ANNUAL REPORT 2010

Atlas Insurance

Organisation
development
through
self development

Atlas Insurance Limited

Atlas Insurance

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.

CORPORATE STRATEGY

Enhance customer satisfaction by adding value over the long run

Creating value for the shareholders, maintaining and improving our competitive position in the market

Built and preserve an innovation-adept culture, a culture that promotes transparency and accountability through honesty, integrity and diligence in our dealing with employees, clients, financial institutions, Government, regulatory authorities and all the other stakeholders

Focused training and development of the employees for enhancing their technical and managerial expertise, monitoring employees' satisfaction and implementing measures for its continuous enhancement

Competence and knowledge management to focus on human excellence using professional methodologies with strategic planning following the concept of "Management by Objectives"

Monitoring performances of processes and taking timely action for their standardization and optimization

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 all stake holders including employees.

Obeying the Law

Company is committed to comply with all the legal requirements, laws and regulations of Pakistan.

Employees

- Company is committed to create the working environment where there is mutual trust and respect and everyone feels the responsibility for the improved performance and reputation of the company.
- It recruits, employs and rewards employees purely on merit and on the basis of the qualification, experience and abilities needed for the work to be performed.
- It is committed to provide safe, healthy and pleasant working environment to all employees. Company 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, provide training to groom them on the basis of their Training Needs Assessment analysis.
- It respects the dignity of employees and the right of individual to express freely.
- Company maintains good communication link with employees through company based information and consultation procedures.

Insured

It is committed to provide prompt and efficient services to its clients by properly insuring their risk, 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 persuing ethical and professional practices.

Shareholders

Company will conduct its operations in accordance with 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 mutually beneficial relations with its insured, reinsurers and business partners.
- In the business dealings, the company expects its partners to adhere to business principles and ethical practices consistent with its own.

Comunity Involvement

Company strives to be a trusted corporate citizen and, as integral part of society, to fulfill its responsibilities to society 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 affect legitimate business interests.

- Company neither supports any political group or party nor contributes to the funds of any group whose activities are aimed at, directly or indirectly, to promote party interests.

The Environment

- Company is committed to making continuous improvement 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 without compromising on ethical practices.

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 transparently. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflict of Interests

- 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 of Directors (the 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 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 appropriate protection 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 environmental performance in all phases of activities.
- Continuously improves the company's overall environmental performance.
- Foster open communication, internally and externally about the company's environmental performance.

COMPANY'S PROFILE - History of Success

SUCCESS IS A PROCESS NOT AN EVENT

The company was founded in 1934 by Dr. Sir Muhammad Iqbal, the founder thinker of Pakistan, and is one of the oldest insurance companies of Pakistan.

The company was taken over by the Atlas Group in 1980. From making loss in 1979, the company has made steady progress and had since been making profits each year. The equity of the company has grown from Rs. 1.6 million in 1979 to over Rs. 856.397 million in 2010, total assets having grown to over Rs. 2,034.734 million and investments from Rs. 4.594 million to over Rs. 772.048 million.

Atlas Insurance Limited has very sound reinsurance arrangements with the leading reinsurers of the world including Swiss Re from Switzerland, Hannover Re from Germany, Tokio Fire & Nichido Marine and Sompo from Japan among others.

Acknowledging the financial strength of the company, The Pakistan Credit Rating Agency Limited (PACRA) has maintained Insurer Financial Strength (IFS) rating of the company at "**A+**" and has also assigned "**Positive Outlook**" to the rating. The rating denotes strong capacity to meet policyholder and contract obligations and risk factors are moderate.

Atlas Insurance Limited is a financially sound and professional managed company, has been four times awarded the Top Five Companies "Best Corporate Report Award" 2003, 2006, 2007, 2008 and 2009 by the joint committee of The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost and Management Accountants of Pakistan (ICMAP). Atlas Insurance Limited has been awarded South Asian Federation of Accountants - SAFA "Best Presented Accounts Awards" in 2006, 2007, 2008 and 2009. Atlas Insurance Limited is also recipient of "KSE Top 25 Companies Award - 2005".

The company's results have consistently been improving yielding handsome profit earnings. These were only made possible by excellent operating performance through professional and efficient service to clients, good management practices and cost controls, scaling new heights. In 2010 the company has achieved another milestone by crossing Rs. 1 billion mark in gross premium. Consistency, hard work, dedication, adherence to company policies and procedures and code of ethics has contributed significantly towards the growth of the company.

The company has always sought to offer unique solutions to its clients and has the ability to offer creative alternatives to meet the challenges associated with the ever changing needs of its clients by offering specially designed policies. The company follows sound underwriting policies and provides highest quality services to its valued clients. Atlas Insurance has the privilege of having many blue chip companies and large groups amongst its valued customers whom it serves through a strong branch network throughout the country backed by advanced computerized information and control system. Wide range of products is offered by Atlas, which includes:

- Fire & Allied Perils
- Motor
- Erection All Risk
- Personal Accident
- Cash in Transit / Cash in Safe
- Bankers' Blanket Bond
- Product Liability
- Computer All Risk
- Crop Insurance
- Marine
- Contractors All Risk
- Machinery Breakdown
- Fidelity Guarantee
- Credit Insurance
- Boiler & Pressure Vessel
- Loss of Profit
- Travel Insurance
- Live Stock Insurance

Fire & Allied Perils

This covers property and assets; it provides coverage against Fire and Lightning and can be extended to provide coverage for perils including Impact Damage, Earthquake, Fire & Shock, Atmospheric Damage, Malicious Damage, Riot & Strike Damage and Burglary etc.

Marine

Marine Cargo insurance covers risk of transportation of goods for imports and exports including inland transportation.

Motor

Motor insurance provides comprehensive coverage i.e. Accidental Damage to vehicle, Theft and Third Party Liability etc., to our corporate and individual customers.

Contractors' All Risk (CAR)

Covers accidental damage to civil works and contractor plant and equipments in the course of construction carried out by contractors and can be extended to include Third Party Liability cover.

Erection All Risk (EAR)

Similar cover to Contractors' All Risk insurance, but while CAR cover refers mainly to building and civil engineering work, EAR is used for coverage of loss or damage to machinery in the course of erection etc.

Machinery Breakdown

Machinery insurance is to grant cover for plant and machinery against mechanical / electrical breakdown.

Personal Accident

Personal accident insurance provides cover against death and disability of a person due to an accident.

Fidelity Guarantee

Fidelity Guarantee insurance protects employers against direct pecuniary loss which they may suffer due to fraud or any other act of dishonesty committed by their employee against them.

Cash in Transit / Cash in Safe

Covers cash against snatching or robbery while in the transit from one premise to another in a given location or lying in the safe at assured premises.

Bankers' Blanket Bond

Covers Banks and provide protection which includes loss due to Theft and Fidelity Guarantee risks etc.

Boiler & Pressure Vessel

Covers damage to boilers and pressure vessels due to explosion or collapse caused by internal pressure and vacuum.

Product Liability

This policy covers liability to third parties arising out of faulty products supplied by the manufacturers.

Loss of Profit

Provides protection against business interruptions and its consequential losses followed by incident of fire etc.

Computer All Risk

This insurance is specially geared to cover delicate and high value equipment on all risk basis.

Travel Insurance

This policy provides protection like Personal Accident, Medical, Loss of Luggage and Money, while insured is traveling out of home country.

Crop Insurance

Covers financial loss due to damage to crop caused by natural calamities.

BOARD OF DIRECTORS

The Board of company acknowledges the significance of efficient discharge of duties imposed by corporate law and stands firmly committed in its objectives to add value through effective participation and contribution towards achievement of company's business objectives.

The Board further recognizes its responsibilities for protection and efficient utilization of company assets for business objectives and compliance with laws and regulations at all company levels with the ultimate objective of safeguarding the interests of the shareholders so as to increase shareholders wealth and promoting market confidence.

The Board has approved all the significant policies of the company including but not limited to policies relating to human resource, risk management, business operations, investments, donations and signature mandate etc.

The Board is conscious to the need of maintaining balance between the interests of the equity holders and sustenance of growth in net earnings. Recognized for best governance practices, financial reporting and disclosure excellence, Atlas Insurance believes in timeliness and accuracy to enable informed decision making by our investors and their confidence in the Board.

All the Directors represent rich exposure of diverse fields of business and professions and posse all the necessary skills and understanding to deal with the various business and corporate issues and have the ability to review, analyze and challenge the management performance.

During the year, five meetings of the Board were held to review and approve all issues and matters referred to it by the audit and other committees of the Board including periodical and financial statements, corporate and financial reporting framework, budgets and forecasts including their analysis with actual, cash flow projections, management letter issued by the external auditors, compliance with relevant laws and regulations including amendments during the year, acquisition and disposal of assets, review of risks identified and their mitigation, accounting and internal control systems and such other matters considered to be significant enough for the Board's attention by the Audit Committee or the management.

For all the Board meetings, the agenda and details of each item of agenda were circulated to all the members of the Board at least seven days before the meeting was scheduled. The minutes of all the Board meetings duly signed by the Chairman, have been circulated. A list of actions item was also prepared after finalization and circulation of minutes of the meetings and status of each action item was provided to the Board in the next meeting.

THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive are segregated and they have distinct responsibilities. Chairman of the Board has responsibilities and powers vested in him by law and the Articles of Association of the company, as well as duties assigned by the board. In particular, the Chairman coordinates the activities of the Directors and various committees of the Board, and presides over the meetings of the Board and shareholders.

Chief Executive is responsible for the operations of the company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the company and authorities delegated to him through a General Power of Attorney and Board resolutions from time to time. Chief Executive recommends policies and strategic directions, annual business plans and budget for the Board's approval and is responsible for exercising the overall control, direction, administration and supervision for sound and efficient management and conduct of the business of the company.

BOARD COMMITEES

Audit Committee

The Board of Directors, in line with the best practices, established the audit committee. The terms of reference of the Audit Committee have been determined by the Board in accordance with the Code of Corporate Governance consisting on the following:

- Review of quarterly, half yearly and annual financial statements before their consideration by the Board
- Detailed review of the management letters issued by the external auditors and the management's response thereto
- Review of compliance with all relevant laws and regulations and other statutory requirements
- Compliance with the best practices of Corporate Governance
- Determination of appropriate measures to safeguard company's assets
- Review of status of action items from the previous meetings
- Review of company's statement on internal control systems prior to endorsement by the Board of Directors.
- Review scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
- Consider major findings of internal investigations and management's response thereto.
- Facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight.
- Institute special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

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 policy for acceptance of different insurance covers. It regularly reviews the underwriting policies of the company with due regard to relevant factors such as its business portfolio and the market development.

Claims Settlement Committee

Claims Settlement Committee devises the claims settling 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 may give rise to a series of claims. The Committee determines the circumstances under which the claims disputes shall be brought to its attention and decides 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 persues the proposed reinsurances arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, suggests appropriate adjustments to those arrangements in light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

Investment Committee

It provides necessary guidelines and approval for commitment and assignment of investments in equities, mutual funds, fixed income securities, Government Bonds and securities.

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the Chief Executive Officer, providing recommendations relating to the business and other corporate affairs. The Committee is responsible for reviewing and forwarding short / 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 environment friendly products. It contributes to further strengthen the team work to achieve company's objectives, effectively & efficiently.

The foundation upon which our team is created is based upon the premise that motivates people and long standing relationships are the ultimate tools of success and creativity, energy perseverance and loyalty and are just as important as a platinum resume.

We have a team of highly qualified and experienced professionals with proven problem solving ability and analytical skills. Our team consists of insurance experts and technical specialists to provide the best services to our clients.

HONOURS & AWARDS

ICAP / ICMAP Best Corporate Report Award 2008.

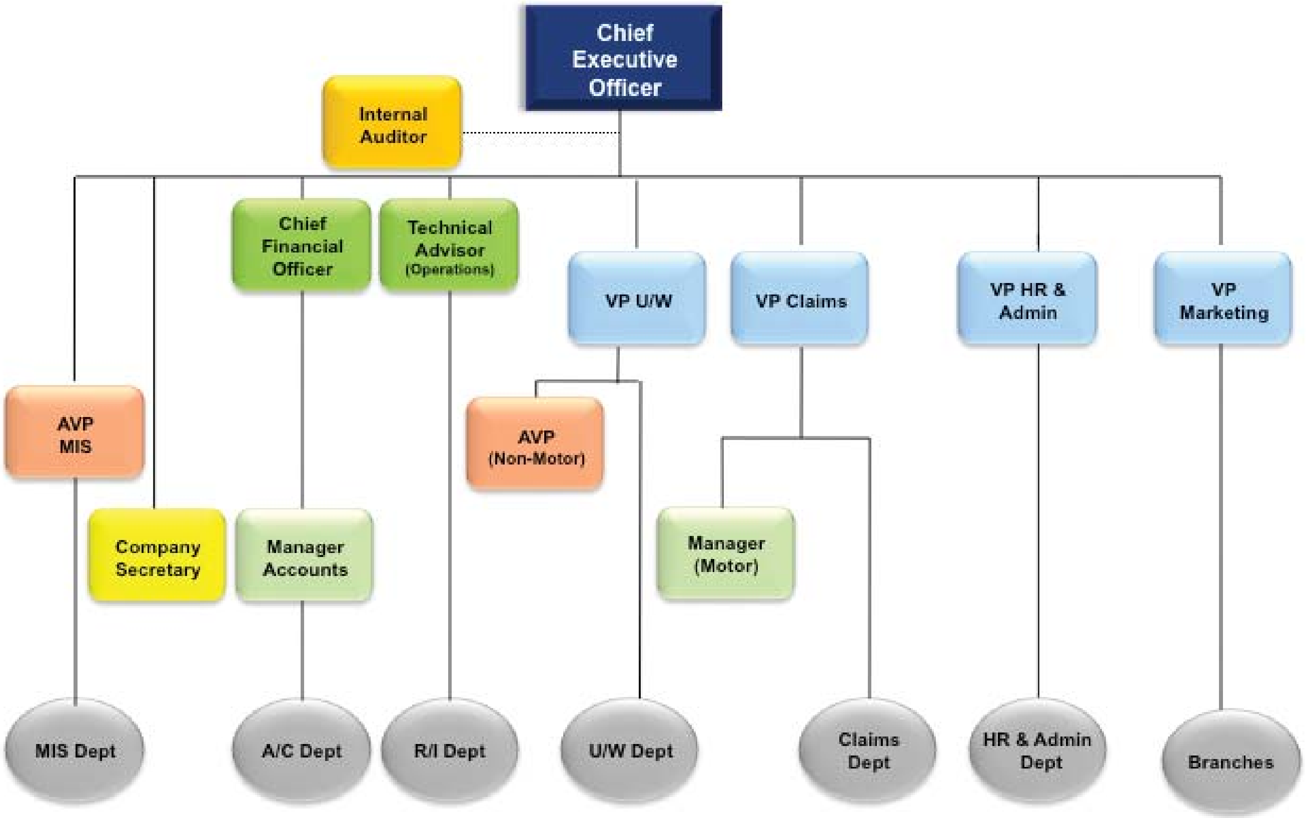
Also awarded in 2009, 2007, 2006 and 2003

KSE Top 25 Companies Award 2005

SAFA Best Presented Accounts and Corporate Governance Disclosures Award 2009.

Also awarded in 2008, 2007 and 2006

Organization Chart



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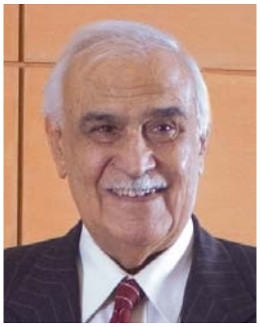
BOARD OF DIRECTORS



Mr. Yusuf H. Shirazi
Chairman

Mr. Shirazi is a law graduate (LLB) with BA (Hons) and JD (Diploma in Journalism) Punjab University and AMP Harvard. He served in the Financial Services of the Central Superior Services of Pakistan for eight years. He is the author of five books including **'Aid or Trade'** adjudged by the Writers Guild as the best book of the year and continues to be a columnist, particularly on economy. Mr. Shirazi is the Chairman of Atlas Group, which among others, has joint ventures with Honda, GS Yuasa and MAN. He has been the President Karachi Chamber of Commerce and Industry for two terms. He has been on the Board of Harvard Business School Alumni Association and is the Founder of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been visiting faculty member of National Defence University, Pakistan Navy War College and National School of Public Policy. He has been on the Board of Governors of LUMS, GIK and FC College (Chartered University). Previously, he also served on the Board of Fauji Foundation Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology - Space and Upper Atmosphere Research Commission (SUPARCO).

Mr. Aitzaz Shahbaz
Director

Mr. Aitzaz Shahbaz has been the Chairman of Sui Southern Gas Company Limited (SSGC) and Inter State Gas Systems (Pvt.) Ltd., and member on the Board of Governors of National Management Foundation and LUMS, in addition to being a Trustee of Layton Rahmatullah Benevolent Trust. He is also a Director of Petroleum Institute of Pakistan (PIP). Earlier he worked with Pakistan Burmah Shell as Chief Executive for over 16 years. Later he became Chief Executive of Shell Pakistan Limited and subsequently its Chairman. Mr. Shahbaz has done his BA (Hons) from Punjab University and MA (English) from Peshawar University.

Mr. Azam Faruque
Director

Mr. Azam Faruque is the Chief Executive of Cherat Cement Company Limited, a Ghulam Faruque Group company. He graduated in Electrical Engineering and Computer Science from Princeton University, and also possesses an MBA (High Honours) from the University of Chicago Booth School of Business. Apart from the 24 years he has spent in the cement industry and other GFG businesses, he has served as a member on the Boards of State Bank of Pakistan, National Bank of Pakistan, and Oil and Gas Development Corporation Ltd. He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. He also served on the Board of the Privatization Commission of the Government of Pakistan.

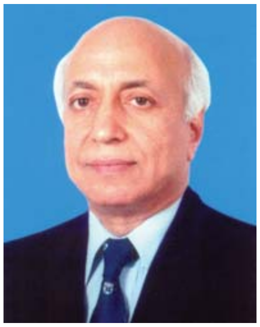
BOARD OF DIRECTORS

Mr. Ali H. Shirazi
Director

Mr. Ali H. Shirazi graduated in Political Science from Yale University, USA in 2000 and thereafter completed his Masters in Law from Bristol University, UK in 2005. He has worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is an Atlas Group Director, and is responsible for Group's financial services. He is President / Chief Executive of Atlas Battery Limited and is also on the Boards of Atlas Engineering Limited, Shirazi Trading Company (Pvt.) Limited and Techlogix International Limited.

Mr. Frahim Ali Khan
Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has over 43 years of experience in General Management, Finance, Taxation, Legal matters and Investment Banking. He has attended General Management and Financial Management programs of Harvard University and Stanford University, USA, and Insead University of France.



Mr. Jawaid Iqbal Ahmed
Director

Mr. Ahmed is an AMP from Harvard Business School, Boston USA, and IPBM from IMD Lussanne, Switzerland. He is also MBA from IBA Karachi University. He has been working in Atlas Group of Companies in various capacities. He has over 45 years of experience in the field of industrial and financial markets of Pakistan. He spearheaded joint venture partnerships of Atlas Group with Honda Japan, JSB Japan, Bank of Tokyo, Asian Development Bank and ING.

Mr. Arshad P. Rana
Chief Executive and Director

Mr. Arshad P. Rana has been affiliated with Atlas Insurance Limited since 1991; as General Manager and Chief Operating Officer before being appointed as the Chief Executive Officer of the company in March, 2004. He is a graduate from Government College, Lahore; B.S. in Insurance & Economics from Iran and MBA from USA. In his professional career that spans over 35 years, he has worked in Iran, USA and Middle East. Since his appointment to this position, Mr. Rana has been managing the company affairs with a professional approach having the vision to make Atlas Insurance Limited one of the best performing companies in the market. Under his leadership, Atlas Insurance Limited has won several awards in the financial sector. He is also on the Board of Atlas Asset Management Limited.

Mr. Rana has been the Chairman, Insurance Association of Pakistan (IAP), Lahore Regional Committee in 2002-2003 and Vice Chairman, Central Committee (IAP) in the year 2004-2005 prior becoming the Chairman, Insurance Association of Pakistan in 2005-2006.

Atlas Insurance

COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Directors	Aitzaz Shahbaz
	Azam Faruque
	Ali H. Shirazi
	Frahim Ali Khan
	Jawaid Iqbal Ahmed
Chief Executive	Arshad P. Rana
Company Secretary	Muhammad Afzal

AUDIT COMMITTEE

Chairman	Azam Faruque
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	Muhammad Ashraf Bhatti

CLAIMS SETTLEMENT COMMITTEE

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

REINSURANCE & CO-INSURANCE COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana
	Muhammad Munir
Secretary	Syed Nasir Hussain

COMPANY INFORMATION

MANAGEMENT COMMITTEE

Chief Executive	Arshad P. Rana
Chief Financial Officer	Aamer Waqar Chaudhry
Technical Adviser (Operations)	Muhammad Munir
Vice President (Admin & HR)	Qudsia Naheed
Vice President (Marketing)	Muhammad Iqbal
Vice President (Underwriting)	Muhammad Ashraf Bhatti
Vice President (Claims)	Muhammad Saeed

Auditors	A. F. Ferguson & Co. Chartered Accountants
Legal Advisors	Mohsin Tayebaly & Co. Ch. Maqsood Hassan Advocate Agha Faisal Barrister at Law
Tax Advisor	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Registrar and Share Transfer Office	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore. Telephone: (92-42) 37235081-82 Fax: (92-42) 37358817
Bankers	Al Baraka Bank (Pakistan) Limited Allied Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited National Bank of Pakistan Silkbank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited United Bank Limited
Registered & Head Office	3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore. Telephone: (92-42) 37320542-43, 37322271, 73, 37310658 Fax: (92-42) 37234742 Email: info@atlasinsurance.com.pk Website: www.atlasinsurance.com.pk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 76th Annual General Meeting of the members of Atlas Insurance Limited will be held on Thursday March 31, 2011 at 03:00 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 last Annual General Meeting held on April 29, 2010.

