

Organisation  
development  
through  
self development





### **Vision**

A first class insurance company that provides the highest level of quality service to its policyholders.

### **Mission**

To stay in the forefront of innovation and technological developments, continue to achieve corporate success, provide its policyholders quality products and service to their satisfaction, promote interest of all the stakeholders – employees, shareholders, reinsurers and business associates equitably fulfilling demand of overall social responsibility.

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive	Arshad P. Rana
Directors	Ali H. Shirazi
	Frahim Ali Khan
	Jawaid Iqbal Ahmed
	Muhammad Faruque
	Omar Saeed
Company Secretary	Qudsia Naheed

### AUDIT COMMITTEE

Chairman	Omar Saeed
Members	Frahim Ali Khan
	Jawaid Iqbal Ahmed
Secretary	Qudsia Naheed
Chief Internal Auditor	Saleem Mahmood Akhtar

### INVESTMENT COMMITTEE

Chairman	Frahim Ali Khan
Members	Iftikhar H. Shirazi
	Arshad P. Rana
Secretary	Muhammad Zafar Riaz

### UNDERWRITING COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Asad Mahmood Awan

### CLAIMS SETTLEMENT COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Asad Mahmood Awan

### REINSURANCE & CO-INSURANCE COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Asad Mahmood Awan

**COMPANY INFORMATION****MANAGEMENT COMMITTEE**

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Chief Executive	Arshad P. Rana
Chief Financial Officer	Muhammad Zafar Riaz
Senior Manager Technical	Muhammad Munir
Company Secretary	Qudsia Naheed

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**AUDITORS** Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

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**LEGAL ADVISORS** Mohsin Tayebaly & Co.  
Ch. Maqsood Advocate  
Agha Faisal Barrister at Law

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**TAX ADVISOR** Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

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**BANKERS** Allied Bank Ltd.  
Atlas Bank Ltd.  
Bank Al-falah Ltd.  
Habib Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Standard Chartered Bank  
United Bank Ltd.

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**REGISTERED & HEAD OFFICE** 3-Bank Square,  
Shahrah-e-Quaid-e-Azam,  
Lahore  
Telephone: (92-42) 7320542-43, 7322271, 73  
Fax: (92-42) 7234742  
Email: info@atlasinsurance.com.pk  
Website: www.atlasinsurance.com.pk

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**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 72nd Annual General Meeting of the Members of the Atlas Insurance Limited (*Formerly* Muslim Insurance Company Limited) will be held on Saturday, March 31, 2007 at 11:00 A.M. at 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

**ORDINARY BUSINESS**

1. To confirm the minutes of the Extra Ordinary General Meeting held on December 23, 2006.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2006 together with the Directors' and Auditors' Report thereon.
3. To approve Cash Dividend @ 70% and Stock Dividend @ 30%, as recommended by the Directors.
4. To appoint auditors and fix their remuneration. In compliance with the Securities and Exchange Commission of Pakistan's Curcular No. 24 of 2005 dated December 19, 2005 the retiring auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants are not eligible for re-appointment. One of the shareholders has proposed the name of M/s. A. F. Ferguson & Co., Chartered Accountants for appointment as auditors for the financial year ending December 31, 2007.

**SPECIAL BUSINESS**

5. To pass with or without modification the following resolutions as special resolutions:

**Resolved:**

- a) "that the approval of the shareholders of Company be and is hereby accorded in terms of Section 208 of the Companies Ordinance, 1984 for the investment of the respective amounts in the purchase of ordinary shares of the following associated companies:

Sr. No.	Name of Company	Amount to be invested (Rupees)
a)	Cherat Papersack Limited	30,000,000
b)	Cherat Cement Company Limited	100,000,000
c)	Atlas Asset Management Limited	50,000,000

- b) the Chief Executive Officer of the Company be and is hereby authorized to take any and all actions which may be required for the investment of the respective amounts in the purchase of ordinary shares of the above mentioned associated companies."

**Further Resolved:**

- c) "that all fractional Bonus Shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares in the Stock Market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 2001."

**Further Resolved:**

- d) "that the remuneration of the Chief Executive Officer of the Company for the financial year ending December 31, 2007 be and is hereby approved."

**OTHER BUSINESS**

6. To consider any other business with the permission of the chair.

The Statement under Section 160(1) (b) of the Companies Ordinance, 1984 pertaining to the special business is annexed with this notice to the members.

By Order of the Board



Qudsia Naheed

Company Secretary

Lahore: March 9, 2007

**NOTES:**

1. Share transfer books of the company will remain closed from March 24, 2007 to March 31, 2007 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another person as his / her proxy to attend and vote on his / her behalf. The proxy form, must be received at the registered office of the company at 3 - Bank Square, Shahrah-e-Quaid-Azam, Lahore, duly stamped, signed and witnessed not later than forty-eight (48) hours before the meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
4. For attending the meeting and appointing proxies CDC account holders will further have to follow the guideline as laid in Circular 01 dated 26 January, 2000 issued by the Securities and Exchange Commission of Pakistan.
5. Members are requested to immediately inform the company of any change in their address.

**STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This Statement is annexed to the Notice of the 72nd Annual General Meeting of Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) to be held on March 31, 2007 at which certain business are to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

**ITEM NO. 5(a) OF THE AGENDA**

The Board of Directors of Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) in their meeting held on March 1, 2007 approved to make investment in associated companies. In this regard the company seeks the approval of the shareholders under section 208 of the Companies Ordinance, 1984, for investment in the associated Companies.

According to S.R.O. No. 865(i)/2000 dated December 6, 2000 the following information is required to be annexed with the notice for approval of equity investment in associated companies and for the purpose of Section 208 of the Companies Ordinance, 1984. Hence the same is set out below:

Sr. No.	Description	Information Required
a. 1	Name of the Investee Company	Cherat Papersack Limited
2	Nature, amount and extent of investment	Long term equity investment upto Rs.30,000,000 in the shares of the investee company
3	Average Market Price of the shares intended to be purchased during preceding six months in case of listed companies	Average Market Price upto February 28, 2007 is Rs.45.77 per share
4	Break-up value of shares intended to be purchased on the basis of last published financial statement	December 31, 2006: Rs.52.82 per share
5	Price at which shares will be purchased	At Prevailing Market Rate
6	Earnings Per Share of the investee company in the last three completed years	2004: Rs.8.68 per share 2005: Rs.6.68 per share 2006: Rs.1.41 per share
7	Source of funds from where shares will be purchased	Own source
8	Period for which investment will be made	Not applicable being long term equity investment
9	Purpose of Investment	Long term investment for the purpose of dividend income as well as prospective capital gains
10	Benefits likely accrue to the Company and the shareholders from the proposed investment	Dividend Income / Capital Gain
11	Interest of directors and their relatives in the investee company	Mr. Muhammad Faruque, Director of Atlas Insurance Limited (AIL), is also Director of Cherat Papersack. He is interested in this business to the extent of his investment in this Company



Sr. No.	Description	Information Required
b. 1	Name of the Investee Company	Cherat Cement Company Limited
2	Nature, amount and extent of investment	Long term equity investment upto Rs.100,000,000 in the shares of the investee company
3	Average Market Price of the shares intended to be purchased during preceding six months in case of listed companies	Average Market Price upto February 28, 2007 is Rs.48.85 per share
4	Break-up value of shares intended to be purchased on the basis of last published financial statement	December 31, 2006: Rs.22.34 per share
5	Price at which shares will be purchased	At Prevailing Market Rate
6	Earnings Per Share of the investee company in the last three completed years	2004: Rs.4.45 per share 2005: Rs.5.36 per share 2006: Rs.5.63 per share
7	Source of funds from where shares will be purchased	Own source
8	Period for which investment will be made	Not applicable being long term equity investment
9	Purpose of Investment	Long term investment for the purpose of dividend income as well as prospective capital gains
10	Benefits likely accrue to the Company and the shareholders from the proposed investment	Dividend Income / Capital Gain
11	Interest of directors and their relatives in the investee company	Mr. Muhammad Faruque, Director of AIL, is also Director of Cherat Cement. He is interested in this business to the extent of his investment in this Company

c. 1	Name of the Investee Company	Atlas Asset Management Limited
2	Nature, amount and extent of investment	Long term equity investment upto Rs.50,000,000 in the shares of the investee company
3	Average Market Price of the shares intended to be purchased during preceding six months in case of listed companies	Not applicable as the company is not listed on Stock Exchange.
4	Break-up value of shares intended to be purchased on the basis of last published financial statement	December 31, 2006: Rs.9.8 per share
5	Price at which shares will be purchased	Rs.10.00 per share
6	Earnings Per Share of the investee company in the last three completed years	2004: Rs.(0.05) per share 2005: Rs.(1.42) per share 2006: Rs.0.56 per share
7	Source of funds from where shares will be purchased	Own source
8	Period for which investment will be made	Not applicable being long term equity investment
9	Purpose of Investment	Long term investment for the purpose of dividend income as well as prospective capital gains
10	Benefits likely accrue to the Company and the shareholders from the proposed investment	Dividend Income / Capital Gain
11	Interest of directors and their relatives in the investee company	Mr. Yusuf H. Shirazi and Mr. Jawaid Iqbal Ahmed, Directors of AIL, are also Directors of Atlas Asset Management Limited. They are interested in this business to the extent of their investment in this Company

**ITEM NO. 5(d) OF THE AGENDA**

Approval is being sought for the annual increase in the remuneration of the Chief Executive, working whole time with the Company. The Chief Executive is interested only in the remuneration payable to him.

**STATUS OF APPROVALS FOR INVESTMENTS IN ASSOCIATED COMPANIES**

As required by the SRO No. 865(I)/2000 dated December 06, 2000, the position of investments in associated companies against approvals held by the company is as under:

1. Atlas Honda Limited - Against approval of Rs.138.00 million, the company invested Rs.108.418 million. The balance amount would be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
2. Honda Atlas Cars (Pakistan) Limited - Against approval of Rs.27.00 million, the company invested Rs.18.414 million. The balance amount would be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
3. Atlas Bank Limited (Formerly Dawood Bank Limited) - Against approval of Rs.13.00 million, the company made no investment. The market price of the scrip was considered high by the management, hence the company delayed the investment till the market price is attractive to buy. There was no major change in the financial position of the investee company.
4. Allwin Engineering Industries Limited - Against approval of Rs.9.00 million, the company invested Rs.5.837 million. The balance amount would be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
5. Atlas Battery Limited - Against approval of Rs.7.00 million, the company invested Rs.5.213 million. The balance amount would be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.

**TEN YEARS AT A GLANCE**

(Rupees in million)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>FINANCIAL DATA</b>										
Paid-up Capital	158.8	122.2	101.8	88.5	88.5	80.5	67.1	55.9	44.7	37.3
General & Capital Reserves	512.7	334.1	100.4	51.3	23.5	31.4	34.4	31.1	30.0	28.2
Equity	671.5	456.3	202.2	139.9	112.0	111.9	101.5	87.0	74.7	65.5
Underwriting Premium Reserves	375.8	221.2	194.7	33.5	36.4	38.8	32.9	30.6	28.7	29.5
Investments - at Cost	674.8	338.8	219.5	172.1	138.5	106.3	68.6	42.2	40.5	49.4
Total Assets - At Book Value	1,191.5	902.0	509.8	406.0	337.1	282.6	181.4	160.7	138.9	154.8
Fixed Assets - Net	21.9	19.0	14.0	12.1	14.2	14.1	6.2	5.4	5.8	5.9
Cash and Bank Deposits	75.6	185.9	17.7	15.9	13.2	16.3	13.0	33.8	16.3	53.9
Advances, Deposits and Prepayments	182.2	208.6	63.8	3.7	3.0	6.6	6.3	6.6	5.8	6.0
<b>OPERATING DATA</b>										
Gross Premium	668.8	523.6	315.6	212.7	215.6	196.7	165.3	149.5	131.3	137.1
Net Premium	348.7	264.1	145.0	93.2	97.4	91.1	78.0	74.7	72.6	69.4
Net Claims Paid	133.2	64.4	40.2	18.2	17.5	19.3	16.8	15.2	16.2	17.4
Underwriting Profit	155.0	152.2	59.0	30.7	8.6	18.1	17.0	6.5	2.8	4.1
Investment Income	210.9	159.8	54.6	57.7	25.4	6.2	3.9	8.9	9.1	8.0
Profit Before Tax (PBT)	358.7	304.7	104.9	90.1	30.2	27.1	23.7	17.5	13.3	15.4
Income Tax	58.0	50.6	22.2	48.9	16.8	8.6	9.2	5.3	1.6	(3.2)
Profit After Tax (PAT)	300.7	254.1	82.7	41.2	13.4	18.5	14.5	12.2	11.7	18.6
<b>FINANCIAL RATIOS</b>										
<b>Profitability</b>										
Profit Before Tax / Gross Premium (%)	53.6	58.2	33.2	42.4	14.0	13.8	14.3	11.7	10.1	11.2
Profit Before Tax / Net Premium (%)	102.9	115.4	72.3	96.7	31.0	29.7	30.4	23.4	18.3	22.2
Profit After Tax / Gross Premium (%)	45.0	48.5	26.2	19.4	6.2	9.4	8.8	8.2	8.9	13.6
Profit After Tax / Net Premium (%)	86.2	96.2	57.0	44.2	13.8	20.3	18.6	16.3	16.1	26.8
Management Expenses / Gross Premium (%)	17.5	20.0	29.7	40.5	37.9	28.0	33.3	35.4	40.0	33.1
Management Expenses / Net Premium (%)	33.5	39.7	64.7	92.5	83.9	60.4	70.6	70.9	70.3	65.3
Underwriting Profit / Net Premium (%)	44.4	57.6	40.7	32.9	8.8	19.9	21.8	8.7	3.9	5.9
Net Claims / Net Premium (%)	38.2	24.4	27.7	19.5	18.0	21.2	21.5	20.3	22.3	25.1
Return on Assets (%)	25.2	28.2	16.2	10.1	4.0	6.6	8.0	7.6	8.4	12.0

