



Annual Report

2018

تكاful

TAKAFUL

Window Operation

2018

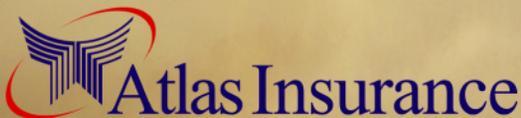
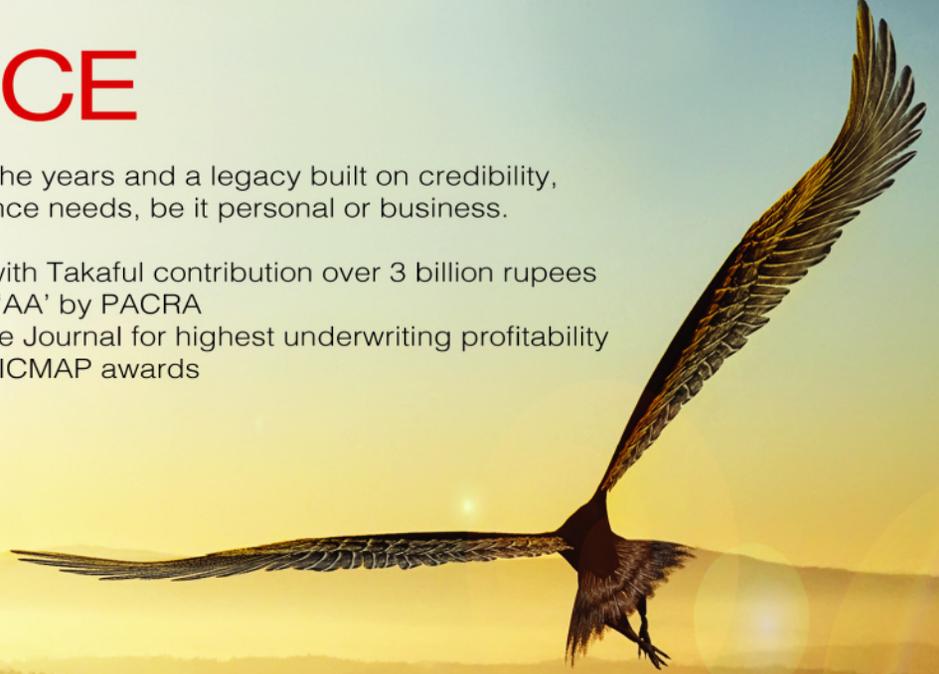


A Company incorporated in 1934

# WINGS OF CONFIDENCE

Soaring high with steady growth over the years and a legacy built on credibility, Atlas Insurance covers all your Insurance needs, be it personal or business.

- Gross underwriting premium alongwith Takaful contribution over 3 billion rupees
- Insurance Financial Strength rating 'AA' by PACRA
- Awarded four times by the Insurance Journal for highest underwriting profitability
- Winner of KSE 25, SAFA, ICAP and ICMAP awards



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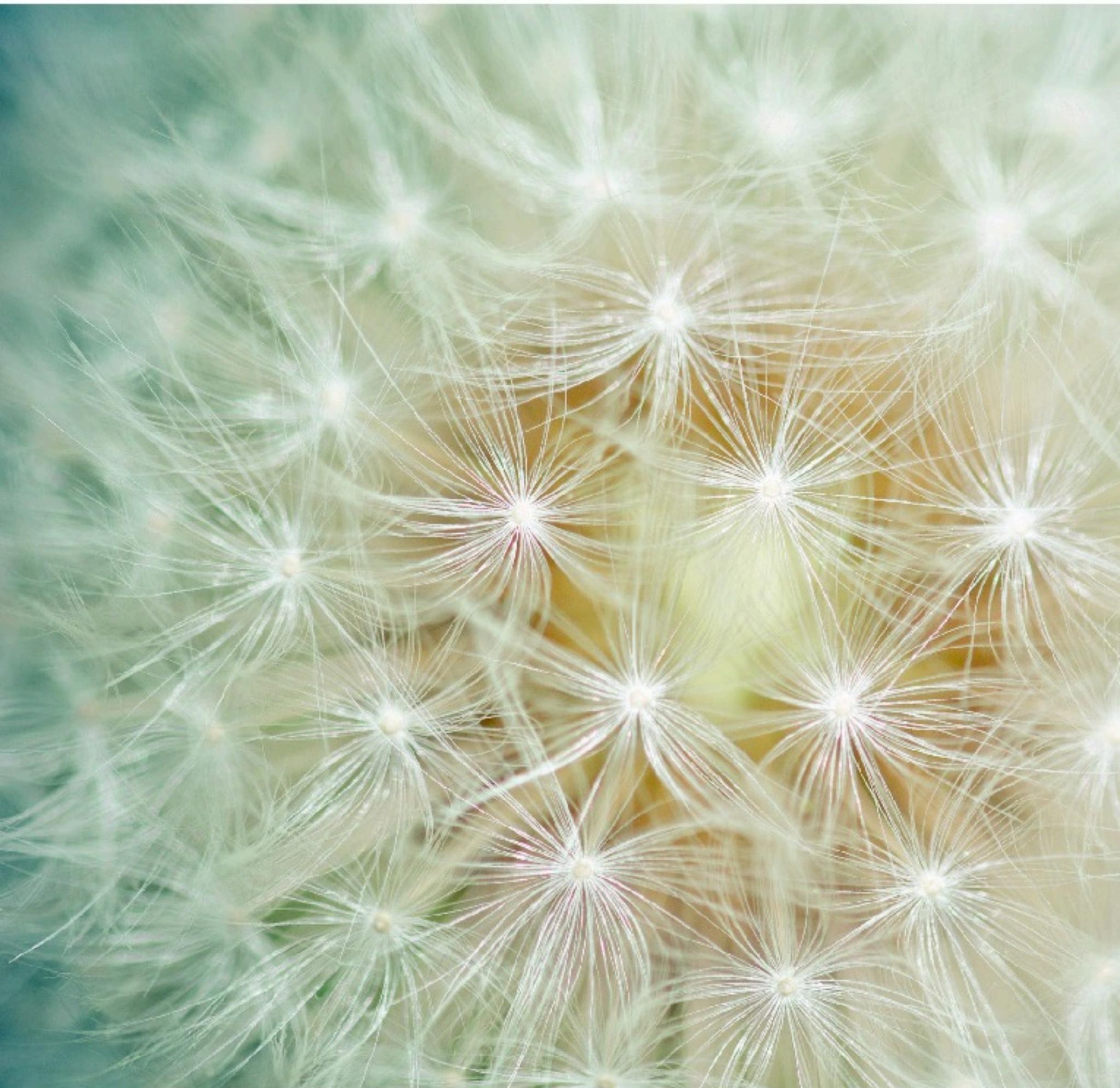
تکافل

TAKAFUL

Window Operation

Organisation  
development  
through  
*self development*



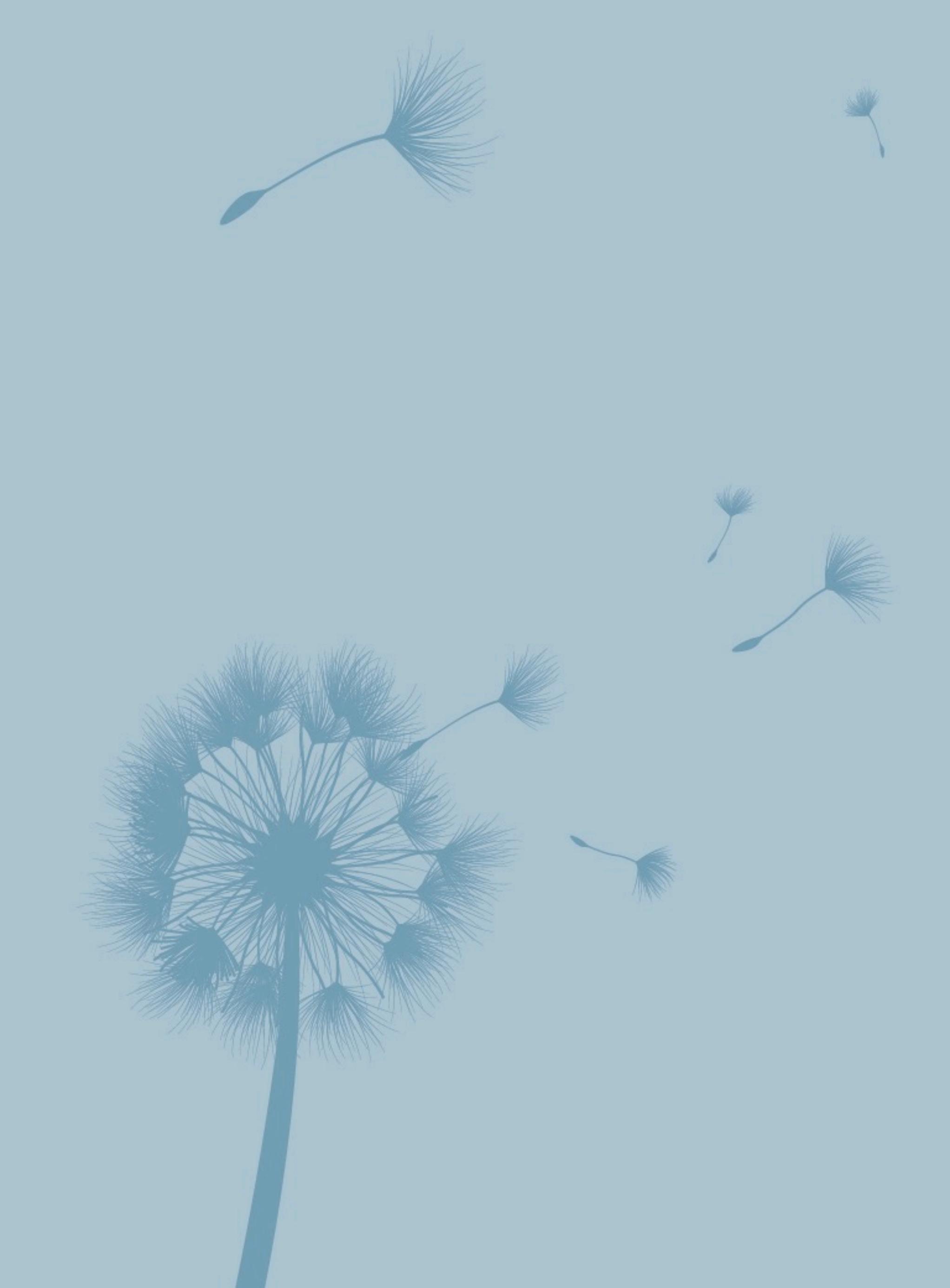




## A Promise of Protection

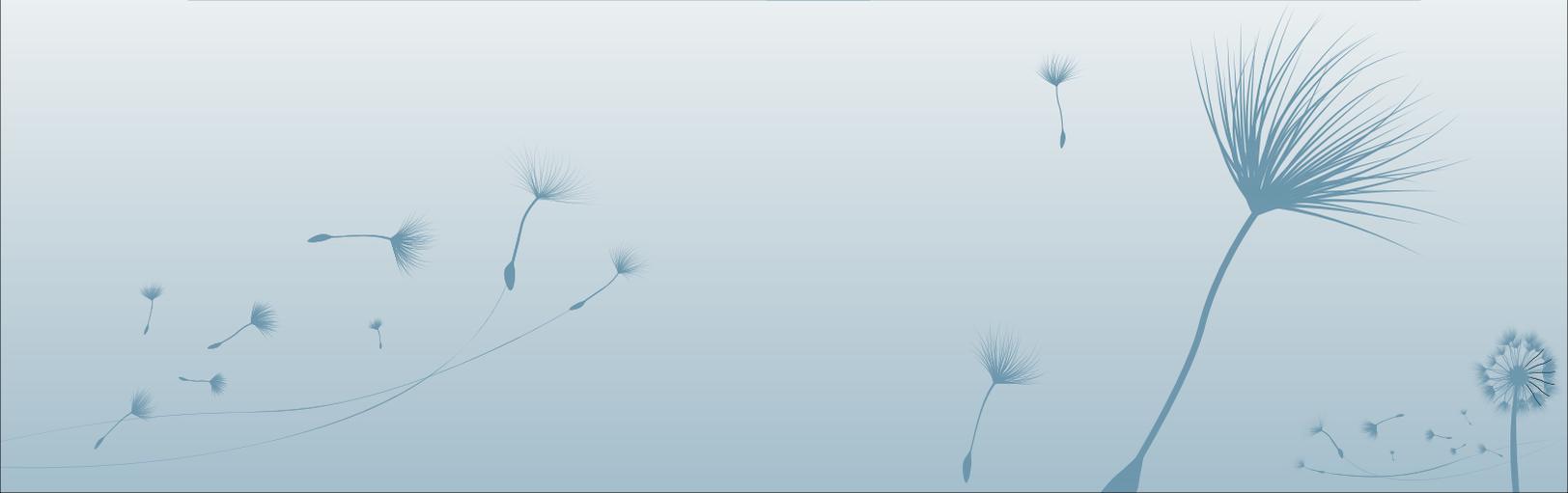
Delicate and beautiful, dandelions signify happiness and faithfulness. Just as these fragile beings require shelter against harsh winds to continue adding aesthetic value to our surroundings, Atlas Insurance offers a range of General and Takaful Coverage options to provide its customers the confidence they need in times of uncertainty.





# Depicting Growth

	<u>2018</u>	<u>2017</u>
<b>Gross Premium alongwith Takaful contribution</b>		
Rs. million	3,061.1	2,502.7
	<b>22%</b>	
<b>Net Premium</b>		
Rs. million	1,473.9	1,274.5
	<b>16%</b>	
<b>Underwriting Profit</b>		
Rs. million	684.3	578.5
	<b>18%</b>	
<b>Cash Dividend</b>		
Rs. million	491.1	456.0
	<b>8%</b>	
<b>Stock Dividend</b>		
Percentage	10%	-
	<b>10%</b>	



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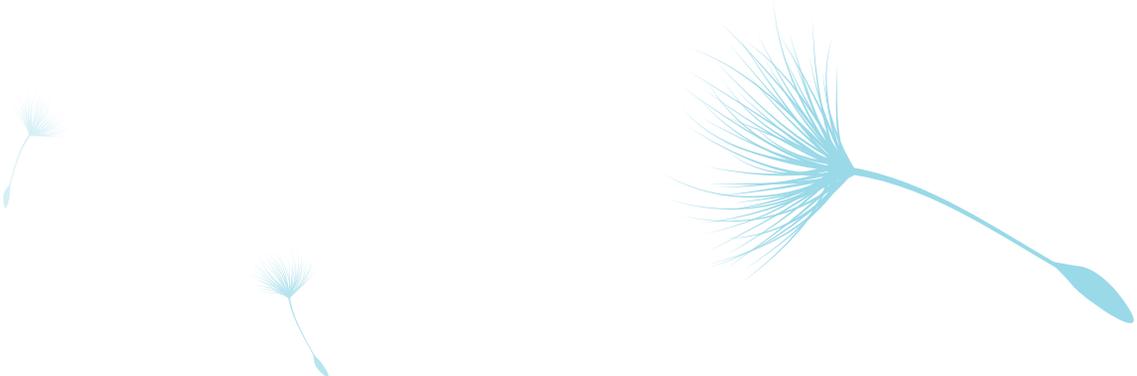
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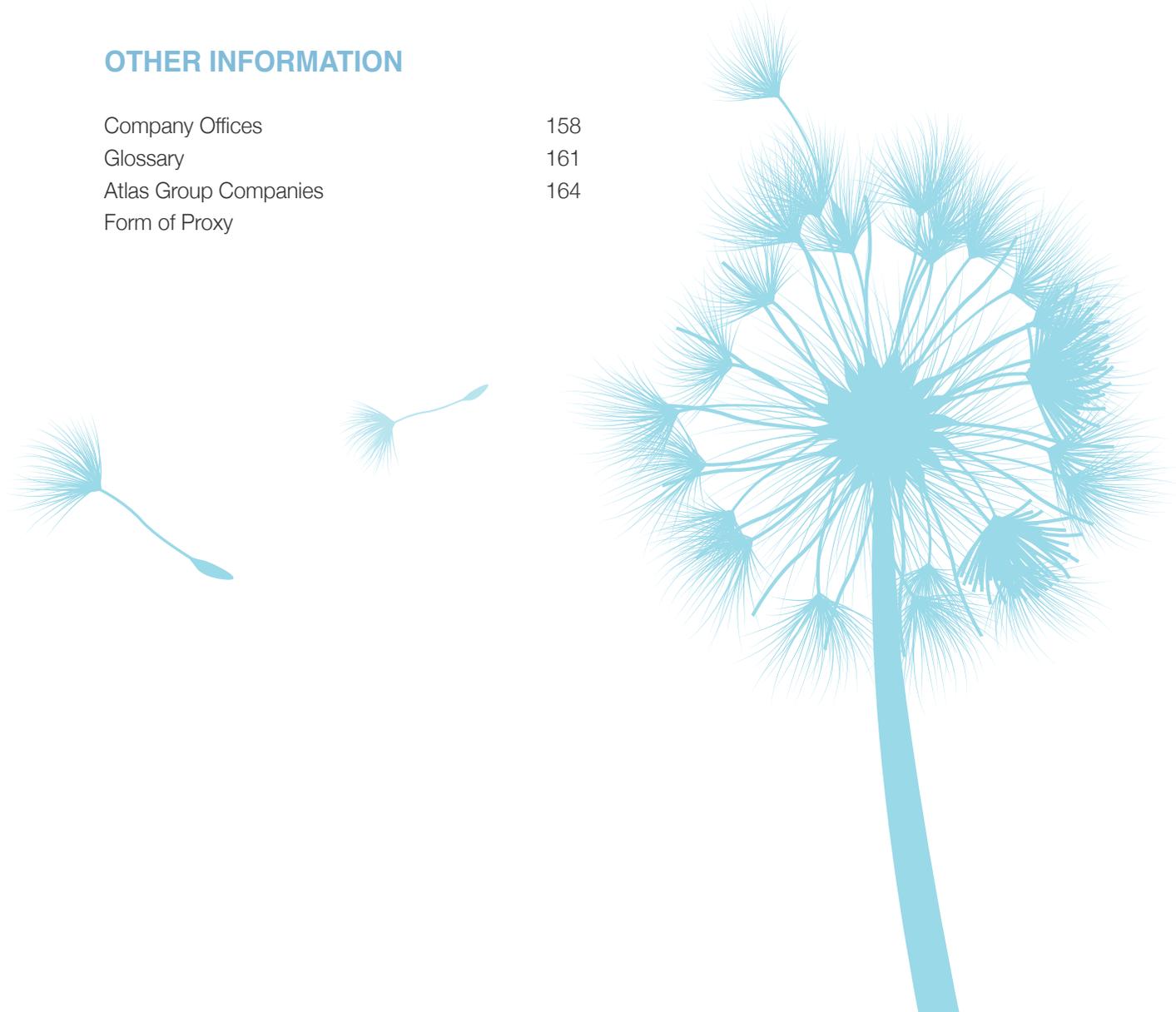


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## Vision

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

Our strategy is designed to deliver sustainable and profitable growth in a dynamic and a competitive business environment in accordance with the highest ethical, legal and professional standards.

Focus on building long lasting relationships with our customers.

Create value for the stakeholders by maintaining and improving our competitive position in the market.

Adding value in our skills and services through training and development of our employees.

Promoting a culture of transparency and accountability through honesty, integrity and diligence in dealing with people connected with the Company business.

Focus on career development of employees by coaching and by helping them to achieve their goals and providing working environment of trust and mutual respect.



Competence and knowledge management to focus on human excellence using professional methodologies with strategic planning following the concept of “Management By Objective”.

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







# Core Values

## Integrity and Ethics

The Company places high value on the integrity of employees and ethical practices in its business dealings. We endeavor to establish the best professional and personal standards by adopting the path leading to the highest level of integrity.

## Value of Time

We believe that time is the most precious resource and should be utilized in the most effective and efficient manner possible and performance excellence in true sense is managing time to deliver the most in the shortest period.

## Respect, Recognition and Reward

The human resource policy is built on Respect, Recognition and Reward (3R's) concept for all levels of employees.

## Organization Development through Self Development

Every member is encouraged and motivated with a vision and purpose to continuously strive for excellence, taking pride in the Atlas motto 'Organization Development through Self Development'.

## Team Work

We believe that long term sustainability and growth of an organization is based on strong team work and every employee is committed to work as a team to deliver the best results.

## Fairness

The Company strongly emphasizes on fair dealing with employees, stakeholders, business partners and clients through adherence to ethical values, Company policies, applicable laws, regulations and high standard of moral behavior.





# 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 will 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 make 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 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 Identification and Management

Risk management ensures an integrated pre-emptive approach to mitigate existing and emerging business risks. The Company is committed to effectively manage its risk through formulation of risk management policy and system. The management continuously monitors and controls risks to the business. Following are the major risks faced by the Company and their mitigating factors:

## Economic and Political Risk

Volatile economic, political and financial market conditions in the country may cause hurdle in overall business scenario of the country. The insurance sector will also face challenges arising from the economic and political scenario.

The Company has cautious underwriting and marketing approach to deal with such risks and keeps working on developing innovative products to maintain and increase its market share without compromising its underwriting profitability.

## Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claims. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, manage and monitor risk under the insurance contracts. This framework includes implementation of underwriting strategies which aim to ensure that the underwriting risks are well diversified in terms of type and amount of the risk, control heavy accumulation and provide adequate spread. Suitable reinsurance is arranged to mitigate the effect of potential loss to the Company from individual to large or catastrophic insured events.

## Credit Risk

Credit risk represents the accounting loss that would be recognized if counter parties failed completely to perform as contracted.

The Company monitors exposure to credit risk through regular review of credit exposure, undertaking transactions with a large number of counter parties in several industries and by continually assessing the credit worthiness of the counter parties.

## Liquidity Risk

To avoid any possibility of encountering difficulty at any point of time in meeting obligations associated with insurance and reinsurance contracts, the Company ensures that it has sufficient liquidity available to meet its claims and other liabilities when due under both normal and stressed conditions. It includes measuring and monitoring of future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

## Market Risk

The changes in interest rates and stock market trends may possibly affect future cash flows.

The Company limits investment risk by maintaining a diversified portfolio and by continuously monitoring development in debt and equity markets. In addition, the Company actively keeps a close watch on the key factors that could affect the underlying value of these securities.

## Reinsurance Risk

Reinsurance ceded does not relieve the Company from its obligation to the insured and as a result the Company remains liable for the portion of claims reinsured in case of any delay or possible problem of any reinsurer to discharge its obligation in time.

The Company has diversified reinsurance arrangements. It is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health with good international rating. Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and including cover of any catastrophic event.





## Safety, Health and Environment

Atlas Insurance Limited, recognizes its responsibilities for the occupational safety, health and environment of its associates and asset in all business areas of the Company and society as a whole. Among our top priorities is to promote good health, high level of safety and meticulous care of environment. Meeting our business targets, in compliance with appropriate HSE standards is of prime importance to us and it is the continuation of a long legacy of Atlas Group's responsible business practices that reflect our corporate culture.

### Atlas Insurance Limited is committed to:

- Implement and maintain a comprehensive HSE Management System to mitigate risk to human capital, equipment and assets.
- Comply with all the applicable laws / regulations to implement HSE standards in all areas and activities of organization.
- Provide safe and healthy workplaces for our employees, contractors, visitors and other service providers.
- Establish challenging targets and measures and report progress to ensure continuous improvement in HSE performance.
- Minimize impact on environment by following best environmental friendly practices.
- Regularly provide HSE related information and training to associates to enable them to effectively discharge their responsibilities and contribute towards compliance with the Group's HSE policy.

## Whistle Blowing Policy

The Company is committed to create an atmosphere ensuring accountability and integrity in its conduct. A Whistle Blowing policy has been in place as part of Company's effort to provide a mechanism for raising alert against any wrongdoing, malpractice or impropriety. This is intended to further improve governance and service quality. The policy sets out the procedures for lodging of concerns by the employees, handling of concerns by the organization, reporting requirements, protection of whistleblower and periodic monitoring of the policy. The employees are encouraged to use the guidance provided by the program.



# Policy and Procedures for Engagement of Stakeholders

## Institutional Investors

Annual General Meetings are convened in accordance with the requirements of the Companies Act, 2017. Financial reports of the Company are published in every quarter and are timely placed on Company's website for the benefit of existing shareholders and potential investors.

Dates of the Board meetings and closed periods, financial results and any material information is being timely communicated to the Stock Exchange in the manner prescribed by the Listed Companies Regulations, 2017, the Code of Corporate Governance and the listing regulations of the Stock Exchange, which helps the shareholders to remain connected with the Company.

## Customers

Customers' trust and satisfaction has been management's utmost priority over the years. Feedback from customers is sought on regular basis to further improve customers service and to meet their expectations. The Company has come a long way in continuously strengthening its image in terms of policyholder services and will continue to strive to win the customer minds through its efficient service levels.

## Banks

Company understands the importance of relationship with banks and other financial institutions and ensures continuous interaction with them to cement this ever growing relationship.

## Media

Company believes in development of robust relationship with the media, which includes representation through print, online and social media. Key information is shared with the media to deepen understanding of the Company's business.

## Regulators

It includes regulatory authorities both at federal and provincial levels and the Stock Exchange. In order to maintain compliance with applicable laws and regulations, statutory returns and assessments are timely filed with regulatory bodies, federal and provincial authorities including taxation authorities.



# Company's Profile

## Wings of Confidence

The Company was founded in 1934 by Dr. Sir Muhammad Iqbal, Hakeem-ul-Ummat, and is one of the oldest insurance companies of Pakistan.

The Company was taken over by the Atlas Group in 1980. The Company has made steady progress since its acquisition by the Atlas Group. The equity of the Company has grown from Rs. 1.6 million in 1979 to over Rs. 3.46 billion in 2018, total assets having grown to over Rs. 6.67 billion and investments from Rs. 4.594 million to over Rs. 3.71 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, Sompo from Japan, Luban Re from Malaysia and Saudi Re from Saudi Arabia among others.

After obtaining license from Securities and Exchange Commission of Pakistan, the Company launched its Window Takaful Operations in March, 2016. Under the supervision of certified and experienced Shariah Advisor, the General Takaful products were designed. Takaful will help not only to cater the requirements of our existing clientele but also to reach out to new market segments.

Acknowledging the financial strength of the Company, the Pakistan Credit Rating Agency Limited (PACRA) has maintained Insurer Financial Strength (IFS) rating of the Company at "AA" which denotes a very strong capacity to meet policyholders and contract obligations.

Atlas Insurance Limited a financially sound and professional managed Company, has been awarded the Top Five Companies "Best Corporate Report Award" eight times, between 2003 to 2015, by the joint committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP). Atlas Insurance Limited has been awarded South Asian Federation of Accountants - SAFA "Best Presented Accounts Award" continuously for six years from 2006 to 2011. The Company is also recipient of "KSE Top 25 Companies Award". Atlas Insurance Limited was awarded the "Insurance Journal Performance Awards" for the "Highest Underwriting Profit as Percentage of Written Premium" on the basis of results for the years 2012, 2013, 2014 and 2015 by the Insurance Journal. This award reflects the fundamental strength of the Company and its prudent underwriting policies.

The Company's results have consistently been yielding handsome profit earnings. This was 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 conduct 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. It serves its customers through a strong branch network throughout the country backed by advanced computerized information and control system. Wide range of products for conventional and takaful are offered by Atlas which includes:

- Fire & allied perils
- Marine
- Motor
- Personal accident
- Contractors all risk
- Erection all risk
- Machinery breakdown
- Boiler & pressure vessel
- Product liability
- Fidelity guarantee
- Cash in transit / cash in safe
- Bankers' blanket bond
- Loss of profit
- Computer all risk
- Travel insurance
- Credit insurance
- Crop 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.



### 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 CAR 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 breakdowns.



### Personal Accident

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

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### 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 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.



### 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.



### Product Liability

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



### 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 designed to cover high value computer equipments on all risk basis covering sudden and unforeseen losses including various insured perils like fire, burglary and accidental damage. With rapid improvements in technology the useful lives of computers are reducing, creating demand for early changes in such sensitive equipments, resulting in increased requirement for this insurance.



### 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 patient care. The group medical insurance curtails the administrative burden and financial pressures.

# Board of Directors

The Board of Directors (the Board) 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 believe 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 financial statements, corporate and financial reporting framework, budget and forecasts including their analysis with actual, cash flow projections, 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 the members of the Board at least seven days before the meeting. The minutes of all Board meetings were timely circulated. An actions item list was also prepared and status of each action item was presented to the Board in next meeting.

## The Roles of the Chairman and Chief Executive Officer

The roles of the Chairman and 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 role 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.

Chief Executive Officer (CEO) 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 directors 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 the Chief Executive Officer is assessed through the evaluation system which takes into account various parameters including financial results, employees, clients and stakeholders.

## Board and Management Committees

As envisaged by the Code of Corporate Governance for Insurers, 2016, (the Code), the Board has formed Audit Committee, Ethics, Human Resource & Remuneration Committee and Investment Committee. The Board has also established management committees namely; Underwriting, Reinsurance & Co-insurance Committee, Claims Settlement Committee and Risk Management & Compliance Committee. In addition to the regulatory requirements, the Board has also formed Information Technology Committee. A Management Committee comprising of all departmental heads headed by Chief Executive Officer is also in place for operational coordination.

# Audit Committee

The Committee consists of three non-executive directors, presided by an independent director. The Audit Committee is responsible for assisting the Board in discharging its responsibilities in relation to the disclosure of the financial affairs of the Company. The Committee focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for approving the annual and interim financial statements, remains with the Board. 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:

- a) Determination of appropriate measures to safeguard the Company's assets;
- b) Review of annual and interim financial statements of the Company, prior to their approval by the Board, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - going concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with these regulations and other statutory and regulatory requirements; and
  - all related party transactions.
- c) Review of preliminary announcements of results prior to external communication and publication;
- d) Facilitating 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 (in the absence of management, where necessary);
- e) Review of management letter issued by external auditors and management's response thereto;
- f) Ensuring coordination between the internal and external auditors of the Company;
- g) Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) Review of the Company's statement on internal control systems prior to endorsement by the Board and internal audit reports;
- k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;
- l) Determination of compliance with relevant statutory requirements;
- m) Monitoring compliance with the these regulations and identification of significant violations thereof;
- n) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) Recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) Consideration of any other issue or matter as may be assigned by the Board.

Four meetings of the Committee were held during the year.

# Ethics, Human Resource and Remuneration Committee

The Committee consists of three members. Majority of the members are non-executive directors including the Chairperson who is also independent director. Committee is responsible for:

- Recommending human resource management policies to the Board;
- Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer. Recommending to the Board the selection and evaluation of Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit;

- Undertaking annually a formal process of evaluation of performance of the Board as a whole and its committees;
- Consideration and approval on recommendations of the Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer;
- Proposing a remuneration approach and related policies for the Company covering the remuneration policy, remuneration governance and structure (including approval policy for the level and composition of compensation), and the components of compensation (such as the amount of fixed remuneration, shares or options, other variable remuneration, pension rights, redundancy pay and other forms of compensation and benefits, as well as the performance criteria and their application);
- Reviewing and making recommendations to the Board regarding the specific remuneration of the Board members, the Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit. However, at all times, the Committee shall ensure that the remuneration approach is consistent with the performance and risk management framework of the Company.

The Board has also assigned the following responsibilities of Nomination Committee to the Ethics, Human Resource & Remuneration Committee:

- Implement the Board's policy on Board's renewal so that the Board individually and collectively continues to maintain target skill levels and independence.
- Make recommendations to the Board with regard to the nomination for appointment or reappointment of members of the Board consistent with appropriate criteria established in the profiles and succession plans.
- Ensure proper orientation of the Board members in respect of their responsibilities.
- Establish a mechanism for the formal assessment of the effectiveness of the Board as whole as well as individual Board members.
- Make recommendations to the appropriate authority within the Company for retirement of members of the Board, Chief Executive Officer and senior management of the Company.
- Make recommendations to the Board with respect to succession planning for the Chief Executive Officer and other members of the senior management and with respect to management development principles.
- Make recommendations to the Board on nominations of members of Board committees.
- Review the management development status and succession plans for key officers as well as general talent management of the Company.
- Ensure that all directors receive appropriate ongoing training as required for them to fulfil their role requirements.

Two meetings of the Committee was held during the year.

## Investment Committee

The Committee consists of five members including three non-executive directors, Chief Executive Officer and Chief Financial Officer. The primary responsibility of the Committee is to assist the Board in discharging its responsibilities in overseeing Company's investment portfolio, including:

- Developing, reviewing and recommending to the Board investment strategies and investment guidelines.
- Monitoring management's compliance with the Company's investment strategies and guidelines.
- Monitoring compliance of the Company's investment policies and practices with applicable legal and regulatory requirements.
- Reviewing and approving all investment transactions made by the Company.
- Reporting to the Board the Company's investment strategies and guidelines.

Five meetings of the Committee were held during the year.

## Underwriting, Reinsurance and Co-insurance Committee

The Committee consists of three members; chaired by a non-executive director.

Following Terms of Reference (TORs) for the Underwriting, Reinsurance & Co-insurance Committee have been finalized by the Board:

- Advise the Board and management concerning the establishment and review of the Company's underwriting policies and guidelines.
- Set out the criteria for assessing various types of insurance risks and determine the premium policy of different insurance covers.
- Regularly review the underwriting and premium policies of the Company with regard to relevant factors such as its business portfolio and the market development.
- Develop the policy for effecting reinsurance, not inconsistent with the relevant provisions of the Insurance Ordinance, 2000 and shall ensure that adequate reinsurance arrangements are made for the business of the Company.
- Review the reinsurance arrangements from time to time, and subject to the consent of the participating reinsurers, make appropriate adjustments to the arrangements in the light of the market development.
- Assess the effectiveness of the reinsurance program for the future reference.

Four meetings of the Committee were held during the year.

# Claims Settlement Committee

The Committee consists of three members, chaired by a non-executive director. The 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.

Four meetings of the Committee were held during the year.

# Risk Management and Compliance Committee

The Committee consists of three members, chaired by the Chief Executive Officer.

Following Terms of Reference (TORs) for the Committee have been finalized by the Board:

- Oversee the activities of the risk management function of the Company and shall make appropriate recommendations to the Board.
- Assist the Board in implementation of the decisions taken by the Board to mitigate probable risks falling within the purview of the risk management function.
- Monitoring the compliance function and Company's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedure.
- Prepare reports detailing Company's risk profile and the compliance activities undertaken proactively aiming at determination of the Company's ability to meet its legal and ethical obligations, as well as report on identified weaknesses, lapses, breaches or violations of the areas within its purview and the controls and other measures in place to help detect and address the same.
- Supervise and monitor matters reported using the Company's Whistle Blowing policy for employees and others to report compliance concerns or potential breaches, violations or frauds within the areas under its purview.
- Assist the Board in setting up adequate controls or take such measures so as to mitigate any risk relating to compliance and / or potential breaches, violations or frauds within the areas under its purview

Four meetings of the Committee were held during the year.

# Information Technology (IT) Committee

The Committee consists of three members and chaired by the Chief Executive Officer. The Terms of Reference of the Committee included:

- Identify strategic directions, capabilities and objectives for Company's IT support.
- Identify opportunities where IT can help to achieve Company's goals and recommend priorities.
- Ensure a coordinated implementation of Company's IT projects.
- Review significant IT investments and expenditures.
- Review and as appropriate, make recommendations to the Board regarding significant IT investments in support of Company's IT strategy.
- Review and discuss Company's risk management and risk assessment guidelines and policies regarding IT security including disaster recovery capabilities

Three meetings of the Committee was held during the year.

# 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 environments friendly products. It contributes to further strengthen the team work to achieve Company's objectives, effectively and 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.



# Board of Directors



**Mr. Yusuf H. Shirazi**  
Chairman / Non-Executive  
Director

Mr. Yusuf H. Shirazi is a Law graduate (LLB) with BA (Hons.) and JD (Diploma in Journalism) from Punjab University with Role of Honour and AMP Harvard. He served in the Financial Services of the Central Superior Services of Pakistan for eight years where he authored 50 reports as to how the businesses are carried and tax assessed. He was an instructor in the Finance Services Academy on Law and Accounts. He is the author of seven 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 socio-politico-economic matters.

Mr. Shirazi is the Chairman of Atlas Group, which, among others, has Joint Ventures with Honda, GS Yuasa and MAN to name a few. Mr. Shirazi has been the President of Karachi Chamber of Commerce and Industry for two terms. He has also been the Founder Member of Karachi Stock Exchange, Lahore Stock Exchange and International Chamber of Commerce and Industry. 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 also been a visiting Faculty Member at National Defence University, Navy War College and National School of Public Policy. He has been on the Board of Governors of LUMS, GIK and FC College (Chartered University) and Pakistan Institute of Management. Previously, he also served, among others, on the Board of Fauji Foundation, Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology – Space & Upper Atmosphere Research Commission (SUPARCO).

Mr. Shirazi has been awarded Sitara-e-Eisaar and Sitara-e-Imtiaz the top Civilian Awards. Sitara-e-Imtiaz conferred by the Government of Pakistan recognizes individuals who have made an "especially meritorious contribution to the security or national interests of Pakistan, world peace, cultural or other significant public endeavors". Sitara-e-Eisaar Award is in recognition of CSR activities in Pakistan. A Distinguished Formanite Award for outstanding achievements as an entrepreneur was awarded by Forman Christian College – University Lahore.

The Government of Japan has also acknowledged Mr. Shirazi's contributions to promote economic relationship between the two countries by conferring the Japanese National Award.



**Mr. Ali H. Shirazi**  
Non-Executive Director

Mr. Ali H. Shirazi graduated from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. During this period he worked for the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is Group Director Financial Service and President / Chief Executive of Atlas Battery Limited. He also serves on the Boards of Atlas Asset Management Limited, Atlas Engineering Limited, Shirazi Trading (Private) Limited, National Management Foundation (sponsoring body of LUMS), Cherat Packaging Limited, Pakistan Society for Training and Development (President) and Young President Organization-Pakistan (YPO). Previously he has also served on the Board of National Clearing Company of Pakistan Limited (NCCPL).

He is a 'Certified Director' from the Pakistan Institute of Corporate Governance and in 2018 completed the Owner / President Management Program (OPM) from Harvard Business School.



**Mr. Frahim Ali Khan**  
Non-Executive Director

Mr. Frahim Ali Khan is a Law graduate from Karachi University. He has also attended Senior Managers' Program at Harvard University, USA, Financial Management Program at Stanford University, USA and Board of Director's Program at Insead University, France.

He has over 50 years of experience in General Management, Finance, Investment and Taxation. He joined the Atlas Group in 1967 and has served in different positions. Currently his other directorships include Atlas Battery Limited, Atlas Asset Management Limited, Atlas Engineering Limited, Atlas Power Limited, Shirazi Trading Company (Private) Limited, Atlas Hitec (Private) Limited, Atlas Autos (Private) Limited, Atlas Metal (Private) Limited and the Atlas Foundation. Earlier, he has also served on the Board of Atlas Honda Limited and has been CEO of Shirazi Investments (Private) Limited, Shirazi Trading Company (Private) Limited, Atlas Asset Management Limited and former Atlas Investment Bank Limited.



**Mr. M. Habib-ur-Rahman**  
Non-Executive Director

Mr. Mohammad Habib-ur-Rahman, a chartered accountant from Institute of Chartered Accountants in England & Wales has over 50 years of corporate management experience in financial and manufacturing sectors. He formerly worked with National Investment Trust Limited as General Manager Finance and Investment, Atlas Honda Limited as director, ABAMCO Limited as chief executive and Atlas Asset Management Limited as chief executive.

He is member of Atlas Group Advisory Board and is responsible for preparation of Group strategy plan.

Mr. Habib-ur-Rahman has acted as Securities and Exchange Commission of Pakistan (SECP) nominee director on the Board of Karachi Stock Exchange in 2000, 2001 & 2003. He has also been a member of Advisory Group on Capital Market constituted by the SECP. He was a member of Enquiry Committee constituted by the SECP to enquire about the management of exposure rules and another Enquiry Committee to study the 2008 Financial Crisis.

Mr. Habib-ur-Rahman has contributed to the formation and development of Mutual Funds Association of Pakistan, a trade body representing asset management companies in Pakistan and represented the association in international conferences. Mr. Habib-ur-Rahman has represented the association as director, chairman and chairman of taxation committee.



**Mr. Hasan Reza ur Rahim**  
Independent Director

Mr. Rahim is an accomplished professional who has over 30 years of domestic and international experience in the Banking and Financial Services industry. In addition to being the Chairman of Cyan Limited he serves on the Boards of Hum Network Limited, Dawood Hercules Corporation Limited, and Dawood Lawrencepur Limited. Previously, he was the Executive Director in-charge of the Chairman's Corporate Office of the Dawood Hercules Group ("DHG"). DHG consists of several listed and unlisted companies, is one of the largest entrepreneurial groups in Pakistan that has a market capitalization exceeding USD 3.5 Billion for companies listed on the Pakistan Stock Exchange.

During his 15-year career with JPMorgan, Mr. Rahim held several senior roles in Pakistan and abroad. He assisted in establishing and heading the Global Corporate Bank in Bahrain, Qatar and Saudi Arabia, was Senior Country Officer of Pakistan and was an integral part of the Regional Corporate Finance team based in Singapore. He has originated, led and executed large complex M&A transactions and Privatizations totaling USD 5.0 billion, Sovereign Debt and Bond issues of over USD 2.0 billion in the Telecom, Airlines, Banking, Oil & Gas and Petrochemical industries.

Mr. Rahim, previously also held senior roles with Mashreq Bank psc, ANZ Grindlays Bank plc and commenced his career with Exxon Chemical Pakistan Limited. He was also posted and lived in Zurich, Singapore, Bahrain and Dubai and received his Bachelor's degree from the University of Delaware in USA.



**Ms. Roohi R. Khan**  
Independent Director

Ms. Roohi R. Khan is an MBA from IBA, Karachi. She completed her B.A. (Economics & Mathematics) from University of the Punjab. She has over 35 years of experience in various banking segments like, Lease Financing, Housing Finance, SME Financing, Islamic Banking, Investment Banking etc. She has over 15 years of experience at senior management level, as well as Chief Executive and Chief Operating Officer and Director on Boards of various Financial Institutions having dealt with policy making, strategic planning and systems refinement, implementation of control functions, revamping / restructuring and mergers.

Ms. Khan had served on Boards of Asian Leasing, Lahore Stock Exchange, International Housing Finance Limited, Mashreq Bank (now Samba Bank), PICIC and Safe Way Mutual Fund. She had also served at senior management level in various organizations. She had been Group Head, Textiles, in National Development Finance Corporation, Chief Executive Officer of Asian Leasing, Chief Operating Officer of Trust Investment Bank and Zarai Taraqiati Bank Limited (ZTBL). She had also been acting President of ZTBL during 2011 - 2012.



**Mr. Babar Mahmood Mirza**  
Chief Executive / Executive Director

Mr. Babar Mirza is an MBA from University of Glasgow, UK; and SAMS, Veterinary from Royal Veterinary College, University of London, UK. He has over 18 years of experience in the insurance industry. He had been associated with Habib Insurance as General Manager (from 1999 to 2009), worked for Adamjee Insurance as Deputy General Manager Reinsurance and Head of Claims between 2010 and 2013 before joining UBL Insurers as Chief Operating Officer in 2013. He was appointed Chief Executive Officer of UBL Insurers in 2014 and spent around four (4) years in that position before joining Atlas Insurance Limited in April 2018.



## Company Information

### Board of Directors

Yusuf H. Shirazi  
Chairman

Ali H. Shirazi  
Director

Frahim Ali Khan  
Director

M. Habib-ur-Rahman  
Director

Hasan Reza ur Rahim  
Director

Roohi R. Khan  
Director

Babar Mahmood Mirza  
Chief Executive Officer

Muhammad Afzal  
Company Secretary

### Audit Committee

Hasan Reza ur Rahim  
Chairman

Ali H. Shirazi  
Member

Frahim Ali Khan  
Member

Muhammad Afzal  
Secretary

Saleem Mahmood Akhtar  
Chief Internal Auditor

### Ethics, Human Resource & Remuneration Committee

Roohi R. Khan  
Chairperson

Ali H. Shirazi  
Member

Babar Mahmood Mirza  
Member

Qudsia Naheed  
Secretary

## Investment Committee

Ali H. Shirazi  
Chairman

Frahim Ali Khan  
Member

M. Habib-ur-Rahman  
Member

Babar Mahmood Mirza  
Member

Rashid Amin  
Member

Muhammad Afzal  
Secretary

## Underwriting, Reinsurance & Co-insurance Committee

Ali H. Shirazi  
Chairman

Babar Mahmood Mirza  
Member

Rashid Amin  
Member

Muhammad Saeed  
Member

Syed Irtiza Kazmi  
Secretary

## Claims Settlement Committee

Frahim Ali Khan  
Chairman

Babar Mahmood Mirza  
Member

Syed Irtiza Kazmi  
Member

Muhammad Saeed  
Secretary

## Risk Management & Compliance Committee

Babar Mahmood Mirza  
Chairman

Rashid Amin  
Member

Muhammad Saeed  
Member

Muhammad Aasim Gul  
Secretary

## Information Technology (IT) Committee

Babar Mahmood Mirza  
Chairman

Rashid Amin  
Member

Muhammad Saeed  
Member

Wasim Ahmed  
Secretary

## Management Committee

Babar Mahmood Mirza  
Chief Executive Officer

Rashid Amin  
Chief Financial Officer

Abbas Sajjad  
General Manager Sales & Marketing

Muhammad Saeed  
Head of Claims

Qudsia Naheed  
Head of HR & Admin

Abdul Razzaq Ghauri  
Head of IT

Syed Irtiza Kazmi  
Head of Underwriting

Syed Nasir Hussain  
Vice President Reinsurance

## Shariah Advisor

Mufti Zeeshan Abdul Aziz

## Compliance Officer

Muhammad Aasim Gul

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co.  
Agha Faisal Barrister at Law  
RIAA Barker Gillette

## Tax Advisor

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Share Registrar

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  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Limited  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NRSP Microfinance Bank  
Sindh Bank Limited  
Soneri Bank Limited  
Summit Bank Limited  
The Bank of Punjab  
FINCA Microfinance Bank Limited  
Mobilink Microfinance Bank Limited

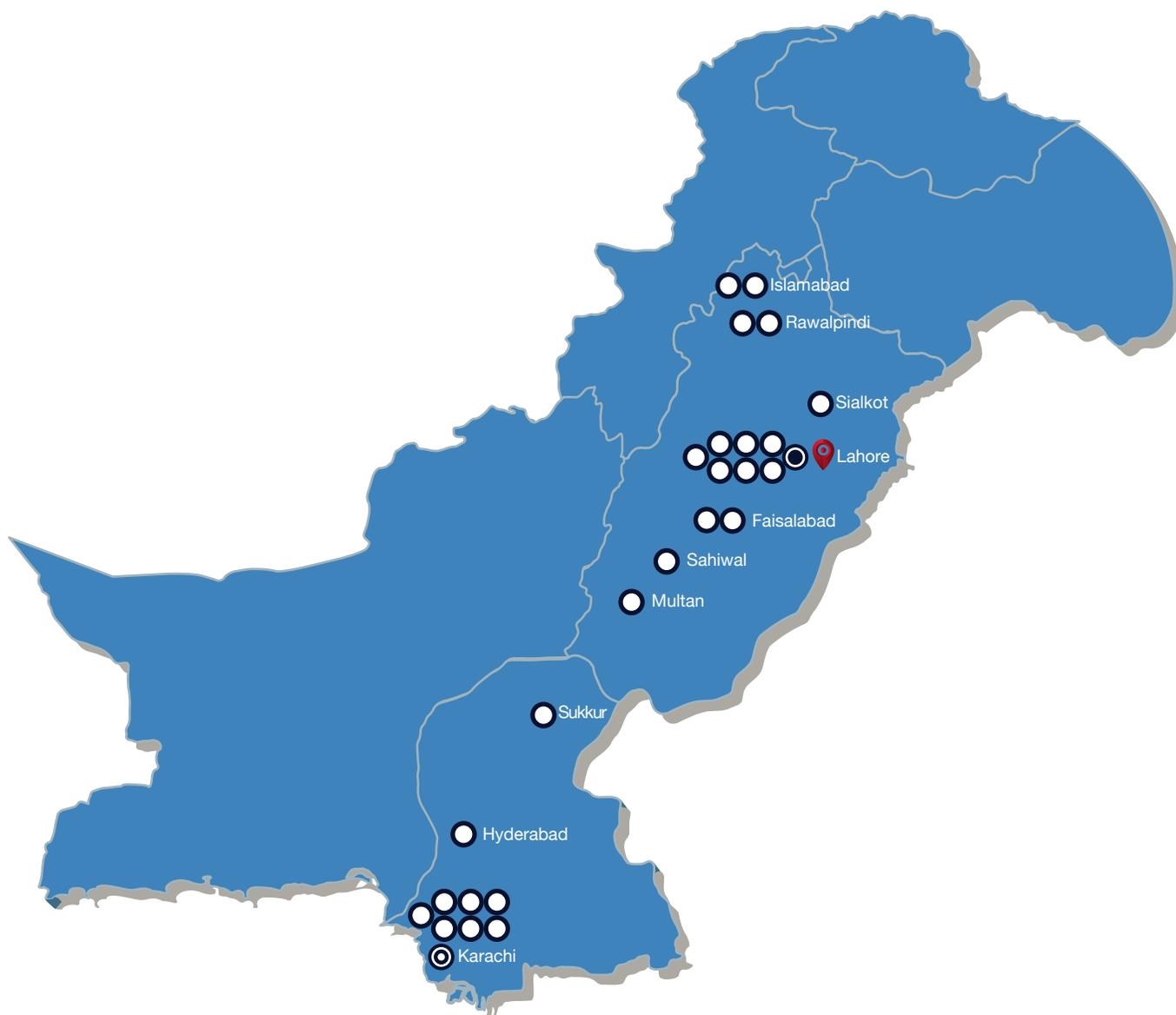
## Registered & Head Office

63/A, Block - XX, Phase III (Commercial),  
Khyaban-e-Iqbal, DHA, Lahore.  
Tel: (92-42) 37132611-18,  
Fax: (92-42) 37132622  
E mail: info@ail.atlas.pk  
Website: www.ail.atlas.pk

# Geographical Presence

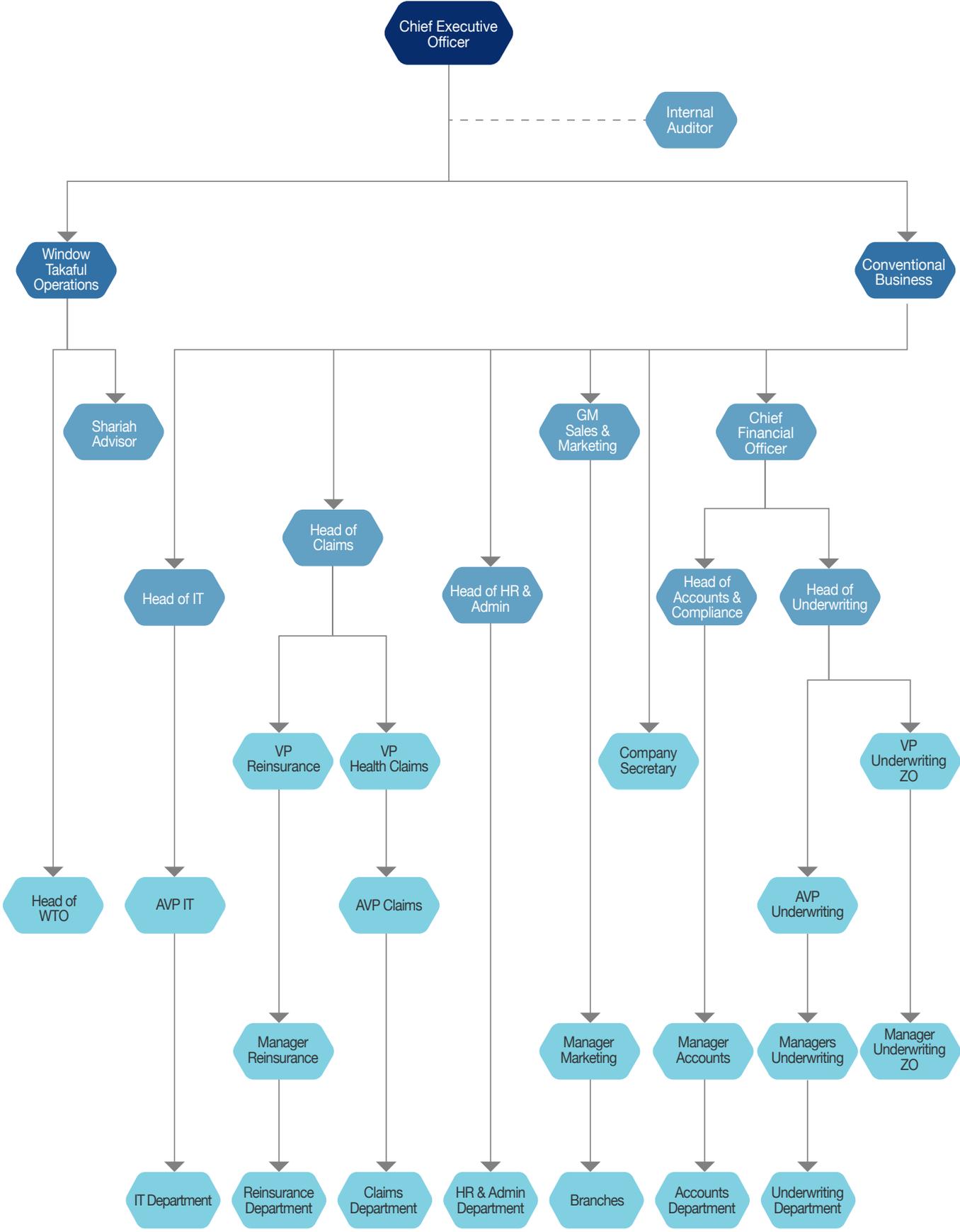
## Branch Network

The complete branch network of the Company is available at [www.ail.atlas.pk](http://www.ail.atlas.pk)



- 
-  Head Office
  -  Zonal Office
  -  Registered Office
  -  Branch Office

# Organogram



# Major Events

## JANUARY

### Annual Sales Conference

All field executives of the Company and Group President attended the Annual Sales Conference held on January 25, 26 and 27, 2018 in Islamabad.

