36TH Annual Report 2018

EAST WEST INSURANCE COMPANY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 36^{th} Annual General Meeting of East West Insurance Company Limited will be held on Monday, April 29, 2019, at 10:30 A.M at the Registered Office of the Company located at 27, Regal Plaza, Jinnah Road, Quetta, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Extraordinary General Meeting of the Company held on January 25, 2019.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2018.
3. To consider the appointment of Auditors for the year ending December 31, 2019 and fix their remuneration. Messrs BDO Ebrahim & Co. Chartered Accountants, being eligible have offered themselves for appointment.
4. To approve the interim bonus issue as final distribution for the year ended December 31, 2018 announced on October 30, 2018 and already issued to the shareholders in the proportion of two ordinary shares for every eight ordinary shares held i.e. 25%.
5. To consider other business with the permission of the chair.

By the order of the board

Shabbir Ali Kanchwala
Company Secretary
Karachi: 28^{th} March, 2019.

Notes:

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.

2. CDC Account holders are advised to follow the following guidelines of the Securities Exchange Commission of Pakistan.

A. For attending the meeting

a. In case of individuals, the account holder and / or sub- account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

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

B. For appointing proxies

a. In case of individuals, the account holder / and or sub- account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.

b. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the meeting.

e. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. For exercising electronic voting (e-voting) right through E-Voting services provider Companies (Postal Ballot) Regulation, 2018.

i. If Company receives demand for poll by e-voting from members having not less than one tenth of the voting power the Company will arrange for e- voting exercise.

ii. The company shall provide its Members with the option of e-voting by postal ballot in accordance with the provision of Companies (Postal Ballot) Regulation, 2018. Shareholders who wish to participate through e-voting, kindly provide immediately or not later than seven days from the date of Annual General Meeting, through a letter duly signed them, i.e. Name, Folio / CDC A/C No., E-mail address, Contact Number to the share Registrar of the Company (M/s. THK Associated (Private) Limited 1st Floor,C,Block 6, P.E.C.H.S, Karachi.)

iii. Representative of our share Registrar at M/s. THK Associates (Private) Limited, 1st Floor, C, Block 6, P.E.C.H.S, Karachi will be appointed as execution officer for the meeting.

iv. The proxy / e-voting form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

4. The Share Transfer Books of the company will be closed from April 23, 2019 to April 29, 2019, (both days inclusive).Transfers received in order by our Share Registrar, M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi, at the close of business on April 22, 2019 will be considered in time to attend and vote at the meeting.

5. Members are requested to notify / submit the following, in case of book entry securities in CDC to respective CDC participants and in case of physical shares, to the Company's Share Registrar, if not earlier provided / notified:

a. Change in their address;

b. Valid and legible photocopies of Computerized National Identity Card (CNIC) for Individuals and National Tax Number (NTN) both for individual & corporate entities.

6. Electronic Transmission of Financial Statements and Notices

Pursuant to Notification vide SRO 787(1) 2014 dated September 08, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their member receiving annual financial statements and notice of annual general meeting through electronic mail system (E-mail). The Company is pleased to offer this facility to our valued members who desire to receive annual financial statements and notices through email in future.

In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company's website.

Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of member(s) to timely update the share registrar of any change in his (her /its / their) registered email address at the address of Company's Registrar.

7. Electronic Dividend Mandate

Under section 242 of Companies Act, 2017 it is mandatory for all listed companies to pay cash dividend to its shareholders only through electronic mode directly in to the bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholder are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available in the Company's website and send it duly signed along with a copy of CNIC to the Share Registrar of the Company, M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, in case of physical shares.

In case shares are held in CDC, electronic dividend mandate form must be directly submitted to shareholder's brokers / participant /CDC account services.

In case shares of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

8. Submission of Valid CNIC (Mandatory)

As per SECP directive the dividend warrants of the shareholders whose valid CNIC, are not available with Share Registrar could be withheld. All shareholders having physical shareholding are advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Company's Share Registrar at the following address, M/s.

THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi without any further delay.

9. Deduction of Withholding Tax on the Amount of Dividend

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

The Government of Pakistan through Finance Act, 2016 and 2017 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 as under:

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

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be.

10. Consent for Video Conference

Pursuant to the provision to the Companies Act, 2017 the members can also avail the video Conferencing facility. In this regard, please fill the following and submit to registered address of the Company at least 10 days before the holding of annual general meeting. If the Company receive consent from members holding aggregate 10% or more shareholding residing at the geographical location to participate in the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I / We, _____________ of__________________, being a member of East West Insurance Co., Ltd. holder of _______ ordinary share(s) as per registered folio / CDC no. ______ hereby opt for video conference facility.

11. Unclaimed Dividend

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

12. Deposit of Physical shares in to CDC Accounts:

As per section 72 of the Companies Act, 2017 every existing company shall be required to replaced its physical shares with book-entry from in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act.

The shareholders having physical shareholding may open CDC sub-account with any of the brokers or investor account directly with CDC to place their physical shares into scrip less from, this will facilitate them in many including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing regulations of the stock exchange.

DIRECTOR'S REPORT

All praises to Almighty Allah the most gracious and merciful.

On behalf of the Directors of your company I have the pleasure in presenting the 36th Annual

Report and audited financial statements for the year ending December 31st, 2018.

Honorable shareholders, respected members of the BOD and my dependable colleagues:

Assalam Allaikum.

I welcome you all on 36th Annual General Meeting of the company and express my humble gratitude to Almighty Allah for helping me in successful closing of annual accounts for the year 2018. This year East West Insurance Company has successfully completed 36 years of its establishment. The success of the company is attributed to the kind and valuable guidance of our chairman, members of the BOD, shareholders, valued clients and distinguished patrons. I thank them all and look forward for their continued support in future.

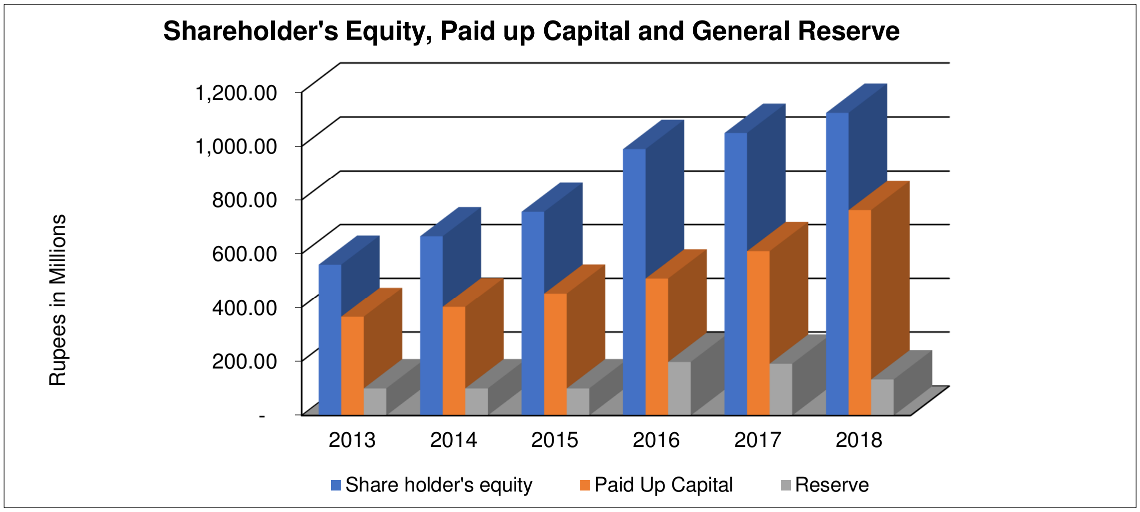
As normal practice the Board of Directors disseminate strategy at the beginning of the year for the management to adopt in marketing its products for our valued clients. The prudent management follows the strategy in true letter and spirit to strengthen our premium base and position in the industry. Simultaneously, the management continues to invest in profitable ventures to augment return on equity for the benefit of our shareholders.

The insurance industry in Pakistan is relatively small compared to its peers in the region. However, in the last five years the perception of security has changed due to poor law & order situation showing increased demand in property insurance. The impressive growth is also attributed to the expansion of distribution channels, such as Banc-assurance which places significant increase in the income of our insurance industry. The SECP has also allowed conventional companies to open Window Takaful Operation giving further boost to premium income. You would be pleased to know that we have also established Window Takaful Operation under the supervision of a qualified and experienced officer at the level of senior management of your company. Window Takaful is fully operational and we are confident to earn sizeable contribution under this portfolio which would be adequately protected by national as well as international re-takaful companies.

YEARLY PERFORMANCE:

Company's gross written premium grew to PKR 3.10 billion showing an increase of 23% in comparison to the previous year. The net earned premium in the year 2018 was PKR 1.50 billion as against PKR 1.10 billion in the previous year thus showing a growth of 38%. The combined ratio of losses & administrative expenses stood at 52% in a market which is highly competitive besides being exposed to natural catastrophes, vindicating our strong focus on our underwriting approach and cost management skills giving us advantage over our peers. During year under review your company has been able to record healthy income in terms of premium and profits demonstrating ability to absorb losses without impairing financial security, giving excellent results as provided here under:

Particulars	2018 (Rs./billion)	2017 (Rs./billion)	% Increase (decrease)
Gross Premium	3.10	2.53	23%
Net Premium	1.46	1.10	33%
Claims Paid	0.91	0.85	7%
U/W Profit	0.27	0.23	17%
Paid-up-capital	0.76	0.61	25%



FIRE/PROPERTY INSURANCE

The company has underwritten gross premium of PKR 984 million under fire/property portfolio showing increase of 12% compared to last year. After keeping provision for reinsurance, claims and management expenses the company earned underwriting profit of PKR 126 million.

MARINE INSURANCE

Gross premium underwritten in Marine Portfolio including Marine Hull was PKR 387 million. After provisioning for reinsurance, claims, and management expenses, the company has earned underwriting profit of PKR 61 million. Despite small premium income, this portfolio has shown a better performance compared to other classes of business.

MOTOR INSURANCE

The company wrote a premium of PKR 474 million against motor insurance including third party and liability insurance having tremendous potential to generate premium for the industry. However, due to presence of fake companies, bona fide companies are being deprived of their legitimate income due to un-healthy practice and SECP may initiate suitable measures against unregistered companies in public interest to protect them from liability claims.

ENGINEERING AND BOND INSURANCE

Insurance companies are providing protection against accidental losses during execution of development projects. Our company is duly registered with Pakistan Engineering Council and various other government authorities for providing insurance cover to ongoing development projects. In this regard we have extremely cordial relations with contractors of national and international repute who normally approach us for seeking insurance on their projects. Beside insurance of projects, we also provide Professional Indemnity insurance to reputed consultants for their design, planning and construction supervision of proposed projects. During 2018 we have underwritten gross premium of PKR 919 million through direct and facultative insurance.

MISCELLANEOUS ACCIDENT

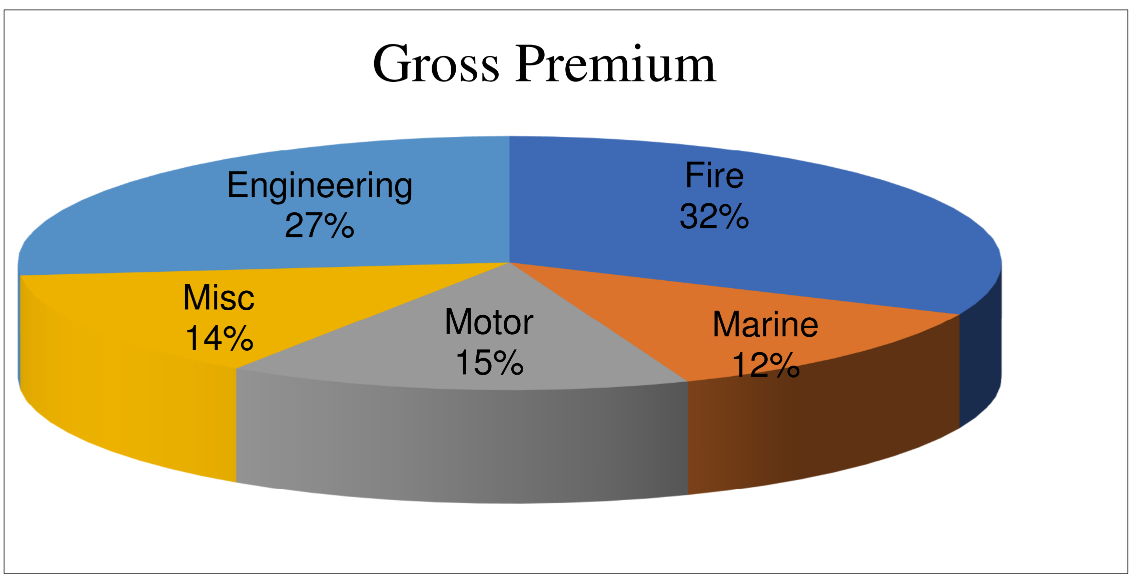
The deteriorating law & order situation in the country in general in particular in metropolitan cities in particular resulted in increased demand for this type of Insurance. As a result, people tend to insure themselves against variety of risks. This includes Personal Accident, Household Insurance, Burglary Insurance, Public liability, Cash in Safe and Transit Insurance. In addition, Workmen Compensation also covered under this portfolio. In the year 2018, we have underwritten gross premium of PKR 74 million in this portfolio.

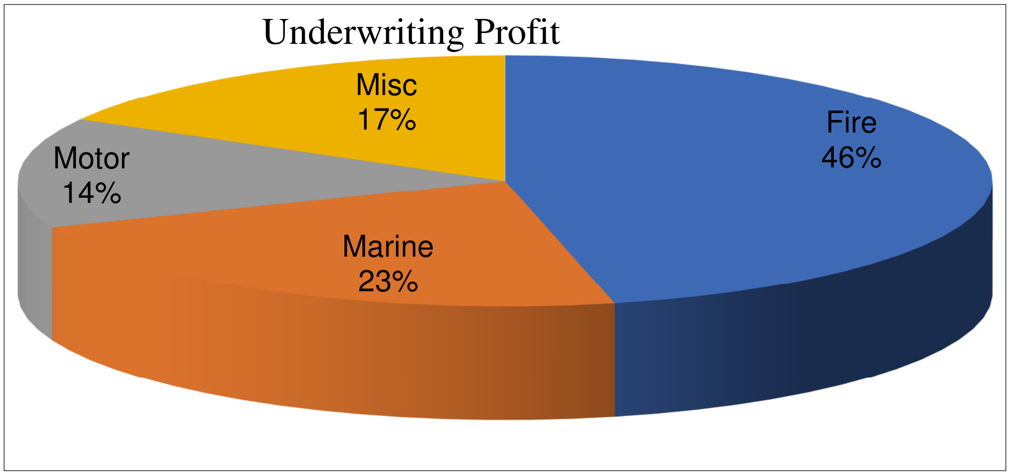
TRAVEL AND HEALTH INSURANCE

East West Insurance Company is also underwriting Travel and Health insurance through its corporate offices in Islamabad and Regional Office (South) Karachi. This portfolio is robustly growing through our countrywide network of branches. In addition, we are also supporting various travelers who require travel insurance for processing VISA by foreign missions in Pakistan. We are enlisted on the panel of various embassies/consulates who accept our insurance policies to process VISAS for travelers. In 2018, we have underwritten gross premium of PKR 196 million.

