

ANNUAL REPORT  
2008



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.



## **CODE OF BUSINESS PRINCIPLES**

### **Standard of Conduct**

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees.

### **Obeying the Law**

Company is committed to comply with the laws and regulations of Pakistan.

### **Employees**

- Company is committed to create the working environment where there is mutual trust and respect and where everyone feels the responsibility for the performance and reputation of the Company.
- It recruits, employs and promotes employees on the sole basis of the qualification and abilities needed for the work to be performed.
- It is committed to provide safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labor.
- It is committed to work with employees to develop and enhance each individual's skills and capabilities.
- It respects the dignity of individual and the right of employees to freedom of association.
- Company will maintain good communication with employees through company based information and consultation procedures.

### **Insured**

It is committed to provide prompt services to its clients by properly insuring their risks, doing risk assessment and by issuing insurance policies to meet various requirements of clients. It endeavors to provide peace of mind and security to its clients.

### **Shareholders**

Company will conduct its operations in accordance with the principles of good corporate governance. It will provide timely, regular and reliable information on its activities, structure, financial situation and performance to all the shareholders.

### **Business Partners**

- Company is committed to establish mutual beneficial relations with its insured, reinsurers and business partners.
- In the business dealings, the Company expects its partners to adhere to business principles consistent with its own.

### **Community Involvement**

Company strives to be a trusted corporate citizen and, as integral part of society, to fulfill its responsibilities to societies and communities where it operates.

### **Public Activities**

- Company is encouraged to promote and defend its legitimate business interests.

- It will co-operate with the Government and other organizations, both directly and through bodies such as Insurance Association of Pakistan, in the development of proposed legislation and other regulations that may effect legitimate business interests.
- Company neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

#### **The Environment**

- Company is committed to make continuous improvements in the management of environmental impact and to the long term goal of developing a sustainable business.
- Company will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

#### **Competition**

Company and its employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

#### **Business Integrity**

- Company does not give or receive, whether directly or indirectly, bribe or other improper advantages for business or financial gains. No employee may offer, give or receive any gift or payment, which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to the management.
- Its accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

#### **Conflict of Interest**

Company's employees are expected to avoid personal activities and financial interests that could conflict with their responsibilities to the Company. They must not seek gain for themselves or for others through misuse of their positions.

#### **Compliance - Monitoring - Reporting**

- Compliance with these principles is an essential element in our business success. The Company's Board is responsible for ensuring that these principles are communicated to, and understood and observed by, all employees.
- Responsibilities are properly delegated to the senior management. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs.
- Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board and supported by the Audit Committee of the Board.
- Any breaches of the Code must be reported in accordance with the procedure specified by the management.
- The Board of the Company expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.
- Provision has been made for the employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

## **RISK MANAGEMENT POLICY**

- Company shall continue to identify key risk areas and take effective measures to avoid, mitigate and ensure against risk.
- The management of risk is a central issue in the planning and management of any venture, and objective is not to foster risk management as an identifiable and separate specialty.
- The primary function for the risk management is to assist in the assessment of risk and to ensure that a risk assessment is effectively programmed.
- Once the risks have been evaluated in terms of likelihood of occurrence and consequences, and when options of risk management have been reviewed, it is then meaningful to rank the risks and to assign priorities.

## **SAFETY, HEALTH AND ENVIRONMENT**

In Atlas Insurance Limited, health and safety are core corporate values, driven by the goal of "no accident and no harm to people". The Company is totally committed to continuously improving the safety and well being of all the people who work with it, or come into contact with the operations or products. The aim is to ensure a healthy and productive environment, free from incident, injury or illness.

The Company maintains the programs that provide reasonable assurance of the following:

- Compliance has been made of all Government and internal health, safety and environmental requirements.
- Design facilities and conduct operations in a way that avoids risk to human health, safety and the environment.
- To examine and communicate the known hazards of operations with relevant health, safety and environmental protection information to potentially affected persons.
- Actively seeks to minimize the environmental impact of the activities.
- Systematically manages the environmental performance in all phase of activities.
- Continuously improves the Company's overall environmental performance.
- Foster open communication, internally and externally about the Company's environmental performance.

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**COMPANY INFORMATION**
**BOARD OF DIRECTORS**

Chairman	Yusuf H. Shirazi
Chief Executive	Arshad P. Rana
Directors	Azam Faruque
	Kamal A. Chinoy
	Omar Saeed
	Ali H. Shirazi
	Frahim Ali Khan
Company Secretary	Muhammad Afzal

**AUDIT COMMITTEE**

Chairman	Omar Saeed
Members	Ali H. Shirazi
	Frahim Ali Khan
Secretary	Muhammad Afzal
Chief Internal Auditor	Saleem Mahmood Akhtar

**INVESTMENT COMMITTEE**

Chairman	Ali H. Shirazi
Members	Frahim Ali Khan
	Arshad P. Rana
	Aamer Waqar Chaudhry
Secretary	Muhammad Afzal

**UNDERWRITING COMMITTEE**

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Qudsia Naheed

**CLAIMS SETTLEMENT COMMITTEE**

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Qudsia Naheed

**REINSURANCE & CO-INSURANCE COMMITTEE**

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Qudsia Naheed



## COMPANY INFORMATION

### MANAGEMENT COMMITTEE

Chief Executive	Arshad P. Rana
Chief Financial Officer	Aamer Waqar Chaudhry
Senior Vice President (Operations)	Muhammad Munir
Vice President (Admin & HR)	Qudsia Naheed

<b>Auditors</b>	A. F. Ferguson & Co. Chartered Accountants
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<b>Legal Advisors</b>	Mohsin Tayebaly & Co. Ch. Maqsood Advocate Agha Faisal Barrister at Law
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<b>Tax Advisor</b>	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
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<b>Registrar and Share Transfer Office</b>	Hameed Majeed Associates (Pvt.) Ltd. H. M. House, 7 - Bank Square Shahrah-e-Quaid-e-Azam, Lahore Telephone: (92-42) 7235081-82 Fax: (92-42) 7358817
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<b>Bankers</b>	Allied Bank Limited Atlas Bank Limited Bank Alfalah Limited. Habib Bank Limited MCB Bank Limited National Bank of Pakistan. Standard Chartered Bank (Pakistan) Limited United Bank Limited
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<b>Registered &amp; Head Office</b>	3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore Telephone: (92-42) 7320542-43, 7322271, 73, 7310658 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 74th Annual General Meeting of the Members of the Atlas Insurance Limited will be held on Tuesday, April 28, 2009 at 3:00 P.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 April 10, 2009.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2008 together with the Directors' and Auditors' Report thereon.
3. To consider and approve Cash Dividend @ 25% and Stock Dividend @ 25%, as recommended by the Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2009. The present auditors M/s. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

### **SPECIAL BUSINESS**

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

#### **Resolved:**

- a) "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:**

- b) "that the remuneration of the Chief Executive Officer of the Company, as fixed by the Board, for the financial year ending December 31, 2009 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 referred to above is being circulated to the members alongwith the Notice of Meeting.

By Order of the Board



Muhammad Afzal  
Company Secretary

Lahore: April 6, 2009

### **NOTES:**

1. The share transfer books of the Company will remain closed from April 22, 2009 to April 28, 2009 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The proxy forms must be received at the registered office of the Company at 3-Bank Square, Sharah-e-Quaid-e-Azam, Lahore, duly stamped, signed and witnessed, not later than forty-eight (48) hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his / her CNIC or passport along with CDC account number to prove his / her identity and in case of Proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to immediately inform the Company's share registrar 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 74th Annual General Meeting of Atlas Insurance Limited to be held on April 28, 2009 at which special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

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

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

**Status of Approvals for for investments in Associated Companies**

The Board of Directors has recommended investment of Rs.3,545,200 in the right shares of Atlas Engineering Limited, an associated company. In order to seek the approval of the members of the Company, under section 208 of the Companies Ordinance, 1984, the same will be presented in the Extra Ordinary General Meeting of the Company to be held on April 10, 2009. Hence, status regarding aforementioned investment in associated company is not being presented in the Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984.

## SHAREHOLDERS' INFORMATION

### Registered Office

3 - Bank Square,  
Shahrah-e-Quaid -e- Lahore.  
Tel: 92-42-7322271, 73  
92-42-7310658  
Fax: 92-42-7234742

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### Listing on Stock Exchanges

Atlas Insurance Limited is listed on Karachi and Lahore stock exchanges.

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### Listing Fees

The annual listing fees for the financial year 2008-09 was paid to the Karachi Stock Exchange, Lahore Stock Exchange and Central Depository Company within the prescribed period.

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### Stock Symbol

The Stock Symbol for Atlas Insurance at the stock exchanges is ATIL.

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### Statutory Compliance

During the year your Company complied with all applicable provisions of the Companies Ordinance, 1984, the Code of Corporate Governance, Listing Regulations and SECP Regulations, filed all returns, forms and furnished all relevant particulars in time.

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### 74th Annual General Meeting

Date: April 28, 2009  
Time: 3:00 P.M.  
Venue: 3 - Bank Square, Shahrah-e-Quaid-e-Azam,  
Lahore.

### Financial Calendar

Audited annual results for year ended December 31, 2008  
- Second half of March

Mailing of annual reports  
- First half of April

Annual General Meeting  
- Second half of April

Unaudited first quarter financial results  
- Second half of April

Unaudited second quarter financial results  
- Second half of August

Unaudited third quarter financial results  
- Second half of October

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### Dividend Announcement

The Board of Directors of the Company has proposed a cash dividend of Rs.2.50 per share (25%) and bonus shares @ 25% (twenty five shares for every hundred shares held) for the financial year ended December 31, 2008, subject to approval by the shareholders of the Company at the Annual General Meeting.

Your Company paid cash dividend of Rs.7 per share (70%) and issued bonus shares at 30% i.e. three bonus shares for every ten shares held for the year ended December 31, 2007.

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### Dates of Book Closure

The members' register and share transfer books of the Company will remain closed from April 22, 2009 to April 28, 2009 (both days inclusive).

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### Disbursement of Dividends

Cash dividend and bonus shares for the year ended December 31, 2008, subject to the approval of the shareholders of the Company at the Annual General Meeting, will be disbursed on or before May 27, 2009.

Last year your company dispatched the cash dividend and bonus shares within 30 days from the date of approval.

Annual, half yearly and quarterly financial statements of the Company are available at:  
<http://www.atlasinsurance.com.pk/financials1.php>

### Share Transfer System

Transfer of physical shares is executed / completed within 30 days and CDC transfers within 5 working days from the date of receipt, provided that documents received along with transfer requests are complete in all respects.

### Share Market Price Data

Month-wise share price movement of your Company during the year 2008 is as follows:

Months	High	Low	Volume
January	127.00	115.10	137,400
February	135.00	117.50	183,000
March	169.00	114.00	864,800
April	122.00	94.00	179,900
May	103.00	78.11	85,500
June	92.90	74.30	83,200
July	77.63	51.09	55,100
August	60.90	50.10	40,400
September	54.00	53.92	1,800
October	53.92	53.92	-
November	53.92	53.92	-
December	51.23	43.93	1,400

### Annual General Meetings

Pursuant to section 158 of the Companies Ordinance, 1984, Annual General Meetings of the shareholders are held at least once every year. Every shareholder has a right to attend these meetings. The notice of such meetings is sent to all shareholders at least 21 days before the meetings and also published in at least one English and Urdu newspaper having circulation both in Karachi and Lahore.

### Correspondence

Address of the Share Registrar for correspondence and other relevant matters is as follows:

### Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at general meetings of the Company can appoint another person as his / her proxy to attend and vote on his / her behalf. Procedure for appointment of proxies is stated in every notice of such meetings. The instrument appointing a proxy (duly signed by the shareholder) must be received at the registered office of the Company not later than forty eight hours before the meeting.

M/s. Hameed Majeed Associates (Pvt.) Limited  
H. M. House, 7 - Bank Square,  
Shahrah-e-Quaid-e-Azam, Lahore.  
Tel: (92-42) 7235081-82  
Fax: (92-42) 7358817

### Website of the Company

A website of your Company has been developed which allows the users to get the Company related information about its financials, history, types of insurance available with the Company and list of reinsurers etc.

An online complaint system is also available to improve the efficiency. **Website [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk)**

**TEN YEARS AT A GLANCE**

(Rupees in million)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>FINANCIAL DATA</b>										
Paid-up capital	268.4	206.5	158.8	122.2	101.8	88.5	88.5	80.5	67.1	55.9
General & capital reserves	357.6	763.7	512.7	334.1	100.4	51.3	23.5	31.4	34.4	31.1
Equity	626.0	970.2	671.5	456.3	202.2	139.9	112.0	111.9	101.5	87.0
Underwriting premium reserves	540.7	535.0	375.8	221.2	194.7	33.5	36.4	38.8	32.9	30.6
Investments - at cost	494.2	1,010.7	674.8	338.8	219.5	172.1	138.5	106.3	68.6	42.2
Total assets - at book value	1,340.0	1,733.4	1,191.5	902.0	509.8	406.0	337.1	282.6	181.4	160.7
Fixed assets - net	49.3	42.8	21.9	19.0	14.0	12.1	14.2	14.1	6.2	5.4
Cash and bank deposits	195.9	200.8	75.6	185.9	17.7	15.9	13.2	16.3	13.0	33.8
Advances, deposits and prepayments	208.4	179.2	182.2	208.6	63.8	3.7	3.0	6.6	6.3	6.6
<b>OPERATING DATA</b>										
Gross premium	861.4	784.5	668.8	523.6	315.6	212.7	215.6	196.7	165.3	149.5
Net premium	507.9	447.0	348.7	264.1	145.0	93.2	97.4	91.1	78.0	74.7
Net claims paid	231.4	215.1	133.2	64.4	40.2	18.2	17.5	19.3	16.8	15.2
Underwriting profit	158.4	144.6	155.0	152.2	59.0	30.7	8.6	18.1	17.0	6.5
Investment income	(305.2)	314.7	190.2	159.8	54.6	57.7	25.4	6.2	3.9	8.9
(Loss) / profit before tax	(141.0)	467.4	358.7	304.7	104.9	90.1	30.2	27.1	23.7	17.5
Income tax	58.6	57.5	58.0	50.6	22.2	48.9	16.8	8.6	9.2	5.3
(Loss) / profit after tax	(199.6)	409.9	300.7	254.1	82.7	41.2	13.4	18.5	14.5	12.2
<b>FINANCIAL RATIOS</b>										
<b>Profitability</b>										
Profit before tax / gross premium (%)	(16.4)	59.6	53.6	58.2	33.2	42.4	14.0	13.8	14.3	11.7
Profit before tax / net premium (%)	(27.8)	104.6	102.9	115.4	72.3	96.7	31.0	29.7	30.4	23.4
Profit after tax / gross premium (%)	(23.2)	52.2	45.0	48.5	26.2	19.4	6.2	9.4	8.8	8.2
Profit after tax / net premium (%)	(39.3)	91.7	86.2	96.2	57.0	44.2	13.8	20.3	18.6	16.3
Management expenses / gross premium (%)	19.6	17.8	17.5	20.0	29.7	40.5	37.9	28.0	33.3	35.4
Management expenses / net premium (%)	33.2	31.2	33.5	39.7	64.7	92.5	83.9	60.4	70.6	70.9
Underwriting profit / net premium (%)	31.2	32.3	44.4	57.6	40.7	32.9	8.8	19.9	21.8	8.7
Net claims / net premium (%)	45.6	48.1	38.2	24.4	27.7	19.5	18.0	21.2	21.5	20.3
Combined ratio (%)	75.9	75.3	67.4	58.8	84.6	105.1	97.2	95.2	85.4	84.2

