

63rd Annual Report

2014



Good
GP People
to Deal
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a alpha
Insurance Company Limited.
A subsidiary of State Life Insurance Corporation of Pakistan



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Insurance Company Limited.

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Company Information

BOARD OF DIRECTORS

MS. NARGIS GHALOO
CHAIRPERSON

MR. MAUDOOD AHMAD LODHI
DIRECTOR

MR. MUHAMMAD JAVED KHAN
DIRECTOR

MR. JAMIL ANWAR *
MANAGING DIRECTOR / CEO

MR. MUHAMMAD RASHID
DIRECTOR

MR. SULTAN A. ALLANA
DIRECTOR

MR. ATIF SAEED RANA *
DIRECTOR

COMPANY SECRETARY

MR. LATIF AHMAD CHOUDHRI *

BOARD COMMITTEES

AUDIT COMMITTEE

MR. MUHAMMAD JAVED KHAN
CHAIRMAN

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. MUHAMMAD RASHID
MEMBER

MISS. SIDRA JAFRI
SECRETARY

HUMAN RESOURCE COMMITTEE

MR. MAUDOOD AHMAD LODHI
CHAIRMAN

MR. MUHAMMAD JAVED KHAN
MEMBER

MR. JAMIL ANWAR - MD/CEO
MEMBER

MR. MUHAMMAD RASHID
MEMBER

MR. LATIF AHMAD CHOUDHRI
SECRETARY

BUSINESS PLAN AND INFORMATION TECHNOLOGY COMMITTEE

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. MUHAMMAD JAVED KHAN
MEMBER

MR. JAMIL ANWAR - MD/CEO
MEMBER

MR. MUHAMMAD RASHID
MEMBER

MR. LATIF AHMAD CHOUDHRI
SECRETARY

UNDERWRITING AND RE- INSURANCE COMMITTEE

MR. MAUDOOD AHMAD LODHI
MEMBER

MR. JAMIL ANWAR - MD/CEO
MEMBER

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. KHALID MEHMOOD
SECRETARY

CLAIMS COMMITTEE

MR. JAMIL ANWAR - MD/CEO
CHAIRMAN

MR. LATIF AHMAD CHOUDHRI
MEMBER

MR. SALEEM ABDUL SATTAR
MEMBER

MR. SABIR ALI
SECRETARY

* (Board has appointed/coopted
and is under process with S.E.C.P)



Company Information

MANAGEMENT

MR. JAMIL ANWAR
Managing Director/CEO

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

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

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

MR. MANZOOR AHMED
General Manager & Regional Chief
Corporate Region

MR. SALEEM ABDUL SATTAR
Deputy General Manager &
Chief Financial Officer

MR. MOHAMMAD FAROOQ
Assistant General Manager (Underwriting)

MR. SABIR ALI
Assistant General Manager (Claims)

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

MR. MUHAMMAD SHOAB ABRRO
Manager (Information Technology)

MISS. SIDRA JAFRI
Head of Internal Audit

MR. MALIK BASHIR AHMAD
Manager (HR & Admin)

MARKETING

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

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

MR. MALIK SULTAN MEHMOOD
General Manager / Branch Head
Tower Branch
Karachi

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

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

MR. AZMAT ULLAH SHAIKH
Asst. General Manager/ Branch Head
Central Branch
Karachi

MR. RIAZ AHMAD RAZZI
Chief Manager
Multan Branch
Multan

MR. MOHAMMAD AMIN RIFFAT
Branch Manager
Bahawalpur Branch
Bahawalpur

MR. HAMZULLAH KHAN
Branch Manager
New Peshawar Branch
Peshawar

Mr. SHAHMAST KHAN
Branch Manager
Peshawar Branch
Peshawar

AUDITORS

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

LEGAL CONSULTANTS

M/s Mansoor Ahmed Khan & Co
Mr. Mohammad Shafiq Mughal
Mian Mohammad Sharif
Mr. Mohammad Yousuf Khan
Mr. A.R. Shahid

TAX CONSULTANTS

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

BANKERS

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

REINSURERS

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

REGISTERED OFFICE

State Life Building # 1-B,
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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
	(Rupees in '000)									
Paid Up Capital	403,600	403,600	403,600	303,600	303,600	303,600	161,920	121,440	101,200	88,000
Reserves & Funds	438,046	435,720	377,600	296,639	261,810	221,554	262,999	342,941	280,562	234,920
Investments, Cash & Bank Balances	679,007	663,172	556,168	393,184	356,898	340,488	243,880	268,732	223,910	196,017
Gross Premium	219,652	265,239	203,849	155,043	139,767	109,245	118,809	147,918	168,739	139,689
Retained Premium	90,907	115,148	67,428	74,277	59,099	61,511	77,039	99,501	109,740	85,729
Claims Incurred	53,856	55,815	37,441	51,839	46,514	44,796	48,543	61,658	58,618	47,805
Investments and Miscellaneous Income	94,300	162,460	99,131	64,098	48,133	35,044	30,254	95,125	28,457	23,062
Profit / (Loss) Before Tax	23,056	103,200	31,883	4,876	(255)	(1,596)	2,870	86,487	36,784	28,007
Profit / (Loss) After Tax	19,509	97,677	35,208	17,848	(1,034)	(2,417)	(17,486)	84,023	27,666	18,044
Dividend - Cash	-	-	-	-	-	-	-	5%	5%	12.50%
Stock	-	-	-	-	-	25%	-	33%	20%	15%
Underwriting Profit / (Loss)	(42,981)	(30,534)	(43,419)	(38,580)	(30,544)	(20,128)	(9,723)	4,453	22,265	16,481



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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' with stable outlook to Alpha Insurance.



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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 63rd Annual General Meeting of Alpha Insurance Company Limited will be held on Wednesday, April 29th, 2015 at 10:30 a.m. at the Company's Head Office, 4th Floor, Building No. 1-B, State Life Square, I. I. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 62nd Annual General Meeting held on Tuesday, April 29th, 2014.
2. To receive, consider and adopt Directors' report and Audited Financial Statements of the Company for the year ended December 31, 2014 together with the Auditors' report thereon.
3. To appoint the auditors for the year 2015 and fix their remuneration.
4. Any other matter with the permission of the Chair.

By Orders of the Board

Latif Ahmad Choudhri
Company Secretary

Karachi: April 8th, 2015

Notes:

1. The share transfer Books of the Company will remain closed from April 20th, 2015 to April 29th, 2015 (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, 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, I. I. Chundrigar Road, Karachi.



Statement of Compliance with the Code of Corporate Governance

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


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

1. The Directors have confirmed that none of them is serving as a Director of more than ten listed companies.
2. All the resident Directors of the Company are registered as taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or Non-Banking Financial Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
3. Casual vacancies occurring in the Board on August 27th, 2014 and November 10th, 2014 were filled up by the Directors within 30 days.
4. The Company has prepared a 'Statement of Ethics and Business Practices' which has been approved by the Board. This has been signed by all the employees of the Company.
5. The Board has adopted vision and mission statements and an overall corporate strategy has been approved by the Board. Significant policies of the Company have been formulated, and have been approved by the Board.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman, where present, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings or waiver for notice period was approved by the Board. The minutes of the meetings were appropriately recorded and circulated.
8. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. Such system is continuously reviewed for improvements. The Company has included all the necessary aspects of internal control given in the Code.
9. The Board comprises of senior executives, professionals and entrepreneurs who are fully aware of their duties and responsibilities, hence no need was felt by the Directors for any orientation course.
10. There were new appointments of Chief Financial Officer and Company Secretary. The Board has approved appointment of Mr. Saleem Abdul Sattar as Chief Financial Officer and Mr Ansar Hussain as Company Secretary, including their remuneration and terms and conditions of employment in the 328th meeting of the Board of Directors held on August 29th, 2014.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed HR, Underwriting, Claim settlement, Re-insurance & Co-insurance and IT committees.
16. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the committee. The Committee elected its chairman on dated April 2, 2015.
17. The meetings of the 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. The term of reference of the audit committee has been formed and advised to the audit committee for compliance.
18. The Board has established an Internal Audit Department, which has been assigned pre-audit of payments and other internal control functions.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and or its associates and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The actuary engaged by the company has confirmed that he or his spouse and minor children do not hold shares of the company.
22. The Board ensures that the engaged actuary whose services were acquired complied with the requirements set out for him in the Code.
23. We confirm that all other material principles contained in the Code have been complied with except:
 - that Underwriting Committee and Re-insurance and Co-insurance Committee did not meet as per the required frequency;
 - the Company does not have any independent director
 - the CFO of the Company was not present in the 329th BOD meeting held on December 31, 2014.

Karachi: Dated: April 3rd, 2015


Jamil Anwar
Managing Director & CEO



Report of the Directors to the Members

The Directors of your company take pleasure in presenting 63rd Annual Report together with Audited Financial Statements and Auditors' Report thereon for the year ended December 31st, 2014.

Financial Results

(Rupees)

	2014	2013
Gross premium	219,652,213	265,238,867
Net Premium Revenue	90,907,074	115,148,812
Underwriting results (Loss)	(42,981,208)	(30,534,293)
Profit / (Loss) before tax	23,055,758	103,199,722
Profit / (Loss) after tax	19,508,781	97,676,753
Profit available for appropriation	189,529,024	169,945,963

Gross premium has decreased by 17.19% over the previous year. There are multiple reasons for the decline. One of our main producer left the Company and took away his business from the Company. Conservative underwriting practice was another reason. Failure to induct new producers and non-motivation of our existing producers were other reasons. Underwriting result is negative due to our inability to get better terms from Re-Insurers and decline of our business. Increased Management expenses which can only be overcome by increasing our business, is another main cause of negative underwriting result. Despite the underwriting result, the Company has made pre tax profit of Rs. 23.056 million and after tax profit of Rs. 19.509 million for the year out of its investments.

