100,000	100,000	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
5,600	3,600	10	Pakistan Oil Field Limited	1,682,857	584,468
7,000	-	10	Pakistan State Oil	1,728,921	-
61,100	-	10	Pakistan Petroleum limited	11,486,696	-

Number of shares / certificates 2011	2010	Face value Rupees	Company's name	2011	2010
General Industrial					
32,900	-	5	Thal Ltd	2,792,888	-
Miscellaneous					
28,815	28,815	10	Pakistan Services Limited	199,116	199,116
				56,742,973	23,482,633

13.2 Listed modaraba certificates

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

13.3 Units of mutual funds

-	1,208,339	10	National Investment Trust (Units)	-	20,385,445
				-	20,385,445

13.4 The fair value of available for sale investments is Rs. 121,397,721 (2010:151,170,638). 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, 2011 would have been higher by Rs. 63,456,933 (2010: Rs. 106,104,745) and shareholder's equity increased by the same amount.

13.5 Government securities

	Maturity	Principal repayment	Coupon percentage	Coupon payment	Face Value	2011 Rupees	2010 Rupees
5 years Pakistan Investment Bonds	August-13	On maturity	11.5%	Semi annually	* 20,000,000	19,797,328	19,682,725
5 years Pakistan Investment Bonds	September-14	On maturity	11.5%	Semi annually	*11,000,000	10,811,877	10,741,440
5 years Pakistan Investment Bonds	July-15	On maturity	11.5%	Semi annually	1,000,000	929,014	909,100
3 years Pakistan Investment Bonds	July-13	On maturity	11.25%	Semi annually	1,000,000	964,697	938,400
Treasury Bills	January -Nov 2012	On maturity	13.83%-11.77%	On maturity	293,700,000	283,689,111	248,640,805
					326,700,000	316,192,027	280,912,470

13.6 *These securities having a face value of Rs. 31 million (2010: 31 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	Face Value	2011 Rupees	2010 Rupees
Jahangir Siddiqui & Company Limited	5 1/2 years	2012	289	14.42%	Half yearly	3,000,000	721,200	1,248,000
Allied Bank Limited	8 years	2014	600	13.86%	Half yearly	1,445,000	2,994,000	1,442,688
Pakistan Mobile Communication	7 years	2013	300	14.67%	Half yearly	1,560,000	748,800	2,995,200
Bank Al Habib Limited	8 years	2015	312	15.31%	Half yearly	1,500,000	1,557,192	1,557,816
						7,505,000	6,021,192	7,243,704

	Note	2011 Rupees	2010 Rupees
14. PREMIUMS DUE BUT UNPAID - UNSECURED			
Considered good		72,863,590	73,427,578
Considered doubtful		6,906,387	-
		79,769,977	73,427,578
Provision for doubtful recovery		(6,906,387)	-
		72,863,590	73,427,578

15. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Considered good		47,351,282	39,077,559
Considered doubtful		5,359,950	-
		52,711,232	39,077,559
Provision for doubtful recovery		(5,359,950)	-
		47,351,282	39,077,559

16. ACCRUED INVESTMENT INCOME

Accrued interest on Term Deposit Receipts		12,329	212,104
Accrued interest on Government Securities		1,288,466	1,175,416
Accrued interest on Term Finance Certificates		144,511	161,355
Dividend Income accrued		31,142	-
		1,476,448	1,548,875

17. REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

The above balance includes claims receivable from Mitsui Sumitomo Reinsurance Limited (MSIG) and Pakistan Reinsurance Company Limited (PRCL), amounting to Rs. 15.517 million and Rs. 28.406 million respectively.