## FEBRUARY

### The Board of Directors (BOD) Meeting for the Year Ended December 31, 2017

The BOD reviewed and adopted the audited financial statements of the Company for the year ended December 31, 2017 in their meeting held on February 27, 2018.

## MARCH

### Family Day and Long Service Award

Family day and long service award ceremony was held on March 31, 2018, which was attended by the employees with their families. The Group President was the Chief guest.

## APRIL

### Annual General Meeting

83rd Annual General Meeting of the members of the Company was held on April 10, 2018.

### Election of Directors

The directors were elected by the members in the Annual General Meeting of the Company held April 10, 2018 for next term of three years.

### BOD Meeting for 1st Quarter

BOD meeting for the 1st quarter ended March 31, 2018 was held on April 25, 2018 to approve the unaudited first quarter financial statements of the Company.

### Cash Dividend

The cash dividend @ 65% (Rs. 6.5 per share) was disbursed on April 17, 2018.

## AUGUST

### Mid Year Sales Conference

Mid year Sales Conference was held on July 7, 2018 in Lahore and was attended by the Group Director and field executives of the Company.

### BOD Meeting for 2nd Quarter

The meeting of the BOD was held on August 29, 2018 for approval of the unaudited half year financial statements, reviewed by the auditors for the period ended June 30, 2018.

## OCTOBER

### BOD Meeting for 3rd Quarter

The BOD in their meeting held on October 26, 2018, approved the unaudited financial statements of the Company for the nine months period ended September 30, 2018.

## DECEMBER

### BOD Meeting for Approval of Annual Budget 2019

The meeting was held on December 20, 2018 to consider and approve the annual budget for the year ending December 31, 2019.

### Insurer Financial Strength (IFS)

The Pakistan Credit Rating Agency Limited (PACRA), maintained IFS rating of the Company at "AA" with stable outlook. The rating denotes a very strong capacity to meet policyholders and contract obligations.

# Notice of Annual General Meeting

Notice is hereby given that the 84th Annual General Meeting of the members of Atlas Insurance Limited will be held on Friday, April 26, 2019 at 3:00 p.m. at the registered office of the Company situated at 63/A, Block-XX, Phase III (Commercial), Khyaban-e-Iqbal, DHA, Lahore, to transact the following business:

## Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on April 10, 2018.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2018, together with the Directors' and Auditors' Reports thereon.
3. To consider and approve cash dividend @ 70% for the year ended December 31, 2018, as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2019. The present auditors M/s. A.F. Ferguson & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

## Special Business

5. To consider and approve the bonus shares issue @10% (1 bonus share for every 10 shares held) for the year ended December 31, 2018 as recommended by the Board of Directors.

To consider and, if though fit, to pass with or without modification the following resolutions as ordinary resolutions:

### Resolved:

- 5.1 "that a sum of Rs. 70,161 thousand out of Company's profit be capitalized for issuing 7,016,138 fully paid ordinary shares of Rs.10/- each as bonus shares to be allotted to those shareholders of the Company, whose names shall appear in the register of the members at the close of business on April 18, 2019, @ 10 % in the proportion of one (1) ordinary share of Rs. 10/- each for every ten (10) shares held by a shareholder. The said shares shall rank pari passu with the existing shares of the Company as regards future dividend and in all other respects."

### Further Resolved:

- 5.2 "that all the fractional bonus shares shall be consolidated and the Directors be and are hereby authorized to consolidate 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:

- 5.3 "that the Directors be and are hereby authorized to give effect to the foregoing resolutions and in this regard to do or cause to be done all acts, deeds and things that may be necessary or required."
6. To consider and, if though fit, to pass with or without modification the following resolution as ordinary resolution:

### Resolved:

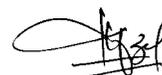
"that the remuneration of the Chief Executive Officer of the Company, as fixed by the Board, for the financial year ending December 31, 2019, be and is hereby approved."

## Other Business

7. To consider any other business with the permission of the Chair.

The Statement under Section 134(3) of the Companies Act, 2017, pertaining to the special business referred to above is being circulated to the members along with the Notice of the Meeting.

By Order of the Board



Muhammad Afzal  
Company Secretary

Lahore: April 5, 2019

## Notes:

1. The share transfer books of the Company will remain closed from April 19, 2019 to April 26, 2019 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's share registrar, Hameed Majeed Associates (Pvt.) Limited, 7 – Bank Square Sharah-e-Quaid-e-Azam, Lahore by the close of business on April 18, 2019 will be treated in time for the purpose of transfer of shares to the transferees.

2. The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC), are once again reminded to send the same directly to the Company's share registrar at the above address at the earliest. The corporate entities are requested to provide their National Tax Number (NTN). Please mention folio numbers with the copy of CNIC / NTN details.
3. A member of the Company, entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his / her proxy to attend, speak and vote instead of him / her and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Annual General Meeting as are available to the member.
4. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, in order to be valid, must be received at the registered office of the Company not later than 48 hours before the time of Meeting.
5. Any change of address of Members should be immediately notified to the Company's share registrar.
6. CDC account holders will further have to follow the guidelines laid down in Circular No. 1 dated January 26, 2000 issued by the SECP.

### **Availability of Audited Financial Statements at the Company's website**

The audited financial statements of the Company for the year ended December 31, 2018 have been made available at the Company's website [www.ail.atlas.pk](http://www.ail.atlas.pk) in addition to the annual and quarterly financial statements of prior years.

### **Minutes of the last AGM**

Copies of the minutes of the last Annual General Meeting held on April 10, 2018 will be available to the members on request.

### **Video-link Facility**

As per Section 132(2) of the Companies Act, 2017, the members can also avail video-link facility to attend the Meeting from cities other than the city where the Meeting is scheduled via video-link.

In this regard, please fill the following consent and submit at the registered office of the Company at least seven days prior to the date of the Meeting:

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Atlas Insurance Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered folio no. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_  
(Name of the City).

If the Company receives consent from the members who hold, in aggregate, at least 10% shareholding of the Company residing at a particular city to participate in the Meeting through video-link, the Company will arrange video-link facility in that city.

### **Submission of CNIC (Mandatory)**

Pursuant to the directive of the SECP, CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not provided earlier) to the share registrar.

### **E-Dividend (Mandatory)**

In compliance of the Section 242 of the Companies Act, 2017, it is mandatory for a public listed company to pay cash dividend to its shareholders ONLY through electronic mode, directly into bank account designated by the eligible shareholders. Therefore, all the shareholders of the Company are advised to provide their bank IBAN and other banking details at the earliest. Please be aware that dividends will only be remitted through electronic mode to the designated bank accounts and in absence of e-dividend mandate, such cash dividends will be withheld by the Company.

### **Electronic Transmission of Annual Financial Statements and Notices**

Pursuant to Notification vide SRO 787(1) / 2014 of September 8, 2014, the SECP has directed to facilitate the members of the Company receiving annual financial statements and notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive annual financial statements and notices of the Company through email in future. In this respect members are requested to convey their consent via email on a standard request form which is available at the Company website i.e. [www.ail.atlas.pk](http://www.ail.atlas.pk). Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 10 MB file in size. Further, it is the responsibility of the member to timely update the share registrar of any change in the registered email address.

### **Transmission of Annual Audited Accounts through CD / DVD**

In compliance with the SECP Notification No. SRO 470(1) 2016, dated May 31, 2016, the Company in the Extraordinary General Meeting, held on February 10, 2017, obtained the approval of the shareholders to circulate the annual audited accounts through electronic medium, i.e. through CD / DVD at their registered address instead of transmitting the annual accounts in hard copies. However, shareholder may request the Company Secretary or share registrar of the Company for hard copy of annual audited accounts instead of CD / DVD and the same will be provided at his / her registered address, free of cost, within one week of the demand. In this regard, a 'Standard Request Form', has also been placed at the website of the Company for communicating the need of hard copies of the annual audited accounts instead of sending the same through CD / DVD.

## Deduction of Withholding Tax on the Amount of Dividend

Pursuant to the SECP directives vide Circular No. 19/2014 dated October 24, 2014, the SECP has directed all the companies to inform the shareholders about changes made in Section 150 of the Income Tax Ordinance, 2001, we hereby advise the shareholders as under:

The government of Pakistan through Finance Act has made certain amendments in section 150 of the Income Tax Ordinance, 2001, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- a) For filers of income tax returns 15%
- b) For non-filers of income tax returns 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided at the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL for future payment of dividend, if any. For any query / problem / information, the investors may contact the Company and / or the share registrar at the following address:

### Company's Registered Office

63/A, Block-XX, Phase III (Commercial),  
Khyaban-e-Iqbal, DHA, Lahore.  
Tel: (92-42) 37132611-18  
Fax: (92-42) 37132622

### Share Registrar

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

The corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its share registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

### Deduction of Withholding Tax on Joint Account Holder(s)

The joint account holders whose shareholding details as to principal shareholder have not yet been determined for deduction of withholding tax on the upcoming dividend of the Company, are requested to please furnish to the Company's share registrar, the shareholding details of yourself as principal shareholder and your joint holder(s) in the following manner, enabling the Company to compute withholding tax of each shareholder accordingly:

CDC Account No. / Folio No.	Name of Principal Shareholder / Joint Holder	Shareholding Proportion (%)	CNIC Number (Copy attached)	Signature

Kindly note that in case of non-receipt of the information each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

### Statement under Section 134(3) of the Companies Act, 2017

This Statement is annexed to the Notice of the 84th Annual General Meeting of Atlas Insurance Limited to be held on April 26, 2019, at which special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

### Item No. 5 of the Agenda

The Board of Directors has recommended to the members of the Company to approve 10% fully paid bonus issue for the year ended December 31, 2018 and thereby capitalize a sum of Rs. 70,161 thousand.

The Directors have also recommended that all the fractional bonus shares shall be consolidated and the Directors be authorized to consolidate 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. 6 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.

# Corporate Information

## Registered Office

63/A, Block-XX, Phase III (Commercial)  
Khyaban-e-Iqbal, DHA, Lahore.  
Tel: (92-42) 3713261-18  
Fax: (92-42) 37132622

## Listing on Stock Exchange

Atlas Insurance Limited is listed on Pakistan Stock Exchange.

## Stock Symbol

The stock symbol for Atlas Insurance at the Stock Exchange is ATIL.

## Listing Fee

The annual listing fee for the financial year 2018-19 was paid to the Pakistan 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 Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012, the Code of Corporate Governance, listing requirements and regulations prescribed by the Securities and Exchange Commission of Pakistan (SECP)

## 84th Annual General Meeting

Date: April 26, 2019  
Time: 03:00 p.m.  
Venue: 63/A, Block-XX, Phase III (Commercial), Khyaban-e-Iqbal, DHA, Lahore.

## Financial Calendar

Audited annual results for year ended  
December 31, 2018  
- Second half of February

Mailing of annual reports  
- 1st half of April

Annual General Meeting  
- Second half of April

Unaudited first quarter financial results  
- Second half of April

Unaudited half year financial results  
- Second half of August

Unaudited nine months financial results  
- Second half of October

## Dividend Announcement

The Board of directors of the Company has proposed a final cash dividend of Rs. 7.0 per share and 10% bonus shares for the financial year ended December 31, 2018, subject to approval by the shareholders of the Company at the Annual General Meeting.

65% cash dividend was paid to the shareholders for the year ended December 31, 2017.

## Dates of Book Closure

The share transfer books of the Company shall remain closed from April 19, 2019 to April 26, 2019 (both days inclusive).

## Payment of Dividends

Cash dividend and bonus shares for the year ended December 31, 2018, subject to the approval of the shareholders of the Company at the Annual General Meeting, will be disbursed on or before May 10, 2019. Last year, the Company transmitted the cash dividend within 10 days from the date of approval.

## E-Dividend

In compliance of the Section 242 of the Companies Act, 2017, it is mandatory for a public listed company to pay cash dividend to its shareholders ONLY through electronic mode, directly into bank account designated by the eligible shareholder. Therefore, the shareholders who have still not provided their bank IBAN and other banking details are requested to provide the same to the Company at the earliest. Please be aware that dividends will only be remitted through electronic mode to the designated bank accounts and in absence of E-Dividend mandate, such cash dividends will be withheld by the Company.

## Annual General Meetings

Pursuant to Section 132 of the Companies Act, 2017, 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 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 137 of the Companies Act, 2017 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.ail.atlas.pk](http://www.ail.atlas.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 the website.

## Communication

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

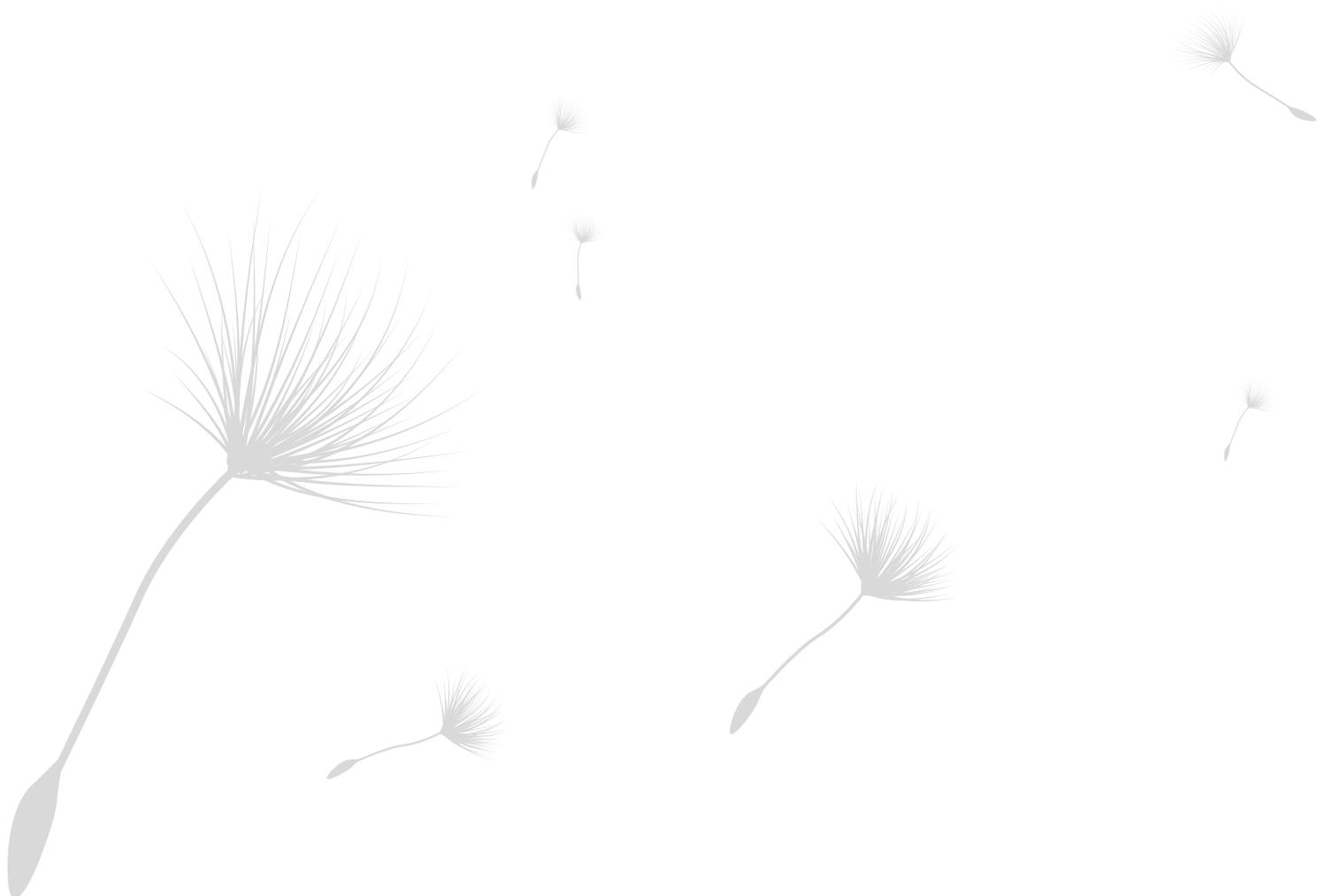
## Zakat Declarations

Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

## Share Price at the Pakistan Stock Exchange

Month-wise share price movement of the Company, at the Pakistan Stock Exchange, during the year 2018 was as follows:

Months	High	Low	Volume
January	75.50	71.50	65,000
February	77.70	74.16	99,500
March	81.80	70.00	132,000
April	70.00	67.01	35,500
May	70.50	67.70	7,000
June	66.04	61.00	49,500
July	63.50	62.50	245,000
August	66.98	63.11	216,000
September	66.00	63.00	26,000
October	64.99	51.45	221,000
November	66.96	62.31	45,500
December	66.23	59.75	97,000



# Report of the Audit Committee

The Committee comprises of one independent and two non-executive directors and is presided by the independent director. The Board has delegated the Committee function of review of the effectiveness of Company's internal controls and risk management systems. During the year, the Committee discharged this responsibility and reports the following:

- Composition of the Audit Committee meets all applicable independence requirements.
- Each member of the Committee is equipped with professional qualification and experience. Members have expert knowledge of finance and accounting.
- Four meetings of the Audit Committee were held during the year.
- The Company's internal audit function which reports to the Audit Committee, performed independent audits of selected controls through desktop reviews and on-site re-performance of tests to ensure compliance with pre-defined policies and procedures. The Chief Internal Auditor reports directly to the Audit Committee, functionally.
- The Committee approved the annual audit plan for the internal audit function. The Committee reviewed internal audit reports and issued necessary instructions to establish better controls over the areas highlighted in such reports.
- The Committee reviewed all interim and annual financial statements and recommended for consideration and approval of the Board of Directors.
- The Committee reviewed preliminary announcements of financial results prior to publication.
- The Committee ensured that the financial statements were prepared in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012, the Companies Act, 2017 and approved accounting standards as applicable in Pakistan.
- The Committee monitored the effectiveness of the internal controls, including risk management and proactively proposed improvement measures.
- The Committee reviewed and recommended the related party transactions for consideration of the Board of Directors.
- The external auditors have been allowed direct access to the Audit Committee to ensure their effectiveness, independence and objectivity.
- The Committee had met external auditors with and without presence of the management and has reviewed and discussed points of improvements highlighted by the external auditors.
- The Committee reviewed Management Letter issued by the external auditors.
- The Committee recommended appointment and remuneration of the external auditors for the financial year ended December 31, 2018.

# Access to Reports and Enquiries

## Annual Reports

Annual Reports can be downloaded from the Company's website: [www.ail.atlas.pk](http://www.ail.atlas.pk) or printed copies can be obtained by writing to:

The Company Secretary,  
Atlas Insurance Limited,  
63/A, Block-XX, Phase III (Commercial),  
Khyaban-e-Iqbal, DHA, Lahore.

## Quarterly Reports

The interim reports are published after first, second and third quarters of the financial year. The interim reports for the year 2018 can be accessed at Atlas Insurance's website or printed copies can be obtained by writing to the Company Secretary.

## Shareholders' Enquiries

Shareholders' enquiries regarding status of their shareholdings, dividends, bonus or any other matter may be directed to the share registrar at the following address:

Hameed Majeed Associates (Pvt.) Limited,  
H. M. House, 7 - Bank Square,  
Sharah-e-Quaid-e-Azam, Lahore.  
Tel: 042-37235081-82

# Decisions taken at the Last Annual General Meeting

No significant issues were raised by the shareholders during the Annual General Meeting held on April 10, 2018. As per the agenda the following matters were discussed and approved in the meeting:

1. Approval of the minutes of the last Annual General Meeting held on April 26, 2017.
2. Approval of the audited financial statements for the year ended December 31, 2017 along with Directors' and Auditors' reports.
3. Approval of 65% cash dividend for the year ended December 31, 2017.
4. Seven directors were elected for a term of three years.
5. Appointment of A.F. Ferguson & Co. as auditors of the Company for the year 2018 and fixation of their remuneration.
6. Approval of remuneration of the Chief Executive Officer of the Company for the year 2018.

# Profile of the Shariah Advisor

Mufti Zeeshan Abdul Aziz is a recognized Shariah Scholar and researcher having strong comprehension of all aspects of Islamic Law and a specialized in Islamic Jurisprudence and Islamic Finance from Jamia Dar Ul Uloom Karachi, Pakistan, having Takhassus Fil Ifta (Specialization in Islamic Jurisprudence) done, majoring in Islamic Banking & Finance.

He is serving as the Shariah Advisor of "Atlas Insurance – Window Takaful Operations" since its commencement and looking after the transactions, day to day Shariah matters and services provided by Atlas Window Takaful Operations. His specialties include Shariah Compliant investments, development of takaful products, policies, manuals and drafting of all its Shariah related documents. Mufti Zeeshan is also involved in delivering detailed trainings to the management of all levels, marketing and distribution force of Atlas Window Takaful Operations on Takaful, its Shariah related issues and requirements in the light of Takaful Rules, 2012.

He has been associated with several Islamic Financial Institution and Halal Certification bodies within Pakistan and abroad. Mufti Zeeshan is also the Shariah Advisor of Sindh Bank-Islamic Banking Division, NIT Islamic Investment Funds and Shariah Review Bureau, Bahrain and has been frequently debating and speaker on Shariah & technical aspects related to Islamic Finance nationally and internationally as well.

Mufti Zeeshan has been associated with various Halal Certification bodies of several countries and has performed around 300 Halal Certification audits of different food, beverages, cosmetics and pharmaceutical industries in different parts of the world.



## Share Price Sensitivity Analysis

### Key Sensitivities

Company's financial performance has a positive correlation with its share price. As such the factors that influence Company's performance can also be expected to have an impact on its share price. Following factors can be considered as sensitive to affect Company's share price:

### Earnings

News released on earnings, profits and future estimated earnings develop investor interest in the stock of the Company.

### Dividend Announcement

Consistency in dividend pay outs will reflect the expectations of shareholders and this affects the share price.

### Introduction of New Insurance Products

This could lead to positive topline growth which could have an impact on bottom line affecting the share price.

### Industry Performance

Government policies specific to industry like Takaful business could result in movement of the share price.

### Investor Confidence

Positive economic reforms can attract investors.

### Economic Indicators

An economic outlook could include expectations for inflation, productivity growth, unemployment and balance of trade. Changes around the world can affect both the economy and share price.

### Law and Order

Unstable law and order situation impacts disturbance and interruptions in business process. An act of terrorism can also lead to a downturn in economic activity and a fall in share price.

### Change in Government Policies

Government policies could be perceived as positive or negative for businesses. The policies may lead to changes in inflation and interest rates, which in turn may affect share price.

### Investor Sentiment

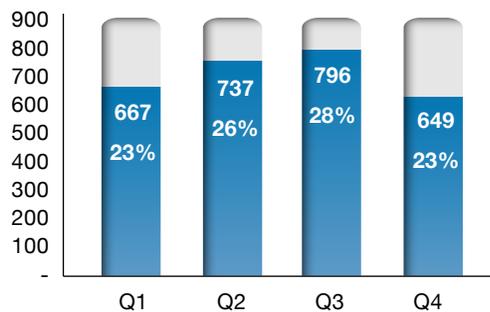
Investor sentiment or confidence can cause the stock market to go up or down, which can cause share prices to rise or fall. The general direction that the stock market takes can affect the value of a stock:

- Bull market - a strong market where stock prices are rising and investor confidence is growing. It is often tied to economic recovery or an economic boom, as well as investor optimism.
- Bear market - a weak market where stock prices are falling and investor confidence is fading. It often happens when an economy is in recession and unemployment is high with rising inflation.

# Quarterly Performance Analysis

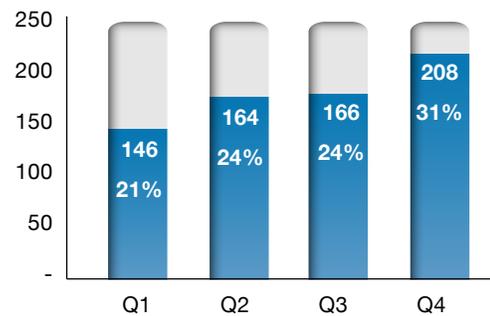
(Rupees in million)

## Gross Premium



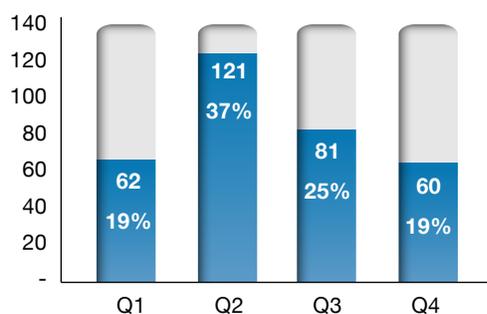
Insurance renewals are the results of the loyalty of our clients and generation of additional new business is the confidence of new clients kept the gross premium varying during the year. During second and third quarters the weightage of the gross premium was high compared to other quarters as major volume of gross premium was underwritten during these quarters.

## Underwriting Profit



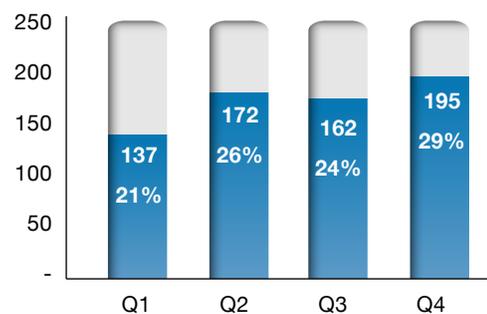
Net premium, net claims, net commission and management expenses, the core activities of the insurance company, constitute the underwriting profit. The last quarter underwriting profit shows better results due to low claims incurred as compared to remaining quarters.

## Investment Income



Realized capital gain, dividend income and interest income are the components of the investment income. The changing behavior of stock exchange impacts the investment income. Major portion of the investment income was recorded in the second quarter as more dividend income was earned. The investment income during fourth quarter remained low compared to other quarter mainly due to provisions for impairment in the value of available for sale investments.

## Profit After Tax



Profit after tax is the combination of underwriting profit, investment income and adjustment of other expenses. Consistent growth in profit after tax is reported by the Company. Higher investment income earned during second quarter and good underwriting profit of fourth quarter kept the weightage of profit after tax high.

# Six Years at a Glance

(Rupees in million)

Description	2018	2017	2016	2015	2014	2013
<b>Financial Data</b>						
Paid-up capital	701.6	701.6	701.6	701.6	701.6	637.8
Reserves & retained earnings	2,759.3	3,345.4	4,025.7	1,144.3	965.9	800.2
Equity	3,460.9	4,047.0	4,727.3	1,845.9	1,667.5	1,438.0
Underwriting provisions	1,905.3	1,295.6	1,471.7	1,347.9	1,057.2	1,105.3
Liabilities including WTO operations	1,299.5	1,419.4	1,875.8	1,951.1	1,676.5	1,576.7
Investments - at cost (net of impairment)	2,311.9	2,365.8	2,608.6	2,124.5	1,868.6	1,550.4
Investments - at market value	3,712.6	4,933.7	6,439.1	4,408.6	3,729.6	2,542.0
Fixed assets - net	82.1	89.1	59.2	56.2	51.9	56.1
Cash and bank deposits	1,328.0	702.3	250.4	428.3	433.2	162.2
Prepayments, loans and other receivables	564.7	437.3	557.7	426.3	407.9	547.6
Total assets from general takaful operations - OPF	108.5	74.9	69.3	-	-	-
Total assets	6,665.7	6,762.1	8,074.8	3,797.0	3,344.0	3,014.7
<b>Operating Data</b>						
Gross premium revenue	2,849.5	2,379.3	2,333.6	1,964.5	1,651.3	1,400.2
Net premium revenue	1,473.9	1,274.5	1,044.2	959.2	878.4	755.7
Net claims	488.3	432.5	268.9	203.9	210.5	163.4
Management expenses	461.3	429.1	358.5	356.5	311.0	304.5
Net commission	160.0	165.6	67.3	63.9	49.9	55.2
Underwriting result	684.3	578.5	484.2	462.7	406.7	342.9
Investment income	230.9	321.5	458.1	357.0	294.7	246.4
Profit / (loss) from Window Takaful Operations (OPF)	17.1	0.8	(2.3)	-	-	-
Profit before tax (PBT)	989.0	988.8	916.8	797.8	690.8	587.6
Income tax	323.5	324.9	298.7	196.7	145.8	131.6
Profit after tax (PAT)	665.6	664.0	618.2	601.2	545.0	456.0
<b>Cash Flow Summary</b>						
Operating activities	725.5	363.8	300.4	300.0	592.1	100.7
Investing activities	349.0	535.6	(67.9)	104.8	(11.0)	(14.2)
Financing activities	(448.8)	(447.7)	(410.3)	(409.7)	(310.0)	(206.3)
Cash & cash equivalents at the year end	1,328.0	702.3	250.4	428.3	433.2	162.2
<b>Financial Ratios</b>						
<b>Profitability</b>						
Profit before tax / gross premium (%)	34.7	41.6	39.3	40.6	41.8	42.0
Profit before tax / net premium (%)	67.1	77.6	87.8	83.2	78.6	77.8
Profit after tax / gross premium (%)	23.4	27.9	26.5	30.6	33.0	32.6
Profit after tax / net premium (%)	45.2	52.1	59.2	62.7	62.0	60.3
Underwriting result / net premium (%)	46.4	45.4	46.4	48.2	46.3	45.4
Management expenses / gross premium (%)	16.2	18.0	15.4	18.1	18.8	21.7
Management expenses / net premium (%)	31.3	33.7	34.3	37.2	35.4	40.3
Commission / net premium (%)	10.9	13.0	6.4	6.7	5.7	7.3
Net claims / net premium (%)	33.1	33.9	25.7	21.3	24.0	21.6
Combined ratio (%)	64.4	67.6	60.9	58.4	59.4	61.9

(Rupees in million)

Description	2018	2017	2016	2015	2014	2013
<b>Financial Ratios</b>						
<b>Return to Shareholders</b>						
Return on equity - PBT (%)	28.6	24.4	19.4	43.2	41.4	40.9
Return on equity - PAT (%)	19.2	16.4	13.1	32.6	32.7	31.7
Earnings growth (%)	0.2	7.4	2.8	10.3	19.5	24.5
Earning per share - PBT (Rs.)	14.1	14.1	13.1	11.4	9.8	9.2
Earning per share - PAT (Rs.)	9.4	9.4	8.8	8.6	7.8	7.1
Return on assets (%)	9.9	9.0	10.4	16.8	17.1	16.0
Investment yield (%)	9.9	12.9	19.4	17.9	17.2	17.6
Earnings assets / total assets (%)	54.6	45.4	35.4	67.2	68.8	56.8
<b>Liquidity / Leverage</b>						
Current ratio (times)	2.3	3.4	3.6	1.9	2.0	1.9
Cash / current liabilities (times)	0.5	0.4	0.1	0.2	0.3	0.1
Total assets turnover (times)	0.4	0.3	0.4	0.6	0.5	0.5
Fixed assets turnover (times)	33.3	32.1	40.4	36.4	30.6	22.8
Total liabilities / equity (times)	0.9	0.7	0.7	1.1	1.0	1.1
Return on capital employed (%)	17.4	13.8	10.6	22.3	22.3	20.4
Paid-up capital / total assets (%)	10.5	10.4	8.7	18.5	21.0	21.2
Equity / total assets (%)	51.9	59.8	58.5	48.6	49.9	47.7
Price to book ratio (Rs.)	1.2	1.3	1.3	2.9	3.2	2.8
<b>Market Data</b>						
Price earning ratio (times)	6.5	8.1	9.6	8.8	9.8	8.7
Face value - per share (Rs.)	10.0	10.0	10.0	10.0	10.0	10.0
Market value per share (Rs.)						
Market value at the end of the year	61.2	76.4	84.7	75.0	75.8	62.5
Highest value during the year	81.8	85.8	88.7	82.0	87.9	65.1
Lowest value during the year	51.5	67.0	59.1	60.3	55.5	35.1
KSE-100 index (points)	37,067	40,471	47,807	32,816	32,131	25,261
Market capitalization (Rs.)	4,293.9	5,360.3	5,942.7	5,262.1	5,314.7	3,986.4
Net assets per share (times)	49.3	57.7	67.4	26.3	23.8	22.5
<b>Distribution</b>						
Cash dividend (Rs.)	491.1	456.0	456.0	421.0	421.0	318.9
Cash dividend (%)	70%	65%	65%	60%	60%	50%
Bonus shares (Rs.)	70.2	-	-	-	-	63.8
Bonus shares (%)	10%	0%	0%	0%	0%	10%
Total distribution (%)	80%	65%	65%	60%	60%	60%
Cash dividend per share (Rs.)	7.0	6.5	6.5	6.0	6.0	5.0
Stock dividend per share (Rs.)	1.0	-	-	-	-	1.0
Dividend yield (%)	11.4	8.5	7.7	8.0	7.9	8.0
Dividend pay out (%)	84.3	68.7	73.8	70.0	77.2	83.9
Breakup value per share (Rs.)	49.3	57.7	67.4	26.3	23.8	22.5

# Performance at a Glance

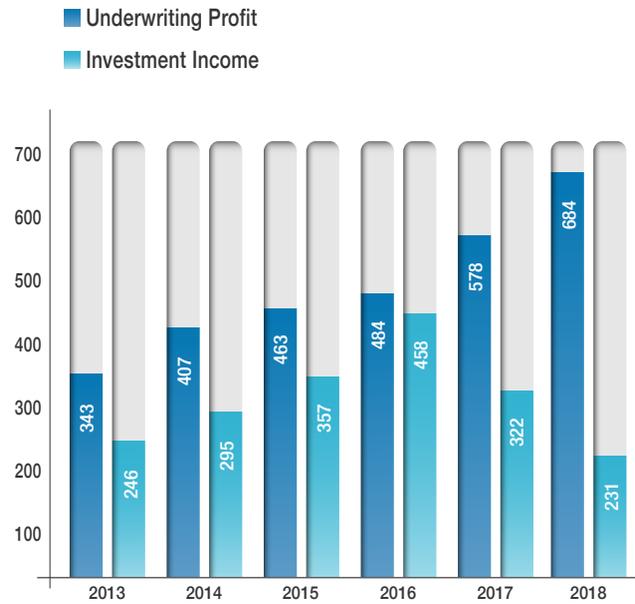
## Graphical Presentation

(Rupees in million)

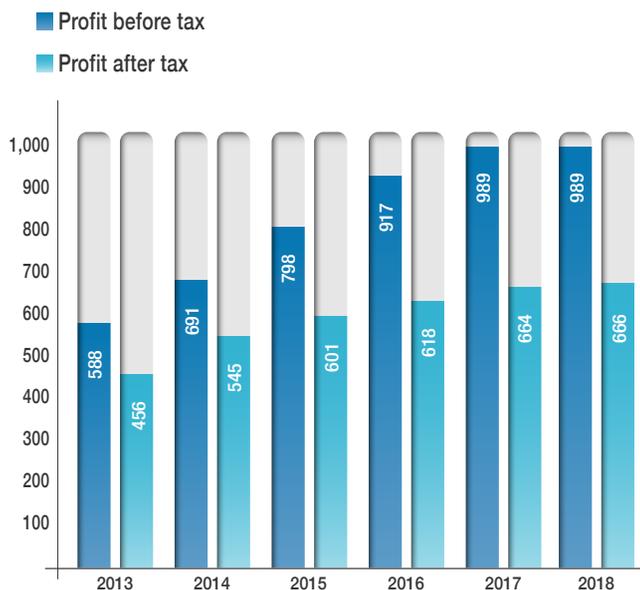
### Gross Premium and Net Premium



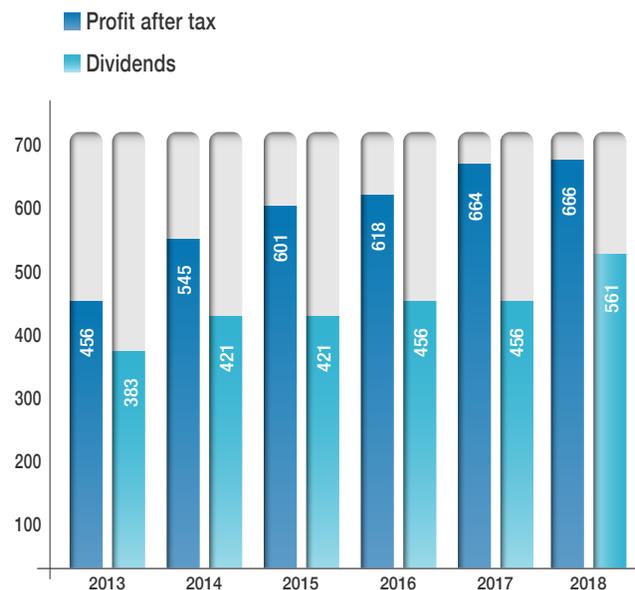
### Underwriting Profit and Investment Income



### Profitability



### Profit After Tax and Dividends

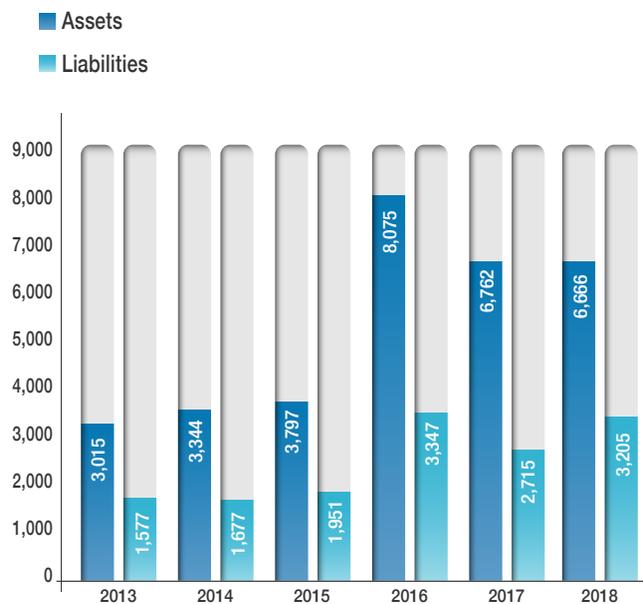


# Performance at a Glance

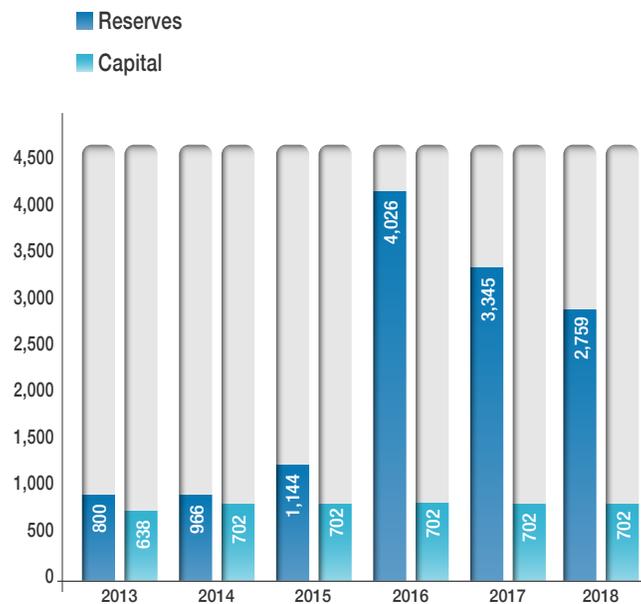
## Graphical Presentation

(Rupees in million)

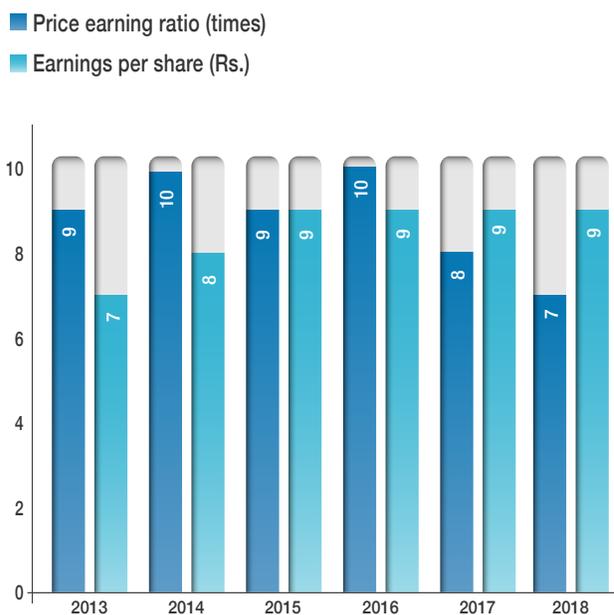
### Assets and Liabilities



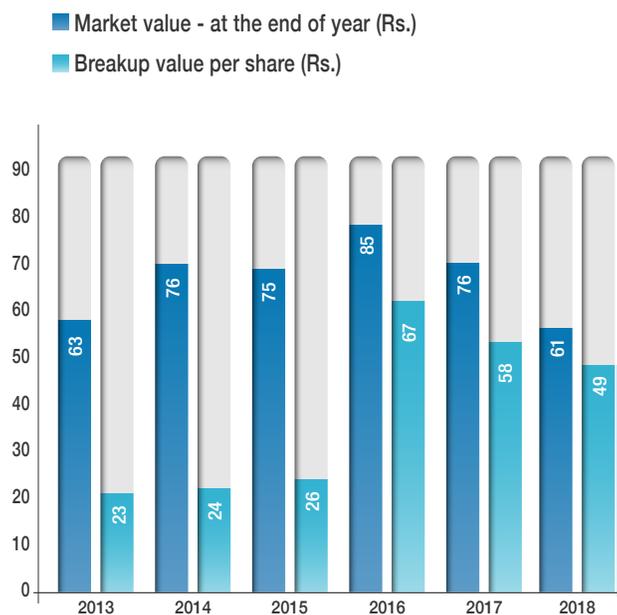
### Capital and Reserves



### Price Earning Ratio and Earnings Per Share



### Market and Breakup Value Per Share



# Analysis of Financial Statements

## Balance Sheet

### Vertical Analysis Composition of Balance Sheet

### Horizontal Analysis % Change Year to Year

Particulars	(Rupees in thousand)						Vertical Analysis Composition of Balance Sheet						Horizontal Analysis % Change Year to Year					
	2018	2017	2016	2015	2014	2013	2018	2017	2016	2015	2014	2013	2018 Vs 2017	2017 Vs 2016	2016 Vs 2015	2015 Vs 2014	2014 Vs 2013	2013 Vs 2012
							%	%	%	%	%	%	%	%	%	%	%	%
<b>Assets</b>																		
Property and equipment	82,080	89,078	59,210	56,231	51,852	56,140	1.2	1.3	0.7	1.5	1.6	1.9	(7.9)	50.4	5.3	8.4	(7.6)	(15.5)
Investments	3,712,647	4,933,698	6,437,759	2,124,477	1,868,597	1,550,372	55.7	73.0	79.7	56.0	55.9	51.4	(24.7)	(23.4)	203.0	13.7	20.5	23.4
Loan and other receivables	14,052	24,130	32,300	38,436	47,537	34,704	0.2	0.4	0.4	1.0	1.4	1.2	(41.8)	(25.3)	(16.0)	(19.1)	37.0	(12.0)
Insurance / reinsurance receivables	332,681	308,500	321,782	255,368	325,091	370,722	5.0	4.6	4.0	6.7	9.7	12.3	7.8	(4.1)	26.0	(21.4)	(12.3)	12.8
Reinsurance recoveries against outstanding claims	454,431	150,668	300,469	400,562	179,685	236,457	6.8	2.2	3.7	10.5	5.4	7.8	201.6	(49.9)	(25.0)	122.9	(24.0)	95.0
Salvage recoveries accrued	2,435	3,942	3,235	4,110	5,685	6,810	0.0	0.1	0.0	0.1	0.2	0.2	(38.2)	21.9	(21.3)	(27.7)	(16.5)	(20.2)
Deferred commission expense	80,233	61,735	74,971	70,325	50,608	63,673	1.2	0.9	0.9	1.9	1.5	2.1	30.0	(17.7)	6.6	39.0	(20.5)	(5.4)
Prepayments	550,697	413,156	525,404	419,221	381,794	533,695	8.3	6.1	6.5	11.0	11.4	17.7	33.3	(21.4)	25.3	9.8	(28.5)	0.1
Cash and bank	1,327,987	702,252	250,436	428,284	433,170	162,163	19.9	10.4	3.1	11.3	13.0	5.4	89.1	180.4	(41.5)	(1.1)	167.1	(42.5)
	6,557,243	6,687,158	8,005,566	3,797,014	3,344,019	3,014,736	98.4	98.9	99.1	100.0	100.0	100.0	(1.9)	(16.5)	110.8	13.5	10.9	11.5
Total assets from general takaful operations - OPF	108,484	74,963	69,255	-	-	-	1.6	1.1	0.9	-	-	-	44.7	8.2	100.0	-	-	-
<b>Total assets</b>	<b>6,665,727</b>	<b>6,762,121</b>	<b>8,074,821</b>	<b>3,797,014</b>	<b>3,344,019</b>	<b>3,014,736</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>(1.4)</b>	<b>(16.3)</b>	<b>112.7</b>	<b>13.5</b>	<b>10.9</b>	<b>11.5</b>
<b>Liabilities</b>																		
<b>Capital and reserves attributable to Company's equity holders</b>																		
Ordinary share capital	701,614	701,614	701,614	701,614	701,614	637,831	20.3	17.3	14.8	38.0	42.1	44.4	-	-	-	-	10.0	20.0
Reserves	2,104,563	2,685,644	3,406,850	545,064	421,064	344,064	60.8	66.4	72.1	29.5	25.3	23.9	(21.6)	(21.2)	525.0	29.4	22.4	14.3
Unappropriated profit	654,699	659,785	618,860	599,221	544,824	456,136	18.9	16.3	13.1	32.5	32.7	31.7	(0.8)	6.6	3.3	10.0	19.4	24.7
<b>Total equity</b>	<b>3,460,876</b>	<b>4,047,043</b>	<b>4,727,324</b>	<b>1,845,899</b>	<b>1,667,502</b>	<b>1,438,031</b>	<b>51.9</b>	<b>59.8</b>	<b>58.5</b>	<b>48.6</b>	<b>49.9</b>	<b>47.7</b>	<b>(14.5)</b>	<b>(14.4)</b>	<b>156.1</b>	<b>10.7</b>	<b>16.0</b>	<b>20.0</b>
Underwriting provisions	1,905,341	1,295,647	1,471,658	1,347,868	1,057,228	1,105,302	28.6	19.2	18.2	35.5	31.6	36.7	47.1	(12.0)	9.2	27.5	(4.3)	5.8
Retirement benefit obligations	9,249	3,920	-	2,653	(716)	8,534	0.1	0.1	-	0.1	(0.0)	0.3	135.9	100.0	(100.0)	470.5	(108.4)	300.7
Deferred taxation	358,875	760,303	1,116,284	-	-	-	5.4	11.2	13.8	-	-	-	(52.8)	(31.9)	100.0	-	-	-
Premium received in advance	178,520	65,966	53,009	51,695	56,429	8,052	2.7	1.0	0.7	1.4	1.7	0.3	170.6	24.4	2.5	(8.4)	600.8	44.5
Insurance / reinsurance payable	330,450	255,654	279,308	266,036	315,070	236,671	5.0	3.8	3.5	7.0	9.4	7.9	29.3	(8.5)	5.0	(15.6)	33.1	(8.2)
Other creditors and accruals	357,361	286,559	344,751	282,863	231,858	187,658	5.4	4.2	4.3	7.4	6.9	6.2	24.7	(16.9)	21.9	22.0	23.6	(3.4)
Taxation - provision less payments	22,218	20,677	61,269	-	16,648	30,488	0.3	0.3	0.8	-	0.5	1.0	7.5	(66.3)	100.0	(100.0)	(45.4)	100.0
<b>Total liabilities</b>	<b>3,162,014</b>	<b>2,688,726</b>	<b>3,326,279</b>	<b>1,951,115</b>	<b>1,676,517</b>	<b>1,576,705</b>	<b>47.4</b>	<b>39.8</b>	<b>41.2</b>	<b>51.4</b>	<b>50.1</b>	<b>52.3</b>	<b>17.6</b>	<b>(19.2)</b>	<b>70.5</b>	<b>16.4</b>	<b>6.3</b>	<b>4.8</b>
Total liabilities from general takaful operations - OPF	42,837	26,352	21,218	-	-	-	0.6	0.4	0.3	-	-	-	62.6	24.2	100.0	-	-	-
<b>Total equity and liabilities</b>	<b>6,665,727</b>	<b>6,762,121</b>	<b>8,074,821</b>	<b>3,797,014</b>	<b>3,344,019</b>	<b>3,014,736</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>(1.4)</b>	<b>(16.3)</b>	<b>112.7</b>	<b>13.5</b>	<b>10.9</b>	<b>11.5</b>