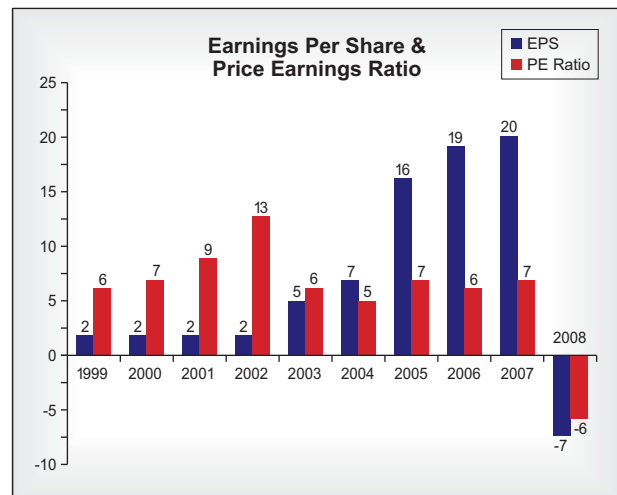
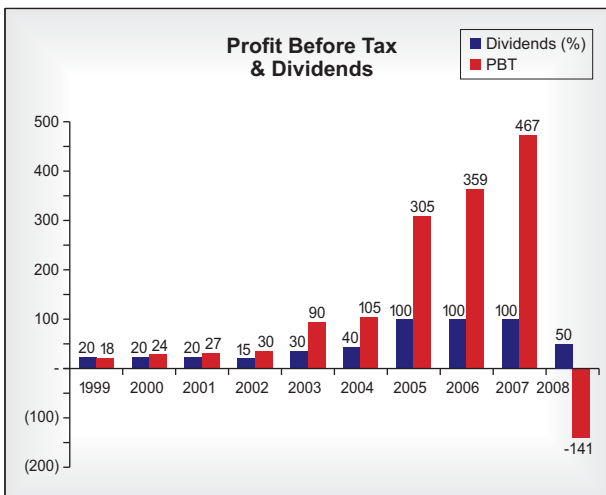
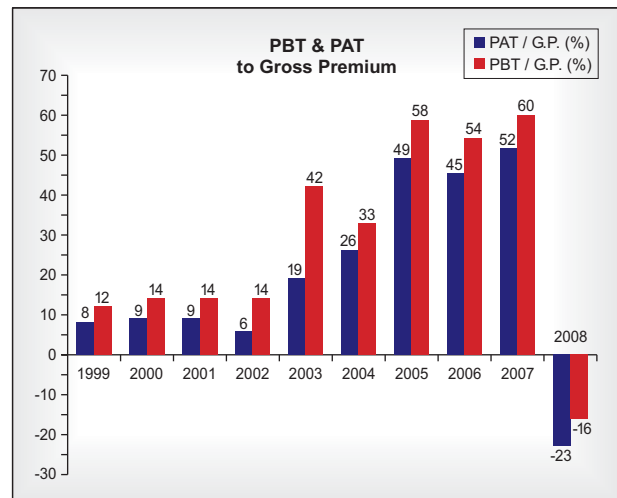
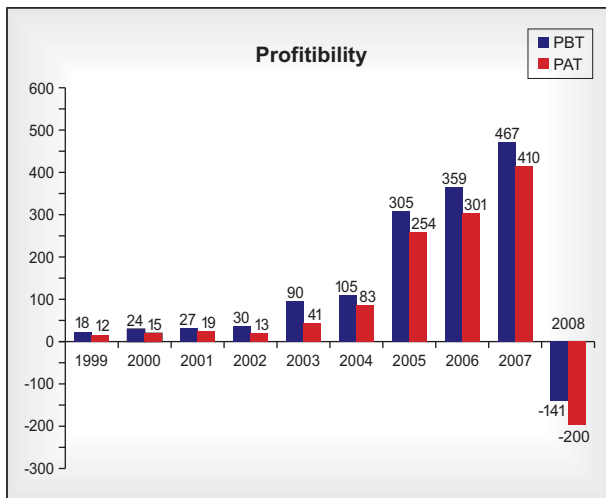
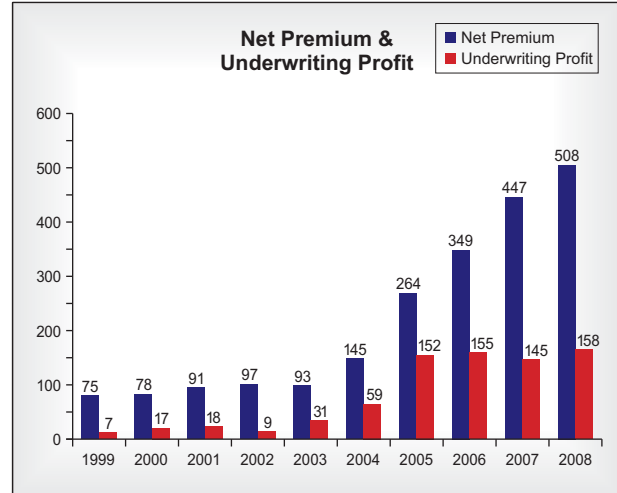
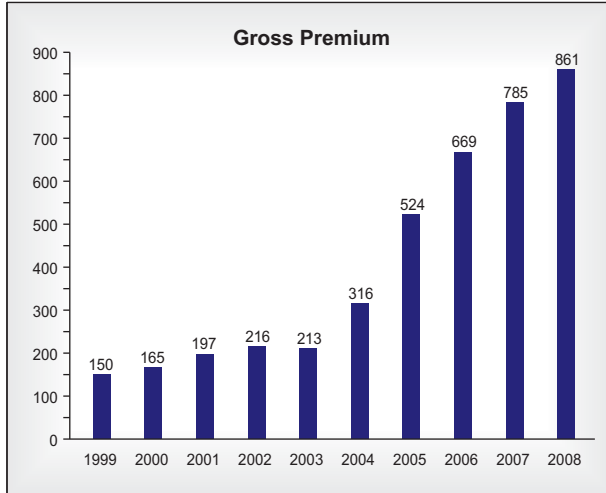
## TEN YEARS AT A GLANCE

(Rupees in million)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Return to Shareholders</b>										
Return on equity - before tax (%)	(22.5)	48.2	53.4	66.8	51.9	64.4	27.0	24.2	23.3	20.1
Return on equity - after tax (%)	(31.9)	42.3	44.8	55.7	40.9	29.5	12.0	16.6	14.3	14.0
Earning per share (Rs.)	(7.4)	19.9	18.9	16.0	6.8	4.7	1.5	2.3	2.2	2.2
Price earning ratio (times)	(5.9)	7.0	6.2	7.3	5.4	6.0	12.6	8.7	6.9	6.4
<b>Market rate per share (Rs.)</b>										
Market rate per share at the end of the year	43.9	138.0	117.9	116.6	37.0	28.0	19.1	20.0	15.0	14.0
Highest rate during the year	169.0	143.9	162.1	116.6	42.5	36.5	20.0	20.0	19.8	17.1
Lowest rate during the year	43.9	77.5	78.0	37.5	28.1	17.5	14.8	13.1	12.1	14.0
Cash dividend per share (Rs.)	2.5	7.0	7.0	7.0	2.0	1.5	1.5	1.0	-	-
Stock dividend per share (Rs.)	2.5	3.0	3.0	3.0	2.0	1.5	-	1.0	2.0	2.0
Dividend yield (%)	5.7	5.1	5.9	6.0	5.4	5.4	7.9	5.0	-	-
Dividend pay out (%)	(67.3)	50.4	52.8	48.1	49.2	64.6	99.3	86.4	92.4	91.0
Net assets per share (times)	23.3	47.0	42.3	37.3	19.9	15.8	12.7	13.9	15.1	15.6
Return on assets (%)	(13.0)	28.0	28.7	36.0	18.1	11.1	4.3	8.0	8.5	8.1
<b>Liquidity / Leverage</b>										
Current ratio (times)	1.9	1.6	1.9	1.8	1.4	1.3	1.8	1.5	2.1	2.5
Total assets turnover (times)	0.6	0.5	0.6	0.7	0.7	0.6	0.7	0.8	1.0	1.0
Fixed assets turnover (times)	18.7	24.2	32.7	31.7	24.2	16.2	15.2	19.3	28.4	26.6
Total liabilities / equity (times)	1.1	0.8	0.8	1.0	1.5	1.9	2.0	1.0	0.8	0.8
Return on capital employed (%)	(21.4)	31.2	32.2	42.1	26.6	13.9	5.1	12.2	8.8	10.4
Paid-up capital / total assets (%)	20.0	11.9	13.3	13.5	20.0	21.8	26.3	28.5	37.0	34.8
Equity / total assets (%)	46.7	56.0	56.4	50.6	39.7	34.5	33.2	39.6	56.0	54.1
<b>DISTRIBUTION</b>										
Cash dividend (Rs.)	67.1	144.5	111.2	85.5	20.4	13.3	13.3	8.0	-	-
Cash dividend (%)	25%	70%	70%	70%	20%	15%	15%	10%	0%	0%
Bonus shares (Rs.)	67.1	61.9	47.7	36.7	20.4	13.3	-	8.0	13.4	11.1
Bonus shares (%)	25%	30%	30%	30%	20%	15%	0%	10%	20%	20%
Total distribution (%)	50%	100%	100%	100%	40%	30%	15%	20%	20%	20%

## PERFORMANCE AT A GLANCE (GRAPHICAL PRESENTATION)

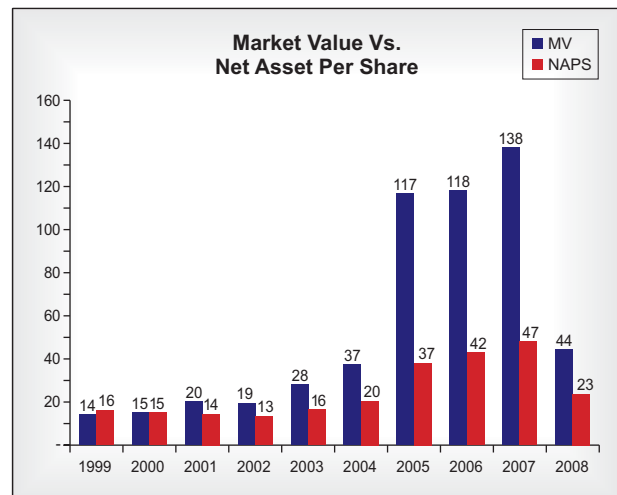
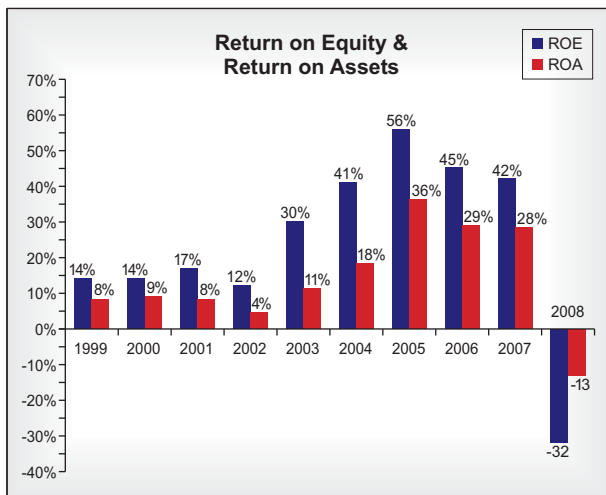
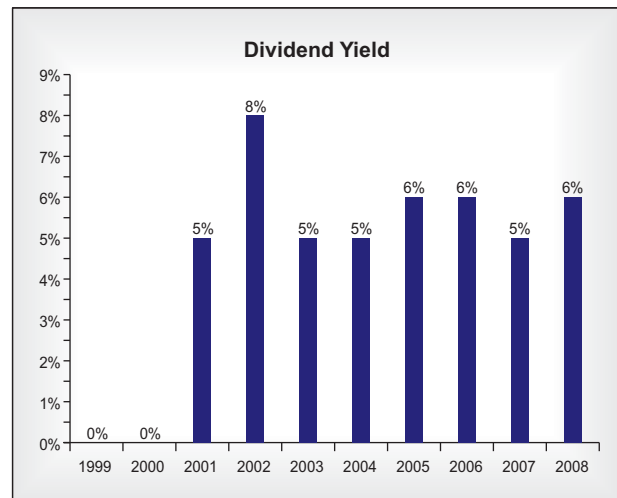
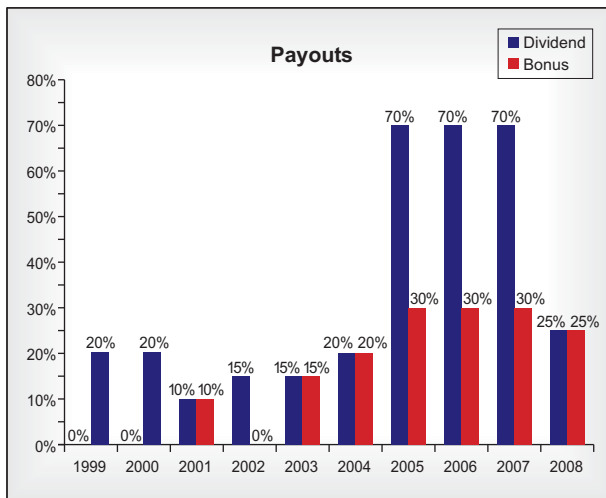
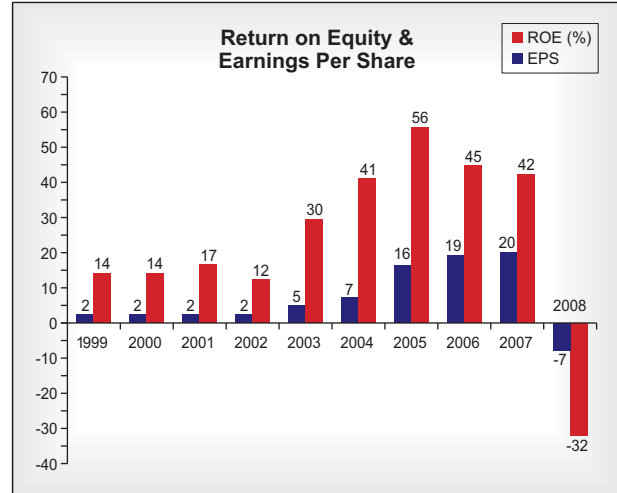
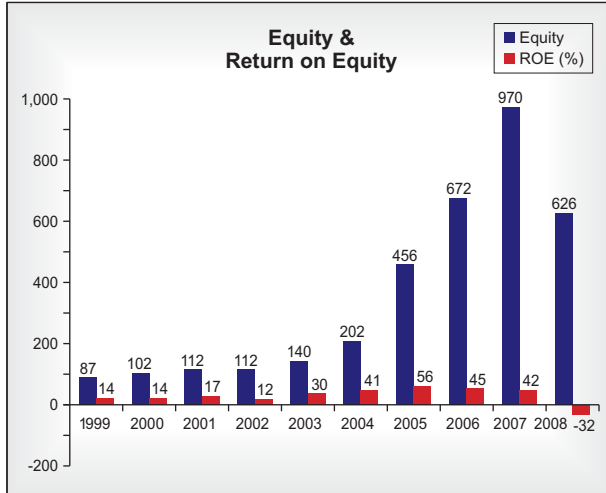
(Rupees in million)





**PERFORMANCE AT A GLANCE**  
(GRAPHICAL PRESENTATION)

(Rupees in million)



**ANALYSIS OF FINANCIAL STATEMENTS  
BALANCE SHEET**

Particulars				Vertical Analysis Composition of Balance			Horizontal Analysis % Change year to year		
	2008	2007	2006	2008	2007	2006	2008 vs 2007	2007 vs 2006	2006 vs 2005
	(Rupees in thousand)			%	%	%	%	%	%
<b>CURRENT ASSETS</b>									
Cash and bank balances	195,929	200,780	75,573	24.6	29.6	15.3	(2.4)	165.7	(59.3)
Premiums due but unpaid	108,620	85,620	94,405	13.6	12.6	19.1	26.9	(9.3)	102.9
Amounts due from other insurers / reinsures	93,286	59,830	42,814	11.7	8.8	8.7	55.9	39.7	(2.7)
Salvage recoveries accrued	12,578	10,412	6,300	1.6	1.5	1.3	20.8	65.3	-
Accrued investment income	1,232	3,136	2,542	0.2	0.5	0.5	(60.7)	23.4	105.8
Reinsurance recoveries against outstanding claims	155,410	121,881	77,535	19.5	17.9	15.7	27.5	57.2	60.4
Deferred commission expense	20,569	18,236	12,366	2.6	2.7	2.5	12.8	47.5	48.6
Prepayments	105,616	162,242	86,986	13.3	23.9	17.6	(34.9)	86.5	44.1
Sundry receivables	102,761	17,001	95,246	12.9	2.5	19.3	504.4	(82.2)	(35.8)
<b>TOTAL CURRENT ASSETS</b>	<b>796,001</b>	<b>679,138</b>	<b>493,767</b>	<b>59.4</b>	<b>39.2</b>	<b>41.4</b>	<b>17.2</b>	<b>37.5</b>	<b>(9.1)</b>
<b>NON CURRENT ASSETS</b>									
Fixed assets	49,296	32,264	18,177	9.1	3.1	2.6	52.8	77.5	16.3
Capital work in progress	-	9,415	1,471	-	0.9	0.2	(100.0)	540.0	(56.4)
Intangible assets	-	1,146	2,286	-	0.1	0.3	(100.0)	(49.9)	-
Long term loans	465	724	969	0.1	0.1	0.1	(35.8)	(25.3)	(22.0)
Investments	494,201	1,010,747	674,805	90.9	95.9	96.7	(51.1)	49.8	99.2
<b>TOTAL NON CURRENT ASSETS</b>	<b>543,962</b>	<b>1,054,296</b>	<b>697,708</b>	<b>40.6</b>	<b>60.8</b>	<b>58.6</b>	<b>(48.4)</b>	<b>51.1</b>	<b>94.3</b>
<b>TOTAL ASSETS</b>	<b>1,339,963</b>	<b>1,733,434</b>	<b>1,191,475</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>(22.7)</b>	<b>45.5</b>	<b>32.1</b>
<b>EQUITY &amp; LIABILITIES</b>									
<b>SHARE CAPITAL &amp; RESERVES</b>									
Share capital	268,447	206,497	158,844	42.9	21.3	23.7	30.0	30.0	30.0
Reserves	557,064	353,064	211,064	89.0	36.4	31.4	57.8	67.3	167.0
Retained earnings	(199,492)	410,592	301,590	(31.9)	42.3	44.9	(148.6)	36.1	18.2
<b>TOTAL SHARE CAPITAL AND RESERVES</b>	<b>626,019</b>	<b>970,153</b>	<b>671,498</b>	<b>46.7</b>	<b>56.0</b>	<b>56.4</b>	<b>(35.5)</b>	<b>44.5</b>	<b>47.2</b>
<b>UNDERWRITING PROVISIONS</b>	<b>540,711</b>	<b>535,049</b>	<b>375,753</b>	<b>40.4</b>	<b>30.9</b>	<b>31.5</b>	<b>1.1</b>	<b>42.4</b>	<b>69.8</b>
<b>DEFERRED TAXATION</b>	<b>1,873</b>	<b>2,474</b>	<b>2,061</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>(24.3)</b>	<b>20.0</b>	<b>12.3</b>
<b>CURRENT AND OTHER LIABILITIES</b>									
Premium received in advance	4,845	67,111	552	2.8	29.7	0.4	(92.8)	12,057.8	(94.7)
Amounts due to other insurers / reinsures	91,353	95,362	84,486	53.3	42.2	59.4	(4.2)	12.9	(14.6)
Accrued expenses	19,729	21,235	16,780	11.5	9.4	11.8	(7.1)	26.5	8.1
Taxation - provision less payments	6,067	6,792	19,304	3.5	3.0	13.6	(10.7)	(64.8)	(25.7)
Other creditors and accruals	34,926	21,074	11,991	20.4	9.3	8.4	65.7	75.7	(82.0)
Other liabilities	14,440	14,184	9,050	8.4	6.3	6.4	1.8	56.7	77.6
<b>TOTAL CURRENT AND OTHER LIABILITIES</b>	<b>171,360</b>	<b>225,758</b>	<b>142,163</b>	<b>12.8</b>	<b>13.0</b>	<b>11.9</b>	<b>(24.1)</b>	<b>58.8</b>	<b>(36.1)</b>
<b>TOTAL LIABILITIES</b>	<b>1,339,963</b>	<b>1,733,434</b>	<b>1,191,475</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>(22.7)</b>	<b>45.5</b>	<b>32.1</b>