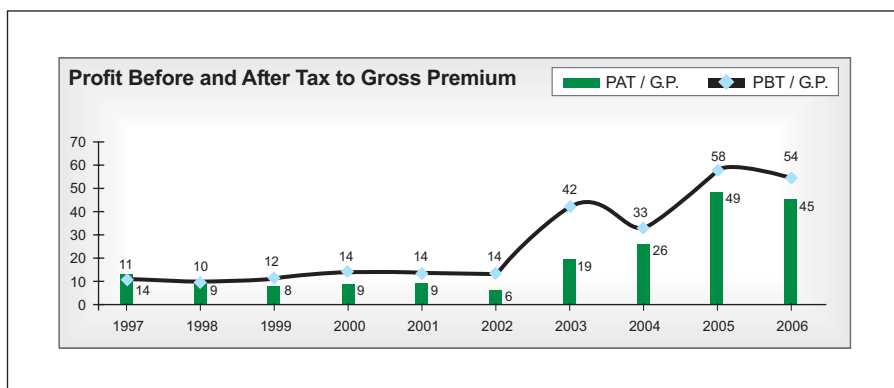
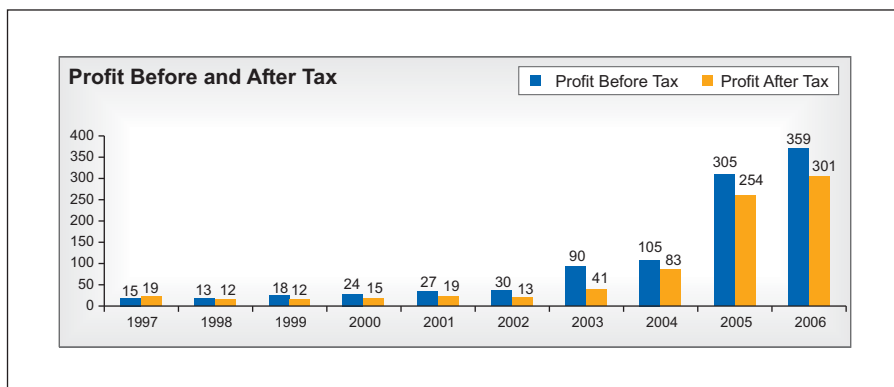
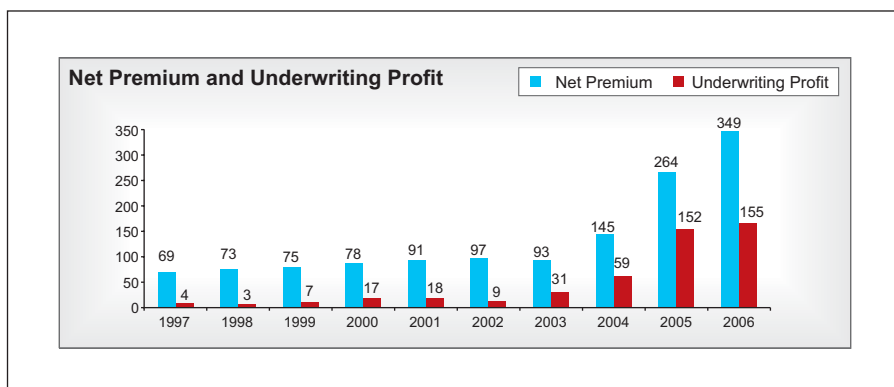
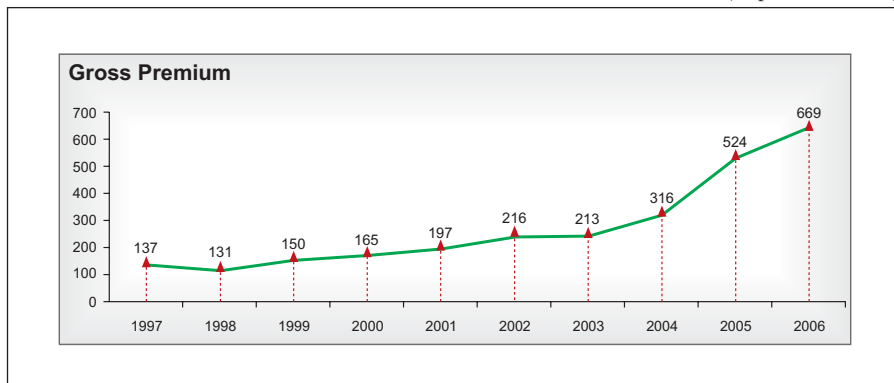
**TEN YEARS AT A GLANCE**

(Rupees in million)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Return to Shareholders</b>										
Return on Equity - PBT (%)	53.4	66.8	51.9	64.4	27.0	24.2	23.3	20.1	17.8	23.5
Return on Equity - PAT (%)	44.8	55.7	40.9	29.5	12.0	16.6	14.3	14.0	15.6	28.4
Earnings Per Share (Rs.)	18.9	16.0	6.8	4.7	1.5	2.3	2.2	2.2	2.6	5.0
Price Earning Ratio (Times)	6.2	7.3	5.4	6.0	12.6	8.7	6.9	6.4	6.5	3.2
<b>Market Value Per Share (Rs.)</b>										
Market value at the end of the year	117.9	116.6	37.0	28.0	19.1	20.0	15.0	14.0	17.0	16.0
Highest value during the year	162.1	116.6	42.5	36.5	20.0	20.0	19.8	17.1	23.0	19.0
Lowest value during the year	78.0	37.5	28.1	17.5	14.8	13.1	12.1	14.0	13.0	-
Cash Dividend Per Share (Rs.)	7.0	7.0	2.0	1.5	1.5	1.0	-	-	-	2.0
Stock Dividend Per Share (Rs.)	3.0	3.0	2.0	1.5	-	1.0	2.0	2.0	2.5	2.0
Dividend Yield (%)	5.9	6.0	5.4	5.4	7.9	5.0	-	-	-	12.6
Dividend Pay Out (%)	52.8	48.1	49.2	64.6	99.3	86.4	92.4	91.0	95.0	80.6
Net Assets Per Share (Times)	42.3	37.3	19.9	15.8	12.7	13.9	15.1	15.6	16.7	17.6
<b>Liquidity / Leverage</b>										
Current Ratio (Times)	1.9	1.8	1.4	1.3	1.8	1.5	2.1	2.5	2.4	1.6
Total Assets Turnover (Times)	0.6	0.6	0.6	0.5	0.6	0.7	0.9	0.9	0.9	0.9
Fixed Assets Turnover (Times)	30.5	27.6	22.5	17.6	15.2	13.9	26.7	27.6	22.5	23.1
Total Liabilities / Equity (Times)	0.8	1.0	1.5	1.9	2.0	1.0	0.8	0.8	0.9	1.4
Return on Capital Employed (%)	32.2	42.1	26.6	13.9	5.1	12.2	8.8	10.4	11.3	19.6
Paid-up Capital / Total Assets (%)	13.3	13.5	20.0	21.8	26.3	28.5	37.0	34.8	32.2	24.1
Equity / Total Assets (%)	56.4	50.6	39.7	34.5	33.2	39.6	56.0	54.1	53.8	42.3
<b>DISTRIBUTION</b>										
Cash Dividend (Rs.)	111.2	85.5	20.4	13.3	13.3	8.0	-	-	-	7.5
Cash Dividend (%)	70%	70%	20%	15%	15%	10%	-	-	-	20%
Bonus Shares (Rs.)	47.7	36.7	20.4	13.3	-	8.0	13.4	11.1	11.1	7.5
Bonus Shares (%)	30%	30%	20%	15%	0%	10%	20%	20%	25%	20%
Total Distribution (%)	100%	100%	40%	30%	15%	20%	20%	20%	25%	40%

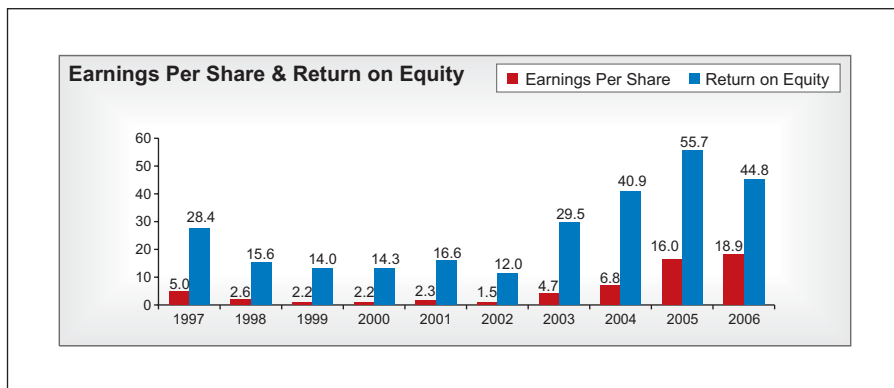
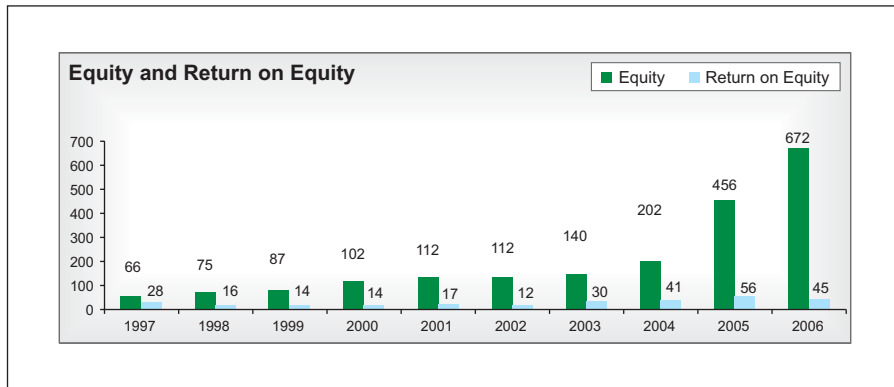
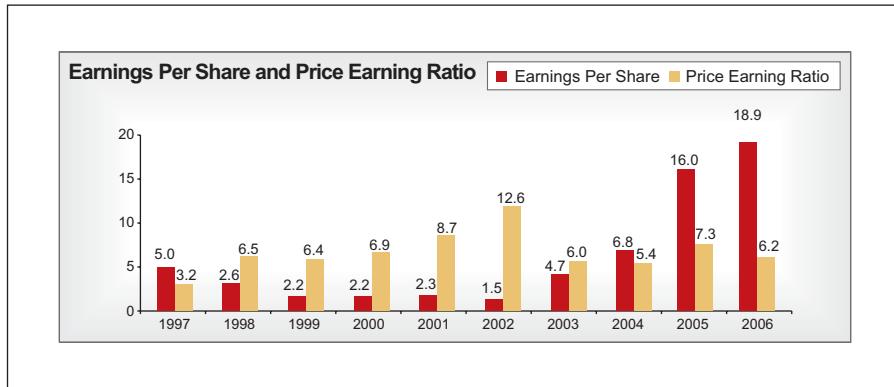
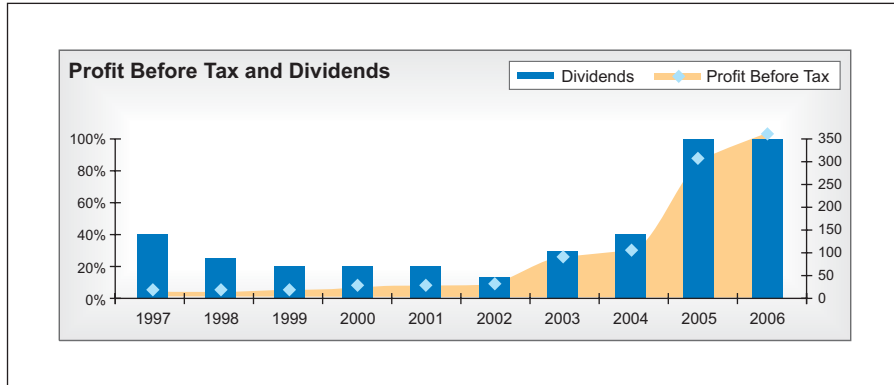
## TEN YEARS AT A GLANCE (GRAPHICAL PRESENTATION)

(Rupees in million)



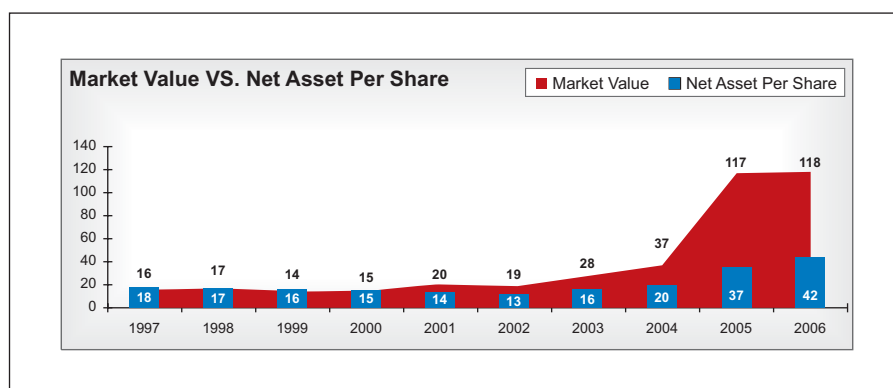
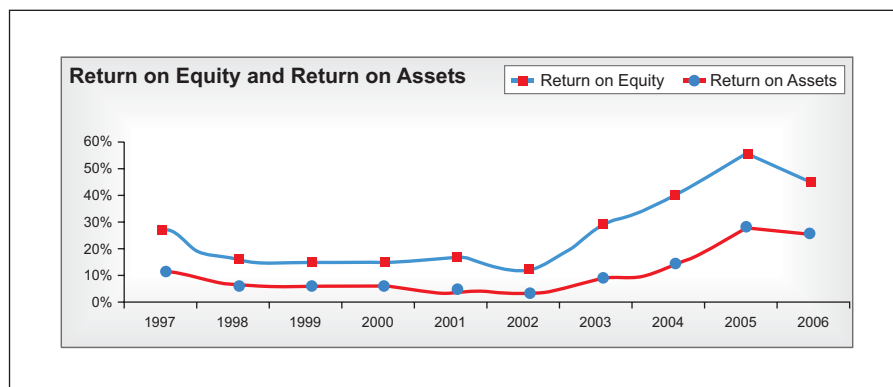
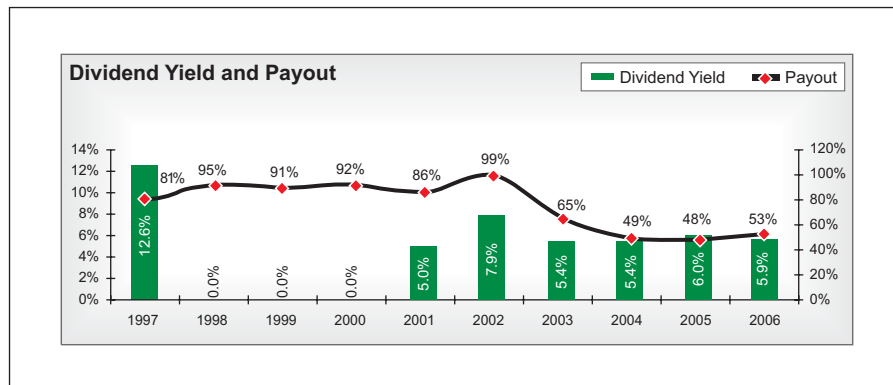
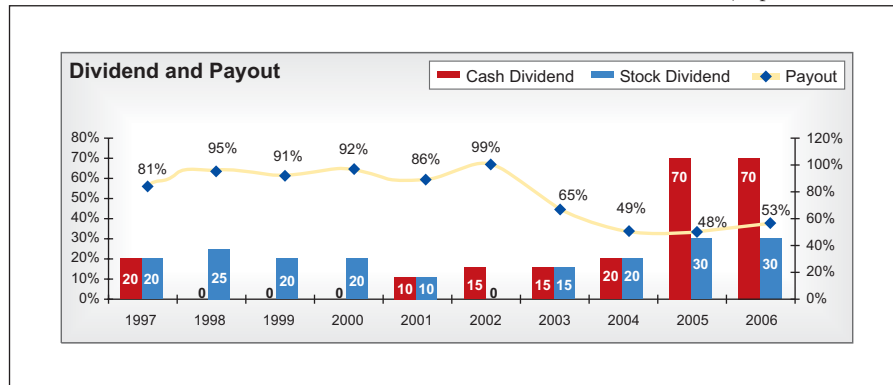
**TEN YEARS AT A GLANCE**  
(GRAPHICAL PRESENTATION)

(Rupees in million)



## TEN YEARS AT A GLANCE (GRAPHICAL PRESENTATION)

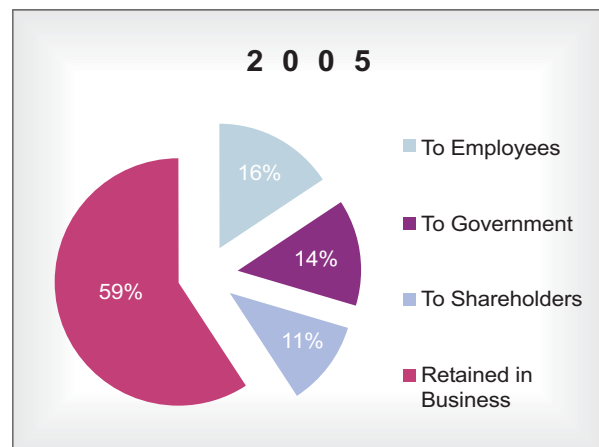
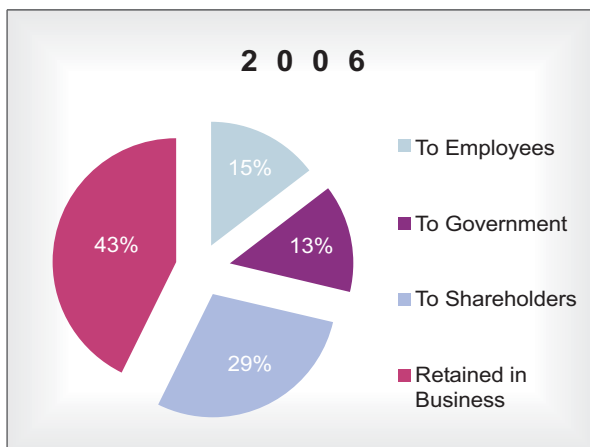
(Rupees in million)