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

3. To consider and approve Cash Dividend of Rs.4 per share i.e. 40% for the year ended December 31, 2010, as recommended by the Board of Directors.

4. To appoint auditors and fix their remuneration for the year ending December 31, 2011.

SPECIAL BUSINESS

5. To consider and approve the bonus shares issue @ 20% (two bonus shares for every ten shares held) for the year ended December 31, 2010, as recommended by the Board of Directors.

   To consider and, if thought fit, to pass with or without modification the following resolutions as Ordinary Resolutions:

   Resolved:

   a) “that a sum of Rs. 73,823,000 of company’s profit be capitalized for issuing 7,382,300 fully paid ordinary shares of Rs. 10 each as bonus shares to be allotted to those shareholders whose names stand in the register of members at the close of the business on March 24, 2011 in the proportion of two bonus shares for every ten shares held by a member. The said shares shall rank pari passu with the existing shares of the company as regard future dividend and all other respects.”

   Further Resolved:

   b) “that all the 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."

6. To consider and, if thought fit, to pass with or without modification the following resolutions as Special Resolutions:

   Resolved:

   a) "that the approval of the shareholders of the company be and is hereby accorded in terms of Section 208 of the Companies Ordinance, 1984 for the investment of Rs.100 million in the ordinary shares of Atlas Battery Limited.

   Further Resolved:

   b) "that the Chief Executive Officer of the company be and is hereby authorized to take any and all actions which may be required for the investment of above mentioned amount in the ordinary shares of Atlas Battery Limited – an associated company.”

   Further Resolved:

   c) "that the remuneration of the Chief Executive Officer of the Company, as fixed by the Board, for the financial year ending December 31, 2011, be and is hereby approved."

OTHER BUSINESS

7. 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 along with the Notice of the Meeting.

By Order of the Board

Muhammad Afzal
Company Secretary

Lahore: March 9, 2011

NOTES:

1. The share transfer books of the company will remain closed from March 25, 2011 to March 31, 2011 (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 Central Depository Company of Pakistan Limited (CDC) entitled to attend and vote at this meeting must bring CNIC or passport along with CDC account number to prove his / her identity and in case of proxy must enclose 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.
5. Members are requested to provide by mail or fax photocopy of their CNIC or passport (in case of foreigner) unless it has been provided earlier enabling the company to comply with relevant laws.

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

This Statement is annexed to the Notice of the 76th Annual General Meeting of Atlas Insurance Limited to be held on March 31, 2011 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 OF THE AGENDA

The Board of Directors (the Board) has recommended to the members of the company to declare dividend by way of issue of fully paid bonus shares @ 20% for the year ended December 31, 2011 and thereby capitalize a sum of Rs.73,823,000. The Directors have also recommended that all the fractional bonus shares shall be combined and the Directors be authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance 2001.

Directors are interested in the business only to the extent of their entitlement of bonus shares as shareholders.

ITEM NO 6(a) OF THE AGENDA

The Board of Directors, in their meeting held on March 2, 2011, has recommended to invest an amount of Rs.100,000,000 (Rupees one hundred million only) in the ordinary shares of Atlas Battery Limited, an associated company. In this regard company seeks approval of its shareholders under Section 208 of the Companies Ordinance, 1984.

According to SRO No. 865(1) / 2000, dated December 6, 2000, the following information as required is being annexed with the notice for approval of investment in associated companies / undertakings.

Sr. No.	Description	Information Required
1	Name of the investee company	Atlas Battery Limited
2	Nature, amount and extent of investment	Long term investment of Rs. 100,000,000 in the ordinary shares of the investee company
3	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Average market price upto February 28, 2011 is Rs.170.84 per share
4	Break-up value of shares intended to be purchased on the basis of last published financial statement	December 31, 2010: Rs.78.44 per share
5	Price at which shares will be purchased	At market price.
6	Earnings per share of the investee company in the last three years	2008: Rs. 15.28 per share 2009: Rs. 25.42 per share 2010: Rs. 26.52 per share
7	Source of funds from where shares will be purchased	Own source
8	Period for which investment will be made	Not applicable being long term investment
9	Purpose of investment	Long term investment for the purpose of dividend income as well as prospective capital gain
10	Benefits likely accrue to the company and the shareholders from the proposed investment	Dividend Income / Capital Gains
11	Interest of Directors and their relatives in the investee company.	Mr. Yusuf H. Shirazi and Mr. Ali H. Shirazi, Directors of Atlas Insurance Limited are also Directors of of Atlas Battery Limited

ITEM NO. 6 (c) 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.

SHAREHOLDERS' INFORMATION

Registered Office

3 - Bank Square,
Shahrah-e-Quaid-e-Lahore.
Tel: (92-42) 37320542-43
(92-42) 37322271, 73
(92-42) 37310658
Fax: (92-42) 37234742

Listing on Stock Exchanges

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

Listing Fee

The annual listing fees for the financial year 2010-11 was paid to the Karachi Stock Exchange, Lahore Stock Exchange and Central Depository Company within the prescribed period.

Stock Symbol

The stock symbol for Atlas Insurance at the stock exchanges is ATIL.

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.

76th Annual General Meeting

Date: March 31, 2011
Time: 03:00 p.m.
Venue: 3- Bank Square, Sharah-e-Quaid-e-Azam, Lahore.

Financial Calendar

Audited annual results for year ended December 31, 2010
- First half of March

Mailing of annual reports
- First half of March

Annual General Meeting
- Second half of March

Unaudited first quarter financial results
- Second half of April

Unaudited half year financial results
- Second half of August

Unaudited first quarter financial results
- Second half of October

Dividend Announcement

The Board of Directors of the company has proposed a cash dividend of Rs. 4 per share (40%) and bonus shares @ 20% (two shares for every 10 shares held) for the financial year ended December 31, 2010, subject to approval by the shareholders of the company at the Annual General Meeting. Your company paid 40% cash dividend and issued 10% bonus shares for the year ended December 31, 2009.

Cash dividend and bonus shares for the year ended December 31, 2010, subject to the approval of the shareholders of the company at the Annual General Meeting, will be disbursed on or before April 30, 2011.

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

Dates of Book Closure

The members' register and share transfer books of the company will remain closed from March 25, 2011 to March 31, 2011 (both days inclusive).

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.

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 atleast one English and one Urdu newspaper having circulation both in Karachi and Lahore.

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.

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**

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

Share Market Price Data

Month-wise share price movement of your company, at the Karachi Stock Exchange, during the year 2010 was as follows:

Months	High	Low	Volume
January	46.90	39.76	158,166
February	41.80	35.90	200,770
March	47.75	35.88	688,493
April	45.90	31.11	344,898
May	34.20	25.99	159,578
June	30.40	25.80	175,316
July	30.14	27.50	88,326
August	31.00	27.15	38,339
September	30.78	27.10	86,393
October	35.00	28.52	109,657
November	36.54	33.00	82,443
December	39.90	36.11	79,615

Correspondence

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

M/s. Hameed Majeed Associates (Pvt.) Limited
H. M. House, 7 - Bank Square,
Shahrah-e-Quaid-e-Azam, Lahore.
Tel: (92-42) 37235081-82
Fax: (92-42) 37358817

TEN YEARS AT A GLANCE

(Rupees in million)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
FINANCIAL DATA										
Paid-up capital	369.1	335.6	268.4	206.5	158.8	122.2	101.8	88.5	88.5	80.5
General & capital reserves	487.3	412.4	357.6	763.7	512.7	334.1	100.4	51.3	23.5	31.4
Equity	856.4	748.0	626.0	970.2	671.5	456.3	202.2	139.9	112.0	111.9
Underwriting premium reserves	759.6	685.6	540.7	535.0	375.8	221.2	194.7	33.5	36.4	38.8
Investments - at cost	772.0	558.3	494.2	1,010.7	674.8	338.8	219.5	172.1	138.5	106.3
Total assets - at book value	2,034.7	1,905.1	1,340.0	1,733.4	1,191.5	902.0	509.8	406.0	337.1	282.6
Fixed assets - net	43.9	47.4	49.3	42.8	21.9	19.0	14.0	12.1	14.2	14.1
Cash and bank deposits	492.6	660.2	195.9	200.8	75.6	185.9	17.7	15.9	13.2	16.3
Advances, deposits and prepayments	237.1	242.6	208.4	179.2	182.2	208.6	63.8	3.7	3.0	6.6
OPERATING DATA										
Gross premium	1,024.9	910.7	861.4	784.5	668.8	523.6	315.6	212.7	215.6	196.7
Net premium	530.3	443.5	507.9	447.0	348.7	264.1	145.0	93.2	97.4	91.1
Net claims paid	176.5	192.4	231.4	215.1	133.2	64.4	40.2	18.2	17.5	19.3
Underwriting profit	199.9	104.5	158.4	144.6	155.0	152.2	59.0	30.7	8.6	18.1
Investment income	102.6	118.2	(305.2)	314.7	190.2	159.8	54.6	57.7	25.4	6.2
Profit / (loss) before tax	327.1	237.2	(141.0)	467.4	358.7	304.7	104.9	90.1	30.2	27.1
Income tax	84.5	48.1	58.6	57.5	58.0	50.6	22.2	48.9	16.8	8.6
Profit / (loss) after tax	242.7	189.1	(199.6)	409.9	300.7	254.1	82.7	41.2	13.4	18.5
FINANCIAL RATIOS										
Profitability										
Profit before tax / gross premium (%)	31.9	26.0	(16.4)	59.6	53.6	58.2	33.2	42.4	14.0	13.8
Profit before tax / net premium (%)	61.7	53.5	(27.8)	104.6	102.9	115.4	72.3	96.7	31.0	29.7
Profit after tax / gross premium (%)	23.7	20.8	(23.2)	52.2	45.0	48.5	26.2	19.4	6.2	9.4
Profit after tax / net premium (%)	45.8	42.6	(39.3)	91.7	86.2	96.2	57.0	44.2	13.8	20.3
Management expenses / gross remium (%)	19.3	19.9	17.9	15.5	15.2	17.4	26.1	37.5	35.8	28.0
Management expenses / net premium (%)	37.3	40.8	30.3	27.1	29.2	34.4	56.8	85.6	79.3	60.4
Underwriting profit / net premium (%)	37.7	23.6	31.2	32.3	44.4	57.6	40.7	32.9	8.8	19.9
Net claims / net premium (%)	33.3	43.4	45.6	48.1	38.2	24.4	27.7	19.5	18.0	21.2
Combined ratio (%)	70.6	84.2	75.9	75.3	67.4	58.8	84.6	105.1	97.2	95.2

Atlas Insurance

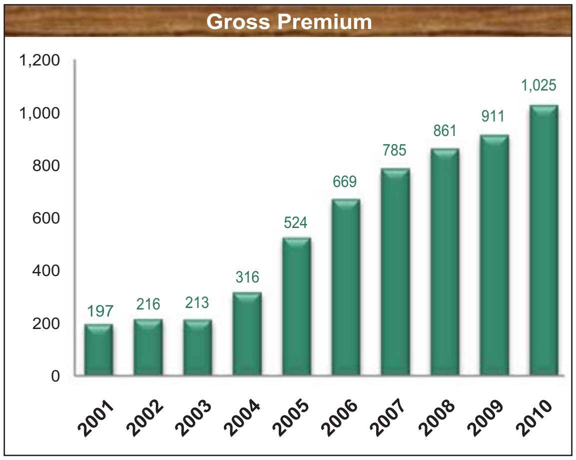
TEN YEARS AT A GLANCE

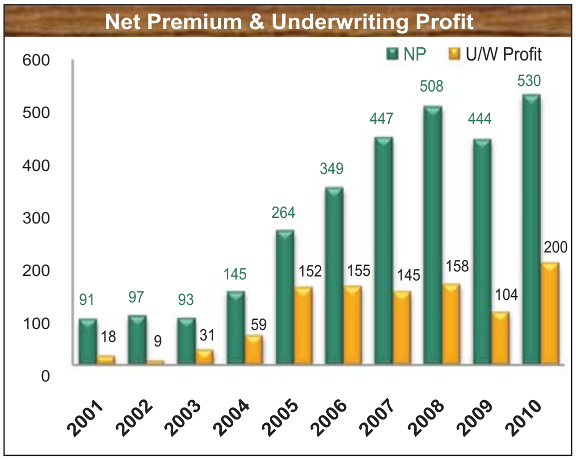
(Rupees in million)

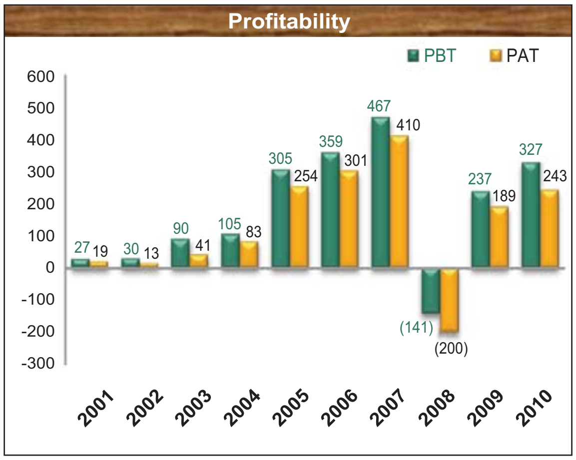
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Return to Shareholders										
Return on equity - before tax (%)	38.2	31.7	(22.5)	48.2	53.4	66.8	51.9	64.4	27.0	24.2
Return on equity - after tax (%)	28.3	25.3	(31.9)	42.3	44.8	55.7	40.9	29.5	12.0	16.6
Earnings per share (Rs.)	6.6	5.6	(7.4)	19.9	18.9	16.0	6.8	4.7	1.5	2.3
Price earnings ratio (times)	5.9	7.5	(5.9)	7.0	6.2	7.3	5.4	6.0	12.6	8.7
Market rate per share (Rs.)										
At the end of the year	38.5	42.3	43.9	138.0	117.9	116.6	37.0	28.0	19.1	20.0
Highest rate during the year	47.8	57.9	169.0	143.9	162.1	116.6	42.5	36.5	20.0	20.0
Lowest rate during the year	25.8	23.3	43.9	77.5	78.0	37.5	28.1	17.5	14.8	13.1
Cash dividend per share (Rs.)	4.0	4.0	2.5	7.0	7.0	7.0	2.0	1.5	1.5	1.0
Stock dividend per share (Rs.)	2.0	1.0	2.5	3.0	3.0	3.0	2.0	1.5	-	1.0
Dividend yield (%)	10.4	9.5	5.7	5.1	5.9	6.0	5.4	5.4	7.9	5.0
Dividend pay out (%)	91.3	88.7	(67.3)	50.4	52.8	48.1	49.2	64.6	99.3	86.4
Net assets per share (times)	23.2	22.3	23.3	47.0	42.3	37.3	19.9	15.8	12.7	13.9
Return on assets (%)	12.3	11.7	(13.0)	28.0	28.7	36.0	18.1	11.1	4.3	8.0
Liquidity / Leverage										
Current ratio (times)	1.7	1.8	1.9	1.6	1.9	1.8	1.4	1.3	1.8	1.5
Total assets turnover (times)	0.5	0.6	0.6	0.5	0.6	0.7	0.7	0.6	0.7	0.8
Fixed assets turnover (times)	22.4	18.8	18.7	24.2	32.7	31.7	24.2	16.2	15.2	19.3
Total liabilities / equity (times)	1.4	1.5	1.1	0.8	0.8	1.0	1.5	1.9	2.0	1.0
Return on capital employed (%)	18.4	16.0	(21.4)	31.2	32.2	42.1	26.6	13.9	5.1	12.2
Paid-up capital / total assets (%)	18.1	17.6	20.0	11.9	13.3	13.5	20.0	21.8	26.3	28.5
Equity / total assets (%)	42.1	39.3	46.7	56.0	56.4	50.6	39.7	34.5	33.2	39.6
DISTRIBUTION										
Cash dividend (Rs.)	147.6	134.2	67.1	144.5	111.2	85.5	20.4	13.3	13.3	8.0
Cash dividend (%)	40%	40%	25%	70%	70%	70%	20%	15%	15%	10%
Bonus shares (Rs.)	73.8	33.6	67.1	61.9	47.7	36.7	20.4	13.3	-	8.0
Bonus shares (%)	20%	10%	25%	30%	30%	30%	20%	15%	0%	10%
Total distribution (%)	60%	50%	50%	100%	100%	100%	40%	30%	15%	20%

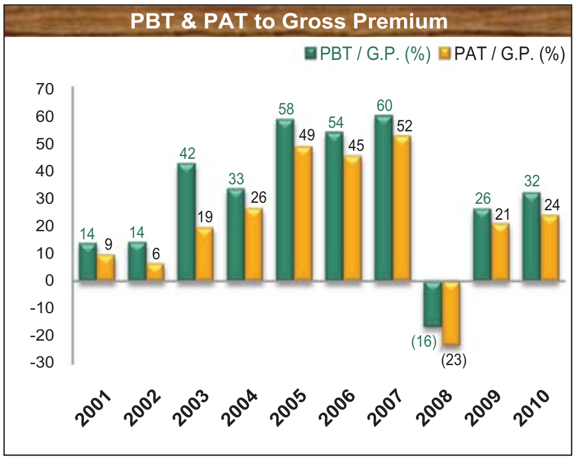
PERFORMANCE AT A GLANCE
(GRAPHICAL PRESENTATION)

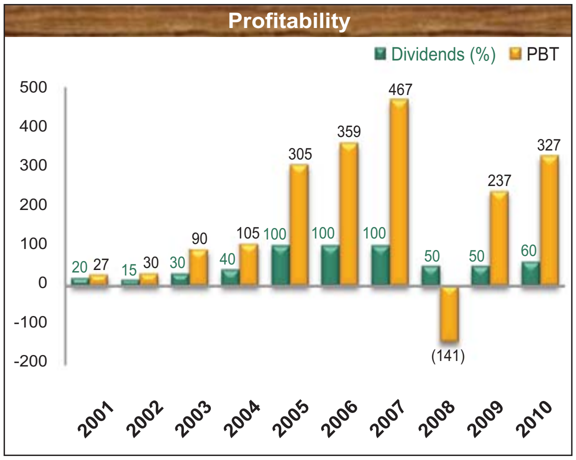
(Rupees in million)

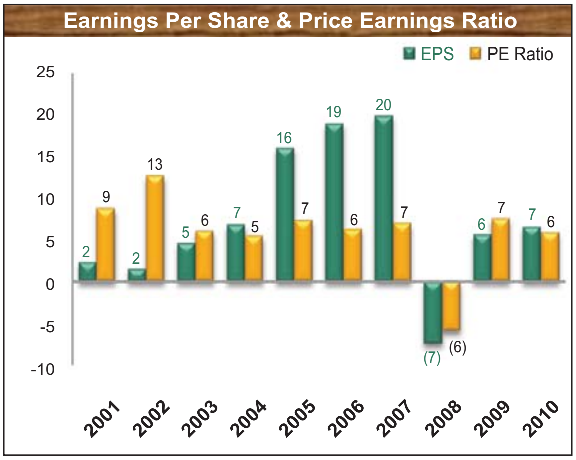






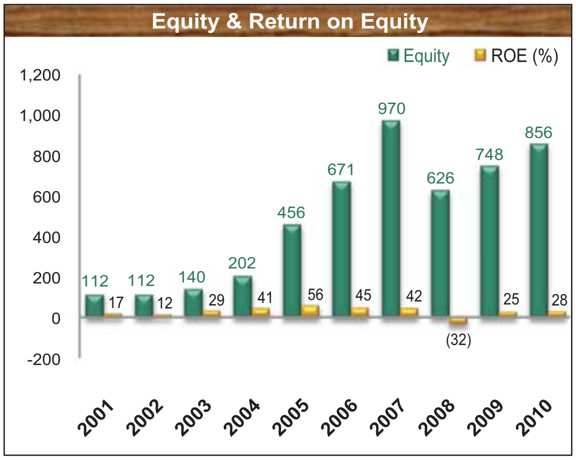


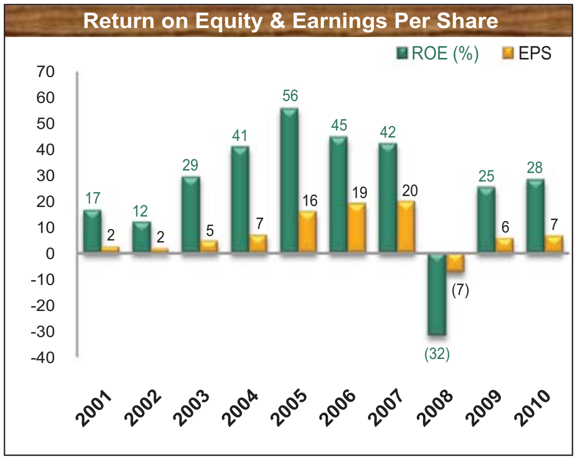


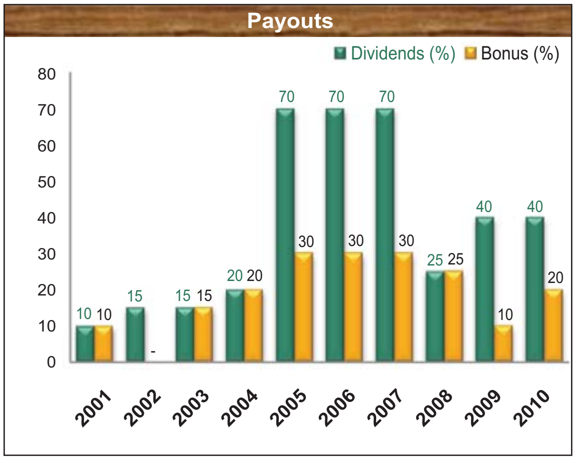


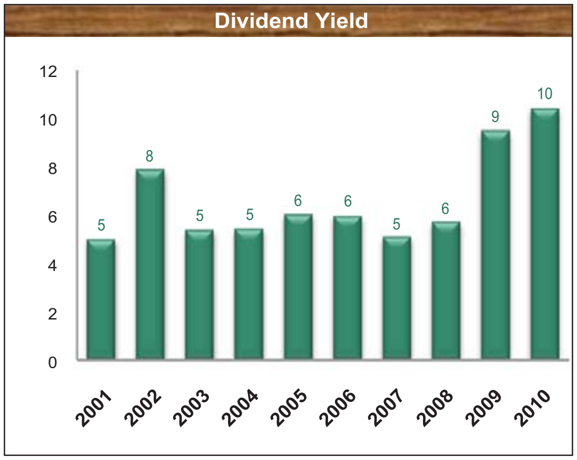
PERFORMANCE AT A GLANCE
(GRAPHICAL PRESENTATION)