**ANALYSIS OF FINANCIAL STATEMENTS  
PROFIT AND LOSS ACCOUNT**

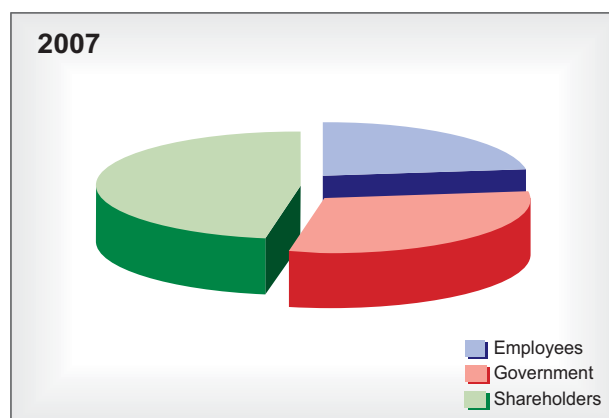
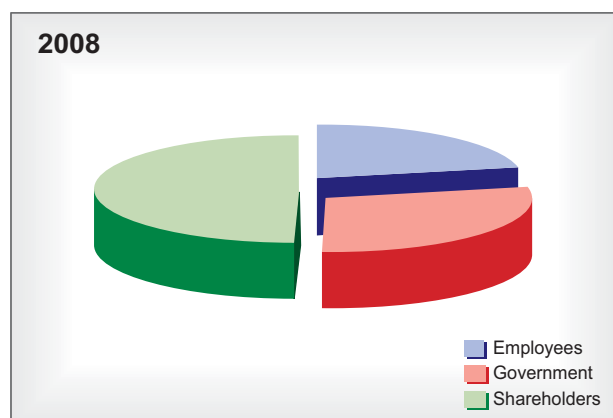
Particulars				Vertical Analysis Composition of P&L			Horizontal Analysis % Change year to year		
	2008	2007	2006	2008	2007	2006	2008 vs 2007	2007 vs 2006	2006 vs 2005
	(Rupees in thousand)			%	%	%	%	%	%
GROSS PREMIUM	861,379	784,525	668,832	100.0	100.0	100.0	9.8	17.3	27.7
<b>REVENUE ACCOUNT</b>									
Net premium revenue	507,946	447,000	348,725	59.0	57.0	52.1	13.6	28.2	32.1
Net claims	(231,434)	(215,104)	(133,190)	(45.6)	(48.1)	(38.2)	7.6	61.5	106.7
Expenses	(153,932)	(121,358)	(101,779)	(30.3)	(27.1)	(29.2)	26.8	19.2	12.0
Net Commission	35,806	34,055	41,239	7.0	7.6	11.8	5.1	(17.4)	(5.0)
<b>UNDERWRITING RESULTS</b>	158,386	144,593	154,995	31.2	32.3	44.4	9.5	(6.7)	1.8
Investment income	(305,174)	314,703	190,198	216.4	67.3	53.0	(197.0)	65.5	19.0
Rental and other income	20,417	26,325	28,604	(14.5)	5.6	8.0	(22.4)	(8.0)	328.2
Financial charges	(507)	(540)	(686)	0.4	(0.1)	(0.2)	(6.1)	(21.3)	63.7
General and administration expenses	(14,116)	(17,675)	(14,405)	10.0	(3.8)	(4.0)	(20.1)	22.7	6.5
	(299,380)	322,813	203,711	212.3	69.1	56.8	(192.7)	58.5	33.6
(LOSS) / PROFIT BEFORE TAXATION	(140,994)	467,406	358,706	(16.4)	59.6	53.6	(130.2)	30.3	17.7
Taxation	(58,591)	(57,560)	(57,987)	41.6	(12.3)	(16.2)	1.8	(0.7)	14.6
(LOSS) / PROFIT AFTER TAXATION	(199,585)	409,846	300,719	(23.2)	52.2	45.0	(148.7)	36.3	18.4

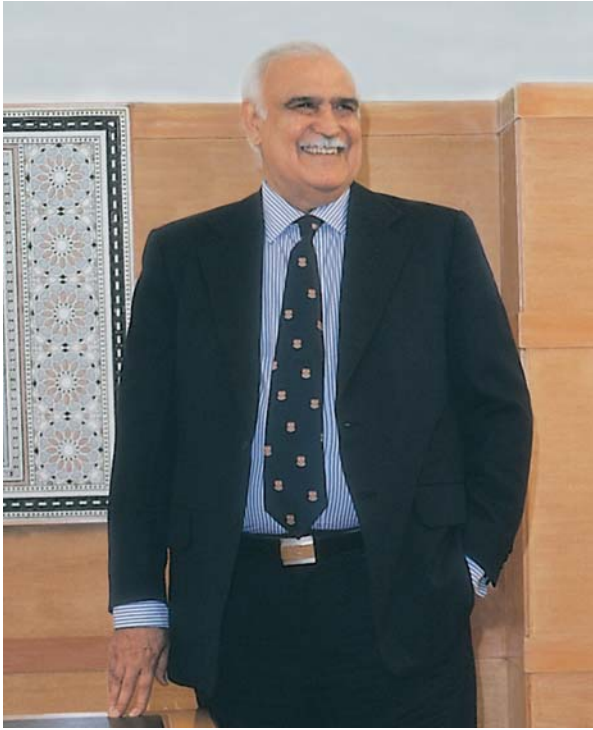
**CASH FLOW STATEMENT**

Particulars				Vertical Analysis Composition of Cash Flow			Horizontal Analysis % Change year to year		
	2008	2007	2006	2008	2007	2006	2008 vs 2007	2007 vs 2006	2006 vs 2005
	(Rupees in thousand)			%	%	%	%	%	%
Cash flow from operating activities	2,067	175,398	41,122	(42.6)	140.1	(37.3)	(98.8)	326.5	(80.4)
Cash flow from investing activities	137,882	56,406	(69,160)	(2,842.3)	45.1	62.7	144.4	181.6	(270.8)
Cash flow from financing activities	(144,800)	(106,597)	(82,265)	2,985.0	(85.1)	74.6	35.8	(29.6)	(264.2)
(Decrease) / increase in cash & cash equivalent	(4,851)	125,207	(110,303)	100.0	100.0	100.0	(103.9)	213.5	(165.6)

**STATEMENT OF VALUE ADDITION**

	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
<b>WEALTH GENERATED</b>		
Gross premium (including FED and FIF)	922,353	828,629
Commission income	35,806	34,055
(Loss) / income from investment	(305,174)	314,703
Other income	20,417	26,325
	673,402	1,203,712
Management and other expenses	656,212	610,496
	<u>17,190</u>	<u>593,216</u>
<b>WEALTH DISTRIBUTED</b>		
To Employees	90,092	76,826
To Government		
Company taxation	58,591	57,560
Levies (including FED and FIF)	60,974	44,104
	119,565	101,664
To Shareholders		
Cash dividend	144,549	111,191
Stock dividend	61,950	47,653
	206,499	158,844
Retained in Business		
Depreciation and amortization	7,118	4,880
Statutory reserves	204,000	142,000
Retained (loss) / profit	(610,084)	109,002
	(398,966)	255,882
	<u>17,190</u>	<u>593,216</u>

**WEALTH DISTRIBUTION**




## **CHAIRMAN'S REVIEW**

It is my pleasure to present to you the 74th Annual Report and Review of the performance of your Company for the year ended December 31, 2008.

### **THE ECONOMY**

The global economy at large and developed economies in particular were in turmoil during 2008. The financial crisis led to drastic fall in the global stock markets, commodity prices plunged by 50 to 60 percent and unemployment rate in some developed economies surpassed 10 percent.

The Pakistan economy too was beset with economic challenges of its own. Domestic policies, power shortages, law and order situation and banking sector liquidity crunch all compounded together to create a difficult economic environment. Moreover, in order to curb inflation the State Bank of Pakistan increased the policy discount rate from 13% to 15% on November 12, 2008. With record imports and declining Foreign Direct Investment (FDI), the rupee finally gave way and depreciated by nearly 30% in 6 months. In such

circumstances, the country sought IMF support. The IMF assistance has brought some measures of stability and the economy appears to be turning the corner.

Import growth has moderated, helping Pak rupee to stabilize. A sharp decline in international commodity prices has helped reduce the current account and trade deficits. Due to IMF funding the foreign exchange reserves have improved to just over US\$ 10 billion from a low of US\$ 6.6 billion. Headline inflation has also started to decline and with KIBOR rates falling, expectations are for some monetary easing in 2009. With better agriculture output, there is expectation of improved liquidity. The catalyst for the recovery, as always, will no doubt be agriculture growth.

Large-scale manufacturing (LSM), on the other hand, will remain under pressure. Industrial output is expected to drop further as textile and auto sector are going through an adjustment period. Until the global crisis abates and domestic banks re-start lending, economic growth will be stifled.

The GDP growth, in line with global trends, will slowdown significantly but is still expected to grow at 3.5% in the fiscal year 2008-09.

### **THE INSURANCE INDUSTRY**

The insurance industry globally is passing through a difficult phase and Pakistan Insurance sector is no exception. The financial market melt down has prompted write-downs and drained investment income of insurers siphoning off some of their capital base, both internationally and nationally too.

Insurance penetration in Pakistan despite significant presence of insurance companies continues to remain low as compared to other countries in the region. Substantial increase in Gross Domestic Product in the recent years, however, has resulted in increase in insurance business in the country. Still, the ratio of premium to GDP in Pakistan remained at 0.67% as against 2.53% of India, 4.8% of Malaysia and 1.3% of Indonesia. Measured by insurance density i.e. premium per capita, it also stood at the lowest level of \$ 2.9 against \$ 16.4 of India, \$ 292.6 of Malaysia and \$ 22.2 of Indonesia.

The growth in insurance business is directly linked with the economic activities in the country. The prevailing down turn in the domestic economy coinciding with the global recession is likely to affect the growth prospects of the insurance business. In recent years, increased car financing by the commercial banks had given a sizeable boost to the insurance sector in Pakistan in terms of premium. However, lately the rising interest rate scenario and devaluation in Pak Rupee has not only reduced auto sales but squeezed the insurance business in this segment. With high inflation, the prices of most of the products subject to insurance are expected to experience a rising trend leading to possible increase in the sum to be insured. Expectedly this phenomenon would provide insurance industry an opportunity for some growth in premium.

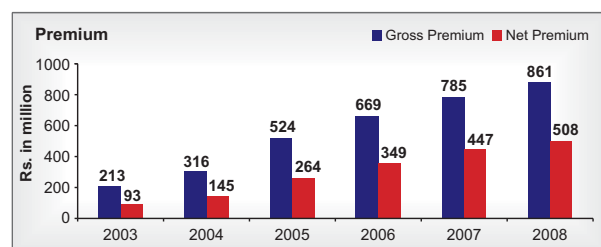
Insurance companies derive their profits from the core function of underwriting business and investment income. Your company's management has been successful in maintaining a reasonable balance in deriving profits from these two functions. However, the major segment of profit by majority of the players in the industry is derived from the investment income. With underwriting profitability under pressure due to pricing competition and increased loss ratio; and investment income sharply squeezed, the industry will do well to maintain reasonable profitability. Thus it is all the more important to focus on underwriting profitability through efficient risk management and prudent underwriting. The profitability constraints on the international reinsurance market because of global financial market meltdown, will assert pressure on the available reinsurance capacity. Rather difficult conditions and price loading on reinsurance terms is expected in the near future. This combined with the subdued growth prospects and increased competition prevailing in Pakistan insurance market will demand improved efficiency level and better control systems. Generally, processing and control systems are complex in the insurance sector. Effectiveness of technology use facilitating timely data analysis of information and efficient transaction processing will offer significant potential in reducing costs, enhancing service levels and improving overall management of the business. Further, the introduction of new product lines with relatively better profit margins and lower distribution costs may help reduce the element of

increased competition. In view of the dearth of trained and experienced human resource in the insurance sector and squeezing profit margins the Government should consider allowing "Takaful" - an Islamic concept of insurance, to conventional non-life insurers through "window operation" - as is the case in banking sector. This would not only open new avenues of business for the existing insurance companies but will also provide an opportunity of fair competition among all players and increase insurance penetration. Fine tuning the regulatory framework for Takaful, review of insurance policy announced by the Government in 2007 with the objective to enhance insurance penetration and remove anomalies in the regulatory framework and strengthening the domestic capacity of the insurance industry is essential.

## THE COMPANY RESULTS

### Premium

The gross premium rose by approximately 10% to Rs.861.38 million against Rs.784.53 million of the previous year. The net premium rose to Rs.507.95 million against Rs.447.00 million of the last year. The underwriting profit posted at Rs.158.39 million against Rs.144.59 million of the corresponding year, reflecting an increase of 9.54%.

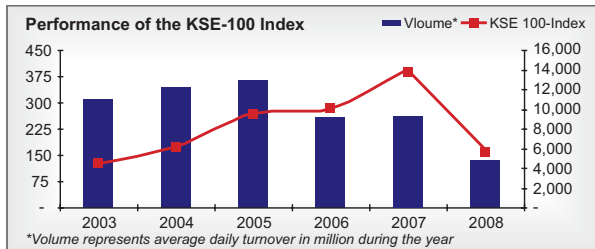


### Investment

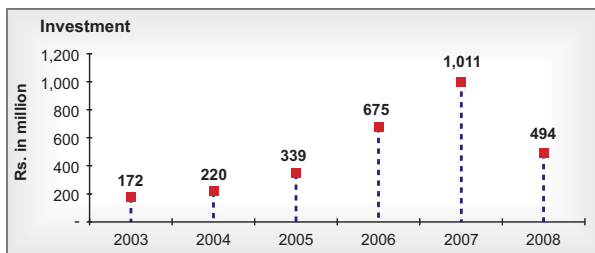
Our investment objective has been to achieve an optimum rate of return and consequently increasing the overall profitability of the Company. The company's investment portfolio aims to achieve capital gains and reasonable dividend yield.

During the year under review, the situation in equity markets in Pakistan remained volatile. Due to global

economic slowdown, increase in the interest rates and inflation, the country went into a credit crunch. Liquidity crunch caused deep and continuous corrections in prices of most of the stocks. With a view to save guard the interests of the investors, Karachi Stock Exchange placed a "Floor Mechanism" in August 2008. Consequently, the market volume declined significantly. The "Floor Mechanism" was removed on December 15, 2008 in order to rationalize the prices of equity securities. Subsequent to the removal of the "Floor Mechanism", the KSE-100 index declined from 9187 points to 5865 points as on December 31, 2008.



As a result, the book value of the company's investments decreased from Rs.921.14 million to Rs.494.20 million i.e. by Rs.426 million during the year 2008.



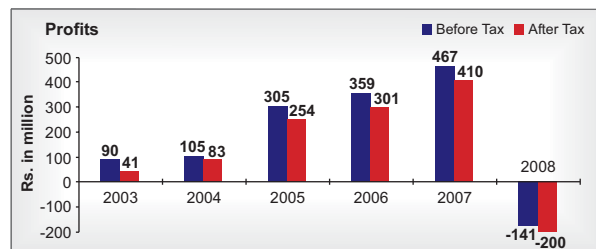
### Cash Flow

The Company generated a cash inflow of Rs.2.07 million through its operational activities during the period under review against Rs.175.40 million of last year. This reasons for the decline is due to some higher claims paid and lesser premium received during the year under review as compared to last year. An amount of Rs.376.69 million was paid for investment and fixed capital expenditures against Rs.902.19 million of last year. The cash and cash equivalents at the end of the year were Rs.195.93 million as compared to Rs.200.78 million at the end of the year

2007, which speaks of sound financial base of the company.

### Profitability

The Company posted underwriting profit of Rs.158.39 million for the year under review as compared to profit of Rs.144.59 million of the last year. As stated above due to the decline in the equity prices of the stocks in which the company had invested, a loss of Rs.426 million was booked on its investment portfolio. Consequently, the company recorded loss before tax of Rs.140.99 million as compared to profit before tax of Rs.467.41 million last year. After tax provision of Rs.58.59 million, the loss after tax stood at Rs.199.59 million as compared to profit after tax of Rs.409.85 million last year.



As per the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002, the available-for-sale investments are to be stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary). However, the SECP through its circular no. 3/2009 dated February 16, 2009, clarified that where the market value of any available-for-sale investment as at December 31, 2008, is less than the cost, the fall in value may be treated as temporary and the investment be valued at cost. Although insurance companies were allowed to treat the fall in value as other than temporary, in whole or in part, however, the company taking a prudent approach, has treated the entire fall in value as other than temporary in 2008 in accordance with the requirements of the S.R.O. 938 issued by the SECP in December, 2002.

### RISK MANAGEMENT

Risk Management is a core function that performs critical activities of measuring, monitoring, controlling and



reporting market, operational and other risks in order to ensure sustained performance of the company.