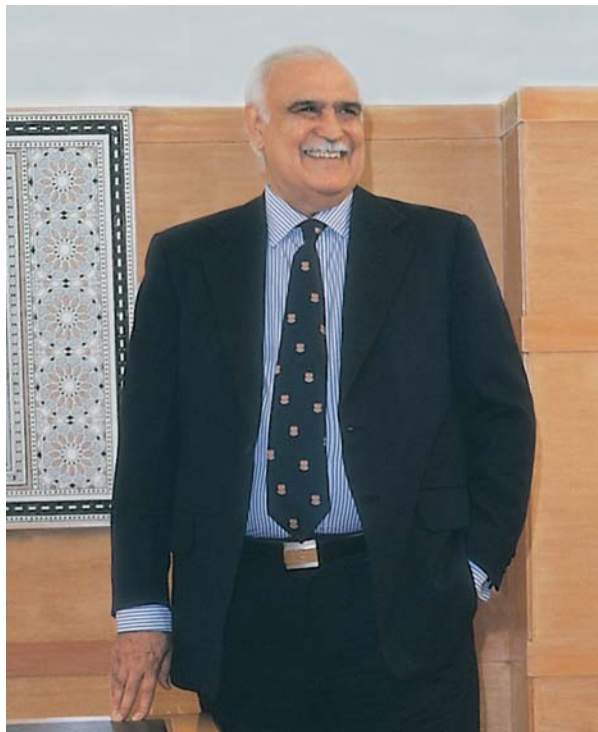
**STATEMENT OF VALUE ADDITION**

(Rupees in thousand)

	2006		2005	
	Rupees	%	Rupees	%
<b>WEALTH GENERATED</b>				
Gross Premium	668,832		523,579	
Commission Income	41,239		43,406	
Investment and Other Income	219,013		166,556	
	929,084		733,541	
Management and Other Expenses	504,125		367,506	
	424,959	100.00%	366,035	100.00%
<b>WEALTH DISTRIBUTED</b>				
To Employees	63,106	14.85%	58,139	15.88%
To Government	57,987	13.65%	50,609	13.83%
To Shareholders				
Cash Dividend	85,532	20.13%	20,365	5.56%
Stock Dividend	36,656	8.63%	20,365	5.56%
	122,188	28.75%	40,730	11.13%
Retained in Business				
Depreciation and Amortization	3,147	0.74%	3,198	0.87%
Statutory Reserves	132,000	31.06%	41,000	11.20%
Retained Profit	46,531	10.95%	172,359	47.09%
	181,678	42.75%	216,557	59.16%
	424,959	100.00%	366,035	100.00%







## CHAIRMAN'S REVIEW

It is my pleasure to present to you the 72nd Annual Report and Review of the performance of your company for the year ended 31 December 2006.

## THE ECONOMY

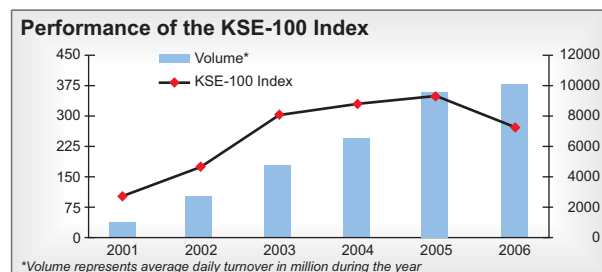
The year 2006 could well be described as a year of consolidation. Though the GDP slowed down to 6.6% during FY06 from 8.6% recorded last year, it was still better than Pakistan's historic average. The major reason for the relative slow-down was a decline in agriculture growth to 2.5% from 6.7% largely due to adverse weather conditions. The manufacturing sector also recorded a lower growth rate of 8.6% against 12% of last year. Whereas the telecom, banking, auto, transportation and retail sectors performed well, the cement and fertilizer lagged behind. The high utility costs adversely impacted the textile and sugar industries. Overall the services sector performed well and registered a growth of 8.8% against 8% of last year, lending good support to the overall GDP growth. GDP per capita rose by 14% to \$847 from \$742 of last year.

Whereas the economy seems to achieve growth rate of around 7% in FY07, the widening trade deficit has, nevertheless, been a cause of concern. It has risen to \$13 billion as against \$9.4 billion of last year, up

38%. This was due to 18% surge in imports which rose to \$29.8 billion partly due to rising oil prices. The exports on the other hand rose to \$16.8 billion, up only 6%.

Going forward, the country has to deal with the widening trade deficit and rising inflation. With a trade deficit of almost equal to Forex Reserves of \$13 billion the situation demands to re-visit import and trade policy and take measures to boost exports. Government should extend help in accessing export markets. All cost inputs of our export goods should be analysed and reduced to remain competitive in the market. Devaluation should be avoided as it hurts more than it heals!

KSE-100 index rose to a record 12,274 points on April 17, 2006. This was followed by a sharp decline with the index closing at 10,041 points at the year end compared to 9,557 points last year. Average daily volumes fell to 257 million shares, down 29%, and average daily value of shares traded during the year fell to Rs.31.6 billion, down 6%. However the year 2007 started with a bullish market and on February 23, 2007 the KSE-100 index rose to 11,608 points, up 15.6%. This upsurge is largely attributable to the foreign inflows coupled with local investment. The overall situation seems bright and the stock market is likely to continue attracting investors -foreign too- due to its lower multiples in comparison to other regional markets.



## INSURANCE INDUSTRY

In the growing economy insurance has an important role to play in securing assets and providing indemnity of risks. It not only generates employment but also contributes towards strengthening linkage with other sectors of economy and promoting growth and stability. In 2005 the total premium of the industry was Rs.27.037 billion as compared to Rs.21.494 billion a year before, up 25.78%. Despite significant presence of insurance companies, penetration of insurance i.e. ratio of premium to GDP in Pakistan remains at the lowest level as compared to the other countries in the world.

Although insurance business is continuously growing in the country, it is not keeping pace with the growth of GDP. Insurance penetration in Pakistan on the basis of last year's gross premium for both life and non-life insurance is 0.7% of the GDP. Whereas non-life insurance penetration is 0.44% only, which is much lower as compared to even the regional countries. Compared to Pakistan, Sri Lanka ratio is 0.77%, India 0.65% while developed countries like USA has 5.1%, UK 3.68% and Europe 3.20%. The world average ratio is 3.4% while Asia average is 1.97%. The share of gross premium of Pakistan market to the global market also is as low as 0.02% whereas India has contribution of 0.6% and USA & UK 36% and 8.6% respectively. This reflects that a large segment of market in Pakistan still remains untapped and there lies a huge potential for insurance to grow in the country.

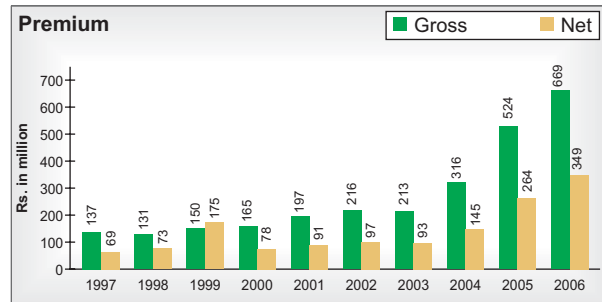
The Government, SECP and Insurance Association of Pakistan (IAP) need to play an active role in educating general public on the importance of insurance to safeguard assets, simultaneously making greater contribution to national income. On the other hand, growing trade activities, increased industrialization, double digit growth in automobile sales and relatively growing awareness of insurance products is expected to bode well for insurance sector.

With the new insurance companies entering the market, particularly those sponsored by the Banks, the competition is getting tough. Competition, if remains healthy, is always beneficial to all depending on management only. SECP's role as regulator and realization of the situation by the major industry players is expected to bring greater discipline in the insurance sector. With the growth of the industry, the development of human resource has become more important than ever before. It is vital and immediate that the SECP, IAP and the insurance companies focus on developing the educated and trained manpower. This would provide better service in the sector.

## THE COMPANY RESULTS

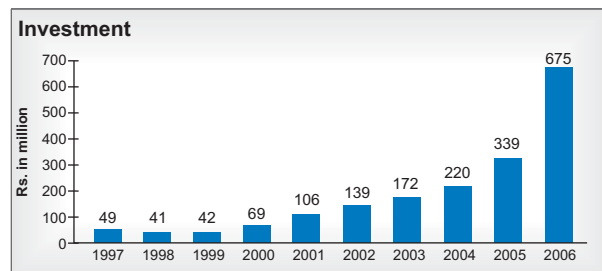
### Premium

During the year under review the company has maintained its growth level at a good pace. The company underwrote gross premium at Rs.668.83m against Rs.523.58m of the last year, up 28%. The net premium also increased to Rs.348.73m against Rs.264.08m of the last year, up 32%.



### Investment

Book value of the investment rose to Rs.674.81m from Rs.338.83m of the last year while the market value stood at Rs.721.82m against Rs.674.72m of the last year reflecting the financial strength of the company and availability of ample resource to meet the contingencies and future requirements. The income from investment was Rs.210.88m against Rs.159.78m last year registering an increase of 32%.



### Cash Flow

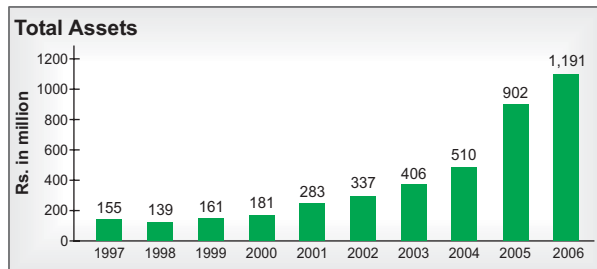
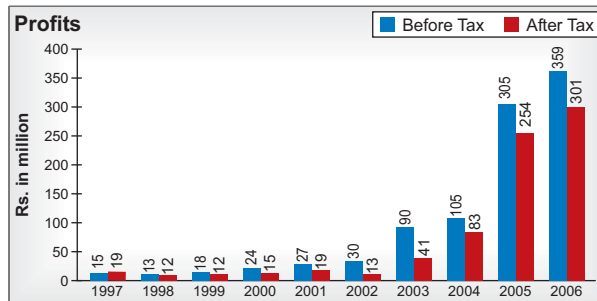
The Company generated a cash inflow of Rs.272.76m through its underwriting activities during the period under review against Rs.327.96m of the last year. Total amount of Rs.991.95m was paid for investment and fixed capital expenditure against Rs.380.79m of the last year. The bank account balances at the end of the year stood at Rs.75.57m against Rs.185.88m of the last year.

### Profitability

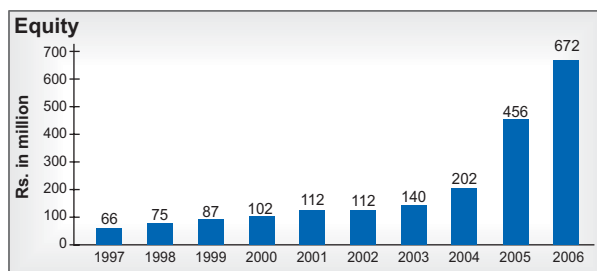
The underwriting profit of your company increased to Rs.154.99m against Rs.152.18m of the last year. Profit before tax rose to Rs.358.71m against Rs.304.70m of the last year, up 18%. The net profit after tax stood at Rs.300.72m compared to Rs.254.09m of the last year, up 18%.

Your company achieved return on equity at 44.78% on equity of Rs.671.50m against 55.68% on equity of

Rs.456.31m of the last year and accordingly after tax earnings per share of Rs.18.93 against Rs.16.00 last year on the enhanced capital of Rs.158.84m after issue of 30% bonus. The book value of total assets of the company stood at Rs.1,191.48m at the close of the year against Rs.902.00m of the last year.



The equity of the company stood at Rs.671.50m as against Rs.456.31m last year reflecting financial strength of the company.



## COMPUTERIZATION

In order to cope with the growing needs of the business and optimum utilization of the resources, your company, with the support of professional experts, has developed a state of the art Oracle based software. All branches have been connected online through web based system. This would facilitate the management to monitor the day to day performance more closely, help taking prompt decisions for smooth operations of the company and

providing even better services to the clients.

## CONTRIBUTION TO THE NATIONAL EXCHEQUER

Your Company contributed a sum of Rs.89 million towards Government exchequer on account of Income Tax, Central Excise Duty and other levies. The Atlas Group, of which your Company is a constituent member, paid Rs.15 billion plus to Government under the head taxes and different levies which is approximately 2% of the total Government revenue. We are well aware of our role in the development of the country and economy and discharge our obligations by timely payment of all our Government dues including taxes etc.

## HUMAN RESOURCE

Human Resource is believed to be the most valuable resource in your company. In order to develop and optimum utilization of the efficiencies of the human resource different steps have been taken in the recent years and shall continue to be taken for improvement of performance of the company and individual as well. HR's role is to have the right people ready at the right time.

Training plays an important role in developing human resource and great emphasis is given to train employees in a manner that is helpful to the organization as well as to the individual. In house coaching programmes are also arranged where lectures are given in various disciplines by the department heads to groom employees and improve their skills. Skill development and training needs of the staff are assessed on the basis of their performance, education, and experience focusing on individual career development. Employees are also sent to outside training programmes conducted by reputable institutions like LUMS, PIM, MAP etc on regular basis. It helps mid level managers to update their education and training, such as, Executive MBAs and diplomas: one of their staff attended 2 years course Atlas LUMS diploma among over 30 others from the Group. The Group of which your company is a constituent member nominates employees to the renowned institutions of the world like Harvard, Stanford and Insead for MBA and other management development programmes.

Among other steps being taken for Human Resource Development regular features are the Objective Setting, Performance Appraisal-MBO and Individual Career Planning. It results in continuous improvement in employees' performance and a healthy competition among them to perform even better leading to greater contribution of individuals towards better performance of the Company.

### RATING BY PACRA

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of your company to “A+”. The rating reflects AIL’s strong financial base, which adequately supports the company’s accelerated growth strategy. The rating also recognizes the company’s sound underwriting practices that have resulted in stable –indeed growing– income from core insurance business. PACRA has also recognized company’s sound solvency margin, maintained performance and adequate liquidity.

### KSE TOP 25 COMPANIES AWARD 2005

In 2003 the company won the “Institute of Chartered Accountant of Pakistan” award for the best presentation of accounts - the only insurance company to have this distinction. Your company has passed another milestone. It received one of the most prestigious awards of the Corporate Sector-“KSE Top 25 Companies Award 2005” again the only insurance company where this privilege. The award given by honorable Prime Minister Mr. Shaukat Aziz in recognition of the company’s policies, its payouts to the stakeholders, financial strength, conformity of Corporate Governance and other corporate laws.



Chief Executive Officer, Mr. Arshad P. Rana  
receiving the KSE Top 25 Companies Award 2005  
from Prime Minister of Pakistan, Mr. Shaukat Aziz

### AIL WEBSITE

A website of Atlas Insurance Ltd., is developed which allows the users to get the company related information about its financials, history, types of insurance available with the company, reinsurance arrangements, list of

reinsurers and surveyors etc. An online complaint system to further improve the efficiency is also available. The website is linked with the SECP.

Website address: [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk)

### FUTURE OUTLOOK

Present economic indicators are reflecting future growth of about 7% for the fiscal year 2006-2007. The insurance industry is also capitalizing the growth momentum of the economy. I am confident that insurance industry will take advantage of the forthcoming expected foreign investment in different sectors and other available opportunities in the country. Your management is quite capable of capitalizing the opportunities ahead.

انسان کو اتنا ہی ملے گا جتنی اس نے کوشش کی  
(one gets what one deserves)

### ACKNOWLEDGMENT

I would like to thank the Board of Directors, the Group President, Mr. Aamir H. Shirazi, Group Director Financial Services, Mr. Fahim Ali Khan, the Group Executive Committee, and the Chief Executive Officer, Mr. Arshad P. Rana and his team for their efforts, dedication and sincerity of purpose. I must express my gratitude to all Reinsurers, our valued clients, banks and SECP for their continued help, support and guidance. I am thankful to the shareholders for their trust and confidence reposed in your company.



Yusuf H. Shirazi

## DIRECTORS' REPORT

The directors of your company take pleasure in presenting their report together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2006.

### Financial Results

Following is the overall performance of the company for the year ended December 31, 2006:

	<u>2006</u>	<u>2005</u>
	(Rupees in thousand)	
Gross premium	668,832	523,579
Profit for the year before tax	358,706	304,698
Taxation:		
Current	60,000	57,500
Deferred	2,061	(1,005)
Prior years	(4,074)	(5,886)
	57,987	50,609
Profit for the year after tax	300,719	254,089
Un-appropriated profit brought forward	871	970
Profit available for appropriation	301,590	255,059
<b>*Appropriations:</b>		
Proposed bonus shares @ 30% (2005 : @ 30%)	47,635	36,656
Proposed cash dividend @ 70% (2005 : @ 70%)	111,191	85,532
Transferred to general reserve	142,000	132,000
	300,826	254,188
Unappropriated profit carried forward	764	871

\*The Board of Directors have recommended bonus shares @ 30% i.e. 30 ordinary shares for every 100 ordinary shares held and cash dividend of Rs.7 per share i.e. 70% for the year ended December 31, 2006. The financial statements do not reflect these appropriations in compliance with the Fourth Schedule of The Companies Ordinance, 1984.

### Earnings Per Share

Earnings per share after tax is Rs.18.93 (2005 : Rs.16.00)

### Chairman's Review

The chairman's review included in the Annual Report deals *inter alia* with the performance of the company for the year ended December 31, 2006 and future prospects. The directors endorse the contents of the review.



### Board of Directors

The Board comprises of two executive and five non-executive directors. All the directors keenly take interest in the proper stewardship of the company's affairs. All the non-executive directors are independent from management.

No transaction in the Company's shares has been reported by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year except the following:

- i. Purchase of 5,500 shares at average cost of Rs.100.08 per share by Mr. Arshad P. Rana
- ii. Purchase of 1,500 shares @ Rs.117.59 per share by Mr. Muhammad Zafar Riaz

The Board had five (5) meetings during the year. Attendance by each director was as follows:

<u>S. No.</u>	<u>Name of Directors</u>	<u>Attendance</u>
1	Mr. Yusuf H. Shirazi	5
2	Mr. Aamir H. Shirazi	3
3	Mr. Frahim Ali Khan	5
4	Mr. Jawaid Iqbal Ahmed	2
5	Mr. Muhammad Faruque	5
6	Mr. Arshad P. Rana	5
7	Mr. S. C. Subjally (Tenure completed on April 10, 2006)	0
8	Mr. Omar Saeed (Elected effective April 11, 2006)	3

### Auditors

The Board of Directors on recommendation of Audit Committee has proposed to appoint M/s. A. F. Ferguson & Co., Chartered Accountants, as auditors for the year 2007 instead of present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, after completion of their tenure. The change of auditors is in compliance with Securities and Exchange Commission of Pakistan's circular No. 24 dated December 19, 2005.

### Employees Provident & Gratuity Fund

The company operates a contributory provident fund scheme for all employees and defined benefit gratuity fund scheme of its management/non-management employees. The value of investments based on their respective audited accounts are as follows:

**Provident Fund** Rs.61.796 million (as at 31 December, 2006)

#### Gratuity Fund

Management Staff	Rs.8.60 million (as at 30 June, 2006)
Non-Management Staff	Rs.3.58 million (as at 31 December, 2006)

## **Compliance with the Code of Corporate Governance and Transfer Pricing as contained in the Listing Regulations of Stock Exchanges**

The directors confirm the compliance of the requirements of the Code of Corporate Governance and Transfer Pricing as set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2006. Separate statements to these effects are annexed.

### **Statement of Directors' Responsibilities**

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in light of the company's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

#### **Financial Statements**

The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

#### **Books of Accounts**

The company has maintained proper books of accounts.

#### **Accounting Policies**

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

#### **International Accounting Standards**

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

#### **Internal Control System**

The system of internal control is sound in design and has been effectively implemented and monitored.

#### **Going Concern**

There is no doubt about the company's ability to continue as a going concern.

#### **Operating and Financial Data**

Operating and financial data and key ratios of the company for last ten years are annexed.

#### **Best practices of Corporate Governance**

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

#### **Taxes and Levies**

Information about taxes and levies is given in notes to the financial statements.

### Audit Committee

The Audit Committee was established to assist the directors in discharging their responsibilities towards the company. Audit Committee's responsibilities includes, reviewing reports of the company's financial results, monitoring internal audit functions and compliance with the relevant statutory requirements, to assist the Board in discharging its responsibilities for safeguarding the company's assets, development and implementation of effective internal control system.

The committee constituted consists of three members. All the members including Chairman of the committee are non-executive directors.

During the year five (5) Audit Committee meetings were held and attended as follows:

<u>S. No.</u>	<u>Name of Directors</u>	<u>Attendance</u>
1	Mr. Omar Saeed (Chairman)	2
2	Mr. Jawaid Iqbal Ahmed (Ex-Chairman)	4
3	Mr. Frahim Ali Khan	5
4	Mr. S. C. Subjally (Ex-Member)	0

### Investment Committee

It provides necessary guidelines and approval for commitment and de-commitment of investments in equities, fixed income securities, government bonds and securities, continuous funding system and underwriting of new issues.

### Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The committee is responsible for reviewing and forwarding long term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the company as well as outside the company through channeling its financing and investment to projects producing environments friendly products.

### Underwriting Committee

The Underwriting Committee formulates the underwriting policy of the company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. It regularly reviews the underwriting and premium policies of the company with due regard to relevant factors such as its business portfolio and the market development.

### Claims Settlement Committee

Claims Settlement Committee devises the claims setting policy of the company. It oversees the claims position of the company and ensures that adequate claims reserves are made. It pays attention to significant claims cases, which will give rise to a series of claims. The committee determines the circumstances under which the claims disputes shall be brought to its attention and decide how to deal with such claims disputes.



#### **Re-Insurance & Co-Insurance Committee**

Re-Insurance & Co-Insurance Committee ensures that adequate reinsurance arrangements are made for the company business. It pursues the proposed reinsurance arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating reinsurers, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

#### **Pattern of Shareholding**

The Pattern of Shareholding of the company is annexed.

#### **Code of Business Principles**

As a leading general insurance company, reputation for high ethical standards is central to business success. Code of Business Principles has been developed and communicated. Each director and employee of the company has acknowledged the same.

#### **Communication**

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified by the Companies Ordinance, 1984 and Code of Corporate Governance. The company also has a Website ([www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk)), which contains up to date information of the company.

#### **Outstanding Statutory Payments**


All outstanding payments are of normal and routine nature.

#### **Safety and Environment**

The company follows the safety and environment rules and regulations.

Lahore: March 1, 2007

For and on behalf of the  
Board of Directors



**Arshad P. Rana**  
Chief Executive

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No. 37 and Chapter XIII, of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes five independent non-executive directors out of seven.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No director in the Board is a member of any of the stock exchanges in Pakistan.
4. There were no causal vacancies in the Board during the year.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All 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) and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all necessary aspects of internal control given in the Code.
10. The Board had previously arranged an orientation course for its members to apprise them of their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of company other than that disclosed in the pattern of shareholding.
15. The company has complied with the corporate and financial reporting requirements of the Code.
16. The Board formed Underwriting, Claims Settlement, Re-insurance and Co-insurance Committees. The meetings of the committees were held once in every quarter.
17. The Board has formed an Audit Committee comprising three non-executive directors as members including the chairman of the committee.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has set-up an effective internal audit function which is manned by experienced and qualified personnel. The audit team is fully conversant with the policies and procedures of the company and is involved in the internal audit function on a full time basis.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the  
Board of Directors



Arshad P. Rana  
Chief Executive

Lahore: March 1, 2007

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING  
FOR THE YEAR ENDED DECEMBER 31, 2006**

The Company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulation No. 38 of the Karachi Stock Exchange (Gurantee) Limited and chapter XIV of Listing Regulations of the Lahore Stock Exchange (Gurantee) Limited.

For and on behalf of the  
Board of Directors



Arshad P. Rana  
Chief Executive

Lahore: March 1, 2007

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2006.

Lahore: March 1, 2007



**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) as at December 31, 2006 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved International 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 International Standards on Auditing 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 any 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 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 account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984 and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change as stated in note 5 with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2006 and of the profit, its cash flows and changes in equity for the year then ended in accordance with the approved International 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore: March 1, 2007



Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

**BALANCE SHEET**

	<u>Note</u>	<u>2006</u> (Rupees in thousand)	(Restated) <u>2005</u>
<b>Share Capital and Reserves</b>			
Authorized share capital 50,000,000 (2005: 15,000,000) ordinary shares of Rs.10/- each		500,000	150,000
Paid-up share capital	7	158,844	122,188
Retained earnings		301,590	255,059
Reserves	8	211,064	79,064
		671,498	456,311
<b>Underwriting Provisions</b>			
Provision for outstanding claims (including IBNR)	9	116,712	76,445
Provision for unearned premium		241,327	131,945
Commission income unearned		17,714	12,853
Total underwriting provisions		375,753	221,243
<b>Deferred Liability</b>			
Deferred taxation	10	2,061	1,835
<b>Creditors and Accruals</b>			
Premiums received in advance		552	10,489
Amounts due to other insurers / reinsurers	11	84,486	98,943
Accrued expenses		16,780	15,520
Taxation - provision less payments		19,304	25,987
Other creditors	12	11,991	66,579
		133,113	217,518
<b>Other Liabilities</b>			
Deposits against performance bonds		1,391	1,391
Dividend	13	7,530	3,137
Obligations against assets subject to finance lease	14	129	569
		9,050	5,097
<b>TOTAL LIABILITIES</b>		<b>519,977</b>	<b>445,693</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,191,475</b>	<b>902,004</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	15	-	-

The annexed notes from 1 to 38 form an integral part of these financial statements.

**FINANCIAL YEAR ENDED DECEMBER 31, 2006**

	<u>Note</u>	<u>2006</u>	<u>(Restated)</u> <u>2005</u>
		(Rupees in thousand)	
<b>Cash and Bank Deposits</b>			
Cash and other equivalent	16.1	12	49
Current and other accounts	16.2	75,561	18,707
Deposits maturing within 12 months	16.3	-	167,120
		75,573	185,876
<b>Loans</b>			
To employees	17	969	1,242
<b>Investments</b>			
	18	674,805	338,833
<b>Current Assets - Other</b>			
Premiums due but unpaid	11	94,405	46,525
Amounts due from other insurers / reinsurers	11	42,814	43,987
Salvage recoveries accrued		6,300	-
Accrued investment income	19	2,542	1,235
Reinsurance recoveries against outstanding claims	9	77,535	48,349
Deferred commission expense		12,366	8,324
Prepayments	20	86,986	60,358
Sundry receivables	21	95,246	148,276
		418,194	357,054
<b>Fixed Assets</b>			
<b>Tangible</b>			
Land and buildings	22	4,730	4,917
Furniture, fixtures and office equipments		4,649	4,244
Motor vehicles		8,798	6,464
		18,177	15,625
Capital work in progress	23	1,471	3,374
<b>Intangible</b>			
	24	2,286	-
<b>TOTAL ASSETS</b>		<u>1,191,475</u>	<u>902,004</u>



Arshad P. Rana  
Chief Executive



Muhammad Faruque  
Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman



**PROFIT AND LOSS ACCOUNT**

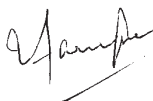
FINANCIAL YEAR ENDED DECEMBER 31, 2006

	Note	Fire & property	Marine, aviation & transport	Motor act	Misc.	Current year aggregate 2006	(Restated) Prior year aggregate 2005
( Rupees in thousand )							
<b>Revenue Account</b>							
Net premium revenue		12,662	168,983	161,468	5,612	348,725	264,081
Net claims		(3,661)	(15,781)	(112,333)	(1,415)	(133,190)	(64,446)
Expenses	25	(4,330)	(49,023)	(46,681)	(1,745)	(101,779)	(90,857)
Net commission		22,236	24,431	(7,594)	2,166	41,239	43,406
<b>Underwriting Result</b>		<u>26,907</u>	<u>128,610</u>	<u>(5,140)</u>	<u>4,618</u>	<u>154,995</u>	<u>152,184</u>
Investment income						210,879	159,782
Rental income						1,022	819
Other income	26					6,901	5,861
General and administration expenses	27					(15,091)	(13,948)
<b>Profit Before Tax</b>						<u>358,706</u>	<u>304,698</u>
Provision for taxation	28					(57,987)	(50,609)
<b>Profit After Tax</b>						<u>300,719</u>	<u>254,089</u>
<b>Profit and loss appropriation account</b>							
Balance at commencement of the year						255,059	82,700
Profit after tax for the year						300,719	254,089
Final dividend						(85,532)	(20,365)
Transfer to reserves for bonus shares						(36,656)	(20,365)
Transfer to reserves						(132,000)	(41,000)
						46,531	172,359
<b>Balance unappropriated profit at the end of the year</b>						<u>301,590</u>	<u>255,059</u>
Earnings Per Share - Basic	29					18.93	16.00

The annexed notes from 1 to 38 form an integral part of these financial statements.



 Arshad P. Rana  
Chief Executive



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Director



 Omar Saeed  
Director



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Chairman

**STATEMENT OF CASH FLOWS**

FINANCIAL YEAR ENDED DECEMBER 31, 2006

	<u>Current</u> Year	<u>(Restated)</u> <u>Prior</u> Year
	(Rupees in thousand)	
<b>Operating Cash Flows</b>		
a) Underwriting activities		
Premiums received	611,015	515,284
Reinsurance premiums paid	(251,910)	(176,710)
Claims paid	(170,311)	(85,042)
Reinsurance and other recoveries received	41,902	33,498
Commissions paid	(28,021)	(20,862)
Commissions received	70,081	61,790
Net cash flow from underwriting activities	272,756	327,958
b) Other operating activities		
Income tax paid	(64,429)	(32,323)
General management expenses paid	(181,010)	(93,694)
Other operating (payments) / receipts	(1,138)	8,191
Loans advanced	(636)	(964)
Loans repayments received	910	244
Net cash flow from other operating activities	(246,303)	(118,546)
<b>Total cash flow from all operating activities</b>	<b>26,453</b>	<b>209,412</b>
<b>Investment activities</b>		
Profit / return received	2,214	1,681
Dividends received	29,821	31,944
Rentals received	1,022	819
Payments made for investments	(991,954)	(380,790)
Short term placements	93,280	(107,984)
Proceeds from disposal of investments	813,920	441,599
Fixed capital expenditure	(4,300)	(9,030)
Proceeds from disposal of fixed assets	1,507	3,107
Total cash inflow / (outflow) from investing activities	(54,490)	(18,654)
<b>Financing activities</b>		
Dividends paid	(81,139)	(19,466)
Financial charges paid	(687)	(598)
Payments on finance leases	(440)	(2,524)
Total cash flow from financing activities	(82,266)	(22,588)
<b>Net cash (outflow) / inflow from all activities</b>	<b>(110,303)</b>	<b>168,170</b>
Cash at the beginning of the year	185,876	17,706
<b>Cash at the end of the year</b>	<b>75,573</b>	<b>185,876</b>

## Reconciliation to Profit and Loss Account

	<u>Current</u> Year	(Restated) <u>Prior</u> Year
	(Rupees in thousand)	
Operating cash flows	26,453	209,412
Depreciation expense	(3,147)	(3,198)
Amortization of intangible assets / deferred cost	(1,143)	(7,815)
Gain on disposal of fixed assets	1,039	1,805
Increase in assets other than cash	141,287	77,280
Increase in liabilities other than running finance	(76,119)	(166,640)
Other adjustments		
Salvage recoveries accrued	(6,300)	-
Gain on disposal of investments	158,149	121,297
Gratuity	(543)	(744)
Gratuity paid	36	2,493
Dividend income	31,164	29,313
Interest income	2,178	1,919
Income on reverse repo transactions	19,599	7,347
Zakat	(211)	(94)
Taxes paid	64,429	32,323
Provision for taxation	(56,152)	(50,609)
<b>Profit after taxation</b>	<b>300,719</b>	<b>254,089</b>