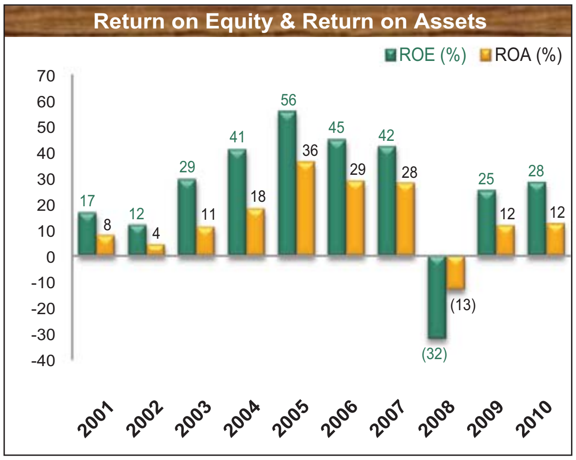
(Rupees in million)

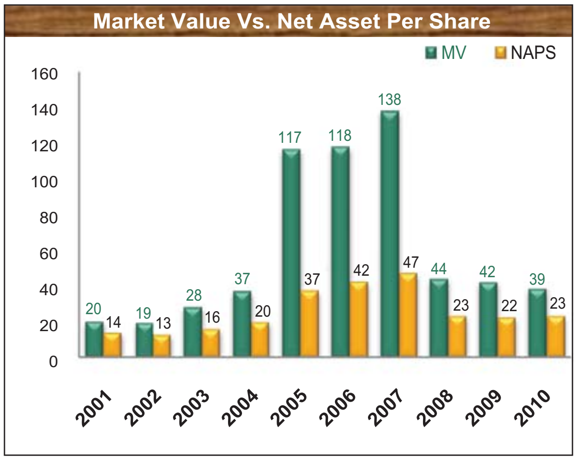












ANALYSIS OF FINANCIAL STATEMENTS
BALANCE SHEET

Particulars	2010	2009	2008	2007	2006	2005	Vertical Analysis Composition of Balance Sheet 2010	2009	2008	2007	2006	2005	Horizontal Analysis % Change year to year 2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
	(Rupees in thousand)						%	%	%	%	%	%	%	%	%	%	%	%
CURRENT ASSETS																		
Cash and bank balances	492,581	660,191	195,929	200,780	75,573	185,876	40.6	50.9	24.6	29.6	15.3	34.2	(25.4)	237.0	(2.4)	165.7	(59.3)	949.6
Premiums due but unpaid	142,059	102,119	108,620	85,620	94,405	46,525	11.7	7.9	13.6	12.6	19.1	8.6	39.1	(6.0)	26.9	(9.3)	102.9	55.7
Amounts due from other insurers / reinsurers	118,121	97,812	93,286	59,830	42,814	43,987	9.7	7.5	11.7	8.8	8.7	8.1	20.8	4.9	55.9	39.7	(2.7)	11.6
Salvage recoveries accrued	9,985	13,391	12,578	10,412	6,300	-		1.0	1.6	1.5	1.3	-	(25.4)	6.5	20.8	65.3	-	-
Accrued investment income	3,254	4,297	1,232	3,136	2,542	1,235	0.3	0.3	0.2	0.5	0.5	0.2	24.3	248.8	(60.7)	23.4	105.8	(66.0)
Reinsurance recoveries against outstanding claims	192,769	160,368	155,410	121,881	77,535	48,349	15.9	12.4	19.5	17.9	15.7	8.9	20.2	3.2	27.5	57.2	60.4	37.0
Deferred commission expense	16,318	15,143	20,569	18,236	12,366	8,324	1.3	1.2	2.6	2.7	2.5	1.5	7.8	(26.4)	12.8	47.5	48.6	42.4
Prepayments	223,233	233,289	105,616	162,242	86,986	60,358	18.4	18.0	13.3	23.9	17.6	11.1	(4.3)	120.9	(34.9)	86.5	44.1	10.1
Sundry receivables	13,881	9,338	102,761	17,001	95,246	148,276	1.1	0.7	12.9	2.5	19.3	27.3	48.7	(90.9)	504.4	(82.2)	(35.8)	211.0
TOTAL CURRENT ASSETS	1,212,201	1,295,948	796,001	679,138	493,767	542,930	59.6	68.0	59.4	39.2	41.4	60.2	(6.5)	62.8	17.2	37.5	(9.1)	96.9
NON CURRENT ASSETS																		
Fixed assets	43,916	47,421	49,296	32,264	18,177	15,625	5.3	7.8	9.1	3.1	2.6	4.4	(7.4)	(3.8)	52.8	77.5	16.3	11.6
Capital work in progress	-	-	-	9,415	1,471	3,374	-	-	-	0.9	0.2	0.9	-	-	(100.0)	540.0	(56.4)	-
Intangible assets	-	-	-	1,146	2,286	-	-	-	-	0.1	0.3	-	-	-	(100.0)	(49.9)	-	-
Long term loans	177	201	465	724	969	1,242	0.02	0.0	0.1	0.1	0.1	0.3	(11.9)	(56.8)	(35.8)	(25.3)	(22.0)	137.9
Investments	772,048	558,250	494,201	1,010,747	674,805	338,833	93.9	91.6	90.9	95.9	96.7	94.4	38.3	13.0	(51.1)	49.8	99.2	54.3
Deffered taxation	6,392	3,273	-	-	-	-	0.8	0.5	-	-	-	-	95.3	-	-	-	-	
TOTAL NON CURRENT ASSETS	822,533	609,145	543,962	1,054,296	697,708	359,074	40.42	31.97	40.60	60.82	58.56	39.81	35.0	12.0	(48.4)	51.1	94.3	53.4
TOTAL ASSETS	2,034,734	1,905,093	1,339,963	1,733,434	1,191,475	902,004	100.0	100.0	100.0	100.0	100.0	100.0	6.8	42.2	(22.7)	45.5	32.1	76.9
EQUITY & LIABILITIES																		
SHARE CAPITAL & RESERVES																		
Share capital	369,115	335,559	268,447	206,497	158,844	122,188	43.1	44.9	42.9	21.3	23.7	26.8	10.0	25.0	30.0	30.0	30.0	20.0
Reserves	244,064	222,064	557,064	353,064	211,064	79,064	28.5	29.7	89.0	36.4	31.4	17.3	9.9	(60.1)	57.8	67.3	167.0	(20.5)
Retained earnings	243,218	190,340	(199,492)	410,592	301,590	255,059	28.4	25.4	(31.9)	42.3	44.9	55.9	27.8	(195.4)	(148.6)	36.1	18.2	26,194.7
TOTAL SHARE CAPITAL AND RESERVES	856,397	747,963	626,019	970,153	671,498	456,311	42.1	39.3	46.7	56.0	56.4	50.6	14.5	19.5	(35.5)	44.5	47.2	125.6
UNDERWRITING PROVISIONS	759,565	685,624	540,711	535,049	375,753	221,243	37.3	36.0	40.4	30.9	31.5	24.5	10.8	26.8	1.1	42.4	69.8	13.6
LONG TERM LIABILITIES	-	-	1,873	2,474	2,061	1,835	-	-	0.1	0.1	0.2	0.2	-	(100.0)	(24.3)	20.0	12.3	(64.7)
CURRENT AND OTHER LIABILITIES																		
Premium received in advance	47,004	48,757	4,845	67,111	552	10,489	11.2	10.3	2.8	29.7	0.4	4.7	(3.6)	906.3	(92.8)	12,057.8	(94.7)	389.9
Amounts due to other insurers / reinsurers	223,694	266,387	91,353	95,362	84,486	98,943	53.4	56.5	53.3	42.2	59.4	44.4	(16.0)	191.6	(4.2)	12.9	(14.6)	115.2
Accrued expenses	49,238	39,385	19,729	21,235	16,780	15,520	11.8	8.4	11.5	9.4	11.8	7.0	25.0	99.6	(7.1)	26.5	8.1	(5.6)
Taxation - provision less payments	152	13,396	6,067	6,792	19,304	25,987	0.0	2.8	3.5	3.0	13.6	11.7	(98.9)	120.8	(10.7)	(64.8)	(25.7)	172.5
Other creditors and accruals	79,511	87,587	34,926	21,074	11,991	66,579	19.0	18.6	20.4	9.3	8.4	29.9	(9.2)	150.8	65.7	75.7	(82.0)	916.9
Other liabilities	19,173	15,994	14,440	14,184	9,050	5,097	4.6	3.4	8.4	6.3	6.4	2.3	19.9	10.8	1.8	56.7	77.6	(81.2)
TOTAL CURRENT AND OTHER LIABILITIES	418,772	471,506	171,360	225,758	142,163	222,615	20.58	24.75	12.79	13.02	11.93	24.68	(11.2)	175.2	(24.1)	58.8	(36.1)	106.6
TOTAL LIABILITIES	2,034,734	1,905,093	1,339,963	1,733,434	1,191,475	902,004	100.0	100.0	100.0	100.0	100.0	100.0	6.8	42.2	(22.7)	45.5	32.1	76.9

ANALYSIS OF FINANCIAL STATEMENTS
PROFIT AND LOSS ACCOUNT

Particulars	2010	2009	2008	2007	2006	2005	Vertical Analysis Composition of Profit and Loss Account 2010	2009	2008	2007	2006	2005	Horizontal Analysis % Change year to year 2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
	(Rupees in thousand)						%	%	%	%	%	%	%	%	%	%	%	%
GROSS PREMIUM	1,024,858	910,738	861,379	784,525	668,832	523,579	100.0	100.0	100.0	100.0	100.0	100.0	12.5	5.7	9.8	17.3	27.7	65.9
REVENUE ACCOUNT																		
Net premium revenue	530,269	443,534	507,946	447,000	348,725	264,081	51.7	48.7	59.0	57.0	52.1	50.4	19.6	(12.7)	13.6	28.2	32.1	82.2
Net claims	(176,504)	(192,355)	(231,434)	(215,104)	(133,190)	(64,446)	(33.3)	(43.4)	(45.6)	(48.1)	(38.2)	(24.4)	(8.2)	(16.9)	7.6	61.5	106.7	60.2
Expenses	(197,839)	(181,178)	(153,932)	(121,358)	(101,779)	(90,857)	(37.3)	(40.8)	(30.3)	(27.1)	(29.2)	(34.4)	9.2	17.7	26.8	19.2	12.0	10.3
Net commission	43,998	34,466	35,806	34,055	41,239	43,406	8.3	7.8	7.0	7.6	11.8	16.4	27.7	(3.7)	5.1	(17.4)	(5.0)	18.3
UNDERWRITING RESULTS	199,924	104,467	158,386	144,593	154,995	152,184	37.7	23.6	31.2	32.3	44.4	57.6	91.4	(34.0)	9.5	(6.7)	1.8	157.8
Investment income	102,634	118,230	(305,174)	314,703	190,198	159,782	31.4	49.8	216.4	67.3	53.0	52.4	(13.2)	(138.7)	(197.0)	65.5	19.0	192.4
Rental and other income	47,519	33,853	20,417	26,325	28,604	6,680	14.5	14.3	(14.5)	5.6	8.0	2.2	40.4	65.8	(22.4)	(8.0)	328.2	160.0
Financial charges	(411)	(550)	(507)	(540)	(686)	(419)	(0.1)	(0.2)	0.4	(0.1)	(0.2)	(0.1)	(25.3)	8.5	(6.1)	(21.3)	63.7	(57.0)
General and administration expenses	(22,536)	(18,806)	(14,116)	(17,675)	(14,405)	(13,529)	(6.9)	(7.9)	10.0	(3.8)	(4.0)	(4.4)	19.8	33.2	(20.1)	22.7	6.5	30.0
	127,206	132,727	(299,380)	322,813	203,711	152,514	38.9	56.0	212.3	69.1	56.8	50.1	(4.2)	(144.3)	(192.7)	58.5	33.6	232.8
PROFIT / (LOSS) BEFORE TAXATION	327,130	237,194	(140,994)	467,406	358,706	304,698	31.92	26.04	(16.37)	59.58	53.63	58.20	37.9	(268.2)	(130.2)	30.3	17.7	190.6
Taxation	(84,472)	(48,138)	(58,591)	(57,560)	(57,987)	(50,609)	(25.82)	(20.29)	41.56	(12.31)	(16.17)	(16.61)	75.5	(17.8)	1.8	(0.7)	14.6	128.4
PROFIT / (LOSS) AFTER TAXATION	242,658	189,056	(199,585)	409,846	300,719	254,089	23.7	20.8	(23.2)	52.2	45.0	48.5	28.4	(194.7)	(148.7)	36.3	18.4	207.2

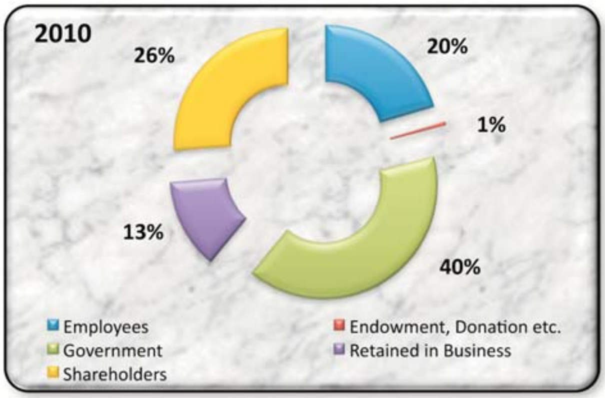
CASH FLOW STATEMENT

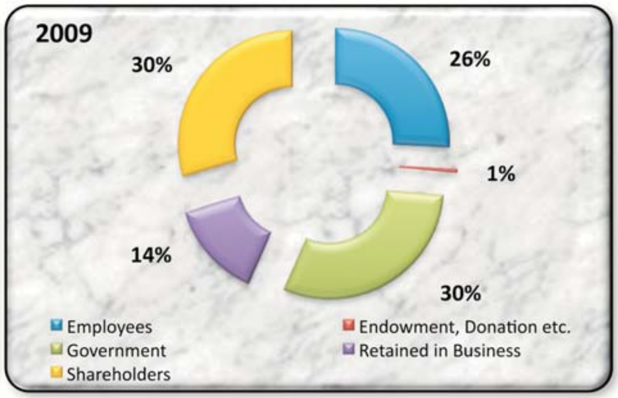
Particulars	2010	2009	2008	2007	2006	2005	Vertical Analysis Composition of Cash Flow 2010	2009	2008	2007	2006	2005	Horizontal Analysis % Change year to year 2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005	2005 vs 2004
	(Rupees in thousand)						%	%	%	%	%	%	%	%	%	%	%	%
Cash flow from operating activities	30,056	357,795	2,067	175,398	41,122	209,412	(17.9)	77.1	(42.6)	140.1	(37.3)	124.5	(91.6)	17,209.9	(98.8)	326.5	(80.4)	315.0
Cash flow from investing activities	(66,110)	172,576	137,882	56,406	(69,160)	(18,654)	39.4	37.2	(2,842.3)	45.1	62.7	(11.1)	(138.3)	25.2	(144.4)	181.6	(270.8)	(42.7)
Cash flow from financing activities	(131,556)	(66,108)	(144,800)	(106,597)	(82,265)	(22,588)	78.5	(14.2)	2,985.0	(85.1)	74.6	(13.4)	99.0	(54.3)	(35.8)	(29.6)	(264.2)	40.5
(Decrease) / increase in cash & cash equivalents	(167,610)	464,263	(4,851)	125,207	(110,303)	168,170	100.0	100.0	100.0	100.0	100.0	100.0	(136.1)	(9,670.5)	103.9	213.5	165.6	9,160.5

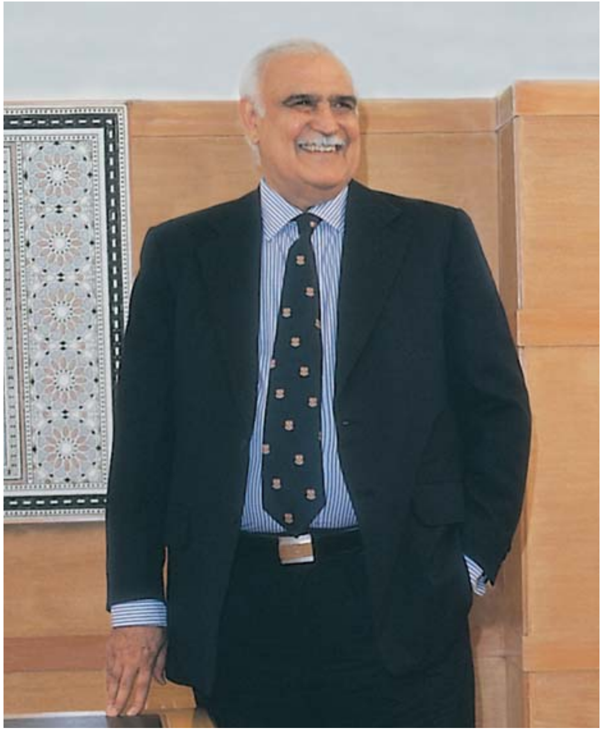
STATEMENT OF VALUE ADDITION

	2010 (Rs. '000)	2010 %	2009 (Rs. '000)	2009 %
WEALTH GENERATED				
Gross premium (Including FED and FIF)	1,197,201		999,762	
Commission income	43,998		34,466	
Income from investment	102,634		118,230	
Other income	47,519		33,853	
	1,391,352		1,186,311	
Management and other expenses	750,246		733,098	
	641,106	100.00%	453,213	100.00%
WEALTH DISTRIBUTED				
To Employees				
Salaries, wages and other benefits	131,162	20.46%	117,025	25.82%
To Government				
Company taxation	84,472	13.18%	48,138	10.62%
Levies (Including FED and FIF)	172,343	26.88%	89,024	19.64%
	256,815	40.06%	137,162	30.26%
To Shareholders				
Cash dividend	134,224	20.94%	67,112	14.81%
Stock dividend	33,556	5.23%	67,112	14.81%
	167,780	26.17%	134,224	29.62%
Financial charges				
To providers of finance	NIL		NIL	
To Society				
Endowment, donation etc.	3,270	0.51%	2,372	0.52%
Retained in Business				
Depreciation and amortization	7,201	1.12%	7,598	1.68%
Statutory reserves	22,000	3.43%	(335,000)	-73.92%
Retained profit	52,878	8.25%	389,832	86.02%
	82,079	12.80%	62,430	13.77%
	641,106	100.00%	453,213	100.00%

WEALTH DISTRIBUTION







CHAIRMAN'S REVIEW

It is my pleasure to present to you the 76th Annual Report and Performance Review of your company for the year ended December 31, 2010.

THE ECONOMY

The economy of Pakistan as forecasted by the State Bank of Pakistan is expected to grow between 2 to 3% against the target of 4.5% for the fiscal year 2011. The negative shocks stemming from floods have further exposed the existing structural weakness in the economy. Improvement in macroeconomic discipline as well as tax reforms are required to improve the structural imbalances. In this backdrop, some major economic targets like GDP growth, inflation, monetary growth, fiscal deficit, and current account deficit will be missed.

The GDP growth is likely to be between 2 to 3% during the financial year 2011, average annual inflation is expected to be 13.5 to 14.5% against target of 9.5% while the fiscal deficit, due to heavy Government borrowing, may reach 8% against the target of 4%. The agriculture output this year is expected to contract by 1.7% affecting manufacturing and services sectors. However, this trend is likely to be reversed by better soil fertility, high commodity prices for agricultural produce and demand resurgence. Around 20% crop has been damaged but the impact on livestocks sector remained moderate. It is expected that the floods impact on growth will be short term but the asset damage may have long term implications.

To bring inflation under control, fiscal consolidation and reduction in fiscal deficit and Government borrowings from the State Bank of Pakistan is imperative. These measures will support SBP's efforts to contain monetary expansion and thus ease aggregate demand pressures.

However, there is a silver lining as Pakistan's current account balance posted a provisional surplus of $26 million during the first half of the current fiscal year for the first time in eight years on recent transfer of Coalition Support Fund by the US, improved remittances and increased exports.

Remittances sent home by overseas Pakistanis also increased to $5.2 billion during the first half of fiscal year 2011. The trade deficit also narrowed to $5.8 billion during the same period. The surplus account will also help the local currency remain stable against the dollar in the coming weeks. The Foreign Exchange reserves are at the record level of over $17 billion. They will provide some cushion at the macro level.

THE INSURANCE INDUSTRY

Generally, insurance industry in Pakistan has been meeting the basic protection needs of the insuring public satisfactorily. However, the scope of insuring public has remained limited. Attempts to accelerate the pace of growth of the insurance industry has seen limited success. There has been lack of properly drawn national level long term development plans.

The insurance industry of Pakistan forms a meager part of the GDP as compared to other nations of the world. Premium as percentage of GDP is befitting indicator of insurance penetration in a country. Unfortunately, in

Pakistan insurance penetration continues to remain at the lowest at 0.7% compared to other countries in the region. It is even lower than Bangladesh where it stands at 0.9%. It is the joint responsibility of the insurance industry and the Government to educate the general public and create and enhance awareness of the need and benefits of insurance.