The Company is in the process of appointing its new CEO and expect that he will lay down a strategic vision for the Company to make it one of the top 10 General Insurance Companies within a specified period, reorganise its marketing functions and bring efficiency in the Company and also to reduce expense ratio to a reasonable level. Management is hopeful of profitable growth by opening new branches in the Regions not optimally attended till now and focusing on large clients. JCR-VIS has assigned "A" rating with stable outlook to the Company.

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

Appropriations

In view of nominal profit for the year Directors have decided not to pay dividends for the year. This will strengthen the financial position of the Company.

Earning Per Share

The profit per share after tax for the year is Rs. 0.48 as against profit per share of Rs.2.42 in 2013.



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 2015.

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 eight meetings. Attendance by each Director was as follows:

S. No.	Name of the Director	Attendance
1	Syed Yawar Ali	1
2	Mr. Rasheed Y. Chinoy	2
3	Mr. Maudood Ahmad Lodhi	2
4	Mr. Muhammad Raeesuddin Paracha	2
5	Mr. Muhammad Izqar Khan	8
6	Mr. Muhammad Rashid	8
7	Mr. Nadeem Bessey	5
8	Dr. Ghazala Nafees	3
9	Mr. Muhammad Faisal Mumtaz	5
10	Mr. Nabil Ghafoorzada	4
11	Mr. Umair Khan	8



During the year Board welcomed M/s. Muhammad Raeesuddin Paracha, Muhammad Izqar Khan, Muhammad Rashid, Nadeem Bessey, Dr. Ghazala Nafees and Muhammad Faisal Mumtaz newly appointed Directors. The Directors wish to place on record their appreciation of valuable contributions made by outgoing Directors Syed Yawar Ali, Mr. Rasheed Y. Chinoy and Mr. Maudood Ahmad Lodhi. However, Dr. Ghazala Nafees and Mr. Nabil Ghafoorzada resigned from Board in late 2014.

Employees Provident and Gratuity Funds

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

Provident Fund - 2013	30,247,520
Gratuity Fund - 2013	9,043,809

Pattern of Share Holdings

Pattern of share holdings is enclosed in this annual report.

Ten Years Key Data

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

Our thanks are due to our valued clients for placing confidence in the Company. Our thanks are also due to the Securities & Exchange Commission of Pakistan, The Insurance Association of Pakistan, State Bank of Pakistan and all our foreign correspondents and reinsurers and our major shareholder State Life Insurance Corporation of Pakistan, whose cooperation and advice have been a source of valued assistance to us. Last but not the least; I take this opportunity to place on record our appreciation of the services rendered by our field and office staff throughout the country.

For and on behalf of the Board

Nargis Ghaloo
Chairperson

Karachi: April 3rd, 2015



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Alpha Insurance Company Limited** (the Company) for the year ended December 31, 2014 to voluntarily comply with the Code of Corporate Governance relevant to the unlisted insurance companies, issued by the Securities and Exchange Commission of Pakistan.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

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

Chartered Accountants

Dated: April 6, 2015

Karachi



Auditors' Report to the Members of Alpha Insurance Company Limited

We have audited the annexed financial statements comprising of:

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

of **Alpha Insurance Company Limited** as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

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



- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014, and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended, in accordance with the approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

A handwritten signature in black ink, appearing to read 'Rashid A. Jafer'.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: April 6, 2015

Karachi



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Balance Sheet

As at December 31, 2014

	Note	2014	2013
----- Rupees -----			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
[50,000,000 (2013: 50,000,000)]			
Ordinary shares of Rs.10 each]	7	<u>500,000,000</u>	<u>500,000,000</u>
 Issued, subscribed and paid-up share capital			
[40,360,000 (2013: 40,360,000)]			
Ordinary shares of Rs.10 each]	7	403,600,000	403,600,000
Retained earnings		189,529,024	169,945,963
Reserves		10,175,000	10,175,000
TOTAL EQUITY		<u>603,304,024</u>	<u>583,720,963</u>
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)		132,188,495	134,201,532
Provision for premium deficiency		2,385,827	4,236,084
Provision for unearned premium		89,740,292	99,454,938
Commission income unearned		14,027,615	17,706,851
		<u>238,342,229</u>	<u>255,599,405</u>
Creditors and accruals			
Amounts due to other insurers / reinsurers		90,813,430	100,315,458
Accrued expenses	8	36,609,442	33,785,370
Other creditors and accruals	9	57,631,721	51,796,796
		<u>185,054,593</u>	<u>185,897,624</u>
Unclaimed dividend		<u>3,011,260</u>	<u>3,083,705</u>
TOTAL LIABILITIES		<u>426,408,082</u>	<u>444,580,734</u>
TOTAL EQUITY AND LIABILITIES		<u>1,029,712,106</u>	<u>1,028,301,697</u>
CONTINGENCIES AND COMMITMENTS	10		

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


Chief Executive


Chairperson


Director


Director



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Balance Sheet

As at December 31, 2014

	Note	2014	2013
		----- Rupees -----	
ASSETS			
Cash and bank deposits			
	11		
Cash and other equivalents		141,960	66,289
Current and other accounts		64,177,179	75,780,577
		<u>64,319,139</u>	<u>75,846,866</u>
Investments	12	614,688,169	587,324,794
Other assets			
Premiums due but unpaid	13	72,058,582	75,222,441
Amounts due from other insurers / reinsurers	14	53,463,011	61,178,505
Accrued investment income	15	22,759,825	18,024,583
Reinsurance recoveries against outstanding claims	16	48,850,778	47,257,671
Taxation - payments less provision		37,001,433	37,711,635
Deferred commission expense		18,634,700	22,619,936
Prepayments	17	54,914,057	61,501,796
Sundry receivables	18	5,970,208	7,274,199
		<u>313,652,594</u>	<u>330,790,766</u>
Deferred taxation	19	23,207,350	18,974,580
Fixed assets	20		
Tangible			
Furniture and fixtures		6,931,433	6,158,929
Office equipment		438,421	741,422
Computer and related accessories		863,732	752,911
Motor vehicles		4,352,785	6,358,791
Electrical installation		1,258,483	1,352,638
		<u>13,844,854</u>	<u>15,364,691</u>
Intangible			
Computer Software		-	-
TOTAL ASSETS		<u><u>1,029,712,106</u></u>	<u><u>1,028,301,697</u></u>


Chief Executive


Chairperson


Director


Director



Profit and Loss Account

For the year ended December 31, 2014

	Note	-----Rupees-----					Aggregate		
		Fire and property damage	Marine, aviation & transport	Motor	Accident and health	Credit and suretyship	Miscellaneous	2014	2013
Revenue account									
Net premium revenue		23,561,517	12,438,180	41,221,644	4,610,013	3,599,347	5,476,373	90,907,074	115,148,812
Net claims		(16,241,076)	(9,548,978)	(20,777,890)	(4,785,072)	-	(2,502,507)	(53,855,523)	(55,814,669)
Premium deficiency expense		-	-	1,708,155	142,102	-	-	1,850,257	1,093,759
Management expenses	21	(32,951,640)	(14,051,212)	(14,461,157)	(1,592,617)	(913,260)	(7,297,281)	(71,267,167)	(76,173,002)
Net commission		(5,610,725)	105,648	(4,925,732)	(230,271)	(321,683)	366,914	(10,615,849)	(14,789,193)
Underwriting results		(31,241,924)	(11,056,362)	2,765,020	(1,855,845)	2,364,404	(3,956,501)	(42,981,208)	(30,534,293)
Net investment income								87,971,904	158,328,339
Other income	22							6,328,093	4,132,123
General and administrative expenses	23							(28,263,031)	(28,726,447)
Profit for the year before taxation								<u>23,055,758</u>	<u>103,199,722</u>
Taxation	24								
- Current year								(7,377,089)	(4,215,999)
- Prior year								(402,658)	-
- Deferred								4,232,770	(1,306,970)
Profit for the year after taxation								<u>(3,546,977)</u>	<u>(5,522,969)</u>
Profit and loss appropriation account								<u>19,508,781</u>	<u>97,676,753</u>
Balance at commencement of the year								169,945,963	72,774,974
Profit for the year after taxation								19,508,781	97,676,753
Re-measurement of post employment benefit obligations - net of tax								74,280	(505,764)
Balance of unappropriated profit at the end of the year								<u>189,529,024</u>	<u>169,945,963</u>
Earnings per share - basic and diluted	25							<u>0.48</u>	<u>2.42</u>

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


Chief Executive


Chairperson


Director


Director



Statement of Comprehensive Income

For the year ended December 31, 2014

	2014	2013
	----- Rupees -----	
Profit for the year	19,508,781	97,676,753
Item that will not be reclassified to profit and loss account		
Remeasurements of defined benefit plan	110,865	(766,309)
Tax on remeasurements of defined benefit plan	(36,585)	260,545
	74,280	(505,764)
Total comprehensive income for the year	<u>19,583,061</u>	<u>97,170,989</u>

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


Chief Executive


Chairperson


Director


Director



Statement of Changes in Equity

For the year ended December 31, 2014

	Capital reserves			Revenue reserves		Total shareholders' equity
	Issued, subscribed and paid-up share capital	Reserve for exceptional losses *	General reserve	Retained earnings		
Balance as at January 1, 2013	403,600,000	3,355,000	6,820,000	72,774,974	486,549,974	
Net profit for the year	-	-	-	97,676,753	97,676,753	
Remeasurement of post employment benefit obligations - net of tax	-	-	-	(505,764)	(505,764)	
Balance as at December 31, 2013	403,600,000	3,355,000	6,820,000	169,945,963	583,720,963	
Net profit for the year	-	-	-	19,508,781	19,508,781	
Remeasurement of post employment benefit obligations - net of tax	-	-	-	74,280	74,280	
Balance as at December 31, 2014	403,600,000	3,355,000	6,820,000	189,529,024	603,304,024	