In view of the uncertain outlook of the economy, your company carried out reviews to anticipate risks that might hamper the operational activities of the company. Your company's Risk Management approach is proficient in qualitative evaluation of risk, providing safety consultancy for loss reduction and suggesting measures for risk mitigation to the client.

### **COMPUTERIZATION**

The Company recognizes the importance of technology in the conduct of the business and the need for investing in new technology. Web based software implementation has enabled all branches to link with Head Office through online system, further improving efficiency to meet the challenges of future growth. Going forward the company intends to explore new avenues of development pursued with the help of continuous upgrades and staff training to ensure that the company's IT infrastructure stays aligned with the company's objectives.

### **CONTRIBUTION TO THE NATIONAL EXCHEQUER**

Your company contributed a sum of Rs.119.50 million during the year towards Government exchequer on account of Income tax, Federal Excise Duty and other levies. Together with the Group it totals to over Rs.12 billion, about 2% of total exchequer. Over the years, the company has also paid significant returns to its valued shareholders. The management of your company strongly believes in the development of the economy through discharging the obligations by timely and accurate payment of all Government dues including taxes and donating for noble cause.

### **HUMAN RESOURCE**

Jack Welch, former CEO of General Electric said, *"If I had to run a company on three measures, those measures would be customer satisfaction, employees' satisfaction and cash flow."* This can only be achieved with dedication, teamwork and people who are efficient, experienced, trained and professional. Hence, people

in any organization particularly in financial service organization like insurance company are the most valuable assets and only organizations, which place importance and focus on human capital development perform. In your company there is greater emphasis to manage the company affairs professionally, optimizing the utilization of the available resources with human resource considered to be the most valuable asset.

Human Resource's value is to have the right people ready at the right time; recruiting personnel to join the company's mix of talent and keeping the "bench" full of competent employees.

Your Company, in order to develop and optimize the efficiencies of human resource, is regularly sending its employees to different training programs held in various reputable institutions like LUMS, PIM and PSTD. In 2008, numerous employees attended training courses according to their need assessments. The company also arranges in-house training programmes for employees to groom and improve their skills and on the job knowledge. The results of these trainings are encouraging and reflect a positive change in attitude towards work and improving the organizational environment.

Employees are encouraged to improve their education levels and enroll in various diploma courses, Executive MBAs and ACII examination. This benefits both the company as well as the employees. The Group, of which your company is a constituent member, also nominates employees to the renowned institutes of the world like Harvard, Stanford and INSEAD for MBA and other management development programmes. It is a true reflection of Atlas Group's philosophy *"Organization Development through Self Development"*.

In order to meet the manpower requirements of the future, your company has initiated management trainee programmes in which fresh post graduates, preferably MBAs, from reputable institutes are placed in various disciplines of the company. The management trainee program is of great help to cater to the needs of effectively and efficiently handling the increased workload and future expansion plans 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 company'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 income from core insurance business. PACRA has also recognized company's sound solvency margin, maintained performance, strong financial base and adequate liquidity to meet its obligations.

### SAFA CERTIFICATE OF MERIT

The company has once again been nominated for "Best Presented Accounts Award - 2007" by SAFA (South Asian Federation of Accountants). In 2006, the company was also awarded the same distinction - the only insurance company in Pakistan selected for this prestigious award. It is pertinent to mention that the company has the distinction of achieving "Best Corporate Report Award" in 2003, 2006 and 2007. It also received one of the most prestigious awards of the Corporate sector - "KSE Top 25 Companies Award 2005".



*Director of the Company, Mr. Ali H. Shirazi, receiving the Best Corporate Report Award 2007 from former Governor State Bank of Pakistan, Dr. Isbrat Hussain*

### FUTURE OUTLOOK

Next year will be another challenging period as political turmoil and slowing down of economic activities internationally may have its own implications on our

economy as well. Despite these problems, we are optimistic about the future. An average GDP growth rate of around 5% since 1951 is expected to be still achievable during the current financial year 2008-09. The insurance industry has always played a significant role in the development of the economy over the years and will keep contributing towards economic revival. The changing situation shall however demand greater professionalism at all levels of management with quality of service being the key to success. By applying prudent policies and discipline in business operations, the management of the company is confident that the targets set for the year 2009 will be achieved:

ع کیا چھینے گا غنچہ سے کوئی ذوقِ شکر قند

(We love to work beyond horizons)

### ACKNOWLEDGEMENT

I would like to thank the Board of Directors, 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 also express my gratitude to all Reinsurers, our valued clients, Banks and SECP for their continued help, support and guidance. I am also 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, 2008. The director's report, prepared under section 236 of the Companies Ordinance, 1984 and Clause (xix) of the Code of Corporate Governance, will be put forward to the members at the seventy fourth Annual General meeting of the Company to be held on April 28, 2009.

### Financial Results

Following is the overall performance of the company for the year ended December 31, 2008:

	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
Gross Premium	861,379	784,525
(Loss) / Profit for the year before tax	(140,994)	467,406
Taxation:		
Current	59,192	57,147
Deferred	1,636	413
Prior years	(2,237)	
	58,591	57,560
(Loss) / profit for the year after tax	(199,585)	409,846
Un-appropriated profit brought forward	93	746
(Loss) / profit available for appropriation	(199,492)	410,592
<b>* Appropriations:</b>		
Proposed bonus shares @ 25% (2007 : @ 30%)	67,112	61,950
Proposed cash dividend @ 25% (2007 : @ 70%)	67,112	144,549
Transferred to general reserve	-	204,000
	134,224	410,499
Unappropriated (loss) / profit carried forward	(333,716)	93

\* The Board of Directors have recommended bonus shares 25% i.e. 25 ordinary shares for every 100 ordinary shares held and cash dividend of 25% i.e. Rs.2.50 per share for the year ended December 31, 2008. 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.(7.43) per share (2007 : Rs.15.27 per share)

### 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, 2008 and future prospects. The directors endorse the contents of the review.

### Board of Directors

During the year, the Board comprised of one executive and six non-executive directors. However, the composition of the Board of Directors changed to two executives and five non-executive directors effective January 1, 2009. All the directors keenly take interest in the proper stewardship of the company's affairs. All the non-executive directors are independent from the management.

No transaction in the Company's shares have been reported by the Directors, CEO, CFO, Company Secretary and their spouse and minor children during the year except disclosed in the pattern of shareholding.

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	4
2	Mr. Ail H. Shirazi	4
3	Mr. Arshad P. Rana	5
4	Mr. Frahim Ali Khan	3
5	Mr. Jawaid Iqbal Ahmed (Resigned effective April 23, 2008)	1
6	Mr. Kamal A. Chinoy (Appointed effective April 23, 2008)	2
7	Mr. Muhammad Faruque (Resigned effective September 05, 2008)	2
8	Mr. Azam Faruque (Appointed effective September 05, 2008)	1
9	Mr. Omar Saeed	5

### Auditors

The present Auditors M/s. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee recommends and the Board endorses that they be appointed as Auditors for the year ending December 31, 2009.

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 accounts are as follows:

**Provident Fund** Rs.67.012 million (as at December 31, 2008)

#### Gratuity Fund

Management Staff Rs.8.788 million (as at June 30, 2008)

Non-Management Staff Rs.4.691 million (as at December 31, 2008)

## **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, 2008. 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 Account**

The company has maintained proper books of account.

#### **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 the 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 consists of three members. During the year, all members including Chairman of the Committee were non-executive directors. However, effective January 1, 2009, the composition of the Committee changed to one executive director and two non-executive directors as members including the Chairman of the Committee.

During the year four (4) 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)	4
2	Mr. Frahim Ali Khan	3
3	Mr. Jawaid Iqbal Ahmed (Resigned effective April 23, 2008)	1
4	Mr. Ali H. Shirazi (Appointed effective July 21, 2008)	2

### 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

Claim 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 reports are distributed to the members and half yearly and quarterly reports are placed on Company's website within the time specified by the Companies Ordinance, 1984, and the 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.

For and on behalf of the  
Board of Directors



**Arshad P. Rana**  
Chief Executive

Lahore: March 25, 2009

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 the Karachi Stock Exchange (Guarantee) Limited and the 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 six non-executive directors out of seven directors.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this company.
3. All 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 NBFIs. No director in the Board is a member of any of the stock exchanges in Pakistan.
4. Casual vacancies occurred during the year in the Board were filled-up by the Directors within prescribed period.
5. Executive directors of the Company are not in excess of 75% of total number of directors.
6. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
7. 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.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.
9. 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.
10. 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.
11. The Board had previously arranged an orientation course for its members to apprise them of their duties and responsibilities.
12. The Board has approved the 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.

13. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
15. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
16. The Company has complied with the corporate and financial reporting requirements of the Code.
17. The Board formed Underwriting, Claim settlement, Re-insurance and Co-insurance committees. The meetings of the committees were held once in every quarter.
18. The Board has formed an Audit Committee comprising three non-executive directors as members including the Chairman of the Committee.
19. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
20. 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.
21. 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 the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
22. 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.
23. 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 25, 2009



**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 the 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 25, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Atlas Insurance Limited to comply with the Listing Regulations 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, 2008.



**A. F. FERGUSON & CO.**  
Chartered Accountants

Lahore: March 25, 2009

## 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) cash flow statement;
- v) statement of premiums;
- vi) statement of claims;
- vii) statement of expenses; and
- viii) statement of investment income

of Atlas Insurance Limited as at December 31, 2008, together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of 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 material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2008 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) 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 25, 2009



**A. F. FERGUSON & CO.**  
Chartered Accountants


**BALANCE SHEET**

	Note	<u>2008</u> (Rupees in thousand)	<u>2007</u>
<b>Share capital and reserves</b>			
Authorized share capital		500,000	500,000
50,000,000 (2007: 50,000,000) ordinary shares of Rs.10 each			
Issued, subscribed and paid-up capital		268,447	206,497
26,844,729 (2007: 20,649,792) ordinary shares of Rs.10 each	5		
Reserves	6	557,064	353,064
Retained earnings		(199,492)	410,592
		626,019	970,153
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		237,509	194,099
Provision for unearned premium		277,432	316,655
Commission income unearned		25,770	24,295
Total underwriting provisions		540,711	535,049
Deferred taxation	7	1,873	2,474
<b>Creditors and accruals</b>			
Premiums received in advance		4,845	67,111
Amounts due to other insurers/reinsurers	8	91,353	95,362
Accrued expenses	9	19,729	21,235
Taxation - provision less payments		6,067	6,792
Other creditors and accruals	10	34,926	21,074
		156,920	211,574
<b>Other liabilities</b>			
Deposits against performance bonds		1,391	1,391
Unclaimed dividends		13,049	12,793
		14,440	14,184
		713,944	763,281
<b>TOTAL LIABILITIES</b>			
CONTINGENCIES AND COMMITMENTS	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,339,963</u>	<u>1,733,434</u>

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


**AS AT DECEMBER 31, 2008**

	Note	<u>2008</u>	<u>2007</u>
(Rupees in thousand)			
<b>Cash and bank deposits</b>			
Cash and other equivalent	12	12	21
Current and other accounts	12	165,917	200,759
Deposits maturing within twelve months	13	30,000	-
		195,929	200,780
<b>Loans to employees - secured considered good</b>	14	465	724
<b>Investments</b>	15	494,201	1,010,747
<b>Current assets - others</b>			
Premiums due but unpaid	16	108,620	85,620
Amounts due from other insurers/reinsurers	17	93,286	59,830
Salvage recoveries accrued		12,578	10,412
Accrued investment income	18	1,232	3,136
Reinsurance recoveries against outstanding claims		155,410	121,881
Deferred commission expense		20,569	18,236
Prepayments	19	105,616	162,242
Sundry receivables	20	102,761	17,001
		600,072	478,358
<b>Fixed assets</b>	21		
<b>Tangible</b>			
Land and buildings		16,430	4,551
Furniture and fixtures		2,758	2,194
Office equipments		6,373	4,595
Computers - owned		4,624	4,296
Motor vehicles - owned		19,111	16,628
		49,296	32,264
Capital work in progress		-	9,415
<b>Intangible</b>			
Computer software		-	1,146
<b>TOTAL ASSETS</b>		<u>1,339,963</u>	<u>1,733,434</u>

  
Arshad P. Rana  
Chief Executive

  
Azam Faruque  
Director

  
Omar Saeed  
Director

  
Yusuf H. Shirazi  
Chairman

**PROFIT AND LOSS ACCOUNT**

FINANCIAL YEAR ENDED DECEMBER 31, 2008

Note	Fire & property	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total 2008	Total 2007
(Rupees in thousand)							
<b>Revenue account</b>							
Net premium revenue	44,945	167,377	286,099	9,548	(23)	507,946	447,000
Net claims	(8,244)	(7,564)	(209,027)	(6,546)	(53)	(231,434)	(215,104)
Expenses	22 (14,100)	(51,153)	(85,628)	(3,051)	-	(153,932)	(121,358)
Net commission	24,130	18,630	(19,937)	12,974	9	35,806	34,055
<b>Underwriting result</b>	<b>46,731</b>	<b>127,290</b>	<b>(28,493)</b>	<b>12,925</b>	<b>(67)</b>	<b>158,386</b>	<b>144,593</b>
Investment (loss) / income						(305,174)	314,703
Rental income						1,328	1,266
Other income	23					19,089	25,059
Financial charges						(507)	(540)
General and administration expenses	24					(14,116)	(17,675)
(Loss) / Profit before taxation						(299,380)	322,813
Provision for taxation	25					(140,994)	467,406
(Loss) / Profit after taxation						(58,591)	(57,560)
						(199,585)	409,846
<b>Profit and loss appropriation account</b>							
Balance at commencement of the year						410,592	301,590
(Loss) / Profit after taxation for the year						(199,585)	409,846
Final dividend for 2007 @ Rs.7 per share (2006: Rs.7 per share)						(144,549)	(111,191)
Transfer to general reserve						(204,000)	(142,000)
Transfer to reserve for issue of bonus shares						(61,950)	(47,653)
<b>Balance (accumulated loss) / unappropriated profit at the end of the year</b>						<b>(199,492)</b>	<b>410,592</b>
Basic and diluted earnings per share - Rupees	26					(7.43)	15.27

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



 Arshad P. Rana  
Chief Executive



 Azam Faruque  
Director



 Omar Saeed  
Director




 Yusuf H. Shirazi  
Chairman


**STATEMENT OF CHANGES IN EQUITY**  
FINANCIAL YEAR ENDED DECEMBER 31, 2008


	Issued, subscribed and paid-up capital	Reserves					Retained earnings	Total
		Capital reserve	Reserve for exceptional losses	Reserve for issue of bonus shares	General reserve	Investment fluctuation reserve		
(Rupees in thousand)								
Balance as at December 31, 2006	158,844	2,251	2,164	-	203,649	3,000	301,590	671,498
Final dividend for the year ended December 31, 2006 @ 70% (Rs.7 per share)	-	-	-	-	-	-	(111,191)	(111,191)
Transfer to general reserve	-	-	-	-	142,000	-	(142,000)	-
Transfer to reserve for bonus shares	-	-	-	47,653	-	-	(47,653)	-
Issue of bonus shares	47,653	-	-	(47,653)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	409,846	409,846
<b>Balance as at December 31, 2007</b>	<b>206,497</b>	<b>2,251</b>	<b>2,164</b>	<b>-</b>	<b>345,649</b>	<b>3,000</b>	<b>410,592</b>	<b>970,153</b>
Final dividend for the year ended December 31, 2007 @ 70% (Rs.7 per share)	-	-	-	-	-	-	(144,549)	(144,549)
Transfer to general reserve	-	-	-	-	204,000	-	(204,000)	-
Transfer to reserve for bonus shares	-	-	-	61,950	-	-	(61,950)	-
Issue of bonus shares	61,950	-	-	(61,950)	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(199,585)	(199,585)
<b>Balance as at December 31, 2008</b>	<b>268,447</b>	<b>2,251</b>	<b>2,164</b>	<b>-</b>	<b>549,649</b>	<b>3,000</b>	<b>(199,492)</b>	<b>626,019</b>

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

  
Arshad P. Rana  
Chief Executive

  
Azam Faruque  
Director

  
Omar Saeed  
Director

  
Yusuf H. Shirazi  
Chairman

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	<u>2008</u>	<u>2007</u>
		(Rupees in thousand)	
<b>Operating cash flows</b>			
<b>Underwriting activities</b>			
Premiums received		754,014	837,661
Reinsurance premiums paid		(343,424)	(318,796)
Claims paid		(434,298)	(308,579)
Reinsurance and other recoveries received		185,077	111,056
Commissions paid		(44,941)	(41,723)
Commissions received		80,928	76,862
Other underwriting payments		(2,313)	(1,658)
Other underwriting receipts		11,835	9,362
<b>Net cash flow from underwriting activities</b>		<b>206,878</b>	<b>364,185</b>
<b>Other operating activities</b>			
Income tax paid		(59,917)	(69,659)
General management expenses paid		(145,153)	(119,373)
Loan repayments received		259	245
<b>Net cash flow from other operating activities</b>		<b>(204,811)</b>	<b>(188,787)</b>
<b>Total cash flow from all operating activities</b>		<b>2,067</b>	<b>175,398</b>
<b>Investment activities</b>			
Profit / return received		18,113	26,110
Dividends received		35,170	36,284
Rental income received		1,370	1,274
Payments for purchase of investments		(361,219)	(874,850)
Proceeds from disposal of investments		539,256	832,774
Short term placements - net		(81,126)	61,096
Payments against purchase of assets		(15,471)	(27,339)
Proceeds from disposal of fixed assets		1,789	1,057
<b>Total cash flow from investing activities</b>		<b>137,882</b>	<b>56,406</b>
<b>Financing activities</b>			
Dividends paid		(144,293)	(105,928)
Financial charges paid		(507)	(540)
Payments against finance lease		-	(129)
<b>Total cash flow from financing activities</b>		<b>(144,800)</b>	<b>(106,597)</b>
<b>Net cash (outflow)/inflow from all activities</b>		<b>(4,851)</b>	<b>125,207</b>
Cash at the beginning of the year		200,780	75,573
Cash at the end of the year	27	195,929	200,780