# Analysis of Financial Statements

## Profit and Loss Account

Particulars	2018 2017 2016 2015 2014 2013						Vertical Analysis Composition of Profit & Loss Account						Horizontal Analysis % Change Year to Year					
	(Rupees in thousand)						% % % % % %						2018 Vs 2017 2017 Vs 2016 2016 Vs 2015 2015 Vs 2014 2014 Vs 2013 2013 Vs 2012					
<b>Gross Premium Revenue</b>	2,849,455	2,379,272	2,333,644	1,964,485	1,651,321	1,400,230	100.0	100.0	100.0	100.0	100.0	100.0	19.8	2.0	18.8	19.0	17.9	25.0
<b>Revenue Account</b>																		
Net insurance premium	1,473,915	1,274,543	1,044,230	959,230	878,381	755,684	51.7	53.6	44.7	48.8	53.2	54.0	15.6	22.1	8.9	9.2	16.2	25.2
Net insurance claims expenses	(488,305)	(432,519)	(268,889)	(203,946)	(210,525)	(163,418)	(33.1)	(33.9)	(25.7)	(21.3)	(24.0)	(21.6)	12.9	60.9	31.8	(3.1)	28.8	22.7
Net commission and other acquisition income	159,963	165,556	67,334	63,947	49,897	55,172	10.9	13.0	6.4	6.7	5.7	7.3	(3.4)	145.9	5.3	28.2	(9.6)	0.5
Management expenses	(461,250)	(429,085)	(358,472)	(356,523)	(311,040)	(304,545)	(31.3)	(33.7)	(34.3)	(37.2)	(35.4)	(40.3)	7.5	19.7	0.5	14.6	2.1	32.4
<b>Underwriting results</b>	684,323	578,495	484,203	462,708	406,713	342,893	69.2	58.5	52.8	58.0	58.9	58.4	18.3	19.5	4.6	13.8	18.6	16.1
Investment income	230,857	321,547	458,140	357,016	294,682	246,399	23.3	32.5	50.0	44.7	42.7	41.9	(28.2)	(29.8)	28.3	21.2	19.6	36.4
Rental income	1,235	2,570	8,327	6,864	6,753	6,518	0.1	0.3	0.9	0.9	1.0	1.1	(51.9)	(69.1)	21.3	1.6	3.6	19.6
Other income	73,710	98,953	15,995	12,255	17,869	25,261	7.5	10.0	1.7	1.5	2.6	4.3	(25.5)	518.6	30.5	(31.4)	(29.3)	108.7
Other expenses	(16,576)	(13,428)	(47,512)	(41,024)	(35,202)	(33,499)	(1.7)	(1.4)	(5.2)	(5.1)	(5.1)	(5.7)	23.4	(71.7)	15.8	16.5	5.1	32.2
	289,226	409,642	434,950	335,111	284,102	244,679	29.2	41.4	47.4	42.0	41.1	41.6	(29.4)	(5.8)	29.8	18.0	16.1	41.5
Finance charges	(1,627)	(137)	-	-	-	-	(0.2)	(0.0)	-	-	-	-	1,087.6	(100.0)	-	-	-	-
Profit / (loss) from window takaful operations	17,107	847	(2,307)	-	-	-	1.7	0.1	(0.3)	-	-	-	1,919.7	136.7	(100.0)	-	-	-
<b>Profit before tax</b>	989,029	988,847	916,846	797,819	690,815	587,572	34.71	41.56	39.29	40.61	41.83	41.96	0.0	7.9	14.9	15.5	17.6	25.6
Income tax expense	(323,461)	(324,860)	(298,672)	(196,662)	(145,847)	(131,599)	(32.70)	(32.85)	(32.58)	(24.65)	(21.11)	(22.40)	(0.4)	8.8	51.9	34.8	10.8	29.8
<b>Profit after tax</b>	665,568	663,987	618,174	601,157	544,968	455,973	23.4	27.9	26.5	30.6	33.0	32.6	0.2	7.4	2.8	10.3	19.5	24.5

## Cash Flow Statement

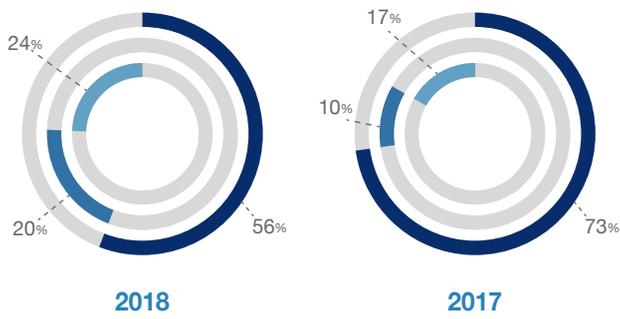
Particulars	2018 2017 2016 2015 2014 2013						Vertical Analysis Composition of Cash Flow						Horizontal Analysis % Change Year to Year					
	(Rupees in thousand)						% % % % % %						2018 Vs 2017 2017 Vs 2016 2016 Vs 2015 2015 Vs 2014 2014 Vs 2013 2013 Vs 2012					
Cash flow from operating activities	725,508	363,836	300,395	299,951	592,054	100,698	115.9	80.5	(168.9)	(6,139.0)	218.5	(84.0)	99.4	21.1	0.1	(49.3)	488.0	74.8
Cash flow from investing activities	349,042	535,633	(67,949)	104,847	(11,019)	(14,226)	55.8	118.6	38.2	(2,145.9)	(4.1)	11.9	(34.8)	888.3	(164.8)	1,051.5	22.5	1,481.2
Cash flow from financing activities	(448,815)	(447,653)	(410,294)	(409,684)	(310,028)	(206,322)	(71.7)	(99.1)	230.7	8,384.9	(114.4)	172.2	(0.3)	(9.1)	(0.1)	(32.1)	(50.3)	(19.1)
Increase / (decrease) in cash & cash equivalents	625,735	451,816	(177,848)	(4,886)	271,007	(119,850)	100.0	100.0	100.0	100.0	100.0	100.0	38.5	354.0	(3,540.0)	(101.8)	326.1	(152.7)

# Analysis of Financial Statements

## Graphical Presentation

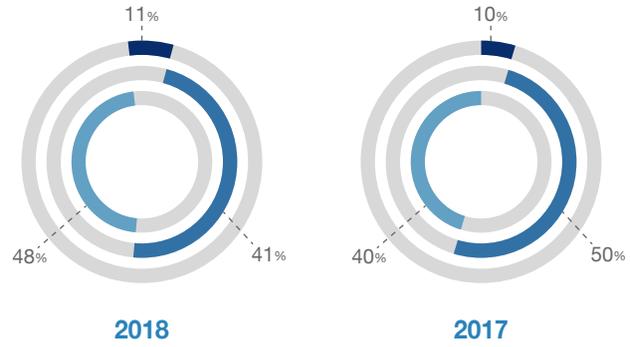
### Balance Sheet

#### Assets



- Investments
- Cash and bank balances
- Other assets

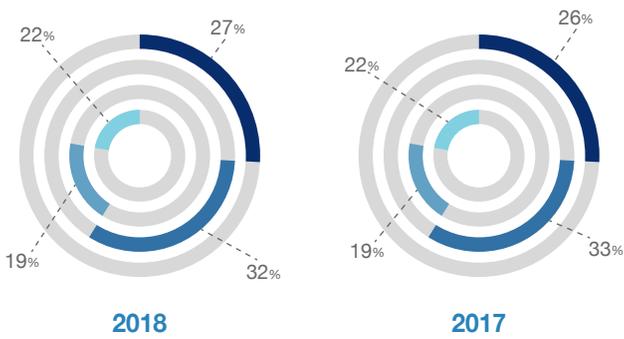
#### Share Capital, Reserves and Liabilities



- Share capital
- Reserves & unappropriated profit
- Other liabilities

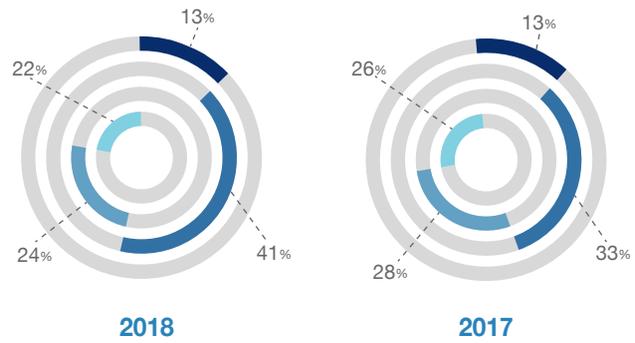
### Profit and Loss Account

#### Gross Premium



- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

#### Net Premium



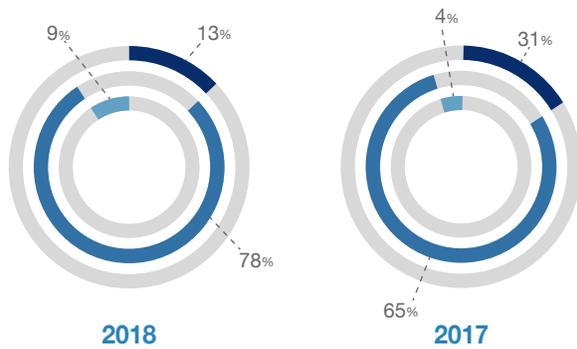
- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

# Analysis of Financial Statements

## Graphical Presentation

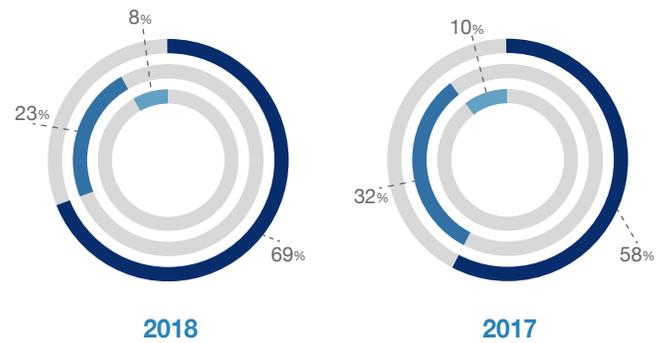
### Profit and Loss Account

Investment Income and Return on Bank Deposits



- Capital gain
- Dividend and interest income
- Return on bank deposits

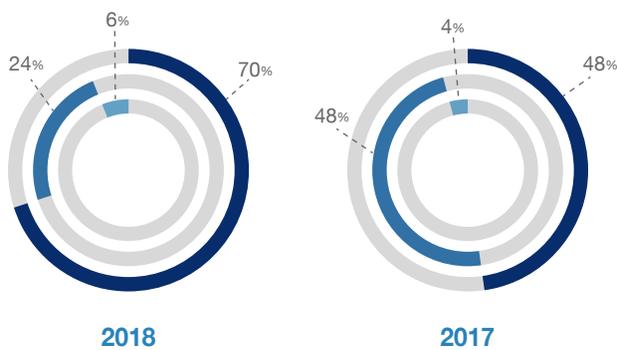
Underwriting Profit, Investment and other Income



- Underwriting profit
- Investment income
- Rental and other income

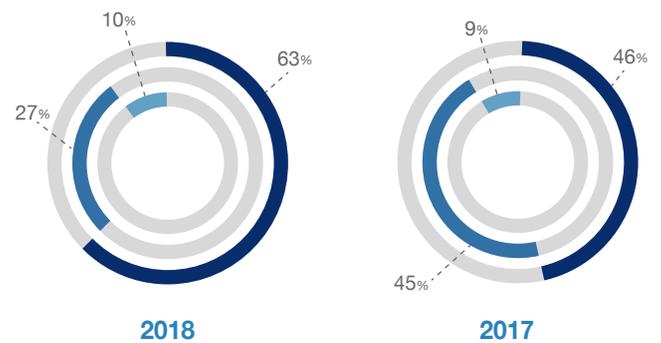
### Cash Flow

Cash Generated



- Operating activities
- From disposal of investments
- Dividends, rental and other income

Cash Utilized

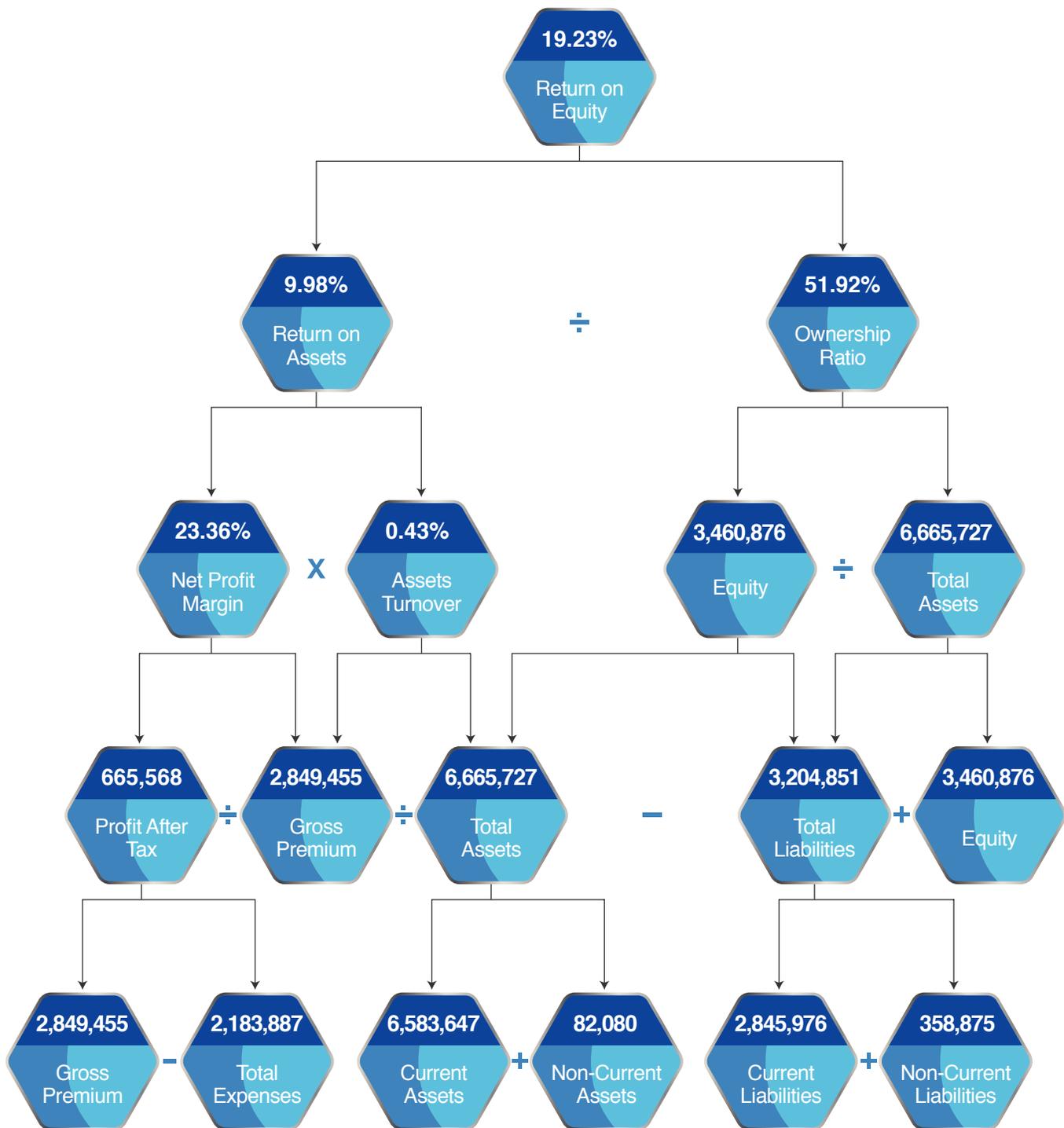


- Operating activities
- For purchase of investments
- Dividends and other payments



# DuPont Analysis 2018

(Rupees in thousand)



# Statement of Value Addition

## Wealth Generated

Net premium (including Sales Tax / FED & FIF)  
Commission income  
Income from investment  
Rental and other income

Management and other expenses

Net wealth generated

## Wealth distributed

### To employees

Salaries, wages and other benefits

### To government

Company taxation  
Levies (including Sales Tax / FED and FIF)

### To shareholders

Cash dividend  
Stock dividend

### Financial charges

To providers of finance

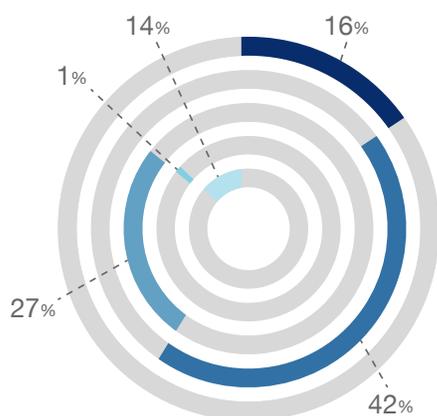
### To society

Endowment, donation etc.

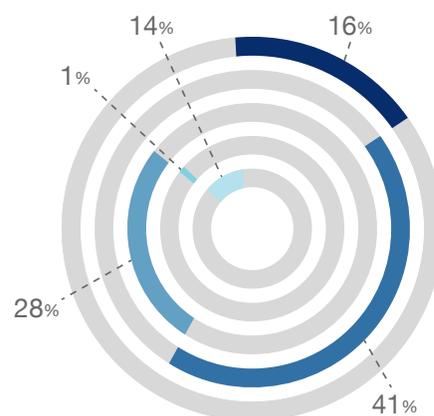
### Retained in business

Depreciation and amortization  
General reserves  
Retained profit / (loss)

	2018		2017	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Net premium (including Sales Tax / FED & FIF)	1,861,487		1,603,790	
Commission income	159,963		165,556	
Income from investment	230,857		321,547	
Rental and other income	92,052		102,370	
	2,344,359		2,193,263	
Management and other expenses	662,711		590,315	
Net wealth generated	1,681,648	100.00%	1,602,948	100.00%
<b>To employees</b>				
Salaries, wages and other benefits	276,040	16.41%	258,951	16.15%
<b>To government</b>				
Company taxation	323,461	19.23%	324,860	20.27%
Levies (including Sales Tax / FED and FIF)	387,572	23.05%	329,247	20.54%
	711,033	42.28%	654,107	40.81%
<b>To shareholders</b>				
Cash dividend	456,049	27.12%	456,049	28.45%
Stock dividend	-	0.00%	-	0.00%
	456,049	27.12%	456,049	28.45%
<b>Financial charges</b>				
To providers of finance	NIL		NIL	
<b>To society</b>				
Endowment, donation etc.	9,580	0.57%	9,985	0.62%
<b>Retained in business</b>				
Depreciation and amortization	19,427	1.16%	15,918	0.99%
General reserves	208,000	12.37%	162,000	10.11%
Retained profit / (loss)	1,519	0.09%	45,938	2.87%
	228,946	13.61%	223,856	13.97%
	1,681,648	100.00%	1,602,948	100.00%



2018



2017

- To Employees
- To Government
- To Shareholders
- To Society
- Retained in Business

# Chairman's Review

It is my pleasure to present the 84th Annual Report and performance review of the Company on behalf of the Board for the year ended December 31, 2018.

## The Economy

Pakistan's economy has witnessed a decent growth in the last few years supported by favorable global economic environment, CPEC related activities and expansionary fiscal and monetary policies. The real GDP growth is expected to slow down to around 4.3% in FY19 from 5.8% in FY18, as economic activity is expected to witness a notable moderation reflecting a short term cost of pursuing macroeconomic stability.

Initial estimates of major crops, except wheat, are expected to fall short of levels achieved in the last year. The slowdown in commodity producing sectors is expected to limit the expansion in the service sector as well. Manufacturing sector is also likely to remain under pressure amid significant monetary and fiscal tightening, and rising cost of doing business. Pak Rupee saw 26% devaluation in CY18 and is now close to its real value. The overvalued Rupee had resulted in unmanageable current account deficit as it subsidized imports for local consumer, while making export uncompetitive. The re-adjustment of the exchange rate by bringing it at par with its actual market value has helped in restoring competitiveness for our exports. With the objective to curtail domestic demand pressure, the State Bank cumulatively raised interest rates by 4.25% in CY18, including a whopping 150bps hike witnessed in the last bi-monthly monetary policy review in November, 2018. One of the major obstacles of the economy is funding the external side due to substantial rise in current account deficit along with sizeable external debt repayments which had resulted in drop of forex reserves from USD 20.18 billion at the commencement of CY18 to around USD 13.75 billion at the year-end. The precarious situation prompted the government to pursue tightening policies such as devaluation of currency, removal of monetary accommodations, and levying and expanding the import duties with the aim to contain domestic consumption. On the other hand government's successful foreign policy has led to friendly countries offering sizeable support for our balance of payments. Bilateral assistance in the form of funds and deferred oil payment facilities from KSA, UAE and other countries has begun to pour in. As a result, the country has successfully averted the balance of payments crises and all economic trends indicate that our deficits are coming down steadily within manageable ranges. Given the mounting challenges on the economic front, the stock market remained under pressure amid heightened volatility throughout the year. The KSE-100 index declined by 8.4% in CY18 to close the year at 37,067 points mainly due to sharp rise in interest rates, continued foreign selling, and uncertainty on IMF program.

The trade deficit during the first half (July to December) of FY19 fell by 5.6 percent to USD 16.94 billion as compared with the deficit of USD 17.94 billion in the corresponding half of the last year. The exports for the period increased by 1.7 percent to USD 11.186 billion compared to USD 11 billion while imports were recorded at USD 28.126 billion compared to USD 28.941 billion, down 2.8 percent. Overseas Pakistani workers remitted USD 10.719 billion in the first half of FY19, showing a growth of 10% compared with USD 9.745 billion received during the same period in the preceding year.

To summarize, the economy has averted the immediate severe balance of payments crises and all macroeconomic indicators

are beginning to show positive trends towards stabilization. The general paradigm of fiscal and monetary policies has been realigned towards exports, investment and productivity growth.

## Industry Analysis

Insurance growth typically depends on macroeconomic factors, regulatory factors and demographics of a country. In Pakistan, the insurance penetration is less than 1% which is very low as compared to India and Bangladesh. The growth in insurance during last few years was due to aggressive expansion of distribution channels, especially bancassurance which now comprises a significant portion of the business for most companies. However, a remarkable opportunity still exists for different insurance segments due to a sizeable untapped market.

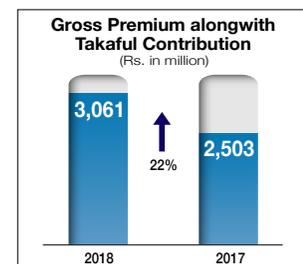
The insurance industry's growth is likely to be hampered due to slow GDP growth, import volumes and overall contraction expected in the economy. In 2018 the underwriting results of insurance industry were under pressure due to rise in the claims and severe rate competition in fire and specifically in marine segments. On the other hand, engineering business is likely to grow depending upon how CPEC and government infrastructure spending goes on. The regulator has also been quite active in making regulatory changes focusing on risk reduction for the industry. These include recent regulations on areas such as Credit and Suretyship business and Anti Money Laundering activities.

Rising interest rates are helping bolster insurer bottom lines. But the industry still faces plenty of opportunities and threats in the year ahead, including economic, cultural, regulatory, and technological. The underlying message is that while the industry may have to cope with a plethora of internal and external pressures, their impact remains very much in each insurer's own hands. Perhaps the biggest determining factor will be how committed and prepared each insurer is to adapt quickly to a rapidly changing economy. It would therefore be prudent for insurers to maintain their growth momentum by continuing to focus on improving operational efficiency, boosting productivity, and lowering costs with new technology and talent transformations, while customizing products and services to meet the evolving demands of the customers.

## The Company Results

### Premium

The gross premium combined with gross contribution from Window Takaful Operations reached Rs. 3.06 billion as compared to Rs. 2.50 billion of last year, reflecting significant growth of 22%. The net premium was reported at Rs. 1.47 billion against Rs. 1.27 billion of the last year, up 16%. The growth of 18% in underwriting profit resulted in profit of Rs. 684.32 million as compared to Rs. 578.50 million of last year. These results were achieved in a challenging environment for the country and reflect the strength of the Company's core business and portray the strength, vision and professionalism of the management.



## Segments at a Glance

### Fire and Property Damage

Gross underwriting premium in this segment grew significantly by 21% from Rs. 631.33 million of 2017 to Rs. 764.70 million of 2018. Net premium also increased by 12% from Rs. 168.01 million to Rs. 188.40 million. Net claims increased to Rs. 48.50 million against Rs. 19.95 million of last year. The underwriting profit was recorded at Rs. 95.54 million as compared to Rs. 134.73 million of last year mainly due to reallocation of certain expenses.

### Marine Aviation and Transport

A growth of 17% was witnessed in marine, aviation and transport segment. The gross underwritten premium rose to Rs. 912.19 million against Rs. 778.91 million of 2017. A significant increase of 44% was also witnessed in net premium which reached Rs. 608.54 million from Rs. 423.44 million of last year. Despite increase in net premium the net claim ratio reduced to 3% against 11% of last year, contributing in healthy underwriting profit, which increased by 53% to Rs. 537.30 million as compared to Rs. 352.00 million of last year.

### Motor

Motor portfolio registered growth of 44% compared to last year as gross underwritten premium rose to Rs. 639.06 million against Rs. 443.96 million of 2017. The net premium also increased to Rs. 360.50 million from Rs. 353.11 million of last year. The net claims increased to Rs. 206.37 million from Rs. 182.75 million of last year. The segment posted underwriting profit of Rs. 5.01 million against Rs. 27.30 million of the last year.

### Miscellaneous

A marginal increase in gross premium was witnessed in this segment as Rs. 533.51 million were underwritten against Rs. 525.07 million of last year. The net premium was Rs. 316.48 million against Rs. 329.98 million of 2017. The net claims ratio was 68% against 55% of last year. The Company earned underwriting profit of Rs. 46.48 million under this segment as compared to Rs. 64.47 million of the last year.

### Window Takaful Operations

The Company is also operating in Takaful segment which has the potential to grow. A significant growth in gross contribution was registered during the year under review. The Company accepted gross contribution aggregating to Rs. 211.55 million against Rs. 123.41 million of last year, up 71%. Net contribution also increased by 44% to Rs. 113.34 million against Rs. 78.82 million of 2017. Participants' Takaful Fund was in deficit by Rs. 25.00 million against surplus of Rs. 7.27 million of 2017. However, Operator's Fund posted profit of Rs. 17.11 million against Rs. 0.85 million of last year.

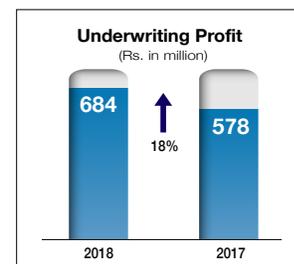
### Investment Management

Attaining good return is one of the core investment objectives which is achieved by investing in fundamentally sound instruments. The Investment Committee remained active throughout the year. Under the guidance and advice of the Investment Committee, the portfolio was diversified into a composite of mutual funds and growth stocks yielding a good return in form of dividend.

The investment income of the Company, after netting off provisions for impairment in available for sale investments from realized capital gains, was recorded at Rs. 230.86 million as compared to Rs. 321.55 million of 2017. The dividend income was Rs. 245.78 million against Rs. 214.99 million of last year. The book value of investments as at December 31, 2018 stood at Rs. 2.39 billion (market value Rs. 3.71 billion) which reflects strong financial base of your Company.

### Profitability

The underwriting profit rose significantly to Rs. 684.32 million from Rs. 578.50 million of last year, up 18%. Profit before tax stood at Rs. 989.03 million as compared to Rs. 988.85 million of last year, mainly due to uneven performance of equity market during the year. After providing for taxes aggregating to Rs. 323.46 million, the profit after tax was Rs. 665.57 million as compared to Rs. 663.99 million of the year 2017. Increased provision for taxation was resulted due to additional super tax of 3% of last year and 2% of current year imposed through Finance Act, 2018-19.



### Capital Management

The Company is committed to maintain a strong financial profile, which gives financial flexibility to achieve growth and portfolio optimization goals. The Company's capital base is structured keeping in view the future expansion and growth of the Company. The paid up capital of the Company was Rs. 701.61 million and equity was Rs. 3.46 billion as at December 31, 2018.

### Treasury Management

Treasury management, sometimes referred as cash management, includes the activities to establish levels for cash or cash equivalents enabling the Company to meet its financial obligations on timely basis. Treasury management is the creation and governance of policies and procedures that ensure that the Company manages financial risk successfully. The utmost goal of the treasury management is to optimize current and medium-term liquidity and make solid financial decisions involving invested and investable assets. The cash and cash equivalents at the end of the year were Rs. 1.33 billion as compared to Rs. 702.25 million at the end of year 2017.

### Reinsurance

Continuing to build underwriting capacities of existing lines of business, while introducing new products, always remains the focus of the management. The reinsurance program has been structured to provide appropriate protection to all classes of business underwritten by the Company at economical cost. During the year under review the Company maintained its tradition of strengthening the reinsurance arrangements and expanding its capacity base. The Company has reinsurance arrangements with prestigious and world renowned reinsurers, holding strong financial strength ratings, including Swiss Re, Hannover Re, Tokio Marine and Nichido Fire Insurance, Sompo Japan, Malaysian Re, Labuan Re, Kuwait Re and Saudi Re. This year the Company once again was successful in managing and negotiating generally improved terms and conditions in almost all the segments despite difficult international reinsurance market scenario.

## Policyholder and Customer Service

Your Company believes that good service helps turn customers into ambassadors for your business therefore, customer service is at the forefront of the strategy of the Company. 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 in further strengthening the image of the Company.

## Solvency

Solvency requirements are very important for an insurance company as it indicates how solvent a company is and how prepared it is to meet unforeseen exigencies. Despite the stringent requirements set by the SECP for determining admissible assets for calculation of solvency margins, your Company meets the solvency requirements as it believes in maintaining a strong cash position and asset base to meet any sudden liquidity requirements.

## Information Technology

Information technology makes the businesses able to view changes in the global markets far faster than they usually do. It has great use in the automated production of sensitive information, up-gradation of the important business processes, and streamlining of the various business processes. The role of IT, in the Company, has also become important since availability of uninterrupted IT services has attained a dynamic role in company's core business operations. The primary business operations areas of IT services include Communication, Data Management, Online General Insurance System, Management Information System and Business Continuity Plan.

The IT strategy of your Company is to enhance the alignment of IT services with the overall Company strategy to improve business and to support day-to-day business operations. I.T infrastructure, secured & speedy communication, increase customer relations (B2B) through web-portals & mobile Apps, in-house software development, secure & prudent MIS are the plans that sets direct I.T activities across the Company.

## Human Resource and Associate Development

Atlas Insurance is a progressive organization with focused approach towards development of human resource for increasing organizational and self-productivity in order to meet the increasing competition of the industry. It is one of the objectives of the Human Resource department to create a work environment that is conducive for employees' learning and development; enhances their engagement with the organization so that their performance helps in business growth as well as their own professional growth.

Having strong belief in the Atlas Group philosophy of 'Organization development through self-development' the Company gives heavy weightage to follow this policy which ultimately accelerates productivity, increases employee effectiveness & efficiency, provides job satisfaction and promotes self-respect, dignity and integrity.

HR is committed to support the organization in enhancing its human capital base by hiring quality resource as well as developing existing human resource. This will ensure that a pipeline of future leaders is available to the Company.

Identification of potential employees and accordingly preparation of their individual development profiles (IDPs) leads in developing them as successors for all the critical positions in the organization. HR has also developed a system of job rotation within the organizations to give cross functional exposure to young associates.

Creation of High performance culture by implementation of Performance Management System and process of Management By Objectives through recognition of high performers and engaging employees in different projects, where specific performance goals are given to employees for their capacity building. Technological advancements results in improving the staff efficiency and service with low cost solutions. To overcome the shortage of qualified manpower and to improve qualification, the Company continuously invests in training employees both overseas and at local training institutes for various courses and also encouraging employees to get professional qualifications in insurance. Currently a noticeable number of employees are appearing in Associate of Chartered Insurance Institute, London, examinations to complete their ACII qualification which is financed by the Company. Employees are also encouraged for MBA specifically in Insurance and Risk Management. Selected employees are also sent on training in reputable institutions such as IBA Karachi, PIMS and LUMS.

## Risk Management System

Risk Management is key to the controlled risk-taking that underpins the Company's financial strength. Risk Management system is mandated to ensure that the Company has the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, it monitors and ensures adherence to applicable frameworks and also performs reserving and reporting activities. Your Company has placed adequate controls to mitigate underwriting risk, business risk, reinsurance risk, financial risk, investment risk and currency risk. The Company has a Risk Management & Compliance Committee dealing with system and processes to manage risks and seize opportunities related to the achievement of the business objectives.

## Corporate Social Responsibility

Corporate Social Responsibility is the continuing commitment by companies to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Your Company, in line with Atlas Group philosophy is committed to act ethically towards society and aims to contribute to the social development in the country. Following this principal the Company contributed 1% of its profit before tax to the Atlas Foundation, which in turn carries out different welfare works in the society, particularly in the field of education. Your Company is committed to work across all barriers of race, religion, color and background and the only yardstick is merit.

## Rating by PACRA

This year the Pakistan Credit Rating Agency Limited (PACRA), has maintained the Insurer Financial Strength (IFS) rating of your Company at "AA" with stable outlook. The rating reflects financial soundness of the Company. The rating takes into account robust liquidity profile, providing strong coverage to the Company's obligations. PACRA acknowledges that the Company has a strong panel of reinsurers with favorable treaty terms and prudent risk retention policies.

## Performance Evaluation of the Board and Committees of the Board

A new Board was formed during the year which comprises of renowned business professionals who add value to the Board by virtue of their expertise, experience and strong value systems. The Board has laid down policies and procedures that ensure a professional corporate environment that promotes timely disclosures, accountability, high ethical standards, compliance with applicable laws, regulations and corporate governance.

During the year under review, the Board has effectively discharged its responsibility towards the Company and participated in all strategic affairs diligently. All quarterly, half yearly and annual financial results were thoroughly reviewed and approved. The Board extended its guidance to the management on regular basis. The Board also played a key role in monitoring of management performance and focus on major areas. The Board has also reviewed and approved the Company' s financial budget and capital expenditures requirements for the year 2019.

The Audit Committee, the Investment Committee and the Ethics, Human Resource & Remuneration Committee have also discharged their responsibilities as per relevant laws throughout the year. The Board carefully monitors their performance on periodic basis.

## Contribution to the National Exchequer

Your Company' s contribution to the national exchequer has been increasing. During the year your Company contributed a sum of Rs. 768.144 million towards government exchequer on account of direct and indirect taxes. Significant returns were also paid to the valued shareholders of the Company. This is a reflection of management' s belief in the development of the economy through discharging the obligations by timely and accurate payment of all government dues. Atlas Group as a whole has contributed over Rs. 50 billion to the national exchequer for the year 2017-18 which is 1.5% of the total exchequer, a significant share in the government revenue.

## Accolades

Insurance Journal Performance Award reflects the fundamental strength of the Company and its prudent underwriting policies. Your Company was awarded for the "Highest Underwriting Profit as Percentage of Written Premium" on the basis of results for the years 2012, 2013, 2014 and 2015 by the Insurance Journal.

The two prestigious accounting bodies, the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) annually hold the competition with the aim to encourage and give recognition to excellence in annual reporting. Your Company was selected among the top five companies in the NBFi sector and has been awarded "Best Corporate Report Award" eight times between 2003 – 2015 by the joint committee of the ICAP and ICMAP. The Company was also awarded, continuously for six years from 2006 to 2011, South Asian Federation of Accountants – SAFA "Best Presented Accounts Award". It is worth mentioning here that, the Company is also recipient of "KSE Top 25 Companies Award - 2005".

## Future Outlook

Pakistan' s longer-term economic prospects remain robust, because of improvements in power supply, infrastructure and national security that have raised the country' s growth prospects and hence business confidence. Year 2019 is expected to be the year for foreign investments in Pakistan. CPEC shall be entering its second phase that shall be more focused on trade and industry, moving on from infrastructure. This shall play a pivotal role in terms of technology and skills transfer to our economy. Multi-national companies from sectors ranging from automobiles, telecommunications, energy, electronics and others have also expressed their interest to invest in Pakistan. Our sizeable population and a young demographic holds great and yet untapped potential for any investor. In the coming year, we are confident to see these interests transforming into tangible foreign investments. However the macroeconomic challenges that current government faces requires a methodical and careful approach. A well thought out and decisive policy response would restore investors' confidence. The above, together with clarity on external funding arrangements such as inflows from China and Gulf and progress on a fresh IMF program, would act as a key trigger for economic growth. Finance managers of the country must therefore, take all possible and timely measures to address these challenges for continued and steady economic progress.

I am confident that the management of your Company is well prepared and equipped to avail these opportunities:

اجما ہے تو اجما ہے اس سے اجما نہیں

## Acknowledgement

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

I also appreciate the valuable contribution and active role of the Board of Directors in supporting and guiding the management. I would also like to express my gratitude to the Chief Executive Officer Mr. Babar Mahmood Mirza and his team for their efforts, dedication and sincerity of purpose:



Yusuf H. Shirazi  
Chairman

NBFI کیلئے پانچ اولین کمپنیوں میں آٹھ مرتبہ "بہترین کارپوریٹ رپورٹ ایوارڈ" سے نوازا گیا۔ کمپنی کو مسلسل چھ سال، 2006 سے 2011 تک، جنوبی ایشیائی فیڈریشن آف اکاؤنٹنٹس۔ SAFA "بہترین پیش کردہ اکاؤنٹنٹس ایوارڈ" سے بھی نوازا گیا۔ کمپنی، ماضی میں KSETop 25 Companies Award-2005 بھی حاصل کر چکی ہے۔

### مستقبل کا منظر نامہ

پاکستان کے طویل مدتی اقتصادی امکانات روشن ہیں، اس کی وجہ بجلی کی فراہمی میں بہتری، انفراسٹرکچر اور قومی سلامتی میں بہتری، اور سرمایہ کار کا بڑھتا ہوا اعتماد ہے۔ سال 2019 میں پاکستان میں غیر ملکی سرمایہ کاری میں اضافے کا امکان ہے۔ CPEC اپنے دوسرے مرحلے میں داخل ہو جائے گا جس کی وجہ سے تجارت اور انڈسٹری میں مزید توجہ مرکوز ہو جائے گی۔ یہ ہماری معیشت میں مثبت تبدیلی اور ٹیکنالوجی کے لحاظ سے اہم کردار ادا کرے گا۔ آٹومو بائل، نیلی کیونٹیکشن، انرجی، الیکٹرونکس اور دیگر سیکٹرز سے تعلق رکھنے والی ملٹی نیشنل کمپنیوں کی جانب سے سرمایہ کاری کے حوالے دلچسپی دیکھی گئی ہے۔ ہماری بڑے پیمانے پر پھیلی ہوئی آبادی اور اس میں موجود ایک اچھی تعداد کی حامل نوجوانوں کی صلاحیت کو بحال سرمایہ کاروں کی جانب سے استعمال نہیں کیا جاسکا ہے۔ آنے والے سال میں ہم پر اعتماد ہیں کہ غیر ملکی سرمایہ کاری میں اس حوالے سے دلچسپی دیکھنے میں آئے گی۔ تاہم موجودہ حکومت کو درپیش معاشی چیلنجز کے لیے باضابطہ اور محتاط نقطہ نظر کی ضرورت ہے۔ ایک اچھی سوچ اور فیصلہ کن پالیسی سرمایہ کاروں کا اعتماد بحال کرے گی۔ مزید یہ کہ بیرونی فنڈنگ کے انتظامات کے حوالے سے وضاحت، یقین، گلف ممالک سے آنے والی امداد اور آئی ایم ایف پروگرام اقتصادی ترقی کے لیے اہم محرکات ثابت ہوں گے۔ لہذا ملک کے فنانس منیجرز کو معیشت کی مسلسل اور مستحکم ترقی کے لیے ان چیلنجز سے نمٹنے کے لیے تمام ممکنہ اور بروقت اقدامات لازماً عمل میں لانا ہوں گے۔

مجھے یقین ہے کہ آپ کی کمپنی کی منجمنٹ ان مواقع سے فائدہ اٹھانے کے لیے ایس اور اچھی طرح تیار ہے:

اچھا ہے تو اچھا ہے اس سے اچھا نہیں

### اعلیٰ تشکر

میں اپنے قابل قدر حصص داران، کلائنٹس، ری انشوررز، SECP اور مالیاتی اداروں کی دلی قدر کرتا ہوں جن کے سالوں پر محیط تعاون اور حمایت سے ہمارا تعلق مضبوط ہوا۔ جس نے ہماری مصنوعات، خدمات، معاشرے میں ہمارے کردار اور قومی معیشت میں بہتری میں اہم کردار ادا کیا۔

میں انتظامیہ کی رہنمائی میں بورڈ آف ڈائریکٹرز کی قابل قدر شرکت اور فعال کردار کی بھی تعریف کرتا ہوں۔ میں چیف ایگزیکٹو آفیسر جناب بابر محمود مرزا اور ان کی ٹیم کی کوششوں، عزم اور مقصد کے حصول میں شخصی پر تہدول سے شکر گزار ہوں۔

یوسف ایچ شیرازی

یوسف ایچ شیرازی  
چیرمین

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے آپ کی کمپنی کے مالیاتی استحکام کے اعتراف میں اس کی انشورڈ فنانشل اسٹریٹجی (IFS) ریٹنگ کو مستحکم ادارے کے طور پر "AA" کا درجہ دیا ہے۔ یہ درجہ بندی اس بات کا اظہار ہے کہ کمپنی اپنے پالیسی ہولڈرز اور معاہدے کی ذمہ داریوں سے عہدہ برآ ہونے کی زبردست صلاحیت رکھتی ہے۔ یہ درجہ بندی شاندار کیونڈیٹی پروفاائل کا مظہر ہے، جو کہ کمپنی کی ذمہ داریوں کو مستحکم کوریج فراہم کرتی ہے۔ PACRA نے اس بات کا اعتراف کیا ہے کہ ایس انشورنس کے پاس معاہدے کی مثبت شرائط اور ممکنہ خطرات سے تحفظ کی پالیسیوں کے ساتھ دوسرے بیمہ کاروں کا ایک مضبوط پتیل ہے۔

### بورڈ اور بورڈ کی کمیٹی کی کارکردگی

گزشتہ سال ایک نیا بورڈ تشکیل پایا، جو نامور کاروباری شخصیات پر مشتمل ہے جو اپنی قابلیت، تجربے اور اقدار کے اعلیٰ نظام کی بدولت بورڈ کی قدر و قیمت میں اضافہ کرتے ہیں۔ بورڈ نے پیشہ ورانہ کاروباری فضا کو یقینی بنانے کے لیے مخصوص پالیسیاں اور طریقہ کار وضع کر رکھے ہیں جو حقائق کے بروقت اظہار، جوابدہی، اعلیٰ اخلاقی معیار اور مجوزہ قوانین، ضوابط اور کاروباری عملداری کی تعمیل کو فروغ دیتے ہیں۔

زیر جائزہ سال کے دوران، بورڈ نے کمپنی کے لیے اپنی ذمہ داریاں مؤثر انداز میں نبھائی ہیں اور تمام کلیدی معاملات میں فعال انداز میں شرکت کی ہے۔ تمام سرمایہ، ششماہی اور سالانہ مالیاتی نتائج کا جامع انداز میں جائزہ لیا گیا اور منظوری دی گئی۔ بورڈ نے منجمنٹ کو بھی باقاعدگی کے ساتھ رہنمائی فراہم کی۔ بورڈ نے منجمنٹ کی کارکردگی اور اہم شعبوں پر توجہ مرکوز کرنے کے حوالے سے بھی بنیادی کردار ادا کیا۔ بورڈ نے سال 2019 کے لیے کمپنی کا مالیاتی بجٹ اور سرمایہ جاتی اخراجات کی ضروریات کا جائزہ لے کر ان کی منظوری دی۔

آڈٹ کمیٹی، سرمایہ کاری کمیٹی اور ہیومن ریسورس کمیٹی نے بھی سال بھر متعلقہ قوانین کے مطابق اپنی ذمہ داریاں انجام دیں۔ بورڈ، میعاد بنیاد پر ان کی کارکردگی کی بغور نگرانی کرتا ہے۔

### قومی خزانے میں حصہ

قومی خزانے میں آپ کی کمپنی کی حصہ داری میں اضافہ ہو رہا ہے۔ دوران سال، آپ کی کمپنی نے اگم ٹیکس، بیلنس اور دیگر محصولات کے ضمن میں حکومتی خزانے میں 768.144 ملین روپے کی خطیر رقم جمع کروائی۔ کمپنی کے قابل قدر شیئرز ہولڈرز کو بھی ڈیویڈنڈ کی ادائیگی کی گئی۔ آپ کی کمپنی کی منجمنٹ، تمام سرکاری واجبات کی بروقت اور درست ادائیگی کی بدولت معیشت کی ترقی پر مستحکم یقین رکھتی ہے۔ ایس گروپ نے مجموعی طور پر سال 2017-18 میں قومی خزانے میں 50 بلین روپے سے زائد ادا کیے جو کہ مجموعی خزانے کا 1.5% فیصد اور حکومت کو حاصل ہونے والی آمدنی کا نمایاں جزو ہے۔

### اعزازات

"انشورنس جرنل پرفارمنس ایوارڈ" کمپنی کی بنیادی طاقت اور اس کی محتاط خطوط پر استوار پالیسیوں کی عکاسی کرتا ہے۔ آپ کی کمپنی کو سال 2012، 2013، 2014 اور 2015 کے نتائج کی بنیاد پر، "بلند ترین ضمانتی منافع بطور تحریری پریمیم کی شرح" پر انشورنس جرنل کی جانب سے "انشورنس جرنل پرفارمنس ایوارڈ" سے نوازا گیا تھا۔ اکاؤنٹنگ کے دو معتبر ادارے، انشٹیٹیوٹ آف چارٹڈ اکاؤنٹنٹس آف پاکستان (ICAP) اور انشٹیٹیوٹ آف کوسٹ اینڈ منجمنٹ اکاؤنٹنٹس آف پاکستان (ICMAP) کی مشترکہ کمیٹی کی جانب سے 2003 سے 2015 کے درمیان آپ کی کمپنی کو

دیتی ہے جو پیداوار، ملازمن پر اثرات اور کارکردگی میں اضافہ، ملازمت پر اطمینان اور خودداری، وقار اور سلیبت کے فروغ کو وسیع دیتا ہے۔