CROPS AND LIVE STOCK:

Your company participates in the Crop and Live Stock insurance program promulgated by the State Bank of Pakistan. In the year 2018 the company enhanced its premium of crop and live stock insurance utilizing maximum benefits available through private and commercial banks. We will continue this aggressive pursuit in 2019 to generate maximum premium through this portfolio.





CREDIT RATING

The company is maintaining IFS-Rating 'A' + for the last three years. Considering our stable outlook and our extremely successful management meeting with PACRA, we expect our rating will be reviewed and be upgraded after completion of current statutory audit.

REINSURANCE ARRANGEMENTS

Since 2013 we are maintaining non-proportional treaties keeping reasonable retention on our own account. The results during the last four years had been extremely positive for the reinsurers as most of the claims remained within our net account except two claims which exposed our XOL treaty. Based on our performance our reinsurers were willing to renew our treaty for the year 2019.

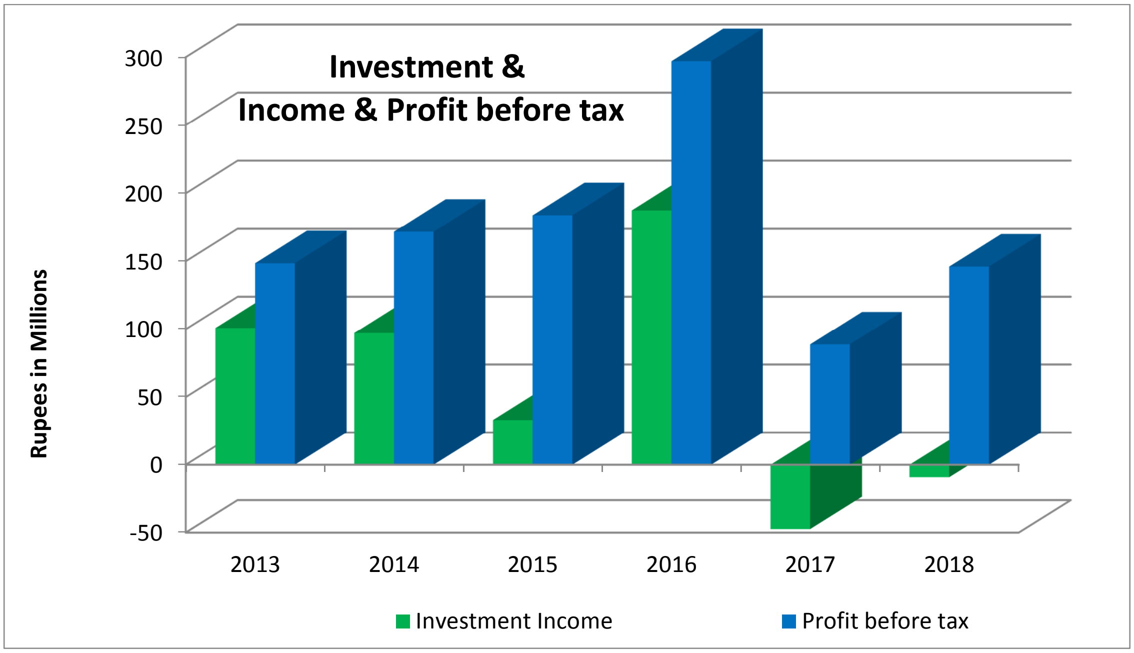
CAPITAL, SOLVENCY, SHAREHOLDER'S FUND:

Shareholder equity of the company stood at PKR 1.10 billion as on December 31, 2018.

Although we had adequate capital as per requirement of SECP yet the company offered 25%bonus shares during the year 2018 thus raising the capital to PKR 762.23 million. You would be pleased to know that your company continues to supplement the paid-up capital to maintain modest ratio of gross premium written to capital infused and/or gross premium written to shareholder's equity.

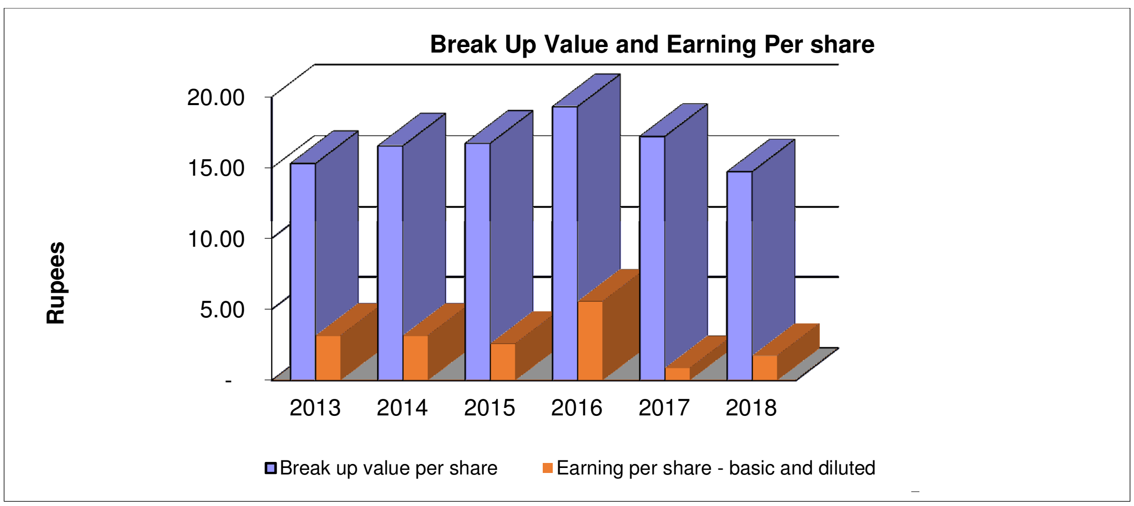
INVESTMENT INCOME:

In regard to investment income, 2018 was also a bad year for your company because of our long term investment strategy as we had invested in long term PIB, Sukuk bonds and Govt. Securities for consolidated returns. Unfortunately, due to economic distress combined with slow fiscal consolidation State Bank raised the discount rate to encourage new investors on increased rate of returns. However, our investments were on much lower and fixed rate of returns compelling us to take the impairment in accordance with IAS39 to book the losses. The investment committee has therefore decided to review our future strategy and to invest in short terms ventures in order to maximize our return so as to avoid losses in future.



EARNING PER SHARE:

Profit after tax as compared to last year has significantly increased to Rs. 146.12 million. This resulted in improved EPS of PKR 1.74 as compared to last year reported EPS of PKR 1.12.



BOARD COMMITTEES

Your Company maintains following Board committees:

AUDIT COMMITTEE

The Board is responsible for effective implementation of sound internal control systems including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principle responsibility of the Internal Auditors is to conduct periodic audits to ensure adequacy in operational controls, consistency in the application of policies and procedures, compliance with laws and regulations.

INVESTMENT COMMITTEE

The investment portfolio of your company is actively monitored under the supervision of qualified staff. Keeping duration of liabilities, your company's investment philosophy is based on strong cash generation, backed by prudent investment of surplus funds with due consideration of timely payment of claims as they arise. The Company has a Board level investment committee that meets on a monthly basis to review the investment portfolio. The committee is also responsible for developing the investment policy for the Company.

ETHICS, HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board formed Ethics, Human Resource & Remuneration Committee, which is responsible for recommending to the Board about the introduction and changes to the human resource management policies of the Company as well as the selection, evaluation and compensation of key officers of the Company.

MANAGEMENT COMMITTEES

As part of the Corporate Governance, your Company maintained following four Management committees which meet at least once in every quarter;

UNDERWRITING COMMITTEE

The underwriting committee formulates the underwriting policy of your Company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. The committee regularly reviews the underwriting and premium policies of the Company with due regard to accumulation of risk on the basis of region & business sectors and other relevant factors.

CLAIMS COMMITTEE

This committee devises the claims settling policy of the Company. It oversees the claims position of the Company and ensures that adequate claims reserves are maintained. Particular attention is paid to significant claims cases or events, which give rise to a series of claims. The Claims Settlement Committee determines the circumstances under which the claims dispute to be brought to its attention and decides how to deal with such disputes. It also oversees the implementation of the measures for combating fraudulent claims cases. The Committee also oversees the newly established Grievance Functions of the Company.

REINSURANCE AND COINSURANCE COMMITTEE

This committee ensures that adequate reinsurance arrangements are made for the company's businesses. It peruses the proposed reinsurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The risk management and compliance committee shall oversee the activities of the risk management function of the Company and makes appropriate recommendations to the Board to mitigate probable risks falling within the purview of the risk management function.

MANAGING VARIOUS TYPES OF RISKS

Your company perceives risk management as a means of value optimization and recognizes the importance of internal control and risk management in sustaining our business which is exposed to multi-natured risks arising from internal and external sources.

Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies. The principle risks faced by the company are as follows:

Economic and Political Risk

Economic and political stability is very important for successful business activities. However, volatility in the economic, political and financial market in our country makes it very difficult to achieve business target. Your company always strives for strong underwriting to deal with such risk.

Insurance Risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The primary risk control measure in respect of the insurance risk is the transfer of the risks to third parties via reinsurance.

Credit Risk

Credit risk is where the company fails to recover from its debtors. The company manages this risk by careful underwriting, knowing the customer and their financial strength and also through vigilantly monitoring its credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages this risk by critically monitoring change in interest rates where it has exposure.

Analysis of How the Entity's Performance Met / Exceeded Short of Forward-Looking Disclosures made in Prior Periods

By the grace of Almighty Allah your company achieved the financial targets for 2018 maintaining its position in the industry. The Company believes that its strength lies in customer trust and satisfaction. We are in the industry for the last thirty five years and we believe that our existence is based on the quality of service, customer satisfaction and employees' motivation being the key areas where management has always taken necessary measures for improvement. Throughout the year we have provided training to our employees both in house and through institutions including PII programs to enhance and improve the skills. This leads to greater customer satisfaction and increased trust.

Prospects in 2019

Our performance indicates that we have achieved the management objectives maximizing customer satisfaction, improvement in underwriting results, controlling overhead expenses to increase the profitability and shareholder's equity.

The management has devised strategy for the year 2019 to deliver sustainable and profitable growth under the changing scenario with competitive environment. We have earned gross premium of over three billion rupees in 2018 and we are confident to maintain similar growth pattern in 2019.

The company aims to enhance Information Technology resources to get the best possible support from the systems and processes to further improve our services to customers.

Corporate Responsibility

While the insurance industry may not be able to prevent nature's potential threats, we are in a good position to educate and support clients in managing and adapting to climate risks.

Insurers' risk management skills will be crucial in helping society cope with the increasing frequency and severity of extreme events. Emerging climate risks also offer insurers an opportunity to teach policyholders about loss control and prevention.

As trusted voice on risk issues, we are able to speak with authority to policymakers and provide an opportunity to develop creative products and services to minimize the causes and effects of climate change. Our sustainability vision is to focus on advocating for climate change adaptation and mitigation, and working with our clients to deal with emerging risks.

Energy conservation

Every year, we do our in-house Energy Conservation Audit which is bench marked by monthly reports. In this way, we keep a close watch over our energy conservation. All electrical items used in our offices are energy-friendly. All air conditioning units are inverters and lighting systems are based on LED bulbs which are switched off during Lunch break.

Environmental Impact

The company provides cover against various risks exposed to our valued customers. Our team of qualified and experiences workers provide professional guidance to our clients to create healthy environment for trade and industry in order for them to carry out their business for public in general.

Although in the last few decades insurance industry is dependent on extensive use of computer/Information Technology yet it is still being monitored to contract by human interaction and does not have any adverse environmental impact.

Consumer protection measures

Emphasis on earning the trust of the customers is our priority. The new inductees are duly apprised with our policies by our human resource department.

We provide protection to properties of our clients and resultantly enhance the security of their assets thereby supporting the economic progress of the country and simultaneously our business portfolio. It is also gratifying to submit that depending on our satisfactory services to our existing customers, we attract new clients on their recommendation.

Company's relations with stakeholders

We have very positive and practical approach towards relations with various stake holders particularly with regulatory authorities i.e. Securities and Exchange Commission of Pakistan (SECP), Federal Board of Revenue (FBR), State Bank of Pakistan (SBP), other Insurance Companies, the Reinsurers, and The Insurance Association of Pakistan (IAP).

The Company Secretary is responsible for adhering and implementing all the applicable laws, regulations and conventions in order to keep the organization at its highest professional standards.

Know Your Customers (KYC)

We maintain in our database the detailed information of our customers under (KYC). The data base includes information provided by the FATCA in order to do vigilant underwriting. By keeping the record of our customers we update our self with the reputation of our clients and their goodwill in the market.

Employment of special persons

The Company is an equal opportunity employer, irrespective of gender and physical disabilities.

Occupational safety and health

Fire extinguishers have been installed at various points within the working premises. Further, the Company has first aid medical facility in the Head Office & Branches. Health insurance covering hospitalization is provided to employees by the company with coverage through reputed hospitals in the country.

Sports activities

The Company encourages employees for participating in sports and arrange matches of cricket, football and hockey. Beside sports the company also allows employees to arrange picnics at various attractive places in Karachi and other parts of the country.

Business ethics and anti-corruption measures

The Board has adopted the Statement of Ethics and Business Practices. All employees are informed and are required to observe rules of conduct in relation to business and regulations. Statement of Ethics and Business Practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

Relationship with other Stakeholders

Your Company continues to maintain good relationship with:

- Its employees by providing good working environment;
- Its clients through building trust and providing quality service;
- Its competitors in fair market practices;
- The business community through honest and fair dealing;
- The government through promoting free enterprise along with competitive market system and complying with applicable laws; and
- The society in general through providing safe and healthy workplace and provide employees the opportunity to improve their skills.