### Definition of cash

Cash comprise of cash in hand, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

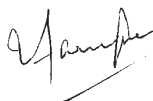
Cash for the purpose of the Statement of Cash Flows consists of:

Cash and other equivalent		
Cash and stamps in hand	12	49
Current and other account		
Current accounts	75,561	18,707
Deposits		
Maturing within 12 months	-	167,120
	<b>75,573</b>	<b>185,876</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman

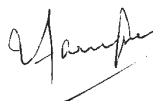
**STATEMENT OF CHANGES IN EQUITY**  
FINANCIAL YEAR ENDED DECEMBER 31, 2006

	Share capital	Capital reserves		Revenue reserves			Total	
	Issued, subscribed and paid-up	Capital reserve	Reserve for exceptional losses	Reserve for issue of bonus shares	General reserve	Investment fluctuation reserve		Retained earnings
	( Rupees in thousands )							
Balance as on January 01, 2005 as previously reported	101,823	2,251	2,164	20,365	71,649	3,000	970	202,222
Effect of change in accounting policy (Note 5)								
- Proposed final dividend	-	-	-	-	-	-	20,365	20,365
- Proposed transfer to general reserve	-	-	-	-	(41,000)	-	41,000	-
- Proposed transfer to reserve for bonus shares	-	-	-	(20,365)	-	-	20,365	-
Balance as on January 01, 2005 as restated	101,823	2,251	2,164	-	30,649	3,000	82,700	222,587
Final dividend for the year 2004	-	-	-	-	-	-	(20,365)	(20,365)
Transfer to general reserve	-	-	-	-	41,000	-	(41,000)	-
Transfer to reserve for bonus shares	-	-	-	20,365	-	-	(20,365)	-
Bonus shares issued during the year	20,365	-	-	(20,365)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	254,089	254,089
Balance as on December 31, 2005	122,188	2,251	2,164	-	71,649	3,000	255,059	456,311
Final dividend for the year 2005	-	-	-	-	-	-	(85,532)	(85,532)
Transfer to general reserve	-	-	-	-	132,000	-	(132,000)	-
Transfer to reserve for bonus shares	-	-	-	36,656	-	-	(36,656)	-
Bonus shares issued during the year	36,656	-	-	(36,656)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	300,719	300,719
Balance as on December 31, 2006	158,844	2,251	2,164	-	203,649	3,000	301,590	671,498

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Director



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Director



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Chairman

**STATEMENT OF PREMIUMS**

FINANCIAL YEAR ENDED DECEMBER 31, 2006

Business underwritten inside Pakistan	December 31, 2006								December 31, 2005	
	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	Net premium revenue
		Opening	Closing			Opening	Closing			
( R u p e e s i n t h o u s a n d )										
Direct and facultative										
Class										
Fire and property damage	176,972	49,786	87,981	138,777	150,968	47,475	72,208	126,235	12,542	13,514
Marine, aviation and transport	236,323	13,635	11,991	237,967	72,482	3,707	7,186	69,003	168,964	175,878
Motor act	233,893	60,917	128,816	165,994	4,478	48	-	4,526	161,468	70,149
Miscellaneous	21,505	7,607	12,539	16,573	10,698	5,999	5,736	10,961	5,612	3,971
<b>Total</b>	<b>668,693</b>	<b>131,945</b>	<b>241,327</b>	<b>559,311</b>	<b>238,626</b>	<b>57,229</b>	<b>85,130</b>	<b>210,725</b>	<b>348,586</b>	<b>263,512</b>
Treaty										
Proportional										
Fire	120	-	-	120	-	-	-	-	120	596
Marine	19	-	-	19	-	-	-	-	19	(21)
Miscellaneous	-	-	-	-	-	-	-	-	-	(6)
<b>Total</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>569</b>
<b>Grand Total</b>	<b>668,832</b>	<b>131,945</b>	<b>241,327</b>	<b>559,450</b>	<b>238,626</b>	<b>57,229</b>	<b>85,130</b>	<b>210,725</b>	<b>348,725</b>	<b>264,081</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Director



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**STATEMENT OF CLAIMS**

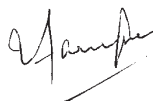
FINANCIAL YEAR ENDED DECEMBER 31, 2006

Business underwritten inside Pakistan	December 31, 2006								December 31, 2005	
	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	Net claims expense
		Opening	Closing			Opening	Closing			
	( R u p e e s i n t h o u s a n d )									
Direct and facultative										
Class										
Fire and property damage	21,520	16,043	27,865	33,342	19,660	15,249	25,800	30,211	3,131	1,120
Marine, aviation and transport	30,607	20,165	44,578	55,020	20,030	16,641	36,154	39,543	15,477	9,820
Motor act	107,787	18,029	22,451	112,209	121	457	212	(124)	112,333	51,851
Miscellaneous	3,206	18,427	18,037	2,816	2,091	16,002	15,369	1,458	1,358	1,448
<b>Total</b>	<b>163,120</b>	<b>72,664</b>	<b>112,931</b>	<b>203,387</b>	<b>41,902</b>	<b>48,349</b>	<b>77,535</b>	<b>71,088</b>	<b>132,299</b>	<b>64,239</b>
Treaty										
Proportional										
Fire	530	1,756	1,756	530	-	-	-	-	530	83
Marine	304	1,939	1,939	304	-	-	-	-	304	69
Miscellaneous	57	86	86	57	-	-	-	-	57	55
<b>Total</b>	<b>891</b>	<b>3,781</b>	<b>3,781</b>	<b>891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>891</b>	<b>207</b>
<b>Grand Total</b>	<b>164,011</b>	<b>76,445</b>	<b>116,712</b>	<b>204,278</b>	<b>41,902</b>	<b>48,349</b>	<b>77,535</b>	<b>71,088</b>	<b>133,190</b>	<b>64,446</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



Arshad P. Rana  
Chief Executive



Muhammad Faruque  
Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman

**STATEMENT OF EXPENSES**

FINANCIAL YEAR ENDED DECEMBER 31, 2006

		December 31, 2006						December 31, 2005		
Business underwritten inside Pakistan		Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	Net underwriting expense
( R u p e e s i n t h o u s a n d )										
<b>Direct and facultative</b>										
<b>Class</b>										
	Fire and property damage	10,647	4,441	5,585	9,503	4,330	13,833	31,807	(17,974)	(6,277)
	Marine, aviation and transport	5,847	744	513	6,078	49,023	55,101	30,658	24,443	26,498
	Motor act	10,586	2,933	5,908	7,611	46,681	54,292	17	54,275	26,309
	Miscellaneous	722	206	360	568	1,745	2,313	2,736	(423)	683
	<b>Total</b>	<u>27,802</u>	<u>8,324</u>	<u>12,366</u>	<u>23,760</u>	<u>101,779</u>	<u>125,539</u>	<u>65,218</u>	<u>60,321</u>	<u>47,213</u>
<b>Treaty</b>										
	Proportional									
	Fire	68	-	-	68	-	68	-	68	31
	Marine	149	-	-	149	-	149	-	149	201
	Miscellaneous	2	-	-	2	-	2	-	2	6
	<b>Total</b>	<u>219</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>-</u>	<u>219</u>	<u>-</u>	<u>219</u>	<u>238</u>
	<b>Grand Total</b>	<u>28,021</u>	<u>8,324</u>	<u>12,366</u>	<u>23,979</u>	<u>101,779</u>	<u>125,758</u>	<u>65,218</u>	<u>60,540</u>	<u>47,451</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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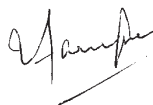
**STATEMENT OF INVESTMENT INCOME**  
FINANCIAL YEAR ENDED DECEMBER 31, 2006

	Current Year	(Restated) Prior Year
	(Rupees in thousand)	
<b>Held - to - Maturity</b>		
Return on fixed income securities and deposits	2,178	1,919
<b>Available - for - Sale</b>		
Return on N.I.T. and U.T.P.	2,844	1,456
Dividend income		
Related party	6,715	5,702
Others	21,605	22,155
	28,320	27,857
Income on reverse repo transactions	19,599	7,347
Gain on sale of investments	165,300	124,285
Less: Investment related expenses	7,362	3,082
<b>Net Investment Income</b>	<u>210,879</u>	<u>159,782</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Chief Executive



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Director



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Director



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## NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2006

### 1. STATUS AND NATURE OF BUSINESS

Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) was incorporated as a public limited company on September 06, 1935 and is quoted on Lahore and Karachi stock exchanges. The company is engaged in general insurance business. The registered office of the company is situated at 3-Bank Square, Lahore.

In order to capitalize the image of Atlas Group, on 3rd April, 2006 the company name was changed from Muslim Insurance Company Limited to Atlas Insurance Limited.

### 2. BASIS OF PRESENTATION

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

### 3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the requirements of S.R.O. 938 issued by SECP in December, 2002, the Companies Ordinance, 1984 and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, Companies Ordinance, 1984 or the said directives take precedence.

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

3.2 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective.

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

	Effective from
i) IAS 1 - Presentation of financial statements - capital disclosure	January 1, 2007
ii) IFRS 7 - Financial Instruments - Disclosures	January 1, 2007
iii) IFRS 4 - Insurance Contracts	After completion of IASB project phase II

A new series of standards called "International Financial Reporting Standards (IFRSs)" has been introduced and eight IFRSs have been issued by IASB. Out of these following four IFRSs have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP), and also adopted by the SECP:

- i) IFRS-2 (Share based Payments);
- ii) IFRS-3 (Business Combination);
- iii) IFRS-5 (Non-Current Assets held for Sale and Discontinued Operations); and
- iv) IFRS-6 (Exploration for and Evaluation of Mineral Resources).

The adoption of the above pronouncements is not expected to be relevant for activities of the Company.

#### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation, except for certain investments which are stated at fair value and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Provision for outstanding claims including incurred but not reported (IBNR)
- b) Defined benefit plans
- c) Classification of investments
- d) Provision for taxation including the amount relating to tax contingency
- e) Provision for doubtful receivables

Other areas where estimates and judgment involved are disclosed in respective notes to the financial statements.

#### **5. CHANGE IN ACCOUNTING POLICY**

##### **5.1 Investments - Available for Sale**

During the year, the Company changed its accounting policy for the recognition of investments as allowed by IAS - 39 "Financial Instruments: Recognition and Measurement". Investments are now being recognized at the trade date, previously such investments were recognized at the settlement date. This change in accounting policy has been applied retrospectively as prescribed by IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparatives for the year 2005 have been restated. Had this change not been made, the investments and the related payable would have been lowered by Rs. (thousands) 28,500 (2005: lowered by Rs. (thousands) 58,000).

##### **5.2 Appropriation Out of Profits**

During the year, the Institute of Chartered Accountants of Pakistan issued Circular No. 06/2006 with respect to treatment of proposed dividend, bonus issue and other appropriations. The aforesaid circular requires these declarations of dividends to holders of equity instrument including declaration of bonus issue and other appropriations except appropriations which are required by law after the balance sheet, should not be recognized as liabilities or changes in reserves at the balance sheet date. Previously, the transfers were considered as adjusting events and were recorded at the balance sheet date. This change in accounting policy has been accounted for in accordance retrospectively and comparative information has been restated in accordance with the treatment specified in International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of this change in accounting policy is reflected in the statement of changes in equity.

##### **5.3 Change in Accounting Estimates**

During the year, the Company changed its accounting estimates in relation to the depreciation on tangible fixed assets. Previously, full year's depreciation was charged on assets capitalized during the year while no depreciation was charged in year of disposal. However, due to recent changes in International Accounting Standard (IAS) - 16 "Property, Plant and Equipment" which are applicable for the financial years beginning on or after January 1, 2005, now the Company charges depreciation on additions to fixed assets from the month in which the asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off. Such a change has been

accounted for as a change in accounting estimates in accordance with International Accounting Standard (IAS) - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change made in the accounting estimate, the carrying value of tangible fixed assets and the profit for the year would have been lowered by Rs. (thousands) 481.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **6.1 Underwriting Provisions**

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

The liability in respect of outstanding claims is based on the certified statements received from the branches and represents the best estimate of the claims intimated or assessed before the end of the accounting year.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date are made on the basis of individual case estimates.

Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

#### **6.1.2 Provision for unearned premium**

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage.

The company uses 1/24th method to calculate provision for unearned premium, to comply with the relevant provisions of SEC (Insurance) Rules, 2002, S.R.O. 938.

#### **6.1.3 Commission**

Commission income

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

Commission income unearned

The company uses 1/24th method to calculate provision for unearned commission income, to comply with the relevant provisions of S.R.O. 938 of SEC (Insurance) Rules, 2002.

#### **6.1.4 Premium deficiency reserve**

In order to comply with the Securities and Exchange Commission of Pakistan (Insurance) Rules, 2002, a premium deficiency provision is to be maintained, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claim and other expenses, including re-insurance expenses, commission, and other underwriting provision, expected to be incurred after the balance sheet date in respect of the policies in force at the balance sheet date, in that class of business.

Keeping in view the adequacy of the reserves on December 31, 2006, in line with the aforementioned provisions of the Rules, the Premium Deficiency Reserve is not required, and accordingly no provision for the same has been made in the financial statements of the current year.

### **6.2 Staff Retirement Benefits**

#### **6.2.1 Defined contribution plan**

The company operates a funded contributory provident fund (defined contribution plan) for all employees. Matching monthly contributions are made, both by the company and the employees, to the fund, under the terms of the scheme.

### 6.2.2 Defined benefit plan

The company operates two separate funded gratuity schemes (defined benefit plans) in respect of the all permanent employees (management and non - management) to which the company makes contribution on the basis of recommendations made by the actuary. The latest actuarial valuation was carried out as at December 31, 2006, using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's gratuity obligations are amortized over the expected average remaining working lives of the employees.

### 6.2.3 Compensated absences

The company accounts for accumulating compensated absences on the basis of the unavailed leave balances at the end of the year.

## 6.3 Taxation

### 6.3.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provisions of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any.

### 6.3.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

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

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

## 6.4 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises (a) cash on deposit accounts with banks, (b) cash in hand, and at banks on current accounts and (c) stamps in hand.

## 6.5 Loans

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

## 6.6 Investments

### 6.6.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified into the following categories:

- Held - to - Maturity
- Available - for - Sale

All 'regular way' purchases and sales of financial assets are accounted for at trade date.

## 6.6.2 Measurement

### 6.6.2.1 Held - to - Maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. Initially, these investments are measured at the cost being the fair value of consideration paid.

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

### 6.6.2.2 Available - for - Sale - Marketable Securities

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale and are stated at cost.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by SECP in December 2002. The Company uses latest stock exchange quotations in an active market to determine the market value of its listed investments, whereas impairment of investments in unlisted companies is computed to net assets of the investee on the basis of the latest available audited financial statements.

## 6.7 Sale and Repurchase Agreements

Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investment and the amount extended to the counter party is shown as short term placement. The difference between the sale and repurchase price is recognized as mark up earned and included in the investment income.

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

## 6.9 Deferred Expenses

### 6.9.1 Deferred commission expense

Commission costs incurred in obtaining and recording policies of insurance and reinsurance are being deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting periods.

The company uses 1/24th method to calculate the reserve for the deferred commission in accordance with S.R.O. 938.

## 6.10 Fixed Assets

### 6.10.1 Tangible

#### 6.10.1.1 Owned

These are stated at cost less accumulated depreciation. Cost of tangible fixed assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income applying the reducing balance method at the rates given in fixed assets schedule

to write off the cost of operating fixed assets over their expected useful life. Depreciation on addition to fixed assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain and loss on disposal of assets is taken to the profit and loss account.