18. PREPAYMENTS

Prepaid reinsurance premium ceded		44,925,348	34,922,211
Others		460,844	1,132,945
		45,386,192	36,055,156

19. SUNDRY RECEIVABLES

Advances - secured			
To staff		73,200	14,058
Unsecured			
Long term security deposit		553,852	1,132,742
Advances to suppliers		-	187,884
Receivable from employee gratuity fund	28	237,459	71,501
Miscellaneous receivables		200,842	239,735
		1,065,353	1,645,920

20. DEFERRED TAXATION

	2011 Rupees	2010 Rupees
Fixed assets	760,119	492,247
Provision against premium due but unpaid	2,417,234	-
Provision against amount due from other insurers / re - insurers	1,875,983	-
Carry forward tax losses	9,457,467	-
Deferred tax asset as at December 31, 2011	14,510,803	492,247

The company has an aggregate amount of Rs 27.021 million (2010: Rs 13.353 million) in respect of tax losses as at December 31, 2011. The management carries out periodic assessment to assess the benefit of these losses as the company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs 9.457 million (2010: Nil) [including on unabsorbed tax depreciation of Rs 6.355 million (2010: Nil)]. For the purpose of computing this benefit, the management has prepared projected financial statements of the Company for the next three years (2012-2014) using assumptions which are linked to various variable factors such as the economic outlook of the country, interest rate movements, growth in underwriting business of the Company.

21. FIXED ASSETS

21.1 Tangible

	Furniture and fixtures	Office equipment	Motor vehicles	Computers and related accessories	Electrical installations	Total
	---------------------------------		(Rupees)		---------------------------------	
At January 1, 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	10,812,928
At January 1, 2011						
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)	(13,545,834)	(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	10,812,928
Year ended December 31, 2011						
Opening net book value	2,603,013	966,700	5,133,380	1,403,264	706,571	10,812,928
Additions	157,287	1,136,105	-	256,800	210,791	1,760,983
Disposals						
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Depreciation charge for the year	(370,595)	(434,106)	(1,816,280)	(521,835)	(273,614)	(3,416,430)
Closing net book value	2,389,705	1,668,699	3,317,100	1,138,229	643,748	9,157,481
At December 31, 2011						
Cost	7,047,927	5,179,767	18,679,214	7,711,749	2,396,637	41,015,294
Accumulated depreciation	(4,658,222)	(3,511,068)	(15,362,114)	(6,573,520)	(1,752,889)	(31,857,813)
Net book value	2,389,705	1,668,699	3,317,100	1,138,229	643,748	9,157,481
Rate of depreciation	10%	10 - 20%	20%	20%	15%	

21.2 Intangible

	Computer Softwares 2011	Computer Softwares 2010
At January 1, 2010		
Cost	2,411,912	1,932,000
Accumulated amortization	(929,389)	(289,800)
Year ended December 31, 2010	1,482,523	1,642,200
Opening net book value	1,482,523	1,642,200
Addition	-	479,912
Disposal	-	-
Amortization charge for the year	(723,574)	(639,589)
Closing net book value	758,949	1,482,523
At December 31, 2011		
Cost	2,411,912	2,411,912
Accumulated amortization	(1,652,963)	(929,389)
Net book value	758,949	1,482,523
Rate of amortization	30%	

	Note	2011 Rupees	2010 Rupees
21.3 The depreciation charged during the year has been allocated as follows:			
Management expenses	22	2,323,172	2,179,385
General and administrative expenses	24	1,093,258	1,025,593
		3,416,430	3,204,978
21.4 The amortization charged during the year has been allocated as follows:			
Management expenses	22	492,030	434,921
General and administrative expenses	24	231,544	204,668
		723,574	639,589
21.5 Capital work in progress			
Advance to suppliers		4,952,518	-
Civil works		1,723,328	-
		6,675,846	-