## Reconciliation to Profit and Loss Account

	Note	<u>2008</u>	<u>2007</u>
(Rupees in thousand)			
Operating cash flows		2,067	175,153
Depreciation		(7,118)	(4,880)
Amortization		(1,146)	(1,140)
Financial charges		(507)	(540)
Profit on disposal of fixed assets		803	629
Provision for doubtful debts		(1,901)	(629)
Increase in assets other than cash		98,505	57,720
Decrease / (increase) in liabilities other than borrowings		11,895	(156,253)
Other adjustments			
- (Increase) / decrease in provision for unearned premium		(17,481)	98
- (Increase) in commission income unearned		(1,475)	(6,581)
- (Loss) / income on investments and current and other deposits		(305,174)	314,703
- Rental income		1,328	1,266
- Other income		18,286	24,430
- Increase in provision for deferred commission expense		2,333	5,870
<b>(Loss) / profit after taxation</b>		<u>(199,585)</u>	<u>409,846</u>

### Definition of cash

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

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

Cash and other equivalents	12	12	21
Current and other accounts	12	165,917	200,759
Deposits maturing within twelve months	13	30,000	-
		<u>195,929</u>	<u>200,780</u>

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



Arshad P. Rana  
Chief Executive



Azam Faruque  
Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman

**STATEMENT OF PREMIUMS**

FINANCIAL YEAR ENDED DECEMBER 31, 2008

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		December 31, 2008	December 31, 2007
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	200,552	103,601	96,034	208,119	143,200	86,586	66,612	163,174	44,945	35,046
Marine, aviation and transport	277,316	9,574	18,094	268,796	105,578	5,743	9,902	101,419	167,377	130,124
Motor	290,434	133,936	132,207	292,163	7,143	-	1,079	6,064	286,099	270,314
Miscellaneous	93,100	69,544	31,097	131,547	80,031	68,227	26,259	121,999	9,548	11,494
<b>Total</b>	<b>861,402</b>	<b>316,655</b>	<b>277,432</b>	<b>900,625</b>	<b>335,952</b>	<b>160,556</b>	<b>103,852</b>	<b>392,656</b>	<b>507,969</b>	<b>446,978</b>
<b>Treaty</b>										
Fire and property damage	-	-	-	-	-	-	-	-	-	4
Marine, aviation and transport	(23)	-	-	(23)	-	-	-	-	(23)	17
Miscellaneous	-	-	-	-	-	-	-	-	-	1
<b>Total</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>22</b>
<b>Grand Total</b>	<b>861,379</b>	<b>316,655</b>	<b>277,432</b>	<b>900,602</b>	<b>335,952</b>	<b>160,556</b>	<b>103,852</b>	<b>392,656</b>	<b>507,946</b>	<b>447,000</b>

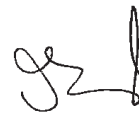
Note:

Premium written includes administration surcharge amounting to Rs.11,835 thousand (2007: Rs.9,362 thousand)

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


**Arshad P. Rana**  
Chief Executive


**Azam Faruque**  
Director


**Omar Saeed**  
Director


**Yusuf H. Shirazi**  
Chairman

## STATEMENT OF CLAIMS

FINANCIAL YEAR ENDED DECEMBER 31, 2008

Business underwritten inside Pakistan

Class	Claims paid	Outstanding Claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		December 31, 2008	December 31, 2007
(Rupees in thousand)										
<b>Direct and facultative</b>										
Fire and property damage	172,332	84,692	102,742	190,382	164,224	78,646	96,560	182,138	8,244	7,545
Marine, aviation and transport	43,296	37,303	36,481	42,474	32,209	26,382	29,083	34,910	7,564	18,020
Motor	197,536	48,775	61,590	210,351	-	82	1,406	1,324	209,027	186,961
Miscellaneous	15,042	19,548	32,915	28,409	10,274	16,772	28,361	21,863	6,546	2,259
<b>Total</b>	<b>428,206</b>	<b>190,318</b>	<b>233,728</b>	<b>471,616</b>	<b>206,707</b>	<b>121,882</b>	<b>155,410</b>	<b>240,235</b>	<b>231,381</b>	<b>214,785</b>
<b>Treaty</b>										
Fire and property damage	11	1,756	1,756	11	-	-	-	-	11	276
Marine, aviation and transport	31	1,939	1,939	31	-	-	-	-	31	22
Miscellaneous	11	86	86	11	-	-	-	-	11	21
<b>Total</b>	<b>53</b>	<b>3,781</b>	<b>3,781</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>319</b>
<b>Grand Total</b>	<b>428,259</b>	<b>194,099</b>	<b>237,509</b>	<b>471,669</b>	<b>206,707</b>	<b>121,882</b>	<b>155,410</b>	<b>240,235</b>	<b>231,434</b>	<b>215,104</b>

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



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Chief Executive



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**STATEMENT OF EXPENSES**

FINANCIAL YEAR ENDED DECEMBER 31, 2008

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					December 31, 2008	December 31, 2007
(Rupees in thousand)									
<b>Direct and facultative</b>									
Fire and property damage	15,844	5,920	8,663	13,101	14,100	27,201	37,231	(10,030)	(17,938)
Marine, aviation and transport	7,513	863	376	8,000	51,153	59,153	26,630	32,523	17,429
Motor	19,341	10,459	9,733	20,067	85,628	105,695	130	105,565	89,482
Others including miscellaneous	3,291	994	1,797	2,488	3,051	5,539	15,462	(9,923)	(1,718)
<b>Total</b>	<b>45,989</b>	<b>18,236</b>	<b>20,569</b>	<b>43,656</b>	<b>153,932</b>	<b>197,588</b>	<b>79,453</b>	<b>118,135</b>	<b>87,255</b>
<b>Treaty</b>									
Fire and property damage	-	-	-	-	-	-	-	-	38
Marine, aviation and transport	-	-	-	-	-	-	(9)	(9)	10
Others including miscellaneous	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>	<b>48</b>
<b>Grand Total</b>	<b>45,989</b>	<b>18,236</b>	<b>20,569</b>	<b>43,656</b>	<b>153,932</b>	<b>197,588</b>	<b>79,444</b>	<b>118,126</b>	<b>87,303</b>

Note:

Commission from reinsurers is arrived at after taking impact of opening and closing unearned commission.

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



 Arshad P. Rana  
Chief Executive



 Azam Faruque  
Director



 Omar Saeed  
Director



 Yusuf H. Shirazi  
Chairman

**STATEMENT OF INVESTMENT INCOME**  
FINANCIAL YEAR ENDED DECEMBER 31, 2008

	2008	2007
	(Rupees in thousand)	
<b>Income from non-trading investments</b>		
<b>Held to maturity</b>		
Return on fixed income securities and deposits	434	848
<b>Available for sale</b>		
Return on N.I.T. and U.T.P.	199	174
Dividend income		
- from related parties	11,090	15,576
- from others	21,612	21,959
	32,702	37,535
Gain on sale of available for sale investments	89,635	280,343
Less: Provision for impairment in value of 'available-for-sale' investment	(426,440)	-
Less: Investment related expenses	(1,704)	(4,197)
<b>Net investment (loss) / income</b>	<u>(305,174)</u>	<u>314,703</u>

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



Arshad P. Rana  
Chief Executive



Azam Faruque  
Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2008

### 1. The company and its operations

Atlas Insurance Limited was incorporated as a public limited company on September 6, 1934 and is listed 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.

### 2. Statement of compliance

#### 2.1 Basis of presentation and statement of compliance

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

#### 2.2 Standards, interpretations and amendments to published approved accounting standards

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:

##### 2.2.1 Amendments to published standards effective in current year

- IFRIC 14, 'IAS - 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from January 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS - 19 on the amount of surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum requirement. Its adoption does not have any significant impact on the company's financial statements.

##### 2.2.2 Amendments to published standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting period beginning on or after their respective effective dates:

- IAS - 1 (Revised), 'Presentation of financial statements' is effective from January 01, 2009. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non - owner changes in equity') in the statement of changes in equity, requiring 'non owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in performance statement, but company can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The above standard will only impact the presentation of financial statements.

- IFRS 7 'Financial Instruments: Disclosures' is effective from January 01, 2009. It requires disclosures about the significance of financial instruments for the company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent of risks, however it will not have any impact on the classification and valuation of the company's financial instruments.

- IFRS 8 'Operating Segments' is effective from January 01, 2009. It sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

Certain amendments to IAS - 23 'Borrowing Costs' have been published that are applicable to the company's financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the company to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the company's financial statements.

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

### 2.2.3 Standards and interpretation to existing standards that are not applicable to the company and not yet effective

Standards or interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share based payment	January 01, 2009
IFRIC 12 - Service concession arrangements	January 01, 2009
IFRIC 13 - Customer loyalty programmes	January 01, 2009
IFRIC 15 - Accounting for agreements for the construction of real estate	January 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	January 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board and has been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) but the notification from SECP is still awaited and, hence, presently do not form part of the local financial reporting framework.

## 3. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved financial reporting 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 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) Provision for taxation
- d) Useful life and residual values of property, plant and equipment

## 4. Significant accounting policies

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

#### **4.1 Underwriting provisions**

##### **4.1.1 Provision for outstanding claims including IBNR**

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

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.

##### **4.1.2 Provision for unearned premium**

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage. The company maintains its provision for unearned premium net of reinsurances by applying the 1/24th method on fire, motor and miscellaneous stipulated in Accounting Regulation 8(4)(b) of the SEC (Insurance) Rules, 2002 for non life insurance companies. In case of marine premium written in last month is taken as unearned.

##### **4.1.3 Commission**

###### **4.1.3.1 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.

###### **4.1.3.2 Commission income unearned**

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability.

##### **4.1.4 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, 2008, 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.

#### **4.2 Staff retirement benefits**

##### **4.2.1 Defined contribution plan**

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



#### 4.2.2 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, 2008, 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.

The company is expected to contribute Rs.1.434 million for management and nil for non-management gratuity fund in the next financial year.

#### 4.2.3 Compensated absences

The company provides for liability in respect of employees' compensated absences in the year in which these are earned.

### 4.3 Taxation

#### 4.3.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the current year for such years.

#### 4.3.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

#### 4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

#### 4.5 Loans to employees

These are recognized at cost, which is the fair value of the consideration given.

#### 4.6 Investments

##### 4.6.1 Recognition

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

- Held to maturity
- Available for sale

#### 4.6.2 Measurement

##### 4.6.2.1 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 and are initially measured at the cost being the fair value of consideration paid.

Subsequently these are measured at amortized cost using the effective yield method. Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight line basis over the term of investment.

##### 4.6.2.2 Available for sale

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 being the fair value of consideration paid.

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 / unaudited financial statements.

All "regular way" purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment.

##### 4.6.2.3 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 other income.

#### 4.7 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.

#### 4.8 Deferred commission expense

Deferred commission expense represents the portion of commission expense relating to the unexpired period of coverage. The company maintains its provision for deferred commission by applying the 1/24th method on fire, motor and miscellaneous as stipulated in Accounting Regulation 8(4)(b) of the SEC (Insurance) Rules, 2002 for non life insurance companies. In case of marine commission expense relating to last month is taken as deferred.

#### 4.9 Fixed assets

##### 4.9.1 Tangible - owned

Fixed assets except freehold land 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 or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

The assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its fixed assets as at December 31, 2008 has not required any adjustment as its impact is considered insignificant.

#### **4.9.2 Tangible - 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.

Depreciation on leased assets is charged applying the reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

#### **4.9.3 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.

#### **4.9.4 Capital work-in-progress**

Capital work-in-progress is stated at cost less any identified impairment loss.

#### **4.10 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.

#### **4.11 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at 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 profit and loss account.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

#### **4.12 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 expired. Any gains or losses on derecognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include cash and bank deposits, loans to employees, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, salvage recoveries accrued, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, other creditors and accruals, deposits against performance bonds and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### **4.13 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the financial statements only 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 to realize the assets and to settle the liabilities simultaneously.

#### **4.14 Revenue recognition**

##### **4.14.1 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 and;
- 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 recognized as revenue in accordance with the pattern of the incidence of risk.

Premiums for policies receivable in instalments are recognized as receivable at the inception of the policy and is recognized as income over the period of the policy.

##### **4.14.2 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.

Gain / loss on sale of investments is taken to the profit and loss account in the year of sale as per settlement date.

##### **4.14.3 Income on held to maturity investments**

Income on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on investments.

#### 4.14.4 Administration surcharge

This represents documentation and other charges recovered by the company from policy holders 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 of issuance of policy.

#### 4.14.5 Rental and other income

Rental and other income is recognized on accrual basis.

#### 4.15 Zakat

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

#### 4.16 Expenses

Expenses of management include directly attributable expenses and indirect expenses allocated to various classes of business on the basis of net premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

#### 4.17 Reinsurance expenses

Premium ceded to reinsurers is recognized as expense as follows:

- a) for reinsurance contracts operating on a proportional basis, on attachment of the underlying policies reinsured.
- b) for reinsurance contracts operating on a non-proportional basis, on inception of the reinsurance contract.

#### 4.18 Pakistan Reinsurance Company Limited (PRCL) - Retrocession

PRCL retrocession business is accounted for on the basis of the statements received relating to the first three quarters of the current year and last one quarter of the previous year.

#### 4.19 Segment reporting

##### 4.19.1 Primary segments

The company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format based on the company's practice of reporting to the management on the same basis.

As the operations of the company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

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 inter segment sales and transfers, if any, as if the sale and or transfers were made to third parties at fair market price.

**5. Issued, subscribed and paid-up capital**

<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
(Number of shares)			(Rupees in thousand)	
250,000	250,000	Ordinary shares of Rs.10 each fully paid in cash	2,500	2,500
		Ordinary shares of Rs.10 each issued as fully paid bonus shares		
26,594,729	20,399,729		265,947	203,997
<u>26,844,729</u>	<u>20,649,792</u>		<u>268,447</u>	<u>206,497</u>

9,129,532 (2007: 7,022,717) and 8,443,532 (2007: Nil) ordinary shares of the company are held by Shirazi Investments (Private) Limited and Shirazi Capital (Private) Limited respectively, associated undertakings as at December 31, 2008.

**6. Reserves**
**Capital reserves**

		<u>2008</u>	<u>2007</u>
		(Rupees in thousand)	
Capital reserve		2,251	2,251
Reserve for exceptional losses	- note 6.1	2,164	2,164
		<u>4,415</u>	<u>4,415</u>

**Revenue reserves**

General reserve			
- At the beginning of the year		345,649	203,649
- Transfer from the profit and loss account		204,000	142,000
		549,649	345,649
Investment fluctuation reserve	- note 6.2	3,000	3,000
		<u>552,649</u>	<u>348,649</u>
		<u>557,064</u>	<u>353,064</u>

6.1 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 Income Tax Act of 1922. After the introduction of Income Tax Ordinance, 2001 under which the said deductions are not permitted, the company discontinued the setting aside of amounts thereafter as reserve for exceptional losses.