ہیومن ریسورس کھپنی کی ضروریات کی تکمیل کے لیے موجودہ عملے کی تربیت اور نئے ملازمن کی بھرتی کے ساتھ ساتھ ان کی ترقی و فروغ پر خصوصی توجہ دیتا ہے۔ یہ کھپنی کے لیے مستقبل کے لیڈروں کی دستیابی کو یقینی بناتا ہے۔ کیریئر میں ترقی کے مواقع کے حوالے سے بھی کھپنی انتہائی منظم طریقہ کار کی حامل ہے۔ اعلیٰ قابلیت کے حامل عہدیداروں کے علم، صلاحیت اور تجربے میں ترقی کے لیے انفرادی فروغ کی پروفاائل مرتب کی جاتی ہے۔ ایچ آر نوجوان اور باصلاحیت ملازمن کی ترقی و فروغ کے لیے کوشاں رہتا ہے۔

پرفارمنس مینجمنٹ سسٹم کے ذریعے ملازمن کا مختلف منصوبوں میں اعلیٰ کارکردگی کا مظاہرہ اعلیٰ کارکردگی کچھ کی تحقیق ہے، جہاں ملازمن کی صلاحیت کو بروئے کار لانے کے لیے مخصوص کارکردگی کے اہداف دیے جاتے ہیں۔ ٹیکنیکل ایڈوانسمنٹ کے نتیجے میں کم لاگت کے ساتھ عملے کی کارکردگی اور سروس کو بہتر بنانے میں مدد مل رہی ہے۔ عملے کی تعلیمی قابلیت میں اضافے اور تعلیم یافتہ ملازمن کی کمی کو پورا کرنے کے لیے، کھپنی بیرون ملک اور مقامی تربیتی اداروں میں مختلف نوعیت کے کورسز میں مسلسل حصہ لیتی ہے اور ساتھ ساتھ بیرون ملک کے شعبے میں پیشہ ورانہ تعلیم کے حصول کے لیے ملازمن کی حوصلہ افزائی بھی کی جاتی ہے۔ فی الوقت، ملازمن کی نمایاں تعداد، کھپنی کی کفالت پر، اپنی تعلیم مکمل کرنے کے لیے ایسوسی ایٹ آف چارٹرڈ انشورنس انسٹیٹیوٹ، لندن، کے ہونے والے امتحانات میں شرکت کر رہے ہیں۔ خاص طور پر ملازمن کو انشورنس اور رسک مینجمنٹ میں MBA کی ترقیب بھی دی جاتی ہے اور ساتھ ساتھ منتخب ملازمن کو معروف اداروں جیسے IBA کراچی، PIMS اور LUMS میں تربیت کے لیے بھی بھیجا جاتا ہے۔

## مکنہ خطرات سے نمٹنے کا نظام (رسک مینجمنٹ سسٹم)

مکنہ خطرے کا حل تلاش کرنا، بیرون کمپنیوں کے لیے بنیادی اہمیت رکھتا ہے۔ مکنہ خطرے سے نمٹنے کا نظام اس امر کو یقینی بناتا ہے کہ درپیش خطرات سے نمٹنے کے لیے کھپنی کے پاس ضروری مہارت، فریم ورک اور بہتر انفراسٹرکچر ہو۔ اس کے علاوہ، یہ قابل اطلاق فریم ورک کی نگرانی کو یقینی بناتا ہے۔ آپ کی کھپنی رسک مینجمنٹ سسٹم پر خصوصی توجہ دیتی ہے جو کہ انڈر رائٹنگ رسک، ری انشورنس رسک، فنڈنگ رسک، سرمایہ کاری اور کرنسی رسک کو کم کرنے کے لیے مناسب کنٹرول فراہم کرتا ہے۔ کھپنی نے، ادارے میں رسک مینجمنٹ کے مجموعی عمل کی نگرانی کے لیے ایک رسک مینجمنٹ اور کمپلائنس کمیٹی بھی تشکیل دے رکھی ہے۔ یہ طریقہ کار متعلقہ افراد کو مکنہ خطرات کی تخفیف کے لیے بروقت اور موزوں اقدامات کرنے کے قابل بناتا ہے۔

## ادارے کی سطح پر سماجی ذمہ داری

ادارے کی سطح پر سماجی ذمہ داری، کارپوریشن کی طرف سے ایسے اقدامات کا نام ہے جو افرادی قوت کی زندگی اور ان کے خاندانوں کے ساتھ ساتھ مقامی کمیونٹی اور وسیع سوسائٹی کے معیار کو بہتر بنانے کے حوالے سے ذمہ داری نبھانے کے لیے بروئے کار لائے جاتے ہیں۔ آپ کی کھپنی، اٹلس گروپ کے فلسفے سے ہم آہنگ رہتے ہوئے سماجی بہتری کے فروغ کے لیے کوشاں ہے اور ملک کی سماجی ترقی میں اپنا کردار ادا کرنے کا تہیہ کیے ہوئے ہے۔ اسی مقصد کے تحت، آپ کی کھپنی نے اپنے منسلک ادارے اٹلس فاؤنڈیشن میں قبل از نگین منافع کا 1 فیصد عطیہ دیا، یہ ادارہ معاشرے کی فلاح و بہبود کے مختلف کام، خصوصاً تعلیمی شعبے میں اپنی خدمات انجام دے رہا ہے۔ آپ کی کھپنی، نسل، مذہب، رنگ اور شخصی پس منظر سے بالاتر ہو کر خدمات کے لیے کوشاں ہے۔ اس کھپنی میں جانچ کا صرف ایک پیمانہ ہے اور وہ ہے قابلیت۔

کے حامل اور دنیا کے ایسے نامور دورہ ہرے بیرون کاروں کے ساتھ دوہری بیرون کاری کے معاہدے زیر عمل لاتی ہے جو مضبوط مالیاتی استحکام کی وجہ بند یوں کے حامل ہیں، ان میں سوئس ری، چین اور ری، ٹوکیو میرین اور نیچڈ و آتشزدگی بیرون، سوچو جاپان، ملائیشین ری اور لیون ان ری، کویت ری اور سعودی ری شامل ہیں۔ دوہرے بیرون کی مارکیٹ میں عالمی طور پر ناسازگار صورتحال کے باوجود کھپنی نے رواں سال تقریباً ہر شعبے میں مجموعی طور پر بہتر شرائط پر دوہرے بیرون کے حوالے سے معاہدے کیے۔

## پالیسی ہولڈر اور صارفین کی خدمت

کھپنی اس بات پر یقین رکھتی ہے کہ اچھی سروس آپ کے کاروبار کے لیے کسٹمرز کو سفیر میں تبدیل کر دیتی ہے، اسی لیے پیشہ ورانہ اور اعلیٰ معیار کی خدمات کا شعبہ صارفین کی ضروریات کو مد نظر رکھتے ہوئے خدمات انجام دے رہا ہے۔ یہ شعبہ ہماری کھپنی کی حکمت عملی میں سب سے آگے ہے کیونکہ کھپنی صارفین کی خدمت اور خدمت کے انتقال کی ضروریات کو موثر طریقے سے فراہم کرنے پر یقین رکھتی ہے۔ یہ کوششیں مستقل صارف بنانے کی بنیاد ہیں اور کھپنی صارف کی توجہ حاصل کر کے اپنے کردار کو بڑھا رہی ہے۔

## قابلیت ادائے قرضہ

مال داری کاروبار میں قائم رہنے کے لئے بہت ضروری ہے کیونکہ یہ کھپنی کے قابل قیاس مستقبل کے لئے اپنی سرگرمیاں جاری رکھنے کے لئے مدد فراہم کرتی ہے۔ SECP کی جانب سے قابل قبول اثاثہ جات کو تصدق کرنے کے لئے سرمایہ کاری پر قائم حدود کے باوجود آپ کی کھپنی اطمینان سے مال داری کی ضروریات کو پورا کرتی رہی ہے۔ کھپنی اچانک سیالیت کی ضروریات کو پورا کرنے اور مال داری کی حدود کے لئے مضبوط پیشہ صورتحال اور بنیادی سرمایہ پر یقین رکھتی ہے۔

## انفارمیشن ٹیکنالوجی

انفارمیشن ٹیکنالوجی دور جدید کی ایک ایسی ناگزیر حقیقت ہے جس نے دنیا بھر کے لوگوں کی روزمرہ زندگیوں اور کاروبار میں ایک ڈرامائی تبدیلی پیدا کی ہے۔ یہ ہر کاروباری منصوبے کا اہم ترین اور مرکزی جزو بن چکی ہے۔ بنیادی کاروباری معاملات میں آئی ٹی خدمات کی دستیابی کا بڑا افعال کردار ہے، یہی وجہ ہے کہ آپ کی کھپنی میں آئی ٹی کا کردار انتہائی اہمیت اختیار کر گیا ہے۔ آئی ٹی سروس میں مواصلات، ڈیٹا مینجمنٹ، آن لائن جنرل انشورنس سسٹم، مینجمنٹ انفارمیشن سسٹم اور بزنس کنٹینٹیوٹی پلان شامل ہیں۔

آپ کی کھپنی کی آئی ٹی کی حکمت عملی کاروبار کو بہتر بنانے کے لیے مجموعی کھپنی کی حکمت عملی اور روزانہ کی بنیاد پر کاروبار کو بڑھانے سمیت آئی ٹی کی خدمات کو بڑھانے میں مدد دیتی ہیں۔ آئی ٹی انفراسٹرکچر میں محفوظ اور تیز رفتار مواصلات کے ساتھ ویب پورٹل اور موبائل ایپ کے ذریعے کسٹمر ریلیشنز میں (B2B) کا اضافہ ہوا، ان ہاؤس سافٹ ویئر ڈیولپمنٹ نے محفوظ MIS منصوبہ ترتیب دیا ہے جس سے کھپنی میں براہ راست آئی ٹی کی سرگرمیوں کا یقین کیا جاسکے گا۔

## ہیومن ریسورس اور ایسوسی ایٹ ڈیولپمنٹ

اٹلس انشورنس ایک ترقی پسند ادارہ ہے، جو ادارتی ترقی اور انڈسٹری میں بڑھتے ہوئے مقابلے کا سامنا کرنے کے لیے ہیومن ریسورس کو مسلسل فروغ دینے میں اپنی کوششیں صرف کر رہا ہے۔ ملازمن کی تربیت اور ان کی ترقی کے لیے سازگار ماحول، ادارے کے ساتھ ان کے کردار میں اضافہ کرتا ہے جو کہ نہ صرف ادارے بلکہ ملازمن کی بھی پیشہ ورانہ ترقی کا باعث بنتا ہے اور یہ ہیومن ریسورس ڈیولپمنٹ کے مقاصد میں سے ایک ہے۔

اٹلس گروپ کے ایک تشکیلی رکن کی حیثیت سے آپ کی کھپنی ہیومن ریسورس کو مسلسل فروغ دیتے ہوئے ادارتی ترقی کے گروہی فلسفے پر محکم یقین رکھتی ہے۔ کھپنی اس پالیسی پر عمل درآمد کو خاصی اہمیت



مجموعی پریمیم 21 فیصد اضافے کے ساتھ سال 2017 کے 631.33 ملین روپے کے مقابلے میں 764.70 ملین روپے رہا۔ خالص پریمیم 12 فیصد اضافے سے 168.01 ملین روپے کے مقابلے میں 188.06 ملین روپے رہا۔ خالص کھیمز گزشتہ سال کے 19.95 ملین روپے کے مقابلے میں بڑھ کر 48.50 ملین روپے ہو گئے۔ اس شعبے کا انڈر رائٹنگ منافع گزشتہ سال کے 134.73 ملین روپے کے مقابلے میں بعض اخراجات کو از سر نو مختص کرنے کے باعث 95.54 ملین روپے رہا۔

### آبی، فضائی اور ذرائع آمدورفت

اس شعبے میں گزشتہ سال کے مقابلے میں 17 فیصد ترقی ریکارڈ کی گئی۔ انڈر رائٹنگ پریمیم سال 2017 کے 778.91 ملین روپے سے بڑھ کر 912.19 ملین روپے رہا۔ خالص پریمیم گزشتہ سال کے 423.44 ملین روپے کے مقابلے میں 44 فیصد اضافے سے 608.54 ملین روپے رہا۔ کلیم کی شرح گزشتہ سال کے 11 فیصد کے مقابلے میں محض 3 فیصد رہی۔ پریمیم میں اضافے سے انڈر رائٹنگ منافع پر اچھا اثر پڑا، جو کہ گزشتہ سال کے 352.00 ملین روپے کے مقابلے میں 53 فیصد اضافے سے 537.3 ملین روپے ہو گیا۔

### موٹر

مجموعی پریمیم میں گزشتہ سال کے مقابلے میں 44 فیصد اضافہ ریکارڈ ہوا اور اس شعبے میں مجموعی انڈر رائٹنگ پریمیم سال 2017 کے 443.96 ملین روپے کے مقابلے میں بڑھ کر 639.06 ملین روپے ہو گیا۔ خالص پریمیم گزشتہ سال کے 353.11 ملین روپے کے مقابلے میں 360.50 ملین روپے رہا۔ خالص کھیمز گزشتہ سال کے 182.75 ملین روپے کے مقابلے میں 206.37 ملین روپے رہے۔ اس شعبے کا انڈر رائٹنگ منافع گزشتہ سال کے 27.30 ملین روپے کے مقابلے میں 5.01 ملین روپے رہا۔

### متفرق

مجموعی انڈر رائٹنگ پریمیم گزشتہ سال کے 525.07 ملین روپے کے مقابلے میں بڑھ کر 533.51 ملین روپے ہو گیا۔ خالص پریمیم سال 2017 کے 329.98 ملین روپے کے مقابلے میں کم ہو کر 316.48 ملین روپے رہا۔ خالص کھیمز کی شرح گزشتہ سال کے 55 فیصد کے مقابلے میں 68 فیصد رہی۔ کمپنی نے انڈر رائٹنگ منافع گزشتہ سال کے 64.47 ملین روپے کے مقابلے میں 46.48 ملین روپے کمایا۔

### وڈو کا نقل آپریشنز

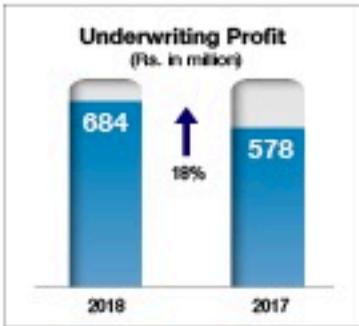
کمپنی کا نقل سیکشن میں بھی کام کر رہی ہے جس میں مزید ترقی کرنے کی صلاحیت موجود ہے۔ سال کے جائزے کے دوران مجموعی شراکت داری میں اضافہ ہوا۔ اس سال کے دوران، کمپنی نے وڈو کا نقل میں 71 فیصد اضافے کے ساتھ 211.55 ملین روپے کی شراکت داری وصول کی جو کہ گزشتہ سال 123.341 ملین روپے تھی۔ خالص شراکت داری گزشتہ سال 2017 کی 78.82 ملین روپے کے مقابلے میں 44 فیصد اضافے کے ساتھ 113.34 ملین روپے رہی۔ سال 2017 میں پارٹنرشپس کا نقل فنڈ 25.00 ملین روپے کے خسارے میں رہا۔ تاہم، آپریٹنگ فنڈ گزشتہ سال کے 0.85 ملین روپے کے مقابلے میں 17.11 ملین روپے منافع میں رہا۔

## سرمایہ کاری کا انتظام

اچھی آمدنی حاصل کرنا سرمایہ کاری کے بنیادی عوامل میں شامل ہے۔ جس کے حصول کے لیے مضبوط ادارے سرمایہ کاری کرتے ہیں۔ سرمایہ کاری کی کمپنی سارے سال کے دوران متحرک رہی۔

کمپنی کی سرمایہ کاری کی مدد میں آمدنی گزشتہ سال 2017 کے 321.55 ملین روپے کے مقابلے میں 230.86 ملین روپے ریکارڈ ہوئی۔ ڈیویڈنڈ کی مدد میں آمدنی گزشتہ سال کے 214.99 ملین روپے کے مقابلے میں 245.78 ملین روپے رہی۔ 31 دسمبر 2018 تک سرمایہ کاری کی کتابی قدر 2.39 بلین روپے رہی (مارکیٹ قدر 3.71 بلین روپے) جو کہ آپ کی کمپنی کی مضبوط مالیاتی بنیاد اور کمپنی کے فنڈز کے بہتر استعمال کو ظاہر کرتی ہے۔

### منافع



انڈر رائٹنگ منافع گزشتہ سال کے 578.50 ملین روپے کے مقابلے میں 18 فیصد اضافے سے 684.32 ملین روپے رہا۔ قبل از ٹیکس منافع گزشتہ سال کے 988.85 ملین روپے کے مقابلے میں 989.03 ملین روپے رہا۔ بعد از ٹیکس کی ادائیگیوں کے بعد، بعد از ٹیکس

منافع 665.57 ملین روپے رہا جو کہ گزشتہ سال 663.99 ملین روپے تھا۔ ٹیکس میں اضافہ گزشتہ سال کے 3 فیصد اور موجودہ سال کے 2 فیصد اضافی سپرنٹیکس کے نتیجے میں ہوا، جو ٹیکس ایکٹ 2018-19 تحت عائد کیا گیا ہے۔

### سرمایہ خوش انتظامی

آپ کی کمپنی مضبوط مالیاتی خاکہ برقرار رکھنے کے لئے کوشاں ہے جو نمو کے حصول اور پورٹ فولیو اصلاح کے جہف کے لئے مالیاتی پلگ فراہم کرتا ہے۔ مستقبل میں پھیلاؤ اور کمپنی کی نمو کو مد نظر رکھتے ہوئے کمپنی کے بنیادی سرمایہ کی تشکیل کی گئی ہے۔ کمپنی 701.61 ملین روپے کے ادا شدہ سرمائے اور 3.46 بلین روپے کی ایکویٹی کے ساتھ مضبوط مالیاتی خاکہ رکھتی ہے۔

### ٹریڈری مینجمنٹ

ٹریڈری مینجمنٹ کے بنیادی مقاصد میں مالیاتی اثاثوں کی تحویل، سیال پذیری کا بہترین استعمال، بروقت سرمایہ کاریوں کی بدولت اضافی کیش سے مؤثر استفادہ اور ممکنہ مالیاتی خطرات میں کمی شامل ہیں جنہیں بورڈ کی جانب سے منظور کردہ واضح مرتب شدہ پالیسیوں کے تحت عمل میں لایا جاتا ہے۔ کمپنی کی جانب سے موزوں سیال اثاثوں کی دستیابی کو یقینی بنایا جاتا ہے تاکہ سیال پذیری کے حوالے سے ممکنہ خطرات کو کم سے کم کیا جاسکے۔ نقد رقم کی پیداوار پر ہمیشہ خصوصی توجہ مرکوز رکھی جاتی ہے اور سرمایہ کاری کو مد نظر رکھتے ہوئے مربوط مالی فیصلے کئے جاتے ہیں۔ نقد رقم اور اس کے مساوی اثاثے، اس سال کے اختتام پر 1.33 بلین روپے ریکارڈ کیے گئے جو کہ سال 2017 کے اختتام پر 702.25 ملین روپے تھے۔

### دوہرا بیمہ

کاروباری صلاحیتوں کی مسلسل بڑھوتری نئی مصنوعات متعارف کرانے کے دوران ہمیشہ مینجمنٹ کی توجہ کار مرکز رہتی ہے۔ کفایتی قیمت پر کمپنی کی طرف سے دوہرا بیمہ پروگرام کاروبار کے تمام طبقات کو مناسب تحفظ فراہم کرنے کے لیے تیار کیا گیا ہے۔ کمپنی نے سال کے دوران انتظامات کو مضبوط بنانے اور اس کی صلاحیتوں کی بنیاد میں اضافے کی روایت کو برقرار رکھا ہے۔ آپ کی کمپنی اعلیٰ ساکھ

## چیمبر میں کی جانب سے جائزہ

میں نہایت مسرت کے ساتھ بورڈ کی جانب سے 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے کینی کی 84 ویں سالانہ رپورٹ اور تجزیہ پیش کر رہا ہوں۔

### معیشت

پاکستان کی معیشت نے گزشتہ چند سالوں میں سازگار عالمی معاشی ماحول ہی پیک سے متعلق سرگرمیوں اور توسیعی مالیاتی پالیسیوں کی وجہ سے بہتر کارکردگی کا مظاہرہ کیا ہے۔ مالی سال 2018 میں شرح نموست روی کا شکار رہتے ہوئے 5.8 فیصد کے مقابلے میں 4.3 فیصد تک رہنے کا امکان ہے کیونکہ معاشی سرگرمیوں میں قابل ذکر اعتدال پسندی متوقع ہے جو کہ میکرو اکنامک سطح پر استحکام حاصل کرنے کی وجہ سے مختصر مدت کے لیے ہے۔

امکان ہے کہ گندم کے علاوہ تمام فصلیں گزشتہ سال کے مقابلے میں پیداواری اہداف پورا نہیں کر سکیں گی۔ اجناس کی پیداوار کے شعبوں میں ست روی کے باعث سروس سیکٹر میں بھی پھیلاؤ محدود ہو سکتا ہے۔ مینوفیکچرنگ سیکٹر بھی سخت مالیاتی اور بروہتی ہوئی کاروباری لاگت کے باعث دباؤ کا شکار رہے گا۔ سال 2018 میں پاکستانی روپے کی قدر میں 26 فیصد کمی ہوئی اور اب یہ اپنی اصل قیمت کے قریب ہے۔ روپے کی حد سے زیادہ قدر کے نتیجے میں کرنٹ اکاؤنٹ خسارہ بے قابو رہا جس نے مقامی صارفین کے لیے درآ مدگی کے مواقعوں کو بڑھایا اور برآمدگی میں مقابلے کی سکت کم کی۔ زر مبادلہ کی شرح میں دوبارہ ایڈجسٹمنٹ روپے کو اصل مارکیٹ کی قیمت کے برابر لانے کی وجہ سے ہماری برآمدات کے مسابقتی رجحان کی صلاحیت کو بحال ہونے میں مدد ملی ہے۔ مقامی طلب کے دباؤ کو کم کرنے کے مقصد کے ساتھ، اسٹیٹ بینک نے حالیہ سال 2018 میں مجموعی طور پر شرح سود 4.25 فیصد تک بڑھائی بشمول نومبر 2018 کے آخری دو ماہی مالیاتی پالیسی، جس میں 150bps کا پیش بھا اضافہ دیکھا گیا۔ معیشت کی راہ میں موجود رکاوٹوں میں سے ایک بیرونی فنڈنگ ہے، جس کی وجہ سے کرنٹ اکاؤنٹ خسارے میں کافی اضافہ ہوا، اور بڑے پیمانے پر بیرونی قرض کی ادائیگی کے نتیجے میں غیر ملکی کرنسی کے ذخائر سال 2018 کے آغاز میں 20.18 بلین امریکی ڈالر کے مقابلے میں سال کے اختتام پر تقریباً 13.75 بلین امریکی ڈالر کی سطح تک آ گئے۔ معیشت کی نازک صورت حال نے حکومت کو سخت پالیسیاں اپنانے مجبور کیا، جیسا کہ کرنسی کی قدر میں کمی، مالیاتی سہولت کو ختم کرنا، مقامی طلب کو سہارا دینے کے لیے درآ مد پر ٹیکس کو بڑھانا اور عائد کرنا ہے۔ دوسری جانب حکومت کی کامیاب غیر ملکی پالیسی نے دوست ممالک کو ادائیگیوں کے توازن کے لیے مدد فراہم کرنے پر متوجہ کیا۔ فنڈنگ کی شکل میں دو طرفہ امداد اور KSA، متحدہ عرب امارات اور دیگر ممالک سے ادھار پر تیل کی فراہمی جیسی سہولیات نے مثبت اثرات مرتب کرنا شروع کر دیے ہیں۔ چنانچہ ملک جلد مالی ادائیگیوں کے بحران سے کامیابی کے ساتھ نکل سکتا ہے۔ تمام اقتصادی رجحانات اس بات کی طرف اشارہ کر رہے ہیں کہ ہمارے خسارے میں منظم طریقے سے بتدریج کمی آ رہی ہے۔ اقتصادی محاذ پر بڑھتے ہوئے چیلنجز کے مد نظر اسٹاک مارکیٹ سال بھر اتار چڑھاؤ کے باعث دباؤ کا شکار رہی۔ سال 2018 کے دوران KSE-100 انڈیکس 8.4 فیصد کمی سے 37,067 پوائنٹس پر بند ہوا، اس کا بنیادی سبب شرح سود میں تیزی سے اضافہ، غیر ملکی سرمایہ کاروں کی جانب سے مسلسل فروخت اور آئی ایم ایف کے پروگرام میں بے یقینی کی صورت حال ہے۔

مالی سال 2019 کی پہلی ششماہی (جولائی تا دسمبر) کے دوران تجارتی خسارہ 5.6 فیصد کمی کے ساتھ 16.94 بلین ڈالر رہا جو کہ گزشتہ سال اسی مدت کے دوران 17.94 بلین ڈالر تھا۔ اس مدت کے دوران برآمدات 11 بلین ڈالر کے مقابلے میں 1.7 فیصد اضافے کے ساتھ 11.186 بلین جبکہ درآ مدات 2.8 فیصد کمی کے ساتھ 28.126 بلین رہیں۔ رواں سال کی پہلی ششماہی کے دوران ترسیلات زر میں 10.719 بلین ڈالر کی سطح پر 10 فیصد ترقی ظاہر ہوئی، جو کہ گزشتہ سال اسی مدت کے دوران 9.745 بلین ڈالر تھیں۔

مختصر یہ کہ معیشت فوری طور پر ادائیگیوں کے شدید بحران سے نکل گئی ہے اور تمام میکرو اکنامک شعبوں نے استحکام کی جانب مثبت رجحانات کے اشارے دینا شروع کر دیے ہیں۔ حکومتی پالیسیاں اس طرح ترتیب دی گئی ہیں کہ برآمدات، سرمایہ کاری اور پیداوار میں مثبت ترقی ممکن ہو سکے۔

### مصنعتی تجربہ

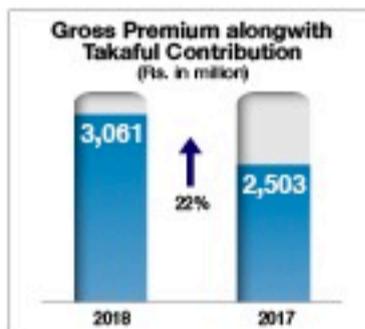
انشورنس کی ترقی عام طور پر بڑے اقتصادی عوامل، ریگولیٹری اور ملک کے ڈیموگرافکس پر منحصر ہوتی ہے، پاکستان میں انشورنس کی رسائی 1 فیصد سے بھی کم ہے جو کہ انڈیا اور بنگلہ دیش کے مقابلے میں نہایت کم ہے۔ گزشتہ سالوں میں انشورنس میں ترقی، تقسیم کار صحیح طور کے جارحانہ پھیلاؤ کے باعث ہوئی، خاص طور پر بینکاروں اور زیادہ تر کمپنیوں میں کاروبار کے ایک اہم حصہ کے طور پر شامل ہے۔ تاہم، ایک وسیع مارکیٹ کی وجہ سے انشورنس طبقات کے لیے قابل ذکر مواقع تا حال موجود ہیں۔

مستقبل قریب میں انشورنس انڈسٹری کی ترقی متاثر ہونے کا خدشہ بھی ہو سکتا ہے۔ جس کی وجوہات میں جی ڈی پی کی ترقی کی شرح کا ست روی کا شکار ہونا، درآ مد کا حجم اور معیشت میں متوقع مجموعی دباؤ شامل ہیں۔ سال 2018 کے انشورنس انڈسٹری کے نتائج بھی کلیم میں اضافے کی وجہ سے، جبکہ مرین اور فائر کے شعبے شدید مقابلے کے باعث دباؤ کا شکار رہے۔ دوسری جانب، انجینئرنگ کے کاروبار کے بڑھنے کا امکان CPEC اور حکومتی انفراسٹرکچر کی ترقی پر منحصر ہے۔ ریگولیٹری بھی صنعت کے لیے خطرات کو کم کرنے کی غرض سے ریگولیٹری تبدیلیاں کرنے میں کافی سرگرم رہا اور اس کے لیے ریگولیشن بھی ترتیب دی گئیں۔ جس میں کریڈٹ اور شیورٹی شپ کا کاروبار اور اسٹیٹ میٹریٹریٹس لائٹرننگ قوانین شامل ہیں۔

دوسری جانب بڑھتے ہوئے شرح سود کے سبب انشورنس کمپنیوں کے منافع میں اضافے کی توقع کی جا سکتی ہے۔ رواں سال انشورنس میں کافی مواقع ہونے کے باوجود اقتصادی، ثقافتی، ریگولیٹری اور تکنیکی خطرات کا سامنا ہے۔ بنیادی پیغام یہ ہے کہ انشورنس کو اندرونی اور بیرونی دباؤ کے تناؤ سے نمٹنے کی ضرورت ہے، اس کا سب سے زیادہ اثر خود بیمہ کار پر ہوتا ہے۔ اور شاید سب سے بڑا اہم چیلنجر یہ ہوگا کہ کیسے ہر بیمہ کار تیز رفتاری سے تبدیل ہوتی معیشت کو فوری طور پر اپنانے کے لیے تیار رہتا ہے۔ لہذا بیمہ کاروں کو ترقی کو برقرار رکھنے کے لیے محتاط رہنے کے ساتھ آپریشنل کارکردگی کو بہتر بنانے، پیداوار بڑھانے اور نئی ٹیکنالوجی اور ٹیلنٹ میں تبدیلیوں کے ساتھ اخراجات کو کم کرنے پر توجہ مرکوز کرنی ہوگی، اور ساتھ ہی گاہکوں کی بدلتی ضروریات کے مطابق مصنوعات اور خدمات فراہم کرنا ہوں گی۔

### کینی نتائج

#### پریمیم



گزشتہ سال کے 2.50 بلین روپے کے مقابلے میں اس سال مجموعی پریمیم بشمول تکافل حصہ داری 3.06 بلین روپے تک پہنچ گیا، جس سے 22 فی صد نمو ظاہر ہوتی ہے۔ گزشتہ سال کے 1.27 بلین روپے کے مقابلے میں خالص پریمیم 1.47 بلین درج کیا گیا جو کہ 16 فیصد زیادہ ہے۔

گزشتہ سال 578.50 بلین روپے کے مقابلے میں بیمہ منافع 684.32 بلین روپے رہا جو کہ 18 فیصد اضافے کو ظاہر کرتا ہے۔ ان نتائج کو ملک کے مشکل معاشی حالات میں حاصل کیا گیا ہے اور اس سے کینی کی بنیادی کاروبار پر مضبوط گرفت اور انتظامیہ کی بصیرت اور پیشہ ورانہ مہارت ظاہر ہوتی ہے۔

# 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, 2018. The Director's Report prepared under Section 227 of the Companies Act, 2017 and Clause (xxvi) of the Code of Corporate Governance, for Insurers, 2016, will be put forward to the members at the eighty fourth Annual General Meeting of the Company to be held on April 26, 2019.

## Financial Results

Following is the overall performance of the Company for the year ended December 31, 2018:

	<u>2018</u>	<u>2017</u>
	(Rupees in thousand)	
Gross premium	2,849,455	2,379,272
Profit for the year before tax	989,029	988,847
Taxation:		
Current	(316,572)	(272,820)
Deferred	20,692	(24,565)
Prior years - current / deferred	(27,581)	(27,475)
	(323,461)	(324,860)
Profit for the year after tax	665,568	663,987
Un-appropriated profit brought forward	121	183
Profit available for appropriation	665,689	664,170
*Appropriations:		
Transferred to general reserve	(93,000)	(208,000)
Proposed cash dividend @ 70% (2017: @ 65%)	(491,129)	(456,049)
Proposed bonus shares @10% (2017: Nil)	(70,161)	-
	(654,290)	(664,049)
Unappropriated balance carried forward	11,399	121

\* The Board of Directors has recommended 10% bonus shares i.e. one ordinary share for every ten shares held and cash dividend of Rs. 7.00 per share i.e. 70% for the year ended December 31, 2018. The financial statements do not reflect these appropriations in compliance with the Companies Act, 2017.

## Earnings per share

The earnings per share for the year 2018 is Rs. 9.49 against Rs. 9.46 of the year 2017.

## 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, 2018 and future prospects. The Directors endorse the contents of the review.

## Board of Directors

The Board of Directors consists of seven individuals having the knowledge, skill and experience required to provide oversight and strategic guidelines to the Company. All the Directors, except the Chief Executive Officer, are non-executive directors, including two who are also independent directors. None of the directors on the Board is a Director of more than 5 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 three years term of the previous Board was completed on April 10, 2018 and a new Board comprising, Mr. Yusuf H. Shirazi, Mr. Ali H. Shirazi, Mr. Arshad P. Rana, Mr. Fahim Ali Khan, Mr. Hasan Reza ur Rahim, Ms. Roohi R. Khan and Mr. Babar Mahmood Mirza was elected from this date for a term of three years. The Board welcomes newly elected Directors and hopes that the Company will benefit from their rich and varied experience. The Board also likes to thank and appreciate the valuable contributions made by the outgoing Directors, Mr. Feroz Rizvi, Mr. Isphanyar M. Bhandara, Mr. Jawaid Iqbal Ahmed, and Mr. Khaleeq-ur-Rahman Khan.

Mr. Arshad P. Rana resigned and Mr. Babar Mahmood Mirza was appointed CEO of the Company in his place with effect from April 16, 2018. The Board would like to place on record its profound appreciation for the valuable contributions made by Mr. Arshad P. Rana in the growth and development of the Company during his fourteen years tenure as CEO of the Company. The Board also welcomes the incoming CEO, Mr. Babar Mahmood Mirza, and expects that the Company will continue its growth momentum under his leadership.

The casual vacancy created in the Board due to the resignation of Mr. Arshad P. Rana, as director of the Company was filled by co-opting Mr. M. Habib-ur-Rahman in his place. The Board welcomes Mr. M. Habib-ur-Rahman and hope that the Company will benefit from his varied experience.

The Board had six (6) and Audit Committee had four (4) 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	4/6	N/A
2	Mr. Ali H. Shirazi	3	5/6	4/4
3	Mr. Arshad P. Rana (Resigned w.e.f. July 16, 2018)	N/A	3/3	N/A
4	Mr. Frahim Ali Khan (Elected w.e.f. April 10, 2018)	2	4/4	3/3
5	Mr. Feroz Rizvi (Retired w.e.f. April 10, 2018)	N/A	1/2	1/1
6	Mr. Hasan Reza ur Rahim (Elected w.e.f. April 10, 2018)	5	3/4	3/3
7	Mr. Isphanyar M. Bhandara (Retired w.e.f. April 10, 2018)	N/A	1/2	N/A
8	Mr. Jawaid Iqbal Ahmed (Retired w.e.f. April 10, 2018)	N/A	2/2	N/A
9	Mr. Khaleeq-ur-Rahman Khan (Retired w.e.f. April 10, 2018)	N/A	2/2	1/1
10	Mr. M. Habib-ur-Rahman (Appointed w.e.f. August 6, 2018)	1	3/3	N/A
11	Ms. Roohi R. Khan (Elected w.e.f. April 10, 2018)	1	4/4	N/A
12	Babar Mahmood Mirza (Elected w.e.f. April 10, 2018)	1	4/4	N/A

Before each meeting of the Board of Directors a closed period is determined 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 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 the Company shares.

No transaction in the Company's shares has been reported by the Directors, CEO, CFO, Company Secretary and their spouse and minor children during the year.

Apart from Audit Committee, the Board has also set-up following sub-committees:

#### **Ethics, Human Resource & Remuneration Committee with responsibilities of Nomination Committee:**

Names	Category
Ms. Roohi R. Khan	Chairperson
Mr. Ali H. Shirazi	Member
Mr. Babar Mahmood Mirza	Member
Ms. Qudsia Naheed	Secretary

#### **Investment Committee:**

Names	Category
Mr. Ali H. Shirazi	Chairman
Mr. Frahim Ali Khan	Member
Mr. M. Habib-ur-Rahman	Member
Mr. Babar Mahmood Mirza	Member
Mr. Rashid Amin	Member
Mr. Muhammad Afzal	Secretary

## Directors' Remuneration

The Board has a formal policy for remuneration of Directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition.

## External Auditors

The present Auditors, M/s. A.F. Ferguson & Co, Chartered Accountants 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 recommended appointment and remuneration of the external auditors for the financial year ended December 31, 2018, for consideration of the Board.

## Employees' Retirement Benefits

The Company operates defined contribution plan 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 entity, 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, employees who are members of provident fund trust have the option to opt either of the two above mentioned defined contribution plans.

The Company also operates non-contributory gratuity fund scheme for its management employees.

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

**Provident Fund** Rs. 38.05 million (as at December 31, 2018)

### Gratuity Fund

Management Staff	Rs. 40.40 million (as at June 30, 2018)
Non-Management Staff	Rs. 15.16 million (as at December 31, 2018)

## 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, 2018. Separate statements to these effects are annexed.

## Statement of Directors' Responsibilities

The Board regularly reviews the Company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed by the Board in light of the Company's overall objectives. The Board is committed to maintain 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 Pakistan Stock Exchange. 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 last six years are annexed.

### **Best Practices of Corporate Governance**

There has been no material departure from the best practices of corporate governance.

### **Taxes and Levies**

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

## **Related Party Transactions**

The Company presented all the related party transactions before the Audit Committee for their review / recommendations. These transactions were reviewed / recommended by the Audit Committee and approved by the Board of Directors in their respective meetings. Detail of related party transactions is disclosed in note 32 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 approved by the Board of directors. This Code 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 the employees. 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 savvies. 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 for implementing this Code.

## **Compliance with Secretarial Practices**

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under the Code of Corporate Governance for Insurers, 2016, as part of the annual return certifying that the secretarial and corporate requirements of the Companies Act, 2017 and Listing Regulations have been complied with.

## **Board Performance Evaluation**

The Board has developed a mechanism to evaluate its own performance by adopting a self-evaluation methodology through a questionnaire, which covers core areas of the functioning of the Board and its sub-committees. The primary purpose of this evaluation is to enable the Board to assess its own quality of governance, which enable the Board members to play more effective role in progress of the Company.

## **Liquidity Management**

During the year an amount of Rs. 725.505 million (2017: Rs. 363.836 million) was generated from operating activities which was utilized in investment activities and payment of dividend to the shareholders. The Company prudently manages liquidity to ensure its ability to meet its contractual obligations more efficiently.

## **Material Changes**

There have been no material changes since December 31, 2018 to date of the report and the Company has not entered into any commitment during this period, which would have any adverse impact on financial position of the Company.

## **Safeguarding of Records**

The Company emphasize for storage and safe custody of its financial records. The Company is using oracle based GIS system for recording its financial information. Access to electronic documentation has been ensured through implementation of comprehensive password protected authorization matrix.

## Market Share Information

As per statistics compiled by the Insurance Association of Pakistan (IAP) for non-life insurance companies for the year ended December 31, 2017, the market share of the Company was 3.28%. Status for the year 2018 will be known once statistics of all the companies are compiled by the IAP.

## Directors Training Program

Three directors have successfully completed Directors Training Program (DTP). Three directors possess the minimum qualification and experience criteria for the exemption of DTP as stipulated in the Code of Corporate Governance.

## Whistle Blowing Policy

The Company is committed creating an atmosphere ensuring accountability and integrity in its conduct. A Whistle Blowing Policy has been in place as part of Company's effort to provide a mechanism for raising alert against any wrongdoing, malpractice or impropriety. This is intended to further improve governance and service quality. The Policy sets out the procedures for lodging of concerns by the employees, handling of concerns by the organization, reporting requirements, protection of whistleblower and periodic monitoring of the Policy. The employees are encouraged to use the guidance provided by the program.

## Communication

Communication with the shareholders is given a high priority. Annual reports are circulated to the members and half yearly and quarterly reports are placed on Company's website within the time specified by the Companies Act, 2017. The Company also has a web site, [www.ail.atlas.pk](http://www.ail.atlas.pk), which contains up-to-date information on Company's activities and financial reports.

## 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



**Babar Mahmood Mirza**  
Chief Executive Officer



**Ali H. Shirazi**  
Director

Lahore: February 27, 2019

31 دسمبر 2018ء سے لے کر آج تک کسی قسم کی مادی تبدیلی نہیں ہوئی اور اس عرصے کے دوران کمپنی نے کسی قسم کا معاہدہ نہیں کیا ہے جس سے کمپنی کی مالی حالت میں کوئی بڑی تبدیلی واقع ہوئی ہو۔

### مندرجات کی حفاظت

کمپنی اپنے ریکارڈز/مندرجات کی حفاظت تحویل پر یقین رکھتی ہے۔ کمپنی اپنی مالی معلومات کو Oracle پروگرام کے ذریعے GIS نظام مرتب کرتی ہے۔ اور ایکسٹرا تک دستاویز تک رسائی کے لئے جامع پاس ورڈ سے محفوظ کردہ میٹرکس استعمال کرتی ہے۔

### مارکیٹ شیئر کی معلومات

31 دسمبر 2017 کو ختم ہونے والے سال کے لیے انٹورنس ایسوسی ایشن آف پاکستان کے اعداد و شمار کے مطابق نان لائف انٹورنس کمپنیوں میں ہماری کمپنی کا حصہ 3.28 فیصد ہے۔ سال 2018 کی صورتحال اس وقت واضح ہوگی جب IAP کی جانب سے اعداد و شمار جاری کیے جائیں گے۔

### ڈائریکٹرز ٹینگ پروگرام

تین ڈائریکٹرز نے ڈائریکٹرز ٹینگ پروگرام (DTP) مکمل کر لیا ہے۔ تین ڈائریکٹرز کو ڈی آف کارپوریٹ گورننس کے مطابق کم از کم تعلیم اور تجربے کے معیار کی بنیاد پر DTP سے استثنیٰ حاصل کرنے کے مجاز ہیں۔

### Whistle Blowing پالیسی

کمپنی سالمیت اور احتساب کے ماحول کو یقینی بنانے کے لیے پرعزم ہے۔ خبردار کرنے والی پالیسی کمپنی کی اُن کاوشوں کا حصہ ہے جس کے تحت کسی بھی غیر قانونی، غیر اخلاقی یا کمپنی کے مفاد کے برخلاف ہونے والے امور کی بروقت نشاندہی کی جاسکے۔ یہ پالیسی کمپنی کے ملازمین کی جانب سے خدشات کے اظہار، کمپنی کی جانب سے ان خدشات پر قابو پانے، رپورٹنگ کی ضروریات، خبر مہیا کرنے والے کے تحفظ اور کمپنی کی وقتاً فوقتاً مانیٹرنگ کے امور کا احاطہ کرتی ہے۔ اس عمل کا مقصد انتظام اور خدمات کے معیار کو بہتر بنانا ہے۔

### بات چیت

حصص داران کو مطلع کرنا کمپنی کی اولین ترجیح ہے۔ سالانہ رپورٹس اراکین کو بذریعہ ڈاک ارسال کی جاتی ہیں اور کمپنیز آرڈیننس 1984ء اور کارپوریٹ گورننس کے ضابطہ کے متعین عرصہ کے دوران ششماہی اور سہ ماہی رپورٹس کمپنی کی ویب سائٹ پر دستیاب کی جاتی ہیں۔ کمپنی کی اپنی ویب سائٹ [www.ail.atlas.pk](http://www.ail.atlas.pk) ہے جس میں کمپنی کے کام اور اس کی مالیاتی رپورٹس کی تازہ ترین معلومات موجود ہیں۔

### واجب الادا قانونی ادائیگیاں

تمام واجب الادا رقم معمول کے مطابق ہیں۔

### تحفظ اور ماحول

کمپنی حفاظتی اور ماحولیاتی اصول و ضوابط پر عمل درآمد کر رہی ہے۔

منجانب بورڈ آف ڈائریکٹرز

علی اصغر شیروانی  
ڈائریکٹر

Basma Hussain  
بائر محمود مرزا  
چیف ایگزیکٹو آفیسر

لاہور: 27 فروری، 2019



## بین الاقوامی حساب داری معیار

مالی تفصیلات کو مرتب کرنے کے لئے بین الاقوامی حساب داری معیار، جو کہ پاکستان میں لاگو ہیں، کو مد نظر رکھا جاتا ہے۔

## اندرونی کنٹرول کا نظام

اندرونی کنٹرول کا نظام بہترین ہے اور اس کو موثر طریقے سے لاگو کیا جاتا ہے اور نگرانی کی جاتی ہے۔

## جاری کاروبار

کاروبار جاری رکھنے کے لئے کمپنی کی صلاحیتوں میں کوئی شک نہیں۔

## آپریٹنگ اور مالی اعداد و شمار

کمپنی کے گزشتہ چھ (6) سال کے کلیدی تناسب، آپریٹنگ اور مالی اعداد و شمار منسلک ہیں۔

## کارپوریٹ گورننس پر عمل درآمد

کارپوریٹ گورننس پر عمل درآمد پر کسی قسم کا کوئی شک نہیں ہے۔

## ٹیکس اور محصول

مالی تفصیلات کے نوٹس میں ٹیکس اور محصول کی معلومات درج ہیں۔

## متعلقہ پارٹی سے لین دین

کمپنی نے جائزے اور سفارشات کے لئے متعلقہ پارٹی لین دین کی تفصیلات آڈٹ کمیٹی کو پیش کیں۔ آڈٹ کمیٹی نے ان تفصیلات کا جائزہ لیا اور سفارشات پیش کیں۔ جن کو متعلقہ اجلاس میں بورڈ آف ڈائریکٹرز نے منظور کیا۔ متعلقہ پارٹی کے لین دین کی تفصیلات مالی تفصیلات کے نوٹ نمبر 32 میں درج ہیں۔

## پیئرن آف شیئر ہولڈنگ

پیئرن آف شیئر ہولڈنگ منسلک ہے۔

## ضابطہ اخلاق

کمپنی نے بورڈ آف ڈائریکٹرز سے منظور شدہ ایک ضابطہ اخلاق مرتب کیا ہے۔ اس ضابطے کا اطلاق کمپنی بھر میں ہے۔

اس ضابطہ کا بنیادی مقصد کاروباری معمولات کو ایمانداری، دیانت داری اور کثادگی سے چلانا ہے تاکہ ملازمین کے مفادات اور انسانی حقوق کا تحفظ کیا جاسکے۔ کمپنی ان لوگوں کے تمام جائز مفادات کا احترام کرتی ہے جن کا تعلق کمپنی کے ساتھ ہے۔ مثلاً حکومت، ملازمین، گاہک، حصص داران اور معاشرہ۔ کمپنی کی ویب سائٹ پر بھی ضابطہ شائع کیا گیا ہے۔

کاروبار کو چلانے کے لئے یہ ضابطہ بہت اہمیت کا حامل ہے۔ بورڈ آف ڈائریکٹرز یہ یقین دلاتا ہے کہ اس ضابطے کو مناسب طریقے سے ملازمین کو مطلع اور سمجھایا گیا ہے اور اس پر عمل درآمد کیا جا رہا ہے۔ اس ضابطے پر عمل درآمد کے لئے اعلیٰ انتظامیہ روزانہ کی بنیاد پر اپنی ذمہ داریاں بھاری ہے۔

## سیکرٹری عمل داری سے متعلق سرٹیفکیٹ

کمپنی سیکرٹری نے مجوزہ شکل میں ایک سیکرٹریل کمپلائنس سرٹیفکیٹ جاری کیا ہے۔ یہ انشوررز کے لیے 2016 کے کارپوریٹ گورننس کے ضابطے کے تحت جاری کیا گیا ہے۔ یہ تصدیق کرنے کے لئے کہ سیکرٹری ریل اور کارپوریٹ ضروریات کی تکمیل کے لیے کمپنیز ایکٹ 2017 اور سٹیٹ ریگولیشنز کو مد نظر رکھا گیا ہے۔

## بورڈ کی کارکردگی کا جائزہ

بورڈ نے ایک سوانامے کی تشکیل کے ذریعے خود اپنی کارکردگی کی جانچ پڑتال کرنے کا طریقہ کار واضح کیا ہے جو کہ بورڈ کی متعدد شعبوں میں کارکردگی کا احاطہ کرتا ہے۔ اس جانچ پڑتال کا بنیادی مقصد بورڈ کے لیے اس بات کو یقینی بنانا ہے کہ وہ اپنی اور اپنی کمیٹیوں کی گورننس کے معیار کا جائزہ لے سکے جس سے بورڈ کے اراکین کو کمپنی کی ترقی میں مزید موثر طریقے سے کردار ادا کرنے میں معاونت ملے گی۔

## لیکویڈیٹی انتظامات

سال کے دوران آپریٹنگ کی کارروائیوں سے 725.505 ملین روپے (2017ء میں 363.836 ملین روپے) حاصل کئے گئے جو کہ سرمایہ کاری کی کارروائیوں اور حصص داران کو منافع دینے کے لئے استعمال کئے گئے۔ کمپنی لیکویڈیٹی انتظامات کو احتیاط سے اپنی معاہدی ذمہ داریوں کو نبھانے کے لئے استعمال کرتی ہے۔

## ڈائریکٹرز کا مشاہرہ

بورڈ کے پاس ڈائریکٹرز کے مشاہرے کے لیے باضابطہ پالیسی موجود ہے، جو کمپنی معاملات میں ان کی ذمہ داریوں پر منحصر ہے۔ معاوضہ ان کی ذمہ داریوں اور مہارت کے مطابق ہوتا ہے، جو کہ کمپنی کو کامیابی سے چلانے اور قدر میں اضافے کے لیے ضروری ہوتا ہے۔

