



2019

تكاافل

TAKAFUL

Window Operation

2019

A Company incorporated in 1934

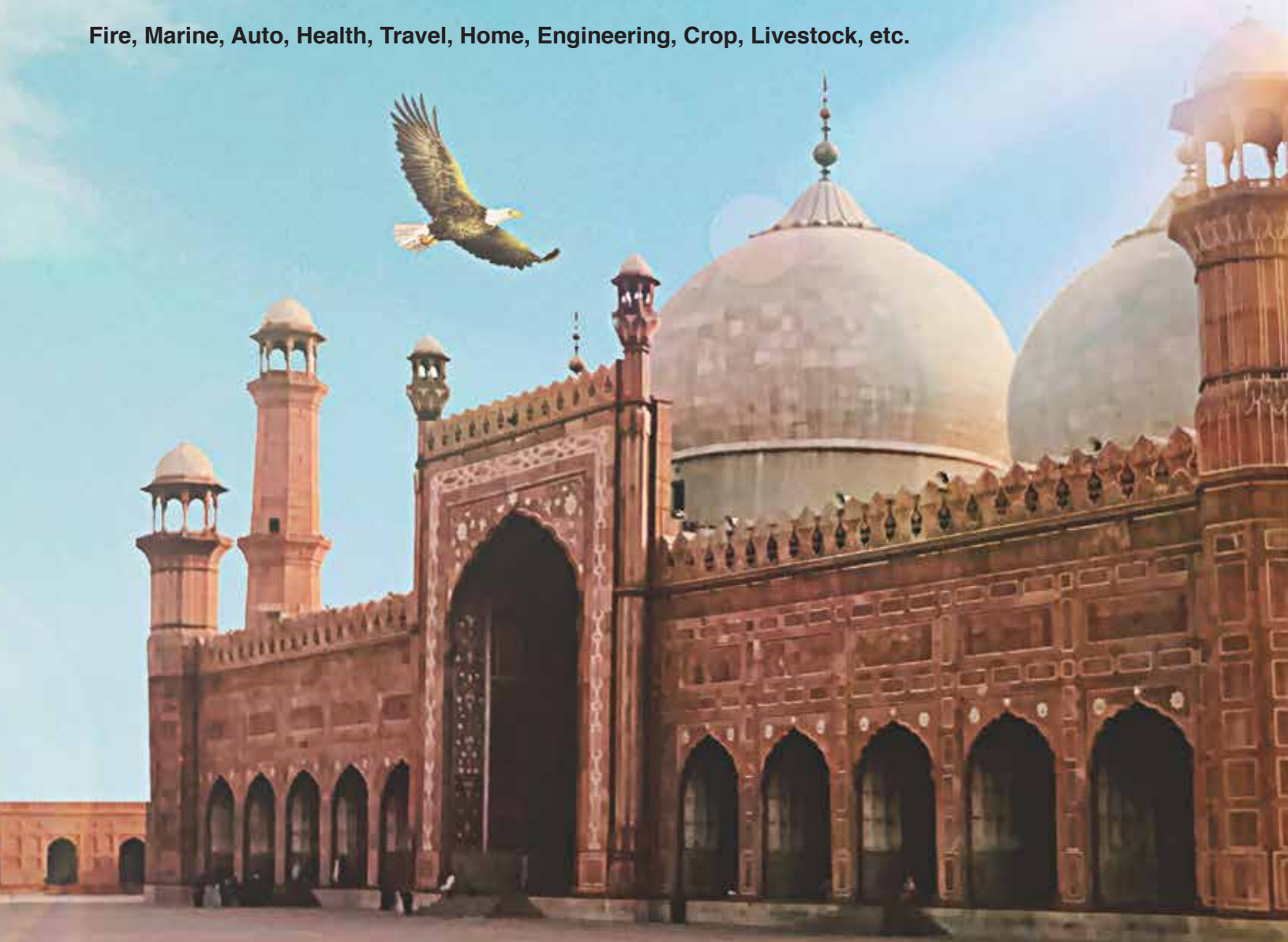
WINGS OF CONFIDENCE



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 along with 'Takaful' contribution over 3 billion rupees (2019)
- 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

Fire, Marine, Auto, Health, Travel, Home, Engineering, Crop, Livestock, etc.



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Window Operation

Obituary

October 20, 2019 will be remembered as the sad day when Mr. Yusuf H. Shirazi, the Founder and Chairman of Atlas Group, left for his heavenly abode.



Mr. Shirazi was a visionary with superb business acumen. He will be long remembered as one of the most successful first generation entrepreneurs of Pakistan. After working briefly in public and private sector, he embarked on a long and distinguished career in private enterprise where he set up numerous successful companies in the field of engineering, finance, trading and power generation. In particular his collaboration with Honda Japan paved the way for establishment of the Auto Industry in Pakistan. He touched countless lives by providing inspiring vision, defining new careers and creating numerous opportunities.

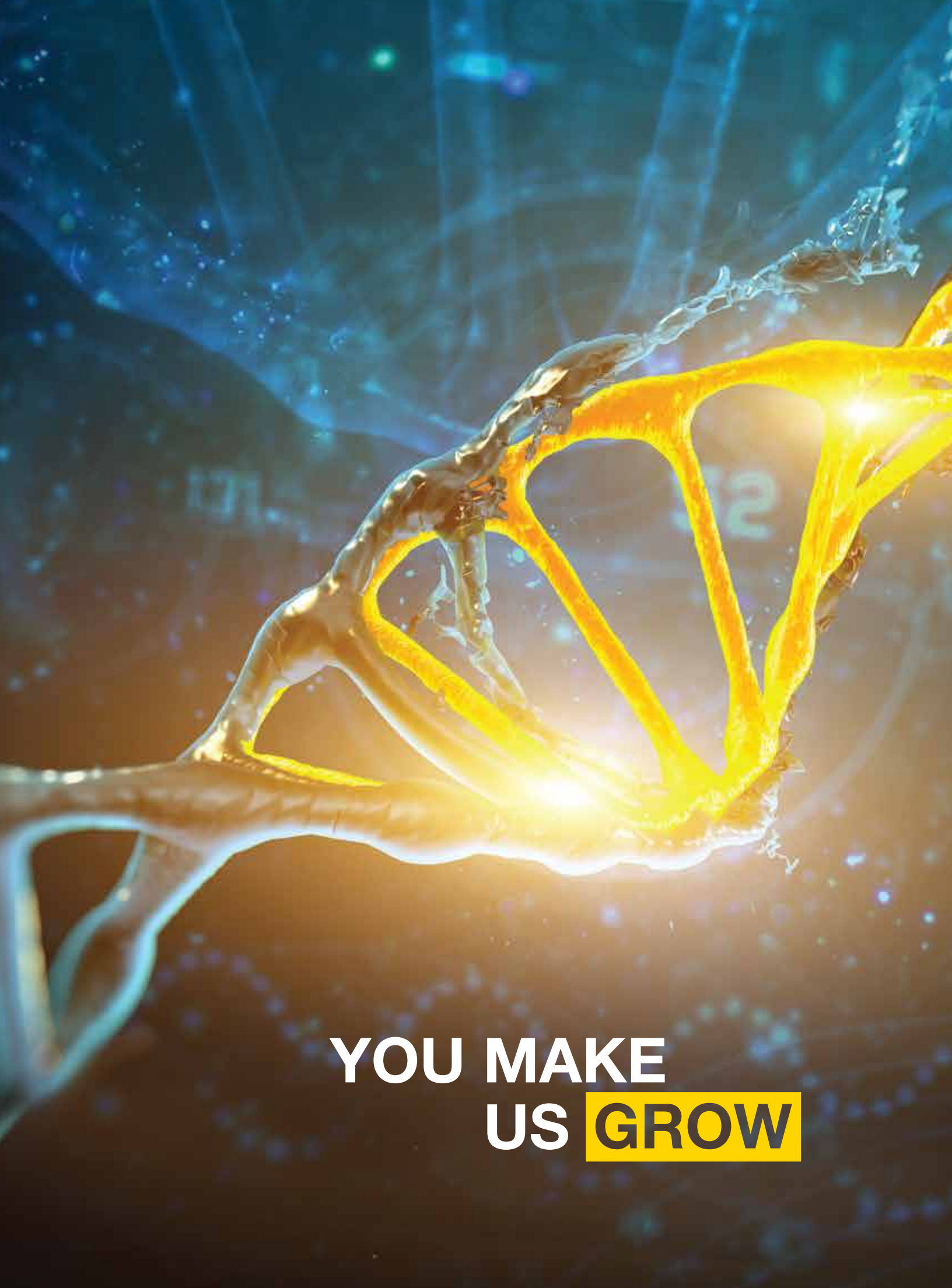
Mr. Shirazi was highly respected as a patriot, industrialist, author and philanthropist. In recognition of his services, he was decorated with the Sitara-e-Essar and Sitara-e-Imtiaz by the Government of Pakistan. He was also bestowed National Awards by the Government of Japan.

His legacy of professional management, integrity and 'Pakistan first' mantra will continue to inspire generations. Through his entrepreneurial zeal and perseverance, he managed to build enduring joint ventures with world-renowned foreign companies such as Honda, GS Yuasa, MAN, TOTAL and Bank of Tokyo (MUFG).

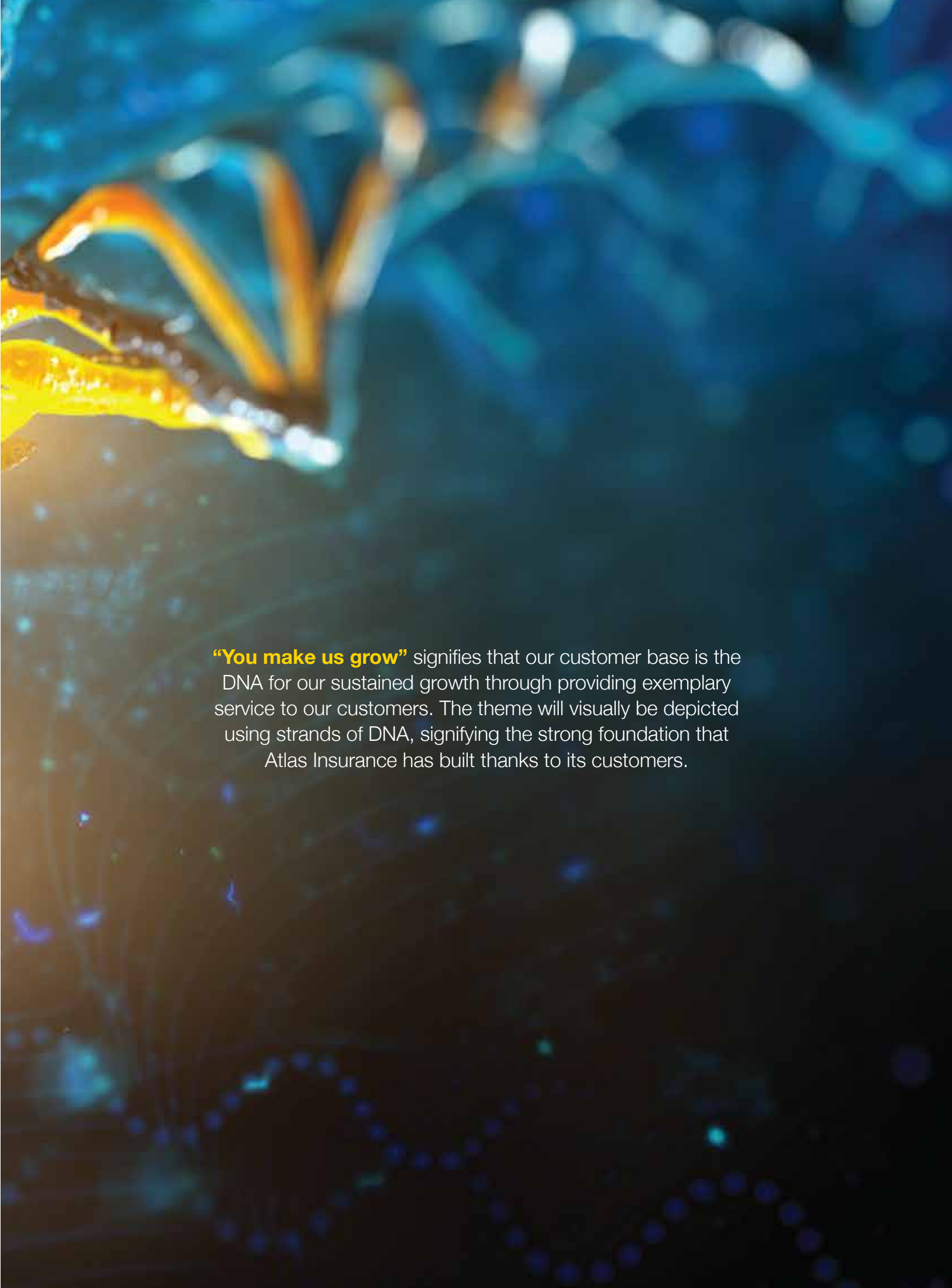
While we mourn his passing we will celebrate his life with the goal to continue building his beloved Atlas Group Generation after Generation.

Organisation
development
through
self development





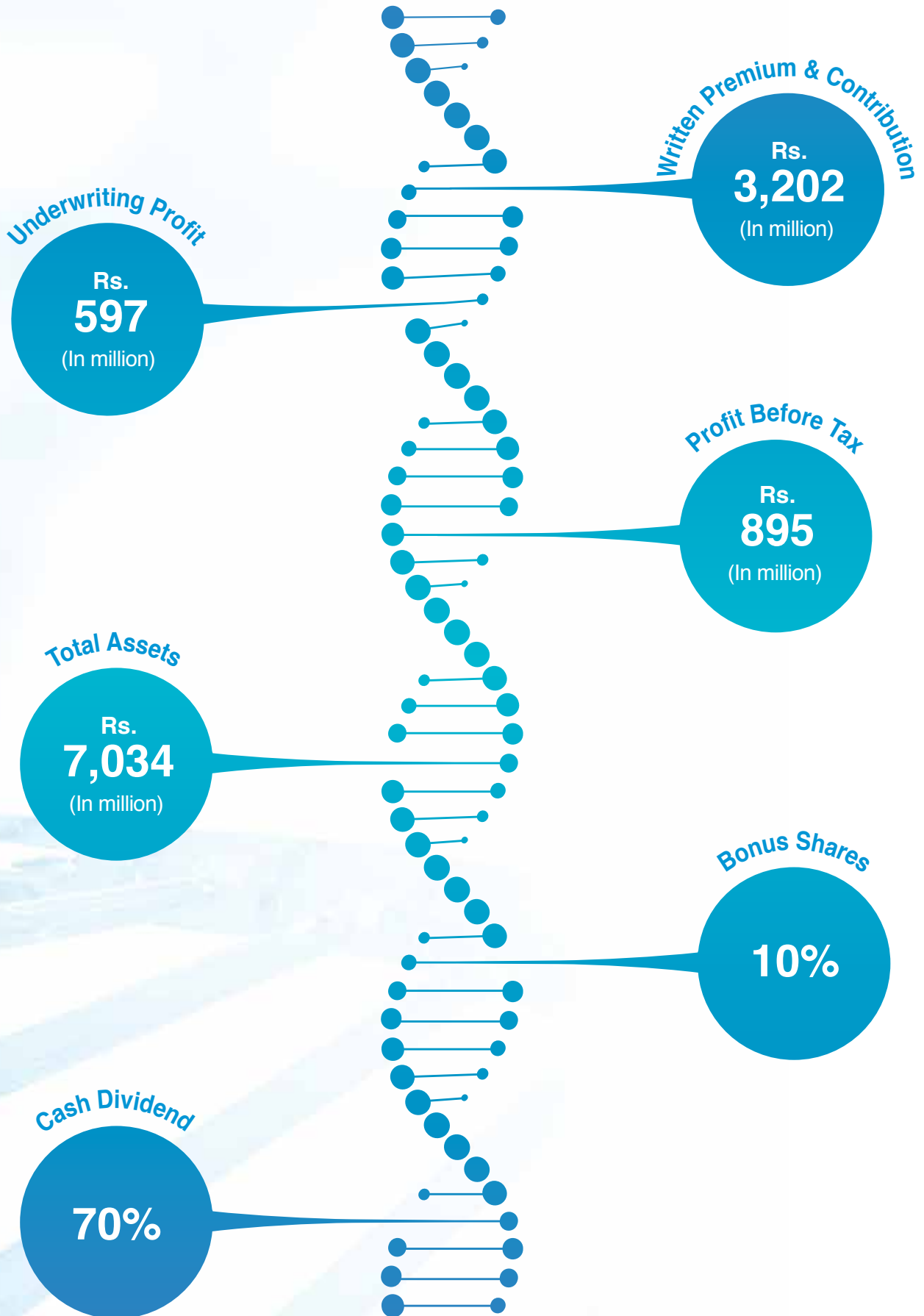
**YOU MAKE
US **GROW****



“You make us grow” signifies that our customer base is the DNA for our sustained growth through providing exemplary service to our customers. The theme will visually be depicted using strands of DNA, signifying the strong foundation that Atlas Insurance has built thanks to its customers.



Financial Highlights 2019



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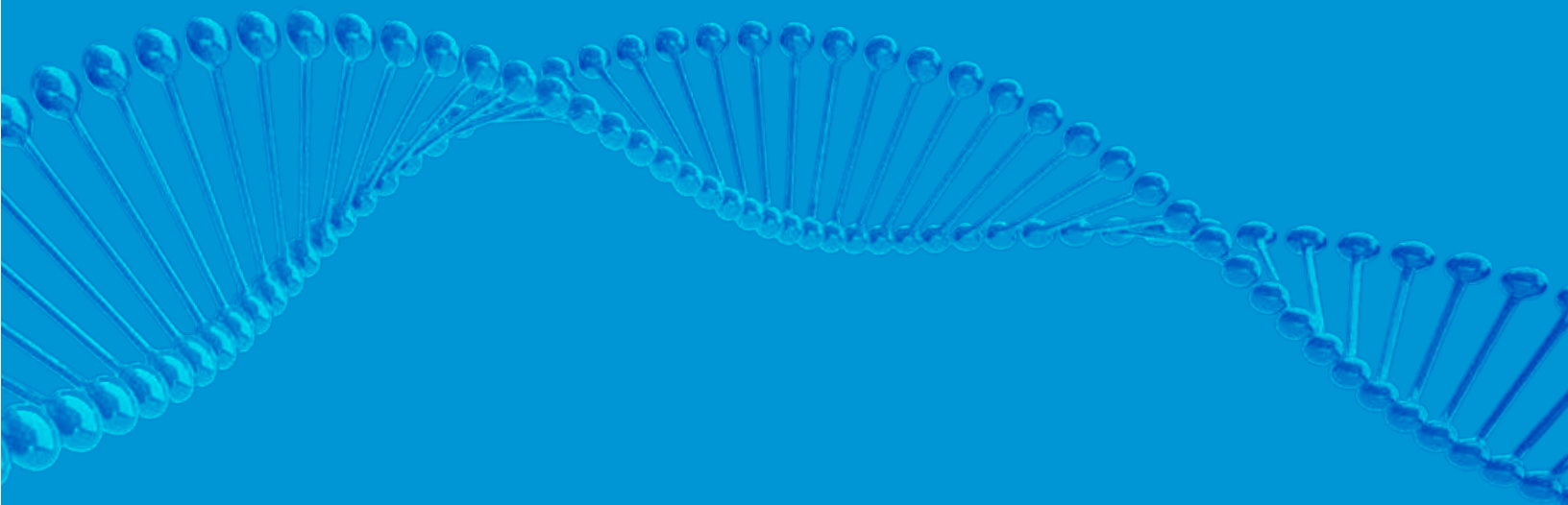
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VISION

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.

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 (3 R'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'.

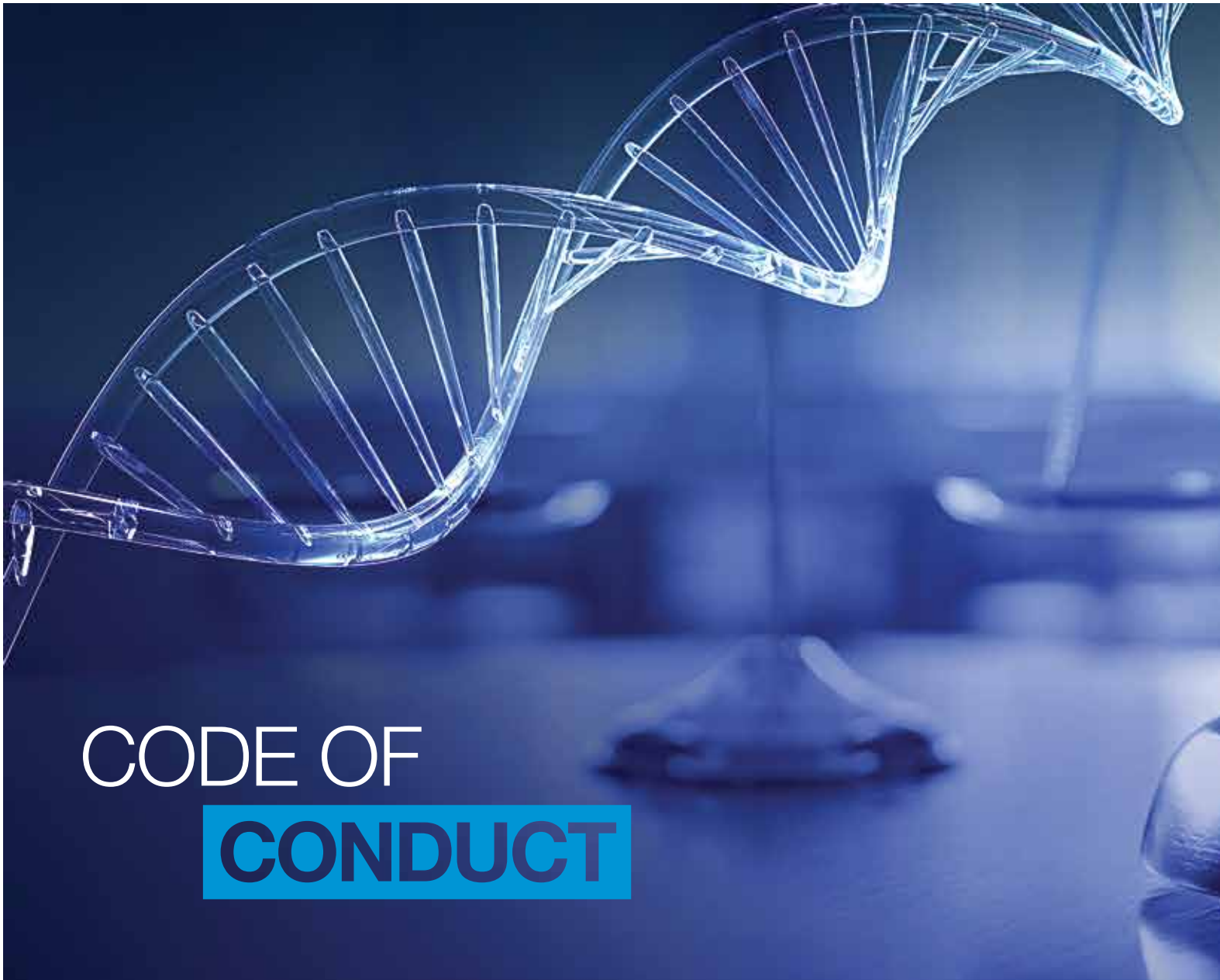
Team Work

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

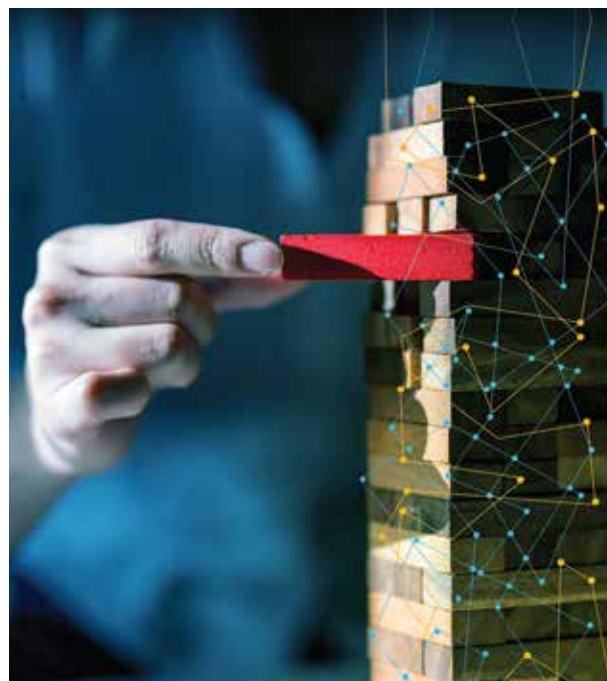
The changes in interest rates and stock market trends may possibly affect future cash flows.

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.





Health, Safety 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 upmost 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 electronic, 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. 3.707 billion in 2019, total assets having grown to over Rs. 7.034 billion and investments from Rs. 4.594 million to over Rs. 4.775 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, Korean Re from Korea and Kuwait Re from Kuwait 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 profits. This has been made possible by excellent operating performance through professional and efficient service to clients, good management practices and cost controls. Consistency, hard work, dedication, adherence to the Company policies and procedures and code of conduct has contributed 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 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 & Hull
- 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
- Terrorism
- Public liability
- Professional liability
- Bond 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.



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) believes in efficient discharge of duties under relevant statutes 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 and investments 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 good governance practices, financial reporting and disclosure, Atlas Insurance believe in timeliness and accuracy to enable informed decision making by our investors.

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

During the year, five meetings of the Board were held to review and approve 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 meetings the agenda and details of each item of the agenda were circulated to the Board at least seven days before the meeting. Minutes of the Board meetings were appropriately recorded and 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. 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.

Chief Executive Officer Performance Review

The Board assumes the monitoring role, giving 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 attends every Board meeting and provides detailed explanation on each item of the agenda and addresses queries of the Board. 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 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 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 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;

- 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.

One meeting 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.

Four 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 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 TORs 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

Four 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. Iftikhar H. Shirazi

Chairman / Non-Executive Director

Mr. Iftikhar H. Shirazi graduated with a Bachelor of Science in Finance from Notre Dame De Namur University (formerly College of Notre Dame), USA, and completed his OPM from Harvard Business School, USA. He has over 30 years of corporate management experience, more particularly in the financial and trading sectors. He has to his credit, work experience at Bank of Tokyo-Mitsubishi, Yamaichi Securities, and Toyota Tsusho Corporation.

He is currently Chairman of Shirazi Investments (Pvt) Limited, Atlas Asset Management Limited, Atlas Insurance Limited, Shirazi Trading Company (Private) Limited, Atlas Foundation and Atlas Information Technology Resource Centre. He is also a member of the SAARC Chamber of Commerce & Industry, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Karachi Chamber of Commerce & Industry (KCCI). He is also serving on the Board of Governors of the British Overseas Association. He was also a member of the Aga Khan Resource Development Committee and FPCCI Executive Committee. He has also served the Management Association of Pakistan as their Vice President.

He also enjoys membership of several other prestigious associations that include, Harvard Club of New York and Pakistan, Young Presidents Organization, Aitchison College Old Boys Association, Government College of Commerce & Economics Old Students Association and English Speaking Union. He was also President of International Club, Notre Dame De Namur (formerly College of Notre Dame), USA.



Mr. Ali H. Shirazi

Non-Executive Director

Mr. Ali H. Shirazi graduated with a BA from Yale University, USA in 2000 and thereafter completed his Masters in Law from Bristol University, UK 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 serves on the Board of Atlas Asset Management Limited, Atlas Engineering Limited, Atlas Insurance 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 (Private) Limited, Atlas Power Limited, Shirazi Investments (Private) Limited, Shirazi Investments (Private) Limited, Shirazi Trading Company (Private) Limited, Atlas Energy (Private) Limited, Atlas Autos (Private) Limited, Atlas Metal (Private) Limited and the Atlas Foundation. Earlier, he has also served on the boards of Atlas Honda Limited and former Atlas Bank 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. 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.



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 SECP. He was a member of Enquiry Committee constituted by 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.



Mrs. Roohi Raees Khan
Independent Director

Mrs. Roohi Raees Khan is an MBA from IBA, Karachi. She completed her B.A. (Economics & Mathematics) from Punjab University. She has over 35 years of experience in various banking segments like Development Banking, 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. Mrs. 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 Taraqjati Bank Limited (ZTBL). She had also been acting President of ZTBL during 2011 / 2012. She was appointed Chairperson of Sui Northarn Gas Pipline in the year 2019.



Mr. Babar Mahmood Mirza
Chief Executive / Executive Director

Mr. Babar Mirza is an MBA from University of Glasgow, UK. He has over 20 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

Iftikhar H. Shirazi
Chairman / Non-Executive Director

Ali H. Shirazi
Non-Executive Director

Frahim Ali Khan
Non-Executive Director

Hasan Reza ur Rahim
Independent Director

M. Habib-ur-Rahman
Non-Executive Director

Roohi Raees Khan
Independent Director

Babar Mahmood Mirza
Chief Executive / Executive Director

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 Raees 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
Haroon Dugal Law Chambers

Tax Advisor

EY Ford Rhodes
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

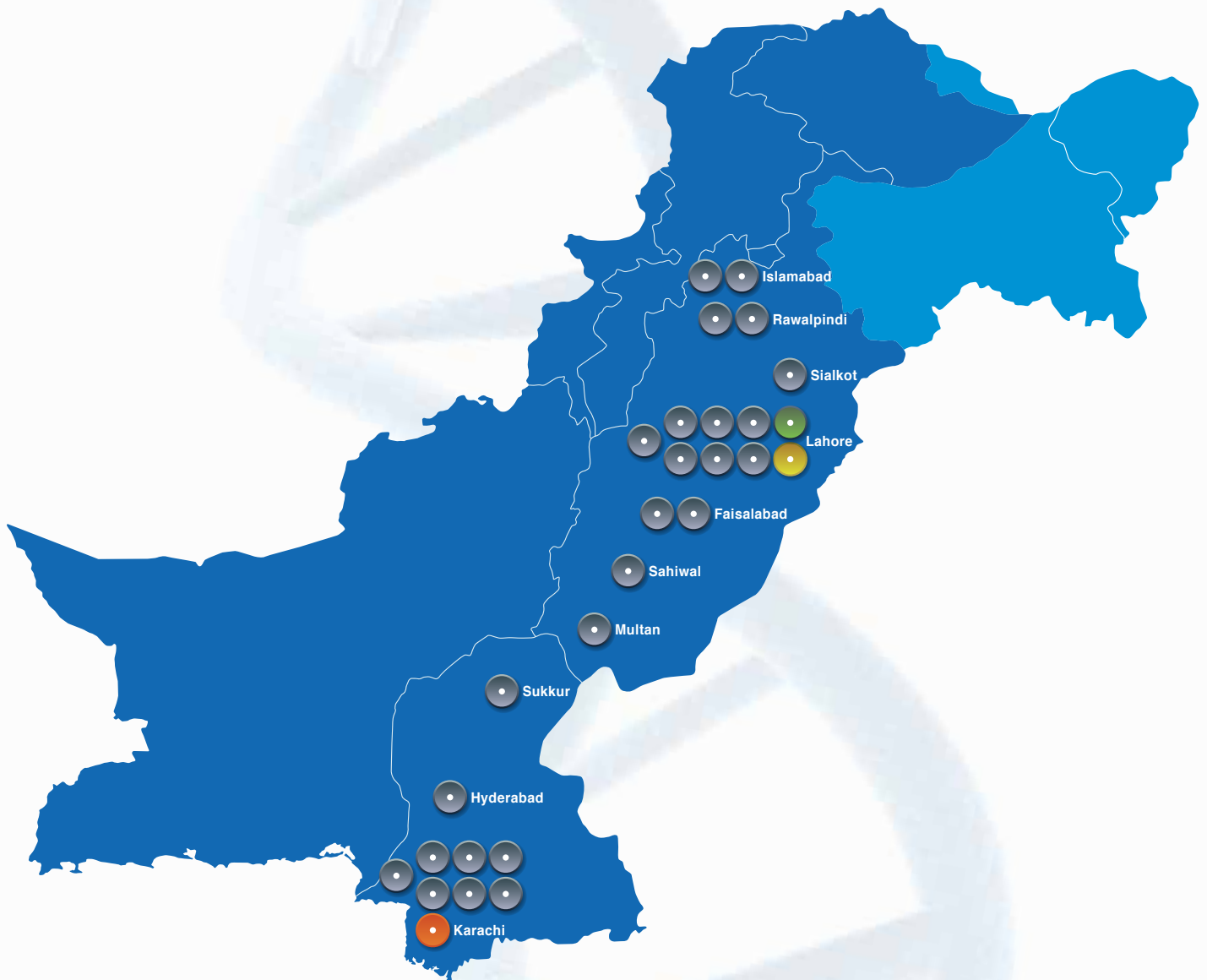
Registered & Head Office

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



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

Major Events

Month	Event	Details
January	Annual Sales Conference	Annual Sales Conference was held in Karachi on 30 and 31 January, 2019. The Conference was attended by the Group President and field executives.
February	Meeting of the Board of Directors for the financial year ended December 31, 2018	The meeting was held on February 27, 2019 for review and adoption of the audited financial statements of the Company.
April	Annual General Meeting	84th Annual General Meeting of the Company was held on April 26, 2019 at the Registered Office to adopt the audited financial statements, approve 70% cash dividend, 10% bonus shares and appointment of the auditors.
April	Meeting of the Board of Directors for the quarter ended March 31, 2019	The meeting was held on April 25, 2019 for approval of the unaudited first quarter financial statements.
May	Disbursement of Cash Dividend and Bonus Shares	Cash dividend and bonus shares were disbursed.
August	Mid Year Sales Conference	Mid year Sales Conference was held on July 06, 2019 in Lahore and was attended by the Group Director and field executives.
August	Meeting of the Board of Directors for the half year ended June 30, 2019	The meeting was held on August 27, 2019 for approval of the un-audited financial statements reviewed by the auditors.
August	Insurer Financial Strength (IFS)	The Pakistan Credit Rating Agency Limited (PACRA), maintained the Insurer Financial Strength (IFS) rating of the Company as "AA" with stable outlook. The rating denotes a very strong capacity to meet policyholders and contract obligations.
October	Meeting of the Board of Directors for the nine months period ended September 30, 2019	The meeting was held on October 29, 2019 for approval of the unaudited third quarter financial statements.
December	Corporate Briefing Session	Corporate Briefing Session was held on December 02, 2019 to review the performance of the Company upto the nine months period ended September 30, 2019.
December	Meeting of the Board of Directors for the budget	The meeting was held on December 24, 2019 to consider and approve the budget for the year ending December 31, 2020.

Notice of Annual General Meeting

Notice is hereby given that the 85th Annual General Meeting of the members of Atlas Insurance Limited will be held on Thursday, May 14, 2020 at 10:00 a.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 minutes of the last Annual General Meeting held on April 26, 2019.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2019, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2020. The present auditors M/s. A.F. Ferguson & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider and approve cash dividend @ 70% for the year ended December 31, 2019, as recommended by the Board of Directors.

Special Business

5. To consider and, if thought fit, pass with or without modification, the following resolutions as special resolutions:

Resolved:

- 5.1 "that the authorized capital of the Company be and is hereby increased from Rs. 800,000,000/- (Rupees eight hundred million) to Rs. 1,500,000,000/- (Rupees fifteen hundred million only) by creation of 70,000,000 (seventy million) new ordinary shares of Rs. 10/- each."

Further Resolved:

- 5.2 "that the Memorandum and Articles of Association of the Company be and are hereby altered by substituting the figures and words of Rs. 800,000,000/- (Rupees eight hundred million only) divided into 80,000,000 (eighty million) ordinary shares of Rs. 10/- each appearing in clause V of the Memorandum and clause 4 of the Articles of Association with the words and figures of Rs. 1,500,000,000 (Rupees fifteen hundred million) divided into 150,000,000 (one hundred and fifty million) ordinary shares of Rs. 10/- each."

Further Resolved:

- 5.3 "that the ordinary shares when issued shall carry equal voting rights and rank pari passu with the existing ordinary shares of the Company in all respect / matters in conformity with the provisions of the Companies Act, 2017."

Further Resolved:

- 5.4 "that the Chief Executive Officer and Company Secretary be and are hereby authorized singly to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and to file requisite documents with the Registrar to effectuate and implement the aforesaid resolutions."
6. To consider and approve the bonus share issue @ 10% (ten bonus shares for every hundred shares held) for the year ended December 31, 2019 as recommended by the Board of Directors.

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

Resolved:

- 6.1 "that a sum of Rs. 77,178 thousand out of Company's profit be capitalized for issuing 7,717,751 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names shall appear in the register of the members at the close of the business on June 03, 2020, @ 10% in the proportion of ten (10) ordinary shares of Rs. 10/- each for every hundred (100) shares held by a member. The said shares shall rank pari passu with the existing shares of the Company as regards future dividends, and in all other respects."

Further Resolved:

- 6.2 "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:

- 6.3 "that the Chief Executive Officer and the Company Secretary be and are hereby authorized singly to give effect to the aforesaid resolutions and to do or cause to do all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of the bonus shares."
7. To consider and, if thought fit, 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, 2020 be and is hereby approved."



8. To consider and approve availing investment advisory services from Atlas Asset Management Limited (AAML), a related party, for managing investment portfolio of the Company, as recommended by the Board of Directors.

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

Resolved:

- 8.1 "that the recommendation of the Board of Directors for availing investment advisory services from AAML for managing investment portfolio of the Company, at the management fees fixed by the Board, be and is approved."

Further Resolved:

- 8.2 "that the Chief Executive Officer and the Chief Financial Officer be and are hereby authorized jointly, to sign, execute and deliver the Portfolio Management Services Agreement (PMA) and Power of Attorney for the execution of PMA and to complete all such legal formalities to give effect to the aforesaid resolution."

9. To consider and, if thought fit, pass with or without modification, the following resolutions as special resolutions:

Resolved:

- 9.1 "that the transactions carried out by the Company in the normal course of business with Atlas Foundation and AAML, related parties, during the year 2019 be and are hereby ratified, approved and confirmed."

Further Resolved:

- 9.2 "that the Board of Directors be and is hereby authorized to approve all the transactions carried out in the normal course of business with Atlas Foundation and AAML during the ensuing year ending December 31, 2020."

Other Business

10. 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 20, 2020

Notes:

1) Closure of Share Transfer Books for the Entitlement of Cash Dividend and for attending the AGM:

The share transfer books of the Company will remain closed from May 07, 2020 to May 14, 2020 (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 May 06, 2020 will be treated as being in time for attending / voting at the AGM and for the entitlement of cash dividend to the transferees.

2) Closure of Share Transfer Books for the Entitlement of Bonus Shares:

The share transfer books of the Company will remain closed from June 04, 2020 to June 11, 2020 (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 at above-mentioned address by the close of business on June 03, 2020 will be treated as being in time for the entitlement of bonus shares to the transferees.

- 3) A member entitled to attend, speak and vote at the AGM 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 AGM as are available to the member.
- 4) Duly completed instrument of proxy, and the other authority under which it is signed, or a notarial 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 the 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 following guidelines laid down in Circular No. 1 dated January 26, 2000 issued by the SECP.

A. For Attending the Meeting:

- i. In case of individuals, the account holder and / or sub-account holder whose registration details are uploaded as per CDC Regulations shall submit the proxy form as per the above requirement showing the original Computerized National Card (CNIC) or original passport at the time of attending the meeting.

- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder and / or sub-account holder whose registration details are uploaded as per CDC Regulations shall submit proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

7) Coronavirus Contingency Planning for the AGM

In light of the threat posed by the evolving coronavirus (COVID-19) situation, the SECP vide Circular No. 5 of 2020, dated March 17, 2020 has advised the companies to modify their usual planning for annual general meetings in order to protect the well-being of the shareholders.

In view of the above the shareholders can also provide their comments / suggestions for the proposed agenda items of the AGM by using the following means:

- a) Mobile / WhatsApp: 03002261915
- b) Email: muhammad.afzal@ail.atlas.pk

Shareholders are advised to mention Name, CNIC No, Folio / CDC account number for identification.

8) Availability of Audited Financial Statements at the Company's website

The audited financial statements of the Company for the year ended December 31, 2019, have been made available on the Company's website www.ail.atlas.pk in addition to the annual and quarterly financial statements of prior years.

9) 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 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.

10) E-Voting

Members can also exercise their right of E-voting subject to the requirements of Sections 143 and 144 of the Companies Act, 2017 and the applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

11) Submission of CNIC (Mandatory)

Pursuant to the directive of the SECP, CNIC numbers of the 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.

12) E-Dividend Mandate (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 shareholder. Therefore, the shareholders who have still not provided their Bank Account Number / 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.

13) Unclaimed Dividend

As per the provision of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed / unpaid for a period of three years from the date on which it were due and payable are required to be deposited with the Commission for the credit of Federal Government after issuance of notices to the shareholders to file their claims. The details of the shares issued and dividend declared by the Company which have remained due for more than three years were sent to shareholders, uploaded on the Company website and final notice was issued in the newspapers. In case, if no claim is lodged, the Company shall proceed to deposit the unclaimed / unpaid amount and shares with the Federal Government pursuant to the provision of Section 244 (2) of Companies Act, 2017.

14) 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. 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 members to timely update the share registrar of any change in the registered email address.

15) Deduction of Withholding Tax on the Amount of Dividend

Pursuant to the directives vide Circular No. 19 / 2014 dated October 24, 2014, the SECP has directed all the companies to inform their shareholders about the changes made in Section 150 of the Income Tax Ordinance, 2001 for deduction of withholding tax on the amount dividend and accordingly the shareholders are advised 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. For the tax year 2019-20 these tax rates are as under:

- | | |
|--|-----|
| a) For persons appearing in the Active Tax payers List (ATL) | 15% |
| b) For persons not appearing in the ATL | 30% |

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not appearing in the ATL available at the FBR website, despite the fact that they are filers, are advised to make sure that their names are entered into ATL for future payment of dividends, if any.

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.

16) 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 the 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 85th Annual General Meeting of Atlas Insurance Limited to be held on May 14, 2020, at which certain 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 current authorized share capital of the Company is Rs. 800,000,000/- (Rupees eight hundred million) divided into 80,000,000 (Eighty million) ordinary shares of Rs. 10/- each.

In order to cater for increase in paid up share capital including the issuance of bonus shares, the Board of Directors has recommended that the authorized capital be increased from Rs. 800,000,000 to Rs. 1,500,000,000 by creation of additional 70,000,000 ordinary shares of Rs. 10/- each. The proposed increase in the authorized share capital of the Company will also necessitate amendments in Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company to reflect the increase in authorized share capital of the Company. For this purpose, a special resolution is required to be considered and approved in the AGM.

The Directors of the Company have no personal interest in the increase of authorized share capital except to the extent of their shareholding in the Company.

Item No. 6 of the Agenda

The Board of Directors has recommended to the members of the Company to approve 10% fully paid bonus shares for the year ended December 31, 2019 and thereby capitalize a sum of Rs. 77,178 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 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 shareholding in the Company.

The new ordinary shares when issued shall rank pari passu with the existing ordinary shares in all respects.

Item No. 7 of the Agenda

Approval is being sought for the annual increase in the remuneration of the Chief Executive working whole time with the Company. The Board has fixed the monthly gross remuneration of the Chief Executive at Rs. 1,936,000 per month, for the year ending December 31, 2020, in addition to all the perquisites and other benefits as admissible under the Company's rules.

The Chief Executive is interested only in the remuneration payable to him.

Item No. 8 of the Agenda

Approval is being sought for entering into a contract with Atlas Asset Management Limited (AAML) for availing their investment advisory services for discretionary management of Company's investment portfolio at annual management fee up to 0.35% (not exceeding Rs. 6,000,000) on average market value of Company's non-strategic investment portfolio.

AAML, an Asset Management Company and related party of the Atlas Insurance Limited (AIL), holds license from the SECP to carry out investment advisory services. Separately Managed Accounts (SMA) are designed by AAML for managing portfolios for their clients under this advisory service.

Under the discretionary portfolio management, AIL's investments will be managed by AAML's professional portfolio management team utilizing their research and experience to help achieve better returns on AIL investments. Decisions for investments will be at the discretion of AAML and will be based on investment objectives, permissible instrument choice, asset allocation and risk profile set forth by AIL. All the investment transactions will be executed and settled by AAML on behalf of AIL under this portfolio management contract.

Section 207 (2) of the Companies Act, 2017 requires that if majority of the directors are interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Company, the matter shall be laid before the general meeting for approval.

Mr. Iftikhar H. Shirazi, Mr. Ali H. Shirazi, Mr. Frahim Ali Khan and Mr. M. Habib-ur-Rahman, the Directors of AIL are also Directors of AAML and as such approval of the members is being sought for entering into the contract with AAML.

The above mentioned Directors are interested in this contract to the extent of management fee to be paid to AAML for investment advisory services under this contract.

Item No. 9 of the Agenda

The transactions carried out in normal course of business with associated companies (related parties) are recommended by the Board Audit Committee and approved by the Board on quarterly basis.

In the case of Atlas Foundation and AAML, a majority of the Directors were interested and in accordance with the provisions of Section 208 of the Companies Act, 2017, and Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019, such transactions shall be placed before the general meeting for approval.

In view of the above, the following normal business transactions carried out during the year 2019 with Atlas Foundation and AAML are being placed before the shareholders for approval / ratification:

(Rupees in thousand)

Nature of Transactions	Atlas Foundation	Atlas Asset Management Limited
Premium underwritten	3,817	7,096
Premium collected	4,385	8,230
Claims paid	1,413	2,312
Lease liability paid	1,409	-
Finance cost charged	425	-
Dividend paid	13,505	-
Donations paid	9,891	-
Investments in mutual funds	-	3,144,107
Redemptions of mutual funds	-	2,845,453
Dividend received from mutual funds	-	20,546

Names of the Directors with interest as Directors in the related parties:

Mr. Iftikhar H. Shirazi, Mr. Ali H. Shirazi, Mr. Frahim Ali Khan and Mr. M. Habib-ur-Rahman, the Directors of AIL are also Directors of Atlas Foundation and AAML.

Corporate Information

Registered Office

63/A, Block-XX, Phase III (Comercial), 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 2019-20 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 Code of Corporate Governance, listing requirements and regulations prescribed by the SECP.

85th Annual General Meeting

Date: May 14, 2020
Time: 10:00 a.m.
Venue: 63/A, Block-XX, Phase III (Commercial), Khyaban-e-Iqbal, DHA, Lahore.

Financial Calendar

Audited annual results for year ended December 31, 2019
- Second half of February

Mailing of annual reports
- Second half of April

Annual General Meeting
- First half of May

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, 2019, subject to approval by the shareholders of the Company at the Annual General Meeting.

70% cash dividend and 10% bonus shares were disbursed to the shareholders for the year ended December 31, 2018.

Closure of Share Transfer Books for the Entitlement of Cash Dividend and for attending the AGM

The share transfer books of the Company will remain closed from May 07, 2020 to May 14, 2020 (both days inclusive) for attending / voting at the AGM and for the entitlement of cash dividend.

Closure of Share Transfer Books for the Entitlement of Bonus Shares

The share transfer books of the Company will remain closed from June 04, 2020 to June 11, 2020 (both days inclusive) for the entitlement of bonus shares.

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 Account Number / 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 at least once every year. Every shareholder has a right to attend these meetings. The notice of such meetings is sent to all shareholders at least 21 days before the meetings and also published in 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.

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 2019 was as follows:

Months	High	Low	Volume
January	65.00	60.00	25,000
February	72.80	63.50	64,000
March	78.95	73.35	149,000
April	77.25	52.50	97,000
May	55.60	44.28	103,500
June	51.69	45.60	26,000
July	49.90	43.08	22,500
August	51.50	45.20	16,500
September	52.00	48.01	22,000
October	54.60	50.11	58,500
November	61.97	54.00	50,000
December	65.25	61.00	41,500

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 the reports.
- The Committee reviewed and recommended the interim and annual financial statements 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 SEC (Insurance) Rules, 2017, 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.

Access to Reports and Enquiries

Annual Reports

Annual Reports can be downloaded from the Company's website: 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 at the end of first, second and third quarters of the financial year. The interim reports for the year 2019 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 26, 2019. As per agenda the following matters were discussed and approved in the meeting:

1. Approval of minutes of the last Annual General Meeting held on April 10, 2018.
2. Approval of the audited financial statements for the year ended December 31, 2018 along with Directors' and Auditors' reports.
3. Approval of 70% cash dividend and 10% bonus shares for the year ended December 31, 2018.
4. Appointment of A.F. Ferguson & Co. as auditors of the Company for the year 2019 and fixation of their remuneration.
5. Approval of remuneration of the Chief Executive Officer of the Company for the year 2019.

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 specialized in Islamic Jurisprudence & Islamic Finance, graduated from Jamia Dar-UI-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 Limited – Window Takaful Operations" since its commencement and looking after the transactions, policies, day-to-day Shariah related 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 and 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 more than 800 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

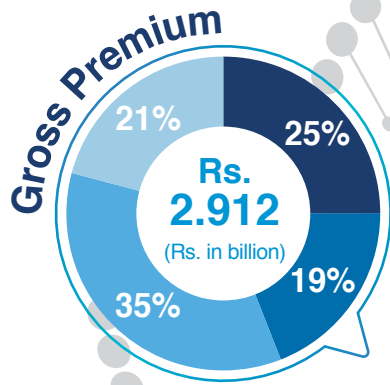
Government policies could be perceived as positive or negative for businesses. The policies may lead to changes in inflation and interest rates, which in turn may affect share price.

Investor Sentiment

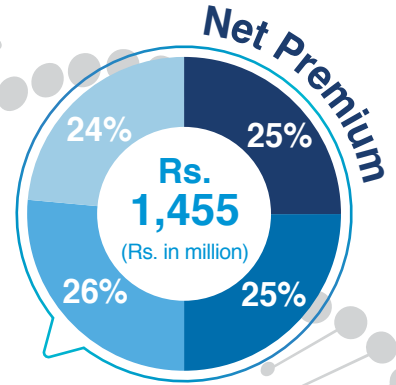
Investor sentiment or confidence can cause the stock market to go up or down, which can cause share prices to rise or fall. The general direction that the stock market takes can affect the value of a stock:

- 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.

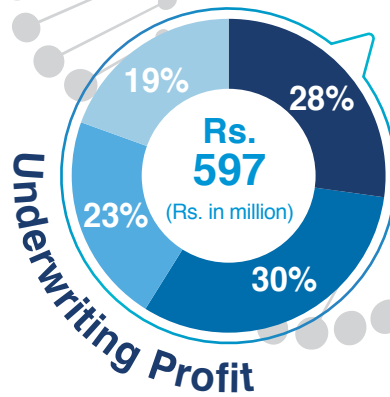
Quarterly Performance Analysis



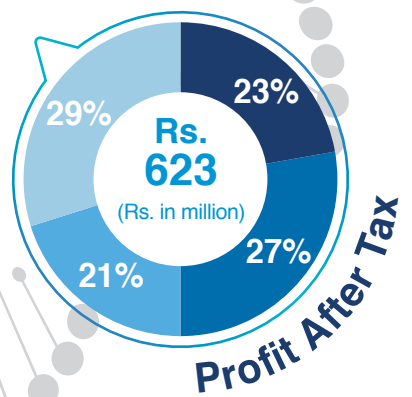
Renewals and new business kept the weightage of gross premium high during the third quarter



No major variation in premium retention was seen during the year. Resultantly distribution of net premium was almost even in each of the four quarters



Core activities of insurance company i.e. net premium, net claims, net commission and management expenses constitute the underwriting profit. The first and second quarters witnessed increase in underwriting profit due to low claims ratio



Second and fourth quarter contributed 27% and 29%, respectively in the profit after tax mainly due to increased underwriting profit and improved investment income

1st Qtr.



2nd Qtr.



3rd Qtr.



4th Qtr.



Six Years at a Glance

(Rupees in million)

Description	2019	2018	2017	2016	2015	2014
Financial Data						
Paid-up capital	771.8	701.6	701.6	701.6	701.6	701.6
Reserves & retained earnings	2,935.0	2,759.3	3,345.4	4,025.7	1,144.3	965.9
Equity	3,706.7	3,460.9	4,047.0	4,727.3	1,845.9	1,667.5
Underwriting provisions	1,837.2	1,905.3	1,295.6	1,471.7	1,347.9	1,057.2
Liabilities including WTO operations	1,490.2	1,299.5	1,419.4	1,875.8	1,951.1	1,676.5
Investments - at cost (net of impairment)	3,192.1	2,311.9	2,365.8	2,608.6	2,124.5	1,868.6
Investments - at market value	4,775.4	3,712.6	4,933.7	6,439.1	4,408.6	3,729.6
Fixed assets - net	120.6	82.1	89.1	59.2	56.2	51.9
Cash and bank deposits	650.2	1,328.0	702.3	250.4	428.3	433.2
Prepayments, loans and other receivables	771.8	564.7	437.3	557.7	426.3	407.9
Total assets from general takaful operations - OPF	138.3	108.5	74.9	69.3	-	-
Total assets	7,034.1	6,665.7	6,762.1	8,074.8	3,797.0	3,344.0
Operating Data						
Gross premium revenue	2,911.8	2,849.5	2,379.3	2,333.6	1,964.5	1,651.3
Gross contribution revenue	289.8	206.8	123.4	61.5	-	-
Net premium revenue	1,455.4	1,473.9	1,274.5	1,044.2	959.2	878.4
Net claims	468.7	488.3	432.5	268.9	203.9	210.5
Management expenses	534.6	461.3	429.1	358.5	356.5	311.0
Net commission	144.7	160.0	165.6	67.3	63.9	49.9
Underwriting result	596.8	684.3	578.5	484.2	462.7	406.7
Investment income	224.8	230.9	321.5	458.1	357.0	294.7
Profit / (loss) from Window Takaful Operations (OPF)	38.9	17.1	0.8	(2.3)	-	-
Profit before tax	895.2	989.0	988.8	916.8	797.8	690.8
Income tax	272.0	323.5	324.9	298.7	196.7	145.8
Profit after tax	623.3	665.6	664.0	618.2	601.2	545.0
Cash Flow Summary						
Operating activities	534.7	725.5	363.8	300.4	300.0	592.1
Investing activities	(721.5)	349.0	535.6	(67.9)	104.8	(11.0)
Financing activities	(491.0)	(448.8)	(447.7)	(410.3)	(409.7)	(310.0)
Cash & cash equivalents at the year end	650.2	1,328.0	702.3	250.4	428.3	433.2
Financial Ratios						
Profitability						
Profit before tax / gross premium (%)	30.7	34.7	41.6	39.3	40.6	41.8
Profit before tax / net premium (%)	61.5	67.1	77.6	87.8	83.2	78.6
Profit after tax / gross premium (%)	21.4	23.4	27.9	26.5	30.6	33.0
Profit after tax / net premium (%)	42.8	45.2	52.1	59.2	62.7	62.0
Underwriting result / net premium (%)	41.0	46.4	45.4	46.4	48.2	46.3
Management expenses / gross premium (%)	18.4	16.2	18.0	15.4	18.1	18.8
Management expenses / net premium (%)	36.7	31.3	33.7	34.3	37.2	35.4
Commission / net premium (%)	9.9	10.9	13.0	6.4	6.7	5.7
Net claims / net premium (%)	32.2	33.1	33.9	25.7	21.3	24.0
Combined ratio (%)	68.9	64.4	67.6	60.9	58.4	59.4

Description	2019	2018	2017	2016	2015	2014
Financial Ratios						
Return to Shareholders						
Return on equity - profit before tax (%)	24.2	28.6	24.4	19.4	43.2	41.4
Return on equity - profit after tax (%)	16.8	19.2	16.4	13.1	32.6	32.7
Earnings growth (%)	(6.4)	0.2	7.4	2.8	10.3	19.5
Earning per share - profit before tax (Rs.)	11.6	14.1	14.1	13.1	11.4	9.8
Earning per share - profit after tax (Rs.)	8.1	9.5	9.5	8.8	8.6	7.8
Return on assets (%)	9.1	9.9	9.0	10.4	16.8	17.1
Investment yield (%)	8.2	9.9	12.9	19.4	17.9	17.2
Earnings assets / total assets (%)	54.6	54.6	45.4	35.4	67.2	68.8
Liquidity / Leverage						
Current ratio (times)	2.4	2.3	3.4	3.6	1.9	2.0
Cash / current liabilities (times)	1.7	1.7	2.6	2.5	2.1	2.2
Total assets turnover (times)	0.4	0.4	0.3	0.4	0.6	0.5
Fixed assets turnover (times)	28.7	33.3	32.1	40.4	36.4	30.6
Total liabilities / equity (times)	0.9	0.9	0.7	0.7	1.1	1.0
Acid test ratio (times)	1.8	1.8	2.7	2.6	2.2	2.4
Return on capital employed (%)	15.1	17.4	13.8	10.6	22.3	22.3
Paid-up capital / total assets (%)	11.0	10.5	10.4	8.7	18.5	21.0
Equity / total assets (%)	52.7	51.9	59.8	58.5	48.6	49.9
Price to book ratio (Rs.)	1.3	1.2	1.3	1.3	2.9	3.2
Market Data						
Price earning ratio (times)	7.9	6.5	8.1	9.6	8.8	9.8
Face value - per share (Rs.)	10.0	10.0	10.0	10.0	10.0	10.0
Market value per share						
Market value at the end of the year (Rs.)	64.0	61.2	76.4	84.7	75.0	75.8
Highest value during the year (Rs.)	78.9	81.8	85.8	88.7	82.0	87.9
Lowest value during the year (Rs.)	43.1	51.5	67.0	59.1	60.3	55.5
Pakistan / Karachi stock exchange index (points)	40,435	37,067	40,471	47,807	32,816	32,131
Market capitalization (Rs.)	4,939.4	4,293.9	5,360.3	5,942.7	5,262.1	5,314.7
Net assets per share (times)	48.0	49.3	57.7	67.4	26.3	23.8
Distribution						
Cash dividend (Rs.)	540.2	491.1	456.0	456.0	421.0	421.0
Cash dividend (%)	70%	70%	65%	65%	60%	60%
Bonus shares (Rs.)	77.2	70.2	-	-	-	-
Bonus shares (%)	10%	10%	0%	0%	0%	0%
Cash dividend per share (Rs.)	7.0	7.0	6.5	6.5	6.0	6.0
Stock dividend per share (Rs.)	1.0	1.0	-	-	-	-
Dividend yield (%)	10.9	11.4	8.5	7.7	8.0	7.9
Dividend pay out (%)	86.7	73.8	68.7	73.8	70.0	77.2
Breakup value per share (Rs.)	48.0	49.3	57.7	67.4	26.3	23.8

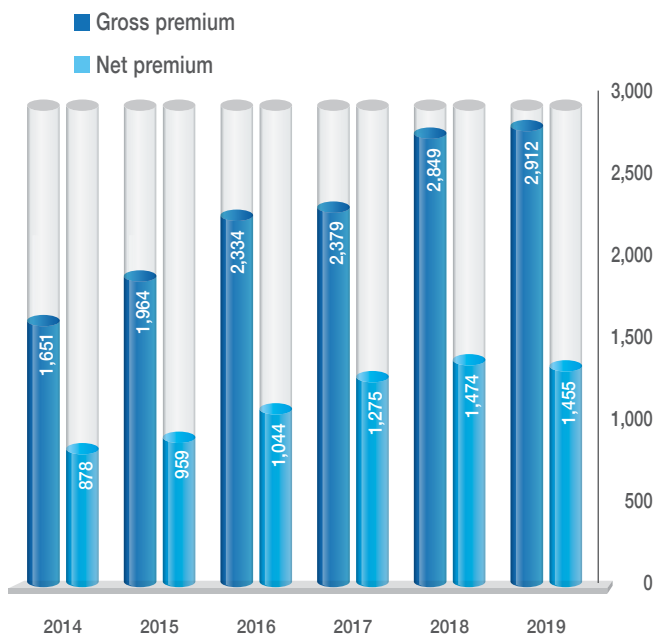


Performance at a Glance

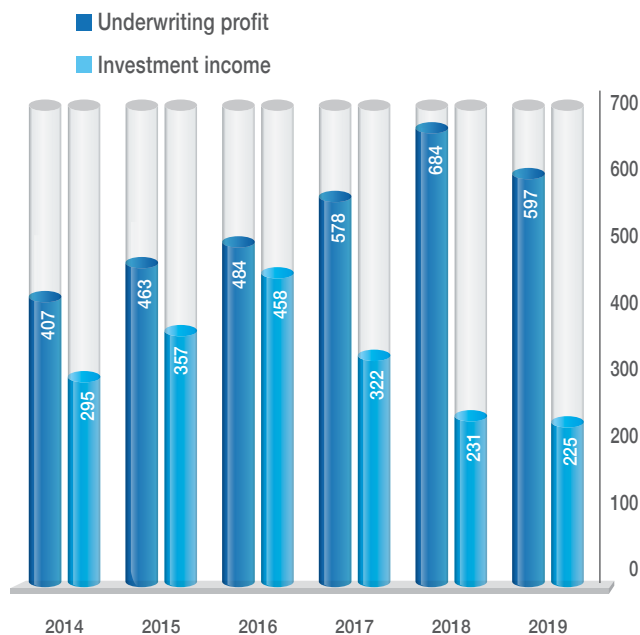
Graphical Presentation

(Rupees in million)

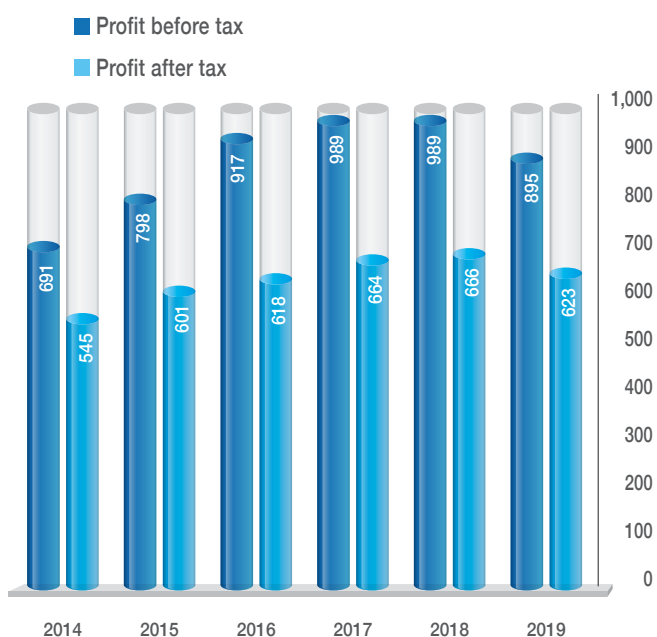
Gross Premium and Net Premium



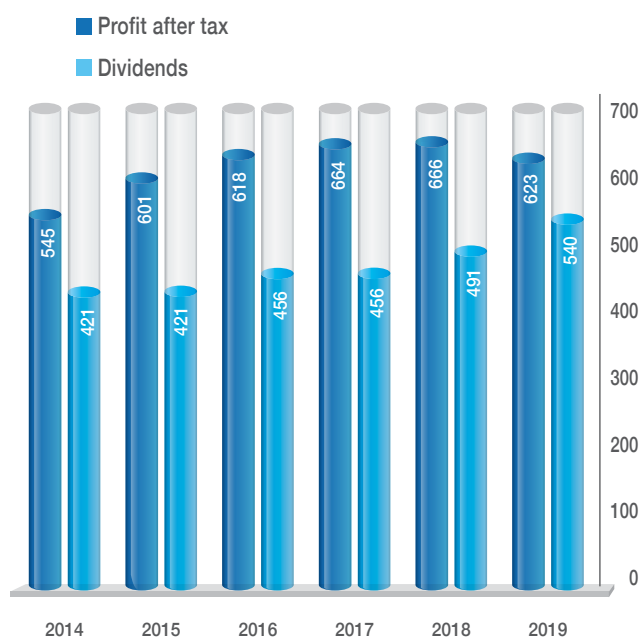
Underwriting Profit and Investment Income



Profitability



Profit After Tax and Dividends

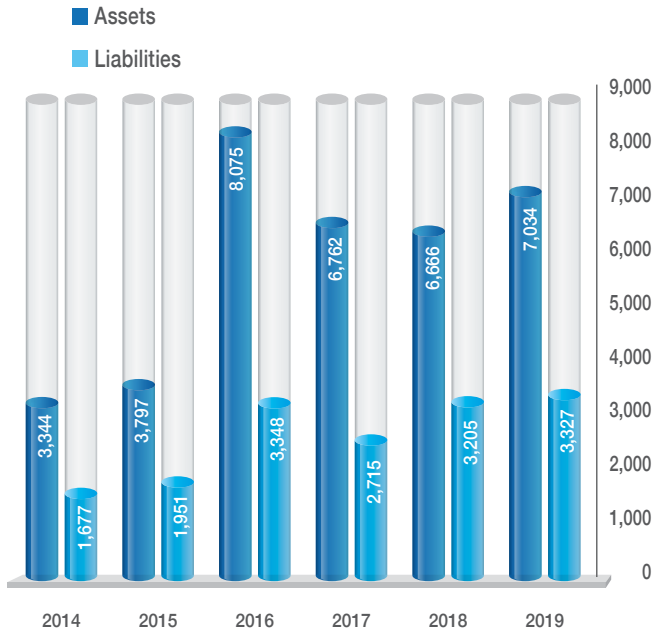


Performance at a Glance

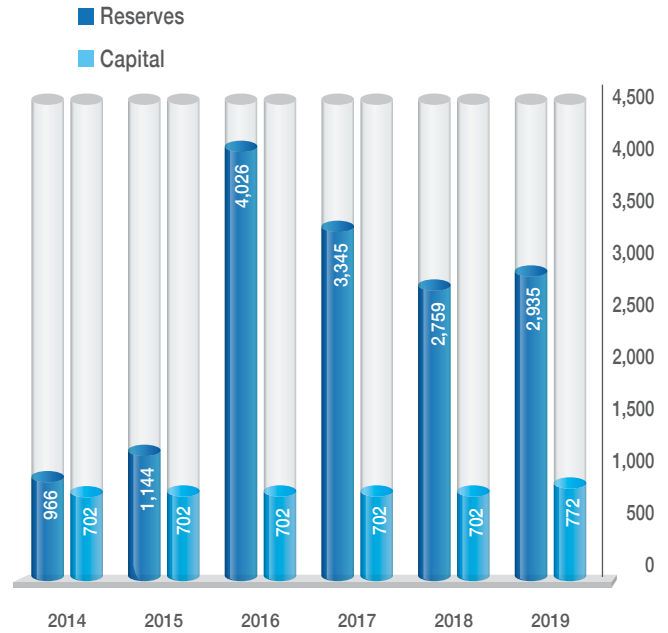
Graphical Presentation

(Rupees in million)

Assets and Liabilities



Capital and Reserves



Price Earnings Ratio and Earnings Per Share



Market and Breakup Value Per Share



Analysis of Financial Statements

Statement of financial position

Particulars	(Rupees in thousand)						Vertical Analysis Composition of Statement of Financial Position						Horizontal Analysis % Change Year to Year					
	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014	2019 Vs 2018	2018 Vs 2017	2017 Vs 2016	2016 Vs 2015	2015 Vs 2014	2014 Vs 2013
Assets																		
Property and equipment	120,565	82,080	89,078	59,210	56,231	51,852	1.7	1.2	1.3	0.7	1.5	1.6	46.9	(7.9)	50.4	5.3	8.4	(7.6)
Investments	4,775,442	3,712,647	4,933,698	6,437,759	2,124,477	1,868,597	67.9	55.7	73.0	79.7	56.0	55.9	28.6	(24.7)	(23.4)	203.0	13.7	20.5
Loan and other receivables	110,348	14,052	24,130	32,300	38,436	47,537	1.6	0.2	0.4	0.4	1.0	1.4	685.3	(41.8)	(25.3)	(16.0)	(19.1)	37.0
Insurance / reinsurance receivables	246,245	332,681	308,500	321,782	255,368	325,091	3.5	5.0	4.6	4.0	6.7	9.7	(26.0)	7.8	(4.1)	26.0	(21.4)	(12.3)
Reinsurance recoveries																		
against outstanding claims	246,582	454,431	150,668	300,469	400,562	179,685	3.5	6.8	2.2	3.7	10.5	5.4	(45.7)	201.6	(49.9)	(25.0)	122.9	(24.0)
Salvage recoveries accrued	3,435	2,435	3,942	3,235	4,110	5,685	0.0	0.0	0.1	0.0	0.1	0.2	41.1	(38.2)	21.9	(21.3)	(27.7)	(16.5)
Deferred commission expense	81,519	80,233	61,735	74,971	70,325	50,608	1.2	1.2	0.9	0.9	1.9	1.5	1.6	30.0	(17.7)	6.6	39.0	(20.5)
Prepayments	661,451	550,697	413,156	525,404	419,221	381,794	9.4	8.3	6.1	6.5	11.0	11.4	20.1	33.3	(21.4)	25.3	9.8	(28.5)
Cash and bank	650,207	1,327,987	702,252	250,436	428,284	433,170	9.2	19.9	10.4	3.1	11.3	13.0	(51.0)	89.1	180.4	(41.5)	(1.1)	167.1
Total assets	6,895,794	6,557,243	6,687,158	8,005,566	3,797,014	3,344,019	98.0	98.4	98.9	99.1	100.0	100.0	5.2	(1.9)	(16.5)	110.8	13.5	10.9
Total assets from general takatful operations - OPF	138,326	108,484	74,963	69,255	-	-	2.0	1.6	1.1	0.9	-	-	27.5	44.7	8.2	100.0	-	-
Liabilities																		
Capital and reserves attributable to Company's equity holders																		
Ordinary share capital	771,775	701,614	701,614	701,614	701,614	701,614	20.8	20.3	17.3	14.8	38.0	42.1	10.0	-	-	-	-	10.0
Reserves	2,313,255	2,104,563	2,685,644	3,406,850	545,064	421,064	62.4	60.8	66.4	72.1	29.5	25.3	9.9	(21.6)	(21.2)	525.0	29.4	22.4
Unappropriated profit	621,710	654,699	659,785	618,860	599,221	544,824	16.8	18.9	16.3	13.1	32.5	32.7	(5.0)	(0.8)	6.6	3.3	10.0	19.4
Total equity	3,706,740	3,460,876	4,047,043	4,727,324	1,845,899	1,667,502	52.7	51.9	59.8	58.5	48.6	49.9	7.1	(14.5)	(14.4)	156.1	10.7	16.0
Underwriting provisions	1,837,226	1,905,341	1,295,647	1,471,658	1,347,868	1,057,228	26.1	28.6	19.2	18.2	35.5	31.6	(3.6)	47.1	(12.0)	9.2	27.5	(4.3)
Retirement benefit obligations	6,926	9,249	3,920	-	2,653	(716)	0.1	0.1	0.1	-	0.1	(0.0)	(25.1)	135.9	100.0	(100.0)	470.5	(108.4)
Deferred taxation	426,871	358,875	760,303	1,116,284	-	-	6.1	5.4	11.2	13.8	-	-	18.9	(52.8)	(31.9)	100.0	-	-
Premium received in advance	105,498	178,520	65,966	53,009	51,695	56,429	1.5	2.7	1.0	0.7	1.4	1.7	(40.9)	170.6	24.4	2.5	(8.4)	600.8
Borrowings	25,771	-	-	-	-	-	0.4	-	-	-	-	-	100.0	-	-	-	-	-
Insurance / reinsurance payable	428,669	330,450	255,654	279,308	266,036	315,070	6.1	5.0	3.8	3.5	7.0	9.4	29.7	29.3	(8.5)	5.0	(15.6)	33.1
Other creditors and accruals	461,820	357,361	286,559	344,751	282,863	231,858	6.6	5.4	4.2	4.3	7.4	6.9	29.2	24.7	(16.9)	21.9	22.0	23.6
Taxation - provision less payments	790	22,218	20,677	61,269	-	16,648	0.0	0.3	0.3	0.8	-	0.5	(96.4)	7.5	(66.3)	100.0	(100.0)	(45.4)
Total liabilities	3,293,571	3,162,014	2,688,726	3,326,279	1,951,115	1,676,517	46.8	47.4	39.8	41.2	51.4	50.1	4.2	17.6	(19.2)	70.5	16.4	6.3
Total liabilities from general takatful operations - OPF	33,809	42,837	26,352	21,218	-	-	0.5	0.6	0.4	0.3	-	-	(21.1)	62.6	24.2	100.0	-	-
Total equity and liabilities	7,034,120	6,665,727	6,762,121	8,074,821	3,797,014	3,344,019	100.0	100.0	100.0	100.0	100.0	100.0	5.5	(1.4)	(16.3)	112.7	13.5	10.9