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

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


 Chief Executive


 Chairperson


 Director


 Director



Statement of Cash Flows

For the year ended December 31, 2014

	Note	2014	2013
		----- Rupees -----	
OPERATING CASH FLOWS			
(a) Underwriting activities			
Premiums received		222,816,072	260,785,726
Reinsurance premiums paid		(140,744,087)	(135,375,004)
Claims paid		(119,420,375)	(98,983,930)
Reinsurance and other recoveries received		61,958,708	41,205,456
Commissions paid		(42,520,920)	(59,030,046)
Commissions received		43,193,190	36,245,767
Other underwriting payments		(62,464,136)	(64,908,757)
Net cash used in underwriting activities		(37,181,548)	(20,060,788)
(b) Other operating activities			
Income tax paid		(7,069,545)	(7,097,008)
General management expenses paid		(29,394,887)	(30,545,297)
Operating payments		(293,461)	(357,176)
Operating receipts		8,337,754	11,030,375
Net cash used in other operating activities		(28,420,139)	(26,969,106)
Net cash used in operating activities		(65,601,687)	(47,029,894)
INVESTMENT ACTIVITIES			
Profit / return received		57,748,305	58,589,962
Dividend received		5,202,160	8,302,429
Payment made against purchase of investments		(1,024,206,677)	(1,039,403,737)
Proceeds from disposal of investments		1,017,129,499	1,064,218,760
Fixed capital expenditure		(2,578,982)	(2,469,129)
Proceeds from disposal of fixed assets		852,100	-
Net cash generated from investment activities		54,146,405	89,238,285
FINANCING ACTIVITIES			
Unclaimed dividend paid during the year		(72,445)	(11,770)
Proceeds from issue of right shares		-	-
Net cash used in financing activities		(72,445)	(11,770)
Net cash (used in) / generated from all activities		(11,527,727)	42,196,621
Cash and cash equivalents at the beginning of the year		75,846,866	33,650,245
Cash and cash equivalents at the end of the year	11	64,319,139	75,846,866

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



Statement of Cash Flows
For the year ended December 31, 2014

2014 2013

----- Rupees -----

Reconciliation to Profit and Loss Account

Operating cash flows	(65,601,687)	(47,029,894)
Depreciation expense	(4,098,819)	(4,168,291)
Amortisation	-	(131,976)
Gain on disposal of fixed assets	852,100	-
Increase in assets other than cash	(21,947,694)	(19,356,817)
Decrease in liabilities	18,100,207	11,342,362
Investment Income	87,971,904	158,328,339
Deferred tax charge	4,232,770	(1,306,970)
Profit after taxation	19,508,781	97,676,753

Definition of cash:

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

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

2014 2013

----- Rupees -----

Cash and other equivalent	-	-
- cash in hand	141,960	66,289
- stamps in hand	141,960	66,289
Current and other accounts	17,019,561	11,618,945
- current accounts	47,157,618	64,161,632
- saving accounts	64,177,179	75,780,577
	64,319,139	75,846,866

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


Chief Executive


Chairperson


Director


Director



Alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Statement of Premiums

For the year ended December 31, 2014

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 2014	Net premium revenue 2013
		Opening	Closing			Opening	Closing			
----- (Rupees) -----										
Direct And Facultative										
Fire and property damage	101,560,100	58,658,944	51,355,732	108,863,312	78,219,317	46,686,694	39,604,216	85,301,795	23,561,517	20,336,960
Marine, aviation And transport	43,307,177	6,505,508	5,196,864	44,615,821	30,713,034	4,998,312	3,533,705	32,177,641	12,438,180	10,765,121
Motor	44,570,667	18,435,769	19,212,137	43,794,299	4,182,200	-	1,609,545	2,572,655	41,221,644	46,942,686
Accident and health	4,908,597	1,900,044	2,198,628	4,610,013	-	-	-	-	4,610,013	3,892,421
Credit and suretyship	2,814,755	6,797,569	1,219,058	8,393,266	1,731,630	3,694,374	632,085	4,793,919	3,599,347	27,339,845
Miscellaneous	22,490,917	7,157,104	10,557,873	19,090,148	16,395,878	5,765,036	8,547,139	13,613,775	5,476,373	5,871,779
Total	219,652,213	99,454,938	89,740,292	229,366,859	131,242,059	61,144,416	53,926,690	138,459,785	90,907,074	115,148,812

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


Chief Executive


Chairperson


Director


Director



Statement of Claims

For the year ended December 31, 2014

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense 2014	Net claims expense 2013
		Opening	Closing			Opening	Closing			
Fire and property damage	30,586,823	32,774,520	48,385,796	46,198,099	23,897,926	21,836,108	27,895,205	29,957,023	16,241,076	3,414,031
Marine, aviation And transport	34,253,102	19,261,179	23,371,063	38,362,986	27,607,778	14,064,248	15,270,478	28,814,008	9,548,978	4,522,955
Motor	36,096,114	66,513,955	52,038,049	21,620,208	-	407,245	1,249,563	842,318	20,777,890	42,094,717
Accident and health	4,554,054	228,082	459,100	4,785,072	-	-	-	-	4,785,072	3,406,965
Credit and suretyship	9,725,255	9,725,255	-	-	7,780,204	7,780,204	-	-	-	1,945,051
Miscellaneous	4,205,027	5,698,541	7,934,487	6,440,973	2,672,800	3,169,866	4,435,532	3,938,466	2,502,507	430,950
Total	119,420,375	134,201,532	132,188,495	117,407,338	61,958,708	47,257,671	48,850,778	63,551,815	53,855,523	55,814,669

------(Rupees)-----

Direct And Facultative

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


 Chief Executive


 Chairperson


 Director


 Director



Statement of Expenses

For the year ended December 31, 2014

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission expense		Commission expense	Management expenses (Refer Note 5.18 and 21)	Underwriting expenses	Commission from reinsurers (Refer Note below)	Net underwriting expenses 2014	Net underwriting expenses 2013
		Opening	Closing						
----- (Rupees) -----									
Direct And Facultative									
Fire and property damage	26,604,964	15,913,537	13,382,687	29,135,814	32,951,640	62,087,454	23,525,089	38,562,365	39,934,697
Marine, aviation And transport	10,322,359	1,558,425	1,270,894	10,609,890	14,051,212	24,661,102	10,715,538	13,945,564	13,458,160
Motor	4,547,414	2,393,229	2,007,382	4,933,261	14,461,157	19,394,418	7,529	19,386,889	17,837,554
Accident and health	245,230	94,929	109,888	230,271	1,592,617	1,822,888	-	1,822,888	1,418,388
Credit and suretyship	441,697	1,335,482	173,664	1,603,515	913,260	2,516,775	1,281,832	1,234,943	13,607,710
Miscellaneous	3,625,881	1,324,334	1,690,185	3,260,030	7,297,281	10,557,311	3,626,944	6,930,367	4,705,686
Total	<u>45,787,545</u>	<u>22,619,936</u>	<u>18,634,700</u>	<u>49,772,781</u>	<u>71,267,167</u>	<u>121,039,948</u>	<u>39,156,932</u>	<u>81,883,016</u>	<u>90,962,195</u>

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

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


 Chief Executive


 Chairperson


 Director


 Director



Statement of Investment Income

For the year ended December 31, 2014

	2014	2013
	----- Rupees -----	
Income from non-trading investments		
Held-to-maturity		
Return on government securities	57,006,071	54,749,961
Return on term deposit receipts	728,219	1,549,096
Return on term finance certificates	1,362,820	837,351
Amortisation of discount and premium on Pakistan Investment Bonds	3,384,287	3,263,280
	<u>62,481,397</u>	<u>60,399,688</u>
Available-for-sale investments		
Dividend income	5,204,310	8,306,647
Gain on sale of available-for-sale investments	21,888,255	85,218,556
	<u>27,092,565</u>	<u>93,525,203</u>
Provision for impairment in value of investments		
(Provision) / Reversal in diminution in value of investment classified as available for sale	(1,602,058)	4,403,448
Total investment income	<u>87,971,904</u>	<u>158,328,339</u>

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


Chief Executive


Chairperson


Director


Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1 STATUS AND NATURE OF BUSINESS

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

The registered office of the Company is situated at State Life Building 1-B, I. I. Chundrigar Road, Karachi. The Company has 18 (2013: 20) branches in Pakistan. The parent entity of the Company is State Life Insurance Corporation of Pakistan holding 93.99% (2013: 93.99%) shares of the Company.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

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

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

4 ACCOUNTING CONVENTION

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



5.1.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

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

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or will 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 expired.

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

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

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

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

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

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



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

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

5.3 Premium

Premium received / receivables under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance from inception to expiry as follows:-

- (a) For direct business, evenly over the period of the policy;
- (b) For proportional reinsurance business accepted, evenly over the period of underlying insurance policies; and
- (c) for non-proportional reinsurance business accepted, evenly over the period of indemnity.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy. Administrative surcharge is recognised as premium at the time the policies are written.

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.

5.4 Underwriting provisions

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

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

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

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



5.4.2 Premium deficiency reserve

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

5.4.3 Provision for unearned premium

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

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

5.4.4 Commission income unearned

Commission income and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as a liability and are recognised in the profit and loss account as revenue in accordance with the pattern of recognition of related 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 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 premiums is accounted for in the same period as the related premium for the direct business being reinsured.

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

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

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



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

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

5.7 Reinsurance recoveries against outstanding claims

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

5.8 Deferred commission expense

Commission expense and other costs incurred in obtaining and recording policies are deferred and recognised as an asset on acquisition of related policies. Accordingly, these costs are charged to the profit and loss account as an expense on the pattern of recognition of premium revenue.

5.9 Amount due to / from other insurers / reinsurers

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

5.10 Prepaid reinsurance

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

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

5.11 Provisions

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

5.12 Cash and cash equivalents

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

5.13 Sundry receivables

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



5.14 Financial assets

5.14.1 Classification

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

At fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short term, or 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 intent and ability to hold to maturity.

Loans and receivables

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

5.14.2 Initial recognition and measurement

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

5.14.3 Subsequent measurement

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



5.14.4 Impairment against financial assets

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

5.14.5 Derecognition

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

5.14.6 Offsetting of financial assets and liabilities

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

5.15 Employees benefits

Defined benefit plan

The Company operates an approved gratuity fund for its permanent staff who have completed the qualifying period of service under the Fund. The Fund 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, 2014, using the Projected Unit Credit Method.

The liability / asset recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for amounts arising as a result of remeasurements with a charge or credit to other comprehensive income in the periods in which they occur.

Defined contribution plan

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

Employees' compensated absences

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



5.16 Fixed assets

5.16.1 Tangible Assets

These are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that are directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic 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 expenditure are charged to the profit and loss accounts during the financial period in which they are incurred.

Depreciation is charged to profit and loss account applying the straight line method at the rates specified in note 20 to the financial statement. Depreciation is charged on additions from the month of acquisition, and on disposal up to the month of disposal.

An item of fixed assets is derecognised upon disposal and when no economic benefits are expected from its use or disposal.

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate.

Gains and losses on disposal of fixed assets are taken to the profit and loss account in the period in which they arise.

5.16.2 Intangible assets.

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

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

Gains and losses on sale of intangible assets are included in the profit and loss account.

5.16.3 Impairment

The carrying value of assets are reviewed at each balance sheet date for impairment whereas events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount. The resulting impairment loss is taken to the profit and loss account.

5.17 Revenue recognition

Premium income under a policy is recognised over the period of insurance from the date of inception of the policy to which it relates till the expiry in case of marine cargo business whereas, for all other cases of premium, income is recognised as a difference between total premium written and provision for unearned premium using 1/24th method as mentioned in note 5.4.3 to these financial statements.

Commission income is taken to the profit and loss account on time proportionate basis in accordance with the pattern of recognition of reinsurance premium to which it relates.

Administrative surcharge recovered by the Company from policy holder is included in income.



Income from held-to-maturity investment is recognised on time proportion basis taking into account the effective yield on the investment. The difference between redemption and purchase price of the held-to-maturity investment is amortised and taken in to profit and loss account over the term of investment.

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

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

Return on bank balances is recognised on accrual basis.

5.18 Allocation of management expenses

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

5.19 Taxation

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

Current

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

Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the foreseeably 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 future for goods and / or services received, whether or not billed to the Company.



5.21 Foreign currencies

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

5.22 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. These financial statements are prepared and 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 segments are the same as those described in the summary of significant accounting policies.

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

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. 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 judgments, estimates and underlying assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances.

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

Significant accounting estimates and areas where judgment were made by the management in the application of accounting policies are as follows:

	Note
Underwriting provisions	5.4
Classification of investments	5.14
Useful lives of assets and methods of depreciation	5.16
Provision for current and deferred taxation	5.19
Defined benefit plan	5.15
Provision for impairment	5.14 & 5.16
Reinsurance recoveries against outstanding claims	5.7

7 SHARE CAPITAL

7.1 Authorised share capital

2014	2013		2014	2013
.....Number of shares.....			----- Rupees -----	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>

7.2 Issued, subscribed and paid-up share capital

2014	2013		2014	2013
.....Number of shares.....			----- Rupees -----	
		Ordinary shares of Rs. 10 each:		
<u>1,162,000</u>	1,162,000	- fully paid in cash	<u>11,620,000</u>	11,620,000
<u>29,198,000</u>	29,198,000	- issued as fully paid bonus shares	<u>291,980,000</u>	291,980,000
<u>10,000,000</u>	10,000,000	- issued as right shares	<u>100,000,000</u>	100,000,000
<u>40,360,000</u>	<u>40,360,000</u>		<u>403,600,000</u>	<u>403,600,000</u>



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

2014	2013		Percentage of holding		2014	2013
			2014	2013	----- Rupees -----	----- Rupees -----
.....Number of shares.....						
		State Life Insurance Corporation of Pakistan				
37,934,843	27,934,843	(Parent Company)	93.99%	93.99%	379,348,430	379,348,430
2,412,526	2,425,157	Individuals	5.98%	5.98%	24,125,260	24,125,560
12,631	12,631	Director	0.03%	0.03%	126,310	126,310
<u>40,360,000</u>	<u>40,360,000</u>				<u>403,600,000</u>	<u>403,600,000</u>

7.4 Capital management policies and procedures

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

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

The company is in compliance with the regulatory capital requirement as specified by the Securities and Exchange Commission of Pakistan.

	2014	2013
	----- Rupees -----	----- Rupees -----
8 ACCRUED EXPENSES		
Commission in respect of outstanding premium	28,948,579	27,570,824
Other accrued expenses	7,660,863	6,214,546
	<u>36,609,442</u>	<u>33,785,370</u>
9 OTHER CREDITORS AND ACCRUALS		
Commission payable to agents	18,767,045	15,500,420
Cash margins against performance bonds	4,517,952	4,547,157
Federal excise duty	27,286,202	27,513,727
Federal insurance fee	-	36,731
Income tax deducted at source	423,423	167
Workers welfare fund	3,321,511	2,860,396
Others	3,315,588	1,338,198
	<u>57,631,721</u>	<u>51,796,796</u>



10 CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 Various insurance claims amounting to Rs. 107.271 million (2013: Rs. 99.662 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. (2013: None).

	Note	2014 ----- Rupees -----	2013
11 CASH AND BANK DEPOSITS			
Cash and other equivalent			
- cash in hand		-	-
- stamps in hand		141,960	66,289
		<u>141,960</u>	<u>66,289</u>
Current and other accounts			
- current accounts		17,019,561	11,618,945
- saving accounts	11.1	47,157,618	64,161,632
		64,177,179	75,780,577
		<u>64,319,139</u>	<u>75,846,866</u>

11.1 These accounts carry interest at the rate of 6.5 % to 8.5 % (2013: 6% to 7%) per annum.

	Note	2014 ----- Rupees -----	2013
12 INVESTMENTS			
Available-for-sale			
Listed shares	12.1	92,193,058	70,476,637
Less: Diminution in value of investments		(1,602,058)	-
		90,591,000	70,476,637
Held-to-maturity			
Government securities	12.3	523,319,353	503,819,813
Other fixed income securities	12.4	777,816	13,028,344
		524,097,169	516,848,157
		<u>614,688,169</u>	<u>587,324,794</u>



12.1 Listed shares

2014	2013	Face value	Nature of investee	2014	2013
No. of shares		Rupees		----- Rupees -----	
			Oil and gas		
6,300	6,800	10	Oil & Gas Development Company Limited	1,680,808	1,652,635
5,000	5,000	10	Pakistan Oilfields Limited	2,169,519	2,169,519
87,000	92,000	10	Pakistan Petroleum Limited	18,236,305	20,281,294
35,063	28,051	10	Shell (Pakistan) Limited	784,895	784,895
			Chemicals		
79,627	79,627	10	Fauji Fertilizer Company Limited	5,892,283	5,892,283
108,500	-	10	Ittehad Chemicals Limited	4,527,480	-
2,000	2,000	10	Linde Pakistan Limited	322,500	322,500
			Forestry (paper & board)		
120,000	120,000	10	Pakistan Paper Product Limited	150,000	150,000
			Industrial Metals and Mining		
-	110,000	10	Crescent Steel & Allied Production	-	5,320,469
			General Industrials		
-	55,200	5	Thal Limited	-	8,345,555
			Engineering		
3,118	2,310	5	Al-Ghazi Tractor Limited	370,125	370,125
			Automobile and Parts		
-	1,700	10	Atlas Battery Limited	-	527,444
			Tobacco		
23,367	23,367	10	Pakistan Tobacco Company Limited	78,710	78,710
			Pharma and Bio tech		
121,783	154,212	10	Glaxo Smith Kline Limited	4,249,824	5,919,627
			Travel and Leisure		
28,815	28,815	10	Pakistan Services Limited	199,116	199,116
			Commercial Banks		
110,000	-	10	Allied Bank Limited	13,357,504	-
215,000	72,500	10	Bank Al-Habib Limited	10,248,807	3,109,554
-	1,041,750	10	Faysal Bank Limited	-	11,432,164
445,000	-	10	Habib Metropolitan Bank Limited	16,619,342	-
72,000	13,000	10	United Bank Limited	13,176,478	1,727,089
			Non-life Insurance		
177,777	177,777	10	Pakistan Reinsurance Company Limited	3,003	3,003
19,831	15,865	5	Habib Insurance Company Limited	95,830	95,830
			Electricity		
500	-	10	Kot Addu Power Company Limited	30,529	-
			Financial Services		
-	82,000	10	Orix Leasing Pakistan Limited	-	2,094,825
				<u>92,193,058</u>	<u>70,476,637</u>



12.2 The fair value of available-for-sale investments is Rs. 174,811,452 (2013: 125,190,448). 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 (IAS) 39, Financial Instruments: Recognition and Measurement requires that these instruments should be measured at fair value.

Had these investments been measured at fair value, their carrying values (cost less diminution in value) as at December 31, 2014 would have been higher by Rs. 82,618,394 (2013: 54,713,813) and shareholder's equity increased by the same amount.

12.3 Government Securities

Maturity	Principal repayment	Coupon percentage / yield	Coupon payment	Face Value	Carrying Value		
					2014	2013	
----- Rupees -----							
5 years Pakistan Investment Bonds	September-14	On maturity	11.50%	Semi annually	-	-	10,946,191
5 years Pakistan Investment Bonds	July-15	On maturity	11.50%	Semi annually	1,000,000	986,612	964,882
5 years Pakistan Investment Bonds	August-16	On maturity	11.50%	Semi annually *	12,500,000	12,323,430	12,231,059
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	122,201,826
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	33,781,797
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	9,640,999
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	14,909,331
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	43,132,927
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	86,469,593
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	10,535,376
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	11,129,162
3 years Pakistan Investment Bonds	August-14	On maturity	11.25%	Semi annually	-	-	5,070,152
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually *	2,000,000	1,985,757	1,962,046
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually *	7,000,000	6,999,320	6,998,176
3 years Pakistan Investment Bonds	July-15	On maturity	11.25%	Semi annually *	20,000,000	20,087,881	20,236,504
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	1,000,000	1,003,050	1,004,771
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	20,000,000	19,904,704	19,851,320
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	19,700,000	19,471,172	-
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	300,000	296,516	-
3 years Pakistan Investment Bonds	July-17	On maturity	11.25%	Semi annually	345,000,000	336,199,159	-
3 years Pakistan Investment Bonds	July-16	On maturity	11.25%	Semi annually	9,700,000	9,853,490	-
Treasury Bills	March-14	On maturity	9.81%-10.28%	On maturity	-	-	92,753,701
Treasury Bills	February-15	On maturity	9.98%	On maturity	47,000,000	46,387,967	-
Treasury Bills	March-15	On maturity	9.98%	On maturity	24,000,000	23,599,965	-
Treasury Bills	April-15	On maturity	9.96%	On maturity	25,000,000	24,220,330	-
					<u>534,200,000</u>	<u>523,319,353</u>	<u>503,819,813</u>

*These securities having a face value of Rs. 41.5 million (2013: 48.6 million) have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000.



12.4 Other fixed income securities

Term finance certificates	Tenure	Maturity	Number of certificates	Rate of return	Profit repayment	Face Value	2014	2013
Allied Bank Limited	8 years	2014	600	12.02%	Semi annually	1,445,000	-	1,496,400
Bank Al Habib Limited	8 years	2015	312	12.12%	Semi annually	1,500,000	777,816	1,555,944
Engro Fertilizer Limited	8 years	2015	2000	11.63%	Semi annually	10,000,000	-	9,976,000
						<u>12,945,000</u>	<u>777,816</u>	<u>13,028,344</u>

----- Rupees -----

Note 2014 2013
----- Rupees -----

13. PREMIUMS DUE BUT UNPAID - UNSECURED

Considered good		<u>72,058,582</u>	75,222,441
Considered doubtful		<u>31,584,477</u>	33,421,271
		<u>103,643,059</u>	108,643,712
Provision for doubtful recovery	13.1	<u>(31,584,477)</u>	(33,421,271)
		<u>72,058,582</u>	75,222,441

13.1 Reconciliation of provision for doubtful recovery

Opening provision	<u>33,421,271</u>	21,219,285
(Reversal)/Charge for the year	<u>(1,836,794)</u>	12,201,986
Closing provision	<u>31,584,477</u>	33,421,271

14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Considered good		<u>53,463,011</u>	61,178,505
Considered doubtful		<u>35,371,487</u>	19,622,947
		<u>88,834,498</u>	80,801,452
Provision for doubtful recovery	14.1	<u>(35,371,487)</u>	(19,622,947)
		<u>53,463,011</u>	61,178,505

14.1 Reconciliation of provision for doubtful recovery

Opening provision	<u>19,622,947</u>	10,480,385
Charge for the year	<u>15,748,540</u>	9,142,562
Closing provision	<u>35,371,487</u>	19,622,947

15. ACCRUED INVESTMENT INCOME

Accrued interest on Government Securities	<u>22,706,365</u>	17,831,414
Accrued interest on Term Finance Certificates	<u>37,709</u>	179,568
Dividend receivable	<u>15,751</u>	13,601
	<u>22,759,825</u>	18,024,583



**16 REINSURANCE RECOVERIES AGAINST
 OUTSTANDING CLAIMS**

48,850,778 47,257,671

The balance includes claims receivable from Mitsui Sumitomo Reinsurance Limited (MSIG) and Pakistan Reinsurance Company Limited (PRCL), amounting to Rs. 6.008 million (2013: 7.279 million) and Rs.19.887 (2013: 17.839 million) respectively.

Note **2014** 2013
 ----- Rupees -----

17 PREPAYMENTS

Prepaid reinsurance premium ceded	53,926,690	61,144,416
Others	987,367	357,380
	<u>54,914,057</u>	<u>61,501,796</u>

18 SUNDRY RECEIVABLES

Advances - secured

To staff	-	5,116
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Unsecured

Long term security deposit	1,893,461	1,861,051
Federal insurance fee	180,846	-
Temporary loan extended to Provident Fund	-	1,000,000
Receivable from employee gratuity fund	27 2,132,423	2,328,764
Miscellaneous receivables	18.1 1,763,478	2,079,268
	<u>5,970,208</u>	<u>7,274,199</u>

18.1 This includes Rs 1,558,728 receivable from State Life Insurance Corporation - a related party.

2014 2013
 ----- Rupees -----

19 DEFERRED TAXATION

Deferred tax arising on:

Accelerated tax depreciation on fixed assets	831,522	939,546
Provision against premium due but unpaid	10,422,877	11,363,232
Provision for diminution in value of investment	280,360	-
Provision against amount due from other insurers / reinsurers	11,672,591	6,671,802
	<u>23,207,350</u>	<u>18,974,580</u>



20. FIXED ASSETS

	Tangible					Intangible	Total
	Furniture and fixtures	Office equipment	Computers and related accessories	Motor vehicles	Electrical installations	Computer software	
------(Rupees)-----							
At January 1, 2014							
Cost	12,602,871	4,988,510	8,270,473	25,083,188	3,938,017	2,411,912	57,294,971
Accumulated depreciation	(6,443,942)	(4,247,088)	(7,517,562)	(18,724,397)	(2,585,379)	(2,411,912)	(41,930,280)
Net book value	<u>6,158,929</u>	<u>741,422</u>	<u>752,911</u>	<u>6,358,791</u>	<u>1,352,638</u>	-	<u>15,364,691</u>
Year ended December 31, 2014							
Opening net book value	6,158,929	741,422	752,911	6,358,791	1,352,638	-	15,364,691
Additions	1,766,500	15,500	430,600	125,488	240,894	-	2,578,982
Disposals							
Cost	-	-	-	1,223,897	-	-	1,223,897
Accumulated depreciation	-	-	-	1,223,897	-	-	1,223,897
Depreciation charge for the year	(993,996)	(318,501)	(319,779)	(2,131,494)	(335,049)	-	(4,098,819)
Closing net book value	<u>6,931,433</u>	<u>438,421</u>	<u>863,732</u>	<u>4,352,785</u>	<u>1,258,483</u>	-	<u>13,844,854</u>
At December 31, 2014							
Cost	14,369,371	5,004,010	8,701,073	23,984,779	4,178,911	2,411,912	58,650,056
Accumulated depreciation	(7,437,938)	(4,565,589)	(7,837,341)	(19,631,994)	(2,920,428)	(2,411,912)	(44,805,202)
Closing Net book value	<u>6,931,433</u>	<u>438,421</u>	<u>863,732</u>	<u>4,352,785</u>	<u>1,258,483</u>	-	<u>13,844,854</u>
At January 1, 2013							
Cost	12,468,156	4,974,510	8,091,385	23,106,568	3,773,311	2,411,912	54,825,842
Accumulated depreciation	(5,548,501)	(3,811,167)	(7,057,654)	(16,704,533)	(2,228,222)	(2,279,936)	(37,630,013)
Net book value	<u>6,919,655</u>	<u>1,163,343</u>	<u>1,033,731</u>	<u>6,402,035</u>	<u>1,545,089</u>	<u>131,976</u>	<u>17,195,829</u>
Year ended December 31, 2013							
Opening net book value	6,919,655	1,163,343	1,033,731	6,402,035	1,545,089	131,976	17,195,829
Additions	134,715	14,000	179,088	1,976,620	164,706	-	2,469,129
Disposals / write off							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge for the year	(895,441)	(435,921)	(459,908)	(2,019,864)	(357,157)	(131,976)	(4,300,267)
Closing net book value	<u>6,158,929</u>	<u>741,422</u>	<u>752,911</u>	<u>6,358,791</u>	<u>1,352,638</u>	-	<u>15,364,691</u>
Depreciation rate % per annum	10%	10 - 20%	20%	20%	15%	30%	

20.1 Disposal of operating fixed assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
-----Rupees-----						
Motor Vehicles	23,650	23,650	-	7,100	Tender Auction	S. Zafar Akhter
Motor Vehicles	605,247	605,247	-	470,000	Tender Auction	Aqeel Ahmed
Motor Vehicles	595,000	595,000	-	375,000	Tender Auction	Aqeel Ahmed
	<u>1,223,897</u>	<u>1,223,897</u>		<u>852,100</u>		



	Note	2014	2013
		----- Rupees -----	
20.2	The depreciation charged during the year has been allocated as follows:		
Management expenses	21	2,787,197	2,834,438
General and administrative expenses	23	1,311,622	1,333,853
		<u>4,098,819</u>	<u>4,168,291</u>
20.3	The amortisation charged during the year has been allocated as follows:		
Management expenses	21	-	89,744
General and administrative expenses	23	-	42,232
		<u>-</u>	<u>131,976</u>
21	MANAGEMENT EXPENSES		
Salaries, wages and other benefits	21.1	33,239,737	34,539,642
Rent, rates, taxes and electricity		7,423,514	7,375,360
Legal and professional charges		1,126,151	1,375,548
Repair and maintenance		2,599,209	1,587,591
Communication		1,434,913	1,302,180
Printing and stationery		1,811,570	1,384,602
Travelling and conveyance		3,762,183	2,571,796
Advertisement and sales promotion		1,097,271	525,158
Provision for doubtful recovery	13 & 14	13,911,746	21,344,548
Depreciation	20.2	2,787,197	2,834,438
Amortisation	20.3	-	89,744
Miscellaneous expenses		2,073,676	1,242,395
		<u>71,267,167</u>	<u>76,173,002</u>
21.1	This includes an amount of Rs. 1,019,282 (2013: Rs.869,353) in respect of staff retirement benefits.		
22	OTHER INCOME		
Interest on saving accounts		4,807,224	3,471,122
Gain on disposal of fixed assets	20.1	852,100	-
Miscellaneous income		668,769	661,001
		<u>6,328,093</u>	<u>4,132,123</u>
23	GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits		15,642,229	16,253,948
Rent, rates, taxes and electricity		3,493,419	3,470,757
Legal and professional charges		529,954	599,104
Repairs and maintenance		1,223,157	747,103
Communication		675,253	612,791
Printing and stationery		852,503	651,576
Travelling and conveyance		1,770,438	1,210,256
Subscriptions		153,525	134,772
Directors fee		810,000	590,000
Workers' welfare fund		461,115	2,106,116
Depreciation	20.2	1,311,622	1,333,853
Amortisation	20.3	-	42,232
Auditors' remuneration	23.1	517,493	524,052
Miscellaneous expenses		822,323	449,887
		<u>28,263,031</u>	<u>28,726,447</u>



	Note	2014 ----- Rupees -----	2013
23.1 Auditors' remuneration			
Audit fee		275,000	250,000
Half yearly review		90,000	80,000
Regulatory return and Code of Corporate Governance		85,000	85,000
Out of pocket expenses		67,493	109,052
		<u>517,493</u>	<u>524,052</u>
24 TAXATION			
Current - for the year		7,377,089	4,215,999
for prior years		402,658	-
Deferred		<u>(4,232,770)</u>	<u>1,306,970</u>
	24.1	<u>3,546,977</u>	<u>5,522,969</u>
24.1 Reconciliation between tax expense and accounting profit			
Profit before taxation		<u>23,055,758</u>	<u>103,199,722</u>
Effects of:			
Tax at the applicable rate of 33% (2013: 34%)		7,608,400	35,087,905
Tax effect of capital gain taxed at lower rate		(4,699,619)	(26,914,179)
Tax impact of change in rate of tax		558,076	558,076
Prior year tax charge		402,658	-
Tax effect of expenses not admissible		-	(1,497,172)
Tax effect of dividend income taxed at lower rate		(1,197,037)	(1,993,595)
Others		874,499	281,934
Tax expense for the year		<u>3,546,977</u>	<u>5,522,969</u>

25 EARNINGS PER SHARE - basic and diluted

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

	2014 ----- Rupees -----	2013
Profit after tax for the year	<u>19,508,781</u>	<u>97,676,753</u>
	----- Number of Shares -----	
Weighted average number of ordinary shares	<u>40,360,000</u>	<u>40,360,000</u>
	----- Rupee -----	
Basic earnings per share	<u>0.48</u>	<u>2.42</u>

25.1 There are no convertible dilutive potential ordinary shares outstanding on December 31, 2014 and 2013.

26 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise State Life Insurance Corporation of Pakistan being the parent company, associated entities having directors in common, key management personnel, gratuity fund and provident fund.. The transactions with related parties other than remuneration of key management personnel (which is disclosed in note no. 29) are as follows:



Transactions	Note	2014 ----- Rupees -----	2013
State Life Insurance Corporation of Pakistan			
Rent paid		4,320,276	4,167,828
Net premium revenue		-	895,990
Contribution to provident fund		712,076	719,968
Contribution to gratuity fund		307,206	149,385
Balances			
Receivable from State Life Insurance Corporation of Pakistan		1,558,728	1,558,728
Investment in Orix Leasing Pakistan Limited		-	2,094,825
Payable to associated company IGI Insurance Limited		482,494	482,494
Receivable from gratuity fund	27	2,132,423	2,328,764

27 DEFINED BENEFIT PLAN - STAFF RETIREMENT GRATUITY

27.1 General description

The Company operates an approved gratuity fund established in 1982 for its permanent staff who have completed the qualifying period of service. The Fund is administered by the Trustees in accordance with the provisions of the Trust Deed and contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2014, using the Projected Unit Credit Method for valuation of the Fund.

The disclosures made in notes 27.2 to 27.14 are based on the information included in the actuarial report of the Fund as of December 31, 2014.

The Company faces the following risks on account of the gratuity fund.

- (a) Mortality risks: The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.
- (b) Investment risks: The risk of investment under performing and being not sufficient to meet the liabilities.
- (c) Final Salary risks: The risk that the final salary at the time of the cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.
- (d) Withdrawal risks: The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' services / age distribution and the benefit.

27.2 Principal actuarial assumptions

	2014	2013
Discount rate	10.50%	12.75% p.a.
Expected rate of salary	10.00%	12.25% p.a.
Normal retirement age	60 years	60 years



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	2014	2013
	----- Rupees -----	
27.3 The amount recognised in the Balance Sheet are determined as follows:		
Present value of defined benefit obligations	7,574,024	7,107,817
Fair value of plan assets	<u>(9,706,447)</u>	<u>(9,436,581)</u>
	<u>(2,132,423)</u>	<u>(2,328,764)</u>

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

	2014		
	Present value of obligation	Fair value of plan assets	Total
	----- Rupees -----		
At January 1	7,107,817	(9,436,581)	(2,328,764)
Current service cost	586,832	-	586,832
Interest expense / (income)	898,781	(1,178,407)	(279,626)
	<u>8,593,430</u>	<u>(10,614,988)</u>	<u>(2,021,558)</u>
Remeasurements:			
- Interest on plan assets, excluding amounts included in interest expense	-	453,841	453,841
- (Gain) / loss from change in demographic assumptions	-	-	-
- Gain from change in financial assumptions	(83,060)	-	(83,060)
- Experience gain	(481,646)	-	(481,646)
	<u>(564,706)</u>	<u>453,841</u>	<u>(110,865)</u>
	8,028,724	(10,161,147)	(2,132,423)
Benefits paid	(454,700)	454,700	-
At December 31	<u>7,574,024</u>	<u>(9,706,447)</u>	<u>(2,132,423)</u>
	2013		
	Present value of obligation	Fair value of plan assets	Total
	----- Rupees -----		
At January 1	5,892,236	(9,338,137)	(3,445,901)
Current service cost	539,487	-	539,487
Interest expense / (income)	716,343	(1,106,445)	(390,102)
	<u>7,148,066</u>	<u>(10,444,582)</u>	<u>(3,296,516)</u>
Remeasurements:			
- Interest on plan assets, excluding amounts included in interest expense	-	348,158	348,158
- (Gain)/Loss from change in demographic assumptions	-	-	-
- Loss from change in financial assumptions	25,580	-	25,580
- Experience losses	392,571	-	392,571
	<u>418,151</u>	<u>348,158</u>	<u>766,309</u>
	7,566,217	(10,096,424)	(2,530,207)
Contribution	-	492,443	492,443
Benefit paid	(458,400)	167,400	(291,000)
At December 31	<u>7,107,817</u>	<u>(9,436,581)</u>	<u>(2,328,764)</u>



	2014	2013
	----- Rupees -----	
27.5 Amount recognised in profit and loss account		
Current service cost	586,832	539,487
Interest cost on defined benefit obligation	898,781	716,343
Interest income on plan assets	<u>(1,178,407)</u>	<u>(1,106,445)</u>
Cost recognised in the profit and loss account	<u>307,206</u>	<u>149,385</u>
27.6 Remeasurement recognised in other comprehensive income.		
Remeasurement (gains) / losses on obligation		
- (Gain) / loss due to change in financial assumptions	(83,060)	25,580
- (Gain) / loss due to change in experience adjustments	<u>(481,646)</u>	<u>392,571</u>
	<u>(564,706)</u>	418,151
Loss / (Gain) relating to return on plan assets over interest income		
- Return on plan assets	(724,566)	(758,287)
- Interest income on plan assets	<u>1,178,407</u>	<u>1,106,445</u>
	<u>453,841</u>	348,158
	<u>(110,865)</u>	<u>766,309</u>
27.7 Analysis of present value of define benefit obligation		
Vested / Non vested		
- Vested benefits	7,264,264	6,845,221
- Non- Vested benefits	<u>309,760</u>	<u>262,596</u>
Total	<u>7,574,024</u>	<u>7,107,817</u>
Types of Benefits		
- Accumulated benefit obligation	4,094,080	3,474,415
- Amounts attributed to future salary increases	<u>3,479,944</u>	<u>3,633,402</u>
Total	<u>7,574,024</u>	<u>7,107,817</u>
27.8 Plan assets consist of the following:		
	2014	2013
	(Rupees)	(Rupees)
	%	%
Treasury bills	9,624,564	9,043,810
Bank balance	81,883	392,771
	99.16%	95.84%
	0.84%	4.16%
	<u>9,706,447</u>	<u>9,436,581</u>
	100%	100%

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



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

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	----- Rupees -----		
Discount rate	1.0%	(544,719)	644,631
Salary growth rate	1.0%	678,727	583,608

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity asset recognised within the Balance Sheet.

27.11 The weighted average duration of the defined benefit obligation is 8.28 years (2013: 8.20 years).

27.12 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity fund is as follows:

At December 31, 2014	Between 0-1 years	Between 2-4 years	Between 5-10 years	Over 10 years	Total
	-----Rupees-----				
Gratuity	1,875,075	2,274,938	4,384,377	147,730,388	156,264,778
	2014	2013	2012	2011	2010

27.13 Historical results

	-----Rupees-----				
Present value of defined benefit obligation	7,574,024	7,107,817	5,892,236	5,663,176	5,842,417
Fair value of plan assets	(9,706,447)	(9,436,581)	(9,338,137)	(9,448,255)	(9,419,419)
Surplus	(2,132,423)	(2,328,764)	(3,445,901)	(3,785,079)	(3,577,002)
Remeasurements of plan liabilities	564,706	(418,151)	(326,149)	932,317	224,176
Remeasurements of plan assets	453,841	(348,158)	(65,284)	(693,001)	458,149

27.14 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs. 445,007 as per the actuarial valuation report of the Company as of December 31, 2014.