The business of insurance in Pakistan is lagging on account of many reasons such as:

- Poor positioning and marketing of insurance policies
- Distribution related issues like inability of sales personnel to contact people who might be interested in buying insurance
- Cultural and religious factors like the perception that insurance is non-islamic and against Shariah

Demand for insurance depends on real disposable income of the prospective policyholder, the individual's preference about the need for financial security, economic environment, interest rates and inflation; factors which are still missing.

Pakistan's insurance sector is reaping the benefits of a growing economy coupled with the insurance sector reforms, soaring trade activities, improving per capita income and competition among insurance sector companies, which are driving the current growth in the sector. Moreover, higher interest rates and tax exemption on capital gains also supported the investment income of the companies, which added further impetus to the insurance bottom-line. The gross premium and net premiums of the insurance industry have shown an increasing trend due to the better marketing environment.

Pakistan's insurance sector experienced accelerated growth and profitability in recent years in unison with benign economic environment. However, the sector now faces major challenges arising from economic slowdown, security concerns, widening fiscal and trade imbalances, and stressed global reinsurance market. These factors coupled with subdued performance of various industrial sectors and slow pace of recovery are likely to hamper growth prospects of the insurance sector. The overall profitability of the sector may also be affected by the devastating recent floods in the country and volatile performance of stock exchange.

In the long run considering the current low penetration rate, there is substantial room for growth. The ongoing process of privatization is expanding the market for the private sector insurance companies. The Government has also allowed foreign companies to operate wholly owned subsidiaries in domestic life and non-life insurance sectors as against the previous limit of holding 51% stake in a domestic company. Through this development the local insurance sector is expected to attract foreign investment while increasing competitiveness in the sector. However, improvement on the economic front and other social indicators would be crucial for potential foreign investors.

Heightened competition and subdued growth prospects within the insurance sector are expected to improve efficiency and control systems. This could lead to consolidation in the sector. Smaller players will be hard pressed to sustain their market positions. As administrative and processing systems are complex in the insurance industry, the effective use of technology to facilitate information exchange, transaction processing and data analysis offers significant potential to reduce costs, enhance service levels and improving the overall management of the business. Hence, companies working towards developing all these aspects will be better placed to take advantage of any opportunities that may arise in the sector.

Shrinking operational profit margins generally observed in the industry should raise an alarm for all players in the insurance sector which if realized will lead to healthy competition and improvement in rates. Ignoring such factors of vital importance may lead to further thinning of the underwriting profit margins, which coupled with devaluation in Pakistan's currency against US Dollars may possibly pose greater challenges in negotiating reinsurance arrangements with good securities.

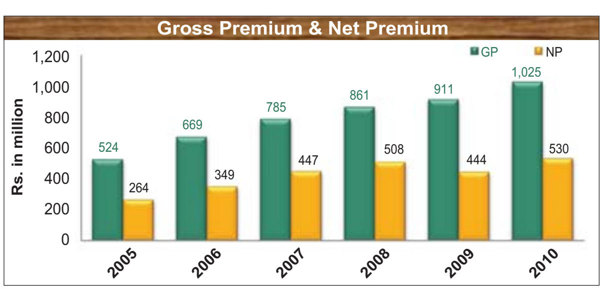
Domestic capacity building is another important area which demands attention of all stake holders. This will not be possible unless companies improve their financial strength. This requires greater profit margins, particularly operational profits and a focused professional approach. Establishment of terrorism pool to cover the national assets against this risk will add value to insurance sector. Allowing window operation to the conventional insurance companies to do Takaful (Islamic insurance) business will also widen the circle of the insured public in the country. The insurance industry, which historically is faced with dearth of skilled and trained manpower gives all the more reason to justify Takaful window operation to existing conventional insurance companies.

Insurance companies with the active support of regulators jointly need to develop long-range plans for rapid business growth, good caliber man-power development and multi pronged mass insurance awareness campaign to increase insurance penetration for the benefit of all concerned. If such plans are initiated and implemented with sense of urgency the insurance industry will start taking a new shape with grace and professional pride.

THE COMPANY RESULTS

Premium

It gives me great pleasure to inform you that during the year 2010 your company has crossed billion rupees mark of gross premium. The gross premium of the company was Rs. 1.02 billion as compared to Rs. 910 million, showing growth of 12.5%. The net premium was reported at Rs. 530 million against Rs. 443 million of last year. The underwriting profit was Rs. 199 million as compared to Rs. 104 million of last year, showing 91% growth. It is pertinent to mention that these results were achieved despite adverse economic conditions of the country hence reflect the fundamental strength of the company's core business. This also depicts the strength, vision and professionalism on the part of the management.



SEGMENTS AT A GLANCE

Fire & Property

This portfolio contributed gross underwriting premium of Rs. 389 million in 2010, against Rs. 367 million in 2009. Net premium increased by 100% from Rs. 52 million to Rs. 104 million. This was due to better risk management strategy placed by the management. The claims increased slightly as compared to last year from Rs. 6 million to Rs. 7 million. Expenses allocated rose to Rs. 75 million as compared to Rs. 22 million last year, thus the underwriting profit decreased to Rs. 45 million as compared to Rs. 55 million of last year. The rise in expenses was a consequence of change of method of allocation of expenses from net premium basis to gross premium basis.

Marine, Aviation & Transport

Despite a general slowdown in economy, the marine business has registered 38% growth as compared to last year with premium underwritten amounting to Rs. 305 million against Rs. 221 million in 2009. The net premium also increased to Rs. 196 million from Rs. 127 million. The segment's underwriting profit was Rs. 139 million for the year 2010 as compared to Rs. 75 million last year. This significant rise in profitability was due to better underwriting and risk management. Although there is slight increase in net claims from Rs. 12 million to Rs. 13 million this year, the claim ratio decreased from 10% of last year to 7%.

Motor

Your management has an intense focus on the quality of business to increase profitability and does not rely only on premium growth. Motor business constitution of total gross premium, therefore, further decreased to 22% in 2010 against 27% in 2009. This segment has generated gross underwritten premium of Rs. 221 million as compared to Rs. 244 million in 2009. However, the net claim to net premium ratio increased from 66% to 71% as compared to last year mainly due to deteriorating law and order situation and high inflation rate. By adopting the prudent method of allocation of expenses on gross premium basis, the expenses allocated decreased significantly from Rs. 103 million of last year to Rs. 42 million this year. Consequently, this segment also showed underwriting profit of Rs. 11 million as compared to loss of Rs. 33 million last year.

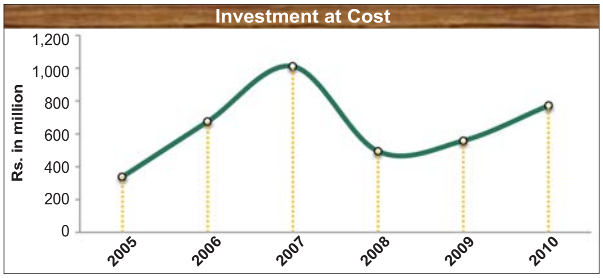
Miscellaneous

For miscellaneous portfolio, gross premium underwritten rose significantly to Rs. 108 million from Rs. 77 million in 2009 thus registering growth of 40%. Consequently, net premium under this segment also rose to Rs. 15 million from Rs. 10 million of last year. However, the company earned underwriting profit of Rs. 5 million as compared to Rs. 7 million in 2009, thus showing decline of 29%. The reason being the allocation of higher expenses due to change of method for allocation of expenses on gross premium basis.

INVESTMENTS

Adhering to investment objective of attaining high total returns by investing in fundamentally sound companies, the management under the guidance and advice of the Investment Committee closely monitored its equity portfolio. Your company's investment portfolio is invested prudently and seeks capital gains as well as attractive dividend yields in line with market conditions.

The investment income of the company including realized capital gain on equities were recorded at Rs. 103 million as compared to Rs. 118 million in the year 2009. The capital gain contributed Rs. 72 million against Rs. 115 million in 2009.



The book value of your company's investment as at December 31, 2010 was Rs. 772 million against Rs. 558 million of last year. This increase is the reflection of the strong financial base of your company as well as utilization of company funds in profitable activities.

CAPITAL

To maintain a strong capital base your company is committed to maintain a sound financial profile, which gives the financial flexibility to achieve the growth and portfolio optimization goals. The company's capital base is structured to exceed regulatory capital requirements and maintain strong credit ratings while maintaining a capital efficient structure and desired capital ratios.

The paid up capital of the company during the year under review rose to Rs. 369 million from Rs. 335 million of last year. This is in line with the company's policy of capitalizing the profits through retention in the business.

CASH FLOW

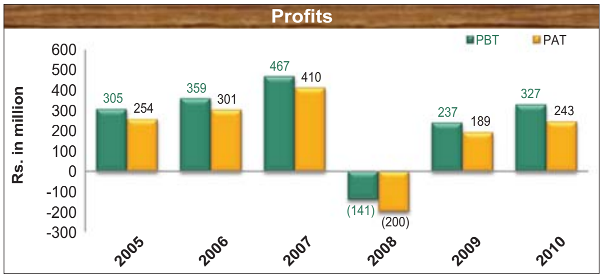
Positive cash flow is vital for investments and future growth. Your company gives utmost importance to its positive cash flows and controls its financing and investing activities accordingly.

Atlas Insurance is committed to a strong financial profile, which gives it the financial flexibility to achieve the growth and portfolio optimization goals. The principal source of the company financing is cash inflows from operating activities. The Finance department carefully manages investments of cash and cash equivalents to optimize profits subject to strict risk and credit requirements.

The cash and cash equivalents at the end of the year were Rs. 493 million as compared with Rs. 660 million at the end of the year 2009.

PROFITABILITY

The underwriting profit rose significantly to Rs. 199 million during the year 2010 from Rs. 104 million of last year. Good returns from investments helped in enhancement of the profit before tax, which was reported at Rs. 327 million as compared to Rs. 237 million of last year. After providing for the taxes to the tune of Rs. 84 million the net profit was Rs. 243 million as compared to Rs. 189 million of 2009.



REINSURANCE

The overall economic slowdown, deteriorating law and order situation, devaluation of Pak Rupee and recent catastrophic events in the Asian region exerted pressure on the reinsurers for hardening the terms for this region. This made it challenging for the local insurance industry to get favorable reinsurance terms at the time of renewal. Your company, however, was successful in managing and negotiating generally improved terms and conditions in almost all the segments.

With sound underwriting strategies, your company continues to have reinsured arrangements with some of the best renowned reinsurers holding strong financial ratings in their respective businesses. These include:

- Swiss Re
- Hannover Re
- Best Re
- Malaysian Re
- Tokio Marine & Nichido Fire Insurance
- Sompo Japan

The reinsurance program has been structured to protect the value at risk by ensuring appropriate protection for individual risks. This also aims to secure the best possible protection at economical cost. Your company keeps increasing capacities for underwriting traditional insurances as well as continues arranging reinsurances for new products.

RISK MANAGEMENT

Your company has companywide framework of methods and processes used to manage risks. The improved performance is a result of our focus on sound financial practices, maintaining a disciplined approach to risk management, economizing on costs and eliminating duplication of resources. Effective risk management of the company ensures that its response system is robust enough to avoid, manage or mitigate the risks that may affect the company's earnings in short and long run. Insurance being the business of transfer of risks from clients to insurers is viable only if underwriters have the ability to precisely assess the risk. As such, the company closely monitors risks while prioritizing, analyzing and addressing the concerned issues.

INFORMATION TECHNOLOGY

Your company is among the pioneers in the insurance sector in taking the initiative to implement an online web based software using Oracle 10g as back-end and JAVA / HTML as front-end tools.

Strategic initiative to leverage information technology for improved business performance continued yielding required results. Your company recognizes the importance of technology in the conduct of business and the need for investing in new technology. As in all industries, adapting new technology in the insurance industry has also become absolutly necessary to achieve the desired effect. With the ever increasing number of policies and claims, communication infrastructure has been strengthened by upgrading the systems within the head office and branches.

All country wide branches are now using the online software through WAN connectivity, for issuance of underwriting documents. All information is now available on web on real time along with appropriate security. Effective and efficient underwriting control has been achieved through availability of data and taking printing of all underwriting documents issued by the branches from Online Software at Head Office. The new software will enable the management to get right information at the right time to take immediate decisions.

The company policies can be implemented and controlled by the Online software more effectively and quickly. Due to integrated Online Software all modules will provide more authentic and accurate information of business activities to the management. The branches will be able to get all clients and branch based activities / information as and when required. During the year 2010, numerous actions were taken by the management of your company to inspire its information technology set up. These included Nexlinx Optical Fiber connectivity deployment between Head Office and Disasters Recover Site for fast, reliable and up-to date database backup, BCP Document Development and implementation of Back up policy for protection of data.

CORPORATE SOCIAL RESPONSIBILITY

In your company, Corporate Social Responsibility is a form of corporate self-regulation into the business model. The company is committed to responsible business practices. The business is conducted in a manner that balances meaningful contributions to society with economic well being. Corporate responsibility can achieve its full social potential only if everyone involved first complies with external and internal company rules and regulations.

Your company plays its role as a good corporate citizen by supporting worthy causes aiming to improve the lives of our people, and make our country a better place to live in.

The company focuses on energy conservation and all departments and employees adhere to power conservation measures.

During the year 2010, the employees of the company have contributed one-day salary for flood relief activities beside company's own contribution reflecting CSR spirit at large.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

Your company contributed a sum of Rs. 276 million during the year towards Government exchequer on account of Income Tax, Federal Excise Duty and other levies. 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 etc.

HUMAN RESOURCE

Your company recognizes the importance of diversity as a managerial tool. Diversity initiatives are implemented for identified diverse strata's in the organization to deliver value, drive growth, increase productivity and creativity. The core strategy of your company diversity management is based on seven 'S' system; Strategy, Structure, System, Shared Values, Style, Staff, and Skill.

Knowledge, skills and attitudes of the employees are the secret behind the continuous and sustained growth of the company. Human Resource department is strongly committed towards constantly adding value to its most precious assets; “the employees”. A thorough process of Training Need Analysis based on individual performance and future business needs is in place.

Your company has always regarded education as the noblest cause towards society. The company provides educational opportunities to its employees. The group of which your company is a constituent member also regularly nominates employees to the renowned institutes of the world like Harvard, Standford and Insead for MBA and other management development programs. Employees are encouraged to appear in ACII (London) examinations and enroll in various diploma courses and Executive MBA's to improve their education and professional skills.

Alignment of people's strategy with the business strategy is the key element of company's human resource function. Our three core values of responsibility, excellence and honesty are embedded in the HR policy.

Huge emphasis is given on retaining and grooming its staff and ensuring adjustment of new inductions into its culture and shall continue giving to this aspect of vital importance. To enhance performance, abilities of individuals, continuous training and grooming plays a significant role. Besides conducting in house trainings, employees are also sent on training programs conducted by reputable institutions like LUMS, PIMS and MAP.

Teamwork is achieved through developing cohesion among individual members and among different departments as well, sharing belief in the core values of responsibility, excellence and honesty. Great emphasis is always laid upon holding up the business ethics under all circumstances.

Being strong believer of Management by Objectives, your company's management sets objectives of individual team members at the beginning of the year with defined success criteria, review these objectives periodically and at the year end against individual performance to reward accordingly.

As Jim Collins writes in his book “How the Mighty Fall” “……that rebuilding greatness requires series of intelligent, well executed actions that add up on top of another……” and Tom Peters in his book “Thriving on Chaos” says “….. the real art of the manager lies in creating challenging but achievable targets”, the management of your company sets challenging targets for itself to achieve through intelligent hard work, devotion and prudence to ensure performance excellence by achieving great results.

RATING BY PACRA

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of your company to “A+”. Meanwhile a “Positive Outlook” has been assigned to the rating. The rating denotes strong capacity to meet policyholder and contract obligations and risk factors are considered moderate. The rating also reflects company's strong underwriting profitability supplemented by sound underwriting practices, effective controls and strong technology infrastructure. PACRA also acknowledges that the company continues to maintain a robust financial profile emanating from healthy liquidity and solvency positions, further aided by management's cautious approach. The rating also recognizes the company's sound underwriting practices that have resulted in stable income from core insurance business.

CORPORATE GOVERNANCE

The company's philosophy on corporate governance is to observe the highest level of ethics in all its dealings, to ensure efficient conduct of affairs of the company to achieve its goal of maximizing value for its stakeholders. In your company the corporate governance framework involve the Board in the strategic planning process, define clear Board and management power sharing arrangements, establishes processes for the timely reporting and review of information and most importantly to allow effective and responsive actions to be made thereon. The Board ensures that a robust governance structure is in place. It is also committed to fostering culture that values and rewards exemplary ethical behavior, personal and corporate integrity and respect for others. A lot of emphasis is laid on good governance, accountability and transparency in running of the affairs of the company. The company strictly adheres to the principles of Corporate Governance mandated by the Securities and Exchange Commission of Pakistan and have implemented all the prescribed stipulations.

ACCOLADES

SAFA Best presented Accounts Awards

It gives me immense pleasure to inform you that the South Asian Federation of Accountants (SAFA) recently adjudged company's Annual Report 2009 for award of “Certificate of Merit” for the year. It was the fourth consecutive year that the company was awarded with this distinction. Your company has the distinction of being the only insurance company achieving these awards for four consecutive years. These awards are conferred on the basis of evaluation administered by SAFA's Committee for improvement in transparency, accountability and governance of the published annual reports of entities from South Asian countries. This shows that with focused approach, dedication and team work any objective can be achieved.

The recognition of Certificate of Merit by SAFA acknowledges the strong commitment of your company for promotion of best business practices and good governance while maintaining the financial discipline.

ICAP-ICMAP Best Corporate Report Award

The company's Annual Report 2009 was also adjudged to receive “Best Corporate Report Award 2009” by the joint committee of the Institute of Chartered Accountants and Institute of Cost and Management Accountants. Your company was selected among the top five companies in the NBFI sector. The two prestigious accounting bodies annually hold this competition with the aim to encourage and give recognition to excellence in annual corporate reporting. The award seeks to promote corporate accountability and transparency through the publication of timely, informative, factual and reader friendly annual reports. Your company has received this award for the fifth time since 2005 and fourth time consecutively.

Chief Executive of the Company, Mr. Arshad P. Rana, receiving the Best Corporate Report Award 2009 from the Ex-Governor State Bank of Pakistan, Dr. Ishrat Hussain

This is a coveted award that reflects the high degree of professionalism existing in your company and is a testimony to Atlas Insurance commitment to strict adherence to the Code of Corporate Governance and transparency in all its policies and business practices.

It is worth mentioning here that, the company is also recipient of one of the prestigious awards of the Corporate sector - “KSE Top 25 Companies Award-2005”.

FUTURE OUTLOOK

Pakistan continues to bear the burden of rapid increase in population, endemic corruption, turpitude, terrorism, political confrontation, bad governance and reliance on foreign aid. GDP growth expectation at 3% and projected inflation at 10% during the current fiscal year appear reasonable in the current economic climate, with key challenge remaining liquidity, which could upset external financing targets and the balance of payments.

All the staff members are inspired by their heritage of success and are determined to face challenges ahead successfully. Their mission remains sustainable growth coupled with creating value for their shareholders.

Management is focused on growth opportunities and is well equipped to continue exploring ways of improving profitability and minimizing business risks emanating from economic and market conditions.

ع ستاروں سے آگے جہاں اور بھی ہیں

(There is a world beyond the world)

ACKNOWLEDGEMENT

I wish to express my sincere appreciation to our valued shareholders, clients, reinsurers, SECP and financial institutions whose faith, cooperation and support over the years strengthened our relationship which plays a vital role in improving our products and services and contribution to the society and national economy.

I also appreciate the valuable contribution and active role of the Board of Directors in supporting and guiding the management on matters of great importance leading success in achieving the targets of the company. I would also like to express my gratitude to the Group Director Financial Services, Mr. Frahim Ali Khan and the Chief Executive Officer, Mr. Arshad P. Rana and his team for their efforts, dedication and sincerity of purpose.

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, 2010. The Directors' 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 sixth Annual General Meeting of the company to be held on March 31, 2011.

Financial Results

Following is the overall performance of the company for the year ended December 31, 2010:

	2010	2009
	(Rupees in thousand)	
Gross premium	1,024,858	910,738
Profit for the year before tax	327,130	237,194
Taxation:		
Current	87,590	53,284
Deferred	(3,110)	(5,146)
Prior years - deferred	(8)	-
	84,472	48,138
Profit for the year after tax	242,658	189,056
Un-appropriated profit brought forward	560	1,284
Profit available for appropriation	243,218	190,340
*Appropriations:		
Transferred to general reserve	(21,000)	(22,000)
Proposed bonus shares @ 20% (2009 : @ 10%)	(73,823)	(33,556)
Proposed cash dividend @ 40% (2009 : @ 40%)	(147,646)	(134,224)
	(242,469)	(189,780)
Unappropriated balance carried forward	749	560

* The Board of Directors has recommended bonus shares 20% i.e. 2 ordinary shares for every 10 ordinary shares held and cash dividend of Rs. 4 per share i.e. 40% for the year ended December 31, 2010. 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. 6.57 as against Rs. 5.12 in 2009.

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, 2010 and future prospects. The Directors endorse the contents of the review.

Board of Directors

The Board was actively involved during the year in performing its duties including those required to be performed under various relevant laws and the Memorandum and Articles of Association of the company, with the ultimate objective of safe guarding the interests of the shareholders, increasing profitability of the company with an ultimate goal to increase shareholders wealth and promoting market confidence.

The Board has an optimum combination of executive and non-executive Directors in which five out of seven are non-executive. None of the Directors on the Board is a Director of more than 10 listed companies. All the Directors represent diverse fields / professions and posses all the necessary skills and understanding to deal with various business issues and have the ability to review management performance.