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

**7. Deferred taxation**

The liability for deferred taxation comprises temporary differences relating to:

	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
Accelerated tax depreciation	2,365	2,214
Provision for employee benefits	(492)	260
	<u>1,873</u>	<u>2,474</u>

	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
<b>8. Amounts due to other insurers / reinsurers</b>		
Amounts due to coinsurers	13,947	10,484
Amounts due to reinsurers	77,406	84,878
	<u>91,353</u>	<u>95,362</u>
<b>9. Accrued expenses</b>		
Commission payable	7,331	6,283
Bonus to staff payable	1,393	4,332
Profit commission payable	2,028	2,349
Leave encashment payable	4,470	3,601
Other accrued expenses	4,507	4,670
	<u>19,729</u>	<u>21,235</u>
<b>10. Other creditors and accruals</b>		
Federal insurance fee	2,540	2,463
Federal excise duty	20,795	13,123
Donation payable - note 24.1	4,615	4,615
Gratuity payable		
- Management staff	1,826	1,510
- Non - management staff	(1,812)	(1,359)
	<u>14</u>	<u>151</u>
Workers' welfare fund - note 10.1	3,239	-
Others	3,723	722
	<u>34,926</u>	<u>21,074</u>

10.1 The latest valuation of scheme was carried out as at December 31, 2008 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	15% per annum
- Expected rate of increase in salaries	14% per annum
- Expected return on plan assets	15% per annum

The amounts recognized in balance sheet are as follows:

	<u>Management staff</u>		<u>Non-management staff</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)			
Present value of defined benefit obligation	11,726	8,725	1,605	1,640
Fair value of plan assets	(8,279)	(10,437)	(4,991)	(5,259)
	<u>3,447</u>	<u>(1,712)</u>	<u>(3,386)</u>	<u>(3,619)</u>
Unrecognized actuarial gains / (losses)	(1,621)	3,222	1,574	2,260
Liability / (asset) as at December 31	<u>1,826</u>	<u>1,510</u>	<u>(1,812)</u>	<u>(1,359)</u>
Net (liability) / asset as at January 1	1,510	2,310	(1,359)	(1,196)
Charge to profit and loss account	316	227	(305)	(105)
Contribution by the company	-	(1,027)	(148)	(58)
Asset / (liability) as at December 31	<u>1,826</u>	<u>1,510</u>	<u>(1,812)</u>	<u>(1,359)</u>

10.1.1 The movement in the present value of defined benefit obligation is as follows:

	Management staff		Non-management staff	
	2008	2007	2008	2007
	(Rupees in thousand)			
Present value of defined benefit obligation	8,725	7,719	1,640	1,465
Service cost	709	609	167	124
Interest cost	900	547	169	158
Benefits paid	-	(1,027)	(148)	(59)
Experience adjustments	1,392	877	(223)	(48)
Present value of defined benefit obligation	<u>11,726</u>	<u>8,725</u>	<u>1,605</u>	<u>1,640</u>

10.1.2 The movement in fair value of plan assets is as follows:

Fair value as at January 1	10,437	7,776	5,259	4,313
Expected return on plan assets	1,051	752	508	293
Company contributions	-	-	-	-
Benefits paid	-	-	-	-
Experience gain / (loss)	(3,209)	1,909	(776)	653
Fair value as at December 31	<u>8,279</u>	<u>10,437</u>	<u>4,991</u>	<u>5,259</u>

10.1.3 Plan assets are comprised as follows:

Debt	5,473	-	3,069	3,013
Equity	-	-	-	-
Mutual funds	2,488	4,038	1,191	1,516
Cash and bank balances	52	6,270	21	21
Receivables	266	129	710	709
	<u>8,279</u>	<u>10,437</u>	<u>4,991</u>	<u>5,259</u>

10.1.4 Charge for the year

Current service cost	709	609	167	124
Interest cost	900	547	169	158
Expected return on investments	(1,051)	(752)	(508)	(293)
Recognition of actuarial (gain) / loss	(242)	(177)	(133)	(94)
Expense for the year	<u>316</u>	<u>227</u>	<u>(305)</u>	<u>(105)</u>
Actual return on plan assets	<u>1,202</u>	<u>2,107</u>	<u>1,068</u>	<u>1,068</u>

The present value of defined benefit obligation, fair value of plan assets and surplus or deficit of gratuity funds is as follows:

	2008	2007	2006	2005	2004
	Management staff				
	(Rupees in thousand)				
<b>As at December 31</b>					
Present value of defined benefit obligation	11,726	8,725	7,719	5,511	8,389
Fair value of plan assets	(8,279)	(10,437)	(7,776)	(7,746)	(4,238)
	<u>3,447</u>	<u>(1,712)</u>	<u>(57)</u>	<u>(2,235)</u>	<u>4,151</u>
Experience adjustment on obligation	16%	11%	18%	-18%	41%
Experience adjustment on plan assets	-22%	17%	-5%	79%	21%
	Non-Management staff				
	(Rupees in thousand)				
<b>As at December 31</b>					
Present value of defined benefit obligation	1,605	1,640	1,465	1,555	1,873
Fair value of plan assets	(4,991)	(5,259)	(4,313)	(3,016)	(2,669)
	<u>(3,386)</u>	<u>(3,619)</u>	<u>(2,848)</u>	<u>(1,461)</u>	<u>(796)</u>
Experience adjustment on obligation	-14%	-3%	63%	-16%	23%
Experience adjustment on plan assets	-12%	18%	6%	6%	7%



**11. Contingencies and commitments**

**11.1 Contingencies**

The Additional Commissioner / Taxation Officer has amended the deemed assessment for the tax year 2003 by allocating certain expenditure to dividend income resulting in an additional tax liability of Rs.945 thousand. The company has filed an appeal before the Commissioner of Income Tax (Appeals) which is currently pending for adjudication.

Pending resolution of the above mentioned appeals filed by the company, no provision has been made in these financial statements of Rs.945 thousand as the management is confident that the eventual outcome of the above matter will be in favour of the company. (2007: Nil)

**11.2 Commitments**

Commitments for capital expenditure amount to Rs.Nil (2007: Rs.5.41 million)

<b>12. Cash and bank deposits</b>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
Cash in hand	12	21
<b>Current and other accounts</b>	- note 12.1	
Current accounts	57,445	46,183
Saving accounts	108,472	154,576
	<u>165,917</u>	<u>200,759</u>

The balances in saving accounts bear mark-up which ranges from 5% to 15% (2007: 0.10% to 8%) per annum.

12.1 These amount includes Rs.120,443 thousand (2007: Rs.154,847 thousand) held with Atlas Bank Limited, an associated undertaking.

**13. Deposits maturing within twelve months**

13.1 The balance represents Term Deposit Receipts (TDRs) amounting to Rs.30,000 thousand (2007: Nil) held with Atlas Bank Limited, an associated undertaking, which bear mark-up at the rate of 18% (2007: Nil) per annum.

<b>14. Loans to employees - secured considered good</b>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
Executives	-	-
Others	465	724
	465	724
Less: Current maturity	(264)	(312)
	<u>201</u>	<u>412</u>

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 instalments over a period of five years.

<b>15. Investments</b>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
The investments comprise of the following:		
Held to maturity	-	6,594
Available for sale	494,201	1,004,153
	<u>494,201</u>	<u>1,010,747</u>
Aggregate market value as at December 31	<u>524,032</u>	<u>1,186,578</u>

**15.1 Held to maturity**

Number of certificates	Face value	Company's name	2008	2007
			2008	2007

**Term finance certificates - Quoted**

	2008	2007	Face value	Company's name	2008	2007
			Rupees		(Rupees in thousand)	
-	600	5,000	Bank Alfalah Limited	-	2,994	
-	1,000	5,000	Chanda Oil & Gas Securit. Co. Ltd.	-	3,600	
				-	6,594	

**15.2 Available for sale**
**Related parties**

- Mutual funds - Quoted				54,753	138,900
Less: Provision for impairment in value of investments				(14,514)	-
			- note 15.2.3	40,239	138,900
- Ordinary shares - Quoted				367,311	440,674
Less: Provision for impairment in value of investments				(98,954)	-
			- note 15.2.4	268,357	440,674
- Ordinary shares - Unquoted				500	500
Less: Provision for impairment in value of investments				(500)	(500)
			- note 15.2.5	-	-
				308,596	579,574

**Others**

- Mutual funds - Quoted			- note 15.2.6	2,845	2,674
- Ordinary shares - Quoted				495,732	421,905
Less: Provision for impairment in value of investments				(312,972)	-
			- note 15.2.7	182,760	421,905
				185,605	424,579
				494,201	1,004,153

**15.2.1 Reconciliation of provision for impairment in value of investments**

Balance as at January 1		500		500
Charge / (Reversal) for the year		426,440	- note 15.2.2	-
Balance as at December 31		426,940		500

**15.2.2** As per the requirements of the SEC (Insurance) Rules, 2002, the available-for-sale investments are to be stated at lower of cost or market value (market value being taken as lower if the fall is other than temporary). However, the SECP through Circular No. 3/2009 dated February 16, 2009, clarified that where the market value of any available-for-sale investment as at December 31, 2008, is less than the cost, the fall in value may be treated as temporary and the investment be valued at cost, though it was allowed that any insurance company which wishes to treat the fall in value as other than temporary, in whole or in part, may do so. However, the company has treated the entire fall in value as other than temporary in accordance with the requirements of the S.R.O. 938 issued by the SECP in December, 2002.

Number of units/shares		Face value	Fund's/Company's name	2008	2007
2008	2007	Rupees		(Rupees in thousand)	
<b>15.2.3 Mutual funds - Quoted</b>					
100,000	100,000	500	Atlas Islamic Fund Less: Provision for diminution in value of investments	50,000 (12,817) 37,183	50,000 - 50,000
			"Market value Rs.37,183 thousand (2007: Rs.53,308 thousand)"		
7,286	104,286	500	Atlas Stock Market Fund Less: Provision for diminution in value of investments	4,471 (1,676) 2,795	64,000 - 64,000
			"Market value Rs.2,795 thousand (2007: Rs.65,669 thousand)"		
545	47,476	500	Atlas Income Fund Less: Provision for diminution in value of investments	282 (21) 261	24,900 - 24,900
			"Market value Rs.261 thousand (2007: Rs.24,876 thousand)"		
				40,239	138,900
<b>15.2.4 Ordinary shares - Quoted</b>					
1,340,981	1,340,981	10	Atlas Honda Limited Equity held: 2.84% (2007: 2.84%) "Market value Rs.239,352 thousand (2007: Rs.298,972 thousand)"	215,296	215,296
354,420	354,420	10	Atlas Engineering Industries Limited (Formerly Allwin Engineering Industries Limited) Equity held: 2.87% (2007: 2.87%) "Market value Rs.9,123 thousand (2007: Rs.11,022 thousand)"	7,308	7,308
121,939	121,939	10	Atlas Battery Limited Less: Provision for diminution in value of investments	13,795 (2,419) 11,376	13,795 - 13,795
			Equity held: 1.74% (2007: 1.74%) "Market value Rs.11,376 thousand (2007: Rs.18,248 thousand)"		
1,427,931	1,427,931	10	Atlas Bank Limited Less: Provision for diminution in value of investments	14,382 (9,642) 4,740	14,382 - 14,382
			Equity held: 0.29% (2007: 0.29%) "Market value Rs.4,740 thousand (2007: Rs.24,275 thousand)"		
			<b>Carried forward</b>	238,720	250,781

Number of units/shares		Face value Rupees	Fund's/Company's name	2008	2007
2008	2007			(Rupees in thousand)	
			<b>Brought forward</b>	238,720	250,781
850,000	850,000	10	Honda Atlas Cars (Pakistan) Limited Less: Provision for diminution in value of investments	43,191 (33,399) 9,792	43,191 - 43,191
			Equity held: 0.60% (2007: 0.60%) "Market value Rs.9,792 thousand (2007: Rs.45,985 thousand)"		
1,739,267	1,739,267	10	Cherat Cement Company Limited Less: Provision for diminution in value of investments	73,339 (53,494) 19,845	81,570 - 81,570
			Equity held: 1.82% (2007: 1.82%) "Market value Rs.19,845 thousand (2007: Rs.69,049 thousand)"		
-	675,911	10	Cherat Papersack Ltd. - note 15.2.4.1 Equity held: 9.20% (2007: 9.20%) Market value Nil (2007: Rs.128,119 thousand)	-	65,132
				<u>268,357</u>	<u>440,674</u>

15.2.4.1 Cherat Papersack Limited ceased to be an associated undertaking during the year. The shareholding in current year is shown under others - listed shares.

Number of units/shares		Face value Rupees	Fund's/Company's name	2008	2007
2008	2007			(Rupees in thousand)	

15.2.5 Ordinary shares - Unquoted

50,000	50,000	10	Arabian Sea Country Club -note 15.2.5.1 Less: Provision for diminution in value of investments	500 (500) -	500 (500) -
				<u>308,596</u>	<u>579,574</u>

15.2.5.1 The name of Chief Executive is Mr. Arif Ali Khan Abbasi. The break-up value is Rs.7.85 per share (2007: Rs.9.36 per share) based on audited accounts for the year ended June 30, 2008.

Number of units/shares		Face value Rupees	Fund's/Company's name	2008	2007
2008	2007			(Rupees in thousand)	

15.2.6 Mutual funds - Quoted

22,902	20,096	10	Unit Trust of Pakistan "Market value Rs.2,368 thousand (2007: Rs.3,019 thousand)"	1,980	1,980
34,579	30,558	10	National Investment Trust units -note 15.2.6.1 "Market value Rs.1,153 thousand (2007: Rs.1,907 thousand)"	865	694
				<u>2,845</u>	<u>2,674</u>

15.2.6.1 This represents 28,000 (2007: 28,000) units held as statutory deposit with The State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

Number of units/shares		Face value	Fund's/Company's name	2008	2007
2008	2007	Rupees		(Rupees in thousand)	(Rupees in thousand)
<b>15.2.7 Ordinary shares - Quoted</b>					
<b>Commercial Banks</b>					
33,736	25,010	10	Askari Commercial Bank Limited	2,539	2,539
			Less: Provision for diminution in value of investments	(2,047)	-
			"Market value Rs.492 thousand (2007: Rs.2,495 thousand)"	492	2,539
61,500	50,000	10	Bank Al Falah Limited	2,709	2,709
			Less: Provision for diminution in value of investments	(1,680)	-
			"Market value Rs.1,029 thousand (2007: Rs.2,685 thousand)"	1,029	2,709
21	21	10	Faysal Bank Limited	1	1
			Less: Provision for diminution in value of investments	(1)	-
			"Market value Nil (2007: Rs.1 thousand)"	-	1
200	200	10	MCB Bank Limited	66	66
			Less: Provision for diminution in value of investments	(41)	-
			"Market value Rs.25 thousand (2007: Rs.80 thousand)"	25	66
82,500	175,000	10	National Bank of Pakistan	19,675	45,908
			Less: Provision for diminution in value of investments	(15,524)	-
			"Market value Rs.4,151 thousand (2007: Rs.40,626 thousand)"	4,151	45,908
175,000	50,000	10	The Bank Of Punjab	10,649	4,781
			Less: Provision for diminution in value of investments	(8,339)	-
			"Market value Rs.2,310 thousand (2007: Rs.4,890 thousand)"	2,310	4,781
90,625	72,500	10	United Bank Limited	13,170	13,170
			Less: Provision for diminution in value of investments	(9,825)	-
			"Market value Rs.3,345 thousand (2007: Rs.12,535 thousand)"	3,345	13,170
			<b>Carried forward</b>	<b>11,352</b>	<b>69,174</b>

Number of units/shares		Face value	Fund's/Company's name	2008		2007	
2008	2007			(Rupees in thousand)		(Rupees in thousand)	
			<b>Brought forward</b>	11,352		69,174	
			<b>Textile Composite</b>				
110,000	100,000	10	Nishat Chunian Limited	9,475		9,475	
			Less: Provision for diminution in value of investments	(8,411)		-	
				1,064		9,475	
			"Market value Rs.1,064 thousand (2007: Rs.3,700 thousand)"				
150,000	75,000	10	Nishat Mills Limited	18,380		8,528	
			Less: Provision for diminution in value of investments	(14,990)		-	
				3,390		8,528	
			"Market value Rs.3,390 thousand (2007: Rs.7,890 thousand)"				
			<b>Insurance</b>				
10,000	40,000	10	Adamjee Insurance Company Limited	4,069		15,791	
			Less: Provision for diminution in value of investments	(3,051)		-	
				1,018		15,791	
			"Market value Rs.1,018 thousand (2007: Rs.14,330 thousand)"				
-	85,700	10	EFU General Insurance Limited	-		23,749	
			"Market value Nil (2007: Rs.35,086 thousand)"				
9,375	5,000	10	IGI Insurance Limited	1,936		1,936	
			Less: Provision for diminution in value of investments	(855)		-	
				1,081		1,936	
			"Market value Rs.1,081 thousand (2007: Rs.2,070 thousand)"				
182,221	-	10	Pakistan Reinsurance Company Limited	13,111		-	
			Less: Provision for diminution in value of investments	(8,794)		-	
				4,317		-	
			"Market value Rs.4,317 thousand (2007: Nil)"				
			<b>Cement</b>				
25,000	25,000	10	D. G. Khan Cement Company Limited	3,006		3,006	
			Less: Provision for diminution in value of investments	(2,474)		-	
				532		3,006	
			"Market value Rs.532 thousand (2007: Rs.2,368 thousand)"				
50,000	-	10	Lucky Cement Company Limited	5,876		-	
			Less: Provision for diminution in value of investments	(4,312)		-	
				1,564		-	
			"Market value Rs.1,564 thousand (2007: Nil)"				
			<b>Carried forward</b>	24,318		131,659	

Number of units/shares		Face value Rupees	Fund's/Company's name	2008		2007	
2008	2007			(Rupees in thousand)		(Rupees in thousand)	
			<b>Brought forward</b>	24,318		131,659	
			<b>Refinery</b>				
20,000	20,000	10	National Refinery Limited	7,968		7,968	
			Less: Provision for diminution in value of investments	(6,065)		-	
				1,903		7,968	
			"Market value Rs.1,903 thousand (2007: Rs.7,220 thousand)"				
			<b>Power Generation</b>				
240,000	240,000	10	The HUB Power Company Limited	7,490		7,490	
			Less: Provision for diminution in value of investments	(4,108)		-	
				3,382		7,490	
			"Market value Rs.3,382 thousand (2007: Rs.7,320 thousand)"				
			<b>Oil &amp; Gas Marketing</b>				
58	58	10	Sui Southern Gas Company Limited	1		1	
			"Market value Rs.1 thousand (2007: Rs.2 thousand)"				
			<b>Oil &amp; Gas Exploration</b>				
406	43,406	10	Oil and Gas Development Company Limited	47		5,041	
			Less: Provision for diminution in value of investments	(27)		-	
				20		5,041	
			"Market value Rs.20 thousand (2007: Rs.5,185 thousand)"				
			<b>Oil &amp; Gas Exploration</b>				
24,000	25,000	10	Pakistan Oil Fields Limited	8,013		8,701	
			Less: Provision for diminution in value of investments	(5,553)		-	
				2,460		8,701	
			"Market value Rs.2,460 thousand (2007: Rs.8,360 thousand)"				
			<b>Oil &amp; Gas Exploration</b>				
118,965	183,150	10	Pakistan Petroleum Limited	27,738		46,189	
			Less: Provision for diminution in value of investments	(15,768)		-	
				11,970		46,189	
			"Market value Rs.11,970 thousand (2007: Rs.44,881 thousand)"				
			<b>Technology &amp; Communication</b>				
25,000	-	10	Pakistan Telecommunication Company Limited	1,110		-	
			Less: Provision for diminution in value of investments	(688)		-	
				422		-	
			"Market value Rs.422 thousand (2007: Nil)"				
			<b>Carried forward</b>	44,476		207,049	