Analysis of Financial Statements

Profit and Loss Account

Particulars	(Rupees in thousand)						Vertical Analysis Composition of Profit & Loss Account						Horizontal Analysis % Change Year to Year					
	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014	2019 Vs 2018	2018 Vs 2017	2017 Vs 2016	2016 Vs 2015	2015 Vs 2014	2014 Vs 2013
Gross premium revenue	2,911,830	2,849,455	2,379,272	2,333,644	1,964,485	1,651,321	100.0	100.0	100.0	100.0	100.0	100.0	2.2	19.8	2.0	18.8	19.0	17.9
Revenue account																		
Net insurance premium	1,455,416	1,473,915	1,274,543	1,044,230	959,230	878,381	50.0	51.7	53.6	44.7	48.8	53.2	(1.3)	15.6	22.1	8.9	9.2	16.2
Net insurance claims expenses	(468,715)	(488,305)	(432,519)	(268,889)	(203,946)	(210,525)	(32.2)	(33.1)	(33.9)	(25.7)	(21.3)	(24.0)	4.0	(12.9)	(60.9)	(31.8)	3.1	(28.8)
Net commission and other acquisition income	144,684	159,963	165,556	67,334	63,947	49,897	9.9	10.9	13.0	6.4	6.7	5.7	(3.6)	(3.4)	145.9	5.3	28.2	(9.6)
Management expenses	(534,634)	(461,250)	(429,085)	(358,472)	(356,523)	(311,040)	(36.7)	(31.3)	(33.7)	(34.3)	(37.2)	(35.4)	(15.9)	(7.5)	(19.7)	(0.5)	(14.6)	(2.1)
Underwriting results	596,751	684,323	578,495	484,203	462,708	406,713	66.7	69.2	58.5	52.8	58.0	58.9	(12.8)	18.3	19.5	4.6	13.8	18.6
Investment income	224,805	230,857	321,547	458,140	357,016	294,682	25.1	23.3	32.5	50.0	44.7	42.7	(2.6)	(28.2)	(29.8)	28.3	21.2	19.6
Rental income	-	1,235	2,570	8,327	6,864	6,753	-	0.1	0.3	0.9	0.9	1.0	(100.0)	(51.9)	(69.1)	21.3	1.6	3.6
Other income	52,796	73,710	98,953	15,995	12,255	17,869	5.9	7.5	10.0	1.7	1.5	2.6	(28.4)	(25.5)	518.6	30.5	(31.4)	(29.3)
Other expenses	(14,037)	(16,576)	(13,428)	(47,512)	(41,024)	(35,202)	(1.6)	(1.7)	(1.4)	(5.2)	(5.1)	(5.1)	15.3	(23.4)	71.7	(15.8)	(16.5)	(5.1)
	263,564	289,226	409,642	434,950	335,111	284,102	29.4	29.2	41.4	47.4	42.0	41.1	(8.9)	(29.4)	(5.8)	29.8	18.0	16.1
Finance costs	(3,944)	(1,627)	(137)	-	-	-	(0.4)	(0.2)	(0.0)	-	-	-	(142.4)	(1,087.6)	(100.0)	-	-	-
Profit / (loss) from window takaful operations	38,870	17,107	847	(2,307)	-	-	4.3	1.7	0.1	(0.3)	-	-	127.2	1,919.7	136.7	(100)	-	-
Profit before tax	895,241	989,029	988,847	916,846	797,819	690,815	30.74	34.71	41.56	39.29	40.61	41.83	(9.5)	0.0	7.9	14.9	15.5	17.6
Income tax expense	(271,985)	(323,461)	(324,860)	(298,672)	(196,692)	(145,847)	(30.38)	(32.70)	(32.85)	(32.58)	(24.65)	(21.11)	15.9	0.4	(8.8)	(51.9)	(34.8)	(10.8)
Profit after tax	623,256	665,568	663,987	618,174	601,127	544,968	21.4	23.4	27.9	26.5	30.6	33.0	(6.4)	0.2	7.4	2.8	10.3	19.5

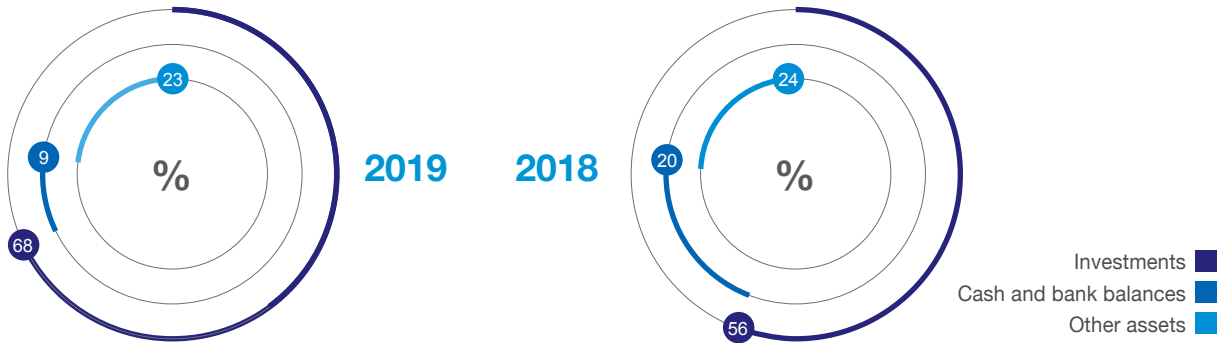
Cash Flow Statement

Particulars	(Rupees in thousand)						Vertical Analysis Composition of Cash Flow						Horizontal Analysis % Change Year to Year					
	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014	2019 Vs 2018	2018 Vs 2017	2017 Vs 2016	2016 Vs 2015	2015 Vs 2014	2014 Vs 2013
Cash flow from operating activities	534,734	725,505	363,836	300,395	299,951	592,054	(78.9)	115.9	80.5	(168.9)	(6,139.0)	218.5	(26.3)	99.4	21.1	0.1	(49.3)	(488.0)
Cash flow from investing activities	(721,546)	349,045	535,633	(67,949)	104,847	(11,019)	106.5	55.8	118.6	38.2	(2,145.9)	(4.1)	(306.7)	34.8	(888.3)	164.8	1,051.5	22.5
Cash flow from financing activities	(490,968)	(448,815)	(447,653)	(410,294)	(409,684)	(310,028)	72.4	(71.7)	(99.1)	230.7	8,384.9	(114.4)	(9.4)	(0.3)	(9.1)	(0.1)	(32.1)	(50.3)
Increase / (decrease) in cash & cash equivalent	(677,780)	625,735	451,816	(177,848)	(4,866)	271,007	100.0	100.0	100.0	100.0	100.0	100.0	(208.3)	(38.5)	354.0	3,540.0	101.8	326.1

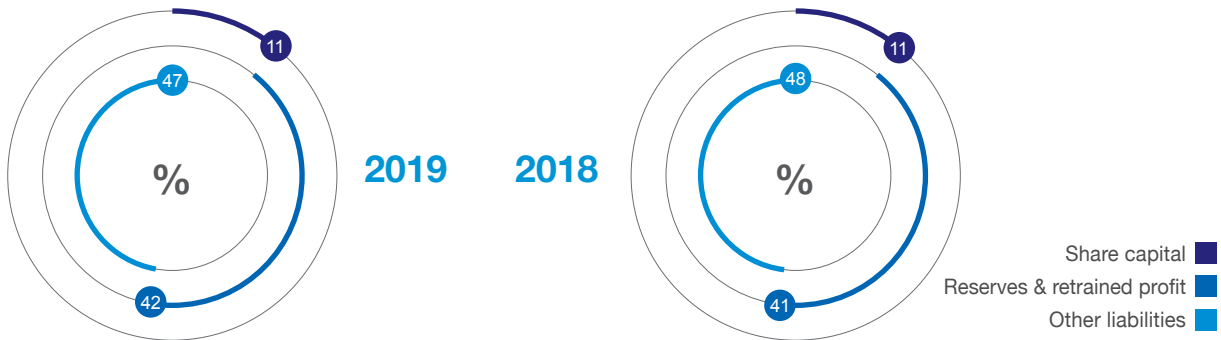
Analysis of Financial Statements

Graphical Presentation (Statement of Financial Position)

Assets

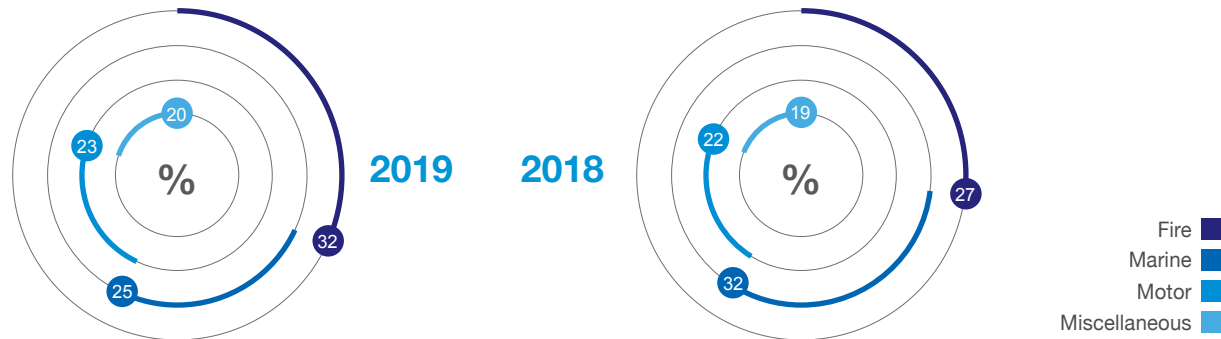


Share Capital, Reserves & Liabilities

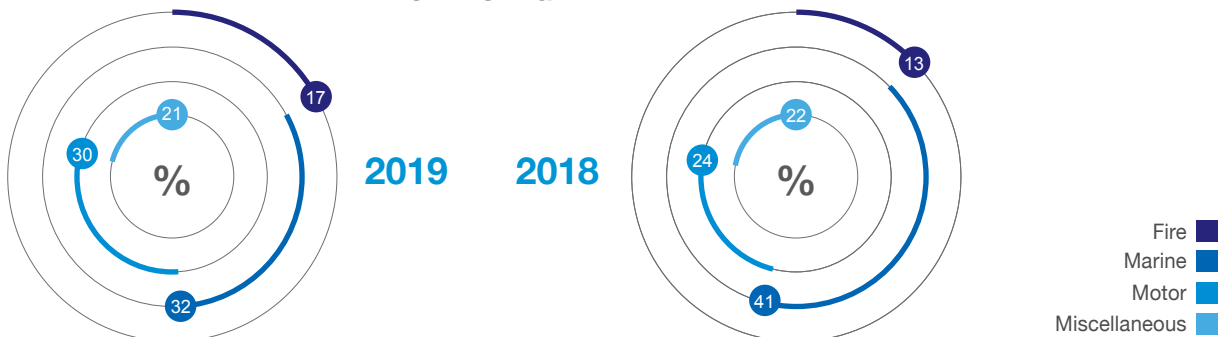


Graphical Presentation (Profit & Loss Account)

Gross Premium



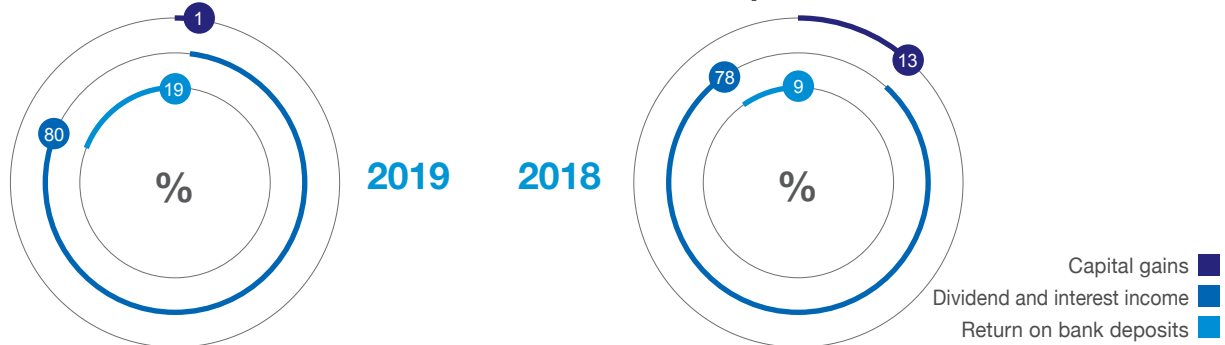
Net Premium



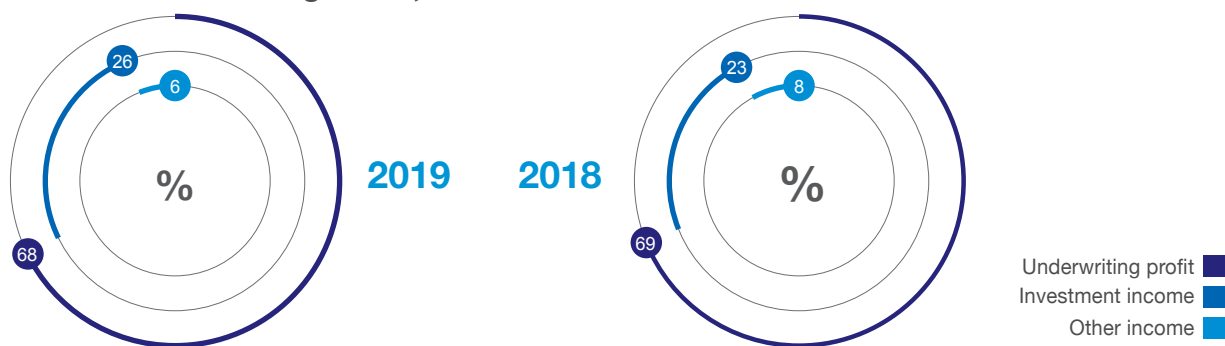
Analysis of Financial Statements

Graphical Presentation (Profit & Loss Account)

Investment Income & Return on Bank Deposits



Underwriting Profit, Investment & Other Income



Graphical Presentation (Cash Flow)

Cash Generated

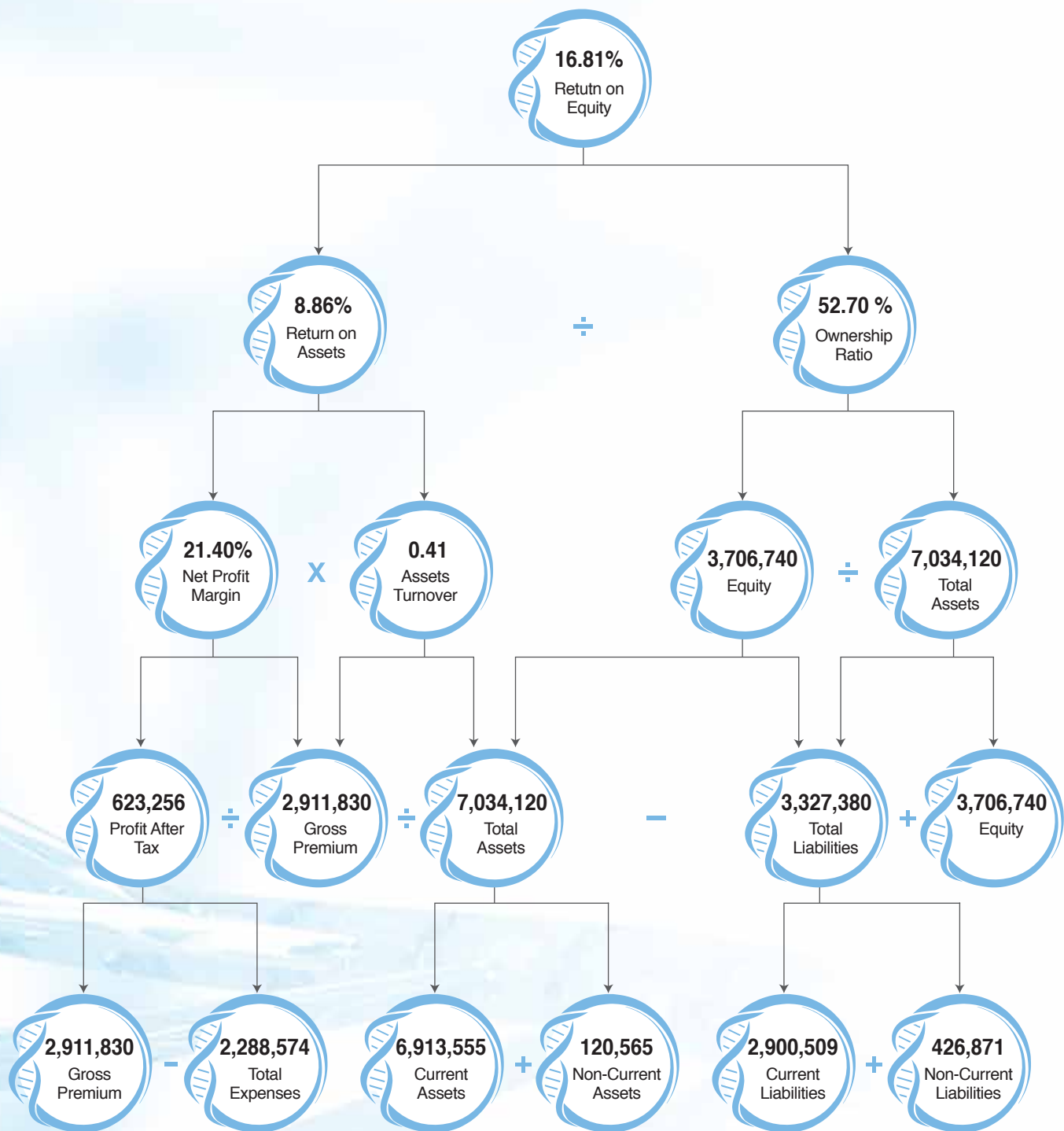


Cash Utilized



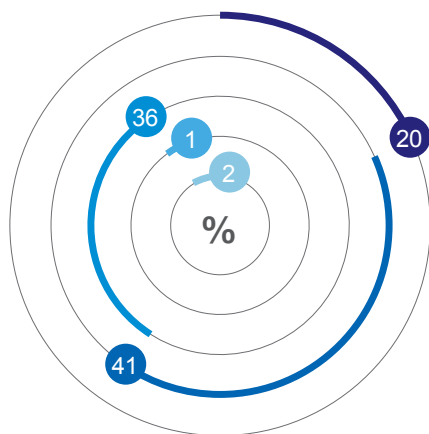
DuPont Analysis 2019

(Rupees in thousand)



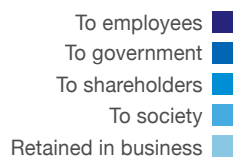
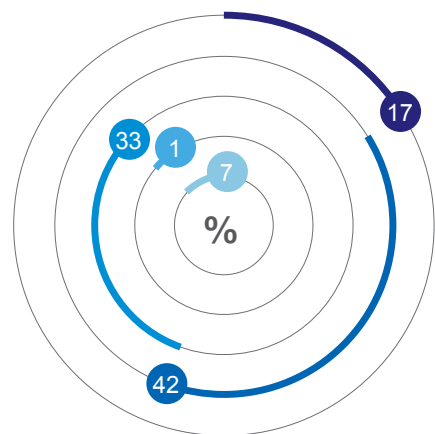
Statement of Value Addition

	2019		2018	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Wealth Generated				
Net premium (including FED and FIF)	1,883,748		1,861,487	
Commission income	144,684		159,963	
Income from investment	224,805		230,857	
Rental and other income	91,666		92,052	
	2,344,903		2,344,359	
Claims, management and other expenses (excluding employee benefit cost, depreciation and donations)	649,540		662,711	
Net wealth generated	1,695,363	100.00%	1,681,648	100.00%
Wealth Distributed				
To Employees				
Employees benefit cost	331,270	19.54%	276,040	16.41%
To Government				
Company taxation	271,985	16.04%	323,461	19.23%
Levies (including FED and FIF)	428,332	25.26%	387,572	23.05%
	700,317	41.31%	711,033	42.28%
To Shareholders				
Cash dividend	540,243	31.87%	491,129	29.21%
Stock dividend	77,178	4.55%	70,161	4.17%
	617,421	36.42%	561,290	33.38%
Financial charges				
To providers of finance	NIL		NIL	
To Society				
Endowment, donation etc.	9,500	0.56%	9,580	0.57%
Retained in Business				
Depreciation and amortization	31,020	1.83%	19,427	1.16%
Retained profit and general reserves	5,835	0.34%	104,278	6.20%
	36,855	2.17%	123,705	7.36%
	1,695,363	100.00%	1,681,648	100.00%



2019

2018



Chairman's Review

It is my pleasure to present the 85th Annual Report and performance review of the Company on behalf of the Board for the year ended December 31, 2019.

The Economy

Pakistan's economy is moving progressively along the adjustment path. Notwithstanding some encouraging signs, the macroeconomic variables have shown mixed performance. GDP growth is expected to remain contained at 2.8%. The moderation is a result of policy induced demand management measures initiated to contain the twin deficits. Despite multiple rounds of policy rate hikes, inflation has gradually risen and is expected to be around 12% in FY 2019-20, highest in the past six years. This is attributable to cost push factors like price increase in food items, de valuation of Pak Rupee, rationalization of energy tariffs and revenue led measures taken by the Government.

While the success of stabilization measures hinges upon multiple factors, the payoff has become noticeable in the form of declining twin deficits. Revenue collection recorded an increase of 16.95% during the first half, which was the result of several revenue and administrative measures adopted in last budget. On the external front, Pakistan's current account deficit contracted by 73% to USD 1.82 billion during the 5M FY 2019-20 as compared to the same period last year. This came on the back of import compression of 21%. Exports managed to post noticeable growth in volumetric terms. Remittances edged up by 3.3% during the first half of FY 2019-20. Shrinking CAD along with disbursements under Extended Fund Facility, ongoing Saudi oil facility and other inflows helped build SBP's foreign exchange reserves, which stood at USD 11.5 billion by end of December 2019. Aforementioned factors allowed Pak Rupee to achieve stability and regain some of its lost value against USD, which closed at Rs.155. The stock market remained under pressure during most part of the year owing to the rising challenges on the economic front. During the first eight months of CY19, the market mostly traded in negative zone with KSE-100 index bottoming out at 28,765 points in mid of August, down 22%. Subsequently it made a decent recovery to not only regain its earlier losses of the year, but also posted a net positive return of 10% for CY19 as the KSE-100 Index settled at 40,735 points.

In the agriculture sector, revised estimates for the Kharif season suggest that the production of important crops is likely to be well short of target. Costlier inputs, decline in area under cultivation, untimely rains and bad pest attacks on the cotton crop hampered output. The Rabi crop is expected to perform better on the back of improved weather conditions. Overall, the recovery in this sector is largely dependent on the Government's supportive measures and improved prices of agricultural products.

As the impact of macroeconomic stabilization measures intensified, the industrial sector continued its downside. The overall confidence among businesses and consumers remained weak, as they struggled to preserve their purchasing power. On the whole, a number of industries within the largescale manufacturing (LSM) sector struggled with inventory build-ups amid rising input costs. With gross margins squeezed and financing costs rising, firms scaled back their operations. As a result, a contraction of 6.0% in LSM was observed.

Industry Analysis

Insurance is the second-largest sector in the financial industry and constitutes 5.3% of Pakistan's total financial sector assets. Due to lack of awareness the penetration of the insurance industry is less than 1% of GDP, which is the lowest in the region and this threshold has never been surpassed in the past 25 years.

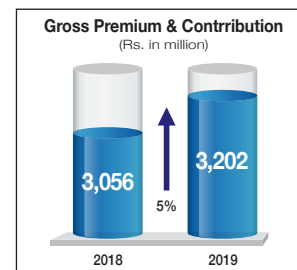
The insurance industry has the potential and the know-how to play its due role in the economy of the country. Though the economic indicators are not very encouraging, yet it is evident from impressive growth over the last few years due to aggressive expansion of distribution channels, especially bancassurance which now comprises of a significant portion of the business of most private sector players. However, due to the current macro-economic environment and slowdown in Pakistan's trade volumes, it is likely that the growth trajectory in the marine segment may decelerate. It is likely that there will be a decline in marine premium consequently hindering the profitability.

Insurance needs around CPEC related projects are still underway and phase 2 is starting which will involve transportation and manufacturing. To tap into the opportunities the insurance industry needs to invest in developing the competencies and skills of their employees to improve efficiencies along with technical abilities to innovate new products.

The Company Results

Premium and Contribution

Your Company maintained its growth trend and underwrote gross direct premium and Takaful contribution of Rs. 3.20 billion (inclusive of takaful contribution of Rs. 289.75 million) compared to Rs. 3.06 billion (including Takaful contribution of Rs. 211.55 million) of 2018, posting 5 % growth. Net premium and contribution revenue were Rs. 1.67 billion (including Takaful contribution revenue of Rs. 200.65 million) against Rs. 1.59 billion (including Takaful contribution revenue of Rs. 113.34 million) of 2018, up 4%. It is worth mentioning that these results were achieved in a challenging economic environment and reflect the fundamental strength of the Company's core business and depict the strength, vision and professionalism of the management.



Segments at a Glance

Fire and Property Damage

A significant growth of 22% was achieved in the fire and property segment with gross premium of Rs. 929.68 million being underwritten against Rs. 764.70 million last year. Net premium increased to Rs. 247.59 million in 2019 from Rs. 188.40 million in 2018, whereas net claims remained low at Rs. 21.64 million compared to Rs. 48.50 million in the previous year. The low net claims therefore led to an increase of 46% in underwriting profit of the segment, from Rs. 95.54 million in 2018 to Rs. 139.63 million in the year under review.

Marine, Aviation and Transport

Marine, aviation and transport segment remained under pressure during the year mainly due to contraction in imports. Gross premium was Rs. 732.51 million in 2019 against Rs. 912.19 million of 2018, down 20%. Similarly net premium decreased by 22% to Rs. 472.13 million in 2019 from Rs. 608.54 million of 2018. Net claims ratio was 8% against 3% of 2018, whereas underwriting profit was down by 32%.

Motor

Motor segment generated gross underwritten premium of Rs. 659.90 million against Rs. 639.06 million of 2018, up 3%. The net premium increased to Rs. 435.04 million from Rs. 360.50 million of 2018, up 21%. The net claim ratio improved to 41% from 57% of 2018, reflecting prudent underwriting approach of the Company towards Motor business. One of the best loss ratios seen in recent years took the underwriting profit to Rs. 81.73 million against Rs. 5.01 million of 2018, significant growth indeed.

Miscellaneous

Gross premium rose to Rs. 589.74 million from Rs. 533.51 million of 2018, registering 11% growth. Net premium was Rs. 300.66 million against Rs. 316.48 million 2018, down 5%. Net claim ratio of 76% against 68% of 2018, had an adverse impact on underwriting profit which was down to Rs. 8.59 million against Rs. 46.48 million of last year.

Window Takaful Operations

Takaful Window Operations continues to perform well and posted 37% growth in gross written contribution. The gross written contribution for the year was Rs. 289.75 million against Rs. 211.55 million of 2018. Net contribution increased by 77% to Rs. 200.65 million against Rs. 113.34 million of 2018. Surplus for Participant Takaful Fund was Rs. 27.45 million compared to deficit of Rs. 24.99 million in 2018. Operator's Fund posted profit of Rs. 38.87 million against Rs. 17.11 million of 2018.

Investment Management

The management under the guidance and advice of the Investment Committee monitored the investment portfolio closely. The overall policy remains to invest in fundamentally sound securities with good earnings and growth prospects while maintaining appropriate balance between fixed income and equity securities. Your Company prudently invests funds and seeks attractive returns in accordance with the prevailing market conditions.

Investment income for the year stood at Rs. 224.81 million compared to Rs. 230.86 million of last year. The book value of investment as at December 31, 2019 stood at Rs. 3.19 billion (market value Rs. 4.78 billion) against Rs. 2.31 billion (market value Rs. 3.71 billion) of last year. This reflects strong financial base of your Company as well as better utilization of Company funds.

Profitability

The underwriting profit for the year stood at Rs. 596.75 million against Rs. 684.32 million of last year. Profit before tax stood at Rs. 895.24 million compared to Rs. 989.03 million of last year, mainly due decline in underwriting profitability. After providing for taxes aggregating to Rs. 271.98 million, the profit after tax was Rs. 623.26 million compared to Rs. 665.57 million of the year 2018.

Capital Management

The Company has a strong equity base of Rs. 3.71 billion having a paid up capital of Rs. 771.78 million and reserves of Rs. 2.94 billion as at December 31, 2019. The Company is committed to maintain a strong financial base which gives financial flexibility to achieve growth and portfolio optimization goals.

Reinsurance

Your Company is focused on building underwriting capacities of existing lines of business, while introducing new products. Your Company has reinsurance arrangements with prestigious and world renowned reinsurers with strong financial strength ratings which includes Swiss Reinsurance Company, Hanover Reinsurance Company, Tokyo Marine and Nichido Fire Insurance Company, Sompo Japan, Malaysian Reinsurance Company, Labuan Reinsurance Company, Kuwait Re, Saudi Re and SCOR Re.

During the year under review the Company maintained its tradition of strengthening the reinsurance arrangements and expanding its capacity base. Your Company was successful in managing and negotiating generally improved terms and conditions in almost all the reinsurance segments which is the continuity of the reinsurance program to protect the value at risk by ensuring appropriate protection for individual risks.

Solvency

Company's ability to continue operations into the foreseeable future is assessed based on its solvency therefore maintaining strong solvency is essential for staying in the business. Your Company believes in maintaining a strong cash position and asset base to meet any sudden liquidity requirements as well as solvency limits. Your Company, despite the limits set on investments by the SECP, for determining admissible assets, comfortably meets the solvency requirements.

Information Technology

Information Technology (IT) has become a vital and integral part of every organization. Your Company continues to adopt latest technology to fulfill the challenges of the industry and provide better services to the customers. The key areas of IT services towards core business operations are; online General Insurance System, Management Information System, Cyber Security Framework, Business Continuity Plan, data management and governance. The plan sets forth the current and future foundation and guidelines that direct IT activities across the company for deployment and enhancement in, IT infrastructure, secured and speedy communication, increase customer relations (B2B) through web-portals and mobile Apps, in-house software development, secure and prudent MIS.

Human Resource and Associate Development

Your Company strongly believes in the core value of 3Rs - Respect, Recognition and Reward and huge importance is given on having right people at the right job. Your Company has created a favorable work environment which encourages meritocracy. Having strong belief in the Atlas Group philosophy of 'Organization Development through Self-Development' the Company adheres to this policy which ultimately accelerates productivity, increases employee effectiveness & efficiency, provides job satisfaction and promotes self-respect, dignity and integrity.

Special emphasis is given on the training and development of the employees. Presently a sizeable number of employees are appearing in Associate of Chartered Insurance Institute, London, examinations to complete their ACII qualification financed by the Company. Some employees are also doing EMBA from reputable Institutes of Pakistan. Employees of all levels are nominated for in house trainings as well as outside formal training courses. Selected employees are sent on training in reputable institutions such as IBA Karachi, PIMS and LUMS. This also leads to fulfillment of organization' s long term needs. For high potential employees Individual Development Profile is also developed to set the career growth path.

Risk Management System

Your Company has appropriate framework of methods, system and process to manage risks and seize opportunities related to the achievement of business objectives. The improved performance is a result of our focus on sound financial practices, maintaining a disciplined approach to risk management, economizing on costs and eliminating duplication of resources. The Company has also formed a Risk Management & Compliance Committee dealing with systems and processes to manage risks and seize opportunities related to the achievement of the business objectives.

Corporate Social Responsibility

Your Company is fully aware of its corporate social responsibilities and is at the heart of the value system being followed by the Company under which not only the Company but associates working in the Company play their role in the development of the society. In line with Atlas Group philosophy, your Company believes in repaying the society. Your Company contributes 1% of its profit before tax to the Atlas Foundation which in turn carries out different welfare projects predominantly focused on education.

Rating by PACRA

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 also acknowledges that the company has a strong panel of re insurers with favorable treaty terms and prudent risk retention policies.

Performance Evaluation of the Board and Committees of the Board

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. The Board has also placed a mechanism to evaluate its performance as required by the Code of 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 has also reviewed and approved the Company' s financial budget and capital expenditures requirements for the year 2020.

The Board 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. 750.49 million towards government exchequer on account of Sales Tax, Income Tax, Federal Excise Duty, Federal Insurance Fee, Policy Stamps etc. Atlas Group as a whole has contributed substantially in terms of taxes and duties and contributed over Rs. 55 billion to the national exchequer for the year 2018-19 which is 1.14% of the total exchequer, a significant share in the government revenue.

Future Outlook

Going forward, it is important for the government to address the structural vulnerabilities and put the economy on a balanced and sustained growth trajectory. There is a need to build on the gains on the ease of doing business. Subdued import growth is expected to remain the key driver of narrowing current account deficit. In particular, the ongoing completion of power projects will reduce capital goods imports, while oil imports will remain structurally lower given the gradual transition in power generation away from diesel to coal, natural gas and hydropower. Tight monetary conditions and import tariff on non-essential goods will also weigh on broader import demand for some time. 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.

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

عزرا نام ہو تو یہ میٹھی، بڑی زر خیز ہے ساقی

Acknowledgement

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



Iftikhar H. Shirazi
Chairman

بورڈ 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 پران 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۔ اس سال آپ کی کمپنی نے سیکرٹس، ایکٹو ٹیکس، فیڈرل ایکسائز ڈیوٹی، فیڈرل انشورنس فیس، پالیسی اسٹیٹمنٹس اور دیگر محصولات کے ضمن میں حکومتی خزانے میں 750.49 ملین روپے کی خطرہ رقم جمع کروائی۔ اس گروپ نے مجموعی طور پر ٹیکسوں اور ڈیوٹیوں کی مدد میں سال 2018-19 کے لیے قومی خزانے میں 55 ملین روپے سے زائد رقم شامل کی جو کہ مجموعی خزانے کا 1.14 فیصد اور حکومت کو حاصل ہونے والی آمدنی کا نمایاں جزو ہے۔

مشغولیت کا مظہر نامہ

آگے بڑھنے کے لیے ضروری ہے کہ حکومت ساختی خطرات کو دور کرنے کے لیے اقدامات کرے اور معیشت کو متوازن اور مستحکم ترقی کی جانب گامزن کرے۔ کاروبار میں آسانی پیدا کرنے کی ضرورت ہے۔ توقع کی جارہی ہے کہ درآمدات کی شرح میں کمی کے باعث کرنٹ اکاؤنٹ خسارے میں کمی واقع ہوگی۔ خاص طور پر، توانائی کے منصوبوں کی جاری تکمیل سے اہم چیزوں کی درآمدات کمی آئی گی، جبکہ ڈیزل سے کوئلے، قدرتی گیس اور بجلی کی پیداوار میں بتدریج منتقلی کے باعث تیل کی درآمدات ساختی طور پر کم رہے گی۔ سخت مالیاتی صورت حال اور غیر ضروری سامان پر درآمدی ٹیرف کچھ وقت کے لیے وسیع برآمدی طلب پر دباؤ ڈالیں گے۔ تاہم موجودہ حکومت کو درپیش معاشی چیلنجز کیلئے باضابطہ اور متناسق نقطہ نظر اپنانے کی ضرورت ہوتی ہے۔ ایک اچھی سوچ اور فیصلہ کن پالیسی کا نفاذ سرمایہ کاروں کا اعتماد بحال کرے گا۔

مجھے یقین ہے کہ آپ کی کمپنی کی مینجمنٹ معیاری ترقی کو یقینی بنانے کے لیے ان مواقع سے فائدہ اٹھانے کے لیے لیس اور پوری طرح تیار ہے۔

صغ ذرا ندم ہو تو یہ مٹی، بڑی زر خیز ہے ساقی

انتہا پر 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۔ 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 مخلصی پر تہ دل سے شکر گزار ہوں۔



انوار ساجی شیرازی
چیئرمین

EMBA سے بھی کر رہے ہیں۔ ہر سطح کے ملازمین کو ادارے کے اندر تربیت اور ساتھ ساتھ باضابطہ تربیتی کورسز کے لیے منتخب کیا جاتا ہے۔ منتخب کردہ ملازمین کو معروف اداروں IBA کراچی، PIMS اور LUMS میں تربیت کے لیے بھیجا جاتا ہے۔ جو کہ ادارے کی طویل المدتی ضروریات کی تکمیل کا باعث بنتا ہے اور باصلاحیت ملازمین کے تجربے میں ترقی کے لیے انفرادی فروغ کی پروفائل بھی مرتب کی جاتی ہے۔

ممکنہ خطرات سے نمٹنے کا نظام (ریسک مینجمنٹ سسٹم)

آپ کی کمپنی کے پاس ممکنہ خطرات سے نمٹنے اور کاروباری مقاصد کے حصول سے متعلق مواقعوں سے فائدہ اٹھانے کے لیے طریقہ کار، نظام اور عمل درآمد کرنے کا مناسب فریم ورک موجود ہے۔ یہ بہتر کارکردگی، ہمارے مستحکم مالی طریقہ عمل، ریسک مینجمنٹ کے ضمن میں نظم و ضبط کو برقرار رکھے، اخراجات پر کفایت شعاری اور وسائل کی نقل و حرکت کرنے پر ہماری توجہ کا نتیجہ ہے۔ کمپنی نے، کاروباری مقاصد کے حصول کے لیے ادارے میں ریسک مینجمنٹ کے مجموعی عمل کی نگرانی کے لیے ایک ریسک مینجمنٹ اور کمپلائنس کمیٹی بھی تشکیل دے رکھی ہے۔ یہ طریقہ کار متعلقہ افراد کو ممکنہ خطرات کی تخفیف کے لیے بروقت اور موزوں اقدامات کرنے کے قابل بناتا ہے۔

ادارے کی سطح پر سماجی ذمہ داری

آپ کی کمپنی اپنی ادارے کی سطح پر سماجی ذمہ داری سے پوری طرح واقف ہے اور ایسے قابل قدر نظام کے مرکز کو اپناتے ہوئے ہے جس کے تحت نہ صرف کمپنی بلکہ کمپنی میں کام کرنے والے ملازمین بھی معاشرے کی ترقی میں اپنا کردار ادا کرتے ہیں۔ اس گروپ کے فلسفے سے ہم آہنگ رہتے ہوئے کمپنی سماجی ترقی کو فروغ دینے پر یقین رکھتی ہے۔ آپ کی کمپنی اپنے منسلک ادارے اس فائونڈیشن میں قبل از ٹیکس منافع کا 1 فیصد عطیہ دیا ہے، یہ ادارہ معاشرے کی فلاح و بہبود کے مختلف کام، خصوصاً تعلیمی شعبے میں اپنی خدمات انجام دے رہا ہے۔

PACRA کی جانب سے درج بندی

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے آپ کی کمپنی کے مالیاتی استحکام کے اعتراف میں اس کی انشورڈ فائٹل اسٹریٹیج (IFS) ریٹنگ کو برقرار رکھتے ہوئے اسے 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 اچھی صلاحیت رکھتی ہے۔ یہ درجہ بندی عمدہ لیکویڈٹی پروفائل کا مظہر ہے، جو کہ کمپنی کی ذمہ داریوں کو مستحکم کوریج فراہم کرتی ہے۔ PACRA نے اس بات کا بھی اعتراف کیا ہے کہ اس انشورنس کے پاس معاہدے کی مثبت شرائط اور ممکنہ خطرات سے تحفظ کی پالیسیوں کے ساتھ دوہرے بیمہ کاروں کا ایک مضبوط پینل ہے۔

بورڈ اور بورڈ کی کمیٹی کی کارکردگی

بورڈ نے پیش رواند کاروباری فضا کو یقینی بنانے کے لیے مخصوص پالیسیاں اور طریقہ کار وضع کر رکھے ہیں جو حقائق کے بروقت اظہار، احتساب، اعلیٰ اخلاقی معیار، قابل اطلاق قوانین، ضوابط اور کاروباری عملداری کی تعمیل کو فروغ دیتے ہیں۔ بورڈ نے کوڈ آف کارپوریٹ گورننس کے تحت اپنی کارکردگی کے جائزے کے لیے ایک طریقہ کار بھی وضع کیا ہوا ہے۔

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 سہ ماہی، شش ماہی اور سالانہ مالیاتی نتائج کا جامع انداز میں جائزہ لیا گیا اور منظوری دی گئی۔ بورڈ نے مینجمنٹ کو بھی باقاعدگی کے ساتھ رہنمائی فراہم کی۔ بورڈ نے سال 2020 کے لیے کمپنی کے مالیاتی بجٹ کی منظوری دی ہے۔

مقابلے میں 24 فیصد کم ہے۔ اسی طرح نیٹ پریمیم سال 2018 کے 608.54 ملین روپے کے مقابلے میں 22 فیصد کمی کے ساتھ 427.13 ملین روپے رہا۔ نیٹ گلیمر کا تناسب سال 2018 کے 3 فیصد کے مقابلے میں اس سال 8 فیصد رہا، جبکہ انڈر رائٹنگ منافع سال 2018 کے 537.31 ملین روپے کے مقابلے میں 32 فیصد کمی کے ساتھ 366.81 ملین روپے رہا۔

موٹر

موٹر کے شعبے نے 659.90 ملین روپے گروس انڈر رائٹنگ پریمیم مہیا کیا جو کہ سال 2018 کے 639.06 ملین کے مقابلے میں 3 فیصد زیادہ ہے۔ نیٹ کلیم کا تناسب سال 2018 میں 57 فیصد تھا جو کہ اس سال بہتر ہو کر 41 فیصد ہو گیا، یہ کمپنی کی موٹر بزنس کی جانب عمدہ انڈر رائٹنگ کی عکاسی کرتا ہے۔ گلیمر کی شرح میں کمی کے سبب انڈر رائٹنگ منافع سال 2018 کے 4.99 ملین روپے کے مقابلے میں 81.73 ملین روپے رہا۔

مستحققات

گروس پریمیم سال 2018 کے 533.51 ملین روپے سے بڑھ کر 589.74 ملین روپے رہا جو کہ 11 فیصد اضافہ ہے۔ نیٹ پریمیم سال 2018 کے 316.48 ملین روپے کے مقابلے میں 5 فیصد کمی کے ساتھ 300.66 ملین روپے رہا۔ نیٹ گلیمر کی شرح سال 2018 کے 68 فیصد کے مقابلے میں 76 فیصد رہی، جس سے انڈر رائٹنگ منافع پر برے اثرات مرتب ہوئے جو گزشتہ سال کے 46.49 ملین روپے کے مقابلے میں 8.59 ملین روپے رہا۔

وٹڈ وکال آپریشنز

وٹڈ وکال آپریشنز نے اعلیٰ کارکردگی دکھانے کا سلسلہ جاری رکھا اور گروس کنٹری بیوشن میں 36 فیصد کا اضافہ ہوا۔ گروس کنٹری بیوشن 289.75 ملین روپے رہا جو کہ سال 2018 میں 211.55 ملین روپے تھا۔ نیٹ کنٹری بیوشن 77 فیصد اضافے کے ساتھ 200.65 ملین روپے رہی جو کہ سال 2018 میں 113.34 ملین روپے تھا۔ پارٹنٹ وکال فنڈ کارپولس 27.45 ملین روپے رہا جو کہ سال 2018 میں 24.99 ملین روپے کا خسارہ تھا۔ آپریٹرز فنڈ نے 38.87 ملین روپے کا منافع کیا جو کہ سال 2018 میں 17.11 ملین روپے تھا۔

سرمایہ کاری کا انتظام

سرمایہ کاری کمپنی کی رہنمائی اور مشورے کے زیر انتظام سرمایہ کاری پورٹ فولیو کا باریکی سے جائزہ لیا گیا۔ مجموعی طور پر پالیسی اچھی آمدنی اور نمو کے امکانات کے ساتھ بنیادی طور پر محفوظ سکیورٹیز میں سرمایہ کاری جبکہ مقررہ آمدنی اور انیکویٹی سکیورٹیز کے درمیان توازن کو برقرار رکھے ہوئے ہے۔ آپ کی کمپنی احتیاط کے ساتھ فنڈز کی سرمایہ کاری کرتی ہے اور مارکیٹ کی صورت حال کے مطابق بہتر منافع کی توقع کرتی ہے۔

سرمایہ کاری کی مدد میں آمدنی گزشتہ سال کے 230.86 ملین روپے کے مقابلے میں 224.81 ملین روپے رہی۔ 31 دسمبر 2019 تک سرمایہ کاری کی کتابی قدر 2.81 ملین روپے رہی (مارکیٹ قدر 4.33 بلین روپے) جو کہ گزشتہ سال 2.38 بلین روپے تھی (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 684.32 ملین روپے کے مقابلے میں 596.75 ملین روپے رہا۔ قبل از ٹیکس منافع گزشتہ سال کے 989.03 ملین روپے کے مقابلے میں 895.24 ملین رہا، جس کی بنیادی وجہ انڈر رائٹنگ منافع میں کمی ہے۔ 271.98 ملین روپے ٹیکس کی ادائیگیوں کے بعد، بعد از ٹیکس منافع 623.26 ملین روپے رہا جو کہ گزشتہ سال 665.57 ملین روپے تھا۔

سرمائے کا انتظام

31 دسمبر 2019 کے اختتام پر کمپنی 771.78 ملین روپے کے ادا شدہ سرمائے اور 2.94 بلین روپے کے ذخائر پر مشتمل 3.71 بلین روپے کی ایکویٹی کے ساتھ مضبوط مالیاتی خاکہ رکھتی ہے۔ کمپنی

مضبوط مالیاتی خاکہ برقرار رکھنے کے لئے کوشاں ہے جو نمو کے حصول اور پورٹ فولیو اصلاح کے ہدف کے لئے مالیاتی پلگ فراہم کرتا ہے۔

دوہرا بیمہ

کمپنی کاروباری صلاحیتوں کو مسلسل بڑھانے اور نئی مصنوعات متعارف کروانے پر ہمیشہ اپنی توجہ مرکوز رکھتی ہے۔ آپ کی کمپنی اعلیٰ ساکھ کے حامل اور دنیا کے ایسے معروف دوہرے بیمہ کاروں کے ساتھ دوہری بیمہ کاری کے معاہدے زیر عمل لاتی ہے جو مضبوط مالیاتی استحکام کی درجہ بندیوں کے حامل ہیں، ان میں سوئس ری انشورنس کمپنی، چین اوروری انشورنس کمپنی، ٹوکیو میرین اور نیچوڈ آتشزدگی بیمہ کمپنی، سوئیچو جاپان، ملائیشین ری انشورنس کمپنی اور لیویو ان ری انشورنس کمپنی، کویت ری، سعودی ری اور SCOR ری شامل ہیں۔

کمپنی نے زیر جائزہ سال کے دوران ری انشورنس کے انتظامات کو مضبوط بنانے اور اس کی صلاحیتوں کی بنیاد میں اضافے کی روایت کو برقرار رکھا ہے۔ آپ کی کمپنی تقریباً تمام دہرے بیمے کے طبقات میں عموماً بہتر شرائط و ضوابط کا انتظام اور اس پر بات چیت کرنے میں کامیاب رہی ہے۔ جو کہ انفرادی طور پر لاحق خطرات کے لیے مناسب تحفظ کو یقینی بناتے ہوئے خطرے سے دوچار اقتصادی قیمتوں کو محفوظ بنانے کے لیے دوہرا بیمہ پروگرام کا تسلسل ہے۔

قابلیت ادا کے قرضہ

قابل قیاس مستقبل میں کمپنی کی سرگرمیوں کو جاری رکھنے کی صلاحیت کا اندازہ اس کے قرض ادا کرنے کی حیثیت کی بنیاد پر کیا جاتا ہے لہذا کاروبار میں قائم رہنے کے لیے مستحکم المادری کو برقرار رکھنا ضروری ہے۔ کمپنی اچانک سیالیت کی ضروریات کو پورا کرنے اور مال داری کی حدود کے لئے مضبوط کیش صورتحال اور بنیادی سرمایہ پر یقین رکھتی ہے۔ SECP کی جانب سے قابل قبول اثاثہ جات کو متعین کرنے کے لئے سرمایہ کاری پر قائم حدود کے باوجود کمپنی اطمینان سے مال داری کی ضروریات کو پورا کرتی رہی ہے۔

انفارمیشن ٹیکنالوجی

انفارمیشن ٹیکنالوجی ہر کاروباری منصوبے کا اہم ترین اور مرکزی جزو بن چکی ہے۔ آپ کی کمپنی مصنوعی خطرات سے نمٹنے اور صارفین کو بہتر خدمات کی فراہمی کے لیے جدید ٹیکنالوجی کو اختیار کئے ہوئے ہے۔ آئی ٹی سروسز کے بنیادی کاروباری آپریشنز میں آن لائن جنرل انشورنس سسٹم، مینجمنٹ انفارمیشن سسٹم، سائبر سکیورٹی فریم ورک، بزنس کنٹینوٹی پلان، ڈیٹا مینجمنٹ اور گورننس شامل ہیں۔ آئی ٹی انفرا سٹرکچر میں محفوظ اور تیز رفتار مواصلات کے ساتھ ویب پورٹل اور موبائل ایپ کے ذریعے کسٹمر یلیٹیشنز میں (B2B) کا اضافہ ہوا، ان ہاؤس سافٹ ویئر ڈویلپمنٹ نے محفوظ اور محتاط MIS منصوبہ ترتیب دیا ہے جس سے کمپنی میں براہ راست آئی ٹی کی سرگرمیوں کا تعین کیا جاسکے گا۔

ہیومن ریسورس اور ایسوی ایٹ ڈویلپمنٹ

آپ کی کمپنی تین بنیادی اقدار پر پختہ یقین رکھتی ہے یعنی احترام، اعتراف اور انعام اور ملازمت کے لیے موزوں افراد کو تعینات کرنے کو بڑی اہمیت دی جاتی ہے۔ کمپنی کام کرنے کے لیے سازگار ماحول مہیا کرتی ہے جو میرٹ کے فروغ دینے میں مددگار ثابت ہوتا ہے۔ ذاتی ترقی کے ذریعے ادارے کی ترقی کے اہل گروپ کے فلسفے پر مستحکم یقین رکھتے ہوئے کمپنی اس پالیسی پر کاربند ہے جو پیداوار، ملازمت پر اثرات اور کارکردگی میں اضافہ، ملازمت پر اطمینان اور خودداری، وقار اور سالمیت کے فروغ کو توجہ دیتی ہے۔

کمپنی میں ملازمین کی تربیت اور ترقی پر خصوصی توجہ دی جاتی ہے۔ فی الوقت، ملازمین کی نمایاں تعداد، کمپنی کی کفالت پر اپنی ACII تعلیم عمل کرنے کے لیے ایسوی ایٹ آف چارٹرڈ انشورنس انسٹیٹیوٹ، لندن، کے ہونے والے امتحانات میں شرکت کر رہی ہے۔ کچھ ملازمین پاکستان کے نامور اداروں

چیرمین کی جانب سے جائزہ

میں نہایت مسرت کے ساتھ 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بورڈ کی جانب سے کھینچی کی 85 ویں سالانہ رپورٹ اور کارکردگی کا جائزہ پیش کر رہا ہوں۔

معیشت

پاکستانی معیشت بتدریج بہتری کی جانب گامزن ہے۔ چند حوصلہ افزاؤں نشانوں کے ساتھ مائیکرو اکنامک اشارے ملی جلی کارکردگی کا مظاہرہ کر رہے ہیں۔ توقع ہے کہ شرح نمو کی پیداوار 2.8 فیصد پر رہے گی۔ یہ اعتماد پسندی اُن پالیسیوں کا نتیجہ ہے جو دوہرے خسارے پر قابو پانے کے لیے اپنائی گئی تھیں۔ پالیسی شرح میں اضافے کے متعدد راؤنڈز کے باوجود فراڈز میں اضافہ ہوا ہے اور توقع ہے کہ مالی سال 2019-20 میں یہ 12 فیصد تک رہے گی جو کہ گزشتہ چھ سالوں میں سب سے زیادہ ہے۔ اس کا سبب قیمتوں میں اضافے کے عناصر سے منسوب ہے جو کہ حکومت کی جانب سے اٹھائے گئے ہیں جیسے کہ ایشیائی خورد و نوش کی قیمتوں میں اضافہ، پاکستانی روپے کی قدر میں کمی، توانائی کی قیمتوں کی ریشٹلائزیشن اور محصولات سے متعلق اقدامات ہیں۔

ملکی معیشت میں استحکام کی جانچ متعدد عناصر کے ذریعے کی جاتی ہے، جس میں سے دوہرے خسارے میں کمی واقع ہونا ایک قابل قدر کاوش ہے۔ گزشتہ بجٹ میں محصولات جمع کرنے اور انتظامی اصلاحات کے نفاذ کے سلسلے میں کئی اہم اقدامات کئے گئے جس کے نتیجے میں پہلی ششماہی کے دوران 16.95 فیصد زیادہ محصولات وصول ہوئی ہیں۔ مالی سال 2019-20 کے پانچ ماہ کے دوران بیرونی محاذ پر، پاکستان کا کرنٹ اکاؤنٹ خسارہ گزشتہ سال کی اسی مدت کے مقابلے میں 73 فیصد کمی کے ساتھ 1.82 بلین ڈالر پر موجود ہے۔ جس کی وجہ درآمدات میں 21 فیصد کمی ہے۔ جبکہ برآمدات نے بحساب حجم خاطر خواہ اضافہ دکھایا ہے۔ مالی سال 2019-20 کی پہلی ششماہی میں ترسیلات زر میں 3.3 فیصد اضافہ ہو کر کرنٹ اکاؤنٹ خسارے میں کمی، فنڈ فیسلٹی میں توسیع کے تحت رقم کی فراہمی، سعودی تیل کی سہولت اور دیگر ذرائع سے رقم ملنے کے سبب اسٹیٹ بینک آف پاکستان کے زرمبادلہ کے ذخائر دسمبر 2019 تک 11.5 بلین ڈالر پر موجود تھے۔ اوپر بیان کردہ عناصر کی بدولت پاکستانی روپے میں استحکام آیا اور اس نے امریکی ڈالر کے مقابلے میں اپنی قدر کو کچھ حد تک بحال کیا اور ڈالر کی قیمت 155 روپے رہی۔ معاشی محاذ پر مشکلات کے سبب پاکستان اسٹاک مارکیٹ سال بھر کے دوران زیادہ تر دباؤ کا شکار رہی۔ سال 2019 کے ابتدائی آٹھ ماہ کے دوران، مارکیٹ میں زیادہ تر تجارت منفی زون میں رہی، KSE-100 انڈیکس اگست کے وسط میں 22 فیصد کمی کے ساتھ 28,765 پوائنٹس پر آ گیا۔ اس کے بعد اسٹاک مارکیٹ بحالی کی جانب بڑھی اور اس نے تا صرف اپنے پہلے ہونے والے نقصانات کو پورا کیا بلکہ سال 2019 میں KSE-100 انڈیکس 10 فیصد پوزیشن پر 40,735 پوائنٹس پر بند ہوا۔

زرعی شعبے میں خریف کی فصلوں کے نظر ثانی شدہ تخمینے نے تجویز کیا کہ اہم فصلوں کی پیداوار اپنے ہدف سے کافی پیچھے رہیں گی۔ لاگت میں اضافے، زیر کاشت زمین کے رقبے میں کمی، بے وقت بارشوں اور کپاس کی فصل پر کیڑوں کے حملوں سے نتائج کی صورت حال خراب رہی۔ توقع کی جارہی ہے کہ زرعی کی فصل بہتر موسم کے سبب اچھی کارکردگی دکھائے گی۔ مجموعی طور پر، اس شعبے میں بہتری حکومت کی جانب سے سپورٹ کے لیے اٹھائے گئے اقدامات اور زرعی پروڈکٹس کی بہتر قیمتوں پر منحصر ہے۔

مائیکرو اکنامک استحکام کے لیے اٹھائے جانے والے اقدامات میں تیزی کے اثرات کے سبب کاروباری اداروں اور صارفین میں مجموعی طور پر حالات کے حوالے سے اعتماد میں کمی ہے اور وہ اپنی قوت خرید کو روکنے کی جدوجہد میں مصروف ہیں۔ لارج اسکیل مینوفیکچرنگ میں بہت سی انڈسٹریز اپنی بڑھتی ہوئی انویسٹری کے حوالے سے پریشان کن صورتحال کا شکار ہیں اور اس کا سبب لاگت میں اضافہ ہے۔ گروس مارجن میں کمی اور مالیاتی لاگت میں اضافے کے سبب، کمپنیاں اپنے آپ بٹھڑ کو محدود کر رہی ہیں۔ نتیجے کے طور پر لارج اسکیل مینوفیکچرنگ کے شعبے میں 6.0 فیصد کمی دیکھی گئی ہے۔

صنعتی تجزیہ

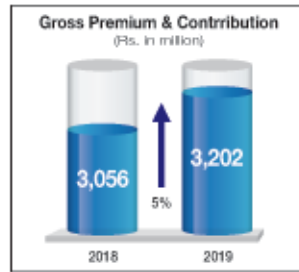
انٹرنس، فنانشل انڈسٹری کا دوسرا بڑا شعبہ ہے اور پاکستان کے نوٹل فنانشل سیکٹر کے اٹاٹوں میں 5.3 فیصد کی شراکت داری رکھتا ہے۔ عدم آگاہی کے سبب انٹرنس انڈسٹری ملکی شرح نمو میں 1 فیصد سے بھی کم حصہ رکھتی ہے، جو کہ اس خطے میں سب سے کم ہے اور گزشتہ 25 سالوں میں کبھی بھی اس سطح سے اوپر نہیں جا سکی ہے۔

انٹرنس انڈسٹری میں بے پناہ صلاحیتیں ہیں اور یہ جانتی ہے کہ کس طرح ملکی معیشت میں اپنا کردار ادا کیا جا سکتا ہے۔ اگرچہ معاشی اشارے زیادہ حوصلہ افزا نہیں ہیں لیکن گزشتہ چند سالوں کے دوران ڈسٹری بیوشن سیکٹور میں توسیع کے سبب خاطر خواہ ترقی دیکھی گئی ہے، خاص طور پر بینکاروں میں جو کہ بہت سے نئی شعبوں کے کاروباری حصوں پر مشتمل ہے۔ موجودہ سیکڑا اکنامک حالات کو دیکھتے ہوئے، اس بات کی پیش گوئی کی جا سکتی ہے کہ ترقی کی رفتار میں کمی واقع ہوگی بلکہ خاص تجارت میں سست روی کے سبب بحری شعبے میں زیادہ کمی متوقع ہے، اور اس کمی سے مجموعی طور پر پریمیم میں کمی واقع ہوگی اور نتیجتاً منافع میں بھی کمی کا خدشہ ہے۔

CPEC سے متعلقہ پروڈیکٹس میں انٹرنس کی ضرورت تا حال جاری و ساری ہے، پروڈیکٹ کا فیئر 2 بھی شروع ہو رہا ہے جو کہ ذرائع آمد و رفت اور مینوفیکچرنگ سے متعلق ہے۔ ان مواقع کے حصول کے لیے انٹرنس انڈسٹری کو اپنے ملازمین کی صلاحیتوں میں اضافے کے لیے پیش رفت کرنی چاہئے تاکہ ان کی فعالیت بہتر ہو اور نئی جدید پروڈکٹس کی تیاری کے لیے تکنیکی قابلیت میں اضافہ ہو۔

کھینچی نتائج

پریمیم اور کٹری بیوشن



کھینچی نے 3.20 بلین کا گروس ڈائریکٹ پریمیم اور کٹری بیوشن حاصل کیا (بشمول 289.75 بلین کٹری بیوشن) جو کہ گزشتہ سال 2018 کی اسی مدت کے

3.06 بلین (بشمول کٹری بیوشن 211.54 بلین روپے) کے مقابلے میں 5 فیصد زیادہ ہے۔ نیٹ پریمیم اور کٹری بیوشن ریونیو 1.66 بلین روپے پر موجود ہے (بشمول کٹری بیوشن ریونیو 200.65 بلین روپے) جو کہ گزشتہ سال 2018 کے 1.59 بلین روپے (بشمول کٹری بیوشن ریونیو 113.34 بلین روپے) کے مقابلے میں 4 فیصد زیادہ ہے۔ یہاں یہ بات واضح کرنا نہایت ضروری ہے کہ یہ نتائج مشکل مالیاتی حالات کے دوران حاصل کیے گئے ہیں اور کھینچی کی اپنے بنیادی کاروبار پر مضبوطی، انتظامیہ کے پیشروارانہ عزائم اور استقامت کی عکاسی کرتے ہیں۔

شعبہ جات پر ایک نظر

آتشزدگی اور املاک کا نقصان

آتشزدگی اور املاک کے شعبے میں 22 فیصد ترقی دیکھی گئی اور گروس پریمیم 929.68 بلین رہا جو کہ گزشتہ سال 764.70 بلین روپے تھا۔ نیٹ پریمیم گزشتہ سال کے 188.40 بلین روپے کے مقابلے میں 247.59 بلین روپے رہا۔ نیٹ پریمیم میں اضافے کے باوجود، نیٹ گیمز کی سطح کافی کم رہی اور سال 2018 کے 48.50 بلین روپے کے مقابلے میں 21.64 بلین روپے رہی، جس سے اس شعبے کے انڈر رائٹنگ منافع میں خاطر خواہ اضافہ ہوا، جو کہ سال 2018 کے 95.53 بلین روپے کے مقابلے میں 46 فیصد اضافے سے 139.63 بلین روپے رہا۔

آبی، فضائی اور ذرائع آمد و رفت

اس سال کے دوران آبی، فضائی اور ذرائع آمد و رفت کا شعبہ دباؤ کا شکار رہا۔ درآمدات میں کمی کے سبب گروس پریمیم 732.51 بلین روپے رہا جو کہ گزشتہ سال کے 912.19 بلین روپے کے

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, 2019. The Director's report prepared under Section 227 of the Companies Act, 2017 and Clause (xxiv) of the Code of Corporate Governance for Insurers, 2016, will be put forward to the members at the eighty fifth Annual General Meeting of the Company to be held on May 14, 2020.

Financial Results

Following is the overall performance of the Company for the year ended December 31, 2019:

	<u>2019</u>	<u>2018</u>
	<u>(Rupees in thousand)</u>	<u>(Rupees in thousand)</u>
Gross written premium	2,911,830	2,849,455
Gross written contribution	289,752	211,554
Profit for the year before tax	895,241	989,029
Income tax expense	(271,985)	(323,461)
Profit for the year after tax	623,256	665,568
Un-appropriated profit brought forward	11,399	121
Profit available for appropriation	634,655	665,689
*Appropriations:		
Transferred to general reserve	(6,000)	(93,000)
Proposed cash dividend @ 70% (2018: @ 70%)	(540,243)	(491,129)
Proposed cash dividend @ 10% (2018: @ 10%)	(77,178)	(70,161)
	(623,421)	(654,290)
Unappropriated balance carried forward	11,234	11,399

* The Board of Directors has recommended 10% bonus shares i.e. ten (10) ordinary shares for every hundred (100) shares held and cash dividend of Rs. 7.00 per share i.e. 70% for the year ended December 31, 2019. The financial statements do not reflect these appropriations in compliance with the Companies Act, 2017.

Earnings per share

The earnings per share after tax is Rs. 8.08 as against Rs. 8.62 (re-stated) in 2018.

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, 2019 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. Two are independent including one female director. None of the directors on the Board is director of more than seven (7) listed companies including this Company. All the directors represent diverse fields / professions and possess the necessary skills and understanding to deal with various business issues and have the ability to review management performance.

On October 20, 2019, the Founder and Chairman of Atlas Group, Mr. Yusuf H. Shirazi, left for his heavenly abode. The Board of Directors would like to place on record deep sorrow and grief on his passing away. He was a visionary with brilliant business acumen and will always be remembered as the most successful and leading first generation entrepreneur of Pakistan. He established leading companies and built organizations for social development. He founded various institutions that changed the lives of millions and shaped the course of Pakistan's industrial growth. He fostered several enduring foreign relationships and influenced all of us with his exemplary principles. Atlas Group's extended family and committed partners is a legacy of his values and work ethics. We are determined and committed to uphold and grow his rich legacy.

The casual vacancy created in the Board due to the sad demise of Mr. Yusuf H. Shirazi was filled by co-opting Mr. Iftikhar H. Shirazi in his place as director and Chairman of the Board of Directors. The Board welcomes Mr. Iftikhar H. Shirazi and hope that the Company will benefit from his varied experience.

The Board has set-up the following sub-committees:

Audit Committee:

Names	Category
Mr. Hasan Raza ur Rahim	Chairman
Mr. Ali H. Shirazi	Member
Mr. Frahim Ali Khan	Member
Mr. Muhammad Afzal	Secretary

Ethics, Human Resource & Remuneration Committee:

Names	Category
Mrs. Roohi Raees 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

The Board had five (5) and Audit Committee had four (4) meetings during the year. Attendance by each Director / Member was as follows:

S. No.	Directors	Directorship in listed companies including Atlas Insurance Limited	Attendance in the meetings of	
			Board of Directors	Audit Committee
1	Mr. Yusuf H. Shirazi (Passed away on October 20, 2019)	-	2/3	N/A
2	Mr. Iftikhar H. Shirazi (Appointed w.e.f. October 29, 2019)	1	1/1	N/A
3	Mr. Ali H. Shirazi	3	5/5	3/4
4	Mr. Frahim Ali Khan	2	5/5	4/4
5	Mr. Hasan Reza ur Rahim	5	5/5	4/4
6	Mr. M. Habib-ur-Rahman	1	4/5	N/A
7	Mrs. Roohi Raees Khan	2	5/5	N/A
8	Babar Mahmood Mirza	1	5/5	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, 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, their spouses and minor children during the year, except disclosed in the pattern of shareholding.

Holding Company

Shirazi Investments (Pvt.) Limited, incorporated in Pakistan, is the holding company of Atlas Insurance Limited with 75.33% shares.

Directors' Remuneration

The remuneration of the directors is approved by the Board. However, no director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee to independent directors for attending the meetings. Company's remuneration policy is structured in line with prevailing industry trends and business practices. Details of remuneration paid to the directors are disclosed in note 34 of the financial statements.

Internal Audit

The Company has an independent Internal Audit function. The Board Audit Committee quarterly reviews the appropriateness and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee. The Board Audit Committee approves the audit plan, based on an annual and quarterly assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports the findings to the Board Audit Committee.

Health, Safety and Environment

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

Statement of Value Addition and its Distribution

The Statement of Value Addition and its Distribution is annexed to this report.

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 has recommended appointment and remuneration of the external auditors 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 permanent employees.

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

Provident Fund	Rs. 43.949 million (as at December 31, 2019)
Gratuity Fund	
Management Staff	Rs. 21.702 million (as at June 30, 2019)
Non-Management Staff	Rs. 18.759 million (as at December 31, 2019)

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, 2019. 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 SECP and the listing rules of the Pakistan Stock Exchange. There has been no material departure from the best practices of corporate governance.

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

Related party transactions are placed before the Audit Committee. These transactions are reviewed / recommended by the Audit Committee and approved by the Board of Directors on quarterly basis. Details of related party transactions are disclosed in note 35 of the financial statements and note 32 of the Window Takaful Operation, financial statements.

Investment Advisory Services

The Board of Directors has recommended a contract / agreement with Atlas Asset Management Limited (AAML), for availing their investment advisory services for management of Company's investment portfolio at management fees fixed by the Board.

AAML, an Asset management Company and related party of Atlas Insurance Company Limited (AIL), holds license from the SECP to carry out investment advisory services. Separately Managed Accounts (SMA) are designed by AAML for managing portfolios for their clients under this advisory service.

Under portfolio management agreement, AIL's investments will be managed by AAML's professional portfolio management team utilizing their research and experience to help achieve better return on AIL investments. Decisions for the investments will be at the discretion of AAML and will be based on investment objectives, permissible instrument choice, asset allocation and risk profile set forth by AIL. All the transactions will be executed and settled by AAML on behalf of AIL under this portfolio management agreement.

The matter will be placed for approval of the shareholders in the Annual General Meeting, as per requirements of the Companies Act, 2017.

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. 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. 534.734 million (2018: Rs. 725.505 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, 2019 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, 2018, the market share of the Company has increased to 3.57% from 3.28% of the year 2017. Status for the year 2019 will be known once statistics of all the companies are compiled by the IAP.

Directors Training Programs

Four 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

Whistle Blowing Policy is annexed to this report.

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, 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.

For and on behalf of the Board of Directors



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director

Lahore: February 26, 2020

کاروبار کو چلانے کے لئے یہ ضابطہ بہت اہمیت کا حامل ہے۔ 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 نبھاتی رہی ہے۔

سیکرٹری عمل داری کی تعمیل

کمپنی سیکرٹری نے انشوررز کے لیے کوڈ آف کارپوریٹ گورننس، 2016 کے تحت، مجوزہ شکل میں سیکرٹری مل کمیونٹی سروسز کے تحت، جس میں اس بات کی تصدیق کی گئی ہے کہ کمپنی ایکٹ 2017 اور سٹاک ریکولیشن کی سیکرٹری مل اور کارپوریٹ تقاضوں کے تحت تعمیل کی گئی ہے۔

بورڈ کارکردگی کی تشخیص

بورڈ نے بذریعہ سوالنامہ خود تشخیص کے اصولوں کو اپناتے ہوئے اپنی کارکردگی کی جانچ کا طریقہ کار مرتب کیا ہے، جس میں بورڈ کے عمل درآمد کے بنیادی شعبوں کا احاطہ کیا گیا ہے۔ اس تشخیص کا بنیادی مقصد بورڈ کا اپنی گورننس کے معیار کا جائزہ لینا ہے، جس کے ذریعے بورڈ کے ممبران کمپنی کی ترقی میں زیادہ مؤثر کردار ادا کرنے کے قابل ہو سکیں گے۔

لیویڈیٹی انتظامات

سال کے دوران آپریٹنگ کارروائیوں سے 534.734 ملین روپے (2018 میں 725.505 ملین روپے) حاصل کئے گئے جو کہ سرمایہ کاری کی کارروائیوں اور حصص داران کو منافع دینے کے لئے استعمال کئے گئے۔ کمپنی لیویڈیٹی انتظامات کو احتیاط سے اپنے معاہدے کی ذمہ داریوں کو نبھانے کے لئے استعمال کرتی ہے۔

مادی تہذیبیاں

31 دسمبر 2019 سے لے کر اب تک کسی قسم کی مادی تہذیبی نہیں ہوئی ہے اور اس عرصے کے دوران کمپنی نے کوئی ایسا معاہدہ نہیں کیا ہے جس سے کمپنی کی مالی حالت میں کوئی بڑی تہذیبی واقع ہوئی ہو۔

ریکارڈز 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 الیکٹرانک دستاویز تک رسائی کے لئے جامع پاس ورڈ سے محفوظ کردہ میگزس استعمال کرتی ہے۔

مارکیٹ شیئر کی معلومات

31 دسمبر 2018 کو ختم ہونے والے سال کے لیے انشورنس ایسوسی ایشن آف پاکستان کے اعداد و شمار کے مطابق نان لائف انشورنس کمپنیوں میں ہماری کمپنی کا حصہ 3.57 فیصد ہے جو کہ سال 2017 میں 3.28 فیصد تھا۔ سال 2019 کی صورتحال اس وقت واضح ہوگی جب IAP کی جانب سے اعداد و شمار جاری کیے جائیں گے۔

ڈائریکٹرز ٹینگ پروگرام

چار ڈائریکٹرز نے ڈائریکٹرز ٹینگ پروگرام (DTP) مکمل کر لیا ہے۔ تین ڈائریکٹرز کو ڈی آف کارپوریٹ گورننس کے مطابق 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 ان 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 انتہاء، 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 کمپنی ایکٹ 2017 اور کارپوریٹ گورننس کے ضابطہ کے تحت 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 ہے جس میں کمپنی کے کام اور اس کی مالیاتی رپورٹس کی تازہ ترین معلومات موجود ہیں۔

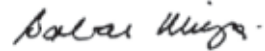
واجب الادا قانونی ادائیگیاں

تمام واجب الادا و اقوم معمول کے مطابق ہیں۔

منجانب بورڈ آف ڈائریکٹرز



علی اسج شیریازی
ڈائریکٹر



بابر محمود مرزا
چیف ایگزیکٹو آفیسر

لاہور: 26 فروری، 2020

مالی تفصیلات

کپنی کی انتظامیہ کی جانب سے مرتب کردہ مالی تفصیلات، کام کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو غیر جانبدارانہ طور پر پیش کیا جاتا ہے۔

اکاؤنٹس کی کتب

کپنی نے اکاؤنٹس کی درست کتب مرتب کی ہیں۔

حساب داری پالیسیاں

مالی تفصیلات اور بیانیہ نمونوں کو مرتب کرنے کے لئے مناسب حساب داری پالیسیوں کا تسلسل سے اطلاق کیا جاتا ہے جو کہ مناسب اور متساوی فیصلوں پر مبنی ہیں۔

بین الاقوامی حساب داری معیار

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

اندرونی کنٹرول کا نظام

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

جاری کاروبار خدشات

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

آپریٹنگ اور مالی اعداد و شمار

کپنی کے گزشتہ چھ سالوں کے کلیدی تناسب، آپریٹنگ اور مالی اعداد و شمار منسلک ہیں۔

کارپوریٹ گورننس پر اعلیٰ عمل درآمد

اعلیٰ کارپوریٹ گورننس میں کسی بھی قسم کا شک نہیں ہے۔

ٹیکس اور محصول

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

متعلقہ پارٹیز سے لین دین

تمام متعلقہ پارٹیز سے لین دین کی تفصیلات آڈٹ کپنی کو جائزے اور سفارشات کے لیے پیش کی جاتی ہیں۔ اور متعلقہ اجلاس میں بورڈ آف ڈائریکٹرز اس کی منظوری دیتا ہے۔ متعلقہ پارٹیز سے لین دین کی تفصیلات مالی تفصیلات کے نوٹ نمبر 35 اور WTO مالی تفصیلات کے نوٹ نمبر 32 پر درج ہیں۔

سرمایہ کاری سے متعلق مشاورتی خدمات

بورڈ آف ڈائریکٹرز نے بورڈ کی جانب سے طے کردہ منجمنٹ فیس پر کپنی کے انویسٹمنٹ پورٹ فولیو کو بیچ کرنے کے لیے ایس این جیٹ لمیٹڈ (AAML) سے مشاورتی خدمات حاصل کرنے کے لیے معاہدے کی سفارش کی ہے۔ AAML، ایک ایس این جیٹ کپنی اور ایس این جیٹ لمیٹڈ (AIL) کی متعلقہ پارٹی ہے جو کہ سرمایہ کاری سے متعلق مشاورتی خدمات انجام دینے کے لیے SECP کی جانب سے لائسنس یافتہ ہے اور علیحدہ منظم اکاؤنٹ (SMA) کے ذریعے اپنے کلائنٹ کے پورٹ فولیو کو بیچ کرتی ہے۔

پورٹ فولیو منجمنٹ معاہدے کے تحت، AIL کی سرمایہ کاری کا انتظام AAML کے پیشہ ورانہ پورٹ فولیو منجمنٹ ٹیم کے ذریعے کیا جائے گا تاکہ وہ اپنی تحقیق اور تجربے سے AIL کی سرمایہ کاریوں پر بہتر منافع حاصل کرنے میں مدد سے سکیں۔ سرمایہ کاری کے لیے فیصلوں کا اختیار AAML کی صوابدید پر ہوگا جو کہ AIL کی جانب سے فراہم کردہ سرمایہ کاری کی گائیڈ لائنز کی بنیاد پر ہوگا۔ اس پورٹ فولیو منجمنٹ معاہدے کے تحت AAML ایس این جیٹ لمیٹڈ کی سرمایہ کاری سے متعلق لین دین کو عملی جامہ بھی پہنائے گا۔

یہ معاملہ کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق سالانہ اجلاس عام میں حصص داران کی منظوری کے لیے پیش کیا جائے گا۔

پیرن آف شیئر ہولڈنگ

کپنی کا پیرن آف شیئر ہولڈنگ منسلک ہے۔

ضابطہ اخلاق

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

اس ضابطہ اخلاق کی بنیاد پر باہمی معاملات کو ایمانداری، دیانت داری اور کثادگی سے چلانا ہے تاکہ ملازمین کے مفادات اور انسانی حقوق کا تحفظ کیا جاسکے۔ کپنی ان لوگوں کے تمام جائز مفادات کا احترام کرتی ہے جن کا تعلق حکومت، ملازمین، گاہک، حصص داران اور معاشرے سے ہے۔ کپنی کی ویب سائٹ پر یہ ضابطہ موجود ہے۔

پاکستان کی شیرازی انویسٹمنٹ پرائیویٹ لمیٹڈ 75.33% شیئرز کے ساتھ اٹلس انشورنس لمیٹڈ کی ہولڈنگ کمپنی ہے۔

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کا مشاہرہ بورڈ کی جانب سے منظور کیا جاتا ہے۔ تاہم، کوئی ڈائریکٹر اپنا مشاہرہ طے کرنے میں حصہ نہیں لیتا ہے۔ کمپنی آزاد ڈائریکٹرز کو اجلاس میں شرکت کی فیس کے علاوہ کسی نان ایگزیکٹو ڈائریکٹرز کو معاوضے کی ادائیگی نہیں کرتی۔ کمپنی کی مشاہرے کی پالیسی موجودہ صنعتی رجحانات اور کاروباری امور کی انجام دہی پر منحصر ہے۔ ڈائریکٹرز کو معاوضے کی ادائیگی کی تفصیلات مالیاتی بیانات کے نوٹ 34 میں ظاہر کی گئی ہیں۔

انٹرنل آڈٹ

کمپنی میں خود مختار انٹرنل آڈٹ کا باضابطہ طریقہ کار موجود ہے۔ بورڈ کی آڈٹ کمیٹی سہ ماہی بنیادوں پر اس کی موزونیت اور طریقہ کار کے اختیار کا جائزہ لیتی ہے۔ انٹرنل آڈٹ کا ہیڈ باضابطہ طور پر آڈٹ کمیٹی کو رپورٹ کرتا ہے۔ بورڈ آڈٹ کمیٹی سالانہ سہ ماہی تجزیوں پر مبنی آڈٹ پلان کی منظوری دیتی ہے۔ انٹرنل آڈٹ فنکشن باضابطہ طریقہ کار کے مطابق مالیاتی، آپریشنل اور کنٹرولنگ کی تعمیل کا جائزہ لیتا ہے اور بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے۔

صحت، تحفظ اور ماحول

ہم صحت، تحفظ اور ماحول کے اعلیٰ معیار کو برقرار رکھنے پر پختہ یقین رکھتے ہیں تاکہ اپنے ساتھ کام کرنے والے لوگوں اور جہاں ہم کام کو انجام دیتے ہیں ان کی بیونٹھ کی فلاح و بہبود کو یقینی بنا سکیں۔

ویلیو ایڈیشن کا اسٹینڈٹ، اس کی ڈسٹری بیوشن اور رسک مینجمنٹ

ویلیو ایڈیشن کا اسٹینڈٹ، اس کی ڈسٹری بیوشن اور رسک مینجمنٹ کے طریقہ کار اس رپورٹ کے ساتھ منسلک ہیں۔

بیرونی آڈیٹرز

موجودہ پرنٹال کنڈہ میسرز ایف فرگوسن، چارٹرڈ اکاؤنٹنٹس کوانٹیٹی ٹیٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوائٹی کنٹرول پروگرام کے تحت تسلیمی بخش درجہ بندی دی گئی ہے۔ بیرونی آڈیٹرز نے واضح کیا کہ ان کا ادارہ انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی ہدایات اور ICAP کے مروجہ اقدار کے مطابق کام کر رہا ہے۔ بیرونی آڈیٹرز کو لسٹنگ ریگولیشنز میں موجود خدمات کے علاوہ کسی 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 پرنٹال کنڈگان نے ان آڈٹ کمیٹی کے اجلاس میں شرکت کی جن میں آڈٹ کمیٹی کی جانب سے پرنٹال شدہ/انٹرنیشنل شدہ مالی تفصیلات پر غور کیا گیا تھا۔ آڈیٹرز نے تصدیق کی کہ انہیں آزادی کا کوئی مسئلہ نہیں ہے اور انہوں نے اپنے تمام تر خدمات کو بورڈ اور انتظامیہ کے خطوط میں واضح کر دیا ہے۔ آڈٹ کمیٹی نے بورڈ کی جانب سے غور و خوض کے لیے بیرونی آڈیٹرز کی تقرری اور مشاہرے کی سفارش کی ہے۔

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؛ یا
- اٹلس ایسٹ مینجمنٹ لمیٹڈ (ایک متعلقہ کمپنی) کی جانب سے رضا کارانہ پنشن سسٹم تو 2005ء کے تحت رضا کارانہ پنشن اسکیم متعارف کرائی گئی ہے۔ یعنی اٹلس پنشن فنڈ اور اٹلس پنشن اسٹاک فنڈ۔
- منتخب ملازمین کو رضا کارانہ پنشن اسکیم پیش کی جاتی ہے۔ تاہم جو ملازمین پراویڈنٹ فنڈ ٹرسٹ کا حصہ ہیں انہیں مندرجہ بالا دو تقسیمی منصوبوں میں سے کسی ایک کو اختیار کرنے کا حق ہے۔

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

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

پراویڈنٹ فنڈ	43.949 ملین روپے (31 دسمبر 2019 کو)
گریجویٹ فنڈ	
برائے مینجمنٹ اسٹاف	21.702 ملین روپے (30 جون 2019 کو)
برائے نان مینجمنٹ اسٹاف	18.759 ملین روپے (31 دسمبر 2019 کو)

کوڈ آف کارپوریٹ گورننس کی تعمیل

ڈائریکٹرز نے 31 دسمبر 2019 کو اختتام پزیر سال سے متعلقہ کوڈ آف کارپوریٹ گورننس کی ضروریات کی تعمیل کی تصدیق کی ہے۔ ان بیانات کو کوٹیکسٹ 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 سلاہ منصوبے اور کاروباری کارکردگی کے اہداف کو مرتب کرتا ہے اور کمپنی کے مجموعی مقاصد کی روشنی میں بورڈ اس کا جائزہ لیتا ہے۔ بورڈ کمپنی کے اعلیٰ کارپوریٹ گورننس کے معیار کو برقرار رکھنے کے لئے پرعزم ہے۔ کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹاک ایکسچینج کے لسٹنگ ریگولیشن کے وضع کردہ قوانین کے مطابق کاربند رہتی ہے۔ کارپوریٹ گورننس کے اعلیٰ طریقہ کار سے کسی قسم کی مادی ترسیل نہیں کی گئی ہے۔

جناب یوسف ایچ شیرازی کے انتقال پر ملال کے بعد خالی ہونے والی عارضی اساسی پر جناب افتخار ایچ شیرازی کو بطور ڈائریکٹر اور بورڈ آف ڈائریکٹرز کے چیئرمین کی حیثیت سے منتخب کیا گیا ہے۔ بورڈ جناب افتخار ایچ شیرازی کا خیر مقدم کرتا ہے اور امید کرتا ہے کہ کچھ ہی عرصے میں اسے فائدہ حاصل ہوگا۔

بورڈ نے مندرجہ ذیل ذیلی کمیٹیاں تشکیل دی ہیں:

آڈٹ کمیٹی:

نام	کیٹیگری
جناب حسن رضا الرحیم	چیئرمین
جناب علی ایچ شیرازی	ممبر
جناب فراہم علی خان	ممبر
جناب محمد افضل	سیکرٹری

اخلاقی، ہیومن ریسورس اور مشاہرے کی کمیٹی:

نام	کیٹیگری
محترمہ رومی رحیم خان	چیئرمین
جناب علی ایچ شیرازی	ممبر
جناب بابر محمود مرزا	ممبر
محترمہ قدسیہ ناہید	سیکرٹری

سرماہ کاری کمیٹی:

نام	کیٹیگری
جناب علی ایچ شیرازی	چیئرمین
جناب فراہم علی خان	ممبر
جناب محمد حبیب الرحمان	ممبر
جناب بابر محمود مرزا	ممبر
جناب راشد امین	ممبر
جناب محمد افضل	سیکرٹری

سال کے دوران بورڈ کے 5 اور آڈٹ کمیٹی کے 4 اجلاس منعقد ہوئے۔ ہر ڈائریکٹر/ارکن کی حاضری مندرجہ ذیل ہے۔

سیریل نمبر	ڈائریکٹرز	لسٹڈ کمپنیز میں ڈائریکٹر شپ بشمول ایلس انشورنس	اجلاس میں حاضری	
			بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی
1	جناب یوسف ایچ شیرازی (20 اکتوبر 2019 کو انتقال کر گئے)	-	2/3	N/A
2	جناب افتخار ایچ شیرازی (29 اکتوبر 2019 کو تقرری)	1	1/1	N/A
3	جناب علی ایچ شیرازی	3	5/5	3/4
4	جناب فراہم علی خان	2	5/5	4/4
5	جناب حسن رضا الرحیم	5	5/5	4/4
6	جناب محمد حبیب الرحمان	1	4/5	N/A
7	محترمہ رومی رحیم خان	2	5/5	N/A
8	جناب بابر محمود مرزا	1	5/5	N/A

بورڈ آف ڈائریکٹرز ہر اجلاس سے پہلے کمیٹی کی جانب سے ایک بند عرصہ متعین کیا جاتا ہے جس کے دوران ڈائریکٹرز، CEO، کمیٹی کے ایگزیکٹو اور ان کی ازدواج کے لیے کمیٹی کے حصص کی لین وین بل واسطہ یا واسطہ طور پر ممنوع قرار دی جاتی ہے۔ بورڈ نے ایگزیکٹو کی حیثیت کا تعین کر رکھا ہے، جس کی بناء پر ان پر کمیٹی کے حصص کی لین وین کو افشا کرنے کی اضافی انضباطی ضروریات کے مطابق عمل کرنا ضروری ہے۔

سال کے دوران ڈائریکٹرز، CEO، CFO، کمیٹی سیکرٹری اور ان کی ازدواج اور تابعین کی جانب سے کمیٹی کے حصص کا کوئی لین وین سائنسے نہیں آیا سوائے اس لین وین کے جو کہ پیرن آف شیئر ہولڈنگ میں ظاہر کئے گئے ہیں۔

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2019 کو اختتام پذیر سال کے لئے پڑتال شدہ مالی تفصیلات، پڑتال کنندگان کی رپورٹ سمیت پیش کر رہے ہیں۔ ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور کوڈ آف کارپوریٹ گورننس کی شق (xxiv)، برائے انشوررز 2016 کے مطابق تیار کی گئی ہے جو کہ 14 مئی 2020 کو منعقدہ کمپنی کے 85 ویں سالانہ اجلاس عام میں ارکان کو پیش کی جائے گی۔

مالی نتائج

31 دسمبر، 2019 کو اختتام پذیر سال کو کمپنی کی مجموعی کارکردگی درج ذیل ہے۔

2019	2018	
(روپے ہزاروں میں)		
2,911,830	2,849,455	گروس پرمییم
289,752	211,554	وڈ وکال فل آپریشنز سے مجموعی زر تعاون
895,241	989,029	قبل از ٹیکس منافع
(271,985)	(323,461)	محصول
623,256	665,568	بعد از ٹیکس منافع
11,399	121	آگے لایا گیا تا وقت شدہ منافع
634,655	665,689	موجودہ منافع برائے وقف شدہ
		*وقف - سبب
		عمومی ذخائر کو منتقل کردہ
(6,000)	(93,000)	مجوزہ نقد ڈیوڈنڈ 70% @ (2018: 70%)
(540,243)	(491,129)	مجوزہ نقد ڈیوڈنڈ 10% @ (2018: 10%)
(77,178)	(70,161)	
(623,420)	(654,290)	
11,234	11,399	آگے بچھا گیا تا وقت شدہ جات

31 دسمبر 2019 کو اختتام پذیر سال میں بورڈ آف ڈائریکٹرز نے 10% بونس شیئرز جیسے کہ ہرسو (100) حصص پر دس (10) عمومی حصص اور ٹیکس ڈیوڈنڈ 7.00 روپے فی حصص جیسے کہ 70% تجویز کیا ہے۔ مالی تفصیلات ان وقف شدہ رقوم کو کمپنیز ایکٹ 2017ء کی تھیل کے مطابق ظاہر نہیں کرتی ہیں۔

فی حصص آمدنی

2018ء میں 8.62 روپے (re-stated) کے مقابلے میں ٹیکس کے بعد فی حصص آمدنی 8.08 روپے ہے۔

چیزمین کی جانب سے تجویز

31 دسمبر 2019 کو اختتام پذیر سال کے لئے اور مستقبل کے امکانات کے لئے سالانہ رپورٹ میں کمپنی کی کارکردگی کے ساتھ چیزمین کا تجویز شامل کیا گیا ہے۔ ڈائریکٹرز تجویز کے مندرجات سے متفق ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز 17 افراد پر مشتمل ہے، جن کے پاس کمپنی کو گمرانی اور حکمت عملی کی رہنمائی دینے کا علم، مہارت اور تجربہ ہے۔ تمام ڈائریکٹرز، ماسوائے چیف ایگزیکٹو آفیسر کے، نان ایگزیکٹو ڈائریکٹرز ہیں بشمول دو ڈائریکٹرز جو کہ آزاد ڈائریکٹرز بھی ہیں اور ان میں سے ایک ڈائریکٹر خاتون ہیں۔ بورڈ کا کوئی بھی ڈائریکٹر 7 سے زیادہ سٹاک ہولڈنگوں بشمول اس کمپنی کے ڈائریکٹرز نہیں ہے۔ تمام ڈائریکٹرز متعدد شعبہ جات/پیشوں کی نمائندگی کرتے ہیں اور متعدد کاروباری معمولات سے منسلک ہیں اور مفاہمتوں سے واقف ہیں اور انتظامی کارکردگی کے جائزہ کی صلاحیت رکھتے ہیں۔

ٹلس گروپ کے بانی اور چیزمین جناب یوسف ایچ شیرازی 20 اکتوبر 2019 کو جہان فانی سے رخصت ہو گئے۔ بورڈ آف ڈائریکٹرز ان کے انتقال پر گہرے رنج و غم کا اظہار کرتا ہے۔ وہ شاندار کاروباری ذہانت کے ساتھ اعلیٰ بصیرت کے مالک تھے اور انہیں ہمیشہ پاکستان کے سب سے کامیاب اور پائیدار کاروباری نسل کی معروف شخصیت کے طور پر یاد رکھا جائے گا۔ انہوں نے نئی معروف کمپنیاں اور سماجی بہبود کے لیے ادارے قائم کئے۔ یہی نہیں انہوں نے ایسے متعدد اداروں کی بنیاد بھی رکھی جس نے آج لاکھوں لوگوں کی زندگیوں کو سنوارا اور پاکستان کی صنعتی ترقی کو ایک نیا رخ دیا۔ جناب یوسف ایچ شیرازی نے کئی ممالک کے ساتھ تعلقات کو فروغ دیا اور اپنے مثالی اصولوں سے ہم سب کو متاثر کیا۔ ٹلس گروپ سے وابستہ لوگ اور کاروباری شراکت داران کی اعلیٰ اقدار اور کاروباری امور سے متعلق اخلاقیات کو ہمیشہ جاری و ساری رکھیں گے، اور ہم ان کی اصولوں کی میراث پر قائم رہتے ہوئے ترقی کی راہ پر گامزن رہیں گے۔

Distribution of Shareholding in Central Depository Company of Pakistan Limited

As at December 31, 2019

Number of shareholders	Shareholding		Shares held
	From	To	
187	1	100	3,482
113	101	500	30,236
92	501	1000	65,149
230	1001	5000	550,594
69	5001	10000	492,908
32	10001	15000	387,982
22	15001	20000	392,894
7	20001	25000	157,217
12	25001	30000	337,393
10	30001	35000	328,039
5	35001	40000	187,823
3	40001	45000	124,509
3	45001	50000	142,606
4	50001	55000	209,996
3	55001	60000	176,990
3	60001	65000	190,171
1	65001	70000	68,876
2	70001	75000	143,256
1	75001	80000	75,875
5	85001	90000	436,202
2	90001	95000	184,217
1	100001	105000	101,932
4	105001	110000	436,220
1	110001	115000	112,750
1	120001	125000	121,000
1	135001	140000	140,000
1	145001	150000	150,000
1	150001	155000	150,150
1	170001	175000	173,115
1	175001	180000	176,000
1	185001	190000	187,000
1	195001	200000	200,000
1	210001	215000	214,600
1	220001	225000	224,318
1	280001	285000	282,700
1	285001	290000	288,189
1	395001	400000	400,000
1	400001	405000	401,500
1	430001	435000	433,400
1	995001	1000000	995,500
1	1490001	1495000	1,494,188
1	2175001	2180000	2,176,806
1	58135001	58140000	58,137,308
<u>831</u>			<u>71,683,091</u>

Pattern of Shareholding As at December 31, 2019

Number of shareholders	Shareholding		Shares held
	From	To	
236	1	100	4,700
167	101	500	43,605
103	501	1000	73,062
287	1001	5000	695,795
104	5001	10000	743,386
44	10001	15000	537,034
42	15001	20000	718,110
14	20001	25000	305,019
13	25001	30000	365,374
21	30001	35000	683,434
7	35001	40000	262,872
5	40001	45000	209,645
5	45001	50000	240,151
5	50001	55000	261,818
3	55001	60000	176,990
5	60001	65000	313,409
2	65001	70000	137,146
2	70001	75000	143,256
3	75001	80000	229,979
8	85001	90000	698,362
3	90001	95000	275,582
1	100001	105000	101,932
4	105001	110000	436,220
1	110001	115000	112,750
1	120001	125000	121,000
1	125001	130000	128,566
1	135001	140000	140,000
1	140001	145000	143,595
1	145001	150000	150,000
3	150001	155000	458,712
1	160001	165000	164,639
1	170001	175000	173,115
1	175001	180000	176,000
1	185001	190000	187,000
1	190001	195000	194,483
1	195001	200000	200,000
1	210001	215000	214,600
1	220001	225000	224,318
1	280001	285000	282,700
1	285001	290000	288,189
1	395001	400000	400,000
1	400001	405000	401,500
1	430001	435000	433,400
1	995001	1000000	995,500
1	1490001	1495000	1,494,188
1	2120001	2125000	2,122,269
1	2175001	2180000	2,176,806
1	58135001	58140000	58,137,308
<u>1,111</u>			<u>77,177,519</u>

The slabs representing nil holding have been omitted.

Categories of shareholders	Number of shareholders	Number of shares held	Percentage of shares held
Directors, CEO their spouse and minor children	8	35,675	0.05%
Associated Companies, undertakings & related parties	3	60,259,578	78.08%
NIT and IDBP	2	582	0.00%
Banks, DFIs & NBFIs	3	1,711,600	2.22%
Insurance Companies	1	176,000	0.23%
Public Sector Companies & Corporations	1	2,176,806	2.82%
* Shareholders holding 5% or more voting interest in the Company	1	58,137,308	75.33%
Individuals:			
- Resident Pakistani	1,075	11,191,470	14.50%
Others:			
Joints Stock Companies	13	59,646	0.08%
Others	5	1,566,162	2.03%
Total	<u>1,111</u>	<u>77,177,519</u>	<u>100.00%</u>

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

Pattern of Shareholding as at December 31, 2019

Information required under the Code of Corporate Governance

Categories of shareholders	Number of shareholders	Shares held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail)			
Shirazi Investments (Pvt.) Limited	1	58,137,308	75.33%
Atlas Foundation	1	2,122,269	2.75%
Iftikhar Shirazi Family Trust	1	1	0.00%
NIT and ICP			
IDBP - (ICP Unit)	2	582	0.00%
Director, Chief Executive and their spouse and minor children			
Mr. Iftikhar H. Shirazi	1	1	0.00%
Mr. Ali H. Shirazi	1	551	0.00%
Mr. Frahim Ali Khan	1	1	0.00%
Mr. Hasan Reza ur Rahim	1	110	0.00%
Mr. M. Habib-ur-Rahman	1	5,000	0.01%
Mrs. Roohi Raees Khan	1	1	0.00%
Mr. Babar Mahmood Mirza	1	11	0.00%
Mrs. Sabiha Frahim	1	30,000	0.04%
Executives	2	15,685	0.02%
Public Sector Companies & Corporation			
State Life Insurance Corporation of Pakistan	1	2,176,806	2.82%
Banks, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds			
Deutsche Bank Suisse S.A	1	995,500	1.29%
Habib Insurance Company Limited	1	176,000	0.23%
National Bank of Pakistan	1	433,400	0.56%
Pak Libya Holding Company (Pvt.) Limited	1	282,700	0.37%
* Shareholders holding 5% or more voting interest	1	58,137,308	75.33%
Individuals	1,073	11,175,785	14.48%
Others	18	1,625,808	2.11%
Total	<u>1,111</u>	<u>77,177,519</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.

Following transactions were reported by the Directors and their spouse during the year:

Name	Shares Purchased	Shares Sold	Date of Purchase	Rate Per Share
Mrs. Sabiha Frahim	20,000	-	October 22, 2019	54.17
Mrs. Sabiha Frahim	10,000	-	October 30, 2019	54.09
Mr. Iftikhar H. Shirazi	1	-	December 5, 2019	66.00
Mr. M. Habib-ur-Rahman	5,000	-	December 5, 2019	65.25

Statement of Compliance with

a) The Code of Corporate Governance for Insurers, 2016

b) Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended December 31, 2019

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, 2019, (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 complied with the requirements of 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 Director	Mr. Hasan Reza ur Rahim
Independent Female Director	Mrs. Roohi Raees Khan
Non-Executive Directors	Mr. Iftikhar 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 seven 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 October 20 and was filled on October 29 by the directors.
5. The Company has prepared Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company which includes directors and employees along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations. 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 by the Chairman and, in his absence, by a director elected by the Board for this purpose. 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 meeting were appropriately recorded and circulated. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
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. The Board has arranged Directors' Training Program for the director, Mrs. Roohi Raees Khan, during the year to apprise her of her duties and responsibilities.
11. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment 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:

Names	Category
Mrs. Roohi Raees 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	Chief Internal Auditor

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration 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. One meeting of Ethics, Human Resource and Remuneration Committee was held during the year. The terms of references of the Committees have been formed, documented 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.

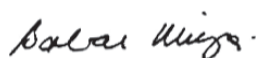
21. The CEO, CFO, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. The appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover the persons heading the underwriting, claims, reinsurance, 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 program of the Institute of Chartered Accounts 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 actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
25. The Board ensures that the appointed Actuary, complies with the requirements set out for him in the Code.
26. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
27. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.
28. The Company has set up a risk management function, which carries out its tasks as covered under the Code.
29. The Board ensures that as part of the risk management system, the Company gets itself rated from PACRA which is being used by its risk management function and the respective Committee as a risk monitoring tool. The rating assigned by PACRA on August 29, 2019 is 'AA' with stable outlook.
30. The Board has set up a grievance function, which fully complies with the requirements of the Code.
31. The Company has not obtained any exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Code.
32. The frequency of meetings of the committees were as per following:

a) Audit Committee	04 quarterly meetings
b) Ethics, HR and Remuneration Committee	01 yearly meeting
c) Risk Management & Compliance Committee	04 quarterly meetings
33. The Company has a formal policy and transparent procedure for remuneration of directors in accordance with the Act and these Regulations.
34. We confirm that all other material principles contained in the Code and Regulations No. 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the Board of Directors



Babar Mahmood Mirza
Chief Executive Officer



Iftikhar H. Shirazi
Chairman

Lahore: February 26, 2020



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, 2019 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, 2019 (the Regulations) and Code of Corporate Governance for Insurers, 2016 (the Code) prepared by the Board of Directors of Atlas Insurance Limited ('the Company') for the year ended December 31, 2019, in accordance with the requirements of regulation 36 of the Regulations and provision (lxxvi) of the Code.

The responsibility for compliance with the Regulations and the Code 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 Code and the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations and the Code. 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 and the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations and the Code 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 and the Code as applicable to the Company for the year ended December 31, 2019.

Chartered Accountants
Lahore
Date: March 17, 2020

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, 2019, 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, 2019 and of the profit, total comprehensive income, 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 is the Key audit matter:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p>Initial adoption of International Financial Reporting Standard (IFRS) 16 – 'Leases'</p> <p><i>(Refer note 2.5 and 3.1.1 to the financial statements)</i></p> <p>IFRS 16 "Leases" is effective for the Company for the first time during the current year.</p> <p>IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.</p> <p>Upon initial application the Company has recognized right-of-use asset and lease liability with respect to leased premises. The Company has adopted IFRS 16 from January 1, 2019 and has not restated comparatives for the 2018 reporting period, using the modified retrospective approach, as permitted under the specific transitional provisions in the standard.</p> <p>We considered this as a key audit matter due to the significant changes introduced by the initial adoption of the new standard.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> reviewed the design and tested the operating effectiveness of key controls over identification and measurement of right-of-use assets and corresponding lease liabilities. evaluated the appropriateness of the methodology and assumptions used by the management in recognising right-of-use assets and corresponding lease liabilities. tested on a sample basis, the completeness, accuracy and reliability of the underlying data used by the management to support the right-of-use assets and corresponding lease liabilities recognised; and reviewed the presentation and disclosures related to the adoption of IFRS 16 and assessed whether it complied with the relevant accounting and reporting framework.

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;
- 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



Chartered Accountants

Lahore

Date: March 17, 2020

Statement of Financial Position

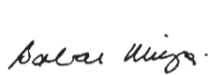
As at December 31, 2019

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
Assets			
Property and equipment	6	120,565	82,080
Investments			
Equity securities	8	4,141,871	3,638,943
Debt securities	9	108,571	73,704
Term deposits	10	525,000	-
Loan and other receivables	11	110,348	14,052
Insurance / reinsurance receivables	12	246,245	332,681
Reinsurance recoveries against outstanding claims	24	246,582	454,431
Salvage recoveries accrued		3,435	2,435
Deferred commission expense / acquisition cost	25	81,519	80,233
Prepayments	13	661,451	550,697
Cash and bank	14	650,207	1,327,987
		6,895,794	6,557,243
Total assets from window takaful operations - Operator's fund		138,326	108,484
Total assets		7,034,120	6,665,727
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	15	771,775	701,614
Reserves	16	2,313,255	2,104,563
Unappropriated profit		621,710	654,699
Total equity		3,706,740	3,460,876
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	24	545,169	727,887
Unearned premium reserves	23	1,139,098	1,060,806
Unearned reinsurance commission	25	152,959	116,648
Retirement benefit obligations	18	6,926	9,249
Deferred taxation	17	426,871	358,875
Premium received in advance		105,498	178,520
Borrowings	19	25,771	-
Insurance / reinsurance payable	20	428,669	330,450
Other creditors and accruals	21	461,820	357,361
Taxation - provision less payment		790	22,218
Total liabilities		3,293,571	3,162,014
Total liabilities from window takaful operations - Operator's fund		33,809	42,837
Total equity and liabilities		7,034,120	6,665,727
Contingencies and commitments	22		

The annexed notes 1 to 44 form an integral part of these financial statements.



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman

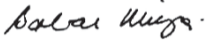
Profit and Loss Account

For the year ended December 31, 2019

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
Net insurance premium	23	1,455,416	1,473,915
Net insurance claims expense	24	(468,715)	(488,305)
Net commission and other acquisition income	25	144,684	159,963
Insurance claims and acquisition expenses		(324,031)	(328,342)
Management expenses	26	(534,634)	(461,250)
Underwriting results		596,751	684,323
Investment income	27	224,805	230,857
Rental income		-	1,235
Other income	28	52,796	73,710
Other expenses	29	(14,037)	(16,576)
Results of operating activities		860,315	973,549
Finance costs	30	(3,944)	(1,627)
Profit before tax from window takaful operations - Operator's fund	33	38,870	17,107
Profit before tax		895,241	989,029
Income tax expense	31	(271,985)	(323,461)
Profit after tax		623,256	665,568
			Re-stated
Earnings (after tax) per share - Rupees	32	8.08	8.62

The annexed notes 1 to 44 form an integral part of these financial statements.


Rashid Amin
Chief Financial Officer


Babar Mahmood Mirza
Chief Executive


Ali H. Shirazi
Director


Fahim Ali Khan
Director


Iftikhar H. Shirazi
Chairman

Statement of Comprehensive Income

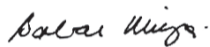
For the year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)	
Profit after tax	623,256	665,568
Other comprehensive income / (loss):		
<i>Items that may be subsequently reclassified to profit and loss account:</i>		
Un-realized gain / (loss) on available for sale investments - net of deferred tax	115,692	(789,010)
Other comprehensive loss from window takaful operations - Operator's fund	-	(71)
	115,692	(789,081)
<i>Items that will not be subsequently reclassified to profit and loss account:</i>		
Re-measurement loss on defined benefit obligation - net of deferred tax	(1,954)	(6,605)
Other comprehensive income / (loss) for the year	113,738	(795,686)
Total comprehensive income / (loss) for the year	<u>736,994</u>	<u>(130,118)</u>

The annexed notes 1 to 44 form an integral part of these financial statements.



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman

Cash Flow Statement

For the year ended December 31, 2019

	<u>Note</u>	<u>2019</u> (Rupees in thousand)	<u>2018</u>
Operating cash flows			
a) Underwriting activities			
Insurance premium received		2,869,059	2,923,475
Reinsurance premiums paid		(1,395,567)	(1,238,172)
Claims paid		(1,009,501)	(891,620)
Reinsurance and other recoveries received		593,050	471,321
Commissions paid		(167,232)	(157,932)
Commissions received		360,660	322,839
Management expenses paid		(482,576)	(437,256)
Other underwriting payments		(7,198)	-
Other underwriting receipts		30,717	32,230
Net cash generated from underwriting activities		791,412	1,024,885
b) Other operating activities			
Income tax paid		(291,601)	(342,612)
Other operating payments		(14,427)	(16,885)
Other operating receipts		49,337	60,096
Loan repayment received		13	21
Net cash used in other operating activities		(256,678)	(299,380)
Total cash generated from all operating activities		534,734	725,505
Investing activities			
Profit / return received		66,243	31,839
Dividend received		196,542	249,031
Payments for investments		(4,168,224)	(1,310,543)
Proceeds from investments		3,219,127	1,344,846
Fixed capital expenditure		(40,309)	(32,809)
Proceeds from sale of property and equipment	6.1.1	5,075	66,681
Total cash (used in) / generated from investing activities		(721,546)	349,045
Financing activities			
Dividends paid		(481,428)	(448,815)
Payment of lease liability against right-of-use assets		(9,540)	-
Total cash used in financing activities		(490,968)	(448,815)
Net cash (used in) / generated from all activities		(677,780)	625,735
Cash and cash equivalents at the beginning of the year		1,327,987	702,252
Cash and cash equivalents at the end of the year	14	650,207	1,327,987

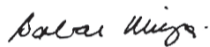
Reconciliation to profit and loss account

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u> <u>(Rupees in thousand)</u>
Operating cash flows		534,734	725,505
Depreciation expense	26	(21,733)	(19,427)
Depreciation right of use assets	26	(9,287)	
Gain on disposal of property and equipment	28	453	46,297
Finance cost	30	(3,944)	-
Reversal / (charge) for impairment in value of available for sale securities	27	10,411	(60,545)
Profit on disposal of investments		1,940	41,029
Rental income		-	1,235
Dividend income	27	196,542	245,775
Other investment income		68,255	32,011
Increase / (decrease) in assets other than cash		(231,592)	338,991
(Increase) / decrease in liabilities other than borrowings		38,926	(652,669)
Other adjustments			
Decrease / (increase) in provision for unearned premium		34,706	(47,804)
Increase in commission income unearned		(36,311)	(20,435)
Increase in provision for deferred commission expense		1,286	18,498
Profit from window takaful operations for the year - Operator's Fund		38,870	17,107
Profit after tax for the year		<u>623,256</u>	<u>665,568</u>

The annexed notes 1 to 44 form an integral part of these financial statements.



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman

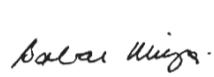
Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to equity holders of the Company							Total
	Share capital	Capital Reserves			Revenue Reserves		Unappropriated profit	
		Capital reserve	Investment fair value reserve	Reserve for exceptional losses	General reserve	Investment fluctuation reserve		
(Rupees in thousand)								
Balance as at December 31, 2017	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 deferred 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)	-
Balance as at December 31, 2018	701,614	-	1,008,499	-	1,093,064	3,000	654,699	3,460,876
Profit after tax for the year ended December 31, 2019	-	-	-	-	-	-	623,256	623,256
Re-measurement loss on defined benefit obligation - net of deferred tax	-	-	-	-	-	-	(1,954)	(1,954)
Net unrealised gain on revaluation of available for sale investments - net of deferred tax	-	-	115,692	-	-	-	-	115,692
Total comprehensive income for the year ended December 31, 2019	-	-	115,692	-	-	-	621,302	736,994
Transferred to general reserve	-	-	-	-	93,000	-	(93,000)	-
Bonus shares issued for the year ended December 31, 2018 @ 10% per share	70,161	-	-	-	-	-	(70,161)	-
Final dividend for the year ended December 31, 2018 @ 70% (Rs. 7.0 per share)	-	-	-	-	-	-	(491,130)	(491,130)
Balance as at December 31, 2019	<u>771,775</u>	<u>-</u>	<u>1,124,191</u>	<u>-</u>	<u>1,186,064</u>	<u>3,000</u>	<u>621,710</u>	<u>3,706,740</u>

The annexed notes 1 to 44 form an integral part of these financial statements.


Rashid Amin
Chief Financial Officer


Babar Mahmood Mirza
Chief Executive


Ali H. Shirazi
Director


Fahim Ali Khan
Director


Iftikhar H. Shirazi
Chairman

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2019

1. Legal status and nature of business

Atlas Insurance Limited (the Company) was incorporated as a public limited company on September 06, 1934 under the Companies Act, 1913 (now the Companies Act, 2017) 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, Pakistan. 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

These financial statements have been presented on the format of financial statements issued by the SECP through Insurance Rules, 2017 vide S.R.O. 89(I)/2017 dated February 9, 2017.

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. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

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, amendments and interpretations to accounting and reporting standards that are effective in the current year

2.5.1.1 IFRS 9 'Financial Instruments' and IFRS 4 'Insurance Contracts'

This standard was notified by the SECP to be effective from annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model.

During the year the Company has taken advantage of an election under IFRS 4 that permits an insurer which meets certain conditions to temporarily be exempt from adopting IFRS 9 'Financial Instruments', that would have otherwise become effective from January 1, 2019, until January 1, 2022. Disclosures required under the temporarily exemption have been made by the Company and detailed in note 4 to these financial statements.

2.5.1.2 IFRS 16 'Leases'

This standard was notified by the SECP to be effective from annual periods beginning on or after January 01, 2019. This standard replaces the existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC -15 'Operating Leases - Incentive and SIC - 27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company' right-of-use asset and lease liability are disclosed in note 3.1.1 below.

2.5.2 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, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

2.6 Standards, amendments and interpretations to accounting and reporting standards that are not effective at year end

2.6.1.1 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 currently in the process of assessing the impact of changes laid down by the standard on its financial statements.