APPROPRIATIONS

	PKR in '000
Profit before tax from General Insurance Operation	147,036
Loss from Window Takaful Operation	(921)
Profit before tax	146,115
Income tax Expenses	(13,724)
Profit after tax	132,391
Other comprehensive losses	(58,071)
Total comprehensive income	**74,320**
Unappropriated restated profit atbeginning of the year	248,617
Profit for the year	132,391
Issuance of bonus shares	(152,445)
Unappropriated profit at the end of the year	**228,563**

RELATED PARTY TRANSACTION

At each board meeting the Board of Directors approve Company's transactions with Associated Companies / Related parties. All the transactions executed with related parties are on arm's length basis.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
b) Proper books of accounts have been maintained by the Company.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
d) The International Financial Reporting Standards (IFRS) or any other regulation or law as applicable in Pakistan, have been followed in preparation of financial statement and any departure from there has been adequately disclosed.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no significant doubts upon the Company's ability to continue as a going concern.
g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
h) The key operating and financial data for the last six years is annexed.
i) During the year the trading of shares of the Company carried out by the Chief Executive Officer as follows:

Seller of Shares	No. of shares
Mr. Naved Yunus	200,000

k) The value of investments of provident fund based on their un-audited accounts as of December 31, 2018 was approximately PKR 61 million.
k) The statement of the pattern of shareholding of the Company as at 31 December, 2018 is included in the Report.

Board / Sub-committee Members / Secretary	Board	Audit	Ethics, HR & Remuneration	Investment
	Committees Attendance			
	6	4	4	12
Chief Justice (R) Mian Mahboob Ahmad	4			
Mr. Naved Yunus	6			12
Mr. Javed Yunus	5	3		
Mr. Pervez Yunus	6			
Mr. Maheen Yunus	2			
Mr. Umeed Ansari	5	4	4	12
Mr. Ahsan Mehmood Alvi	6	4	4	12
Engr. Kazim Raza	6	3		
Mr. Shabbir Ali Kanchwala			4	12
Mr. Johry Lal		4		
Mr. Muhammad Saeed Ahmed				12
Mr. Adil Hussain			4	

Leave of absence granted to directors and members who could not attend the meeting.

Insurance Ordinance, 2000

As required under the Insurance Ordinance, 2000 and rules framed there under, the Directors confirm that:

- In their opinion and to the best of their belief of the annual statutory accounts of the Company set out in the form attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;
- The Company has at all times in the year complied with the provisions of the Ordinance and rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and
- as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

AUDITORS

The present auditors M/s BDO, Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for reappointment. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board of Directors recommends the appointment of BDO Ebrahim & Co., (Chartered Accountants) as auditors of the company for the year 2019 at a fee to be mutually agreed.

APPRECIATION AND ACKNOWLEDGEMENT

We thank our valued clients and shareholders for their continued support and confidence which enabled us to progressively increase our market penetration in order to generate sizeable premium revenue. We also thank our reinsurers and brokers for the valuable support in performing our responsibilities.

We would also like to record our appreciation for the cooperation and professional support by the Insurance Division of Securities Exchange Commission of Pakistan. Finally, we also acknowledge the hard-work and dedication of our marketing teams, marketing staff, officers and staff members for achieving the desired goals and objectives of the company and look forward for their continued support in the year 2019.

For and on behalf of the Board of Directors.

Director

Managing Director & Chief Executive Officer

Karachi Dated: March 28, 2019

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 & LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

1. The total number of directors are 8 as per the following:
   Male; 8
   Female; 0
2. The Company encourages the representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the Board includes:

Category	**Names**
Independent Directors	Mr. Ahsan Mahmood Alvi
Executive Directors	Mr. Naved Yunus, Mr. Javed Yunus, Mr. Pervez Yunus
Non- Executive Directors	Chief Justice (R) Mian Mahboob Ahmad, Mr. Umeed Ansari, Mr. Maheen Yunus and Mr. Kazim Raza

   The independent director meets the criteria of independence as laid down under the Code and CCG, 2017.

3. The directors have confirmed that none of them is serving as a director in more than five listed companies including this company .
4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. No casual vacancy occurred on the Board during the year.
6. The company has prepared a “Statement of Ethics and Business Practice” as Code of Conduct and ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures..
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the insurer. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have duly exercised, decisions on material transactions and decisions on relevant matter, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, as empowered by the relevant provisions of the Act and CCG 2017 have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
10. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal control given in the Code.

12. Board of directors comprised of eight directors out of which four directors have obtained "Orientation Course" organized by ACCA Pakistan Institute of Corporate Governance and four other directors are experienced and educated enough that exempted them from certification course.

13. There was no change of Chief Financial Officer (CFO) & Company Secretary and Head of Internal Audit in 2018. The Board had, however, approved the increase in remuneration of CFO & Company Secretary and Head of Internal Audit.

14. The directors' report for this year has been prepared in compliance with the requirements of the Code and CCG 2017 and fully describes the salient matters required to be disclosed.

15. The financial statements of the company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

16. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.

17. The Company has complied with all the corporate and financial reporting requirements of the Code and CCG 2017.

18. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category
Mr. Pervez Yunus	Chairman
Mr.Sajjad Zaffar	Member
Mr Salim Nawaz	Member
Mr. Muhammad Sahreef	Member/ Secretary

Claim Settlement Committee:

Name of the Member	Category
Mr. Naved Yunus	Chairman
Mr. Javed Yunus	Member
Mr. Shabbir Ali Kanchwala	Member
Mr. Mazharuddin	Member / Secretary

Reinsurance & Co-insurance Committee:

Name of the Member	Category
Mr. Naved Yunus	Chairman
Engr. Kazim Raza	Member
Mr Salim Nawaz	Member
Mr. Syed Arshad Ali	Member / Secretary

Risk Management & Compliance Committee:

Name of the Member	Category
Engr. Kazim Raza	Chairman
Mr. Ahsan Mehmood Alvi	Member
Mr Salim Nawaz	Member
Mr. Muhammad Hussain	Member / Secretary

19. The Board has formed an Audit Committee. It comprises of four members, of whom two are non-executive directors. The chairman of the audit committee is an independent director / non executive director. The composition of the Audit Committee is as follows.

Audit Committee:

Name of the Member	**Category**
Mr. Ahsan Mahmood Alvi	Chairman-Independent Director
Mr. Javed Yunus	Member- Executive Director
Mr.Umeed Ansari	Member-Non-Executive Director
Mr Kazim Raza	Member-Non-Executive Director
Mr. Johry Lal	Secretary-Head of Internal Audit

20. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee:

Name of the Member	**Category**
Mr. Ahsan Mahmood Alvi	Chairman- Independent Director
Mr.Umeed Ansari	Member- Non-Executive Director
Engr. Kazim Raza	Member- Non-Executive Director
Mr. Adil Hussain	Member / Secretary-Admin Officer

Investment Committee:

Name of the Member	**Category**
Mr. Naved Yunus	Chairman- Managing Director & Chief Excutive
Mr. Ahsan Mahmood Alvi	Member-Independent Director
Mr. Umeed Ansari	Member-Non-Executive Director
Mr. Shabbir Ali Kanchwala	Member-Director Finance
Mr. Muhammad Saeed Ahmed	Member / Secretary Accountant

Nomination Committee:

Name of the Member	**Category**
Mr. Ahsan Mahmood Alvi	Chairman- Independent Director
Mr.Umeed Ansari	Member- Non-Executive Director
Engr. Kazim Raza	Member- Non-Executive Director
Mr. Shabbir Ali Kanchwala	Member-Secretary Director Finance

21. The meetings of Committees were held at least once every quarter prior to approval of interim and final results of the Company and as required by this Code. The terms of reference of the Committees have been formed, documented and advised to the committees for compliance.

22. The Board has set up an effective internal audit function which comprises of suitably qualified and experienced staff for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.

23. The Chief Executive officer, Chief Financial Officer & Company Secretary, Compliance officer and the Head of Internal Audit possess such qualification and experience as required under the Code. Moreover, the persons heading the underwriting, claims, reinsurance, risk management and grievance function posses qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Name of Persons	Designation	Qualifications	Experience
Mr. Naved Yunus	Managing Director & Chief Executive Officer	MSc & BSC (Accounting)	Working in EWI since 1983
Mr. Shabbir Ali Kanchwala	Chief Finance Officer and Company Secretary	MBA Finance	Working in EWI since 1983
Mr. Johry Lal	Chief Internal Auditor	FCCA	Working in EWI since 2006
Mr. Muhammad Hussain	Compliance Officer	Graduate	Working in EWI since 1984
Mr. Muhammad Shareef	Head of Underwriting	Graduate	Working in EWI since 1986
Mr. Mazhar-ud-din	Head of Claims	Graduate	Working in EWI since 1988
Syed Arshad Ali	Head of Reinsurance	M.A (Economics	Working in EWI since 1985
Mr. Brendin D'Lima	Head of Risk Management	Graduate	Worked in/for various Insurance Cos. Since 1985
Mr. Saleem Nawaz	Head of Grievance Function	MBA Finance & Accounting	Worked in Financial Institution for 28 years and working in Insurance Companies for 3 years

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given s satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountant of Pakistan and are registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

25. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

26. The Board ensures that the Investment Policy of the Company has been drawn up in accordance with the provisions of the code.

27. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code.

28. The Company has set up a Risk Management function, which carries out its tasks as covered under the Code.

29. The Company has been rated by PACRA the rating agency on December 04,2018 is A+ (A Plus) with stable Outlook..

30 . The Board has set up Grievance function in Compliance with the requirements Code.

31. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Code.

32. We confirm that all other material principles contained in the Code and CCG 2017 have been complied with except for the following towards which reasonable progress is being made by the Company to seek compliance by the end of the next accounting year;

    The Company has three executive directors out of eight elected directors, which exceed the allowable proportion of executive directors on the Board of Directors as required by the Code.

    The functions of CFO & Company Secretary are being performed by the same person Mr. Shabbir Ali Kanchwala. However, management is looking for a suitable candidate for the post of Company Secretary.

Director | Chief Executive Officer

Dated: March 28, 2019.

STATEMENT OF COMPLIANCE

WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the respective Stock Exchange.

NAVED YUNUS
Managing Director & Chief Executive
Dated: March 28, 2019.

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018	2017 (Restated)	2016 (Restated)
		----- Rupees in '000 -----		
ASSETS				
Property and equipment	9	155,312	115,775	123,938
Intangible assets	10	1,408	1,709	2,139
Investment properties	11	50,442	53,097	48,040
Investments				
Equity securities	12	825,476	927,917	906,012
Debt securities	13	183,761	179,816	111,331
Term deposits	14	64,071	75,830	58,000
		1,073,308	1,183,563	1,075,343
Loans and other receivables	15	41,331	40,555	59,903
Insurance / reinsurance receivables	16	289,763	165,228	170,074
Reinsurance recoveries against outstanding claims	29	442,006	540,027	394,593
Deferred commission expense	30	172,216	146,600	129,645
Deferred taxation	17	11,899	-	-
Prepayments	18	624,193	427,927	323,998
Cash and bank	19	35,777	14,892	11,663
		2,897,656	2,689,373	2,339,337
Total assets of takaful operations		60,425	-	-
TOTAL ASSETS		2,958,081	2,689,373	2,339,337
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	20	762,227	609,782	508,152
Reserves	21	133,048	191,119	197,788
Unappropriated profit		228,564	248,617	284,061
TOTAL EQUITY		1,123,839	1,049,519	990,001
LIABILITIES				
Underwriting provisions				
Outstanding claims including IBNR	29	594,943	660,415	544,124
Unearned premium reserves	28	981,543	754,295	568,001
Unearned reinsurance commission	30	99,091	77,864	86,315
		1,675,577	1,492,574	1,198,441
Retirement benefit obligations		1,741	914	723
Deferred taxation	17	-	14,845	15,636
Liabilities against assets subject to finance lease	22	21,503	-	-
Premium received in advance	23	13,888	4,159	1,823
Insurance / reinsurance payables	24	12,714	15,185	9,873
Other creditors and accruals	25	77,956	69,190	71,001
Taxation - net	26	25,954	42,987	51,839
Total liabilities of takaful operations		4,909	-	-
TOTAL LIABILITIES		1,834,242	1,639,854	1,349,337
TOTAL EQUITY AND LIABILITIES		2,958,081	2,689,373	2,339,337
CONTINGENCIES AND COMMITMENTS	27			

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000

	Note	2018	2017 (Restated)
Net insurance premium	28	1,459,230	1,054,705
Net insurance claims	29	(633,992)	(469,917)
Net commission	30	(291,174)	(174,791)
Insurance claims and acquisition expenses		(925,166)	(644,708)
Management expenses	31	(263,265)	(181,602)
Underwriting results		270,799	228,395
Loss on investment	32	(9,220)	(47,436)
Rental income	33	6,438	7,627
Other income	34	6,952	3,370
Other expenses	35	(126,505)	(102,735)
Results of operating activities		148,464	89,221
Finance cost	36	(1,428)	(426)
Loss from takaful operations		(920)	-
Profit before tax		146,116	88,795
Income tax expense	37	(13,724)	(22,609)
Profit after taxation		132,392	66,187
Earnings per share - basic and diluted (Restated)	38	1.74	0.87

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017 (Restated)
	Rupees in '000	
Profit after tax	132,392	66,187
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized loss on available for sale investments - net of deferred tax	(58,071)	(6,669)
Total comprehensive income for the year	74,320	59,518

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000

	Note	2018	2017
OPERATING CASH FLOWS			
a) Underwriting activities			
Premium received		3,081,195	2,547,883
Reinsurance premium ceded		(1,708,215)	(1,397,350)
Claims paid		(912,411)	(850,977)
Reinsurance and other recoveries received		310,969	351,916
Commission paid		(594,092)	(440,750)
Commission received		303,024	240,554
Underwriting payments		(357,510)	(273,177)
Net cash generated from underwriting activities		122,960	178,098
b) Other operating activities			
Income tax paid		(34,335)	(30,977)
Other operating (payments) / receipt		(55,067)	18,980
Net cash used in other operating activities		(89,402)	(11,997)
Net cash generated from all operating activities		33,558	166,101
INVESTING ACTIVITIES			
Investment income received		10,527	7,233
Dividend received		26,892	24,320
Other income received		9,929	10,953
Payments for investments		(275,457)	(1,235,463)
Proceeds from disposal of investment		263,510	1,058,244
Fixed capital expenditures		(66,987)	(9,347)
Purchase of investment property		-	(4,727)
Proceeds from disposal of fixed assets		14,065	2,691
Net cash used in investing activities		(17,521)	(146,096)
FINANCING ACTIVITIES			
Loan received from director		279,344	1,973
Loan repaid to director		(279,477)	(919)
Payment of finance lease		(6,777)	-
Net cash (used in) / generated from financing activities		(6,910)	1,054
Net cash increase in cash and cash equivalent		9,126	21,059
Cash and cash equivalents at beginning of the year		90,722	69,663
Cash and cash equivalents at end of the year		99,848	90,722

EAST WEST INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000

	Note	2018	2017
Reconciliation to profit and loss account			
Operating cash flows		33,558	166,101
Depreciation expense		(21,281)	(16,900)
Profit on disposal of fixed assets		4,940	1,980
Investment income		13,776	7,233
Dividend income		26,892	24,320
Loss on investment securities		(48,678)	(78,886)
Other income		14,681	10,954
Loss on takaful operations		(920)	-
Increase in assets other than cash		320,728	242,122
Decrease in operating liabilities		(211,303)	(290,738)
Profit after taxation		132,392	66,186
CASH AND CASH EQUIVALENTS			
Cash for the purpose of statement of cash flows consist of:			
Cash and other equivalents		76	3
Current and other accounts		35,701	14,889
Deposits maturing within 12 months		64,071	75,830
		99,848	90,722

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Reserves				
	Issued subscribed and paid-up	General reserve	Unrealized loss on revaluation of available for sale investments	Total reserves	Unappropriated profit	Total
	Rupees in '000					
Balance as at January 01, 2017 (as reported)	508,152	200,000	-	200,000	273,549	981,701
Effect of changes in accounting policy (note 8.1)	-	-	(2,212)	(2,212)	10,512	8,300
Balance as at January 01, 2017 (restated)	508,152	200,000	(2,212)	197,788	284,061	990,001
Total comprehensive income for the year						
Profit after tax	-	-	-	-	66,187	66,187
Unrealized loss on revaluation of available for sale investments	-	-	(6,669)	(6,669)	-	(6,669)
	-	-	(6,669)	(6,669)	66,187	59,518
Issue of bonus shares	101,630	-	-	-	(101,630)	-
Balance as at December 31, 2017 (restated)	609,782	200,000	(8,881)	191,119	248,617	1,049,519
Balance as at January 01, 2018 (restated)	609,782	200,000	(8,881)	191,119	248,617	1,049,519
Total comprehensive income for the period						
Profit after tax	-	-	-	-	132,392	132,392
Unrealized loss on revaluation of available for sale investments	-	-	(58,071)	(58,071)	-	(58,071)
	-	-	(58,071)	(58,071)	132,392	74,321
Issue of bonus shares	152,445	-	-	-	(152,445)	-
Balance as at December 31, 2018	762,227	200,000	(66,952)	133,048	228,564	1,123,839

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1 STATUS AND NATURE OF BUSINESS

East West Insurance Company Limited (the Company) was incorporated as a public limited company in the year 1983 under the repealed Companies Act, 1913 (now Companies Act, 2017). The shares of the Company are quoted on the Pakistan Stock Exchange. The Company is engaged in the general insurance business comprising of fire and property, marine, aviation and transport, motor and miscellaneous etc. The company commenced Window Takaful Operations (WTO) from May 08, 2018 as per Securities and Exchange Commission of Pakistan (SECP) Takaful Rules, 2012.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 27, Regal Plaza, Jinnah Road, Quetta. The principal place of business is situated at Sarwar Shaheed Road, Lakson Square Building No. 03, 4th, Floor Karachi. The Company operates through 3 (2017: 3) principal offices and 24 (2017: 24) branches in Pakistan.

3 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING YEAR

Following is the summary of significant transactions and events that have affected the financial position and performance of the Company:

a. During the year, the Company commenced its Window Takaful Operations (WTO) from May 08, 2018.

b. During the year, the Company changed its accounting policy for the valuation of the available-for-sale investments as disclosed in note 8.1 to the financial statements.

c. During the year, investments purchased amounted to Rs. 275.457 million and proceeds from sale of investments amounted to Rs. 263.510 million.

d. For discussion on the Company's performance, please refer to Director's report.

4 BASIS OF PREPARATION

4.1 Statement of compliance

These financial statements are prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as are notified under the Companies Act, 2017, and Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017.

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

The Third and Fourth Schedules to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Third and Fourth Schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.

4.2 Functional and presentation currency

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

5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

5.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements - amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 28	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	Immediately
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

5.2 Amendments 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:

Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020

		Effective date (annual periods beginning on or after)
IAS 8	Accounting Policies, Changes in Accounting Estimates and	

	Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018

Effective date (annual periods beginning on or after)

IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

5.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 9 - Financial Instruments and IFRS 16 -Leases are still being assessed, as these new standards may have a significant effect on the Company’s future financial

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

6 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments are stated at their fair values.

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

6.1 Use of judgments and estimates

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 revision and future periods, if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the financial statements or judgment was exercised in application of accounting policies, are as follows:

	Note
- Provision for unearned premiums	7.2.2
- Premium due but unpaid - net	7.2.3
- Provision for outstanding claims (including IBNR)	7.3.1
- Premium deficiency reserve	7.7
- Useful life of fixed assets	7.10
- Taxation (current and deferred)	7.17
- Impairment in the value of investment	7.21

	Note
- Commission income unearned	7.6.2
- Reinsurance recoveries against outstanding claims	7.5
- Prepaid reinsurance premium ceded	7.4.2
- Deferred commission expense	7.6.1

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed.

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

These contracts are provided to individuals as well as commercial organizations with various tenures according to the nature and terms of the contract and the needs of the insured.

The Company also accepts insurance risk pertaining to insurance contracts of other insurers as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

Fire and property damage

Fire and property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, aviation and transport

Marine insurance covers the loss or damage of vessels, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor

Motor insurance provides protection against losses incurred as a result of theft, traffic accidents and against third party liability that could be incurred in an accident.

Miscellaneous

Other various types of insurance are classified in miscellaneous which mainly includes engineering, bond, hospitalization, accident and health insurance and travel insurances etc.

7.2 Premium

7.2.1 Premium income earned

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

a) for direct business, evenly over the period of the policy;

b) for proportional reinsurance business, evenly over the period of underlying reinsurance policies; and

c) for non-proportional reinsurance business, on inception of the reinsurance contract in accordance with the pattern of reinsurance service.

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 incidence of risk.

Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognized as income at the inception of the policy and a related asset is set up in respect of the premium receivable, notwithstanding the fact that some installments may not, by agreement between the insurer and the insured, be payable until later.

7.2.2 Provision for unearned premiums

Provision for unearned premiums represents the portion of premium written relating to the unexpired period of coverage, and is recognized as a liability. The liability is calculated as follows:

a) in the case of marine, aviation and transport business, as a ratio of unexpired period to the total period of the policy applied on the gross premium written.
b) for the other classes / line of business, by applying the twenty-fourth method as specified in the Insurance Rules, 2017, as majority of the remaining policies are issued for a period of one year.

7.2.3 Premiums due but unpaid - net

Premiums due but unpaid is recorded as receivable when it is due, at the fair value of consideration receivable less provision for doubtful debts, if any. If there is objective evidence that receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in profit and loss account.

7.3 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, including external claims handling costs that are directly related to the processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims are charged to profit and loss account as incurred based on estimated liability for compensation owed under the insurance contracts.

7.3.1 Provision for outstanding claims (including IBNR)

The Company recognizes liability in respect of all claims incurred upto 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 relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

7.4 Reinsurance contracts

Contracts (treaty and facultative) entered by the Company under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

7.4.1 Reinsurance expense

Reinsurance premium ceded (treaty and facultative) is recognised as an expense over the period of reinsurance from inception to which it relates to its expiry as follows:

a) for proportional reinsurance business, evenly over the period of the underlying policies.
b) for non-proportional reinsurance business, evenly over the period of indemnity.

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

7.4.2 Prepaid reinsurance premium ceded

The portion of reinsurance premium ceded not recognised as an expense as at year end is recognised as prepaid reinsurance premium ceded. Unrecognised portion is determined in the same manner as for provision for unearned premiums.

7.5 Reinsurance recoveries against outstanding claims

Reinsurance recoveries receivable from reinsurers are recognized as an asset at the same time as and when the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

7.6 Commission

7.6.1 Commission expense

Commission expense incurred in obtaining and recording policies is deferred and is recognized in the profit and loss account as an expense in accordance with the pattern of recognition of premium revenue.

7.6.2 Commission income

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates.

7.7 Premium deficiency reserve - (liability adequacy test)

At each balance sheet date, liability adequacy test is performed to ensure the adequacy of unearned premium. Where the cumulative unearned premium reserve for any classes of business is not adequate to meet the expected future liability, after reinsurance from claims and other supplementary expenses, including reinsurance expenses, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of unexpired policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit. The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year. The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired risk. The loss ratios estimated on these basis for the unexpired portion are as follows:

	2018	**2017**
Fire and property damage	22%	23%
Marine, aviation and transport	38%	51%
Motor	19%	12%
Miscellaneous	9%	9%

Based on analysis of combined operating ratio for the expired period of each reportable segment, management is of opinion that there is no need to carry premium deficiency reserve in these financial statements.

7.8 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for held for trading, in which case transaction costs are charged to profit and loss account. Subsequently, these are recognized and classified into the following categories:

7.8.1 Available-for-sale

The financial assets that are intended to be held for an indefinite period of time and may be sold in response to the need for liquidity are classified as available-for-sale.

Subsequent to the initial recognition at cost, these are valued at market values and any unrealized gains / (losses) are taken to other comprehensive income.

7.8.2 Fair value through profit or loss - held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market / interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognised directly in the profit and loss account, for the period in which it arises. Subsequent to initial recognition these are measured at fair value by reference to quoted market prices.

a) Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognized on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

b) Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

c) Impairment

Available-for-sale

The Company considers that available-for-sale investments is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

7.9 Employee benefits

Defined contribution plan

The Company operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10% of basic salary of the employees.

7.10 Fixed assets and depreciation

7.10.1 Owned assets

These are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation/amortization is charged to profit and loss account on reducing balance method using the following rates:

- Office premises	5%
- Furniture and fixture	10%
- Electric fittings and equipments	10%
- Computers	33.33%
- Office equipment	10%
- Vehicles	20%
- Computer software	30%

Full month's depreciation / amortization is charged in the month when assets become available for use and no depreciation is charged in the month of disposal.

The assets' residual values, useful life and method of depreciation / amortization are reviewed at each financial year end and adjusted if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognised as a separate part, as appropriate, only when it is possible that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit and loss account.

Gains or losses on disposal are included in profit and loss account.

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, in respect of item of fixed assets and intangible assets. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

7.10.2 Leased assets

Fixed assets acquired under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

7.10.3 Capital work-in-progress

Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These expenditures are transferred to relevant category of fixed assets or intangibles as and when the assets start operation.

7.11 Investment properties

Property held for the purpose of rental income and long-term capital appreciation is classified as investment property.

7.11.1 Initial recognition

Investment property is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

7.11.2 Measurement subsequent to initial recognition

Subsequent to initial recognition, investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

7.11.3 Depreciation

Depreciation is charged to profit and loss account in the same manner as owned fixed assets. Refer note 7.10.1.

7.12 Investment and other income

7.12.1 Dividend income and bonus shares

Dividend income is recognized when the right to receive the same is established.

Entitlement of bonus shares is recognized when the right to receive the same is established.

7.12.2 Interest income

Interest income is recognized on time proportion basis that takes into account effective yield on the assets.

7.12.3 Rental income

Rental income on investment properties is recognized as income on accrual basis.

7.13 Segment reporting

The Company's operating business is organized and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

The Company has four major segments namely fire and property damage, marine, aviation and transport, motor and miscellaneous, as disclosed in note 7.1.

The Company accounts for segment reporting are prepared in the format prescribed under the Insurance Ordinance 2000 and the Insurance Rules, 2017 and provide required information at appropriate level of detail.

7.14 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the derecognition of the financial assets and liabilities is included in the net profit or loss account for the period in which it arises.

Financial instruments carried in the balance-sheet include investments, loan and other receivables, insurance / reinsurance receivables, reinsurance recoveries against outstanding claims, cash and bank, provision for outstanding claims, insurance / reinsurance payables, other creditors and accruals.

7.15 Off setting of financial asset and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on net basis, or realize the assets and to settle the liabilities simultaneously.

7.16 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the Company to do so.

7.17 Taxation

7.17.1 Current

Provision for current taxation is based on 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 be applied to the profit for the year, if entered. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessment finalized during the current year for such years.

7.17.2 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 taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 be applied 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 profit and loss account, except in the case of items credited or charged to equity in which case it is included in statement of comprehensive income.

7.18 Foreign currencies

Transactions in foreign currency, if any, are converted into Pak rupees at the rate of exchange prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rate of exchange prevailing at the reporting date. Exchange difference are taken to profit and loss account.

7.19 Management expenses

Management expenses are allocated to all classes of business in proportion to the net premium income of the year. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Provision for bad debts is based on review of outstanding amounts as at balance sheet date. Bad debts are written off to the profit and loss account when identified. Expenses not allowable to the underwriting business are charged to Other expenses.

7.20 Creditors, accruals and provisions

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

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

7.21 Impairment

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

7.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

7.23 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash at bank in current and saving accounts, cash and stamps in hand and bank deposits.

7.24 Dividend and bonus shares

Dividend to shareholders is recognised as liability in the year in which it is approved. Similarly, reserve for issue of bonus shares is recognised in the year in which such issue is approved.

7.25 Fair value

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

7.26 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

8 CHANGES IN ACCOUNTING POLICIES

8.1 On January 01, 2018 the Company changed its accounting policy for the valuation of the available-for-sale investments, as required by the accounting and reporting standards as applicable in Pakistan under the 'Insurance Rules, 2017' issued by Securities and Exchange Commission of Pakistan vide its S.R.O. 89(1)/2017 dated February 09, 2017. Previously, the Company's accounting policy to value available-for-sale investments at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) was in accordance with of the SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

The Insurance Rules, 2017 has not retained the above mentioned specific accounting requirements for the valuation of the available-for-sale investments. Consequently, this impacted the Company's accounting policy for valuation of available-for-sale investments, and now the related accounting requirements set out as per International Accounting Standard 39 dealing with the recognition and measurements of financial instruments are being followed by the Company. As per the revised accounting policy, the quoted available-for-sale investments are to be valued at market value and any unrealised gains or losses arising on subsequent to initial recognition of available-for-sale investments are taken to Other Comprehensive Income and transferred to revaluation reserves.

On derecognition or impairment of available-for-sale investments, the cumulative gains or losses previously reported in revaluation reserves are reclassified to Profit and Loss Account.

This change in accounting policy has been applied retrospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error' and comparatives have been restated to conform to the changed policies. The impact to each financial statements area is quantified as follows:

	As at December 31, 2017			As at December 31, 2016		
	As previously reported on December 31, 2017	**Adjustments increase / (decrease)**	**As restated on December 31, 2017**	**As previously reported on December 31, 2016**	**Adjustments increase / (decrease)**	**As restated on December 31, 2016**
Effect on statement of financial position / statement of comprehensive income				**Rupees in '000**		
Decrease in unrealized gain / (loss) on revaluation of available for sale investments	-	(8,881)	(8,881)	-	(2,212)	(2,212)
Increase in investments - debt securities	179,325	490	179,816	109,211	2,120	111,331
Increase / (decrease) in investment - equity securities	163,899	(4,882)	159,017	5,619	1,431	7,050
Deferred taxation	18,474	(3,629)	14,845	20,385	(4,749)	15,636
Reserve	200,000	(6,671)	193,329	200,000	(2,212)	197,788
Unappropriated profit	240,499	8,118	248,617	273,549	10,512	284,061

	2018
Impact on Other Comprehensive Income	
Other comprehensive income would have been lower / higher by	58,071

8.2 Certain changes have been made to the presentation of the financial statements which includes the following:

- Changes in the sequence of assets / liabilities in the statement of financial position;

- Discontinuation of separate statement of premiums, claims, commission and investment income, which are now presented (on aggregate basis) into the notes to the financial information;

- Underwriting results in relation to various classes of business which were previously presented on the face of profit and loss account are now presented in a separate note (note 41) to the financial statements.

9 PROPERTY AND EQUIPMENT

Particulars	2018											
	Cost					Depreciation					Written down value as at December 31, 2018	Depreciation rate (% per annum)
	As at January 1, 2018	Additions	Disposals / write-offs	Transfer in / (out)	As at December 31, 2018	As at January 1, 2018	Depreciation for the year	Disposals / write-offs	Transfer in / (out)	As at December 31, 2018		
	(Rupees in '000)											
Owned												
Office premises	62,083	-	-	-	62,083	7,760	2,716	-	-	10,476	51,607	5%
Furniture and fixtures	31,930	262	-	-	32,192	17,803	1,431	-	-	19,234	12,958	10%
Electric fittings and equipments	25,773	1,546	-	-	27,319	14,021	1,280	-	-	15,301	12,018	10%
Office equipments	8,604	196	-	-	8,800	6,188	258	-	-	6,447	2,353	10%
Motor vehicles	114,639	37,148	(16,422)	-	135,365	82,798	10,736	(7,298)	-	86,236	49,129	20%
Computers equipments	16,942	451	-	-	17,394	15,626	535	-	-	16,161	1,233	33.3%
	-	-	-	-		-	-	-				
Leased	-	-	-	-		-	-	-				
Motor vehicles	-	27,383	-	-	27,383	-	1,369	-	-	1,369	26,014	20%
	259,971	66,987	(16,422)	-	310,535	144,196	18,325	(7,298)	-	155,223	155,312	

Particulars	2017											
	Cost					Depreciation					Written down value as at December 31, 2017	Depreciation rate (% per annum)
	As at January 1, 2017	Additions	Disposals / write-offs	Transfer in / (out)	As at December 31, 2017	As at January 1, 2017	Depreciation for the year	Disposals / write-offs	Transfer in / (out)	As at December 31, 2017		
	(Rupees in '000)											
Owned												
Office premises	66,231	400	-	(4,548)	62,083	6,486	2,856	-	(1,581)	7,760	54,323	5%
Furniture and fixtures	29,914	2,016	-	-	31,930	16,366	1,437	-	-	17,803	14,127	10%
Electric fittings and equipments	25,197	576	-	-	25,773	12,741	1,280	-	-	14,021	11,752	10%
Office equipments	8,467	137	-	-	8,604	5,928	260	-	-	6,188	2,416	10%
Motor vehicles	114,214	5,838	(5,413)	-	114,639	80,055	7,446	(4,703)	-	82,798	31,841	20%
Computers equipments	16,562	380	-	-	16,942	15,071	555	-	-	15,626	1,317	33.3%
	260,585	9,347	(5,413)	(4,548)	259,971	136,647	13,833	(4,703)	(1,581)	144,196	115,775	

9.1 Detail of disposal of fixed assets

Particular of asset	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit on disposal	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Motor Vehicles							
Honda City	1,610	717	893	1,400	507	Negotiations	Mr.Zeeshan Faisal
Toyota Corolla	641	629	12	400	388	Negotiations	Mr.Amir Maqbool
Suzuki Mehran	522	418	104	450	346	Negotiations	Mr.Adeel Ali
Suzuki Mehran	522	418	104	450	346	Negotiations	Mr.Adeel Ali
Suzuki	145	145	0	100	100	Negotiations	Mr.Sahir Hussain
Toyota Corolla	1,600	985	615	1,300	685	Negotiations	Mr.Mirza Samad Baig
Toyota Prado	8,228	1,097	7,131	7,500	370	Negotiations	Mr.Shakeel Ahmed
Toyota Corolla	1,128	1,016	112	916	804	Negotiations	Mr. Khurram Shehzad
Hyundai Sentro	669	619	50	527	478	Negotiations	Mr. Khurram Shehzad
Suzuki Cultus	588	563	25	405	380	Negotiations	Mr. Khurram Shehzad
Suzuki Cultus	770	691	78	616	538	Negotiations	Mr. Khurram Shehzad
2018	16,422	7,298	9,125	14,065	4,940		
2017	5,413	4,703	710	2,691	1,980		

	Note	2018	2017
10 INTANGIBLE ASSETS			
Computer software	10.1	703	1,004
Capital work in progress	10.2	705	705
		1,408	1,709

10.1 Net carrying value basis

	2018	2017
Opening net book value	1,004	1,434
Amortization charge	(301)	(430)
Closing net book value	703	1,004

Gross carrying value basis

	2018	2017
Cost	1,737	1,737
Accumulated amortization	(1,034)	(733)
Net book value	703	1,004
Amortization rate % per annum	**30**	**30**

10.2 Capital work in progress

	Note	2018	2017
Balance as at December 31	10.2.1	705	705

10.2.1 This represents amount paid to the vendor for the development of computer software.

11 INVESTMENT PROPERTIES

Particulars	2018							
	Cost			Depreciation			Written down value as at December 31, 2018	Depreciation rate (% per annum)
	As at January 1, 2018	Additions / transfer in	As at December 31, 2018	As at January 1, 2018	Depreciation for the year / transfer in	As at December 31, 2018		
	Rupees in '000							
Office premises	77,343	-	77,343	24,246	2,655	26,901	50,442	5%
	77,343	-	77,343	24,246	2,655	26,901	50,442	

Particulars	2017							
	Cost			Depreciation			Written down value as at December 31, 2017	Depreciation rate (% per annum)
	As at January 1, 2017	*Additions / transfer in	As at December 31, 2017	As at January 1, 2017	Depreciation for the year / transfer in	As at December 31, 2017		
	Rupees in '000							
Office premises	68,068	9,275	77,343	20,028	4,218	24,246	53,097	5%
	68,068	9,275	77,343	20,028	4,218	24,246	53,097	

11.1 Revaluation was carried out by the Company in the month of February, 2019 and March, 2019. The valuation exercise was carried out by independent valuers M/s. Al-Shahbaz Surveyors (Private) Limited and M/s. Salam Associates (Private) Limited and revalued market value is estimated at Rs. 216.70 million (2017: Rs. 204.29 million).

11.2 Rental income from investment property amounting to Rs. 9.09 million (2017: Rs. 10.26 million) has been recorded net of depreciation in profit and loss account i.e. Rs. 6.44 million (2017: Rs. 7.63 million).

* This includes a transfer to investment property from property and equipment amounting to Rs. 4.55 million.

12 INVESTMENTS IN EQUITY SECURITIES

12.1 Investments - Held for Trading

	2018			2017		
	Cost	**Impairment / Provision**	**Carrying value**	**Cost**	**Impairment / Provision**	**Carrying value**
	Rupees in '000					
Listed securities						
Oil and Gas Development Company Limited	33,421	(7,142)	26,278	33,946	(526)	33,421
Kot Addu Power Company Limited	27	(2)	25	39	(12)	27
Fauji Fertilizer Company Limited	3,560	618	4,178	4,697	(1,137)	3,560
Silkbank Limited	3,318	(693)	2,625	3,885	(567)	3,318
Fauji Cement Company Limited	21	(3)	18	38	(17)	21
Pakistan Stock Exchange Limited	7,995	(3,151)	4,843	9,966	(1,972)	7,995
	48,341	(10,374)	37,967	52,572	(4,230)	48,341
Mutual funds						
National Investment Trust Limited	224,278	(22,178)	202,100	263,887	(50,767)	213,121
MCB Cash Management Optimizer Fund	20,222	(224)	19,997	49,296	1,384	50,680
HBL Cash Fund (formerly PICIC Cash fund)	20,484	(528)	19,956	19,730	544	20,274
First Habib Cash Fund	20,180	(152)	20,028	19,690	581	20,271
ABL Cash Fund	10,137	(92)	10,045	19,836	436	20,272
NAFA Islamic Asset Allocation Fund	51,688	(2,388)	49,300	62,810	(10,605)	52,205
Pakistan Cash Management Fund	9,914	80	9,994	19,755	480	20,235
Askari Sovereign Cash Fund	30,428	(302)	30,126	49,473	1,159	50,632
Faysal Money Market Fund	19,789	307	20,096	19,841	418	20,260
UBL Liquidity Plus Fund	10,214	(246)	9,969	9,871	278	10,150
Atlas Money Market Fund	9,726	349	10,075	5,000	1	5,001
Al Ameen Islamic Asset Allocation Fund	20,190	78	20,267	23,025	(862)	22,162
JS Islamic fund	41,138	(3,818)	37,320	51,400	(10,263)	41,138
NAFA Stock fund	42,197	(3,239)	38,958	53,583	(11,386)	42,197
Meezan Islamic Fund	40,871	(4,902)	35,969	49,934	(9,064)	40,871
HBL Cash Fund	20,382	(402)	19,981	49,316	1,360	50,676
Alfalah GHP Money Market Fund	20,494	(389)	20,105	19,769	507	20,276
ABL Government Securities Fund	9,949	108	10,057	20,000	139	20,139
	622,280	(37,939)	584,340	806,218	(85,659)	720,559
	670,621	(48,314)	622,308	858,790	(89,889)	768,901

12.2 Investments - Available for Sale

	2018			2017		
	Cost	**Impairment / Provision**	**Carrying value**	**Cost**	**Impairment / Provision**	**Carrying value**
Related party						
Listed Securities						
Askari Life Assurance Company Limited (note 12.3)	270,212	(65,943)	204,269	160,065	(3,950)	156,115
	-	-		-	-	
Others	-	-		-	-	
Listed Securities	-	-		-	-	
Agritech Limited	10,593	(55)	10,538	10,590	(2,363)	8,227
	280,805	(65,998)	214,807	170,655	(6,313)	164,342
Deficit on revaluation	-	-	(11,639)	-	-	(5,325)
	280,805	(65,998)	203,168	170,655	(6,313)	159,017
Total equity securities	951,426	(114,312)	825,476	1,029,445	(96,202)	927,917

12.3 This represents investment in associated undertaking.

13 INVESTMENTS IN DEBT SECURITIES

Rupees in '000

	2018			2017		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
Available for sale (Note 13.1)						
Government securities						
Pakistan Investment Bonds	145,430	(21,782)	123,648	104,620	(1,823)	102,798
GoP Ijara Sukuk	20,046	278	20,324	50,282	(226)	50,056
T - Bills	14,947	-	14,947	24,423	570	24,993
	180,423	(21,504)	158,919	179,325	(1,478)	177,848
Others						
Term Finance Certificates	10,000	3,040	13,040	-	-	-
Corporate Sukuk	10,000	2,270	12,270	-	-	-
	20,000	5,310	25,310	-	-	-
(Deficit) / surplus on revaluation	-	-	(468)	-	-	1,968
	200,423	(16,194)	183,761	179,325	(1,478)	179,816

13.1 Investment in debt securities - available for sale

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 31, 2018
Pakistan Investment Bonds (Note 13.1.1)					
10 Years Pakistan Investment Bond	2021	13.25%	Half yearly	1,000	973
10 Years Pakistan Investment Bond	2021	11.50%	Half yearly	4,000	4,043
10 Years Pakistan Investment Bond	2022	12.68%	Half yearly	5,000	4,907
5 Years Pakistan Investment Bond	2020	7.70%	Half yearly	1,000	1,017
10 Years Pakistan Investment Bond	2026	8.00%	Half yearly	20,000	20,809
3 Years Pakistan Investment Bond	2019	5.80%	Half yearly	5,000	5,017
10 Years Pakistan Investment Bond	2026	7.80%	Half yearly	20,000	21,019
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000	10,498
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000	10,515
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000	10,515
20 Years Pakistan Investment Bond	2024	9.25%	Half yearly	15,000	15,461
20 Years Pakistan Investment Bond	2024	9.26%	Half yearly	10,000	10,293
10 Years Pakistan Investment Bond	2022	11.55%	Half yearly	30,000	30,363
				-	-
GoP Ijarah Sukuks				-	-
3 Years GoP Ijarah Sukuk	2019	4.40%	Half yearly	20,000	20,046
Treasury Bills				-	-
6 Months Treasury Bill	2019	7.45%	On maturity	15,000	14,947
Term Finance Certificates				-	-
JS Bank	Perpetuity	(6M Kibor + 2.225%)	Half yearly	10,000	10,000
Corporate Sukuks				-	-
Dubai Islamic Bank	Perpetuity	(3M Kibor + 1.75%)	Quarterly	10,000	10,000
					200,423

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 31, 2017
Pakistan Investment Bonds					
10 Years Pakistan Investment Bond	2021	13.25%	Half yearly	1,000	965
10 Years Pakistan Investment Bond	2021	11.50%	Half yearly	4,000	4,056
5 Years Pakistan Investment Bond	2018	12.35%	Half yearly	10,000	9,959
5 Years Pakistan Investment Bond	2018	12.00%	Half yearly	5,000	4,987
10 Years Pakistan Investment Bond	2022	12.68%	Half yearly	5,000	4,888
5 Years Pakistan Investment Bond	2020	7.70%	Half yearly	1,000	1,030
10 Years Pakistan Investment Bond	2026	8.00%	Half yearly	20,000	20,888
3 Years Pakistan Investment Bond	2019	5.80%	Half yearly	5,000	5,068
10 Years Pakistan Investment Bond	2026	7.80%	Half yearly	20,000	21,120
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000	10,541
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000	10,560
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000	10,560
				-	-
GoP Ijarah Sukuks				-	-
3 Years GoP Ijarah Sukuk	2018	0.00%	Half yearly	30,000	30,000
3 Years GoP Ijarah Sukuk	2019	4.40%	Half yearly	20,000	20,282
Treasury Bills				-	-
6 Months Treasury Bill	2018	6.02%	On maturity	25,000	24,423
					179,325

13.1.1 The amount of Pakistan Investment Bonds includes Rs. 81 million (2017: Rs. 61 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.