21.5.1 These represent advance payment made for renovation work conducted on new office floor.

22. MANAGEMENT EXPENSES

	Note	2011 Rupees	2010 Rupees
Salaries, wages and other benefits		24,694,498	22,039,440
Rent, rates, taxes and electricity		6,007,964	4,400,158
Legal and professional charges		1,773,304	1,433,544
Repair and maintenance		2,063,321	2,659,930
Communication		1,174,696	1,401,218
Printing and stationery		1,356,809	1,282,832
Traveling and conveyance		1,629,234	996,605
Advertisement and sales promotion		609,331	-
Miscellaneous expenses		596,615	957,601
Provision for doubtful recovery	14 & 15	12,266,337	-
Depreciation	21.3	2,323,172	2,179,385
Amortisation	21.4	492,030	434,921
		54,987,311	37,785,634

23. OTHER INCOME

Interest on saving accounts	702,958	489,511
Gain on disposal of fixed assets	-	95,599
Miscellaneous income	963,112	362,304
	1,666,070	947,414

24. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		11,620,940	9,994,002
Rent, rates, taxes and electricity		2,827,277	2,070,662
Legal and professional charges		666,225	674,609
Repairs and maintenance		970,975	286,550
Communication		552,798	483,461
Printing and stationery		638,499	603,686
Traveling and conveyance		766,699	468,991
Subscriptions		100,290	965,181
Miscellaneous expenses		280,760	300,538
Directors fee		425,000	377,500
Workers' welfare fund		-	13,945
Depreciation	21.3	1,093,258	1,025,593
Amortization	21.4	231,544	204,668
Auditors' remuneration	24.1	467,407	374,407
		20,641,671	17,843,793

24.1 Auditors' remuneration

Audit fee	200,000	150,000
Half yearly	75,000	80,000
Other certification	75,000	85,000
Out of pocket expenses	117,407	59,407
	467,407	374,407

25. TAXATION

	Note	2011 Rupees	2010 Rupees
Current		887,352	907,189
Prior		159,040	-
Deferred		(14,018,554)	(127,941)
	25.1	(12,972,162)	779,248

25.1 Reconciliation between tax expense and accounting profit

	2011 Rupees	2010 Rupees
Profit / (loss) before taxation	4,876,209	(254,570)
Tax at the applicable rate of 35%	1,706,673	(89,100)
Tax effect of capital gain taxed at lower rate	(6,691,658)	(3,092,487)
Prior year adjustment	159,040	
Tax impact on unabsorbed losses brought forward	(8,035,019)	3,901,794
Tax effect of expenses not admissible	1,964,488	-
Tax effect of dividend income taxed at lower rate	(1,935,025)	-
Others	(140,661)	59,041
Tax expense for the year	(12,972,162)	779,248

26. EARNINGS PER SHARE - basic and diluted

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

	2011 Rupees	2010 Rupees Restated
Profit after tax for the year	17,848,371	(1,033,818)
	----------Rupee----------	
Weighted average number of shares of Rs. 10 each	30,360,000	30,360,000
Basic earnings per share of Rs. 10 each	0.59	(0.03)

27. 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. Following are the transactions with related parties:

	2011 Rupees	2010 Rupees
Transactions		
Rent paid (Parent company)	3,644,712	2,302,856
Contribution to provident fund	524,168	521,700
Remuneration to key management personnel (refer note 29)		
Dividend received from Fauji Fertilizer Company Limited (Associate)	931,642	609,467
Balances		
Investment in Fauji Fertilizer Company Limited	2,970,959	2,970,959
Receivable from associate company	21,514	-
Payable to associated companies (Pakistan Reinsurance Company Limited and IGI Insurance Limited)	19,923,973	4,004,263

28. STAFF RETIREMENT GRATUITY

28.1 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, 2011, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains and losses are recognized on the basis of actuarial recommendations.