## بیرونی پڑتال کنندہ

موجودہ پڑتال کنندہ میسرز اے۔ ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کونسل آف پاکستان (ICAP) کے کوالٹی کنٹرول پروگرام کے تحت تسلیم شدہ دہ بندہ دی گئی ہے۔ بیرونی آڈیٹرز نے واضح کیا کہ ان کا ادارہ / فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی ہدایات اور ICAP کے موجودہ اقدار کے مطابق کام کر رہی ہے۔ بیرونی آڈیٹرز کولسٹنگ ریگولیشنز میں موجود خدمات کے علاوہ دوسری خدمات فراہم کرنے کے لئے مقرر نہیں کیا گیا ہے۔ اور اس ضمن میں انہوں نے تصدیق کی کہ ان کا ادارہ IFAC کے ہدایات پر عمل درآمد کر رہا ہے۔

بیرونی پڑتال کنندگان نے ان آڈٹ کمپنی کے اجلاس میں شرکت کی جن میں آڈٹ کمپنی کی جانب سے پڑتال شدہ / نظر ثانی شدہ مالی تفصیلات کو غور میں لایا گیا تھا۔ آڈیٹرز نے تصدیق کی کہ انہیں آزادی کا کوئی مسئلہ نہیں ہے اور انہوں نے اپنے تمام تر خدشات کو بورڈ خطوط میں واضح کر دیا ہے۔ بورڈ کے غور کرنے کے لیے آڈٹ کمپنی کی جانب سے 31 دسمبر 2018 کو ختم ہونے والے مالی سال کے لیے بیرونی آڈیٹرز کی تقرری اور معاونت کی سفارش کی گئی۔

## ملازمین کی ریٹائرمنٹ کے فوائد

کمپنی اپنے مستقل ملازمین کے لئے ایک منظم تقسیمی منصوبہ پر مندرجہ ذیل میں سے کسی ایک طریقے سے عمل کر رہی ہے۔

• ایک تسلیم شدہ پراویڈنٹ فنڈ۔

• اٹلس ایسٹ مینجمنٹ لیونڈ (ایک منسلک کمپنی) کی جانب سے رضا کارانہ پینشن سسٹم قوانین 2005ء کے تحت رضا کارانہ پینشن سکیم متعارف کرائی گئی ہے۔ یعنی اٹلس پینشن فنڈ اور اٹلس پینشن اسلامی فنڈ

• نو منتخب ملازمین کو رضا کارانہ پینشن سکیم پیش کی جاتی ہے۔ تاہم جو ملازمین پراویڈنٹ فنڈ ٹرسٹ کا حصہ ہیں انہیں مندرجہ بالا دو تقسیمی منصوبوں میں سے کسی ایک کو منتخب کرنے کا اختیار ہے۔

کمپنی نے اپنے انتقالی ملازمین کے لئے غیر تقسیمی گریجویٹ فنڈ سکیم بھی متعارف کروائی ہے۔

سرمایہ کاری کی مالیت، ان کے متعلقہ کھاتہ داری کے مطابق مندرجہ ذیل ہیں۔

38.05 ملین روپے (31 دسمبر 2018ء کو)

پراویڈنٹ فنڈ

گریجویٹ فنڈ

40.40 ملین روپے (30 جون 2018ء کو)

برائے مینجمنٹ اسٹاف

15.16 ملین روپے (31 دسمبر 2018ء کو)

برائے نان مینجمنٹ اسٹاف

## کوڈ آف کارپوریٹ گورننس کی تعمیل

31 دسمبر 2018ء کو اختتام پذیر سال سے متعلقہ ڈائریکٹرز نے تصدیق کی ہے کہ کوڈ آف کارپوریٹ گورننس کی تعمیل کی گئی ہے۔ ان بیانات کو کوٹلیفہ طور پر بھی منسلک کیا گیا ہے۔

## ڈائریکٹرز کی ذمہ داریوں کی تفصیلات

بورڈ باقاعدگی سے کمپنی کی حکمت عملی کا جائزہ لیتا ہے۔ چیف ایگزیکٹو سالانہ منصوبے اور کاروبار کی کارکردگی کے اہداف کو مرتب کرتا ہے۔ اور کمپنی کے مجموعی مقاصد کی روشنی میں بورڈ اس کا جائزہ لیتا ہے۔ بورڈ کمپنی کی اعلیٰ کارپوریٹ گورننس کے معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹاک ایکسچینج کے مرتب کردہ قوانین کے تحت کاربند رہتی ہے۔ اعلیٰ کارپوریٹ گورننس میں کسی قسم کی کمی نہیں ہے۔

### مالی تفصیلات

کمپنی کی انتظامیہ مرتب کردہ مالی تفصیلات، اپنے معاملات، کام کے نتائج، نقدی بہاؤ اور ان کی بیانیہ میں تبدیلیوں کو غیر جانبدارانہ طور پر پیش کرتی ہے۔

### اکاؤنٹس کی کتب

کمپنی نے اکاؤنٹس کی درست کتب مرتب کی ہیں۔

### حساب داری پالیسیاں

مالی تفصیلات اور بیانیہ تخمینوں کو مرتب کرنے کے لئے مناسب حساب داری پالیسیوں کا تسلسل سے اطلاق کیا جاتا ہے جن کا انحصار مناسب اور محتاط فیصلوں پر ہوتا ہے۔



ارشاد پی رانا کے استعفیٰ دینے کے بعد 16 اپریل 2018 کو بابر محمود مرزا کا اس کمپنی میں بطور CEO تقرر کیا گیا۔ بورڈ سابق CEO ارشد پی رانا کی کمپنی کے لیے قابل قدر خدمات پر انہیں خراج تحسین پیش کرتا ہے، انہوں نے بطور CEO اپنے چودہ سالہ دور میں کمپنی کی ترقی اور ڈیولپمنٹ کے لیے بھرپور کام کیا۔ بورڈ نو تقرر بابر محمود مرزا کو بھی خوش آمدید کہتا ہے اور امید کرتا ہے کہ کمپنی ان کی سرپرستی میں ترقی کا سفر جاری رکھے گی۔

ارشاد پی رانا کے استعفیٰ ہو جانے کے باعث کمپنی میں ڈائریکٹرز کی خالی ہوئی جس کے لیے ایم حبیب الرحمان کا انتخاب کیا گیا۔ بورڈ ایم حبیب الرحمان کا بھی خیر مقدم کرتا ہے اور امید کرتا ہے کہ کمپنی کو ان کے مختلف تجربات سے فائدہ ہوگا۔

سال کے دوران بورڈ کے 6 اور آڈٹ کمیٹی کے 14 اجلاس منعقد ہوئے۔ ہر ڈائریکٹر / رکن کی حاضری مندرجہ ذیل ہے۔

سرٹیفکٹ نمبر	ڈائریکٹرز	اجلاس میں حاضری	
		بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی
1	جناب یوسف ایچ شیرازی	4/6	N/A
2	جناب علی ایچ شیرازی	5/6	4/4
3	جناب ارشد پی رانا (استعفیٰ بتاریخ 16 جولائی، 2018)	3/3	N/A
4	جناب فراہیم علی خان (منتخب بتاریخ 10 اپریل، 2018)	4/4	3/3
5	جناب فیروز رضوی (ریٹائر بتاریخ 10 اپریل، 2018)	1/2	1/1
6	جناب حسن رضا الرحیم (منتخب بتاریخ 10 اپریل، 2018)	3/4	3/3
7	جناب اصغر یار ایم بھٹا (ریٹائر بتاریخ 10 اپریل، 2018)	1/2	N/A
8	جناب جاوید اقبال احمد (ریٹائر بتاریخ 10 اپریل، 2018)	2/2	N/A
9	جناب ظلیق الرحمان خان (ریٹائر بتاریخ 10 اپریل، 2018)	2/2	1/1
10	جناب ایم حبیب الرحمان (تقرر بتاریخ 6 اگست، 2018)	3/3	N/A
11	محترمہ مدوچی رئیس خان (منتخب بتاریخ 10 اپریل، 2018)	4/4	N/A
12	جناب بابر محمود مرزا (منتخب بتاریخ 10 اپریل، 2018)	4/4	N/A

بورڈ آف ڈائریکٹرز کے ہر اجلاس سے پہلے کمپنی کی جانب سے ایک بندہ عرضہ متعین کیا جاتا ہے جس کے دوران ڈائریکٹرز، CEO، کمپنی کے ایگزیکٹو اور ان کی ازدواج کے لیے کمپنی کے حصص کی لین دین بل واسطے یا بالواسطے طور پر ممنوع قرار دی جاتی ہے۔ بورڈ نے ایگزیکٹو کے طور پر ملازمین کے لیے حیثیت کا تعین کیا ہے، جس کی بناء پر ان پر کمپنی کے حصص کی لین دین کو افشا کرنے کی اضافی انضباطی ضروریات کے مطابق عمل کرنا ضروری ہے۔

سال 2018 کے دوران ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی ازدواج اور نابالغ بچوں کی جانب سے کمپنی کے حصص کا کوئی لین دین رپورٹ نہیں ہوا۔

آڈٹ کمیٹی کے علاوہ، بورڈ نے ذیلی کمیٹیوں کو بھی قائم کیا ہے:

ہیومن ریسورس اور ریسیورس کمیٹی:

نام	کمیٹی
محترمہ مدوچی رئیس خان	چیئر پرسن
جناب علی ایچ شیرازی	ممبر
جناب بابر محمود مرزا	ممبر
محترمہ قدسیہ ناہید	سیکرٹری

انویسٹمنٹ کمیٹی:

نام	کمیٹی
جناب علی ایچ شیرازی	چیئر پرسن
جناب فراہیم علی خان	ممبر
جناب ایم حبیب الرحمان	ممبر
جناب بابر محمود مرزا	ممبر
جناب راشد امین	ممبر
جناب محمد افضل	سیکرٹری

## ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2018 کو اختتام پذیر سال کے لئے پڑتال شدہ مالی تفصیلات، پڑتال کنندگان کی رپورٹ سمیت پیش کرتے ہیں۔ ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور کوڈ آف کارپوریٹ گورننس برائے انشوررز 2016 کی شق xxxvi کے مطابق تیار کی گئی ہے جو کہ 26 اپریل 2019 کو منعقدہ کمپنی کے 84 ویں سالانہ اجلاس عام میں ارکان کو پیش کی جائے گی۔

### مالی نتائج

31 دسمبر، 2018 کو اختتام پذیر سال میں کمپنی کی مجموعی کارکردگی درج ذیل ہے۔

2018	2017	
(روپے ہزاروں میں)		
2,849,455	2,379,272	گروس پریمیم
989,029	988,847	سال میں منافع ماسوائے ٹیکس
(316,572)	(272,820)	موصول:
20,692	(24,565)	حالیہ
(27,581)	(27,475)	تاخیر شدہ
(323,461)	(324,860)	سابقہ سالوں میں۔ حالیہ/تایخیر شدہ
665,568	663,987	سال میں منافع (ٹیکس کے بعد)
121	183	آگے لایا گیا ناوقف شدہ منافع
665,689	664,170	وقف کے لیے دستیاب منافع
		*وقف بجانب
(93,000)	(208,000)	عمومی ذخائر کو منتقل کردہ
(491,129)	(456,049)	تجویز کردہ نقد ڈیویڈنڈ @ 70% (2017: @65%)
(70,161)	-	تجویز کردہ بونس شیئرز @ 10% (2017: Nil)
(654,290)	(664,049)	
11,399	121	آگے بھیجا گیا غیر وقف شدہ بقایا

\*31 دسمبر 2018 کو اختتام پذیر سال میں بورڈ کے ڈائریکٹرز نے 10% بونس شیئرز جیسے کہ ہر دس حصص پر 1 عمومی حصص اور کیش ڈیویڈنڈ 7.00 روپے فی حصص جیسے کہ 70% تجویز کیا ہے۔ مالی تفصیلات ان وقف شدہ رقوم کو کمپنیز ایکٹ 2017 کی قیام کے مطابق ظاہر نہیں کرتی ہیں۔

### فی حصص آمدنی

2017ء کے 9.46 روپے کے مقابلے میں سال 2018 میں ٹیکس کے بعد فی حصص آمدنی 9.49 روپے ہے۔

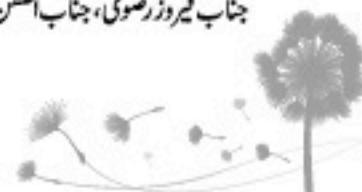
### چیز مین کی جانب سے تجزیہ

31 دسمبر 2018 کو اختتام پذیر سال کے لئے اور مستقبل کے امکانات کے لئے کمپنی کی کارکردگی پر سالانہ رپورٹ میں چیز مین کا تجزیہ شامل کیا گیا ہے۔ ڈائریکٹرز تجزیے کے مندرجات سے متفق ہیں۔

### بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز 7 افراد پر مشتمل ہے، جن کے پاس کمپنی کو نگرانی اور حکمت عملی کی رہنمائی دینے کا علم، مہارت اور تجربہ ہے۔ تمام ڈائریکٹرز، ماسوائے چیف ایگزیکٹو آفیسر کے نان ایگزیکٹو ڈائریکٹرز ہیں بشمول وہ (2) ڈائریکٹرز کے جو کہ آزاد ڈائریکٹرز بھی ہیں۔ بورڈ کا کوئی بھی ڈائریکٹر 5 سے زیادہ لپڈ کمپنیوں بشمول اس کمپنی کے ڈائریکٹر نہیں ہے۔ تمام ڈائریکٹرز متعدد شعبہ جات/پیشوں کی نمائندگی کرتے ہیں اور متعدد کاروباری معمولات سے نمٹنے کے لئے تمام ضروری مہارتوں اور مفاہمتوں سے واقف ہیں اور انتظامی کارکردگی کے جائزہ کی صلاحیت رکھتے ہیں۔

گزشتہ بورڈ کی تین سالہ مدت 10 اپریل 2018 کو ختم ہوئی اور جناب یوسف ایچ شیرازی، جناب علی ایچ شیرازی، جناب ارشد پی رانا، جناب فرہیم علی خان، جناب حسن رضا الرحیم، محترم مدروسی رئیس خان اور جناب بابر محمود رزا بطور ڈائریکٹرز اگلے تین سال کی مدت کے لیے اس تاریخ سے منتخب کئے گئے۔ بورڈ نو منتخب ڈائریکٹرز کا خیر مقدم کرتا ہے اور امید کرتا ہے کمپنی کو ان کے وسیع تجربات سے فائدہ ہوگا۔ بورڈ سابق ڈائریکٹرز جناب فیروز رضوی، جناب اصغر یار ایم جھنڈارا، جناب جاوید اقبال احمد اور جناب ظلیق الرحمان خان کی جانب سے ادا کی جانے والی قابل قدر خدمات کا بھی شکریہ ادا کرتا ہے۔





# Pattern of Shareholding as at December 31, 2018

Information required under the Code of Corporate Governance

Categories of shareholders	Number of shareholders	Shares held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail)</b>			
Shirazi Investments (Pvt.) Limited	1	52,852,099	75.33%
Atlas Foundation	1	1,929,336	2.75%
Iftikhar Shirazi Family Trust	1	1	0.00%
<b>NIT and ICP</b>			
IDBP - (ICP Unit)	2	530	0.00%
<b>Director, Chief Executive and their spouse and minor children</b>			
Mr. Yusuf H. Shirazi	1	501	0.00%
Mr. Ali H. Shirazi	1	501	0.00%
Mr. Frahim Ali Khan	1	1	0.00%
Mr. Hasan Reza ur Rahim	1	100	0.00%
Ms. Roohi R. Khan	1	1	0.00%
Mr. Babar Mahmood Mirza	1	10	0.00%
<b>Executives</b>	2	14,260	0.02%
<b>Public Sector Companies &amp; Corporation</b>			
State Life Insurance Corporation of Pakistan	1	1,978,915	2.82%
<b>Banks, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds</b>			
Deutsche Bank Suisse S.A.	1	905,000	1.29%
Habib Insurance Company	1	160,000	0.23%
National Bank of Pakistan	1	394,000	0.56%
Pak Libya Holding Company (Pvt.) Limited	1	257,000	0.37%
<b>* Shareholders holding 5% or more voting interest</b>	1	52,852,099	75.33%
Individuals	1,071	10,164,193	14.49%
<b>Others</b>	19	1,504,933	2.14%
	<u>1,108</u>	<u>70,161,381</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.

# Statement of Compliance with

a) The Code of Corporate Governance for Insurers, 2016

b) Listed Companies (Code of Corporate Governance) Regulations, 2017

For the year ended December 31, 2018

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and Listed Companies (Code of Corporate Governance) Regulations, 2017, (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. Total number of directors are seven as per the following:

Male	Six
Female	one

At present the Board includes:

Category	Names
Independent Directors	Mr. Hasan Reza ur Rahim
	Ms. Roohi R. Khan
Other Non-Executive Directors	Mr. Yusuf H. Shirazi
	Mr. Ali H. Shirazi
	Mr. Frahim Ali Khan
	Mr. M. Habib-ur-Rahman
Executive Director	Mr. Babar Mahmood Mirza

All independent directors meet the criteria of independence as laid down under the Code.

2. The Directors have confirmed that none of them is serving as a director in more than five listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. A casual vacancy occurred on the Board on July 16 was filled up by the Directors within 30 days thereof.
5. The Company has prepared Code of Conduct, which has been disseminated among all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and the key officers, have been taken by the Board.
8. The meetings of the Board were presided over 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 (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. All the directors have either attended the orientation course or have been provided appropriate materials / guidelines in this regard and as such they are aware of their duties and responsibilities. Three of the directors have already attended the

“Directors Training Program” (DTP) conducted by the local institutions that meet the criteria specified by the SECP, other three directors possesses the minimum qualification and experience criteria for the exemption of DTP as stipulated in the Code and the Regulations. Remaining Director will complete the DTP within the period specified in the Code and the Regulations.

11. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of these Regulations.
12. 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.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed the following Management Committees:

**Underwriting, Reinsurance & Co-insurance Committee:**

Names	Category
Mr. Ali H. Shirazi	Chairman
Mr. Babar Mahmood Mirza	Member
Mr. Rashid Amin	Member
Mr. Muhammad Saeed	Member
Syed Irtiza Kazmi	Secretary

**Claims Settlement Committee:**

Names	Category
Mr. Frahim Ali H. Khan	Chairman
Mr. Babar Mahmood Mirza	Member
Syed Irtiza Kazmi	Member
Mr. Muhammad Saeed	Secretary

**Risk Management & Compliance Committee:**

Names	Category
Mr. Babar Mahmood Mirza	Chairman
Mr. Rashid Amin	Member
Mr. Muhammad Saeed	Member
Mr. Muhammad Aasim Gul	Secretary

**Information Technology (IT) Committee:**

Names	Category
Mr. Babar Mahmood Mirza	Chairman
Mr. Rashid Amin	Member
Mr. Muhammad Saeed	Member
Mr. Wasim Ahmed	Secretary

17. The Board has formed the following Board Committees:

**Ethics, Human Resource & Remuneration Committee with responsibilities of Nomination Committee:**

Names	Category
Ms. Roohi R. Khan	Chairperson
Mr. Ali H. Shirazi	Member
Mr. Babar Mahmood Mirza	Member
Ms. Qudsia Naheed	Secretary

**Investment Committee:**

Names	Category
Mr. Ali H. Shirazi	Chairman
Mr. Frahim Ali Khan	Member
Mr. M. Habib-ur-Rahman	Member
Mr. Babar Mahmood Mirza	Member
Mr. Rashid Amin	Member
Mr. Muhammad Afzal	Secretary

18. The Board has formed an Audit Committee. It comprises of three members, of whom one is independent Director and two are non-executive Directors. The chairman of the Committee is an independent Director. The composition of the Audit Committee is as follows:

Names	Category
Mr. Hasan Reza ur Rahim	Chairman
Mr. Ali H. Shirazi	Member
Mr. Frahim Ali Khan	Member
Mr. Muhammad Afzal	Secretary
Mr. Saleem Mahmood Akhtar	Head of Internal Audit

19. The meetings of the Committees, except Ethics, Human Resource & Remuneration Committee and Information Technology (IT) 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 references of the Committees have been formed and advised to the Committees for compliance.

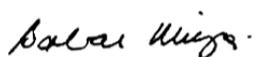
20. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for this purpose and is conversant with the policies and procedures of the Company and the internal auditors are involved in the internal audit function on a regular basis.

21. The CEO, CFO, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. The appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover the persons heading the underwriting, claims, reinsurance, risk management and grievance function possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Names	Designation
Mr. Babar Mahmood Mirza	Chief Executive Officer
Mr. Rashid Amin	Chief Financial Officer
Mr. Muhammad Aasim Gul	Compliance Officer
Nauman Associates	Actuary
Mr. Muhammad Afzal	Company Secretary
Mr. Saleem Mahmood Akhtar	Head of Internal Audit
Syed Irtiza Kazmi	Head of Underwriting and Risk Management
Mr. Muhammad Saeed	Head of Claims and Grievance
Syed Nasir Hussain	Vice President Reinsurance

22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accounts of Pakistan and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Board ensures that the appointed Actuary, complies with the requirements set out for him in the Code.
25. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
26. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.
27. The Company has set up a risk management function, which carries out its tasks as covered under the Code.
28. The Board ensures that as part of the risk management system, the Company gets itself rated from PACRA (credit rating agency) which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by PACRA on December 13, 2018, is 'AA' with stable outlook.
29. The Board has set up a grievance function, which fully complies with the requirements of the Code.
30. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Code.
31. The frequency of meetings of the committee were as per following:
  - a) Audit Committee : 04 quarterly meetings
  - b) Ethics, HR and Remuneration Committee : 02 half yearly meetings
  - c) Risk Management & Compliance Committee: 04 quarterly meetings
32. The Board of Directors has a formal policy and transparent procedure for remuneration of directors in accordance with the Act and these Regulations.
33. We confirm that all other requirements and material principles contained in the Regulations and Code have been complied with.

For and on behalf of the Board of Directors



**Babar Mahmood Mirza**  
Chief Executive Officer



**Yusuf H. Shirazi**  
Chairman

Lahore: February 27, 2019



# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ATLAS INSURANCE LIMITED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AND CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Code of Corporate Governance for Insurers, 2016 (both herein referred to as 'Regulations') prepared by the Board of Directors of Atlas Insurance Limited (the Company) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 the Listed Companies (Code of Corporate Governance) Regulations, 2017 and provisions of Code of Corporate Governance for Insurers, 2016.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

**Chartered Accountants**  
**Lahore**  
**Date: March 11, 2019**



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF ATLAS INSURANCE LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the annexed financial statements of Atlas Insurance Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Change in the presentation and additional disclosures required in the financial statements under the Insurance Rules, 2017</b></p> <p><i>(Refer note 2 and 3.1.1 to the financial statements)</i></p> <p>The Insurance Rules, 2017 (the Rules) became applicable to the Company for the first time for the preparation of annual financial statements from the year ended December 31, 2018.</p> <p>Changes prescribed under Annexure - II to the Rules, included a change in the overall presentation of the financial statements of non-life insurance companies and included additional disclosures as prescribed under the Rules.</p> <p>As part of this transition to the requirements, management performed an analysis to identify differences between the previous and the current basis of preparation and as a result significant amendments relating to presentation and disclosures were made in the annexed financial statements.</p> <p>In view of the various new disclosures prepared and presented in the financial statements, we considered this a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>considered the management's process to identify the changes in presentation and disclosures required in the Company's annexed financial statements;</li><li>ensured the appropriateness of financial statement presentation in line with the requirements of the specified annexure;</li><li>obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; and</li><li>verified on test basis the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.</li></ul>

S. No.	Key audit matters	How the matter was addressed in our audit
2	<p><b>Fair value measurement of Available-For-Sale investments</b></p> <p><i>(Refer note 2 and 3.1.2 to the financial statements)</i></p> <p>In order to comply with the requirements of the Insurance Rules, 2017 (the Rules), the Company has changed its accounting policy with respect to valuation of Available-For-Sale (AFS) investments.</p> <p>The management has accounted for the change in the accounting policy retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.</p> <p>Due to the significance of the amount involved at the reporting date(s) and resulting additional audit procedures performed thereon, we considered this matter as key audit matter.</p>	<p>As part of our audit procedures the following were performed:</p> <ul style="list-style-type: none"> <li>• tested the design and operating effectiveness of the key controls for valuation of Available-For-Sale investments;</li> <li>• obtained independent confirmations for verifying the existence of the Available-For-Sale investment portfolio and units / shares at the reporting date and reconciled it with the books and records of the Company;</li> <li>• checked valuation to assess that Available-For-Sale investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>• reviewed the adequacy of the related disclosures in the financial statements.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; 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.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

*Hammad Ali Ahmad*

**Chartered Accountants**

**Lahore**

**Date: March 11, 2019**

# Statement of Financial Position

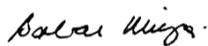
As at December 31, 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u> <b>(Restated)</b>	<u>2016</u> <b>(Restated)</b>
<b>(Rupees in thousand)</b>				
<b>Assets</b>				
Property and equipment	5	82,080	89,078	59,210
Investments				
Equity securities	7	3,638,943	4,860,698	6,362,761
Debt securities	8	73,704	72,999	74,998
Loan and other receivables	9	14,052	24,130	32,300
Insurance / reinsurance receivables	10	332,681	308,500	321,782
Reinsurance recoveries against outstanding claims	21	454,431	150,668	300,469
Salvage recoveries accrued		2,435	3,942	3,235
Deferred commission expense / acquisition cost	22	80,233	61,735	74,971
Prepayments	11	550,697	413,156	525,404
Cash and bank	12	1,327,987	702,252	250,436
		6,557,243	6,687,158	8,005,566
<b>Total assets from window takaful operations - Operator's fund</b>		108,484	74,963	69,255
<b>Total assets</b>		6,665,727	6,762,121	8,074,821
<b>Equity and Liabilities</b>				
<b>Capital and reserves attributable to Company's equity holders</b>				
Ordinary share capital	13	701,614	701,614	701,614
Reserves	14	2,104,563	2,685,644	3,406,850
Unappropriated profit		654,699	659,785	618,860
<b>Total equity</b>		3,460,876	4,047,043	4,727,324
<b>Liabilities</b>				
<b>Underwriting provisions</b>				
Outstanding claims including IBNR	21	727,887	324,385	414,528
Unearned premium reserves	20	1,060,806	875,050	963,485
Unearned reinsurance commission	22	116,648	96,212	93,645
Retirement benefit obligations	16	9,249	3,920	-
Deferred taxation	15	358,875	760,303	1,116,284
Premium received in advance		178,520	65,966	53,009
Insurance / reinsurance payable	17	330,450	255,654	279,308
Other creditors and accruals	18	357,361	286,559	344,751
Taxation - provision less payment		22,218	20,677	61,269
<b>Total liabilities</b>		3,162,014	2,688,726	3,326,279
<b>Total liabilities from window takaful operations - Operator's Fund</b>		42,837	26,352	21,218
<b>Total equity and liabilities</b>		6,665,727	6,762,121	8,074,821
<b>Contingencies and commitments</b>	19			

The annexed notes 1 to 42 form an integral part of these financial statements.



Rashid Amin  
Chief Financial Officer



Babar Mahmood Mirza  
Chief Executive Officer



Ali H. Shirazi  
Director



Frahim Ali Khan  
Director



Yusuf H. Shirazi  
Chairman

# Profit and Loss Account

## For the year ended December 31, 2018

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>
Net insurance premium	20	1,473,915	1,274,543
Net insurance claims expense	21	(488,305)	(432,519)
Net commission and other acquisition income	22	159,963	165,556
Insurance claims and acquisition expenses		(328,342)	(266,963)
Management expenses	23	(461,250)	(429,085)
Underwriting results		684,323	578,495
Investment income	24	230,857	321,547
Rental income		1,235	2,570
Other income	25	73,710	98,953
Other expenses	26	(16,576)	(13,428)
Results of operating activities		973,549	988,137
Finance costs	27	(1,627)	(137)
Profit before tax from window takaful operations - Operator's Fund	30	17,107	847
<b>Profit before tax</b>		989,029	988,847
Income tax expense	28	(323,461)	(324,860)
<b>Profit after tax</b>		665,568	663,987
Earnings (after tax) per share - Rupees	29	9.49	9.46

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Rashid Amin  
Chief Financial Officer

  
Babar Mahmood Mirza  
Chief Executive Officer

  
Ali H. Shirazi  
Director

  
Fahim Ali Khan  
Director

  
Yusuf H. Shirazi  
Chairman

# Statement of Comprehensive Income

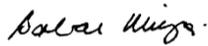
For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u> <b>(Restated)</b>
	<b>(Rupees in thousand)</b>	
<b>Profit after tax</b>	665,568	663,987
<b>Other comprehensive loss:</b>		
<i>Items that may be subsequently reclassified to profit and loss account:</i>		
Un-realized loss on available for sale investments - net of deferred tax	(789,010)	(882,933)
Other comprehensive loss from window takaful operations - Operator's fund	(71)	(273)
	(789,081)	(883,206)
<i>Items that will not be subsequently reclassified to profit and loss account:</i>		
Re-measurement loss on defined benefit obligation - net of tax	(6,605)	(5,013)
<b>Other comprehensive loss for the year</b>	(795,686)	(888,219)
<b>Total comprehensive loss for the year</b>	<u>(130,118)</u>	<u>(224,232)</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Rashid Amin  
Chief Financial Officer



Babar Mahmood Mirza  
Chief Executive Officer



Ali H. Shirazi  
Director



Frahim Ali Khan  
Director



Yusuf H. Shirazi  
Chairman

# Cash Flow Statement

## For the year ended December 31, 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		(Rupees in thousand)	
<b>Operating cash flows</b>			
<b>a) Underwriting activities</b>			
Insurance premium received		2,923,475	2,312,165
Reinsurance premiums paid		(1,238,172)	(1,080,663)
Claims paid		(891,620)	(689,841)
Reinsurance and other recoveries received		471,321	355,790
Commissions paid		(157,932)	(131,792)
Commissions received		322,839	308,485
Management expenses paid		(437,256)	(377,043)
Other underwriting payments		-	(4,261)
Other underwriting receipts		32,230	23,016
<b>Net cash generated from underwriting activities</b>		<b>1,024,885</b>	<b>715,856</b>
<b>b) Other operating activities</b>			
Income tax paid		(342,612)	(343,036)
Other operating payments		(16,885)	(13,565)
Other operating receipts		60,096	4,521
Loan repayment received		21	60
<b>Net cash used in other operating activities</b>		<b>(299,380)</b>	<b>(352,020)</b>
<b>Total cash generated from all operating activities</b>		<b>725,505</b>	<b>363,836</b>
<b>Investing activities</b>			
Profit / return received		31,839	18,485
Dividend received		249,031	215,572
Rental received		-	2,041
Payments for investments		(1,310,543)	(2,653,876)
Proceeds from investments		1,344,846	2,999,323
Fixed capital expenditure		(32,809)	(56,052)
Proceeds from sale of property and equipment	5.1.1	66,681	10,140
<b>Total cash generated from investing activities</b>		<b>349,045</b>	<b>535,633</b>
<b>Financing activities</b>			
Dividends paid		(448,815)	(447,653)
<b>Total cash used in financing activities</b>		<b>(448,815)</b>	<b>(447,653)</b>
<b>Net cash generated from all activities</b>		<b>625,735</b>	<b>451,816</b>
Cash and cash equivalents at the beginning of the year		702,252	250,436
<b>Cash and cash equivalents at the end of the year</b>	12	<b>1,327,987</b>	<b>702,252</b>

## Reconciliation to profit and loss account

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
Operating cash flows		725,505	363,836
Depreciation expense	23	(19,427)	(15,918)
Gain / (loss) on disposal of property and equipment	25	46,297	(126)
Impairment in value of available for sale securities	24	(60,545)	(852)
Profit on disposal of investments		41,029	103,267
Rental income		1,235	2,570
Dividend income	24	245,775	214,996
Other investment income		32,011	19,089
Increase / (decrease) in assets other than cash		338,991	(160,982)
(Increase) / decrease in liabilities other than borrowings		(652,669)	170,841
<b>Other adjustments</b>			
Provision for impairment of receivable from insurance contract holders		-	(436)
Increase in provision for unearned premium		(47,804)	(17,342)
Increase in commission income unearned		(20,435)	(2,567)
Increase / (decrease) in provision for deferred commission expense		18,498	(13,236)
Profit from window takaful operations for the year - Operator's Fund		17,107	847
<b>Profit after tax for the year</b>		<u>665,568</u>	<u>663,987</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Rashid Amin  
Chief Financial Officer



Babar Mahmood Mirza  
Chief Executive Officer



Ali H. Shirazi  
Director



Frahim Ali Khan  
Director



Yusuf H. Shirazi  
Chairman

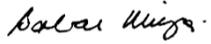
# Statement of Changes in Equity

For the year ended December 31, 2018

	Attributable to equity holders of the Company							Total
	Share capital	Capital Reserves			Revenue Reserves			
		Capital reserve	Investment fair value reserve	Reserve for exceptional losses	General reserve	Investment fluctuation reserve	Unappropriated profit	
( Rupees in thousand )								
<b>Balance as at December 31, 2016</b>	701,614	2,251	-	2,164	718,649	3,000	618,860	2,046,538
Net effect of change in accounting policy - note 3.1.2	-	-	2,680,442	-	-	-	-	2,680,442
Net effect of change in accounting policy - window takaful operations (OPF)	-	-	344	-	-	-	-	344
<b>Balance as at December 31, 2016 (restated)</b>	701,614	2,251	2,680,786	2,164	718,649	3,000	618,860	4,727,324
Profit after tax for the year ended December 31, 2017	-	-	-	-	-	-	663,987	663,987
Re-measurement loss on defined benefit obligation - net of tax	-	-	-	-	-	-	(5,013)	(5,013)
Net unrealised loss on revaluation of available for sale investments - net of deferred tax	-	-	(882,933)	-	-	-	-	(882,933)
Other comprehensive loss from window takaful operations (OPF)	-	-	(273)	-	-	-	-	(273)
Total comprehensive loss for the year ended December 31, 2017	-	-	(883,206)	-	-	-	658,974	(224,232)
Final dividend for the year ended December 31, 2016 @ 65% (Rs. 6.5 per share)	-	-	-	-	-	-	(456,049)	(456,049)
Transferred to general reserve	-	-	-	-	162,000	-	(162,000)	-
<b>Balance as at December 31, 2017 (restated)</b>	701,614	2,251	1,797,580	2,164	880,649	3,000	659,785	4,047,043
Profit after tax for the year ended December 31, 2018	-	-	-	-	-	-	665,568	665,568
Re-measurement loss on defined benefit obligation - net of tax	-	-	-	-	-	-	(6,605)	(6,605)
Net unrealised loss on revaluation of available for sale investments - net of deferred tax	-	-	(789,010)	-	-	-	-	(789,010)
Other comprehensive loss from window takaful operations (OPF)	-	-	(71)	-	-	-	-	(71)
Total comprehensive loss for the year ended December 31, 2018	-	-	(789,081)	-	-	-	658,963	(130,118)
Final dividend for the year ended December 31, 2017 @ 65% (Rs. 6.5 per share)	-	-	-	-	-	-	(456,049)	(456,049)
Transferred to general reserve	-	(2,251)	-	(2,164)	212,415	-	(208,000)	-
<b>Balance as at December 31, 2018</b>	701,614	-	1,008,499	-	1,093,064	3,000	654,699	3,460,876

The annexed notes 1 to 42 form an integral part of these financial statements.

  
Rashid Amin  
Chief Financial Officer

  
Babar Mahmood Mirza  
Chief Executive Officer

  
Ali H. Shirazi  
Director

  
Frahim Ali Khan  
Director

  
Yusuf H. Shirazi  
Chairman

# Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2018

## 1. Legal status and nature of business

Atlas Insurance Limited (the Company) was incorporated as a public limited Company on September 06, 1934 and is listed on the Pakistan Stock Exchange. The Company is engaged in general insurance business. The registered office of the Company is situated at 63/A, Block - XX, Phase III (Commercial), Khyaban-e-Iqbal, Defence Housing Authority, Lahore. The Company is a subsidiary of Shirazi Investments (Private) Limited.

The Company was granted license to work as Window Takaful Operator (WTO) dated March 02, 2016 by the Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on Window Takaful Operations in Pakistan.

## 2. Basis of preparation and statement of compliance

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012, shall prevail.

### 2.2 Basis of preparation

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 89(I)/2017 dated February 9, 2017 issued the Insurance Rules, 2017 (the Rules) for insurance companies which were enforceable with immediate effect. The Rules prescribe the amended format of financial statements for non-life insurance companies. Further the Rules did not carry forward the exemption in application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available for sale' securities. SECP vide letter No.ID/OSM/Atlas/2017/12196 dated October 05, 2017 granted specific exemptions to the Company to prepare the financial statements for the year ended December 31, 2017, in accordance with the requirements of the previously applicable SEC (Insurance) Rules, 2002.

In accordance with directives of SECP, with effect from January 01, 2018 the Company has changed its accounting policy in respect of the presentation of the financial statements, measurement of 'available for sale' investments and recognition of premium revenue as explained in note 3.1 of these financial statements.

Total assets, total liabilities and profit / (loss) of the Window Takaful Operations of the Company referred to as the Operator's Fund (OPF) have been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated July 9, 2015 issued by the SECP. Further, a separate set of the financial statements of the Window Takaful Operations has been annexed to these financial statements as per the requirements of Takaful Rules, 2012.

### 2.3 Basis of measurement

These financial statements have been prepared under historical cost convention, except that certain investments that are carried at fair market value and the recognition of certain employee retirement benefits that are measured at present value.

### 2.4 Functional and presentation currency

These financial statements have been presented in Pakistani rupees, which is the Company's functional and presentation currency.

### 2.5 Standards, interpretations and amendments to accounting and reporting standards effective in the current year

#### a) First time adoption of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017

The Insurance Rules, 2017 (the Rules) became applicable to the Company for the first time for the preparation of annual financial statements, as disclosed in note 3.1.1 to these financial statements. Changes prescribed under Annexure - II to the Rules, included a change in the overall presentation of the financial statements of non-life insurance companies, change in nomenclature of the primary statements and included additional disclosures therein as prescribed under the Rules.

## **b) Standards, interpretations and amendments effective in the current year but are not relevant**

In addition to the above, there are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and therefore are not detailed in these financial statements.

## **2.6 Standards, interpretations and amendments to accounting and reporting standards not effective at year end**

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations upon initial application and are, therefore, not disclosed in these financial statements, except for the following:

### **a) IFRS 9 - Financial instruments**

This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model for financial assets.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

### **b) IFRS 16 - Leases**

This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases'. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The new accounting model for lessees may impact negotiations between lessors and lessees.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

### **c) IFRS 17 - Insurance contracts**

This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2022 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts include the measurement of the present value of future cash flows incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows); a contractual service margin equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

## **3 Summary of significant accounting policies**

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for changes in accounting policies, as mentioned below in note 3.1 to these financial statements.

### **3.1 Change in accounting policies**

#### **3.1.1 Presentation and disclosures required in the financial statements**

As per Insurance Rules, 2017 (the Rules), the presentation and disclosure requirements of the financial statements were changed for insurance companies whose financial year ended on or after March 31, 2017. However, as referred to in note 2.2 the Company was granted specific exemption by the SECP for the financial year ended December 31, 2017. With effect from January 01, 2018 the format prescribed for non-life insurance companies in Annexure II of the Rules has been adopted, and changes to the presentation and disclosures in these financial statements have been applied retrospectively, in accordance with requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Key changes in the prescribed Rules include:

- a change in the sequence and certain classifications of assets / liabilities in the statement of financial position;
- discontinuation of separate statements of premium, claims, expenses and investment income which are now presented on aggregate basis into the notes to the financial statements;
- underwriting results in relation to various classes of business which were previously presented in the profit and loss account are now presented in note 33 'Segment reporting' to the financial statements; and
- inclusion of various additional disclosures and change in the presentation of existing disclosures.

### 3.1.2 Basis for measurement of available for sale investments

As referred to in note 2.2, the Company has adopted with effect from January 01, 2018, the Insurance Rules, 2017 (the Rules) for the preparation of its financial statements. Investments classified as 'available for sale' are now initially measured at cost, being the fair value of consideration given, and at each subsequent reporting date are remeasured at fair market value. Changes in fair market value of 'available for sale' investments are recognised in other comprehensive income / (loss) until derecognised or determined to be impaired. Previously, the Company recorded its 'available for sale' investments at cost and remeasured them at lower of cost or fair market value (fair 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 change in aforementioned accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the prior period financial statements have been summarised below:

	December 31, 2017			December 31, 2016		
	As previously reported	Adjustment	After adjustment	As previously reported	Adjustment	After adjustment
<b>(Rupees in thousand)</b>						
<b>Impact on statement of financial position</b>						
<b>Assets</b>						
Investments in equity securities	2,292,825	2,567,873	4,860,698	2,533,558	3,829,203	6,362,761
Increase in total assets - window takaful operations (OPF)	74,861	102	74,963	68,763	492	69,255
<b>Liabilities</b>						
Deferred taxation	(10,061)	770,364	760,303	(32,477)	1,148,761	1,116,284
Increase in total liabilities - window takaful operations (OPF)	26,321	31	26,352	21,070	148	21,218
<b>Equity</b>						
Investment fair value reserve	-	1,797,579	1,797,579	-	2,680,786	2,680,786
<b>2017                      2016</b>						
<b>(Rupees in thousand)</b>						
<b>Impact on statement of comprehensive income</b>						
Decrease in other comprehensive income - net of deferred tax				882,933		-
Decrease in other comprehensive income - window takaful operations (OPF)				273		-
<b>Impact on statement of changes in equity</b>						
(Decrease) / increase in investment fair value reserve - net of deferred tax				(882,933)		2,680,442
(Decrease) / increase in investment fair value reserve - window takaful operations (OPF)				(273)		344

There was no impact on the profit and loss account, cash flow statement and basic / diluted earnings per share as a result of the retrospective application of change in accounting policy.

### **3.1.3 Basis for recognition of premium**

The Insurance Accounting Regulations, 2017, requires the recognition of premium receivable under an insurance policy / cover note as written from the date of attachment of risk to the policy / cover note. Accordingly the Company is required to account for cover notes which are effective as at reporting date. In previous years, the Company recognized premium under a policy as written at the time of issuance of policy in accordance with SEC Insurance, Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. The impact of the same is not considered to be material to the financial statements of the Company and accordingly comparatives have not been restated in this regard.

### **3.1.4 Adoption of Companies Act, 2017**

The Companies Act, 2017 has been effective from May 31, 2017 in place of the repealed Companies Ordinance, 1984. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 23/2017 dated October 04, 2017, the financial statements for the year ended December 31, 2017, were prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

These financial statements have been prepared in accordance with the provisions of and directives issued under the Companies Act, 2017. The change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. There is no financial impact of the same on these financial statements.

## **3.2 Property and equipment**

### **3.2.1 Operating assets - owned**

Operating assets except freehold land are stated at cost less accumulated depreciation and impairment, if any. Cost of tangible operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income, through the profit and loss account, by applying the reducing balance method at the rates given in note 5.1 to write off the cost of operating assets over their expected useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal. Management judgement and estimates are involved in determining the residual values and useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Company.

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, in the profit and loss account.

The operating 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 operating asset as at December 31, 2018 has not required any adjustment as its impact is considered insignificant.

### **3.2.2 Operating assets - 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 operating 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.

### **3.2.3 Capital work-in-progress**

Capital work-in-progress is stated at cost less any identified impairment loss, and represents expenditure incurred on assets during the construction and installation. Cost also includes applicable borrowing costs, if any. Transfers are made to relevant categories as and when assets are available for use.

## **3.3 Intangible assets**

Intangible assets are 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.

## **3.4 Insurance contracts**

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the insurance contract holders by agreeing to compensate the insurance contract holder on the occurrence of a specified uncertain future event (the insured event) that adversely affects the insurance contract holder 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.

Contracts are issued to multiple types of clients with business in engineering, automobiles, cement, power, textile, paper, agriculture, services and trading sectors etc. and individuals as well. The tenure of these insurance contracts depends upon terms of the policies written and varies accordingly. Nonetheless, once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

The classification of an insurance contract / policy into the aforementioned categories is based on management's judgment regarding the incident / cause of loss effecting the majority of asset(s) insured under the insurance contract. The Company performs its segment reporting activities based on the classifications of insurance contracts made, as disclosed in note 33 to these financial statements.

**a) Fire and property damage insurance:**

**i) Insurance risks and events insured**

Insurance is provided to the insurance contract holders against damages caused 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. These insurance contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

**ii) Revenue recognition policy**

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct insurance business, premium is recognized evenly over the period of the policy and 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. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017, except in rare circumstances where the coverage period materially differs, the same is recognised in accordance with the ratio of unexpired period of policy and the total period.

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. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 4,000 per policy.

**iii) Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

**b) Marine, aviation and transport insurance:**

**i) Insurance risks and events insured**

Insurance is provided to the insurance contract holders against 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. This product is normally provided to commercial organizations. These insurance contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

**ii) Revenue recognition policy**

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and 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. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one month period, premium written during last month of the financial year, is taken to the provision for unearned premium at the reporting date.

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. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 4,000 per policy.

### **iii) Claims recognition**

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

### **c) Motor insurance:**

#### **i) Insurance risks and events insured**

Insurance is provided to the assets of the insurance contract holders against accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage. This product is normally provided to individual customers. These insurance contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

#### **ii) Revenue recognition policy**

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and 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. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017.

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. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 2,000 per policy.

### **iii) Claims recognition**

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

### **d) Miscellaneous insurance:**

#### **i) Insurance risks and events insured**

Insurance is provided to the assets of insurance contract holders against damage / loss occurring due to burglary, loss of cash in safe, cash in transit and cash on counter, health, travel and crop etc. As per guidance of Insurance Accounting Regulations, 2017 amounts constituting less than 10% of the gross premium revenue are clubbed together under this class of insurance contract. Normally personal insurance contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, insurance contracts of loss of cash in safe, cash in transit and cash on counter and health are provided to commercial organizations.

## ii) Revenue recognition policy

Premium income is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates, to its expiry. For direct business, evenly over the period of the policy and 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. The gross premium underwritten is adjusted against the unearned premium reserves / liabilities existing at each reporting date to determine the net premium underwritten during the year.

Since majority of policies are for one year, the Company maintains its provision for unearned premium by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017, except in rare circumstances where the coverage period materially differs, the same is recognised in accordance with the ratio of unexpired period of policy and the total period.

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. Premium recognized against coinsurance policies is limited to the share of the Company only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from insurance contract holder in respect of policies issued, at the rate of 5% of the gross premium written restricted to a maximum of Rs. 4,000 per policy, and Rs. 2,000 in case of health insurance.

## iii) Claims recognition

Claim against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the insurance contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

Detailed accounting policies for recording and measurement of reinsurance contracts held, receivables / payables related to insurance contracts and provision for outstanding claims including Incurred But Not Reported (IBNR) are mentioned in note 3.8, 3.9 and 3.21, respectively.

### 3.5 Deferred commission expense / acquisition cost

Deferred commission expense represents the portion of commission expense relating to the unexpired period of the insurance coverage at the reporting date. The same is amortized systematically, through the profit and loss account, over the reporting periods over which the related premium revenue is recognized. Accordingly, deferred commission expense is also effected by the judgement and estimates involved in the determination of premium revenue.

The Company maintains its provision for deferred commission expense by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in the Insurance Accounting Regulation, 2017 for non-life insurance companies. In case of marine, aviation and transport commission expense relating to last month is taken as deferred commission expense.

### 3.6 Unearned premium reserves

Provision for unearned premium represents the portion of premium written relating to the unexpired period of insurance coverage at the reporting date. The method selected by management involves judgement and estimates regarding the expected pattern of incidence of risk in relation to a particular type of policy.

The Company maintains its provision for unearned premium by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017. However, in case of marine, aviation and transport, premium written during last month is taken to the provision for unearned premium.

### 3.7 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 operating segment, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claims and other expenses, including reinsurance expense, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that operating segment. The movement in the premium deficiency reserve is recorded as an expense / income as part of the underwriting results for the year.

An estimate of loss ratios for the expired period is carried out, at each operating segment level, keeping in view historical claim development and experience during the expired period of the contracts. Where ratios are adverse, an assessment is made to determine if it is due to one off claim that are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable. If determined to be inadequate, a deficiency in premium is recognized in the current reporting period. The loss ratios for the current and prior year are as follows:

	<u>2018</u>	<u>2017</u>
Fire and property damage	26%	12%
Marine, aviation and transport	3%	11%
Motor	57%	52%
Miscellaneous	68%	55%

Keeping in view the adequacy of the reserves on December 31, 2018, in line with the provisions of the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017, a premium deficiency reserve is not required and accordingly no provision for the same has been made in financial statements of the current year.

### 3.8 Reinsurance contracts held

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 operating segment are stated in note 3.4 to the financial statements.

The benefits to which the Company is entitled under reinsurance contracts held are recognized as reinsurance assets. These assets include reinsurance receivables as well as receivables that are dependent on the expected claims and benefits arising under the related reinsured 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. Furthermore, reinsurance assets are not offset against related insurance liabilities.

Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligation to its policyholders.

Premium ceded to reinsurers is recognized as follows:

- a) for reinsurance contracts operating on a proportional basis, a liability to the reinsurer is recognised on attachment of the underlying policies reinsured, while an asset is recognised for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of underlying policies; and
- b) for reinsurance contracts operating on a non-proportional basis, a liability is recognised on inception of the reinsurance contract, while an asset is recognised for the unexpired period of reinsurance coverage at the reporting date as prepaid reinsurance premium ceded and the same is expensed over the period of indemnity.

### 3.9 Receivables and payables related to insurance contracts

Insurance / reinsurance receivables and payables are recognized 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. These include amounts due to and from agents, brokers, insurance contract holders and other insurance companies.

An assessment is made at each reporting date to determine whether there is objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the carrying amount of the asset. 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 reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account for the period.