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

Name of Directors	Attendance
Non-Executive	
Mr. Yusuf H. Shirazi	5
Mr. Aitzaz Shahbaz (Appointed w.e.f. December 23, 2010)	1
Mr. Azam Faruque	4
Mr. Kamal A. Chinoy (Resigned w.e.f. December 23, 2010)	2
Mr. Omar Saeed (Resigned w.e.f. December 23, 2010)	3
Mr. Ali H. Shirazi	5
Mr. Jawaid Iqbal Ahmed (Appointed w.e.f. December 23, 2010)	-
Executive	
Mr. Frahim Ali Khan	5
Mr. Arshad P. Rana	5

The Board would like to place on record its appreciation of the valuable contribution made by the outgoing Directors, Mr. Kamal A. Chinoy and Mr. Omar Saeed towards progress of the company. The Board also welcomes Mr. Aitzaz Shahbaz and Mr. Jawaid Iqbal Ahmed who joined the Board in place of the outgoing Directors and hope that the company will benefit from their varied experience. The Directors appointed to fill the casual vacancies shall continue to act until the next election of the Board of Directors. The incoming Directors have been provided information on the powers, duties and liabilities of the Directors under the Companies Ordinance, 1984, the Code of Corporate Governance, Memorandum and Articles of Association and Listing Regulations. All Directors have signed declaration of awareness of their powers, duties and liabilities under these rules and regulations.

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

External 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, 2011.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). The external auditors have confirmed that their firm is in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the listing regulations and they have confirmed that they have observed IFAC guidelines in this respect.

The external auditors attended those audit committee meetings in which the financial statements of the company were considered by the Audit Committee. The auditors have confirmed that they have no issue of independence and they have already reported all their concerns in the Board and management letters.

Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board which is attached with this report. Audit Committee was established to assist the Directors in discharging their responsibilities towards the company. During the year following significant matters were recommended /discussed by the Audit Committee with the Board of Directors:

- Reviewed the quarterly, half yearly and annual financial statements of the company prior to their approval by the Board of Directors.
- Recommended to the Board the appointment of external auditors by the company's shareholders and consider any questions of audit fee.
- Reviewed the Management and Board Letters issued by the external auditors of the company.
- Monitored and discussed with Board the compliance of statutory / regulatory requirements of the relevant statutes.
- Discussed the major findings of internal audit reports and management's response there to.
- Complied with the best practices of corporate governance.
- Determination of appropriate measures to safeguard company's assets
- Reviewed status of action items from the pervious meetings.

The Committee consists of three members. During the year four (4) Audit Committee meetings were held and attended as follows:

Name of Directors	Attendance
Non-Executive	
Mr. Azam Faruque (Appointed Chairman of the Committee w.e.f. December 29, 2010)	-
Mr. Ali H. Shirazi	4
Mr. Omar Saeed (Resigned w.e.f. December 23, 2010)	3
Executive	
Mr. Frahim Ali Khan	4

Employees Benefit Plans

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

Provident Fund	Rs. 81.394 million (as at 31 December, 2010)
Gratuity Funds	
Management Staff	Rs. 9.559 million (as at 30 June, 2010)
Non-Management Staff	Rs. 5.560 million (as at 31 December, 2010)

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, 2010. Separate statements to theses 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.

Related Party Transactions

In order to comply with the requirements of Listing Regulations, the company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of all related party transactions have been provided in the note 29 of the financial statements.

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.

Compliance with Secretarial Practices

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under the Listing Regulation No. 37 (XXV) of the Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984 and Listing Regulations have been complied with.

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 web site (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

Lahore: March 2, 2011

Arshad P. Rana
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

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 non-executive Directors on its Board of Directors. At present the Board includes five non-executive Directors out of seven Directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this company.

3. All the Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No Director in the Board is a member of any of the stock exchanges in Pakistan.

4. Causal 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 the 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 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 Director, 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 includes all necessary aspects of internal control given in the Code and is effectively implemented at all levels within the company.

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 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 has formed Underwriting, Claim settlement and Re-insurance & Co-insurance committees. The meetings of the committees were held once in every quarter.

18. The Board has formed an Audit Committee. It comprises of three members, out of which two members are non-executive Directors including the Chairman of the Committee.

19. The meetings of the Audit Committee were held at least once in 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 statuary 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 spouse 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 the 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

Lahore: March 2, 2011

Arshad P. Rana
Chief Executive

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

FOR THE YEAR ENDED DECEMBER 31, 2010

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 (Guarantee) Limited and chapter XIV of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited.

For and on behalf of the
Board of Directors

Lahore: March 2, 2011

Arshad P. Rana
Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH 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 (the Code) prepared by the Board of Directors of Atlas Insurance Limited (the company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and Lahore Stock Exchange where the company is listed.

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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, sub-regulation (xiii a) of Listing Regulation 35 of the Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2010.

A. F. FERGUSON & CO.
Chartered Accountants

Audit Engagement Partner: Imran Farooq Mian

Date: March 2, 2011

Lahore

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 comprehensive income;
iv) statement of changes in equity;
v) cash flow statement;
vi) statement of premiums;
vii) statement of claims;
viii) statement of expenses; and
ix) statement of investment income

of Atlas Insurance Limited as at December 31, 2010, together with the notes forming part thereof, for the year then ended.

It is the responsibility of the company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of 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 the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn 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, 2010 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.

A. F. FERGUSON & CO.
Chartered Accountants

Audit Engagement Partner: Imran Farooq Mian

Date: March 2, 2011

Lahore

BALANCE SHEET

	Note	2010	2009
		(Rupees in thousand)	
Share capital and reserves			
Authorised share capital			
50,000,000 (2009: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid up capital			
36,911,502 (2009: 33,555,911) ordinary shares of Rs. 10 each	5	369,115	335,559
Reserves	6	244,064	222,064
Retained earnings		243,218	190,340
		856,397	747,963
Underwriting provisions			
Provision for outstanding claims (including IBNR)		298,398	253,899
Provision for unearned premium		425,948	405,471
Commission income unearned		35,219	26,254
Total underwriting provisions		759,565	685,624
Creditors and accruals			
Premium received in advance		47,004	48,757
Amounts due to other insurers / reinsurers	7	223,694	266,387
Accrued expenses	8	49,238	39,385
Taxation - provision less payments		152	13,396
Other creditors and accruals	9	79,511	87,587
		399,599	455,512
Other liabilities			
Deposits against performance bonds		1,491	1,391
Unclaimed dividends		17,682	14,603
		19,173	15,994
TOTAL LIABILITIES		1,178,337	1,157,130
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		2,034,734	1,905,093

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

Arshad P. Rana	**Ali H. Shirazi**	**Azam Faruque**	**Yusuf H. Shirazi**
Chief Executive	Director	Director	Chairman

AS AT DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash and bank deposits			
Cash and other equivalents	11	7	13
Current and other accounts	11	375,074	485,278
Deposits maturing within twelve months	12	117,500	174,900
		492,581	660,191
Loans to employees - secured considered good	13	177	201
Investments	14	772,048	558,250
Deferred taxation	15	6,392	3,273
Current assets - others			
Premium due but unpaid	16	142,059	102,119
Amounts due from other insurers / reinsurers	17	118,121	97,812
Salvage recoveries accrued		9,985	13,391
Accrued investment income	18	3,254	4,297
Reinsurance recoveries against outstanding claims		192,769	160,368
Deferred commission expense		16,318	15,143
Prepayments	19	223,233	233,289
Sundry receivables	20	13,881	9,338
		719,620	635,757
Fixed assets	21		
Tangible			
Land and buildings		14,942	15,667
Furniture and fixtures		2,575	2,826
Office equipments		5,556	6,330
Computers - owned		3,894	4,080
Motor vehicles - owned		16,949	18,518
		43,916	47,421
Intangible			
Computer software		-	-
TOTAL ASSETS		2,034,734	1,905,093

Arshad P. Rana	**Ali H. Shirazi**	**Azam Faruque**	**Yusuf H. Shirazi**
Chief Executive	Director	Director	Chairman

Atlas Insurance

PROFIT AND LOSS ACCOUNT

FINANCIAL YEAR ENDED DECEMBER 31, 2010

	Note	Fire & property	Marine, aviation & transport	Motor	Miscellaneous	Treaty	Total 2010	Total 2009
		(Rupees in thousand)						
Revenue account								
Net premium revenue		104,802	195,895	214,637	14,937	(2)	530,269	443,534
Net claims		(6,797)	(13,504)	(153,036)	(3,611)	444	(176,504)	(192,355)
Expenses	22	(75,427)	(58,608)	(42,603)	(21,201)	-	(197,839)	(181,178)
Net commission		22,165	15,406	(8,352)	14,779	-	43,998	34,466
Underwriting result		44,743	139,189	10,646	4,904	442	199,924	104,467
Investment income							102,634	118,230
Rental income							4,936	1,736
Other income	23						42,583	32,117
Financial charges							(411)	(550)
General and administration expenses	24						(22,536)	(18,806)
							127,206	132,727
Profit before taxation							327,130	237,194
Provision for taxation	25						(84,472)	(48,138)
Profit after taxation							242,658	189,056
Profit and loss appropriation account								
Balance at commencement of the year							190,340	(199,492)
Profit / (loss) after taxation for the year							242,658	189,056
Final dividend for 2009 @ Rs. 4 per share (2008: Rs. 2.5 per share)							(134,224)	(67,112)
Transfer (to) / from general reserve							(22,000)	335,000
Transfer to reserve for issue of bonus shares							(33,556)	(67,112)
Balance unappropriated profit at the end of the year							243,218	190,340
Basic and diluted earnings per share - Rupees	26						6.57	5.12

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

Arshad P. Rana	Ali H. Shirazi	Azam Faruque	Yusuf H. Shirazi
Chief Executive	Director	Director	Chairman

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
	(Rupees in thousand)	
Profit for the year ended December 31	242,658	189,056
Other comprehensive income for the year	-	-
Total comprehensive income for the year	242,658	189,056

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

Arshad P. Rana	**Ali H. Shirazi**	**Azam Faruque**	**Yusuf H. Shirazi**
Chief Executive	Director	Director	Chairman

Atlas Insurance

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2010

	Issued, subscribed and paid-up capital	Reserves: Capital reserve	Reserves: Reserve for exceptional losses	Reserves: Reserve for issue of bonus shares	Reserves: General reserve	Reserves: Investment fluctuation reserve	Retained earnings	Total
	(Rupees in thousand)							
Balance as at December 31, 2008	268,447	2,251	2,164	-	549,649	3,000	(199,492)	626,019
Final dividend for the year ended December 31, 2008 @ 25% (Rs. 2.5 per share)	-	-	-	-	-	-	(67,112)	(67,112)
Transfer from general reserve	-	-	-	-	(335,000)	-	335,000	-
Transfer to reserve for issue of bonus shares	-	-	-	67,112	-	-	(67,112)	-
Issue of bonus shares	67,112	-	-	(67,112)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	189,056	189,056
Balance as at December 31, 2009	335,559	2,251	2,164	-	214,649	3,000	190,340	747,963
Final dividend for the year ended December 31, 2009 @ 40% (Rs. 4 per share)	-	-	-	-	-	-	(134,224)	(134,224)
Transfer to general reserve	-	-	-	-	22,000	-	(22,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	33,556	-	-	(33,556)	-
Issue of bonus shares	33,556	-	-	(33,556)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	242,658	242,658
Balance as at December 31, 2010	369,115	2,251	2,164	-	236,649	3,000	243,218	856,397

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

Arshad P. Rana	**Ali H. Shirazi**	**Azam Faruque**	**Yusuf H. Shirazi**
Chief Executive	Director	Director	Chairman

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Operating cash flows			
Underwriting activities			
Premiums received		937,834	920,272
Reinsurance premiums paid		(503,799)	(290,023)
Claims paid		(260,590)	(250,256)
Reinsurance and other recoveries received		99,096	90,249
Commissions paid		(38,286)	(38,995)
Commissions received		91,141	80,558
Other underwriting payments		(1,400)	(602)
Other underwriting receipts		15,065	10,358
Net cash flow from underwriting activities		339,061	521,561
Other operating activities			
Income tax paid		(100,834)	(45,955)
General management expenses paid		(208,195)	(118,076)
Loan repayments received		24	264
Net cash flow from other operating activities		(309,005)	(163,767)
Total cash flow generated from all operating activities		30,056	357,794
Investment activities			
Profit / return received		44,774	33,777
Dividends received		28,039	25,176
Rental income received		5,009	2,038
Payments for purchase of investments		(518,057)	(246,539)
Proceeds from disposal of investments		376,158	303,102
Short term placements - net		-	59,733
Payments against purchase of assets		(6,180)	(7,991)
Proceeds from disposal of fixed assets		4,148	3,280
Net cash (used in) / generated from investing activities		(66,110)	172,576
Financing activities			
Dividends paid		(131,145)	(65,558)
Financial charges paid		(411)	(550)
Total cash flow used in financing activities		(131,556)	(66,108)
Net cash (outflow) / inflow from all activities		(167,610)	464,262
Cash at the beginning of the year		660,191	195,929
Cash at the end of the year	27	492,581	660,191

Atlas Insurance

Reconciliation to Profit and Loss Account

	Note	2010	2009
		(Rupees in thousand)	
Operating cash flows		30,056	357,794
Depreciation		(7,201)	(7,598)
Financial charges		(411)	(550)
Profit on disposal of fixed assets		1,664	1,012
Provision for doubtful debts		(4,112)	(2,491)
Increase in assets other than cash		101,513	8,443
Decrease / (increase) in liabilities other than borrowings		11,503	(312,812)
Other adjustments			
- (Increase) / decrease in provision for unearned premium		(31,053)	97
- Increase in commission income unearned		(8,965)	(484)
- Income on investments and current and other deposits		102,634	118,230
- Rental income		4,936	1,736
- Other income		40,919	31,105
- Increase / (decrease) in provision for deferred commission expense		1,175	(5,426)
Profit after taxation		242,658	189,056

Definition of cash

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

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

	Note	2010	2009
Cash and other equivalents	11	7	13
Current and other accounts	11	375,074	485,278
Deposits maturing within twelve months	12	117,500	174,900
		492,581	660,191

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

Arshad P. Rana	Ali H. Shirazi	Azam Faruque	Yusuf H. Shirazi
Chief Executive	Director	Director	Chairman

STATEMENT OF PREMIUMS
FINANCIAL YEAR ENDED DECEMBER 31, 2010

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded Opening	Prepaid reinsurance premium ceded Closing	Reinsurance expense	Net premium revenue December 31, 2010	Net premium revenue December 31, 2009
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	389,628	232,325	261,534	360,419	255,539	175,367	175,289	255,617	104,802	51,698
Marine, aviation and transport	304,856	22,379	24,758	302,477	99,544	18,267	11,229	106,582	195,895	127,071
Motor	221,887	107,197	103,763	225,321	12,336	1,877	3,529	10,684	214,637	254,457
Miscellaneous	108,489	43,570	35,893	116,166	96,117	36,477	31,365	101,229	14,937	10,309
Total	1,024,860	405,471	425,948	1,004,383	463,536	231,988	221,412	474,112	530,271	443,535
Treaty										
Fire and property damage	-	-	-	-	-	-	-	-	-	(1)
Marine, aviation and transport	(2)	-	-	(2)	-	-	-	-	(2)	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total	(2)	-	-	(2)	-	-	-	-	(2)	(1)
Grand Total	1,024,858	405,471	425,948	1,004,381	463,536	231,988	221,412	474,112	530,269	443,534

Note:
Premiums written include administration surcharge amounting to Rs. 15,065 thousand (2009: Rs. 10,358 thousand)

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

Arshad P. Rana	**Ali H. Shirazi**	**Azam Faruque**	**Yusuf H. Shirazi**
Chief Executive	Director	Director	Chairman

STATEMENT OF CLAIMS
FINANCIAL YEAR ENDED DECEMBER 31, 2010

Business underwritten inside Pakistan

Class	Claims paid	Outstanding Claims Opening	Outstanding Claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	Net claims expense December 31, 2010	Net claims expense December 31, 2009
	(Rupees in thousand)									
Direct and facultative										
Fire and property damage	44,999	94,999	69,873	19,873	37,280	87,420	63,216	13,076	6,797	5,980
Marine, aviation and transport	31,375	43,308	67,715	55,782	20,280	30,965	52,963	42,278	13,504	12,349
Motor	145,251	64,660	79,530	160,121	2,211	1,709	6,583	7,085	153,036	167,506
Miscellaneous	38,458	46,704	77,500	69,254	35,910	40,274	70,007	65,643	3,611	5,662
Total	260,083	249,671	294,618	305,030	95,681	160,368	192,769	128,082	176,948	191,497
Treaty										
Fire and property damage	3	1,755	1,755	3	-	-	-	-	3	386
Marine, aviation and transport	2	2,387	1,939	(446)	-	-	-	-	(446)	465
Miscellaneous	(1)	86	86	(1)	-	-	-	-	(1)	7
Total	4	4,228	3,780	(444)	-	-	-	-	(444)	858
Grand Total	260,087	253,899	298,398	304,586	95,681	160,368	192,769	128,082	176,504	192,355

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

Arshad P. Rana	Ali H. Shirazi	Azam Faruque	Yusuf H. Shirazi
Chief Executive	Director	Director	Chairman

STATEMENT OF EXPENSES
FINANCIAL YEAR ENDED DECEMBER 31, 2010

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense December 31, 2010	Net underwriting expense December 31, 2009
	(Rupees in thousand)								
Direct and facultative									
Fire and property damage	18,670	7,967	9,458	17,179	75,427	92,606	39,344	53,262	(9,912)
Marine, aviation and transport	8,992	568	737	8,823	58,608	67,431	24,229	43,202	39,381
Motor	7,402	5,383	3,938	8,847	42,603	51,450	495	50,955	119,883
Others including miscellaneous	4,288	1,225	2,185	3,328	21,201	24,529	18,107	6,422	(2,640)
Total	39,352	15,143	16,318	38,177	197,839	236,016	82,175	153,841	146,712
Treaty									
Fire and property damage	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	-	-	-
Others including miscellaneous	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Grand Total	39,352	15,143	16,318	38,177	197,839	236,016	82,175	153,841	146,712

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	Ali H. Shirazi	Azam Faruque	Yusuf H. Shirazi
Chief Executive	Director	Director	Chairman

Atlas Insurance

STATEMENT OF INVESTMENT INCOME
FINANCIAL YEAR ENDED DECEMBER 31, 2010

	2010	2009
	(Rupees in thousand)	
Income from non-trading investments		
Held to maturity		
Return on fixed income securities and deposits	4,155	4,912
Available for sale		
Return on N.I.T. and U.T.P.	86	112
Dividend income		
- from related parties	13,234	8,244
- from others	13,376	17,645
	26,610	25,889
Gain on sale of available for sale investments	73,834	118,257
Less: Provision for impairment in value of 'available-for-sale' investment	-	(28,143)
Less: Investment related expenses	(2,051)	(2,797)
Net Investment income	102,634	118,230

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

Arshad P. Rana	Ali H. Shirazi	Azam Faruque	Yusuf H. Shirazi
Chief Executive	Director	Director	Chairman

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2010

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 Standards, amendments to published standards and interpretations effective in current year

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. Its adoption did not have any impact on company's financial statements.

IAS 38 (amendment), 'Intangible assets', effective January 1, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic life. Amendment did not have any impact on company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable / relevant to the company's operations

Standards or Interpretation		Effective date (accounting periods beginning on or after)
IFRS 2	(amendments), 'Group cash-settled share-based payment transactions'	January 1, 2010
IFRS 5	(amendment), 'Non-current assets held for sale and discontinued operations'	July 1, 2009
IAS 36	(amendment), 'Impairment of assets'	January 1, 2010
IFRIC 9,	'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement'	July 1, 2009
IFRIC 16,	'Hedges of a net investment in a foreign operation'	July 1, 2009
IFRIC 17,	'Distribution of non-cash assets to owners'	July 1, 2009
IFRIC 18,	'Transfers of assets from customers'	July 1, 2009

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 the SECP, have not been considered in preparation of these financial statements.

2.2.3 Standards, amendments and interpretation to existing standards that are 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 (amendments), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after January 1, 2011.

2.2.4 Standards, amendments and interpretations to existing standards that are not relevant to the company's operations and not yet effective

Standards or Interpretation		Effective date (accounting periods beginning on or after)
IFRS 9 -	'Financial instruments'	January 1, 2013
IAS 32 -	'Classification of rights issues (amendment)'	February 1, 2010
IAS 24 -	'Related party disclosures'	January 1, 2011
IFRIC 14 -	(Amendment), 'Prepayment of a minimum funding requirement'	January 1, 2011
IFRIC 19 -	'Extinguishing financial liabilities with equity instruments'	July 1, 2010

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 Insurance contracts

Insurance contracts are those contracts where the company has accepted significant insurance risks from the policy holders by agreeing to compensate the policy holders on the occurrence of a specified uncertain future event (the insured event) that adversely affects the policy holders under the terms and conditions of the contract.

Insurance contracts issued by the company are generally classified in four basic categories i.e. Fire and Property, Marine, Motor and Miscellaneous and are issued to multiple type of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors etc and individuals as well. The tenure of these insurance contracts depend upon terms of the policies written and vary accordingly.

- Fire and property insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact and burglary etc. and loss of profit followed by the incident of fire.

- Marine, aviation and transport insurance contracts generally provide cover for loss of or damage to cargo while in transit to and from foreign lands and inland transit due to various insured perils including loss of or damage to carrying vessel etc.

- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.

- Miscellaneous insurance contracts provide wide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workman compensation, contractors all risk, erection all risk, machinery breakdown, boiler damage, travel and crop etc.

In addition to direct insurance, at times the company also participates in risks under coinsurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the company. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

The accounting policy for revenue recognition is given in note 4.18. Accounting policies for recording of amounts due to / from other insurers / reinsurers / agents and for recognition of claims incurred (both reported and not reported) are stated in note 4.9 and 4.2.1, respectively.

4.2 Underwriting provisions

4.2.1 Provision for outstanding claims including IBNR

The company recognizes liability in respect of all claims incurred up to 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 IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually reported subsequent to the balance sheet date.

The company accounts for IBNR based on an analysis of past claims reporting pattern by tracking movement in claims incurred in an accounting period.

Reinsurance recoveries against outstanding claims are recognised on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

4.2.2 **Unexpired insurance risk**

The company determines its liability for unexpired risk, according to the requirements of the Insurance Ordinance, 2000, at a value not less than the sum of provision for unearned premium and premium deficiency reserve.

4.2.2.1 **Provision for unearned premium**

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

4.2.2.2 **Premium deficiency reserve**

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a premium deficiency reserve is maintained for each class of business, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, for claims and other expenses, including reinsurance expense, commissions, and other underwriting expenses, 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. The movement in the premium deficiency reserve is recorded as an expense / income as part of the underwriting results for the year.

An analysis of loss ratios for the expired period are carried out, at each class of business level, keeping in view the historical claim development. Where ratios are adverse an assessment is made if this is due to one off claim and if not, a deficiency in premium is recognised in the current period. The loss ratios for the current and prior year are as follows:

	2010	2009
Fire and property damage	6%	12%
Marine, aviation and transport	7%	10%
Motor	71%	66%
Miscellaneous	24%	55%

Keeping in view the adequacy of the reserves on December 31, 2010, in line with the provisions of the Insurance Ordinance, 2000 and SEC (Insurance Rules) 2002, a premium deficiency reserve is not required, and accordingly no provision for the same has been made in financial statements of the current year.

4.2.3 Commission

4.2.3.1 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.

4.2.3.2 Commission income unearned

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

4.3 Staff retirement benefits

4.3.1 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.

4.3.2 Defined benefit plan

The company operates two separate funded gratuity schemes (defined benefit plans) in respect of all the 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, 2010, 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. 4,457 thousand for management staff gratuity fund in the next financial year.

4.3.3 Compensated absences

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

4.4 Taxation

4.4.1 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.

4.4.2 **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.

4.5 **Cash and cash equivalents**

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

4.6 **Loans to employees**

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

4.7 **Investments**

4.7.1 **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

4.7.2 **Measurement**

4.7.2.1 **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.

4.7.2.2 **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.

If these investments had been measured at fair value as required by IAS 39, the company's net investments would have been higher by Rs. 145,318 thousand.

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.

4.7.2.3 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.

4.8 Reinsurance contracts

The company enters into reinsurance contracts with reinsurance companies by arranging treaty reinsurance, whereby certain agreed proportion of risks are shared with the participating companies, hence higher underwriting capacity with larger spread becomes available. Depending upon the nature and / or size of the risk at times, reinsurance of excess of capacity is also placed on case to case basis under facultative reinsurance arrangement. The company also accepts facultative reinsurance from other local insurance companies provided the risk meets the underwriting requirements of the company.

The risks undertaken by the company under these contracts for each class of business are stated in note 4.1.

The benefits to which the company is entitled under reinsurance contracts held are recognised as reinsurance assets. These assets include amount due from reinsurers as well as receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities primarily include premium payable and commission payable (incase of facultative acceptance). Reinsurance assets and liabilities are measured consistently with the terms of the underlying reinsurance contracts.

Reinsurance assets and liabilities are derecognized when the contractual rights are extinguished or expired.

The movement in reinsurance assets for the year ending December 31, 2010 is given in statement of premiums and statement of claims. Reinsurance assets are not offset against related insurance liabilities.

Recognition criteria of reinsurance assets and liabilities is stated in note 4.9, and recognition criteria for reinsurance income and expenses is stated in note 4.2.3.1 and note 4.21, respectively.

An analysis of reinsurance assets based on credit rating of the entity, from whom it is due is as follows:

Reinsurers	Amounts due from reinsurers		Reinsurance recoveries against outstanding claims		Other reinsurance assets	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)					
A or above (including PRCL)	12,836	13,193	166,394	141,697	220,626	226,219
BBB	-	-	6,884	1,337	-	-
Others	4,975	6,074	19,491	17,334	786	5,769
Total	17,811	19,267	192,769	160,368	221,412	231,988

4.9 Amounts due to / from other insurers / reinsurers / agents

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

4.10 Impairment of assets

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, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense. During the year, there being no impairment of financial assets, therefore, no provision has been made in the accounts.

4.11 Prepaid reinsurance premium ceded

Prepaid reinsurance premium ceded is recognised as liability as follows:

a) for reinsurance contracts operating on a proportional basis, on attachment of the underlying policies reinsured; and

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

4.12 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 commission expense.

4.13 Fixed assets

4.13.1 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 recognised 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, 2010 has not required any adjustment as its impact is considered insignificant.

4.13.2 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 by 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.

4.13.3 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.

4.13.4 Capital work-in-progress

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

4.14 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.

4.15 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.

4.16 Financial instruments

All financial assets and financial liabilities are recognised 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.

4.17 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 recognised amounts and there is an intention to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.18 Revenue recognition

4.18.1 Premium income earned

Premium income under a policy is recognised 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.

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

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

4.18.2 Dividend income and bonus shares

Dividend income and entitlement of bonus shares are recognised 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.

4.18.3 Income on held to maturity investments

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

4.18.4 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 recognised as revenue at the time of issuance of policy.

4.18.5 Rental and other income

Rental and other income is recognised on accrual basis.

4.19 Zakat

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

4.20 Expenses

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

4.21 Reinsurance expenses

Premium ceded to reinsurers is recognised 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.

4.22 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.

4.23 Critical accounting estimates and judgments

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management has exercised its judgment in the process of applying accounting policies.

The significant estimates made by the management in the current year are referred to in note 3.

4.24 Segment reporting

4.24.1 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 internal reporting to the management on the same basis. The company has determined its primary segments based on insurance risks covered under four types of insurance contracts as stated in note 4.1.

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

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

2010	2009		2010	2009
(Number of shares)			(Rupees in thousand)	
250,000	250,000	Ordinary shares of Rs. 10 each fully paid in cash	2,500	2,500
36,661,502	33,305,911	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	366,615	333,059
36,911,502	33,555,911		369,115	335,559

12,553,106 (2009: 11,411,915) shares and 11,609,856 (2009: 10,411,915) ordinary shares of the company are held by Shirazi Investments (Private) Limited and Shirazi Capital (Private) Limited respectively, associated undertakings as at December 31, 2010.

6. Reserves

		2010	2009
		(Rupees in thousand)	
Capital reserves			
Capital reserve		2,251	2,251
Reserve for exceptional losses	-note 6.1	2,164	2,164
		4,415	4,415
Revenue reserves			
General reserve			
- At the beginning of the year		214,649	549,649
- Transfer from / (to) the profit and loss account		22,000	(335,000)
		236,649	214,649
Investment fluctuation reserve	-note 6.2	3,000	3,000
		239,649	217,649
		244,064	222,064

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. Amounts due to other insurers / reinsurers

	2010	2009
	(Rupees in thousand)	
Amounts due to coinsurers	9,273	11,703
Amounts due to reinsurers	214,421	254,684
	223,694	266,387

		2010	2009
		(Rupees in thousand)	

8. Accrued expenses

		2010	2009
Commission payable		9,583	8,517
Bonus to staff payable		23,574	18,050
Profit commission payable		1,196	1,779
Leave encashment payable		7,627	6,192
Other accrued expenses		7,258	4,847
		49,238	39,385

9. Other creditors and accruals

		2010	2009
Federal insurance fee		2,239	2,891
Federal excise duty		58,693	59,418
Donation payable	- note 24.1	1,722	6,987
Gratuity payable - Management staff	- note 9.1	5,898	3,261
Workers' welfare fund		6,673	7,983
Others		4,286	7,047
		79,511	87,587

9.1 The latest valuation of scheme was carried out as at December 31, 2010 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 14.50% per annum
- Expected rate of increase in salaries 13.50% per annum
- Expected return on plan assets 14.50% per annum

The amounts recognized in balance sheet are as follows:

	Management staff		Non-management staff	
	2010	2009	2010	2009
	(Rupees in thousand)			
Present value of defined benefit obligation	30,546	25,484	1,730	1,768
Fair value of plan assets	(10,950)	(9,808)	(5,963)	(5,490)
	19,596	15,676	(4,233)	(3,722)
Unrecognised actuarial (loss) / gain	(7,848)	(6,565)	1,204	1,396
Experience adjustment on obligation	(5,850)	(5,850)	-	-
Amount not recognised as an asset under paragraph 58(b)	-	-	3,029	2,326
Liability / (asset) as at December 31	5,898	3,261	-	-
Net liability / (asset) as at January 1	3,261	1,826	-	(1,812)
Charge to profit and loss account	3,412	1,435	(395)	1,945
Liability recognised in respect of non-management staff promoted to management staff	44	-	(44)	-
Benefits paid by the company	(818)	-	439	(133)
Liability as at December 31	5,899	3,261	-	-

	Management staff 2010	Management staff 2009	Non-management staff 2010	Non-management staff 2009
	(Rupees in thousand)			
9.1.1 The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation	25,484	11,726	1,768	1,605
Service cost	1,066	912	132	168
Interest cost	3,239	1,811	221	248
Benefits paid	(818)	-	(264)	(133)
Experience adjustments	44	5,850	(44)	-
Actuarial loss / (gain) on defined benefit obligation	1,531	5,185	(83)	(120)
Present value of defined benefit obligation	30,546	25,484	1,730	1,768
9.1.2 The movement in fair value of plan assets is as follows:				
Fair value as at January 1	9,808	8,279	5,490	4,991
Expected return on plan assets	1,339	1,333	688	714
Company contributions	-	-	-	-
Benefits paid	-	-	-	-
Experience gain / (loss)	(197)	196	(215)	(215)
Fair value as at December 31	10,950	9,808	5,963	5,490
9.1.3 Plan assets are comprised as follows:				
Debt	8,161	7,249	-	-
Mutual funds	2,818	2,519	5,560	5,010
Cash and bank balances	174	-	22	21
Receivables	(203)	40	381	459
	10,950	9,808	5,963	5,490
9.1.4 Charge for the year				
Current service cost	1,066	912	132	168
Interest cost	3,239	1,811	221	248
Expected return on investments	(1,339)	(1,333)	(688)	(714)
Recognition of actuarial loss / (gain)	446	45	(60)	(83)
Effect of asset not recognized under paragraph 58(b)	-	-	-	2,326
Expense for the year	3,412	1,435	(395)	1,945
Actual return on plan assets	1,142	1,529	544	632

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

	2010	2009	2008	2007	2006
	Management staff (Rupees in thousand)				
As at December 31					
Present value of defined benefit obligation	30,546	25,484	11,726	8,725	7,719
Fair value of plan assets	(10,950)	(9,808)	(8,279)	(10,437)	(7,776)
	19,596	15,676	3,447	(1,712)	(57)
Experience adjustment on obligation	6%	44%	16%	11%	18%
Experience adjustment on plan assets	-2%	-1%	-22%	17%	-5%

	2010	2009	2008	2007	2006
			Non-Management staff (Rupees in thousand)		
As at December 31					
Present value of defined benefit obligation	1,730	1,768	1,605	1,640	1,465
Fair value of plan assets	(5,963)	(5,490)	(4,991)	(5,259)	(4,313)
	(4,233)	(3,722)	(3,386)	(3,619)	(2,848)
Experience adjustment on obligation	-5%	-13%	-14%	-3%	63%
Experience adjustment on plan assets	-3%	-6%	-12%	18%	6%

10. Contingencies and commitments

10.1 Contingencies

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

The Additional Commissioner / Taxation Officer has amended the deemed assessment for the tax year 2004 by allocating certain expenditures to dividend income resulting in an additional tax liability of Rs. 2,243 thousand. The company filed an appeal before the Commissioner of Income Tax (Appeals) which was decided against the company, however on direction of the Commissioner of Income Tax (Appeals) the Taxation Officer issued an appeal effect order and created a refund of Rs. 794 thousand to give effect of Zakat, donation and tax deducted on dividend income. Consequently the company filed an appeal before the ITAT which is currently pending for adjudication.

The Additional Commissioner / Taxation Officer has amended the deemed assessment for the tax year 2005 and created a demand of Rs. 70,697 thousand by disallowing provision for outstanding claims of Rs. 91,993 thousand, provision for unearned income Rs. 90,246 thousand, expenses of Rs. 9,563 thousand by allocating to dividend income, expenses of Rs. 9,378 thousand paid under voluntary retirement scheme and 50% depreciation on vehicles. The company filed an appeal before the Commissioner Inland Revenue and also applied for grant to stay against the aforementioned vide Writ Petition number 26179 of 2010 to the Honourable Lahore High Court. The Writ Petition was heard by the Honourable Judge of Lahore High Court on December 14, 2010 and restrained the Commissioner from recovering the said demand. The management is of the opinion that the decision of the case will be in favour of the company.

The Additional Commissioner / Taxation Officer has amended the deemed assessment for the tax year 2007 by allocating certain expenditures to dividend income and capital gain resulting in an additional tax liability of Rs. 6,618 thousand. The company 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. 79,709 thousand (2009: Rs. 9,014 thousand) as the management is confident that the eventual outcome of the above matter will be in favour of the company.

10.2 Commitments

Rs. Nil (2009: Rs. Nil)

	2010	2009
	(Rupees in thousand)	

11. Cash and bank deposits

Cash in hand	7	13
Current and other accounts		
Current accounts	25,057	28,068
Saving accounts	350,017	457,210
	375,074	485,278

The balances in saving accounts bear mark up which ranges from 5% to 12.8% (2009: 5% to 15%) per annum.

12. Deposits maturing within twelve months

These deposits bear mark up which ranges from 11% to 13% (2009: 11% to 18%) per annum.

	2010	2009
	(Rupees in thousand)	

13. Loans to employees - secured considered good

Executives	-	63
Others	177	138
	177	201
Less: Current maturity	(70)	(138)
	107	63

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

	2010	2009
	(Rupees in thousand)	

14. Investments

The investments comprise:

Held to maturity	- note 14.1	37,468	36,077
Available for sale	- note 14.2	734,580	522,173
		772,048	558,250
Aggregate market value as at December 31		918,069	645,300

14.1 Held to maturity

Statutory deposits	- note 14.1.1	37,000	35,000
Unamortized premium on investment bonds		468	1,077
		37,468	36,077

14.1.1 Statutory deposits

	Maturity	Effective Yield %	2010	2009
			(Rupees in thousand)	
Pakistan Investment Bonds (PIBs)	August, 2011	11.27%	35,000	35,000
Pakistan Investment Bonds (PIBs)	September, 2012	12.35%	2,000	-
			37,000	35,000

This represents carrying amount of PIBs placed as statutory deposit with The State Bank of Pakistan in accordance with the requirements of Section 29(2)(a) of The Insurance Ordinance, 2000. Market value as at December 31, 2010 amounts to Rs. 38,172 thousand (2009: Rs. 35,878). Profit on PIBs is received bi-annually.

14.2 Available for sale

		2010	2009
		(Rupees in thousand)	
Related parties			
- Mutual funds - Quoted	- note 14.2.2	266,189	98,239
- Ordinary shares - Quoted	- note 14.2.3	267,164	271,904
- Ordinary shares - Unquoted	- note 14.2.4	-	-
		533,353	370,143
Others			
- Mutual funds - Quoted	- note 14.2.5	46,026	2,938
- Ordinary shares - Quoted	- note 14.2.6	155,201	149,092
		201,227	152,030
		734,580	522,173

14.2.1 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). During the year, the company has charged to income Nil (2009: Rs. 28,143 thousand) being permanent diminution in the value of its investments.

14.2.2 Mutual funds - Quoted

Number of units/shares 2010	Number of units/shares 2009	Face value Rupees	Fund's / Company's name	2010 (Rupees in thousand)	2009 (Rupees in thousand)
152,193	100,000	500	Atlas Islamic Stock Fund Market value Rs. 54,847 thousand (2009: Rs. 48,836 thousand)	46,920	37,183
10,157	7,286	500	Atlas Stock Market Fund Market value Rs. 4,113 thousand (2009: Rs. 3,368 thousand)	2,795	2,795
65,807	16,210	500	Atlas Income Fund Market value Rs. 34,100 thousand (2009: Rs. 8,367 thousand)	33,260	8,261
362,781	-	500	Atlas Money Market Fund Market value Rs. 187,013 thousand	183,214	-
-	97,750	500	Atlas Islamic Income Fund Market value Rs. Nil (2009: Rs. 50,107 thousand)	-	50,000
				266,189	98,239

Number of units/shares 2010	Number of units/shares 2009	Face value Rupees	Fund's / Company's name	2010 (Rupees in thousand)	2009 (Rupees in thousand)
14.2.3 Ordinary shares - Quoted					
1,773,447	1,542,128	10	Atlas Honda Limited Equity held: 2.84% (2009: 2.84%) Market value Rs. 221,645 thousand (2009: Rs. 214,094 thousand)	215,296	215,296
708,840	708,840	10	Atlas Engineering Limited Equity held: 2.87% (2009: 2.87%) Market value Rs. 12,192 thousand (2009: Rs. 9,144 thousand)	10,852	10,852
175,591	146,326	10	Atlas Battery Limited Equity held: 1.74% (2009: 1.74%) Market value Rs. 33,445 thousand (2009: Rs. 26,476 thousand)	11,376	11,376
-	1,427,931	10	Atlas Bank Limited Equity held: Nil (2009: 0.29%) (2009: Market value Rs. 4,912 thousand)	-	4,740
850,000	850,000	10	Honda Atlas Cars (Pakistan) Limited Equity held: 0.60% (2009: 0.60%) Market value Rs. 9,860 thousand (2009: Rs. 16,252 thousand)	9,795	9,795
1,739,267	1,739,267	10	Cherat Cement Company Limited Equity held: 1.82% (2009: 1.82%) Market value Rs. 18,697 thousand (2009: Rs. 21,828 thousand)	19,845	19,845
				267,164	271,904
14.2.4 Ordinary shares - Unquoted					
50,000	50,000	10	Arabian Sea Country Club -note 14.2.4.1	-	-
				533,353	370,143

14.2.4.1 The name of Chief Executive is Mr. Arif Ali Khan Abbasi. The break-up value is Rs. 11.14 per share (2009: Rs. 8.25 per share) based on audited accounts for the year ended June 30, 2010.

Number of units/shares 2010	Number of units/shares 2009	Face value Rupees	Fund's / Company's name	2010 (Rupees in thousand)	2009 (Rupees in thousand)
14.2.5 Mutual funds - Quoted					
-	22,902	10	Unit Trust of Pakistan Market value Nil (2009: Rs. 2,622 thousand)	-	1,980
40,836	38,253	10	National Investment Trust units -note 14.2.5.1 Market value Rs. 1,283 thousand (2009: Rs. 1,157 thousand)	1,026	958
260,165	-	100	Lakson Money Market Fund Market value Rs. 26,744 thousand	25,000	-
2,070,043	-	10	NIT Income Fund Market value Rs. 21,856 thousand	20,000	-
				46,026	2,938

14.2.5.1 This represents 28,000 (2009: 28,000) units held as statutory deposit with The State Bank of Pakistan under section 29(2)(a) of the Insurance Ordinance, 2000.