Number of units/shares		Face value	Fund's/Company's name	2008	2007
2008	2007			Rupees	
			<b>Brought forward</b>	44,476	207,049
			<b>Fertilizer</b>		
212,500	100,000	10	Engro Chemical Pakistan Limited	63,020	27,456
			Less: Provision for diminution in value of investments	(42,522)	-
				20,498	27,456
			"Market value Rs.20,498 thousand (2007: Rs.26,575 thousand)"		
574,000	599,000	10	Fauji Fertilizer Bin Qasim Limited	21,215	22,139
			Less: Provision for diminution in value of investments	(13,810)	-
				7,405	22,139
			"Market value Rs.7,405 thousand (2007: Rs.25,188 thousand)"		
750,024	1,050,024	10	Fauji Fertilizer Company Limited	83,130	116,382
			Less: Provision for diminution in value of investments	(39,081)	-
				44,049	116,382
			"Market value Rs.44,049 thousand (2007: Rs.124,690 thousand)"		
			<b>Pharmaceutical</b>		
41,781	41,781	10	Abbott Laboratories (Pakistan) Limited	2,763	2,763
			"Market value Rs.3,744 thousand (2007: Rs.8,851 thousand)"		
62	62	10	Glaxosmithkline (Pakistan) Limited	1	1
			"Market value Rs.5 thousand (2007: Rs.12 thousand)"		
				2,764	2,764
			<b>Chemicals</b>		
50,000	50,000	10	ICI Pakistan Limited	11,097	11,097
			Less: Provision for diminution in value of investments	(7,661)	-
				3,436	11,097
			"Market value Rs.3,436 thousand (2007: Rs.9,833 thousand)"		
			<b>Paper and Board</b>		
844,888	-	10	Cherat Papersack Limited	117,529	-
			Less: Provision for diminution in value of investments	(72,361)	-
				45,168	-
			"Market value Rs.45,168 thousand (2007: Nil)"		
72,973	63,455	10	Packages Limited	22,506	22,506
			Less: Provision for diminution in value of investments	(16,581)	-
				5,925	22,506
			"Market value Rs.5,925 thousand (2007: Rs.23,085 thousand)"		
			<b>Carried forward</b>	173,721	409,393



Number of units/shares		Face value	Fund's/Company's name	2008		2007	
2008	2007			(Rupees in thousand)		(Rupees in thousand)	
			<b>Brought forward</b>	173,721		409,393	
2,000	2,000	50	<b>Food &amp; Personal Care Products</b> Unilever Pakistan Limited "Market value Rs.3,615 thousand (2007: Rs.4,560 thousand)"	1,816		1,816	
25,000	25,000	10	<b>Transport</b> Pakistan International Container Terminal Limited Less: Provision for diminution in value of investments  "Market value Rs.1,135 thousand (2007: Rs.1,760 thousand)"	1,768 (633) 1,135		1,768 - 1,768	
55,000	50,000	10	<b>Engineering</b> Crescent Steel and Allied Products Limited Less: Provision for diminution in value of investments  "Market value Rs.937 thousand (2007: Rs.4,870 thousand)"	4,189 (3,252) 937		4,189 - 4,189	
25,000	25,000	10	<b>Tobacco</b> Pakistan Tobacco Company Limited Less: Provision for diminution in value of investments  "Market value Rs.2,658 thousand (2007: Rs.3,888 thousand)"	4,739 (2,081) 2,658		4,739 - 4,739	
20,000	-	10	<b>Miscellaneous</b> Tri Pack Films Limited  "Market value Rs.2,493 thousand (2007: Nil)"	4,930 (2,437) 2,493		- - -	
				<u>182,760</u>		<u>421,905</u>	

16. Premium due but unpaid		2008		2007	
		(Rupees in thousand)		(Rupees in thousand)	
-	Considered good	108,620		85,620	
-	Considered doubtful	2,530		629	
		111,150		86,249	
	Less: Provision for doubtful receivables	(2,530)	-note 16.1	(629)	
		<u>108,620</u>		<u>85,620</u>	
16.1 Provision for doubtful receivables					
	Balance as at January 1	629		-	
	Provision made during the year	1,901		629	
	Balance as at December 31	<u>2,530</u>		<u>629</u>	

		<u>2008</u>	<u>2007</u>
		(Rupees in thousand)	
<b>17. Amount due from other insurers / reinsurers</b>			
Unsecured			
- Considered good	-note 17.1	93,286	59,830
- Considered doubtful		1,959	1,959
		95,245	61,789
Less: Provision for doubtful receivables	-note 17.2	(1,959)	(1,959)
		<u>93,286</u>	<u>59,830</u>
<b>17.1 Considered good</b>			
Amounts due from coinsurers		52,759	40,933
Amounts due from reinsurers		40,527	18,897
		<u>93,286</u>	<u>59,830</u>
<b>17.2 Provision for doubtful receivables</b>			
Balance as at January 1		1,959	1,959
Provision made / (reversed) during the year		-	-
		1,959	1,959
Bad debts written off		-	-
Balance as at December 31		<u>1,959</u>	<u>1,959</u>
<b>18. Accrued investment income</b>			
Dividend receivable		596	3,064
Profit receivable on TFCs		-	72
Profit receivable on TDRs		636	-
		<u>1,232</u>	<u>3,136</u>
<b>19. Prepayments</b>			
Prepaid reinsurance premium ceded		103,852	160,556
Others		1,764	1,686
		<u>105,616</u>	<u>162,242</u>
<b>20. Sundry receivables</b>			
Advances to employees - unsecured, considered good	-note 20.1	649	414
Deposits and prepaid rent		1,577	2,264
Advance to Contractor		1,213	-
Claims receivable		6,289	2,416
Short term placements	-note 20.2	93,033	11,907
		<u>102,761</u>	<u>17,001</u>

20.1 Included in advances to employees are amounts due from executives of Rs.17 thousand (2007: Rs.Nil)

20.2 This is a placement for reverse repo transactions through Atlas Capital Markets (Pvt.) Limited (an associated undertaking) at mark-up rate which ranges from 11% to 26% (2007: 6% to 27%) per annum. The commission payable to Atlas Capital Markets (Pvt.) Limited on these transactions is 10% (2007: 15% to 20%) which is linked to the profit earned on reverse repo transactions.

## 21. Fixed Assets

### 21.1 Tangible

	Cost as at January 1, 2008	Additions / adjustments	Deletions / adjustments	Cost as at December 31, 2008	Rate	Accumulated depreciation as at January 1, 2008	Charge for the year	On disposal / adjustments	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)				%	(Rupees in thousand)				
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	12,410	-	20,910	5	5,117	531	-	5,648	15,262
Furniture and fixtures	2,412	849	-	3,261	10	218	285	-	503	2,758
Office equipments	5,937	2,430	(243)	8,124	10	1,342	557	(148)	1,751	6,373
Computers										
Owned	9,159	2,053	(370)	10,842	30	4,863	1,610	(255)	6,218	4,624
Vehicles										
Owned	25,006	7,394	(1,891)	30,509	20	8,378	4,135	(1,115)	11,398	19,111
	52,182	25,136	(2,504)	74,814		19,918	7,118	(1,518)	25,518	49,296

	Cost as at January 1, 2007	Additions / adjustments	Deletions / adjustments	Cost as at December 31, 2007	Rate	Accumulated depreciation as at January 1, 2007	Charge for the year	On disposal / adjustments	Accumulated depreciation as at December 31, 2007	Book value as at December 31, 2007
	(Rupees in thousand)				%	(Rupees in thousand)				
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	-	-	8,500	5	4,938	179	-	5,117	3,383
Furniture and fixtures	523	2,117	-	2,412	10	343	73	-	218	2,194
Office equipments	3,019	3,180	(490)	5,937	10	1,244	301	(401)	1,342	4,595
Computers										
Owned	6,923	2,911	(675)	9,159	30	4,229	1,223	(589)	4,863	4,296
Vehicles										
Owned	14,089	11,187	(739)	25,006	20	5,483	3,078	(486)	8,378	16,628
Leased	469	469	-	-	20	277	26	-	-	-
	34,691	19,395	(1,904)	52,182		16,514	4,880	(1,476)	19,918	32,264

## 21.2 Intangible

	Cost as at January 1, 2008	Additions / adjustments	Deletions / adjustments	Cost as at December 31, 2008	Rate	Accumulated amortization as at January 1, 2008	Charge for the year	On disposal / adjustments	Accumulated amortization as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)				%	(Rupees in thousand)				
Computer software	3,429	-	-	3,429	33	2,283	1,146	-	3,429	-
	<u>3,429</u>	<u>-</u>	<u>-</u>	<u>3,429</u>		<u>2,283</u>	<u>1,146</u>	<u>-</u>	<u>3,429</u>	<u>-</u>

	Cost as at January 1, 2007	Additions / adjustments	Deletions / adjustments	Cost as at December 31, 2007	Rate	Accumulated amortization as at January 1, 2007	Charge for the year	On disposal / adjustments	Accumulated amortization as at December 31, 2007	Book value as at December 31, 2007
	(Rupees in thousand)				%	(Rupees in thousand)				
Computer software	3,429	-	-	3,429	33	1,143	1,140	-	2,283	1,146
	<u>3,429</u>	<u>-</u>	<u>-</u>	<u>3,429</u>		<u>1,143</u>	<u>1,140</u>	<u>-</u>	<u>2,283</u>	<u>1,146</u>

## 21.3 Disposal of operating fixed assets

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
(Rupees in thousand)						
<b>Vehicles</b>						
Honda Civic - LZG 4774	Shehzad Mukhtar Ahmed	1,258	743	515	800	Tender
Suzuki Cultus - LXW 3657	Mudassir Bashir	260	159	101	280	Tender
Honda - LXB 1335	Tauseef Ahmed	250	154	96	320	Tender
Honda CG 125 - LEP 4037	Aasim Gul - employee	68	15	53	52	Company's policy
<b>Office equipments</b>						
Photocopier	M/s. Shirazi Trading (Private) Limited - related party	210	118	92	73	Tender
<b>Computers</b>						
UPS	M/s. Syed Traders	279	196	83	34	Tender
Other assets with book value less than Rs.50,000		179	133	46	230	Tender
		<u>2,504</u>	<u>1,518</u>	<u>986</u>	<u>1,789</u>	

<b>22. Expenses</b>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
Salaries, wages and other benefits - note 22.1	90,092	76,826
Utilities	1,950	1,971
Rent, rates and taxes	6,031	4,966
Telephone and communication	4,783	4,779
Vehicle running and maintenance	8,647	7,514
Repair and maintenance	3,115	1,315
Travelling and conveyance	5,178	5,582
Printing, stationery and computer expenses	3,872	2,881
Education and training	209	200
Fee and subscriptions	3,185	2,590
Service charges	2,313	1,658
Entertainment	696	513
Advertisement expenses	3,145	1,403
Trackers	12,831	5,267
Others	7,885	3,893
	<u>153,932</u>	<u>121,358</u>

The above expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of net premium revenue.

22.1 Included in salaries, wages and benefits are Rs.3,953,462 (2007: Rs.3,162,751) in respect of provident fund contribution by the company.

<b>23. Other income</b>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
<b>Income from financial assets</b>		
Return on bank deposits	8,327	4,675
Income on reverse repo transactions	9,783	19,263
	18,110	23,938
<b>Income from non-financial assets</b>		
Gain on sale of fixed assets	803	629
Miscellaneous	176	492
	979	1,121
	<u>19,089</u>	<u>25,059</u>

**24. General and administration expenses**

Legal and professional charges	145	426
Donations - note 24.1	-	10,082
Directors' fee	150	100
Auditors' remuneration - note 24.2	389	374
Depreciation	7,118	4,880
Provision for doubtful debts	1,901	629
Amortization of intangible asset	1,146	1,140
Workers' welfare fund	3,239	-
Others	28	44
	<u>14,116</u>	<u>17,675</u>

**24.1 Donations**

This amount represents Nil (2007: Rs.10,082 thousand) donation 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

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

	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
<b>24.2 Auditors' remuneration</b>		
Audit fee	175	175
Half yearly review	75	75
Audit of Provident Fund, Gratuity Fund and other certifications	100	100
Out of pocket expenses	39	24
	<u>389</u>	<u>374</u>
<b>25. Provision for taxation</b>		
For the year		
- Current year	59,192	57,147
- Deferred	1,636	413
Prior year	60,828	57,560
- Deferred	(2,237)	-
	<u>58,591</u>	<u>57,560</u>
<b>25.1 Tax charge reconciliation</b>	<u>2008</u>	<u>2007</u>
Numerical reconciliation between the average effective tax rate and the applicable tax rate	%	%
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
- Chargeable to tax at a lower rate	6.09	(2.02)
- Exempt for tax purposes	21.83	(20.68)
- Not admissible for tax purposes	(105.86)	-
Effect of change in prior year's tax	1.59	-
Effect of rounding and others	(0.21)	0.01
Effective tax rate	<u>(41.56)</u>	<u>12.31</u>
<b>26. Earnings per share</b>	<u>2008</u>	<u>2007</u>
There is no dilutive effect on basic earnings per share which is based on :	(Rupees in thousand)	
Net profit after tax	<u>(199,585)</u>	<u>409,846</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>26,844,729</u>	<u>26,844,729</u>
	(Rupees per share)	
Earnings per share (basic / diluted)	<u>(7.43)</u>	<u>15.27</u>
<b>27. Cash and cash equivalents</b>	<u>2008</u>	<u>2007</u>
	(Rupees in thousand)	
Cash in hand	12	21
Current and other accounts	165,917	200,759
Deposit maturing within 12 months	30,000	-
	<u>195,929</u>	<u>200,780</u>

**28. Remuneration of Chief Executive, Director and executives**

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

	Chief Executive		Director		Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)					
Managerial remuneration	6,896	6,085	-	832	15,161	9,232
Bonus	750	704	-	-	3,231	2,347
Medical reimbursement	117	57	-	15	303	131
House rent and utility expenses	3,298	2,910	-	398	7,307	4,415
Retirement benefits						
a) Provident fund	660	582	-	80	1,244	742
b) Service gratuity	250	220	-	-	471	335
Other reimbursable expenses	459	278	-	41	2,568	1,042
<b>Total</b>	<b>12,430</b>	<b>10,836</b>	<b>-</b>	<b>1,366</b>	<b>30,285</b>	<b>18,244</b>
Number of persons	1	1	-	1	8	5

Fees paid to 3 (2007: 2) non-executive directors for attending meetings during the year Rs.150,000 (2007: Rs.100,000). In addition, the Chief Executive and some of the executives are also provided with free use of company cars, in accordance with the policy of the company.

**29. Transactions with associated undertakings**

Related parties comprise associated undertakings, other related group 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. Remuneration of directors and key management personnel is disclosed in note 28. Particulars of transactions with the company's staff retirement benefit scheme are disclosed in note 10 to the financial statements. Period end balances and transactions with related parties are as follows :

	2008	2007
	(Rupees in thousand)	
<b>Period end balances</b>		
Provision for outstanding claims (including IBNR)	14,732	11,162
Premium received in advance	138	66,376
Premiums due but unpaid	38,977	29,681
<b>Transactions during the period</b>		
Premium underwritten	391,774	365,424
Premium collected	309,282	462,386
Claims paid	45,680	38,740
Lease rentals	-	133
Vehicles purchased	2,131	7,187
Office equipment purchased	462	-
Office equipment sold	73	-
Rent received	578	699
Rent paid	2,207	3,057
Interest received	7,370	4,664
Brokerage charge	4,025	11,202
Fee received	-	6,867
Dividends received	11,563	15,576
Dividends paid	53,379	41,061
Donations	-	11,252

### 30. Segment reporting

The Company has four primary business segments for reporting purposes 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(Rupees in thousand)										
<b>Revenue</b>										
Premiums earned	208,119	195,383	268,773	200,787	292,163	280,272	131,547	32,755	900,602	709,197
Segment results	46,720	45,129	127,245	94,660	(28,493)	(6,129)	12,914	10,933	158,386	144,593
Investment income									(305,174)	314,703
Rental income									1,328	1,266
Other income									19,089	25,059
Financial charges									(507)	(540)
General and administration expenses									(14,116)	(17,675)
									(299,380)	322,813
(Loss) / profit before tax									(140,994)	467,406
Provision for tax									(58,591)	(57,560)
(Loss) / net profit									(199,585)	409,846
<b>Other information</b>										
Segment assets	218,493	205,302	99,617	73,305	90,296	57,563	85,909	91,717	494,315	427,887
Unallocated corporate assets									845,648	1,305,547
Consolidated total assets									1,339,963	1,733,434
Segment liabilities	241,556	216,704	88,767	76,209	225,569	220,947	82,408	93,647	638,300	607,507
Unallocated corporate liabilities									701,663	1,125,927
Consolidated total liabilities									1,339,963	1,733,434
Capital expenditure-according										
to above ratios	5,809	5,343	7,501	5,491	8,154	7,665	3,672	896	25,136	19,395
Depreciation/amortization-according										
to above ratios	1,910	1,658	2,466	1,704	2,681	2,379	1,207	278	8,264	6,020