### 3.10 Segment reporting

The Company accounts for segment reporting based on the guidelines of the Insurance Accounting Regulations, 2017 and the operating segments as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017, 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 3.4 to the financial statements.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

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

### **3.11 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### **3.12 Revenue recognition**

#### **a) Premium income earned**

Premium income under an insurance contract is recognized over the period of insurance from the date of the issue of the policy / cover note to which it relates to its expiry as detailed in note 3.4 to the financial statements.

#### **b) Commission income**

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance contract 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.

#### **c) Investment income**

Following are recognised as investment income:

- Income on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on investments.
- Gain / loss on sale of investments is taken to the profit and loss account in the year of sale as per settlement date.

#### **d) 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.

#### **e) Rent and other income**

Rental and other income is recognized on accrual basis.

#### **f) Administration surcharge**

Administrative surcharge includes documentation and other charges recovered by the Company from insurance contact holders in respect of insurance policies issued, at a rate of 5% of the gross premium, restricted to a maximum of Rs. 2,000 in case of motor and health, and Rs. 4,000 in case of all other insurance contracts. Administrative surcharge is recognized as revenue at the time of issuance of policy.

For the purpose of these financial statements, administrative surcharge is included in gross premiums written during the year.

### **3.13 Investments**

#### **3.13.1 Recognition**

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. All investments in equity securities, debt securities and term deposits are accounted for under IAS-39 and based thereon can be classified into any of the following categories:

- Held to maturity
- Available for sale

### **3.13.2 Investments in subsidiary and associate**

A subsidiary is an entity controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not having control or joint control over those policies.

Investments in subsidiary and associated undertakings are carried at cost less impairment loss, if any.

At each reporting date, the carrying amounts of investments if any, in subsidiary and associates is reviewed to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and an estimate of the terminal value of these investments. Impairment losses are recognized as expense in the profit and loss account.

Currently the Company has no investments that classify as investments in subsidiaries and associates at any of the reporting dates, presented in these financial statements.

### **3.13.3 Investments other than subsidiary and associates**

#### **3.13.3.1 Equity securities**

Currently the Company classifies investment in equity securities such as shares in other companies, mutual fund units etc. as "available for sale".

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Investments classified as 'available for sale' are initially measured at cost, being the fair value of consideration given.

At each subsequent reporting date, available for sale investments are remeasured at fair market value. Changes in fair market value are recognised in other comprehensive income / (loss) until derecognised or determined to be impaired. Gains / losses on derecognition and impairment losses / reversals are recognized in profit and loss account.

The accounting policy for impairment of investments is disclosed in note 3.18 to these financial statements.

#### **3.13.3.2 Debt securities and term deposits**

Currently the Company classifies investment in debt securities and term deposits as "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.

### **3.14 Off-setting 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.

### **3.15 Provisions**

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 reporting date and adjusted to reflect the current best estimate.

### **3.16 Taxation**

#### **3.16.1 Current tax**

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing laws 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.

### **3.16.2 Deferred tax**

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 reporting date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity, as applicable.

### **3.17 Staff retirement benefits**

#### **3.17.1 Defined benefit plan**

The Company operates two separate funded gratuity schemes (defined benefit plans) in respect of the all permanent employees (management and non-management) to which the Company makes contribution on the basis of recommendations made by the actuary. The latest actuarial valuation was carried out as at December 31, 2018, using the 'Projected Unit Credit Method'.

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Actuarial gains or losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense).

#### **3.17.2 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.

#### **3.17.3 Compensated absences**

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

### **3.18 Impairment of assets**

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account.

Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment.

Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

### **3.19 Dividend distribution**

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

### **3.20 Management expenses**

Expenses of management include both directly and indirectly attributable expenses allocated to various classes of business / operating segments on the basis of gross premium written. Management judgement is involved in determining the nature of expenses that are not allocable to the underwriting business and based thereon are classified as other expenses.

Allocation of management expenses effects the underwriting results of the operating segments, as disclosed in note 33 to these financial statements.

### **3.21 Provision for outstanding claims including Incurred But Not Reported (IBNR)**

The Company recognizes a liability in respect of all claims incurred up to the reporting 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 reporting date, whether reported or not. The Company engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred but not Reported claim reserve, 2016".

The Guidelines require that estimation for provision for claims Incurred But Not Reported for each class of business, by using prescribed method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance arrangements.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

### **3.22 Reinsurance recoveries against outstanding claims**

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

### **3.23 Provision for doubtful receivables**

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

### **3.24 Unearned reinsurance commission**

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

### **3.25 Creditors and accruals**

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.

### **3.26 Loan to employees**

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

### **3.27 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 reporting 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.

### 3.28 Zakat

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

### 3.29 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 statement of financial position include cash and bank deposits, loans and other receivables, investments, insurance / reinsurance receivables, salvage recoveries accrued, reinsurance recoveries against outstanding claims, provision for outstanding claims, insurance / reinsurance payables and other creditors and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

In addition to the classifications mentioned in note 3.13.1 financial assets are also classified as follows:

#### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise cash and bank deposits, loans and other receivables, insurance / reinsurance receivables, salvage recoveries accrued, reinsurance recoveries against outstanding claims in the statement of financial position.

#### b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non current.

The Company has no financial assets classified as financial assets at fair value through profit or loss on any of the reporting dates, presented in these financial statements.

## 4. Critical accounting estimates and judgments

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 continuously 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) determining the residual values and useful lives of property and equipment (note 3.2);
- b) classification of insurance contracts (note 3.4);
- c) deferred commission expense (note 3.5);
- d) unearned premium reserves (note 3.6);
- e) premium deficiency reserve (note 3.7);
- f) segment reporting (note 3.10);
- g) classification and measurement of investments (note 3.13);
- h) recognition of taxation and deferred tax (note 3.16);
- i) accounting for staff retirement benefits (note 3.17);
- j) impairment of assets (note 3.18);
- k) allocation of management expenses (note 3.20); and
- l) provision for outstanding claims (including IBNR) (note 3.21).

## 5. Property and equipment

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
Operating assets	5.1	82,045	89,078
Capital work in progress	5.2	35	-
		<u>82,080</u>	<u>89,078</u>

### 5.1 Operating assets

	2018									
	Cost				Accumulated depreciation				Written down value as at December 31	Depreciation rate %
	As at January 01	Additions / (disposals)	Adjust- ments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjust- ments	As at December 31		
	(Rupees in thousand)									
Freehold land	1,168	(1,168)	-	-	-	-	-	-	-	-
Freehold building	20,910	(12,410)	-	8,500	11,291	354	-	6,575	1,925	5
						(5,070)				
Lease hold improvements	19,763	962	-	20,725	2,062	3,733	-	5,795	14,930	20
Furniture and fixtures	11,897	222	-	9,910	3,778	1,395	-	3,798	6,112	10 - 20
		(2,209)				(1,375)				
Office equipment	27,730	1,692	-	26,809	10,198	3,270	-	11,558	15,251	15 - 20
		(2,613)				(1,910)				
Computer equipment	29,476	4,581	-	31,548	17,327	4,383	-	19,810	11,738	30
		(2,509)				(1,900)				
Vehicles	35,512	25,317	-	44,197	12,722	6,292	-	12,108	32,089	20
		(16,632)				(6,906)				
	<u>146,456</u>	<u>(4,767)</u>	<u>-</u>	<u>141,689</u>	<u>57,378</u>	<u>2,266</u>	<u>-</u>	<u>59,644</u>	<u>82,045</u>	

	2017									
	Cost				Accumulated depreciation				Written down value as at December 31	Depreciation rate %
	As at January 01	Additions / (disposals)	Adjust- ments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjust- ments	As at December 31		
	(Rupees in thousand)									
Freehold land	1,168	-	-	1,168	-	-	-	-	1,168	-
Freehold building	20,910	-	-	20,910	10,785	506	-	11,291	9,619	5
Lease hold improvements	-	19,763	-	19,763	-	2,062	-	2,062	17,701	20
Furniture and fixtures	4,957	6,946	-	11,897	2,623	1,160	-	3,778	8,119	10 - 20
		(6)				(5)				
Office equipment	16,216	11,779	-	27,730	7,789	2,592	-	10,198	17,532	15 - 20
		(265)				(183)				
Computer equipment	25,266	7,734	-	29,476	16,623	3,700	-	17,327	12,149	30
		(3,524)				(2,996)				
Vehicles	39,144	9,830	-	35,512	10,631	5,898	-	12,722	22,790	20
		(13,462)				(3,807)				
	<u>107,661</u>	<u>38,795</u>	<u>-</u>	<u>146,456</u>	<u>48,451</u>	<u>8,927</u>	<u>-</u>	<u>57,378</u>	<u>89,078</u>	

### 5.1.1 Disposal of fixed assets

Particulars of the assets	Particulars of the buyer	Cost	Book value	Sale proceeds	Mode of disposal
(Rupees in thousand)					
<b>Vehicles</b>					
Suzuki Cultus BBT-573	Mr. Muhammad Afzal - a related party	1,039	439	439	Company's policy
Honda Civic LEE-14-1857	Mr. Muhammad Saeed - a related party	1,997	843	843	Company's policy
Suzuki Mehran LEE-14-328	Mr. Wasim Ahmed	678	286	286	Company's policy
Suzuki Mehran LED-15-922	Syed Asif Ali Shah	683	360	360	Company's policy
Suzuki Cultus LED-15-150	Syed Nasir H. Shirazi - a related party	1,039	558	558	Company's policy
Honda Civic LEB-15-5238	Mr. Rashid Amin - a related party	2,112	996	996	Company's policy
Honda Civic LE-16A-4774	Mr. Arshad P. Rana - a related party	3,051	2,032	2,032	Company's policy
Honda Civic LEH-16-9	Atlas Autos (Private) Limited - a related party	2,319	1,762	1,762	Company's policy
Honda Civic LE-17-4774	Mr. Arshad P. Rana - a related party	3,061	2,184	2,184	Company's policy
<b>Computer equipment</b>					
Laptop Spectre HP I3	Mr. Arshad P. Rana - a related party	149	128	128	Company's policy
iPhone 7 Plus 128GB	Mr. Arshad P. Rana - a related party	95	63	63	Company's policy
HP Probook 450G3 CI5	Atlas Autos (Private) Limited - a related party	70	52	52	Negotiation
<b>Furniture</b>					
Sofa set	Mr. Azam Khan	129	53	20	Negotiation
<b>Office equipments</b>					
Digital stainless steel	Sheikh Muhammad Asif	1,390	404	404	Negotiation
<b>Freehold land</b>					
3 - Bank square, Shahrah-e-Quaid-e-Azam, Lahore	Sheikh Muhammad Asif	1,168	1,168	48,182	Negotiation
<b>Building</b>					
3 - Bank square, Shahrah-e-Quaid-e-Azam, Lahore	Sheikh Muhammad Asif	12,266	7,258	7,255	Negotiation
<b>Other fixed assets with book value less than Rs. 50,000</b>		6,295	1,795	1,117	Negotiation
December 31, 2018		37,541	20,381	66,681	
December 31, 2017		17,257	10,266	10,140	

5.1.2 The depreciation charge / expense for the year has been allocated to management expenses as disclosed in note 23.

	<u>2018</u>	<u>2017</u>
	(Rupees in thousand)	
<b>5.2 Capital work-in-progress</b>		
Advance to suppliers	35	-

## 6. Intangible assets

The Company has fully amortized computer softwares costing Rs. 6,458 thousand (2017: Rs. 6,458 thousand) which are still in use at the reporting date.

## 7. Investments in equity securities

		<u>2018</u>			<u>2017 (restated)</u>		
	Note	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
		(Rupees in thousand)					
<b>Available for sale</b>							
<b>Related parties</b>							
Listed shares	7.2 & 7.5	643,711	-	643,711	236,467	-	236,467
Mutual funds	7.4 & 7.6	215,520	-	215,520	565,260	-	565,260
		859,231	-	859,231	801,727	-	801,727
Unrealized gain on revaluation as on				1,282,760			2,018,670
				<u>2,141,991</u>			<u>2,820,397</u>
<b>Others</b>							
Listed shares	7.2 & 7.7	1,329,964	(71,701)	1,258,263	1,391,870	(11,844)	1,380,026
Unlisted shares	7.8	500	(500)	-	500	(500)	-
Mutual funds	7.3 & 7.9	121,704	(947)	120,757	111,336	(260)	111,076
		1,452,168	(73,148)	1,379,020	1,503,706	(12,604)	1,491,102
Unrealized gain on revaluation				117,932			549,199
				<u>1,496,952</u>			<u>2,040,301</u>
				<u>3,638,943</u>			<u>4,860,698</u>

	<u>2018</u>	<u>2017</u>
	(Rupees in thousand)	
<b>7.1 Particulars of provision</b>		
Opening balance	12,604	11,752
Charge during the year	62,140	11,765
Reversal on disposal of securities	(3)	(10,245)
Other reversal made during the year	(1,593)	(668)
	<u>60,544</u>	852
	<u>73,148</u>	<u>12,604</u>

**7.2** Listed securities include an amount of Rs. 2,657,964 thousand (December 31, 2017: Rs. 3,767,942 thousand) being the market value under an arrangement permissible under Shariah. Cost of these securities amounts to Rs. 1,435,793 thousand (December 31, 2017: Rs. 1,261,181 thousand).

**7.3** Mutual funds include an amount of Rs. 29,887 thousand (December 31, 2017: Rs. 22,133 thousand) being the market value under an arrangement permissible under Shariah. Cost of these securities amounts to Rs. 28,999 thousand (December 31, 2017: Rs. 22,393 thousand).

**7.4** Mutual funds in associated undertakings include an amount of Rs. Nil (December 31, 2017: Rs. 248,179 thousand) being the market value under an arrangement permissible under Shariah. Cost of these securities amounts to Rs. Nil (December 31, 2017: Rs. 242,103 thousand).

## 7.5 Listed shares - related parties

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
(Rupees in thousand)							
2,931,728	2,931,728	10	Atlas Honda Limited Equity held: 2.84% (2017: 2.84%)	215,296	215,296	1,099,398	1,659,856
424,788	303,420	10	Atlas Battery Limited Equity held: 1.74% (2017: 1.74%)	11,376	11,376	81,584	146,907
850,000	850,000	10	Honda Atlas Cars (Pakistan) Limited Equity held: 0.60% (2017: 0.60%)	9,795	9,795	150,059	435,549
3,556,496	-	10	Cherat Packaging Limited* Equity held: 10.58% (2017: not applicable)	407,244	-	609,690	-
				<u>643,711</u>	<u>236,467</u>	<u>1,940,731</u>	<u>2,242,312</u>

\* A related party relationship with Cherat Packaging Limited has been established with effect from October 4, 2018.

## 7.6 Mutual funds - related parties

Number of Units		Face value	Fund's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
(Rupees in thousand)							
-	483,008	500	Atlas Islamic Stock Fund	-	242,103	-	248,179
370,018	454,341	500	Atlas Stock Market Fund	215,520	258,157	201,260	264,149
-	38,692	500	Atlas Income Fund	-	20,000	-	20,299
-	88,169	500	Atlas Money Market Fund	-	45,000	-	45,458
				<u>215,520</u>	<u>565,260</u>	<u>201,260</u>	<u>578,085</u>

## 7.7 Listed shares - others

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
(Rupees in thousand)							
<b>Banks</b>							
2,588,605	1,127,187	10	Bank Alfalah Limited	99,466	35,687	105,071	47,905
1,155,350	827,350	10	Bank Al-Habib Limited	61,850	38,590	79,477	48,284
818,463	505,463	10	United Bank Limited	138,110	90,628	100,376	95,012
353,152	240,593	10	Meezan Bank Limited	17,900	9,929	32,628	16,144
851,500	509,000	10	Habib Metropolitan Bank Limited	30,178	16,013	39,007	17,561
248,095	148,095	10	Habib Bank Limited	41,191	24,896	29,883	24,745
60,000	60,000	10	MCB Bank Limited	12,444	12,444	11,614	12,739
<b>Carried forward</b>				<u>401,139</u>	<u>228,187</u>	<u>398,056</u>	<u>262,390</u>

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
(Rupees in thousand)							
<b>Brought forward</b>				401,139	228,187	398,056	262,390
<b>Insurance companies</b>							
898,747	898,747	10	Adamjee Insurance Company Limited	47,054	47,054	37,765	46,708
-	50,000	10	Pakistan Reinsurance Company Limited	-	1,703	-	2,122
<b>Construction and material</b>							
91,380	76,150	10	Attock Cement (Pakistan) Limited	11,725	11,725	10,344	13,784
3,214,164	3,214,164	10	Cherat Cement Company Limited	91,761	91,761	223,867	356,483
627,700	542,700	10	D.G. Khan Cement Company Limited	81,011	72,870	50,310	72,570
36,000	36,000	10	Lucky Cement Limited	17,954	17,954	15,648	18,627
276,000	276,000	10	Fauji Cement Company Limited	6,963	6,963	5,777	6,903
<b>Electricity</b>							
940,000	790,000	10	The Hub Power Company Limited	92,607	78,765	80,643	71,890
361,778	361,778	10	Kot Addu Power Company Limited	20,410	20,410	17,926	19,500
272,000	272,000	10	Nishat Power Limited	8,585	8,585	7,371	9,248
609,000	609,000	10	Nishat Chunian Power Limited	18,613	18,613	14,312	20,042
<b>Oil and gas</b>							
128,800	55,000	10	Pakistan Oilfields Limited	54,438	22,000	54,717	32,684
423,321	337,671	10	Pakistan Petroleum Limited	68,776	62,962	63,354	69,530
35,880	29,900	10	Attock Petroleum Limited	15,702	15,702	15,482	15,640
-	4,500	10	Mari Petroleum Company Limited	-	4,282	-	6,529
753,700	355,000	10	Oil & Gas Development Company Limited	117,971	56,912	96,474	57,790
145,752	119,677	10	Pakistan State Oil Limited	36,703	36,703	32,857	35,079
-	38,000	10	Sui Northern Gas Pipelines Limited	-	3,410	-	3,595
<b>Chemicals</b>							
-	50,000	10	Arif Habib Corporation Limited	-	1,267	-	1,774
358,200	326,200	10	Engro Corporation Limited	99,952	90,859	104,265	89,623
278,415	278,415	10	Fauji Fertilizer Company Limited	22,178	22,178	25,851	22,025
959,521	519,021	10	Engro Fertilizers Limited	66,957	35,275	66,255	35,148
-	80,000	10	Fauji Fertilizer Bin Qasim Limited	-	2,846	-	2,843
<b>Paper and board</b>							
-	3,092,606	10	Cherat Packaging Limited*	-	407,244	-	615,429
<b>Industrial metals and mining</b>							
-	7,500	10	International Industries Limited	-	571	-	1,801
200,000	-	10	International Steels Limited	24,396	-	13,154	-
<b>Carried forward</b>				<u>1,304,895</u>	<u>1,366,801</u>	<u>1,334,428</u>	<u>1,889,757</u>

\* A related party relationship with Cherat Packaging Limited has been established with effect from October 4, 2018.

Number of shares		Face value	Company's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
(Rupees in thousand)							
<b>Brought forward</b>				1,304,895	1,366,801	1,334,428	1,889,757
<b>General industries</b>							
130,000	130,000	10	Nishat Mills Limited	13,354	13,354	16,449	19,435
247,200	247,200	10	Nishat (Chunian) Limited	10,253	10,253	12,009	11,314
217,000	217,000	1	Hum Network Limited	1,462	1,462	955	1,773
<b>Impairment in value of available for sale investments</b>				(71,701)	(11,844)	-	-
				<u>1,258,263</u>	<u>1,380,026</u>	<u>1,363,841</u>	<u>1,922,279</u>
<b>7.8 Unlisted shares - others</b>							
50,000	50,000	10	Arabian Sea Country Club (Private) Limited	500	500	-	-
<b>Impairment in value of available for sale investments</b>				(500)	(500)	-	-
				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7.8.1 The name of Chief Executive is Mr. Arif Ali Khan Abbasi. The break-up value is Rs. (5.91) per share based on audited accounts for the year ended June 30, 2017.

**7.9 Mutual funds - others**

Number of units		Face value	Fund's name	Cost		Market value	
2018	2017			2018	2017	2018	2017
(Rupees in thousand)							
38,166	37,195	10	National Investment (Unit) Trust - note 7.9.1	1,339	1,272	2,419	2,625
247,864	237,425	100	Lakson Money Market Fund	24,797	23,749	25,798	24,407
3,455,555	3,298,282	10	NIT Income Fund	35,615	34,000	36,663	34,831
252,343	242,142	100	Lakson Income Fund	25,511	24,481	26,312	24,991
2,120,500	1,525,000	10	Dolmen City REIT	23,589	16,983	25,425	16,775
536,373	536,373	10	NIT Islamic Equity Fund	5,410	5,410	4,463	5,358
246,000	246,000	10	HBL Growth Fund - Class A (Formerly PICIC Growth Fund)	2,537	4,444	5,284	6,974
154,500	154,500	10	HBL Investment Fund - Class A (Formerly PICIC Investment Fund)	474	997	1,188	2,063
246,000	-	10	HBL Growth Fund - Class B (Formerly PICIC Growth Fund)	1,908	-	4,184	-
154,500	-	10	HBL Investment Fund - Class B (Formerly PICIC Investment Fund)	523	-	1,374	-
<b>Impairment in value of available for sale investments</b>				(947)	(260)	-	-
				<u>120,756</u>	<u>111,076</u>	<u>133,110</u>	<u>118,024</u>

7.9.1 This includes 28,000 (2017: 28,000) units held as statutory deposit with the State Bank of Pakistan under Section 29(2)(a) of the Insurance Ordinance, 2000 amounting to Rs. 718 thousand (2017: Rs. 718 thousand). The market value of these deposits amounted to Rs. 1,775 thousand (2017: Rs. 1,976) thousand.

## 8. Investments in debt securities

Note	2018			2017		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
(Rupees in thousand)						
<b>Held to maturity - Others</b>						
Pakistan Investment Bonds	8.1	73,704	-	73,704	-	-
Market treasury bills (T-Bills)	8.1	-	-	-	72,999	72,999
		<u>73,704</u>	<u>-</u>	<u>73,704</u>	<u>72,999</u>	<u>72,999</u>

8.1 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.

8.2 Particulars of debt securities are as follow:	Maturity	Effective yield %	2018	2017
			(Rupees in thousand)	(Rupees in thousand)
Pakistan Investment Bonds	December 29, 2019	6.85%	73,704	-
Market treasury bills (T-Bills)	May 10, 2018	5.96%	-	72,999
			<u>73,704</u>	<u>72,999</u>

9. Loan and other receivables - considered good	Note	2018	2017
		(Rupees in thousand)	(Rupees in thousand)
Loan to related parties	9.1	111	1,739
Receivable from related parties		-	6,673
Accrued investment income		2,790	5,874
Security deposits		3,671	3,466
Loans to employees		16	37
Other receivable		7,464	6,341
		<u>14,052</u>	<u>24,130</u>

9.1 Included in advances are interest free amounts due from executives of Rs. 111 thousand (2017: Rs. 1,739 thousand). Loans and other receivables are carried at amortized cost using the effective interest rate method.

10. Insurance / reinsurance receivables - unsecured and considered good	Note	2018	2017
		(Rupees in thousand)	(Rupees in thousand)
Due from insurance contract holders		199,944	221,475
Less: Provision for impairment of receivable from insurance contract holders		(2,859)	(2,859)
		<u>197,085</u>	<u>218,616</u>
Due from other insurers / reinsurers		137,555	91,843
Less: Provision for impairment of due from other insurers / reinsurers		(1,959)	(1,959)
		<u>135,596</u>	<u>89,884</u>
		<u>332,681</u>	<u>308,500</u>
<b>11. Prepayments</b>			
Prepaid reinsurance premium ceded		546,319	408,367
Prepaid rent		3,722	4,229
Prepaid miscellaneous expenses		656	560
		<u>550,697</u>	<u>413,156</u>
<b>12. Cash and bank</b>			
<b>Cash at bank</b>			
- Current accounts		54,502	16,108
- Saving accounts	12.1	1,273,485	686,144
		<u>1,327,987</u>	<u>702,252</u>

12.1 The balance in savings accounts bears mark-up which ranges from 3.73% to 9% (2017: 3.5% to 8%) per annum.

12.2 Cash at bank represents the cash and cash equivalents for the purpose of cash flow statement.

### 13. Share Capital

#### 13.1 Authorised capital

	<u>2018</u> (Number of shares)	<u>2017</u> (Number of shares)	<u>Note</u>	<u>2018</u> (Rupees in thousand)	<u>2017</u> (Rupees in thousand)
	80,000,000	80,000,000		800,000	800,000

#### 13.2 Issued, subscribed and paid up share capital

	<u>2018</u> (Number of shares)	<u>2017</u> (Number of shares)		<u>2018</u> (Rupees in thousand)	<u>2017</u> (Rupees in thousand)
	70,161,381	70,161,381	Fully paid in cash	701,614	701,614

### 14. Reserves

#### Capital reserves

Reserve for exceptional loss	-	2,164		-	2,164
Investment fair value reserve	1,008,499	1,797,580	14.1	1,008,499	1,797,580
Capital reserves	-	2,251		-	2,251
	1,008,499	1,801,995		1,008,499	1,801,995

#### Revenue reserves

General reserve	1,093,064	880,649		1,093,064	880,649
Investment fluctuation reserve	3,000	3,000		3,000	3,000
	1,096,064	883,649		1,096,064	883,649
	2,104,563	2,685,644		2,104,563	2,685,644

14.1 This represents unrealised gain on re-measurement of available for sale investments at fair value and is not available for distribution. This shall be transferred to profit and loss account on de-recognition of investments.

### 15. Deferred taxation

#### Deferred debits arising in respect of:

Provision for bonus to staff	(11,627)	(12,847)		(11,627)	(12,847)
Provision for gratuity payable	(2,590)	(1,173)		(2,590)	(1,173)
Provision for doubtful receivables - insurance / reinsurance receivables	(1,349)	(1,445)		(1,349)	(1,445)
Impairment in value of available for sale securities	(20,481)	-		(20,481)	-
	(36,047)	(15,465)		(36,047)	(15,465)

#### Deferred credits arising due to:

Accelerated tax depreciation	2,728	5,407		2,728	5,407
Unrealised gain on remeasurement of investment	392,194	770,361		392,194	770,361
	394,922	775,768		394,922	775,768

#### Net deferred tax liability

358,875	760,303
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### 16. Retirement benefit obligations

The Company operates separate defined benefit plans for management and non-management staff. Description of the retirement benefit plans and related accounting policies are stated in note 3.17.

As per IAS 19, the Company has used the 'Projected Unit Credit Method' to determine the present value of its defined benefit obligations and the related current service costs. Actuarial gains and losses on obligation result from increases or decreases in the present value of the defined benefit obligation arising because of changes in financial assumptions, demographic assumptions and experience adjustments.

The Company makes contribution to the Fund based upon recommendations of the latest actuarial valuations carried out, such that the employer's contributions to the Fund should remain within the limits laid down in the Income Tax Rules, 2002. Details of the defined benefit plans are:

	<u>Note</u>	<u>2018</u> (Rupees in thousand)	<u>2017</u> (Rupees in thousand)
<b>Gratuity</b>			
- Management staff	16.1	9,169	1,459
- Non-management staff	16.1	80	2,461
		9,249	3,920

	<b>Management staff</b>		<b>Non-management staff</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>			
<b>16.1 Reconciliation - statement of financial position</b>				
Fair value of plan assets	(21,196)	(43,136)	(17,434)	(15,142)
Present value of defined benefit obligations	30,365	44,340	17,514	17,603
Funded status	9,169	1,204	80	2,461
Payable in respect of inter group transfers / outgoing employees	-	255	-	-
Unrecognised net actuarial loss / (gain)	-	-	-	-
Recognised liability	9,169	1,459	80	2,461
<b>16.1.1 Movement in the fair value of plan assets</b>				
Fair value as at January 01	43,136	39,622	15,142	17,803
Expected return on plan assets	3,587	3,173	1,197	1,416
Actuarial losses	(4,055)	(291)	(1,365)	(4,077)
Employer contributions	1,459	1,179	6,066	854
Benefits paid	(23,198)	-	(3,606)	(754)
Received from other group companies in respect of transfers	267	(547)	-	(100)
Fair value as at December 31	21,196	43,136	17,434	15,142
<b>16.1.2 Movement in the defined benefit obligations</b>				
Obligation as at January 01	44,340	37,513	17,603	15,432
Service cost	2,317	1,980	1,064	963
Interest cost	3,693	3,031	1,392	1,237
Actuarial losses	2,692	2,070	1,061	725
Benefits paid	(23,198)	-	(3,606)	(754)
Liabilities in respect of transfers	521	(254)	-	-
Obligation as at December 31	30,365	44,340	17,514	17,603
<b>16.1.3 Number of staff covered under the defined benefit plan</b>	63	58	89	94
<b>16.1.4 Cost</b>				
Current service cost	2,317	1,980	1,064	963
Interest cost	3,693	3,031	1,392	1,237
Expected return on plan assets	(3,587)	(3,173)	(1,197)	(1,416)
Expense	2,423	1,838	1,259	784
Actual return on plan assets	(468)	2,882	(268)	(2,661)
<b>16.1.5 Principal actuarial assumptions used are as follows:</b>				
		<b>2018</b>	<b>2017</b>	
<b>Management staff</b>				
Discount rate		13.25% per annum	8.25% per annum	
Future long term salary increases		12.25% per annum	7.25% per annum	
Mortality rates		SLIC (2001-05)-1	SLIC (2001-05)-1	
Rates of employee turnover		Moderate	Moderate	
<b>Non-management staff</b>				
Discount rate		13.25% per annum	8.25% per annum	
Future long term salary increases		12.25% per annum	7.25% per annum	
Mortality rates		SLIC (2001-05)-1	SLIC (2001-05)-1	
Rates of employee turnover		Light	Light	
		<b>Management staff</b>	<b>Non-management staff</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>
		<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>(Rupees in thousand)</b>		
<b>16.1.6 Expected costs for the next year are as follows:</b>				
Current service cost	1,948	2,317	1,167	963
Interest cost	4,071	3,693	2,282	1,237
Expected return on plan assets	(2,929)	(3,587)	(2,272)	(1,416)
Expense	3,090	2,423	1,177	784

	2018	2017	2016	2015	2014
	(Rupees in thousand)				
<b>16.1.7 Comparison for five years</b>					
<b>Management staff</b>					
As at December 31					
Fair value of plan assets	(21,196)	(43,136)	(39,622)	(52,373)	(51,303)
Defined benefit obligation	30,365	44,340	37,513	33,516	50,399
Surplus / (deficit)	9,169	1,204	(2,109)	(18,857)	(904)
<b>Experience adjustments</b>					
Gain / (loss) on plan assets (as percentage of plan assets)	-19.1%	-1.0%	10.0%	-4.0%	3.0%
(Gain) / loss on obligations (as percentage of obligations)	8.9%	5.0%	4.0%	-1.0%	-3.0%
<b>Non-Management staff</b>					
As at December 31					
Fair value of plan assets	(17,434)	(15,142)	(17,803)	(13,520)	(12,851)
Defined benefit obligation	17,514	17,603	15,432	13,278	12,939
Surplus / (deficit)	80	2,461	(2,371)	(242)	88
<b>Experience adjustments</b>					
(Loss) / gain on plan assets (as percentage of plan assets)	-7.8%	-27.0%	17.0%	-6.0%	5.0%
Loss / (gain) on obligations (as percentage of obligations)	6.1%	4.0%	3.0%	2.0%	-0.16%

	2018		2017	
	(Rupees in thousand)	%	(Rupees in thousand)	%
<b>16.1.8 Plan assets comprises of the following</b>				
<b>Management staff</b>				
Debt	11,021	52%	20,704	48%
Equity	9,689	46%	21,928	51%
Cash and bank balances	486	2%	504	1%
	21,196	100%	43,136	100%
<b>Non-management staff</b>				
Debt	6,461	37%	4,282	28%
Equity	10,823	62%	10,783	71%
Cash and bank balances	150	1%	77	1%
	17,434	100%	15,142	100%

	2018	2017
	(Rupees in thousand)	
<b>17. Insurance / reinsurance payable</b>		
Due to other insurers / reinsurers	330,450	255,654
<b>18. Other creditors and accruals</b>		
Agent commission payable	42,158	39,152
Federal Excise Duty / Sales tax	23,240	26,545
Federal Insurance Fee	2,336	2,322
Payable to related parties	857	557
Accrued expenses	24,025	31,547
Other tax payable	2,164	471
Unpaid and unclaimed dividend	79,997	72,763
Deposit against performance bonds	84,038	23,942
Donation payable	9,941	10,250
Bonus payable to staff	41,524	42,822
Leave encashment payable	21,576	25,038
Profit commission payable	9,158	6,143
Others	16,347	5,007
	357,361	286,559

## 19. Contingencies and commitments

### 19.1 Contingencies

**19.1.1** The tax authorities had raised demand amounting to Rs. 117,817 (thousand) against the Company for the tax years 2009 to 2014, that primarily pertained to the rate of tax on dividend, rental income and WWF. Commissioner Inland Revenue (Appeals) [CIR (A)] partially upheld the decision and reduced the demand to Rs. 59,722 (thousand). The Company filed appeals against the CIR(A) decision before the Appellate Tribunal Inland Revenue (ATIR) wherein the decision of CIR(A) was upheld. The Company has filed a reference application against the decision of ATIR before the Honorable Lahore High Court which is currently pending adjudication. No provision has been recognized in the financial statements since the management in consultation with their tax advisor believes that there are meritorious grounds that the case will be decided in favor of the Company.

**19.1.2** For tax year 2005, the Tax authorities disputed the Company's treatment on certain issues disallowing expenses, creating a demand of Rs. 70,698 (thousand). The Company filed appeal before CIR(A) which was decided in favor of the Company. Department filed appeal against CIR(A) before ATIR which is pending adjudication. No provision has been recognized in the financial statements since the management in consultation with their tax advisor believes that there are meritorious grounds that the case will be decided in favor of the Company.

**19.1.3** For tax year 2006, the Tax authorities disputed the Company's treatment on certain issues disallowing expenses. The Company filed appeal before CIR(A) which was decided in favor of the Company except for the provision of bonus amounting to Rs. 5,599 (thousand) against which the Company has filed appeal before ATIR, which is pending adjudication. No provision has been recognized in the financial statements since the management in consultation with their tax advisor believes that there are meritorious grounds that the case will be decided in favor of the Company.

	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	
<b>19.1.4 Other contingencies</b>		
Claims against the Company not acknowledged as debt	112,526	74,687

### 19.2 Commitments

#### 19.2.1 Commitments in respect of operating leases

The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in thousand)</b>	
Not later than one year	19.2.2	53,323	45,837
Later than one year and not later than five years	19.2.2	39,253	28,800
		92,576	74,637

**19.2.2** These include commitments in respect of operating leases of buildings and trackers. Leasing arrangements with respect to buildings carry varying terms and are renewable upon expiry with mutual consent of parties to the arrangement.

	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	
<b>20. Net insurance premium</b>		
Written gross premium	2,849,455	2,379,272
Add: Unearned premium reserve - opening	875,050	963,485
Less: Unearned premium reserve - closing	(1,060,806)	(875,050)
Premium earned	2,663,699	2,467,707
Less: Reinsurance premium ceded	1,327,736	1,087,387
Add: Prepaid reinsurance premium - opening	408,367	514,144
Less: Prepaid reinsurance premium - closing	(546,319)	(408,367)
Reinsurance expense	1,189,784	1,193,164
	1,473,915	1,274,543

	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	
<b>21. Net insurance claims expense</b>		
Claims paid	893,127	689,134
Add: Outstanding claims including IBNR - closing	727,887	324,385
Less: Outstanding claims including IBNR - opening	(324,385)	(414,528)
Claims expense	1,296,629	598,991
Less: Reinsurance and other recoveries received	504,561	316,273
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	454,431	150,668
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(150,668)	(300,469)
	808,324	166,472
Reinsurance and other recoveries revenue	488,305	432,519

### 21.1 Claim development

The following table shows the development of fire, marine and others including miscellaneous claims compared to the last four years. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year.

<u>Accident year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<b>(Rupees in thousand)</b>				
Estimate of ultimate claims costs:					
At end of accident year	129,165	418,039	219,614	223,465	603,695
One year later	179,537	416,091	171,235	198,426	-
Two years later	168,444	407,820	156,544	-	-
Three years later	166,315	402,894	-	-	-
Four years later	156,187	-	-	-	-
Current estimate of cumulative claims	156,187	402,894	156,544	198,426	603,695
Cumulative payments to date	(153,506)	(391,471)	(146,616)	(123,948)	-
Liability recognized in statement of financial position	2,681	11,423	9,928	74,478	603,695
		<u>Note</u>	<u>2018</u>	<u>2017</u>	
			<b>(Rupees in thousand)</b>		

### 22. Net commission and acquisition expense / (income)

Commission paid or payable	160,938	127,126
Add: Deferred commission expense - opening	61,735	74,971
Less: Deferred commission expense - closing	(80,233)	(61,735)
Net commission expense	142,440	140,362
Less: Commission received or recoverable	322,839	308,485
Add: Unearned reinsurance commission - opening	96,212	93,645
Less: Unearned reinsurance commission - closing	(116,648)	(96,212)
Commission from reinsurers	302,403	305,918
	(159,963)	(165,556)

### 23. Management expenses

Employee benefit cost	23.1	276,040	258,951
Travelling expenses		9,153	4,888
Advertisements and sales promotion		16,894	7,771
Printing and stationery		6,510	6,097
Depreciation	5.1	19,427	15,918
Rent, rates and taxes		23,982	21,371
Electricity, gas and water		5,303	4,664
Entertainment		2,790	1,099
Vehicle running expenses		14,666	11,229
Office repairs and maintenance		4,494	3,549
Bank charges		473	466
Postages, telegrams and telephone		8,109	6,741
Annual supervision fee SECP		9,426	3,929
Trackers expense		34,578	46,210
Fee and subscriptions		10,532	12,938
Provision for doubtful debts		-	436
Insurance expense		1,974	2,090
Miscellaneous		16,899	20,738
		461,250	429,085

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>
<b>23.1 Employee benefit cost</b>			
Salaries, allowances and other benefits		261,957	246,631
Charges for post employment benefit	23.2	14,083	12,320
		<u>276,040</u>	<u>258,951</u>

**23.2** This includes Company's contribution to defined contribution plans amounting to Rs. 10,401 thousand (2017: 9,697 thousand).

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>
<b>24. Investment income</b>			
<b>Income from equity securities</b>			
<b>Available for sale</b>			
Dividend income		245,775	214,996
<b>Income from debt securities</b>			
<b>Held to maturity</b>			
Return on debt securities		4,598	4,136
		<u>250,373</u>	<u>219,132</u>
<b>Net realised gains / (losses) on investments</b>			
<b>Available for sale financial assets</b>			
Realised gains on - Equity securities		41,044	105,566
<b>Total investment income</b>		<u>291,417</u>	<u>324,698</u>
Less: Impairment in value of available for sale securities - Equity securities		(60,545)	(852)
Less: Investment related expenses		(15)	(2,299)
		<u>230,857</u>	<u>321,547</u>
<b>25. Other income</b>			
Return on bank balances		27,334	15,079
Gain / (loss) on sale of fixed assets		46,297	(126)
Liabilities written back	25.1	-	84,000
Miscellaneous		79	-
		<u>73,710</u>	<u>98,953</u>

**25.1** This represents liabilities written back on account of Workers' Welfare Fund (WWF). In prior years, the Company provided for WWF consequent to changes introduced through the Finance Act, 2008 which brought Insurance Companies into the ambit of WWF. The amendments made to through Finance Act, 2008 were challenged and the Honorable Supreme Court of Pakistan through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through the Finance Act, 2008 was ultra vires to the Constitution of Pakistan. The Federal Board of Revenue has filed Civil Review Petitions against the aforesaid order of the Supreme Court, the decision of which is currently pending.

In consultation of its legal counsel, the Company is of the view that since no payment has been made to the FBR on account of WWF and it is unlikely that the above mentioned decision of the Supreme Court of Pakistan will be reversed, hence there is no need to maintain such provision.

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>
<b>26. Other expenses</b>			
Legal and professional fee other than business related		3,139	610
Auditor's remuneration	26.2	2,792	1,753
Donations	26.1	9,580	9,985
Director's fee		800	800
Others		265	280
		<u>16,576</u>	<u>13,428</u>

- 26.1 This amount represents Rs. 9,580 thousand (2017: Rs. 9,885 thousand) donation to Atlas Foundation, a related party, situated at 2nd Floor, Federation House, Clifton, Karachi - 74000. The following Directors of the Company are members of its Board of Directors:

**Name of Directors**

Mr. Yusuf H. Shirazi  
Mr. Frahim Ali Khan

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

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
<b>26.2 Auditor's remuneration</b>			
Audit fee		1,032	938
Fee for audit of provident fund, gratuity funds and other certifications		763	618
Special certifications and sundry advisory services		800	-
Out of pocket expenses		197	197
		<u>2,792</u>	<u>1,753</u>
<b>27. Finance costs</b>			
Exchange loss		<u>1,627</u>	<u>137</u>
<b>28. Taxation</b>			
For the year			
Current		316,572	272,820
Deferred			
- Relating to reversal and origination of temporary differences		(21,363)	23,517
- Income resulting from reduction in tax rate		671	1,048
		<u>(20,692)</u>	<u>24,565</u>
For prior years			
- Current	28.1	27,581	27,475
		<u>323,461</u>	<u>324,860</u>
<b>28.1</b>			
This represent provision for super tax as per the rates specified in division IIA of Part I of the first schedule to the Income Tax Ordinance, 2001.		<u>2018</u>	<u>2017</u>
		%	%
<b>28.2 Relationship between tax expense and accounting profit</b>			
Numerical reconciliation between the average effective tax rate and the applicable tax rate			
Applicable tax rate		29	30
Tax effect of amounts that are:			
- Effective prior year adjustment		4.87	2.78
- Exempt from tax		(1.23)	(0.02)
- Effect of rate change		0.07	0.09
		<u>32.71</u>	<u>32.85</u>
<b>28.3</b>			
Applicable tax rate represents the tax rate applicable to Insurance Companies under part-I of Fourth Schedule of the Finance Act, 2018 and 2017, respectively.		<u>2018</u>	<u>2017</u>
		<u>(Rupees in thousand)</u>	
<b>29. Earnings per share</b>			
Profit (after tax) for the year		<u>665,568</u>	<u>663,987</u>
		<b>Number of shares</b>	
		<b>thousand</b>	
Weighted average number of ordinary shares		<u>70,161</u>	<u>70,161</u>
		<b>Rupees</b>	
Earnings per share - (basic / diluted)		<u>9.49</u>	<u>9.46</u>
There is no dilutive effect on basic earnings per share.			

	<u>2018</u>	<u>2017</u>
	(Rupees in thousand)	
Wakala fee	51,556	29,256
Management expenses	(20,421)	(17,483)
Commission expenses	(14,634)	(9,039)
Investment income / (loss)	1,319	(470)
Other expenses	(713)	(1,417)
Profit for the year	<u>17,107</u>	<u>847</u>

### 31. Compensation of directors and executives

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

	<u>Chief Executive Officer</u>		<u>Directors</u>		<u>Executives</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Rupees in thousand)					
Fee - note 31.1	-	-	800	800	-	-
Managerial remuneration	16,076	21,230	5,742	4,822	59,418	48,145
Leave encashment	7,288	-	-	-	1,888	248
Bonus / profit commission paid	8,238	8,559	-	5,275	18,651	16,420
Contribution to defined benefit plan	582	769	208	175	4,140	1,832
Contribution to defined contribution plan	1,538	2,031	549	461	5,352	4,260
Rent and house maintenance	6,291	8,307	2,247	1,887	24,482	19,526
Utilities	1,398	1,846	499	419	5,362	4,268
Medical	601	-	208	282	3,488	2,892
Conveyance	-	-	-	-	8,295	7,325
Others (membership fee, petrol, telephone, newspaper, etc)	2,084	525	566	712	9,555	7,422
<b>Total</b>	<u>44,096</u>	<u>43,267</u>	<u>10,819</u>	<u>14,833</u>	<u>140,631</u>	<u>112,338</u>
Number of persons	<u>2*</u>	<u>1</u>	<u>6</u>	<u>3</u>	<u>50</u>	<u>43</u>

**31.1** Fee paid to 5 (2017: 3) Non-Executive Directors for attending meetings during the year amounts to Rs. 800 thousand (2017: Rs. 800 thousand). In addition, the Chief Executive, a Director and some of the executives are also provided with use of the Company cars, in accordance with the policy of the Company.

**31.2** Executives mean employees, other than the Chief Executive and Directors, whose basic salary exceed five hundred thousand rupees in a financial year.

\* This includes compensation provided to Mr. Arshad P. Rana up to March 2018, after which Mr. Babar Mahmood Mirza was appointed as the Company's CEO.

### 32. Related party transactions

Related parties comprises of associated entities, entities under common control, entities with common directors, major shareholders, post employment benefit plans and key management personnel, inclusive of directors, and their close family members. Transactions with related parties are carried out on mutually agreed terms and conditions.

Amounts due to / from and other significant transactions, other than those disclosed elsewhere in this financial statements, are as follows:

		<u>2018</u>	<u>2017</u>
		(Rupees in thousand)	
<b>Parent Company</b>	<b>Year end balances</b>		
	Provision for outstanding claims (including IBNR)	927	415
	Premium received in advance	-	27
	Due from insurance contract holders	469	693
	<b>Transactions during the year</b>		
	Premium underwritten	18,683	13,233
	Premium collected	21,564	16,560
	Claims paid	4,998	2,427
	Computer equipment sold	42	-
	Rent paid	2,461	-
<b>Associated Companies</b>	<b>Year end balances</b>		
	Provision for outstanding claims (including IBNR)	293,409	39,896
	Premium received in advance	105,202	49,371
	Due from insurance contract holders	127,246	136,064
	<b>Transactions during the year</b>		
	Premium underwritten	1,495,640	1,263,865
	Premium collected	1,777,981	1,451,073
	Claims paid	369,607	198,061
	Vehicles purchased	20,491	4,410
	Vehicles sold	1,762	6,393
	Office equipment purchased	-	334
	Computer equipment purchased	-	242
	Computer equipment sold	92	281
	Rent received	-	531
	Rent paid	1,223	3,349
	Expenses paid	1,492	459
	Dividends received	130,846	105,224
	Donations	9,889	9,168
	Investments purchased	867,000	1,445,239
Investments sold	1,253,642	1,900,454	
<b>Post employment benefit plans</b>	<b>Transactions during the year</b>		
	Contributions in respect of post employment benefit plans	15,276	8,079
<b>Key management personnel</b>	<b>Transactions during the year</b>		
	Premium underwritten	1,436	247
	Premium collected	1,659	373
	Computer equipment sold	315	15
	Office equipment sold	47	-
	Vehicles sold	7,051	-
Claims paid	187	-	

### 33. Segment reporting

The Company has identified four (2017: four) primary operating / business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000, the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017. These include fire and property damage, marine, aviation and transport, motor and miscellaneous class of operating / business segments. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating / business segment.