	Note	2018	2017
		Rupees in '000	
14 INVESTMENTS IN TERM DEPOSITS			
Deposits maturing within 12 months	14.1	64,071	75,830

14.1 These represent Term Deposit Receipts (TDRs) in local currency carrying interest rates ranging from 3.50% to 6.00% per annum (2017: 3.50% to 6.00% per annum).

15 LOANS AND OTHER RECEIVABLES

	Note	2018	2017
Unsecured - considered good			
Accrued investment income		3,751	2,481
Advances	15.1	26,405	29,036
Deposits		6,362	6,037
Other receivables		4,813	3,001
		41,331	40,555

15.1 This represents advances in the normal course of business which do not carry any interest / mark-up.

16 INSURANCE / REINSURANCE RECEIVABLES

	Note	2018	2017
(Unsecured - considered good)			
Due from insurance contract holders		138,582	95,516
Provision for impairment of receivables from		-	-
insurance contract holders	16.1	(7,115)	-
Premium written off		(1,286)	(1,030)
		130,181	94,486
Due from other insurers / reinsurers		159,582	70,742
		289,763	165,228

	Note	2018	2017
		Rupees in '000	

16.1 Movement of provision for doubtful debts

	Note	2018	2017
Opening balance		-	218
Charge during the year		(7,758)	-
Reversal during the year		643	(218)
		(7,115)	-

17 DEFERRED TAXATION

	Note	2018	2017
Deferred tax asset / (liability) arising in respect of:			
accelerated depreciation on fixed assets		(16,203)	(17,113)
investments		27,347	2,268
leased assets		(1,308)	-
provision for doubtful debts		2,063	-
	17.1	11,899	(14,845)

	2018	2017
17.1 Balance at beginning of the year	(14,845)	(15,636)
Reversal during the year		
in respect of effect of change in tax rate	148	156
in respect of temporary differences arising	-	-
during the year	26,596	634
	26,744	791
Balance at the end of the year	11,899	(14,845)

18 PREPAYMENTS

	2018	2017
Prepaid reinsurance premium ceded	622,853	426,632
Prepaid rent	1073	1,042
Others	267	254
	624,193	427,927

19 CASH AND BANK

	2018	2017
Cash and cash equivalents		
Cash in hand	7	2
Policy and revenue stamps, bond papers	70	1
	76	3

	Note	2018	2017
		Rupees in '000	
Cash at bank			
Current account		26,052	11,569
Saving account	19.1	9,648	3,320
		35,701	14,889
		35,777	14,892

19.1 These include interest bearing accounts carrying interest rates ranging from 5% to 10% (2017: 5% to 10%) per annum.

20 ORDINARY SHARE CAPITAL

20.1 Authorized share capital

2018	2017			
Number of shares				
100,000,000	75,000,000	Ordinary shares of Rs. 10 each	1,000,000	750,000

20.1.1 Authorized share capital has been increased to meet the minimum paid-up capital requirement as required under section 28 of Insurance Ordinance 2000.

20.2 Issued, subscribed and paid-up share capital

2018	2017			
Number of shares				
6,354,899	6,354,899	Ordinary shares of Rs.10 each, fully paid in cash	63,549	63,549
69,867,846	54,623,297	Ordinary shares of Rs.10 each, issued as fully paid bonus shares	698,678	546,233
76,222,745	60,978,196		762,227	609,782

	Note	2018	2017
		Rupees in '000	

21 RESERVES

		2018	2017
General reserve		200,000	200,000
Unrealized loss on revaluation of available for sale investments		(66,952)	(8,881)
		133,048	191,119

22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2018	2017
Current portion		7,693	-
Non-current portion		13,810	-
		21,503	-

22.1 Liabilities against assets subject to finance lease

Description	2018			2017		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	9,574	1,881	7,693	-	-	-
Later than one year and not later than five years	15,059	1,249	13,810	-	-	-
Over five years	-	-	-	-	-	-
	24,633	3,130	21,503	-	-	-

23 PREMIUM RECEIVED IN ADVANCE

	Note	2018	2017
Premium received in advance	23.1	13,888	4,159

23.1 This includes cash margin (bond) received from policy holders amounting to Rs. 10.957 million (2017: Rs. 3.227 million).

24 INSURANCE / REINSURANCE PAYABLES

		2018	2017
Due to other insurers / reinsurers		12,714	15,185

	Note	2018	2017
		Rupees in '000	

25 OTHER CREDITORS AND ACCRUALS

	Note	2018	2017
Sundry creditors		22,871	24,110
Commission payable		16,661	12,167
Federal excise duty		2,077	1,826
Federal insurance fee		2,737	559
Workers' Welfare Fund		25,284	22,302
Withholding tax		3,494	2,417
Unclaimed dividend		31	31
Due to directors	25.1	4,801	5,777
		77,956	69,190

25.1 This represents unsecured and interest free loan obtained from directors of the Company.

26 TAXATION - NET

	2018	2017
Provision for income tax	36,915	53,202
Less: Advance tax	(10,961)	(10,215)
	25,954	42,987

27 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at statement of financial position date (2017: Nil).

28 NET INSURANCE PREMIUM

	2018	2017
Written gross premium	3,107,161	2,531,427
Unearned premium reserves - opening	754,295	568,001
Unearned premium reserves - closing	(981,543)	(754,295)
Premium earned	2,879,913	2,345,133
Less: Reinsurance premium ceded	1,616,904	1,393,390
Prepaid reinsurance premium ceded - opening	426,632	323,670
Prepaid reinsurance premium ceded - closing	(622,853)	(426,632)
Reinsurance expense	1,420,682	1,290,428
	1,459,230	1,054,705

	2018	2017
29 NET INSURANCE CLAIMS EXPENSE	**Rupees in '000**	
Claims paid	912,411	850,977
Outstanding claims (including IBNR) - closing	594,943	660,415
Outstanding claims (including IBNR) - opening	(660,415)	(544,124)
Claims expense	846,939	967,267
Less: Reinsurance and other recoveries received	310,969	351,916
Reinsurance and other recoveries in respect of outstanding claims - closing	442,006	540,027
Reinsurance and other recoveries in respect of outstanding claims - opening	(540,027)	(394,593)
Reinsurance and other recoveries revenue	212,947	497,350
	633,992	469,917

29.1 Claim development

	2014	2015	2016	2017	2018
At end of accident year	5,584	18,899	47,499	15,086	11,571
one year later	3,383	18,439	47,268	8,367	-
two years later	3,383	18,439	46,031	-	-
three years later	3,383	18,407	-	-	-
four years later	3,277	-	-	-	-
Current estimate of current claims	3,277	18,407	46,031	8,367	11,571
Cumulative payments to date	2,971	9,745	4,985	5,624	-
Liability recognized in balance sheet	306	8,662	41,046	2,743	11,571

	2018	2017
30 NET COMMISSION	**Rupees in '000**	
Commission paid or payable	598,586	440,751
Deferred commission expense - opening	146,600	129,645
Deferred commission expense - closing	(172,216)	(146,600)
Net commission	572,971	423,796
Less: Commission received or recoverable	303,024	240,554
Unearned reinsurance commission - opening	77,864	86,315
Unearned reinsurance commission - closing	(99,091)	(77,864)
Commission from reinsurers	281,797	249,005
	291,174	174,791

	Note	2018	2017
31 MANAGEMENT EXPENSES		**Rupees in '000**	
Employee benefit cost	31.1	114,565	90,697
Office repairs and maintenance		8,506	8,682
Vehicle running expenses		55,528	26,522
Traveling expenses		44,319	26,903
Electricity, gas and water		7,623	7,560
Printing and stationery		7,537	4,846
Office rent		4,546	4,023
Entertainment		14,991	5,627
Postage, telegram and telephone		4,360	2,964
Advertisement and publicity		293	1,535
Rent, rates and taxes		95	25
Miscellaneous		901	2,218
		263,265	181,602

31.1 Employee benefit cost

		2018	2017
Salaries, allowance and other benefits		112,380	88,848
Charges for post employment benefit		2,186	1,849
		114,565	90,697

32 LOSS ON INVESTMENT

		2018	2017
Income from equity securities			
Held for trading			
Dividend income		26,892	24,320
(Loss) / gain on disposal of securities		(365)	11,003
		26,527	35,323
Income from debt securities			
Available for sale			
Return on debt securities			
Pakistan Investment Bonds		9,489	5,850
GoP Ijara Sukuk		2,600	1,982
Treasury Bills		1,385	8
Term Finance Certificates		14	395
Corporate Sukuk		27	-
		13,515	8,235

	Note	2018	2017
		Rupees in '000	
Return on term deposits		261	109
Net unrealized losses on investments		-	-
at fair value through profit or loss (held for trading)		(48,314)	(89,889)
		(8,010)	(46,222)
Investment related expenses		(1,209)	(1,214)
		(9,220)	(47,436)

33 RENTAL INCOME

	2018	2017
Rental income	9,092	10,264
Less : Depreciation	(2,655)	(2,636)
	6,438	7,627

34 OTHER INCOME

	2018	2017
Return on bank balances	1,365	700
Profit on disposal of fixed assets	4,940	1,980
Reversal of bad debts	643	690
Others	4	-
	6,952	3,370

35 OTHER EXPENSES

	Note	2018	2017
Employee benefit cost	35.1	44,677	35,068
Office repairs and maintenance		10,300	10,504
Vehicle running expenses		13,372	12,272
Auditors' remuneration	35.3	1,364	1,388
Remuneration of directors and executives	39	12,410	12,083
Legal and professional charges		2,534	1,585
Depreciation and amortization	9 & 10	18,626	14,264
Subscription and membership		5,530	3,425
Annual supervision fee		2,016	2,299
Bad debt expense	16	1,286	1,588
Provision for doubtful debt	16.1	7,759	-
Rent, rates and taxes		913	379
Electricity, gas and water		371	2,096
Postage, telegram and telephone		1,731	-
Workers Welfare Fund		2,982	2,955
Others		635	2,829
		126,505	102,735

		2018	2017
35.1	**Employee benefit cost**		**Rupees in '000**
	Salaries, allowance and other benefits	43,376	34,163
	Charges for post employment benefit	1,302	905
		44,677	35,068

		Unaudited	Audited
35.2	**Employees' provident fund**		
	Size of the fund	60,529	54,146
	Number of members	122	111
	Cost of investment made	37,581	30,956
	Percentage of investment made	62%	57%
	Fair value of investment	41,119	49,924

35.2.1 The Company has contributory provident fund scheme of all its permanent employees. The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees.

		2018	2017
35.3	**Auditors' remuneration**		
	Audit fee	848	594
	Half yearly review	266	169
	Other services	-	421
	Out of pocket expenses	251	204
		1,364	1,388
36	**FINANCE COST**		
	Bank charges	532	426
	Lease finance charges	897	-
		1,428	426
37	**INCOME TAX EXPENSE**		
	For the year		
	Current	36,915	53,202
	Deferred	(1,665)	483
		35,250	53,686

	Note	2018	2017
		Rupees in '000	
For the prior year(s)	37.1		
Current		(24,526)	(31,077)
Deferred		3,000	-
		(21,526)	(31,077)
		13,724	22,609

37.1 The income tax assessments of the Company are finalized on self assessment basis. The return of income upto tax year 2018 have been submitted to the authorities. Amount of Rs. 21.525 million (2017: Rs. 31.077 million) represents excess liability recorded in the books of the Company as compared to tax return.

37.2 **Relationship between accounting profit and tax expense is as follows**

	2018	2017
Accounting profit before tax	146,116	88,795
Applicable tax rate	30 %	31 %
Tax at the above rate	43,835	27,526
Effect of deductions not allowed	(1,787)	28,075
Effect of rental income	(1,099)	1,492
Effect of deferred tax	(1,665)	483
Effect of dividend income	(4,034)	(3,891)
Effect of prior year reversal	(21,526)	(31,077)
Provision for taxation	13,724	22,609

38 EARNING PER SHARE

	Note	2018	2017
Net profit after tax for the year		132,392	66,187
Weighted average number of ordinary shares outstanding		76,222,745	76,222,745
Basic and diluted earnings per share (Rupees)	38.1	1.74	0.87

38.1 There is no dilution effect on the basic earnings per share as the Company has no convertible dilutive potential ordinary shares outstanding at the year end; consequently, the reported basic earnings per share is also the diluted earnings per share. The corresponding earnings per share has been adjusted on account of issuance of bonus shares.

39 REMUNERATION OF DIRECTORS AND EXECUTIVES

Rupees in '000

	Chief Executive 2018	Chief Executive 2017	Directors 2018	Directors 2017	Executives 2018	Executives 2017
Managerial remuneration	3,312	3,312	5,040	5,191	9,521	4,646
Bonus	-	-	-	-	1,375	2,338
House rent	1,488	1,488	2,160	2,332	9,679	2,338
BOD Meeting fee	-	-	650	675	-	-
	4,800	4,800	7,850	8,198	20,575	9,322
Number of persons	1	1	7	7	5	3

39.1 In addition to the above, the Chief Executive, Directors and Executives of the Company are provided with Company maintained cars and medical reimbursement at actual up to a maximum of one basic salary, where applicable.