**31. Financial assets and liabilities**

	2008							
	Interest / mark-up bearing			Non Interest / mark-up bearing			Total	Credit risk
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2008	2008
	(Rupees in thousand)							
<b>Financial assets</b>								
<b>On balance sheet</b>								
Cash and other equivalents	-	-	-	12	-	12	12	-
Current and other accounts	108,472	-	108,472	57,445	-	57,445	165,917	165,917
Deposits maturing within twelve months	30,000	-	30,000	-	-	-	30,000	30,000
Loans to employees	-	-	-	264	201	465	465	465
Investments	-	-	-	494,201	-	494,201	494,201	494,201
Premiums due but unpaid	-	-	-	108,620	-	108,620	108,620	108,620
Amounts due from other insurers / reinsurers	-	-	-	93,286	-	93,286	93,286	93,286
Salvage recoveries accrued	-	-	-	12,578	-	12,578	12,578	12,578
Accrued investment income	-	-	-	1,232	-	1,232	1,232	1,232
Reinsurance recoveries against outstanding claims	-	-	-	155,410	-	155,410	155,410	155,410
Sundry receivables	93,033	-	93,033	7,474	-	7,474	100,507	100,507
	<u>231,505</u>	<u>-</u>	<u>231,505</u>	<u>930,522</u>	<u>201</u>	<u>930,723</u>	<u>1,162,228</u>	<u>1,162,216</u>
<b>Off balance sheet</b>								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>231,505</u>	<u>-</u>	<u>231,505</u>	<u>930,522</u>	<u>201</u>	<u>930,723</u>	<u>1,162,228</u>	<u>1,162,216</u>
<b>Financial liabilities</b>								
<b>On balance sheet</b>								
Provision for outstanding claims (including IBNR)	-	-	-	237,509	-	237,509	237,509	
Amounts due to other insurers / reinsurers	-	-	-	91,353	-	91,353	91,353	
Accrued expenses	-	-	-	19,729	-	19,729	19,729	
Creditors and accrued expenses	-	-	-	11,132	-	11,132	11,132	
Deposits against performance bonds	-	-	-	1,391	-	1,391	1,391	
Dividends payable	-	-	-	13,049	-	13,049	13,049	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,163</u>	<u>-</u>	<u>374,163</u>	<u>374,163</u>	
<b>Off balance sheet</b>								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,163</u>	<u>-</u>	<u>374,163</u>	<u>374,163</u>	
<b>On balance sheet gap</b>	<u>231,505</u>	<u>-</u>	<u>231,505</u>	<u>556,359</u>	<u>201</u>	<u>556,560</u>	<u>788,065</u>	
<b>Off balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

2007

	Interest / mark-up bearing			Non Interest / mark-up bearing			Total	Credit risk
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
							2007	2007
(Rupees in thousand)								
<b>Financial assets</b>								
<b>On balance sheet</b>								
Cash and other equivalents	-	-	-	21	-	21	21	-
Current and other accounts	154,576	-	154,576	46,183	-	46,183	200,759	200,759
Deposits maturing within twelve months	-	-	-	-	-	-	-	-
Loans to employees	-	-	-	312	412	724	724	724
Investments	6,594	-	6,594	1,004,153	-	1,004,153	1,010,747	1,010,747
Premiums due but unpaid	-	-	-	85,620	-	85,620	85,620	85,620
Amounts due from other insurers / reinsurers	-	-	-	59,830	-	59,830	59,830	59,830
Salvage recoveries accrued	-	-	-	10,412	-	10,412	10,412	10,412
Accrued investment income	-	-	-	3,136	-	3,136	3,136	3,136
Reinsurance recoveries against outstanding claims	-	-	-	121,881	-	121,881	121,881	121,881
Sundry receivables	11,907	-	11,907	3,191	-	3,191	15,098	15,098
	<u>173,077</u>	<u>-</u>	<u>173,077</u>	<u>1,334,739</u>	<u>412</u>	<u>1,335,151</u>	<u>1,508,228</u>	<u>1,508,207</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<u>173,077</u>	<u>-</u>	<u>173,077</u>	<u>1,334,739</u>	<u>412</u>	<u>1,335,151</u>	<u>1,508,228</u>	<u>1,508,207</u>
<b>Financial liabilities</b>								
<b>On balance sheet</b>								
Provision for outstanding claims (including IBNR)	-	-	-	194,099	-	194,099	194,099	
Amounts due to other insurers / reinsurers	-	-	-	95,362	-	95,362	95,362	
Accrued expenses	-	-	-	21,235	-	21,235	21,235	
Creditors and accrued expenses	-	-	-	5,071	-	5,071	5,071	
Deposits against performance bonds	-	-	-	1,391	-	1,391	1,391	
Dividends payable	-	-	-	12,793	-	12,793	12,793	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,951</u>	<u>-</u>	<u>329,951</u>	<u>329,951</u>	
<b>Off balance sheet</b>	-	-	-	-	-	-	-	
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,951</u>	<u>-</u>	<u>329,951</u>	<u>329,951</u>	
<b>On balance sheet gap</b>	<u>173,077</u>	<u>-</u>	<u>173,077</u>	<u>1,004,788</u>	<u>412</u>	<u>1,005,200</u>	<u>1,178,277</u>	
<b>Off balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

## **32. Risk management**

### **32.1 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.

### **32.2 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.1,162,228 thousand (2007: Rs.1,508,228 thousand) the financial assets which are subject to credit risk amounted to Rs.1,162,216 thousand (2007: Rs.1,508,207 thousand). 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.

### **32.3 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 investments portfolio. In addition, the company actively monitors the key factors that affect investment market.

### **32.4 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.

### **32.5 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.

### **32.6 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.

### 32.7 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide return for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The company's objective when managing capital are:

- (i) to be in compliance with the paid-up capital requirement set by the SECP. The minimum paid-up capital requirement for non-life insurers operators was raised to Rs.300 million which is required to be met by December 31, 2011. The company's current paid-up capital is in excess of the limit prescribed by the SECP;
- (ii) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (iii) to provide an adequate return to shareholders.

The company manages the capital structure in context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debts.

### 33. Fair value of financial instruments

The carrying value of all financial instruments reported in the financial statements approximate their fair value except for available for sale investments which are stated at lower of cost or market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 15.2 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

### 34. Date of authorization for issue

These financial statements were authorized for issue on March 25, 2009 by the Board of Directors of the company.

### 35. Non - adjusting events after the balance sheet date

The Board of Directors has proposed a final dividend for the year ended December 31, 2008 of Rs.2.50 (2007: Rs.7) per share, amounting to Rs.67.11 million (2007: Rs.144.549 million) at their meeting held on March 25, 2009 for the approval of the members at the Annual General Meeting to be held on April 28, 2009. The Board has also recommended to transfer Rs.Nil (2007: Rs.204 million) to general reserves and stock dividend of Rs.2.50 (2007: Rs.3) per share, amounting to Rs.67.11 million (2007: Rs.61.950 million) to reserves for issue of bonus shares from accumulated reserves.

### 36. General

Figures in these financial statements have been rounded off to the nearest thousand of rupees.

### 37. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, there were no significant rearrangements.



Arshad P. Rana  
Chief Executive



Azam Faruque  
Director



Omar Saeed  
Director



Yusuf H. Shirazi  
Chairman

**DISTRIBUTION OF SHAREHOLDING  
IN CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

AS AT DECEMBER 31, 2008

Number of Shareholders	Shareholding From	To	Total Shares held
188	1	100	9,702
183	101	500	51,578
122	501	1,000	93,832
179	1,001	5,000	395,629
48	5,001	10,000	343,194
21	10,001	15,000	259,118
9	15,001	20,000	155,161
4	20,001	25,000	91,545
6	25,001	30,000	166,773
5	30,001	35,000	164,608
2	35,001	40,000	79,462
1	40,001	45,000	44,544
1	45,001	50,000	48,698
1	50,001	55,000	50,190
1	55,001	60,000	57,300
1	65,001	70,000	65,777
1	75,001	80,000	78,026
1	100,001	105,000	100,243
1	110,001	115,000	111,800
2	125,001	130,000	256,000
1	165,001	170,000	170,000
1	755,001	760,000	757,162
1	2,635,001	2,640,000	2,636,400
1	8,440,001	8,445,000	8,443,532
1	9,125,001	9,130,000	9,129,532
<u>782</u>			<u>23,759,806</u>

**PATTERN OF SHAREHOLDING**

AS AT DECEMBER 31, 2008

Number of Shareholders	Shareholding From	To	Total Shares held
265	1	100	12,211
222	101	500	60,580
146	501	1,000	112,375
262	1,001	5,000	580,309
80	5,001	10,000	540,708
38	10,001	15,000	462,438
17	15,001	20,000	289,828
9	20,001	25,000	204,406
9	25,001	30,000	247,182
7	30,001	35,000	226,231
3	35,001	40,000	115,166
2	40,001	45,000	89,264
2	45,001	50,000	98,646
3	50,001	55,000	157,520
2	55,001	60,000	114,568
2	65,001	70,000	133,425
2	75,001	80,000	153,509
1	100,001	105,000	100,243
1	105,001	110,000	107,355
1	110,001	115,000	111,800
2	125,001	130,000	256,000
1	130,001	135,000	130,453
1	165,001	170,000	170,000
1	665,001	670,000	665,694
1	735,001	740,000	738,192
1	755,001	760,000	757,162
1	2,635,001	2,640,000	2,636,400
1	8,440,001	8,445,000	8,443,532
1	9,125,001	9,130,000	9,129,532
<u>1,084</u>			<u>26,844,729</u>

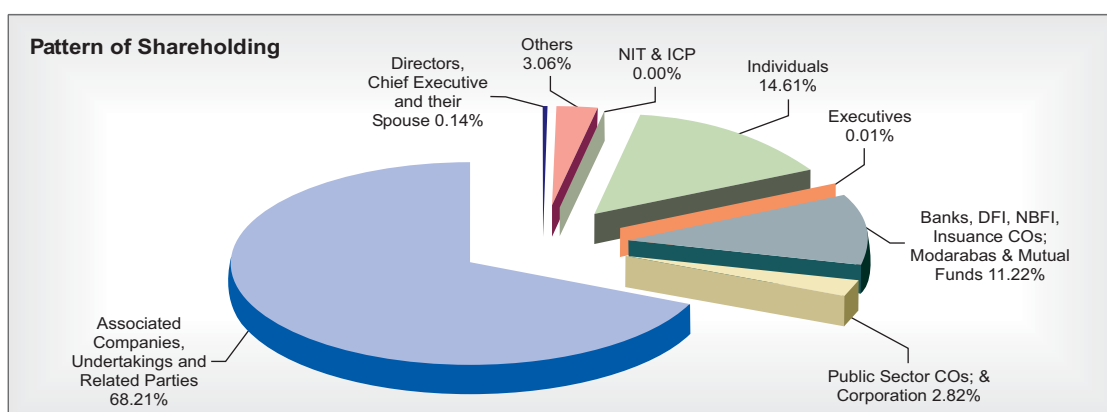
The slabs representing nil holding have been omitted.

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO their spouse and minor children	4	38,827	0.14
Associated Companies, undertakings & related parties	3	18,311,256	68.21
NIT and ICP	1	487	0.00
Banks, DFIs & NEFCs - Local	2	101,881	0.38
Banks, DFIs & NEFCs - Foreign	1	2,636,400	9.82
Insurance Companies	1	111,800	0.42
Modaraba and Mutual Funds	3	161,690	0.60
Public Sector Companies & Corporations	1	757,162	2.82
Shareholders holding 10% or more voting interest in the Company*	2	17,573,064	65.46
Individuals:			
- Resident Pakistani	1018	3,907,939	14.56
- Non - Resident Pakistan	10	17,863	0.07
Others:			
Joints Stock Companies	36	96,410	0.36
Others	4	703,014	2.62
<b>TOTAL</b>	<u>1,084</u>	<u>26,844,729</u>	<u>100.00</u>

\* Shareholders having 10% or more voting interest in the Company exist in Associated Companies, therefore, not included in the total.

**PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2008**  
**Information 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	9,129,532	34.01
Shirazi Capital (Pvt.) Limited	1	8,443,532	31.45
Atlas Foundation	1	738,192	2.75
<b>NIT and ICP</b>			
IDBP - (ICP Unit)	1	487	0.00
<b>Director, Chief Executive and their spouse and minor children</b>			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	2,500	0.01
Mr. Ali H. Shirazi	1	2,500	0.01
Mr. Frahim Ali Khan	1	5,272	0.02
Mr. Arshad P. Rana	1	28,555	0.11
<b>Executives</b>	2	3,397	0.01
<b>Public Sector Companies &amp; Corporation</b>			
State Life Insurance Corporation of Pakistan	1	757,162	2.82
<b>Banks, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds</b>			
	7	3,011,771	11.22
<b>Shareholders holding 10% or more voting interest</b>			
	-	-	-
<b>Individuals</b>	1,026	3,922,405	14.61
<b>Others</b>	40	799,424	2.98
	<u>1,084</u>	<u>26,844,729</u>	<u>100.00</u>



**Details of Trading in the Shares by the Directors**

Name	No. of Shares Sold	No. of Shares Purchased	Date of Transaction	Price Per Share
Mr. Yusuf H. Shirazi	604,767	-	June 20, 2008	98.80
Mr. Ali H. Shirazi	1,929,485	-	June 20, 2008	98.80
Mr. Arshad P. Rana	-	4,000	January 15, 2008	122.05
Mr. Arshad P. Rana	-	10,816	March 10, 2008	162.00

## COMPANY OFFICES

### HEAD OFFICE

3 - Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX: Fax:	7320542, 7320543, 7310658 7322271, 7322273 7234742
ARSHAD P. RANA Chief Executive Officer	Direct: Extension:	7234812 501
AAMER WAQAR CHAUDHRY Chief Financial Officer	Direct: Extension:	7234757 403
MUHAMMAD MUNIR Sr. Vice President (Operations)	Direct: Extension:	7314241 304
QUDSIA NAHEED Vice President (Admin/HR)	Direct: Extension:	7245348 303
MUHAMMAD ASHRAF BHATTI Vice President (Underwriting)	Extension:	304
SALEEM MEHMOOD Chief Internal Auditor	Extension:	428

### NORTH ZONE OFFICES & BRANCHES LAHORE

AZHAR M. PIRACHA Circle Chief, Lahore Circle - I	City Branch 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7212365-6, 7312858, 7312868, 7230558-9 Fax: 7212367
MUHAMMAD MUNIR QAZI Chief Manager	Fatima Jinnah Road Branch 1st Floor, Nawa-i-Waqat Building, Fatima Jinnah Road, Lahore.	6271320, 6364906 Fax: 6371186
MUHAMMAD IJAZ Deputy Chief Manager	Al-Noor Branch Al-Noor 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, 6271663 Fax: 6369576
MUHAMMAD WASIM PURI Branch Manager	Faisal Town Branch 753 - C, Faisal Town, Lahore.	5173551-2 Fax: 5173557

**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  
Circle Chief, Faisalabad Circle

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

8721256, 8734176  
Fax: 8732499

**FAISALABAD BRANCH - I**

RANA SAGHIR  
Branch Manager

Chartered Bank Chambers  
Railway Road, Faisalabad.

2647194  
Fax: 2635080

**SAHIWAL**

SALEEM TAHIR  
Acting Incharge

147-Railway Road, Sahiwal.

4466044  
Fax: 4224344

**MULTAN**

GHULAM ALI  
Acting Incharge

Atlas Honda Building  
Azmat Wasti Road, Multan.

4544494

**SIALKOT**

REHAN NAZIR GHUMAN  
Branch Manager

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

4264195, 4594520  
Fax: 4290095

**GUJRANWALA**

AMJAD RAFIQ DHILLO  
Branch Manager

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

3847118  
Fax: 3847074

**SOUTH ZONE OFFICE**

Ground Floor, Federation House,  
Abdullah Shah Ghazi Road,  
Main Clifton, Karachi.

PABX:

5378806-7

Fax:

5369395-6

5378515

ARSHAD P. RANA  
Chief Executive Officer

Direct:

5378757

Extension:

201

MIRZA NADEEM BAIG  
Vice President Marketing (South)

Extension:

218

MUHAMMAD IMRAN  
Asst. Vice President Claims & U/W

Extension:

217

JAWAID IRSHAD  
Manager Motor

Extension:

215

MUHAMMAD AFZAL  
Company Secretary

Extension:

202



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

ABDUL AZIZ Chief Manager	Corporate Branch 1/10, Arkey Square, 1st Floor, Shahrah-e-Liaquat, Karachi	2421030, 2422911 Fax: 2421387
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M. FAROOQ KANDLAWALA Circle Chief, Karachi Circle - I	Tower Branch State Life Building No. 7 Room No. 101, 1st Floor G. Allana Road, Karachi.	2201471 2316503, 2315248 Fax: 2315248
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IMRAN SATTAR Deputy Chief Manager	Plaza Branch 3/3 Rimpa Plaza M.A. Jinah Road, Karachi.	2729339 Fax: 2720858
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TARIQ NASIM Chief Manager	New Challi Branch 1st Floor, Room No. 106-107, Rehmani Chamber, Altaf Hussain Road, Karachi.	2218286, 2218288 Fax: 2610280
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**HYDERABAD**

ZAFAR AHMAD GHOURI Circle Chief, Hyderabad Circle	Plot No. 466, Mezzanine Floor, Al-Abbas Plaza, Saddar, Hyderabad.	2782659, 2782660 Fax: 2786410
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**SUKKUR**

ABDUL MAJEED QURESHI Chief Manager	Shalimar Complex, Mezzanine Floor, Minara Road, Sukkur.	5625965 Fax: 5625977
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## Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Atlas Engineering	1981*
 Atlas Bank	1990
<b>HONDA</b> Honda Atlas Cars	1992
<b>HONDA</b> Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Shirazi Capital	2005
 Atlas Capital Markets	2006
 Atlas Power	2007

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of Atlas Insurance 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 74th General Meeting of the company to be held at Registered office on April 28, 2009 at 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

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

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

Witness:

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

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



### 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.
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  
3 - Bank Square,  
Shahrah-e-Quaid-e-Azam,  
Lahore.

Fold Here

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## **Atlas Insurance Limited**

3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore-54000 **Ph:** (92-42) 7320542-3, 7322271, 7322273, 7310658 **Fax:** (92-42) 7234742  
**Email:** [info@atlasinsurance.com.pk](mailto:info@atlasinsurance.com.pk) **Website:** [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk)