



Annual Report 2012





Key Figures

	<u>2012</u>	<u>2011</u>		
	(Rupees in thousand)			
Premium written	1,500,344	1,120,290	↑	34%
Net premium revenue	603,616	591,289	↑	2%
Net commission	54,894	43,084	↑	27%
Underwriting result	291,177	253,585	↑	15%
Investment income	180,692	133,572	↑	35%
Profit before tax	463,624	400,084	↑	16%
Profit after tax	362,217	301,168	↑	20%
Issued, subscribed and paid-up capital	531,526	442,938	↑	20%
Equity	1,194,961	1,009,919	↑	18%
Cash and bank deposits	282,013	54,591	↑	417%
Investments	1,255,886	1,089,256	↑	15%
Total assets	2,700,543	2,078,085	↑	30%
Cash dividend	212,610	177,175	↑	20%
Bonus	106,305	88,588	↑	20%

Organisation
development
through
self development



Table of Contents

Company Overview	
Vision and Mission	01
Corporate Strategy	02
Core Values	03
Code of Conduct	04
Risk Management and Safety, Health & Environment	06
Company's Profile	07
Organogram	13
Board of Directors	14
Company Information	16
Major Events	18
Shareholders' Information	
Notice of Annual General Meeting	19
Information for Shareholders	21
Financial Highlights	
Ten Years at a Glance	23
Analysis of Financial Statements	27
Statement of Value Addition	33
Corporate Governance	
Chairman's Review	34
Directors' Report	39
Pattern of Shareholding	44
Statement of Compliance with the Code of Corporate Governance	46
Auditors' Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance	48
Financial Statements	
Auditors' Report to the Members	49
Balance Sheet	50
Profit and Loss Account	52
Statement of Comprehensive Income	53
Statement of Changes in Equity	54
Cash Flow Statement	55
Statement of Premiums	57
Statement of Claims	58
Statement of Expenses	59
Statement of Investment Income	60
Notes to the Financial Statements	61
Company Offices	91
Atlas Group Companies	93
Form of Proxy	



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

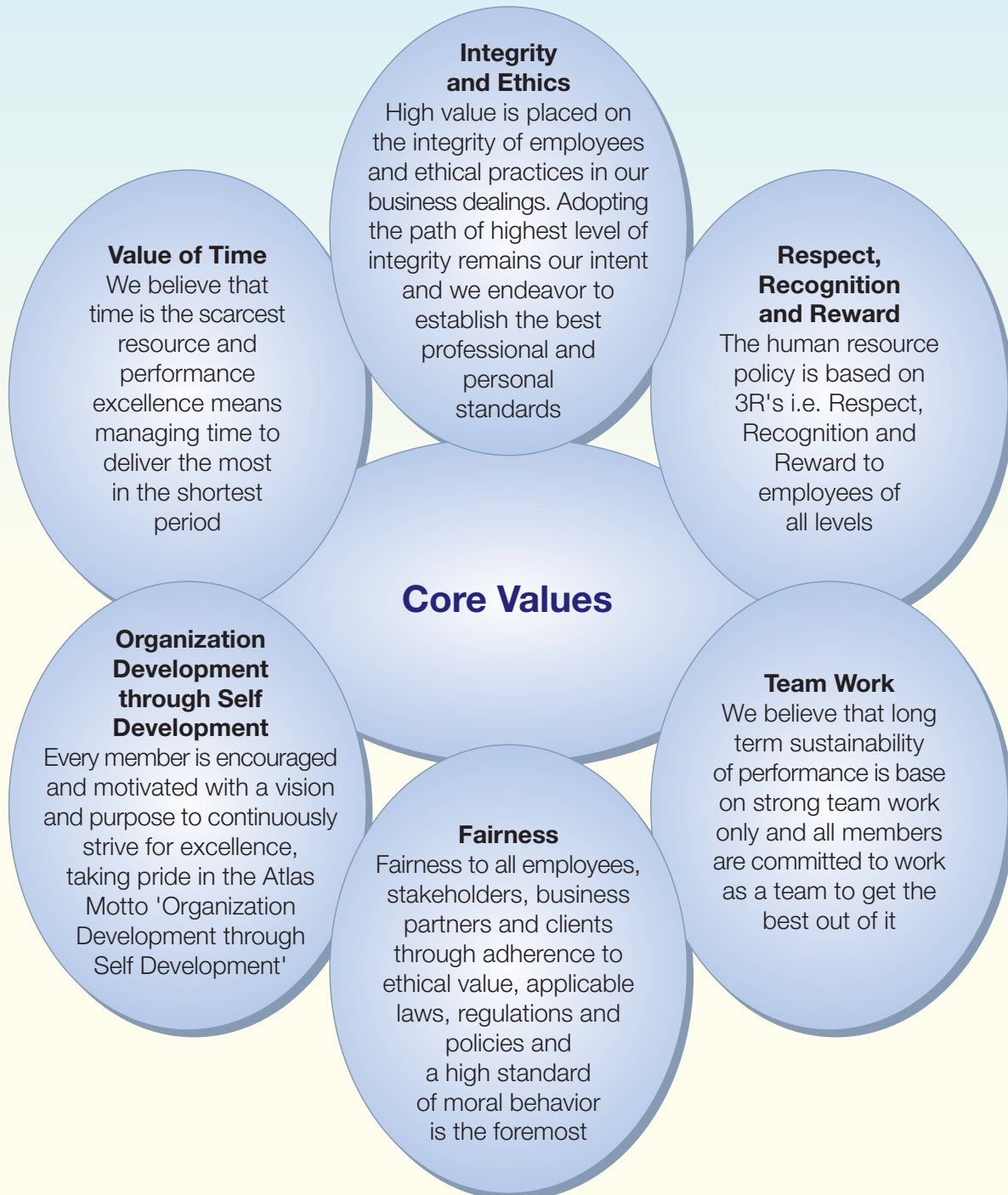
Create value for the shareholders maintaining and improving our competitive position in the market

Build 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 Conduct

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 the clients. It endeavors to provide peace of mind and security to its clients pursuing 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.

Community 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

Performance follows Commitments

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. 1.195 billion in 2012, total assets having grown to over Rs. 2.701 billion and investments from Rs. 4.594 million to over Rs. 1.256 billion. 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 upgraded Insurer Financial Strength (IFS) rating of the Company from A+ to AA- which denotes a very strong capacity to meet policyholders and contract obligations. At the same time risk factors are considered modest, and the impact of any adverse business and economic factors is expected to be very limited.

Atlas Insurance Limited is a financially sound and professional managed Company and again won the award for the best accounts for the year 2011 by the Joint Committee of ICAP and ICMAP. This is the seventh and six consecutive time that the Company has been awarded the Top Five Companies "Best Corporate Report Award" 2003 and from 2006 to 2011 by the joint committee of ICAP and ICMAP. Atlas Insurance Limited has been awarded SAFA "Best Presented Accounts Award" continuously for six years from 2006 to 2011. Atlas Insurance Limited is also recipient of "KSE Top 25 Companies Award".

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



Personal Accident

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



Boiler & Pressure Vessel

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



Crop Insurance

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



Travel Insurance

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



Computer All Risk

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



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.



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.

Loss of Profit

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



Health Insurance

Atlas Insurance health plan - 'Atlas Care' provides coverage against Hospitalization, Maternity, Critical Illness, OPD and Specialized Investigations etc. Health Insurance relieves insured from the worries of unexpected diseases Ailments, Surgery, Operations and Out Patients Care. The Group Medical Insurance curtails the administrative burden and financial pressures.



Product Liability

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



Board of Directors

The Board of the 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 possess 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, six 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, budget 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. An actions item list was also prepared after finalization and circulation of minutes of the meetings and status of each action item was provided to the Board in next meeting.

The Roles of the Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer 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 Officer 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 Officer recommends policies and strategic directions, financial statements, annual business plans and budget for the Board 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.

Chief Executive Officer Performance Review

The Board assumes the monitoring role, giving full authority to the Chief Executive Officer to manage the Company, implement strategic decisions and policies of the Board and align the Company's direction with vision and objectives set by the Board for continuous development and progress. The Chief Executive Officer is present in every meeting of the Board and provides detailed explanation on each item of the agenda and addresses any specific questions by the Board members. The performance of Chief Executive Officer is assessed through the evaluation system which takes into account various parameters including financial performance, organisation building, human resource and succession planning.

Board Committees

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 Officer and to consider remittance of any matter to the external auditors or to any other external body.

Human Resource and Remuneration Committee

Human Resource and Remuneration Committee was established by the Board to assist directors in discharging their responsibilities with regard to selection, evaluation, compensation and succession planning of key management personnel. The Committee is also responsible to review human resource policies and procedures of the Company and its periodic review.

The Committee consists of three members. Majority of the members including the Chairman are non-executive directors.

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.

The Committee consists of three members including the Chairman of the Committee. The Underwriting Committee held four meetings during the year, which were attended by all the members.

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 decide how to deal with such claims disputes.

The Committee consists of three members including the Chairman of the Committee. During the year four Claims Settlement Committee meetings were held and attended by all the members.

Reinsurance & Co-Insurance Committee

Reinsurance & Co-Insurance Committee ensures that adequate reinsurance arrangements are made for the Company business. It pursues the proposed reinsurance 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 the light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

The Committee consists of three members including the Chairman of the Committee. During the year four Reinsurance & Co-Insurance Committee meetings were held and attended by all the members.

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.

The Committee consists of four members including the Chairman of the Committee. During the year eight Investment Committee meetings were held and attended by the members.

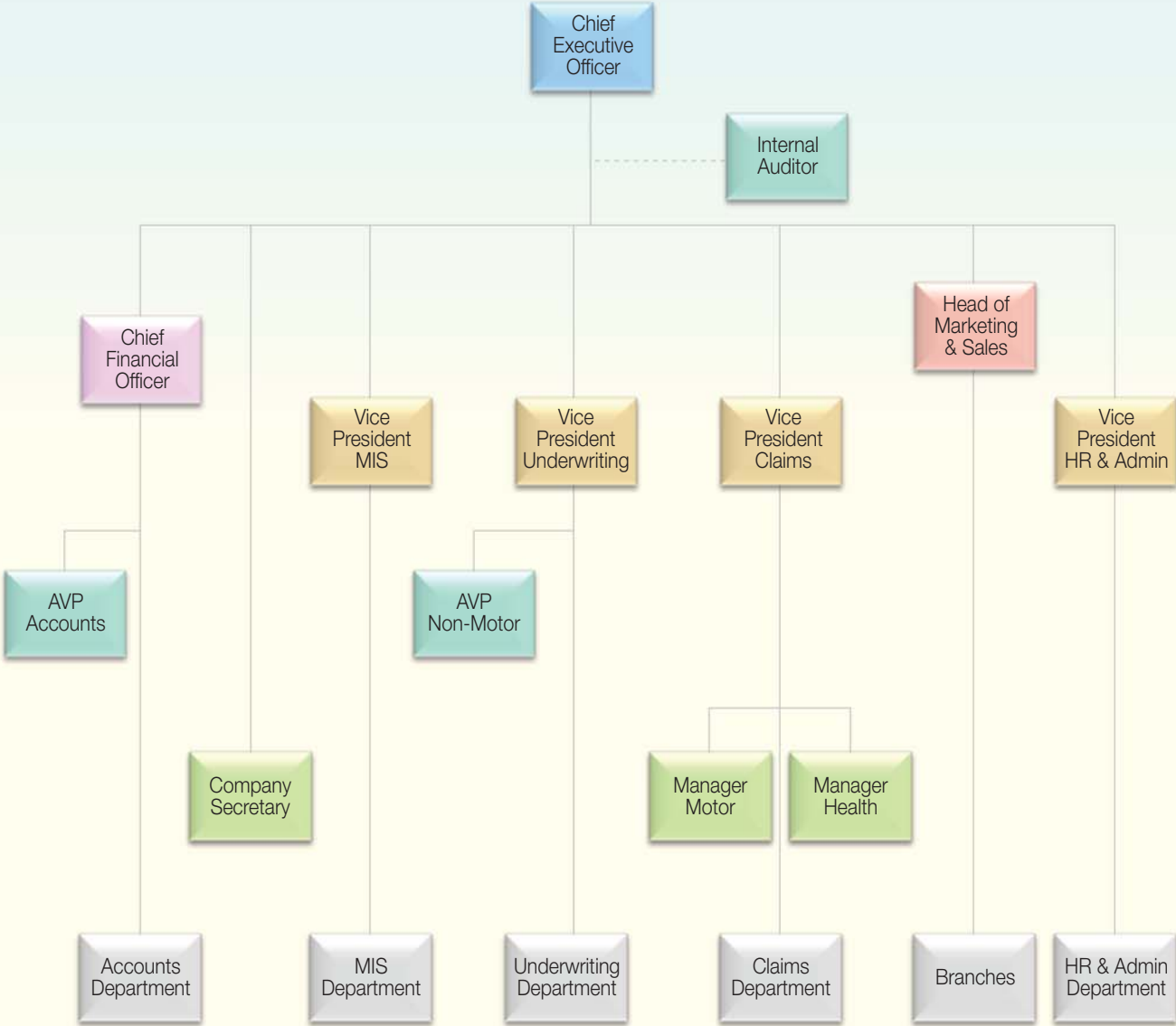
Management Committee

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, consulting and analytical skills. Our team consists of insurance experts and technical specialists to provide the best services to our clients.

Organogram



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 GS Yuasa International, Honda Motor Company and MAN to name a few. He has been the President of 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 President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been a 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. 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. Feroz Rizvi

Director

Mr. Feroz Rizvi had been associated with ICI Pakistan for over 29 years during which he held various senior positions. He was on Board of ICI Pakistan from 2004 to 2012. He is a Chartered Accountant from England & Wales. He is also on the Board of Faysal Asset Management Limited.

Mr. Isphanyar M. Bhandara

Director

Mr. Isphanyar M. Bhandara is the Chief Executive of Murree Brewery Company Limited, Rawalpindi, one of the oldest public limited companies of the sub-continent. He has been associated with Murree Brewery Group of Companies since 1997. He is an MBA from School of Business and Commerce, Islamabad. He has attended various business workshops from LUMS. He is the President of Rawalpindi Parsi Anjuman. He is also on the Board of D.P. Eduliji & Co (Pvt.) Limited. He occasionally writes for the English newspapers.

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 Board of Atlas Asset Management Limited, Atlas Engineering Limited, Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (as alternate director), National Management Foundation (sponsoring body of LUMS) and Techlogix International Limited.

Mr. Frahim Ali Khan

Director

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has over 45 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 in various capacities. He has over 47 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 37 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 to becoming the Chairman, Insurance Association of Pakistan in 2005-2006.

Company Information



Board of Directors

Yusuf H. Shirazi
Chairman

Feroz Rizvi
Director

Isphanyar M. Bhandara
Director

Ali H. Shirazi
Director

Frahim Ali Khan
Director

Jawaid Iqbal Ahmed
Director

Arshad P. Rana
Chief Executive Officer

Muhammad Afzal
Company Secretary

Audit Committee

Feroz Rizvi
Chairman

Ali H. Shirazi
Member

Frahim Ali Khan
Member

Muhammad Afzal
Secretary

Saleem Mahmood Akhtar
Chief Internal Auditor

Human Resource & Remuneration Committee

Isphanyar M. Bhandara
Chairman

Ali H. Shirazi
Member

Arshad P. Rana
Member

Qudsia Naheed
Secretary

Investment Committee

Ali H. Shirazi
Chairman

Frahim Ali Khan
Member

Arshad P. Rana
Member

Rashid Amin
Member

Muhammad Afzal
Secretary

Underwriting Committee

Frahim Ali Khan
Chairman

Arshad P. Rana
Member

Muhammad Saeed
Member

Muhammad Ashraf Bhatti
Secretary

Claims Settlement Committee

Frahim Ali Khan
Chairman

Arshad P. Rana
Member

Muhammad Ashraf Bhatti
Member

Muhammad Saeed
Secretary

Reinsurance & Co-insurance Committee

Frahim Ali Khan
Chairman

Arshad P. Rana
Member

Muhammad Saeed
Member

Syed Nasir Hussain
Secretary

Management Committee

Arshad P. Rana
Chief Executive

Nisar Zaman Khan
Head of Marketing & Sales

Rashid Amin
Chief Financial Officer

Qudsia Naheed
Vice President (Admin & HR)

Muhammad Ashraf Bhatti
Vice President (Underwriting)

Muhammad Saeed
Vice President (Claims)

Abdul Razzaq Ghauri
Vice President (IT)

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
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
Tel: (92-42) 37235081-82
Fax: (92-42) 37358817

Bankers

Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
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
Tel: (92-42) 37320542-43,
37310658, 37322271, 73
Fax: (92-42) 37234742
Email: info@atlasinsurance.com.pk
Website: www.atlasinsurance.com.pk

Major Events

Date	Events
March 8, 2012	Meeting of the Board of Directors for approval of the audited financial statements for the year ended December 31, 2011.
March 13 &14, 2012	Annual sales conference was held in Lahore and attended by all the field executives of the Company.
April 10, 2012	The Annual General Meeting of the Company was held at the Registered Office for approval of annual audited financial statements for the year ended December 31, 2011, appointment of auditors, approval of cash dividend and bonus shares.
	Election of Directors of the Company to elect Directors for next term of three years.
April 20, 2012	Meeting of the Board of Directors for approval of the unaudited first quarter financial statements for the period ended March 31, 2012.
May 8, 2012	Disbursement of cash dividend and issuance of bonus shares.
August 28, 2012	Meeting of the Board of Directors for approval of the half year financial statements for the period ended June 30, 2012.
August 29, 2012	Sales conference of all south zone field executives was held in Karachi.
September, 2012	Company qualified for the "Best Corporate Report Award - 2011" in the financial sector - NBFIs, for the seventh time and sixth time consecutively.
October 5, 2012	The Extraordinary General Meeting of the Company was held at the Registered Office for approval of investment in Atlas Fund of Funds - an associated entity.
October 22, 2012	Meeting of the Board of Directors for approval of the unaudited financial statements for the nine months period ended September 30, 2012.
October 31, 2012	Sales conference of all north zone field executives was held in Lahore.

Notice of Annual General Meeting

Notice is hereby given that the 78th Annual General Meeting of the members of Atlas Insurance Limited will be held on Saturday, April 13, 2013 at 2:00 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 Extraordinary General Meeting held on October 5, 2012.
2. To receive consider and adopt the audited financial statements of the Company for the year ended December 31, 2012, 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, 2012, as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2013. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

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, 2012, 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. 106,305,120 of Company's profit be capitalized for issuing 10,630,512 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 April 5, 2013 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 regards future dividends, and in 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."

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, 2013, be and is hereby approved."

Other Business

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

The Statement Under Section 160(1) (b) of the Companies Ordinance, 1984, pertaining to the special business referred to above is being circulated to the members along with the Notice of the Meeting.

By Order of the Board



Muhammad Afzal
Company Secretary

Notes:

- i. The share transfer books of the Company will remain closed from April 6, 2013 to April 13, 2013 (both days inclusive).
- ii. 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.
- iii. 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.
- iv. Members are requested to immediately inform the Company's share registrar of any change in their address.
- v. 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 78th Annual General Meeting of Atlas Insurance Limited to be held on April 13, 2013, 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 (a & b) of the Agenda

The Board of Directors 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, 2012 and thereby capitalize a sum of Rs. 106,305,120.

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 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. 5 (c) of the Agenda

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

Status of Approvals for Investments in Associated Companies

As required under Clause 4 (2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, (Notification No. SRO 27 (I) / 2012 dated January 16, 2012) status of investments in associated companies against approval held by the Company is as under:

- a) Shareholders of the Company in their Extraordinary General Meeting held on October 5, 2012, had approved investment of Rs. 60.00 million in certificates of Atlas Fund of Funds (ATFF).
- b) Company has so far made investment of Rs. 2.59 million in ATFF.
- c) Further investment has not been made due to non-availability of certificates / shares at reasonable price. Your Company will make investment on availability of certificates / shares at a reasonable price for the benefit of the Company.

As per Clause 8 (2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, unless otherwise specifically authorized by the members in the general meeting, the special resolution authorizing investment in associated companies or associated undertakings shall be valid for a period of twelve months and shall stand lapsed after such period, hence the approval accorded by the members for investment in ATFF shall stand expire on October 4, 2013.

- d) ATFF had posted profit after tax of Rs. 72.252 million, translating into earnings per certificate of Rs. 1.72 for the half year ended December 31, 2012. The break-up / Net Asset Value (NAV) was Rs. 10.91 as at December 31, 2012 and Rs. 11.40 as at February 28, 2013.

The certificate holders of ATFF in their general meeting held on January 30, 2013, had voted in favor of revocation and winding up of ATFF. The management of ATFF will undertake its further responsibilities towards the revocation and winding up proceedings of the ATFF as per the provisions of Regulation 65(3) and 65(4) of the Non-Banking Finance Companies & Notified Entities Regulation, 2008, after seeking necessary approvals from the SECP and in consultation with the Trustees of ATFF.

Information for Shareholders

Registered Office

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

Listing on Stock Exchanges

Atlas Insurance Limited is listed on Karachi and Lahore stock exchanges

Stock Symbol

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

Listing Fees

The annual listing fee for the financial year 2012-13 was paid to the Karachi Stock Exchange, Lahore Stock Exchange and Central Depository Company within the prescribed time.

Statutory Compliance

During the year, the Company complied with all applicable provisions of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Code of Corporate Governance, listing requirements and regulations prescribed by the Securities and Exchange Commission of Pakistan (SECP).

78th Annual General Meeting

Date: April 13, 2013
Time: 2:00 p.m.
Venue: Registered Office

Dividend Announcement

The Board of Directors of the Company has recommended a final cash dividend of Rs. 4 per share (40%) and bonus shares @ 20% (two shares for every ten shares held) for the financial year ended December 31, 2012, subject to approval by the shareholders of the Company at the Annual General Meeting.

40% cash dividend was paid to the shareholders along with 20% bonus shares for the year ended December 31, 2011.

Financial Calendar

Audited annual results for the year ended December 31, 2012
- Second half of February

Mailing of annual reports
- Second half of March

Annual General Meeting
- First half of April

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

Dates of Book Closure

The share transfer books of the Company will remain closed from April 6, 2013 to April 13, 2013 (both days inclusive).

Payment of Dividends

Cash dividend and bonus shares for the year ended December 31, 2012, subject to the approval of the shareholders of the Company at the Annual General Meeting, will be disbursed on or before May 12, 2013.

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

CNIC requirements for Dividend Warrant(s)

As per directives to all listed companies by the SECP vide SRO 779(1) / 2011 dated August 18, 2011, the "Dividend Warrant(s)" should bear the Computerized National Identity Card (CNIC) number of the registered member(s), except in the case of minor(s) and corporate members, and dividend warrant(s) can not be issued without inserting the CNIC number of the member(s) or their authorized person(s).

The shareholders are, therefore, requested to provide by mail or fax, photocopy of their CNIC and in case of a foreigner copy of passport, unless provided earlier.

Dividend Mandate (Optional)

Shareholders of the Company are informed that Under Section 250 of the Companies Ordinance, 1984, a shareholder may advise the Company for disbursement of dividend through his / her bank account.

In pursuance of the directives of the Securities and Exchange Commission of Pakistan vide Circular No. 18 of 2012 dated June 5, 2012, shareholders of the Company can give their dividend mandate authorizing the Company to directly credit cash dividend into their bank accounts.

Please note that this dividend mandate is optional and not compulsory, in case if any shareholder does not wish his / her dividend to be directly credited into bank account, the same shall be paid through the dividend warrants as usual.

Share Transfer System

Transfer of non-CDC shares is executed / completed within 30 days and that of CDC within 5 working days from the date of receipt, provided documents received 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 once every year. Every shareholder has a right to attend these meetings. The notice of such meetings is sent to all the shareholders at least 21 days before the meetings and also published in 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

Updated information regarding the Company can be accessed at www.atlasinsurance.com.pk. The website contains information about Company's financials, history, types of insurance, list of reinsurers etc.

An online complaint system is also available to improve the efficiency.

Annual, half yearly and quarterly financial statements of the Company are available at:

http://www.atlasinsurance.com.pk/financial_statements

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

Share Price at Karachi Stock Exchange

Month-wise share price movement of the Company, at the Karachi Stock Exchange, during the year 2012 was as follows:

Months	High	Low	Volume
January	38.00	34.75	126,252
February	40.75	33.66	269,522
March	44.70	39.01	916,519
April	42.44	29.50	402,262
May	31.74	29.60	202,574
June	30.55	29.12	114,471
July	33.00	30.10	94,228
August	37.25	32.60	155,000
September	37.90	35.13	277,500
October	42.14	35.25	392,000
November	48.80	40.40	440,000
December	47.45	45.11	103,500

Ten Years at a Glance

(Rupees in million)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Financial Data										
Paid-up capital	531.5	442.9	369.1	335.6	268.4	206.5	158.8	122.2	101.8	88.5
General & capital reserves	663.4	567.0	487.3	412.4	357.6	763.7	512.7	334.1	100.4	51.3
Equity	1,195.0	1,010.0	856.4	748.0	626.0	970.2	671.5	456.3	202.2	139.9
Underwriting premium reserves	1,044.5	749.0	759.6	685.6	540.7	535.0	375.8	221.2	194.7	33.5
Investments - at cost	1,255.9	1,089.3	772.0	558.3	494.2	1,010.7	674.8	338.8	219.5	172.1
Total assets - at book value	2,700.5	2,078.1	2,034.7	1,905.1	1,340.0	1,733.4	1,191.5	902.0	509.8	406.0
Fixed assets - net	66.4	46.9	43.9	47.4	49.3	42.8	21.9	19.0	14.0	12.1
Cash and bank deposits	282.0	54.6	492.6	660.2	195.9	200.8	75.6	185.9	17.7	15.9
Advances, deposits and prepayments	552.1	268.6	237.1	242.6	208.4	179.2	182.2	208.6	63.8	3.7
Operating Data										
Gross premium	1,500.3	1,120.3	1,024.9	910.7	861.4	784.5	668.8	523.6	315.6	212.7
Net premium	603.6	591.3	530.3	443.5	507.9	447.0	348.7	264.1	145.0	93.2
Net claims paid	133.2	153.3	176.5	192.4	231.4	215.1	133.2	64.4	40.2	18.2
Underwriting profit	291.2	253.6	199.9	104.5	158.4	144.6	155.0	152.2	59.0	30.7
Investment income	180.7	133.6	102.6	118.2	(305.2)	314.7	190.2	159.8	54.6	57.7
Profit / (loss) before tax	463.6	400.1	327.1	237.2	(141.0)	467.4	358.7	304.7	104.9	90.1
Income tax	101.4	98.9	84.5	48.1	58.6	57.5	58.0	50.6	22.2	48.9
Profit / (loss) after tax	362.2	301.2	242.7	189.1	(199.6)	409.9	300.7	254.1	82.7	41.2
Cash Flow Summary										
Operating activities	399.7	(139.2)	30.2	357.8	2.1	175.4	26.5	209.4	50.5	(7.9)
Investing activities	1.0	(153.8)	(66.2)	172.6	137.9	56.4	(54.5)	(18.7)	(32.6)	26.0
Financing activities	(173.3)	(145.0)	(131.6)	(66.1)	(144.8)	(106.6)	(82.3)	(22.6)	(16.1)	(15.5)
Cash & cash equivalents at the year end	282.0	54.6	492.6	660.2	195.9	200.8	75.6	185.6	17.7	15.9
Financial Ratios										
Profitability										
Profit / (loss) before tax / gross premium (%)	30.9	35.7	31.9	26.0	(16.4)	59.6	53.6	58.2	33.2	42.4
Profit / (loss) before tax / net premium (%)	76.8	67.7	61.7	53.5	(27.8)	104.6	102.9	115.4	72.3	96.7
Profit / (loss) after tax / gross premium (%)	24.1	26.9	23.7	20.8	(23.2)	52.2	45.0	48.5	26.2	19.4
Profit / (loss) after tax / net premium (%)	60.0	50.9	45.8	42.6	(39.3)	91.7	86.2	96.2	57.0	44.2
Underwriting profit / net premium (%)	48.2	42.9	37.7	23.6	31.2	32.3	44.4	57.6	40.7	32.9
Management expenses / gross premium (%)	15.6	20.3	19.3	19.9	17.9	15.5	15.2	17.4	26.1	37.5
Management expenses / net premium (%)	38.8	38.5	37.3	40.8	30.3	27.1	29.2	34.4	56.8	85.6
Commission / net premium (%)	9.1	7.3	8.3	7.8	7.0	7.6	11.8	16.4	25.3	38.0
Net claims / net premium (%)	22.1	25.9	33.3	43.4	45.6	48.1	38.2	24.4	27.7	19.5
Combined ratio (%)	60.9	64.4	70.6	84.2	75.9	75.3	67.4	58.8	84.6	105.1

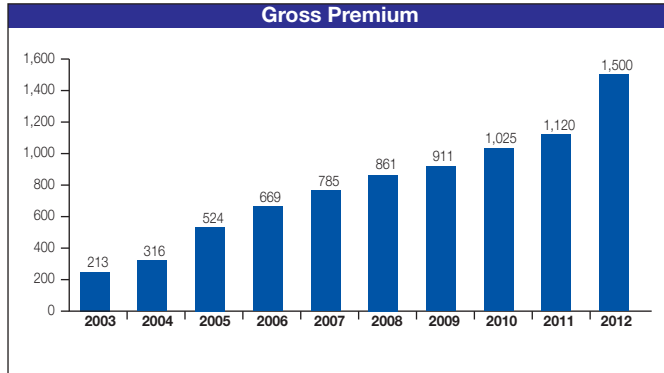
Ten Years at a Glance

(Rupees in million)

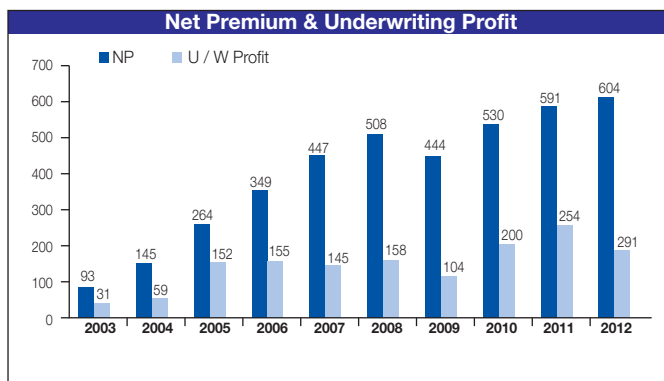
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Return to Shareholders										
Return on equity - PBT (%)	38.8	39.6	38.2	31.7	(22.5)	48.2	53.4	66.8	51.9	64.4
Return on equity - PAT (%)	30.3	29.8	28.3	25.3	(31.9)	42.3	44.8	55.7	40.9	29.5
Earnings growth (%)	20.3	24.1	28.4	194.7	(148.7)	36.3	18.4	207.2	100.7	207.5
Earnings per share (Rs.)	6.8	6.8	6.6	5.6	(7.4)	19.9	18.9	16.0	6.8	4.7
Price earnings ratio (times)	6.7	5.3	5.9	7.5	(5.9)	7.0	6.2	7.3	5.4	6.0
Market value per share (Rs.)										
Market value at the end of the year	45.5	36.1	38.5	42.3	43.9	138.0	117.9	116.6	37.0	28.0
Highest value during the year	48.8	42.9	47.8	57.9	169.0	143.9	162.1	116.6	42.5	36.5
Lowest value during the year	29.1	26.0	25.8	23.3	43.9	77.5	78.0	37.5	28.1	17.5
Cash dividend per share (Rs.)	4.0	4.0	4.0	4.0	2.5	7.0	7.0	7.0	2.0	1.5
Stock dividend per share (Rs.)	2.0	2.0	2.0	1.0	2.5	3.0	3.0	3.0	2.0	1.5
Dividend yield (%)	8.8	11.1	10.4	9.5	5.7	5.1	5.9	6.0	5.4	5.4
Dividend pay out (%)	88.0	88.2	91.3	88.7	(67.3)	50.4	52.8	48.1	49.2	64.6
Net assets per share (times)	22.5	22.8	23.2	22.3	23.3	47.0	42.3	37.3	19.9	15.8
Return on assets (%)	15.2	14.6	12.3	11.7	(13.0)	28.0	28.7	36.0	18.1	11.1
Breakup value per share (Rs.)	22.5	22.8	23.2	22.3	23.3	47.0	42.3	37.3	19.9	15.8
Liquidity / Leverage										
Current ratio (times)	2.1	1.6	1.7	1.8	1.9	1.6	1.9	1.8	1.4	1.3
Cash / current liabilities (times)	0.4	0.1	0.7	0.9	0.5	0.5	0.3	0.6	0.1	0.1
Total assets turnover (times)	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.7	0.7	0.6
Earnings assets / total assets (%)	56.9	55.0	62.2	64.0	51.5	69.9	63.0	58.2	46.5	46.3
Fixed assets turnover (times)	26.5	24.7	22.4	18.8	18.7	24.2	32.7	31.7	24.2	16.2
Total liabilities / equity (times)	1.3	1.1	1.4	1.5	1.1	0.8	0.8	1.0	1.5	1.9
Return on capital employed (%)	17.8	20.1	18.4	16.0	(21.4)	31.2	32.2	42.1	26.6	13.9
Paid-up capital / total assets (%)	19.7	21.3	18.1	17.6	20.0	11.9	13.3	13.5	20.0	21.8
Equity / total assets (%)	44.2	48.6	42.1	39.3	46.7	56.0	56.4	50.6	39.7	34.5
Price to book ratio (Rs.)	2.0	1.6	1.7	1.9	1.9	2.9	2.8	3.1	1.9	1.8
Distribution										
Cash dividend (Rs.)	212.6	177.2	147.6	134.2	67.1	144.5	111.2	85.5	20.4	13.3
Cash dividend (%)	40%	40%	40%	40%	25%	70%	70%	70%	20%	15%
Bonus shares (Rs.)	106.3	88.6	73.8	33.6	67.1	61.9	47.7	36.7	20.4	13.3
Bonus shares (%)	20%	20%	20%	10%	25%	30%	30%	30%	20%	15%
Total distribution (%)	60%	60%	60%	50%	50%	100%	100%	100%	40%	30%

Performance at a Glance (Graphical Presentation)

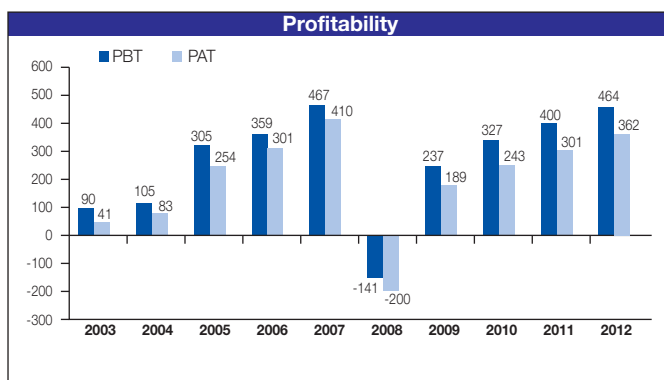
(Rupees in million)



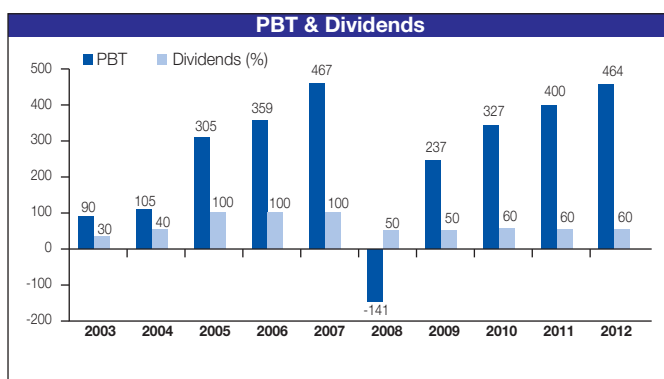
Average growth of 26% in the top line over the period of last ten years is reflection of increased confidence of our valued clients



Prudent underwriting approach and sound treaty arrangements have enhanced the underwriting profitability with average growth of 39% over the period of last ten years



Consistent growth in profitability with average increase of 10% over the period of last ten years

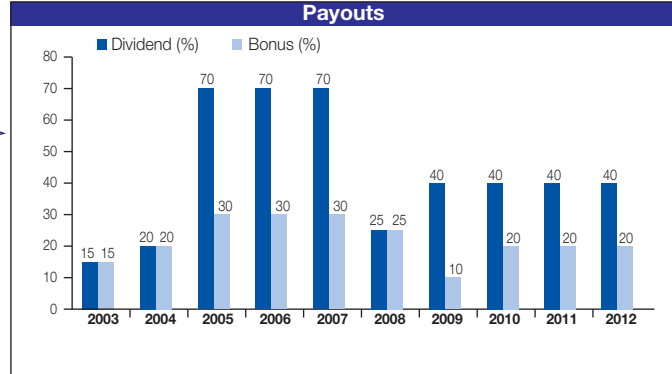


Payment of dividend and bonus to the shareholders has been a regular feature. That consistency was retained even in the year 2008 when Company incurred losses

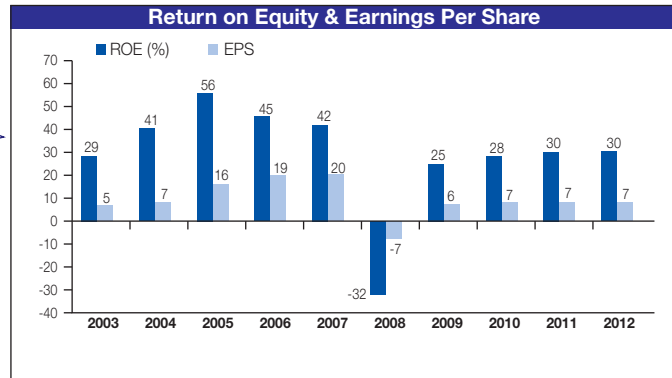
Performance at a Glance (Graphical Presentation)

(Rupees in million)

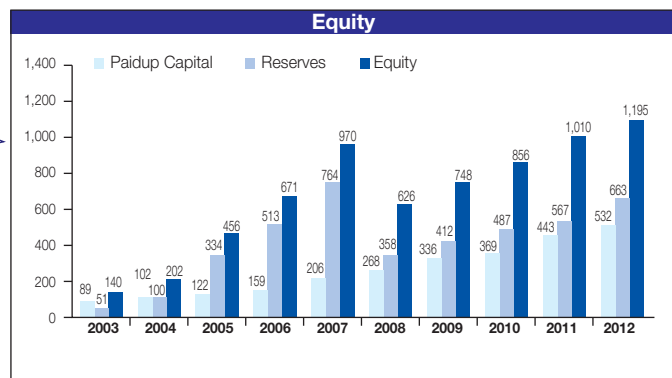
Consistent and handsome payouts reflects Company's commitment towards prosperity of its shareholders



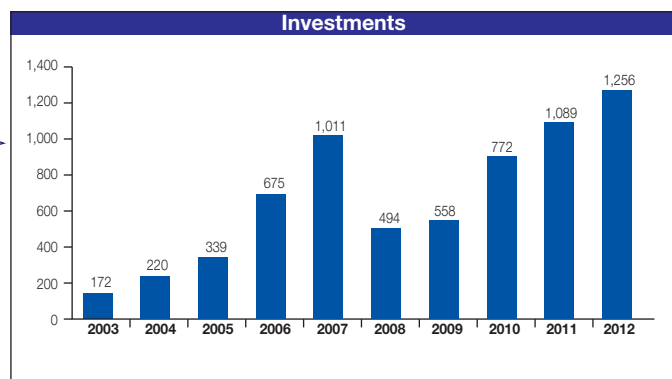
Maintaining earnings per share despite regular bonus payouts indicates consistent growth in profitability which is also reflected through handsome returns on equity over the years



Shareholders' equity is consolidating every year with average increase of 22% over the last ten years



Investment portfolio has grown 6.3 times from 2003 to 2012, indicating Company's focus on consolidation of sound asset base



Analysis of Financial Statements

Balance Sheet

Particulars	2012 2011 2010 2009 2008 2007						Vertical Analysis Composition of Balance Sheet						Horizontal Analysis % Change Year to Year					
	(Rupees in thousand)						2012	2011	2010	2009	2008	2007	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008	2008 Vs 2007	2007 Vs 2006
							%	%	%	%	%	%	%	%	%	%	%	%
Current Assets																		
Cash and bank balances	282,013	54,591	492,581	660,191	195,929	200,780	20.6	5.9	40.6	50.9	24.6	29.6	416.6	(88.9)	(25.4)	237.0	(2.4)	165.7
Premiums due but unpaid	229,835	313,944	142,059	102,119	108,620	85,820	16.8	33.7	11.7	7.9	13.6	12.6	(26.8)	121.0	39.1	(6.0)	26.9	(9.3)
Amounts due from other insurers/reinsurers	98,884	113,388	118,121	97,812	93,286	59,830	7.2	12.2	9.7	7.5	11.7	8.8	(12.8)	(4.0)	20.8	4.9	55.9	39.7
Salvage recoveries accrued	8,535	3,370	9,985	13,391	12,578	10,412	0.6	0.4	0.8	1.0	1.6	1.5	153.3	(66.2)	(25.4)	6.5	20.8	65.3
Accrued investment income	2,783	1,328	3,254	4,297	1,232	3,136	0.2	0.1	0.3	0.3	0.2	0.5	109.6	(59.2)	(24.3)	248.8	(60.7)	23.4
Reinsurance recoveries against outstanding claims	121,248	153,484	192,769	160,368	155,410	121,881	8.9	16.5	15.9	12.4	19.5	17.9	(21.0)	(20.4)	20.2	3.2	27.5	57.2
Deferred commission expense	67,320	22,806	16,318	15,143	20,569	18,236	4.9	2.5	1.3	1.2	2.6	2.7	194.0	40.3	7.8	(26.4)	12.8	47.5
Prepayments	533,080	253,308	223,233	233,289	105,616	162,242	38.9	27.2	18.4	18.0	13.3	23.9	110.4	13.5	(4.3)	120.9	(34.9)	86.5
Taxation - provision less payments	6,387	-	-	-	-	-	0.5	-	-	-	-	-	-	-	-	-	-	-
Sundry receivables	19,034	15,256	13,881	9,338	102,761	17,001	1.4	1.6	1.1	0.7	12.9	2.5	24.8	9.9	48.7	(90.9)	504.4	(82.2)
Total Current Assets	1,369,119	931,565	1,212,201	1,295,948	796,001	679,138	50.7	44.8	59.6	68.0	59.4	39.2	47.0	(23.2)	(6.5)	62.8	17.2	37.5
Non Current Assets																		
Fixed assets	65,576	45,492	43,916	47,421	49,296	32,264	4.9	4.0	5.3	7.8	9.1	3.1	44.1	3.6	(7.4)	(3.8)	52.8	77.5
Capital work in progress	-	-	-	-	-	9,415	-	-	-	-	-	0.9	-	-	-	-	-	540.0
Intangible assets	851	1,417	-	-	-	1,146	0.1	0.1	-	-	-	0.1	(39.9)	-	-	-	-	(49.9)
Long term loans	170	117	177	201	465	724	0.0	0.0	0.0	0.0	0.1	0.1	45.3	(33.9)	(11.9)	(56.8)	(35.8)	(25.3)
Investments	1,255,886	1,089,256	772,048	558,250	494,201	1,010,747	94.3	95.0	93.9	91.6	90.9	95.9	15.3	41.1	38.3	13.0	(51.1)	49.8
Deferred taxation	8,941	10,238	6,392	3,273	-	-	0.7	0.9	0.8	0.5	-	-	(12.7)	60.2	95.3	3,273.0	-	-
Total Non Current Assets	1,331,424	1,146,520	822,533	609,145	543,962	1,054,296	49.30	55.17	40.42	31.97	40.60	60.82	16.1	39.4	35.0	12.0	(48.4)	51.1
Total Assets	2,700,543	2,078,085	2,034,734	1,905,093	1,339,963	1,733,434	100.0	100.0	100.0	100.0	100.0	100.0	30.0	2.1	6.8	42.2	(22.7)	45.5
Equity & Liabilities																		
Share Capital & Reserves																		
Share capital	531,526	442,938	369,115	335,559	268,447	206,497	44.5	43.9	43.1	44.9	42.9	21.3	20.0	20.0	10.0	25.0	30.0	30.0
Reserves	301,064	265,064	244,064	222,064	557,064	353,064	30.3	26.2	28.5	29.7	89.0	36.4	36.7	8.6	9.9	(60.1)	57.8	67.3
Retained earnings	362,371	301,917	243,218	190,340	(199,492)	410,592	25.2	29.9	28.4	25.4	(31.9)	42.3	(0.3)	24.1	27.8	195.4	(148.6)	36.1
Total Share Capital and Reserves	1,194,961	1,009,919	856,397	747,963	626,019	970,153	44.2	48.6	42.1	39.3	46.7	56.0	18.3	17.9	14.5	19.5	(35.5)	44.5
Underwriting Provisions	1,044,520	749,033	759,565	685,624	540,711	535,049	38.7	36.0	37.3	36.0	40.4	30.9	39.4	(1.4)	10.8	26.8	1.1	42.4
Long Term Liabilities	-	-	-	-	1,873	2,474	-	-	-	-	0.1	0.1	-	-	-	-	(24.3)	20.0
Current and other Liabilities																		
Premium received in advance	5,572	2,758	47,004	48,757	4,845	67,111	1.2	0.9	11.2	10.3	2.8	29.7	102.0	(94.1)	(3.6)	906.3	(92.8)	12,057.8
Amounts due to other insurers / reinsurers	257,751	169,757	223,694	266,387	91,353	95,362	55.9	53.2	53.4	56.5	53.3	42.2	51.8	(24.1)	(16.0)	191.6	(4.2)	12.9
Accrued expenses	55,042	51,581	49,238	39,385	19,729	21,235	11.9	16.2	11.8	8.4	11.5	9.4	6.7	4.8	25.0	99.6	(7.1)	26.5
Taxation - provision less payments	-	11,193	152	13,396	6,067	6,792	-	3.5	0.0	2.8	3.5	3.0	-	7,263.8	(98.9)	120.8	(10.7)	(64.8)
Other creditors and accruals	115,214	61,199	79,511	87,587	34,926	21,074	25.0	19.2	19.0	18.6	20.4	9.3	88.3	(23.0)	(9.2)	150.8	65.7	75.7
Other liabilities	27,483	22,645	19,173	15,994	14,440	14,184	6.0	7.1	4.6	3.4	8.4	6.3	21.4	18.1	19.9	10.8	1.8	56.7
Total Current and other Liabilities	461,062	319,133	418,772	471,506	171,360	225,758	17.07	15.36	20.58	24.75	12.79	13.02	44.5	(23.8)	(11.2)	175.2	(24.1)	58.8
Total Liabilities	2,700,543	2,078,085	2,034,734	1,905,093	1,339,963	1,733,434	100.0	100.0	100.0	100.0	100.0	100.0	30.0	2.1	6.8	42.2	(22.7)	45.5

Analysis of Financial Statements

Profit and Loss Account

Particulars	(Rupees in thousand)						Vertical Analysis Composition of Profit & Loss Account						Horizontal Analysis % Change Year to Year						
	2012	2011	2010	2009	2008	2007	2012	2011	2010	2009	2008	2007	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008	2008 Vs 2007	2007 Vs 2006	
							%	%	%	%	%	%	%	%	%	%	%	%	
Gross Premium	1,500,344	1,120,290	1,024,858	910,738	861,379	784,525	100.0	100.0	100.0	100.0	100.0	100.0	33.9	9.3	12.5	5.7	9.8	17.3	
Revenue Account																			
Net premium revenue	603,616	591,289	530,269	443,534	507,946	447,000	40.2	52.8	51.7	48.7	59.0	57.0	2.1	11.5	19.6	(12.7)	13.6	28.2	
Net claims	(193,237)	(153,294)	(176,504)	(192,355)	(231,434)	(215,104)	(22.1)	(25.9)	(33.3)	(43.4)	(45.6)	(48.1)	(13.1)	(13.1)	(8.2)	(16.9)	7.6	61.5	
Expenses	(234,096)	(227,494)	(197,839)	(181,178)	(153,932)	(121,358)	(38.8)	(38.5)	(37.3)	(40.8)	(30.3)	(27.1)	2.9	15.0	9.2	17.7	26.8	19.2	
Net commission	54,894	43,084	43,998	34,466	35,806	34,055	9.1	7.3	8.3	7.8	7.0	7.6	27.4	(2.1)	27.7	(3.7)	5.1	(17.4)	
Underwriting Results	291,177	253,585	199,924	104,467	158,386	144,593	48.2	42.9	37.7	23.6	31.2	32.3	14.8	26.8	91.4	(34.0)	9.5	(6.7)	
Investment income	180,692	133,572	102,634	118,230	(305,174)	314,703	39.0	33.4	31.4	49.8	216.4	67.3	35.3	30.1	(13.2)	138.7	(197.0)	65.5	
Rental and other income	17,553	38,306	47,519	33,853	20,417	26,325	3.8	9.6	14.5	14.3	(14.5)	5.6	(54.2)	(19.4)	40.4	65.8	(22.4)	(8.0)	
Financial charges	(467)	(424)	(411)	(550)	(507)	(540)	(0.1)	(0.1)	(0.1)	(0.2)	0.4	(0.1)	10.1	3.2	(25.3)	8.5	(6.1)	(21.3)	
General and administration expenses	(25,331)	(24,955)	(22,536)	(18,806)	(14,116)	(17,675)	(5.5)	(6.2)	(6.9)	(7.9)	10.0	(3.8)	1.5	10.7	19.8	33.2	(20.1)	22.7	
	172,447	146,499	127,206	132,727	(299,380)	322,813	37.2	36.6	38.9	56.0	212.3	69.1	17.7	15.2	(4.2)	(144.3)	(192.7)	58.5	
Profit Before Taxation	463,624	400,084	327,130	237,194	(140,994)	467,406	30.90	35.71	31.92	26.04	(16.37)	59.58	15.9	22.3	37.9	(268.2)	(130.2)	30.3	
Taxation	(101,407)	(98,916)	(84,472)	(48,138)	(58,591)	(57,560)	(21.87)	(24.72)	(25.82)	(20.29)	41.56	(12.31)	2.5	17.1	75.5	(17.8)	1.8	(0.7)	
Profit After Taxation	362,217	301,168	242,658	189,056	(199,585)	409,846	24.1	26.9	23.7	20.8	(23.2)	52.2	20.3	24.1	28.4	(194.7)	(148.7)	36.3	

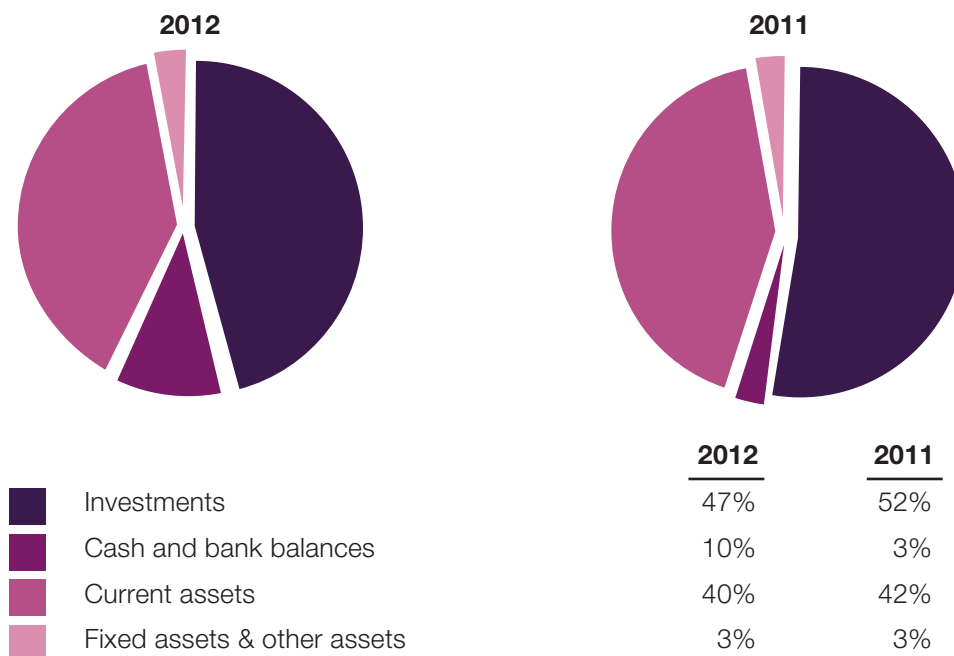
Cash Flow Statement

Particulars	(Rupees in thousand)						Vertical Analysis Composition of Cash Flow						Horizontal Analysis % Change Year to Year					
	2012	2011	2010	2009	2008	2007	2012	2011	2010	2009	2008	2007	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008	2008 Vs 2007	2007 Vs 2006
							%	%	%	%	%	%	%	%	%	%	%	%
Cash flow from operating activities	399,670	(139,230)	30,156	357,795	2,067	175,398	175.7	31.8	(18.0)	77.1	(42.6)	140.1	387.1	(561.7)	(91.6)	17,209.9	(98.8)	326.5
Cash flow from investing activities	1,030	(153,766)	(66,210)	172,576	137,882	56,406	0.5	35.1	39.5	37.2	(2,842.3)	45.1	100.7	(132.2)	(138.4)	25.2	144.4	181.6
Cash flow from financing activities	(173,278)	(144,994)	(131,556)	(66,108)	(144,800)	(106,597)	(76.2)	33.1	78.5	(14.2)	2,985.0	(85.1)	(19.5)	(10.2)	(99.0)	54.3	(35.8)	(29.6)
Increase / (decrease) in cash & cash equivalents	227,422	(437,990)	(167,610)	464,263	(4,851)	125,207	100.0	100.0	100.0	100.0	100.0	100.0	151.9	(161.3)	(136.1)	9,670.5	(103.9)	213.5

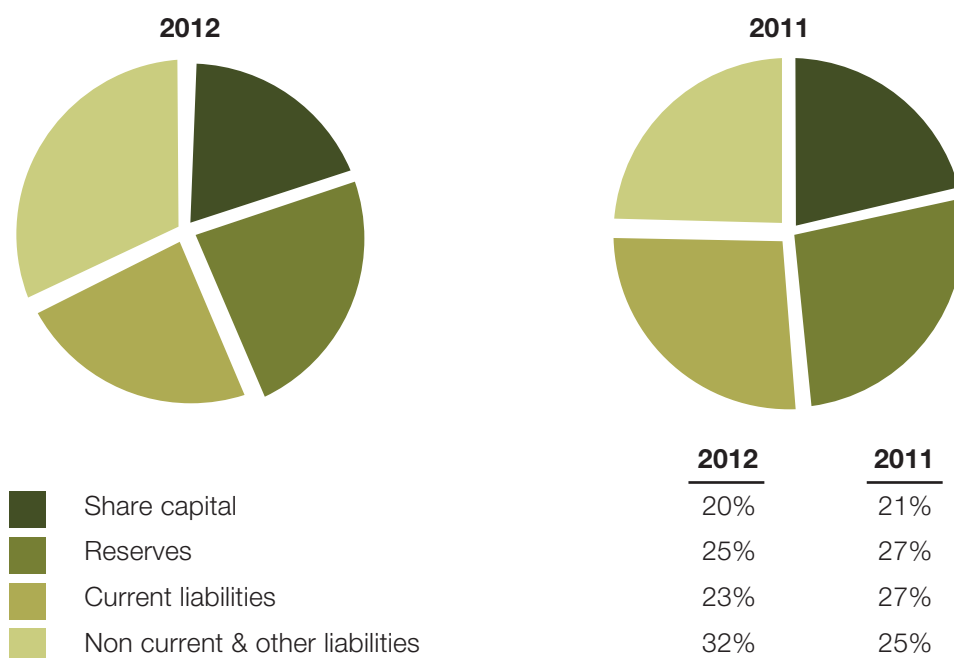
Analysis of Financial Statements

Graphical Presentation (Balance Sheet)

Assets



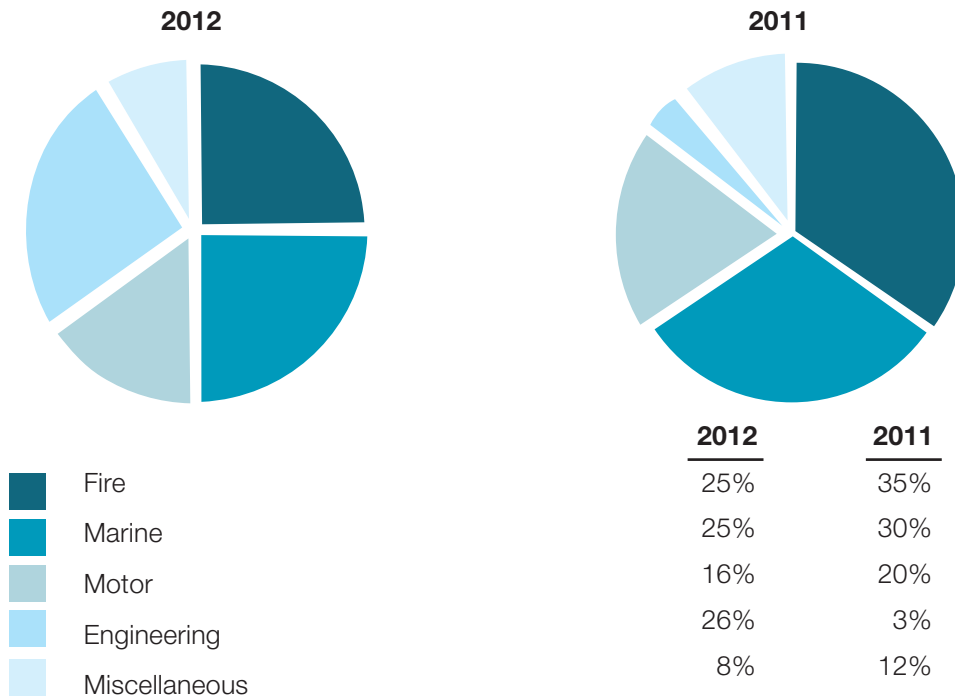
Share Capital, Reserves and Liabilities



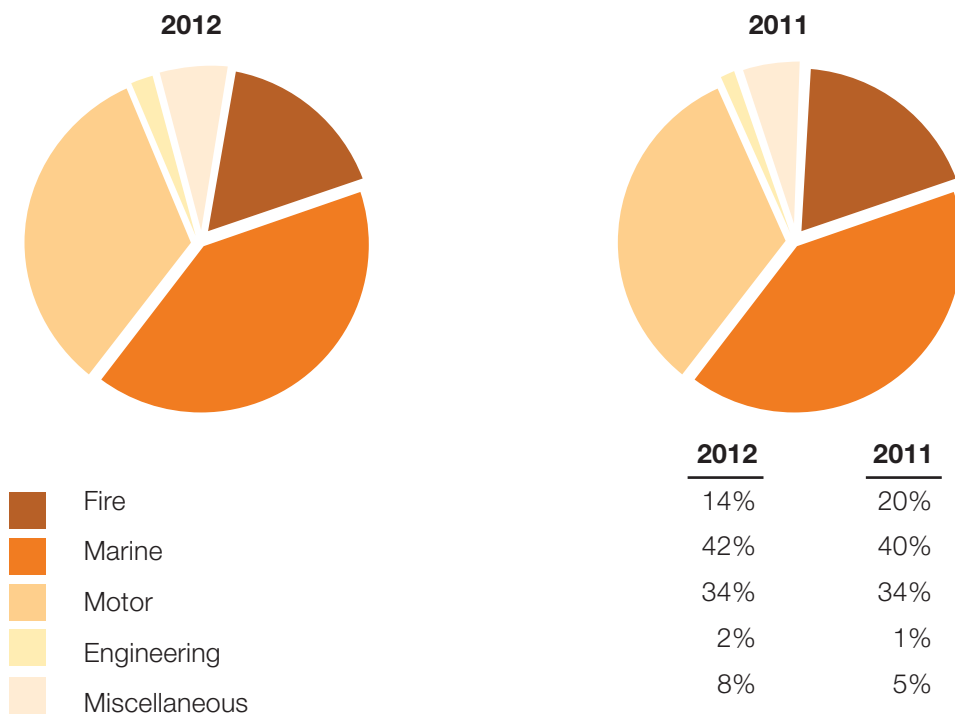
Analysis of Financial Statements

Graphical Presentation (Profit and Loss Account)

Gross Premium



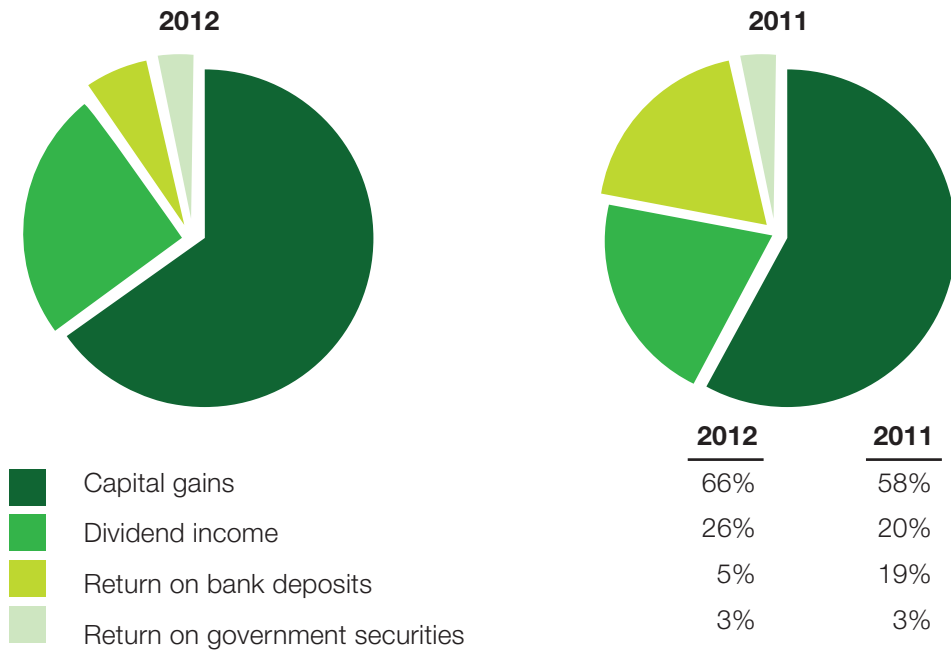
Net Premium



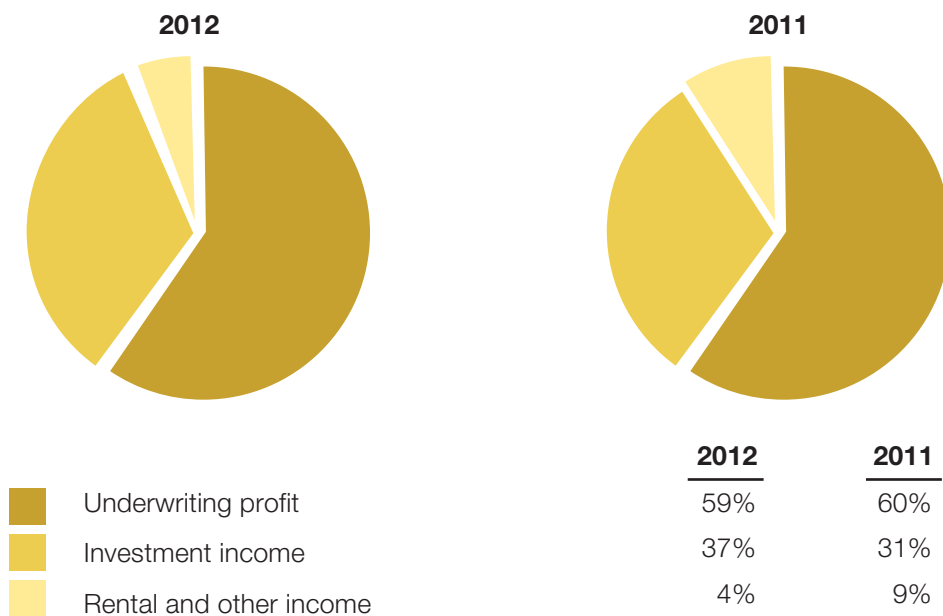
Analysis of Financial Statements

Graphical Presentation (Profit and Loss Account)

Investment Income & Return on Bank Deposits



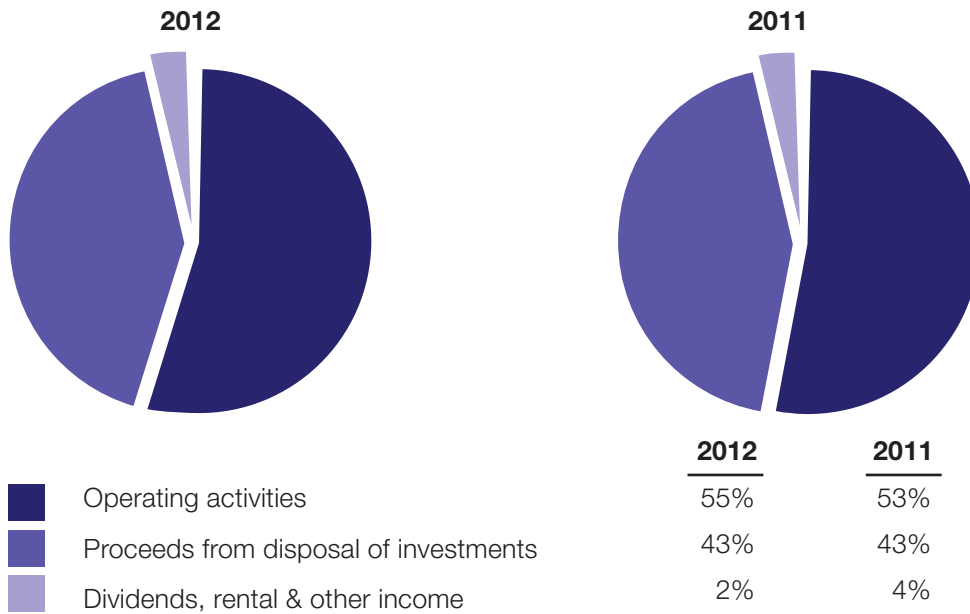
Underwriting Profit, Investment & Other Income



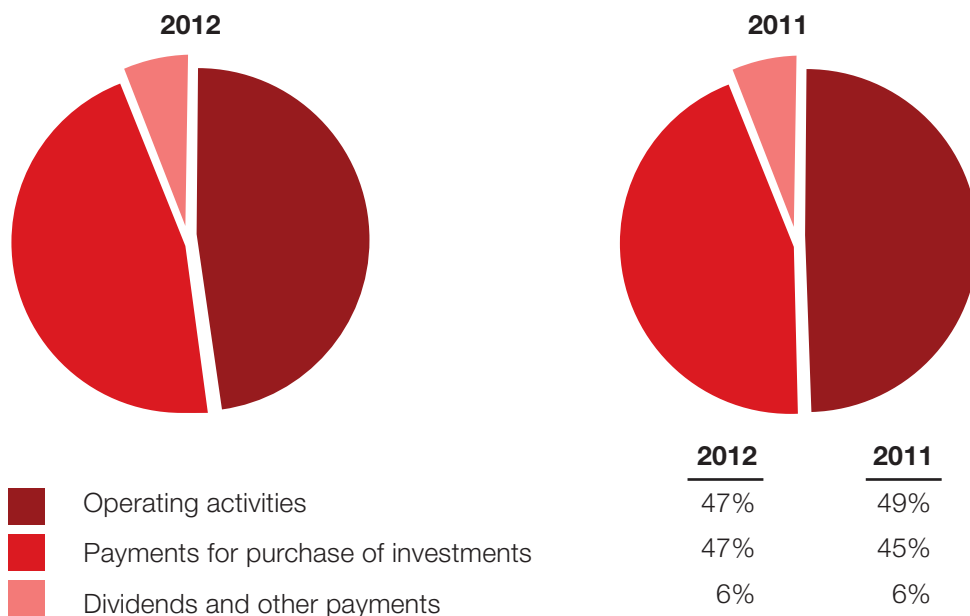
Analysis of Financial Statements

Graphical Presentation (Cash Flow)

Cash Generated



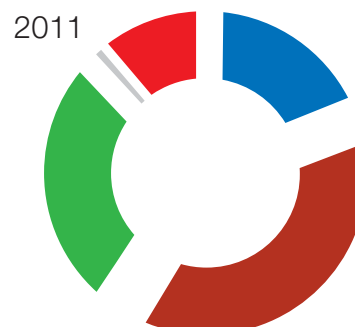
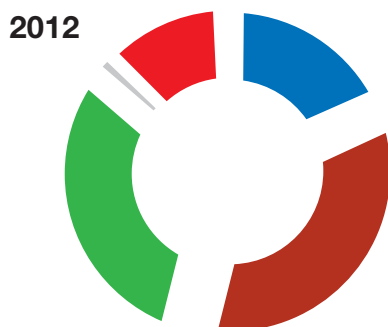
Cash Utilized



Statement of Value Addition

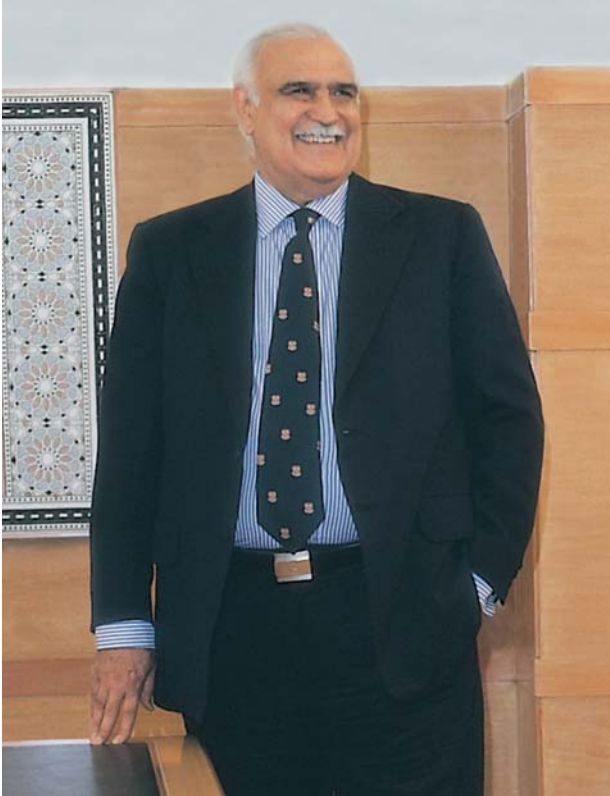
	2012		2011	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Wealth Generated				
Gross premium (including FED and FIF)	1,688,692		1,329,146	
Commission income	54,894		43,084	
Income from investment	180,692		133,572	
Rental and other income	17,553		38,306	
	1,941,831		1,544,108	
Management and other expenses	1,126,503		776,345	
	<u>815,328</u>	<u>100.00%</u>	<u>767,763</u>	<u>100.00%</u>
Wealth Distributed				
To Employees				
Salaries, wages and other benefits	149,059	18.28%	147,766	19.25%
To Government				
Company taxation	101,407	12.44%	98,916	12.88%
Levies (Including FED and FIF)	188,348	23.10%	208,856	27.20%
	289,755	35.54%	307,772	40.09%
To Shareholders				
Cash dividend	177,175	21.73%	147,646	19.23%
Stock dividend	88,588	10.87%	73,823	9.62%
	265,763	32.60%	221,469	28.85%
Financial charges				
To providers of finance	-	-	-	-
To Society				
Endowment, donation etc.	4,600	0.56%	4,002	0.52%
Retained in Business				
Depreciation and amortization	9,697	1.19%	7,055	0.92%
Statutory reserves	36,000	4.42%	21,000	2.74%
Retained profit / (loss)	60,454	7.41%	58,699	7.65%
	106,151	13.02%	86,754	11.30%
	<u>815,328</u>	<u>100.00%</u>	<u>767,763</u>	<u>100.00%</u>

Wealth Distribution



	2012	2011
Employees	18%	19%
Government	35%	40%
Shareholders	33%	29%
Society	1%	1%
Retained in business	13%	11%

Chairman's Review



It is my pleasure to present the 78th Annual Report and review of business performance on behalf of the Board of Directors of your Company for the year ended December 31, 2012.

The Economy

The economy is gaining momentum after low growth during the last couple of years. The GDP growth rate target of 4.2% against 3% and 3.7% during preceding two years seems challenging in the current environment of high fiscal deficit and adverse balance of payment position. However, some developments during the year seem to have had a positive impact. This included monetary policy with gradual reduction in the policy rate from 12% to 9.5%, support to the balance of payment position through release of coalition support fund of USD 1.2 billion and 49% increase in KSE 100 index currently at a record level of over 18000 - making it one of the best performing capital markets in Asia. The support from record foreign remittance that reached USD 7.1 billion in the first half of the year, growing 12.5% over the same period last year, was encouraging.

The areas that require attention now include improving investment climate, reducing the trade deficit now at USD 7.6 billion, resolving

the power crisis, improving foreign currency reserves and reducing the large fiscal deficit expected to reach 7.5% of GDP.

The economic development during the period July 2012 - January 2013 shows that the trade and services deficit has shrunk by 21% to USD 8.7 billion. The exports have grown by 7.24% to USD 14.06 billion year on year basis while imports have reduced by 2.4% to USD 25.6 billion reflecting a fall in the demand as well as reduction in prices of petroleum products. The reduction in trade deficit by USD 1.5 billion will lessen pressure on the foreign exchange reserves. The inflation reduced to 7.9% in December 2012 from 9.7% a year ago. The current account showed a surplus of USD 62 million during first seven months of the current fiscal year as compared to a deficit of USD 2.9 billion in the same period last year. The revenue collection by the government stood at Rs. 1,020 billion till January 2013 against the target of Rs. 1,085 billion. Pakistan has paid 10th installment of IMF loan amounting to USD 392 million on February 26, 2013.

However, the slow recovery of the global economy remains a key issue. The global financial institutions have marked down the global growth estimate for the year 2012 to 3.2%, which is forecast to pickup in 2013 to 3.5% and 4.1% in 2014. The European debt has led the Euro zone into a recession while structural weaknesses in Japan will weigh on the global growth in 2013. Despite this international economic scene, the Pakistan economy being an agrarian economy in the main is expected to show improved economic performance.

The Insurance Industry

The insurance industry in Pakistan is small compared to its counterparts in the region. The insurance penetration in Pakistan is one of the lowest in the region at 0.8% of the GDP while the insurance sector is underdeveloped relative to its potential. As such, the potential for growth exists in terms of conventional insurance and Takaful insurance products. However, competition in the industry in pricing has hampered growth in business of general insurance. In 2012, the premium growth is expected by just 3% over 2011. As the GDP growth rate of the country improves following the effects of floods in 2010 and 2011 the industry is expected to pick up the pace though the deteriorating law and order and worsening energy situation can have a negative impact on the industrial growth. The claim ratio of the industry remains relatively better than last year.

The industry is now looking into new products and ways of improving performance and profitability. The SECP is considering revamping insurance laws in Pakistan such as applying more solvency requirements which it enacted in the beginning of 2012. SECP also promulgated the much awaited Takaful Rules in July 2012 under which conventional insurance companies were allowed to operate Takaful operations. The matter is pending in the court as this announcement of SECP was challenged in the Sind High Court by the Takaful operators in the country. If and when the judgment is passed, to allow Takaful operation, doors will open to conventional companies to also offer the Takaful products. Atlas Insurance also intends to capitalize on the said opportunity as such steps will in the long run facilitate growth of insurance sector in Pakistan on the whole.

The SECP released a consultation paper in October 2012 regarding the Micro insurance regulatory framework to illicit public opinion. These steps indicate the importance that regulator places to the promotion of insurance sector in the country.

It is high time that all players of the insurance sector collectively and individually plan on how to encounter the expected challenges. The recent shift of catastrophic events and the frequency with which they occur now in the Asian pacific region has raised concerns for the western reinsurance market in underwriting risks in the region. The alternate market in the East, after its worst experience of high losses due to floods in Thailand, has also come under-pressure. The Risk Based Capital requirement is expected to lead to squeezing their exposures in the low profit-yielding markets. Besides this, major challenge faced by the local insurance industry, deteriorating law and order situation, continuous erosion of rupee, shrinking underwriting margins and declining insurance premium rates are some other serious issues which make this market less attractive for foreign reinsurers. With the devaluation of rupee it is important for the domestic companies to improve their underwriting results. In order to achieve this, improvement in premium rates and risk management to reduce claims are the measures to undertake!

Atlas has always been advocating to build local capacity which, coupled with risk management, will not only improve financial strength of the companies but will also enhance confidence of the foreign reinsurers.

Generally rate of inflation should adjust premiums. However, in case of Pakistan the high rate of inflation has reduced the real premium growth, which is not a healthy indicator of insurance

industry and may cause setbacks in years to come. This must be checked by the industry sooner than later!

The small companies are expected to face big challenge to sustain their market position both premium wise as well as financial strength through improved underwriting. In insurance, compared to other segments of businesses, systems and controls are more desirable. This demands effective use of technology to facilitate transaction processing and data analysis support simultaneously offering significant potential to cost cutting, improving service levels and better management of business.

The Company Results

Premium

The gross premium for the year reached Rs. 1.50 billion as compared to Rs. 1.12 billion of last year, showing growth of 34%. The net premium also rose to Rs. 604 million against Rs. 591 million of the last year. The underwriting profit was Rs. 291 million as compared to Rs. 254 million of the last year, up 15%. It is worth mentioning that these results were achieved in a challenging environment of the country and reflects the inherent strength of your Company and its prudent underwriting.

Segments at a Glance

Fire & Property

This portfolio contributed gross underwriting premium of Rs. 370 million against Rs. 390 million of the last year. Net premium decreased by 26% from Rs. 115 million to Rs. 85 million due to decrease in gross premium. The decrease in fire premium is reflective of cautious underwriting approach of your Company which has resulted in increase in fire profitability. The claims decreased to Rs. 6 million as compared to Rs. 10 million of last year. The underwriting profit increased to Rs. 58 million as compared to Rs. 49 million of last year.

Marine Aviation & Transport

The marine business registered 10% growth as compared to last year. The gross premium underwritten rose to Rs. 379 million against Rs. 343 million of last year. The net premium also increased to Rs. 253 million from Rs. 241 million. The claim ratio at 7% remained the same as that of last year. The segment's underwriting profit increased to Rs. 200 million from Rs. 170 million of last year.

Motor

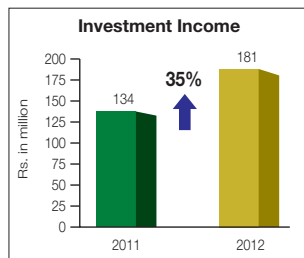
The gross underwritten premium of motor business increased to Rs. 233 million from Rs. 222 million of the last year. The net claim ratio decreased from 54% of last year to 40%, mainly due to better underwriting policies. Consequently, the underwriting profit improved to Rs. 72 million as compared to Rs. 36 million of the last year.

Miscellaneous

The gross premium rose significantly to Rs. 519 million from Rs. 164 million of the last year, up 216%. Consequently, net premium under this segment also rose to Rs. 62 million from Rs. 36 million of last year. The claim ratio decreased to 48% from 54% of the last year. The segment incurred underwriting loss of Rs. 39 million as compared to Rs. 1 million of last year.

Investment Management

The Investment Committee has been active throughout the year. The committee, following the investment policy duly approved by the Board of Directors, was able to earn investment income of Rs. 181 million during the year compared to Rs. 134 million of last year. Additional investment of Rs. 167 million was also made during the year in different instruments in line with the Company policy. The overall policy remains to invest in fundamentally sound scrips with good earnings and growth prospects as well as maintaining a balance between fixed income securities and equities.



The book value of investment as at December 31, 2012 stood at Rs. 1.26 billion against Rs. 1.09 billion of last year. The market value is Rs. 1.61 billion. This reflects the strong financial base of your Company.

Capital Management

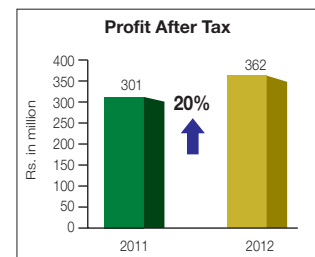
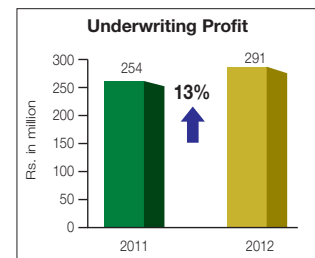
Your Company has a strong capital base which is reflected in paid up capital of Rs. 532 million and an equity base of Rs. 1.19 billion. The Company is committed to maintain a strong financial profile, which gives it leverage for further growth and portfolio build up. Your Company's capital base is structured keeping in view the future expansion and growth of the Company.

Treasury Management

The treasury policy of your Company ensures that adequate funding is available at all times and the treasury activities are carried out in accordance with the policies approved by the Board. The Company ensures that adequate liquid assets are available so that liquidity risk is minimized for maintaining healthy cash and cash equivalents in the Company. Cash generation is one of the highest performance indicators in the organization focused by the management. Accordingly the Company's bottom line is loaded by positive cash flow a sine qua non of a healthy enterprise, which ALL indeed is!

Profitability

The underwriting profit rose to Rs. 291 million from Rs. 254 million of last year. Higher investment income of Rs. 181 million contributed increase in profit before tax, which rose to Rs. 464 million against Rs. 400 million of the last year. After providing Rs. 104 million for tax the net profit after tax stood at Rs. 362 million as compared to Rs. 301 million of last year.



Reinsurance

Your Company has reinsurance arrangements with the leading world renowned reinsurers having strong financial strength ratings including Swiss Re, Hanover Re, Tokyo Marine and Nichido Fire Insurance, Sampo Japan and Malaysian Re. This year the Company has been able to negotiate reinsurance arrangements on improved terms despite difficult international reinsurance market scenario. The Company keeps endeavoring to build capacities for existing lines of insurance business, simultaneously exploring avenues for introducing new products to avail opportunity of emerging market needs.

Solvency

Your Company believes in maintaining a strong cash position and asset base to meet any sudden liquidity requirements as well as solvency limits. The SECP has, in the beginning of 2012, set more stringent requirements for determining solvency margin

for general insurance companies considering the investment position of the Company. Your Company, despite the limits set on the investments for determining admissible assets, meets the solvency requirements.

Policyholder and Customer Service

Your Company believes in building a loyal customer base and serving them well for sustainable business growth. The efforts of the management to continuously reinforce the importance of good customer service, providing them risk based insurance products and settling their claims expeditiously has contributed to further strengthening the image of the Company. Your Company has also launched series of initiatives to improve the level of service offered to the customers.

Information Technology

Your Company has invested appropriately in IT infrastructure strongly believes that information technology can be used for a competitive edge in the Industry. During the year your Company invested in the development of a disaster recovery (DR) site with the prime objective of keeping the information of the organization in a secure manner. Your Company has also developed a claim monitoring system which will further improve the claim operations in the organization providing prompt services to its valued clients. The use of online web based software has further enhanced the effectiveness of the operations of the Company. The management of your Company is continuously focusing on enhancing the features of existing software platform being used in the organization to improve productivity.

Human Resource and Associate Development

Human Capital is the most important asset of any industry. Your Company has created a favorable work environment which encourages meritocracy. While making an attractive place to work for, it leads to employee retention. The “Atlas Way” is at the core of the Company's human resource development. It is based on key management principles proven by the long experience of successful entrepreneurs. The key principle is the “respect, recognition and reward” and training and development which leads to organizational development in line with the Group's motto “Organization development through self development”. Your Company, being a constitute member of Atlas group, lays emphasis on the “Atlas Culture” in all respects. The Company has a well-established process for the career development. The

Individual Development Profile is designed to improve knowledge, skill and growth of high potential incumbents. Your Company, with a view to strengthening the organization, keeps looking for professionally qualified and well experienced individuals for induction at all levels of hierarchy, grooming of existing staff and cross function rotation. With a view to improve qualification of staff the Company continuously invests in training employees both at overseas and at local training institutes for various courses. Every year an employee is chosen for training at Havrad, Stanford and Insead to name some. Currently more than two dozen of employees are appearing in Associate of Chartered Insurance Institute, London, examinations to complete their ACII qualification which is financed by the Company. Simultaneously, in order to cater to the future needs of the organization succession planning is monitored. The high potential employees are ear marked for grooming their career path.

Corporate Social Responsibility

Your Company, in line with Atlas Group philosophy, believes in repaying the society. Following this principal the Company contributes 1% of its profit before tax to the Atlas Foundation which then carries out different welfare work in the society ranging from scholarship endowment to the meritorious and the poor in improving the quality of their life. The corporate social responsibility is at the heart of the value system being followed by the Company under which not only the Company but associates working in the Company play their role in contributing to the betterment of the society.

Risk Management System

The financial crisis has underlined that effective risk management is fundamental to the success of any business particularly an insurance business. The boards, investors and rating agencies have heightened the risk of market instability and capital constraints. Risk is inherent in the insurance business. However, it is always important to have a comprehensive risk management system in place that categorizes risks and contains measures that the Company can take to mitigate them. Though the risks cannot be eliminated altogether yet, it can be minimized by taking timely appropriate measures. Your Company has proper policies in place to lessen such threats.

Contribution to the National Exchequer

Your Company's contribution to the national exchequer has been increasing. During the year the Company paid

Rs. 299 million as direct and indirect taxes. Atlas group, of which your Company is a constitute member, has contributed over Rs. 20 billion to the exchequer, which is 1.2% of the total exchequer for the year 2011-12, significant share in the government revenue!

Accolades

Your Company again won the award for the best accounts for the year 2011 by the Joint Committee of ICAP and ICMAP. This is the seventh and six consecutive time that the Company has been awarded the Top Five Companies "Best Corporate Report Award" for the year 2003 and from 2006 to 2011 by the joint committee of ICAP and ICMAP. Atlas Insurance Limited has been awarded SAFA "Best Presented Accounts Award" continuously for six years from 2006 to 2011. Atlas Insurance Limited is also recipient of "KSE Top 25 Companies Award".



Chief Executive Officer of the Company, Mr. Arshad P. Rana, receiving Best Corporate Report Award 2011

This year credit rating of your Company has been upped from A+ to AA- by PACRA which denotes a very strong capacity to meet policyholders and contract obligations. At the same time risk factors are considered modest, and the impact of any adverse business and economic factors is expected to be very limited.

Future Outlook

Pakistan's economy is resilient: it possesses potential for growth given the right environment. The agriculture is expected to pick up as the risk of floods and other natural catastrophe subsides. The future economic situation depends on how the government manages its fiscal deficit through increasing government revenues and how balance of payment position is improved either through trade or other sources of finance as well as smooth transition to the next governmental setup. The insurance industry has

potential for growth considering the insurance penetration of other regional markets. Your Company will continue to focus on its cautious underwriting policy for good cash flow for investment portfolio among others. I am confident that the management of your Company is fully aware of this situation. It is also prepared and equipped to meet the challenges ahead.

جوئندہ یا بندہ

(One who seeks gets it)

Acknowledgement

May I wish to express sincere appreciation to our shareholders, clients, reinsurers, SECP and financial institutions whose 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.

My I also appreciate the valuable contribution and active role of the Board of Directors in supporting the management on all matters of importance. I would also like to express my gratitude to the Chief Executive Officer, Mr. Arshad P. Rana and his team for their efforts, dedication and sincerity of purpose.

Yusuf H. Shirazi
Chairman

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, 2012. The director's report, prepared under section 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance, will be put forward to the members at the seventy eight Annual General Meeting of the Company to be held on April 13, 2013.

Financial Results

Following is the overall performance of the Company for the year ended December 31, 2012:

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
Gross premium	1,500,344	1,120,290
Profit for the year before tax	<u>463,624</u>	<u>400,084</u>
Taxation:		
Current	100,110	103,088
Deferred	6,412	(3,846)
Prior years - current / deferred	(5,115)	(326)
	101,407	98,916
Profit for the year after tax	362,217	301,168
Un-appropriated profit brought forward	154	749
Profit available for appropriation	<u>362,371</u>	<u>301,917</u>
*Appropriations:		
Transferred to general reserve	(43,000)	(36,000)
Proposed bonus shares @ 20% (2011 : @ 20%)	(106,305)	(88,588)
Proposed cash dividend @ 40% (2011 : @ 40%)	(212,610)	(177,175)
	(361,915)	(301,763)
Un-appropriated balance carried forward	<u>456</u>	<u>154</u>

* The Board of Directors has recommended 20% bonus shares i.e. two ordinary shares for every ten ordinary shares held and cash dividend of Rs. 4 per share i.e. 40% for the year ended December 31, 2012. 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. 6.81 as against Rs. 5.67 (Restated) in 2011.

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, 2012 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 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 would like to place on record its appreciation of the valuable contribution made by the outgoing directors Mr. Aitzaz Shahbaz and Mr. Azam Faruque towards progress of the Company. The Board also welcomes Mr. Isphanyar M. Bhandara and Mr. Feroz Rizvi who joined the Board in place of the outgoing directors and hope that the Company will benefit from their varied experience. The casual vacancy, when occurred during the year, was filled within 90 days in accordance with the Code of Corporate Governance and Listing Regulations. The director appointed to fill the casual vacancy 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.

The Board has an optimum combination of independent, 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 7 listed companies including this Company. All the directors represent diverse fields / professions and possess all the necessary skills and understanding to deal with various business issues and have the ability to review management performance.

The Board had six (6) and Audit Committee had five (5) meetings during the year. Attendance by each director / member was as follows:

S. No.	Directors	Directorships in listed companies including Atlas Insurance Limited	Attendance in the meetings of	
			Board of Directors	Audit Committee
1	Mr. Yusuf H. Shirazi	4	5/6	N/A
2	Mr. Aitzaz Shahbaz (Retired w.e.f. April 10, 2012)	N/A	2/2	N/A
3	Mr. Azam Faruque (Resigned w.e.f. September 27, 2012)	N/A	4/4	4/4
4	Mr. Isphanyar M. Bhandara (Elected w.e.f. April 10, 2012)	2	1/4	N/A
5	Mr. Feroz Rizvi (Appointed w.e.f. November 27, 2012)	1	1/1	0/0
6	Mr. Ali H. Shirazi	2	6/6	5/5
7	Mr. Frahim Ali Khan	1	5/6	5/5
8	Mr. Jawaid Iqbal Ahmed	1	6/6	N/A
9	Mr. Arshad P. Rana	1	6/6	N/A

Before each meeting of the Board of Directors a closed period is declared by the Company during which directors, CEO, executives of the Company and their spouses are not allowed to trade in shares of the Company in any manner, whether directly or indirectly. The Board has reviewed the status of executives in terms of clause (xvi) & (xxiii) of the Code of Corporate Governance and has set a threshold defining categories of employees as executives consequent to which they are subject to additional regulatory requirements for trading and disclosing their transactions in Company shares.

No transaction in the Company's shares has been reported by the directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the year except as disclosed in the pattern of shareholding.

External Auditors

The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, 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, 2013.

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 audited / reviewed 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 letter and Board letters issued by the external auditors of the Company.
- Reviewed and recommended related party transactions to the Board.
- Monitored and discussed with Board the compliance of statutory / regulatory requirements of the relevant statutes.
- Discussed 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.

Human Resource & Remuneration Committee

Human Resource and Remuneration Committee was established by the Board to assist directors in discharging their responsibilities with regard to selection, evaluation, compensation and succession planning of key management personnel. The Committee is also responsible to review human resource policies and procedures of the Company. The Committee consists of three members. Majority of the members including the Chairman are non-executive directors.

Employees' Retirement Benefits

The Company operates defined contribution plans for its permanent employees through either one of the following ways:

- a recognized provident fund; or
- voluntary pension schemes managed by Atlas Asset Management Limited, an associated company, under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund.

The newly appointed employees are offered voluntary pension schemes only. However, existing employees who are members of provident fund have the option to opt for either of the two above mentioned defined contribution plans.

The Company also operates non-contributory gratuity funds for all the employees.

The value of investment, based on their respective accounts is as follows:

Provident Fund Rs. 109.192 million (as at December 31, 2012)

Gratuity Fund

Management Staff	Rs. 26.807 million (as at June 30, 2012)
Non-Management Staff	Rs. 6.963 million (as at December 31, 2012)

Compliance with the Code of Corporate Governance

The directors confirm the compliance of the requirements of the Code of Corporate Governance relevant to the year ended December 31, 2012. Separate statement to this effect is 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 Officer 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 reviewed / recommended by the Audit Committee and approved by the Board of Directors in their respective meetings. The details of all related party transactions have been provided in the note 28 of the financial statements.

Pattern of Shareholding

The pattern of shareholding of the Company is annexed

Code of Conduct

The Company has prepared a 'Code of Conduct', which has been disseminated throughout the Company.

The basic philosophy underlying this Code is to conduct business operations with honesty, integrity and openness, and with respect for human rights and interest of all the stakeholders. The Company respects the legitimate interest of all those with whom it has relationship - government, employees, clients, shareholders and society. The Code has been placed on Company's website.

Compliance with this Code is essential element in business savvy. The Board of Directors is responsible for ensuring that the Code is communicated to and understood and observed by all the employees. Day-to-day responsibility is delegated to the senior management and they are responsible for implementing this Code.

Compliance with Secretarial Practices

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under the listing regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, 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.

Market Share Information

As per statistics compiled by the Insurance Association of Pakistan for the year ended December 31, 2011, the market share of the Company was 2.65%, which is expected to increase in 2012.

Directors Training Programs

Mr. Ali H. Shirazi has successfully completed Director Training Program (DTP) in the year 2012 from Pakistan Institute of Corporate Governance (PICG). Mr. Azam Faruque, who had resigned from the Board with effect from September 27, 2012, is a certified director from the same institute.

Obituary

The Board of Directors felt profound grief on the sad demise of Mr. S. C. Subjally, who passed away on January 1, 2013. Mr. S. C. Subjally had remained Chief Executive of the Company from 1988 to 2004. He had also been the Chairman of Insurance Association of Pakistan and was well known professional in the insurance industry. His professional guidance and expert knowledge will be remembered. May Allah rest his soul in peace and comfort Ameen!

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 on Company's activities.

Outstanding Statutory Payments

All outstanding payments are of normal and routine nature.

Safety and Environment

The Company follows the safety and environment rules and regulations.

For and on behalf of the
Board of Directors



Arshad P. Rana
Chief Executive

Lahore: February 28, 2013

Distribution of Shareholding in Central Depository Company of Pakistan Limited As at December 31, 2012

Pattern of Shareholding As at December 31, 2012

Number of shareholders	Shareholding		Total shares held	Number of shareholders	Shareholding		Total shares held
	From	To			From	To	
172	1	100	5,083	229	1	100	6,821
190	101	500	55,681	231	101	500	64,915
122	501	1,000	99,142	140	501	1,000	112,165
253	1,001	5,000	635,563	331	1,001	5,000	842,863
90	5,001	10,000	625,670	111	5,001	10,000	772,109
33	10,001	15,000	407,545	60	10,001	15,000	728,889
26	15,001	20,000	467,349	29	15,001	20,000	517,408
13	20,001	25,000	301,978	26	20,001	25,000	593,351
10	25,001	30,000	275,309	14	25,001	30,000	381,371
2	30,001	35,000	67,405	7	30,001	35,000	229,199
3	35,001	40,000	111,601	5	35,001	40,000	186,558
3	40,001	45,000	129,238	5	40,001	45,000	214,116
3	45,001	50,000	143,104	5	45,001	50,000	237,659
5	50,001	55,000	260,413	7	50,001	55,000	366,547
5	55,001	60,000	290,590	5	55,001	60,000	290,590
1	60,001	65,000	63,993	3	60,001	65,000	186,003
1	65,001	70,000	65,162	1	65,001	70,000	65,162
2	70,001	75,000	141,497	2	70,001	75,000	141,497
3	75,001	80,000	235,400	3	75,001	80,000	235,400
1	95,001	100,000	100,000	1	85,001	90,000	88,545
2	105,001	110,000	214,501	2	95,001	100,000	198,895
2	115,001	120,000	240,000	4	105,001	110,000	427,011
1	140,001	145,000	144,000	1	110,001	115,000	113,389
1	150,001	155,000	154,490	2	115,001	120,000	240,000
1	195,001	200,000	198,478	1	130,001	135,000	133,942
1	255,001	260,000	258,295	1	140,001	145,000	144,000
1	340,001	345,000	342,540	1	145,001	150,000	149,454
1	1,495,001	1,500,000	1,499,179	1	150,001	155,000	154,490
1	5,240,001	5,245,000	5,244,807	1	195,001	200,000	198,478
1	16,715,001	16,720,000	16,718,192	1	210,001	215,000	212,560
1	18,075,001	18,080,000	18,076,472	1	255,001	260,000	258,295
				1	340,001	345,000	342,540
				1	1,315,001	1,320,000	1,318,071
				1	1,460,001	1,465,000	1,461,619
				1	1,495,001	1,500,000	1,499,179
				1	5,240,001	5,245,000	5,244,807
				1	16,715,001	16,720,000	16,718,192
				1	18,075,001	18,080,000	18,076,472
951			47,572,677	1,238			53,152,562

The slabs representing Nil holding have been omitted.

Categories of shareholders	Number of shareholders	Number of shares held	Percentage of shares held
Directors, CEO their spouse and minor children	7	71,222	0.13%
Associated companies, undertakings & related parties	5	41,501,091	78.08%
NIT and ICP	2	709	0.00%
Banks, DFIs & NBFCs - local	1	57,420	0.11%
Insurance companies	1	144,000	0.27%
Public sector companies & corporations	1	1,499,179	2.82%
* Shareholders holding 5% or more voting interest in the Company	3	40,039,471	75.33%
Individuals:			
- Resident Pakistani	1,181	8,336,218	15.68%
- Non - Resident Pakistani	12	38,015	0.07%
Others:			
- Joint stock companies	24	138,970	0.26%
- Others	4	1,365,738	2.57%
TOTAL	1,238	53,152,562	100.00%

* Shareholders having 5% or more voting interest in the Company exist in associated companies, therefore, not included in the total.

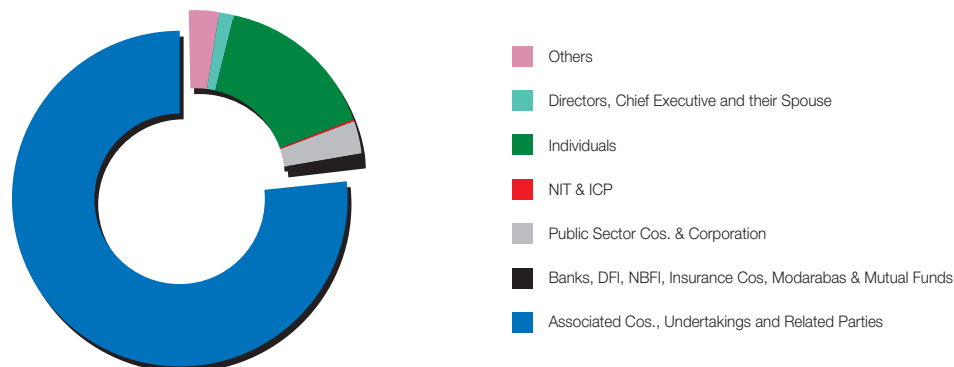
Pattern of Shareholding as at December 31, 2012

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 (Name Wise Detail)			
Shirazi Investments (Pvt.) Limited	1	18,076,472	34.01%
Shirazi Capital (Pvt.) Limited	1	16,718,192	31.45%
Shirazi (Pvt.) Limited	1	5,244,807	9.87%
Atlas Foundation	1	1,461,619	2.75%
Iftikhar Shirazi Family Trust	1	1	0.00%
NIT and ICP			
IDBP - (ICP Unit)	2	709	0.00%
Director, Chief Executive and their spouse and minor children			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	1	0.00%
Mr. Feroz Rizvi	1	500	0.00%
Mr. Isphanyar M. Bhandara	1	1	0.00%
Mr. Ali H. Shirazi	1	1	0.00%
Mr. Frahim Ali Khan	1	1	0.00%
Mr. Jawaid Iqbal Ahmed	1	516	0.00%
Mr. Arshad P. Rana	1	70,202	0.13%
Executives	11	103,643	0.19%
Public Sector Companies & Corporation			
State Life Insurance Corporation of Pakistan	1	1,499,179	2.82%
Banks, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds			
Habib Insurance Company	1	144,000	0.27%
National Bank of Pakistan	1	57,420	0.11%
* Shareholders holding 5% or more voting interest	3	40,039,471	75.33%
Individuals	1,182	8,270,590	15.56%
Others	28	1,504,708	2.83%
	<u>1,238</u>	<u>53,152,562</u>	<u>100.00%</u>

* Shareholders having 5% or more voting interest in the Company exist in associated companies, therefore not included in the total.

Pattern of Shareholding



Transactions reported by the directors in the shares of the Company during the year 2012 are as follows:

Name	Number of shares purchased	Number of shares sold	Date of transaction	Price per share
Mr. Yusuf H. Shirazi	-	1,309,500	August 10	36.00
Mr. Yusuf H. Shirazi	-	465	August 13	36.00
Mr. Ali H. Shirazi	-	1,309,500	August 10	36.00
Mr. Ali H. Shirazi	-	465	August 23	36.00
Mr. Isphanyar M. Bhandara	1	-	October 15	37.47

Statement of Compliance with the Code of Corporate Governance For the financial year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes:

Sr. No.	Directors	Independent	Executive	Non-Executive
1	Mr. Yusuf H. Shirazi			
2	Mr. Feroz Rizvi			
3	Mr. Isphanyar M. Bhandara			
4	Mr. Ali H. Shirazi			
5	Mr. Frahim Ali Khan			
6	Mr. Jawaid Iqbal Ahmed			
7	Mr. Arshad P. Rana			

The independent director meets the criteria of independence as specified in Clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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 NBF. No director in the Board is a member of any of the stock exchanges in Pakistan and has not been declared as a defaulter by that stock exchange.
4. A causal vacancy occurred on the Board on September 27, 2012, was filled by the directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive and non executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been provided information and presentation on the Code of Corporate Governance 2012. One director has attended Corporate Governance Leadership Skills (CGLS) program of the Pakistan Institute of Corporate Governance (PICG) during the year. Three directors meet the criteria of exemption under Clause (xi) of the Code and are accordingly exempted from Directors' Training Program (DTP).

10. The Board has approved appointment of Chief Financial Officer including his remuneration and terms & conditions of employment. No new appointment of Company Secretary or Head of Internal Audit was made during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, whom two are non-executive directors and the chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members of whom two are non-executive directors including the chairman of the Committee.
18. The Board has set-up an effective internal audit function, which is manned by experienced and qualified personnel who are fully conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the
Board of Directors



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 (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2012 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 (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of 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, the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval of 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 length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended December 31, 2012.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Mohammed Junaid

Lahore

Date: February 28, 2013

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 (the Company) as at December 31, 2012, 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 (XXIX 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 from 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 except for the changes as stated in note 2.2 of these financial statements, with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2012 and of the profit, its cash flow 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.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Mohammed Junaid

Lahore

Date: February 28, 2013

Balance Sheet

	<u>Note</u>	<u>2012</u> (Rupees in thousand)	<u>2011</u> (Rupees in thousand)
Share capital and reserves			
Authorised share capital 80,000,000 (2011: 50,000,000) ordinary shares of Rs. 10 each		800,000	500,000
Issued, subscribed and paid up capital 53,152,562 (2011: 44,293,802) ordinary shares of Rs. 10 each	6	531,526	442,938
Reserves	7	301,064	265,064
Retained earnings		362,371	301,917
		1,194,961	1,009,919
Underwriting provisions			
Provision for outstanding claims (including IBNR)		200,912	259,514
Provision for unearned premium		775,413	443,264
Commission income unearned		68,195	46,255
Total underwriting provisions		1,044,520	749,033
Creditors and accruals			
Premium received in advance		5,572	2,758
Amounts due to other insurers / reinsurers	8	257,751	169,757
Accrued expenses	9	55,042	51,581
Taxation - provision less payments		-	11,193
Other creditors and accruals	10	115,214	61,199
		433,579	296,488
Other liabilities			
Deposits against performance bonds		2,361	1,887
Unclaimed dividends		25,122	20,758
		27,483	22,645
TOTAL LIABILITIES		1,505,582	1,068,166
TOTAL EQUITY AND LIABILITIES		2,700,543	2,078,085
CONTINGENCIES AND COMMITMENTS	11		

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

As at December 31, 2012

	<u>Note</u>	<u>2012</u> (Rupees in thousand)	<u>2011</u>
Cash and bank deposits	12		
Cash and other equivalents		68	10
Current and other accounts		281,945	54,581
		282,013	54,591
Loans to employees - secured considered good	13	170	117
Investments	14	1,255,886	1,089,256
Deferred taxation	15	8,941	10,238
Current assets - others			
Premium due but unpaid	16	229,835	313,944
Amounts due from other insurers / reinsurers	17	98,884	113,388
Salvage recoveries accrued		8,535	3,370
Accrued investment income	18	2,783	1,328
Reinsurance recoveries against outstanding claims		121,248	153,484
Deferred commission expense		67,320	22,896
Prepayments	19	533,080	253,308
Taxation - payments less provision		6,387	-
Sundry receivables	20	19,034	15,256
		1,087,106	876,974
Fixed assets	21		
Tangible			
Freehold land		1,168	1,168
Buildings on freehold land		12,431	13,085
Furniture and fixtures		3,202	2,479
Office equipments		11,788	5,365
Computers - owned		6,312	4,524
Motor vehicles - owned		30,675	18,871
		65,576	45,492
Intangible			
Computer software		851	1,417
TOTAL ASSETS		<u>2,700,543</u>	<u>2,078,085</u>



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Profit and Loss Account

For the financial year ended December 31, 2012

	Note	Fire & property damage	Marine, aviation & transport	Motor	Engineering	Miscellaneous	Treaty	Total 2012	Total 2011
(Rupees in thousand)									
Revenue account									
Net premium revenue		84,790	252,589	204,467	9,453	52,306	11	603,616	591,289
Net claims		(5,590)	(16,596)	(81,454)	(1,018)	(28,579)	-	(133,237)	(153,294)
Expenses	22	(57,677)	(59,163)	(36,334)	(61,169)	(19,753)	-	(234,096)	(227,494)
Net commission		36,601	23,136	(14,747)	3,850	6,053	1	54,894	43,084
Underwriting result		<u>58,124</u>	<u>199,966</u>	<u>71,932</u>	<u>(48,884)</u>	<u>10,027</u>	<u>12</u>	<u>291,177</u>	<u>253,585</u>
Investment income								180,692	133,572
Rental income								5,448	5,320
Other income	23							12,105	32,986
Financial charges								(467)	(424)
General and administration expenses	24							(25,331)	(24,955)
								<u>172,447</u>	<u>146,499</u>
Profit before taxation								463,624	400,084
Provision for taxation	25							(101,407)	(98,916)
Profit after taxation								<u>362,217</u>	<u>301,168</u>
Profit and loss appropriation account									
Balance at commencement of the year									
Profit after taxation for the year								301,917	243,218
Final dividend for 2011 @ Rs. 4 per share (2010: Rs. 4 per share)								362,217	301,168
Transfer to general reserve								(177,175)	(147,646)
Transfer to reserve for issue of bonus shares								(36,000)	(21,000)
								(88,588)	(73,823)
Balance unappropriated profit at the end of the year								<u>362,371</u>	<u>301,917</u>
									Restated
Basic and diluted earnings per share - Rupees	26							<u>6.81</u>	<u>5.67</u>

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Statement of Comprehensive Income

For the financial year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
Profit for the year ended December 31	362,217	301,168
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>362,217</u>	<u>301,168</u>

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Statement of Changes in Equity

Financial year ended December 31, 2012

	Issued, subscribed and paid-up capital	Reserves				Investment fluctuation reserve	Retained earnings	Total
		Capital reserve	Reserve for exceptional losses	Reserve for issue of bonus shares	General reserve			
(Rupees in thousand)								
Balance as at January 1, 2011	369,115	2,251	2,164	-	236,649	3,000	243,218	856,397
Final dividend for the year ended December 31, 2010 @ 40% (Rs. 4 per share)	-	-	-	-	-	-	(147,646)	(147,646)
Transfer to general reserve	-	-	-	-	21,000	-	(21,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	73,823	-	-	(73,823)	-
Issue of bonus shares @ 10%	73,823	-	-	(73,823)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	301,168	301,168
Balance as at December 31, 2011	<u>442,938</u>	<u>2,251</u>	<u>2,164</u>	<u>-</u>	<u>257,649</u>	<u>3,000</u>	<u>301,917</u>	<u>1,009,919</u>
Final dividend for the year ended December 31, 2011 @ 40% (Rs. 4 per share)	-	-	-	-	-	-	(177,175)	(177,175)
Transfer to general reserve	-	-	-	-	36,000	-	(36,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	88,588	-	-	(88,588)	-
Issue of bonus shares @ 20%	88,588	-	-	(88,588)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	362,217	362,217
Balance as at December 31, 2012	<u><u>531,526</u></u>	<u><u>2,251</u></u>	<u><u>2,164</u></u>	<u><u>-</u></u>	<u><u>293,649</u></u>	<u><u>3,000</u></u>	<u><u>362,371</u></u>	<u><u>1,194,961</u></u>

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Cash Flow Statement

For the financial year ended December 31, 2012

	<u>Note</u>	<u>2012</u> (Rupees in thousand)	<u>2011</u>
Operating cash flows			
Underwriting activities			
Premiums received		1,603,109	895,113
Reinsurance premiums paid		(774,536)	(608,242)
Claims paid		(302,314)	(322,373)
Reinsurance and other recoveries received		136,320	183,750
Commissions paid		(105,456)	(64,131)
Commissions received		142,382	107,789
Other underwriting payments		(2,389)	(3,929)
Other underwriting receipts		14,527	13,364
Net cash flow from underwriting activities		711,643	201,341
Other operating activities			
Income tax paid		(117,690)	(91,721)
General management expenses paid		(194,704)	(249,306)
Loan payments / repayments disbursed / received		(53)	60
Other deposits		474	396
Net cash flow from other operating activities		(311,973)	(340,571)
Total cash generated from / (used in) all operating activities	A	399,670	(139,230)
Investment activities			
Profit / return received		14,462	39,577
Dividends received		48,792	32,877
Rental income received		5,539	5,405
Payments for purchase of investments		(1,520,864)	(1,211,552)
Proceeds from disposal of investments		1,480,538	988,832
Payments against purchase of fixed assets		(32,851)	(11,460)
Proceeds from disposal of fixed assets		5,414	2,555
Total cash flow generated from / (used in) investing activities	B	1,030	(153,766)
Financing activities			
Dividends paid		(172,811)	(144,570)
Financial charges paid		(467)	(424)
Total cash flow used in financing activities	C	(173,278)	(144,994)
Net cash outflow from all activities (A+B+C)		227,422	(437,990)
Cash at the beginning of the year		54,591	492,581
Cash at the end of the year	12	282,013	54,591

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Reconciliation to Profit and Loss Account

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
Operating cash flows	399,670	(139,230)
Depreciation	(9,131)	(6,772)
Amortization	(566)	(283)
Financial charges	(467)	(424)
Gain on disposal of fixed assets	1,778	1,143
Provision for doubtful debts	-	(4,500)
Increase in assets other than cash	(121,889)	130,860
Decrease in liabilities other than borrowings	(74,709)	141,285
Other adjustments		
- Decrease / (increase) in provision for unearned premium	(53,198)	12,812
- Increase in commission income unearned	(21,940)	(11,036)
- Income on investments and current and other deposits	180,692	133,572
- Rental income	5,448	5,320
- Other income	12,105	31,843
- Increase in provision for deferred commission expense	44,424	6,578
Profit after taxation	<u>362,217</u>	<u>301,168</u>

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:

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		(Rupees in thousand)	
Cash and other equivalents	12	68	10
Current and other accounts	12	281,945	54,581
		<u>282,013</u>	<u>54,591</u>

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Statement of Premiums

For the financial year ended December 31, 2012

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2012	2011
(R u p e e s i n t h o u s a n d)										
Direct and facultative										
Fire and property damage	369,659	252,682	217,074	405,267	302,086	194,470	176,079	320,477	84,790	115,457
Marine, aviation and transport	379,170	19,114	28,163	370,121	116,932	6,130	5,530	117,532	252,589	240,959
Motor	232,868	108,529	116,542	224,855	17,917	7,457	4,986	20,388	204,467	198,482
Engineering	392,040	19,631	368,543	43,128	337,329	16,942	320,596	33,675	9,453	3,943
Miscellaneous	126,596	43,308	45,091	124,813	69,266	26,541	23,300	72,507	52,306	32,448
Total	1,500,333	443,264	775,413	1,168,184	843,530	251,540	530,491	564,579	603,605	591,289
Treaty										
Fire and property damage	-	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	11	-	-	11	-	-	-	-	11	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total	11	-	-	11	-	-	-	-	11	-
Grand Total	1,500,344	443,264	775,413	1,168,195	843,530	251,540	530,491	564,579	603,616	591,289

Note:

Premiums written include administration surcharge amounting to Rs. 14,527 thousand (2011: Rs. 13,364 thousand)

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Statement of Claims

For the financial year ended December 31, 2012

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2012	2011
(R u p e e s i n t h o u s a n d)										
Direct and facultative										
Fire and property damage	61,224	55,903	36,740	42,061	55,022	51,612	33,061	36,471	5,590	10,173
Marine, aviation and transport	57,295	70,569	60,700	47,426	38,962	54,598	46,466	30,830	16,596	16,895
Motor	114,117	79,122	60,983	95,978	10,962	7,701	11,263	14,524	81,454	106,609
Engineering	14,551	27,295	28,552	15,808	13,506	24,766	26,050	14,790	1,018	508
Miscellaneous	45,601	22,845	10,157	32,913	14,733	14,807	4,408	4,334	28,579	19,109
Total	292,788	255,734	197,132	234,186	133,185	153,484	121,248	100,949	133,237	153,294
Treaty										
Fire and property damage	-	1,755	1,755	-	-	-	-	-	-	-
Marine, aviation and transport	-	1,939	1,939	-	-	-	-	-	-	-
Miscellaneous	-	86	86	-	-	-	-	-	-	-
Total	-	3,780	3,780	-	-	-	-	-	-	-
Grand Total	292,788	259,514	200,912	234,186	133,185	153,484	121,248	100,949	133,237	153,294

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Statement of Expenses

For the financial year ended December 31, 2012

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2012	2011
(R u p e e s i n t h o u s a n d)									
Direct and facultative									
Fire and property damage	23,438	10,032	11,649	21,821	57,677	79,498	58,422	21,076	56,134
Marine, aviation and transport	19,491	1,160	1,739	18,912	59,163	78,075	42,048	36,027	54,494
Motor	17,871	8,120	8,862	17,129	36,334	53,463	2,382	51,081	55,673
Engineering	43,519	1,963	43,108	2,374	61,169	63,543	6,224	57,319	4,461
Miscellaneous	5,653	1,621	1,962	5,312	19,753	25,065	11,365	13,700	13,648
Total	<u>109,972</u>	<u>22,896</u>	<u>67,320</u>	<u>65,548</u>	<u>234,096</u>	<u>299,644</u>	<u>120,441</u>	<u>179,203</u>	<u>184,410</u>
Treaty									
Fire and property damage	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	1	(1)	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(1)</u>	<u>-</u>
Grand Total	<u>109,972</u>	<u>22,896</u>	<u>67,320</u>	<u>65,548</u>	<u>234,096</u>	<u>299,644</u>	<u>120,442</u>	<u>179,202</u>	<u>184,410</u>

Note:

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

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Statement of Investment Income

For the financial year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
Income from non-trading investments		
Held to maturity		
Return on government securities	6,102	5,386
Available for sale		
Return on N.I.T.	160	163
Dividend income		
- from related parties	17,740	17,081
- from others	30,392	16,055
	48,132	33,136
Gain on sale of available for sale investments	126,939	95,873
Less: Investment related expenses	(641)	(986)
Net investment income	<u>180,692</u>	<u>133,572</u>

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



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Notes to the Financial Statements

For the financial year ended December 31, 2012

1. The Company and its operations

Atlas Insurance Limited (the Company) 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 comprises 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, the Companies Ordinance, 1984 or the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2012

The Company has adopted the following new standards, interpretations and amendments to published approved accounting standards during the year.

IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)
IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements except for improvement in certain disclosures.

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 major 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 damage, Marine, aviation and transport, Motor and Miscellaneous & Engineering. Contracts are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors e.t.c and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and varies accordingly.

- Fire and property damage 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, crop and health 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 of insurance contracts is given in note 4.18.1. 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 Incurred But Not Reported (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, IBNR and expected claim 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 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 damage, 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, aviation and transport, 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 recognized in the current period. The loss ratios for the current and prior year are as follows:

	<u>2012</u>	<u>2011</u>
Fire and property damage	7 %	9%
Marine, aviation and transport	7 %	7%
Motor	40 %	54%
Miscellaneous	48 %	54%

Keeping in view the adequacy of the reserves on December 31, 2012, 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 recognized 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 plans

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, 2012, using the "Projected Unit Credit Method".

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

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

The Company is expected to contribute Rs. 1,318 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. 350,658 thousand (2011: 36,142 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 recognized 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 (in case 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, 2012 is given in statement of premium 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:

Ratings	Amounts due from reinsurers		Reinsurance recoveries against outstanding claims		Other reinsurance assets	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
A or above (including PRCL)	19,927	22,621	115,005	116,186	530,413	250,027
BBB	-	-	177	532	-	-
Others	1,823	3,276	6,066	36,766	75	1,511
	<u>21,750</u>	<u>25,897</u>	<u>121,248</u>	<u>153,484</u>	<u>530,488</u>	<u>251,538</u>

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 recognized as liability as follows:

- for reinsurance contracts operating on a proportional basis, on attachment of the underlying policies reinsured; and
- 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 and property damage, 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, aviation and transport 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.

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain and loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

The assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its fixed assets as at December 31, 2012 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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on de-recognition of the financial assets and financial liabilities are 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 dividend. 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

4.18 Revenue recognition

4.18.1 Premium income earned

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

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

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

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

4.18.2 Dividend income and bonus shares

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

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

4.18.3 Income on held to maturity investments

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

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

4.18.5 Rent and other income

Rental and other income is recognized 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 general and administrative expenses.

4.21 Reinsurance expenses

Premium ceded to reinsurers is recognized as expense as follows:

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

4.22 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. Standards issued but not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 1, 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income	July 1, 2012
IAS 19 - Employee Benefits - (Revised)	January 1, 2013
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 1, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

The Company expects that the adoption of the above revisions, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 "Employee Benefits" as described below:

Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short term and other long term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Company is currently assessing the full impact of the above amendments which are effective from January 1, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses as referred to in note 4.3.2 to the financial statements to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 is not likely to be material.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2015
IFRS 10 - Consolidated Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 - Fair Value Measurement	January 1, 2013

6. Issued, subscribed and paid up capital

<u>2012</u> (Number of shares)	<u>2011</u>		<u>2012</u> (Rupees in thousand)	<u>2011</u> (Rupees in thousand)
250,000	250,000	Ordinary shares of Rs. 10 each fully paid in cash	2,500	2,500
52,902,562	44,043,802	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	529,026	440,438
<u>53,152,562</u>	<u>44,293,802</u>		<u>531,526</u>	<u>442,938</u>

18,076,472 (2011: 15,063,727) ordinary shares and 16,718,192 (2011: 13,931,827) ordinary shares of the Company are held by Shirazi Investments (Private) Limited and Shirazi Capital (Private) Limited respectively, associated undertakings as at December 31, 2012.

Movement in paid up capital	Number of shares	Rupees in thousand
As at January 1, 2011	36,911,502	369,115
Issued as fully paid bonus shares	7,382,300	73,823
As at December 31, 2011	44,293,802	442,938
Issued as fully paid bonus shares	8,858,760	88,588
As at December 31, 2012	<u>53,152,562</u>	<u>531,526</u>

	<u>Note</u>	<u>2012</u> (Rupees in thousand)	<u>2011</u> (Rupees in thousand)
7. Reserves			
Capital reserves			
Capital reserve		2,251	2,251
Reserve for exceptional losses	7.1	2,164	2,164
		<u>4,415</u>	<u>4,415</u>
Revenue reserves			
General reserve			
- At the beginning of the year		257,649	236,649
- Transfer from retained earnings		36,000	21,000
Investment fluctuation reserve	7.2	293,649	257,649
		3,000	3,000
		<u>296,649</u>	<u>260,649</u>
		<u>301,064</u>	<u>265,064</u>

7.1 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.

7.2 This has been set aside in prior years for utilization against diminution in the value of investments.

	<u>Note</u>	<u>2012</u> (Rupees in thousand)	<u>2011</u> (Rupees in thousand)
8. Amounts due to other insurers / reinsurers			
Amounts due to co-insurers		40,765	21,765
Amounts due to reinsurers		216,986	147,992
		<u>257,751</u>	<u>169,757</u>
9. Accrued expenses			
Commission payable		10,214	5,699
Bonus to staff payable		18,338	23,346
Profit commission payable		2,751	2,404
Leave encashment payable		10,688	8,881
Other accrued expenses		13,051	11,251
		<u>55,042</u>	<u>51,581</u>
10. Other creditors and accruals			
Federal insurance fee		5,115	2,163
Federal excise duty		76,325	29,838
Donation payable	24.1	4,600	4,002
Gratuity payable - Management staff	10.1	1,334	4,928
Workers' welfare fund		23,816	14,616
Others		4,024	5,652
		<u>115,214</u>	<u>61,199</u>

10.1 The latest valuation of scheme was carried out as at December 31, 2012 using the Projected Unit Credit 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	12.00% per annum
- Expected rate of increase in salaries	11.00% per annum
- Expected return on plan assets	12.00% per annum

The amounts recognized in balance sheet are as follows:

	Management staff		Non-management staff	
	2012	2011	2012	2011
			(Rupees in thousand)	
Present value of defined benefit obligation	36,482	33,287	2,399	2,066
Fair value of plan assets	(33,869)	(22,925)	(7,140)	(6,146)
	2,613	10,362	(4,741)	(4,080)
Unrecognized actuarial (loss) / gain	(1,279)	(5,434)	574	2,753
Experience adjustment on obligation	-	-	-	-
Amount not recognized as an asset under paragraph 58(b)	-	-	4,167	1,327
Liability as at December 31	1,334	4,928	-	-
Net liability as at January 1	4,928	5,899	-	-
Charge to profit and loss account	2,634	4,641	(373)	(509)
Contribution made by the Company	(6,243)	(4,967)	-	(176)
Liability recognized in respect of non-management staff promoted to management staff	15	20	(16)	(20)
Unrecognized asset as per IAS 19 requirement	-	-	514	624
Benefits paid by the Company	-	(665)	(125)	(360)
Net receivable from Management Gratuity Fund adjusted	-	-	-	441
Liability as at December 31	1,334	4,928	-	-

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

Present value of defined benefit obligation	33,287	30,546	2,066	1,730
Service cost	1,040	1,243	148	137
Interest cost	3,788	4,422	258	247
Benefits paid	-	(664)	(125)	(360)
Liabilities in respect of promotees	16	20	(16)	(20)
Actuarial (gain) / loss on defined benefit obligation	(1,649)	(2,280)	67	332
Present value of defined benefit obligation	36,482	33,287	2,398	2,066

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

Fair value as at January 1	22,925	10,950	6,146	5,963
Expected return on plan assets	2,545	1,709	780	850
Company contributions	6,243	4,967	-	176
Benefits paid	-	-	-	-
Transferred to other group companies	-	5,850	-	-
Net receivable from Management Gratuity Fund	-	-	-	(441)
Experience gain / (loss)	2,156	(551)	213	(402)
Fair value as at December 31	33,869	22,925	7,139	6,146

10.1.3 Plan assets are comprised as follows:

Debt	3,196	3,862	1,437	-
Mutual funds	30,405	18,948	5,526	5,983
Cash and bank balances	268	115	176	163
	33,869	22,925	7,139	6,146

10.1.4 Charge for the year

Current service cost	1,040	1,243	148	137
Interest cost	3,788	4,422	259	247
Expected return on investments	(2,545)	(1,709)	(780)	(850)
Recognition of actuarial loss / (gain)	351	685	-	(43)
Expense for the year	2,634	4,641	(373)	(509)
Actual return on plan assets	3,628	1,158	952	449

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

	2012	2011	2010	2009	2008
Management staff					
(Rupees in thousand)					
As at December 31					
Present value of defined benefit obligation	36,482	33,287	30,546	25,484	11,726
Fair value of plan assets	(33,869)	(22,925)	(10,950)	(9,808)	(8,279)
	2,613	10,362	19,596	15,676	3,447
Experience adjustment on obligation	5%	7%	6%	44%	16%
Experience adjustment on plan assets	-6%	2%	-2%	-1%	-22%
	2012	2011	2010	2009	2008
Non-Management staff					
(Rupees in thousand)					
As at December 31					
Present value of defined benefit obligation	2,399	2,066	1,730	1,768	1,605
Fair value of plan assets	(7,140)	(6,146)	(5,963)	(5,490)	(4,991)
	(4,741)	(4,080)	(4,233)	(3,722)	(3,386)
Experience adjustment on obligation	3%	16%	-5%	-13%	-14%
Experience adjustment on plan assets	-3%	7%	-3%	-6%	-12%

11. Contingencies and commitments

11.1 Contingencies

The Additional Commissioner / Taxation Officer has amended the deemed assessment for the tax year 2003 by allocating certain expenditures to dividend income resulting in an additional tax liability of Rs. 945 thousand. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) which was decided against the Company. Consequently, the Company filed an appeal before the Income Tax Appellate Tribunal (ITAT). ITAT vide its order dated January 6, 2012 accepted the appeal. However, at the year end, the management is not aware if any appeal has been made by the Income Tax Authorities.

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 Inland Revenue (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. ITAT vide its order dated January 6, 2012 accepted the appeal. However, at the year end, the Company is not aware if any appeal has been made by the Income Tax Authorities.

The Additional Commissioner / Taxation Officer has amended the deemed assessment for the tax year 2005 and created a demand of Rs. 70,697 thousand 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 Rs. 811 thousand. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) and also applied for grant to stay against the aforementioned vide Writ Petition number 26179 of 2010 to the Honorable Lahore High Court. The Writ Petition was heard by the Honorable Judge of Lahore High Court on December 14, 2010 and restrained the Commissioner from recovering the said demand. The Commissioner Inland Revenue (Appeals) has given the decision in favor of the Company. However, at the year end, the management is not aware of any appeal has been made by the Income Tax Authorities against the aforesaid order of the Commissioner Inland Revenue (Appeals).

The Deputy Commissioner Inland Revenue issued an order under section 161/205 creating a demand of Rs. 2,901 thousand of the tax year 2007. Against the said order the Company has filed rectification application to the Deputy Commissioner and also filed an appeal to the Commissioner Inland Revenue (Appeals), which has been decided in a manner that Company is required to submit evidence / details at the time of appeal effect order. The management is confident that in the effect order no major demand will be raised.

The Deputy Commissioner Inland Revenue issued an order under section 122(5A) creating a demand of Rs. 29,163 thousand for the tax year 2006. Against the said order the Company has filed rectification application to the Deputy Commissioner and also filed an appeal to the Commissioner Inland Revenue (Appeals) which is pending for adjudication. The management is confident that the said appeal will be decided in favor of the Company.

Pending resolution of the above mentioned appeals filed by the Company, no provision has been made in these financial statements of Rs. 32,064 thousand (2011: Rs. 75,994 thousand) as the management is confident that the eventual outcome of the above matter will be in favor of the Company.

11.2 Commitments

Rs. Nil (2011: Rs. Nil)

12. Cash and bank deposits

Cash and other equivalents

Cash in hand

68

10

Current and other accounts

Current accounts

18,526

18,532

Saving accounts

12.1

263,419

36,049

281,945

54,581

Deposits maturing within twelve months

-

-

282,013

54,591

12.1 The balances in saving accounts bear mark-up which ranges from 5 % to 11 % (2011: 5% to 12%) per annum.

Note

2012

2011

(Rupees in thousand)

13. Loans to employees - secured considered good

Executives

-

-

Others

13.1

170

117

170

117

13.1 These represent interest free loans to employees for 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.

Note

2012

2011

(Rupees in thousand)

14. Investments

The investments comprise:

Held to maturity

14.1

57,246

45,979

Available for sale

14.2

1,198,640

1,043,277

1,255,886

1,089,256

Aggregate market value as at December 31

1,606,544

1,125,398

14.1 Held to maturity

Statutory deposits

14.1.1

57,246

45,979

Unamortized premium on investment bonds

-

-

57,246

45,979

14.1.1 Statutory deposits

	Maturity	Effective Yield %	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Pakistan Investment Bonds (PIBs)	September, 2012	12.35%	-	2,000
Pakistan Investment Bonds (PIBs)	July, 2013	12.90%	8,000	8,000
Market Treasury Bill	August, 2012	13.28%	-	35,979
Market Treasury Bill	August, 2013	10.39%	40,972	-
Market Treasury Bill	January, 2013	12.08%	8,274	-
			<u>57,246</u>	<u>45,979</u>

This represents carrying amount of government securities 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, 2012 amounts to Rs. 59,272 thousand (2011: Rs. 44,480). Profit on PIBs is received bi-annually.

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
14.2 Available for sale			
Related parties			
- Mutual funds - Quoted	14.2.1	521,588	496,823
- Ordinary shares - Quoted	14.2.2	239,057	256,312
- Ordinary shares - Unquoted	14.2.3	-	-
		760,645	753,135
Others			
- Mutual funds - Quoted	14.2.4	60,248	52,889
- Ordinary shares - Quoted	14.2.5	377,747	237,253
		437,995	290,142
		<u>1,198,640</u>	<u>1,043,277</u>

	Number of units / shares	Face value	Fund's / Company's name	2012 (Rupees in thousand)	2011 (Rupees in thousand)
	2012	2011			
14.2.1 Mutual funds - Quoted					
441,073	288,886	500	Atlas Islamic Stock Fund Market value Rs. 171,776 thousand (2011: Rs. 86,700 thousand)	149,677	83,448
293,440	169,974	500	Atlas Stock Market Fund Market value Rs. 123,514 thousand (2011: Rs. 52,544 thousand)	106,911	54,600
367,816	213,251	500	Atlas Income Fund Market value Rs. 190,355 thousand (2011: Rs. 107,035 thousand)	190,000	106,700
148,615	504,375	500	Atlas Money Market Fund Market value Rs. 75,057 thousand (2011: Rs. 253,993 thousand)	75,000	252,075
				<u>521,588</u>	<u>496,823</u>

Number of units / shares		Face value Rupees	Fund's / Company's name	Note	2012	2011
2012	2011				(Rupees in thousand)	
14.2.2 Ordinary shares - Quoted						
2,345,383	2,039,464	10	Atlas Honda Limited Equity held: 2.84% (2011: 2.84%) Market value Rs. 361,377 thousand (2011: Rs. 249,182 thousand)		215,296	215,296
300,000	-	10	Atlas Fund of Funds Equity held: 0.01% (2011: Nil) Market value Rs. 2,862 thousand (2011: Rs. Nil)		2,590	-
252,850	210,709	10	Atlas Battery Limited Equity held: 1.74% (2011: 1.74%) Market value Rs. 58,231 thousand (2011: Rs. 34,074 thousand)		11,376	11,376
850,000	850,000	10	Honda Atlas Cars (Pakistan) Limited Equity held: 0.60% (2011: 0.60%) Market value Rs. 16,541 thousand (2011: Rs. 7,344 thousand)		9,795	9,795
-	1,739,267	10	Cherat Cement Company Limited * Equity held: Nil (2011: 1.82%) Market value Rs. Nil (2011: Rs. 12,540 thousand)		-	19,845
					<u>239,057</u>	<u>256,312</u>

14.2.3 Ordinary shares - Unquoted

50,000	50,000	10	Arabian Sea Country Club Limited	14.2.3.1	-	-
--------	--------	----	----------------------------------	----------	---	---

14.2.3.1 The name of Chief Executive is Mr. Arif Ali Khan Abbasi. The break-up value is Rs. 8.7 per share (2011: Rs. 7.9 per share) based on audited accounts for the year ended June 30, 2012.

Number of units / shares		Face value Rupees	Fund's / Company's name	Note	2012	2011
2012	2011				(Rupees in thousand)	
14.2.4 Mutual funds - Quoted						
28,000	45,678	10	National Investment Trust units Market value Rs. 929 thousand (2011: Rs. 1,183 thousand)	14.2.4.1	718	1,163
172,711	268,362	100	Lakson Money Market Fund Market value Rs. 17,297 thousand (2011: Rs. 27,091 thousand)		17,270	26,800
2,305,146	2,042,351	10	NIT Income Fund Market value Rs. 25,043 thousand (2011: Rs. 22,019 thousand)		25,000	22,000
172,648	-	100	Lakson Income Fund Market value Rs. 17,346 thousand (2011: Rs. Nil)		17,260	-
-	275,512		Al-Meezan Mutual Fund Market Value Rs. Nil (2011: Rs. 2,816 thousand)		-	2,926
					<u>60,248</u>	<u>52,889</u>

14.2.4.1 This includes 28,000 (2011: 28,000) units held as statutory deposit with the State Bank of Pakistan Under section 29(2)(a) of the Insurance Ordinance, 2000.

* The classification of Cherat Cement Company Limited has been changed from related party to others during the year.

Number of units / shares		Face value Rupees	Fund's / Company's name	2012	2011
2012	2011			(Rupees in thousand)	
14.2.5 Ordinary shares - Quoted					
846,187	105,687	10	Banks Bank Alfalah Limited Market value Rs. 14,233 thousand (2011: Rs. 1,189 thousand)	14,001	1,535
-	62,062	10	MCB Bank Limited Market value Rs. Nil (2011: Rs. 8,354 thousand)	-	10,613
212,210	140,210	10	United Bank Limited Market value Rs. 17,756 thousand (2011: Rs. 7,346 thousand)	15,058	7,569
86,272	64,793	10	Allied Bank Limited Market value Rs. 6,340 thousand (2011: Rs. 3,490 thousand)	5,181	3,992
209,720	67,200	10	National Bank of Pakistan Market value Rs. 10,358 thousand (2011: Rs. 2,759 thousand)	9,178	3,158
72,500	-	10	Meezan Bank Limited Market value Rs. 2,179 thousand (2011: Rs. Nil)	1,998	-
-	17,463	10	Non Life Insurance IGI Insurance Limited Market value Rs. Nil (2011: Rs. 772 thousand)	-	1,081
107,500	28,000	10	Construction and Material Lucky Cement Limited Market value Rs. 16,291 thousand (2011: Rs. 2,101 thousand)	13,139	2,116
85,000	-	10	DG Khan Cement Company Limited Market value Rs. 4,639 thousand (2011: Rs. Nil)	4,165	-
87,000	-	10	Attock Cement Pakistan Limited Market value Rs. 8,683 thousand (2011: Rs. Nil)	8,375	-
1,739,276	-	10	Cherat Cement Company Limited * Market value Rs. 84,789 thousand	19,845	-
946,000	577,000	10	Electricity The Hub Power Company Limited Market value Rs. 42,797 thousand (2011: Rs. 19,733 thousand)	40,427	19,344
131,278	64,278	10	Kot Addu Power Company Limited Market value Rs. 6,484 thousand (2011: Rs. 2,656 thousand)	5,778	2,777
200,000	200,000	10	Nishat Power Limited Market value Rs. 3,900 thousand (2011: Rs. 2,590 thousand)	2,515	2,515
47,000	-	10	Pak Gen Power Limited Market value Rs. 989 thousand (2011: Rs. Nil)	997	-
Carried forward				140,657	54,700

* The classification of Cherat Cement Company Limited has been changed from related party to others during the year.

Number of units / shares		Face value Rupees	Fund's / Company's name	2012		2011	
2012	2011			(Rupees in thousand)		(Rupees in thousand)	
			Brought forward	140,657		54,700	
72,000	-	10	Nishat Chunian Power Limited Market value Rs. 1,513 thousand (2011: Rs. Nil)	1,444		-	
			Oil and Gas				
152,861	88,011	10	Pakistan Oilfields Limited Market value Rs. 66,882 thousand (2011: Rs. 30,491 thousand)	57,826		29,451	
316,393	89,955	10	Pakistan Petroleum Limited Market value Rs. 55,935 thousand (2011: Rs. 15,141 thousand)	52,126		14,920	
8,488	8,488	10	Mari Petroleum Company Limited (formerly Mari Gas Company Limited) Market value Rs. 834 thousand (2011: Rs. 688 thousand)	1,010		1,010	
-	26,750	10	Pakistan State Oil Company Limited Market value Rs. Nil (2011: Rs. 6,078 thousand)	-		7,021	
8,300	-	10	Attock Petroleum Limited Market value Rs. 4,250 thousand (2011: Rs. Nil)	3,796		-	
			Fixed Line Telecommunication				
-	121,500	10	Pakistan Telecommunication Company Limited Market value Rs. Nil (2011: Rs. 1,262 thousand)	-		2,480	
			Chemicals				
114,712	154,333	10	Engro Corporation Limited Market value Rs. 10,558 thousand (2011: Rs. 14,307 thousand)	12,596		23,194	
390,715	289,247	10	Fauji Fertilizer Company Limited Market value Rs. 45,768 thousand (2011: Rs. 43,254 thousand)	42,558		42,311	
-	14,578	10	ICI Pakistan Limited Market value Rs. Nil (2011: Rs. 1,753 thousand)	-		1,936	
			Pharma and Bio Tech				
-	10,361	10	Abbott Laboratories (Pakistan) Limited Market value Rs. Nil (2011: Rs. 1,034 thousand)	-		685	
			Paper and Board				
1,584,165	1,584,165	10	Cherat Packaging Limited Market value Rs. 58,646 thousand (2011: Rs. 43,327 thousand)	45,461		39,203	
			Industrial Transportation				
-	18,000	10	Pakistan International Container Terminal Limited Market value Rs. Nil (2011: Rs. 1,188 thousand)	-		1,274	
			Carried forward	357,474		218,185	

Number of units / shares		Face value Rupees	Fund's / Company's name	2012	2011
2012	2011			(Rupees in thousand)	
			Brought forward	357,474	218,185
55,000	55,000	10	Industrial Metals and Mining Crescent Steel and Allied Products Limited Market value Rs. 1,933 thousand (2011: Rs. 998 thousand)	937	937
-	24,999	10	Tobacco Pakistan Tobacco Company Limited Market value Rs. Nil (2011: Rs. 1,387 thousand)	-	2,658
1,300	1,300	10	General Industries Siemens (Pakistan) Engineering Market value Rs. 1,007 thousand (2011: Rs. 1,374 thousand)	1,496	1,496
15,000	-	10	Personal Goods Gadoon Textile Mills Limited Market value Rs. 1,755 thousand (2011: Rs. Nil)	1,760	-
133,150	118,150	10	Nishat Mills Limited Market value Rs. 8,502 thousand (2011: Rs. 4,779 thousand)	7,690	6,722
221,090	68,324	10	Equity Investment Instrument JS Value Fund Market value Rs. 1,900 thousand (2011: Rs. 294 thousand)	1,479	344
388,764	388,764	10	PICIC Energy Fund Market value Rs. 3,499 thousand (2011: Rs. 2,768 thousand)	2,964	2,964
196,000	196,000	10	PICIC Growth Fund Market value Rs. 3,214 thousand (2011: Rs. 2,442 thousand)	2,950	2,950
154,500	154,500	10	PICIC Investment Fund Market value Rs. 1,092 thousand (2011: Rs. 842 thousand)	997	997
				<u>377,747</u>	<u>237,253</u>

Note2012
(Rupees in thousand)2011(Rupees in thousand)**15. Deferred taxation**

The asset for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation	(6,290)	(4,109)
Provision for employee benefits and others	15,231	14,347
	<u>8,941</u>	<u>10,238</u>

16. Premium due but unpaid

- Considered good	229,835	313,944
- Considered doubtful	31	13,633
	<u>229,866</u>	<u>327,577</u>
Less: Provision for doubtful receivables	(31)	(13,633)
	<u>229,835</u>	<u>313,944</u>

16.1

	<u>Note</u>	<u>2012</u> (Rupees in thousand)	<u>2011</u>
16.1 Provision for doubtful receivables			
Balance as at January 1		13,633	9,133
Provision made during the year		-	4,500
		<u>13,633</u>	<u>13,633</u>
Bad debts written off		(13,602)	-
Balance as at December 31		<u>31</u>	<u>13,633</u>
17. Amounts due from other insurers / reinsurers			
Unsecured			
- Considered good	17.1	98,884	113,388
- Considered doubtful		1,959	1,959
		<u>100,843</u>	<u>115,347</u>
Less: Provision for doubtful receivables	17.2	(1,959)	(1,959)
		<u>98,884</u>	<u>113,388</u>
17.1 Considered good			
Amounts due from coinsurers		92,615	103,984
Amounts due from reinsurers		6,269	9,404
		<u>98,884</u>	<u>113,388</u>
17.2 Provision for doubtful receivables			
Balance as at January 1		1,959	1,959
Provision made during the year		-	-
		<u>1,959</u>	<u>1,959</u>
Bad debts written off		-	-
Balance as at December 31		<u>1,959</u>	<u>1,959</u>
18. Accrued investment income			
Dividend receivable		-	500
Profit receivable on PIBs		2,783	828
		<u>2,783</u>	<u>1,328</u>
19. Prepayments			
Prepaid reinsurance premium ceded		530,491	251,540
Others		2,589	1,768
		<u>533,080</u>	<u>253,308</u>
20. Sundry receivables			
Advances to employees - unsecured, considered good	20.1	396	850
Deposits and prepaid rent		3,796	3,925
Claims receivable		14,842	10,481
		<u>19,034</u>	<u>15,256</u>
20.1 Included in advances to employees are amounts due from executives is Nil (2011: Rs. Nil).			
21. Fixed Assets			
Tangible	21.1	65,576	45,492
Intangible	21.2	851	1,417
		<u>66,427</u>	<u>46,909</u>

21.1 Tangible

	Freehold land	Buildings on freehold land	Furniture & fixtures	Office equipments	Computers owned	Vehicles owned	Total
(Rupees in thousand)							
Net carrying value basis							
Year ended December 31, 2012							
Opening net book value	1,168	13,085	2,479	5,365	4,524	18,871	45,492
Additions (at cost)	-	-	990	7,499	3,590	20,772	32,851
Disposals at net book value	-	-	-	(17)	-	(3,619)	(3,636)
Depreciation charge	-	(654)	(267)	(1,059)	(1,802)	(5,349)	(9,131)
Closing net book value	<u>1,168</u>	<u>12,431</u>	<u>3,202</u>	<u>11,788</u>	<u>6,312</u>	<u>30,675</u>	<u>65,576</u>
Gross carrying value basis							
As at December 31, 2012							
Cost	1,168	20,910	4,761	15,971	16,872	47,898	107,580
Accumulated depreciation	-	(8,479)	(1,559)	(4,183)	(10,560)	(17,223)	(42,004)
Net book value	<u>1,168</u>	<u>12,431</u>	<u>3,202</u>	<u>11,788</u>	<u>6,312</u>	<u>30,675</u>	<u>65,576</u>
Depreciation rate % per annum	-	5	10	10	30	20	
Net carrying value basis							
Year ended December 31, 2011							
Opening net book value	1,168	13,774	2,575	5,556	3,894	16,949	43,916
Additions (at cost)	-	-	181	560	2,236	6,783	9,760
Disposals at net book value	-	-	(14)	(166)	(154)	(1,078)	(1,412)
Depreciation charge	-	(689)	(263)	(585)	(1,452)	(3,783)	(6,772)
Closing net book value	<u>1,168</u>	<u>13,085</u>	<u>2,479</u>	<u>5,365</u>	<u>4,524</u>	<u>18,871</u>	<u>45,492</u>
Gross carrying value basis							
As at December 31, 2011							
Cost	1,168	20,910	3,773	8,680	13,267	36,942	84,740
Accumulated depreciation	-	(7,825)	(1,294)	(3,315)	(8,743)	(18,071)	(39,248)
Net book value	<u>1,168</u>	<u>13,085</u>	<u>2,479</u>	<u>5,365</u>	<u>4,524</u>	<u>18,871</u>	<u>45,492</u>
Depreciation rate % per annum	-	5	10	10	30	20	

21.1.1 The depreciation charge for the year has been allocated to general and administration expenses as disclosed in Note 24.

Computer software
(Rupees in thousand)

21.2 Intangible**Net carrying value basis****Year ended December 31, 2012**

Opening net book value (NBV)	1,417	1,417
Amortization charge	(566)	(566)
Closing net book value (NBV)	<u>851</u>	<u>851</u>

	Computer software	Total
	(Rupees in thousand)	
Gross carrying value basis		
As at December 31, 2012		
Cost	1,700	1,700
Accumulated amortization	(849)	(849)
Net book value (NBV)	<u>851</u>	<u>851</u>
Amortization rate % per annum	33	
Net carrying value basis		
Year ended December 31, 2011		
Additions (at cost)	1,700	1,700
Amortization charge	(283)	(283)
Closing net book value (NBV)	<u>1,417</u>	<u>1,417</u>
Gross carrying value basis		
As at December 31, 2011		
Cost	1,700	1,700
Accumulated amortization	(283)	(283)
Net book value (NBV)	<u>1,417</u>	<u>1,417</u>
Amortization rate % per annum	33	

21.2.1 The amortization charge for the year has been allocated to general and administration expenses as disclosed in Note 24.

21.3 Disposal of operating fixed assets

<u>Particulars of the assets</u>	<u>Sold to</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Sale proceeds</u>	<u>Mode of disposal</u>
(Rupees in thousand)						
Vehicles						
Honda City LRG - 6531	Mr. Faqeer Hussain	720	645	75	605	Tender
Suzuki Cultus ANR - 195	Mr. Muhammad Imran - Employee	560	371	189	189	Company's policy
Honda City LEC - 3781	Ms. Qudsia Naheed - Employee	883	607	276	276	Company's policy
Suzuki Mehran LED - 08 - 2865	Mr. Muhammad Aasim Gul - Employee	388	227	161	161	Company's policy
Honda City AGH - 161	Mr. Shahid	297	255	42	650	Tender
Suzuki Cultus APT - 971	Mr. Faqeer Hussain	632	435	197	530	Tender
Honda Civic LEB - 4774	Mr. Arshad P. Rana - Employee	1,471	1,069	402	402	Company's policy
Honda City LED - 166	Mr. Aamer Waqar - Ex-Employee	961	660	301	301	Company's policy
Honda City LEC - 08 - 7176	Mr. Ashraf Bhatti - Employee	912	561	351	351	Company's policy
Suzuki Cultus LEA - 10 - 3793	Mr. Abdul Razzaq Ghouri - Employee	784	341	443	443	Company's policy
Honda City LWH - 073	Mr. Husnain Akhtar Virk	713	309	404	643	Tender
Honda City LEB - 09 - 5235	Mr. Muhammad Iqbal - Ex-Employee	938	478	460	460	Company's policy
Suzuki Cultus LWA - 2628	Mr. Ijaz Ahmed Butt	561	243	318	380	Tender
Other assets with book value less than Rs. 50,000		193	176	17	22	Tender
		<u>10,013</u>	<u>6,377</u>	<u>3,636</u>	<u>5,413</u>	

	<u>Note</u>	<u>2012</u> <u>(Rupees in thousand)</u>	<u>2011</u>
22. Expenses			
Salaries, wages and other benefits	22.2	149,059	147,766
Utilities		2,412	2,378
Rent, rates and taxes		6,486	5,407
Telephone and communication		3,812	3,482
Vehicle running and maintenance		11,301	9,617
Repairs and maintenance		2,835	1,630
Travelling and conveyance		5,874	4,691
Printing, stationery and computer expenses		3,826	4,182
Education and training		516	580
Fee and subscriptions		7,577	6,045
Service charges		2,389	3,929
Entertainment		303	444
Advertisement expenses		714	1,347
Trackers		27,511	27,302
Others		9,481	8,694
		<u>234,096</u>	<u>227,494</u>

22.1 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.

22.2 Included in salaries, wages and benefits are Rs. 5,996 thousand (2011: Rs. 5,572 thousand) and Rs. 2,261 thousand (2011: Rs. 4,132 thousand) in respect of provident fund contribution and provision for gratuity funds, respectively, by the Company.

	<u>Note</u>	<u>2012</u> <u>(Rupees in thousand)</u>	<u>2011</u>
23. Other income			
Income from financial assets			
Return on bank deposits		10,175	30,819
Income from non-financial assets			
Gain on sale of fixed assets		1,778	1,143
Miscellaneous		152	1,024
		<u>1,930</u>	<u>2,167</u>
		<u>12,105</u>	<u>32,986</u>
24. General and administration expenses			
Legal and professional charges		1,025	717
Donations	24.1	4,600	4,002
Directors' fee		110	70
Auditors' remuneration	24.2	688	658
Depreciation	21.1.1	9,131	6,772
Provision for doubtful debts	16.1	-	4,500
Workers' welfare fund		9,200	7,940
Amortization of intangible asset	21.2.1	566	283
Others		11	13
		<u>25,331</u>	<u>24,955</u>

24.1 Donations

This amount represents Rs. 4,600 thousand (2011: Rs. 4,002 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 donation.

	<u>2012</u> <u>(Rupees in thousand)</u>	<u>2011</u>
24.2 Auditors' remuneration		
Audit fee	330	300
Half yearly review	200	200
Audit of provident fund, gratuity funds and other certifications	60	60
Out of pocket expenses	98	98
	<u>688</u>	<u>658</u>

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
25. Provision for taxation		
For the year		
- Current	100,110	103,088
- Deferred	6,412	(3,846)
	106,522	99,242
Prior year		
- Current	-	(326)
- Deferred	(5,115)	-
	101,407	98,916
	<u>2012</u>	<u>2011</u>
	%	%

25.1 Tax charge reconciliation

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	(12.05)	(10.30)
- Exempt for tax purposes	-	-
- Not admissible for tax purposes	(1.07)	0.11
Effect of change in prior year's tax	-	(0.08)
Effective tax rate	21.87	24.73
	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	

26. Earnings per share

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

Net profit after tax	362,217	301,168
	(Number of shares)	
		Restated
Weighted average number of ordinary shares	53,152,602	53,152,602
	(Rupees per share)	
		Restated
Earnings per share (basic / diluted)	6.81	5.67

27. Remuneration of chief executive, director and executives

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

	<u>Chief Executive Officer</u>		<u>Director</u>		<u>Executives</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)					
Managerial remuneration	11,949	10,391	10,269	10,269	19,465	16,616
Bonus	5,120	5,036	2,910	5,581	6,673	5,549
Medical reimbursement	98	136	132	134	837	712
House rent and utility expenses	5,715	4,969	4,911	4,911	9,666	8,203
Retirement benefits						
a) Provident fund	1,143	994	982	982	1,746	1,432
b) Service gratuity	433	376	372	372	501	452
Other reimbursable expenses	819	710	629	591	5,532	3,800
Total	25,277	22,612	20,205	22,840	44,420	36,764
Number of persons	1	1	1	1	21	19

Fees paid to 4 (2011: 2) non-executive directors for attending meetings during the year amounts to Rs. 110 thousand (2011: Rs. 70 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.

28. 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 27. Particulars of transactions with the Company's staff retirement benefit scheme are disclosed in note 10 to the financial statements. Period end balances and transactions with related parties are as follows:

Related parties	Period end balances	2012	2011
		(Rupees in thousand)	
	Provision for outstanding claims (including IBNR)	33,327	14,221
	Premium received in advance	144	-
	Premiums due but unpaid	163,843	238,181
	Transactions during the year		
	Premium underwritten	628,815	628,508
	Premium collected	812,113	564,404
	Claims paid	63,632	79,611
	Vehicles purchased	16,324	2,282
	Vehicles sold	703	-
	Office equipments purchased	4,501	35
	Office equipments sold	-	4
	Rent received	4,074	4,074
	Rent paid	1,373	541
	Expenses paid	588	300
	Dividends received	15,364	13,283
	Dividends paid	120,871	100,726
	Donations	4,600	4,002
	Investments purchased	956,490	870,800
	Investments sold	1,091,721	703,293
Post employment benefit plans	Transactions during the year		
	Expense charged in respect of retirement benefit plans	11,473	7,458

29. Segment reporting

The Company has five primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor, engineering 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		Engineering		Miscellaneous		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)											
Revenue												
Premiums earned	405,267	399,142	370,132	348,928	224,855	217,471	43,128	28,783	124,813	108,650	1,168,195	1,102,974
Segment Results	58,124	49,150	199,978	169,570	71,932	36,200	(48,884)	(2,387)	10,027	1,052	291,177	253,585
Investment income											180,692	133,572
Rental income											5,448	5,320
Other income											12,105	32,986
Financial charges											(467)	(424)
General and administration expenses											(25,331)	(24,955)
											172,447	146,499
Profit before taxation											463,624	400,084
Provision for taxation											(101,407)	(98,916)
Net Profit											362,217	301,168
Other information												
Segment assets	366,453	310,716	334,673	271,626	203,320	169,292	38,997	22,405	112,859	84,580	1,056,302	858,619
Unallocated assets											1,644,241	1,219,466
Consolidated total assets											2,700,543	2,078,085
Segment liabilities	454,229	325,718	414,836	284,741	252,020	177,466	48,339	23,488	139,892	88,663	1,309,316	900,076
Unallocated liabilities											196,266	168,090
Consolidated total liabilities											1,505,582	1,068,166

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

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

30. Insurance risk management

30.1 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 premises 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 study the possibility of spread of fire from one risk to another adjacent or closely located facility and the values exposed at each risk etc 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 personnel's 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 exposes 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	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Fire and property damage	180,819,440	153,099,632	147,258,884	117,963,266	33,560,556	35,136,366
Marine, aviation and transport	12,041,296	8,095,071	3,755,681	2,415,569	8,285,615	5,679,502
Motor	10,810,167	10,118,849	437,811	891,470	10,372,356	9,227,379
Miscellaneous	87,495,220	83,188,598	69,366,210	68,830,246	18,129,010	14,358,352
	<u>291,166,123</u>	<u>254,502,150</u>	<u>220,818,586</u>	<u>190,100,551</u>	<u>70,347,537</u>	<u>64,401,599</u>

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. The Company has reviewed the individual contracts and in particular the types of customers to whom Company issues contract 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 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	
	2012	2011	2012	2011
	(Rupees in thousand)			
Fire and property damage	559	1,017	363	661
Marine, aviation and transport	1,661	1,690	1,080	1,098
Motor	8,145	10,661	5,295	6,930
Miscellaneous	2,960	1,962	1,924	1,275
Total	13,325	15,330	8,662	9,964

Claim development

Accident Year	2008	2009	2010	2011	2012	Total
	(Rupees in thousand)					
Estimate of ultimate claims costs:						
At end of accident year	215,052	112,376	175,250	110,624	92,884	
One year later	207,008	114,846	171,255	116,513	-	
Two years later	185,111	120,082	170,859	-	-	
Three years later	177,532	116,900	-	-	-	
Four years later	175,704	-	-	-	-	
Current estimate of cumulative claims	175,704	116,900	170,859	116,513	92,884	672,860
Cumulative payments to date	(162,323)	(97,771)	(133,039)	(101,265)	-	(494,398)
Liability recognized in the statement of financial position	13,381	19,129	37,820	15,248	92,884	178,462

30.2 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.

31. 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, mutual funds and National Investment Trust units, resulting in exposure due to the fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The Company minimizes such risk by having a diversified investments portfolio. In addition, the Company'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.

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Deposits maturing within 12 months	-	-
Statutory deposits	57,246	45,979
Variable rate instruments		
Financial assets		
Bank balances - saving accounts	263,419	36,049
Total exposure	<u>320,665</u>	<u>82,028</u>

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. 1,016 thousand and impact on shareholder's equity would have been higher / lower by Rs. 660 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. 2,018,388 thousand (2011: Rs. 1,744,734 thousand) the financial assets which are subject to credit risk amounted to Rs. 2,018,320 thousand (2011: Rs. 1,744,724 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:

	<u>2012</u>	<u>2011</u>
	(Rupees in thousand)	
Current and other accounts	281,945	54,581
Loans to employees	170	117
Investments	1,255,886	1,089,256
Premiums due but unpaid	229,835	313,944
Amounts due from other insurers / reinsurers	98,884	113,388
Salvage recoveries accrued	8,535	3,370
Accrued investment income	2,783	1,328
Reinsurance recoveries against outstanding claims	121,248	153,484
Sundry receivables	19,034	15,256
	<u>2,018,320</u>	<u>1,744,724</u>

The Company maintains a general provision against doubtful receivables. The related movement is disclosed in note 16.1 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.

2012 **2011**
(Rupees in thousand)

Age analysis of receivables is as follows:

- Up to one year
- Past one but less than three years
- Over three but less than five years
- More than five years

223,017	310,071
6,848	8,362
-	7,697
-	1,447
229,865	327,577
229,865	327,577

(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		Rating Agency	2012		2011	
	Short term	Long term		(Rupees in thousand)		(Rupees in thousand)	
National Bank of Pakistan	A1+	AAA	JCR-VIS	86	348		
Allied Bank Limited	A1+	AA+	PACRA	3,552	4,915		
Summit Bank	A2	A-	JCR-VIS	246,600	29,792		
Bank Alfalah Limited	A1+	AA	PACRA	1,863	5,169		
Faysal Bank Limited	A1+	AA	JCR-VIS	14,192	6,474		
Habib Bank Limited	A1+	AAA	JCR-VIS	5,380	2,754		
MCB Bank Limited	A1+	AA+	PACRA	4,066	2,401		
Soneri Bank Limited	A1+	AA-	PACRA	-	80		
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	34	279		
United Bank Limited	A1+	AA+	JCR-VIS	3,481	2,369		
NIB Bank Limited	A1+	AA-	PACRA	2,691	-		
				281,945	54,581		
				281,945	54,581		

(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.

31.1 Financial instruments by categories

	Held to maturity		Available for sale		Loans and receivables		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)							
Financial assets as per balance sheet								
Cash and other equivalents	-	-	-	-	68	10	68	10
Current and other accounts	-	-	-	-	281,945	54,581	281,945	54,581
Deposits maturing within twelve months	-	-	-	-	-	-	-	-
Loans to employees	-	-	-	-	170	117	170	117
Investments	57,246	45,979	1,198,640	1,043,277	-	-	1,255,886	1,089,256
Premiums due but unpaid	-	-	-	-	229,835	313,944	229,835	313,944
Amounts due from other insurers / reinsurers	-	-	-	-	98,872	113,388	98,872	113,388
Salvage recoveries accrued	-	-	-	-	8,535	3,370	8,535	3,370
Accrued investment income	-	-	-	-	2,783	1,328	2,783	1,328
Reinsurance recoveries against outstanding claims	-	-	-	-	121,248	153,484	121,248	153,484
Sundry receivables	-	-	-	-	19,034	15,256	19,034	15,256
	57,246	45,979	1,198,640	1,043,277	762,490	655,478	2,018,376	1,744,734
	57,246	45,979	1,198,640	1,043,277	762,490	655,478	2,018,376	1,744,734

Other financial liabilities
2012 **2011**
(Rupees in thousand)

Financial liabilities as per balance sheet

Provision for outstanding claims (including IBNR)	200,912	259,514
Amounts due to other insurers / reinsurers	257,751	169,757
Accrued expenses	55,042	51,581
Creditors and accrued expenses	32,413	27,940
Deposits against performance bonds	2,361	1,887
Dividends payable	25,122	20,758
	573,601	531,437
	573,601	531,437

Maturity analysis of financial assets and liabilities

	2012						Total 2012
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	68	-	68	68
Current and other accounts	263,419	-	263,419	18,526	-	18,526	281,945
Loans to employees	-	-	-	170	-	170	170
Investments	-	57,246	57,246	1,198,640	-	1,198,640	1,255,886
Premiums due but unpaid	-	-	-	229,835	-	229,835	229,835
Amounts due from other insurers / reinsurers	-	-	-	98,872	-	98,872	98,872
Salvage recoveries accrued	-	-	-	8,535	-	8,535	8,535
Accrued investment income	2,783	-	2,783	-	-	-	2,783
Reinsurance recoveries against outstanding claims	-	-	-	121,248	-	121,248	121,248
Sundry receivables	-	-	-	19,034	-	19,034	19,034
	<u>266,202</u>	<u>57,246</u>	<u>323,448</u>	<u>1,694,928</u>	<u>-</u>	<u>1,694,928</u>	<u>2,018,376</u>
Off balance sheet	-	-	-	-	-	-	-
Total	<u>266,202</u>	<u>57,246</u>	<u>323,448</u>	<u>1,694,928</u>	<u>-</u>	<u>1,694,928</u>	<u>2,018,376</u>
Financial liabilities							
On balance sheet							
Insurance contracts - short term	-	-	-	775,413	-	775,413	775,413
Less: reinsurance assets held to cover insurance contracts	-	-	-	(530,491)	-	(530,491)	(530,491)
	-	-	-	244,922	-	244,922	244,922
Provision for outstanding claims (including IBNR)	-	-	-	200,912	-	200,912	200,912
Amounts due to other insurers / reinsurers	-	-	-	257,751	-	257,751	257,751
Accrued expenses	-	-	-	55,042	-	55,042	55,042
Creditors and accrued expenses	-	-	-	32,413	-	32,413	32,413
Deposits against performance bonds	-	-	-	2,361	-	2,361	2,361
Dividends payable	-	-	-	25,122	-	25,122	25,122
	-	-	-	818,523	-	818,523	818,523
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	<u>818,523</u>	<u>-</u>	<u>818,523</u>	<u>818,523</u>
On balance sheet gap	<u>266,202</u>	<u>57,246</u>	<u>323,448</u>	<u>876,405</u>	<u>-</u>	<u>876,405</u>	<u>1,199,853</u>
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

	2011						Total 2011
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
Financial assets							
On balance sheet							
Cash and other equivalents	-	-	-	10	-	10	10
Current and other accounts	36,049	-	36,049	18,532	-	18,532	54,581
Loans to employees	-	-	-	60	57	117	117
Investments	37,979	8,000	45,979	1,043,277	-	1,043,277	1,089,256
Premiums due but unpaid	-	-	-	313,944	-	313,944	313,944
Amounts due from other insurers / reinsurers	-	-	-	113,388	-	113,388	113,388
Salvage recoveries accrued	-	-	-	3,370	-	3,370	3,370
Accrued investment income	828	-	828	500	-	500	1,328
Reinsurance recoveries against outstanding claims	-	-	-	153,484	-	153,484	153,484
Sundry receivables	-	-	-	15,256	-	15,256	15,256
	<u>74,856</u>	<u>8,000</u>	<u>82,856</u>	<u>1,661,821</u>	<u>57</u>	<u>1,661,878</u>	<u>1,744,734</u>
Off balance sheet	-	-	-	-	-	-	-
Total	<u>74,856</u>	<u>8,000</u>	<u>82,856</u>	<u>1,661,821</u>	<u>57</u>	<u>1,661,878</u>	<u>1,744,734</u>

Maturity analysis of financial assets and liabilities

	2011						
	Interest / mark-up bearing			Non interest / mark-up bearing			Total 2011
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
Financial liabilities							
On balance sheet							
Insurance contracts - short term	-	-	-	443,264	-	443,264	443,264
Less: reinsurance assets held to cover insurance contracts	-	-	-	(251,540)	-	(251,540)	(251,540)
	-	-	-	191,724	-	191,724	191,724
Provision for outstanding claims (including IBNR)	-	-	-	259,514	-	259,514	259,514
Amounts due to other insurers / reinsurers	-	-	-	169,757	-	169,757	169,757
Accrued expenses	-	-	-	51,581	-	51,581	51,581
Creditors and accrued expenses	-	-	-	27,940	-	27,940	27,940
Deposits against performance bonds	-	-	-	1,887	-	1,887	1,887
Dividends payable	-	-	-	20,758	-	20,758	20,758
	-	-	-	723,161	-	723,161	723,161
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	723,161	-	723,161	723,161
On balance sheet gap	74,856	8,000	82,856	938,660	57	938,717	1,021,573
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.

31.2 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 for shareholders and benefits for other stakeholders; and
- (iii) to provide an adequate return to shareholders.

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

32. 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.

33. Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Company on February 28, 2013.

34. Non - adjusting events after the balance sheet date

The Board of Directors has proposed a final dividend for the year ended December 31, 2012 of Rs. 4 (2011: Rs. 4) per share, amounting to Rs. 212,610 thousand (2011: Rs. 177,175 thousand) at their meeting held on February 28, 2013, for the approval of the members at the Annual General Meeting to be held on April 13, 2013. The Board has also recommended to transfer Rs. 43,000 thousand (2011: Rs. 36,000 thousand) to general reserves and stock dividend of Rs. 2 (2011: Rs. 2) per share, amounting to Rs. 106,305 thousand (2011: Rs. 88,588 thousand) to reserves for issue of bonus shares from accumulated reserves.

35. General

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

36. Corresponding figures

Due to addition of new "Engineering Class" as required by Rule 2 of Annexure II of the Insurance Rules, 2002, correspondence figures in the "Miscellaneous Class" have been rearranged to exclude "Engineering Class" items and shown separately.



Arshad P. Rana
Chief Executive



Feroz Rizvi
Director



Isphanyar M. Bhandara
Director



Yusuf H. Shirazi
Chairman

Company Offices

HEAD OFFICE

3 Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX:	(042) 37320542, 37320543, 37310658 37322271, 37322273
	Fax:	(042) 37234742
ARSHAD P. RANA Chief Executive Officer	Direct:	(042) 37234812
NISAR ZAMAN KHAN Head of Marketing and Sales	Direct:	(042) 37358360
	Extension:	404
RASHID AMIN Chief Financial Officer	Direct:	(042) 37234757
	Extension:	403
QUDSIA NAHEED Vice President (Admin/HR)	Direct:	(042) 37245348
	Extension:	303
MUHAMMAD ASHRAF BHATTI Vice President (Underwriting)	Direct:	(042) 37323270
	Extension:	304
MUHAMMAD SAEED Vice President (Claims)	Direct:	(042) 37323229
	Extension:	302
ABDUL RAZZAQ GHAURI Vice President (IT)	Extension:	402
SALEEM MAHMOOD Chief Internal Auditor	Extension:	428

NORTH ZONE OFFICES & BRANCHES LAHORE

MUHAMMAD MUNIR QAZI Chief Manager	Gulberg Branch Office No. 335, 3rd Floor, Land Mark Plaza, Jail Road, Lahore	(042) 35775733-4 Fax: (042) 35714514
CH. TAYYAB HUSSAIN Chief Manager	City Branch 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	(042) 37212365-6, 37312858, 37312868, 37230558-9 Fax: (042) 37212367
MUHAMMAD NADEEM QURESHI Circle Chief, Lahore Circle - I	Main Boulevard Branch Office No. 504, 5th Floor, Regency Palza, 12-P, M. M. Alam Road, Mini Market, Gulberg - II, Lahore.	(042) 35778709 Fax: (042) 35778710
MUHAMMAD IJAZ Deputy Chief Manager	Al-Noor Branch Al-Noor Building, 43-Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	(042) 37358805 Fax: (042) 37237343
KH. MUHAMMAD NADEEM Branch Manager	Napier Road Branch Nairobi Mansion Napier Road, Lahore.	(042) 37352560 Fax: (042) 37358190
MUHAMMAD WASIM PURI Branch Manager	Mall Road Branch Hafeez Chambers, 85- Shahrah-e-Quaid-e-Azam, Lahore.	(042) 36305595, 36370838 Fax: (042) 36369576

RAWALPINDI

MAHMOOD AHMED Chief Manager	101/13, Bank Road, Grand Hotel Building, P.O. Box 119, Rawalpindi.	(051) 5563413, 5516546 Fax: (051) 5798083
MANZAR ALI NAQVI Manager		

FAISALABAD BRANCH

MUHAMMAD ASIF AKRAM Branch Manager	123-B, People's Colony No. 1, D - Ground, Faisalabad.	(041) 8721256, 8734176 Fax: (041) 8732499
RANA SAGHIR AHMAD Manager		

SIALKOT

REHAN NAZIR GHUMAN
Branch Manager

Kutchery Road, Sialkot.

(052) 4264195, 4594520
Fax: (052) 4290095

ISLAMABAD

AASIM MAJEED
Branch Manager

Office No. 4, 4th Floor, Sector F-7/G-7
Channab Center, Jinnah Avenue,
Blue Area, Islamabad.

(051) 2270629-30
Fax: (051) 2804115

MULTAN

SAQIB MAQSOOD KHAN
Chief Manager

Atlas Honda Building
Azmat Wasti Road, Multan.

(061) 4570431-4, 4544494
Fax: (061) 4786198

GUJRANWALA

SHAHID MUSTAFA
Branch Manager

GTR Branch
2nd Floor, Crescent Star Plaza,
G. T. Road, Gujranwala.

(055) 3841725-6
Fax: (055) 8020719

SOUTH ZONE OFFICE

Ground Floor, Federation House,
Shahrae Firdousi, Clifton,
Karachi.

PABX:

(021) 35378806-7
35369395-6

Fax:

(021) 35378515

ARSHAD P. RANA
Chief Executive Officer

Direct:

(021) 35378757

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.

(021) 32316503, 32201471
Fax: (021) 32315248

ABDUL AZIZ
Chief Manager

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

(021) 32421030, 32422911
Fax: (021) 32421387

IMRAN SATTAR
Chief Manager

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

(021) 32729339, 32720852
Fax: (021) 32749004

INAYAT ULLAH
Branch Manager

New Challi Barnch
1st Floor, Room No. 106-107, Rehmani
Chamber, Altaf Hussain Road, Karachi.

(021) 32218286, 32218288
Fax: (021) 32218264

HYDERABAD

ZAFAR AHMAD GHOURI
Circle Chief, Hyderabad Circle

Plot No. 466, Mezzanine Floor,
Al-Abbas Plaza, Saddar,
Hyderabad.

(022) 2782659, 2782660
Fax: (022) 2786410











SUKKUR

ABDUL MAJEED QURESHI
Chief Manager

Near Public School,
Military Road,
Sukkur.

(071) 5631056
Fax: (071) 5631057

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1962
 Atlas Battery	1966
 Shirazi Trading	1973
 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
 Atlas Autos	2011
 Atlas Hitec	2012
 Atlas Metals	2012

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 78th Annual General Meeting of the Company to be held at Registered Office on April 13, 2013 at 2:00 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 _____ 2013.

Signature: _____

Address: _____

Witness:

Signature: _____

Address: _____

Affix Revenue Stamp Signature
--

Notes:

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



AFFIX
POSTAGE

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

Fold Here

Fold Here

Fold Here

Fold Here

Strength and growth come only through
continuous effort and struggle



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