2.6.1.2 Other Standards, amendments and interpretations

	Effective date (period beginning on or after)
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

2.6.2 In addition to the above, there are certain new standards, amendments and interpretations to accounting and reporting standards that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these 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 First time adoption of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable on the Company. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC - 15, Operating Leases - Incentive, and SIC - 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised certain lease liabilities against rented premises which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental weighted average borrowing rate of 11.55% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

The following summary reconciles the Company's operating lease commitments at December 31, 2018 as the previously disclosed in the Company's annual financial statements as at December 31, 2018 to the lease liabilities recognised on initial application of IFRS 16 at January 01, 2019:

	(Rupees in thousand)
Operating lease as at December 31, 2018	25,649
Discounted using the lessee's incremental borrowing rate of at the date of initial application	25,125
Add: finance lease liabilities recognised as at December 31, 2018	18,424
Less: short-term leases recognised on a straight-line basis as expense	(13,988)
Lease liability recognised as at January 1, 2019	29,561
Of which are:	
Current lease liabilities	7,996
Non-current lease liabilities	21,565

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

	<u>Note</u>	<u>December 31, 2019</u> (Rupees in thousand)	<u>January 01, 2019</u>
The recognised right-of-use assets relate to the following types of assets:			
Buildings	6.2	24,531	31,365
The effect of this change in accounting policy is as follows:			
Impact on statement of financial position			
Assets			
Increase in assets - right-of-use assets	6.2	24,531	31,365
Decrease in other assets - trade deposits and short term prepayments		(2,242)	(1,804)
Increase in deferred tax - net	17	360	-
Increase in total assets		22,649	29,561
Liabilities			
Increase in lease liability against right-of-use assets	19	25,771	29,561
Decrease in taxation - provision less payment		(650)	-
Increase in total liabilities		25,121	29,561
Decrease in net assets		(2,472)	-

	<u>Note</u>	For the year ended December 31, 2019 (Rupees in thousand)
Impact on profit and loss account		
(Increase) / decrease in administrative expenses		
Increase in depreciation on right-of-use assets	6.2 & 26	(9,287)
Decrease in rent expense		9,102
		(185)
Increase in finance cost	30	(3,297)
Decrease in profit before tax		(3,482)
Decrease in income tax expense		1,010
Decrease in profit after tax		(2,472)

Earnings per share for the year ended December 31, 2019 are Rs. 0.032 per share lower as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 6.1 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, 2019 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.

3.2.4 Right-of-use asset and lease liability

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

These include an assessment of:

- Whether, there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses.

The Company has also elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

3.3 Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset i.e. retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease. Certain leases previously classified as operating leases have now been classified as right-of-use asset in accordance with recognitions criteria mentioned in note 3.1.1 and 3.2.4 to these financial statements.

3.4 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.

3.5 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 36 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 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.

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 3.9, 3.10 and 3.22, respectively.

3.6 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.

3.7 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.

3.8 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 estimated loss ratios for the current and prior year are as follows:

	<u>2019</u>	<u>2018</u>
Fire and property damage	9%	26%
Marine, aviation and transport	8%	3%
Motor	41%	57%
Miscellaneous	76%	68%

Keeping in view the adequacy of the reserves on December 31, 2019, 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.

3.9 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 3.5 to these 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.

3.10 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.

3.11 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 3.5 to these 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.

3.12 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.

3.13 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 3.5 to these 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; and
- 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 contract 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 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.

3.14 Investments

3.14.1 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; and
- Available for sale

3.14.2 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.

3.14.3 Investments other than subsidiary and associates

(i) Equity securities

Currently the Company classifies investment in equity securities such as listed / unlisted shares in other companies, mutual fund units / investments, 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 as 'held to maturity' or 'investment at fair value through profit and loss account'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates. 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 3.19 to these financial statements.

(ii) Debt securities and term deposits

The Company classifies its investment in debt securities and term deposits, as either 'Held to maturity' or 'Available for sale' depending upon the maturity of the investment.

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as 'held to maturity', while debt investments having an indefinite term / perpetual maturity are classified as 'available for sale'. These investments are initially measured at the cost being the fair value of consideration paid.

Subsequently 'held to maturity' investments 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. While 'available for sale' investments are remeasured at fair market value at each subsequent reporting date. Changes in fair market value, if any 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 Company has classified debt investments in Pakistan Investment Bonds and Term Deposits as 'Held to maturity', whereas debt investments in Term Finance Certificates having a perpetual maturity have been classified as 'Available for sale' at the reporting date.

3.15 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in these 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.

3.16 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.

3.17 Taxation

3.17.1 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.

3.17.2 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 these 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 (OCI) or equity in which case it is included in other comprehensive income or equity, as applicable.

3.18 Staff retirement benefits

3.18.1 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, 2019, 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).

3.18.2 Defined contribution plan

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

3.18.3 Compensated absences

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

3.19 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 asset's 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.



3.20 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.

3.21 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 36 to these financial statements.

3.22 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 retakaful 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.

3.23 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.

3.24 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.

3.25 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.

3.26 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.

3.27 Loan to employees

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

3.28 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.

3.29 Zakat

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

3.30 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 3.14.1, 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 and total assets from window takaful operations - Operator's fund 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. Temporary exemption from application of IFRS 9 - financial instruments

4.1 Company's activities are predominantly connected with insurance

As allowed by the International Accounting Standards Board (IASB) the Company's management has opted for a temporary exemption from IFRS 9 on the basis that its activities are predominantly connected with insurance.

The Company qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 being greater than the required threshold of the total carrying amount of all its liabilities at December 31, 2015, and with no subsequent change in its activities that warrant a reassessment of the same.

Furthermore, the amendment of IFRS 4 - Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) and other financial assets separately. The fair value measurement of investments has been documented in note 37.1 and credit exposure of assets that pass the SPPI test has been documented in note 39.3 to these financial statements.

Atlas Insurance Limited has assessed that the following financial asset have contractual cash flows that meet the SPPI criteria:

- a) Investments in debt securities - Pakistan Investment Bonds
- b) Investments in Term Deposits
- c) Insurance debtors and other short term receivables
- d) Balances with banks

The remaining financial assets held by the entity have contractual cash flows that do not represent solely payments of principal and interest. The group includes the following financial assets:

- a) Investments in equity securities - Shares in listed / unlisted companies
- b) Investments in equity securities - Mutual funds
- c) Investments in debt securities - Term Finance Certificates

5. 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 these financial statements are as follows:

- a) determining the residual values and useful lives of property and equipment (note 3.2);
- b) extension and termination options to determine the lease term for right-of-use asset (note 3.2.4);
- c) classification of insurance contracts (note 3.5);
- d) deferred commission expense / acquisition cost (note 3.6);
- e) unearned premium reserves (note 3.7);
- f) premium deficiency reserve (note 3.8);
- g) segment reporting (note 3.11);
- h) classification and measurement of investments (note 3.14);
- i) recognition of taxation and deferred tax (note 3.17);
- j) accounting for retirement benefit obligations (note 3.18);
- k) impairment of assets (note 3.19);
- l) allocation of management expenses (note 3.21); and
- m) provision for outstanding claims, including IBNR (note 3.22).

6. Property and equipment

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
Operating assets	6.1	93,490	82,045
Right-of-use assets	6.2	24,531	-
Capital work in progress	6.3	2,544	35
		<u>120,565</u>	<u>82,080</u>

6.1 Operating assets

2019										
	Cost			Accumulated depreciation				Written down value as at December 31	Depreciation rate %	
	As at January 01	Additions / (disposals)	Adjustments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjustments			As at December 31
(Rupees in thousand)										
Freehold land	-	-	-	-	-	-	-	-	-	-
Freehold building	8,500	-	-	8,500	6,575	97	-	6,672	1,828	5
Lease hold improvements	20,725	-	-	20,725	5,795	2,987	-	8,782	11,943	20
Furniture and fixtures	9,910	1,637	-	11,403	3,798	1,346	-	5,058	6,345	10 - 20
		(144)				(86)				
Office equipment	26,809	3,189	-	29,403	11,558	3,195	-	14,356	15,047	15 - 20
		(595)				(397)				
Computers equipment	31,548	5,300	-	34,898	19,810	4,443	-	22,533	12,365	30
		(1,950)				(1,720)				
Vehicles	44,197	27,674	-	62,322	12,108	9,665	-	16,360	45,962	20
		(9,549)				(5,413)				
	141,689	25,562	-	167,251	59,644	14,117	-	73,761	93,490	

2018										
	Cost			Accumulated depreciation				Written down value as at December 31	Depreciation rate %	
	As at January 01	Additions / (disposals)	Adjustments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjustments			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)				
Computers 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)				
	146,456	(4,767)	-	141,689	57,378	2,266	-	59,644	82,045	



6.1.1 Disposal of fixed assets

Particulars of the assets	Particulars of the buyer	Cost	Book value	Sale proceeds	Mode of disposal
(Rupees in thousand)					
Vehicles					
Honda Civic LEB - 15 - 1333	Ms. Qudsia Naheed - a related party	1,991	838	838	Company's policy
Honda City BDM - 343	Syed Irtiza Abbas - a related party	1,630	699	699	Company's policy
Honda City LEC - 15 - 2348	Mr. Saleem Mehmood	1,619	681	681	Company's policy
Honda City LEC - 15 - 7674	Mr. Muhammad Aasim Gul - a related party	1,619	659	659	Company's policy
Honda Civic BEL - 784	Mr. Abbas Sajjad - a related party	1,324	989	989	Company's policy
Honda Civic LZV - 5739	Mr. Arif Ali Kakar	928	61	710	Negotiation
Honda CG-125 LEQ - 17 - 2046	Mr. Muhammad Tahir	100	64	50	Company's policy
Computers equipment					
Apple iPhone X 64GB	Sahibzada Ahmad Khan	131	101	70	Negotiation
Other fixed assets with book value less than Rs. 50,000		2,896	530	379	
December 31, 2019		12,238	4,622	5,075	
December 31, 2018		37,541	20,381	66,681	

6.1.2 The depreciation charge / expense for the year has been allocated to management expenses as disclosed in note 26.

	<u>Note</u>	<u>2019</u> (Rupees in thousand)	<u>2018</u>
6.2 Right-of-use assets			
Impact of initial adoption of IFRS 16	3.1.1 & 6.2.1	31,365	-
Additions		2,453	-
Depreciation for the year	26	(9,287)	-
Closing book value		24,531	-

6.2.1 Right-of-use assets include Rs. 4,812 thousand (2018: Rs. Nil) recognized against buildings rented from related parties.

6.2.2 The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits.

	<u>Note</u>	<u>2019</u> (Rupees in thousand)	<u>2018</u>
6.3 Capital work-in-progress			
Advance to suppliers	6.3.1	2,544	35

6.3.1 This includes advances given to related parties amounting to Rs. 2,517 thousand (2018: Rs. Nil).

7. Intangible assets

The Company has fully amortized computer softwares costing Rs. 6,458 thousand (2018: Rs. 6,458 thousand) which are still in use at the reporting date.

8. Investments in equity securities

	Note	2019			2018		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
(Rupees in thousand)							
Available for sale							
Related parties							
Listed shares	8.2 & 8.4	645,173	-	645,173	645,173	-	645,173
Mutual funds	8.5	488,957	-	488,957	215,520	-	215,520
		1,134,130	-	1,134,130	860,693	-	860,693
Unrealized gain on revaluation as on				1,431,068			1,282,760
				2,565,198			2,143,453
Others							
Listed shares	8.2 & 8.6	1,403,801	(62,238)	1,341,563	1,328,502	(71,701)	1,256,801
Unlisted shares	8.7	500	(500)	-	500	(500)	-
Mutual funds	8.3 & 8.8	82,812	-	82,812	121,704	(947)	120,757
		1,487,113	(62,738)	1,424,375	1,450,706	(73,148)	1,377,558
Unrealized gain on revaluation as on				152,298			117,932
				1,576,673			1,495,490
				4,141,871			3,638,943

	2019	2018
	(Rupees in thousand)	
8.1 Particulars of impairment / provision		
Opening balance	73,148	12,604
Charge during the year	-	62,140
Reversal on disposal of securities	(947)	(3)
Other reversal made during the year	(9,463)	(1,593)
	(10,410)	60,544
Closing balance	62,738	73,148

8.2 Listed securities include an amount of Rs. 2,922,033 thousand (2018: Rs. 2,657,964 thousand) being the market value under an arrangement permissible under Shariah. Cost of these securities amounts to Rs. 1,377,144 thousand (2018: Rs. 1,435,793 thousand).

8.3 Mutual funds include an amount of Rs. 26,485 thousand (2018: Rs. 29,887 thousand) being the market value under an arrangement permissible under Shariah. Cost of these securities amounts to Rs. 23,589 thousand (2018: Rs. 28,999 thousand).

8.4 Listed shares - related parties

Number of shares		Face value	Company's name	Cost		Carrying value	
2019	2018			2019	2018	2019	2018
		Rupees		(Rupees in thousand)			
3,518,073	2,931,728	10	Atlas Honda Limited Equity held: 2.84% (2018: 2.84%)	215,296	215,296	1,336,868	1,099,398
424,788	424,788	10	Atlas Battery Limited Equity held: 1.74% (2018: 1.74%)	11,376	11,376	77,111	81,584
850,000	850,000	10	Honda Atlas Cars (Pakistan) Limited Equity held: 0.60% (2018: 0.60%)	9,795	9,795	186,099	150,059
3,912,145	3,556,496	10	Cherat Packaging Limited Equity held: 10.58% (2018: 10.58%)	407,244	407,244	475,052	609,690
217,000	217,000	1	Hum Network Limited	1,462	1,462	705	955
				<u>645,173</u>	<u>645,173</u>	<u>2,075,835</u>	<u>1,941,686</u>

8.5 Mutual funds - related parties

Number of units		Face value	Fund's name	Cost		Carrying value	
2019	2018			2019	2018	2019	2018
		Rupees		(Rupees in thousand)			
-	370,018	500	Atlas Stock Market Fund	-	215,520	-	201,260
4,513,588	-	500	Atlas Sovereign Fund	488,957	-	489,363	-
				<u>488,957</u>	<u>215,520</u>	<u>489,363</u>	<u>201,260</u>

8.6 Listed shares - others

Number of shares		Face value	Company's name	Cost		Carrying	
2019	2018			2019	2018	2019	2018
		Rupees		(Rupees in thousand)			
Banks							
2,788,605	2,588,605	10	Bank Alfalah Limited	111,249	99,466	127,439	105,071
1,205,350	1,155,350	10	Bank Al-Habib Limited	71,959	61,850	91,800	79,477
888,463	818,463	10	United Bank Limited	148,838	138,110	146,152	100,376
388,467	353,152	10	Meezan Bank Limited	25,752	17,900	36,955	32,628
851,500	851,500	10	Habib Metropolitan Bank Limited	30,178	30,178	30,952	39,007
197,595	248,095	10	Habib Bank Limited	32,435	41,191	31,106	29,883
60,000	60,000	10	MCB Bank Limited	12,444	12,444	12,296	11,614
Insurance companies							
898,747	898,747	10	Adamjee Insurance Company Limited	47,054	47,054	37,828	37,765
Construction and material							
91,380	91,380	10	Attock Cement (Pakistan) Limited	11,726	11,725	9,446	10,344
3,535,580	3,214,164	10	Cherat Cement Company Limited	91,761	91,761	187,562	223,867
627,700	627,700	10	D.G. Khan Cement Company Limited	81,012	81,011	46,619	50,310

Number of shares		Face value	Company's name	Cost		Carrying value	
2019	2018			2019	2018	2019	2018
		Rupees		(Rupees in thousand)			
Construction and material							
46,000	36,000	10	Lucky Cement Limited	22,637	17,954	19,706	15,648
276,000	276,000	10	Fauji Cement Company Limited	6,963	6,963	4,295	5,777
Electricity							
1,053,727	940,000	10	The Hub Power Company Limited	98,293	92,607	98,366	80,643
361,778	361,778	10	Kot Addu Power Company Limited	20,410	20,410	11,407	17,926
272,000	272,000	10	Nishat Power Limited	8,585	8,585	7,412	7,371
609,000	609,000	10	Nishat Chunian Power Limited	18,613	18,613	11,693	14,312
Oil and gas							
128,800	128,800	10	Pakistan Oilfields Limited	54,438	54,438	57,538	54,717
540,385	423,321	10	Pakistan Petroleum Limited	73,807	68,776	74,108	63,354
35,880	35,880	10	Attock Petroleum Limited	15,702	15,702	13,268	15,482
838,700	753,700	10	Oil & Gas Development Company Limited	130,616	117,971	119,364	96,474
174,902	145,752	10	Pakistan State Oil Limited	36,703	36,703	33,518	32,857
Chemicals							
394,020	358,200	10	Engro Corporation Limited	107,242	99,952	136,035	104,265
278,415	278,415	10	Fauji Fertilizer Company Limited	22,178	22,178	28,251	25,851
1,071,521	959,521	10	Engro Fertilizers Limited	75,201	66,957	78,682	66,255
Industrial metals and mining							
200,000	200,000	10	International Steels Limited	24,397	24,396	11,578	13,154
General industries							
130,000	130,000	10	Nishat Mills Limited	13,354	13,354	13,798	16,449
247,200	247,200	10	Nishat (Chunian) Limited	10,254	10,253	10,543	12,009
Impairment in value of available for sale investments				(62,238)	(71,701)	-	-
				<u>1,341,563</u>	<u>1,256,801</u>	<u>1,487,717</u>	<u>1,362,886</u>

8.7 Unlisted shares - others

Number of shares		Face value	Company's name	Cost		Carrying value	
2019	2018			2019	2018	2019	2018
		Rupees		(Rupees in thousand)			
50,000	50,000	10	Arabian Sea Country Club (Private) Limited	500	500	-	-
Impairment in value of available for sale investment				(500)	(500)	-	-
				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

8.7.1 The name of Chief Executive is Mr. Arif Ali Khan Abbasi. The break-up value is Rs. (10.22) per share based on audited accounts for the year ended June 30, 2018.

8.8 Mutual funds - others

Number of units		Face value	Fund's name	Cost		Carrying value	
2019	2018			2019	2018	2019	2018
		Rupees		(Rupees in thousand)			
28,553	38,166	10	National Investment (Unit) Trust - note 8.8.1	1,012	1,339	1,814	2,419
280,282	247,864	100	Lakson Money Market Fund	28,054	24,797	28,208	25,798
-	3,455,555	10	NIT Income Fund	-	35,615	-	36,663
268,559	252,343	100	Lakson Income Fund	27,147	25,511	29,001	26,312
2,120,500	2,120,500	10	Dolmen City REIT	23,589	23,589	26,485	25,425
-	536,373	10	NIT Islamic Equity Fund	-	5,410	-	4,463
246,000	246,000	10	HBL Growth Fund - Class A (Formerly PICIC Growth Fund)	2,536	2,537	2,814	5,284
154,500	154,500	10	HBL Investment Fund - Class A (Formerly PICIC Investment Fund)	474	474	634	1,188
-	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
Impairment in value of available for sale investment				-	(947)	-	-
				82,812	120,756	88,956	133,110

8.8.1 This includes 28,553 (2018: 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. 1,012 thousand (2018: Rs. 718 thousand). The market value of these deposits amounted to Rs. 1,814 thousand (2018: Rs. 1,775 thousand).

9. Investments in debt securities

Note	2019			2018			
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value	
(Rupees in thousand)							
Others							
Held to maturity							
Pakistan Investment Bonds	9.1.1 & 9.2	88,571	-	88,571	73,704	-	73,704
Available for sale							
Term Finance Certificates	9.1.2	20,000	-	20,000	-	-	-
		108,571	-	108,571	73,704	-	73,704

9.1 Particulars of debt securities are as follow:

9.1.1 Pakistan Investment Bonds

Face value	Type of security	Profit payment	Profit rate	Maturity date	Carrying value	
					2019	2018
					(Rupees in thousand)	
94,600,000	3 year Pakistan Investment Bond	Bi-annually	11.75%	September 19, 2022	88,571	-
73,600,000	3 year Pakistan Investment Bond	Bi-annually	6.85%	December 29, 2019	-	73,704

9.1.2 Term Finance Certificates

No. of certificates		Face value	Company's name	Effective rate	Maturity date	Carrying value	
2019	2018					2019	2018
		(Rupees in thousand)				(Rupees in thousand)	
1	-	20,000	Habib Bank Limited	3 Month Kibor + 160 bps	Perpetual	20,000	-

9.2 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.

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u> <u>(Rupees in thousand)</u>
10. Investments in term deposits			
Held to maturity			
Deposits maturing within 12 months		525,000	-
		<u>525,000</u>	<u>-</u>
11. Loan and other receivables - considered good			
Loan to related parties	11.1	306	111
Receivable from related parties	11.2	5,678	-
Accrued investment income		4,802	2,790
Security deposits		4,446	3,671
Loans to employees		3	16
Other receivable	11.3	95,113	7,464
		<u>110,348</u>	<u>14,052</u>

11.1 This includes interest free amounts due from executives of Rs. 306 thousand (2018: Rs. 111 thousand). Loans and other receivables are carried at amortized cost using the effective interest rate method.

11.2 This represents capital gains tax recoverable from Atlas Asset Management Limited, a related party, against disposal of investments in the mutual funds by the Company during the year.

11.3 This includes balances due from a financial institution to the Company, amounting to Rs. 81,600 thousand (2018: Nil), against maturity of debt investment in Pakistan Investment Bonds during the year.

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u> <u>(Rupees in thousand)</u>
12. Insurance / reinsurance receivables - unsecured and considered good			
Due from insurance contract holders		128,294	199,944
Less: Provision for impairment of receivable from insurance contract holders		(2,859)	(2,859)
		125,435	197,085
Due from other insurers / reinsurers		122,769	137,555
Less: Provision for impairment of due from other insurers / reinsurers		(1,959)	(1,959)
		120,810	135,596
		<u>246,245</u>	<u>332,681</u>
13. Prepayments			
Prepaid reinsurance premium ceded		659,317	546,319
Prepaid rent	13.1 & 13.2	1,337	3,722
Prepaid miscellaneous expenses		797	656
		<u>661,451</u>	<u>550,697</u>

13.1 This represents prepayments made by the Company against rented premises classified as operating lease under IFRS 16 as on December 31, 2019 only. The comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in the standard.

13.2 Prepaid rent includes an amount of Rs. 1,335 thousand (2018: Rs. 1,289 thousand) paid to a related party.

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u> <u>(Rupees in thousand)</u>
14. Cash and bank			
Cash at bank			
- Current accounts		14,903	54,502
- Saving accounts	14.1	635,304	1,273,485
		<u>650,207</u>	<u>1,327,987</u>

14.1 The balance in savings accounts bears mark-up which ranges from 6.5% to 12% (2018: 3.73% to 9%) per annum.

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

15. Share capital

15.1 Authorised capital

<u>2019</u>	<u>2018</u>		<u>Note</u>	<u>2019</u>	<u>2018</u>
(Number of shares)				(Rupees in thousand)	
80,000,000	80,000,000	Ordinary shares of Rs. 10 each		800,000	800,000

15.2 Issued, subscribed and paid up share capital

<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
(Number of shares)			(Rupees in thousand)	
70,161,381	70,161,381	Ordinary shares of Rs. 10/- each fully paid in cash	701,614	701,614
7,016,138	-	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	70,161	-
<u>77,177,519</u>	<u>70,161,381</u>		<u>771,775</u>	<u>701,614</u>

16. Reserves

Capital reserves

Investment fair value reserve	16.1	1,124,191	1,008,499
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Revenue reserves

General reserve		1,186,064	1,093,064
Investment fluctuation reserve		3,000	3,000
		<u>1,189,064</u>	<u>1,096,064</u>
		<u>2,313,255</u>	<u>2,104,563</u>

16.1 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, as permitted under IAS 39.

17. Deferred taxation

Deferred debits arising in respect of:

Provision for bonus to staff	(12,401)	(11,627)
Provision for gratuity payable	(2,009)	(2,590)
Provision for doubtful receivables - insurance / reinsurance receivables	(1,397)	(1,349)
Impairment in value of available for sale securities	(18,194)	(20,481)
Borrowings	(7,474)	-
	<u>(41,475)</u>	<u>(36,047)</u>

Deferred credits arising due to:

Accelerated tax depreciation	2,056	2,728
Unrealised gain on remeasurement of investment	459,176	392,194
Right-of-use assets	7,114	-
	<u>468,346</u>	<u>394,922</u>

Net deferred tax liability

2019
(Rupees in thousand)

	<u>426,871</u>	<u>358,875</u>
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18. 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 3.18.

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>2019</u>	<u>2018</u>
		(Rupees in thousand)	
Gratuity			
- Management staff	18.1	6,890	9,169
- Non-management staff	18.1	36	80
		<u>6,926</u>	<u>9,249</u>

	Note	Management staff		Non-management staff	
		2019	2018	2019	2018
(Rupees in thousand)					
18.1 Reconciliation - Statement of financial position					
Fair value of plan assets	18.1.1	(30,876)	(21,196)	(19,071)	(17,434)
Present value of defined benefit obligations	18.1.2	37,766	30,365	19,107	17,514
Funded status		6,890	9,169	36	80
Payable in respect of inter group transfers/ outgoing employees		-	-	-	-
Unrecognised net actuarial loss / (gain)		-	-	-	-
Recognised liability		6,890	9,169	36	80
18.1.1 Movement in the fair value of plan assets					
Fair value as at January 1		21,196	43,136	17,434	15,142
Expected return on plan assets		2,929	3,587	2,272	1,197
Actuarial losses		(2,418)	(4,055)	(635)	(1,365)
Employer contributions		9,169	1,459	1,228	6,066
Benefits paid		-	(23,198)	(1,228)	(3,606)
Received from other group companies in respect of transfers		-	267	-	-
Fair value as at December 31	18.1	30,876	21,196	19,071	17,434
18.1.2 Movement in the defined benefit obligations					
Obligation as at January 01		30,365	44,340	17,514	17,603
Service cost		3,002	2,317	1,167	1,064
Interest cost		4,071	3,693	2,282	1,392
Actuarial losses / (gain)		328	2,692	(628)	1,061
Benefits paid		-	(23,198)	(1,228)	(3,606)
Liabilities in respect of transfers		-	521	-	-
Obligation as at December 31	18.1	37,766	30,365	19,107	17,514
18.1.3 Number of staff covered under the defined benefit plan		86	63	103	89
18.1.4 Cost					
Current service cost		3,002	2,317	1,167	1,064
Interest cost		4,071	3,693	2,282	1,392
Expected return on plan assets		(2,929)	(3,587)	(2,272)	(1,197)
Expense		4,144	2,423	1,177	1,259
Actual return on plan assets		512	(468)	1,558	(268)
18.1.5 Principal actuarial assumptions used are as follows:					
		2019	2018		
Management staff					
Discount rate		11.25% per annum	13.25% per annum		
Future long term salary increases		10.25% per annum	12.25% per annum		
Mortality rates		SLIC (2001-05)-1	SLIC (2001-05)-1		
Rates of employee turnover		Moderate	Moderate		
Non-management staff					
Discount rate		11.25% per annum	13.25% per annum		
Future long term salary increases		10.25% per annum	12.25% per annum		
Mortality rates		SLIC (2001-05)-1	SLIC (2001-05)-1		
Rates of employee turnover		Light	Light		
		Management staff	Non-management staff		
		2020	2020	2019	
(Rupees in thousand)					
18.1.6 Expected costs for the next year are as follows:					
Current service cost		2,850	1,948	1,399	1,167
Interest cost		4,322	4,071	2,146	2,282
Expected return on plan assets		(3,587)	(2,929)	(2,142)	(2,272)
Expense		3,585	3,090	1,403	1,177

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)				
18.1.7 Comparison for five year					
Management staff as at December 31					
Fair value of plan assets	(30,876)	(21,196)	(43,136)	(39,622)	(52,373)
Defined benefit obligation	37,766	30,365	44,340	37,513	33,516
Surplus / (deficit)	<u>6,890</u>	<u>9,169</u>	<u>1,204</u>	<u>(2,109)</u>	<u>(18,857)</u>
Experience adjustments					
(Loss) / gain on plan assets (as percentage of plan assets)	-7.8%	-19.1%	-1.0%	10.0%	-4.0%
Loss / (gain) on obligations (as percentage of obligations)	0.9%	8.9%	5.0%	4.0%	-1.0%
Non-Management staff as at December 31					
Fair value of plan assets	(19,071)	(17,434)	(15,142)	(17,803)	(13,520)
Defined benefit obligation	19,107	17,514	17,603	15,432	13,278
Surplus / (deficit)	<u>36</u>	<u>80</u>	<u>2,461</u>	<u>(2,371)</u>	<u>(242)</u>
Experience adjustments					
(Loss) / gain on plan assets (as percentage of plan assets)	-3.3%	-7.8%	-27.0%	17.0%	-6.0%
(Gain) / loss on obligations (as percentage of obligations)	-3.3%	6.1%	4.0%	3.0%	2.0%

	<u>2019</u>		<u>2018</u>	
	(Rupees in thousand)	%	(Rupees in thousand)	%
18.1.8 Plan assets comprises of the following				
Management staff				
Debt	21,716	70%	11,021	52%
Mutual funds	8,891	29%	9,689	46%
Cash and bank balances	269	1%	486	2%
	<u>30,876</u>	<u>100%</u>	<u>21,196</u>	<u>100%</u>
Non-management staff				
Debt	6,784	35%	6,461	37%
Mutual funds	11,974	63%	10,823	62%
Cash and bank balances	313	2%	150	1%
	<u>19,071</u>	<u>100%</u>	<u>17,434</u>	<u>100%</u>

	<u>Note</u>	<u>2019</u>	<u>2018</u>
		(Rupees in thousand)	
19. Borrowings			
19.1 Commitments in relation to finance leases recognized under IFRS 16 are payable as follows:			
Within one year		8,824	-
Later than one year but not later than five years		19,550	-
Later than five years		5,013	-
Minimum lease payments		<u>33,387</u>	-
Future finance charges		(7,616)	-
Total lease liabilities	3.1.1 & 19.2	<u>25,771</u>	<u>-</u>
19.2 The present values of finance lease liabilities is as follows:			
Within one year		6,286	-
Later than one year but not later than five years		15,300	-
Later than five years		4,185	-
Minimum lease payments	3.1.1 & 19.1	<u>25,771</u>	<u>-</u>

	2019	2018
	(Rupees in thousand)	
20. Insurance / reinsurance payable		
Due to other insurers / reinsurers	428,669	330,450
21. Other creditors and accruals		
Agent commission payable	55,877	42,158
Federal Excise Duty / Sales tax	31,278	23,240
Federal Insurance Fee	2,282	2,336
Payable to related parties	614	857
Accrued expenses	27,763	24,025
Other tax payable	3,365	2,164
Unpaid and unclaimed dividend	89,699	79,997
Deposit against performance bonds	133,375	84,038
Donation payable	9,551	9,941
Bonus payable to staff	42,763	41,524
Leave encashment payable	28,167	21,576
Profit commission payable	18,136	9,158
Others	18,950	16,347
	<u>461,820</u>	<u>357,361</u>

22. Contingencies and commitments

22.1 Contingencies

22.1.1 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 these 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.

22.1.2 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 these 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.

	2019	2018
	(Rupees in thousand)	
22.1.3 Other contingencies		
Claims against the Company not acknowledged as debt	101,677	112,526

22.2 Commitments

22.2.1 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:

	Note	2019	2018
		(Rupees in thousand)	
Not later than one year	22.2.2	28,815	53,323
Later than one year and not later than five years	22.2.2	22,779	39,253
		<u>51,594</u>	<u>92,576</u>

22.2.2 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. In identification of operating leases, the Company has applied the practical expedients under IFRS 16 as detailed in note 3.2.4 and 3.1.1.

	2019	2018
	(Rupees in thousand)	
23. Net insurance premium		
Written gross premium	2,911,830	2,849,455
Add: Unearned premium reserve - opening	1,060,806	875,050
Less: Unearned premium reserve - closing	(1,139,098)	(1,060,806)
Premium earned	2,833,538	2,663,699
Less: Reinsurance premium ceded	1,491,120	1,327,736
Add: Prepaid reinsurance premium - opening	546,319	408,367
Less: Prepaid reinsurance premium - closing	(659,317)	(546,319)
Reinsurance expense	1,378,122	1,189,784
	<u>1,455,416</u>	<u>1,473,915</u>
24. Net insurance claims expense		
Claims paid	1,008,501	893,127
Add: Outstanding claims including IBNR - closing	545,169	727,887
Less: Outstanding claims including IBNR - opening	(727,887)	(324,385)
Claims expense	825,783	1,296,629
Less: Reinsurance and other recoveries received	564,917	504,561
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	246,582	454,431
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(454,431)	(150,668)
	357,068	808,324
Reinsurance and other recoveries revenue	<u>468,715</u>	<u>488,305</u>

24.1 Claim development

The following table shows the development of fire and property damage, marine, aviation and transport 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.

	2015	2016	2017	2018	2019
	(Rupees in thousand)				
Accident year					
Estimate of ultimate claims costs:					
At end of accident year	418,039	219,614	223,465	603,695	384,469
One year later	416,091	171,235	198,426	503,933	-
Two years later	407,820	156,544	170,683	-	-
Three years later	402,894	171,986	-	-	-
Four years later	443,844	-	-	-	-
Current estimate of cumulative claims	443,844	171,986	170,683	503,933	384,469
Cumulative payments to date	(421,858)	(168,757)	(154,065)	(405,650)	-
Liability recognized in statement of financial position	<u>21,986</u>	<u>3,229</u>	<u>16,618</u>	<u>98,283</u>	<u>384,469</u>

	2019	2018
	(Rupees in thousand)	
25. Net commission and acquisition expense / (income)		
Commission paid or payable	180,951	160,938
Add: Deferred commission expense - opening	80,233	61,735
Less: Deferred commission expense - closing	(81,519)	(80,233)
Net commission expense	179,665	142,440
Less: Commission received or recoverable	360,660	322,839
Add: Unearned reinsurance commission - opening	116,648	96,212
Less: Unearned reinsurance commission - closing	(152,959)	(116,648)
Commission from reinsurers	324,349	302,403
	<u>(144,684)</u>	<u>(159,963)</u>

	<u>Note</u>	<u>2019</u> (Rupees in thousand)	<u>2018</u> (Rupees in thousand)
26. Management expenses			
Employee benefit cost	26.1	331,270	276,040
Travelling expenses		13,266	9,153
Advertisements and sales promotion		14,656	16,894
Printing and stationery		7,070	6,510
Depreciation	6.1	21,733	19,427
Depreciation right-of-use assets	6.2	9,287	-
Rent, rates and taxes		19,520	23,982
Electricity, gas and water		6,322	5,303
Entertainment		1,744	2,790
Vehicle running expenses		18,764	14,666
Office repairs and maintenance		5,849	4,494
Bank charges		642	473
Postages, telegrams and telephone		9,400	8,109
Annual supervision fee SECP		5,699	9,426
Trackers expense		25,153	34,578
Fee and subscriptions		10,511	10,532
Insurance expense		630	1,974
Office expenses		6,393	5,367
Service charges - net		7,198	-
Miscellaneous		19,527	11,532
		<u>534,634</u>	<u>461,250</u>
26.1 Employee benefit cost			
Salaries, allowances and other benefits		314,380	261,957
Charges for post employment benefit	26.2	16,890	14,083
		<u>331,270</u>	<u>276,040</u>

26.2 This includes Company's contribution to defined contribution plans amounting to Rs. 10,397 thousand (2018: 10,401 thousand).