40 RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, entities under common control, entities with common directors, major shareholders and key management personnel of the Company. Transactions with related parties are carried out at arm's length prices. Transactions with related parties including remuneration to key management personnel are as follows:

Nature of Transaction	Nature of relationship with the Company	2018	2017
Loan received from directors			
Javed Yunus	Director	3,025	418
Naveed Yunus	Director	275,319	955
Pervez Yunus	Director	1,000	600
Loan repaid to directors			
Javed Yunus	Director	2,090	240
Naveed Yunus	Director	276,637	79
Pervez Yunus	Director	750	600
Purchase of right shares			
Askari Life Assurance Company Limited	Associated undertaking	89,062	-
Issue of bonus shares at market value			
Askari Life Assurance Company Limited	Associated undertaking	-	6
Chief Justice (R) Mian Mahboob Ahmad	Director	91	4
Naved Yunus	Director	159,448	7,513
Ambreen Naved Yunus	Other related party	181,433	8,170
Javed Yunus	Director	174,392	7,853
Rubina Javed Yunus	Other related party	111,815	5,035
Pervez Yunus	Director	172,377	7,762
Samina Pervez Yunus	Other related party	112,701	5,075
Maheen Yunus	Director	189,735	8,544
Shamiala Maheen Yunus	Other related party	144,894	6,525
Samad Maheen Yunus	Other related party	98,720	4,445
Anum Maheen Yunus	Other related party	101,719	4,580
Umeed Ansari	Director	34	2
Ahsan Mahmood Alvi	Director	31	1
Kazim Raza	Director	28	1
Remuneration Paid			
Naveed Yunus	Director	4,800	4,800
Javed Yunus	Director	3,600	3,600
Pervez Yunus	Director	3,600	3,600
Chief Justice (R) Mian Mahboob Ahmad	Director	170	195
Umeed Ansari	Director	150	170
Ahsan Mahmood Alvi	Director	180	170
Kazim Raza	Director	150	413
Shabbir Kanchwala	Chief financial officer	2,700	2,550

40.1 Year end balances

	2018	2017
Receivable from related parties	-	-
Payable to related parties	5,014	5,980

41 SEGMENT REPORTING

Rupees in '000

41.1 Following are the segment assets, liabilities, revenue and expenses of the Company:

Segment current year	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	----	----	2018	----	----
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	990,694	390,987	484,087	1,267,227	3,132,995
Less: Federal excise duty	(5,056)	(2,242)	(8,790)	(1,939)	(18,028)
Federal insurance fee	(1,743)	(2,098)	(1,197)	(2,768)	(7,806)
Written gross premium including administrative surcharge	983,896	386,646	474,100	1,262,520	3,107,161
Gross direct premium	312,332.9	203,826.0	216,213.0	1,039,135.1	1,771,507
Facultative inward premium	656,754.8	176,536.2	247,727.8	194,695.9	1,275,715
Administrative surcharge	14,807.9	6,283.8	10,158.9	28,688.6	59,939
	983,896	386,646	474,100	1,262,520	3,107,161
Written gross premium	983,896	386,646	474,100	1,262,520	3,107,161
Unearned premium reserves - opening	273,841	30,364	94,264	355,826	754,295
Unearned premium reserves - closing	(285,590)	(52,097)	(139,382)	(504,474)	(981,543)
Premium earned	972,147	364,914	428,981	1,113,871	2,879,913
Reinsurance premium ceded	(527,365)	(145,369)	(136,842)	(807,329)	(1,616,904)
Prepaid reinsurance premium ceded - opening	(125,475)	(17,361)	(23,083)	(260,713)	(426,632)
Prepaid reinsurance premium ceded - closing	133,642	26,410	47,912	414,889	622,853
Reinsurance expense	(519,198)	(136,319)	(112,013)	(653,153)	(1,420,682)
Net insurance premium	452,949	228,594	316,968	460,719	1,459,230
Commission income	129,649	29,404	18,483	104,261	281,797
Net underwriting income	582,599	257,998	335,451	564,980	1,741,027
Insurance claims paid	(264,063)	(114,744)	(138,830)	(394,774)	(912,411)
Outstanding claims (including IBNR) - opening	166,102	30,559	26,028	437,726	660,415
Outstanding claims (including IBNR) - closing	(119,062)	(23,801)	(35,342)	(416,738)	(594,943)
Insurance claims expenses	(217,024)	(107,986)	(148,144)	(373,785)	(846,939)
Reinsurance and other recoveries received	126,494	40,865	27,942	115,668	310,969
Reinsurance and other recoveries in respect of outstanding claims - opening	(103,652)	(15,180)	(15,087)	(406,109)	(540,027)
Reinsurance and other recoveries in respect of outstanding claims - closing	56,040	4,248	8,164	373,553	442,006
Insurance claims recovered from reinsures	78,883	29,933	21,020	83,112	212,947
Net claims	(138,141)	(78,053)	(127,124)	(290,674)	(633,992)
Commission expense	(237,100)	(77,617)	(112,763)	(145,490)	(572,971)
Management expense	(81,718)	(41,242)	(57,185)	(83,120)	(263,265)
Net insurance claims and expenses	(456,959)	(196,912)	(297,073)	(519,284)	(1,470,228)
Underwriting results	125,640	61,086	38,378	45,696	270,800
Net investment income					(9,220)
Rental income					6,438
Other income					6,952
Other expenses					(126,505)
Finance cost					(1,428)
Loss before tax from takaful operations					(920)
Profit before tax					146,117
Segment assets	541,337	273,202	378,821	550,623	1,743,984
Unallocated assets					1,214,096
					2,958,080
Segment liabilities	529,885	267,422	370,807	538,974	1,707,088
Unallocated liabilities					127,154
					1,834,242

Rupees in '000

Segment prior year	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	-----------------2017-----------------				
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	886,315	320,235	327,476	1,017,006	2,551,031
Less: Federal excise duty	(6,154)	(1,404)	(4,084)	(3,338)	(14,980)
Federal insurance fee	(388)	(1,864)	(257)	(2,115)	(4,624)
Written gross premium including administrative surcharge	879,773	316,967	323,134	1,011,553	2,531,427
Gross direct premium	282,491	180,799	144,105	891,135	1,498,530
Facultative inward premium	583,690	130,335	174,108	94,415	982,548
Administrative surcharge	13,592	5,833	4,921	26,003	50,349
	879,773	316,967	323,134	1,011,553	2,531,427
Written gross premium	879,773	316,967	323,134	1,011,553	2,531,427
Unearned premium reserves - opening	212,780	33,742	62,073	259,407	568,001
Unearned premium reserves - closing	(273,841)	(30,364)	(94,264)	(355,826)	(754,295)
Premium earned	818,712	320,344	290,943	915,134	2,345,133
Reinsurance premium ceded	(436,050)	(180,030)	(117,470)	(659,840)	(1,393,390)
Prepaid reinsurance premium ceded - opening	(139,035)	(20,688)	(12,012)	(151,934)	(323,670)
Prepaid reinsurance premium ceded - closing	125,475	17,361	23,083	260,713	426,632
Reinsurance expense	(449,610)	(183,358)	(106,399)	(551,062)	(1,290,428)
Net insurance premium	369,102	136,986	184,544	364,073	1,054,705
Commission income	109,459	45,153	13,921	80,471	249,005
Net underwriting income	478,561	182,140	198,466	444,544	1,303,710
Insurance claims paid	(344,902)	(80,221)	(122,237)	(303,617)	(850,977)
Outstanding claims (including IBNR) - opening	345,907	21,239	28,846	148,133	544,124
Outstanding claims (including IBNR) - closing	(166,102)	(30,559)	(26,028)	(437,726)	(660,415)
Insurance claims expenses	(165,096)	(89,542)	(119,419)	(593,211)	(967,267)
Reinsurance and other recoveries received	241,789	27,397	14,714	68,015	351,916
Reinsurance and other recoveries in respect of outstanding claims - opening	(293,360)	(4,923)	(4,044)	(92,266)	(394,593)
Reinsurance and other recoveries in respect of outstanding claims - closing	103,652	15,180	15,087	406,109	540,027
Insurance claims recovered from reinsures	52,080	37,655	25,757	381,858	497,350
Net claims	(113,016)	(51,887)	(93,662)	(211,352)	(469,917)
Commission expense	(199,884)	(59,714)	(34,688)	(129,510)	(423,796)
Management expense	(63,809)	(22,951)	(31,903)	(62,939)	(181,602)
Net insurance claims and expenses	(376,709)	(134,552)	(160,253)	(403,802)	(1,075,316)
Underwriting results	101,852	47,587	38,212	40,742	228,394
Net investment income					(47,436)
Rental income					7,627
Other income					3,370
Other expenses					(102,735)
Finance cost					(426)
Loss before tax from takaful operations					-
Profit before tax					88,794
Segment assets	488,530	181,310	244,257	481,874	1,395,971
Unallocated assets					1,293,403
					2,689,374
Segment liabilities	529,107	196,370	264,544	521,897	1,511,918
Unallocated liabilities					127,936
					1,639,854

41.2 The management of the Company has allocated indirect management expenses to underwriting business on the basis of net premium revenue under individual business as per the stated accounting policy of the Company.

42 MOVEMENT IN INVESTMENTS

	Available for sale	Fair value through profit and loss	Total
	------------------------ Rupees in '000	---------------------------	
As at January 01, 2017	118,381	898,962	1,017,343
Additions	255,967	1,069,385	1,325,353
Disposals (sale and redemptions)	(27,573)	(1,109,557)	(1,137,131)
Fair value net gains (excluding net realised gains)	(7,943)	(89,889)	(97,832)
As at December 31, 2017	338,832	768,901	1,107,733
Additions	201,945	71,885	273,830
Disposals (sale and redemptions)	(70,697)	(170,165)	(240,862)
Fair value net gains (excluding net realised gains)	(83,151)	(48,314)	(131,464)
	48,097	(146,593)	(98,496)
As at December 31, 2018	386,929	622,308	1,009,237

43 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

43.1 Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim i.e. frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts, since a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Company principally issues the general insurance cover. Risks under these policies usually cover a twelve month duration. For general insurance contracts, the most significant risks arise from fire.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting, where necessary, with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of the risks to third parties through reinsurance. The reinsurance business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

43.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business as at the balance sheet date:

Class of business	2018				2017			
	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability	Gross claims liability	Net claims liability	Gross premium liability	Net premium liability
	%	%	%	%	%	%	%	%
Fire and property damage	20%	41%	29%	42%	25%	52%	36%	45%
Marine, aviation and transport	4%	13%	6%	7%	5%	13%	5%	4%
Motor	6%	18%	14%	26%	4%	9%	12%	22%
Miscellaneous	70%	28%	51%	25%	66%	26%	47%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%

43.1.2 Source of uncertainty in estimation of future claim payments

The key source of estimation of uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs.

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors, involving varying and significant degrees of judgment and uncertainty, and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

43.1.3 Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

43.1.4 Claims development

The Company maintains adequate reserves in respect of its insurance business in order to protect itself against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims which involve litigation and, in the case of Marine, general average adjustments take longer for the final amounts to be determined which exceed one year. Claims of last five years are disclosed in note 29.1. All amounts are presented in gross numbers before reinsurance.

43.1.5 Sensitivity analysis

The insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for possible movements in key assumptions, with all other assumptions held constant, showing the impact on liabilities and revenue account.

Rupees in '000

December 31, 2018	Rate	Impact on gross liabilities	Impact on profit and loss account
Current claims	+10%	84,694	(84,694)
	-10%	(84,694)	84,694

43.2 Reinsurance risk

An analysis of gross amount due from other insurers and reinsurers recognized by the rating of the entity from which it is due is as follows:

Rating	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance assets
A or above (including PRCL)	159,582	442,006	622,853
	159,582	442,006	622,853

43.3 Financial risk

43.3.1 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2018 is the carrying amount of the financial assets as set out below:

	2018	2017
Nature of financial assets		Rupees in '000
Investments		
Equity securities	825,476	927,917
Debt securities	183,761	179,816
Term deposits	64,071	75,830
	1,073,308	1,183,563
Loans and other receivables	41,331	40,555
Insurance / reinsurance receivables	289,763	165,228
Reinsurance recoveries against outstanding claims	442,006	540,027
Cash and bank	35,701	14,889
	1,882,109	1,944,262

Concentration of credit risk

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company’s portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties, thereby mitigating any significant concentration of credit risk. Provision for impairment is made for doubtful receivables according to the Company's policy. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no history of default. The credit quality of the banks with which Company has balances including TDR's can be assessed with reference to external credit ratings as follows:

Name of banks	Rating		Rating agency	2018	2017
	Short term	Long term			
Cash at bank					
Allied Bank of Pakistan	A1+	AAA	PACRA	498	74
Askari Bank Limited	A1+	AA+	PACRA	1,261	9
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	3	4
Bank Alfalah Limited	A1+	AA+	PACRA	5	3
The Bank of Punjab	A1+	AA	PACRA	39	116
Dubai Islamic Bank	A-1	AA-	JCR-VIS	7	29
Faysal Bank Limited	A1+	AA	PACRA	10,195	2,009
Habib Metropolitan Bank	A1+	AA+	PACRA	11	124
Habib Bank Limited	A-1+	AAA	JCR-VIS	2	3
MCB Bank Limited	A1+	AAA	PACRA	104	4
National Bank of Pakistan	A1+	AAA	PACRA	60	2
Soneri Bank Limited	A1+	AA-	PACRA	1,521	1,003
Summit Bank Limited	Suspended		JCR-VIS	5,439	4,629
Sindh Bank Limited	A-1+	AA	JCR-VIS	1	1
United Bank Limited	A-1+	AAA	JCR-VIS	1,297	120
The Punjab Provincial Bank	Not available			6	6
JS Bank Limited	A1+	AA-	PACRA	1,775	387
MCB Bank Limited (Formerly NIB Bank Limited)	A1+	AAA	PACRA	8	8
The Karakoram Cooperative Bank	Not available			1,702	1,342
Zarai Taraqiati Bank Limited	A1+	AAA	JCR-VIS	11,768	5,016
				35,701	14,889
Term deposit certificates					
JS Bank Limited	A1+	AA-	PACRA	-	1,000
Summit Bank Limited	Suspended		JCR-VIS	36,900	41,450
Dubai Islamic Bank	A-1	AA-	JCR-VIS	-	20,000
MCB Bank Limited	A1+	AAA	PACRA	300	2,050
Faysal Bank Limited	A1+	AA	PACRA	10,071	5,000
The Karakoram Cooperative Bank	Not available			16,800	5,800
Habib Metropolitan Bank	A1+	AA+	PACRA	-	530
				64,071	75,830

Impaired assets

The impairment provision is written-off when the Company expects that it cannot recover the balance due. During the year, receivables of Rs. 7.115 million (2017: Rs. Nil) were impaired and provided for. The movement in provision for doubtful debts account is shown in note 16.1.

43.3.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. In the case of the Company, the liquidity level remained on satisfactory level during the year and Company did not face any difficulty in generation of liquidity.