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

#### **6.10.1.2 Leased**

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

#### **6.10.2 Intangible**

The intangible asset is stated at cost less accumulated amortization and impairment, if any. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

#### **6.10.3 Capital work-in-progress**

Capital work in progress is stated at cost accumulated upto the balance sheet date.

### **6.11 Creditors, Accruals and Provisions**

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

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

### **6.12 Foreign Currency Translation**

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

### **6.13 Financial Instruments**

All financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the company loses control of the contractual rights that comprise the financial assets. All



financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognizing of the financial assets and financial liabilities are taken to profit and loss account currently.

#### **6.14 Offsetting of Financial Assets and Financial Liabilities**

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

#### **6.15 Related Party Transactions**

Parties are said to be related if they are able to influence the operating and financial decisions of the company and vice versa. The company in the normal course of business carries out transactions with such parties. The transactions with related parties are priced at Comparable Uncontrolled Market Price. The Comparable Uncontrolled Price Method determines whether the amount charged in a controlled transaction gives rise to an arm's length result by reference to the amount charged in a comparable uncontrolled transaction.

#### **6.16 Revenue Recognition**

##### **6.16.1 Premium income earned**

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

- (a) for direct business, evenly over the period of the policy;
- (b) for proportional reinsurance business, evenly over the period of underlying insurance policies; and

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

Premiums for policies receivable in installments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy, in accordance with the provisions of the S.R.O. 938.

##### **6.16.2 Dividend income and bonus shares**

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividends and bonus shares is established.

Profit / loss on sale of investments is taken to the profit and loss account in the year of sale.

##### **6.16.3 Income on fixed income investments**

Income on fixed income investments is recognized taking into account the relevant maturity dates and the applicable mark-up rates in respect thereof.

##### **6.16.4 Administrative surcharge**

This represents documentation and other charges recovered by the Company from policyholders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of Rs.2,000 per policy. Administrative surcharge is recognized as revenue at the time, the policies are written.

##### **6.16.5 Rental and other income**

Rental and other income is recognized on accrual basis.

##### **6.16.6 Zakat**

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

### 6.17 Management Expenses

Expenses of management have been allocated to various business segments on the basis of net premium revenue.

### 6.18 Reinsurance Expenses

Premium ceded to reinsurers is recognized as expense as follows:

- (a) for reinsurance contracts operating on a proportional basis, or for which the term of the reinsurance contract is directly referable to the term of the underlying policy or policies, at the same point at which the premium of the underlying policy or policies is recognized as revenue.
- (b) for reinsurance contracts operating on a non-proportional basis, and for which the term of the reinsurance contract is not directly referable to the term of any underlying policy or policies, on inception of the reinsurance contract.

### 6.19 Pakistan Reinsurance Company Limited (PRCL) Retrocession

PRCL Retrocession business is accounted for on the basis of the statements received relating to the first two quarters of the current year and last two quarters of the previous year, with the exception of cash and bank transactions which are accounted for currently.

### 6.20 Segment Reporting

#### Primary Segments

The company's operating businesses are organized and managed separately according to the nature of products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Fire insurance segment provides cover against damages by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident money, engineering losses and other coverage.

The company usually accounts for the intersegment sales and transfers, if any, as if the sale and / or transfers were made to third parties at fair market price.

## 7. PAID-UP SHARE CAPITAL

Issued, subscribed and fully paid:

<u>2006</u> (Number of shares)	<u>2005</u> (Number of shares)		<u>2006</u> (Rupees in thousand)	<u>2005</u> (Rupees in thousand)
		<b>Fully paid shares</b>		
250,000	250,000	Ordinary shares of Rs.10 each fully paid in cash	2,500	2,500
		<b>Bonus shares</b>		
15,634,455	11,968,812	Ordinary shares of Rs.10 each issued as fully paid bonus shares	156,344	119,688
<u>15,884,455</u>	<u>12,218,812</u>		<u>158,844</u>	<u>122,188</u>

As at December 31, 2006, Shirazi Investments (Private) Limited, a related party, held 5,402,090 (2005: 4,155,454) ordinary shares of Rs.10/- each.



	Note	<u>2006</u> (Rupees in thousand)	(Restated) <u>2005</u>
<b>8. RESERVES</b>			
<b>Capital Reserves</b>			
Capital reserve		2,251	2,251
Reserve for exceptional losses	8.1	2,164	2,164
		4,415	4,415
<b>Revenue Reserves</b>			
General reserve			
- Opening balance		71,649	30,649
- Transfer from the profit and loss account		132,000	41,000
- Closing balance		203,649	71,649
Investment fluctuation reserve	8.2	3,000	3,000
		206,649	74,649
		211,064	79,064

8.1 This represents a specific purpose reserve for possible losses on exceptional insurance claims. The reserve was created to avail the deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979 and the Income Tax Ordinance, 2001 under which the said deductions are not permitted, hence the company discontinued the setting aside of amounts thereafter as reserve for exceptional losses.

8.2 This has been set aside in prior years to utilize the same against diminution in the value of investments.

#### **9. PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR) / REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**

The net outstanding claims at the end of the year have been worked out to Rs. (thousands) 39,177 (2005: Rs. (thousands) 28,096). As per the policy being followed by the company consistently over the years, claims outstanding are booked on the basis of estimate of the valuer.

	<u>2006</u> (Rupees in thousand)	<u>2005</u>
<b>10. DEFERRED TAXATION</b>		
This represents temporary difference relating to:		
Difference in tax and accounting basis of fixed assets	1,106	-
Provision for employee benefits	955	-
Net deferred tax liability	2,061	-
<b>11. AMOUNTS DUE TO / FROM OTHER INSURERS / REINSURERS AND PREMIUM DUE BUT UNPAID</b>		

The amounts of agents' balances and outstanding premium and the balances due to / from other persons or bodies carrying on insurance business are not confirmed. However, the same are considered by management to have been accurately stated.

Premium due but unpaid includes an amount of Rs. (thousands) 53,633 (2005: Rs. (thousands) 30,908), receivable from related parties.

**12. OTHER CREDITORS**

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		(Rupees in thousand)	
		(Restated)	
Federal Insurance Fee payable		1,785	1,978
Central Excise Duty payable		7,232	2,993
Tax deducted at source		57	29
Donation payable		1,188	1,524
Gratuity payable	12.1	1,114	607
Other creditors		615	59,448
		11,991	66,579
		11,991	66,579

**12.1** The latest valuation of scheme was carried out as at December 31, 2006 using the Projected Unit Credit Actuarial Cost Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

Following significant assumptions were used for the actuarial valuation:

- Discount rate 10 % per annum compound
- Expected rate increase in salaries 9 % per annum
- Expected return on the plan assets 10 % per annum

The amounts recognized in balance sheet are as follows:

	<u>Management staff</u>		<u>Non - management staff</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
(Rupees in thousand)				
Present value of defined benefit obligation	7,719	5,511	1,465	1,555
Fair value of plan assets	(7,776)	(7,746)	(4,313)	(3,016)
Deficit / (surplus)	(57)	(2,235)	(2,848)	(1,461)
Unrecognized actuarial gain	2,367	4,072	1,652	231
Net liability / (asset) for balance sheet	2,310	1,837	(1,196)	(1,230)
	2,310	1,837	(1,196)	(1,230)

Movements in the net liability recognized in the balance sheet are as follows:

Opening balance	1,837	3,381	(1,230)	(1,025)
Charge / (income) for the year	473	640	70	104
Expenses paid directly by the company	-	(2,184)	(36)	(309)
Closing balance	2,310	1,837	(1,196)	(1,230)
	2,310	1,837	(1,196)	(1,230)

The following amounts have been charged in the profit and loss account for the year 2006 in respect of these benefits:

	Management staff		Non - management staff	
	2006	2005	2006	2005
	(Rupees in thousand)			
Current service cost	465	411	139	149
Interest cost	769	384	167	133
Expected return on assets	(395)	(155)	(236)	(178)
Amortization of actuarial (gain) / loss	(366)	-	-	-
Total cost / (income) to be recognized	473	640	70	104
Actual return on plan assets	843	3,508	427	346
				(Restated)
			2006	2005
			(Rupees in thousand)	

### 13. DIVIDEND

Unclaimed Dividend

7,530	3,137
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2006	2005
(Rupees in thousand)	

### 14. OBLIGATIONS AGAINST ASSETS SUBJECT TO FINANCE LEASE

The average rate of interest implicit in the leases is 10.51% (2005: 10.50% to 17%) per annum. The amount of future payments and the periods in which they fall due are:

year ending December 31, 2006	-	483
year ending December 31, 2007	132	143
	132	626
Less: Future financial charges	3	57
Present value of minimum lease payments	129	569
Less: Current maturity	129	440
	-	129

14.1 Minimum lease payments and their present values are regrouped as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	(Rupees in thousand)			
Not later than one year	132	483	129	440
Later than one year but not later than five years	-	143	-	129
	132	626	129	569

The company has the option to purchase these assets at the end of the lease period. There are no financial restrictions in the lease agreements.

**15. CONTINGENCIES AND COMMITMENTS**

The company, at year end, has no contingencies and commitments.

	<u>2006</u>	<u>2005</u>
	(Rupees in thousand)	
<b>16. CASH AND BANK DEPOSITS</b>		
16.1 Cash and Other equivalents		
Cash and stamps in hand	12	49
16.2 Current and Other Accounts		
Current accounts	75,561	18,707
16.3 Fixed Deposits	-	167,120
<b>17. LOANS</b>		
Secured:		
Executives	-	-
Others	969	1,242
	969	1,242
Less: Current maturity	316	320
	653	922

These represent the interest free loans to employees, for the purchase of motor vehicles, in accordance with the policy of the company. These loans are secured against the registration of the vehicles and are repayable in monthly installments over period of five years.

The break up of the loans maturing after 12 months from the balance sheet date are as follows:

Outstanding for period exceeding three years	639	830
Others	14	92
	653	922

**18. INVESTMENTS**
HELD TO MATURITY
**TERM FINANCE CERTIFICATES - QUOTED**

Number of Certificates		Face Value (Rupees)	Company's Name	Note	Book Value (Rupees in thousand)	
2006	2005				2006	2005
<b>RELATED PARTY</b>						
-	2,004	5,000	Atlas Bank Limited (Formerly Atlas Investment Bank Limited)		-	3,441
<b>OTHERS</b>						
600	600	5,000	Bank Al-Falah Limited		2,995	2,997
1,000	1,000	5,000	Chanda Oil & Gas Securitization Company Ltd		4,340	4,780
					7,335	7,777
					7,335	11,218

AVAILABLE FOR SALE
**MUTUAL FUNDS - QUOTED**

## Number of Units

**RELATED PARTY**

100,000	-	500	Atlas Islamic Fund		50,000	-
26,895	-	500	Atlas Stock Market Fund		15,000	-
19,069	-	500	Atlas Income Fund		10,000	-
					75,000	-
<b>OTHERS</b>						
316	248	10	Unit Trust of Pakistan		1,980	1,484
28,000	404,749	10	National Investment Trust units	18.1	545	6,651
					2,525	8,135

ORDINARY QUOTED SHARES

## Number of Shares

**RELATED PARTY**

1,166,071	1,013,975	10	Atlas Honda Limited Equity Held : 2.835% (2005: 2.835%)		110,100	7,033
354,420	354,420	10	Allwin Engineering Industries Limited Equity Held : 2.873% (2005: 2.873%)		7,308	3,676
106,034	92,204	10	Atlas Battery Limited Equity Held : 1.744% (2005: 1.744%)		5,278	220
892,457	284,222	10	Atlas Bank Limited (Formerly Atlas Investment Bank Limited) Equity Held : 0.286% (2005: 0.562%)	18.2	2,831	2,831
425,000	250,000	10	Honda Atlas Cars (Pakistan) Limited Equity Held : 0.595% (2005: 0.595%)		19,437	3,932
141,846	123,345	10	Cherat Cement Company Limited Equity Held : 0.148% (2005: 0.148%)		2,881	2,881
82,080	82,080	10	Cherat Papersack Limited Equity Held : 1.397% (2005: 1.397%)		3,264	3,264
58	20,058	10	Sui Southern Gas Company Limited Equity Held : 0% (2005: 0.030%)		1	287
					151,100	24,124

**OTHERS**

Number of Shares		Face Value (Rupees)	Company's Name	Book Value (Rupees in thousand)	
2006	2005			2006	2005
<b>COMMERCIAL BANKS</b>					
50,207	156	10	Askari Commercial Bank Limited	5,258	9
333,332	-	10	Bank Al Falah Limited	18,247	-
115,517	450	10	Faysal Bank Limited	8,303	18
20,207	173	10	MCB Bank Limited	5,032	7
35,000	-	10	National Bank of Pakistan	8,819	-
597,243	583,500	10	The Bank Of Punjab	44,725	49,459
				90,384	49,493
<b>TEXTILE COMPOSITE</b>					
100,000	-	10	Nishat Chunian Limited	9,475	-
220,000	-	10	Nishat Mills Limited	28,320	-
				37,795	-
<b>INSURANCE</b>					
212,500	-		Adamjee Insurance Company Limited	33,429	-
				33,429	-
<b>CEMENT</b>					
-	100,000	10	D. G. Khan Cement Company Limited	-	9,070
-	250,000	10	Lucky Cement	-	18,512
-	110,000	10	Maple Leaf Cement Factory Limited	-	3,653
				-	31,235
<b>REFINERY</b>					
14,000	14,000	10	National Refinery Limited	4,158	4,158
				4,158	4,158
<b>POWER GENERATION</b>					
200,000	200,000	10	Kot Addu Power Company Limited	8,743	8,743
				8,743	8,743
<b>OIL &amp; GAS EXPLORATION</b>					
25,406	200,406	10	Oil and Gas Development Company Limited	3,482	23,664
40,000	-	10	Pakistan Oil Fields	14,562	-
141,500	150,000	10	Pakistan Petroleum Limited	39,488	31,838
				57,532	55,502
<b>TECHNOLOGY AND COMMUNICATION</b>					
452,000	5,000	10	Pakistan Telecommunication Company Limited	20,308	242
				20,308	242
<b>FERTILIZER</b>					
90,100	226,100	10	Engro Chemical	17,610	31,831
754,000	-	10	Fauji Fertilizer Bin Qasim Limited	23,245	-
861,724	841,724	10	Fauji Fertilizer Company Limited	93,380	90,801
				134,235	122,632
<b>PHARMACEUTICAL</b>					
103,581	76,032	10	Abbott Laboratories (Pakistan) Limited	6,849	7,240
14,850	11,880	10	Glaxosmithkline (Pakistan) Limited	248	248
				7,097	7,488
<b>CHEMICALS</b>					
1,380	1,380	10	BOC Pakistan Limited	91	91
200,000	-	10	ICI Pakistan Limited	30,691	-
				30,782	91
<b>PAPER AND BOARD</b>					
52,015	52,015	10	Packages Limited	6,889	6,889
				6,889	6,889
<b>FOOD AND PERSONAL CARE PRODUCTS</b>					
8,600	11,200	10	Rafhan Maize Products Company Limited	3,345	4,357
2,000	2,000	50	Unilever Pakistan Limited	1,816	1,816
				5,161	6,173
<b>MISCELLANEOUS</b>					
55,500	64,500	10	Tri Pack Films Limited	2,332	2,710
				2,332	2,710

**UN-QUOTED  
RELATED PARTY**

Number of Shares		Face Value (Rupees)	Company's Name	Note	(Restated) Book Value (Rupees in thousand)	
2006	2005				2006	2005
50,000	50,000	10	Arabian Sea Country Club	18.3	500	500
					500	500
			Less : Provision for diminution in the value of shares		675,305	339,333
			Cost of investments of concerns incorporated in Pakistan		500	500
					674,805	338,833
			Aggregated market value of investments as on December 31		721,820	674,716

18.1 This represents 28,000 (2005: 28,000) units held as Statutory Deposit with The State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

18.2 Under a scheme of amalgamation, sanctioned by The State Bank of Pakistan, the ordinary shares of Atlas Investment Bank Limited were exchanged with ordinary shares of Atlas Bank Limited in the swap ratio of 1 to 3.14.

18.3 The name of the Chief Executive is Mr. Arif Ali Khan Abbasi. The break up value of the share is Rs.9.85 (2005: Rs.8.39)

**19. ACCRUED INVESTMENT INCOME**

Dividend income	1,639	296
Interest income on TFCs	903	939
	2,542	1,235

**20. PREPAYMENTS**

Prepaid expenses	1,856	3,129
Prepaid reinsurance premium ceded	85,130	57,229
	86,986	60,358

**21. SUNDRY RECEIVABLES**

Advances to employees - unsecured, considered good	459	41
Deposits and prepaid rent	245	303
Claims receivable	3,818	1,248
Receivable against sale of shares - Atlas Capital Markets (Pvt.) Limited (Related Party)	17,721	-
Short term placements-Secured under reverse repurchase agreements of quoted shares - considered good	73,003	146,684
	95,246	148,276

21.1 This is a placement for reverse repo transactions through Atlas Capital Markets (Pvt) Limited (a related party) at mark up rate which ranges from 12% to 25% (2005: 14% to 25%) per annum. The commission payable to Atlas Capital Markets (Pvt) Limited on these transactions ranges from 0.9% to 3.50% (2005: 0.7% to 3.90%) which is linked to the rate of the reverse repo.

## 22. OPERATING FIXED ASSETS - TANGIBLE

	Cost				Rate	Accumulated Depreciation				Written
	As at January	Additions /	Disposal /	As at December		As at January	Charge for	On disposal /	As at December	Down Value
	01, 2006	adjustments	adjustments	31, 2006		01, 2006	the year	adjustments	31, 2006	As at December
	(Rupees in thousand)				%	(Rupees in thousand)				As at December
<b>OWNED</b>										
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	-	-	8,500	5	4,751	187	-	4,938	3,562
	9,668	-	-	9,668		4,751	187	-	4,938	4,730
Furniture and fixtures	478	45	-	523	10	324	19	-	343	180
Office equipments	2,344	744	(69)	3,019	10	1,129	162	(47)	1,244	1,775
Computers										
Owned	6,218	1,925	(1,220)	6,923	30	3,650	1,039	(1,050)	3,639	3,284
Leased	898	-	(898)	-	30	590	-	-	590	(590)
	9,938	2,714	(2,187)	10,465		5,693	1,220	(1,097)	5,816	4,649
Vehicles										
Owned	9,548	5,072	(531)	14,089	20	3,617	1,692	(252)	5,057	9,032
Leased	1,188	-	(719)	469	20	655	48	-	703	(234)
	10,736	5,072	(1,250)	14,558		4,272	1,740	(252)	5,760	8,798
December 31, 2006	30,341	7,786	(3,437)	34,691		14,716	3,147	(1,349)	16,514	18,177

## - TANGIBLE

	Cost				Rate	Accumulated Depreciation				Written
	As at January	Additions /	Disposal /	As at December		As at January	Charge for	On disposal /	As at December	Down Value
	01, 2005	adjustments	adjustments	31, 2005		01, 2005	the year	adjustments	31, 2005	As at December
	(Rupees in thousand)				%	(Rupees in thousand)				As at December
<b>OWNED</b>										
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	-	-	8,500	5	4,554	197	-	4,751	3,749
	9,668	-	-	9,668		4,554	197	-	4,751	4,917
Furniture and fixtures	487	61	(70)	478	10	352	17	(45)	324	154
Office equipments	1,803	866	(326)	2,343	10	1,244	135	(250)	1,129	1,214
Computers										
Owned	3,742	3,202	(726)	6,218	30	3,154	1,100	(604)	3,650	2,568
Leased	1,579	-	(681)	898	30	458	132	-	590	308
	7,611	4,129	(1,803)	9,937		5,208	1,384	(899)	5,693	4,244
Vehicles										
Owned	5,629	4,901	(982)	9,548	20	2,554	1,484	(420)	3,618	5,930
Leased	5,679	-	(4,491)	1,188	20	2,272	133	(1,751)	654	534
	11,308	4,901	(5,473)	10,736		4,826	1,617	(2,171)	4,272	6,464
December 31, 2005	28,587	9,030	(7,276)	30,341		14,588	3,198	(3,070)	14,716	15,625



**22.1 Schedule of Disposal of Fixed Assets for the year ended December 31, 2006**

Particulars	Cost	Accumulated depreciation	Book value	Sale price	Profit/(Loss)	Particulars of purchaser	Mode of disposal
	( R u p e e s )						
<b>Vehicles</b>							
Honda City LXD-7355	63,300	46,983	16,317	340,000	323,683	Mr. Shahid Raza, Lahore	Tender
Honda City LXG-1645	56,300	33,623	22,677	320,000	297,323	Mr. Noor Khan Awan, Lahore	Tender
Suzuki Khyber LOX-7725	36,885	28,183	8,702	205,000	196,298	Mr. Mazhar Ahmed Khan, Lahore	Tender
Suzuki Khyber LOJ-4256	10,525	9,253	1,272	110,000	108,728	Mr. Raza Ali, Lahore	Tender
Honda City LRB-2823	315,597	96,784	218,813	218,813	-	Mr. Aamir H. Shirazi, Employee, Lahore	Company Policy
Suzuki Margalla LXD-5718	48,600	38,196	10,404	275,000	264,596	Mr. Alam Zaib, Lahore	Tender
Office equipments, computers & furniture	127,538	113,023	14,515	4,850	(9,665)	M/s. Javed Solutions Lab, Lahore	Tender
Office equipments, computers & furniture	8,250	5,774	2,476	3,000	524	Mr. M. Amir, Karachi	Tender
Office equipments, computers & furniture	1,083,972	931,869	152,103	22,000	(130,103)	Mr. Nawaz Ahmed, Lahore	Tender
Office equipments, computers & furniture	24,900	14,628	10,272	3,000	(7,272)	M/s. Memon Refrigerators Works, Karachi	Tender
Office equipments, computers & furniture	44,300	33,399	10,901	5,500	(5,401)	M/s. Memon Refrigerators Works, Karachi	Tender
						<u>2006</u>	<u>2005</u>
						(Rupees in thousand)	

**23. CAPITAL WORK IN PROGRESS**
**23.1 Tangible**

Vehicle - Advance

1,471
-
**23.2 Intangible**

Software development

-
3,374
**24. OPERATING FIXED ASSETS - INTANGIBLE**

	Cost				Rate	Accumulated Depreciation				Written Down Value
	As at January 01, 2006	Additions / adjustments	Disposal / adjustments	As at December 31, 2006		As at January 01, 2006	Charge for the year	On disposal / adjustments	As at December 31, 2006	As at December 31, 2006
	(Rupees in thousand)				%	(Rupees in thousand)				
<b>OWNED</b>										
Computer Software	-	3,429	-	3,429	33	-	1,143	-	1,143	2,286
December 31, 2006	-	3,429	-	3,429		-	1,143	-	1,143	2,286
December 31, 2005	-	-	-	-		-	-	-	-	-

Note	2006	2005
------	------	------

(Rupees in thousand)

**25. EXPENSES OF MANAGEMENT**

Expenses of management have been allocated to various business segments on the basis of net premium income.

Salary, wages and other benefits	25.1	63,106	58,139
Utilities		1,923	2,127
Rent, rates and taxes		4,205	4,076
Telephone and communication		2,807	2,738
Vehicle running and maintenance		6,719	4,984
Repair and maintenance		1,748	3,005
Traveling and conveyance		4,132	4,503
Printing, stationery and computer expenses		2,878	2,224
Education and training		197	343
Fee and subscriptions		3,452	3,563
Service charges		1,019	1,464
Entertainment		583	450
Advertisement expenses		2,398	1,438
Others		6,612	1,803
		101,779	90,857

25.1 Included herein is a sum of Rs. (thousands) 3,418 (2005: Rs. (thousands) 3,945) in respect of staff retirement benefits.

**26. OTHER INCOME**

Gain on sale of fixed assets		1,039	1,805
Miscellaneous income		5,862	4,056
		6,901	5,861

**27. GENERAL AND ADMINISTRATIVE EXPENSES**

Audit fee	27.1	455	385
Legal and professional charges		220	521
Donations	27.2	1,188	4,024
Mark-up under lease finance arrangement	25	179	
Bank charges		661	419
Directors fee		80	71
Depreciation	22	3,147	3,198
Provision for doubtful debts		1,959	-
Bad debts - written off		6,213	5,151
Amortization of intangible asset	24	1,143	-
		15,091	13,948

Note	2006	2005
(Rupees in thousand)		

### 27.1 Auditors' Remuneration

Audit fee	95	95
Tax consultancy	55	55
Audit of Provident Fund, Gratuity Fund and Special Certification Fee etc	260	205
Out of pocket expenses	45	30
	455	385

27.2 This amount represents (2005: Rs. (thousands) 1,524) paid to Atlas Foundation situated at 2nd Floor, Federation House, Clifton, Karachi - 74000, in which the following directors of the company are members of its Board of Directors.

Name of Directors

Mr. Yusuf H. Shirazi  
Mr. Frahim Ali Khan  
Mr. Jawaid Iqbal Ahmed

With the exception of their directorship, the directors and their spouses have no interest in the donee.

### 28. PROVISION FOR TAXATION

Current		
- Current year	61,835	57,500
- Prior year	(4,074)	(5,886)
Deferred	226	(1,005)
	57,987	50,609

#### 28.1 Numerical Reconciliation Between Effective Rate of Tax with Applicable Tax Rate

Applicable tax rate	35.00	35.00
Effect of income taxable at rate other than 35%	(3.03)	(3.37)
Effect of disallowances and amounts not deductible for tax purpose	1.39	1.73
Effect of tax on amounts deductible for tax purpose	(17.23)	(14.49)
Effect of closing deferred taxes	0.04	-
Average Effective tax rate (Tax expense divided by profit before tax)	16.17	18.87

## 29. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year:

	2006	2005
	(Rupees in thousand)	
Net Profit after tax for the year	300,719	254,089
	(Number of shares)	
Weighted average number of shares	15,884,455	15,884,455
	(Rupees per share)	
Basic/adjusted earnings per share	18.93	16.00

No figure of diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

## 30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Aggregate amounts charged in the accounts for the year for remuneration, including all benefits to Chief Executive, Directors and Executives of the company are as follows:

	Chief Executive		Director		Executives	
	2006	2005	2006	2005	2006	2005
	( R u p e e s   i n   t h o u s a n d )					
Managerial remuneration	4,858	2,953	4,806	2,310	3,447	2,662
Bonus	352	780	1,376	-	250	709
Medical reimbursement	33	55	14	7	51	109
House rent and Utility expenses	2,324	1,412	2,298	1,105	1,649	1,273
Retirement benefits						
a) Provident fund	465	282	460	221	205	157
b) Service gratuity	176	107	181	84	78	60
Other reimbursable expenses	397	222	514	117	463	310
Total	8,605	5,811	9,649	3,844	6,143	5,280
Number of persons	1	1	1	2	3	3

30.1 Fees paid to 2 Non-Executive Directors for attending meetings during the year Rs.80,000 (2005: Rs.70,500). In addition, the Chief Executive, a Director and some of the Executives are also provided with free use of company cars, in accordance with the policy of the company.

	<u>2006</u>	<u>2005</u>
<b>31. NUMBER OF EMPLOYEES</b>	<u>135</u>	<u>123</u>

### 32. RELATED PARTY TRANSACTIONS

The company has related party relationships with associated undertaking, other related companies, directors of the company and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. There are no transactions with key management personnel other than their terms of employment. These transactions are disclosed in notes 17, 23 and 30 to the financial statements. Particulars of transactions with the company's staff retirement benefit scheme are disclosed in note 12 to the financial statements. Amounts due to/from and other transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	<u>2006</u>	<u>2005</u>
		(Rupees in thousand)	
Related Party (Common Directorship)	Premium underwritten	328,972	326,253
	Premium collected	308,130	320,507
	Claims paid	36,768	20,613
	Lease rentals	465	2,711
	Vehicles purchased	4,494	102
	Rent received	415	415
	Interest received	1,323	1,045
	Brokerage paid	13,611	6,729
	Fee received	12,064	-
	Dividends received	6,961	6,272
	Fixed deposits	-	167,120
	Fixed deposits encashed	167,120	-
	Donations	1,188	1,524

32.1 All transactions with related parties are at an arm's length determined using the Comparable Uncontrolled Price Method.

### 33. SEGMENT REPORTING

The Company has four primary business segments for reporting purpose namely Fire, Marine, Motor and Miscellaneous.

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

	Fire		Marine		Motor		Miscellaneous		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	( R u p e e s i n t h o u s a n d )									
<b>Revenue</b>										
Premiums earned	138,777	93,701	237,967	300,334	165,994	76,917	16,573	10,359	559,311	481,311
Segment results	26,907	19,153	128,610	139,269	(5,140)	(8,011)	4,618	1,773	154,995	152,184
Investment income									210,879	159,782
Rental income									1,022	819
Other income									6,901	5,861
General and administration expenses									(15,091)	(13,948)
									203,711	152,514
Profit before tax									358,706	304,698
Provision for tax									(57,987)	(50,609)
Net profit									300,719	254,089
<b>Other Information</b>										
Segment assets	132,313	76,188	105,088	59,763	27,656	15,210	34,827	23,704	299,883	174,865
Unallocated corporate assets									891,592	727,139
Consolidated total assets									1,191,475	902,004
Segment liabilities	138,724	86,811	96,527	92,024	169,555	101,336	39,111	28,552	443,916	308,723
Unallocated corporate liabilities									76,061	136,970
Consolidated total liabilities									519,977	445,693
Capital expenditure- according to above ratios	1,947	1,906	3,504	5,508	1,557	2,082	779	241	7,786	9,809
Depreciation/amortization- according to above ratios	1,073	621	1,931	1,819	858	679	429	79	4,290	3,198

**34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

	Interest rate %	2 0 0 6						Total
		Interest / mark-up bearing			Non-interest / mark-up bearing			
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
( Rupees in thousand )								
<b>Financial Assets</b>								
Cash and bank balances		-	-	-	75,573	-	75,573	75,573
Loans		-	-	-	316	653	969	969
Investments	13 - 16	-	7,335	7,335	-	667,470	667,470	674,805
Premiums due but unpaid		-	-	-	94,405	-	94,405	94,405
Amounts due from other insurers/re-insurers		-	-	-	42,814	-	42,814	42,814
Salvage recoveries accrued		-	-	-	6,300	-	6,300	6,300
Accrued investment income		-	-	-	2,542	-	2,542	2,542
Reinsurance recoveries against outstanding claims		-	-	-	77,535	-	77,535	77,535
Short term placements	12 - 25	73,003	-	73,003	-	-	-	73,003
Advances to employees		-	-	-	459	-	459	459
Deposits and prepaid rent		-	-	-	245	-	245	245
Claims receivable		-	-	-	3,818	-	3,818	3,818
Receivable against sale of shares Atlas Capital Market (Pvt.) Limited (Related Party)		-	-	-	17,721	-	17,721	17,721
		73,003	7,335	80,338	321,728	668,123	989,851	1,070,189
<b>Financial Liabilities</b>								
Provisions for outstanding claims		-	-	-	116,712	-	116,712	116,712
Amounts due to other insurers/re-insurers		-	-	-	84,486	-	84,486	84,486
Accrued expenses		-	-	-	16,780	-	16,780	16,780
Other creditors		-	-	-	615	-	615	615
Deposits		-	-	-	-	1,391	1,391	1,391
Un-claimed dividend		-	-	-	7,530	-	7,530	7,530
Obligation under finance lease	10.5	129	-	129	-	-	-	129
		129	-	129	226,123	1,391	227,514	227,643
On balance sheet gap		72,874	7,335	80,209	95,605	666,732	762,337	842,546

		2 0 0 5							
		Interest / mark-up bearing			Non-interest / mark-up bearing				
Interest rate %		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total	
		( Rupees in thousand )							
<b>Financial Assets</b>									
	Cash and bank balances	-	-	-	18,756	-	18,756	18,756	
	Deposit maturing within 12 months	167,120	-	167,120	-	-	-	167,120	
	Loans	-	-	-	320	922	1,242	1,242	
	Investments	13 - 16	-	11,218	11,218	-	327,615	327,615	338,833
	Premiums due but unpaid	-	-	-	46,525	-	46,525	46,525	
	Amounts due from other insurers/re-insurers	-	-	-	43,987	-	43,987	43,987	
	Salvage recoveries accrued	-	-	-	-	-	-	-	
	Accrued investment income	-	-	-	1,235	-	1,235	1,235	
	Reinsurance recoveries against outstanding claims	-	-	-	48,349	-	48,349	48,349	
	Short term placements	146,684	-	146,684	-	-	-	146,684	
	Advances to employees	-	-	-	41	-	41	41	
	Deposits	-	-	-	303	-	303	303	
		313,804	11,218	325,022	159,516	328,537	488,053	813,075	
<b>Financial Liabilities</b>									
	Provisions for outstanding claims	-	-	-	76,445	-	76,445	76,445	
	Amounts due to other insurers/re-insurers	-	-	-	98,943	-	98,943	98,943	
	Accrued expenses	-	-	-	17,044	-	17,044	17,044	
	Other creditors	-	-	-	640	-	640	640	
	Deposits	-	-	-	-	1,391	1,391	1,391	
	Un-claimed dividend	-	-	-	3,137	-	3,137	3,137	
	Obligation under finance lease	10.5 - 17	440	129	569	-	-	569	
		440	129	569	196,209	1,391	197,600	198,169	
	On balance sheet gap	313,364	11,089	324,453	(36,693)	327,146	290,453	614,906	



## **35. RISK MANAGEMENT**

### **35.1 Reinsurance Risk**

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurers' insolvencies, the company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurers fail to meet the obligations under the reinsurance agreements.

### **35.2 Credit Risk and Concentration of Credit Risk Exposure**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. (thousands)1,070,190 (2005: Rs. (thousands) 813,075) the financial assets which are subject to credit risk amounted to Rs. (thousands) 1,069,219 (2005: Rs. (thousands) 811,833). The company believes that it is not exposed to major concentration of credit risk.

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organization of sound financial standing covering various industrial sectors and segments.

### **35.3 Fair Value of Financial Instruments**

The estimated fair value of financial instruments are not significantly different from their book value as shown in these financial statements. The fair value of the financial instruments are stated in their respective notes where the fair value is different from the book value.

### **35.4 Market Risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The company has invested its funds in ordinary shares, Term Finance Certificates and National Investment Trust units, resulting in exposure due to the fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The company minimizes such risk by having a diversified investment portfolio. In addition, the company actively monitors the key factors that affect investment market.

### **35.5 Interest Rate Risk**

Interest / yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. The company is exposed to interest / yield rate risk for certain deposits with the banks and liabilities against assets subject to finance leases.

**35.6 Currency Risk**

Foreign currency risk arises mainly where receivables / payables exist due to transactions with foreign undertakings. The company is not exposed to currency risk as none of the financial assets and liabilities are payable in foreign currency, at the end of the year.

**35.7 Liquidity Risk**

Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

**36. EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors have proposed cash dividend of Rs.7 per share, amounting to Rs. (thousands) 111,191 and stock dividend of Rs.3 per share, amounting to Rs. (thousands) 47,653 along with the transfer to general reserve amounting to Rs. (thousands) 142,000 for the year ended December 31, 2006 at their meeting held on March 1, 2007 for approval of the members at the Annual General Meeting to be held on March 31, 2007.

**37. AUTHORIZATION FOR ISSUE**

These accounts were authorized for issue on March 1, 2007 in accordance with a resolution of the Board of Directors.

**38. GENERAL**

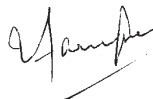
38.1 The following re-arrangements/re-classifications have been made for the comparative purpose:

From	To
Short term placements	Sundry receivables
Staff retirement benefits	Other liabilities
Taxation - provision less payments	Deferred taxation

38.2 Figures in the accounts are rounded off to the nearest thousand of rupees.



Arshad P. Rana  
Chief Executive



Muhammad Faruque  
Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman

**DISTRIBUTION OF SHAREHOLDING  
IN CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**  
AS AT DECEMBER 31, 2006

Number of Shareholders	Shareholding From	To	Total Shares held
74	1	100	3,574
109	101	500	34,129
78	501	1,000	60,163
140	1,001	5,000	324,317
32	5,001	10,000	232,564
13	10,001	15,000	154,018
6	15,001	20,000	108,129
2	20,001	25,000	41,150
3	25,001	30,000	82,886
3	30,001	35,000	100,437
1	35,001	40,000	40,000
1	40,001	45,000	44,200
2	45,001	50,000	45,416
2	50,001	55,000	102,560
1	55,001	60,000	116,516
1	60,001	65,000	61,419
1	95,001	100,000	100,000
1	445,001	450,000	448,026
1	1,555,001	1,560,000	1,560,000
1	5,400,001	5,405,000	5,402,090
<b>472</b>			<b>9,061,594</b>

**PATTERN OF SHAREHOLDING**  
AS AT DECEMBER 31, 2006

Number of Shareholders	Shareholding From	To	Total Shares held
154	1	100	5,875
154	101	500	45,068
122	501	1,000	89,491
222	1,001	5,000	522,292
62	5,001	10,000	436,836
24	10,001	15,000	285,807
13	15,001	20,000	227,158
4	20,001	25,000	87,168
6	25,001	30,000	165,858
6	30,001	35,000	197,834
1	35,001	40,000	40,000
3	40,001	45,000	128,894
1	45,001	50,000	45,416
2	50,001	55,000	102,560
2	55,001	60,000	116,516
2	60,001	65,000	124,943
1	75,001	80,000	77,192
1	95,001	100,000	100,000
1	355,001	360,000	359,330
1	390,001	395,000	393,903
1	435,001	440,000	436,800
1	445,001	450,000	448,026
1	1,105,001	1,110,000	1,105,174
1	1,110,001	1,115,000	1,114,061
1	1,120,001	1,125,000	1,122,976
1	1,140,001	1,145,000	1,143,187
1	1,555,001	1,560,000	1,560,000
1	5,400,001	5,405,000	5,402,090
<b>790</b>			<b>15,884,455</b>

The slabs representing nil holding have been omitted.

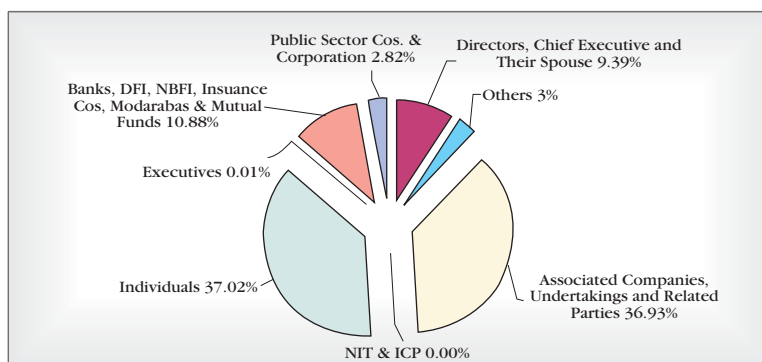
Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO their spouse and minor children	6	1,491,212	9.39
*Associated Companies, Undertakings & Related Parties	3	5,865,844	36.93
NIT and ICP	1	290	0.00
Banks, DFIs & NEFCs - Local	1	57,645	0.36
Banks, DFIs & NEFCs - Foreign	1	1,560,000	9.82
Insurance Companies	1	57,200	0.36
Modaraba and Mutual Funds	1	52,702	0.33
Public Sector Companies & Corporations	1	448,026	2.82
Shareholders holding 10% or more voting interest in the Company	-	-	-
Individuals:			
Resident Pakistani	746	5,879,267	37.01
Non-Resident Pakistani	3	2,827	0.02
Others:			
Joint Stock Companies	22	70,780	0.45
Others	4	398,662	2.51
<b>TOTAL</b>	<b>790</b>	<b>15,884,455</b>	<b>100.00</b>

Note: Included in Associated Companies

\*Shirazi Investments (Pvt) Limited 5,402,090 shares

**PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2006**  
**INFORMATION AS REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE**

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
<b>Associated Companies, Undertakings and Related Parties (NameWise Detail)</b>			
Shirazi Investments (Pvt) Limited	1	5,402,090	34.01
Atlas Foundation	1	436,800	2.75
Batool Benefit Trust	1	26,954	0.17
<b>NIT and ICP</b>			
Investment Corporation of Pakistan	1	290	0.00
<b>Director, Chief Executive and their spouse and minor children</b>			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	359,330	2.26
Mr. Arshad P. Rana	1	5,500	0.03
Mr. Aamir H. Shirazi	1	1,122,976	7.07
Mr. Frahim Ali Khan	1	3,120	0.02
Mr. Jawaid Iqbal Ahmed	1	156	0.00
Mr. Muhammad Faruque	1	130	0.00
<b>Executives</b>			
Mr. Muhammad Zafar Riaz	1	1,500	0.01
<b>Public Sector Companies &amp; Corporations</b>			
State Life Insurance Corporation of Pakistan	1	448,026	2.82
<b>Banks, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds</b>			
	4	1,727,547	10.88
<b>Shareholders holding 10% or more voting interest</b>			
	-	-	-
<b>Individuals</b>			
	748	5,880,594	37.02
<b>Others</b>			
	26	469,442	2.96
	<u>790</u>	<u>15,884,455</u>	<u>100.00</u>



**Details of Shares purchased by the Director and Executive**

Name	No. of shares Purchased	Date of Purchase	Price Per Share
Mr. Arshad P. Rana	1,600	12 July, 2006	99.22
	3,400	17 July, 2006	101.61
	500	18 August, 2006	94.82
Mr. Muhammad Zafar Riaz	1,500	28 November, 2006	117.59

**COMPANY OFFICES**
**HEAD OFFICE**

3 Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX:  Fax:	7320542, 7320543 7322271, 7322273 7234742
ARSHAD P. RANA Chief Executive Officer	Direct: Extension:	7234812 301
MUHAMMAD ZAFAR RIAZ Chief Financial Officer	Direct: Extension:	7234757 307
MUHAMMAD MUNIR Sr. Manager Technical	Direct: Extension:	7314241 309
QUDSIA NAHEED Company Secretary	Direct: Extension:	7245348 325
ASAD MAHMOOD AWAN Manager Marketing	Direct: Extension:	7234757 312
SALEEM MAHMOOD Chief Internal Auditor	Extension:	302

**NORTH ZONE OFFICES & BRANCHES**
**LAHORE**

AZHAR M. PIRACHA Chief Manager	City Branch 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7212365-6, 7312858, 7312868 Fax: 7212367
MUHAMMAD MUNIR QAZI Chief Manager	Fatima Jinnah Road Branch 1st Floor, Nawa-i-Waqat Building, Fatima Jinnah Road, Lahore.	6271320, 6364906 Fax: 6371185
KHALID MAHMOOD MUHAMMAD IJAZ Branch Managers	Al-Noor Branch Alnoor Building, 43-Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	7358805 Fax: 7237343
KH. MUHAMMAD NADEEM Branch Manager	Napier Road Branch Nairobi Mansion Napier Road, Lahore.	7352560 Fax: 7358190
ZAFAR HUSSAIN JAMAL Branch Manager	Mall Road Branch Hafeez Chambers, 85- Shahrah-e-Quaid-e-Azam, Lahore.	6305595 Fax: 6369576

**RAWALPINDI**

MAHMOOD AHMED  
Chief Manager

101/13, Bank Road,  
Grand Hotel Building,  
P.O. Box 119, Rawalpindi.

5563413  
Fax: 5798083

MANZAR ALI NAQVI  
Manager

101/13, Bank Road,  
Grand Hotel Building,  
P.O. Box 119, Rawalpindi.

5563413  
Fax: 5798083

**FAISALABAD BRANCH - II**

IRSHAD FARRUKH BHATTI  
Chief Manager

123-B, People's Colony No. 1,  
D - Ground, Faisalabad.

8721256, 8734176  
Fax: 8732499

**FAISALABAD BRANCH - I**

RANA SAGHIR  
Branch Incharge

Chartered Bank Chambers  
Railway Road, Faisalabad.

2647194  
Fax: 2635080

**SAHIWAL**

HABIB-UR-REHMAN CH.  
Branch Manager

147-Railway Road, Sahiwal.

4466044  
Fax: 4224344

**MULTAN**

BASHIR AHMED GHAURI  
Branch Manager

Atlas Honda Building  
Azmat Wasti Road, Multan.

4544494

**SIALKOT**

REHAN NAZIR GHUMAN  
Branch Incharge

Office No. 7, 1st Floor, Mughal Plaza,  
Kutchery Road, Sialkot.

4264195  
Fax: 4290095

**GUJRANWALA**

Tahir Hussain  
Branch Manager

2nd Floor, Al-Azhar Plaza,  
G. T. Road, Gujranwala.

3847118

**SOUTH ZONE OFFICE**

Ground Floor, Federation House,  
Shahrah-e-Firdousi, Main Clifton,  
Karachi

PABX:  
Fax:

5378806-7  
5369394-6  
5378515

ARSHAD P. RANA  
Chief Executive Officer

Direct:  
Fax:

5378757  
201

JAWAID IRSHAD  
Manager Motor Claims

Extension:

215

MUHAMMAD IMRAN  
Manager Fire & Marine Claims

Extension:

217

ALI ASGHAR  
Manager Underwriting

Extension:

216

**SOUTH ZONE BRANCHES****KARACHI**

ABDUL AZIZ  
Chief Manager

Corporate Branch  
1/10, Arkey Square, 1st Floor,  
Shahrah-e-Liaquat, Karachi

2421030, 2422911  
Fax: 2421387

M. FAROOQ KANDLAWALA  
Chief Manager

Tower Branch  
State Life Building No. 7  
Room No. 101, 1st Floor  
G. Allana Road, Karachi.

2201471  
2316503, 2315248  
Fax: 2315248

IMRAN SATTAR  
Branch Manager

Plaza Branch  
3/3 Rimpa Plaza  
M.A. Jinah Road,  
Karachi.

7720852, 7729339  
Fax: 7720852

**HYDERABAD**  
ZAFAR AHMAD GHOURI  
Chief Manager

Akbar Chambers, Saddar,  
P.O. Box. 284, Hyderabad.

2782659, 2782660  
Fax: 2786410











**SUKKUR**

ABDUL MAJEED QURESHI  
Chief Manager

Mezannine Floor,  
Shalimar Complex,  
Minara Road, Sukkur.

5625965  
Fax: 5625977

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Allwin Engineering	1981*
<b>HONDA</b> Honda Atlas Cars	1992
<b>HONDA</b> Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Atlas Bank	2005*
 Atlas Capital Markets	2006



## FORM OF PROXY

“I/We \_\_\_\_\_  
of \_\_\_\_\_  
being member(s) of Atlas Insurance Limited (formerly Muslim Insurance Company Limited) and holder(s) of  
\_\_\_\_\_ Ordinary Shares as per Registered  
Folio No. \_\_\_\_\_ hereby appoint  
\_\_\_\_\_ of  
\_\_\_\_\_ or failing him \_\_\_\_\_ of  
\_\_\_\_\_ as my/our proxy  
to attend, act and vote for me/us and on my/our behalf at the 72nd Annual General Meeting of the company to  
be held at the Registered Office of the company on March 31, 2007 at 3- Bank Square, Shahrah-e-Quaid-e-Azam,  
Lahore and at every adjournment thereof.

Signature: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Witness:

Signature: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Affix Revenue Stamp  Signature
--

### Notes:

1. A member entitled to attend and vote at the General Meeting of the Company is entitled to appoint proxy to attend and vote instead of him/her. No person shall act, as a proxy who is not a member of the company except that a corporation may appoint a person who is not a member of the company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her constituted attorney or if such appointer is a corporation or company, under the common seal of such corporation or company.
3. The Form of proxy, duly completed, must be deposited at the Company's Registered Office, 3- Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.

AFFIX  
POSTAGE

The Secretary  
Atlas Insurance Limited  
(Formerly Muslim Insurance Company Limited)  
3-Bank Square,  
Shahrah-e-Quaid-e-Azam,  
Lahore.

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