	<u>2019</u> (Rupees in thousand)	<u>2018</u> (Rupees in thousand)
27. Investment income		
Income from equity securities		
Available for sale		
Dividend income	196,542	245,775
Income from debt securities		
Held to maturity		
Return on debt securities	6,692	4,598
Available for sale		
Interest on term finance certificate	1,500	-
Income from term deposits		
Return on term deposits	7,720	-
	<u>212,454</u>	<u>250,373</u>
Net realised gains on investments		
Available for sale financial assets		
Realised gains on		
- Equity securities	2,040	41,044
Total investment income	<u>214,494</u>	<u>291,417</u>
Add / (less): Reversal / charge for impairment in value of available for sale securities		
- Equity securities	10,411	(60,545)
Less: Investment related expenses	(100)	(15)
	<u>224,805</u>	<u>230,857</u>
28. Other income		
Return on bank balances	52,343	27,334
Gain on sale of fixed assets	453	46,297
Miscellaneous	-	79
	<u>52,796</u>	<u>73,710</u>

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
29. Other expenses			
Legal and professional fee other than business related		1,479	3,139
Auditor's remuneration	29.2	2,351	2,792
Donations	29.1	9,500	9,580
Director's fee		700	800
Others		7	265
		14,037	16,576
		14,037	16,576

29.1 This amount represents Rs. 9,500 thousand (2018: Rs. 9,580 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. Iftikhar H. Shirazi
 Mr. Frahim Ali Khan
 Mr. M. Habib-ur-Rahman
 Mr. Ali H. Shirazi

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

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
29.2 Auditor's remuneration			
Audit fee		1,135	1,032
Fee for audit of provident fund, gratuity funds and other certifications		839	763
Special certifications and sundry advisory services		160	800
Out of pocket expenses		217	197
		2,351	2,792
		2,351	2,792
30. Finance costs			
Interest on lease liability	3.1.1	3,297	-
Exchange loss		647	1,627
		3,944	1,627
		3,944	1,627
31. Taxation			
For the year			
Current		256,839	316,572
Deferred			
- Relating to origination / (reversal) of temporary differences		3,001	(21,363)
- (Income) / loss resulting from change in tax rate		(1,189)	671
		1,812	(20,692)
For prior years			
- Current		13,334	27,581
		271,985	323,461
		271,985	323,461

31.1 Relationship between tax expense and accounting profit

Numerical reconciliation between the average effective tax rate and the applicable tax rate

	<u>2019</u> <u>%</u>	<u>2018</u> <u>%</u>
Applicable tax rate	29	29
Tax effect of amounts that are:		
- Effective prior year adjustment	1.49	4.87
- Exempt from tax	0.02	(1.23)
- Effect of rate change	(0.13)	0.07
Average effective tax rate	30.38	32.71
	30.38	32.71

31.2 Applicable tax rate represents the tax rate applicable to Insurance Companies under part-I of Fourth Schedule of the Finance Act, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)	
32. Earnings per share		
Profit (after tax) for the year	623,256	665,568
	Number of shares	
	thousand	
		Re-stated
Weighted average number of ordinary shares	77,178	77,178
		Re-stated
		Rupees
Earnings per share - (basic / diluted)	8.08	8.62
There is no dilutive effect on basic earnings per share.		

	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)	
33. Window takaful operations - OPF		
Wakala fee	64,975	51,556
Management expenses	(12,160)	(20,798)
Net commission and other acquisition costs	(19,120)	(14,634)
Investment income	5,372	1,319
Other expenses	(864)	(713)
Other income	667	377
Profit for the year	38,870	17,107

34. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)					
Fee - note 34.1	-	-	700	800	-	-
Managerial remuneration	14,287	16,076	-	5,742	78,014	59,418
Leave encashment	-	7,288	-	-	1,638	1,888
Bonus / profit commission paid	4,388	8,238	-	-	30,570	18,651
Contribution to defined benefit plan	518	582	-	208	2,711	4,140
Contribution to defined contribution plan	1,367	1,538	-	549	6,886	5,352
Rent and house maintenance	5,591	6,291	-	2,247	32,089	24,482
Utilities	1,242	1,398	-	499	7,286	5,362
Medical	206	601	-	208	4,818	3,488
Conveyance	-	-	-	-	10,297	8,295
Others (membership fee, petrol, telephone, newspaper, etc.)	1,586	2,084	-	566	14,360	9,555
Total	<u>29,185</u>	<u>44,096</u>	<u>700</u>	<u>10,819</u>	<u>188,669</u>	<u>140,631</u>
Number of persons	<u>1</u>	<u>2*</u>	<u>2</u>	<u>6</u>	<u>61</u>	<u>50</u>

34.1 Fees paid to 2 (2018: 5) Non-Executive Directors for attending meetings during the year amounts to Rs. 700 thousand (2018: 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.

34.2 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 Mehmood Mirza was appointed as the Company's CEO.

35. 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>2019</u>	<u>2018</u>	
		(Rupees in thousand)		
Parent Company	Year end balances			
	Provision for outstanding claims (including IBNR)	1,627	927	
	Premium received in advance	166	-	
	Due from insurance contract holders	-	469	
	Transactions during the year			
	Premium underwritten	19,596	18,683	
	Premium collected	22,864	21,564	
	Claims paid	5,286	4,998	
	Computer equipment sold	-	42	
	Rent paid	2,642	2,461	
	Associated Companies	Year end balances		
		Provision for outstanding claims (including IBNR)	38,903	293,409
		Premium received in advance	69,063	105,202
		Due from insurance contract holders	73,192	127,246
Lease liability		3,188	-	
Transactions during the year				
Premium underwritten		1,321,776	1,495,640	
Premium collected		1,572,017	1,777,981	
Claims paid		388,390	369,607	
Vehicles purchased		24,366	20,491	
Vehicles sold		-	1,762	
Office equipment purchased		292	-	
Computer equipment purchased		149	-	
Computer equipment sold		-	92	
Rent paid		-	1,223	
Expenses paid		1,156	1,492	
Dividends received		100,417	130,846	
Donations paid		9,891	9,889	
Investments purchased		3,047,283	867,000	
Investments sold at sale price	2,748,870	1,253,642		
Finance cost charged	425	-		
Lease liability paid	1,409	-		
Post employment benefit plans	Transactions during the year			
	Contributions in respect of post employment benefit plans (including contributions to provident fund)	21,887	15,276	
Key management personnel	Year end balances			
	Provision for outstanding claims (including IBNR)	1,055	-	
	Due from insurance contract holders	42	-	
	Transactions during the year			
	Premium underwritten	1,790	1,436	
	Premium collected	2,103	1,659	
	Computer equipment sold	18	315	
	Office equipment sold	-	47	
Vehicles sold	3,184	7,051		
Claims Paid	421	187		

36. Segment reporting

The Company has identified four (2018: 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, 2019				
	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)	1,078,658	840,732	750,919	669,853	3,340,162
Less: Federal Excise Duty	139,449	100,999	85,461	74,044	399,953
Federal Insurance Fee	9,530	7,227	5,557	6,065	28,379
Gross written premium (inclusive of Administrative Surcharge)	929,679	732,506	659,901	589,744	2,911,830
Gross direct premium	908,225	717,837	534,866	581,581	2,742,509
Facultative inward premium	15,298	-	119,414	3,888	138,600
Administrative surcharge	6,156	14,669	5,621	4,275	30,721
	929,679	732,506	659,901	589,744	2,911,830
Insurance premium earned	856,991	746,584	669,221	560,742	2,833,538
Insurance premium ceded to reinsurers	(609,399)	(274,458)	(234,184)	(260,081)	(1,378,122)
Net insurance premium	247,592	472,126	435,037	300,661	1,455,416
Commission income	145,057	85,902	26,724	66,666	324,349
Net underwriting income	392,649	558,028	461,761	367,327	1,779,765
Insurance claims	(137,371)	(99,056)	(293,077)	(296,279)	(825,783)
Insurance claims recovered from reinsurers	115,730	59,883	115,013	66,442	357,068
Net claims	(21,641)	(39,173)	(178,064)	(229,837)	(468,715)
Commission expense	(68,705)	(23,864)	(61,363)	(25,733)	(179,665)
Management expenses	(162,677)	(128,185)	(140,601)	(103,171)	(534,634)
Net insurance claims and expenses	(253,023)	(191,222)	(380,028)	(358,741)	(1,183,014)
Underwriting results	139,626	366,806	81,733	8,586	596,751
Net investment income					224,805
Rental income					-
Other income					52,796
Other expenses					(14,037)
Finance cost					(3,944)
Profit before taxation from window takaful operations - OPF					38,870
Profit before tax					895,241
Segment assets - Conventional	395,006	311,253	280,325	250,514	1,237,098
Segment assets - Takaful OPF	3,089	1,539	18,473	464	23,565
Unallocated assets - Conventional					5,658,696
Unallocated assets - Takaful OPF					114,761
					7,034,120
Segment liabilities - Conventional	799,773	630,199	567,581	507,214	2,504,767
Segment liabilities - Takaful OPF	4,433	2,208	26,503	665	33,809
Unallocated liabilities - Conventional					788,804
Unallocated liabilities - Takaful OPF					-
					3,327,380

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)	764,698	912,189	639,063	533,505	2,849,455
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
	764,698	912,189	639,063	533,505	2,849,455
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
Net underwriting income	309,745	709,864	387,565	369,144	1,776,318
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)
Net insurance claims and expenses	(214,204)	(172,567)	(382,558)	(322,666)	(1,091,995)
Underwriting results	95,541	537,297	5,007	46,478	684,323
Net investment income					230,857
Rental income					1,235
Other income					73,710
Other expenses					(16,576)
Finance cost					(1,627)
Profit before taxation from window takaful operations - OPF					17,107
Profit before tax					989,029
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
					6,665,727
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					-
					3,204,851

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)		
37. Movement in investments			
As at beginning of previous year	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)
As at beginning of current year	73,704	3,638,943	3,712,647
Additions	950,064	3,218,160	4,168,224
Disposals (sales and redemptions)	(410,470)	(2,888,317)	(3,298,787)
Fair value net losses (excluding net realised losses)	-	182,675	182,675
Unwinding on debt securities	273	-	273
Reversal of impairment	-	10,410	10,410
As at end of current year	613,571	4,161,871	4,775,442

37.1 Fair value measurement of financial instruments - IFRS 9

Following is the fair value of financial assets as on December 31, 2019 under IFRS 9 classifications and the change in their fair value during the year ended December 31, 2019:

	Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
	Amortised cost*	Fair value through OCI	Total	Other financial instrument
	(Rupees in thousand)			
Pakistan Investment Bonds				
Opening fair value - December 31, 2018	73,704	-	73,704	-
Additions	96,194	-	96,194	-
Unwinding on debt securities	273	-	273	-
Disposals	(81,600)	-	(81,600)	-
Closing fair value - December 31, 2019	88,571	-	88,571	-
Term Finance Certificates				
Opening fair value - December 31, 2018	-	-	-	-
Additions	-	-	-	20,000
Disposals	-	-	-	-
Closing fair value - December 31, 2019	-	-	-	20,000
Shares in listed / unlisted equity securities				
Opening fair value - December 31, 2018	-	-	-	3,304,572
Additions	-	-	-	145,954
Increase in fair value - net	-	-	-	174,221
Reversal of impairment	-	-	-	9,463
Disposals	-	-	-	(70,658)
Closing fair value - December 31, 2019	-	-	-	3,563,552
Mutual fund investments				
Opening fair value - December 31, 2018	-	-	-	334,371
Additions	-	-	-	3,052,206
Increase in fair value - net	-	-	-	8,454
Reversal of impairment	-	-	-	947
Disposals	-	-	-	(2,817,659)
Closing fair value - December 31, 2019	-	-	-	578,319

Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading

	<u>Amortised cost*</u>	<u>Fair value through OCI</u>	<u>Total</u>	<u>Other financial instrument</u>
	(Rupees in thousand)			
Term Deposits				
Opening fair value - December 31, 2018	-	-	-	-
Additions	853,870	-	853,870	-
Increase / (decrease) in fair value	-	-	-	-
Disposals	(328,870)	-	(328,870)	-
Closing fair value - December 31, 2019	525,000	-	525,000	-

*The fair value of the remaining financial assets are not significantly different from their carrying amounts since these assets are short term in nature or are frequently repriced to market rate. These include insurance debtors and other short term receivables amounting to Rs. 744,936 thousand (2018: Rs. 912,083 thousand) and balances with banks amounting to Rs. 650,207 thousand (2018: Rs.1,327,987 thousand), respectively.

37.1.1 Other financial instruments are measured at fair value by the Company in accordance with the accounting policies as disclosed in note 3.14.3 to these financial statements.

38. 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 and the rules formulated for this purpose. The salient information of the fund is as follow:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
		(Rupees in thousand)	
Size of the fund		46,821	41,474
Percentage of investments made		93.9%	91.7%
Fair value of investments	38.1	43,949	38,047
Cost of investments made		42,261	43,269

38.1 Breakup of investments at fair value

	<u>Investment as a % size of fund</u>		<u>Investments</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)			
Government Securities	68%	17%	32,049	7,000
Listed securities and mutual funds	25%	75%	11,900	31,047
			43,949	38,047

The information for the financial year 2019 is based on un-audited financial statements of the provident fund.

39. Management of insurance risk and financial risk

39.1 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:

	<u>Maximum insured loss</u>		<u>Loss Ceded</u>		<u>Net Retention</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
			(Rupees in thousand)			
Fire and property damage	544,579,228	317,687,051	528,979,367	301,514,032	15,599,861	16,173,019
Marine, aviation and transport	30,931,432	52,660,800	4,316,785	20,537,712	26,614,647	32,123,088
Motor	42,828,344	28,579,327	12,019,456	9,994,160	30,808,888	18,585,167
Miscellaneous	184,463,793	189,355,562	159,057,950	168,754,276	25,405,843	20,601,286
	<u>802,802,797</u>	<u>588,282,740</u>	<u>704,373,558</u>	<u>500,800,180</u>	<u>98,429,239</u>	<u>87,482,560</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 3.22.

(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.

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.

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

As the Company normally enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on underwriting results and shareholder's equity, net of reinsurance:

	Net impact of increase / decrease in average claims by 10% on			
	Underwriting results		Shareholder's equity	
	2019	2018	2019	2018
	(Rupees in thousand)			
Fire and property damage	2,164	4,850	1,536	3,443
Marine, aviation and transport	3,917	1,788	2,781	1,270
Motor	17,806	20,637	12,642	14,652
Miscellaneous	22,984	21,556	16,319	15,305
Total	46,871	48,831	33,278	34,670

39.2 Financial risk

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

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

Maturity profile of financial assets and liabilities at the reporting dates is as follows:

	2019					
	Interest / mark-up bearing			Non interest / mark-up bearing		
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total
	(Rupees in thousand)					
Financial assets						
On balance sheet						
Investments						
Equity securities	-	-	-	4,141,871	-	4,141,871
Debt securities	108,571	-	108,571	-	-	108,571
Term deposits	525,000	-	525,000	-	-	525,000
Loans and other receivables	-	-	-	110,348	-	110,348
Insurance / reinsurance receivables	-	-	-	246,245	-	246,245
Reinsurance recoveries against outstanding claims	-	-	-	246,582	-	246,582
Salvage recoveries accrued	-	-	-	3,435	-	3,435
Cash and bank	635,304	-	635,304	14,903	-	650,207
Total assets from window takaful operations - Operator's fund	-	-	-	138,326	-	138,326
	1,268,875	-	1,268,875	4,901,710	-	4,901,710
Off balance sheet	-	-	-	-	-	-
Total	1,268,875	-	1,268,875	4,901,710	-	4,901,710

(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>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
Fixed rate instruments			
Financial assets			
Pakistan Investment Bonds - held to maturity	9	88,571	73,704
Term finance certificate - available for sale	9	20,000	-
Term deposits receipt - held to maturity	10	525,000	-
Variable rate instruments			
Financial assets			
Cash at bank - saving accounts	14	635,304	1,273,485
Total exposure		<u>1,268,875</u>	<u>1,347,189</u>

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to these 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. 5,234 thousand (2018: Rs. 2,733 thousand) and impact on shareholder's equity would have been higher / lower by Rs. 3,716 thousand (2018: Rs. 1,940 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 8 to these 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.

39.3 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. 6,170,585 thousand (2018: Rs. 5,952,717 thousand) the financial assets which are subject to credit risk amounted to Rs. 6,170,585 thousand (2018: Rs. 5,952,717 thousand). The Company believes that it is not exposed to major concentration of credit risk.

(iv) **Credit risk exposure for assets that pass the SPPI test - IFRS 9**

The following table represents the Company's exposure to credit risk on financial assets that meet the SPPI criteria:

	Credit rating				Total
	AA	A	BBB	Unrated	
	(Rupees in thousand)				
Pakistan Investment Bonds	-	-	-	88,571	88,571
Term deposits	400,000	100,000	25,000	-	525,000
Insurance debtors and other short term receivables	-	-	-	467,758	467,758
Total	400,000	100,000	25,000	556,329	1,081,329

39.3.1 The credit rating of balances with reinsurers amounting to Rs. 277,178 thousand (2018: Rs. 513,160 thousand) is separately disclosed in note 39.4 to these financial statements, and therefore not included in the balances due from insurance debtors and other short term receivables.

The credit rating of balances with banks amounting to Rs. 650,207 thousand (2018: Rs. 1,327,987 thousand) is separately disclosed in note 39.3 (iii) to these financial statements, and therefore not included in this amount.

39.4 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:

	Reinsurance receivables		Reinsurance recoveries against outstanding claims		Other reinsurance assets	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
A or above	251	58,431	168,816	433,604	445,075	546,319
A- or below	-	-	4,152	3,566	19,847	-
Others	30,345	298	73,614	17,261	194,395	-
	30,596	58,729	246,582	454,431	659,317	546,319

39.5 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 objective when managing capital are:

- 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.

- 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

- 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.

40. 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	
December 31, 2019											
Financial assets											
Investments											
Equity securities	8	4,141,871	-	-	-	-	4,141,871	4,141,871	-	-	4,141,871
Debt securities*	9	20,000	88,571	-	-	-	108,571	-	-	-	-
Term deposits*	10	-	525,000	-	-	-	525,000	-	-	-	-
Loans and other receivables*	11	-	-	110,348	-	-	110,348	-	-	-	-
Insurance / reinsurance receivables*	12	-	-	246,245	-	-	246,245	-	-	-	-
Reinsurance recoveries against outstanding claims*	24	-	-	246,582	-	-	246,582	-	-	-	-
Salvage recoveries accrued*		-	-	3,435	-	-	3,435	-	-	-	-
Cash and bank*	14	-	-	-	650,207	-	650,207	-	-	-	-
Total assets from window takaful operations - Operator's fund*		-	-	138,326	-	-	138,326	-	-	-	-
		4,161,871	613,571	744,936	650,207	-	6,170,585	4,141,871	-	-	4,141,871
Financial liabilities											
Outstanding claims (including IBNR)*	24	-	-	-	-	545,169	545,169	-	-	-	-
Retirement benefit obligations	18	-	-	-	-	6,926	6,926	-	-	-	-
Borrowings	19	-	-	-	-	25,771	25,771	-	-	-	-
Insurance / reinsurance payables*	20	-	-	-	-	428,669	428,669	-	-	-	-
Other creditors and accruals*	21	-	-	-	-	424,895	424,895	-	-	-	-
Total liabilities from window takaful operations - Operator's fund*		-	-	-	-	33,809	33,809	-	-	-	-
		-	-	-	-	1,465,239	1,465,239	-	-	-	-

* The fair value of these financial assets are not significantly different from their carrying amounts since these assets are either short term in nature or are frequently repriced to market rate.

	Carrying amount						Fair value				
	Note	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)											
December 31, 2018											
Financial assets											
Investments											
Equity securities	8	3,638,943	-	-	-	-	3,638,943	3,638,943	-	-	3,638,943
Debt securities*	9	-	73,704	-	-	-	73,704	-	-	-	-
Loans and other receivables*	11	-	-	14,052	-	-	14,052	-	-	-	-
Insurance / reinsurance receivables*	12	-	-	332,681	-	-	332,681	-	-	-	-
Reinsurance recoveries against outstanding claims*	24	-	-	454,431	-	-	454,431	-	-	-	-
Salvage recoveries accrued*		-	-	2,435	-	-	2,435	-	-	-	-
Cash and bank*	14	-	-	-	1,327,987	-	1,327,987	-	-	-	-
Total assets from window takaful operations - Operator's fund*		-	-	108,484	-	-	108,484	-	-	-	-
		3,638,943	73,704	912,083	1,327,987	-	5,952,717	3,638,943	-	-	3,638,943
Financial liabilities											
Outstanding claims (including IBNR)*	24	-	-	-	-	727,887	727,887	-	-	-	-
Retirement benefit obligations	18	-	-	-	-	9,249	9,249	-	-	-	-
Insurance / reinsurance payables*	20	-	-	-	-	330,450	330,450	-	-	-	-
Other creditors and accruals*	21	-	-	-	-	329,621	329,621	-	-	-	-
Total liabilities from window takaful operations - Operator's fund*		-	-	-	-	42,837	42,837	-	-	-	-
		-	-	-	-	1,440,044	1,440,044	-	-	-	-

* The fair value of these financial assets are not significantly different from their carrying amounts since these assets are either short term in nature or are frequently repriced to market rate.

41. Statement of solvency

Assets

Property and equipment	120,565
Investments	-
Equity securities	4,141,871
Debt securities	108,571
Term deposits	525,000
Loan and other receivable	110,348
Insurance / reinsurance receivables	246,245
Reinsurance recoveries against outstanding claims	246,582
Salvage recoveries accrued	3,435
Deferred commission expense / acquisition cost	81,519
Prepayments	661,451
Cash and bank	650,207
	6,895,794
Total assets from window takaful operations - Operator's fund	138,326
Total Assets (A)	7,034,120

2019
(Rupees in thousand)

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

(d)	Loans and advances to employees	7,363
(g) and (h)	Insurance / reinsurance receivables	129,334
(l)	Assets subject to encumbrances	133,375
(g), (p) and (s)	Investments in equity securities	273,621
(u)	Vehicles, furniture and fixtures, office equipment and computers equipment	104,250
(i), (h) and (u)	Assets from window takaful operations - Operator's fund	8,693
Total of in-admissible assets (B)		656,636
Total admissible assets (C=A-B)		6,377,484
Total liabilities		
Underwriting provisions		
	Outstanding claims including IBNR	545,169
	Unearned premium reserves	1,139,098
	Unearned reinsurance commission	152,959
	Retirement benefit obligations	6,926
	Deferred taxation	426,871
	Premium received in advance	105,498
	Borrowings	25,771
	Insurance / reinsurance payable	428,669
	Other creditors and accruals	461,820
	Taxation - provision less payment	790
		3,293,571
Total liabilities from window takaful operations - Operator's fund		33,809
Total liabilities (D)		3,327,380
Total net admissible assets (E=C-D)		3,050,104
Minimum Solvency Requirement (higher of the following)		291,083
	Method A - U/S 36(3)(a)	150,000
	Method A - U/S 36(3)(b)	291,083
	Method A - U/S 36(3)(c)	173,627
Excess in net admissible assets over minimum requirements		2,759,021

- 41.1** 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.

42. Subsequent events

The Board of Directors of the Company in its meeting held on February 26, 2020 has proposed a final cash dividend of Rs. 7 per share (2018: Rs. 7 per share) and bonus shares of 10% (2018: 10%) in respect of the year ended December 31, 2019. Furthermore, Rs. 6,000 thousand (2018: Rs. 93,000 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.

43. Date of authorization for issue

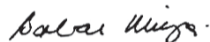
These financial statements were authorised for issue on February 26, 2020 by the Board of Directors of the Company.

44. General

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



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman

تكاافل

TAKAFUL

 Atlas Insurance
Window Takaful Operations
Annual Report 2019

Shariah Advisor's Report to the Board of Directors

For the year ended December 31, 2019

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, 2019.

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 period 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 retained 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 products to its Customers / Participants.
3. Divisions and Branches of the Company have fully participated in the business growth 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 Partners Banks for the confidence they have shown on 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:

- i. transactions undertaken and the Takaful business written by the Takaful Operator for the year ended December 31, 2019 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 Shari'ah 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 Shari'ah 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 Shari'ah Compliance in our Takaful practices.

"And Allah Knows Best"



Mufti Zeeshan Abdul Aziz
Shariah Advisor

Date: February 26, 2020

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, 2019, 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, 2019 and of the profit, total comprehensive income, 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;
- 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 17, 2020


Window Takaful Operations

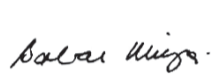
Statement of Financial Position

As at December 31, 2019

	Note	OPF 2019	PTF 2019	Total 2019	Total 2018
(Rupees in thousand)					
Assets					
Property and equipment	6	1,240	-	1,240	2,157
Intangible assets	7	-	-	-	245
Investments					
Term deposits	8	25,000	155,000	180,000	-
Loans and other receivables	9	4,636	2,238	6,874	3,110
Takaful / retakaful receivables	10	-	14,727	14,727	8,682
Retakaful recoveries against outstanding claims	20	-	9,581	9,581	3,519
Deferred commission expense / acquisition cost	21	8,530	-	8,530	6,997
Wakala fees receivable		7,408	-	7,408	29,610
Deferred wakala expense	22	-	22,309	22,309	33,715
Prepayments	11	2,992	27,420	30,412	21,418
Cash and bank	12	88,520	21,021	109,541	196,952
		138,326	252,296	390,622	306,405
Qard-e-Hasna to Participants' Takaful Fund	14	-	-	-	25,000
Total assets		138,326	252,296	390,622	331,405
Fund and Liabilities					
Funds					
Statutory fund / cede money	13	50,000	500	50,500	50,500
Accumulated profit		54,517	-	54,517	15,647
Accumulated surplus / (deficit)		-	4,107	4,107	(23,347)
Total funds		104,517	4,607	109,124	42,800
Qard-e-Hasna from Operator's Fund	14	-	-	-	25,000
Liabilities					
Underwriting provisions					
Outstanding claims (including IBNR)	20	-	51,704	51,704	30,434
Unearned contribution reserves	19	-	127,278	127,278	106,254
Unearned retakaful rebate	23	-	4,339	4,339	3,695
Retirement benefit obligations	15	494	-	494	509
Deferred taxation		-	-	-	-
Contribution received in advance		-	3,023	3,023	7,972
Takaful / retakaful payables	16	-	46,635	46,635	37,467
Unearned wakala fee	22	22,309	-	22,309	33,715
Wakala fee payable		-	7,408	7,408	29,610
Other creditors and accruals	17	11,006	7,302	18,308	13,949
Total liabilities		33,809	247,689	281,498	263,605
Total fund and liabilities		138,326	252,296	390,622	331,405
Contingencies and commitments	18				

The annexed notes 1 to 39 form an integral part of these financial statements.


Rashid Amin
Chief Financial Officer


Babar Mahmood Mirza
Chief Executive


Ali H. Shirazi
Director


Fahim Ali Khan
Director


Iftikhar H. Shirazi
Chairman

Window Takaful Operations

Profit and Loss Account

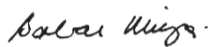
For the year ended December 31, 2019

	<u>Note</u>	<u>2019</u> (Rupees in thousand)	<u>2018</u>
PTF revenue account			
Net contribution revenue	19	200,647	113,344
Net claims expense	20	(109,333)	(74,932)
Wakala expense	22	(64,975)	(51,556)
Reversal of contribution deficiency reserve		-	1,291
Retakaful rebate	23	11,047	6,813
Takaful claims and acquisition expenses		(163,261)	(118,384)
Direct expenses	24	(23,194)	(23,701)
Underwriting results		14,192	(28,741)
Investment income	26	12,940	3,758
Other income	27	335	-
Results of operating activities		27,467	(24,983)
Finance cost	30	(13)	(14)
Surplus / (deficit) for the year		<u>27,454</u>	<u>(24,997)</u>
OPF revenue account			
Wakala fee	22	64,975	51,556
Net commission and other acquisition costs	21	(19,120)	(14,634)
Management expenses	25	(12,160)	(20,798)
		33,695	16,124
Investment income	26	5,372	1,319
Other expenses	28	(864)	(713)
Other income	29	667	377
Profit for the year		<u>38,870</u>	<u>17,107</u>

The annexed notes 1 to 39 form an integral part of these financial statements.



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman

Window Takaful Operations

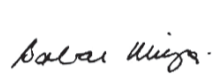
Statement of Comprehensive Income

For the year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
	(Rupees in thousand)	
Operator's Fund		
Profit for the year	38,870	17,107
Other comprehensive loss:		
<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)
Total comprehensive income for the year	<u>38,870</u>	<u>17,036</u>

The annexed notes 1 to 39 form an integral part of these financial statements.


Rashid Amin
Chief Financial Officer


Babar Mahmood Mirza
Chief Executive


Ali H. Shirazi
Director


Fahim Ali Khan
Director


Iftikhar H. Shirazi
Chairman

Window Takaful Operations

Cash Flow Statement

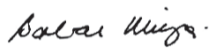
For the year ended December 31, 2019

	Note	OPF 2019	PTF 2019	Total 2019	Total 2018
Operating activities					
(Rupees in thousand)					
a) Takaful activities					
Contributions received		-	265,175	265,175	217,964
Re-takaful contributions paid		-	(57,996)	(57,996)	(41,970)
Re-takaful and other recoveries received		-	22,648	22,648	10,348
Claims paid		-	(105,082)	(105,082)	(58,755)
Commissions paid		(17,147)	-	(17,147)	(14,119)
Management expenses paid		(13,857)	(21,243)	(35,100)	(40,922)
Other underwriting receipts		667	7,039	7,706	4,838
Wakala fees received / (paid)		75,771	(75,771)	-	-
Net cash generated from takaful activities		45,434	34,770	80,204	77,384
b) Other operating activities					
Income tax paid		(651)	(1,879)	(2,530)	(423)
Net cash used in other operating activities		(651)	(1,879)	(2,530)	(423)
Total cash generated from all operating activities		44,783	32,891	77,674	76,961
Investing activities					
Profit / return received		3,124	11,377	14,501	1,888
Payments for investments		(121,824)	(390,000)	(511,824)	-
Proceeds from investments		96,583	235,000	331,583	38,000
Fixed capital expenditure		(1,410)	-	(1,410)	(214)
Proceeds from sale of property and equipment		2,078	-	2,078	-
Total cash (used in) / generated from investing activities		(21,449)	(143,623)	(165,072)	39,674
Financing activities					
Finance cost		-	(13)	(13)	(14)
Qard-e-Hasna	14	25,000	(25,000)	-	-
Total cash generated from / (used in) financing activities		25,000	(25,013)	(13)	(14)
Total cash generated from / (used in) all activities		48,334	(135,745)	(87,411)	116,621
Cash and cash equivalents at the beginning of the year		40,186	156,766	196,952	80,331
Cash and cash equivalents at the end of the year	12	88,520	21,021	109,541	196,952
Reconciliation to profit and loss account					
Operating cash flows		44,783	32,891	77,674	76,947
Depreciation / amortization expense	25	(494)	-	(494)	(837)
Financial charges expense	30	-	(13)	(13)	(14)
Loss on disposal of investments	26	(241)	-	(241)	(1,051)
Dividend income	26	499	-	499	792
Other investment income	26	5,114	12,940	18,054	5,336
Provision for impairment of receivable from takaful contract holders	27	-	335	335	(882)
(Decrease) / increase in assets other than cash		(19,819)	8,221	(11,598)	32,329
Decrease / (increase) in liabilities other than borrowings		9,028	(26,920)	(17,892)	(120,510)
Profit for the year		38,870	27,454	66,324	(7,890)

The annexed notes 1 to 39 form an integral part of these financial statements.



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman


Window Takaful Operations

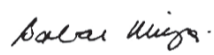
Statement of Changes in Fund

For the year ended December 31, 2019

	Operator's Fund (OPF)			Total
	Statutory fund	Capital reserve		
		Investment fair value reserve	Accumulated profit / (loss)	
(Rupees in thousand)				
Balance as at December 31, 2017	50,000	71	(1,460)	48,611
Profit for the year ended December 31, 2018	-	-	17,107	17,107
Net unrealised loss on revaluation of available for sale investments - net of deferred tax	-	(71)	-	(71)
Total comprehensive income for the year	-	(71)	17,107	17,036
Balance as at December 31, 2018	50,000	-	15,647	65,647
Profit for the year ended December 31, 2019	-	-	38,870	38,870
Total comprehensive income for the year	-	-	38,870	38,870
Balance as at December 31, 2019	50,000	-	54,517	104,517

	Participant's Takaful Fund (PTF)			Total
	Cede money	Capital reserve		
		Investment fair value reserve	Accumulated surplus / (deficit)	
(Rupees in thousand)				
Balance as at December 31, 2017	500	-	1,650	2,150
Deficit for the year ended December 31, 2018	-	-	(24,997)	(24,997)
Total comprehensive loss for the year	-	-	(24,997)	(24,997)
Balance as at December 31, 2018	500	-	(23,347)	(22,847)
Surplus for the year ended December 31, 2019	-	-	27,454	27,454
Total comprehensive income for the year	-	-	27,454	27,454
Balance as at December 31, 2019	500	-	4,107	4,607


Rashid Amin
Chief Financial Officer


Babar Mahmood Mirza
Chief Executive


Ali H. Shirazi
Director


Fahim Ali Khan
Director


Iftikhar H. Shirazi
Chairman

Window Takaful Operations

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2019

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

These financial statements have been presented on the format of financial statements issued by the SECP through Insurance Rules, 2017 vide S.R.O. 89(I)/2017 dated February 9, 2017.

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. All transactions reflected in these financial statements are on accrual basis except for those reflected in cash flow statements.

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, amendments and interpretations to accounting and reporting standards that are effective in the current year

2.5.1.1 IFRS 9 'Financial Instruments' and IFRS 4 'Insurance Contracts'

This standard was notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective from annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model.

During the year the Operator has taken advantage of an election under IFRS 4 that permits an insurer which meets certain conditions to temporarily be exempt from adopting IFRS 9 'Financial Instruments', that would have otherwise become effective from January 1, 2019, until January 1, 2022. Disclosures required under the temporarily exemption have been made by the Operator and detailed in note 4 to these financial statements.

2.5.1.2 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, 2019 but are considered not to be relevant or to have any significant effect on the Operator's operations and are therefore not detailed in these financial statements.

2.5.2 Standards, interpretations and amendments effective in the current year but are not relevant

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 to have any significant effect on the Operator's operations and are therefore not detailed in these financial statements.

2.6 Standards, amendments and interpretations to accounting and reporting standards that are not effective at year end

2.6.1.1 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.

2.6.1.2 General Takaful Accounting Regulations, 2019

The SECP vide S.R.O. 1416 (I)/2019 dated November 20, 2019 issued the General Takaful Accounting Regulations, 2019 (the Regulations) for general takaful operators and window general takaful operators which were enforceable for accounting periods commencing on or after January 1, 2020.

The 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 regulations also contain the formats for reporting of the published financial statements and regulatory returns of general takaful / window takaful operators.

Consequently, the provision of Rule 19 of the Insurance Rules, 2017 along with Annexure – II and the provision of the Insurance Accounting Regulations, 2017 shall stand applicable on the Operator's window takaful operations to the extent of its conventional insurance business modified to the extent stated in regulation 6 of the Regulations in respect of its window takaful operations. Provided that the provisions of the Regulations shall stand equally applicable on the window takaful operations of window takaful operator.

The management is in the process of assessing the impact of changes laid down by the Regulation on its financial statements and shall align the same with the requirements of the Regulation from accounting periods commencing on or after January 1, 2020.

2.6.1.3 Other Standards, amendments and interpretations

	Effective date (period beginning on or after)
- IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

2.6.2 In addition to the above, there are certain new standards, amendments and interpretations to accounting and reporting standards that are mandatory for the Operator's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or to have any significant effect on the Operator's operations and are, therefore, not detailed in these 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 Property and equipment

3.1.1 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 6.1 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, 2019 has not required any adjustment as its impact is considered insignificant.

3.1.2 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 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.

3.3 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 33 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 / cover note 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 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 / cover note 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 / cover note 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 / cover note 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.

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 3.7, 3.8 and 3.17 respectively.

3.4 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.

3.5 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.

3.6 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.

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:

	2019	2018
Fire and property damage	20%	9%
Marine, aviation and transport	24%	9%
Motor	52%	66%
Miscellaneous	66%	88%

Keeping in view the adequacy of the reserves on December 31, 2019, 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.

3.7 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 3.3 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.

3.8 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.

3.9 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 3.3, 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.

3.10 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.

3.11 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 3.3 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 wakala fee at following rates of gross contribution written including administrative surcharge as Wakala fee against the services.

Class	December 31, 2019		December 31, 2018
	January to March	April to December	January to December
Fire	30%	25%	35%
Marine	30%	25%	35%
Motor	20%	15%	30%
Miscellaneous	25%	25%	30%
Health	25%	20%	30%
Engineering	30%	25%	35%

Wakala fee is recognized on the same basis on which the related revenue is recognized. The same its 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 its 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 contact 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 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.

3.12 Investments

3.12.1 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

3.12.2 Measurement

(i) Equity securities

Currently the Operator classifies investment in equity securities such as shares in other listed / unlisted companies, mutual fund units / investments 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 as 'held to maturity' or 'investment at fair value through profit and loss account'. These investments are intended to be held for an indefinite period of time which may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates. 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 3.15 to these financial statements.

(ii) Debt securities and term deposits

The Operator classifies its investment in debt securities and term deposits, as either 'held to maturity' or 'available for sale' depending upon the maturity of the investment.

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as 'held to maturity', while debt investments having an indefinite term / perpetual maturity are classified as 'available for sale'. These investments are initially measured at the cost being the fair value of consideration paid.

Subsequently 'held to maturity' investments 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. While 'available for sale' investments are remeasured at fair market value at each subsequent reporting date. Changes in fair market value, if any 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 Operator has classified debt investments in Term Deposits as 'held to maturity' at the reporting date.

3.13 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.

3.14 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.

3.15 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.

3.16 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 33 to these financial statements.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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. Temporary exemption from application of IFRS 9 - Financial Instruments

4.1 Operator's activities are predominantly connected with insurance

As allowed by the International Accounting Standards Board (IASB) the Operator's management has opted for a temporary exemption from IFRS 9 on the basis that its activities are predominantly connected with insurance.

The Operator qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 being greater than the required threshold of the total carrying amount of all its liabilities at December 31, 2016 i.e. first reporting date of the Operator subsequent to December 31, 2015. Furthermore there was no subsequent change in its activities that warrant a reassessment of the same.

Furthermore, the amendment of IFRS 4 - Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest (SPPI) and other financial assets separately. The fair value measurement of investments has been documented in note 35 and credit exposure of assets that pass the SPPI test has been documented in note 36 to these financial statements.

Operator has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- a) Investments in Term Deposits
- b) Insurance debtors and other short term receivables
- c) Balances with banks

The remaining financial assets held by the entity have contractual cash flows that do not represent solely payments of principal and interest. The group includes the following financial assets:

- a) Investments in equity securities - Mutual funds

5. 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 3.1);
- b) classification of takaful contracts (note 3.3);
- c) deferred commission expense (note 3.4);
- d) unearned contributions reserves (note 3.5);
- e) contributions deficiency reserve (note 3.6);
- f) segment reporting (note 3.9);
- g) classification and measurement of investments (note 3.12);
- h) impairment of assets (note 3.15);
- i) allocation of management expenses (note 3.16) and
- j) provision for outstanding claims (including IBNR) (note 3.17)

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
6. Property and equipment - OPF			
Operating assets - tangible	6.1	1,240	2,157

6.1 Operating assets

	2019									
	Cost			Accumulated depreciation				Written down value as at December 31	Depreciation rate %	
	As at January 01	Additions / (disposals)	Adjustments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjustments			As at December 31
(Rupees in thousand)										
Computer equipment	214	-	-	77	41	18	-	36	41	30
		(137)				(23)				
Vehicles	2,893	1,410	-	1,410	909	231	-	211	1,199	20
		(2,893)				(929)				
	3,107	(1,620)	-	1,487	950	(703)	-	247	1,240	

2018

	Cost			Accumulated depreciation				Written down value as at December 31	Depreciation rate %	
	As at January 01	Additions / (disposals)	Adjustments	As at December 31	As at January 01	Charge for the year / (disposals)	Adjustments			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	

6.1.1 The depreciation charge / expense for the year has been allocated to management expenses as disclosed in note 25.

6.1.2 Disposal of fixed assets

Particulars of the assets	Particulars of the buyer	Cost	Book value	Sale proceeds	Mode of disposal
(Rupees in thousand)					
Vehicles					
Honda BRV LEF-17-402	Atlas Insurance Limited	2,205	1,588	1,588	Internal transfer
Suzuki Mehran LEF-16-1182	Mr. Mustansar Rauf - a related party	688	396	376	Company's policy
Computer equipment					
HP Probook 450 G5 C15	Atlas Insurance Limited	77	60	60	Internal transfer
Samsung Galaxy Note 8	Atlas Insurance Limited	60	54	54	Internal transfer
December 31, 2019		3,030	2,098	2,078	
December 31, 2018		-	-	-	

7. Intangible assets

	Cost			Accumulated amortisation				Written down value as at December 31	Amortisation years %	
	As at January 01	Additions / (disposals)	Adjustments	As at December 31	As at January 01	Charge for the year	Adjustments			As at December 31
	(Rupees in thousand)									
Finite useful life										
Computer softwares	900	-	-	900	655	245	-	900	-	3
2019	900	-	-	900	655	245	-	900	-	
Finite useful life										
Computer softwares	900	-	-	900	355	300	-	655	245	3
2018	900	-	-	900	355	300	-	655	245	

7.1 The amortization charge / expense for the year has been allocated to management expenses as disclosed in note 25.

	<u>OPF 2019</u>	<u>PTF 2019</u>	<u>Total 2019</u>	<u>Total 2018</u>
8. Investments in term deposits				
Held to maturity				
Deposits maturing within 12 months	25,000	155,000	180,000	-
	<u>25,000</u>	<u>155,000</u>	<u>180,000</u>	<u>-</u>
9. Loans and other receivables - considered good				
Accrued investment income	4,591	2,238	6,829	2,777
Loans to employees	45	-	45	333
	<u>4,636</u>	<u>2,238</u>	<u>6,874</u>	<u>3,110</u>

	<u>2019</u>	<u>2018</u>
10. Takaful / retakaful receivables - unsecured and considered good		
Due from takaful contract holders	9,894	7,826
Less: Provision for impairment of receivables from takaful contract holders	(546)	(882)
	<u>9,348</u>	<u>6,944</u>
Due from other takaful / retakaful operators	5,379	1,738
Less: Provision for impairment of receivables from other takaful / retakaful operators	-	-
	<u>5,379</u>	<u>1,738</u>
	<u>14,727</u>	<u>8,682</u>

	<u>Note</u>	<u>OPF 2019</u>	<u>PTF 2019</u>	<u>Total 2019</u>	<u>Total 2018</u>
11. Prepayments					
Prepaid retakaful contribution ceded	19	-	24,739	24,739	18,775
Tax deducted at source		1,937	2,614	4,551	2,287
Prepaid miscellaneous expenses		1,055	67	1,122	356
		<u>2,992</u>	<u>27,420</u>	<u>30,412</u>	<u>21,418</u>
12. Cash and bank					
Cash at bank					
- Current		-	1,562	1,562	6,160
- Saving accounts	12.1	88,520	19,459	107,979	190,792
		<u>88,520</u>	<u>21,021</u>	<u>109,541</u>	<u>196,952</u>

12.1 The rate of profit and loss sharing accounts range from 3.85% to 9.99% (2018: 2.66% to 6.66%) per annum, depending on the size of average deposits.

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>
13. Statutory fund			
Statutory reserves	13.1	50,000	50,000

- 13.1** Amount of Rs. 50,000 thousand (2018: 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 the 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".

	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
14. Qard-e-hasna - PTF		
Opening balance of Qard-e-Hasna	25,000	-
Qard-e-Hasna transferred from OPF during the year	-	25,000
Qard-e-Hasna returned by PTF during the year	(25,000)	-
Closing balance of Qard-e-Hasna	<u>-</u>	<u>25,000</u>

15. Retirement benefit obligations

The Operator maintains separate defined benefit plans for management and non-management staff. Contributions 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.

	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
16. Takaful / retakaful payable		
Due to cotakaful / retakaful	<u>46,635</u>	<u>37,467</u>

	<u>Note</u>	<u>OPF</u> <u>2019</u>	<u>PTF</u> <u>2019</u>	<u>Total</u> <u>2019</u>	<u>Total</u> <u>2018</u>
(Rupees in thousand)					
17. Other creditors and accruals					
Agent commission payable		6,789	-	6,789	3,283
Federal Excise Duty / Sales tax		-	1,424	1,424	1,336
Federal Insurance Fee		-	215	215	163
Other tax payable		633	660	1,293	1,241
Leave encashment		435	-	435	1,457
Bonus Payable to staff		543	-	543	1,724
Tracker fee payable		-	557	557	1,460
Payable to related parties		28	-	28	83
Modarib share of investment	26	-	4,313	4,313	2,083
Others		2,578	133	2,711	1,119
		<u>11,006</u>	<u>7,302</u>	<u>18,308</u>	<u>13,949</u>

18. Contingencies and commitments

18.1 Contingencies

There are no outstanding contingencies of Atlas Insurance Limited - Window Takaful Operations (WTO) as on December 31, 2019.

18.2 Commitments

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

	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
Not later than one year	11,325	3,263
Later than one year and not later than five years	10,614	4,608
	<u>21,939</u>	<u>7,871</u>

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u> <u>(Rupees in thousand)</u>
19. Net takaful contribution - PTF			
Written gross contribution		289,752	211,554
Add: Unearned contribution reserve - opening		106,254	62,743
Less: Unearned contribution reserve - closing		(127,278)	(106,254)
Contribution earned		268,728	168,043
Less: Retakaful contribution ceded		74,045	58,932
Add: Prepaid retakaful contribution - opening		18,775	14,542
Less: Prepaid retakaful contribution - closing	11	(24,739)	(18,775)
Retakaful expense		68,081	54,699
		<u>200,647</u>	<u>113,344</u>
20. Net takaful claims expense - PTF			
Claims paid		105,082	58,755
Add: Outstanding claims including IBNR - closing		51,704	30,434
Less: Outstanding claims including IBNR - opening		(30,434)	(9,049)
Claims expense		126,352	80,140
Less: Retakaful and other recoveries received		10,957	2,921
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing		9,581	3,519
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening		(3,519)	(1,232)
Retakaful and other recoveries received		17,019	5,208
		<u>109,333</u>	<u>74,932</u>
20.1 Claim development			
The development of claims against takaful contracts written is not disclosed as there is inadequate claim experience i.e. less than five years of the takaful business till date and claims are generally settled within one year.			
21. Net commission expense / acquisition costs - OPF		<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u> <u>(Rupees in thousand)</u>
Commission paid / payable		20,653	15,502
Add: Deferred commission expense - opening		6,997	6,129
Less: Deferred commission expense - closing		(8,530)	(6,997)
Net commission expense		<u>19,120</u>	<u>14,634</u>
22. Wakala fee / expense			
Gross wakala fee / expense		53,569	65,301
Add: Deferred wakala expense / unearned wakala fee - opening		33,715	19,970
Less: Deferred wakala expense / unearned wakala fee - closing		(22,309)	(33,715)
Wakala fee / expense		<u>64,975</u>	<u>51,556</u>
23. Net rebate on retakaful - PTF			
Retakaful rebate received		11,691	8,490
Add: Retakaful rebate - opening		3,695	2,018
Less: Retakaful rebate - closing		(4,339)	(3,695)
Net retakaful rebate		<u>11,047</u>	<u>6,813</u>
24. Direct expenses - PTF			
Bank charges		141	77
Tracker expenses		22,903	22,593
Provision for doubtful debts		-	882
Miscellaneous		150	149
		<u>23,194</u>	<u>23,701</u>

	<u>Note</u>	<u>2019</u> <u>(Rupees in thousand)</u>	<u>2018</u>
25. Management expenses			
Employee benefit cost	25.1	3,936	11,344
Shariah advisor fee		1,815	1,669
Travelling expenses		42	160
Advertisement and sales promotion		1,201	1,698
Printing and stationery		243	276
Depreciation expense	6.1	249	537
Amortization expense	7	245	300
Vehicle running expenses		327	889
Fee and subscriptions		2,997	2,654
Annual supervision fee SECP		464	370
Office expenses		62	28
Miscellaneous		579	873
		<u>12,160</u>	<u>20,798</u>
25.1 Employee benefit cost			
Salaries, allowance and other benefits		3,797	10,680
Charges for post employment benefit		139	664
		<u>3,936</u>	<u>11,344</u>
26. Investment income			
Operator's Fund			
- Profit on bank deposits for the year		714	325
- Profit on term deposits for the year		87	-
- Mudarib's share	17	4,313	1,253
- Dividend income		499	792
		<u>5,613</u>	<u>2,370</u>
Available for sale financial assets			
Realised losses on			
- Equity securities		(241)	(1,051)
		<u>5,372</u>	<u>1,319</u>
Participant's Takaful Fund			
- Profit on bank deposits for the year		12,935	5,011
- Profit on term deposits for the year		4,318	-
- Mudarib's share	17	(4,313)	(1,253)
		<u>12,940</u>	<u>3,758</u>
27. Other income			
Provision for impairment of receivables reversed during the year		335	-
28. Other expenses			
Auditor's remuneration	28.1	864	713
28.1 Auditor's remuneration			
Audit fee		399	363
Special certifications and sundry advisory services		399	290
Out of pocket expenses		66	60
		<u>864</u>	<u>713</u>
29. Other income			
Service charges		667	377
30. Finance cost			
Exchange loss		13	14

31. Compensation of chief executive, directors and executives

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.

	Executives	
	2019	2018
	(Rupees in thousand)	
Managerial remuneration	1,034	4,065
Leave encashment	-	50
Bonus paid	423	1,110
Contribution to defined benefit plan	99	151
Contribution to defined contribution plan	37	392
Rent and house maintenance	404	1,634
Utilities	90	363
Medical	57	257
Conveyance	-	420
Others (petrol, telephone, conveyance, newspaper)	298	661
Total	2,442	9,103
Number of persons	1	3

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

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:

		2019	2018
		(Rupees in thousand)	
Parent Company	Year end balances		
	Due from contract holders	279	-
	Transactions during the period		
	Contribution underwritten	245	204
	Contribution collected	-	232
Associated companies	Year end balances		
	Provision for outstanding claims (including IBNR)	238	138
	Contribution received in advance	-	224
	Due from contract holders	90	-
	Transactions during the year		
	Contribution underwritten	3,737	3,472
	Contribution collected	4,339	4,218
	Claims Paid	1,653	820
	Dividend received	424	792
	Investment purchased	96,824	673
Investments sold at sale price	96,583	37,999	
Retirement benefit plans	Transactions during the year		
	Contributions in respect of retirement benefit plans	145	543
Key management personnel	Year end balances		
	Provision for outstanding claims (including IBNR)	45	28
	Transactions during the year		
	Contribution underwritten	52	50
	Contribution collected	61	58
	Claims paid	220	18
	Assets sold	376	-

33. Segment reporting

The Operator has identified four (2018: 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 and property damage 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.

33.1 Operator's Fund (OPF)

	Year ended December 31, 2019				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	(Rupees in thousand)				
Wakala fee / income	9,381	5,165	48,771	1,658	64,975
Commission expense	(4,398)	(2,671)	(11,708)	(343)	(19,120)
Management expenses	(1,594)	(794)	(9,532)	(240)	(12,160)
	3,389	1,700	27,531	1,075	33,695
Investment income					5,372
Other expenses					(864)
Other Income					667
Profit before tax					38,870
Segment assets	3,089	1,539	18,473	464	23,565
Unallocated assets					114,761
					138,326
Segment liabilities	4,433	2,208	26,503	665	33,809
Unallocated liabilities					-
					33,809

	Year ended December 31, 2018				
	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	(Rupees in thousand)				
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)
	2,180	1,571	12,494	256	16,501
Investment income					1,319
Other expenses					(713)
Profit before tax					17,107
Segment assets	4,464	2,601	32,759	1,072	40,896
Unallocated assets					67,588
					108,484
Segment liabilities	4,675	2,726	34,314	1,122	42,837
Unallocated liabilities					-
					42,837

33.2 Participants' TakafulFund (PTF)

December 31, 2019

	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)	43,468	21,230	262,567	6,606	333,871
Less: Federal Excise Duty	(5,121)	(2,128)	(33,153)	(839)	(41,241)
Federal Insurance Fee	(359)	(189)	(2,274)	(56)	(2,878)
Gross written contribution (inclusive of Administrative Surcharge)	37,988	18,913	227,140	5,711	289,752
Gross direct contribution	34,945	18,013	221,599	5,522	280,079
Facultative inward contribution	2,323	42	199	69	2,633
Administrative surcharge	720	858	5,342	120	7,040
	37,988	18,913	227,140	5,711	289,752
Contribution earned	30,952	18,952	213,750	5,074	268,728
Retakaful expense	(27,607)	(16,123)	(22,481)	(1,870)	(68,081)
Net contribution revenue	3,345	2,829	191,269	3,204	200,647
Net rebate on retakaful	5,635	3,552	1,423	437	11,047
Net underwriting income	8,980	6,381	192,692	3,641	211,694
Takaful claims	(7,958)	(4,947)	(111,338)	(2,109)	(126,352)
Retakaful and other recoveries	7,288	4,258	5,489	(16)	17,019
Net claims	(670)	(689)	(105,849)	(2,125)	(109,333)
Wakala expense	(9,381)	(5,165)	(48,771)	(1,658)	(64,975)
Direct expenses	(127)	(10)	(23,054)	(3)	(23,194)
Net takaful claims and expenses	(10,178)	(5,864)	(177,674)	(3,786)	(197,502)
Underwriting results	(1,198)	517	15,018	(145)	14,192
Net investment income					12,940
Other income					335
Finance cost					(13)
Surplus for the year					27,454
Segment assets	10,000	4,982	59,792	1,501	76,275
Unallocated assets					176,021
					252,296
Segment liabilities	32,472	16,174	194,163	4,880	247,689
Unallocated liabilities					-
					247,689

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)	23,083	13,466	169,458	5,547	211,554
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
	23,083	13,466	169,458	5,547	211,554
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
Net underwriting income	4,612	2,844	108,441	4,260	120,157
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)
Contribution deficiency reserve	-	1,291	-	-	1,291
Net takaful claims and expenses	(7,311)	(3,446)	(133,261)	(4,880)	(148,898)
Underwriting results	(2,699)	(602)	(24,820)	(620)	(28,741)
Net investment income					3,758
Finance cost					(14)
Deficit for the year					(24,997)
Segment assets	7,220	4,210	52,992	1,733	66,155
Unallocated assets					156,766
					222,921
Segment liabilities	24,092	14,047	176,841	5,788	220,768
Unallocated liabilities					-
					220,768

	Held to maturity	Available for sale	Total
	(Rupees in thousand)		
34. Movement in investment - OPF			
Operator's Fund			
As at beginning of previous year	-	38,479	38,479
Additions	-	673	673
Disposals (sale and redemptions)	-	(39,051)	(39,051)
Fair value net losses (excluding net realised losses)	-	(101)	(101)
As at beginning of current year	-	-	-
Additions	25,000	96,824	121,824
Disposals (sale and redemptions)	-	(96,824)	(96,824)
As at end of current year	25,000	-	25,000
Participant's Takaful Fund			
As at beginning of previous year	-	-	-
Additions	-	-	-
Disposals (sale and redemptions)	-	-	-
Fair value net losses (excluding net realised losses)	-	-	-
As at beginning of current year	-	-	-
Additions	390,000	-	390,000
Disposals (sale and redemptions)	(235,000)	-	(235,000)
As at end of current year	155,000	-	155,000

35. 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. 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.

35.1 Fair value measurement of financial instruments - IFRS 9

Following is the fair value of financial assets as on December 31, 2019 under IFRS 9 classifications and the change in their fair value during the year ended December 31, 2019:

Operator's Fund

	Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading			Other financial instrument
	Amortised cost*	Fair value through OCI	Total	
	(Rupees in thousand)			
Mutual fund investments				
Opening fair value - December 31, 2018	-	-	-	-
Additions	-	-	-	96,824
Increase / (decrease) in fair value	-	-	-	-
Disposals	-	-	-	(96,824)
Closing fair value - December 31, 2019	-	-	-	-
Term Deposits				
Opening fair value - December 31, 2018	-	-	-	-
Additions	25,000	-	25,000	-
Increase / (decrease) in fair value	-	-	-	-
Disposals	-	-	-	-
Closing fair value - December 31, 2019	25,000	-	25,000	-
Total	25,000	-	25,000	-

	Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading			Other financial instrument
	Amortised cost*	Fair value through OCI	Total	
Participant's Takaful Fund	(Rupees in thousand)			
Term Deposits				
Opening fair value - December 31, 2018	-	-	-	-
Additions	390,000	-	390,000	-
Increase / (decrease) in fair value	-	-	-	-
Disposals	(235,000)	-	(235,000)	-
Closing fair value - December 31, 2019	155,000	-	155,000	-
Total	155,000	-	155,000	-

* The fair value of the remaining financial assets are not significantly different from their carrying amounts since these assets are short term in nature or are frequently repriced to market rate. These include insurance debtors and other short term receivables amounting to Rs. 38,950 thousand (2018: Rs. 44,921 thousand) and balances with banks amounting to Rs. 109,541 thousand (2018: Rs.196,952 thousand), respectively.

* Other financial instruments are measured at fair value by the Operator in accordance with the accounting policies as disclosed in note 3.12.2 to these financial statements.

36. Management of takaful and financial risk

36.1 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 contribution, 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	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Fire and property damage	36,840,694	23,078,462	34,494,019	21,380,173	2,346,675	1,698,289
Marine, aviation and transport	1,820,246	2,098,142	898,775	1,867,346	921,471	230,796
Motor	14,640,900	11,207,104	793,847	722,789	13,847,053	10,484,315
Miscellaneous	1,895,418	1,163,513	1,545,526	1,034,694	349,892	128,819
	<u>55,197,258</u>	<u>37,547,221</u>	<u>37,732,167</u>	<u>25,005,002</u>	<u>17,465,091</u>	<u>12,542,219</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 3.17.

(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.

As the Operator normally enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on underwriting results and participant's fund, net of retakaful.

	Net impact of increase / decrease in average claims by 10% on			
	PTF Revenue		PTF Fund	
	2019	2018	2019	2018
	(Rupees in thousand)		(Rupees in thousand)	
Fire and property damage	67	67	8	8
Marine, aviation and transport	69	69	6	6
Motor	10,585	10,585	7,115	7,115
Miscellaneous	213	213	365	365
Total	10,934	10,934	7,494	7,494

36.2 Financial Risk

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

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

Maturity profile of financial assets and liabilities at the reporting dates is as follows:

	2019 - OPF						Total
	Profit / markup bearing			Non Profit / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in thousand)							
Financial assets							
On balance sheet							
Investments							
Term deposits	25,000	-	25,000	-	-	-	25,000
Loans and other receivables	-	-	-	4,636	-	4,636	4,636
Wakala fees receivable	-	-	-	7,408	-	7,408	7,408
Cash and bank	88,520	-	88,520	-	-	-	88,520
	113,520	-	113,520	12,044	-	12,044	125,564
Off balance sheet	-	-	-	-	-	-	-
Total	113,520	-	113,520	12,044	-	12,044	125,564
Financial liabilities							
On balance sheet							
Retirement benefit obligations	-	-	-	494	-	494	494
Other creditors and accruals	-	-	-	10,373	-	10,373	10,373
	-	-	-	10,867	-	10,867	10,867
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	10,867	-	10,867	10,867
On balance sheet gap	113,520	-	113,520	1,177	-	1,177	114,697
Off balance sheet gap	-	-	-	-	-	-	-

	2018 - OPF						
	Profit / markup bearing			Non Profit / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
(Rupees in thousand)							
Financial assets							
On balance sheet							
Investments							
Equity securities	-	-	-	-	-	-	-
Loans and other receivables	-	-	-	2,435	-	2,435	2,435
Wakala fees receivable	-	-	-	29,610	-	29,610	29,610
Cash and bank	40,186	-	40,186	-	-	-	40,186
	40,186	-	40,186	32,045	-	32,045	72,231
Off balance sheet	-	-	-	-	-	-	-
Total	40,186	-	40,186	32,045	-	32,045	72,231
Financial liabilities							
On balance sheet							
Retirement benefit obligations	-	-	-	509	-	509	509
Other creditors and accruals	-	-	-	8,613	-	8,613	8,613
	-	-	-	9,122	-	9,122	9,122
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	9,122	-	9,122	9,122
On balance sheet gap	40,186	-	40,186	22,923	-	22,923	63,109
Off balance sheet gap	-	-	-	-	-	-	-

	2019 - PTF						
	Profit / markup bearing			Non Profit / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
(Rupees in thousand)							
Financial assets							
On balance sheet							
Investments							
Term deposits	155,000	-	155,000	-	-	-	155,000
Loans and other receivables	-	-	-	2,238	-	2,238	2,238
Takaful / retakaful receivables	-	-	-	14,727	-	14,727	14,727
Retakaful recoveries against outstanding claims	-	-	-	9,581	-	9,581	9,581
Cash and bank	19,459	-	19,459	1,562	-	1,562	21,021
	174,459	-	174,459	28,108	-	28,108	202,567
Off balance sheet	-	-	-	-	-	-	-
Total	174,459	-	174,459	28,108	-	28,108	202,567
Financial liabilities							
On balance sheet							
Provision for outstanding claims (including IBNR)	-	-	-	51,704	-	51,704	51,704
Takaful / retakaful payables	-	-	-	46,635	-	46,635	46,635
Wakala fee payable	-	-	-	7,408	-	7,408	7,408
Other creditors and accruals	-	-	-	5,003	-	5,003	5,003
	-	-	-	110,750	-	110,750	110,750
Off balance sheet	-	-	-	-	-	-	-
Total	-	-	-	110,750	-	110,750	110,750
On balance sheet gap	174,459	-	174,459	(82,642)	-	(82,642)	91,817
Off balance sheet gap	-	-	-	-	-	-	-

	2018 - PTF						Total
	Profit / markup bearing			Non Profit / markup bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in thousand)							
Financial assets							
On balance sheet							
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	150,606	-	150,606	6,160	-	6,160	156,766
	<u>150,606</u>	<u>-</u>	<u>150,606</u>	<u>19,036</u>	<u>-</u>	<u>19,036</u>	<u>169,642</u>
Off balance sheet	-	-	-	-	-	-	-
Total	<u>150,606</u>	<u>-</u>	<u>150,606</u>	<u>19,036</u>	<u>-</u>	<u>19,036</u>	<u>169,642</u>
Financial liabilities							
On balance sheet							
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>
Off balance sheet	-	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,847</u>	<u>-</u>	<u>102,847</u>	<u>102,847</u>
On balance sheet gap	<u>150,606</u>	<u>-</u>	<u>150,606</u>	<u>(89,971)</u>	<u>-</u>	<u>(89,971)</u>	<u>66,795</u>
Off balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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 2019	PTF 2019	Total 2019	Total 2018
(Rupees in thousand)					
Financial assets					
Fixed rate instruments					
Term deposits	8	25,000	155,000	180,000	-
Variable rate instruments					
Cash at bank - saving accounts	12	88,520	19,459	107,979	190,792
Total exposure		<u>113,520</u>	<u>174,459</u>	<u>287,979</u>	<u>190,792</u>

The effective profit / yield rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

Cash flow sensitivity analysis for fixed rate instruments

The Operator 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 Operator.

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:

	<u>OPF 2019</u>	<u>PTF 2019</u>	<u>Total 2019</u>	<u>Total 2018</u>
	(Rupees in thousand)			
Impact on profit / surplus	71	1,294	1,365	534

(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, 2019.

(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.

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. 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 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>OPF 2019</u>	<u>PTF 2019</u>	<u>Total 2019</u>	<u>OPF 2018</u>	<u>PTF 2018</u>	<u>Total 2018</u>
		(Rupees in thousand)					
Financial assets:							
Investments							
Term deposits	8	25,000	155,000	180,000	-	-	-
Loans and other receivables	9	4,636	2,238	6,874	2,435	675	3,110
Bank balances and deposits	12	88,520	21,021	109,541	40,186	156,766	196,952
Takaful / retakaful receivables	10	-	14,727	14,727	-	8,682	8,682
Retakaful recoveries against outstanding claims	20	-	9,581	9,581	-	3,519	3,519
Wakala fee receivable		7,408	-	7,408	29,610	-	29,610
		<u>125,564</u>	<u>202,567</u>	<u>328,131</u>	<u>72,231</u>	<u>169,642</u>	<u>241,873</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 insurers / reinsurers with no recent history of default.

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

	2019			2018		
	Related parties	Others	Total	Related parties	Others	Total
	(Rupees in thousand)					
- Up to one year	369	8,979	9,348	-	7,586	7,586
- Past one but less than three years	-	546	546	-	240	240
- Less provision	-	(546)	(546)	-	(882)	(882)
	369	8,979	9,348	-	6,944	6,944

(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 insurers / reinsurers with no recent history of default.

	2019					
	Rating		Rating agency	OPF	PTF	Total
	Short term	Long term				
	(Rupees in thousand)					
Askari Bank Limited	A1+	AA+	PACRA	-	1,098	1,098
Bank Alfalah Limited	A1+	AA+	PACRA	-	3,183	3,183
Sindh Bank Limited	A-1	A+	JCR-VIS	157	5,160	5,317
Meezan Bank Limited	A-1+	AA+	JCR-VIS	-	1,562	1,562
Bank Islami Pakistan Limited	A1	A+	PACRA	-	1,629	1,629
Faysal Bank Limited	A1+	AA	PACRA	88,363	993	89,356
National Bank of Pakistan	A1+	AAA	PACRA	-	7,395	7,395
				88,520	21,020	109,540

	2018					
	Rating		Rating agency	OPF	PTF	Total
	Short term	Long term				
	(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

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.

(iv) **Credit risk exposure for assets that pass the SPPI test**

The following table represents the Operator's exposure to credit risk on financial assets that meet the SPPI criteria

	Credit rating			
	AA	BBB	Unrated	Total
	(Rupees in thousand)			
Term deposits	100,000	80,000	-	180,000
Insurance debtors and other short term receivables	-	-	29,009	29,009
Total	100,000	80,000	29,009	209,009

36.3.1 The credit rating of balances with banks amounting to Rs. 109,541 is separately disclosed in note 36.3 (iii) to the financial statements, and therefore not included in this amount.

The credit rating of balances with reinsurers amounting to Rs. 9,581 is separately disclosed in note 36.4 to the financial statements, and therefore not included in this amount.

36.4 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	2019			2018		
	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	-	8,164	20,323	-	2,944	18,775
A- or below	-	1,417	3,727	-	575	-
Others	-	-	689	-	-	-
	-	9,581	24,739	-	3,519	18,775

36.5 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 objective 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.

37. Subsequent events

There are no significant events that need to be disclosed for the year ended December 31, 2019.

38. Date of authorization for issue

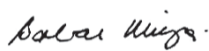
These financial statements were authorized for issue on February 26, 2020 by the Board of Directors of the Operator.

39. General

Figures in the financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.



Rashid Amin
Chief Financial Officer



Babar Mahmood Mirza
Chief Executive



Ali H. Shirazi
Director



Fahim Ali Khan
Director



Iftikhar H. Shirazi
Chairman

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M. WAQARUDDIN RAUF Vice President	Extension:	216
MUHAMMAD AFZAL Company Secretary	Extension:	202

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Glossary

Actuary	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.
Actuarial valuations	A determination by an actuary at a special date of the value of a Company's assets and its liabilities.
Amortization	Reduction of the value of an asset by prorating its cost over a period.
Associate	Is a Company in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
Authorized share capital	Maximum value of share capital that a Company can legally issue.
Bonus shares	Free shares issued to shareholders.
Book value	The value of an asset as entered in a Company's books.
Budget	An estimate of income and expenditure for a set period of time.
Capital expenditure	Cost of long-term improvements and fixed assets.
Capital gain	Is a rise in the value of a capital asset that gives it a higher worth than the purchase price.
Capital reserves	Any reserve not regarded free for distribution by way of dividends.
Cedant	Client of a reinsurance Company.
Combined ratio	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.
Commission	Remuneration to an intermediary for services such as selling and servicing an insurer's products.
Consumer online portal	An internet window presence for selling retails consumer products.
Claims	Amount payable under a contract of insurance arising from occurrence of an insured event.
Claims incurred	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.
Corporate social responsibility	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.
CPEC	China – Pakistan Economic Corridor (CPEC) is a collection of infrastructure projects currently under construction in Pakistan.
Deferred commission	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.
Deferred tax	An accounting concept (also known as future income taxes) meaning a future tax liability or asset in respect of taxable temporary differences.
Defined benefit plans	Post-employment benefit plans other than defined contribution plans.
Depreciation	Is the systematic allocation of the cost of an asset over its useful life.
Dividend cover	Profit after tax divided by dividend, measures the number of times dividends are covered by distributable profit for the period.
Doubtful debts	A debt where circumstances have rendered its ultimate recovery uncertain.
Earnings per share	Amounts for profit per share attributable to ordinary shareholders of the entity.
Equity method	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.
Exchange gain (loss)	Difference resulting from translating a given number of units of one currency into another currency at different exchange rates.
Facultative reinsurance	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.
Fair Value	Amount for which an asset could be exchanged, or a liability settled.

Fiscal deficit	When government's total expenditures exceed the revenue that it generates.
General insurance	All kinds of non-life insurance and takaful insurance i.e. fire and property damage, marine, aviation and transport, motor and miscellaneous - other insurance.
General takaful	Protection to participant for losses arising from perils such as accident, fire, flood, liability and burglary.
Gross contribution	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.
Gross domestic products	The total value of goods produced and services provided in a country during fiscal year.
Gross written premium	Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
Group health insurance	A single health policy covering a group of individuals, usually employees of the same Company or members of the same association and their dependents.
Human resource development	A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement.
Impairment	The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.
Incurred But Not Reported (IBNR)	Claim incurred but not reported to the insurer until the reporting date of financial statements.
Inflation	A general increase in prices and fall in the purchasing value of money.
Insurance contracts	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.
Insurer Financial Strength Rating	Provides an assessment of the financial strength of an insurance Company.
Intangibles	An identifiable non-monetary asset without physical substance.
Internal control	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.
KIBOR	Karachi Interbank Offered Rate (KIBOR) is interbank clean (without collateral) lending / borrowing rates quoted by the banks.
Loss ratio	Percentage ratio of claims expenses to net premium.
Macroeconomics	Branch of economics dealing with the performance, structure, behavior, and decision-making of an economy as a whole.
Market share	The portion of a market controlled by a particular Company or product.
Market Treasury Bill	A negotiable debt instrument issued by State Bank of Pakistan on behalf of the Government of Pakistan with a maturity of one year or less.
Market value	Price that a buyer would pay and a seller would accept for an item in a competitive market.
MIS	Management Information System (MIS).
Mutual fund	The type of professionally managed investment fund that pools money from many investors to purchase securities.
National exchequer	The account into which tax funds and other public funds are deposited.
Net asset value	The value of total assets of a company minus its liabilities.
Net contribution	Gross contribution less all retakaful contribution payable.
Net premium revenue	Gross written premium less reinsurance expense.
Non-life insurance	Non-life insurance and general insurance have identical meaning.
Outstanding claims	A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims.
Paid up capital	The amount paid or contributed by shareholders in exchange for shares of a company's stock.
Pakistan Investment Bonds	Long term instruments of the Government of Pakistan.

Participants	The participant is the contributing party to the Takaful Policy who is covered through the mutual protection and solidarity of the Takaful Policy.
Participant's takaful fund / Waqf fund	An account to credit a portion of contributions from the participant for the purpose of Tabarru'.
Premium	The amount that has to be paid for the insurance cover provided by an insurer.
Present value	Future amounts that have been discounted to the present.
Proxy	Power of attorney by which the shareholder transfers the voting rights to another shareholder.
Qard e-Hasna	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.
Quoted	Being listed on a stock exchange.
Registered office	An address which is registered with the government registrar as the official address of a company.
Reinsurance	A method of insurance arranged by insurers to share the exposure of risks accepted.
Reinsurance commission	Commission received or receivable in respect of premium paid or payable to a reinsurer.
Reinsurance premium	The premium payable to the reinsurer in respect of reinsurance contract.
Related party	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.
Retakaful	A contract of which an operator procures a third party to cover against loss or liability by reason of such original takaful cover.
Retrocession	Transfer of risk from a reinsurer to another reinsurer.
Revenue reserves	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.
Risk	Condition in which there is a possibility of loss.
Risk management	Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
Statutory levies	Fee charged (levied) by a government on a product, income or activity.
Strategic objective	A broadly defined objective that an organization must achieve to make its strategy succeed.
Subsequent event – non adjusting	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.
Tabarru	A portion of participant's contribution for the purpose of mutual helps and used to pay claims submitted by eligible claimants.
Takaful	An Islamic concept of insurance.
Takaful operator	A legal entity, who underwrites, administers and manages the Takaful program on behalf of the participants.
Takaful policy	The agreement entered into between the operator and the participant(s) for the purposes of Takaful arrangement.
Tangibles	An asset whose value depends on particular physical properties.
Term finance	certificate A debt instrument issued by an entity to raise funds.
Underwriting profit	This is the profit generated purely from the Insurance business without taking into account the investment income, other income and general & administration expenses.
Unearned premium	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.
Wakala	Islamic terminology for agent-principal relationship, where a person nominates another to act on his behalf.
Wakala based contract	A contract based on the principle of Wakala (agency).
Window takaful operator	A registered insurer authorized under SECP Takaful Rules, 2012 to carry on takaful business as window operations in addition to conventional insurance business.



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 FZE 2015

 Atlas Energy 2016

 Atlas DID 2019

 Atlas GCI 2019

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.

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- 📈 Stock trading simulator (based on live feed from KSE)
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*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 85th Annual General Meeting of the Company to be held on May 14, 2020 at 10:00 a.m. at 63/A, Block-XX, Phase III (Commercial), Khyaban-e-Iqbal, DHA, Lahore, and at every adjournment thereof.

As witness my / our hand this ____ day of _____ 2020.

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 institution 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 (Commercial), Khyaban-e-Iqbal, DHA, Lahore at least 48 hours before the time of the Meeting.

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 ایس ایس ایس 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 85 ویں عام اجلاس، جو کہ 14 مئی 2020 کی صبح 10:00 بجے بمقام 63/A، بلاک XX، فیرا III (کمرشل)، خیابان اقبال، ڈی ایچ اے، لاہور
میں منعقد ہو رہا ہے۔ اس میں یا اس کے کسی ملتی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔
دن _____ مہینہ _____ 2020 کو مجھے/ہمیں ثبوت دیا گیا ہے۔

دستخط: _____

پتا: _____

گواہ:

دستخط: _____

پتا: _____

درست رقم کا کٹ
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 اس 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، فیرا 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)،
نجیابان اقبال، ڈی ایچ اے، لاہور

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Email: info@ail.atlas.pk

Website: www.ail.atlas.pk