Number of units/shares 2010	Number of units/shares 2009	Face value Rupees	Fund's / Company's name	2010 (Rupees in thousand)	2009 (Rupees in thousand)
14.2.6 Ordinary shares - Quoted					
			Banks		
105,687	105,687	10	Bank Alfalah Limited Market value Rs. 1,185 thousand (2009: Rs. 1,455 thousand)	1,535	1,535
33,693	21,319	10	MCB Bank Limited Market value Rs. 7,700 thousand (2009: Rs. 4,683 thousand)	6,195	3,263
73,152	107,581	10	United Bank Limited Market value Rs. 4,991 thousand (2009: Rs. 6,288 thousand)	3,409	4,961
			Personal Goods		
-	165,000	10	Nishat Chunian Limited Market value Nil (2009: Rs. 3,498 thousand)	-	2,393
68,150	-	10	Nishat Mills Limited Market value Rs. 4,373 thousand	3,775	-
			Non Life Insurance		
13,721	12,474	10	Adamjee Insurance Company Limited Market value Rs. 1,201 thousand (2009: Rs. 1,538 thousand)	1,206	1,206
11,250	9,375	10	IGI Insurance Limited Market value Rs. 1,090 thousand (2009: Rs. 824 thousand)	1,081	1,081
-	91,221	10	Pakistan Reinsurance Company Limited Market value Nil (2009: Rs. 2,381 thousand)	-	2,161
			Construction and Material		
20,500	15,000	10	Lucky Cement Limited Market value Rs. 1,554 thousand (2009: Rs. 994 thousand)	1,502	478
			Electricity		
503,500	252,000	10	The HUB Power Company Limited Market value Rs. 18,836 thousand (2009: Rs. 7,832 thousand)	15,550	5,943
64,278	10,000	10	Kot Addu Power Company Limited Market value Rs. 2,615 thousand (2009: Rs. 459 thousand)	2,777	385
400,000	-	10	Nishat Power Market value Rs. 6,492 thousand	5,031	-
			Carried forward	42,061	23,406

Number of units/shares 2010	Number of units/shares 2009	Face value Rupees	Fund's / Company's name	2010 (Rupees in thousand)	2009 (Rupees in thousand)
			Brought forward	42,061	23,406
			Oil and Gas		
-	29,000	10	Oil and Gas Development Company Limited (2009: Market value Rs. 3,208 thousand)	-	3,049
46,798	-	10	National Refinery Limited Market value Rs. 12,813 thousand	10,298	-
77,711	49,920	10	Pakistan Oilfields Limited Market value Rs. 22,999 thousand (2009: Rs. 11,520 thousand)	18,103	9,421
58,141	68,644	10	Pakistan Petroleum Limited Market value Rs. 12,625 thousand (2009: Rs. 13,014 thousand)	9,000	9,275
6,791	-	10	Mari Gas Company Limited Market value Rs. 849 thousand	1,010	-
56,750	33,800	10	Pakistan State Oil Company Limited Market value Rs. 16,751 thousand (2009: Rs. 10,053 thousand)	14,895	7,680
			Fixed Line Telecommunication		
121,500	-	10	Pakistan Telecommunication Company Limited Market value Rs. 2,360 thousand	2,480	-
			Chemicals		
95,778	222,950	10	Engro Corporation Limited Market value Rs. 18,563 thousand (2009: Rs. 40,860 thousand)	14,402	29,942
195,158	568,950	10	Fauji Fertilizer Company Limited Market value Rs. 24,563 thousand (2009: Rs. 58,562 thousand)	16,384	37,353
			Pharma and Bio Tech		
10,361	41,781	10	Abbott Laboratories (Pakistan) Limited Market value Rs. 1,137 thousand (2009: Rs. 5,065 thousand)	685	2,763
			Carried forward	129,318	122,889

Number of units/shares 2010	Number of units/shares 2009	Face value Rupees	Fund's / Company's name	2010 (Rupees in thousand)	2009 (Rupees in thousand)
			Brought forward	129,318	122,889
			Paper and Board		
1,056,110	844,888	10	Cherat Papersack Limited	17,025	17,025
			Market value Rs. 81,753 thousand		
			(2009: Rs. 17,025 thousand)		
			Food Producers		
-	2,000	50	Unilever Pakistan Limited	-	1,816
			Market value Nil		
			(2009: Rs. 4,600 thousand)		
			Industrial Transportation		
18,000	18,000	10	Pakistan International Container Terminal Limited	1,274	1,274
			Market value Rs. 1,310 thousand		
			(2009: Rs. 1,784 thousand)		
			Industrial Metals and Mining		
55,000	55,000	10	Crescent Steel and Allied Products Limited	937	937
			Market value Rs. 1,513 thousand		
			(2009: Rs. 1,431 thousand)		
			Tobacco		
25,000	25,000	10	Pakistan Tobacco Company Limited	2,658	2,658
			Market value Rs. 2,756 thousand		
			(2009: Rs. 2,625 thousand)		
			General Industries		
1,300	-	10	Siemens (Pakistan) Engineering	1,496	-
			Market value Rs. 1,630 thousand		
			(2009: Nil)		
20,000	20,000	10	Tri-Pack Films Limited	2,493	2,493
			Market value Rs. 2,443 thousand		
			(2009: Rs. 2,060 thousand)		
				155,201	149,092

15. Deferred taxation

The asset for deferred taxation comprises temporary differences relating to:

	2010	2009
Accelerated tax depreciation	(3,922)	(4,185)
Provision for employee benefits	10,314	7,458
	6,392	3,273

			2010	2009
			(Rupees in thousand)	
16.	**Premiums due but unpaid**			
	- Considered good		142,059	102,119
	- Considered doubtful		9,133	5,021
			151,192	107,140
	Less: Provision for doubtful receivables	-note 16.1	(9,133)	(5,021)
			142,059	102,119
16.1	**Provision for doubtful receivables**			
	Balance as at January 1		5,021	2,530
	Provision made during the year		4,112	2,491
			9,133	5,021
	Bad debts written off		-	-
	Balance as at December 31		9,133	5,021
17.	**Amounts due from other insurers / reinsurers**			
	Unsecured			
	- Considered good	-note 17.1	118,121	97,812
	- Considered doubtful		1,959	1,959
			120,080	99,771
	Less: Provision for doubtful receivables	-note 17.2	(1,959)	(1,959)
			118,121	97,812
17.1	**Considered good**			
	Amounts due from coinsurers		100,310	78,545
	Amounts due from reinsurers		17,811	19,267
			118,121	97,812
17.2	**Provision for doubtful receivables**			
	Balance as at January 1		1,959	1,959
	Provision made during the year		-	-
			1,959	1,959
	Bad debts written off		-	-
	Balance as at December 31		1,959	1,959
18.	**Accrued investment income**			
	Dividend receivable		78	1,421
	Profit receivable on PIBs		1,422	1,318
	Profit receivable on term deposit receipts		1,754	1,558
			3,254	4,297
19.	**Prepayments**			
	Prepaid reinsurance premium ceded		221,412	231,988
	Others		1,821	1,301
			223,233	233,289

		2010	2009
		(Rupees in thousand)	

20. Sundry receivables

		2010	2009
Advances to employees - unsecured, considered good	-note 20.1	956	728
Deposits and prepaid rent		3,196	2,742
Advance to contractor		-	48
Claims receivable		9,729	5,820
		13,881	9,338

20.1 Included in advances to employees are amounts due from executives Nil (2009: Rs. 188 thousand).

21. Fixed assets

21.1 Tangible

	Freehold land	Buildings on freehold land	Office equipments	Computers owned	Furniture & fixtures	Vehicles owned	Total
	(Rupees in thousand)						
Net carrying value basis							
Year ended December 31, 2010							
Opening net book value	1,168	14,499	6,330	4,080	2,826	18,518	47,421
Additions (at cost)	-	-	95	1,299	73	4,713	6,180
Disposals at net book value	-	-	(246)	(25)	(41)	(2,172)	(2,484)
Depreciation charge	-	(725)	(623)	(1,460)	(283)	(4,110)	(7,201)
Closing net book value	1,168	13,774	5,556	3,894	2,575	16,949	43,916
Gross carrying value basis							
As at December 31, 2010							
Cost	1,168	20,910	8,505	12,778	3,618	32,154	79,133
Accumulated depreciation	-	(7,136)	(2,949)	(8,884)	(1,043)	(15,205)	(35,217)
Net book value	1,168	13,774	5,556	3,894	2,575	16,949	43,916
Depreciation rate % per annum	**-**	**5**	**10**	**30**	**10**	**20**	
Net carrying value basis							
Year ended December 31, 2009							
Opening net book value	1,168	15,262	6,373	4,624	2,758	19,111	49,296
Additions (at cost)	-	-	656	1,032	351	5,952	7,991
Disposals at net book value	-	-	-	(22)	-	(2,246)	(2,268)
Depreciation charge	-	(763)	(699)	(1,554)	(283)	(4,299)	(7,598)
Closing net book value	1,168	14,499	6,330	4,080	2,826	18,518	47,421
Gross carrying value basis							
As at December 31, 2009							
Cost	1,168	20,910	8,780	11,774	3,612	31,587	77,831
Accumulated depreciation	-	(6,411)	(2,450)	(7,694)	(786)	(13,069)	(30,410)
Net book value	1,168	14,499	6,330	4,080	2,826	18,518	47,421
Depreciation rate % per annum	**-**	**5**	**10**	**30**	**10**	**20**	

		2010	2009
		(Rupees in thousand)	

21.1.2 The depreciation charge for the year has been allocated as follows:

		2010	2009
Cost of sales	- note 24	7,201	7,598
Administrative expenses - Depreciation		7,201	7,598

21.2 **Intangible**

	Computer software	Total
	(Rupees in thousand)	
Net carrying value basis		
Year ended December 31, 2010		
Opening net book value	-	-
Additions (at cost)	-	-
Disposals at net book value	-	-
Depreciation charge	-	-
Closing net book value	-	-
Gross carrying value basis		
As at December 31, 2010		
Cost	3,429	3,429
Accumulated depreciation	-	-
Net book value	3,429	3,429
Depreciation rate % per annum	33	
Net carrying value basis		
Year ended December 31, 2009		
Opening net book value	-	-
Additions (at cost)	-	-
Disposals at net book value	-	-
Depreciation charge	-	-
Closing net book value	-	-
Gross carrying value basis		
As at December 31, 2009		
Cost	3,429	3,429
Accumulated depreciation	-	-
Net book value	3,429	3,429
Depreciation rate % per annum	33	

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)			
Vehicles						
Suzuki Mehran - LEH 07 3473	Mr. Qaiser Altaf	320	94	226	300	Tender
Suzuki Mehran - LZG 5973	Mr. Mehmood Akhter	300	203	97	220	Tender
Suzuki Mehran - AGY 738	Mr. Baber Raza	250	137	113	14	Tender
Suzuki Alto - HX 064	Mr. Syed Nasir-ul-Hassan	375	99	276	350	Tender
Suzuki Mehran - AHN 281	Mr. Fayyaz Ahmed Qadri	380	190	190	175	Tender
Suzuki Alto - AFD 132	Mr. Muhammad Azeem	469	384	85	335	Tender
Honda City - LRS 5091	Mr. Haseeb Ahmed	470	342	128	610	Tender
Honda Accord - AJR 07 2007	Mr. Frahim Ali Khan	1,124	375	749	523	Company's policy
Honda City Exi - AAS 807	Mr. Arif Ali Siddiqui	70	60	10	390	Tender
Honda Civic VTI Orial - LRE 9334	Mr. Khalil Ahmed	146	-	146	650	Tender
Honda CG 125 - LEK 09A 34	Mr. Iqbal Anjum - employee	79	16	63	63	Company's policy
Other assets with book value less than Rs. 50,000		895	494	401	392	Tender
		4,878	2,394	2,484	4,148	

22. Expenses

		2010	2009
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 22.1	131,162	117,025
Utilities		2,740	2,485
Rent, rates and taxes		4,829	5,885
Telephone and communication		3,468	3,852
Vehicle running and maintenance		8,196	8,927
Repairs and maintenance		2,156	2,546
Travelling and conveyance		3,479	3,498
Printing, stationery and computer expenses		3,604	3,841
Education and training		560	125
Fee and subscriptions		4,780	4,534
Service charges		1,400	602
Entertainment		504	539
Advertisement expenses		922	575
Trackers		22,525	19,388
Others		7,514	7,356
		197,839	181,178

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 gross premium revenue.

22.1 Included in salaries, wages and benefits are Rs. 5,049 thousand (2009: Rs. 4,540 thousand) in respect of provident fund contribution by the company.

23. Other income

	2010	2009
Income from financial assets		
Return on bank deposits	40,869	30,688
Income on reverse repo transactions	-	103
	40,869	30,791
Income from non-financial assets		
Gain on sale of fixed assets	1,664	1,012
Miscellaneous	50	314
	1,714	1,326
	42,583	32,117

		2010	2009
		(Rupees in thousand)	

24. General and administration expenses

		2010	2009
Legal and professional charges		355	806
Donations	- note 24.1	3,270	2,372
Directors' fee		100	100
Auditors' remuneration	- note 24.2	710	597
Depreciation		7,201	7,598
Provision for doubtful debts	- note 16.1	4,112	2,491
Workers' welfare fund		6,673	4,744
Others		115	98
		22,536	18,806

24.1 Donations

This amount represents Rs. 3,270 thousand (2009: Rs. 2,372 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
Mr. Jawaid Iqbal Ahmed

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

24.2 Auditors' remuneration

	2010	2009
	(Rupees in thousand)	
Audit fee	300	300
Half yearly review	130	130
Audit of Provident Fund, Gratuity Funds and other certifications	190	70
Out of pocket expenses	90	97
	710	597

25. Provision for taxation

	2010	2009
For the year		
- Current year	87,590	53,284
- Deferred	(3,110)	(7,098)
	84,480	46,186
Prior year		
- Deferred	(8)	1,952
	84,472	48,138

25.1 Tax charge reconciliation

	2010	2009
	%	%
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	(9.05)	(2.95)
- Exempt for tax purposes	-	(17.08)
- Not admissible for tax purposes	(0.12)	4.50
Effect of change in prior year's tax	-	0.82
Effective tax rate	25.83	20.29

	2010	2009
	(Rupees in thousand)	

26. Earnings per share

There is no dilutive effect on basic earnings per share which is based on:

	2010	2009
Net profit after tax	242,658	189,056
	(Number of shares)	
Weighted average number of ordinary shares	36,911,502	36,911,502
	(Rupees per share)	
Earnings per share (basic / diluted)	6.57	5.12

27. Cash and cash equivalents

	2010	2009
	(Rupees in thousand)	
Cash in hand	7	13
Current and other accounts	375,074	485,278
Deposits maturing within 12 months	117,500	174,900
	492,581	660,191

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	
	2010	2009	2010	2009	2010	2009
			(Rupees in thousand)			
Managerial remuneration	8,887	7,728	9,599	8,524	11,351	12,169
Bonus	3,427	-	4,114	600	3,549	-
Medical reimbursement	48	112	303	107	561	659
House rent and utility expenses	4,250	3,696	4,591	1,751	5,557	5,996
Retirement benefits						
a) Provident fund	850	739	918	815	996	1,047
b) Service gratuity	322	280	348	309	309	408
Other reimbursable expenses	468	733	501	395	2,098	2,418
Total	18,252	13,288	20,374	12,501	24,421	22,697
Number of persons	1	1	1	1	15	8

Fees paid to 4 (2009: 3) non-executive Directors for attending meetings during the year Rs. 100 thousand (2009: Rs. 100 thousand). 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 9 to the financial statements. Period end balances and transactions with related parties are as follows:

		2010	2009
		(Rupees in thousand)	
Related parties	**Period end balances**		
	Provision for outstanding claims (including IBNR)	38,409	24,518
	Premium received in advance	45,720	44,260
	Premiums due but unpaid	75,978	42,316
	Transactions during the year		
	Premium underwritten	602,742	488,733
	Premium collected	673,019	570,249
	Claims paid	34,752	44,015
	Vehicles purchased	1,728	79
	Office equipment purchased	24	425
	Office equipment sold	237	660
	Rent received	3,799	708
	Rent paid	492	2,333
	Profit received on bank accounts	21,287	17,154
	Interest received on deposits	-	5,341
	Brokerage charged	1,393	2,485
	Dividends received	13,234	8,244
	Dividends paid	91,569	45,778
	Donations	3,270	2,372
	Investments purchased	339,500	61,544
	Investments sold	176,291	-
Post employment benefit plans	**Transactions during the year**		
	Expense charged in respect of retirement benefit plans	8,768	7,920

30. Segment reporting

The company has four primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, 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 and property damage		Marine, aviation and transport		Motor		Miscellaneous		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)									
Revenue										
Premiums earned	360,419	231,365	302,475	216,870	225,321	269,031	116,166	65,433	1,004,381	782,699
Segment Results	44,740	55,243	139,633	74,876	10,646	(32,932)	4,905	7,280	199,924	104,467
Investment income									102,634	118,230
Rental income									4,936	1,736
Other income									42,583	32,117
Financial charges									(411)	(550)
General and administration expenses									(22,536)	(18,806)
									127,206	132,727
Profit before tax									327,130	237,194
Provision for tax									(84,472)	(48,138)
Net Profit									242,658	189,056
Other information										
Segment assets	341,328	329,853	143,284	105,197	82,403	91,081	133,649	94,690	700,664	620,821
Unallocated assets									1,334,070	1,284,272
Consolidated total assets									2,034,734	1,905,093
Segment liabilities	454,854	440,422	179,277	157,825	245,090	280,887	152,533	123,024	1,031,754	1,002,158
Unallocated liabilities									146,583	154,972
Consolidated total liabilities									1,178,337	1,157,130

Capital expenditure and depreciation / amortisation have not been allocated as fixed assets to which they relate, form part of unallocated assets.

30.1 Revenue in fire and property damage, marine, aviation and transport, motor and miscellaneous segments includes revenue from customers in excess of 10% of total revenue of the company.

31. Insurance risk management

31.1 Insurance risk

The risk under any one insurance contract is the probability that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that larger the portfolio of similar insurance contracts, the smaller the relative variability about expected outcome will be. In addition, a more diversified portfolio is less likely to be effected by a change in any subset of the portfolio.

The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Three level retention authority is practiced for analysis of each risk. For larger risks, Major Risk Advice (MRA) is prepared to study placement of risk before finalization and Risk Card System is implemented to check any geographic accumulation of risks.

Concentration of insurance risk

One of the most important elements of effective risk management in fire and property insurance is monitoring of risk accumulation both at a given premise and in a certain geographical spread of location. Risk segregation in a particular location is done through risk inspection prior to underwriting. Wide variety of factors associated with risk are evaluated while conducting such risk surveys. These include risk location, physical hazards associated with nature of business being conducted or occupation of the premises, manufacturing process, storage of raw material, furnished goods and utilities etc. type of construction and the layout plan of the manufacturing facility for segregation of risk to possibility of spread of fire from one risk to another adjacent or closely located facility and the values exposed at each risk e.t.c are studied in such risk inspections. While studying such aspects reference is made to standard construction specifications and criteria of segregation of risk as laid down by Insurance Association of Pakistan and those specified by the participating reinsurers in the respective reinsurance arrangements. This include, though not limited to, presence of perfect walls, double fire proof iron doors and distance between the risks. This helps avoid spread of uncontrolled fire and explosion in one area and limit the damage.

To monitor accumulation of various risks in a particular geographical location, a system generated location card is developed which is available with the underwriters and reinsurance personnels in order to check high accumulation of values exposed to insurance in a given location. In order to further safeguard large financial commitments company's retention in various risks exposed to an unexpected catastrophic event, an excess of loss reinsurance coverage besides proportional treaty has been arranged which provides protection to numerous net retentions exposed on various risks and possibly getting affected due to an unforeseen catastrophic event like earthquake and flood etc.

Individual risk location factor and risk amounts are essential fields of the policy data interphase of system. It provides instant and risk factor amount which is dependent on data collection provided under the policy schedule.

In marine cargo insurance complete underwriting details, besides sum insured and premium, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc are fed into the system. The reinsurance module of the system is designed to satisfy the requirements to monitor accumulation of various consignments over one vessel or carrier. Despite such controls the respective reinsurance, beyond normal coverage also addresses to cover unknown accumulation, which may otherwise could not be identified in time for one reason or the other.

	Maximum insured loss		Loss ceded		Net retention	
	2010	2009	2010	2009	2010	2009
			(Rupees in thousand)			
Fire and property damage	119,409,433	111,387,204	80,816,304	86,213,696	38,593,129	25,173,508
Marine, aviation and transport	8,686,616	8,571,370	2,888,300	3,755,974	5,798,316	4,815,396
Motor	10,320,650	5,791,051	469,589	86,866	9,851,061	5,704,185
Miscellaneous	59,042,039	48,808,806	48,272,771	40,935,946	10,769,268	7,872,860
	197,458,738	174,558,431	132,446,964	130,992,482	65,011,774	43,565,949

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. However, the company uses assumption of mixture of total claims based on past experience, survey reports and market data to measure its claims liabilities. Data for the contract held is derived mostly from the company's quarterly claims reports and screening of the actual insurance contracts carried out at year-end 2010. The company has reviewed the individual contracts and in particular the types of customers to whom company issues contracts and the actual reporting years of claims. Change in mark-up rates of the banks, law and order situation and geo-political situation of South Asia could possibly have an impact on the unexpired risk. Though no major impact is foreseen given the current portfolio of the company. However, this information is used to develop scenarios related to claims that are used for the projection.

	Net impact of increase / decrease in average claims by 10% on			
	underwriting result		shareholders equity	
	2010	2009	2010	2009
	(Rupees in thousand)			
Fire and property damage	680	637	442	414
Marine, aviation and transport	1,306	1,281	849	833
Motor	15,304	16,751	9,948	10,888
Miscellaneous	361	567	235	369
Total	17,651	19,236	11,474	12,504

Claim development

Accident Year	2006	2007	2008	2009	2010	Total
			(Rupees in thousand)			
Estimate of ultimate claims costs:						
At end of accident year	87,997	166,193	215,052	112,376	175,250	
One year later	104,429	140,134	207,008	114,847	-	
Two years later	102,425	136,044	185,111	-	-	
Three years later	102,540	138,834	-	-	-	
Four years later	101,989	-	-	-	-	
Current estimate of cumulative claims	101,989	138,834	185,111	114,847	175,250	716,031
Cumulative payments to date	(99,941)	(131,562)	(145,281)	(76,839)	-	(453,623)
Liability recognised in the statement of financial position	2,048	7,272	39,830	38,008	175,250	262,408

31.2 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 companies for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from sizeable risks, and provide additional underwriting capacity which also constitutes towards the growth of premium. A significant portion of the reinsurance is affected under treaty, facultative and also under excess-of-loss reinsurance contracts to protect company's exposure towards catastrophic losses.

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

32. Financial risk management

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) 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 Deposit Receipts and Mutual Funds, 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's Investment Committee actively monitors the key factors that affect investment market and all investment related decisions are taken after due consultation with the Investment Committee.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. 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.

(ii) Other price risk

Available for sale investments are stated at 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 SEC (Insurance) Rules, 2002. The carrying and market value of these investments have been disclosed in note 14.2 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

(iii) 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.

	2010	2009
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Deposits maturing within 12 months	117,500	174,900
Statutory deposits	37,000	35,000
Variable rate instruments		
Financial assets		
Bank balances - saving accounts	350,017	457,210
Total exposure	504,517	667,110

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If the Karachi Inter Bank Offer Rate (KIBOR), had fluctuated by 10% with all other variables held constant, the impact on profit before taxation for the year would have been higher / lower by Rs. 4,850 thousand and impact on shareholder's equity would have been higher / lower by Rs. 3,153 thousand.

(b) Credit risk

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. 1,741,793 thousand (2009: Rs. 1,602,635 thousand) the financial assets which are subject to credit risk amounted to Rs. 1,741,786 thousand (2009: Rs. 1,602,622 thousand). The company believes that it is not exposed to major concentration of credit risk.

(i) Concentration of credit risk

Concentration of credit risk occurs when a number of counter parties are engaged in similar business activities. As a result, any change in economic, political or other conditions would have an impact on their ability to meet contractual obligations in similar manner. 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.

(ii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010	2009
	(Rupees in thousand)	
Current and other accounts	375,074	485,278
Deposits maturing within twelve months	117,500	174,900
Loans to employees	177	201
Investments	771,580	557,173
Premiums due but unpaid	142,059	102,119
Amounts due from other insurers / reinsurers	118,121	97,812
Salvage recoveries accrued	9,985	13,391
Accrued investment income	3,254	4,297
Reinsurance recoveries against outstanding claims	192,769	160,368
Sundry receivables	11,268	7,083
	1,741,787	1,602,622

The company maintains a general provision against doubtful receivables. The related movement is disclosed in note 16.1 and 17.2. The company has assessed that remaining past due balances are not impaired since these relate to a number of insurers / reinsurers with no recent history of default.

