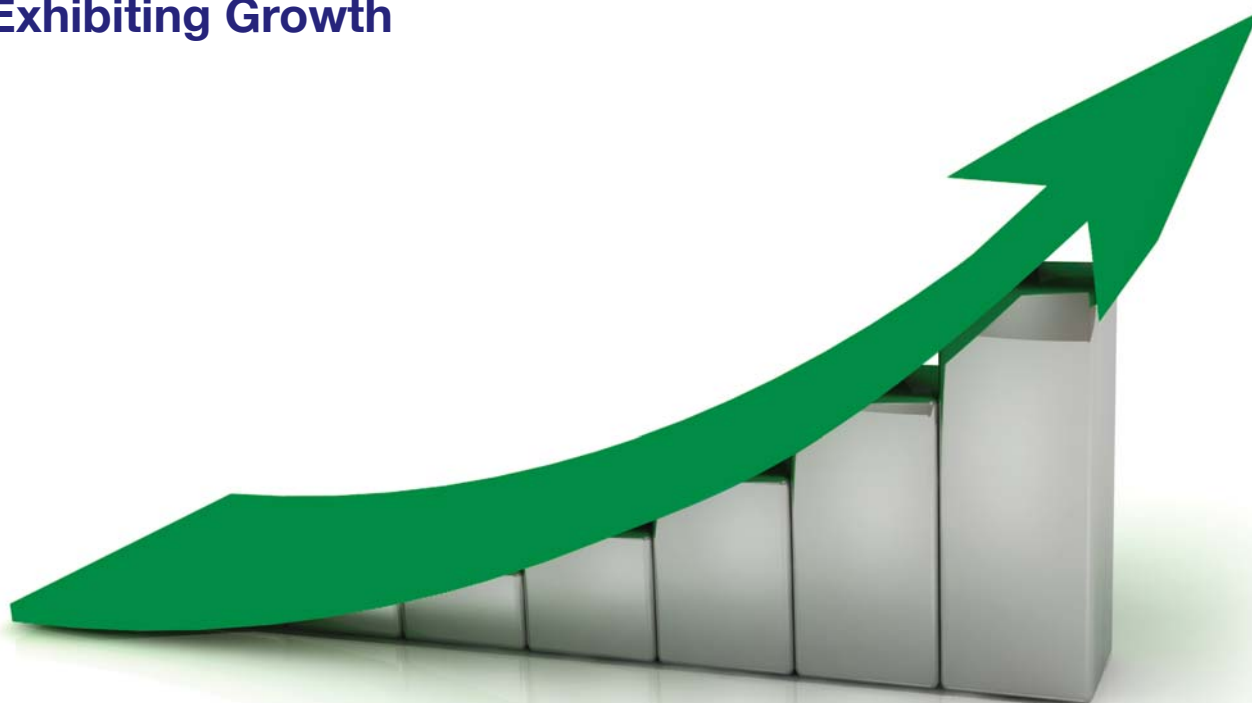




## Exhibiting Growth



	2014	2013	
--	------	------	--

### Gross premium

Rs. million      1,651.3      1,400.2      18% ↑

### Net premium

Rs. million      878.4      755.7      16% ↑

### Underwriting profit

Rs. million      406.7      342.9      19% ↑

### Investment income

Rs. million      294.7      246.4      20% ↑

### Profit before tax

Rs. million      690.8      587.6      18% ↑

### Profit after tax

Rs. million      545.0      456.0      20% ↑

### Paid-up capital

Rs. million      701.6      637.8      10% ↑

	2014	2013	
--	------	------	--

### Reserves and retained earnings

Rs. million      965.9      800.2      21% ↑

### Equity

Rs. million      1,667.5      1,438.0      16% ↑

### Investments - at cost

Rs. million      1,868.6      1,550.4      21% ↑

### Total assets - at book value

Rs. million      3,344.0      3,014.7      11% ↑

### Dividend - cash

Rs. million      421.0      318.9      32% ↑

### Earnings per share - basic and diluted

Rs.      7.8      6.5      19% ↑

### Return on equity

%      32.7      31.7      3% ↑

Organisation  
development  
through  
*self development*



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## **Vision**

A first class insurance company that provides the highest level of quality service to its policyholders.

## **Mission**

To stay in the forefront of innovation and technological developments, continue to achieve corporate success, provide its policyholders quality products and service to their satisfaction, promote interest of all the stakeholders - employees, shareholders, reinsurers and business associates equitably fulfilling demand of overall social responsibility.



## Corporate Strategy

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

Focus on building long lasting relationships with our customers

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

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

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

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

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

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



## Core Values

### Integrity and Ethics

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

### Value of Time

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

### Respect, Recognition and Reward

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

### Organization Development through Self Development

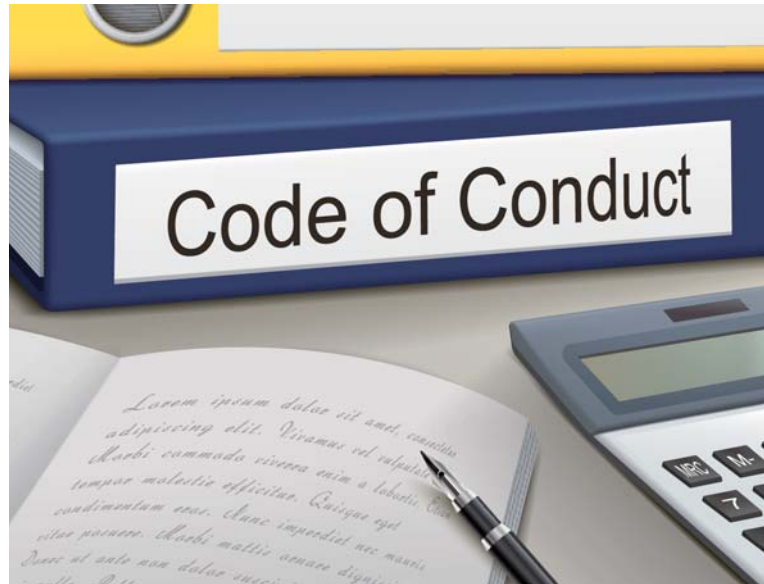
Every member is encouraged and motivated with a vision and purpose to continuously strive for excellence, taking pride in the Atlas motto 'Organization Development through Self Development'

### Team Work

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

### Fairness

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



## Code of Conduct

### Standard of Conduct

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

### Obeying the Law

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

### Employees

- Company is committed to create the working environment where there is mutual trust and respect and everyone feels the responsibility for the improved performance and reputation of the Company.
- It recruits, employs and rewards employees purely on merit and on the basis of the qualification, experience and abilities needed for the work to be performed.
- It is committed to provide safe, healthy and pleasant working environment to all employees. Company will not use any form of forced, compulsory or child labor.
- It is committed to work with employees to develop and enhance each individual's skills and capabilities, provide training to groom them on the basis of their Training Needs Assessment analysis.
- It respects the dignity of employees and the right of individual to express freely.
- Company maintains good communication link with employees through Company based information and consultation procedures.

### Insured

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

### Shareholders

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

### Business Partners

- Company is committed to establish mutually beneficial relations with its insured, reinsurers and business partners.



- In the business dealings, the Company expects its partners to adhere to business principles and ethical practices consistent with its own.

### Community Involvement

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

### Public Activities

- Company will to promote and defend its legitimate business interests.
- It will co-operate with the government and other organizations, both directly and through bodies such as Insurance Association of Pakistan, in the development of proposed legislation and other regulations that may affect legitimate business interests.
- Company neither supports any political group or party nor contributes to the funds of any group whose activities are aimed at, directly or indirectly, to promote party interests.

### The Environment

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

### Competition

Company and its employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations without compromising on ethical practices.

### Business Integrity

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

### Conflict of Interests

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

### Compliance-Monitoring-Reporting

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



## Risk Management Policy

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

## Safety, Health and Environment

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

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

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

## Company's Profile - History of Success

### *Performance par excellence*

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

The Company was taken over by the Atlas Group in 1980. From making loss in 1979, the Company has made steady progress and had since been making profits. The equity of the Company has grown from Rs. 1.6 million in 1979 to over Rs. 1.667 billion in 2014, total assets having grown to over Rs. 3.344 billion and investments from Rs. 4.594 million to over Rs. 1.869 billion. Atlas Insurance Limited has very sound reinsurance arrangements with the leading reinsurers of the world including Swiss Re from Switzerland, Hannover Re from Germany, Tokio Fire & Nichido Marine and Sompo from Japan among others.

Acknowledging the financial strength of the Company, the Pakistan Credit Rating Agency Limited (PACRA) has maintained Insurer Financial Strength (IFS) rating of the company at "AA-" which denotes a very strong capacity to meet policyholders and contract obligations. At the same time risk factors are considered modest, and the impact of any adverse business and economic factors is expected to be very limited.

Atlas Insurance Limited a financially sound and professional managed Company, has been seven times awarded the Top Five Companies "Best Corporate Report Award" 2003, 2006, 2007, 2008, 2009, 2010 and 2011 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. Atlas Insurance Limited is also recipient of "KSE Top 25 Companies Award".

The Company's results have consistently been improving yielding handsome profit earnings. These were only made possible by excellent operating performance through professional and efficient service to clients, good management practices and cost controls, scaling new heights. Consistency, hard work, dedication, adherence to Company policies and procedures and code of ethics has contributed significantly towards the growth of the Company.

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

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



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### **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.

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### **Marine**

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

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### **Motor**

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

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### **Personal Accident**

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



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#### **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.

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#### **Erection All Risk (EAR)**

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

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#### **Machinery Breakdown**

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

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#### **Boiler & Pressure Vessel**

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

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#### **Product Liability**

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

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#### **Crop Insurance**

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

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**Fidelity Guarantee**

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

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**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.

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**Travel Insurance**

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

---

**Computer All Risk**

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

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**Health Insurance**

Atlas Insurance health plan - 'Atlas Care' provides coverage against Hospitalization, Maternity, Critical Illness, OPD and Specialized Investigations etc.

Health Insurance relieves insured from the worries of unexpected diseases Ailments, Surgery, Operations and Out Patients Care. The Group Medical Insurance curtails the administrative burden and financial pressures.

## Board of Directors

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

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

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

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

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

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

For all the Board meetings the agenda and details of each item of agenda were circulated to all the members of the Board at least seven days before the meeting. The minutes of all Board meetings were timely circulated. An actions item list was also prepared and status of each action item was provided to the Board in the next meeting.

## The Roles of the Chairman and Chief Executive Officer

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

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

## Chief Executive Officer Performance Review

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

## Board Committees

As envisaged by the Code of Corporate Governance, Audit, Human Resource & Remuneration, Underwriting, Claims Settlement and Reinsurance & Co-Insurance Committees have been formed by the Board. Each Committee consists of at least two directors. In addition to the regulatory requirements Board has also formed the Investment committee consisting of three directors. A management committee comprising of all departmental heads headed by the Chief Executive Officer is also in place for operational coordination.

### Audit Committee

The Audit Committee is responsible for assisting the Board in discharging its responsibilities in relation to the disclosure of the financial affairs of the Company. The Committee focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports, 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:

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

### Human Resource and Remuneration Committee

The Remuneration Committee is responsible for the setting and oversight of the remuneration policy for the Company. The Committee is also responsible for considering remuneration, recommending and monitoring the level and structure of remuneration for management, and the implementation of succession planning of key management personnel. The Committee is also in responsible to review human resource policies and procedures of the Company and its periodic review.

The Committee consists of three members. Majority of the members including the Chairman are non-executive directors. One meeting of the Committee was held during the year, which was attended by all the members.

### Investment Committee

The Committee consists of four members including three directors. 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 guidelines.
- Monitoring management's compliance with the Company's investment strategies and guidelines.
- Monitoring compliance of the Company's investment policies and practices with applicable legal and regulatory requirements.
- Reviewing and approving all investment transactions made by the Company.
- Reporting to the Board no less frequently than quarterly regarding the investment transactions made by the Company and the Company's investment strategies and guidelines.

During the year seven meetings of the Committee were held and attended by the members.



### Underwriting Committee

The Committee has been established pursuant to the Code of Corporate Governance by the Board of Directors to perform the following functions:-

- Advise the Board and management concerning the establishment and review of the Company's underwriting policies and guidelines.
- Oversee the Company's underwriting processes and procedures.
- Monitor the Company's underwriting performance.
- Oversee the Company's underwriting risk management exposure.
- Approve the Company's underlying policies with regard to maximum line size and approve any exceptions thereto.
- Perform such other functions as the Board may from time to time assign.

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

### Claims Settlement Committee

Claim Settlement Committee devises the claims settling policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are made. It pays attention to significant claims cases, which may give rise to a series of claims. The committee determines the circumstances under which the claims disputes shall be brought to its attention and decide how to deal with such claims disputes.

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

### Reinsurance & Co-Insurance Committee

Reinsurance & Co-Insurance Committee ensures that adequate reinsurance arrangements are made for the Company business. It pursues the proposed reinsurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, suggests appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

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

### Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The Committee is responsible for reviewing and forwarding 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 & efficiently.

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

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

## Board of Directors



**Mr. Yusuf H. Shirazi**  
Chairman

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

**Mr. Feroz Rizvi**  
Director

Mr. Feroz Rizvi qualified as a Chartered Accountant from England & Wales. On returning to Pakistan he joined ICI Pakistan Limited as Internal Audit Manager and subsequently moved to a number of senior positions within the company including a period of secondment to UK at the ICI head office in London. He retired from ICI Pakistan Limited as Finance Director.



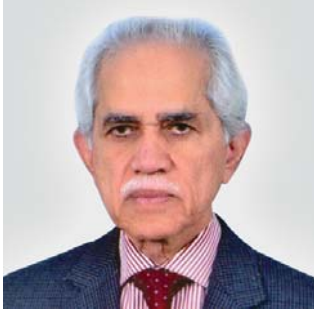
**Mr. Isphanyar M. Bhandara**  
Director

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

**Mr. Ali H. Shirazi**  
Director

Mr. Ali H. Shirazi graduated from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. During this period he worked for the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is Group Director Financial Service and President / Chief Executive of Atlas Battery Limited. He serves on the Board of Atlas Asset Management Limited, Atlas Engineering Limited, Atlas Insurance Limited, Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (as alternate director), National Management Foundation (sponsoring body of LUMS), Pakistan Society for Training and Development (PSTD) and National Clearing Company Pakistan Limited (NCCPL).





### **Mr. Frahim Ali Khan**

#### **Director**

Mr. Frahim Ali Khan has been associated with Atlas Group since 1967 and has over 47 years of experience in General Management, Finance, Taxation, Legal matters and Investment Banking. He is a law graduate and has also attended General Management and Financial Management programs of Harvard University and Stanford University, USA, and Insead University of France.

### **Mr. Jawaid Iqbal Ahmed**

#### **Director**

Mr. Ahmed is an AMP from Harvard Business School, Boston USA, and IPBM from IMD Lussanne, Switzerland. He is also MBA from IBA Karachi University. He has been working in Atlas Group in various capacities. He has over 49 years of experience in the field of industrial and financial markets of Pakistan. He spearheaded joint venture partnerships of Atlas Group with Honda Japan, JSB Japan, Bank of Tokyo, Asian Development Bank and ING.



### **Mr. Arshad P. Rana**

#### **Chief Executive and Director**

Mr. Arshad P. Rana has been affiliated with Atlas Insurance Limited since 1991; as General Manager and Chief Operating Officer before being appointed as the Chief Executive Officer of the Company in March, 2004. He is a graduate from Government College, Lahore; B.S. in Insurance & Economics from Iran and MBA from USA. In his professional career that spans over 39 years, he has worked in Iran, USA and Middle East. Since his appointment to this position, Mr. Rana has been managing the Company affairs with a professional approach having the vision to make Atlas Insurance Limited one of the best performing companies in the market. Under his leadership, Atlas Insurance Limited has won several awards in the financial sector. He is also on the Board of Atlas Asset Management Limited.

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

## Company Information



### Board of Directors

Yusuf H. Shirazi  
Chairman

Feroz Rizvi  
Director

Isphanyar M. Bhandara  
Director

Ali H. Shirazi  
Director

Frahim Ali Khan  
Director

Jawaid Iqbal Ahmed  
Director

Arshad P. Rana  
Chief Executive

Muhammad Afzal  
Company Secretary

### Audit Committee

Feroz Rizvi  
Chairman

Ali H. Shirazi  
Member

Frahim Ali Khan  
Member

Muhammad Afzal  
Secretary

Saleem Mahmood Akhtar  
Chief Internal Auditor

### Human Resource & Remuneration Committee

Isphanyar M. Bhandara  
Chairman

Ali H. Shirazi  
Member

Arshad P. Rana  
Member

Qudsia Naheed  
Secretary

## Investment Committee

Ali H. Shirazi  
Chairman

Frahim Ali Khan  
Member

Arshad P. Rana  
Member

Rashid Amin  
Member

Muhammad Afzal  
Secretary

## Information Technology (IT) Committee

Ali H. Shirazi  
Chairman

Frahim Ali Khan  
Member

Arshad P. Rana  
Member

Abdul Razzaq Ghauri  
Secretary

## Underwriting Committee

Frahim Ali Khan  
Chairman

Arshad P. Rana  
Member

Muhammad Saeed  
Member

Athar Maqsood Paracha  
Secretary

## Claims Settlement Committee

Frahim Ali Khan  
Chairman

Arshad P. Rana  
Member

Athar Maqsood Paracha  
Member

Muhammad Saeed  
Secretary

## Reinsurance & Co-insurance Committee

Frahim Ali Khan  
Chairman

Arshad P. Rana  
Member

Muhammad Saeed  
Member

Syed Nasir Hussain  
Secretary

## Management Committee

Arshad P. Rana  
Chief Executive

Nisar Zaman Khan  
Head of Marketing & Sales

Rashid Amin  
Chief Financial Officer

Muhammad Saeed  
Head of Claims

Qudsia Naheed  
Vice President (Admin & HR)

Abdul Razzaq Ghauri  
Vice President (IT)

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co.  
Agha Faisal Barrister at Law

## Tax Advisor

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Share Registrar

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

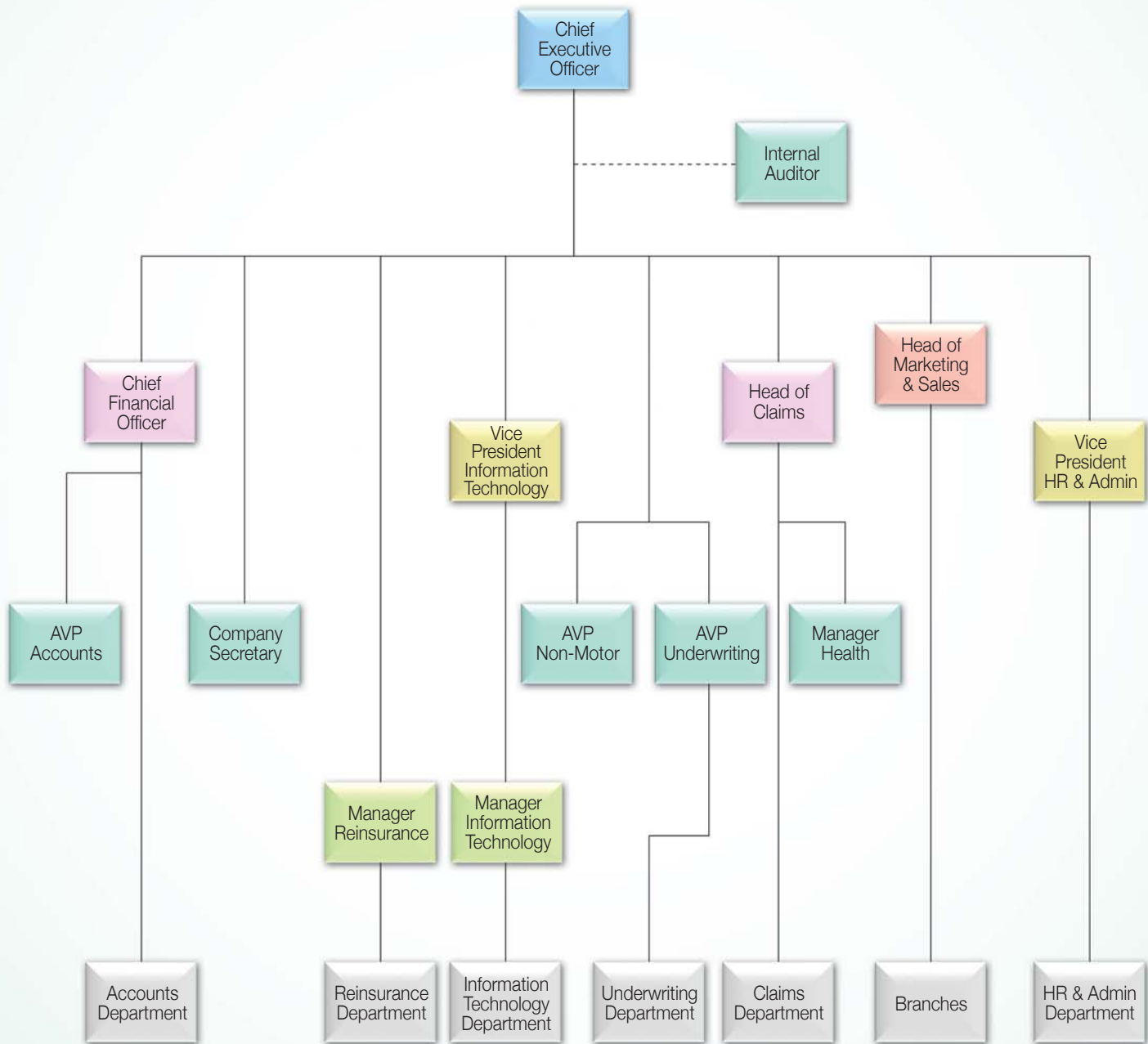
## Bankers

Allied Bank Limited  
Bank Alfalah Limited  
Bank of Punjab  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
United Bank Limited

## Registered & Head Office

3 - Bank Square,  
Shahrah-e-Quaid-e-Azam, Lahore  
Tel: (92-42) 37320542-43,  
37322271, 73, 37310658  
Fax: (92-42) 37234742  
Email: info@atlasinsurance.com.pk  
Website: www.atlasinsurance.com.pk

# Organogram



# Major Events

Months	Events
<b>February</b>	<p><b>Annual Sales Conference</b> Annual Sales Conference was held on February 12 and 13, 2014 in Murree and was attended by all the filed executives of the Company.</p> <p><b>BOD Meeting for the year ended December 31, 2013.</b> The meeting was held on February 28, 2014 to consider and adopt the audited financial statements of the Company for the year ended December 31, 2013.</p>
<b>April</b>	<p><b>Annual General Meeting</b> The Annual General Meeting of the shareholders of the Company was held on April 10, 2014 at the registered office of the Company.</p> <p><b>BOD Meeting for 1st Quarter</b> The meeting was held on April 23, 2014 to approve the unaudited first quarter financial statements of the Company for the period ended March 31, 2014.</p> <p><b>Dividend of Bonus Shares</b> Cash dividend was disbursed and bonus shares were despatch on May 02, 2014.</p> <p><b>IBA Diploma</b> Associates from the Company completed IBA Diploma program especially designed for middle management associates.</p>
<b>July</b>	<p><b>Mid Year Sales Conference</b> Mid year Sales Conference was held on July 19, 2014 in Lahore.</p>
<b>August</b>	<p><b>BOD Meeting for the 2nd Quarter</b> The meeting was held on August 27, 2014 to approve the unaudited half year financial statements of the Company, reviewed by the auditors, for the period ended June 30, 2014.</p>
<b>October</b>	<p><b>BOD Meeting for the 3rd Quarter</b> The meeting was held on October 23, 2014 to approve the unaudited financial statements of the Company for the nine months period ended September 30, 2014.</p> <p><b>Family Day and Long Service Award Ceremony</b> Family day and long service award ceremony was held on October 18, 2014 and October 25, 2014 in Lahore and Karachi, respectively.</p>
<b>December</b>	<p><b>Insurer Financial Strength Rating</b> Acknowledging the financial strength of the Company, The Pakistan Credit Rating Agency Limited maintained Insurer Financial Strength rating of the Company to 'AA-' which denotes a very strong capacity to meet policyholders and contract obligations.</p>

## Notice of Annual General Meeting

Notice is hereby given that the 80th Annual General Meeting of the members of Atlas Insurance Limited will be held on Friday, April 10, 2015 at 3:00 p.m. at 3-Bank Square Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

### Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on April 10, 2014.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2014, together with the Directors' and Auditors' Reports thereon.
3. To consider and approve cash dividend @ 60% for the year ended December 31, 2014, as recommended by the Board of directors.
4. To elect directors of the Company for a period of three years, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The retiring directors are:
  - i. Mr. Yusuf H. Shirazi
  - ii. Mr. Feroz Rizvi
  - iii. Mr. Isphanyar M. Bhandara
  - iv. Mr. Ali H. Shirazi
  - v. Mr. Frahim Ali Khan
  - vi. Mr. Jawaid Iqbal Ahmed
  - vii. Mr. Arshad P. Rana

The Board of directors has fixed the number of directors to be elected as seven. All the retiring directors are eligible to offer themselves for re-election.

5. To appoint auditors and fix their remuneration for the year ending December 31, 2015. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

### Special Business

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

**Resolved:**

"that the remuneration of the Chief Executive Officer of the Company as fixed by the Board for the financial year ending December 31, 2015 be and is hereby approved."

7. To consider and, if thought fit, to pass with or without modification the following resolutions as special resolutions making the amendments stated below in the Object Clause of the Memorandum of Association of the Company:

**Resolved:**

"that subject to the confirmation of the Securities and Exchange Commission of Pakistan (SECP), the Memorandum of Association of the Company be altered by inserting in Article III thereof (The Objects), the following new sub cause III (1) (i), immediately after the end of Clause III (1), of Article III namely;

To carry on in Pakistan and every part of the world business as an operator of General Takaful and to offer and provide General Takaful of every kind, type and description including, without limiting the generality of the foregoing, General Takaful for each and every risk, situation and circumstance mentioned or described in clause III (1) of this Article III (the objects), inclusive of every kind, type and description of guarantee, indemnity, counter-guarantee and counter-indemnity business, and to undertake all other forms of General Takaful and Re-Takaful business and / or to offer and provide all other forms of General Takaful cover, whether now known or hereafter to be devised, and for the purposes of and in connection with the foregoing to exercise each and every power and authority and do all acts, deeds and things as are mentioned in clause (1) of this Article III."

**Further Resolved:**

"that the Chief Executive Officer and the Company Secretary be and are hereby authorized and empowered to complete all the regulatory formalities and to give effect to this resolution and to do or cause to do all acts, deeds, and things that may be necessary or required under the relevant laws, rules and regulations."



**Other Business**

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

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

By Order of the Board



Muhammad Afzal  
Company Secretary

Lahore: March 19, 2015

**NOTES:**

1. Any person who seeks to contest the election of directors shall, whether he is retiring or otherwise, file with the Company the following documents at its registered office not later than fourteen days before the date of election / above said meeting:
  - i. Notice of his / her intention to offer himself / herself for the election of directors in terms of Section 178 (3) of the Companies Ordinance, 1984.
  - ii. Consent to act as director in Form 28 under Section 184 of the Companies Ordinance, 1984.
  - iii. Detailed profile along with his / her office address as required under SRO 25(1) 2012 dated January 16, 2012 of the SECP.
  - iv. Signed declarations in respect of being compliant with the requirements of the Code of Corporate Governance, 2012 and the eligibility criteria as set out in the Companies Ordinance, 1984 to act as director of a listed company.
  - v. Information on Annexure A and affidavit on Annexure B required under the Insurance Companies (Sound and Prudent Management) Regulations 2012 notified by the SECP vide SRO 15(1) / 2012 dated January 9, 2012. Annexure A and B are available at SECP website and can also be obtained from the registered office of the Company.
2. The share transfer books of the Company will remain closed from April 3, 2015 to April 10, 2015 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's share registrar, Hameed Majeed Associates (Pvt.) Limited, 7 - Bank Square Sharah-e-Quaid-e-Azam, Lahore by the close of business on April 2, 2015 will be treated in time for the purpose of transfer of shares to the transferees.
3. The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC), are once again reminded to send the same directly to the Company's share registrar at the above address at the earliest. The corporate entities are requested to provide their National Tax Number (NTN). Please give folio number with the copy of CNIC / NTN details.
4. A member of the Company, entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his / her proxy to attend, speak and vote instead of him / her and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Annual General Meeting as are available to the member.
5. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, in order to be valid, must be received at the registered office of the Company not later than 48 hours before the time of meeting.
6. Any change of address of members should be immediately notified to the Company's share registrar.
7. CDC account holders will further have to follow the guidelines laid down in Circular No. 1 dated January 26, 2000 issued by the SECP.

**Availability of Audited Financial Statements on Company Website**

The audited financial statements of the Company for the year ended December 31, 2014 have been made available on the Company website [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk) in addition to the annual and quarterly financial statements for the prior years.

**Minutes of Previous AGM**

Copies of the minutes of the Annual General Meeting held on April 10, 2014 will be available to the members on request.

### Consent for the Video Conference Facility

Members can also avail video conference facility in cities where facility can be provided keeping in view geographical dispersal of members. In this regard, please fill the following and submit at the registered address of the Company 10 days before holding of the Annual General Meeting.

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

### Submission of CNIC (Mandatory)

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

### Dividend Mandate - Payment of Cash Dividend Electronically (Optional)

In compliance with the SECP's Circular No 18 of 2012 dated June 6, 2012, the Company wishes to inform its shareholders, that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's share registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank, CDC account holders should submit their request directly to their broker (participant) / CDC.

### 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 hereby requested to convey their consent via email on a standard request form which is available at the Company website [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk). Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the share registrar of any change in their registered email address.

### Deduction of Withholding Tax on the Amount of Dividend

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

The government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- |    |                                      |     |
|----|--------------------------------------|-----|
| a. | For filers of income tax returns     | 10% |
| b. | For non-filers of income tax returns | 15% |

To enable the Company to make tax deduction on the amount of cash dividend @10% instead of 15%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the data for payment of the cash dividend i.e. April 11, 2015 otherwise tax on their cash dividend will be deducted @ 15% instead of 10%. For any query / problem / information, the investors may contact our share registrar at phone Nos: 042-37235081-82 or email at [shares@hmaconsultants.com](mailto:shares@hmaconsultants.com).

Individual and corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas non-CDC 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.

### Statement under Section 160(1) (b) of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the 80th Annual General Meeting of Atlas Insurance Limited to be held on April 10, 2015, 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 6 of the Agenda

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

### Item No 7 of the Agenda

The Board of directors has approved commencement of Window Takaful Operation as per Takaful Rules, 2012. The Memorandum of Association is, therefore, required to be amended to incorporate the provisions in the Object Clause of the Company accordingly.

# Corporate Information

## Registered Office

3 - Bank Square,  
Shahrah-e-Quaid-e-Azam, Lahore  
Tel: (92-42) 37320542-43  
(92-42) 373222271, 73  
(92-42) 37310658  
Fax: (92-42) 37234742

## Listing on Stock Exchanges

Atlas Insurance Limited is listed on Karachi and Lahore stock exchanges

## Stock Symbol

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

## Listing Fees

The annual listing fee for the financial year 2014-15 was paid to the Karachi Stock Exchange, Lahore Stock Exchange and Central Depository Company within the prescribed time.

## Statutory Compliance

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

## 80th Annual General Meeting

Date: April 10, 2015  
Time: 3:00 p.m.  
Venue: Registered Office

## Dividend Announcement

The Board of directors of the Company has proposed a final cash dividend of Rs. 6 per share (60%) for the financial year ended December 31, 2014, subject to approval by the shareholders of the Company at the Annual General Meeting.

50% cash dividend was paid to the shareholders along with 10% bonus shares for the year ended December 31, 2013.

## Financial Calendar

Audited annual results for year ended  
December 31, 2014

- Second half of February

Mailing of annual reports

- Second half of March

Annual General Meeting

- 1st half of April

Unaudited first quarter financial results

- Second half of April

Unaudited half year financial results

- Second half of August

Unaudited nine months financial results

- Second half of October

## Dates of Book Closure

The share transfer books of the Company shall remain closed from April 3, 2015 to April 10, 2015 (both days inclusive).

## Payment of Dividends

Cash dividend for the year ended December 31, 2014, subject to the approval of the shareholders of the Company at the Annual General Meeting, will be disbursed on or before April 30, 2015.

Last year, the Company dispatched the cash dividend and bonus shares within 25 days from the date of approval.

## CNIC requirements for Dividend Warrants

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

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

### Dividend Mandate (Optional)

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

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

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

### Share Transfer System

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

### Annual General Meetings

Pursuant to Section 158 of the Companies Ordinance, 1984, Annual General Meetings of the shareholders are held 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 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at general meetings of the Company can appoint another person as his / her proxy to attend and vote on his / her behalf. Procedure for appointment of proxies is stated in every notice of such meetings. The instrument appointing a proxy (duly signed by the shareholder) must be received at the registered office of the Company not later than forty eight hours before the meeting.

### Website

Updated information regarding the company can be accessed at [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk). The website contains information about Company's financials, history, types of insurance, list of reinsurers etc.

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

Annual, half yearly and quarterly financial statements of the company are available at the website.

### Communication

Address of the share registrar for correspondence and other relevant matters is as follows:

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

### Share Price at Karachi Stock Exchange

Month-wise share price movement of the Company, at the Karachi Stock Exchange, during the year 2014 was as follows:

Months	High	Low	Volume
January	69.80	61.55	203,500
February	67.50	60.00	624,000
March	66.60	61.49	743,500
April	67.20	55.50	812,000
May	61.15	58.00	304,500
June	61.20	58.00	125,000
July	64.00	60.00	126,000
August	68.19	58.91	163,500
September	68.90	61.15	168,500
October	69.70	66.00	211,000
November	87.85	68.00	722,000
December	83.00	72.52	727,500

## 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 coupled with power shortage 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 contract. 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 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 claim 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 continuous monitoring of developments 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.

# Policy and Procedures for Engagement of Stakeholders

## Institutional Investors

Annual General Meetings are convened in accordance with the Companies Ordinance, 1984. 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 exchanges in the manner prescribed by the Code of Corporate Governance and the listing regulations of the stock exchanges, 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 media, which includes representation through print, online and social media. Key information is shared with the media to deepen understanding of the Company's business.

## Regulators

It includes regulatory authorities both at federal and provincial levels and the stock exchanges. 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.

# 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 stock 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 stock prices.

### 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 stock prices.

### 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 stock prices.

### Investor Sentiment

Investor sentiment or confidence can cause the stock market to go up or down, which can cause stock 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.

## Report of the Board Audit Committee

The Committee is chaired by an independent director and it comprises of three non-executive directors. 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 and two members have expert knowledge of finance and accounting.
- Five meetings of the Audit Committee were held during the year and were presided by the Chairman.
- The Company's internal audit function which reports to the Audit Committee, performed independent audits of selected controls through desktop reviews and on-site re-performance of tests to ensure compliance with pre-defined policies and procedures. The Chief Internal Auditor reports directly to the Audit Committee, functionally.
- The Committee approved the annual audit plan for the internal audit function. The Committee reviewed internal audit reports and issued necessary instructions to establish better controls over the areas highlighted in such reports.
- The Committee reviewed all interim and annual financial statements and recommended the same for consideration and approval of the Board.
- 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, 2002, the Companies Ordinance, 1984 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 the related party transactions in each quarter and recommended the same for consideration and approval of the Board.
- The Committee reviewed the whistleblower procedure for raising alerts against any wrongdoing, malpractice or impropriety and recommended the same to the Board for approval.
- 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 Board Letters issued by the external auditors.
- The Committee reviewed performance, cost and independence of the external auditors and had recommended their re-appointment for the financial year ending December 31, 2015.



# Access to Reports and Enquiries

## Annual Reports

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

The Company Secretary  
Atlas Insurance Limited  
3-Bank Square,  
Sharah-e-Quaid-e-Azam,  
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 2014 can be accessed at Atlas Insurance website or printed copies can be obtained by writing to the Company Secretary.

## Presentation on Company's Performance

Video presentation on Company's financial position and performance in 2014 is available on the Company website.

## Shareholders' Enquiries

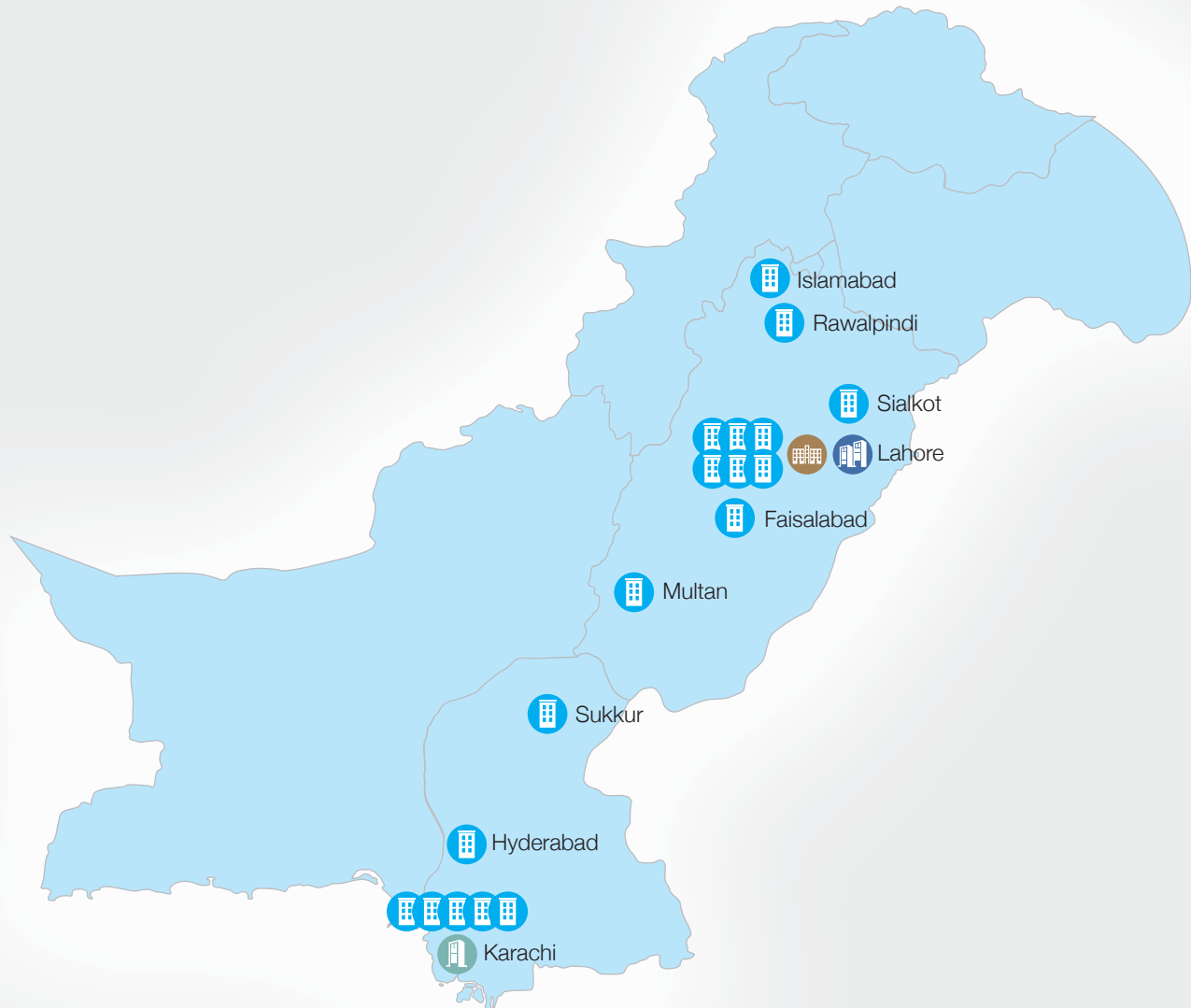
Shareholders' enquiries regarding status of their shareholdings, dividends, bonus or any other matter may be directed to share registrar at the following address:

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

# Geographical Presence

## Branch Network

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

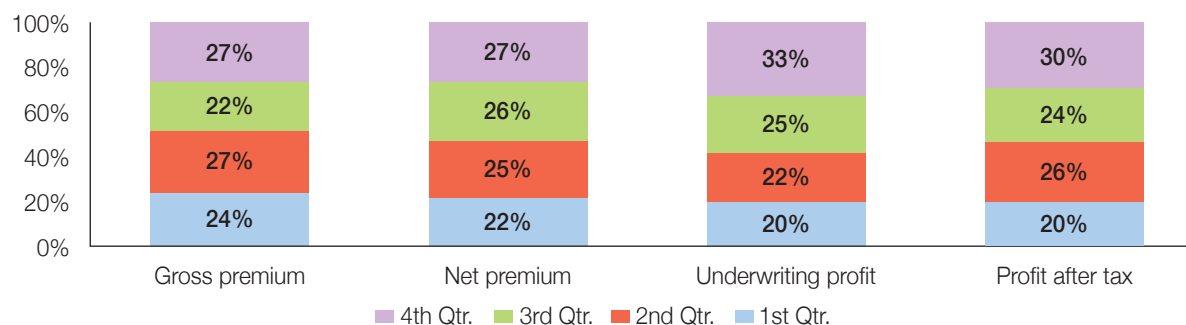


-  Head Office
-  Zonal Office
-  Registered Office
-  Branch Office

## Analysis of Quarterly Results

Particulars	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
	(Rupees in thousand)				
<b>Gross premium</b>	395,679	455,231	361,876	438,535	1,651,321
Net premium	189,999	220,776	233,867	233,739	878,381
Net claims	(48,792)	(57,067)	(64,652)	(40,014)	(210,525)
Management expenses	(72,936)	(85,758)	(80,399)	(71,947)	(311,040)
Net commission	12,087	11,881	12,307	13,622	49,897
<b>Underwriting profit</b>	80,358	89,832	101,123	135,400	406,713
Investment, rental and other income	74,517	87,623	79,441	77,723	319,304
Financial, general and admin expenses	(11,888)	(11,137)	(10,350)	(1,827)	(35,202)
	62,629	76,486	69,091	75,896	284,102
<b>Profit before tax</b>	142,987	166,318	170,214	211,296	690,815
Taxation	(33,257)	(23,206)	(40,501)	(48,883)	(145,847)
<b>Profit after tax</b>	109,730	143,112	129,713	162,413	544,968
<b>Earnings per share - Rs.</b>	1.72	2.04	1.85	2.16	7.77

### Quarterly Performance Analysis



#### Gross Premium

The trend of gross underwritten premium reflects the effectiveness of the Company's marketing policy towards business. The renewals and new business during second and fourth quarters kept the weightage of gross premium high.

#### Net Premium

Net premium was distributed on the basis of risk profile over the year however no major variation in risk was observed during the year.

#### Underwriting Profit

The last quarter witnessed increase in underwriting profit due to low claim ratio and low management expenses as compared with other quarters.

#### Profit After Tax

During second and fourth quarter the weightage of profit after tax was 26% and 30%, respectively mainly due to growth in premium income, control of operating expenses and claim ratio. The Company prudently earned respectable investment income throughout the year.

# Ten Years at a Glance

(Rupees in million)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Financial Data</b>										
Paid-up capital	701.6	637.8	531.5	442.9	369.1	335.6	268.4	206.5	158.8	122.2
General & capital reserves	965.9	800.2	666.9	567.0	487.3	412.4	357.6	763.7	512.7	334.1
Equity	1,667.5	1,438.0	1,198.4	1,010.0	856.4	748.0	626.0	970.2	671.5	456.3
Underwriting provisions	1,057.2	1,105.3	1,044.5	749.0	759.6	685.6	540.7	535.0	375.8	221.2
Investments - at cost	1,868.6	1,550.4	1,255.9	1,089.3	772.0	558.3	494.2	1,010.7	674.8	338.8
Total assets - at book value	3,344.0	3,014.7	2,702.7	2,078.1	2,034.7	1,905.1	1,340.0	1,733.4	1,191.5	902.0
Fixed assets - net	51.9	56.1	66.4	46.9	43.9	47.4	49.3	42.8	21.9	19.0
Cash and bank deposits	433.2	162.2	282.0	54.6	492.6	660.2	195.9	200.8	75.6	185.9
Advances, deposits and prepayments	407.9	547.6	554.2	268.6	237.1	242.6	208.4	179.2	182.2	208.6
<b>Operating Data</b>										
Gross premium	1,651.3	1,400.2	1,500.3	1,120.3	1,024.9	910.7	861.4	784.5	668.8	523.6
Net premium	878.4	755.7	603.6	591.3	530.3	443.5	507.9	447.0	348.7	264.1
Net claims	210.5	163.4	133.2	153.3	176.5	192.4	231.4	215.1	133.2	64.4
Underwriting profit	406.7	342.9	295.3	253.6	199.9	104.5	158.4	144.6	155.0	152.2
Investment income	294.7	246.4	180.7	133.6	102.6	118.2	(305.2)	314.7	190.2	159.8
Profit / (loss) before tax	690.8	587.6	467.8	400.1	327.1	237.2	(141.0)	467.4	358.7	304.7
Income tax	145.8	131.6	101.4	98.9	84.5	48.1	58.6	57.5	58.0	50.6
Profit / (loss) after tax	545.0	456.0	366.4	301.2	242.7	189.1	(199.6)	409.9	300.7	254.1
<b>Cash Flow Summary</b>										
Operating activities	592.1	100.7	399.7	(139.2)	30.2	357.8	2.1	175.4	26.5	209.4
Investing activities	(11.0)	(14.2)	1.0	(153.8)	(66.2)	172.6	137.9	56.4	(54.5)	(18.7)
Financing activities	(310.0)	(206.3)	(173.3)	(145.0)	(131.6)	(66.1)	(144.8)	(106.6)	(82.3)	(22.6)
Cash & cash equivalents at the year end	433.2	162.2	282.0	54.6	492.6	660.2	195.9	200.8	75.6	185.9
<b>Financial Ratios</b>										
<b>Profitability</b>										
Profit / (loss) before tax / gross premium (%)	41.8	42.0	31.2	35.7	31.9	26.0	(16.4)	59.6	53.6	58.2
Profit / (loss) before tax / net premium (%)	78.6	77.8	77.5	67.7	61.7	53.5	(27.8)	104.6	102.9	115.4
Profit / (loss) after tax / gross premium (%)	33.0	32.6	24.4	26.9	23.7	20.8	(23.2)	52.2	45.0	48.5
Profit / (loss) after tax / net premium (%)	62.0	60.3	60.7	50.9	45.8	42.6	(39.3)	91.7	86.2	96.2
Underwriting profit / net premium (%)	46.3	45.4	48.9	42.9	37.7	23.6	31.2	32.3	44.4	57.6
Management expenses / gross premium (%)	18.8	21.7	15.3	20.3	19.3	19.9	17.9	15.5	15.2	17.4
Management expenses / net premium (%)	35.4	40.3	38.1	38.5	37.3	40.8	30.3	27.1	29.2	34.4
Commission / net premium (%)	5.7	7.3	9.1	7.3	8.3	7.8	7.0	7.6	11.8	16.4
Net claims / net premium (%)	24.0	21.6	22.1	25.9	33.3	43.4	45.6	48.1	38.2	24.4
Combined ratio (%)	59.4	61.9	60.2	64.4	70.6	84.2	75.9	75.3	67.4	58.8

# Ten Years at a Glance

(Rupees in million)

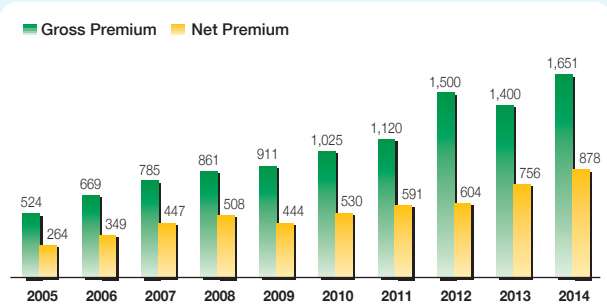
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Financial Ratios</b>										
<b>Return to Shareholders</b>										
Return on equity - PBT (%)	41.4	40.9	39.0	39.6	38.2	31.7	(22.5)	48.2	53.4	66.8
Return on equity - PAT (%)	32.7	31.7	30.6	29.8	28.3	25.3	(31.9)	42.3	44.8	55.7
Earnings growth (%)	19.5	24.5	21.6	24.1	28.4	194.7	(148.7)	36.3	18.4	207.2
Earnings per share (Rs.)	7.8	7.1	6.9	6.8	6.6	5.6	(7.4)	19.9	18.9	20.8
Price earnings ratio (times)	9.8	8.7	6.6	5.3	5.9	7.5	(5.9)	7.0	6.2	5.6
Market value per share (Rs.)										
Market value at the end of the year	75.75	62.5	45.5	36.1	38.5	42.3	43.9	138.0	117.9	116.6
Highest value during the year	87.85	65.1	42.9	42.9	47.8	57.9	169.0	143.9	162.1	116.6
Lowest value during the year	55.50	35.1	26.0	26.0	25.8	23.3	43.9	77.5	78.0	37.5
Cash dividend per share (Rs.)	6.0	5.0	4.0	4.0	4.0	4.0	2.5	7.0	7.0	7.0
Stock dividend per share (Rs.)	-	1.0	2.0	2.0	2.0	1.0	2.5	3.0	3.0	3.0
Dividend yield (%)	7.9	8.0	8.8	11.1	10.4	9.5	5.7	5.1	5.9	6.0
Dividend pay out (%)	77.2	83.9	87.1	88.2	91.3	88.7	(67.3)	50.4	52.8	48.1
Net assets per share (times)	23.8	22.5	22.5	22.8	23.2	22.3	23.3	47.0	42.3	37.3
Return on assets (%)	17.1	16.0	15.3	14.6	12.3	11.7	(13.0)	28.0	28.7	36.0
Breakup value per share (Rs.)	23.8	22.5	22.5	22.8	23.2	22.3	23.3	47.0	42.3	37.3
<b>Liquidity / Leverage</b>										
Current ratio (times)	1.6	1.8	2.1	1.6	1.7	1.8	1.9	1.6	1.9	1.8
Cash / current liabilities (times)	0.5	0.2	0.4	0.1	0.7	0.9	0.5	0.5	0.3	0.6
Total assets turnover (times)	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.7
Earnings assets / total assets (%)	68.8	56.8	56.9	55.0	62.2	64.0	51.5	69.9	63.0	58.2
Fixed assets turnover (times)	30.6	22.8	26.5	24.7	22.4	18.8	18.7	24.2	32.7	31.7
Total liabilities / equity (times)	1.0	1.1	1.3	1.1	1.4	1.5	1.1	0.8	0.8	1.0
Return on capital employed (%)	22.3	20.4	17.9	20.1	18.4	16.0	(21.4)	31.2	32.2	42.1
Paid-up capital / total assets (%)	21.0	21.2	19.7	21.3	18.1	17.6	20.0	11.9	13.3	13.5
Equity / total assets (%)	49.9	47.7	44.3	48.6	42.1	39.3	46.7	56.0	56.4	50.6
Price to book ratio (Rs.)	3.2	2.8	2.0	1.6	1.7	1.9	1.9	2.9	2.8	3.1
<b>Distribution</b>										
Cash dividend (Rs.)	421.0	318.9	212.6	177.2	147.6	134.2	67.1	144.5	111.2	85.5
Cash dividend (%)	60%	50%	40%	40%	40%	40%	25%	70%	70%	70%
Bonus shares (Rs.)	-	63.8	106.3	88.6	73.8	33.6	67.1	61.9	47.7	36.7
Bonus shares (%)	-	10%	20%	20%	20%	10%	25%	30%	30%	30%
Total distribution (%)	60%	60%	60%	60%	60%	50%	50%	100%	100%	100%

# Performance at a Glance (Graphical Presentation)

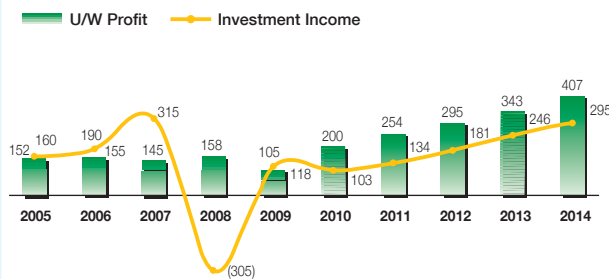
(Rupees in million)

## Gross premium and net premium

Company has shown steady growth over a decade with a CAR of 14% both in gross premium underwritten and net premium.