28.2 Principal actuarial assumptions

	2011	2010
	% per annum	
Following principal actuarial assumptions were used for the valuation:		
Discount rate	13.00%	14.50%
Expected return on plan assets	13.00%	14.50%
Future salary increase	12.50%	14.00%

	2011 Rupees	2010 Rupees
Amounts recognised in the balance sheet		
Present value of the obligation	5,663,176	5,842,417
Fair value of plan assets	(9,448,255)	(9,419,419)
Unrecognised actuarial loss	3,547,620	3,505,501
Gratuity Asset as at December 31	(237,459)	(71,501)
Movement in the present value of the defined benefit obligation		
Obligation at the beginning of the year	5,842,417	5,503,177
Current service cost	430,012	464,333
Interest cost	853,926	699,043
Actuarial gain / loss	(932,317)	(224,176)
Benefits paid	(530,862)	(599,960)
Obligation at the end of the year	5,663,176	5,842,417
Movement in the fair value of plan assets		
Fair value at the beginning of the year	9,419,419	8,801,448
Expected return on plan assets	1,324,200	1,085,414
Transfers to the company	(71,501)	(325,632)
Benefits paid	(530,862)	(599,960)
Actuarial gain / (loss)	(693,001)	458,149
Fair value at the end of the year	9,448,255	9,419,419
Amounts recognised in the profit and loss account		
Current service cost	430,012	464,333
Interest cost	853,926	699,043
Expected return on plan assets	(1,324,200)	(1,085,414)
Amortisation of actuarial losses	(197,197)	(149,463)
	(237,459)	(71,501)

Reconciliation of liability

	2011	2010
Opening net liability	(71,501)	(325,632)
Charge for the year	(237,459)	(71,501)
Transfers to the Company	71,501	325,632
Closing net liability	(237,459)	(71,501)

Actual return on plan assets

	2011	2010
Expected return on plan assets	1,324,200	1,085,414
Actuarial gain / (loss) on plan assets	(693,001)	458,149
Actual return / (loss) on plan assets	631,199	1,543,563

28.3 The actual return on plan assets

Historical results	2011	2010	2009	2008	2007
	Rupees				
Present value of defined benefit obligation	5,663,176	5,842,417	5,503,177	6,443,680	6,214,783
Fair value of plan assets	9,448,255	9,419,419	8,801,448	10,562,943	11,141,839
(Deficit) / Surplus	3,785,079	3,577,002	3,298,271	4,119,263	4,927,056
Gain / (Loss) on plan liabilities due to experience adjustment	932,317	224,176	1,819,782	(1,064,132)	638,028
Gain / (Loss) on plan assets	(639,001)	458,149	(980,118)	152,124	(199,714)

29. 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		Executive		Directors		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	Rupees							
Managerial remuneration	3,115,064	1,311,360	3,316,950	2,423,621	-	-	6,432,014	3,734,981
Directors' fee	-	-	-	-	425,000	377,500	425,000	377,500
	3,115,064	1,311,360	3,316,950	2,423,621	425,000	377,500	6,857,014	4,112,481
Number of persons	2	1	4	4	6	6		

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

30. SEGMENT REPORTING

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

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

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

	Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Miscellaneous	Total
	---------	---------	2010	---------	---------	---------
			Rupees			
Revenue						
Net premium revenue	8,265,614	2,564,202	40,662,183	3,884,795	3,722,581	59,099,375
Segment results	(10,230,169)	(2,455,297)	(16,842,250)	(1,034,260)	18,254	(30,543,722)
Segment assets	95,754,109	53,454,605	35,445,505	421,587	15,991,093	201,066,899
Unallocated corporate assets						442,307,083
Consolidated total assets						643,373,982
Segment liabilities	85,156,466	49,884,637	87,698,052	2,546,803	10,541,763	235,827,721
Unallocated corporate liabilities						77,209,480
Consolidated total liabilities						313,037,201

31. FINANCIAL INSTRUMENTS BY CATEGORY

31.1 Financial assets and financial liabilities

	2011 Rupees	2010 Rupees Restated
Financial assets		
Loans and receivables		
Cash and bank deposits		
Cash and other equivalent	162,904	226,336
Current and other accounts	7,411,377	11,929,869
Deposits maturing within 12 months	12,000,000	12,450,555
	19,574,281	24,606,760
Investments	373,610,004	332,290,887