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

	December 31, 2018				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	(Rupees in thousand)				
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	879,775	1,050,659	719,145	587,448	3,237,027
Less: Federal Excise Duty	107,555	129,477	75,146	48,579	360,757
Federal Insurance Fee	7,522	8,993	4,936	5,364	26,815
Gross written premium (inclusive of Administrative Surcharge)	<u>764,698</u>	<u>912,189</u>	<u>639,063</u>	<u>533,505</u>	<u>2,849,455</u>
Gross direct premium	746,099	895,723	481,884	531,324	2,655,030
Facultative inward premium	13,287	115	152,458	(2,301)	163,559
Administrative surcharge	5,312	16,351	4,721	4,482	30,866
	<u>764,698</u>	<u>912,189</u>	<u>639,063</u>	<u>533,505</u>	<u>2,849,455</u>
Insurance premium earned	686,784	921,407	512,806	542,702	2,663,699
Insurance premium ceded to reinsurers	(498,388)	(312,868)	(152,302)	(226,226)	(1,189,784)
Net insurance premium	188,396	608,539	360,504	316,476	1,473,915
Commission income	121,349	101,325	27,061	52,668	302,403
<b>Net underwriting income</b>	<u>309,745</u>	<u>709,864</u>	<u>387,565</u>	<u>369,144</u>	<u>1,776,318</u>
Insurance claims	(666,599)	(42,371)	(333,751)	(253,908)	(1,296,629)
Insurance claims recovered from reinsurers	618,102	24,491	127,383	38,348	808,324
Net claims	(48,497)	(17,880)	(206,368)	(215,560)	(488,305)
Commission expense	(51,203)	(18,098)	(45,919)	(27,220)	(142,440)
Management expenses	(114,504)	(136,589)	(130,271)	(79,886)	(461,250)
<b>Net insurance claims and expenses</b>	<u>(214,204)</u>	<u>(172,567)</u>	<u>(382,558)</u>	<u>(322,666)</u>	<u>(1,091,995)</u>
<b>Underwriting results</b>	<u>95,541</u>	<u>537,297</u>	<u>5,007</u>	<u>46,478</u>	<u>684,323</u>
Net investment income					230,857
Rental income					1,235
Other income					73,710
Other expenses					(16,576)
Finance cost					(1,627)
Profit / (loss) before taxation from window takaful operations - OPF					17,107
<b>Profit before tax</b>					<u>989,029</u>
Segment assets - Conventional	380,033	453,333	317,596	265,136	1,416,098
Segment assets - Takaful OPF	4,464	2,601	32,759	1,072	40,896
Unallocated assets - Conventional					5,141,145
Unallocated assets - Takaful OPF					67,588
					<u>6,665,727</u>
Segment liabilities - Conventional	670,473	799,791	560,319	467,766	2,498,349
Segment liabilities - Takaful OPF	4,675	2,726	34,314	1,122	42,837
Unallocated liabilities - Conventional					663,665
Unallocated liabilities - Takaful OPF					-
					<u>3,204,851</u>

December 31, 2017

	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
(Rupees in thousand)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	726,303	897,159	510,023	575,034	2,708,519
Less: Federal Excise Duty	88,833	110,550	62,013	44,850	306,246
Federal Insurance Fee	6,137	7,699	4,047	5,118	23,001
Gross written premium (inclusive of Administrative Surcharge)	631,333	778,910	443,963	525,066	2,379,272
Gross direct premium	615,203	765,666	396,824	508,655	2,286,348
Facultative inward premium	12,424	917	43,295	13,265	69,901
Administrative surcharge	3,707	12,327	3,844	3,145	23,023
	631,334	778,910	443,963	525,065	2,379,272
Insurance premium earned	609,434	764,784	485,934	607,555	2,467,707
Insurance premium ceded to reinsurers	(441,425)	(341,343)	(132,823)	(277,573)	(1,193,164)
Net insurance premium	168,009	423,441	353,111	329,982	1,274,543
Commission income	129,714	118,328	12,981	44,895	305,918
<b>Net underwriting income</b>	297,723	541,769	366,092	374,877	1,580,461
Insurance claims	(104,247)	(93,160)	(200,184)	(201,400)	(598,991)
Insurance claims recovered from reinsurers	84,294	45,735	17,429	19,014	166,472
Net claims	(19,953)	(47,425)	(182,755)	(182,386)	(432,519)
Commission expense	(41,447)	(17,004)	(38,388)	(43,523)	(140,362)
Management expenses	(101,595)	(125,343)	(117,653)	(84,494)	(429,085)
<b>Net insurance claims and expenses</b>	(162,995)	(189,772)	(338,796)	(310,403)	(1,001,966)
<b>Underwriting results</b>	134,728	351,997	27,296	64,474	578,495
Net investment income					321,547
Rental income					2,570
Other income					98,953
Other expenses					(13,428)
Finance cost					(137)
Profit / (loss) before taxation from window takaful operations - OPF					847
<b>Profit before tax</b>					988,847
Segment assets - Conventional	247,625	305,509	174,133	205,945	933,212
Segment assets - Takaful OPF	4,106	1,838	25,242	643	31,829
Unallocated assets - Conventional - (restated)					5,753,946
Unallocated assets - Takaful OPF - (restated)					43,134
					6,762,121
Segment liabilities - Conventional	435,490	537,288	306,242	362,189	1,641,209
Segment liabilities - Takaful OPF	3,395	1,520	20,875	531	26,321
Unallocated liabilities - Conventional - (restated)					1,047,517
Unallocated liabilities - Takaful OPF - (restated)					31
					2,715,078

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

	<u>Held to maturity</u>	<u>Available for sale</u>	<u>Total</u>
	(Rupees in thousand)		
<b>34. Movement in investments</b>			
<b>As at beginning of previous year (restated)</b>	74,998	6,362,762	6,437,760
Additions	72,999	2,653,876	2,726,875
Disposals (sales and redemptions)	(74,998)	(2,893,755)	(2,968,753)
Fair value net losses (excluding net realised losses)	-	(1,261,333)	(1,261,333)
Impairment	-	(852)	(852)
<b>As at beginning of current year (restated)</b>	72,999	4,860,698	4,933,697
Additions	73,758	1,236,785	1,310,543
Disposals (sales and redemptions)	(72,999)	(1,230,818)	(1,303,817)
Fair value net losses (excluding net realised losses)	-	(1,167,177)	(1,167,177)
Unwinding on debt securities	(54)	-	(54)
Impairment	-	(60,545)	(60,545)
<b>As at end of current year</b>	73,704	3,638,943	3,712,647

### 35. Provident fund trust

The Company has maintained an employee provident fund trust and investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017. Compliance with rules formulated for this purpose under S.R.O. 731 (I)/2018 dated June 6, 2018 "Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018 (the Rules), will be ensured by the Trustees of the provident fund within the one year transition period as prescribed under the aforementioned Rules. The salient information of the fund is as follow:

	<u>Note</u>	<u>2018</u>	<u>2017</u>	
		(Rupees in thousand)		
Size of the fund		41,496	101,029	
Percentage of investments made		91.7%	97.9%	
Fair value of investments	35.1	38,047	98,876	
Cost of investments made		35,054	111,644	
<b>35.1</b>				
	<u>Investment as a % size of fund</u>	<u>Investments</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	
			<u>2017</u>	
			(Rupees in thousand)	
Government Securities	17%	7%	7,000	7,000
Listed securities and mutual funds	75%	91%	31,047	91,876
			38,047	98,876

The information for the financial year 2018 is based on un-audited financial statements of the provident fund.

### 36. Management of insurance risk and financial risk

#### 36.1 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.

## (a) Frequency and severity of claims

### 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. These 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 the 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 interface 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.

Following is a quantitative representation of the risk mitigation applied by the entity by reinsuring its exposures:

	Maximum insured loss		Loss Ceded		Net Retention	
	2018	2017	2018	2017	2018	2017
			(Rupees in thousand)			
Fire and property damage	317,687,051	243,507,833	301,514,032	231,604,265	16,173,019	11,903,568
Marine, aviation and transport	52,660,800	54,211,377	20,537,712	18,431,868	32,123,088	35,779,509
Motor	28,579,327	16,574,561	9,994,160	3,700,654	18,585,167	12,873,907
Miscellaneous	189,355,562	123,703,172	168,754,276	100,020,280	20,601,286	23,682,892
	<u>588,282,740</u>	<u>437,996,943</u>	<u>500,800,180</u>	<u>353,757,067</u>	<u>87,482,560</u>	<u>84,239,876</u>

### (b) Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims whether reported or not. The Company recognizes liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, claims Incurred But Not Reported and expected claim settlement costs including but not limited to the expenses incurred by the surveyors.

Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The details of estimation of outstanding claims (including IBNR) are given under note 3.21.

### (c) Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. Each notified claim is assessed on a separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available. Reinsurance recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.



	2018						Total
	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)							
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Provision for outstanding claims (including IBNR)	-	-	-	727,887	-	727,887	727,887
Retirement benefit obligations	-	-	-	9,249	-	9,249	9,249
Insurance / reinsurance payables	-	-	-	330,450	-	330,450	330,450
Other creditors and accruals	-	-	-	329,620	-	329,620	329,620
	-	-	-	1,397,206	-	1,397,206	1,397,206
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	1,397,206	-	1,397,206	1,397,206
<b>On balance sheet gap</b>	1,347,189	-	1,347,189	3,099,838	-	3,099,838	4,447,027
<b>Off balance sheet gap</b>	-	-	-	-	-	-	-
2017 (restated)							
	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in thousand)							
<b>Financial assets</b>							
<b>On balance sheet</b>							
Investments							
Equity securities	-	-	-	4,860,698	-	4,860,698	4,860,698
Debt securities	72,999	-	72,999	-	-	-	72,999
Loans and other receivables	-	-	-	24,130	-	24,130	24,130
Insurance / reinsurance receivables	-	-	-	308,500	-	308,500	308,500
Reinsurance recoveries against outstanding claims	-	-	-	150,668	-	150,668	150,668
Salvage recoveries accrued	-	-	-	3,942	-	3,942	3,942
Cash and bank	686,144	-	686,144	16,108	-	16,108	702,252
	759,143	-	759,143	5,364,046	-	5,364,046	6,123,189
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	759,143	-	759,143	5,364,046	-	5,364,046	6,123,189
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Provision for outstanding claims (including IBNR)	-	-	-	324,385	-	324,385	324,385
Retirement benefit obligations	-	-	-	3,920	-	3,920	3,920
Insurance / reinsurance payables	-	-	-	255,654	-	255,654	255,654
Other creditors and accruals	-	-	-	257,221	-	257,221	257,221
	-	-	-	841,180	-	841,180	841,180
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	841,180	-	841,180	841,180
<b>On balance sheet gap</b>	759,143	-	759,143	4,522,866	-	4,522,866	5,282,009
<b>Off balance sheet gap</b>	-	-	-	-	-	-	-

#### (a) Sensitivity analysis - 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>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
<b>Fixed rate instruments</b>			
<b>Financial assets</b>			
Pakistan Investment Bonds - held to maturity	8	73,704	72,999
<b>Variable rate instruments</b>			
<b>Financial assets</b>			
Cash at bank - saving accounts	12	1,273,485	686,144
<b>Total exposure</b>		<u>1,347,189</u>	<u>759,143</u>

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

#### 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 reporting 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. 2,733 thousand (2017: Rs. 1,508 thousand) and impact on shareholder's equity would have been higher / lower by Rs. 1,940 thousand (2017: Rs. 1,056 thousand).

#### (b) Sensitivity analysis - equity risk

Equity risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of it has invested its funds in ordinary shares, mutual funds and National Investment (Unit) Trust units, resulting in exposure due to the fluctuation in the dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

Since there is uncertainty as to how a particular security or the stock market as a whole will perform in the future, therefore it cannot be known precisely. It can be estimated as a backward-looking measure by observing stock market and government bond performance over a defined period of time.

The Company minimizes such risk by having a diversified investment 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. The Company's certain investments, in equity instruments of other entities, are publicly traded on the Pakistan Stock Exchange Limited. Breakup of investments is disclosed in note 7 to the financial statements.

#### (c) 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 any material currency risk as no material amount of the financial assets and liabilities are payable in foreign currency, at the end of the year.

### 36.3 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. 5,844,232 thousand (2017: Rs. 6,123,189 thousand) the financial assets which are subject to credit risk amounted to Rs. 5,844,232 thousand (2017: Rs. 6,123,189 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 segment.

### (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>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
Investments			
Equity securities	7	3,638,943	4,860,698
Debt securities	8	73,704	72,999
Loan and other receivable	9	14,052	24,130
Insurance / reinsurance receivables	10	332,681	308,500
Reinsurance recoveries against outstanding claims	21	454,431	150,668
Salvage recoveries accrued		2,435	3,942
Cash and bank	12	1,327,987	702,252
		<u>5,844,233</u>	<u>6,123,189</u>

The Company maintains a general provision against doubtful receivables. The Company has assessed that past due balances are not impaired since these relate to a number of insurers / reinsurers with no recent history of default.

### Age analysis of amounts due from insurance contract holders is as follows:

	<u>2018</u>			<u>2017</u>		
	<u>Related parties</u>	<u>Others</u>	<u>Total</u>	<u>Related parties</u>	<u>Others</u>	<u>Total</u>
	<u>(Rupees in thousand)</u>					
- Up to one year	125,322	68,911	194,233	135,696	73,763	209,459
- Past one but less than three years	2,396	3,315	5,711	1,061	9,326	10,387
- Over three but less than five years	-	-	-	-	1,629	1,629
- Less provision	-	(2,859)	(2,859)	-	(2,859)	(2,859)
	<u>127,718</u>	<u>69,367</u>	<u>197,085</u>	<u>136,757</u>	<u>81,859</u>	<u>218,616</u>

### (iii) Credit quality of bank accounts

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:

<u>Banks</u>	<u>Rating</u>		<u>Rating Agency</u>	<u>2018</u>	<u>2017</u>
	<u>Short term</u>	<u>Long term</u>			
	<u>(Rupees in thousand)</u>				
Allied Bank Limited	A1+	AAA	PACRA	3,558	2,181
Askari Bank Limited	A1+	AA+	PACRA	53	26,035
Bank Alfalah Limited	A1+	AA+	PACRA	736,392	61,975
Bank of Punjab	A1+	AA	PACRA	34	-
Faysal Bank Limited	A1+	AA	PACRA	186,741	129,208
Finca Microfinance Bank Limited	A1	A	PACRA	10,299	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	149,345	10,161
MCB Bank Limited	A1+	AAA	PACRA	107,559	11,861
Mobilink Microfinance Bank Limited	A1	A	PACRA	7,395	7,004
National Bank of Pakistan	A1+	AAA	PACRA	876	108
NRSP Microfinance Bank Limited	A1	A	PACRA	23,350	31,369
Sindh Bank Limited	A-1+	AA	JCR-VIS	22,538	4
Soneri Bank Limited	A1+	AA-	PACRA	13,481	-
Summit Bank Limited	A-3	BBB-	JCR-VIS	66,366	422,346
				<u>1,327,987</u>	<u>702,252</u>

#### (iv) 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 effected under treaty, facultative and also under excess-of-loss reinsurance contracts to protect the 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.

#### Credit quality of reinsurance assets

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

Ratings	Reinsurance receivables		Reinsurance recoveries against outstanding claims		Other reinsurance assets	
	2018	2017	2018	2017	2018	2017
			(Rupees in thousand)			
A or above (including PRCL)	58,431	24,900	433,604	144,808	546,319	408,367
A- or below	-	-	3,566	2,097	-	-
Others	298	589	17,261	3,763	-	-
	<u>58,729</u>	<u>25,489</u>	<u>454,431</u>	<u>150,668</u>	<u>546,319</u>	<u>408,367</u>

#### 36.4 Capital 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 vide SRO 828 (I) 2015.

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP which are fully met by the Company.

(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.

#### 37. Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

	Note	Carrying amount					Fair value				
		Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in thousand)											
<b>December 31, 2018</b>											
<b>Financial assets</b>											
Investments											
Equity securities	7	3,638,943	-	-	-	-	3,638,943	3,638,943	-	-	3,638,943
Debt securities*	8	-	73,704	-	-	-	73,704	-	-	-	-
Loans and other receivables*	9	-	-	14,052	-	-	14,052	-	-	-	-
Insurance / reinsurance receivables*	10	-	-	332,681	-	-	332,681	-	-	-	-
Reinsurance recoveries against outstanding claims*	21	-	-	454,431	-	-	454,431	-	-	-	-
Salvage recoveries accrued*		-	-	2,435	-	-	2,435	-	-	-	-
Cash and bank*	12	-	-	-	1,327,987	-	1,327,987	-	-	-	-
Total assets from window takaful operations - Operator's fund		-	-	108,484	-	-	108,484	-	-	-	-
		<u>3,638,943</u>	<u>73,704</u>	<u>912,083</u>	<u>1,327,987</u>	<u>-</u>	<u>5,952,717</u>	<u>3,638,943</u>	<u>-</u>	<u>-</u>	<u>3,638,943</u>
<b>Financial liabilities</b>											
Outstanding claims (including IBNR)*	21	-	-	-	-	727,887	727,887	-	-	-	-
Retirement benefit obligations	16	-	-	-	-	9,249	9,249	-	-	-	-
Insurance / reinsurance payables*		-	-	-	-	330,450	330,450	-	-	-	-
Other creditors and accruals*	18	-	-	-	-	329,621	329,621	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,397,207</u>	<u>1,397,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

	Note	Carrying amount					Fair value				
		Available for sale	Held to maturity	Receivables and other financial assets	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in thousand)											
<b>December 31, 2017</b>											
<b>Financial assets</b>											
Investments											
Equity securities	7	4,860,698	-	-	-	-	4,860,698	4,860,698	-	-	4,860,698
Debt securities*	8	-	72,999	-	-	-	72,999	-	-	-	-
Loans and other receivables*	9	-	-	24,130	-	-	24,130	-	-	-	-
Insurance / reinsurance receivables*	10	-	-	308,500	-	-	308,500	-	-	-	-
Reinsurance recoveries against outstanding claims*	21	-	-	150,668	-	-	150,668	-	-	-	-
Salvage recoveries accrued*		-	-	3,942	-	-	3,942	-	-	-	-
Cash and bank*	12	-	-	702,252	-	-	702,252	-	-	-	-
Total assets from window takaful operations - Operator's fund		-	-	74,963	-	-	74,963	-	-	-	-
		<u>4,860,698</u>	<u>72,999</u>	<u>1,264,455</u>	<u>-</u>	<u>-</u>	<u>6,198,152</u>	<u>4,860,698</u>	<u>-</u>	<u>-</u>	<u>4,860,698</u>
<b>Financial liabilities</b>											
Outstanding claims (including IBNR)*	21	-	-	-	-	324,385	324,385	-	-	-	-
Retirement benefit obligations	16	-	-	-	-	3,920	3,920	-	-	-	-
Insurance / reinsurance payables*		-	-	-	-	255,654	255,654	-	-	-	-
Other creditors and accruals*	18	-	-	-	-	257,221	257,221	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>841,180</u>	<u>841,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* The Company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of fair value.

**38. Statement of solvency**

**Assets**

Property and equipment	82,080
Investments	
Equity securities	3,638,943
Debt securities	73,704
Loan and other receivable	14,052
Insurance / reinsurance receivables	332,681
Reinsurance recoveries against outstanding claims	454,431
Salvage recoveries accrued	2,435
Deferred commission expense / acquisition cost	80,233
Prepayments	550,697
Cash and bank	1,327,987
	6,557,243

Total assets from window takaful operations - Operator's fund 108,484

**Total Assets (A)** 6,665,727

**Inadmissible assets as per following clauses of Section 32(2) of the Insurance Ordinance, 2000**

(d)	Loans and advances to employees	2,024
(g) and (h)	Insurance / reinsurance receivables	256,703
(l)	Assets subject to encumbrances	84,038
(g), (p) and (s)	Investments in equity securities	2,179,382
(u)	Vehicles, furniture and fixtures, office equipment and computer equipment	65,190
(i), (h) and (u)	Assets from window takaful operations - Operator's Fund	59,247

**Total of in-admissible assets (B)** 2,646,584

**Total admissible assets (C=A-B)** 4,019,143

**Total liabilities**

Underwriting provisions	727,887
Outstanding claims including IBNR	1,060,806
Unearned premium reserves	116,648
Unearned reinsurance commission	9,249
Retirement benefit obligations	358,875
Deferred taxation	178,520
Premium received in advance	330,450
Insurance / reinsurance payable	357,360
Other creditors and accruals	22,218
Taxation - provision less payment	3,162,013
	42,837

Total liabilities from window takaful operations - Operator's fund 42,837

**Total liabilities (D)** 3,204,850

**Total net admissible assets (E=C-D)** 814,293

Minimum Solvency Requirement (higher of the following) 294,783

Method A - U/s 36(3)(a)	150,000
Method A - U/s 36(3)(b)	294,783
Method A - U/s 36(3)(c)	178,869

**Excess / (deficit) in net admissible assets over minimum requirements** 519,510

**38.1** The value of assets has been determined in accordance with the Company's accounting policies for such assets and the method of assigning values to investments provided for in the Insurance Accounting Regulations, 2017, while the value of admissible assets has been limited to the amount to which these are admissible under the Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations, 2017.

**39. Corresponding figures**

Corresponding figures have been restated, rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation as detailed in note 3.1 to these financial statements.

**40. Subsequent events**

The Board of Directors of the Company in its meeting held on February 27, 2019 has proposed a final cash dividend of Rs. 7 per share (2017: Rs. 6.5 per share) and bonus shares of 10% (2017: Nil) in respect of the year ended December 31, 2018. Furthermore, Rs. 93,000 thousand (2017: Rs. 208,000 thousand) were also approved for transfer to general reserves from the unappropriated profit of the Company. The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

**41. Date of authorization for issue**

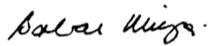
The financial statements were authorised for issue on February 27, 2019 by the Board of Directors of the Company.

**42. General**

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



Rashid Amin  
Chief Financial Officer



Babar Mahmood Mirza  
Chief Executive Officer



Ali H. Shirazi  
Director



Frahim Ali Khan  
Director



Yusuf H. Shirazi  
Chairman

تكاافل

TAKAFUL



Atlas Insurance

Window Takaful Operations

Annual Report 2018

# Shariah Advisor's Report to the Board of Directors

For the year ended December 31, 2018

الحمد لله رب العالمين و الصلوة و السلام على سيد الأنبياء و المرسلين  
و بعد

I have reviewed the Takaful products including all related documents, as well as, the Participant Takaful Fund Policy, Investment Policy, Re-Takaful arrangements and the related transactions of Atlas Insurance Limited - Window Takaful Operations (hereafter referred to as "Takaful Operator") for the year ended December 31, 2018.

It is the responsibility of the Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisor and Takaful Rules, 2012 are complied with, and that all products and policies are duly approved by the Shariah Advisor.

My responsibility is to approve the products and policies, and express an opinion that the financial arrangements, Re-Takaful arrangements, contracts and transactions entered into by the Takaful Operator with its participants and stakeholders are in accordance with the requirements of Shariah rules and principles.

The primary objective of Shariah Advisor's report is to inform about the Takaful Operator's compliance with Shariah Guidelines, including the transactions undertaken by the Takaful Operator during the year and express his opinion on transactions and operational aspects of Window Takaful Operations.

## Progress of the Year

During the year under review; Atlas Insurance Limited - Window Takaful Operations has achieved significant successes, details of which are as follows:

1. Alhamdulillah, Atlas Insurance Limited - Window Takaful Operations has gained its position as one of the prominent General Takaful Operator of the country.
2. Under the guidance of undersigned and after getting Shariah approval, Takaful Operator has developed and offered various types of Takaful coverage to its Customers / Participants.
3. Divisions and Branches of the Company have fully participated in the business of Takaful from different locations of the country.
4. Significant success has been achieved in the Takaful coverage agreements with Islamic Banks for their leasing & financing portfolios. At this stage, I am also thankful to the Partner Banks for the confidence they have shown in Atlas Insurance Limited - WTO's Takaful Products and Services.

## Shariah Certification

I confirm that in my opinion and to the best of my understanding based on the provided information and explanations; that

- i. transactions undertaken by the Takaful Operator for the year ended December 31, 2018 were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012;
- ii. for the investment purpose of Takaful Funds, a Shariah Compliant Investment Policy has been drafted with the consultation of undersigned and the investments have been done from the Operator's Fund & Participant Takaful Fund into Shariah Compliant avenues, including Islamic Banks and Islamic Mutual Funds, with prior Shariah approval. Further, all bank accounts related to Window Takaful Operations have been opened in Islamic Banking Institutions (IBIs) with Shariah Advisor's approval which are completely separate from the conventional insurance business;
- iii. transactions and activities of Window Takaful Operations are in accordance with the Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund (OF);

While concluding; I state that the Shariah principles were followed in every aspect of practical implementation of Atlas Insurance Limited - WTO during the year. I am grateful to the Board of Directors of Atlas Insurance Limited, Management, Head of Window Takaful Operations, Divisional & Branch Heads and all relevant departments who cooperated with the Shariah Compliance function and provided every possible support to ensure Shariah Compliance in our Takaful practices.

"And Allah Knows Best"



Mufti Zeeshan Abdul Aziz  
Shariah Advisor

Date: February 27, 2019



## INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF ATLAS INSURANCE LIMITED WINDOW TAKAFUL OPERATIONS REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the annexed financial statements of Atlas Insurance Limited – Window Takaful Operations (the Operator), which comprise the statement of financial position as at December 31, 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in fund and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Operator in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Operator or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Operator's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.



**Chartered Accountants**

**Lahore**

**Date: March 11, 2019**

# Window Takaful Operations

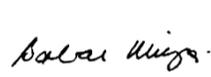
## Statement of Financial Position

### As at December 31, 2018

	Note	OPF 2018	PTF 2018	Total 2018	Total 2017 (Restated)	Total 2016 (Restated)
<b>(Rupees in thousand)</b>						
<b>Assets</b>						
Property and equipment	5	2,157	-	2,157	2,480	2,238
Intangible assets	6	245	-	245	545	433
Investments						
Equity securities	7	-	-	-	38,479	40,492
Loans and other receivables	8	2,435	675	3,110	976	412
Takaful / retakaful receivables	9	-	8,682	8,682	5,957	6,120
Retakaful recoveries against outstanding claims	19	-	3,519	3,519	1,232	-
Deferred commission expense / acquisition cost	20	6,997	-	6,997	6,129	3,330
Wakala fees receivable		29,610	-	29,610	21,309	13,926
Deferred wakala expense	21	-	33,715	33,715	19,970	11,043
Prepayments	10	1,854	19,564	21,418	16,646	5,783
Cash and bank	11	40,186	156,766	196,952	80,331	43,585
		83,484	222,921	306,405	194,054	127,362
Qard-e-Hasna to Participants' Takaful Fund	13	25,000	-	25,000	-	-
<b>Total assets</b>		<b>108,484</b>	<b>222,921</b>	<b>331,405</b>	<b>194,054</b>	<b>127,362</b>
<b>Fund and liabilities</b>						
<b>Funds</b>						
Statutory fund / cede money	12	50,000	500	50,500	50,500	50,500
Capital reserve		-	-	-	71	344
Accumulated profit / (loss)		15,647	-	15,647	(1,460)	(2,307)
Accumulated (deficit) / surplus		-	(23,347)	(23,347)	1,650	(5,625)
<b>Total funds</b>		<b>65,647</b>	<b>(22,847)</b>	<b>42,800</b>	<b>50,761</b>	<b>42,912</b>
Qard-e-Hasna from Operator's Fund	13	-	25,000	25,000	-	-
<b>Liabilities</b>						
<b>Underwriting provisions</b>						
Outstanding claims (including IBNR)	19	-	30,434	30,434	9,049	3,132
Unearned contribution reserves	18	-	106,254	106,254	62,743	35,303
Unearned retakaful rebate	22	-	3,695	3,695	2,018	1,018
Contribution deficiency reserve		-	-	-	1,291	-
Retirement benefit obligations	14	509	-	509	260	-
Deferred taxation		-	-	-	31	148
Contribution received in advance		-	7,972	7,972	4,088	1,379
Takaful / retakaful payables	15	-	37,467	37,467	13,261	6,385
Unearned wakala fee	21	33,715	-	33,715	19,970	11,043
Wakala fee payable		-	29,610	29,610	21,309	13,926
Other creditors and accruals	16	8,613	5,336	13,949	9,273	12,116
<b>Total liabilities</b>		<b>42,837</b>	<b>220,768</b>	<b>263,605</b>	<b>143,293</b>	<b>84,450</b>
<b>Total fund and liabilities</b>		<b>108,484</b>	<b>222,921</b>	<b>331,405</b>	<b>194,054</b>	<b>127,362</b>
Contingencies and commitments	17					

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

  
Rashid Amin  
Chief Financial Officer

  
Babar Mahmood Mirza  
Chief Executive Officer

  
Ali H. Shirazi  
Director

  
Fahim Ali Khan  
Director

  
Yusuf H. Shirazi  
Chairman

# Window Takaful Operations

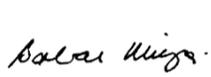
## Profit and Loss Account

### For the year ended December 31, 2018

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
<b>PTF revenue account</b>			
Net contribution revenue	18	113,344	78,820
Net claims expense	19	(74,932)	(27,639)
Wakala expense	21	(51,556)	(29,256)
Reversal / (charge) of contribution deficiency reserve		1,291	(1,291)
Retakaful rebate	22	6,813	3,627
Takaful claims and acquisition expenses		(118,384)	(54,559)
Direct expenses	23	(23,701)	(18,574)
Underwriting results		(28,741)	5,687
Investment income	25	3,758	1,588
Results of operating activities		(24,983)	7,275
Finance cost	27	(14)	-
<b>(Deficit) / surplus for the year</b>		<u>(24,997)</u>	<u>7,275</u>
<b>OPF revenue account</b>			
Wakala fee	21	51,556	29,256
Net commission and other acquisition costs	20	(14,634)	(9,039)
Management expenses	24	(20,421)	(18,246)
		16,501	1,971
Investment income / (loss)	25	1,319	(470)
Other expenses	26	(713)	(654)
<b>Profit for the year</b>		<u>17,107</u>	<u>847</u>

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

  
Rashid Amin  
Chief Financial Officer

  
Babar Mahmood Mirza  
Chief Executive Officer

  
Ali H. Shirazi  
Director

  
Fahim Ali Khan  
Director

  
Yusuf H. Shirazi  
Chairman

# Window Takaful Operations

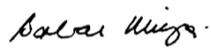
## Statement of Comprehensive Income

### For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u> (Restated)
	(Rupees in thousand)	
<b>Operator's Fund</b>		
Profit for the year	17,107	847
<b>Other comprehensive loss:</b>		
<i>Items that may be subsequently reclassified to profit and loss account:</i>		
Un-realized loss on available for sale investments - net of deferred tax	(71)	(273)
<b>Total comprehensive income for the year</b>	<u>17,036</u>	<u>574</u>

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

  
Rashid Amin  
Chief Financial Officer

  
Babar Mahmood Mirza  
Chief Executive Officer

  
Ali H. Shirazi  
Director

  
Fahim Ali Khan  
Director

  
Yusuf H. Shirazi  
Chairman

# Window Takaful Operations

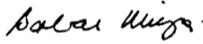
## Cash Flow Statement

### For the year ended December 31, 2018

	Note	OPF 2018	PTF 2018	Total 2018	Total 2017
<b>(Rupees in thousand)</b>					
<b>Operating activities</b>					
<b>a) Takaful activities</b>					
Contributions received		-	217,964	217,964	145,347
Re-takaful contributions paid		-	(41,970)	(41,970)	(35,148)
Re-takaful and other recoveries received		-	10,348	10,348	3,056
Claims paid		-	(58,755)	(58,755)	(26,448)
Commissions paid		(14,119)	-	(14,119)	(11,060)
Management expenses paid		(19,803)	(21,133)	(40,936)	(41,706)
Other underwriting receipts		-	4,838	4,838	2,253
Wakala fees received / (paid)		57,000	(57,000)	-	-
<b>Net cash generated from takaful activities</b>		<b>23,078</b>	<b>54,292</b>	<b>77,370</b>	<b>36,294</b>
<b>b) Other operating activities</b>					
Income tax paid		(139)	(284)	(423)	(678)
<b>Net cash used in other operating activities</b>		<b>(139)</b>	<b>(284)</b>	<b>(423)</b>	<b>(678)</b>
<b>Total cash generated from all operating activities</b>		<b>22,939</b>	<b>54,008</b>	<b>76,947</b>	<b>35,616</b>
<b>Investing activities</b>					
Profit / return received		1,000	888	1,888	4,075
Payments for investments		-	-	-	(23,611)
Proceeds from investments		38,000	-	38,000	21,714
Fixed capital expenditure		(214)	-	(214)	(2,505)
Proceeds from sale of property and equipment		-	-	-	1,457
<b>Total cash generated from investing activities</b>		<b>38,786</b>	<b>888</b>	<b>39,674</b>	<b>1,130</b>
<b>Financing activities</b>					
Qard-e-Hasna	13	(25,000)	25,000	-	-
<b>Total cash (used in) / generated from financing activities</b>		<b>(25,000)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>
<b>Total cash generated from all activities</b>		<b>36,725</b>	<b>79,896</b>	<b>116,621</b>	<b>36,746</b>
Cash and cash equivalents at the beginning of the year		3,461	76,870	80,331	43,585
<b>Cash and cash equivalents at the end of the year</b>	11	<b>40,186</b>	<b>156,766</b>	<b>196,952</b>	<b>80,331</b>
<b>Reconciliation to profit and loss account</b>					
Operating cash flows		22,939	54,008	76,947	35,616
Depreciation / amortization expense	24	(837)	-	(837)	(694)
Financial charges expense	27	(14)	-	(14)	-
Loss on disposal of investments	25	(1,051)	-	(1,051)	(3,521)
Dividend income	25	792	-	792	2,295
Other investment income	25	1,578	3,758	5,336	2,344
Increase in assets other than cash		10,654	21,675	32,329	31,042
Increase in liabilities other than borrowings		(16,954)	(103,556)	(120,510)	(58,960)
<b>Other adjustments</b>					
Provision for impairment of receivable from takaful contract holders	9	-	(882)	(882)	-
<b>Profit / (deficit) for the year</b>		<b>17,107</b>	<b>(24,997)</b>	<b>(7,890)</b>	<b>8,122</b>

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

  
Rashid Amin  
Chief Financial Officer

  
Babar Mahmood Mirza  
Chief Executive Officer

  
Ali H. Shirazi  
Director

  
Fahim Ali Khan  
Director

  
Yusuf H. Shirazi  
Chairman



# Window Takaful Operations

# Notes to and Forming Part of the

# Financial Statements

## For the year ended December 31, 2018

### 1. Legal status and nature of business

Atlas Insurance Limited (the Operator) was granted a license to undertake Window Takaful Operations (WTO) in Pakistan on March 02, 2016 by the Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012.

For the purpose of carrying on the takaful business, as per requirement of circular 8 of 2014 the Operator transferred Rs. 50,000 thousand in a separate bank account and thereafter, formed a Waqf / Participants' Takaful Fund (PTF) on March 12, 2016 under a Waqf deed with the ceded money of Rs. 500 thousand. The Waqf deed governs the relationship of Operator and Participants for management of takaful operations.

### 2. Basis of preparation and statement of compliance

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and the Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012, shall prevail.

#### 2.2 Basis of preparation

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 89(I)/2017 dated February 9, 2017 issued the Insurance Rules, 2017 (the Rules) for insurance companies which were enforceable with immediate effect. The Rules prescribe the amended format of financial statements for non-life insurance companies. Further the Rules did not carry forward the exemption in application of International Accounting Standard (IAS) - 39 'Financial Instruments: Recognition and Measurement' in respect of 'available for sale' securities. SECP vide letter No.ID/OSM/Atlas/2017/12196 dated October 05, 2017 granted specific exemptions to the Operator to prepare the financial statements for the year ended December 31, 2017, in accordance with the requirements of the previously applicable SEC (Insurance) Rules, 2002.

In accordance with directives of SECP, with effect from January 01, 2018 the Operator has changed its accounting policy in respect of the presentation of the financial statements, measurement of 'available for sale' investments and recognition of contribution revenue as explained in note 3.1 of these financial statements.

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful (PTF) in a manner that the assets, liabilities, income and expenses of the OPF and PTF remain separately identifiable.

#### 2.3 Basis of measurement

These financial statements have been prepared under historical cost convention, except that certain investments that are carried at fair market value and the recognition of certain employee retirement benefits that are measured at present value.

#### 2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Operator's functional and presentation currency.

#### 2.5 Standards, interpretations and amendments to accounting and reporting standards effective in the current year

##### a) First time adoption of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017

The Insurance Rules, 2017 (the Rules) became applicable to the Operator for the first time for the preparation of annual financial statements, as disclosed in note 3.1.1 to these financial statements. Changes prescribed under Annexure - II to the Rules, included a change in the overall presentation of the financial statements of non-life insurance companies, change in nomenclature of the primary statements and included additional disclosures therein as prescribed under the Rules.

## **b) Standards, interpretations and amendments effective in the current year but are not relevant**

In addition to the above, there are certain new and amended standards and interpretations that are mandatory for the Operator's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or to have any significant effect on the Operator's operations and therefore are not detailed in these financial statements.

## **2.6 Standards, interpretations and amendments to accounting and reporting standards not effective at year end**

There are certain new and amended standards and interpretations that are mandatory for the Operator's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Operator's operations upon initial application and are, therefore, not disclosed in these financial statements, except for the following:

### **a) General Takaful Accounting Regulations, 2018**

The Securities and Exchange Commission of Pakistan (SECP) has notified the draft General Takaful Accounting Regulations, 2018 (the Regulation), through S.R.O. 992(I)/2018 dated August 8, 2018 having application on accounting periods commencing on or after January 1, 2019. The draft regulations provide the principles based on which accounting and reporting of general takaful business of general takaful operators and window general takaful operators shall be made. The draft regulations also contain the formats for reporting of financial statements and regulatory returns of general takaful /window takaful operators.

Accordingly, the financial statements of the Operator will be aligned with the requirements of the aforementioned Regulations from the financial year commencing January 1, 2019.

The management is in the process of assessing the impact of changes laid down by the regulations on its financial statements.

### **b) IFRS 9 - Financial instruments**

This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model for the financial assets

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

### **c) IFRS 16 - Leases**

This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases'. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The new accounting model for lessees may impact negotiations between lessors and lessees.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

### **d) IFRS 17 - Insurance contracts**

This standard has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2022 and yet to be notified by the SECP. The standard provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grand fathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the contribution allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts include the measurement of the present value of future cash flows incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows); a contractual service margin equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The management is in the process of assessing the impact of changes laid down by the standard on its financial statements

### 3. Summary of significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for changes in accounting policies as mentioned below in note 3.1 to these financial statements.

#### 3.1 Change in accounting policies

##### 3.1.1 Presentation and disclosures required in the financial statements

As per Insurance Rules, 2017 (the Rules), the presentation and disclosure requirements of the financial statements were changed for insurance companies whose financial year ended on or after March 31, 2017. However, as referred to in note 2.2 the Operator was granted specific exemption by the SECP for the financial year ended December 31, 2017. With effect from January 01, 2018 the format prescribed for non-life insurance companies in Annexure II of the Rules has been adopted, and changes to the presentation and disclosures in these financial statements have been applied retrospectively, in accordance with requirements of IAS-8 'Accounting policies, Changes in Accounting Estimates and Errors'.

##### Key changes in the prescribed Rules include:

- a change in the sequence and certain classifications of assets / liabilities in the statement of financial position;
- discontinuation of separate statements of contributions, claims, expenses and investment income which are now presented on aggregate basis into the notes to the financial statements;
- takaful results in relation to various classes of business which were previously presented in the profit and loss account are now presented in note 30 'Segment reporting' to the financial statements; and
- inclusion of various additional disclosures and change in the form of existing disclosures.

##### 3.1.2 Basis for measurement of available for sale investments

As referred to in note 2.2, the Operator has adopted with effect from January 01, 2018, the Insurance Rules, 2017 (the Rules) for the preparation of its financial statements. Investments classified as 'available for sale' are now initially measured at cost, being the fair value of consideration given, and at each subsequent reporting date are remeasured at fair market value. Changes in fair market value of 'available for sale' investments are recognised in other comprehensive income / (loss) until derecognised or determined to be impaired. Previously, the Operator recorded its 'available for sale' investments at cost and remeasured them at lower of cost or fair market value (fair 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 change in aforementioned accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the prior period financial statements have been summarised below:

Operator's Fund (OPF)	December 31, 2017			December 31, 2016		
	As previously reported	Adjustment	After adjustment	As previously reported	Adjustment	After adjustment
	(Rupees in thousand)					
<b>Impact on statement of financial position</b>						
Increase in investments	38,377	102	38,479	40,000	492	40,492
Increase in deferred tax liabilities	-	31	31	-	148	148
Increase in investment fair value reserve	-	71	71	-	344	344
				<b>2017</b>		<b>2016</b>
				(Rupees in thousand)		
<b>Impact on statement of comprehensive income</b>						
Decrease in other comprehensive income - net of deferred tax				273		-
<b>Impact on statement of changes in fund</b>						
Decrease in investment fair value reserve - net of deferred tax				(273)		344

There was no impact on the profit and loss account and cash flow statement as a result of the retrospective application of change in accounting policy.

### **3.1.3 Basis for recognition of contribution**

The Insurance Accounting Regulations, 2017, requires the recognition of contribution receivable under a takaful policy / cover note as written from the date of attachment of risk to the policy / cover note. Accordingly, the Operator is required to account for cover notes which are effective as at reporting date. In previous years, the Operator recognized contribution under a policy as written at the time of issuance of policy in accordance with SEC Insurance, Rules, 2002. The change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. The impact of the same is not considered to be material to the financial statements of the Operator and accordingly comparatives have not been restated in this regard.

### **3.1.4 Adoption of Companies Act, 2017**

The Companies Act, 2017 has been effective from May 31, 2017 in place of the repealed Companies Ordinance, 1984. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 23/ 2017 dated October 04, 2017, the financial statements for the year ended December 31, 2017, were prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

These financial statements have been prepared in accordance with the provisions of and directives issued under the Companies Act, 2017. The change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. There is no financial impact of the same on these financial statements.

## **3.2 Property and equipment**

### **3.2.1 Operating assets - owned**

Operating assets except freehold land are stated at cost less accumulated depreciation and impairment, if any. Cost of tangible operating assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income, through the profit and loss account, by applying the reducing balance method at the rates given in note 5.1 to write off the cost of operating assets over their expected useful life. Depreciation on addition to operating assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal. Management judgement and estimates are involved in determining the residual values and useful lives of assets that best reflects the expected pattern of consumption of the future economic benefits embodied in the asset by the Operator.

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, in the profit and loss account.

The operating assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Operator's estimate of the residual value of its operating asset as at December 31, 2018 has not required any adjustment as its impact is considered insignificant.

### **3.2.2 Operating assets - 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 operating 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.

## **3.3 Intangible assets**

Intangible assets are 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.

## **3.4 Takaful contracts**

Takaful contracts are based on the principles of Wakala where the Participants' Takaful Fund (PTF) accepts significant Takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

The Operator underwrites non-life takaful contracts categorized into fire and property damage, marine, aviation and transport, motor and miscellaneous contracts. The contracts may have a fixed term of one year or less and in some cases for more than one year. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator based on its assessment of the takaful risk involved.

The classification of a takaful contract into the aforementioned categories is based on management's judgment regarding the incident / cause of loss effecting the majority of asset(s) covered under the takaful contract. The Operator performs its segment reporting activities based on the classifications of takaful contracts made, as disclosed in note 30 to these financial statements.

**a) Fire and property damage takaful:**

**i) Takaful risks and events insured**

Cover is provided to the takaful contract holders against damages caused 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. These takaful contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

**ii) Revenue recognition policy**

Contribution income is recognized over the period of takaful from the date of the issue of the policy / covernote to which it relates, to its expiry. For direct takaful business, contribution is recognized evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contributions 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. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for one year, the Operator maintains its provision for unearned contribution by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017.

In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 4,000 per policy.

**iii) Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under Incurred But Not Reported (IBNR) and expected claims settlement costs.

**b) Marine, aviation and transport takaful:**

**i) Takaful risks and events insured**

Cover is provided upon the assets of the takaful contract holders against 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. This product is normally provided to commercial organizations. These takaful contracts are normally availed by commercial organizations, however are available to both commercial organizations and individuals.

**ii) Revenue recognition policy**

Contribution income is recognized over the period of takaful from the date of the issue of the policy / covernote to which it relates, to its expiry. For direct business, contribution is recognized evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contribution 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. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for one month period, contribution written during last month of the financial year is taken to the provision for unearned contribution at the reporting date.

In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 4,000 per policy.

### **iii) Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

#### **c) Motor takaful:**

##### **i) Takaful risks and events insured**

Cover is provided to assets of the takaful contract holders against accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage. This product is normally availed by individual customers, however are available to both commercial organization and individuals.

##### **ii) Revenue recognition policy**

Contribution income is recognized over the period of takaful from the date of the issue of the policy / covernote to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contributions 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. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for one year, the Operator maintains its provision for unearned contribution by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Takaful Accounting Regulations, 2017.

In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 2,000 per policy.

### **iii) Claims recognition**

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

#### **d) Miscellaneous takaful:**

##### **i) Takaful risks and events insured**

Cover is provided to assets of the takaful contract holders against damage / loss occurring due to burglary, loss of cash in safe, cash in transit and cash on counter, health, travel and crop etc. As per guidance of Insurance Accounting Regulations, 2017 amounts constituting less than 10% of the gross contribution revenue are clubbed together under this class of takaful contract. Normally personal takaful contracts e.g. vehicle, travel, personal accident, etc. are provided to individual customers, whereas, takaful contracts of loss of cash in safe, cash in transit and cash on counter and health, etc. are provided to commercial organizations.

##### **ii) Revenue recognition policy**

Contribution income is recognized over the period of takaful from the date of the issue of the policy / covernote to which it relates, to its expiry. For direct business, evenly over the period of the policy and for proportional retakaful business, evenly over the period of underlying takaful policies. Where the pattern of incidence of risk varies over the period of the policy, contribution is recognized as revenue in accordance with the pattern of the incidence of risk. Contributions 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. The gross contribution underwritten is adjusted against the unearned contribution reserves / liabilities existing at each reporting date to determine the net contribution underwritten during the year.

Since majority of policies are for one year, the Operator maintains its provision for unearned contribution by applying the 1/24th method as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017.

In addition to direct takaful, at times the Operator also participates in risks under cotakaful from other companies and also accepts risks through retakaful inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Operator. Contribution recognized against cotakaful policies is limited to the share of the Operator only. The nature of the risks undertaken under such arrangement is consistent with the risks in each class of business as stated above.

Contribution income includes administrative surcharge that represents documentation and other charges recovered by the Operator from takaful contract holder in respect of policies issued, at the rate of 5% of the gross contribution written restricted to a maximum of Rs. 4,000 per policy, and Rs. 2,000 in case of health takaful.

### iii) Claims recognition

Claim liability against losses incurred are recognized at the time of the incident giving rise to the claim, except otherwise expressly indicated in the takaful contract. A claim generally includes the loss resulting from the incident, along with claim handling costs that are directly related to the processing / settling the claims, net of any salvage recoveries and any adjustments to claims outstanding from previous years. In addition to reported claims, the liability also includes provisions made under IBNR and expected claims settlement costs.

Detailed accounting policies for recording and measurement of retakaful contracts held, receivables / payables related to takaful contracts and provision for outstanding claims including Incurred But Not Reported (IBNR) are mentioned in note 3.8, 3.9 and 3.18, respectively.

### 3.5 Deferred commission expense / acquisition cost

Commission expenses incurred in obtaining and recording takaful are deferred and recognised as an asset. The deferred amount represents the portion of commission expense relating to the unexpired period of the takaful coverage at the reporting date.

The same is amortized systematically, through the profit and loss account, over the reporting periods over which the related contribution revenue is recognized. Accordingly, deferred commission expense is also effected by the judgement and estimates involved in the determination of contribution revenue.

The Operator maintains its provision for deferred commission expense by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in the Insurance Accounting Regulation, 2017 for non-life insurance companies. In case of marine, aviation and transport commission expense relating to last month is taken as deferred commission expense.

### 3.6 Unearned contribution reserves

The unearned portion of contribution written is set aside as an unearned contribution reserve. The provision for unearned contribution accordingly, represents the portion of contribution written relating to the unexpired period of takaful coverage at the reporting date. The method selected by management involves judgement and estimates regarding the expected pattern of incidence of risk in relation to a particular type of policy.

The Operator maintains its provision for unearned contribution by applying the 1/24th method on fire and property damage, motor and miscellaneous as stipulated in regulation 24(4)(ii) of the Insurance Accounting Regulations, 2017. However, in case of marine, aviation and transport, contribution written during last month is taken to the provision for unearned contribution.

### 3.7 Contribution deficiency reserve

In order to comply with the requirements of section 34(2)(d) of the Insurance Ordinance, 2000, a contribution deficiency reserve is maintained for each operating segment, where the unearned contribution liability for any class of business is not adequate to meet the expected future liability, after retakaful, for claims, commissions, and other underwriting expenses, expected to be incurred after the reporting date in respect of the policies in force at the reporting date, in that operating segment. The movement in the contribution deficiency reserve is recorded as an expense / income as part of the underwriting results for the year.

An estimate of loss ratios for the expired period is carried out, at each operating segment level, keeping in view historical claim development and experience during the expired period of the contracts. Where ratios are adverse, an assessment is made to determine if it is due to one off claim that are not expected to recur during the remaining period of the policies and expectations of future events that are believed to be reasonable. If determined to be inadequate, a deficiency in contribution is recognized in the current reporting period. The loss ratios for the current and prior year are as follows:

	<b>2018</b>	<b>2017</b>
Fire and property damage	9%	20%
Marine, aviation and transport	9%	11%
Motor	66%	36%
Miscellaneous	88%	61%

Keeping in view the adequacy of the reserves on December 31, 2018, in line with the provisions of the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017, a contribution deficiency reserve is not required and accordingly no provision for the same has been made in financial statements of the current year.

### **3.8 Retakaful contracts held**

The Operator enters into retakaful contracts with retakaful companies by arranging treaty retakaful, 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 retakaful of excess of capacity is also placed on case to case basis under facultative retakaful arrangement. The Operator also accepts facultative retakaful from other local takaful companies provided the risk meets the underwriting requirements of the Operator.

The risks undertaken by the Operator under these contracts for each operating segment are stated in note 3.4 to the financial statements.

The benefits to which the Operator is entitled under retakaful contracts held are recognized as retakaful assets. These assets include retakaful receivables as well as receivables that are dependent on the expected claims and benefits arising under the related retakaful contracts. Retakaful liabilities primarily include contribution payable and retakaful rebate payable (in case of facultative acceptance). Retakaful assets and liabilities are measured consistently with the terms of the underlying retakaful contracts.

Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired. Furthermore, Retakaful assets are not offset against related takaful liabilities.

Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the PTF from its direct obligation to its policyholders.

### **3.9 Receivables and payables related to takaful contracts**

Takaful / retakaful receivables and payables are recognized 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. These include amounts due to and from agents, brokers, takaful contract holders and other takaful companies.

An assessment is made at each reporting date to determine whether there is objective evidence from external as well as internal sources of information that a financial asset or group of assets may be impaired i.e. recoverable amount at the reporting date is less than the carrying amount of the asset. 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 reporting date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense, in the profit and loss account for the period.

### **3.10 Segment reporting**

The Operator accounts for segment reporting based on the guidelines of the Insurance Accounting Regulations, 2017 and the operating segments as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017, as the primary reporting format based on the Operator's practice of internal reporting to the management on the same basis. The Operator has determined its primary segments based on takaful risks covered under four types of takaful contracts as stated in note 3.4 to the financial statements.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

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

### **3.11 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Operator in the management of its short-term commitments.

### **3.12 Revenue recognition**

#### **a) Contribution income earned**

Contribution income under a takaful contract is recognized over the period of takaful from the date of the issue of the policy / cover note to which it relates, to its expiry as detailed in note 3.4 to the financial statements.

#### **b) Rebate from retakaful operators**

Rebate from retakaful operators is recognised at the same time of insurance of the underlying takaful policy by the Operator and is deferred in accordance with the pattern of recognition of the retakaful contribution to which it relates.

### c) Investment income

Return on Islamic investment products i.e. investments, profit on profit and loss sharing accounts and bank deposits are recognized on accrual basis.

Gain / loss on sale of available for sale investments are included in profit and loss account.

### d) Dividend income

Dividend income is recognized when the right to receive such dividends is established.