28 PROVIDENT FUND RELATED DISCLOSURES

The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Fund in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31, 2014 was Rs. 712,076 (2013: Rs. 719,968).

The following information is based on the un-audited financial statements of the Fund as at December 31, 2014.

	2014	2013
	----- Rupees -----	
Size of the fund - Total assets	33,817,163	32,558,852
Fair value of investments	33,561,376	31,436,513
Percentage of investments made	99%	97%

28.1 The cost of above investments amounted to Rs 32.880 million (2013: Rs. 30.248 million).

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

	2014	2013	2014	2013
	Percentage		----- Rupees -----	
Market Treasury Bill	98.51%	100%	33,061,376	31,436,513
Term Deposit Receipts	1.49%		500,000	-
			<u>33,561,376</u>	<u>31,436,513</u>

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

29 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive		Directors		Total	
	2014	2013	2014	2013	2014	2013
	----- Rupees -----					
Managerial remuneration	3,187,877	3,467,040	-	-	3,187,877	3,467,040
Directors' fee	-	-	810,000	590,000	810,000	590,000
	<u>3,187,877</u>	<u>3,467,040</u>	<u>810,000</u>	<u>590,000</u>	<u>3,997,877</u>	<u>4,057,040</u>
Number of persons	1	1	6	6		

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



30 SEGMENT REPORTING

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

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

30.1 SEGMENT RESULTS

-----2014-----							
Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total	
-----Rupees-----							
Net premium revenue	23,561,517	12,438,180	41,221,644	4,610,013	3,599,347	5,476,373	90,907,074
Net claims	(16,241,076)	(9,548,978)	(20,777,890)	(4,785,072)	-	(2,502,507)	(53,855,523)
Premium deficiency expense	-	-	1,708,155	142,102	-	-	1,850,257
Management expenses	(32,951,640)	(14,051,212)	(14,461,157)	(1,592,617)	(913,260)	(7,297,281)	(71,267,167)
Net commission	(5,610,725)	105,648	(4,925,732)	(230,271)	(321,683)	366,914	(10,615,849)
Segment results	(31,241,924)	(11,056,362)	2,765,020	(1,855,845)	2,364,404	(3,956,501)	(42,981,208)
Net investment income							87,971,904
Other income							6,328,093
General and administrative expenses							(28,263,031)
							<u>23,055,758</u>

-----2013-----							
Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total	
-----Rupees-----							
Net premium revenue	20,336,960	10,765,121	46,942,686	3,892,421	27,339,845	5,871,779	115,148,812
Net claims	(3,414,031)	(4,522,955)	(42,094,717)	(3,406,965)	(1,945,051)	(430,950)	(55,814,669)
Premium deficiency expense	-	-	1,464,126	(370,367)	-	-	1,093,759
Management expenses	(33,458,045)	(14,092,734)	(12,117,277)	(1,229,501)	(10,283,055)	(4,992,390)	(76,173,002)
Net commission	(6,476,652)	634,574	(5,720,277)	(188,887)	(3,324,655)	286,704	(14,789,193)
	(23,011,768)	(7,215,994)	(11,525,459)	(1,303,299)	11,787,084	735,143	(30,534,293)
Net investment income							158,328,339
Other income							4,132,123
General and administrative expenses							(28,726,447)
							<u>103,199,722</u>



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30.2 OTHER INFORMATION - STATEMENT OF ASSETS AND LIABILITIES

	-----2014-----						
	Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
	-----Rupees-----						
Segment assets	103,702,551	42,323,251	21,273,111	1,463,727	4,476,932	20,231,178	<u>193,470,750</u>
Unallocated corporate assets							<u>836,241,356</u>
Consolidated total assets							<u>1,029,712,106</u>
Segment liabilities	110,339,456	29,812,503	71,269,963	2,657,728	1,425,357	20,451,395	<u>235,956,402</u>
Unallocated corporate liabilities							<u>190,451,680</u>
Consolidated total liabilities							<u>426,408,082</u>
	-----2013-----						
	Fire and property damage	Marine aviation and transport	Motor	Accident and Health	Credit and suretyship	Miscellaneous	Total
	-----Rupees-----						
Segment assets	108,146,743	40,762,053	24,117,793	1,449,240	16,972,263	14,796,372	206,244,464
Unallocated corporate assets							822,057,233
Consolidated total assets							<u>1,028,301,697</u>
Segment liabilities	104,736,427	27,499,351	84,949,724	2,128,126	17,534,756	14,514,937	251,363,321
Unallocated corporate liabilities							193,217,413
Consolidated total liabilities							<u>444,580,734</u>



31 FINANCIAL INSTRUMENTS BY CATEGORY

31.1 Financial assets and financial liabilities

Financial assets	2014	2013
	----- Rupees -----	
Cash and bank deposits		
Cash and other equivalent	141,960	66,289
Current and other accounts	64,177,179	75,780,577
	64,319,139	75,846,866
Current assets - others		
Premium due but unpaid	72,058,582	75,222,441
Amounts due from other insurers / reinsurers	53,463,011	61,178,505
Accrued investment income	22,759,825	18,024,583
Reinsurance recoveries against outstanding claims	48,850,778	47,257,671
Sundry receivables	5,970,208	7,274,199
	203,102,404	208,957,399
Investments		
Available-for-sale	90,591,000	70,476,637
Held-to-maturity	524,097,169	516,848,157
	614,688,169	587,324,794
	882,109,712	872,129,059
Financial liabilities		
Amortised cost		
Provision against outstanding claims	113,313,591	118,458,369
Amounts due to other insurers / reinsurers	90,813,430	100,315,458
Accrued expenses	36,609,442	33,785,370
Unclaimed dividend	3,011,260	3,083,705
Other creditors and accruals	26,600,585	21,385,775
	270,348,308	277,028,677

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

32.1 Market risk

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

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



32.1.1 Price Risk

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

The table below summarises the Company's equity price risk as of December 31, 2014 and 2013 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 decrease in profit before tax	Hypothetical decrease in shareholder's equity
	Rupees		-----Rupees-----		
December 31, 2014	174,811,452	10% increase	192,292,597	-	-
		10% decrease	157,330,307	(17,481,145)	(11,712,367)
December 31, 2013	125,190,448	10% increase	137,709,493	-	-
		10% decrease	112,671,403	(12,519,045)	(8,262,570)

32.1.2 Yield / mark-up rate risk

Yield / mark-up rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market yield / mark-up. The Company is exposed to interest / markup rate risk in respect of the following:

Effective yield/ mark-up rate %	2014							
	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk				
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total	
	-----Rupees-----							
Financial assets								
Cash and bank deposits	6.5 - 8.5	47,157,618	-	47,157,618	17,161,521	-	17,161,521	64,319,139
Investments	9.96 - 11.50	125,045,648	399,051,521	524,097,169	90,591,000	-	90,591,000	614,688,169
Premium due but unpaid		-	-	-	72,058,582	-	72,058,582	72,058,582
Amount due from other insurers / reinsurers		-	-	-	53,463,011	-	53,463,011	53,463,011
Accrued investment income		-	-	-	22,759,825	-	22,759,825	22,759,825
Reinsurance recoveries against outstanding claims		-	-	-	48,850,778	-	48,850,778	48,850,778
Sundry receivables		-	-	-	5,970,208	-	5,970,208	5,970,208
		<u>172,203,266</u>	<u>399,051,521</u>	<u>571,254,787</u>	<u>310,854,925</u>	<u>-</u>	<u>310,854,925</u>	<u>882,109,712</u>
Financial liabilities								
Provision against outstanding claims		-	-	-	113,313,591	-	113,313,591	113,313,591
Amounts due to other insurers / reinsurers		-	-	-	90,813,430	-	90,813,430	90,813,430
Accrued expenses		-	-	-	36,609,442	-	36,609,442	36,609,442
Unclaimed dividend		-	-	-	3,011,260	-	3,011,260	3,011,260
Other creditors and accruals		-	-	-	26,600,585	-	26,600,585	26,600,585
		<u>-</u>	<u>-</u>	<u>-</u>	<u>270,348,308</u>	<u>-</u>	<u>270,348,308</u>	<u>270,348,308</u>
Total yield / mark-up rate risk sensitivity gap 2014		<u>172,203,266</u>	<u>399,051,521</u>	<u>571,254,787</u>	<u>40,506,617</u>	<u>-</u>	<u>40,506,617</u>	<u>611,761,404</u>



2013								
Effective yield/ mark- up rate %	Exposed to yield/mark-up risk			Not exposed to yield/mark-up rate risk				
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total	
-----Rupees-----								
Financial assets								
Cash and bank deposits	6 - 7	64,161,632	-	64,161,632	11,685,234	-	11,685,234	75,846,866
Investments	9.81 - 12.02	442,067,455	74,780,702	516,848,157	70,476,637	-	70,476,637	587,324,794
Premium due but unpaid		-	-	-	75,222,441	-	75,222,441	75,222,441
Amount due from other insurers / reinsurers		-	-	-	61,178,505	-	61,178,505	61,178,505
Accrued investment income		-	-	-	18,024,583	-	18,024,583	18,024,583
Reinsurance recoveries against outstanding claims		-	-	-	47,257,671	-	47,257,671	47,257,671
Sundry receivables		-	-	-	7,274,199	-	7,274,199	7,274,199
		<u>506,229,087</u>	<u>74,780,702</u>	<u>581,009,789</u>	<u>291,119,270</u>	<u>-</u>	<u>291,119,270</u>	<u>872,129,059</u>
Financial liabilities								
Provision against outstanding claims		-	-	-	118,458,369	-	118,458,369	118,458,369
Amounts due to other insurers / reinsurers		-	-	-	100,315,458	-	100,315,458	100,315,458
Accrued expenses		-	-	-	33,785,370	-	33,785,370	33,785,370
Unclaimed dividend		-	-	-	3,083,705	-	3,083,705	3,083,705
Other creditors and accruals		-	-	-	21,385,775	-	21,385,775	21,385,775
		<u>-</u>	<u>-</u>	<u>-</u>	<u>277,028,677</u>	<u>-</u>	<u>277,028,677</u>	<u>277,028,677</u>
Total yield / mark-up rate risk sensitivity gap 2012		<u>506,229,087</u>	<u>74,780,702</u>	<u>581,009,789</u>	<u>14,090,593</u>	<u>-</u>	<u>14,090,593</u>	<u>595,100,382</u>

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

	Increase / Decrease in basis points	Effect on profit before tax		Effect on equity		
		----- Rupees -----				
December 31, 2014	100	(100)	5,712,548	(5,712,548)	3,827,407	(3,827,407)
December 31, 2013	100	(100)	5,810,098	(5,810,098)	3,776,564	(3,776,564)

32.1.3 Foreign currency risk

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

32.2 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:



	2014	2013
	----- Rupees -----	
		Restated
Bank deposits	64,177,179	75,780,577
Investments	777,816	13,028,344
Premium due but unpaid	72,058,582	75,222,441
Amount due from other insurers / reinsurers	53,463,011	61,178,505
Accrued investment income	37,709	179,568
Reinsurance recoveries against outstanding claims	48,850,778	47,257,671
Sundry receivables	5,970,208	7,274,199

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

Name of Banks	Rating		Rating Agency	2014	
	Short term	Long term			
				----- Rupees -----	
Allied Bank Limited	A1+	AA+	PACRA	129,898	
Faysal Bank Limited	A1+	AA	PACRA	1,942,916	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	81,571	
JS Bank Limited	A1	A+	PACRA	1,438,808	
MCB Bank Limited	A1+	AAA	PACRA	258,053	
National Bank of Pakistan	A1+	AAA	JCR-VIS	684,636	
NIB Bank Limited	A1+	AA-	PACRA	381,264	
Soneri Bank Limited	A1+	AA-	PACRA	1,093,982	
United Bank Limited	A1+	AA+	JCR-VIS	58,166,051	
				<u>64,177,179</u>	

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

	2014	2013
	----- Rupees -----	
Up to 30 days	5,164,537	5,813,801
31 to 180 days	13,780,248	24,706,019
Over 180 days	53,113,797	44,702,621
	<u>72,058,582</u>	<u>75,222,441</u>

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2014	2013
	----- (Rupees) -----				
A or above	29,111,384	18,635,438	-	47,746,822	76,061,977
A-	79,835	-	-	79,835	2,485,714
BBB	4,732,486	-	-	4,732,486	3,404,769
Others	19,539,306	30,215,340	-	49,754,646	26,483,716
Total	<u>53,463,011</u>	<u>48,850,778</u>	-	<u>102,313,789</u>	<u>108,436,176</u>



32.3 Liquidity risk

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

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

	2014			
	Within one year	Over one year to five years	Over five years	Total
	------(Rupees)-----			
Financial liabilities				
Provision against outstanding claims	113,313,591	-	-	113,313,591
Amount due to other insurers / reinsurers	90,813,430	-	-	90,813,430
Accrued expense	36,609,442	-	-	36,609,442
Unclaimed dividend	3,011,260	-	-	3,011,260
Other creditors and accruals	26,600,585	-	-	26,600,585
	<u>270,348,308</u>	<u>-</u>	<u>-</u>	<u>270,348,308</u>
	------(Rupees)-----			
	2013			
	Within one year	Over one year to five years	Over five years	Total
	------(Rupees)-----			
Financial liabilities				
Provision for outstanding claims	118,458,369	-	-	118,458,369
Amount due to other insurers / reinsurers	100,315,458	-	-	100,315,458
Accrued expense	33,785,370	-	-	33,785,370
Unclaimed dividend	3,083,705	-	-	3,083,705
Other creditors and accruals	21,385,775	-	-	21,385,775
	<u>277,028,677</u>	<u>-</u>	<u>-</u>	<u>277,028,677</u>

32.4 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.

	2014	2013
	-----Rupees in million-----	
The Company's class wise major risk exposure is as follows:		
Fire and property damage	68,535	59,750
Marine, aviation and transport	27,203	25,322
Motor	1,880	1,611
Accidental, health and others	9,777	3,913
Credit and suretyship	410	7,270

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

Uncertainty in the estimation of future claims payment

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

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

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



Sensitivity analysis

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

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

	Pre tax profit		Shareholders' equity	
	2014	2013	2014	2013
	-----Rupees-----			
10% increase in net claims (i.e. loss)				
Fire and property damage	(1,624,107)	(341,403)	(1,088,152)	(221,912)
Marine, aviation and transport	(954,897)	(452,295)	(639,781)	(293,992)
Motor	(2,077,789)	(4,209,472)	(1,392,119)	(2,736,157)
Accident and health	(478,507)	(340,697)	(320,600)	(221,453)
Credit and suretyship	-	(194,505)	-	(126,428)
Miscellaneous	(250,251)	(43,095)	(167,668)	(28,012)
	(5,385,551)	(5,581,467)	(3,608,320)	(3,627,954)

10% decrease in net claims (i.e. loss)

Fire and property damage	1,624,107	341,403	1,088,152	221,912
Marine, aviation and transport	954,897	452,295	639,781	293,992
Motor	2,077,789	4,209,472	1,392,119	2,736,157
Accident and health	478,507	340,697	320,600	221,453
Credit and suretyship	-	194,505	-	126,428
Miscellaneous	250,251	43,095	167,668	28,012
	5,385,551	5,581,467	3,608,320	3,627,954

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

Claims development tables

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



Analysis on gross basis	2009	2010	2011	2012	2013	2014	Total
Accident year	-----Rupees-----						
Estimate of ultimate claims cost:							
At end of accident year	7,684,440	5,796,340	9,523,919	8,683,822	35,269,690	23,520,394	90,478,605
One year later	5,248,070	10,027,978	32,750,038	11,368,206	19,714,245	-	79,108,537
Two years later	2,300,201	6,473,256	7,952,700	1,117,609	-	-	17,843,766
Three years later	2,959,391	3,220,128	3,399,343	-	-	-	9,578,862
Four years later	196,000	1,054,104	-	-	-	-	1,250,104
Five years later	1,321,367	-	-	-	-	-	-
Estimate of cumulative claims	1,321,367	1,054,104	3,399,343	1,117,609	19,714,245	23,520,394	50,127,062
Cumulative payments to date	-	(31,225)	(42,360)	(71,278)	(17,061,975)	(13,254,985)	(30,461,823)
Liability recognised in the balance sheet	1,321,367	1,022,879	3,356,983	1,046,331	2,652,270	10,265,409	19,665,239

32.5 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:

	2014		
	Maximum sum insured	Reinsurance cover	Highest net liability
	-----Rupees-----		
Fire and property damage	2,529,759,196	2,499,759,196	30,000,000
Marine, aviation and transport	247,815,000	217,815,000	30,000,000
Motor	22,800,000	21,800,000	1,000,000
Accident and health	19,200,000	11,700,000	7,500,000
Credit and suretyship	11,814,816	7,314,816	4,500,000
Miscellaneous	1,939,606,916	1,924,606,916	15,000,000
	<u>4,770,995,928</u>	<u>4,682,995,928</u>	<u>88,000,000</u>
	-----Rupees-----		
	2013		
	-----Rupees-----		
	-----Rupees-----		
Fire and property damage	1,907,899,135	1,887,899,135	20,000,000
Marine, aviation and transport	316,104,272	296,104,272	20,000,000
Motor	5,700,000	3,200,000	2,500,000
Accident and health	32,200,000	-	32,200,000
Credit and suretyship	158,071,955	126,457,565	31,614,390
Miscellaneous	25,000,000	20,000,000	5,000,000
	<u>2,444,975,362</u>	<u>2,333,660,972</u>	<u>111,314,390</u>



32.6 Geographical concentration of insurance risk

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

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

33 CORRESPONDING FIGURES

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

34 GENERAL

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

35 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

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

36 DATE OF AUTHORISATION

These financial statements were authorised for issue on April 3, 2015 by the Board of Directors of the Company.


Chief Executive


Chairperson


Director


Director



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

Pattern of Shareholding

As at December 31, 2014

Number of Shareholders	Shareholdings		Total Shares Held	
	From	To		
3	1	100	193	193
3	101	500	1,081	888
15	501	1,000	13,365	12,284
17	1,001	5,000	61,402	48,037
20	5,001	10,000	194,325	132,923
22	10,001	25,000	493,580	299,255
5	25,001	50,000	641,326	147,746
7	50,001	75,000	1,072,651	431,325
3	75,001	100,000	1,306,687	234,036
1	100,001	150,000	1,408,302	101,615
4	150,001	205,000	2,217,902	809,600
1	205,001	300,000	2,425,157	207,255
1	300,001	37,934,843	40,360,000	37,934,843
102				40,360,000

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



alpha

Insurance Company Limited.

A subsidiary of State Life Insurance Corporation of Pakistan

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PROXY FORM

Annual General Meeting

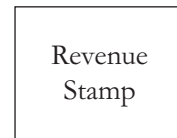
I/We.....of.....being a member of Alpha Insurance Company Limited hereby appoint Mr..... of of failing him Mr..... of.....as my/our Proxy to vote for me/us and on my/our behalf at the 63rd Annual General Meeting of the Company to be held on 29th day of April, 2015 at 10:30 a.m. at Company’s Head Office, 4th Floor, Building No. 1-B, State Life Square, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

Signed this.....day of..... 2015

1. Witness:

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

 CNIC



2.

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

 CNIC

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

Note:

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

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