	2011 Rupees	2010 Rupees Restated
Current assets - others		
Premium due but unpaid	72,863,590	73,427,578
Amounts due from other insurers / reinsurers	47,351,282	39,077,559
Accrued investment income	1,476,448	1,548,875
Reinsurance recoveries against outstanding claims	81,392,921	81,823,029
Sundry receivables	1,065,353	1,645,920
	204,149,594	197,522,961
	223,723,875	554,420,608
Financial Liabilities		
Amortised cost		
Provision for outstanding claims (including IBNR)	168,164,270	150,787,031
Amounts due to other insurers / reinsurers	60,329,859	24,617,854
Accrued expenses	17,205,892	14,625,641
Other creditors and accruals	20,221,588	20,625,997
	265,921,609	210,656,523

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. The fair values of all the financial assets and liabilities are estimated to be not significantly different from their carrying values.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares, treasury bills etc) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	2011			
	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets designated as available-for-sale				
Equity securities	51,396,785	-	-	51,396,785

	2010			
	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets designated as available-for-sale				
Equity securities	44,134,713	-	-	44,134,713

33. 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.

33.1 Market risk

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

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

33.1.1 Price Risk

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

The table below summarizes the Company's equity price risk as of December 31, 2011 and 2010 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in profit / (loss) before tax	Hypothetical increase / (decrease) in shareholder's equity
	Rupees				
December 31, 2011	121,397,721	10% increase	133,537,493	-	-
		10% decrease	109,257,949	1,476,857	959,957
December 31, 2010	151,170,638	10% increase	166,287,702	-	-
		10% decrease	136,053,574	-	-

33.1.2 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.

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

	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	Rupees							
Cash and bank deposits	5% - 12.65%	21,586,612	-	21,586,612	3,020,148	-	3,020,148	24,606,760
Investments	11.25% - 15.31%	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		-	-	-	81,823,029	-	81,823,029	81,823,029
Sundry receivables		-	-	-	1,645,920		1,645,920	1,645,920
		270,227,417	39,515,369	309,742,786	244,677,822	-	244,677,822	554,420,608
Financial liabilities								
Provision for outstanding claims		-	-	-	150,787,031	-	150,787,031	150,787,031
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		-	-	-	20,625,997	-	20,625,997	20,625,997
		-	-	-	210,656,523	-	210,656,523	210,656,523
Total yield / mark-up rate risk sensitivity gap 2010		270,227,417	39,515,369	309,742,786	34,021,299	-	34,021,299	343,764,085

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

	Increase / Decrease in basis points		Effect on profit / (loss) before tax		Effect on equity	
			------------------------ Rupees ------------------------			
December 31, 2011	100	(100)	3,383,528	(3,383,528)	2,199,293	(2,199,293)
December 31, 2010	100	(100)	3,097,428	(3,097,428)	2,013,328	(2,013,328)

33.1.3 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.

33.1.4 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:

	2011 Rupees	2010 Rupees
Bank deposits	19,411,377	23,929,869
Investments	373,610,004	332,290,887
Premium due but unpaid	72,863,590	73,427,578
Amount due from other insurers / reinsurers	47,351,282	39,077,559
Accrued investment income	1,476,448	1,548,875
Reinsurance recoveries against outstanding claims	81,392,921	81,823,029
Sundry receivables	1,065,353	1,645,920

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

Name of Banks	Rating Short term	Rating Long term	Rating Agency	2011 Rupees	2010 Rupees
Allied Bank Limited	A1+	AA	PACRA	107,976	401,004
Bank Al-falah Limited	A1+	AA	PACRA	12,000,000	-
Faysal Bank Limited	A1+	AA	PACRA	29,880	1,124,988
Habib Bank Limited	A-1+	AA+	JCR-VIS	-	13,012
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	145,861	62,746
JS Bank Limited	A1	A	PACRA	270,401	307,242
MCB Bank Limited	A1+	AA+	PACRA	300,549	827,349
National Bank of Pakistan	A-1+	AAA	JCR-VIS	331,081	1,550,593
NIB Bank Limited	A1+	AA-	PACRA	1,186,973	446,090
Pak Oman Investment Company Limited	A-1+	AA+	JCR-VIS	-	12,000,000
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	6,654	526,753
Soneri Bank Limited	A-1+	AA-	PACRA	626,629	751,057
United Bank Limited	A-1+	AA+	JCR-VIS	4,405,373	5,919,035
				19,411,377	23,929,869