### e) Wakala and Modarib's share

The Operator manages the general takaful operations for the participants and charges 35% for fire and property, 35% for marine, aviation and transport, 30% for motor, 35% for engineering, 30% for health and 30 % for miscellaneous, of gross contribution written including administrative surcharge as Wakala fee against the services. Wakala fee is recognized on the same basis on which the related revenue is recognized. The same is recognised as an expense in the PTF and income excluding the portion of fee pertaining to accounting, claim handling and possible contribution refund in the OPF.

Unexpired portion of Wakala fee is deferred and, recognized as a liability of the OPF and an asset of the PTF until amortised over the takaful term.

The Operator also manages the participant's investment as Modarib and charges 25% of the investment income earned by the PTF as Modarib fee. It is recognized on the same basis on which related investment income is recognized. The same is recognised as an expense in the PTF and income in the OPF.

### f) Administration surcharge

Administrative surcharge includes documentation and other charges recovered by the Operator from takaful contract holders in respect of takaful policies issued, at a rate of 5% of the gross contribution, restricted to a maximum of Rs. 2,000 in case of motor and health, and Rs. 4,000 in case of all other takaful contracts. Administrative surcharge is recognized as revenue at the time of issuance of policy.

For the purpose of these financial statements, administrative surcharge is included in gross contribution written during the year.

## 3.13 Investments

### 3.13.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. All investments in equity securities, debt securities and term deposits are accounted for under IAS-39 and based thereon can be classified into any of the following categories:

- Held to maturity
- Available for sale

### 3.13.2 Measurement

#### 3.13.2.1 Equity securities

Currently the Operator classifies investment in equity securities such as shares in other companies, mutual fund units etc. as "available for sale".

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Investments classified as 'available for sale' are initially measured at cost, being the fair value of consideration given.

At each subsequent reporting date, available for sale investments are remeasured at fair market value. Changes in fair market value are recognised in other comprehensive income / (loss) until derecognised or determined to be impaired. Gains / losses on derecognition and impairment losses / reversals are recognized in profit and loss account.

The accounting policy for impairment of investments is disclosed in note 3.16 to these financial statements.

#### 3.13.2.2 Debt securities and term deposits

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 contribution 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.

### **3.14 Off-setting of financial assets and financial liabilities**

A financial asset and financial liability other than those relating to takaful contract is offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

### **3.15 Provisions**

Provisions are recognized when the Operator 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 reporting date and adjusted to reflect the current best estimate.

### **3.16 Impairment of assets**

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account.

Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment.

Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

### **3.17 Management expenses**

Expenses of management include both directly and indirectly attributable expenses allocated to various classes of business / operating segments on the basis of gross contribution. Management judgement is involved in determining the nature of expenses that are not allocable to the underwriting business and based thereon are classified as other expenses.

Allocation of management expenses effects the underwriting results of the operating segments, as disclosed in note 27 to these financial statements.

### **3.18 Provision for outstanding claims / benefits including Incurred But Not Reported (IBNR)**

The Operator recognizes liability in respect of all claims incurred up to the reporting 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 a takaful 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 reporting date, whether reported or not. The Operator engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred But Not Reported claim reserve, 2016".

The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the retakaful recoveries. The estimation process takes into account the past claims reporting pattern and details of retakaful programs.

The contribution liabilities have been determined such that the total contribution liability provisions (unearned contribution reserve and contribution deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of reporting date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

### 3.19 Creditors and accruals

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 Operator.

### 3.20 Claims

Claims are charged to PTF income as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

### 3.21 Qard-e-Hasna

When the PTF including reserves are insufficient to meet the current payments less receipts, the deficit is funded by way of interest free loan (qard-e-hasna) from the OPF.

### 3.22 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after deducting the claims / benefits paid to them during the year.

## 4. Critical accounting estimates and judgments

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 Operator'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.

In particular, judgements and estimates made by the management in the application of approved accounting standards, as applicable in Pakistan, that involve a high degree of complexity or assumptions and are significant to these financial statements are as follows:

- a) determining the residual values and useful lives of fixed assets (note 3.2);
- b) classification of takaful contracts (note 3.4);
- c) deferred commission expense (note 3.5);
- d) unearned contributions reserves (note 3.6);
- e) contributions deficiency reserve (note 3.7);
- f) receivable and payable related to takaful contracts (note 3.9);
- g) segment reporting (note 3.10);
- h) classification and measurement of investments (note 3.13); and
- i) impairment of assets (note 3.16);
- j) allocation of management expenses (note 3.17);
- k) provision for outstanding claims (including IBNR) (note 3.18);

	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u>
<b>5. Property and equipment - OFF</b>			
Operating assets - tangible	5.1	2,157	2,480
<b>5.1 Operating assets</b>			

	2018									
	Cost				Accumulated depreciation				Written down value as at December 31	Depreciation rate
	As at January 01	Additions / (disposals)	Adjust- ments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjust- ments	As at December 31		
	(Rupees in thousand)									
Computers equipment	-	214	-	214	-	41	-	41	173	30
Vehicles	2,893	-	-	2,893	413	496	-	909	1,984	20
	2,893	214	-	3,107	413	537	-	950	2,157	
	2017									
	Cost				Accumulated depreciation				Written down value as at December 31	Depreciation rate
	As at January 01	Additions / (disposals)	Adjust- ments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjust- ments	As at December 31		
	(Rupees in thousand)									
Vehicles	2,334	2,205 (1,646)	-	2,893	96	506 (189)	-	413	2,480	20
	2,334	559	-	2,893	96	317	-	413	2,480	

5.1.1 The depreciation charge / expense for the year has been allocated to management expenses as disclosed in note 24.

## 6. Intangible assets

	Cost				Accumulated amortisation				Written down value as at December 31	Amortisation period	
	As at January 01	Additions / (disposals)	Adjust- ments	As at December 31	As at January 01	Charge for the year	Adjust- ments	As at December 31			
		(Rupees in thousand)									
		Years									
<b>Finite useful life</b>											
Computer softwares	900	-	-	900	355	300	-	655	245	3	
<b>2018</b>	900	-	-	900	355	300	-	655	245		
<b>Finite useful life</b>											
Computer softwares	600	300	-	900	167	188	-	355	545	3	
<b>2017</b>	600	300	-	900	167	188	-	355	545		

6.1 The amortisation charge / expense for the year has been allocated to management expenses as disclosed in note 24.



	<u>Note</u>	<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>	
<b>12. Statutory fund</b>				
Statutory reserves	12.1	50,000	50,000	
<b>12.1</b>	Amount of Rs. 50,000 thousand (2017: Rs. 50,000 thousand) is deposited as statutory reserves to comply with provisions of para 4 of Circular No 8 of 2014 read with section 11(c) of Takaful Rules, 2012 issued by Securities and Exchange Commission of Pakistan which states that "Every insurer who is interested to commence window takaful business shall transfer an amount of not less than 50 million Rupees to be deposited in a separate bank account for window takaful business duly maintained in a scheduled bank".			
<b>13. Qard-e-Hasna - PTF</b>		<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>	
Opening balance of Qard-e-Hasna		-	-	
Qard-e-Hasna transferred from OPF during the year		25,000	-	
Qard-e-Hasna returned by PTF during the year		-	-	
Closing balance of Qard-e-Hasna		25,000	-	
<b>14. Retirement benefit obligations</b>				
The Operator maintains separate defined benefit plans for management and non-management staff. Contribution are made based upon recommendations of the latest actuarial valuations carried out, such that the employer's contributions should remain within the limits laid down in the Income Tax Rules, 2002. Contributions made are recognised as an expense.				
Detailed disclosures as required under Insurance Rules, 2017, have been presented on a collective basis in the separate financial statements of Atlas Insurance Limited.				
<b>15. Takaful / retakaful payable</b>		<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>	
Due to co-takaful / retakaful		37,467	13,261	
	<u>OPF</u> <u>2018</u>	<u>PTF</u> <u>2018</u>	<u>Total</u> <u>2018</u>	<u>Total</u> <u>2017</u>
<b>16. Other creditors and accruals</b>	(Rupees in thousand)			
Agent commission payable	3,283	-	3,283	1,950
Federal Excise Duty / Sales tax	-	1,336	1,336	699
Federal Insurance Fee	-	163	163	96
Other tax payable	994	247	1,241	1,064
Leave encashment	1,457	-	1,457	-
Bonus payable to staff	1,724	-	1,724	1,434
Tracker fee payable	-	1,460	1,460	1,283
Payable to related parties	83	-	83	28
Provision for long service award	-	-	-	200
Modarib share of investment	-	2,083	2,083	708
Others	1,072	47	1,119	1,811
	8,613	5,336	13,949	9,273
<b>17. Contingencies and commitments</b>				
<b>17.1 Contingencies</b>				
There are no outstanding contingencies of Atlas Insurance Limited - Window Takaful Operations (WTO) as on December 31, 2018.				
<b>17.2 Commitments</b>				
The amount of future payments under operating leases and the period in which these payments will become due are as follows:				
		<u>2018</u> <u>(Rupees in thousand)</u>	<u>2017</u> <u>(Rupees in thousand)</u>	
Not later than one year		3,263	7,582	
Later than one year and not later than five years		4,608	5,185	
		7,871	12,767	

	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	
<b>18. Net takaful contribution - PTF</b>		
Written gross contribution	211,554	123,408
Add: Unearned contribution reserve - opening	62,743	35,303
Less: Unearned contribution reserve - closing	(106,254)	(62,743)
Contribution earned	168,043	95,968
Less: Retakaful contribution ceded	58,932	26,341
Add: Prepaid retakaful contribution - opening	14,542	5,349
Less: Prepaid retakaful contribution - closing	(18,775)	(14,542)
Retakaful expense	54,699	17,148
	<u>113,344</u>	<u>78,820</u>
<b>19. Net takaful claims expense - PTF</b>		
Claims paid	58,755	26,448
Add: Outstanding claims including IBNR - closing	30,434	9,049
Less: Outstanding claims including IBNR - opening	(9,049)	(3,132)
Claims expense	80,140	32,365
Less: Retakaful and other recoveries received	2,921	3,494
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	3,519	1,232
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(1,232)	-
Retakaful and other recoveries received	5,208	4,726
	<u>74,932</u>	<u>27,639</u>
<b>19.1 Claim development</b>		
The development of claims against takaful contracts written is not disclosed as there is inadequate claim experience i.e. less than four years of the takaful business till date and claims are generally settled within one year.		
	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	
<b>20. Net commission expense / acquisition costs - OPF</b>		
Commission paid / payable	15,502	11,838
Add: Deferred commission expense - opening	6,129	3,330
Less: Deferred commission expense - closing	(6,997)	(6,129)
Net commission expense	14,634	9,039
<b>21. Wakala fee / expense</b>		
Gross wakala fee / expense	65,301	38,183
Add: Deferred wakala expense / unearned wakala fee - opening	19,970	11,043
Less: Deferred wakala expense / unearned wakala fee - closing	(33,715)	(19,970)
Wakala fee / expense	51,556	29,256
<b>22. Net rebate on retakaful - PTF</b>		
Retakaful rebate received	8,490	4,627
Add: Retakaful rebate - opening	2,018	1,018
Less: Retakaful rebate - closing	(3,695)	(2,018)
Net retakaful rebate	6,813	3,627
<b>23. Direct expenses - PTF</b>		
Bank charges	77	103
Tracker expenses	22,593	18,439
Provision for doubtful debts	882	-
Miscellaneous	149	32
	<u>23,701</u>	<u>18,574</u>

	<u>Note</u>	<u>2018</u> <b>(Rupees in thousand)</b>	<u>2017</u> <b>(Rupees in thousand)</b>
<b>24. Management expenses</b>			
Employee benefit cost	24.1	11,344	10,664
Shariah advisor fee		1,669	1,505
Travelling expenses		160	177
Advertisement and sales promotion		1,698	838
Printing and stationery		276	314
Depreciation expense		537	506
Amortization expense	5.1	300	188
Vehicle running expenses	6	889	978
Fee and subscriptions		2,654	2,863
Annual supervision fee SECP		370	-
Bank charges		3	3
Miscellaneous		521	210
		<u>20,421</u>	<u>18,246</u>
<b>24.1 Employee benefit cost</b>			
Salaries, allowance and other benefits		10,680	10,204
Charges for post employment benefit		664	460
		<u>11,344</u>	<u>10,664</u>
<b>25. Investment income</b>			
<b>Operator's Fund</b>			
- Profit on bank deposits for the year		325	226
- Mudarib's share		1,253	530
- Dividend income		792	2,295
		<u>2,370</u>	<u>3,051</u>
<b>Available for sale financial assets</b>			
Realised losses on			
- Equity securities		(1,051)	(3,521)
		<u>1,319</u>	<u>(470)</u>
<b>Participant's Takaful Fund</b>			
- Profit on bank deposits for the year		5,011	2,118
- Mudarib's share		(1,253)	(530)
		<u>3,758</u>	<u>1,588</u>
<b>26. Other expenses</b>			
Auditor's remuneration	26.1	713	654
<b>26.1 Auditor's remuneration</b>			
Audit fee		363	330
Special certifications and sundry advisory services		290	264
Out of pocket expenses		60	60
		<u>713</u>	<u>654</u>
<b>27. Finance cost</b>			
Exchange loss		14	-
<b>28. Compensation of chief executive, directors and executives</b>			

Aggregate amounts charged in the accounts for remuneration to the Executives of the Operator are as follows, while details of the same with respect to the CEO and directors has been represented on a collective basis in the separate financial statements of Atlas Insurance Limited.

	<b>Executives</b> <b>2018</b> <b>(Rupees in thousand)</b>		<b>2017</b> <b>(Rupees in thousand)</b>
Managerial remuneration	4,065	3,556	
Leave encashment	50	-	
Bonus paid	1,110	1,019	
Contribution to defined benefit plan	151	157	
Contribution to defined contribution plan	392	293	
Rent and house maintenance	1,634	1,435	
Utilities	363	319	
Medical	257	-	
Conveyance	420	420	
Others (petrol, telephone, conveyance, newspaper)	661	178	
<b>Total</b>	<u>9,103</u>	<u>7,377</u>	
Number of persons	<u>3</u>	<u>3</u>	

## 29. Related party transactions

Related parties comprises of associated entities, entities under common control, entities with common directors, major shareholders, post employment benefit plans and key management personnel, inclusive of directors, and their close family members. Transactions with related parties are carried out on mutually agreed terms and conditions.

Amounts due to / from and other significant transactions, other than those disclosed elsewhere in this financial statements, are as follows:

		<b>2018</b>	<b>2017</b>
		<b>(Rupees in thousand)</b>	
<b>Parent Company</b>	<b>Transactions during the period</b>		
	Contribution underwritten	204	246
	Contribution collected	232	561
<b>Associated companies</b>	<b>Year end balances</b>		
	Provision for outstanding claims (including IBNR)	138	-
	Contribution received in advance	224	62
	<b>Transactions during the year</b>		
	Contribution underwritten	3,472	1,309
	Contribution collected	4,218	1,902
	Claims Paid	820	353
	Vehicle purchased	-	2,255
	Dividend received	792	2,295
	Investment purchased	673	23,611
	Investment sold	37,999	21,714
<b>Retirement benefit plans</b>	<b>Transactions during the year</b>		
	Contributions in respect of retirement benefit plans	543	284
<b>Key management personnel</b>	<b>Year end balances</b>		
	Provision for outstanding claims (including IBNR)	28	-
	Contribution received in advance	-	3
	<b>Transactions during the year</b>		
	Contribution underwritten	50	35
	Contribution collected	58	44
	Claims paid	18	-
	Vehicle sold	-	1,457

## 30. Segment reporting

The Operator has identified four (2017: four) primary operating / business segments for reporting purposes in accordance with the requirements of the Insurance Ordinance, 2000, Insurance Accounting Regulations, 2017 and the Insurance Rules, 2017. These include fire and property damage, marine, aviation and transport, motor and miscellaneous class of operating / business segments. As per Insurance Rules, 2017, information for other segments under which business is less than 10%, is classified under miscellaneous class of operating / business segment.

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

### 30.1 Operator's Fund (OPF)

	<b>December 31, 2018</b>				
	<b>Fire and property damage</b>	<b>Marine, aviation and transport</b>	<b>Motor</b>	<b>Miscellaneous</b>	<b>Total</b>
	<b>(Rupees in thousand)</b>				
Wakala fee / income	7,089	4,623	38,641	1,203	51,556
Commission expense	(2,663)	(1,827)	(9,810)	(334)	(14,634)
Management expenses	(2,246)	(1,225)	(16,337)	(613)	(20,421)
	<u>2,180</u>	<u>1,571</u>	<u>12,494</u>	<u>256</u>	<u>16,501</u>
Investment income					1,319
Other expenses					(713)
<b>Profit before tax</b>					<u>17,107</u>
Segment assets	4,464	2,601	32,759	1,072	40,896
Unallocated assets					67,588
					<u>108,484</u>
Segment liabilities	4,675	2,726	34,314	1,122	42,837
Unallocated liabilities					-
					<u>42,837</u>

## December 31, 2017

	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	(Rupees in thousand)				
Wakala fee / income	4,133	2,075	22,429	619	29,256
Commission expense	(1,668)	(884)	(6,329)	(158)	(9,039)
Management expenses	(2,372)	(1,095)	(14,414)	(365)	(18,246)
	<u>93</u>	<u>96</u>	<u>1,686</u>	<u>96</u>	<u>1,971</u>
Investment income					(470)
Other expenses					(654)
<b>Profit before tax</b>					<u>847</u>
Segment assets	4,106	1,838	25,242	643	31,829
Unallocated assets - (restated)					43,134
					<u>74,963</u>
Segment liabilities	3,395	1,520	20,875	531	26,321
Unallocated liabilities - (restated)					31
					<u>26,352</u>

## 30.2 Participants' TakafulFund (PTF)

## December 31, 2018

	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	(Rupees in thousand)				
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	26,631	15,184	196,289	6,030	244,134
Less: Federal Excise Duty	3,312	1,584	25,131	430	30,457
Federal Insurance Fee	236	134	1,700	53	2,123
Gross written contribution (inclusive of Administrative Surcharge)	<u>23,083</u>	<u>13,466</u>	<u>169,458</u>	<u>5,547</u>	<u>211,554</u>
Gross direct contribution	22,739	12,837	165,924	5,295	206,795
Facultative inward contribution	(188)	42	93	140	87
Administrative surcharge	532	587	3,441	112	4,672
	<u>23,083</u>	<u>13,466</u>	<u>169,458</u>	<u>5,547</u>	<u>211,554</u>
Contribution earned	20,186	13,094	129,625	5,138	168,043
Retakaful expense	(19,249)	(12,454)	(21,981)	(1,015)	(54,699)
Net contribution revenue	937	640	107,644	4,123	113,344
Net rebate on retakaful	3,675	2,204	797	137	6,813
<b>Net underwriting surplus</b>	<u>4,612</u>	<u>2,844</u>	<u>108,441</u>	<u>4,260</u>	<u>120,157</u>
Takaful claims	(891)	(1,017)	(74,590)	(3,642)	(80,140)
Retakaful and other recoveries	808	961	3,445	(6)	5,208
Net claims	(83)	(56)	(71,145)	(3,648)	(74,932)
Wakala expense	(7,089)	(4,623)	(38,641)	(1,203)	(51,556)
Direct expense	(139)	(58)	(23,475)	(29)	(23,701)
Reversal of contribution deficiency reserve	-	1,291	-	-	1,291
<b>Net takaful claims and expenses</b>	<u>(7,311)</u>	<u>(3,446)</u>	<u>(133,261)</u>	<u>(4,880)</u>	<u>(148,898)</u>
<b>Underwriting results</b>	<u>(2,699)</u>	<u>(602)</u>	<u>(24,820)</u>	<u>(620)</u>	<u>(28,741)</u>
Net investment income					3,758
Finance cost					(14)
<b>Deficit for the year</b>					<u>(24,997)</u>
Segment assets	7,220	4,210	52,992	1,733	66,155
Unallocated assets					156,766
					<u>222,921</u>
Segment liabilities	24,092	14,047	176,841	5,788	220,768
Unallocated liabilities					-
					<u>220,768</u>

December 31, 2017

	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
(Rupees in thousand)					
Contribution receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative Surcharge)	23,266	10,466	141,801	3,472	179,005
Less: Federal Excise Duty	5,434	2,450	29,059	784	37,727
Federal Insurance Fee	1,913	892	14,869	196	17,870
Gross written contribution (inclusive of Administrative Surcharge)	15,919	7,124	97,873	2,492	123,408
Gross direct contribution	13,690	6,839	95,840	2,425	118,794
Facultative inward contribution	1,931	14	413	-	2,358
Administrative surcharge	298	271	1,620	67	2,256
	15,919	7,124	97,873	2,492	123,408
Contribution earned	11,934	6,135	76,091	1,808	95,968
Retakaful expense	(9,984)	(3,823)	(2,963)	(378)	(17,148)
Net contribution revenue	1,950	2,312	73,128	1,430	78,820
Net rebate on retakaful	2,132	1,323	94	78	3,627
<b>Net underwriting income</b>	4,082	3,635	73,222	1,508	82,447
Takaful claims	(3,351)	(780)	(27,284)	(950)	(32,365)
Retakaful and other recoveries	2,964	536	1,145	81	4,726
Net claims	(387)	(244)	(26,139)	(869)	(27,639)
Wakala expense	(4,133)	(2,075)	(22,429)	(619)	(29,256)
Contribution deficiency reserve	-	(1,291)	-	-	(1,291)
Direct expense	(21)	-	(18,553)	-	(18,574)
<b>Net takaful claims and expenses</b>	(4,541)	(3,610)	(67,121)	(1,488)	(76,760)
<b>Underwriting results</b>	(459)	25	6,101	20	5,687
Net investment income					1,588
<b>Profit before tax for the year</b>					7,275
Segment assets	5,449	2,436	33,485	851	42,221
Unallocated assets					76,870
					119,091
Segment liabilities	14,918	6,676	91,721	2,335	115,650
Unallocated liabilities					1,291
					116,941

**Available for sale**  
**(Rupees in thousand)**

### 31. Movement in investment - OPF

<b>As at beginning of previous year (restated)</b>	40,492
Additions	23,612
Disposals (sale and redemptions)	(25,235)
Fair value net losses (excluding net realised losses)	(390)
<b>As at beginning of current year - (restated)</b>	38,479
Additions	673
Disposals (sale and redemptions)	(39,051)
Fair value net gains (excluding net realized gain)	(101)
<b>As at end of current year</b>	-

## 32. Fair value measurement of financial instruments

The Operator measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value measurement of available for sale investments is based on quoted market prices i.e. level 1 inputs, and has been discussed in note 7 to the financial statements. In case of other financial assets and financial liabilities that are expected to be settled within one year, carrying amounts are considered to be a reasonable approximation of their fair values.

## 33. Management of takaful and financial risk

### 33.1 Takaful risk

The risk under any one takaful contract is the probability that the covered event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an takaful contract, the risk is random and therefore unpredictable. For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Operator faces under its takaful contracts is that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Takaful 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 takaful 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 Operator has developed its takaful underwriting strategy to diversify the type of takaful 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.

#### (a) Frequency and severity of claims

##### Concentration of insurance risk

One of the most important elements of effective risk management in fire and property takaful 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 retakaful operators in the respective retakaful arrangements. These 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 retakaful operator personnel's in order to check high accumulation of values exposed to risk in a given location. In order to further safeguard large financial commitments the Operator's retention in various risks exposed to an unexpected catastrophic event, an excess of loss retakaful 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 interface 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.

The Operator evaluates the concentration of exposures to individual and cumulative takaful risks and establishes its retakaful policy to reduce such exposures to levels acceptable to the Operator.

Following is a quantitative representation of the risk mitigation applied by the entity by reinsuring its exposures:

	Maximum covered loss		Loss Ceded		Net Retention	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)					
Fire and property damage	23,078,462	14,011,958	21,380,173	11,453,844	1,698,289	1,122,426
Marine, aviation and transport	2,098,142	1,315,735	1,867,346	1,184,162	230,796	131,573
Motor	11,207,104	7,543,651	722,789	169,213	10,484,315	7,355,193
Miscellaneous	1,163,513	1,242,330	1,034,694	12,708,615	128,819	1,143,653
	<u>37,547,221</u>	<u>24,113,674</u>	<u>25,005,002</u>	<u>25,515,834</u>	<u>12,542,219</u>	<u>9,752,845</u>

#### (b) Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims whether reported or not. The Operator recognizes liability in respect of all claims incurred up to the reporting 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 a takaful contract. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported and expected claim settlement costs including but not limited to the expenses incurred by the surveyors.

Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The details of estimation of outstanding claims (including IBNR) are given under note 3.18.

#### (c) Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. Each notified claim is assessed on a separate, case to case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available. Retakaful recoveries against outstanding claims are recognized on occurrence of the related claim liability. These are recorded as an asset and measured at the amount expected to be received.

The Operator engages an actuary to estimate the IBNR as per the SECP Circular No. 9 of 2016, "SEC guidelines for estimation of Incurred But Not Reported claim reserve, 2016". The Guidelines require that estimation for provision for claims incurred but not reported for each class of business, by using prescribed Method "Chain Ladder Method" and other alternate method as allowed under the provisions of the Guidelines. The Chain Ladder Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level to derive an IBNR estimate.

#### (d) Changes in assumptions

There have been no changes in assumptions and the same have been consistently applied.

#### (e) Sensitivity analysis

The risks associated with the takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. However, the Operator 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 Operator's quarterly claims reports and screening of the actual takaful contracts carried out at year-end. The Operator has reviewed the individual contracts and in particular the types of customers to whom the Operator issues contract and the actual reporting years of claims. Change in profit 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 Operator. However, this information is used to develop scenarios related to claims that are used for the projection.



## 2017 (restated) - OPF

	Profit / mark-up bearing			Non Profit / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in thousand)							
<b>Financial assets</b>							
<b>On balance sheet</b>							
Investments							
Equity securities	-	-	-	38,479	-	38,479	38,479
Loans and other receivables	-	-	-	732	-	732	732
Wakala fees receivable	-	-	-	21,309	-	21,309	21,309
Cash and bank	3,461	-	3,461	-	-	-	3,461
	<u>3,461</u>	<u>-</u>	<u>3,461</u>	<u>60,520</u>	<u>-</u>	<u>60,520</u>	<u>63,981</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>3,461</u>	<u>-</u>	<u>3,461</u>	<u>60,520</u>	<u>-</u>	<u>60,520</u>	<u>63,981</u>
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Retirement benefit obligations	-	-	-	260	-	260	260
Other creditors and accruals	-	-	-	6,091	-	6,091	6,091
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,351</u>	<u>-</u>	<u>6,351</u>	<u>6,351</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,351</u>	<u>-</u>	<u>6,351</u>	<u>6,351</u>
<b>On balance sheet gap</b>	<u>3,461</u>	<u>-</u>	<u>3,461</u>	<u>54,169</u>	<u>-</u>	<u>54,169</u>	<u>57,630</u>
<b>Off balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 2018 PTF

	Profit / mark-up bearing			Non Profit / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in thousand)							
<b>Financial assets</b>							
<b>On balance sheet</b>							
Loans and other receivables	-	-	-	675	-	675	675
Takaful / retakaful receivables	-	-	-	8,682	-	8,682	8,682
Retakaful recoveries against outstanding claims	-	-	-	3,519	-	3,519	3,519
Cash and bank	156,766	-	156,766	-	-	-	156,766
	<u>156,766</u>	<u>-</u>	<u>156,766</u>	<u>12,876</u>	<u>-</u>	<u>12,876</u>	<u>169,642</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>156,766</u>	<u>-</u>	<u>156,766</u>	<u>12,876</u>	<u>-</u>	<u>12,876</u>	<u>169,642</u>
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Provision for outstanding claims (including IBNR)	-	-	-	30,434	-	30,434	30,434
Takaful / retakaful payables	-	-	-	37,467	-	37,467	37,467
Wakala fee payable	-	-	-	29,610	-	29,610	29,610
Other creditors and accruals	-	-	-	5,336	-	5,336	5,336
	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,847</u>	<u>-</u>	<u>102,847</u>	<u>102,847</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,847</u>	<u>-</u>	<u>102,847</u>	<u>102,847</u>
<b>On balance sheet gap</b>	<u>156,766</u>	<u>-</u>	<u>156,766</u>	<u>(89,971)</u>	<u>-</u>	<u>(89,971)</u>	<u>66,795</u>
<b>Off balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 2017 (restated) - PTF

	2017 (restated) - PTF						Total
	Profit / mark-up bearing			Non Profit / 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)							
<b>Financial assets</b>							
<b>On balance sheet</b>							
Loans and other receivables	-	-	-	244	-	244	244
Takaful / retakaful receivables	-	-	-	5,957	-	5,957	5,957
Retakaful recoveries against outstanding claims	-	-	-	1,232	-	1,232	1,232
Cash and bank	76,870	-	76,870	-	-	-	76,870
	76,870	-	76,870	7,433	-	7,433	84,303
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	76,870	-	76,870	7,433	-	7,433	84,303
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Provision for outstanding claims (including IBNR)	-	-	-	9,049	-	9,049	9,049
Takaful / retakaful payables	-	-	-	13,261	-	13,261	13,261
Wakala fee payable	-	-	-	21,309	-	21,309	21,309
Other creditors and accruals	-	-	-	3,182	-	3,182	3,182
	-	-	-	46,801	-	46,801	46,801
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	46,801	-	46,801	46,801
<b>On balance sheet gap</b>	76,870	-	76,870	(39,368)	-	(39,368)	37,502
<b>Off balance sheet gap</b>	-	-	-	-	-	-	-

**(a) Sensitivity analysis - profit rate risk**

Profit / yield rate risk arises from the possibility that changes in profit 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 Operator is exposed to profit / yield rate risk for certain deposits with the banks.

	Note	OPF 2018	PTF 2018	Total 2018	Total 2017
(Rupees in thousand)					
<b>Variable rate instruments</b>					
<b>Financial assets</b>					
Cash at bank - saving accounts	11	40,186	156,766	196,952	80,331

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

**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 and loss account would have been as follows:

	OPF 2018	PTF 2018	Total 2018	Total 2017
(Rupees in thousand)				
Impact on profit / surplus	33	501	534	235

## (b) Sensitivity analysis - equity risk

Equity risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Operator is not exposed to any equity risk as it does not hold any investments as at December 31, 2018.

## (c) 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 Operator is not exposed to any material currency risk as no material amount of the financial assets and liabilities are payable in foreign currency, at the end of the year.

### 33.3 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. The Operator 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 Operator's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Operator'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:

Note	OPF 2018	PTF 2018	Total 2018	OPF 2017	PTF 2017	Total 2017
(Rupees in thousand)						
<b>Financial assets:</b>						
Investments						
Equity securities	7	-	-	38,479	-	38,479
Loans and other receivables	8	2,435	3,110	732	244	976
Bank balances and deposits	11	40,186	196,952	3,461	76,870	80,331
Takaful / retakaful receivables	9	-	8,682	-	5,957	5,957
Retakaful recoveries against outstanding claims	19	-	3,519	-	1,232	1,232
Wakala fee receivable		29,610	29,610	21,309	-	21,309
		<u>72,231</u>	<u>241,873</u>	<u>63,981</u>	<u>84,303</u>	<u>148,284</u>

The Operator maintains a general provision against doubtful receivables. The Operator has assessed that past due balances are not impaired since these relate to a number of takaful operators / retakaful with no recent history of default.

#### Age analysis of amounts due from takaful contract holders is as follows:

	Related parties 2018	Others 2018	Total 2018	Related parties 2017	Others 2017	Total 2017
(Rupees in thousand)						
- Up to one year	-	7,586	7,586	-	4,818	4,818
- Past one but less than three years	-	240	240	-	60	60
- Less provision	-	(882)	(882)	-	-	-
	<u>-</u>	<u>6,944</u>	<u>6,944</u>	<u>-</u>	<u>4,878</u>	<u>4,878</u>

### (iii) Credit quality of bank accounts

The Operator maintains a general provision against doubtful receivables. The Operator has assessed that past due balances are not impaired since these relate to a number of takaful operators / retakaful with no recent history of default.

Banks	Rating		Rating agency	2018		Total
	Short term	Long term		OPF	PTF	
	(Rupees in thousand)					
Askari Bank Limited	A1+	AA+	PACRA	-	62,079	62,079
Bank Alfalah Limited	A1+	AA+	PACRA	-	3,619	3,619
Sindh Bank Limited	A-1+	AA	JCR-VIS	40,186	71,513	111,699
Meezan Bank Limited	A-1+	AA+	JCR-VIS	-	6,159	6,159
Bank Islami Pakistan Limited	A1	A+	PACRA	-	13,396	13,396
				40,186	156,766	196,952

Banks	Rating		Rating agency	2017		Total
	Short term	Long term		OPF	PTF	
	(Rupees in thousand)					
Askari Bank Limited	A1+	AA+	PACRA	-	31,956	31,956
Bank Alfalah Limited	A1+	AA+	PACRA	-	3,207	3,207
Sindh Bank Limited	A-1+	AA	JCR-VIS	3,461	41,707	45,168
				3,461	76,870	80,331

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables.

### 33.4 Retakaful risk

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the Operator, in the normal course of business, enters into agreements with other companies for retakaful purposes. Such retakaful 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 contribution. A significant portion of the retakaful is effected under treaty, facultative and also under excess-of-loss retakaful contracts to protect the Operator's exposure towards catastrophic losses.

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

Rating	2018			2017		
	Amount due from other takaful / retakaful	Retakaful recoveries against outstanding claims	Other retakaful assets	Amount due from other takaful / retakaful	Retakaful recoveries against outstanding claims	Other retakaful assets
	(Rupees in thousand)			(Rupees in thousand)		
A or above	-	2,944	18,775	675	1,232	14,542
BBB	-	575	-	-	-	-
	-	3,519	18,775	675	1,232	14,542

### 33.5 Capital management

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

The Operator's objectives when managing capital are:

- (i) to be in compliance with the solvency requirements as prescribed under Takaful Rules, 2012.
- (ii) to safeguard the Fund'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 the participants.

The Operator 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.

### 34. Subsequent events

There are no significant events that need to be disclosed for the year ended December 31, 2018.

### 35. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation as detailed in note 3.1 to these financial statements.

### 36. Date of authorization for issue

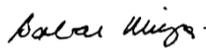
These financial statements were authorized for issue on February 27, 2019 by the Board of Directors of the Operator.

### 37. General

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



Rashid Amin  
Chief Financial Officer



Babar Mahmood Mirza  
Chief Executive Officer



Ali H. Shirazi  
Director



Frahim Ali Khan  
Director



Yusuf H. Shirazi  
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ZAHEER RASHEED Chief Manager	Islamabad - II Branch Office No. 10, 3rd Floor, Huzafia Centre, Plot No. 32, Sector I-8, Markaz, Islamabad.	(051) 2722223-4 Fax: (051) 4861770
<b>SAHIWAL</b>		
RANA MUHAMMAD AAMIR NAZ Deputy Chief Manager	Room No. 1 & 2, 1st Floor, House No. 407- Stadium Road, Sahiwal.	(040) 4222266 Fax: (040) 4222267
<b>MULTAN</b>		
Ghulam Ali Office Incharge	Atlas Honda Building, Azmat Wasti Road, Multan.	(061) 4544494 Fax: (061) 4544498

## SOUTH ZONE OFFICE

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

UAN: 111-245-000  
PABX: (021) 35378806-7, 35369395-6  
Fax: (021) 35378515

BABAR MAHMOOD MIRZA  
Chief Executive Officer

Direct: (021) 35378757

ABBAS SAJJAD  
General Manager Sales & Marketing

Extension: 215

Direct: (021) 35269447

M. WAQARUDDIN RAUF  
Vice President

Extension: 216

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  
Room No. 1501, 15th Floor,  
K.S. Trade Tower, Shahrah-e-Liaqat,  
Karachi.

(021) 32462131, 32422911  
Fax: (021) 32462132

IMRAN SATTAR  
Chief Manager

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

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

KHALID HAMEEDI  
Chief Manager

Karachi Branch - II  
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Shahrah-e-Firdousi,  
Main Clifton, Karachi.

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35369395-6  
Fax: (021) 35378515

INAYATULLAH  
Branch Manager

New Challi Branch  
Office No. 910, 9th Floor, UNI Tower,  
I. I. Chundrighar Road, Karachi.

(021) 32412796-7  
Fax: (021) 32412795

NOUMAN UDDIN  
Deputy Chief Manager

Saddar Branch  
Office No. 18-C, 2nd Floor, Phase - VII,  
Khayaban-e-Jami, DHA, Karachi.

(021) 35319393-94  
Fax: (021) 35319395

AJAZ TUFAIL  
Branch Manager

NCB Branch - II  
Office No. 910, 9th Floor, UNI Tower,  
I. I. Chundrighar Road, Karachi.

(021) 32412798-9  
Fax: (021) 32412795

### HYDERABAD

ZAFAR AHMAD GHOURI  
Circle Chief, Hyderabad Circle

Plot No. 466, Mezzanine Floor,  
Al-Abbas Plaza, Near Kaka Bakery,  
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

# Glossary

<b>Actuary</b>	Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics, and develops solutions with due regard to legal and economic parameters.
<b>Actuarial valuations</b>	A determination by an actuary at a special date of the value of a Company's assets and its liabilities.
<b>Amortization</b>	Reduction of the value of an asset by prorating its cost over a period.
<b>Associate</b>	Is a Company in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
<b>Authorized share capital</b>	Maximum value of share capital that a Company can legally issue.
<b>Bonus shares</b>	Free shares issued to shareholders.
<b>Book value</b>	The value of an asset as entered in a Company's books.
<b>Budget</b>	An estimate of income and expenditure for a set period of time.
<b>Capital expenditure</b>	Cost of long-term improvements and fixed assets.
<b>Capital gain</b>	Portion of the total gain recognized on sale of a non-inventory asset
<b>Capital reserves</b>	Any reserve not regarded free for distribution by way of dividends.
<b>Cedant</b>	Client of a reinsurance Company.
<b>Combined ratio</b>	Percentage ratio of the sum of net claims plus management expenses and net commission to net premiums earned. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
<b>Commission</b>	Remuneration to an intermediary for services such as selling and servicing an insurer's products.
<b>Consumer online Portal</b>	An internet window presence for selling all retails consumer products.
<b>Claims</b>	Amount payable under a contract of insurance arising from occurrence of an insured event.
<b>Claims incurred</b>	Aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
<b>Corporate social responsibility</b>	A process with the aim to embrace responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
<b>Deferred commission</b>	Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
<b>Deferred tax</b>	An accounting concept (also known as future income taxes) meaning a future tax liability or asset in respect of taxable temporary differences.
<b>Defined benefit plans</b>	Post-employment benefit plans other than defined contribution plans.
<b>Depreciation</b>	Is the systematic allocation of the cost of an asset over its useful life.
<b>Dividend cover</b>	Profit after tax divided by Dividend, measures the number of times dividends are covered by distributable profit for the period.
<b>Doubtful debts</b>	A debt where circumstances have rendered its ultimate recovery uncertain.
<b>Earnings per share</b>	Amounts for profit per share attributable to ordinary shareholders of the entity.
<b>Equity method</b>	Method of accounting whereby the investment is initially recognised at cost and adjusted hereafter for the post-acquisition change in the investor's share of net assets of the investee.
<b>Exchange gain (loss)</b>	Difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

<b>Facultative reinsurance</b>	The reinsurer assumes a share of selected individual risks, the primary insurer can offer an individual risk in reinsurance, which the reinsurer for its part can either accept or decline.
<b>Fair Value</b>	Amount for which an asset could be exchanged, or a liability settled.
<b>Fiscal deficit</b>	When government's total expenditures exceed the revenue that it generates.
<b>General insurance</b>	All kind of Insurance except Life and Takaful Insurance. i.e. fire and property damage, marine, and motor aviation, Motor and miscellaneous - other insurance.
<b>General takaful</b>	Protection to participant for losses arising from perils such as accident, fire, flood, liability and burglary.
<b>Gross contribution</b>	It is the payment of an amount by a participant to the Takaful Participant Fund, whether direct, through intermediaries for the purpose of mutual protection and assistance.
<b>Gross domestic products</b>	The total value of goods produced and services provided in a country during fiscal year.
<b>Gross premium</b>	Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
<b>Group health insurance</b>	A single health policy covering a group of individuals, usually employees of the same Company or members of the same association and their dependents.
<b>Human resource development</b>	A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement.
<b>Impairment</b>	The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
<b>Incurred But Not Reported (IBNR)</b>	Claim incurred but not reported to the insurer until the reporting date of financial statements.
<b>Inflation</b>	A general increase in prices and fall in the purchasing value of money.
<b>Insurance contracts</b>	A contract under which one party (the insurer) accepts insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event.
<b>Insurer Financial Strength Rating</b>	Provides an assessment of the financial strength of an insurance Company.
<b>Intangibles</b>	An identifiable non-monetary asset without physical substance.
<b>Internal control</b>	An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
<b>KIBOR</b>	Karachi Interbank Offered Rate (KIBOR) is interbank clean (without collateral) lending/borrowing rates quoted by the banks.
<b>Knowledge base product</b>	Product produces using knowledge-based systems.
<b>Loss ratio</b>	Percentage ratio of claims expenses to net premium.
<b>Macroeconomics</b>	Branch of economics dealing with the performance, structure, behavior, and decision-making of an economy as a whole
<b>Market share</b>	The portion of a market controlled by a particular Company or product.
<b>Market treasury bills</b>	A negotiable debt instrument issued by State Bank of Pakistan on behalf of the Government of Pakistan with tenors available in 3, 6, and 12 months.
<b>Market value</b>	Estimated price that a buyer would pay and a seller would accept for an item in a competitive market.
<b>National exchequer</b>	The account into which tax funds and other public funds are deposited.
<b>Net asset value</b>	The value of all tangible and intangible assets of a Company minus its liabilities.
<b>Net premium revenue</b>	Gross premium written less reinsurance expense.
<b>Non-life insurance</b>	Non-life insurance and general insurance have identical meaning.
<b>Outstanding claims</b>	A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims.
<b>Paid up capital</b>	The amount paid or contributed by shareholders in exchange for shares of a Company's stock.



<b>Pakistan investment bonds</b>	Long term instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years.
<b>Participants</b>	The participant is the contributing party to the Takaful Policy who is covered through the mutual protection and solidarity of the Takaful Policy.
<b>Participant's takaful fund / Waqf fund</b>	An account to credit a portion of contributions from the participant for the purpose of tabarru.
<b>Premium</b>	The amount that has to be paid for the insurance cover provided by an insurer.
<b>Present value</b>	Future amounts that have been discounted to the present.
<b>Proxy</b>	Power of attorney by which the shareholder transfers the voting rights to another shareholder.
<b>Qard e-Hasna</b>	An interest free loan from the Takaful Operator to the Takaful Participant Fund in order to meet any shortfall that is created in the fund.
<b>Quoted</b>	Being listed on a stock exchange.
<b>Registered office</b>	An address which is registered with the government registrar as the official address of a Company.
<b>Reinsurance</b>	A method of insurance arranged by insurers to share the exposure of risks accepted.
<b>Reinsurance commission</b>	Commission received or receivable in respect of premium paid or payable to a reinsurer.
<b>Reinsurance premium</b>	The premium payable to the reinsurer in respect of reinsurance contract.
<b>Related party</b>	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
<b>Retrocession</b>	Transfer of risk from a reinsurer to another reinsurer.
<b>Revenue reserves</b>	Reserve that is normally regarded as available for distribution through the profit and loss account including general reserves and other specific reserves created out of profit and un-appropriated profit.
<b>Risk</b>	Condition in which there is a possibility of loss.
<b>Risk management</b>	Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
<b>Statutory levies</b>	Fee charged (levied) by a government on a product, income or activity.
<b>Strategic objective</b>	A broadly defined objective that an organization must achieve to make its strategy succeed.
<b>Subsequent event – non adjusting</b>	Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
<b>Tabarru</b>	A portion of participant's contribution for the purpose of mutual helps and used to pay claims submitted by eligible claimants.
<b>Takaful</b>	An Islamic concept of insurance.
<b>Takaful operator</b>	A legal entity, who underwrites, administers and manages the Takaful program on behalf of the participants.
<b>Takaful policy</b>	The agreement entered into between the operator and the participant(s) for the purposes of Takaful arrangement.
<b>Tangibles</b>	An asset whose value depends on particular physical properties.
<b>Term finance certificate</b>	A debt instrument issued by an entity to raise funds.
<b>Underwriting profit</b>	Profit generated purely from the insurance business without taking into account the investment income, other income and general & administration expenses.
<b>Unearned premium</b>	It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the balance sheet date.
<b>Wakala</b>	Islamic terminology for agent-principal relationship, where a person nominates another to act on his behalf.



# Atlas Group Companies

*Year of Establishment /  
Acquisition\**



Shirazi Investments

1962



Atlas Honda

1962



Atlas Battery

1966



Shirazi Trading

1975



Atlas Insurance

1980\*



Atlas Engineering

1981\*

**HONDA** Honda Atlas Cars

1992

**HONDA** Honda Atlas Power Product

1997



Atlas Asset Management

2002



Atlas Power

2007



Atlas World Wide

2007



Atlas Venture

2008



Atlas Autos

2011



Atlas Hitec

2012



Atlas Global

2015



Atlas Energy

2016

## Investors' Education

In pursuance of SRO 924(1)/2015 dated September 9, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors.

[www.jamapunji.pk](http://www.jamapunji.pk)



### Be aware, Be alert, Be safe

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- 🎮 Jamapunji games\*
- 📄 Tax credit calculator\*
- 🏢 Company Verification
- 📄 Insurance & Investment Checklist
- ❓ FAQs Answered

- 📈 Stock trading simulator (based on live feed from KSE)
- 📄 Knowledge center
- 📄 Risk profiler\*
- 📄 Financial calculator
- 📄 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📄 Online Quizzes



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[jamapunji.pk](http://www.jamapunji.pk)

[@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices

# 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 84th General Meeting of the Company to be held at Registered Office at 63/A, Block-XX, Phase-III, DHA, Lahore, on April 26, 2019, and at every adjournment thereof.

As witness my/our hand this \_\_\_\_ day of \_\_\_\_\_ 2019.

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, 63/A, Block-XX, Phase-III, DHA, Lahore, at least 48 hours before the time of the Meeting.

The Company Secretary  
Atlas Insurance Limited  
63/A, Block-XX,  
Phase III (Commercial),  
Khyaban-e-Iqbal, DHA,  
Lahore

AFFIX  
POSTAGE

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# پراکسی فارم

میں/ہم \_\_\_\_\_ سکنہ \_\_\_\_\_ بطور انٹرنیشنل لمیٹڈ کے رکن / ارکان \_\_\_\_\_  
عمومی حصص کی ملکیت رکھتا ہوں / رکھتے ہیں جس کا رجسٹرڈ فولیو نمبر \_\_\_\_\_ ہے۔ میں بطور پراکسی \_\_\_\_\_ سکنہ \_\_\_\_\_  
اور ان کی عدم موجودگی کی صورت میں \_\_\_\_\_ سکنہ \_\_\_\_\_ جو خود بھی کمپنی کا رکن ہے / ہیں، کو بطور پراکسی مقرر کرتا ہوں / کرتے ہیں تاکہ وہ  
میری / ہماری جگہ اور میری / ہماری جانب سے کمپنی کے 84 ویں عام اجلاس، جو کہ 26 اپریل 2019 کی دوپہر 3:00 بجے بہ مقام 63/A، بلاک XX، فیزا III (کمرشل)، خیابان اقبال، ڈی ایچ اے، لاہور  
میں منعقد ہو رہا ہے۔ اس میں یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

دن \_\_\_\_\_ مہینہ \_\_\_\_\_ 2019 کو مجھے / ہمیں ثبوت دیا گیا ہے۔

دستخط: \_\_\_\_\_

پتا: \_\_\_\_\_

گواہ: \_\_\_\_\_

دستخط: \_\_\_\_\_

پتا: \_\_\_\_\_

درست رقم کا ٹکٹ  
چسپاں کریں  
دستخط

نوٹ:

- 1- کمپنی کے عام اجلاس میں شرکت اور ووٹ کا حقدار رکن اپنی جگہ شرکت اور ووٹ کے لئے پراکسی مقرر کرنے کا حقدار ہے۔ کوئی بھی شخص جو کمپنی کا رکن نہیں ہے اسے بطور پراکسی مقرر نہیں کیا جاسکتا سوائے اُس شخص کے جسے کوئی ادارہ رکن نہ ہونے پر مقرر کرے۔
- 2- پراکسی مقرر کرنے کا تقرر نامہ کسی مجاز آفیسر سے تصدیق شدہ تحریر میں ہونا چاہئے اور اگر ایسا تقرر کنندہ کوئی کارپوریشن یا کمپنی ہو تو کارپوریشن یا کمپنی ہذا سے تصدیق کیا گیا ہو۔
- 3- پراکسی کا مکمل پُر شدہ فارم کمپنی کے رجسٹرڈ آفس 63/A، بلاک XX، فیزا III (کمرشل)، خیابان اقبال، ڈی ایچ اے، لاہور میں اجلاس کے مقرر کردہ وقت سے کم از کم 48 گھنٹے پہلے جمع کروانا لازمی ہوگا۔

درست رقم کا ٹکٹ  
چسپاں کریں

کمپنی سیکریٹری  
اٹلس انشورنس لمیٹڈ  
63/A، بلاک-XX، فیزا III (کمرشل)،  
خیابان اقبال، ڈی ایچ اے، لاہور

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# Keep the Faith

Wide Range of

**Shariah Compliant**

General Takaful Products



**Atlas Insurance Limited**

63/A, Block-XX, Phase III (Comercial)

Khyaban-e-Iqbal, DHA, Lahore.

Tel: (92-42) 37132611-18

Fax: (92-42) 37132622

Email: [info@ail.atlas.pk](mailto:info@ail.atlas.pk)

Website: [www.ail.atlas.pk](http://www.ail.atlas.pk)