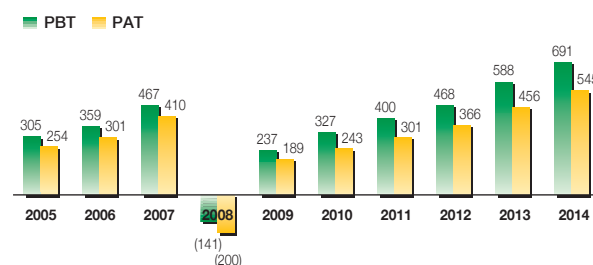
## Underwriting profit and investment income



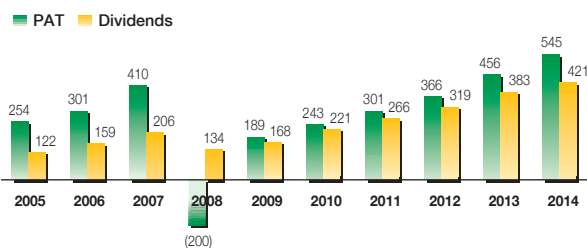
Increasing underwriting profit depicting prudent underwriting approach with good risk management and consistent increase in investment income resulting from a professionally managed investment portfolio

## Profitability

CAR of 10% in profit before tax and CAR of 9% in profit after tax in last 10 years reflect the focused approach towards profitability.



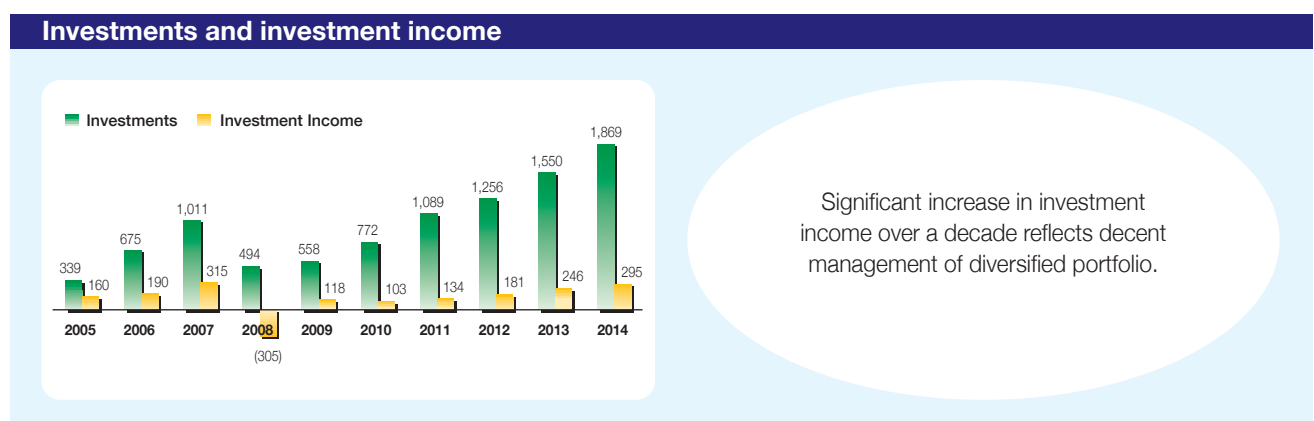
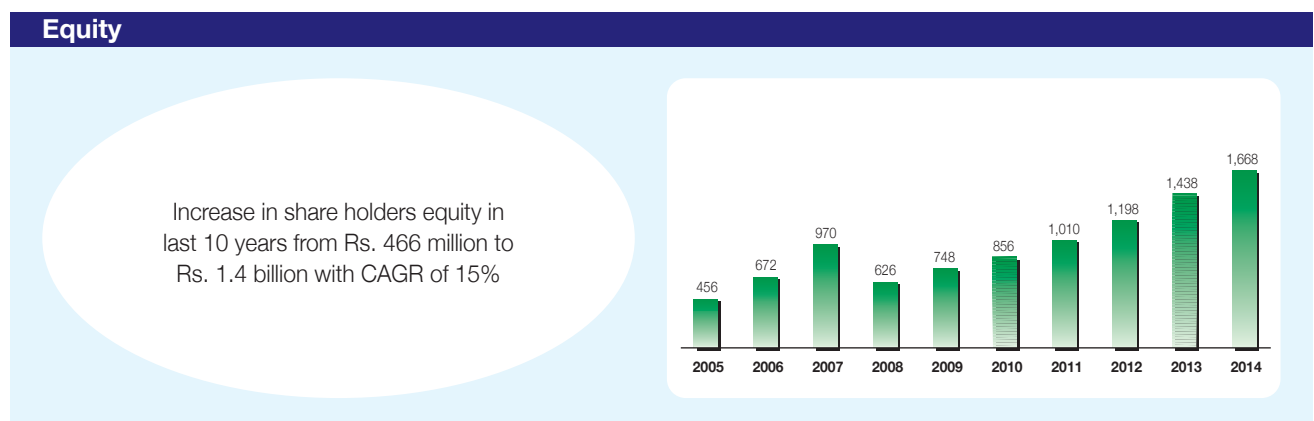
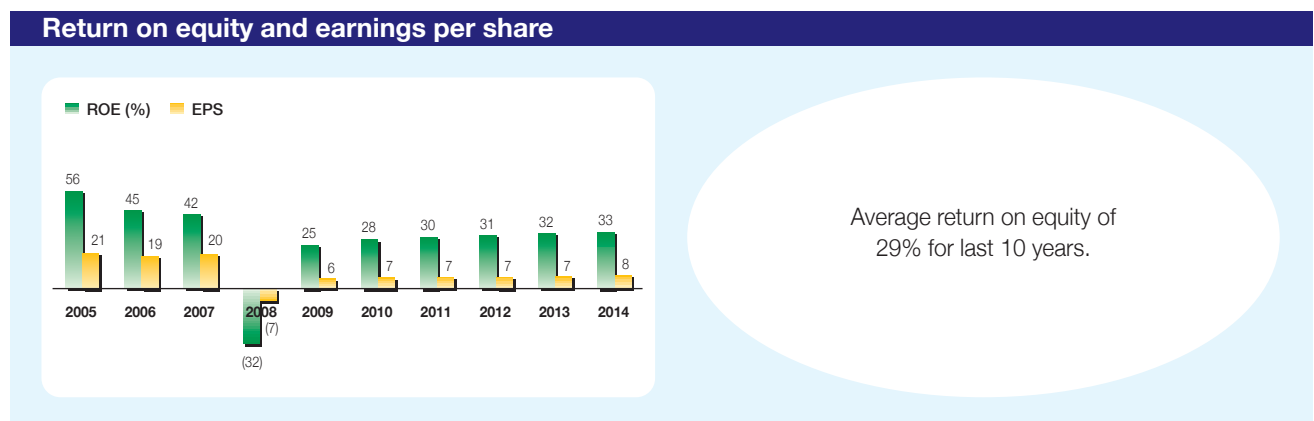
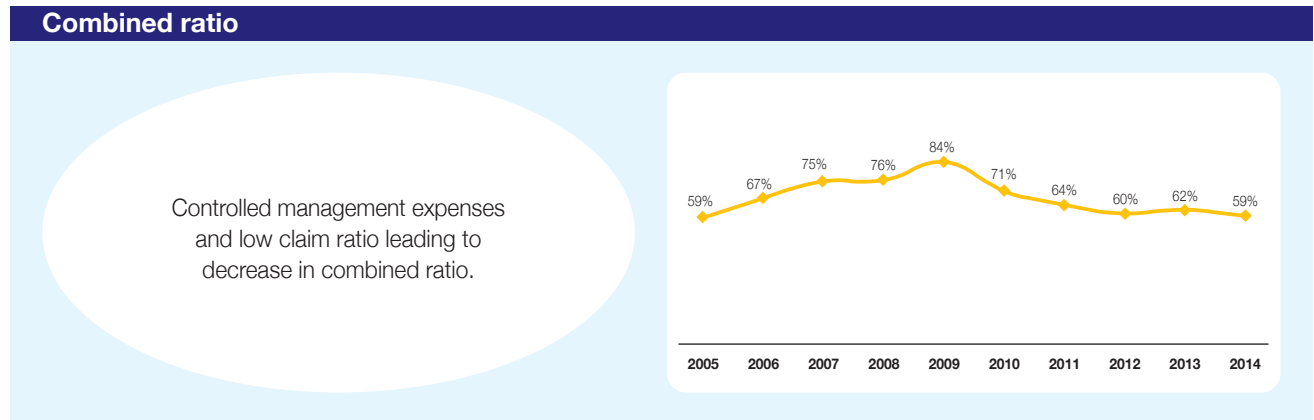
## Profit after tax and dividends



Consistent cash dividends paid to shareholders reflecting Company's commitment for returns to shareholders.

# Performance at a Glance (Graphical Presentation)

(Rupees in million)



# Analysis of Financial Statements

## Balance Sheet

Particulars	Vertical Analysis Composition of Balance Sheet						Horizontal Analysis % Change Year to Year												
	2014	2013	2012	2011	2010	2009	2014 Vs 2013	2013 Vs 2012	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008							
	(Rupees in thousand)						%	%	%	%	%	%	%						
<b>Current Assets</b>																			
Cash and bank balances	433,170	162,163	282,013	54,591	492,581	660,191	30.8	11.7	20.6	5.9	40.6	50.9	167.1	(42.5)	416.6	(88.9)	(25.4)	237.0	
Premiums due but unpaid	145,497	260,165	229,835	313,944	142,059	102,119	10.3	18.7	16.8	33.7	11.7	7.9	(44.1)	13.2	(26.8)	121.0	39.1	(6.0)	
Amounts due from other insurers/reinsurers	179,594	110,557	98,884	113,388	118,121	97,812	12.8	8.0	7.2	12.2	9.7	7.5	62.4	11.8	(12.8)	(4.0)	20.8	4.9	
Salvage recoveries accrued	5,685	6,810	8,535	3,370	9,985	13,391	0.4	0.5	0.6	0.4	0.8	1.0	(16.5)	(20.2)	153.3	(66.2)	(25.4)	6.5	
Accrued investment income	3,807	348	2,783	1,328	3,254	4,297	0.3	0.0	0.2	0.1	0.3	0.3	994.0	(87.5)	109.6	(59.2)	(24.3)	248.8	
Reinsurance recoveries against outstanding claims	179,685	236,457	121,248	153,484	192,769	160,368	12.8	17.0	8.8	16.5	15.9	12.4	(24.0)	95.0	(21.0)	(20.4)	20.2	3.2	
Deferred commission expense	50,608	63,673	67,320	22,896	16,318	15,143	3.6	4.6	4.9	2.5	1.3	1.2	(20.5)	(5.4)	194.0	40.3	7.8	(26.4)	
Prepayments	381,794	533,695	533,080	253,308	223,233	233,289	27.2	38.5	38.9	27.2	18.4	18.0	(28.5)	0.1	110.4	13.5	(4.3)	120.9	
Taxation - provision less payments	-	-	6,387	-	-	-	-	-	0.5	-	-	-	-	-	-	-	-	-	-
Sundry receivables	26,126	13,937	21,164	15,256	13,881	9,338	1.9	1.0	1.5	1.6	1.1	0.7	87.5	(34.1)	38.7	9.9	48.7	(90.9)	
<b>Total Current Assets</b>	<b>1,405,966</b>	<b>1,387,805</b>	<b>1,371,249</b>	<b>931,565</b>	<b>1,212,201</b>	<b>1,295,948</b>	<b>42.0</b>	<b>46.0</b>	<b>50.7</b>	<b>44.8</b>	<b>59.6</b>	<b>68.0</b>	<b>1.3</b>	<b>1.2</b>	<b>47.2</b>	<b>(23.2)</b>	<b>(6.5)</b>	<b>62.8</b>	
<b>Non Current Assets</b>																			
Fixed assets	49,247	53,856	65,576	45,492	43,916	47,421	2.5	3.3	4.9	4.0	5.3	7.8	(8.6)	(17.9)	44.1	3.6	(7.4)	(3.8)	
Capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2,605	2,284	851	1,417	-	-	0.1	0.1	0.1	0.1	-	-	14.1	168.4	(39.9)	-	-	-	
Long term loans	194	162	170	117	177	201	0.0	0.0	0.0	0.0	0.0	0.0	19.8	(4.7)	45.3	(33.9)	(11.9)	(56.8)	
Investments	1,868,597	1,550,372	1,255,886	1,089,256	772,048	558,250	96.4	95.3	94.3	95.0	93.9	91.6	20.5	23.4	15.3	41.1	38.3	13.0	
Deferred taxation	17,410	20,257	8,941	10,238	6,392	3,273	0.9	1.2	0.7	0.9	0.8	0.5	(14.1)	126.6	(12.7)	60.2	95.3	-	
<b>Total Non Current Assets</b>	<b>1,938,053</b>	<b>1,626,931</b>	<b>1,331,424</b>	<b>1,146,520</b>	<b>822,533</b>	<b>609,145</b>	<b>57.96</b>	<b>53.97</b>	<b>49.26</b>	<b>55.17</b>	<b>40.42</b>	<b>31.97</b>	<b>19.1</b>	<b>22.2</b>	<b>16.1</b>	<b>39.4</b>	<b>35.0</b>	<b>12.0</b>	
<b>Total Assets</b>	<b>3,344,019</b>	<b>3,014,736</b>	<b>2,702,673</b>	<b>2,078,085</b>	<b>2,034,734</b>	<b>1,905,093</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>10.9</b>	<b>11.5</b>	<b>30.1</b>	<b>2.1</b>	<b>6.8</b>	<b>42.2</b>	
<b>Equity &amp; Liabilities</b>																			
<b>Share Capital &amp; Reserves</b>																			
Share capital	701,614	637,831	531,526	442,938	369,115	335,559	42.1	44.4	44.4	43.9	43.1	44.9	10.0	20.0	20.0	20.0	10.0	25.0	
Reserves	421,064	344,064	301,064	265,064	244,064	222,064	25.3	23.9	25.1	26.2	28.5	29.7	22.4	14.3	13.6	8.6	9.9	(60.1)	
Retained earnings	544,824	456,136	365,835	301,917	243,218	190,340	32.7	31.7	30.5	29.9	28.4	25.4	19.4	24.7	21.2	24.1	(27.8)	195.4	
<b>Total Share Capital and Reserves</b>	<b>1,667,502</b>	<b>1,438,031</b>	<b>1,198,425</b>	<b>1,009,919</b>	<b>856,397</b>	<b>747,963</b>	<b>49.9</b>	<b>47.7</b>	<b>44.3</b>	<b>48.6</b>	<b>42.1</b>	<b>39.3</b>	<b>16.0</b>	<b>20.0</b>	<b>18.7</b>	<b>17.9</b>	<b>14.5</b>	<b>19.5</b>	
<b>Underwriting Provisions</b>	<b>1,057,228</b>	<b>1,105,302</b>	<b>1,044,520</b>	<b>749,033</b>	<b>759,565</b>	<b>685,624</b>	<b>31.6</b>	<b>36.7</b>	<b>38.6</b>	<b>36.0</b>	<b>37.3</b>	<b>36.0</b>	<b>(4.3)</b>	<b>5.8</b>	<b>39.4</b>	<b>(1.4)</b>	<b>10.8</b>	<b>26.8</b>	
<b>Current and other Liabilities</b>																			
Premium received in advance	56,429	8,052	5,572	2,758	47,004	48,757	9.1	1.7	1.2	0.9	11.2	10.3	600.8	44.5	102.0	(94.1)	(3.6)	906.3	
Amounts due to other insurers / reinsurers	315,070	236,671	257,751	169,757	223,694	266,387	50.9	50.2	56.1	53.2	53.4	56.5	33.1	(8.2)	51.8	(24.1)	(16.0)	191.6	
Accrued expenses	83,726	77,023	55,042	51,581	49,238	39,385	13.5	16.3	12.0	16.2	11.8	8.4	8.7	39.9	6.7	4.8	25.0	99.6	
Taxation - provision less payments	16,648	30,488	-	11,193	152	13,396	2.7	6.5	-	3.5	0.0	2.8	-	100.0	(100.0)	7,263.8	(98.9)	120.8	
Other creditors and accruals	92,842	77,869	113,880	61,199	79,511	87,587	15.0	16.5	24.8	19.2	19.0	18.6	19.2	(31.6)	86.1	(23.0)	(9.2)	150.8	
Other liabilities	54,574	41,300	27,483	22,645	19,173	15,994	8.8	8.8	6.0	7.1	4.6	3.4	32.1	50.3	21.4	18.1	19.9	10.8	
<b>Total Current and other Liabilities</b>	<b>619,289</b>	<b>471,403</b>	<b>459,728</b>	<b>319,133</b>	<b>418,772</b>	<b>471,506</b>	<b>18.52</b>	<b>15.64</b>	<b>17.01</b>	<b>15.36</b>	<b>20.58</b>	<b>24.75</b>	<b>31.4</b>	<b>2.5</b>	<b>44.1</b>	<b>(23.8)</b>	<b>(11.2)</b>	<b>175.2</b>	
<b>Total Liabilities</b>	<b>3,344,019</b>	<b>3,014,736</b>	<b>2,702,673</b>	<b>2,078,085</b>	<b>2,034,734</b>	<b>1,905,093</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>10.9</b>	<b>11.5</b>	<b>30.1</b>	<b>2.1</b>	<b>6.8</b>	<b>42.2</b>	



## Analysis of Financial Statements

### Profit and Loss Account

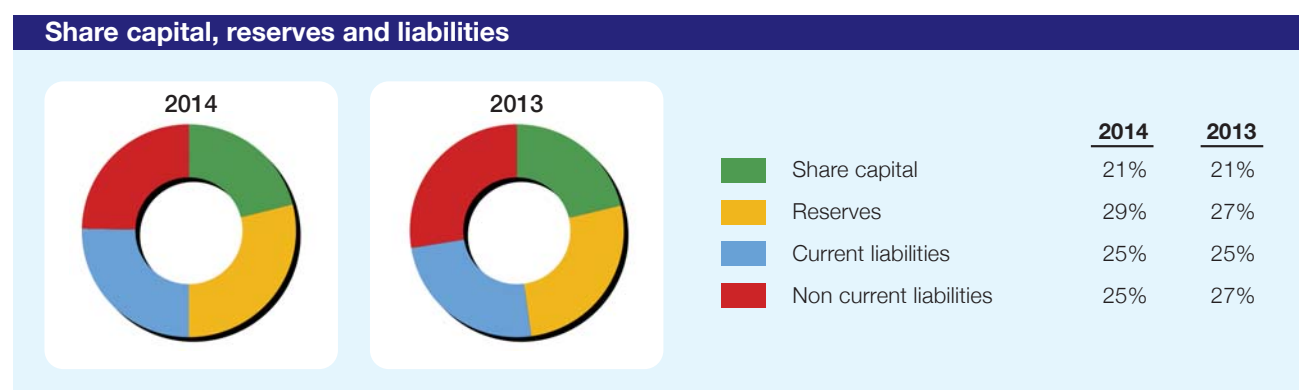
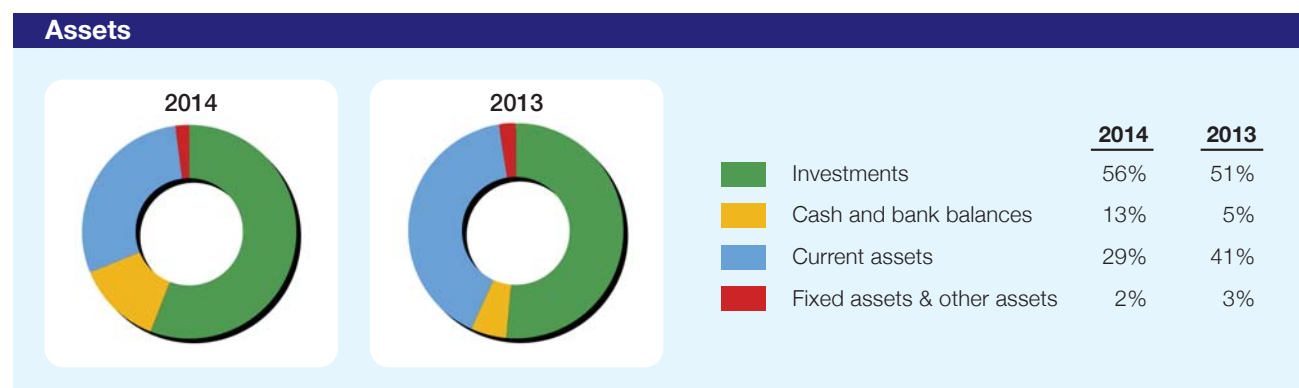
Particulars	2014 2013 2012 2011 2010 2009						Vertical Analysis Composition of Profit & Loss Account						Horizontal Analysis % Change Year to Year					
	(Rupees in thousand)																	
	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009	2014 Vs 2013	2013 Vs 2012	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008
						%	%	%	%	%	%	%	%	%	%	%	%	
<b>Gross Premium</b>	1,651,321	1,400,230	1,500,344	1,120,290	1,024,858	910,738	100.0	100.0	100.0	100.0	100.0	100.0	17.9	(6.7)	33.9	9.3	12.5	5.7
<b>Revenue Account</b>																		
Net premium revenue	878,381	755,684	603,616	591,289	530,269	443,534	53.2	54.0	40.2	52.8	51.7	48.7	16.2	25.2	2.1	11.5	19.6	(12.7)
Net claims	(210,525)	(163,418)	(133,237)	(153,294)	(176,504)	(192,355)	(24.0)	(21.6)	(22.1)	(25.9)	(33.3)	(43.4)	28.8	22.7	(13.1)	(13.1)	(8.2)	(16.9)
Expenses	(311,040)	(304,545)	(229,957)	(227,494)	(197,839)	(181,178)	(35.4)	(40.3)	(38.1)	(38.5)	(37.3)	(40.8)	2.1	32.4	1.1	15.0	9.2	17.7
Net commission	49,897	55,172	54,894	43,084	43,998	34,466	5.7	7.3	9.1	7.3	8.3	7.8	(9.6)	0.5	27.4	(2.1)	27.7	(3.7)
<b>Underwriting Results</b>	406,713	342,893	295,316	253,585	199,924	104,467	46.3	45.4	48.9	42.9	37.7	23.6	18.6	16.1	16.5	26.8	91.4	(34.0)
Investment income	294,682	246,399	180,692	133,572	102,634	118,230	42.7	41.9	38.6	33.4	31.4	49.8	19.6	36.4	35.3	30.1	13.2	(138.7)
Rental and other income	24,622	31,779	17,553	38,306	47,519	33,853	3.6	5.4	3.8	9.6	14.5	14.3	(22.5)	81.0	(54.2)	(19.4)	40.4	65.8
Financial charges	(435)	(437)	(467)	(424)	(411)	(550)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(6.4)	10.1	3.2	(25.3)	8.5
General and administration exp.	(34,767)	(33,062)	(25,331)	(24,955)	(22,536)	(18,806)	(5.0)	(5.6)	(5.4)	(6.2)	(6.9)	(7.9)	5.2	30.5	1.5	10.7	19.8	33.2
	284,102	244,679	172,447	146,499	127,206	132,727	41.1	41.6	36.9	36.6	38.9	56.0	16.1	41.9	17.7	15.2	(4.2)	(144.3)
<b>Profit Before Taxation</b>	690,815	587,572	467,763	400,084	327,130	237,194	41.83	41.96	31.18	35.71	31.92	26.04	17.6	25.6	16.9	22.3	37.9	(268.2)
Taxation	(145,847)	(131,599)	(101,407)	(98,916)	(84,472)	(48,138)	(21.11)	(22.40)	(21.68)	(24.72)	(25.82)	(20.29)	10.8	29.8	2.5	17.1	75.5	(17.8)
<b>Profit After Taxation</b>	544,968	455,973	366,356	301,168	242,658	189,056	33.0	32.6	24.4	26.9	23.7	20.8	19.5	24.5	21.6	24.1	28.4	(194.7)

## Cash Flow Statement

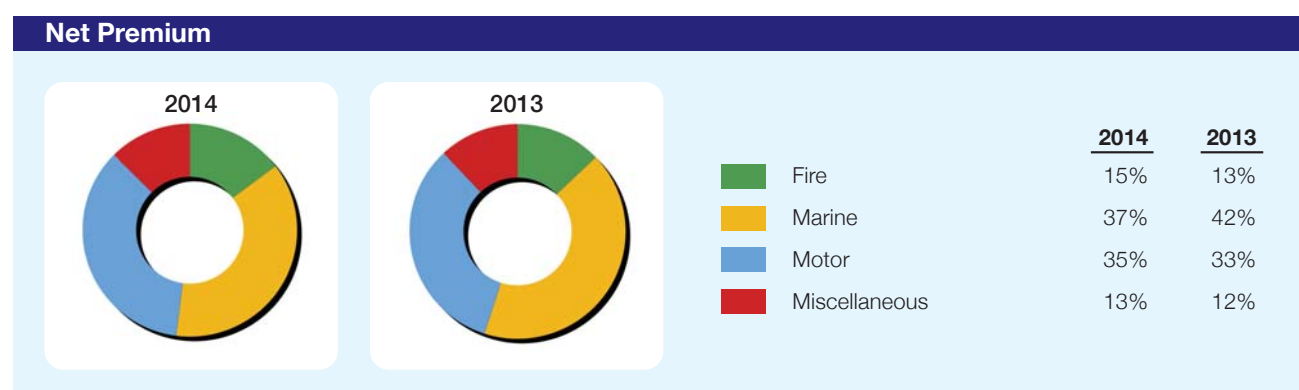
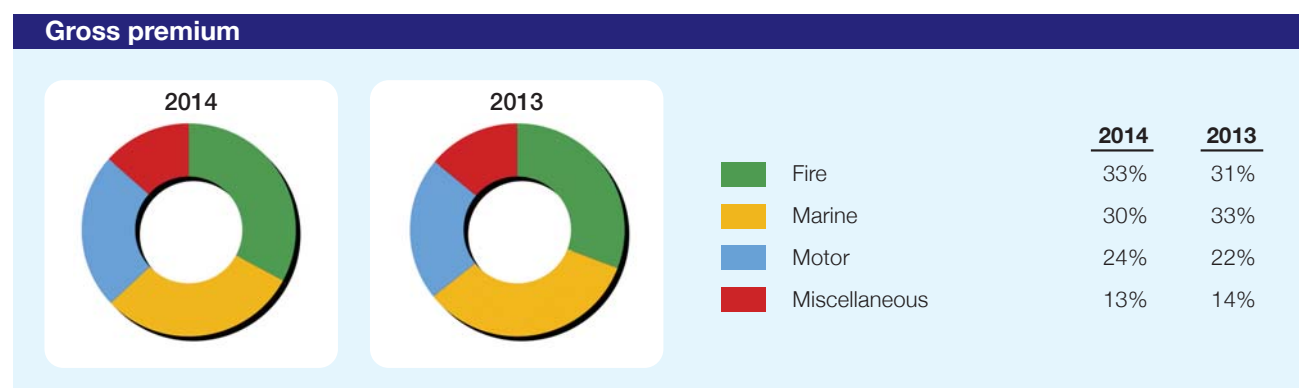
Particulars	2014 2013 2012 2011 2010 2009						Vertical Analysis Composition of Cash Flow						Horizontal Analysis % Change Year to Year					
	(Rupees in thousand)																	
	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009	2014 Vs 2013	2013 Vs 2012	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008
						%	%	%	%	%	%	%	%	%	%	%	%	
Cash flow from operating activities	592,054	100,698	399,670	(139,230)	30,156	357,795	218.5	(84.0)	175.7	31.8	(18.0)	77.1	488.0	(74.8)	387.1	(561.7)	(91.6)	17,209.9
Cash flow from investing activities	(11,019)	(14,226)	1,030	(153,766)	(66,210)	172,576	(4.1)	11.9	0.5	35.1	39.5	37.2	(22.5)	(1,481.2)	100.7	(132.2)	(138.4)	(25.2)
Cash flow from financing activities	(310,028)	(206,322)	(173,278)	(144,994)	(131,556)	(66,108)	(114.4)	172.2	(76.2)	33.1	78.5	(14.2)	(50.3)	(19.1)	(19.5)	(10.2)	(99.0)	54.3
(Decrease) / increase in cash & cash equivalents	271,007	(119,850)	227,422	(437,990)	(167,610)	464,263	100.0	100.0	100.0	100.0	100.0	100.0	326.1	(152.7)	151.9	(161.3)	(136.1)	9,670.5

## Analysis of Financial Statements

### Graphical Presentation (Balance Sheet)

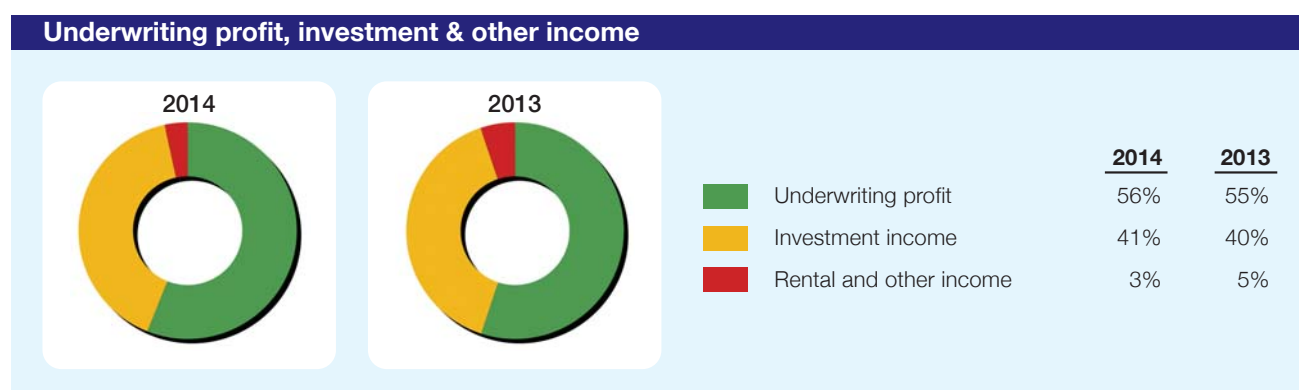
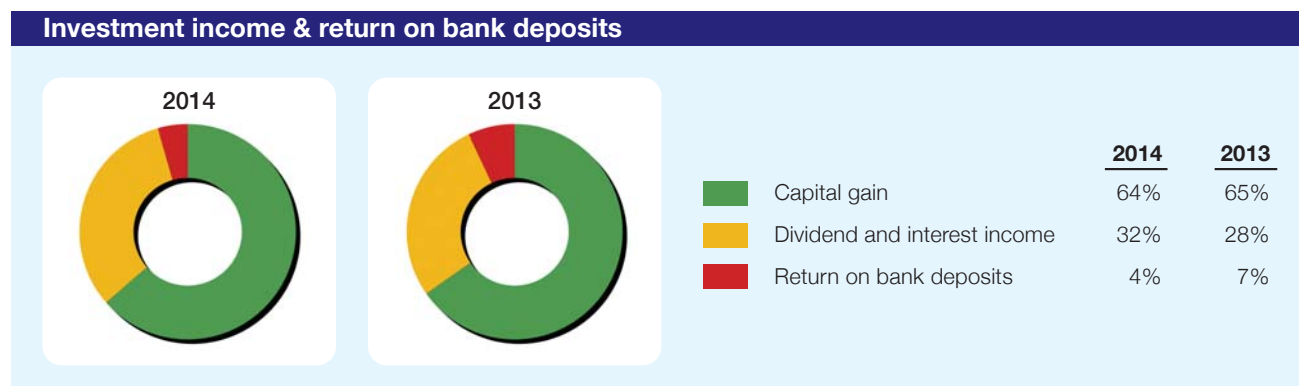


### Graphical Presentation (Profit and Loss Account)

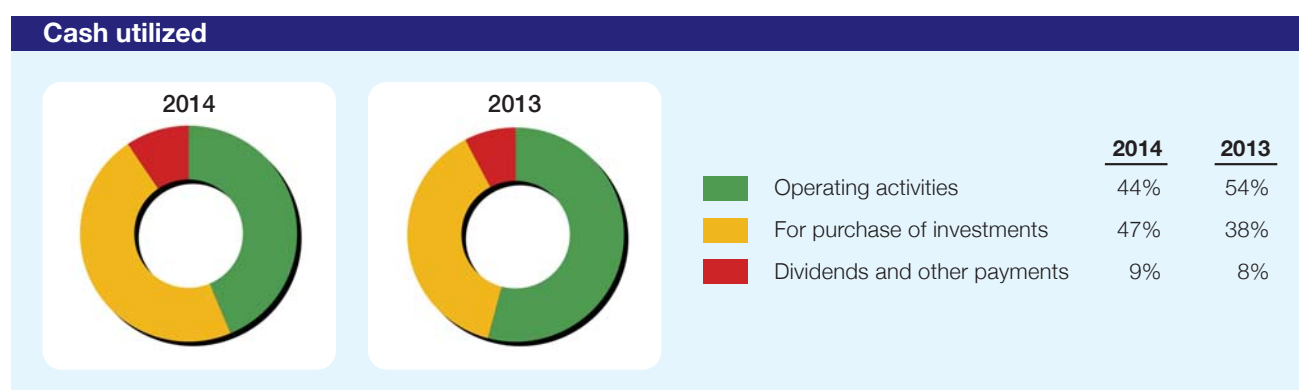
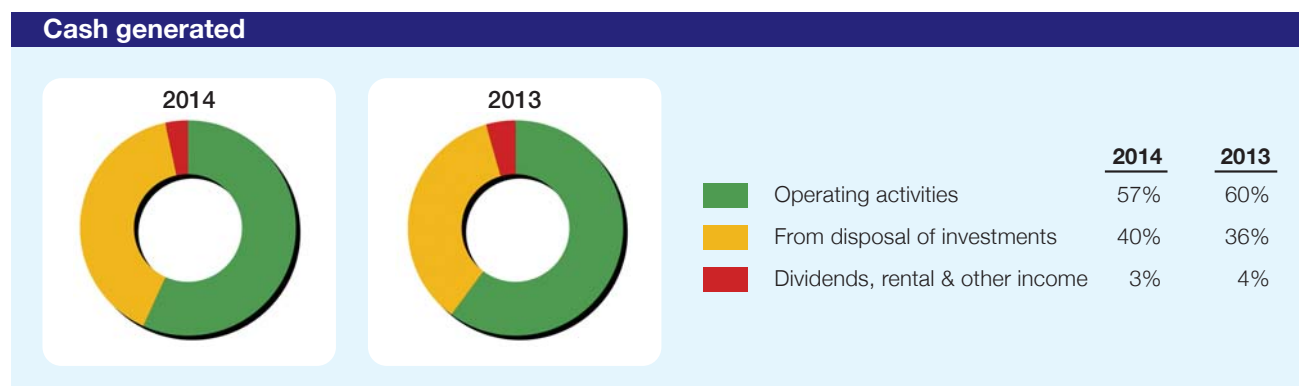


## Analysis of Financial Statements

### Graphical Presentation (Profit and Loss Account)



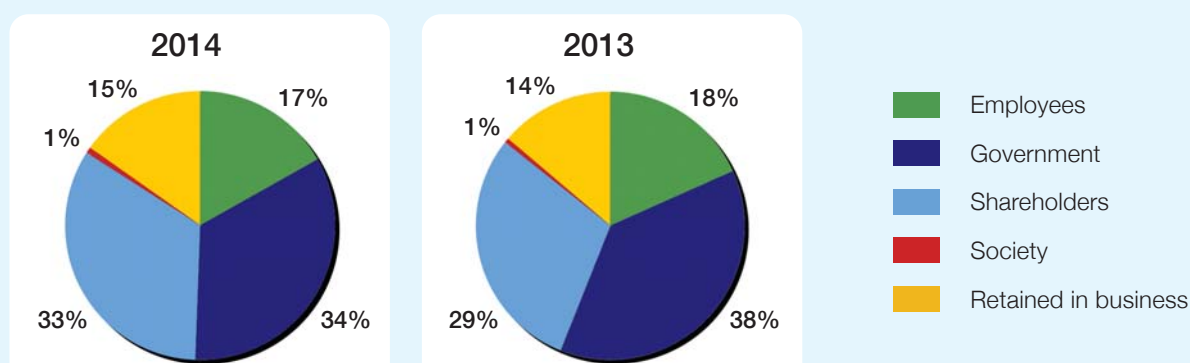
### Graphical Presentation (Cash Flow)



## Statement of Value Addition

	2014		2013	
	(Rupees in thousand)	%	(Rupees in thousand)	%
<b>Wealth Generated</b>				
Gross premium (including FED and FIF)	1,890,754		1,674,481	1,674,481
Commission income	49,897		55,172	
Income from investment	294,682		246,399	
Rental and other income	24,442		31,779	
	2,259,775		2,007,831	
Management and other expenses	1,119,757		932,458	
	<u>1,140,018</u>	<u>100.00%</u>	<u>1,075,373</u>	<u>100.00%</u>
<b>Wealth Distributed</b>				
<b>To Employees</b>				
Salaries, wages and other benefits	191,864	16.83%	196,866	18.31%
<b>To Government</b>				
Company taxation	145,847	12.79%	131,599	12.24%
Levies (Including FED and FIF)	239,433	21.00%	274,249	25.50%
	385,280	33.80%	405,848	37.74%
<b>To Shareholders</b>				
Cash dividend	318,916	27.97%	212,610	19.77%
Stock dividend	63,783	5.59%	106,305	9.89%
	382,699	33.57%	318,915	29.66%
<b>Financial Charges</b>				
To providers of finance	-	-	-	-
<b>To Society</b>				
Endowment, donation etc.	6,919	0.61%	5,860	0.54%
<b>Retained in Business</b>				
Depreciation and amortization	10,987	0.96%	10,826	1.01%
Statutory reserves	77,000	6.75%	43,000	4.00%
Retained profit / (loss)	85,269	7.48%	94,058	8.75%
	173,256	15.20%	147,884	13.75%
	<u>1,140,018</u>	<u>100.00%</u>	<u>1,075,373</u>	<u>100.00%</u>

### Wealth Distribution



## Chairman's Review

It is my pleasure to present the 80th Annual Report and performance review of the Company on behalf of the Board for the year ended December 31, 2014.

### The Economy

The GDP growth target of 5.1% set for the fiscal year 2014-15 though ambitious, looks achievable provided the government is able to manage fiscal and trade deficit, balance of payment and manufacturing and service sector growth. Considering the average GDP growth of 3.6% for the last five years the economic outlook of Pakistan has improved. A stable exchange rate regime, declining inflation, reduction in interest rates, growth in foreign exchange reserves and workers' remittances are indicators of improved economic growth. Expected release of coalition support fund, successful completion of fourth and fifth review under IMF's Extended Fund Facility and issuance of International Sukus have also contributed to the forex reserve position of the country. With the IMF program on track and expected proceeds from privatization and foreign currency inflows, the net reserves will further improve.

Karachi Stock Exchange remained third best equity market in the world with 33.7% dollar-based return during the year under review. Workers' remittances continued to show an increasing trend and rose to USD 8.98 billion during first half of the year 2014-15, up 15.26% as against USD 7.79 billion of same period last year. The Foreign Direct Investment during first six months of the fiscal year 2014-15 increased by 18.9% from USD 444.9 million to USD 529.1 million in the same period last year.

International oil prices have sharply declined during H1-FY15, reaching their lowest level for about six years. This fall is largely associated with sluggish global demand and new shale oil discoveries in North America and reluctance on part of major oil exporting countries to reduce their supplies in the international market. Oil and oil commodities make up nearly one third of Pakistan's imports, and any fall in oil prices reduces pressure on the Rupee, which has appreciated 4.5% this year.

In January 2015, the State Bank of Pakistan (SBP) trimmed policy rate by 100 basis points, bringing the rate to 8.5%, which is lowest since April 2005. This reduction was largely attributed to decline in headline inflation, better balance of payment situation and strengthened local currency. SBP has revised down its inflation target to 4.5%-5.5% for FY15 on the back of falling commodity prices and stable exchange rate. Inflation is expected

to continue following a downward trajectory, which augurs well for the economy.

Key macroeconomic indicators have improved. Containment of fiscal deficit thus far is also encouraging and bodes well for the credibility of consistent and coherent policies of the government and for the continuation of capital inflows. With these positive developments, first half of the current fiscal year ended with better macroeconomic outlook for the remaining half of FY15.

### The Insurance Industry

Year 2014 has been good for the insurance sector. The gross premium growth in nine months was 12.39% which is quite decent as compared to 4.57% of last year. The insurance penetration though remains low. However, the regulator is continuously making efforts to increase penetration in this sector which currently stands at 0.3% of GDP. This is the lowest level in the region against the average of 1.6%.

The SECP has been taking various steps to promote the insurance sector in the country. One of the major steps taken was allowing Window Takaful Operations to conventional insurance companies. The penetration rate of Takaful business is very low in Pakistan as compared to other countries and there appears to be good potential in this business. The Company is considering to enter the Window Takaful Operations in due course.

In 2014, the global insurance industry was emerging from the combination of financial turmoil and economic uncertainty. Although it remains premature to unequivocally state that the difficult times are behind us, some signs point to significant pockets of opportunity. Economic growth in Emerging Asia is expected to remain fairly strong and stable. In Southeast Asia, economic activity is expected to be robust with strong economic growth in the Philippines, Malaysia and Vietnam.

Moving forward, challenges and opportunities alike will require insurers to invest in technology to improve services and determine how to achieve profitable growth and improve underwriting results through good risk management. This is important to remain a relevant and attractive market for foreign reinsurers.

### The Company Results

#### Premium

The gross premium for the year reached Rs.1.651 billion as compared to Rs.1.400 billion of last year, posting 18% growth.

The net premium also rose to Rs. 878.38 million against Rs. 755.68 million of last year. The underwriting profit was Rs. 406.71 million as compared to Rs. 342.89 million of the last year, up 19%. It is worth mentioning that these results were achieved in a challenging environment for the country and reflect the fundamental strength of the company's core business.

**Segments at a Glance**

**Fire and Property Damage**

Gross premium in this segment grew by 26% to Rs. 542.03 million against Rs. 431.53 million of 2013. Net premium also increased by 33% to Rs. 129.48 million from Rs. 97.45 million. The net claims decreased to Rs. 3.28 million as compared to Rs. 5.39 million of last year, contributing a healthy increase in underwriting profit of 48% to Rs. 74.47 million as compared to Rs. 50.16 million of last year.

**Marine Aviation & Transport**

This portfolio contributed gross underwriting premium of Rs. 496.88 million against Rs. 468.65 million of last year. The net premium also increased to Rs. 327.52 million from Rs. 317.80 million of last year. The net claim ratio also increased slightly to 6.8% against 6.3% of last year. The segment's underwriting profit increased to Rs. 259.73 million from Rs. 236.84 million of last year.

**Motor**

The motor business registered growth of 28% as compared to previous year. The premium underwritten rose to Rs. 389.39 million against Rs. 304.64 million of last year. The net claim ratio increased to 42% from 38% of last year. The underwriting profit increased to Rs. 41.81 million from Rs. 39.53 million of last year.

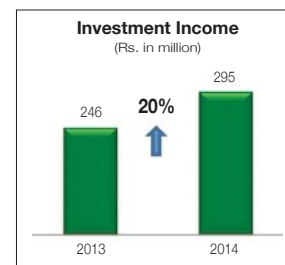
**Miscellaneous**

For miscellaneous portfolio, gross premium underwritten rose to Rs. 223.02 million from Rs. 195.41 million in 2013 thus registering growth of 14%. Net premium under this segment also rose to Rs. 109.91 million from Rs. 90.71 million of last year. The net claim ratio increased marginally to 49% from 47% of last year. The segment's underwriting profit was Rs. 30.70 million as compared to Rs. 16.36 million of 2013.

**Investment Management**

Adhering to investment objective of attaining high returns by investing in fundamentally sound instruments, the management

under the guidance and advice of the Investment Committee closely monitored its investment portfolio. Management of your Company prudently invests funds and seeks capital gain as well as attractive dividend yield in line with the market conditions.



The investment income of the Company including realized capital gain was recorded at Rs. 294.68 million as compared to Rs. 246.40 million in the year 2013. Capital gain contributed Rs. 198.60 million against Rs. 172.91 million of last year. Additional investment of Rs. 318 million was also made during the year in different instruments in line with the Company policy.

The book value of investment as at December 31, 2014 stood at Rs. 1.87 billion (market value Rs. 3.73 billion) against Rs. 1.55 billion (market value Rs. 2.54 billion) of last year. This reflects a strong financial base of your Company as well as better utilization of company funds.

**Capital Management**

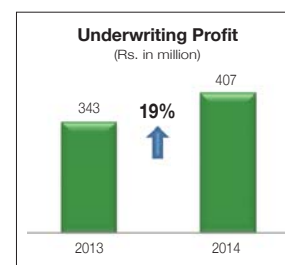
Your Company is committed to maintain a strong financial profile which gives financial flexibility to achieve growth and portfolio optimization goals. The Company has a strong capital base having a paid up capital of Rs. 701.61 million and an equity base of Rs. 1.67 billion. The Company's capital base is structured keeping in view the future expansion and growth of the Company.

**Treasury Management**

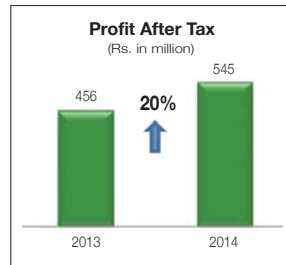
Positive cash flow is vital for investment and future growth. The Company ensures that adequate liquid assets are available so that liquidity risk is minimized for maintaining healthy cash and cash equivalents. Your Company gives the utmost importance to its positive cash flows and controls its financing and investment activities accordingly. The cash and cash equivalents at the end of the year were Rs. 433.17 million as compared with Rs. 162.16 million at the end of year 2013.

**Profitability**

The underwriting profit rose significantly to Rs. 406.71 million from Rs. 342.89 million of last year, 19% increase.



Higher investment income of Rs. 294.68 million contributed increase in profit before tax, which rose to Rs. 690.82 million against Rs. 587.57 million of last year. After providing Rs. 145.85 million for tax, the net profit after tax stood at Rs. 544.97 million as compared to Rs. 455.97 million of last year, up 20%.



### Reinsurance

Your Company has reinsurance arrangements with the world's leading and renowned reinsurers including Swiss Re, Hanover Re, Tokyo Marine and Nichido Fire Insurance, Sampo Japan and Malaysian Re. This year the Company once again negotiated reinsurance arrangements on improved terms in almost all the segments despite difficult international reinsurance market scenario.

The reinsurance program has been structured to provide appropriate protection to all classes of business underwritten by the company at the most economical cost. Your Company keeps endeavoring to increase capacities for underwriting traditional insurances as well as non-conventional lines of insurance business.

### Policyholder and Customer Service

Your Company believes that good service helps turn customers into ambassadors for your business and develops a loyal customer base. The efforts of the management to continuously reinforce the importance of good customer service, providing them risk based insurance products and settling their claims expeditiously has contributed to further strengthening the image of the Company.

### Information Technology

Strategic initiative to leverage information technology for improved business performance continued yielding required results. Your Company recognizes the importance of technology in the conduct of business and the need for investing in new technology. For better controls in the operations and to meet the comprehensive business needs substantial changes were introduced and implemented in the financial and insurance modules of the Company. In an endeavor to reduce paper based environment and to save old records, digital document archiving system has been deployed. Moreover complete back up servers for disaster recovery have been set up at the state of the Atlas Group ITRC facility in Karachi. IT as part of the Company strategy is poised to provide a competitive edge to the organization.

### Human Resource and Associate Development

Atlas Insurance is a progressive organization with focused approach towards development of human resource for increasing organizational and self-productivity in order to meet the increasing competition of the industry. The Company demonstrates engagement in diversity, proactive inclusion and equal opportunity for investment in our people and Company's future growth. The core strategy of your company is based on seven 'S' System; Strategy, Structure, System, Shared Values, Style, Staff, and Skill.

The 'Atlas Way' is fundamental to the Company's human resource development. The key principles are as follows: Respect, Recognition and Reward and Training and Development. This is in line with the Group's motto "Organization development through Self-Development". The Company, being a constituent member of Atlas group, lays heavy emphasis on the Atlas Culture in all respects.

Employee's individual performance leads to team strength, which is ultimately reflected in the organization's overall performance. Besides conducting in house trainings, employees are also sent on training programs conducted by reputable institutions like IBA, LUMS and PIMS. Management also encourages employees to appear in ACII examination, attend various diploma and seminars to improve their education and skills.

Being a strong believer of Management by Objectives, your Company's management sets objectives of individual team members at the beginning of the year with defined success criteria. It reviews these objectives periodically and at the year-end evaluates individual performance to reward accordingly.

### Corporate Social Responsibility

Your Company is fully aware of its corporate social responsibilities and in line with Atlas Group philosophy, believes in repaying the society. The Company contributes 1% of its profit before tax to Atlas Foundation which then carries out different welfare works predominantly focused on education. The corporate social responsibility is at the heart of the value system being followed by the Company under which not only the Company but associates working in the Company play their role in the development of the society. Your Company is committed to work across all barriers of race, religion, color and background. The only yardstick is merit and value system.

### Risk Management System

Your Company places much importance to the Risk Management

system and has developed an internal risk management framework relevant to insurance industry. As insurance is all about risk mitigation, a responsible insurer needs to place effective control in underwriting risk, business risk, reinsurance risk, financial risk, investment risk and currency risk. These risks are closely monitored and appropriate measures have been put in place to reduce such risks.

### 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.399.1 million towards government exchequer on account of income tax, federal excise duty and other levies. The management of your Company strongly believes in the development of the economy through discharging the obligations by timely and accurate payment of all government dues including taxes. Atlas Group as a whole has contributed over Rs. 29 billion to the national exchequer, which is 1% of the total tax contribution for the year 2013-14, a significant share in the government revenue.

### Rating by PACRA

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of your Company at "AA". The rating denotes a very strong capacity to meet policyholders and contract obligations. At the same time risk factors are considered modest, and the impact of any adverse business and economic factors is expected to be very limited. The rating captures the Company's robust underwriting performance, consistent over the years. PACRA has also recognized Company's sound panel of reinsurers with favorable treaty terms and prudent risk retention policies.

### Future Outlook

The country is facing multiple dimensional challenges out of which the law and order situation is the most critical. Increased political stability and its expected maturity in the long run is likely to contribute in boosting investor confidence in the economy.

Government's reform efforts are slowly bearing fruits, with efforts to reduce energy subsidies, broadening the tax base, and offloading stakes in public sector enterprises will be the contributing factors in substantially lowering the fiscal deficit. Success of the privatization drive, structural reforms and progress in cracking down on terrorism is essential for better performance for the government in 2015. Increased regional co-operation between South and East Asian economies, particularly in the area of

energy infrastructure, should provide strong support to investment growth in Pakistan over the coming years.

Amid improving macroeconomic conditions, business sentiments are likely to strengthen. Availability of cheap raw material, low input cost, and healthy construction activity, as indicated by higher cement sale and steel production, are expected to benefit commodity producing sector. Agriculture sector is likely to grow at higher pace on the back of estimated higher wheat, cotton, stable rice and sugarcane production.

Moreover, as a result of decreasing oil prices, consumer spending may increase which in turn will drive the demand of consumer durables. On the other hand, with limited impact of floods on rice and sugarcane crops and with incentives for Rabi crops in place, the prospects for better agriculture sector performance in this fiscal year is promising. In this backdrop, the real GDP is therefore expected to maintain the growth momentum going forward. I am confident that the management of your Company is fully aware of this situation and is also well prepared and equipped to meet the challenges ahead:

عِ نَمُودِی کُو کَر بَلَنْدِ اَتَنَّا کِه ہر تَقْدِیر سَے پَہلے  
خدا بِنْدے سَے نَمُودِ پُوچھے تَنَّا تِی رِضَا کِیَا ہِے

(Bliss is blissful)

### Acknowledgement

I wish to express my sincere appreciation to our valued shareholders, clients, reinsurers, SECP and financial institutions. Their cooperation and support over the years have contributed greatly in improving our products and services for customers, society and the national economy at large.

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. Arshad P. Rana, and his team for their efforts, dedication and sincerity of purpose.



Yusuf H. Shirazi  
Chairman



## Directors' Report

The directors of your Company take pleasure in presenting their report together with the audited financial statements and Auditors' Report thereon for the year ended December 31, 2014. The director's report, prepared under section 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance, will be put forward to the members at the eightieth Annual General Meeting of the Company to be held on April 10, 2015.

### Financial Results

Following is the overall performance of the Company for the year ended December 31, 2014:

	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)	
Gross premium	1,651,321	1,400,230
Profit for the year before tax	690,815	587,572
Taxation:		
Current	143,000	142,915
Deferred	2,847	(11,316)
Prior years - current / deferred	-	-
	145,847	131,599
Profit for the year after tax	544,968	455,973
Un-appropriated profit brought forward	869	4,595
Profit available for appropriation	545,837	460,568
<b>*Appropriations:</b>		
Transferred to general reserve	(124,000)	(77,000)
Proposed bonus shares Nil (2013 : @ 10%)	-	(63,783)
Proposed cash dividend @ 60% (2013 : @ 50%)	(420,968)	(318,916)
	(544,968)	(459,699)
Unappropriated balance carried forward	869	869

\* The Board of directors has recommended cash dividend of Rs. 6 per share i.e. 60% for the year ended December 31, 2014. The financial statements do not reflect these appropriations in compliance with the Fourth Schedule of the Companies Ordinance, 1984.

### Earnings Per Share

Earnings per share after tax is Rs. 7.77 as against Rs. 6.50 (Restated) in 2013.

### 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, 2014 and future prospects. The directors endorse the contents of the review.

### Board of Directors

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

The Board has an optimum combination of executive and non-executive directors in which six out of seven are non-executive. None of the directors on the Board is a director of more than 7 listed companies including this Company. All the directors represent diverse fields / professions and possess all the necessary skills and understanding to deal with various business issues and have the ability to review management performance.

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

S. No.	Directors	Directorships in listed companies including Atlas Insurance Limited	Attendance in the meetings of	
			Board of Directors	Audit Committee
1	Mr. Yusuf H. Shirazi	4	4/4	N/A
2	Mr. Isphanyar M. Bhandara	2	2/4	N/A
3	Mr. Feroz Rizvi	1	4/4	5/5
4	Mr. Ali H. Shirazi	2	4/4	4/5
5	Mr. Fahim Ali Khan	1	4/4	4/5
6	Mr. Jawaid Iqbal Ahmed	1	4/4	N/A
7	Mr. Arshad P. Rana	1	4/4	N/A

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

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

#### Evaluation of Board's Own Performance

The Board has set a criteria for annual evaluation of its own performance. Evaluation of Board's role and effectiveness is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company.
- Strategy formulation for sustainable operations and subsequent performance evaluation.
- Evaluate adequacy of qualification and expertise required.
- Board's independence
- Evaluation of Board's committees performance in relation to discharging their responsibilities set out in their terms of reference.

#### External Auditors

The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee recommends and the Board endorses that they be appointed as Auditors for the year ending December 31, 2015.

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

The external auditors attended those Audit Committee meetings in which audited / reviewed financial statements of the Company were considered by the Audit Committee. The auditors have confirmed that they have no issue of independence and they have already reported all their concerns in the Board Letters.

## Board and its Committees

### Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board. Audit Committee was established to assist the directors in discharging their responsibilities towards the Company.

### Human Resource & Remuneration Committee

Human Resource & Remuneration Committee was established by the Board to assist directors in discharging their responsibilities with regard to selection, evaluation, compensation and succession planning of key management personnel. The Committee is also responsible to review human resource policies and procedures of the Company and its periodic review. The Committee consists of three members. Majority of the members including the Chairman are non-executive directors. During the year 2014 one meeting of this Committee was held which was attended by all the members.

### Employees' Retirement Benefits

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

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

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

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

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

<b>Provident Fund</b>	Rs. 85.97 million (as at December 31, 2014)
<b>Gratuity Fund</b>	
Management staff	Rs. 47.85 million (as at June 30, 2014)
Non-management staff	Rs. 12.80 million (as at December 31, 2014)

### Compliance with the Code of Corporate Governance as contained in the Listing Regulations of stock exchanges

The directors confirm the compliance of the requirements of the Code of Corporate Governance as set out by the Karachi and Lahore stock exchanges in their Listing Regulations, relevant to the year ended December 31, 2014. Separate statements to these effects are annexed.

### Statement of Directors' Responsibilities

The Board regularly reviews the Company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed by the Board in light of the Company's overall objectives. The Board is committed to maintain high standards of good corporate governance. The Company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and the listing rules of the stock exchanges.

#### 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 ten years are annexed.

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

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

### **Taxes and Levies**

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

## **Related Party Transactions**

In order to comply with the requirements of Listing Regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions were reviewed / recommended by the Audit Committee and approved by the Board of directors in their respective meetings. Detail of related party transactions is disclosed in note 28 of the financial statements.

## **Pattern of Shareholding**

The pattern of shareholding of the Company is annexed.

## **Code of Conduct**

The Company has prepared a 'Code of Conduct', which has been 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 Listing Regulation No. 35 of the Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984 and Listing Regulations have been complied with.

## **Material Changes**

There have been no material changes since December 31, 2014 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 places due emphasis 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 the year ended December 31, 2013, the market share of the Company was 2.88%. Status for the year 2014 will be known once statistics of all the companies are compiled by the IAP.

**Directors Training Programs**

One of the directors successfully completed Directors Training Program (DTP) during the period from July 2013 to June 2014.

**Whistle Blowing Policy**

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

**Communication**

Communication with the shareholders is given a high priority. Annual reports are distributed to the members and half yearly and quarterly reports are placed on Company's website within the time specified by the Companies Ordinance, 1984 and the Code of Corporate Governance. The Company also has a web site, [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk), which contains up-to-date information on Company's activities and financial reports.

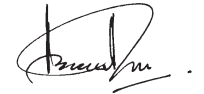
**Outstanding Statutory Payments**

All outstanding payments are of normal and routine nature.

**Safety and Environment**

The Company follows the safety and environment rules and regulations.

For and on behalf of the  
Board of Directors



**Arshad P. Rana**  
Chief Executive

Lahore: February 27, 2015



## Pattern of Shareholding as at December 31, 2014

### Information required under the Code of Corporate Governance

Categories of shareholders	Number of shareholders	Shares held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail)</b>			
Shirazi Investments (Pvt.) Limited	1	23,860,942	34.01%
Shirazi Capital (Pvt.) Limited	1	22,068,013	31.45%
Shirazi (Pvt.) Limited	1	6,923,144	9.87%
Atlas Foundation	1	1,929,336	2.75%
Iftikhar Shirazi Family Trust	1	1	0.00%
<b>NIT and ICP</b>			
IDBP - (ICP Unit)	2	753	0.00%
<b>Director, Chief Executive and their spouse and minor children</b>			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	1	0.00%
Mr. Feroz Rizvi	1	660	0.00%
Mr. Isphanyar M. Bhandara	1	1	0.00%
Mr. Ali H. Shirazi	1	1	0.00%
Mr. Frahim Ali Khan	1	1	0.00%
Mr. Jawaid Iqbal Ahmed	1	680	0.00%
Mr. Arshad P. Rana	1	92,666	0.13%
* <b>Executives</b>	2	92,667	0.13%
<b>Public Sector Companies &amp; Corporation</b>			
State Life Insurance Corporation of Pakistan	1	1,978,915	2.82%
<b>Banks, Development Finance Institutions Non-Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds</b>			
Habib Insurance Company	1	166,500	0.24%
Habibsons Bank Limited	1	93,500	0.14%
Credit Suisse (Hong Kong) Limited	1	160,000	0.23%
** <b>Shareholders holding 5% or more voting interest</b>	3	52,852,099	75.33%
<b>Individuals</b>	1,270	11,130,421	15.86%
<b>Others</b>	30	1,755,846	2.50%
<b>Total</b>	<u>1,318</u>	<u>70,161,381</u>	<u>100.00%</u>

\* Both the executives, as per threshold determined by the Board of directors, exist in disclosure related to directors, therefore not included in the total.

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



## Statement of Compliance with the Code of Corporate Governance For the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Listing Regulations of Karachi and Lahore stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF. No director in the Board is a member of any of the stock exchanges in Pakistan.
4. No casual vacancy occurred on the Board during the year ended December 31, 2014.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other non-executive directors, have been taken by the Board.
8. The meetings of the Board were chaired by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been provided information and presentation on the Code of Corporate Governance 2012. One director has successfully completed Directors' Training Program (DTP) during the period from July 2013 to June 2014. Three directors have now become certified directors, while three meet the criteria of exemption under Clause (xi) of the Code and are accordingly exempted from DTP. Remaining director will acquire the required directors training certification within the time specified in the Code.



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

For and on behalf of the  
Board of Directors



**Arshad P. Rana**  
Chief Executive

Lahore: February 27, 2015

## Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of directors of Atlas Insurance Limited (the Company) for the year ended December 31, 2014 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited and Listing Regulations No. 35 Chapter XI of Lahore Stock Exchange Limited, where the Company is listed.

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

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

The Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of directors upon recommendations of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

*Ernst & Young Ford Rhodes Sidat Hyder*

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

Audit Engagement Partner: Mohammed Junaid

Lahore

Date: February 27, 2015

## Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

- i. balance sheet;
- ii. profit and loss account;
- iii. statement of comprehensive income;
- iv. statement of changes in equity;
- v. cash flow statement;
- vi. statement of premiums;
- vii. statement of claims;
- viii. statement of expenses; and
- ix. statement of investment income

of Atlas Insurance Limited (the Company) as at December 31, 2014, together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.4 of these financial statements, with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014 and of the profit, its cash flow and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

*Ernst & Young Ford Rhodes Sidat Hyder*

**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants

Audit Engagement Partner: Mohammed Junaid

Lahore

Date: February 27, 2015

## Balance Sheet

	<u>Note</u>	<u>2014</u> (Rupees in thousand)	<u>2013</u> (Rupees in thousand)
<b>Share capital and reserves</b>			
Authorised share capital 80,000,000 (2013: 80,000,000) ordinary shares of Rs. 10 each		800,000	800,000
Issued, subscribed and paid up capital 70,161,381 (2013: 63,783,074) ordinary shares of Rs. 10 each	6	701,614	637,831
Reserves	7	421,064	344,064
Retained earnings		544,824	456,136
		1,667,502	1,438,031
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		276,994	309,529
Provision for unearned premium		718,802	732,848
Commission income unearned		61,432	62,925
Total underwriting provisions		1,057,228	1,105,302
<b>Creditors and accruals</b>			
Premium received in advance		56,429	8,052
Amounts due to other insurers / reinsurers	8	315,070	236,671
Accrued expenses	9	83,726	77,023
Taxation - provision less payments		16,648	30,488
Other creditors and accruals	10	92,842	77,869
		564,715	430,103
<b>Other liabilities</b>			
Deposits against performance bonds		13,404	9,453
Unclaimed dividends		41,170	31,847
		54,574	41,300
<b>TOTAL LIABILITIES</b>		1,676,517	1,576,705
<b>TOTAL EQUITY AND LIABILITIES</b>		3,344,019	3,014,736
<b>CONTINGENCIES AND COMMITMENTS</b>	11		

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

## As at December 31, 2014

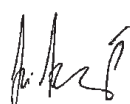
	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u>
<b>Cash and bank deposits</b>	12		
Cash and other equivalents		176	112
Current and other accounts		432,994	162,051
		433,170	162,163
<b>Loans to employees - secured considered good</b>	13	194	162
<b>Investments</b>	14	1,868,597	1,550,372
<b>Deferred taxation</b>	15	17,410	20,257
<b>Current assets - others</b>			
Premium due but unpaid	16	145,497	260,165
Amounts due from other insurers / reinsurers	17	179,594	110,557
Salvage recoveries accrued		5,685	6,810
Accrued investment income	18	3,807	348
Reinsurance recoveries against outstanding claims		179,685	236,457
Deferred commission expense		50,608	63,673
Prepayments	19	381,794	533,695
Sundry receivables	20	26,126	13,937
		972,796	1,225,642
<b>Fixed assets</b>	21		
<b>Tangible</b>			
Freehold land		1,168	1,168
Buildings on freehold land		11,219	11,809
Furniture and fixtures		2,666	2,937
Office equipments		9,549	10,561
Computers - owned		7,412	7,620
Motor vehicles - owned		17,233	19,761
		49,247	53,856
<b>Intangible</b>			
Computer software		2,605	2,284
<b>TOTAL ASSETS</b>		<u>3,344,019</u>	<u>3,014,736</u>



**Arshad P. Rana**  
Chief Executive



**Feroz Rizvi**  
Director



**Ali H. Shirazi**  
Director



**Yusuf H. Shirazi**  
Chairman

# Profit and Loss Account

## For the financial year ended December 31, 2014

	Note	Fire & property damage	Marine, aviation & transport	Motor	Miscellaneous	Total 2014	Total 2013
<b>( Rupees in thousand )</b>							
<b>Revenue account</b>							
Net premium revenue		129,482	327,516	311,475	109,908	878,381	755,684
Net claims		(3,279)	(22,417)	(130,770)	(54,059)	(210,525)	(163,418)
Expenses	22	(86,416)	(79,372)	(109,511)	(35,741)	(311,040)	(304,545)
Net commission		34,681	34,006	(29,382)	10,592	49,897	55,172
<b>Underwriting result</b>		<u>74,468</u>	<u>259,733</u>	<u>41,812</u>	<u>30,700</u>	406,713	342,893
Investment income						294,682	246,399
Rental income						6,753	6,518
Other income	23					17,869	25,261
Financial charges						(435)	(437)
General and administration expenses	24					(34,767)	(33,062)
						<u>284,102</u>	<u>244,679</u>
<b>Profit before taxation</b>						690,815	587,572
Provision for taxation	25					(145,847)	(131,599)
<b>Profit after taxation</b>						<u>544,968</u>	<u>455,973</u>
<b>Profit and loss appropriation account</b>							
<b>Balance at commencement of the year</b>							
Profit after taxation for the year						456,136	365,835
Other comprehensive income						544,968	455,973
Final dividend for 2013 @ Rs. 5 per share (2012: Rs. 4 per share)						3,419	(3,757)
Transfer to general reserve						(318,916)	(212,610)
Transfer to reserve for issue of bonus shares						(77,000)	(43,000)
						(63,783)	(106,305)
<b>Balance unappropriated profit at the end of the year</b>						<u>544,824</u>	<u>456,136</u>
							Restated
Basic and diluted earnings per share - Rupees	26					<u>7.77</u>	<u>6.50</u>

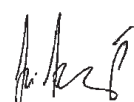
The annexed notes from 1 to 37 form an integral part of these financial statements.



**Arshad P. Rana**  
Chief Executive



**Feroz Rizvi**  
Director



**Ali H. Shirazi**  
Director



**Yusuf H. Shirazi**  
Chairman

## Statement of Comprehensive Income

### For the financial year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)	
Profit for the year ended December 31	544,968	455,973
Other comprehensive income for the year		
Other comprehensive income not to be classified to profit or loss in subsequent period:		
Re-measurement gain / (loss) on defined benefit obligation	3,419	(3,757)
Total comprehensive income for the year	<u>548,387</u>	<u>452,216</u>

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Chairman

# Statement of Changes in Equity

## Financial year ended December 31, 2014

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue Reserve			Total	
		Capital reserve	Reserve for exceptional losses	Reserve for issue of bonus shares	General reserve	Investment fluctuation reserve		Retained earnings
( R u p e e s i n t h o u s a n d )								
<b>Balance as at January 1, 2013</b>	531,526	2,251	2,164	-	293,649	3,000	365,835	1,198,425
Profit after tax for the year	-	-	-	-	-	-	455,973	455,973
Other comprehensive income	-	-	-	-	-	-	(3,757)	3,757
Total comprehensive income	-	-	-	-	-	-	452,216	452,216
Final dividend for the year ended December 31, 2012 @ 40% (Rs. 4 per share)	-	-	-	-	-	-	(212,610)	(212,610)
Transfer to general reserve	-	-	-	-	43,000	-	(43,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	106,305	-	-	(106,305)	-
Issue of bonus shares @ 20%	106,305	-	-	(106,305)	-	-	-	-
<b>Balance as at December 31, 2013</b>	<u>637,831</u>	<u>2,251</u>	<u>2,164</u>	<u>-</u>	<u>336,649</u>	<u>3,000</u>	<u>456,136</u>	<u>143,8031</u>
Profit after tax for the year	-	-	-	-	-	-	544,968	544,968
Other comprehensive income	-	-	-	-	-	-	3,419	3,419
Total comprehensive income	-	-	-	-	-	-	548,387	548,387
Final dividend for the year ended December 31, 2013 @ 50% (Rs. 5 per share)	-	-	-	-	-	-	(318,916)	318,916
Transfer to general reserve	-	-	-	-	77,000	-	(77,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	63,783	-	-	(63,783)	-
Issue of bonus shares @ 10%	63,783	-	-	(63,783)	-	-	-	-
<b>Balance as at December 31, 2014</b>	<u>701,614</u>	<u>2,251</u>	<u>2,164</u>	<u>-</u>	<u>413,649</u>	<u>3,000</u>	<u>544,824</u>	<u>1,667,502</u>

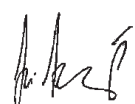
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Chairman



# Cash Flow Statement

## For the financial year ended December 31, 2014

	<u>Note</u>	<u>2014</u> (Rupees in thousand)	<u>2013</u>
<b>Operating cash flows</b>			
<b>Underwriting activities</b>			
Premiums received		1,799,080	1,378,632
Reinsurance premiums paid		(636,460)	(634,113)
Claims paid		(326,073)	(294,751)
Reinsurance and other recoveries received		89,142	92,057
Commissions paid		(87,812)	(81,536)
Commissions received		162,803	139,169
Other underwriting payments		(863)	(1,190)
Other underwriting receipts		17,694	16,567
<b>Net cash flow from underwriting activities</b>		<b>1,017,511</b>	<b>614,835</b>
<b>Other operating activities</b>			
Income tax paid		(156,840)	(106,040)
General management expenses paid		(272,536)	(415,197)
Loans (disbursed) / received		(32)	8
Other deposits		3,951	7,092
<b>Net cash used in other operating activities</b>		<b>(425,457)</b>	<b>(514,137)</b>
<b>Total cash generated from all operating activities</b>	A	<b>592,054</b>	<b>100,698</b>
<b>Investment activities</b>			
Profit / return received		21,224	27,718
Dividends received		92,065	67,216
Rental income received		6,864	6,703
Payments for purchase of investments		(1,589,338)	(1,085,136)
Proceeds from disposal of investments		1,464,338	963,556
Payments against purchase of fixed assets		(10,055)	(12,385)
Proceeds from disposal of fixed assets		3,883	18,102
<b>Total cash used in investing activities</b>	B	<b>(11,019)</b>	<b>(14,226)</b>
<b>Financing activities</b>			
Dividends paid		(309,593)	(205,885)
Financial charges paid		(435)	(437)
<b>Total cash used in financing activities</b>	C	<b>(310,028)</b>	<b>(206,322)</b>
<b>Net cash inflow / (outflow) from all activities (A+B+C)</b>		<b>271,007</b>	<b>(119,850)</b>
<b>Cash at the beginning of the year</b>		<b>162,163</b>	<b>282,013</b>
<b>Cash at the end of the year</b>	12	<b>433,170</b>	<b>162,163</b>

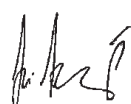
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**Reconciliation to Profit and Loss Account**

	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)	
Operating cash flows	592,054	100,698
Depreciation	(8,921)	(9,888)
Amortization	(2,066)	(938)
Financial charges	(435)	(437)
Gain on disposal of fixed assets	527	6,718
Provision for doubtful debts	2,396	(3,378)
(Decrease) / increase in assets other than cash	(164,158)	224,460
Increase in liabilities other than borrowings	(114,901)	(116,720)
Other adjustments		
- Increase in provision for unearned premium	(67,260)	(27,221)
- Decrease in commission income unearned	1,493	5,270
- Income on investments and current and other deposits	294,682	249,277
- Rental income	6,753	6,518
- Other income	17,869	25,261
- Decrease in provision for deferred commission expense	(13,065)	(3,647)
<b>Profit after taxation</b>	<u>544,968</u>	<u>455,973</u>

**Definition of cash**

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

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

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		(Rupees in thousand)	
Cash and other equivalents	12	176	112
Current and other accounts	12	432,994	162,051
		<u>433,170</u>	<u>162,163</u>

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# Statement of Premiums

## For the financial year ended December 31, 2014

### Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2014	2013
<b>( R u p e e s i n t h o u s a n d )</b>										
<b>Direct and facultative</b>										
Fire and property damage	542,033	257,456	319,703	479,786	363,970	211,167	224,833	350,304	129,482	97,447
Marine, aviation and transport	496,881	38,291	42,610	492,562	168,267	12,327	15,548	165,046	327,516	317,802
Motor	389,388	146,943	186,302	350,029	52,982	6,068	20,496	38,554	311,475	249,719
Miscellaneous	223,019	290,158	170,187	342,990	120,461	231,143	118,522	233,082	109,908	90,713
<b>Total</b>	<b>1,651,321</b>	<b>732,848</b>	<b>718,802</b>	<b>1,665,367</b>	<b>705,680</b>	<b>460,705</b>	<b>379,399</b>	<b>786,986</b>	<b>878,381</b>	<b>755,681</b>
<b>Treaty</b>										
Fire and property damage	-	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	-	-	-	3
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>Grand Total</b>	<b>1,651,321</b>	<b>732,848</b>	<b>718,802</b>	<b>1,665,367</b>	<b>705,680</b>	<b>460,705</b>	<b>379,399</b>	<b>786,986</b>	<b>878,381</b>	<b>755,684</b>

**Note:**

Premiums written include administration surcharge amounting to Rs. 17,694 thousand (2013: Rs. 16,567 thousand)

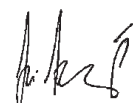
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# Statement of Claims

## For the financial year ended December 31, 2014

### Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2014	2013
( R u p e e s i n t h o u s a n d )										
<b>Direct and facultative</b>										
Fire and property damage	64,463	169,503	91,668	(13,372)	61,091	165,151	87,409	(16,651)	3,279	5,386
Marine, aviation and transport	56,803	41,075	71,429	87,157	44,364	34,336	54,712	64,740	22,417	20,072
Motor	132,398	56,994	69,984	145,388	13,848	9,713	10,483	14,618	130,770	95,539
Miscellaneous	80,623	38,177	40,133	82,579	28,696	27,257	27,081	28,520	54,059	42,421
<b>Total</b>	<b>334,287</b>	<b>305,749</b>	<b>273,214</b>	<b>301,752</b>	<b>147,999</b>	<b>236,457</b>	<b>179,685</b>	<b>91,227</b>	<b>210,525</b>	<b>163,418</b>
<b>Treaty</b>										
Fire and property damage	-	1,755	1,755	-	-	-	-	-	-	-
Marine, aviation and transport	-	1,939	1,939	-	-	-	-	-	-	-
Miscellaneous	-	86	86	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3,780</b>	<b>3,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>334,287</b>	<b>309,529</b>	<b>276,994</b>	<b>301,752</b>	<b>147,999</b>	<b>236,457</b>	<b>179,685</b>	<b>91,227</b>	<b>210,525</b>	<b>163,418</b>

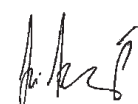
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# Statement of Expenses

## For the financial year ended December 31, 2014

### Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expense	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2014	2013
( R u p e e s i n t h o u s a n d )									
<b>Direct and facultative</b>									
Fire and property damage	40,578	15,606	19,454	36,730	86,416	123,146	71,411	51,735	41,897
Marine, aviation and transport	18,462	1,804	1,494	18,772	79,372	98,144	52,778	45,366	60,894
Motor	31,873	16,588	15,419	33,042	109,511	142,553	3,660	138,893	114,647
Miscellaneous	10,421	29,675	14,241	25,855	35,741	61,596	36,447	25,149	31,935
<b>Total</b>	<u>101,334</u>	<u>63,673</u>	<u>50,608</u>	<u>114,399</u>	<u>311,040</u>	<u>425,439</u>	<u>164,296</u>	<u>261,143</u>	<u>249,373</u>
<b>Treaty</b>									
Fire and property damage	-	-	-	-	-	-	-	-	-
Marine, aviation and transport	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Grand Total</b>	<u>101,334</u>	<u>63,673</u>	<u>50,608</u>	<u>114,399</u>	<u>311,040</u>	<u>425,439</u>	<u>164,296</u>	<u>261,143</u>	<u>249,373</u>

#### Note:

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

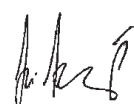
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## Statement of Investment Income

### For the financial year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)	
<b>Income from non-trading investments</b>		
<b>Held to maturity</b>		
Return on government securities	8,052	5,930
<b>Available for sale</b>		
Return on N.I.T	124	105
Dividend income		
- from related parties	35,283	20,374
- from others	56,310	47,085
	91,593	67,459
Gain on sale of available for sale investments	199,146	173,555
Less: Provision for impairment in value of available for sale investment	(3,687)	-
Less: Investment related expenses	(546)	(650)
<b>Net investment income</b>	<u>294,682</u>	<u>246,399</u>

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Chairman

# Notes to the Financial Statements

## For the financial year ended December 31, 2014

### 1. The Company and its operations

Atlas Insurance Limited (the Company) was incorporated as a public limited Company on September 6, 1934 and is listed on Lahore and Karachi Stock Exchanges. The Company is engaged in general insurance business. The registered office of the Company is situated at 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.

### 2. Basis of presentation and statement of compliance

#### 2.1 Basis of presentation

These financial statements have been presented on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated December 12, 2002.

#### 2.2 Basis of measurement

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

#### 2.3 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprises such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or the said directives take precedence.

The SECP has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS-39) 'Financial Instruments: Recognition and Measurement' in respect of valuation of 'available-for-sale investments'. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

#### 2.4 Standards, interpretations and amendments to published approved accounting standards effective in 2014

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

##### New / revised standards, interpretations and amendments

The Company has adopted the following amendments and interpretation of IFRSs which became effective for the current year:

IFAS 3 - Profit and Loss Sharing on Deposits

IAS 32 - Financial Instruments: Presentation - (Amendment) - Offsetting Financial Assets and Financial Liabilities

IAS 36 - Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 - Levies

The adoption of the above did not have any material effect on the financial statements for the current year.

### 3. Significant 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 continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both periods. The major areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) classification of insurance contracts (note 4.1);
- b) provision for outstanding claims (including IBNR) (note 4.2.1);
- c) provision for unearned premium (note 4.2.2.1);
- d) premium deficiency reserve (note 4.2.2.2);
- e) accounting for employee benefit plans (note 4.3);
- f) recognition of taxation and deferred tax (note 4.4);
- g) classification of investments (note 4.7);
- h) impairment (note 4.10);
- i) deferred commission expense (note 4.12);
- j) determining the residual values and useful lives of fixed assets (note 4.13);
- k) allocation of management expenses (note 4.20); and
- l) segment reporting (note 4.24).

### 4. Significant accounting policies

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

#### 4.1 Insurance contracts

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

Insurance contracts issued by the Company are generally classified in four basic categories i.e. Fire and property damage. Marine, aviation and transport, Motor and Miscellaneous. 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.

- Fire and property damage insurance contracts generally cover the assets of the policy holders against damages by fire, earthquake, riot and strike, explosion, atmospheric disturbance, flood, electric fluctuation and impact and burglary etc. and loss of profit followed by the incident of fire.
- Marine, aviation and transport insurance contracts generally provide cover for loss of or damage to cargo while in transit to and from foreign lands and inland transit due to various insured perils including loss of or damage to carrying vessel etc.
- Motor insurance contracts provide indemnity for accidental damage to or loss of insured vehicle including loss of or damage to third party and other comprehensive car coverage.
- Miscellaneous insurance contracts provide wide variety of coverage including cover against burglary, loss of cash in safe, cash in transit and cash on counter, fidelity guarantee, personal accident, workman compensation, contractors all risk, erection all risk, machinery breakdown, boiler damage, travel and crop etc.

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

The accounting policy for revenue recognition of insurance contracts is given in note 4.18.1. Accounting policies for recording of amounts due to / from other insurers / reinsurers / agents and for recognition of claims incurred (both reported and not reported) are stated in note 4.9 and 4.2.1, respectively.



## 4.2 Underwriting provisions

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

The Company recognizes liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, IBNR and expected claim settlement costs.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for IBNR are based on the best estimate which takes into account the past trend, expected future patterns of reporting claims and the claims actually reported subsequent to the balance sheet date.

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

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

### 4.2.2 Unexpired risk

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

#### 4.2.2.1 Provision for unearned premium

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

#### 4.2.2.2 Premium deficiency reserve

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

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

	<u>2014</u>	<u>2013</u>
Fire and property damage	3 %	6 %
Marine, aviation and transport	7 %	6 %
Motor	42 %	38 %
Miscellaneous	49 %	45 %

Keeping in view the adequacy of the reserves on December 31, 2014, in line with the provisions of the Insurance Ordinance, 2000 and SEC (Insurance Rules) 2002, a premium deficiency reserve is not required, and accordingly no provision for the same has been made in financial statements of the current year.

### 4.2.3 Commission

#### 4.2.3.1 Commission income

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

#### 4.2.3.2 Commission income unearned

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

### 4.3 Staff retirement benefits

#### 4.3.1 Defined contribution plan

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

#### 4.3.2 Defined benefit 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, 2014, using the 'Projected Unit Credit Method'.

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

#### 4.3.3 Compensated absences

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

### 4.4 Taxation

#### 4.4.1 Current

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

#### 4.4.2 Deferred

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

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

### 4.5 Cash and cash equivalents

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

### 4.6 Loans to employees

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

### 4.7 Investments

#### 4.7.1 Recognition

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

- Held to maturity
- Available for sale

## 4.7.2 Measurement

### 4.7.2.1 Held to maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity and are initially measured at the cost being the fair value of consideration paid.

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

### 4.7.2.2 Available for sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale and are stated at cost being the fair value of consideration paid.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by SECP in December, 2002. The Company uses latest stock exchange quotations in an active market to determine the market value of its listed investments whereas, impairment of investments in unlisted companies is computed to net assets of the investee on the basis of the latest available audited / unaudited financial statements.

If these investments had been measured at fair value as required by IAS 39, the Company's net investments would have been higher by Rs. 1,860,969 thousand (2013 Rs. 990,812 thousand).

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

### 4.7.2.3 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investment and the amount extended to the counter party is shown as short term placement. The difference between the sale and repurchase price is recognized as mark-up earned and included in the other income.

## 4.8 Reinsurance contracts

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

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

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

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

The movement in reinsurance assets for the year ending December 31, 2014 is given in statement of premium and statement of claims. Reinsurance assets are not offset against related insurance liabilities.

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

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

Ratings	Amounts due from reinsurers		Reinsurance recoveries against outstanding claims		Other reinsurance assets	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
A or above (Including PRCL)	105,626	30,310	176,346	233,152	379,399	460,440
BBB	-	-	1,574	1,052	-	-
Others	1,662	18,121	1,765	2,253	-	265
	<u>107,288</u>	<u>48,431</u>	<u>179,685</u>	<u>236,457</u>	<u>379,399</u>	<u>460,705</u>

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

Amounts due to / from other insurers / reinsurers 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.

#### 4.10 Impairment of assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized, in the profit and loss account, for the difference between the recoverable amount and the carrying amount. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

#### 4.11 Prepaid reinsurance premium ceded

Prepaid reinsurance premium ceded is recognized as liability as follows:

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

#### 4.12 Deferred commission expense

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

#### 4.13 Fixed assets

##### 4.13.1 Tangible - owned

Fixed assets except freehold land are stated at cost less accumulated depreciation. Cost of tangible fixed assets consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income applying the reducing balance method at the rates given in fixed assets schedule to write off the cost of operating fixed assets over their expected useful life. Depreciation on addition to fixed assets is charged from the month in which an asset is acquired or capitalized, whereas no depreciation is charged in the month of disposal.

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

The assets' residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its fixed assets as at December 31, 2014 has not required any adjustment as its impact is considered insignificant.

**4.13.2 Tangible - leased**

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

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

**4.13.3 Intangible**

The intangible asset is stated at cost less accumulated amortization and impairment, if any. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

**4.13.4 Capital work-in-progress**

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

**4.14 Creditors, accruals and provisions**

Liabilities for creditors and other accruals are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**4.15 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

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

**4.16 Financial instruments**

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on de-recognition of the financial assets and financial liabilities are included in the profit and loss account for the year.

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

**4.17 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

#### 4.18 Revenue recognition

##### 4.18.1 Premium income earned

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

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

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

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

##### 4.18.2 Dividend income and bonus shares

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

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

##### 4.18.3 Income on held to maturity investments

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

##### 4.18.4 Administration surcharge

This represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at a rate of 5% of the premium, restricted to a maximum of Rs. 2,000 per policy. Administrative surcharge is recognized as revenue at the time of issuance of policy.

##### 4.18.5 Rent and other income

Rental and other income is recognized on accrual basis.

#### 4.19 Zakat

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

#### 4.20 Expenses

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

#### 4.21 Reinsurance expenses

Premium ceded to reinsurers is recognized as expense as follows:

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

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

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

**4.23 Critical accounting estimates and judgments**

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

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

**4.24 Segment reporting - Primary segments**

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of internal reporting to the management on the same basis. The Company has determined its primary segments based on insurance risks covered under four types of insurance contracts as stated in note 4.1.

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

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

**5. Standards, interpretation and amendments to approved accounting standards that are not yet effective**

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

<b>Standard or interpretation</b>	<b>Effective Date (accounting periods beginning on or after)</b>
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 1 - Presentation of Financial Statements - (Amendment) - Disclosure Initiative	January 01, 2016
IAS 16 and 38 - Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 and 41 - Property, Plant and Equipment & Agriculture - (Amendment) - Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions	July 01, 2014

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014 and January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

<b>Standard</b>	<b>IASB Effective Date (accounting periods beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

**6. Issued, subscribed and paid up capital**

<u>2014</u> (Number of shares)	<u>2013</u> (Number of shares)		<u>2014</u> (Rupees in thousand)	<u>2013</u> (Rupees in thousand)
250,000	250,000	Ordinary shares of Rs. 10 each fully paid in cash	2,500	2,500
69,911,381	63,533,074	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	699,114	635,331
<u>70,161,381</u>	<u>63,783,074</u>		<u>701,614</u>	<u>637,831</u>

23,860,942 (2013: 21,691,177) ordinary shares and 22,068,013 (2013: 20,061,829) ordinary shares of the Company are held by Shirazi Investments (Private) Limited and Shirazi Capital (Private) Limited respectively, associated undertakings as at December 31, 2014.

**Movement in paid up capital**

	<u>Number of shares</u>	<u>Rupees in thousand</u>
As at January 01, 2013	53,152,562	531,526
Issued as fully paid bonus shares	10,630,512	106,305
As at December 31, 2013	63,783,074	637,831
Issued as fully paid bonus shares	6,378,307	63,783
As at December 31, 2014	<u>70,161,381</u>	<u>701,614</u>

**7. Reserves****Capital reserves**

	<u>Note</u>	<u>2014</u> (Rupees in thousand)	<u>2013</u> (Rupees in thousand)
Capital reserve		2,251	2,251
Reserve for exceptional losses	7.1	2,164	2,164
		<u>4,415</u>	<u>4,415</u>

**Revenue reserves**

General reserve			
- At the beginning of the year		336,649	293,649
- Transfer from retained earnings		77,000	43,000
Investment fluctuation reserve	7.2	413,649	336,649
		3,000	3,000
		<u>416,649</u>	<u>339,649</u>
		<u>421,064</u>	<u>344,064</u>

7.1 This represents a specific purpose reserve for possible losses on exceptional insurance claims. The reserve was created to avail the deduction thereof in computing taxable income, as allowed previously under the Income Tax Act of 1922. After the introduction of Income Tax Ordinance, 2001, under which the said deductions are not permitted, the Company discontinued the setting aside of amounts thereafter as reserve for exceptional losses.

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

**8. Amounts due to other insurers / reinsurers**

	<u>2014</u> (Rupees in thousand)	<u>2013</u> (Rupees in thousand)
Amounts due to co-insurers	45,652	36,473
Amounts due to reinsurers	269,418	200,198
	<u>315,070</u>	<u>236,671</u>



	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u>
<b>9. Accrued expenses</b>			
Commission payable		27,820	14,298
Bonus to staff payable		19,300	28,336
Profit commission payable		6,342	5,200
Leave encashment payable		14,241	13,088
Other accrued expenses		16,023	16,101
		<u>83,726</u>	<u>77,023</u>
<b>10. Other creditors and accruals</b>			
Federal insurance fee		2,446	1,876
Federal excise duty		30,907	23,240
Donation payable	24.1	6,867	5,824
Staff retirement benefits	10.1	-	8,534
Workers' welfare fund		49,251	35,642
Others		3,371	2,753
		<u>92,842</u>	<u>77,869</u>
<b>10.1 Staff retirement benefits</b>			
<b>Gratuity</b>			
- Management staff	10.1.1	(904)	5,970
- Non-management staff	10.1.1	188	2,564
	20	<u>(716)</u>	<u>8,534</u>

**10.1.1** The latest valuation of scheme was carried out as at December 31, 2014 using the Projected Unit Credit Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

	<u>2014</u>	<u>2013</u>
Following significant assumptions were used for the actuarial valuation:		
- Discount rate	10.5% per annum	12.75% per annum
- Expected rate of increase in salaries	9.50% per annum	11.75% per annum
- Expected return on plan assets	10.5% per annum	12.75% per annum

The amounts recognized in balance sheet are as follows:

	<u>Management staff</u>		<u>Non-management staff</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>(Rupees in thousand)</u>			
Present value of defined benefit obligation	50,399	45,253	12,939	11,124
Fair value of plan assets	(51,303)	(37,443)	(12,851)	(8,560)
	<u>(904)</u>	<u>7,810</u>	<u>88</u>	<u>2,564</u>
Payable in respect on inter group transfers	-	(1,840)	100	-
Liability / (asset) as at December 31	<u>(904)</u>	<u>5,970</u>	<u>188</u>	<u>2,564</u>
Net liability / (asset) as at January 01	5,970	2,613	2,564	(4,743)
Charge to profit and loss account	2,360	1,318	985	7,601
Contribution made by the Company	(6,611)	(1,333)	(2,565)	-
Liability recognized in respect of promotions	152	47	(152)	47
Remeasurements recognised in other comprehensive income	(2,775)	3,325	(644)	432
Benefits paid by the Company	-	-	-	(773)
Liability / (asset) as at December 31	<u>(904)</u>	<u>5,970</u>	<u>188</u>	<u>2,564</u>

	Management staff		Non-management staff	
	2014	2013	2014	2013
	(Rupees in thousand)			
<b>10.1.1.1 The movement in the present value of defined benefit obligation is as follows:</b>				
Present value of defined benefit obligation	45,253	36,482	11,124	2,397
Current service cost	1,422	1,022	677	132
Interest cost	5,018	3,692	1,411	272
Benefits paid	-	(1,428)	-	(773)
Liabilities in respect of promotees	152	47	(152)	47
Liabilities in respect of transfers	-	1,840	(100)	-
Re-measurements: Actuarial (gain) / loss on defined benefit obligation	(1,446)	3,598	(21)	1,019
Past service cost	-	-	-	8,030
Present value of defined benefit obligation	<u>50,399</u>	<u>45,253</u>	<u>12,939</u>	<u>11,124</u>
<b>10.1.1.2 The movement in fair value of plan assets is as follows:</b>				
Fair value as at January 01	37,443	33,869	8,560	7,140
Expected return on plan assets	4,080	3,396	1,103	833
Company contributions	6,611	1,333	2,565	-
Benefits paid	-	(1,428)	-	-
Net return on plan assets over interest income	1,329	273	623	587
Received from other group companies in respect of transfers	1,840	-	-	-
Fair value as at December 31	<u>51,303</u>	<u>37,443</u>	<u>12,851</u>	<u>8,560</u>
<b>10.1.1.3 Defined benefit cost for the year</b>				
<b>Cost recognized in profit and loss account for the year</b>				
<b>Service cost</b>				
Current service cost	1,422	1,022	677	132
Past service cost	-	-	-	8,030
	<u>1,422</u>	<u>1,022</u>	<u>677</u>	<u>8,162</u>
<b>Net interest cost</b>				
Interest cost on defined benefit obligation	5,018	3,692	1,411	272
Interest income on plan assets	(4,080)	(3,396)	(1,103)	(833)
	<u>938</u>	<u>296</u>	<u>308</u>	<u>(561)</u>
	<u>2,360</u>	<u>1,318</u>	<u>985</u>	<u>7,601</u>
<b>Re-measurement recognized in other comprehensive income during the year</b>				
Actuarial (gain) / loss on obligation	(1,446)	3,598	(21)	1,019
Net return on plan assets over interest income	(1,329)	(273)	(623)	(587)
	<u>(2,775)</u>	<u>3,325</u>	<u>(644)</u>	<u>432</u>
	<u>(415)</u>	<u>4,643</u>	<u>341</u>	<u>8,033</u>
<b>10.1.1.4 Plan assets are comprised as follows:</b>				
	<b>Management staff</b>			
	Fair value		Fair value percentage	
	2014	2013	2014	2013
	(Rupees in thousand)			
Debt	23,360	9,493	46%	25%
Mutual funds	-	27,910	-	75%
Equity	24,685	-	48%	-
Cash and bank balances	3,258	40	6%	0%
	<u>51,303</u>	<u>37,443</u>		
	<b>Non-management staff</b>			
	Fair value		Fair value percentage	
	2014	2013	2014	2013
	(Rupees in thousand)			
Debt	6,332	-	49%	0%
Mutual funds	6,474	5,951	51%	70%
Equity	-	2,351	-	27%
Cash and bank balances	45	258	-	3%
	<u>12,851</u>	<u>8,560</u>		

## 10.1.1.5 Historical data

	2014	2013	2012	2011	2010
	<b>(Rupees in thousand)</b>				
<b>Management staff as at December 31</b>					
Present value of defined benefit obligation	50,399	45,253	36,482	33,287	30,546
Fair value of plan assets	(51,303)	(37,443)	(33,869)	(22,925)	(10,950)
	(904)	7,810	2,613	10,362	19,596
Experience adjustment on obligation	-3%	-8%	5%	7%	6%
Experience adjustment on plan assets	3%	-1%	-6%	2%	-2%
<b>Non-management staff as at December 31</b>					
Present value of defined benefit obligation	12,939	11,124	2,397	2,066	1,730
Fair value of plan assets	(12,851)	(8,560)	(7,140)	(6,147)	(5,963)
	88	2,564	(4,743)	(4,081)	(4,233)
Experience adjustment on obligation	-0.16%	9%	3%	16%	-5%
Experience adjustment on plan assets	5%	-7%	-3%	7%	-3%

## 10.1.1.6 Sensitivity analysis on significant actuarial assumption: actuarial liability

	2014		2013	
	Management staff	Non-management staff	Management staff	Non-management staff
	<b>(Rupees in thousand)</b>			
Discount rate +1%	48,688	12,039	43,619	10,295
Discount rate -1%	52,325	13,966	47,073	12,070
Long term salary increases +1%	52,563	14,029	47,824	12,124
Long term salary increases -1%	48,435	11,968	43,396	10,235
Withdrawal rates: Heavy	45,281	11,152	45,281	11,152
Withdrawal rates: Moderate	45,183	11,145	45,183	11,145

## 11. Contingencies and commitments

## 11.1 Contingencies

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

Pending resolution of the above mentioned appeal filed by the Company, no provision has been made in these financial statements of Rs. 29,163 thousand (2013: Rs. 29,163 thousand) as the management is confident that the eventual outcome of the above matter will be in favor of the Company.

## 11.1.2 Other contingencies

Claims against the Company not acknowledged as debt

**2014**  
**(Rupees in thousand)**

13,344

**2013**

68,746

## 11.2 Commitments

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

	2014	2013
	<b>(Rupees in thousand)</b>	
Not later than one year	40,363	34,979
Later than one year and not later than five years	22,597	30,087
Later than five years	-	-
	62,960	65,066

	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u> <u>(Rupees in thousand)</u>
<b>12. Cash and bank deposits</b>			
<b>Cash and other equivalents</b>			
Cash in hand		176	112
<b>Current and other accounts</b>			
Current accounts		238,838	16,827
Savings accounts	12.1	194,156	145,224
		432,994	162,051
		<u>433,170</u>	<u>162,163</u>

12.1 The balance in savings accounts bears mark-up which ranges from 8.25% to 9% (2013: 5% to 9%) per annum.

### 13. Loans to employees - secured considered good

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

No loan was given to the Chief Executive, Directors and Executives of the Company (2013: Rs. Nil)

	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u> <u>(Rupees in thousand)</u>
<b>14. Investments</b>			
The investments comprise:			
Held to maturity	14.1	75,182	69,622
Available for sale	14.2	1,793,415	1,480,750
		<u>1,868,597</u>	<u>1,550,372</u>
Aggregate market value as at December 31		<u>3,729,566</u>	<u>2,541,982</u>
<b>14.1 Held to maturity</b>			
Statutory deposits	14.1.1	75,182	69,622
<b>14.1.1 Statutory deposits</b>			
	<u>Maturity</u>	<u>Effective yield %</u>	
Pakistan Investment Bonds (PIBs)	July, 2016	11.80%	6,946
Pakistan Investment Bonds (PIBs)	July, 2016	11.45%	54,840
Pakistan Investment Bonds (PIBs)	July, 2016	11.80%	6,450
Pakistan Investment Bonds (PIBs)	July, 2016	11.80%	6,946
Market Treasury Bill	January, 2014	9.33%	-
Market Treasury Bill	May, 2014	8.28%	54,679
Market Treasury Bill	June, 2014	9.05%	7,170
			7,773
			<u>75,182</u>
			<u>69,622</u>

This represents carrying amount of government securities placed as statutory deposit with The State Bank of Pakistan in accordance with the requirements of Section 29(2)(a) of the Insurance Ordinance, 2000. Market value as at December 31, 2014 amounts to Rs. 77,358 thousand (2013: Rs. 70,420 thousand). Profit on PIBs is received bi-annually.

	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u> <u>(Rupees in thousand)</u>
<b>14.2 Available for sale</b>			
<b>Related parties</b>			
- Mutual funds - Quoted	14.2.1	851,745	711,437
- Ordinary shares - Quoted	14.2.2	236,467	236,467
- Ordinary shares - Unquoted	14.2.3	-	-
		1,088,212	947,904
<b>Others</b>			
- Mutual funds - Quoted	14.2.4	74,981	70,533
- Ordinary shares - Quoted	14.2.5	630,222	462,313
		705,203	532,846
		<u>1,793,415</u>	<u>1,480,750</u>

	Number of units / shares		Face value per unit / share Rupees	Fund's / Company's name	Note	2014	2013
	2014	2013				(Rupees in thousand)	
<b>14.2.1 Mutual funds - Quoted</b>							
	449,521	304,549	500	Atlas Islamic Stock Fund Market value Rs. 195,784 thousand (2013: Rs. 128,188 thousand)		166,728	97,246
	427,645	225,006	500	Atlas Stock Market Fund Market value Rs. 208,710 thousand (2013: Rs. 105,186 thousand)		173,732	78,261
	628,547	700,012	500	Atlas Income Fund Market value Rs. 338,248 thousand (2013: Rs. 359,260 thousand)		322,492	342,030
	189,815	316,325	500	Atlas Money Market Fund Market value Rs. 99,562 thousand (2013: Rs. 159,032 thousand)		94,368	157,500
	172,382	51,882	500	Atlas Islamic Income Fund Market value Rs. 89,865 thousand (2013: Rs. 26,634 thousand)		84,250	26,400
	104,430	101,637	500	Atlas Gold Fund Market value Rs. 10,286 thousand (2013: Rs. 9,600 thousand)		10,286	10,000
						851,856	711,437
				Impairment in value of available for sale investments		(111)	-
						851,745	711,437
<b>14.2.2 Ordinary shares - Quoted</b>							
	2,931,728	2,931,728	10	Atlas Honda Limited Equity held: 2.84% (2013: 2.84%) Market value Rs. 984,328 thousand (2013: Rs. 768,816 thousand)		215,296	215,296
	303,420	303,420	10	Atlas Battery Limited Equity held: 1.74% (2013: 1.74%) Market value Rs. 273,078 thousand (2013: Rs. 118,334 thousand)		11,376	11,376
	850,000	850,000	10	Honda Atlas Cars (Pakistan) Limited Equity held: 0.60% (2013: 0.60%) Market value Rs. 168,453 thousand (2013: Rs. 35,734 thousand)		9,795	9,795
						236,467	236,467
<b>14.2.3 Ordinary shares - Unquoted</b>							
	50,000	50,000	10	Arabian Sea Country Club (Pvt.) Ltd.	14.2.3.1	-	-

**14.2.3.1** The name of Chief Executive is Mr. Arif Ali Khan Abbasi. The break-up value is Rs. 0.54 per share (2013: Rs. 4.4 per share) based on audited accounts for the year ended June 30, 2014.

14.2.4	Number of units / shares		Face value per unit / share Rupees	Fund's / Company's name	Note	2014	2013
	2014	2013				(Rupees in thousand)	
<b>Mutual funds - Quoted</b>							
	31,916	30,134	10	National Investment Trust Market value Rs. 2,107 thousand (2013: Rs. 1,499 thousand)	14.2.4.1	906	806
	193,864	185,913	100	Lakson Money Market Fund Market value Rs. 20,244 thousand (2013: Rs. 18,608 thousand)		20,069	17,270
	2,726,246	2,544,116	10	NIT Income Fund Market value Rs. 30,090 thousand (2013: Rs. 26,887 thousand)		29,647	25,000
	194,446	186,000	100	Lakson Income Fund Market value Rs. 20,764 thousand (2013: Rs. 18,692 thousand)		20,412	17,260
	-	29,770	10	Meezan Balanced Fund Market Value Rs. NIL (2013: 425 thousand)		-	372
	-	25,736	100	JS Value Fund Market Value Rs. NIL (2013: Rs. 3,640 thousand)		-	1,947
	-	498,632	10	PICIC Energy Fund Market Value Rs. NIL (2013: Rs. 6,721 thousand)		-	3,482
	196,000	196,000	10	PICIC Growth Fund Market Value Rs. 4,831 thousand (2013: Rs. 4,916 thousand)		2,950	2,950
	154,500	154,500	10	PICIC Investment Fund Market Value Rs. 1,885 thousand (2013: Rs. 1,757 thousand)		997	997
	-	3,948	100	JS Growth Fund Market Value Rs. NIL (2013: Rs. 498 thousand)		-	449
						<u>74,981</u>	<u>70,533</u>

14.2.4.1 This includes 28,000 (2013: 28,000) units held as statutory deposit with The State Bank of Pakistan under section 29(2)(a) of the Insurance Ordinance, 2000.

14.2.5	Number of shares		Face value per share Rupees	Company's name	2014	2013
	2014	2013			(Rupees in thousand)	
<b>Ordinary shares - Quoted</b>						
	1,001,187	746,187	10	<b>Banks</b> Bank Al-Falah Limited Market value Rs. 34,921 thousand (2013: Rs. 20,177 thousand)	21,634	12,864
	750,350	228,500	10	Bank Al-Habib Limited Market value Rs. 36,429 thousand (2013: Rs. 9,494 thousand)	29,767	7,505
	182,163	117,210	10	United Bank Limited Market value Rs. 32,190 thousand (2013: Rs. 15,536 thousand)	23,690	8,848
				<b>Carried forward</b>	<u>75,091</u>	<u>29,217</u>

Number of shares		Face value per share Rupees	Company's name	2014	2013
2014	2013			(Rupees in thousand)	
			<b>Brought forward</b>	75,091	29,217
98,588	94,889	10	Allied Bank Limited Market Value Rs. 11,198 thousand (2013: Rs. 8,541 thousand)	6,829	5,181
-	158,178	10	National Bank of Pakistan Market Value Rs. NIL (2013: Rs. 9,184 thousand)	-	6,206
298,475	198,475	10	Meezan Bank Limited Market Value Rs. 14,028 thousand (2013: Rs. 7,816 thousand)	10,358	6,488
114,000	59,000	10	Habib Metropolitan Bank Limited Market Value Rs. 4,252 thousand (2013: Rs. 1,479 thousand)	3,351	1,506
178,247	178,247	10	<b>Non Life Insurance</b> Adamjee Insurance Company Limited Market value Rs. 8,816 thousand (2013: Rs. 6,661 thousand)	4,894	4,894
39,550	77,050	10	<b>Construction and Material</b> Attock Cement Pakistan Limited Market Value Rs. 7,719 thousand (2013: Rs. 10,990 thousand)	3,751	6,450
3,214,164	1,739,267	10	Cherat Cement Company Limited Market Value Rs. 220,749 thousand (2013: Rs. 110,078 thousand)	91,761	46,014
210,500	76,000	10	DG Khan Cement Company Limited Market Value Rs. 23,267 thousand (2013: Rs. 6,515 thousand)	16,437	3,853
8,000	25,500	10	Lucky Cement Limited Market value Rs. 4,002 thousand (2013: Rs. 7,647 thousand)	1,026	3,270
276,000	-	10	Fauji Cement Company Limited Market value Rs. 7,132 thousand (2013: Rs. NIL)	4,424	-
17,000	-	10	Kohat Cement Company Limited Market value Rs. 3,245 thousand (2013: Rs. NIL)	1,956	-
739,000	1,062,000	10	<b>Electricity</b> Hub Power Company Limited Market value Rs. 57,908 thousand (2013: Rs. 64,485 thousand)	40,297	56,123
319,778	319,778	10	Kot Addu Power Company Limited Market value Rs. 25,243 thousand (2013: Rs. 19,746 thousand)	17,450	17,450
240,000	240,000	10	Nishat Power Limited Market value Rs. 10,944 thousand (2013: Rs. 7,214 thousand)	4,692	4,692
			<b>Carried forward</b>	282,317	191,344

Number of shares		Face value per share Rupees	Company's name	2014	2013
2014	2013			(Rupees in thousand)	
			<b>Brought forward</b>	282,317	191,344
621,000	507,500	10	Pakgen Power Limited Market value Rs. 16,786 thousand (2013: Rs. 11,108 thousand)	13,370	11,675
171,500	117,000	10	Nishat Chunian Power Limited Market value Rs. 8,498 thousand (2013: Rs. 4,069 thousand)	4,999	2,999
			<b>Oil and Gas</b>		
39,400	147,161	10	Pakistan Oilfields Limited Market value Rs. 14,947 thousand (2013: Rs. 73,244 thousand)	14,985	62,153
337,671	206,471	10	Pakistan Petroleum Limited Market value Rs. 59,606 thousand (2013: Rs. 44,177 thousand)	62,962	30,335
9,900	5,900	10	Attock Petroleum Limited Market value Rs. 5,342 thousand (2013: Rs. 2,948 thousand)	5,027	2,974
-	9,200	10	National Refinery Limited Market value Rs. NIL (2013: Rs. 1,983 thousand)	-	1,985
86,000	-	10	Hascol Petroleum Limited Market value Rs. 6,373 thousand (2013: Rs. NIL)	6,554	-
100,000	-	10	Oil & Gas Development Company Limited Market value Rs. 20,587 thousand (2013: Rs. NIL)	20,571	-
			<b>Chemicals</b>		
50,000	-	10	Arif Habib Corporation Limited Market value Rs. 1,375 thousand (2013: Rs. NIL)	1,267	-
-	35,212	10	Engro Corporation Limited Formerly Engro Chemicals Pakistan Limited Market value Rs. NIL (2013: Rs. 5,577 thousand)	-	3,867
714,215	605,215	10	Fauji Fertilizer Company Limited Market value Rs. 83,642 thousand (2013: Rs. 67,760 thousand)	79,153	66,776
61,521	-	10	Engro Fertilizers Limited Market value Rs. 4,805 thousand (2013: Rs. NIL)	4,197	-
80,000	-	10	Fauji Fertilizer Bin Qasim Limited Market value Rs. 3,617 thousand (2013: Rs. NIL)	3,524	-
322,500	184,000	10	Fatima Fertilizer Limited Market value Rs. 11,536 thousand (2013: Rs. 5,255 thousand)	8,986	4,985
			<b>Carried forward</b>	<u>507,912</u>	<u>379,093</u>



Number of shares		Face value per share Rupees	Company's name	2014	2013
2014	2013			(Rupees in thousand)	
			<b>Brought forward</b>	507,912	379,093
			<b>Paper and Board</b>		
2,534,664	2,534,664	10	Cherat Packaging Limited Market value Rs. 410,742 thousand (2013: Rs. 121,157 thousand)	82,786	64,471
-	200,000	10	Century Paper & Board Mills Limited Market value Rs. NIL (2013: Rs. 11,248 thousand)	-	6,011
			<b>Industrial Metals and Mining</b>		
171,500	60,500	10	Crescent Steel & Allied Products Limited Market value Rs. 8,688 thousand (2013: Rs. 2,853 thousand)	6,791	937
			<b>General Industries</b>		
-	14,500	10	Thal Limited Market value Rs. NIL (2013: Rs. 2,005 thousand)	-	2,119
-	15,000	10	Gadoon Textile Mills Limited Market value Rs. NIL (2013: Rs. 3,245 thousand)	-	1,758
244,750	118,150	10	Nishat Mills Limited Market value Rs. 29,612 thousand (2013: Rs. 15,033 thousand)	23,892	7,924
9,000	-	10	Pakistan International Bulk Terminal Limited Market value Rs. 222 thousand (2013: Rs. NIL)	85	-
206,000	-	10	Nishat (Chunian) Limited Market value Rs. 9,357 thousand (2013: Rs. NIL)	9,224	-
217,000	-	1	Hum Network Limited Market value Rs. 3,188 thousand (2013: Rs. NIL)	1,462	-
3,200	-	10	Service Industries Limited Market value Rs. 3,119 thousand (2013: Rs. NIL)	1,646	-
				633,798	462,313
			Impairment in value of available for sale investments	(3,576)	-
				630,222	462,313

	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u> <u>(Rupees in thousand)</u>
<b>15. Deferred taxation</b>			
The asset for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		(5,274)	(4,684)
Provision for bonus to staff		6,369	9,634
Provision for gratuity payable		62	2,030
Provision for bad debts - premium due unpaid		-	1,159
Provision for workers' welfare fund		16,253	12,118
		<u>17,410</u>	<u>20,257</u>
<b>16. Premiums due but unpaid</b>			
Unsecured			
- Considered good		145,497	260,165
- Considered doubtful		-	3,409
		<u>145,497</u>	<u>263,574</u>
Less: Provision for doubtful receivables	16.1	-	(3,409)
		<u>145,497</u>	<u>260,165</u>
<b>16.1 Provision for doubtful receivables</b>			
Balance as at January 01		3,409	31
(Reversed) / provision made during the year		(3,409)	3,378
Balance as at December 31		<u>-</u>	<u>3,409</u>
<b>17. Amounts due from other insurers / reinsurers</b>			
Unsecured			
- Considered good	17.1	179,594	110,557
- Considered doubtful		1,959	1,959
		<u>181,553</u>	<u>112,516</u>
Less: Provision for doubtful receivables	17.2	(1,959)	(1,959)
		<u>179,594</u>	<u>110,557</u>
<b>17.1 Considered good</b>			
Amounts due from co-insurers		72,306	62,126
Amounts due from reinsurers		107,288	48,431
		<u>179,594</u>	<u>110,557</u>
<b>17.2 Provision for doubtful receivables</b>			
Balance as at January 01		1,959	1,959
Provision made during the year		-	-
Balance as at December 31		<u>1,959</u>	<u>1,959</u>
<b>18. Accrued investment income</b>			
Dividend receivable		-	348
Profit receivable on PIBs		3,807	-
		<u>3,807</u>	<u>348</u>
<b>19. Prepayments</b>			
Prepaid reinsurance premium ceded		379,399	460,705
Others	19.1	2,395	72,990
		<u>381,794</u>	<u>533,695</u>
<b>19.1</b>			
This includes advance of Rs. Nil (2013: Rs. 70 million) paid for purchase of Atlas Money Market Fund's units.			

	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u>
<b>20. Sundry receivables</b>			
Advances to employees - unsecured, considered good	20.1	2,068	1,239
Deposits and prepaid rent		5,673	5,609
Claims receivable		-	7,089
Staff retirement benefits	10.1	716	-
Others		17,669	-
		<u>26,126</u>	<u>13,937</u>

**20.1** Included in advances are amounts due from executives of Rs. 766 thousand (2013: Rs. Nil).  
No advance was given to the Chief Executive and directors of the Company (2013: Rs. Nil).

**21. Fixed assets**

Tangible	21.1	49,247	53,856
Intangible	21.2	2,605	2,284
		<u>51,852</u>	<u>56,140</u>

**21.1 Tangible**

	Freehold land	Buildings on freehold land	Furniture & fixtures	Office equipments	Computers owned	Vehicles owned	Total
<b>Net carrying value basis</b> (Rupees in thousand)							
<b>Year ended December 31, 2014</b>							
Opening net book value	1,168	11,809	2,937	10,561	7,620	19,761	53,856
Additions (at cost)	-	-	23	132	2,805	4,708	7,668
Disposals at net book value	-	-	-	(98)	(228)	(3,030)	(3,356)
Depreciation charge	-	(590)	(294)	(1,046)	(2,785)	(4,206)	(8,921)
Closing net book value	<u>1,168</u>	<u>11,219</u>	<u>2,666</u>	<u>9,549</u>	<u>7,412</u>	<u>17,233</u>	<u>49,247</u>
<b>Gross carrying value basis</b>							
<b>As at December 31, 2014</b>							
Cost	1,168	20,910	4,800	15,388	20,600	30,422	93,288
Accumulated depreciation	-	(9,691)	(2,134)	(5,839)	(13,188)	(13,189)	(44,041)
Net book value	<u>1,168</u>	<u>11,219</u>	<u>2,666</u>	<u>9,549</u>	<u>7,412</u>	<u>17,233</u>	<u>49,247</u>
<b>Depreciation rate % per annum</b>	-	5	10	10	30	20	
<b>Net carrying value basis</b>							
<b>Year ended December 31, 2013</b>							
Opening net book value	1,168	12,431	3,202	11,788	6,312	30,675	65,576
Additions (at cost)	-	-	74	291	4,010	5,639	10,014
Disposals at net book value	-	-	(12)	(357)	(85)	(11,392)	(11,846)
Depreciation charge	-	(622)	(327)	(1,161)	(2,617)	(5,161)	(9,888)
Closing net book value	<u>1,168</u>	<u>11,809</u>	<u>2,937</u>	<u>10,561</u>	<u>7,620</u>	<u>19,761</u>	<u>53,856</u>
<b>Gross carrying value basis</b>							
<b>As at December 31, 2013</b>							
Cost	1,168	20,910	4,777	15,524	20,800	30,810	93,989
Accumulated depreciation	-	(9,101)	(1,840)	(4,963)	(13,180)	(11,049)	(40,133)
Net book value	<u>1,168</u>	<u>11,809</u>	<u>2,937</u>	<u>10,561</u>	<u>7,620</u>	<u>19,761</u>	<u>53,856</u>
<b>Depreciation rate % per annum</b>	-	5	10	10	30	20	

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

	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)	
<b>21.2 Intangible</b>		
<b>Net carrying value basis</b>		
<b>Year ended December 31, 2014</b>		
Opening net book value (NBV)	2,284	851
Additions (at cost)	2,387	2,371
Amortization charge	(2,066)	(938)
Closing net book value (NBV)	<u>2,605</u>	<u>2,284</u>
<b>Gross carrying value basis</b>		
<b>As at December 31, 2014</b>		
Cost	6,458	4,071
Accumulated amortization	(3,853)	(1,787)
Net book value (NBV)	<u>2,605</u>	<u>2,284</u>
<b>Amortization rate % per annum</b>	33%	33%

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

### 21.3 Disposal of operating fixed assets

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
<b>(Rupees in thousand)</b>						
<b>Vehicles</b>						
Suzuki Mehran ATS-805	Mr. Muhammad Afzal (Employee)	485	288	197	197	Company Policy
Suzuki Cultus LED-13-1990	Atlas Honda Limited	1,043	168	875	875	Company Policy
Honda City LED-4061-10	Mr. Muhammad Saeed (Employee)	1,433	794	639	639	Company Policy
Honda CG 125 LEW-12-3381	Mr. Wasim Ahmad (Employee)	89	34	55	55	Company Policy
Suzuki Cultus LZV- 8999	Mr. Adeel Liaquat	350	133	217	395	Tender
Honda CG-125 LEK-14A-8744	Mirza Muhammad Amir	98	8	90	90	Tender
Honda City LED 12-9354	Ms. Nuzhat Irfan	1,597	641	956	1,500	Tender
<b>Computer accessories</b>						
HP Server DL-380		376	323	53	1	Tender
<b>Other assets with book value less than Rs. 50,000</b>						
		2,897	2,623	274	131	Tender
		<u>8,368</u>	<u>5,012</u>	<u>3,356</u>	<u>3,883</u>	

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		(Rupees in thousand)	
<b>22. Expenses</b>			
Salaries, wages and other benefits	22.2	191,864	196,866
Utilities		4,168	4,396
Rent, rates and taxes		8,550	7,817
Telephone and communication		5,037	4,405
Vehicle running and maintenance		12,098	12,035
Repairs and maintenance		2,517	4,235
Travelling and conveyance		5,548	6,705
Printing, stationery and computer expenses		4,285	4,491
Education and training		642	915
Fee and subscriptions		12,038	9,602
Service charges		863	1,190
Entertainment		1,409	501
Advertisement expenses		2,711	2,193
Trackers		47,351	39,671
Others		11,959	9,523
		<u>311,040</u>	<u>304,545</u>

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

22.2 Included in salaries, wages and benefits are Rs. 6,192 thousand (2013: Rs. 6,111 thousand) and Rs. 3,345 thousand (2013: Rs. 8,919 thousand) in respect of provident fund contribution and provision for gratuity fund, respectively, by the Company.

	<u>Note</u>	<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u> <u>(Rupees in thousand)</u>
<b>23. Other income</b>			
<b>Income from financial assets</b>			
Return on bank deposits		13,933	18,543
Provision reversed during the year	16.1	3,409	-
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets		527	6,718
		<u>17,869</u>	<u>25,261</u>
<b>24. General and administration expenses</b>			
Legal and professional charges		671	125
Donations	24.1	6,919	5,860
Directors fee		130	140
Auditors' remuneration	24.2	1,250	899
Depreciation	21.1.1	8,921	9,888
Provision for doubtful debts	16.1	-	3,378
Sundry receivables written off		1,013	-
Workers' welfare fund		13,609	11,826
Amortization of intangible asset	21.2.1	2,066	938
Others		188	8
		<u>34,767</u>	<u>33,062</u>
<b>24.1 Donations</b>			
This amount represents Rs. 6,919 thousand (2013: Rs. 5,860 thousand) donation to Atlas Foundation situated at 2nd Floor, Federation House, Clifton, Karachi - 74000, in which the following directors of the Company are members of its Board of Directors:			
Name of Directors			
Mr. Yusuf H. Shirazi			
Mr. Fahim Ali Khan			
Mr. Jawaid Iqbal Ahmed			
With the exception of their directorship, the directors and their spouses have no interest in the donee.			
		<u>2014</u> <u>(Rupees in thousand)</u>	<u>2013</u> <u>(Rupees in thousand)</u>
<b>24.2 Auditors' remuneration</b>			
Audit fee		500	365
Half yearly review		275	220
Audit of provident fund, gratuity funds and other certifications		375	215
Out of pocket expenses		100	99
		<u>1,250</u>	<u>899</u>
<b>25. Provision for taxation</b>			
<b>Current tax</b>			
- Current year		143,000	142,915
<b>Deferred tax</b>			
- Relating to reversal and origination of temporary differences		2,251	(11,571)
- Income resulting from reduction in tax rate		596	255
		<u>2,847</u>	<u>(11,316)</u>
		<u>145,847</u>	<u>131,599</u>
<b>25.1 Tax charge reconciliation</b>		<u>2014</u> <u>%</u>	<u>2013</u> <u>%</u>
Numerical reconciliation between the average effective tax rate and the applicable tax rate			
Applicable tax rate		33.00	34.00
Tax effect of amounts that are:			
- Not admissible for tax purpose		3.00	3.40
- Deductible for tax purpose		(2.00)	(3.00)
- Chargeable to tax at a lower rate		(13.00)	(12.00)
Effective tax rate		<u>21.00</u>	<u>22.40</u>

**26. Earnings per share**

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

	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)	
Net profit after tax	544,968	455,973
	(Number of shares)	
Weighted average number of ordinary shares	70,161,381	70,161,381
	(Rupees per share)	
Earnings per share (basic / diluted)	7.77	6.50

**27. Remuneration of chief executive, director and executives**

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

	<u>Chief Executive Officer</u>		<u>Director</u>		<u>Executives</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(Rupees in thousand)					
Managerial remuneration	15,524	13,861	12,176	11,223	28,728	24,895
Bonus	7,001	3,680	4,995	4,390	12,964	6,693
Medical reimbursement	119	124	215	512	1,742	1,515
House rent and utility expenses	7,425	6,629	5,824	5,367	18,260	15,245
Retirement benefits						
a) Provident fund	1,485	1,326	1,165	1,073	2,730	2,256
b) Service gratuity	562	502	441	407	1,083	883
Other reimbursable expenses	1,574	1,268	573	607	6,846	6,653
Total	<u>33,690</u>	<u>27,390</u>	<u>25,389</u>	<u>23,579</u>	<u>72,353</u>	<u>58,140</u>
Number of persons	1	1	1	1	28	26

Fees paid to 2 (2013: 2) non-executive directors for attending meetings during the year amounts to Rs. 130 thousand (2013: Rs. 140 thousand). In addition, the chief executive, a director and some of the executives are also provided with free use of Company cars, in accordance with the policy of the Company.

**28. Transactions with related parties**

Related parties comprise associated undertakings, other related group companies, directors of the Company and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Remuneration of directors and key management personnel is disclosed in note 27. Particulars of transactions with the Company's staff retirement benefit scheme are disclosed in note 10 to the financial statements. Period end balances and transactions with related parties are as follows:

		<u>2014</u>	<u>2013</u>
		(Rupees in thousand)	
<b>Associated companies</b>	<b>Period end balances</b>		
	Provision for outstanding claims (including IBNR)	109,722	175,871
	Premium received in advance	52,842	-
	Premiums due but unpaid	47,332	178,585
	<b>Transactions during the year</b>		
	Premium underwritten	871,774	749,047
	Premium collected	1,203,183	885,717
	Claims paid	123,308	75,739
	Vehicles purchased	3,058	2,213
	Vehicles sold	875	-
Office equipments purchased	-	126	
Computer equipments purchased	398	-	
Computer software purchased	2,387	-	
Rent received	5,093	5,258	
Rent paid	1,708	1,903	
Expenses paid	1,396	976	
Dividends received	35,283	21,460	
Dividends paid	249,006	166,004	
Donations	6,919	5,860	
Investments purchased	1,005,386	715,700	
Investments sold	957,097	612,240	
<b>Post employment benefit plans</b>	<b>Transactions during the year</b>		
	Expense charged in respect of retirement benefit plans	15,691	17,333

## 29. Segment reporting

The company has four (2013: Four) primary business segments for reporting purposes namely 'fire and property damage', 'marine, aviation and transport', 'motor' and 'miscellaneous'.

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

	Fire and property damage		Marine, aviation and transport		Motor		Miscellaneous		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)									
<b>Revenue</b>										
Premiums earned	479,786	391,143	492,562	458,523	350,029	274,238	342,990	318,891	1,665,367	1,442,795
<b>Segment Results</b>	74,468	50,167	259,733	236,836	41,812	39,533	30,700	16,357	406,713	342,893
Investment income									294,682	246,399
Rental income									6,753	6,518
Other income									17,869	25,261
Financial charges									(435)	(437)
General and administration expenses									(34,767)	(33,062)
									284,102	244,679
Profit before taxation									690,815	587,572
Provision for taxation									(145,847)	(131,599)
Net Profit									544,968	455,973
<b>Other information</b>										
Segment assets	270,945	315,998	278,160	370,431	197,668	221,552	193,694	257,627	940,467	1,165,608
Unallocated assets									2,403,552	1,849,128
Consolidated total assets									3,344,019	3,014,736
Segment liabilities	437,236	401,420	414,741	419,609	291,314	250,139	313,164	322,374	1,456,455	1,393,542
Unallocated liabilities									220,062	183,163
<b>Consolidated total liabilities</b>									1,676,517	1,576,705

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

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

## 30. Insurance risk management

### 30.1 Insurance risk

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

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

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

### Concentration of insurance risk

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

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

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

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

	Maximum insured loss		Loss ceded		Net retention	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
Fire and property damage	230,306,759	192,196,824	156,401,320	155,986,943	73,905,439	36,209,881
Marine, aviation and transport	19,346,605	13,950,143	6,662,971	4,398,480	12,683,634	9,551,663
Motor	20,583,158	8,877,631	2,811,659	373,747	17,771,499	8,503,884
Miscellaneous	79,011,245	74,912,015	42,950,513	44,872,297	36,060,732	30,039,718
	<u>349,247,767</u>	<u>289,936,613</u>	<u>208,826,463</u>	<u>205,631,467</u>	<u>140,421,304</u>	<u>84,305,146</u>

### Sensitivity analysis

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

	Net impact of increase / decrease in average claims by 10%			
	Underwriting results		Shareholder's equity	
	2014	2013	2014	2013
	(Rupees in thousand)			
Fire and property damage	328	539	220	356
Marine, aviation and transport	2,242	2,007	1,502	1,325
Motor	13,077	9,554	8,762	6,306
Miscellaneous	5,406	4,242	3,622	2,800
Total	<u>21,053</u>	<u>16,342</u>	<u>14,106</u>	<u>10,787</u>



**Claim development**

<b>Accident year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
	<b>(Rupees in thousand)</b>					
Estimate of ultimate claims costs:						
At end of accident year	175,250	110,624	92,884	210,292	129,165	
One year later	171,255	116,513	108,279	166,129	-	
Two years later	170,859	110,707	109,157	-	-	
Three years later	166,689	109,603	-	-	-	
Four years later	154,366	-	-	-	-	
Current estimate of cumulative claims	154,366	109,603	109,157	166,129	129,165	668,420
Cumulative payments to date	(133,031)	(104,711)	(99,239)	(83,629)	-	(420,610)
Liability recognized in the statement of financial position	21,335	4,892	9,918	82,500	129,165	247,810

**30.2 Reinsurance risk**

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other companies for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from sizeable risks, and provide additional underwriting capacity which also constitutes towards the growth of premium. A significant portion of the reinsurance is effected under treaty, facultative and also under excess-of-loss reinsurance contracts to protect Company's exposure towards catastrophic losses.

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

**31. Financial risk management**

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

**(a) Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The Company has invested its funds in ordinary shares, Pakistan Investment Bonds and National Investment Trust units, resulting in exposure due to the fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The Company minimizes such risk by having a diversified investments portfolio. In addition, the Company's Investment Committee actively monitors the key factors that affect investment market and all investment related decisions are taken after due consultation with the Investment Committee.

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk as none of the financial assets and liabilities are payable in foreign currency, at the end of the year.

**(ii) Other price risk**

Available for sale investments are stated at lower of cost and market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and market value of these investments have been disclosed in note 14.2 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

**(iii) Interest rate risk**

Interest / yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. The Company is exposed to interest / yield rate risk for certain deposits with the banks.

	<b>2014</b>	<b>2013</b>
	<b>(Rupees in thousand)</b>	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Deposits maturing within 12 months	-	-
Statutory deposits	75,182	69,622
<b>Variable rate instruments</b>		
<b>Financial assets</b>		
Bank balances - savings accounts	194,156	145,224
<b>Total exposure</b>	<b>269,338</b>	<b>214,846</b>

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

If the Karachi Inter Bank Offer Rate (KIBOR), had fluctuated by 10% with all other variables held constant, the impact on profit before taxation for the year would have been higher / lower by Rs. 1,393 thousand and impact on shareholder's equity would have been higher / lower by Rs. 933 thousand.

**(b) Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 2,842,355 thousand (2013: Rs. 2,340,971 thousand) the financial assets which are subject to credit risk amounted to Rs. 2,842,179 thousand (2013: Rs. 2,340,859 thousand). The Company believes that it is not exposed to major concentration of credit risk.

**(i) Concentration of credit risk**

Concentration of credit risk occurs when a number of counter parties are engaged in similar business activities. As a result, any change in economic, political or other conditions would have an impact on their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organization of sound financial standing covering various industrial sectors and segments.

**(ii) Exposure to credit risk**

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

	<u>2014</u>	<u>2013</u>
	<b>(Rupees in thousand)</b>	
Current and other accounts	432,994	162,051
Loans to employees	194	162
Investments	1,868,597	1,550,372
Premiums due but unpaid	145,497	260,165
Amounts due from other insurers / reinsurers	179,594	110,557
Salvage recoveries accrued	5,685	6,810
Accrued investment income	3,807	348
Reinsurance recoveries against outstanding claims	179,685	236,457
Sundry receivables	26,126	13,937
	<u>2,842,179</u>	<u>2,340,859</u>

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

	<u>2014</u>		
	<u>Related party</u>	<u>Others</u>	<u>Total</u>
	<b>(Rupees in thousand)</b>		
<b>Age analysis of receivables is as follows:</b>			
- Up to one year	46,440	93,902	140,342
- Past one but less than three years	892	4,263	5,155
- Over three but less than five years	-	-	-
- More than five years	-	-	-
- Less provision	-	-	-
	<u>47,332</u>	<u>98,165</u>	<u>145,497</u>
	<u>2013</u>		
	<u>Related party</u>	<u>Others</u>	<u>Total</u>
	<b>(Rupees in thousand)</b>		
- Up to one year	178,385	77,809	256,194
- Past one but less than three years	200	7,180	7,380
- Over three but less than five years	-	-	-
- More than five years	-	-	-
- Less provision	-	(3,409)	(3,409)
	<u>178,585</u>	<u>81,580</u>	<u>260,165</u>

**(iii) Credit quality of major financial assets**

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

<b>Banks</b>	<b>Rating</b>		<b>Rating Agency</b>	<b>2014</b>	<b>2013</b>
	<b>Short term</b>	<b>Long term</b>		<b>(Rupees in thousand)</b>	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	301	190
Allied Bank Limited	A1+	AA+	PACRA	3,028	3,759
Summit Bank Limited	A-1	A	JCR-VIS	134,682	83,060
Bank Alfalah Limited	A1+	AA	PACRA	197,614	42,268
Faysal Bank Limited	A-1+	AA	JCR-VIS	80,036	19,941
Habib Bank Limited	A-1+	AAA	JCR-VIS	11,900	5,290
MCB Bank Limited	A1+	AAA	PACRA	4,279	4,335
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	380	370
United Bank Limited	A-1+	AA+	JCR-VIS	-	1,297
NIB Bank Limited	A1+	AA-	PACRA	30	1,029
Bank of Punjab	A1+	AA-	PACRA	200	-
Askari Bank Limited	A1+	AA	PACRA	544	512
				<u>432,994</u>	<u>162,051</u>

**(c) Liquidity risk**

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

**31.1 Financial instruments by categories**

	<b>Held to maturity</b>		<b>Available for sale</b>		<b>Loans and receivables</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(Rupees in thousand)</b>							
<b>Financial assets as per balance sheet</b>								
Cash and other equivalents	-	-	-	-	176	112	176	112
Current and other accounts	-	-	-	-	432,994	162,051	432,994	162,051
Deposits maturing within twelve months	-	-	-	-	-	-	-	-
Loans to employees	-	-	-	-	194	162	194	162
Investments	75,182	69,622	1,793,415	1,480,750	-	-	1,868,597	1,550,372
Premiums due but unpaid	-	-	-	-	145,497	260,165	145,497	260,165
Amounts due from other insurers / reinsurers	-	-	-	-	179,594	110,557	179,594	110,557
Salvage recoveries accrued	-	-	-	-	5,685	6,810	5,685	6,810
Accrued investment income	-	-	-	-	3,807	348	3,807	348
Reinsurance recoveries against outstanding claims	-	-	-	-	179,685	236,457	179,685	236,457
Sundry receivables	-	-	-	-	26,126	13,937	26,126	13,937
	<u>75,182</u>	<u>69,622</u>	<u>1,793,415</u>	<u>1,480,750</u>	<u>973,758</u>	<u>790,599</u>	<u>2,842,355</u>	<u>2,340,971</u>

**Other financial liabilities**  
**2014**      **2013**  
**(Rupees in thousand)**

**Financial liabilities as per balance sheet**

Provision for outstanding claims (including IBNR)	276,994	309,529
Amounts due to other insurers / reinsurers	315,070	236,671
Accrued expenses	83,726	77,023
Creditors and accrued expenses	57,844	51,220
Deposits against performance bonds	13,404	9,453
Dividends payable	41,170	31,847
	<u>788,208</u>	<u>715,743</u>

**Maturity analysis of financial assets and liabilities**

	2014						Total 2014
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
<b>Financial assets</b>							
<b>On balance sheet</b>							
Cash and other equivalents	-	-	-	176	-	176	176
Current and other accounts	194,156	-	194,156	238,838	-	238,838	432,994
Loans to employees	-	-	-	194	-	194	194
Investments	75,182	-	75,182	1,793,415	-	1,793,415	1,868,597
Premiums due but unpaid	-	-	-	145,497	-	145,497	145,497
Amounts due from other insurers / reinsurers	-	-	-	179,594	-	179,594	179,594
Salvage recoveries accrued	-	-	-	5,685	-	5,685	5,685
Accrued investment income	3,807	-	3,807	-	-	-	3,807
Reinsurance recoveries against outstanding claims	-	-	-	179,685	-	179,685	179,685
Sundry receivables	-	-	-	26,126	-	26,126	26,126
	<u>273,145</u>	<u>-</u>	<u>273,145</u>	<u>2,569,210</u>	<u>-</u>	<u>2,569,210</u>	<u>2,842,355</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>273,145</u>	<u>-</u>	<u>273,145</u>	<u>2,569,210</u>	<u>-</u>	<u>2,569,210</u>	<u>2,842,355</u>
<b>Financial liabilities</b>							
<b>On balance sheet</b>							
Insurance contracts - short term	-	-	-	718,802	-	718,802	718,802
Less: reinsurance assets held to cover insurance contracts	-	-	-	(379,399)	-	(379,399)	(379,399)
	-	-	-	339,403	-	339,403	339,403
Provision for outstanding claims (including IBNR)	-	-	-	276,994	-	276,994	276,994
Amounts due to other insurers / reinsurers	-	-	-	315,070	-	315,070	315,070
Accrued expenses	-	-	-	83,726	-	83,726	83,726
Creditors and accrued expenses	-	-	-	57,844	-	57,844	57,844
Deposits against performance bonds	-	-	-	13,404	-	13,404	13,404
Dividends payable	-	-	-	41,170	-	41,170	41,170
	-	-	-	788,208	-	788,208	788,208
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,127,611</u>	<u>-</u>	<u>1,127,611</u>	<u>1,127,611</u>
<b>On balance sheet gap</b>	<u>273,145</u>	<u>-</u>	<u>273,145</u>	<u>1,441,599</u>	<u>-</u>	<u>1,441,599</u>	<u>1,714,744</u>
<b>Off balance sheet gap</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Maturity analysis of financial assets and liabilities**

	2013						Total 2013
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in thousand)						
<b>Financial assets</b>							
<b>On balance sheet</b>							
Cash and other equivalents	-	-	-	112	-	112	112
Current and other accounts	145,224	-	145,224	16,827	-	16,827	162,051
Loans to employees	-	-	-	162	-	162	162
Investments	69,622	-	69,622	1,480,750	-	1,480,750	1,550,372
Premiums due but unpaid	-	-	-	260,165	-	260,165	260,165
Amounts due from other insurers / reinsurers	-	-	-	110,557	-	110,557	110,557
Salvage recoveries accrued	-	-	-	6,810	-	6,810	6,810
Accrued investment income	-	-	-	348	-	348	348
Reinsurance recoveries against outstanding claims	-	-	-	236,457	-	236,457	236,457
Sundry receivables	-	-	-	13,937	-	13,937	13,937
	<u>214,846</u>	<u>-</u>	<u>214,846</u>	<u>2,126,125</u>	<u>-</u>	<u>2,126,125</u>	<u>2,340,971</u>
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	<u>214,846</u>	<u>-</u>	<u>214,846</u>	<u>2,126,125</u>	<u>-</u>	<u>2,126,125</u>	<u>2,340,971</u>

## Maturity analysis of financial assets and liabilities

	2013						Total 2013
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
(Rupees in thousand)							
<b>Financial assets</b>							
<b>On balance sheet</b>							
Insurance contracts - short term	-	-	-	732,848	-	732,848	732,848
Less: reinsurance assets held to cover insurance contracts	-	-	-	(460,705)	-	(460,705)	(460,705)
	-	-	-	272,143	-	272,143	272,143
Provision for outstanding claims (including IBNR)	-	-	-	309,529	-	309,529	309,529
Amounts due to other insurers / reinsurers	-	-	-	236,671	-	236,671	236,671
Accrued expenses	-	-	-	77,023	-	77,023	77,023
Creditors and accrued expenses	-	-	-	51,220	-	51,220	51,220
Deposits against performance bonds	-	-	-	9,453	-	9,453	9,453
Dividends payable	-	-	-	31,847	-	31,847	31,847
	-	-	-	715,743	-	715,743	715,743
<b>Off balance sheet</b>	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	987,886	-	987,886	987,886
<b>On balance sheet gap</b>	214,846	-	214,846	1,138,239	-	1,138,239	1,353,085
<b>Off balance sheet gap</b>	-	-	-	-	-	-	-

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

## 31.2 Capital risk management

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

## The Company's objectives when managing capital are:

- (i) to be in compliance with the paid-up capital requirement set by the SECP. The Company's current paid-up capital is in excess of the limit prescribed by the SECP;
- (ii) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (iii) to provide an adequate return to shareholders.

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

## 32. Fair value of financial instruments

The carrying value of all financial instruments reported in the financial statements approximate their fair value except for available for sale investments which are stated at lower of cost and market value in accordance with the requirements of the SEC (Insurance) Rules, 2002. The carrying and fair value of these investments have been disclosed in note 14.2 to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

## 33. Provident fund trust

The Company has maintained an employee provident fund trust and investments out of provident fund has been made in accordance with provisions of section 227 of the Companies Ordinance, 1984, and the rules formulated for this purpose. The salient information of the fund is as follow:

	Note	2014	2013
(Rupees in thousand)			
Size of the fund		96,915	111,732
Percentage of investments made		88.7%	90%
Fair value of investments	33.1	85,970	101,037
Cost of investments made		83,074	99,670

33.1 Break up of investments	2014		2013	
	Investments	Investments as a % size of fund	Investments	Investments as a % size of fund
Government securities	17,846	18%	24,625	22%
Listed securities and mutual funds	68,124	70%	76,412	68%
	<u>85,970</u>		<u>101,037</u>	

The information for the financial year 2014 is based on un-audited financial statements of the provident fund.

34. Number of employees	Number of employees	
	2014	2013
Number of management and non management staff employed are as follows:		
Total employees	162	160
Average employees	160	161

**35. Date of authorization for issue**

These financial statements were authorized for issue by the Board of Directors of the Company on February 27, 2015.

**36. Non - adjusting events after the balance sheet date**

The Board of Directors has proposed a final dividend for the year ended December 31, 2014 of Rs. 6 (2013: Rs. 5) per share, amounting to Rs. 420,968 thousand (2013: Rs. 318,916 thousand) at their meeting held on February 27, 2015 for the approval of the members at the Annual General Meeting to be held on April 10, 2015. The Board has also recommended to transfer Rs. 124,000 thousand (2013: Rs. 77,000 thousand) to general reserves and stock dividend of Rs. NIL (2013: Rs. 1) per share, amounting to Rs. NIL (2013: Rs. 63,783 thousand) to reserves for issue of bonus shares from accumulated reserves.

**37. General**

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



**Arshad P. Rana**  
Chief Executive



**Feroz Rizvi**  
Director



**Ali H. Shirazi**  
Director



**Yusuf H. Shirazi**  
Chairman

## Company Offices

### HEAD OFFICE

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

PABX: (042) 37320542, 37320543,  
37310658, 37322271  
37322273  
Fax: (042) 37234742

ARSHAD P. RANA  
Chief Executive Officer

Direct: (042) 37234812  
Fax: (042) 37116260

NISAR ZAMAN KHAN  
Head of Marketing and Sales

Direct: (042) 37358360  
Extension: 404

RASHID AMIN  
Chief Financial Officer

Direct: (042) 37234757  
Extension: 403

MUHAMMAD SAEED  
Head of Claims

Direct: (042) 37323270  
Extension: 304

QUDSIA NAHEED  
Vice President (Admin/HR)

Direct: (042) 37245348  
Extension: 303

ABDUL RAZZAQ GHOURI  
Vice President (IT)

Direct: (042) 37314241  
Extension: 402

SALEEM MEHMOOD  
Chief Internal Auditor

Extension: 428

### NORTH ZONE OFFICES & BRANCHES

#### LAHORE

CH. TAYYAB HUSSAIN  
Circle Chief, Lahore Circle - I

City Branch  
3 - Bank Square,  
Shahrah-e-Quaid-e-Azam,  
Lahore. (042) 37212365-6, 37312858,  
37312868, 37230558-9  
Fax: (042) 37212367

MUHAMMAD MUNIR QAZI  
Chief Manager

Gulberg Branch  
Office No. 335, 3rd Floor, Land Mark  
Plaza, Jail Road, Lahore (042) 35775733-4  
Fax: (042) 35714514

MUHAMMAD IJAZ  
Deputy Chief Manager

Al-Noor Branch  
Al-Noor Building, 43-Bank Square  
Shahrah-e-Quaid-e-Azam, Lahore. (042) 37358805  
Fax: (042) 37237343

KH. MUHAMMAD NADEEM  
Branch Manager

Napier Road Branch  
Nairobi Mansion  
Napier Road, Lahore. (042) 37352560  
Fax: (042) 37358190

MUHAMMAD WASIM PURI  
Branch Manager

Mall Road Branch  
Hafeez Chambers,  
85- Shahrah-e-Quaid-e-Azam,  
Lahore. (042) 36305595, 36271663  
Fax: (042) 36369576

CH. ZEESHAN AHMED  
Branch Manager

Main Boulevard Branch  
Office No-6, 2nd Floor,  
Al-Hafeez View, 67-D/1,  
Sir Syed Road, Gulberg-III, Lahore (042) 35784309, 37034673  
Fax: (042) 35784310

#### RAWALPINDI

MAHMOOD AHMED  
Chief Manager

101/13, Bank Road,  
Grand Hotel Building,  
P.O. Box 119, Rawalpindi. (051) 5563413, 5516546  
Fax: (051) 5798083

MANZAR ALI NAQVI  
Manager

**FAISALABAD**

MUHAMMAD ASIF AKRAM  
Branch Manager

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

(041) 8721256, 8734176  
Fax: (041) 8732499

**SIALKOT**

REHAN NAZIR GHUMAN  
Branch Manager

Kutchery Road, Sialkot.

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

**ISLAMABAD**

AASIM MAJEED  
Deputy Chief Manager

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

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

**MULTAN**

GHULAM ALI  
Office Incharge

Atlas Honda Building  
Azmat Wasti Road, Multan.

(061) 4544494  
Fax: (061) 4786198

**SOUTH ZONE OFFICE**

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

PABX:

(021) 35378806-7  
35369395-6

Fax:

(021) 35378515

ARSHAD P. RANA  
Chief Executive Officer

Direct:

(021) 35378757

MUHAMMAD IMRAN  
Asst. Vice President (Non Motor)

Extension:

217

MUHAMMAD AFZAL  
Company Secretary

Extension:

202

**SOUTH ZONE BRANCHES**

**KARACHI**

M. FAROOQ KANDLAWALA  
Circle Chief, Karachi Circle - I

Tower Branch  
State Life Building No. 7  
Room No. 101, 1st Floor  
G. Allana Road, Karachi.

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

ABDUL AZIZ  
Chief Manager

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

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

IMRAN SATTAR  
Chief Manager

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

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

INAYAT ULLAH  
Branch Manager

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

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

AJAZ TUFAIL  
Branch Manager

NCB-II Branch  
Ground Floor, Federation House,  
Abdullah Shah Ghazi Road,  
Main Clifton, Karachi.

(021) 35378806-7  
35369394-6  
Fax: (021) 35378515

HYDERABAD  
ZAFAR AHMAD GHOURI  
Circle Chief, Hyderabad Circle

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

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

SUKKUR  
ABDUL MAJEED QURESHI  
Chief Manager

Near Public School,  
Military Road,  
Sukkur.

(071) 5631056  
Fax: (071) 5631057



## Glossary

<b>Actuary</b>	Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics, and develops solutions with due regard to legal and economic parameters.
<b>Actuarial valuations</b>	A determination by an actuary at a special date of the value of a Company's assets and its liabilities.
<b>Amortization</b>	Reduction of the value of an asset by prorating its cost over a period.
<b>Associate</b>	Is a company in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.
<b>Authorized share capital</b>	Maximum value of share capital that a Company can legally issue.
<b>Bonus shares</b>	Free shares issued to shareholders.
<b>Book value</b>	Value of an asset as entered in a company's books.
<b>Budget</b>	An estimate of income and expenditure for a set period of time.
<b>Capital expenditure</b>	Cost of long-term improvements and fixed assets.
<b>Capital gain</b>	Portion of the total gain recognized on sale of a non-inventory asset
<b>Capital reserves</b>	Any reserve not regarded free for distribution by way of dividends.
<b>Cedant</b>	Client of a reinsurance company.
<b>Combined ratio</b>	Percentage ratio of the sum of net claims plus management expenses and net commission to net premiums earned. It corresponds to the sum of the loss ratio, commission ratio and the expense ratio.
<b>Commission</b>	Remuneration to an intermediary for services such as selling and servicing an insurer's products.
<b>Claims</b>	Amount payable under a contract of insurance arising from occurrence of an insured event.
<b>Claims incurred</b>	Aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
<b>Corporate social responsibility</b>	A process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, and all other members of the public who may also be considered as stakeholders.
<b>Deferred commission</b>	Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
<b>Deferred tax</b>	An accounting concept (also known as future income taxes) meaning a future tax liability or asset in respect of taxable temporary differences.
<b>Defined benefit plans</b>	Post-employment benefit plans other than defined contribution plans.
<b>Depreciation</b>	Is the systematic allocation of the cost of an asset over its useful life.
<b>Doubtful debts</b>	A debt where circumstances have rendered its ultimate recovery uncertain.
<b>Earnings per share</b>	Amounts for profit per share attributable to ordinary shareholders of the entity.
<b>Facultative reinsurance</b>	The reinsurer assumes a share of selected individual risks, the primary insurer can offer an individual risk in reinsurance, which the reinsurer for its part can either accept or decline.

<b>Fair value</b>	Amount for which an asset could be exchanged, or a liability settled.
<b>Fiscal deficit</b>	When government's total expenditures exceed the revenue that it generates.
<b>General insurance</b>	All kind of Insurance except Life and Takaful Insurance. i.e. fire and property damage, marine, and motor aviation, Motor and miscellaneous - other insurance.
<b>Gross domestic product</b>	The total value of goods produced and services provided in a country during fiscal year.
<b>Gross premium</b>	Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance
<b>Group health insurance</b>	A single health policy covering a group of individuals, usually employees of the same company or members of the same association and their dependents.
<b>Human resource development</b>	A framework for the expansion of within an organization through the development of both the organization and the individual to achieve performance improvement.
<b>Impairment</b>	The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount
<b>Incurred But Not Reported (IBNR)</b>	Claim incurred but not reported to the insurer until the reporting date of financial statements.
<b>Inflation</b>	A general increase in prices and fall in the purchasing value of money.
<b>Insurance contracts</b>	A contract under which one party (the insurer) accepts insurance risk from another party (the policyholder) by agreeing to compensate the policyholder for a specified uncertain future event.
<b>Insurer Financial Strength Rating</b>	Provides an assessment of the financial strength of an insurance company.
<b>Intangibles</b>	An identifiable non-monetary asset without physical substance.
<b>Internal control</b>	An accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc.
<b>Loss ratio</b>	Percentage ratio of claims expenses to net premium.
<b>Market share</b>	The portion of a market controlled by a particular company or product.
<b>Market value</b>	Estimated price that a buyer would pay and a seller would accept for an item in a competitive market.
<b>National exchequer</b>	The account into which tax funds and other public funds are deposited.
<b>Net asset value</b>	The value of all tangible and intangible assets of a company minus its liabilities.
<b>Net premium revenue</b>	Gross premium written less reinsurance expense.
<b>Non-life insurance</b>	Non-life insurance and general insurance have identical meaning.
<b>Outstanding claims</b>	A type of technical reserve or accounting provision in the financial statements of an insurer to provide for the future liability for claims
<b>Paid up capital</b>	The amount paid or contributed by shareholders in exchange for shares of a company.
<b>Premium</b>	The amount that has to be paid for the insurance cover provided by an insurer.
<b>Present value</b>	Future amounts that have been discounted to the present.
<b>Proxy</b>	Power of attorney by which the shareholder transfers the voting rights to another shareholder.

<b>Quoted</b>	Being listed on a stock exchange.
<b>Registered office</b>	An address which is registered with the government registrar as the official address of a company.
<b>Reinsurance</b>	A method of insurance arranged by insurers to share the exposure of risks accepted.
<b>Reinsurance commission</b>	Commission received or receivable in respect of premium paid or payable to a reinsurer.
<b>Reinsurance premium</b>	The premium payable to the reinsurer in respect of reinsurance contract.
<b>Related party</b>	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
<b>Retrocession</b>	Transfer of risk from a reinsurer to another reinsurer.
<b>Revenue reserves</b>	Reserve that is normally regarded as available for distribution through the profit and loss account including general reserves and other specific reserves created out of profit and un-appropriated profit.
<b>Risk</b>	Condition in which there is a possibility of loss.
<b>Risk management</b>	Includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss.
<b>Statutory levies</b>	Fee charged (levied) by government on a product, income or activity.
<b>Strategic objective</b>	A broadly defined objective that an organization must achieve to make its strategy succeed.
<b>Subsequent event - non adjusting</b>	Are events concerning conditions which arose after the balance sheet date, but which may be of such materiality that their disclosure is required to ensure that the financial statements are not misleading.
<b>Takaful</b>	An Islamic concept of insurance.
<b>Tangibles</b>	An asset whose value depends on particular physical properties.
<b>Term finance certificate</b>	A debt instrument issued by an entity to raise funds.
<b>Underwriting profit</b>	This is the profit generated purely from the insurance business without taking into account the investment income, other income and general & administration expenses.
<b>Unearned premium</b>	It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the balance sheet date.

 Atlas Group Companies	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1962
 Atlas Battery	1966
 Shirazi Trading	1975
 Atlas Insurance	1980*
 Atlas Engineering	1981*
<b>HONDA</b> Honda Atlas Cars	1992
<b>HONDA</b> Honda Atlas Power Product	1997
 Atlas Asset Management	2002
 Shirazi Capital	2005
 Atlas Power	2007
 Atlas World Wide	2007
 Atlas Venture	2008
 Atlas Autos	2011
 Atlas Hitec	2012
 Atlas Metals	2012

# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of Atlas Insurance Limited and holder(s) of \_\_\_\_\_ ordinary shares as per Registered Folio No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 80th General Meeting of the Company to be held at Registered Office on April 10, 2015 at 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore and at every adjournment thereof.

As witness my /our hand this \_\_\_\_ day of \_\_\_\_\_ 2015.

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

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

\_\_\_\_\_

Witness:

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

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

\_\_\_\_\_

Affix Revenue Stamp  Signature
--

## Notes:

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



AFFIX  
POSTAGE

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

Fold Here

Fold Here

Fold Here

Fold Here

Strength and growth come  
only through continuous  
effort and struggle



**Atlas Insurance Limited**

3-Bank Square, Shahrah-e-Quaid-e-Azam,  
Lahore-54000

Ph: +92 42 373 20542-3, 373 22271,  
373 22273, 373 10658

Fax: +92 42 372 34742

Email: [info@atlasinsurance.com.pk](mailto:info@atlasinsurance.com.pk)

Website: [www.atlasinsurance.com.pk](http://www.atlasinsurance.com.pk)