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

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

	2011 Rupees
Upto 30 days	6,846,014
31 to 180 days	21,323,589
Over 180 days	44,693,987
	72,863,590

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2011	2010
	----------------------(Rupees)----------------------				
A or above (including Pakistan Reinsurance Company Limited)	40,504,206	43,923,939	-	84,428,145	117,065,802
A-	708,071	5,263,711	-	5,971,782	
BBB	5,281,569	-	-	5,281,569	798,139
Others	857,436	32,205,271	-	33,062,707	6,474,970
Total	47,351,282	81,392,921	-	128,744,203	124,338,911

33.1.5 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.

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

	2010			
	Within one year	Over one year to five years	Over five years	Total
Financial liabilities	----------------------(Rupees)----------------------			
Provision for outstanding claims	150,787,031	-	-	150,787,031
Amount due to other insurers/reinsurers	24,617,854	-	-	24,617,854
Accrued expense	14,625,641	-	-	14,625,641
Other creditors and accruals	35,625,139	-	-	35,625,139
	225,655,665	-	-	225,655,665

33.2 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.

	2011 Maximum gross risk exposure	2010 Maximum gross risk exposure
The Company's class wise major risk exposure is as follows:	Rupees in million	
Fire and property	29,710	19,516
Marine, aviation and transport	11,515	7,800
Motor	4,260	940
Accidental, health and others	1,195	1,587

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

There are several variable factors which affect the amount and timing of 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.

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	
	2011	2010	2011	2010
	--------------------Rupees--------------------			
10% increase in net claims	(5,183,870)	(4,520,487)	(3,369,516)	(2,938,317)
10% decrease in net claims	5,183,870	4,520,487	3,369,516	2,938,317

33.3 Reinsurance arrangements

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

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

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

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

	2010		
	Maximum sum insured	Reinsurance cover	Highest net liability
	--------------------Rupees--------------------		
Fire and property damage	370,000,000	350,000,000	20,000,000
Marine, aviation and transport	105,392,000	85,392,000	20,000,000
Motor	1,530,000	1,330,000	200,000
Miscellaneous	392,075,196	382,075,196	10,000,000
	868,997,196	818,797,196	50,200,000

33.4 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 insured.

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

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Income on Term deposit receipts have been reclassified from other income (note 23) to statement of investment income.

35. GENERAL

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

36. 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.

37. DATE OF AUTHORIZATION

These financial statements were authorized for issue on April 5, 2012 by the Board of Directors of the Company.

Chief Executive	Chairman	Director	Director

Pattern of Shareholding

As at December 31, 2011

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	Individuals	2,425,157	7.99%
1	Others: State Life Insurance Corporation of Pakistan	27,934,843	92.01%
102		30,360,000	100.00%

REGIONAL OFFICES

GENERAL MANAGER & REGIONAL CHIEF (NORTHERN)

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Center, Sukkur
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NAWABSHAH (Representative)

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Ph: 0312-3363063

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Fax: 042-37324628

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- Room # 5, Ist Floor,
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  Ph: 041-2640455

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Fax: 061-4541649

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- Room # 7, Ist Floor,
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  Ph: 091-5261691
  Fax: 091-5261692

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

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 Sixtieth Annual General Meeting of the Company to be held on 30th day of April, 2012 at 11:30 a.m. at Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, off. I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this……………………………………………..day of………………………………………….. 2012

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.