Age analysis of receivables is as follows:

	2010	2009
	(Rupees in thousand)	
- Up to one year	128,742	89,891
- Past one but less than three years	17,010	14,167
- Over three but less than five years	3,527	2,998
- More than five years	1,913	84
	151,192	107,140

(iii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating Short term	Rating Long term	Rating Agency	2010	2009
				(Rupees in thousand)	
National Bank of Pakistan	A1+	AAA	JCR-VIS	173	213
Allied Bank Limited	A1+	AA	PACRA	8,896	6,538
Askari Bank Limited	A1+	AA	PACRA	-	5
Summit Bank Limited	A2	A -	JCR-VIS	20,329	459,285
Bank Alfalah Limited	A1+	AA	PACRA	4,946	11,086
Faysal Bank Limited	A1+	AA	JCR-VIS	330,044	6
Habib Bank Limited	A1+	AA+	JCR-VIS	1,869	2,885
MCB Bank Limited	A1+	AA+	PACRA	5,946	2,301
Silkbank Limited	A2	A -	JCR-VIS	-	401
Soneri Bank Limited	A1+	AA -	PACRA	758	239
Standard Chartered Bank (Pakistan) Limited	A1+	AA+	JCR-VIS	86	219
Al Baraka Bank (Pakistan) Limited	A2	A	JCR-VIS	15	-
United Bank Limited	A1+	AA+	JCR-VIS	2,012	2,100
				375,074	485,278
Term deposit certificates					
Askari Bank Limited	A1+	AA	PACRA	-	25,000
Soneri Bank Limited	A1+	AA -	PACRA	5,000	5,000
Al Baraka Bank (Pakistan) Limited	A2	A	JCR-VIS	15,000	15,000
Silkbank Limited	A2	A -	JCR-VIS	-	79,900
Faysal Bank Limited	A1+	AA	JCR-VIS	97,500	50,000
				117,500	174,900

(c) 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.

32.1 Financial instruments by categories

	Held to maturity		Available for sale		Loans and receivables		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)							
Financial assets as per balance sheet								
Cash and other equivalents	-	-	-	-	7	13	7	13
Current and other accounts	-	-	-	-	375,074	485,278	375,074	485,278
Deposits maturing within twelve months	117,500	174,900	-	-	-	-	117,500	174,900
Loans to employees	-	-	-	-	177	201	177	201
Investments	37,000	35,000	734,580	522,173	-	-	771,580	557,173
Premiums due but unpaid	-	-	-	-	142,059	102,119	142,059	102,119
Amounts due from other insurers / reinsurers	-	-	-	-	118,121	97,812	118,121	97,812
Salvage recoveries accrued	-	-	-	-	9,985	13,391	9,985	13,391
Accrued investment income	-	-	-	-	3,254	4,297	3,254	4,297
Reinsurance recoveries against outstanding claims	-	-	-	-	192,769	160,368	192,769	160,368
Sundry receivables	-	-	-	-	11,268	7,083	11,268	7,083
	154,500	209,900	734,580	522,173	852,714	870,562	1,741,794	1,602,635

	Other financial liabilities	
	2010	2009
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Provision for outstanding claims (including IBNR)	298,398	253,899
Amounts due to other insurers / reinsurers	223,694	266,387
Accrued expenses	49,238	39,385
Creditors and accrued expenses	17,745	24,517
Deposits against performance bonds	1,491	1,391
Dividends payable	17,682	14,603
	608,248	600,182

Maturity analysis of financial assets and liabilities

	2010						
	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2010
	(Rupees in thousand)						
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	7	-	7	7
Current and other accounts	350,017	-	350,017	25,057	-	25,057	375,074
Deposits maturing within twelve months	117,500	-	117,500	-	-	-	117,500
Loans to employees	-	-	-	70	107	177	177
Investments	35,000	2,000	37,000	734,580	-	734,580	771,580
Premiums due but unpaid	-	-	-	142,059	-	142,059	142,059
Amounts due from other insurers / reinsurers	-	-	-	118,121	-	118,121	118,121
Salvage recoveries accrued	-	-	-	9,985	-	9,985	9,985
Accrued investment income	3,176	-	3,176	78	-	78	3,254
Reinsurance recoveries against outstanding claims	-	-	-	192,769	-	192,769	192,769
Sundry receivables	-	-	-	11,268	-	11,268	11,268
	505,693	2,000	507,693	1,233,994	107	1,234,101	1,741,794
Off balance sheet	-	-	-	-	-	-	-
Total	505,693	2,000	507,693	1,233,994	107	1,234,101	1,741,794

	2010						
	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2010
	(Rupees in thousand)						
Financial liabilities							
On balance sheet							
Insurance contracts - short term	-	-	-	425,948	-	425,948	425,948
Less: Reinsurance assets held to cover insurance contracts	-	-	-	(221,412)	-	(221,412)	(221,412)
	-	-	-	204,536	-	204,536	204,536
Provision for outstanding claims (including IBNR)	-	-	-	298,398	-	298,398	298,398
Amounts due to other insurers / reinsurers	-	-	-	223,694	-	223,694	223,694
Accrued expenses	-	-	-	49,238		49,238	49,238
Creditors and accrued expenses	-	-	-	17,745	-	17,745	17,745
Deposits against performance bonds	-	-	-	1,491	-	1,491	1,491
Dividends payable	-	-	-	17,682		17,682	17,682
	-	-	-	812,784	-	812,784	812,784
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	812,784	-	812,784	812,784
On balance sheet gap	505,693	2,000	507,693	421,210	107	421,317	929,010
Off balance sheet gap	-	-	-	-	-	-	-

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

Maturity analysis of financial assets and liabilities

	2009						
	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2009
	(Rupees in thousand)						
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	13	-	13	13
Current and other accounts	457,210	-	457,210	28,068	-	28,068	485,278
Deposits maturing within twelve months	174,900	-	174,900	-	-	-	174,900
Loans to employees	-	-	-	138	63	201	201
Investments	-	35,000	35,000	522,173	-	522,173	557,173
Premiums due but unpaid	-	-	-	102,119	-	102,119	102,119
Amounts due from other insurers / reinsurers	-	-	-	97,812	-	97,812	97,812
Salvage recoveries accrued	-	-	-	13,391	-	13,391	13,391
Accrued investment income	2,876	-	2,876	1,421	-	1,421	4,297
Reinsurance recoveries against outstanding claims	-	-	-	160,368	-	160,368	160,368
Sundry receivables	-	-	-	7,083	-	7,083	7,083
	634,986	35,000	669,986	932,586	63	932,649	1,602,635
Off balance sheet	-	-	-	-	-	-	-
Total	634,986	35,000	669,986	932,586	63	932,649	1,602,635

	2009						
	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2009
	(Rupees in thousand)						
Financial liabilities							
On balance sheet							
Insurance contracts - short term	-	-	-	405,471	-	405,471	405,471
Less: Reinsurance assets held to cover insurance contracts	-	-	-	(231,988)	-	(231,988)	(231,988)
	-	-	-	173,483	-	173,483	173,483
Provision for outstanding claims (including IBNR)	-	-	-	253,899	-	253,899	253,899
Amounts due to other insurers / reinsurers	-	-	-	266,387	-	266,387	266,387
Accrued expenses	-	-	-	39,385		39,385	39,385
Creditors and accrued expenses	-	-	-	24,517	-	24,517	24,517
Deposits against performance bonds	-	-	-	1,391	-	1,391	1,391
Dividend payable	-	-	-	14,603		14,603	14,603
	-	-	-	773,665	-	773,665	773,665
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	773,665	-	773,665	773,665
On balance sheet gap	634,986	35,000	669,986	158,921	63	158,984	828,970
Off balance sheet gap	-	-	-	-	-	-	-

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

32.2 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 objectives when managing capital are:

(i) to be in compliance with the paid-up capital requirement set by the SECP. 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 to shareholders and benefits to 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 14.2 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 2, 2011 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, 2010 of Rs. 4 (2009: Rs. 4) per share, amounting to Rs. 174,696 thousand (2009: Rs. 134,224 thousand) at their meeting held on March 2, 2011 for the approval of the members at the Annual General Meeting to be held on March 31, 2011. The Board has also recommended to transfer Rs. 21,000 thousand (2009: Rs. 22,000 thousand) to general reserves and stock dividend of Rs. 2 (2009: Rs. 1) per share, amounting to Rs. 73,823 thousand (2009: Rs. 33,556 thousand) 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 purposes of comparison. However, no significant rearrangements have been made.

Arshad P. Rana	**Ali H. Shirazi**	**Azam Faruque**	**Yusuf H. Shirazi**
Chief Executive	Director	Director	Chairman

DISTRIBUTION OF SHAREHOLDING IN CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED
AS AT DECEMBER 31, 2010

Number of Shareholders	Shareholding From	To	Total Shares held
155	1	100	5,465
168	101	500	43,888
101	501	1,000	74,758
248	1,001	5,000	591,279
55	5,001	10,000	398,583
28	10,001	15,000	344,181
18	15,001	20,000	311,230
8	20,001	25,000	177,575
7	25,001	30,000	188,869
5	30,001	35,000	165,321
5	35,001	40,000	194,578
2	40,001	45,000	86,928
4	45,001	50,000	189,545
3	50,001	55,000	161,896
1	70,001	75,000	74,207
1	75,001	80,000	78,787
1	80,001	85,000	81,200
1	85,001	90,000	88,200
1	90,001	95,000	90,443
1	105,001	110,000	107,285
1	135,001	140,000	137,833
1	150,001	155,000	154,000
1	175,001	180,000	179,372
1	235,001	240,000	237,875
1	1,040,001	1,045,000	1,041,097
1	3,625,001	3,630,000	3,625,050
1	11,602,001	11,610,000	11,609,856
1	12,550,001	12,555,000	12,553,106
821			32,992,407

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2010

Number of Shareholders	Shareholding From	To	Total Shares held
216	1	100	7,099
215	101	500	54,193
117	501	1,000	86,875
336	1,001	5,000	799,127
89	5,001	10,000	656,266
39	10,001	15,000	487,412
30	15,001	20,000	518,799
14	20,001	25,000	314,722
10	25,001	30,000	275,082
7	30,001	35,000	230,986
7	35,001	40,000	268,284
4	40,001	45,000	171,658
4	45,001	50,000	189,545
3	50,001	55,000	161,896
1	60,001	65,000	61,490
1	65,001	70,000	68,678
3	70,001	75,000	221,785
2	75,001	80,000	157,530
1	80,001	85,000	81,200
1	85,001	90,000	88,200
2	90,001	95,000	183,459
1	100,001	105,000	103,788
1	105,001	110,000	107,285
1	135,001	140,000	137,833
1	145,001	150,000	147,612
1	150,001	155,000	154,000
1	175,001	180,000	179,372
1	235,001	240,000	237,875
1	915,001	920,000	915,328
1	1,015,001	1,020,000	1,015,014
1	1,040,001	1,045,000	1,041,097
1	3,625,001	3,630,000	3,625,050
1	11,605,001	11,610,000	11,609,856
1	12,550,001	12,555,000	12,553,106
1,115			36,911,502

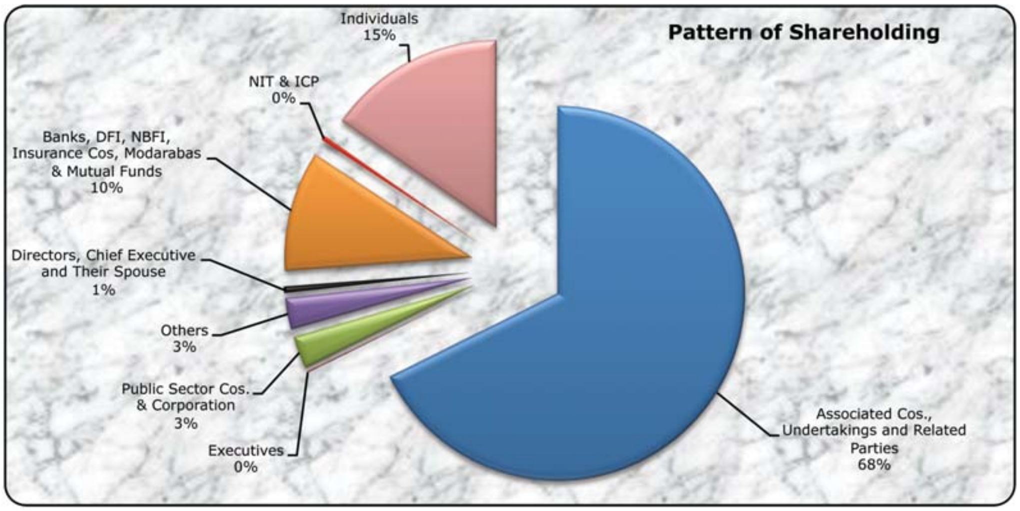
The slabs representing nil holding have been omitted.

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO and their spouse and minor childern	6	55,987	0.15%
Associated Companies, undertakings & related parties	4	25,181,413	68.22%
NIT & ICP	2	668	0.00%
Banks, DFIs & NBFCs - Local	1	39,875	0.11%
Banks, DFIs & NBFCs - Foreign	1	3,625,050	9.82%
Insurance Companies	1	154,000	0.42%
Modarbas and Mutual Funds	2	43,573	0.12%
Public Sector Companies & Corporations	1	1,041,097	2.82%
* Shareholders holding 10% or more voting interest in the company	2	24,142,962	65.41%
Indiviuals:			
- Resident Pakistani	1,060	5,718,470	15.49%
- Non-Resident Pakistani	8	37,916	0.10%
Others:			
- Joint Stock Companies	25	46,703	0.13%
- Others	4	966,750	2.62%
TOTAL	1,115	36,911,502	100.00%

* 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, 2010
Information required under the Code of Corporate Governance

Categories of shareholders	Number of shareholders	Number of shares held	Percentage of shares held
Associated Companies, undertakings and related parties (Names wise detail)			
Shirazi Investments (Pvt) Limited	1	12,553,106	34.01%
Shirazi Capital (Pvt.) Limited	1	11,609,856	31.45%
Atlas Foundation	1	1,015,014	2.75%
Iftikhar Shirazi Family Trust	1	3,437	0.01%
NIT and ICP			
IDBP - (ICP Unit)	2	668	0.00%
Directors, CEO and their spouse and minor children			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	3,437	0.01%
Mr. Azam Faruque	1	1	0.00%
Mr. Ali H. Shirazi	1	3,437	0.01%
Mr. Frahim Ali Khan	1	1	0.00%
Mr. Jawaid Iqbal Ahmed	1	359	0.00%
Mr. Arshad P. Rana	1	48,752	0.13%
Executives	5	38,276	0.10%
Public Sector Companies & Corporations			
State Life Insurance Corporation of Pakistan	1	1,041,097	2.82%
Bank, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds	5	3,862,498	10.46%
Shareholders holding 10% or more voting interest			
Individuals	1,063	5,718,110	15.49%
Others	29	1,013,453	2.75%
Total	1,115	36,911,502	100.00%



Details of transaction in the shares by the Director and Company Secretary

Name	Number of Shares		Date of Transaction	Price Per Share
	Purchased	Sold		
Mr. Kamal A. Chinoy (Resigned w.e.f. December 23, 2010)	500	-	22-01-2010	44.20
Mr. Muhammad Afzal	-	20	21-01-2010	44.00
Mr. Muhammad Afzal	-	26	05-04-2010	44.26

Atlas Insurance

COMPANY OFFICES

HEAD OFFICE

3 Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX: Fax:	37320542, 37320543, 37310658 37322271, 37322273 37234742
ARSHAD P. RANA Chief Executive Officer	Direct: Extension:	37234812 501
AAMER WAQAR CHAUDHRY Chief Financial Officer	Direct: Extension:	37234757 403
MUHAMMAD MUNIR Technical Adviser (Operations)	Direct: Extension:	37314241 404
QUDSIA NAHEED Vice President (Admin/HR)	Direct: Extension:	37245348 303
MUHAMMAD ASHRAF BHATTI Vice President (Underwriting)	Direct: Extension:	37323270 304
MUHAMMAD IQBAL Vice President (Marketing)	Direct: Extension:	37353633 301
MUHAMMAD SAEED Vice President (Claims)	Direct: Extension:	37323229 302
SALEEM MEHMOOD Chief Internal Auditor	Extension:	428

NORTH ZONE OFFICES & BRANCHES
LAHORE

MUHAMMAD MUNIR QAZI Chief Manager	Fatima Jinnah Road Branch 1st Floor, Nawa-i-Waqat Building, Fatima Jinnah Road, Lahore.	36271320, 36364906 Fax: 36371186
MUHAMMAD IJAZ Deputy Chief Manager	Al-Noor Branch Al-Noor Building, 43-Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	37358805 Fax: 37237343
CH. TAYYAB HUSSAIN Branch Manager	City Branch 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	37212365-6, 37312858, 37312868, 37230558-9 Fax: 37212367
KH. MUHAMMAD NADEEM Branch Manager	Napier Road Branch Nairobi Mansion Napier Road, Lahore.	37352560 Fax: 37358190
ZAFAR HUSSAIN JAMAL Branch Manager	Mall Road Branch Hafeez Chambers, 85- Shahrah-e-Quaid-e-Azam, Lahore.	36305595, 36271663 Fax: 36369576
MUHAMMAD WASIM PURI Branch Manager	Gulberg Branch - 1 Office No. 335, 3rd Floor, Land Mark Plaza, Jail Road, Lahore	35775733-4 Fax: 35714514

RAWALPINDI

MAHMOOD AHMED Chief Manager MANZAR ALI NAQVI Manager	101/13, Bank Road, Grand Hotel Building, P.O. Box 119, Rawalpindi.	5563413, 5516546 Fax: 5798083

FAISALABAD BRANCH - II

MUHAMMAD ASIF AKRAM Branch Manager	123-B, People's Colony No. 1, D - Ground, Faisalabad.	8721256, 8734176 Fax: 8732499

FAISALABAD BRANCH - I		
RANA SAGHIR Branch Manager	Room No. 508-509 4th Floor, Business Centre, P-8/8, Regency Road, New Civil Lines, Faisalabad	2635081, 2647194 Fax: 2635080
SIALKOT		
REHAN NAZIR GHUMAN Branch Manager	Kutchery Road, Sialkot.	4264195, 4594520 Fax: 4290095
MULTAN		
GHULAM ALI Office Incharge	Atlas Honda Building Azmat Wasti Road, Multan.	4544494
GUJRANWALA		
MUHAMMAD IKRAM Branch Manager	GTR Branch 2nd Floor, Crescent Plaza, G. T. Road, Gujranwala.	3841725-6 Fax: 8020719
SOUTH ZONE OFFICE		
Ground Floor, Federation House, Abdullah Shah Ghazi Road, Main Clifton, Karachi.	PABX: Fax:	35378806-7 35369395-6 35378515
ARSHAD P. RANA Chief Executive Officer	Direct: Extension:	35378757 201
MUHAMMAD IMRAN Asst. Vice President (Non Motor)	Extension:	217
JAWAID IRSHAD Manager Motor	Extension:	215
MUHAMMAD AFZAL Company Secretary	Extension:	202
SOUTH ZONE BRANCHES KARACHI		
M. FAROOQ KANDLAWALA Circle Chief, Karachi Circle - I	Tower Branch State Life Building No. 7 Room No. 101, 1st Floor G. Allana Road, Karachi.	32316503, 32201471 Fax: 32315248
ABDUL AZIZ Chief Manager	Corporate Branch 1/10, Arkey Square, 1st Floor, Shahrah-e-Liaquat, Karachi	32421030, 32422911 Fax: 32421387
IMRAN SATTAR Chief Manager	Plaza Branch 3/3 Rimpa Plaza M.A. Jinah Road, Karachi.	32729339, 32720852 Fax: 32749004
TARIQ NASIM Chief Manager	New Challi Branch 1st Floor, Room No. 106-107, Rehmani Chamber, Altaf Hussain Road, Karachi.	32218286, 32218288 Fax: 32218264
INAYAT ULLAH Branch Manager	Zamzama Branch Kanta Bai Building, 18 - C, Zamzama Commercial Lane No. 1, Phase - V, DHA, Karachi.	35835902 Fax: 35835733
HYDERABAD		
ZAFAR AHMAD GHOURI Circle Chief, Hyderabad Circle	Plot No. 466, Mezzanine Floor, Al-Abbas Plaza, Saddar, Hyderabad.	2782659, 2782660 Fax: 2786410
SUKKUR		
ABDUL MAJEED QURESHI Chief Manager	Near Sukkur Public School, Swiss Bakers, Military Road, Sukkur.	5631056 Fax: 5631057

Atlas Group Companies	*Year of Establishment / Acquisition**
Shirazi Investments	1962
Atlas Honda	1963
Atlas Battery	1966
Shirazi Trading	1975
Atlas Insurance	1980*
Atlas Engineering	1981*
HONDA Honda Atlas Cars	1992
HONDA Honda Atlas Power Product	1997
Atlas Asset Management	2002
Shirazi Capital	2005
Atlas Power	2007
Atlas World Wide	2007
Atlas Venture	2008

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 76th Annual General Meeting of the company to be held at Registered Office on March 31, 2011 at 3:00 p.m. at 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore and at every adjournment thereof.

As witness my /our hand this _____ day of _______ 2011.

Signature:_________________________

Address:__________________________

____

Affix Revenue Stamp Signature

Witness:

Signature:_________________________

Address:__________________________

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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 on his / her behalf. No person shall act, as a proxy who is not a member of the company except that a company 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 company, under the common seal of such company.

3. The Form of proxy, duly completed, must be received at the company's Registered Office, 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore, not later than 48 hours before the meeting.

AFFIX
POSTAGE

The Secretary
Atlas Insurance Limited
3 - Bank Square,
Shahrah-e-Quaid-e-Azam,
Lahore.

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COMMITTED TO
DELIVER

Atlas Insurance Limited
3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore-54000 **Ph:** +92 42 373 20542-3, 373 22271, 373 22273, 373 10658 **Fax:** +92 42 372 34742
Email: info@atlasinsurance.com.pk **Website:** www.atlasinsurance.com.pk