The following are the contractual maturities of financial liabilities including estimated interest payments on an undiscounted cashflow basis:

Rupees in '000

	2018			
	Carrying amount	**Contractual cash flows**	**Upto one year**	**Greater than one year**
Non-derivative				
Financial liabilities				
Outstanding claims including IBNR	594,943	594,943	86,038	508,905
Insurance / reinsurance payables	12,714	12,714	12,714	-
Other creditors and accruals	44,364	44,364	39,005	5,359
Liabilities against assets subject to finance lease	21,503	24,633	9,574	15,059
	673,524	676,654	147,331	529,323

	2017			
	Carrying amount	**Contractual cash flows**	**Upto one year**	**Greater than one year**
Non-derivative				
Financial liabilities				
Outstanding claims including IBNR	660,415	660,415	432,042	228,373
Insurance / reinsurance payables	15,185	15,185	15,185	-
Other creditors and accruals	42,085	42,085	40,723	1,362
Liabilities against assets subject to finance lease	-	-	-	-
	717,685	717,685	487,950	229,735

43.3.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities. This can be due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risks: price risk, interest rate risk and currency risk.

43.3.4 Price risk

Primarily, the Company's equity investments are exposed to the price risk. Price risk is limited by the Company through diversification of its portfolio and active monitoring of capital

The table below summarizes the Company's equity price risk as of December 31, 2018 and 2017 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. The results could be worse in Company's equity investment portfolio because of the nature of equity markets.

Rupees in '000

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity	Hypothetical increase / (decrease) in profit / (loss) before tax
December 31, 2018	825,476	10% increase	908,024	57,783	82,548
		10% decrease	742,928	(57,783)	(82,548)
December 31, 2017	927,917	10% increase	1,020,709	64,026	92,792
		10% decrease	835,125	(64,026)	(92,792)

The financial instruments of the Company can be classified into fixed rate instruments and variable rate instruments as shown below:

	Carrying amount 2018	Carrying amount 2017
	-------------------- Rupees	---------
Fixed rate instruments		
Financial assets	207,575	230,652
Variable rate instruments		
Financial assets	34,958	3,320

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have increased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have an opposite impact. This analysis assumes that all variables remain constant. The analysis has been performed on the same basis for the comparative period.

	Profit before tax		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at December 31, 2018				
Sensitivity	350	(350)	245	(245)
As at December 31, 2017				
Sensitivity	33	(33)	23	(23)

Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the investments and impact on the profit and loss.

The Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. The Company's policy requires the management to manage the risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Company's portfolio is a measure of the sensitivity of the fair value of the Company's fixed interest securities to the changes in market interest rates.

The Company's policy refrains from the holding of interest bearing instruments that induce the average effective duration of the fixed interest portfolio to pass the benchmark of the average duration.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pakistani rupees.

43.3.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from investment in GoP Ijara Sukuk, PIBs, and TDRs. Following table shows the interest rate profile of the Company's interest bearing financial instruments at the balance sheet date:

	2018							
	Effective yield / interest rate	Interest / mark-up bearing			Non-interest bearing			Total
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
		Rupees in '000						
Financial assets								
Investments								
Equity securities		-	-	-	825,476	-	825,476	825,476
Debt securities	4.40% - 13.25%	24,733	144,080	168,814	14,947	-	14,947	183,761
Term deposits	3.5% - 6%	64,071	-	64,071	-	-	-	64,071
		88,804	144,080	232,885	840,423	-	840,423	1,073,308
Loan and other receivables	-	-	-	-	41,331	-	41,331	41,331
Insurance / reinsurance receivables	-	-	-	-	289,763	-	289,763	289,763
Reinsurance recoveries against outstanding claims	-	-	-	-	442,006	-	442,006	442,006
Cash and bank	5% - 10%	9,648	-	9,648	26,128	-	26,128	35,776
		98,452	144,080	242,533	1,639,651	-	1,639,651	1,882,184
Financial liabilities								
Outstanding claims including IBNR	-	-	-	-	86,038	508,905	594,943	594,943
Insurance / reinsurance payables	-	-	-	-	12,714	-	12,714	12,714
Other creditors and accruals	-	-	-	-	39,005	5,359	44,364	44,364
Liabilities against assets subject to finance lease	-	-	-	-	7,693	13,810	21,503	21,503
		-	-	-	145,450	528,074	673,524	673,524
On balance sheet gap (a)		98,452	144,080	242,533	1,494,201	(528,074)	966,127	1,208,660
Off balance sheet financial instrument		-	-	-	-	-	-	-
Off balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		98,452	144,080	242,533				
Cumulative interest rate sensitivity gap		98,452	144,080					

	2017							
	Effective yield / Interest rate	Interest / mark-up bearing			Non-interest bearing			Total
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
		Rupees in '000						
Financial assets								
Investments								
Equity securities		-	-	-	927,917	-	927,917	927,917
Debt securities	5.89% - 12%	45,334	109,488	154,822	24,993	-	24,993	179,815
Term deposits	3.5% - 6%	75,830	-	75,830	-	-	-	75,830
		121,164	109,488	230,652	952,910	-	952,910	1,183,562
Loan and other receivables	-	-	-	-	40,555	-	40,555	40,555
Insurance / reinsurance receivables	-	-	-	-	165,228	-	165,228	165,228
Reinsurance recoveries against outstanding claims	-	-	-	-	540,027	-	540,027	540,027
Cash and bank	5% - 10%	3,320	-	3,320	11,572	-	11,572	14,892
		124,484	109,488	233,972	1,710,292	-	1,710,292	1,944,264
Financial liabilities								
Outstanding claims including IBNR	-	-	-	-	432,042	228,373	660,415	660,415
Insurance / reinsurance payables	-	-	-	-	15,185	-	15,185	15,185
Other creditors and accruals	-	-	-	-	40,723	1,362	42,085	42,085
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
		-	-	-	487,950	229,735	717,685	717,685
On balance sheet gap (a)		124,484	109,488	233,972	1,222,342	(229,735)	992,607	1,226,579
Off balance sheet financial instrument		-	-	-	-	-	-	-
Off balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		124,484	109,488	233,972				
Cumulative interest rate sensitivity gap		124,484	109,488					

44 CAPITAL MANAGEMENT

The objectives, policies and processes for managing capital of the Company are as follows:

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;

- Maintain strong rating and to protect the Company against unexpected events;

- Availability of adequate capital at reasonable cost so as to enable the Company to expand; and

- Achieve low cost of capital with appropriate mix of capital elements.

45 FAIR VALUE MEASUREMENT

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input for which the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

Carrying amount of assets measured under historical cost convention approximates their fair value. Further, fair value of certain assets measured under present value convention is not determinable. Hierarchy of fair value levels is disclosed as under:

	2018 Fair value measurement using		
	Level 1	**Level 2**	**Level 3**
	----------------------------	**Rupees in '000**	---------------------
Fair value - amounts for disclosure purposes			
Investment properties	-	50,442	-
Investment - available for sale	203,168	183,761	-
	203,168	234,203	-
Investment - held for trading	622,308	-	-

	2017 Fair value measurement using		
	Level 1	**Level 2**	**Level 3**
	----------------------------	**Rupees in '000**	---------------------
Fair value - amounts for disclosure purposes			
Investment properties	-	53,097	-
Investment - available for sale	159,017	179,816	-
	159,017	232,913	-
Investment - held for trading	768,901	-	-

46 STATEMENT OF SOLVENCY

	2018 Rupees in '000	
ADMISSIBLE ASSETS		
Cash and bank deposits		
Cash and other equivalents	76	
Current and other accounts	35,701	
Deposits maturing within 12 months	64,071	
		99,848
Investments (Available for sale)		
Government Securities	158,451	
Marketable securities	594,137	
Term Finance Certificates	25,310	
		777,898
Investment Properties		50,442
Current assets - others		
Premium due but unpaid	121,086	
Amount due from other insurers/reinsurers	159,582	
Prepaid reinsurance premium ceded	622,853	
Loans and other receivables	41,331	
Deferred taxation	11,899	
Deferred commission expense	172,216	
Total assets of General Takaful	60,425	
Reinsurance recoveries against outstanding claims	442,006	
Prepayments	1,340	
		1,632,739
Fixed Assets		
Office premises		51,607
Total admissible assets		2,612,534
INADMISSIBLE ASSETS		
Marketable securities	144,244	
Premium due but unpaid	9,095	
Furniture and fixtures	12,958	
Electric fittings and equipments	12,018	
Office Equipment	2,353	
Vehicles	75,143	
Computers	1,233	
Intangible Assets	1,408	
Units in any one open ended Mutual Funds	87,095	
Total inadmissible assets		345,547
Total assets		2,958,081

	2018 Rupees in '000
LIABILITIES	
Outstanding claims including IBNR	594,943
Unearned premium reserves	981,543
Unearned reinsurance commission	99,091
Retirement benefit obligations	1,741
Premium received in advance	13,888
Insurance / reinsurance payables	12,714
Other creditors and accruals	77,956
Liabilities against assets subject to finance lease	21,503
Taxation - provision less payment	25,954
Total liabilities of takaful operations	4,909
Total liabilities	1,834,243
Total net admissible assets	778,292

47 NUMBER OF EMPLOYEES

	2018	2017
Number of employees at the end of the year	135	129
Average number of employees	133	127

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on ____________ by the Board of Directors of the Company.

49 GENERAL

i) Figures have been rounded off to the nearest Pak rupee unless otherwise stated.

ii) Corresponding figures have been re-arranged and re-classified, where ever necessary for the purpose of comparison, the effect of which is not material.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR DIRECTOR CFO

EAST WEST INSURANCR CO., LIMITED
Pattern of Shareholdings
As At DECEMBER 31, 2018

Number of Shareholders	Shareholdings From	Shareholdings To	Share Held	Percentage
179	1	200	30,193	0.0396
14	201	1,000	3,817	0.0050
2	1,001	2,000	2,189	0.0029
3	2,001	4,000	9,960	0.0131
1	4,001	5,000	4,591	0.0060
6	5,001	15,000	82,509	0.1082
10	15,001	20,000	166,456	0.2184
8	20,001	25,000	171,705	0.2253
1	25,001	30,000	25,387	0.0333
8	30,001	35,000	257,732	0.3381
3	35,001	40,000	112,047	0.1470
4	40,001	45,000	174,532	0.2290
1	90,000	95,000	92,465	0.1213
2	1,200,001	1,500,000	2,723,652	3.5733
1	2,500,001	2,600,000	2,568,678	3.3700
7	3,000,001	4,000,000	24,919,386	32.6928
2	4,000,001	5,000,000	9,410,486	12.3460
4	5,000,001	6,000,000	22,931,719	30.0851
2	6,000,001	6,500,000	12,535,241	16.4455
258			**76,222,745**	**100.0000**

Categories Of Shareholders	Number	Share Held	Percentage
CEO, Directors and their spouses and minor children	14	48,882,787	64.1315
Joint Stock Companies, Insurance Companies, Investment Companies & Modaraba	1	4,591	0.0060
Individual	**243**	27,335,367	35.8625
Total	**258**	**76,222,745**	**100.0000**

Information as required under the Code of Corporate Governance

Categories of Shareholders	Shareholders	Share Held	Percentage
Associated Company			
M/s. Askari Life Assurance Co., Ltd.	1	4,591	0.0060
CEO, Directors, their Spouses and Minor Children			
Chief Justice (R) Mian Mahboob Ahmed	1	3,082	0.0040
Javed Yunus	1	5,889,638	7.7269
Pervez Yunus	1	5,821,574	7.6376
Naved Yunus	1	5,384,947	7.0648
Maheen Yunus	1	6,407,795	8.4067
Umeed Ansari	1	1,147	0.0015
Ahsan Mahmood Alvi	1	1,042	0.0014
Mirza Kazim Raza	1	947	0.0012
Ambreen N. Yunus	1	6,127,446	8.0389
Rubina J. Yunus	1	3,776,250	4.9542
Samina P. Yunus	1	3,806,185	4.9935
Shamaila M. Yunus	1	4,893,405	6.4199
Samad M. Yunus	1	3,334,022	4.3741
Anum M. Yunus	1	3,435,307	4.5069
Individual	**243**	27,335,367	35.8625
Total	**258**	**76,222,745**	**100.0000**

EAST WEST INSURANCE COMPANY LIMITED
WINDOW TAKAFUL OPERATIONS

SHARIAH ADVISOR REPORT TO THE BOARD OF DIRECTORS

For the year ended 31 December 2018

الحمدالله رب العلمين والصلاة والسلام على سيدالانبيا ء والمرسلين محمد النبى الامى وعلى الہ وصحبہ اجمعين وبعد۔

We have reviewed the accompanying financial statements of East West Insurance Company Limited Window Takaful Operation (hereafter referred as "The Operator") for the year ended 31 December 2018.

We acknowledge that as a Shariah Advisor of the Operator, it is Shariah Department's responsibility to ensure that the financial arrangements, contracts and transactions under taken by the Operator with its participants and stakeholders are compliant with the requirements of Shariah rules and principles. During the year, the Shariah Advisor visited the premises regularly to provide Shariah assistance tin day to day activities.

As per the charter of the Operator it is mandatory on the management and employees to ensure application of Shariah guidelines issued by the Shariah Advisor and to ensure Shariah compliance in all actives of the Company. The prime responsibility for ensuring Shariah compliance of the Operator's operations thus lies with the managements.

To form our opinion as expressed in this report, we have reviewed all types of business transactions of the Operator during the year 2018. Based on above, we are of the view that under Takaful Rule 2012.

I. The financial arrangements products and transactions entered into by the Operator and the Waqf, as the case may be for the year ended December 31, 2018 are incompliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisor.

II. The Operator strived to identify new investment avenues and opted different available options that delivered excellent results. During the year management continuously consulted with the Shariah advisor on the matters and market practices relating to investment activities. The investment avenues and locations selected by the investment manager were periodically reviewed by the Shariah Department and are found Shariah compliant and in conformity with the Shariah guidelines issued by the Shariah Advisor.

III. The Operator should focus towards enhancing the skills and knowledge for the all staff of Window Takaful related to the Shariah structure of the company and on Takaful Concept and practices. The Operator should organize the sessions for executive level & sales staff as well around the country.

IV. The Operator has, by and large complied with the fatwa/opinions /advices issued by Shariah Advisor from 08 May, 2018 to 31 December, 2018.

May Allah bless us with the best Tawfeeq to achieve this precious tasks and bestow us with success in this world and in the world hereafter and forgive us for our mistakes . A'ameen.

Mufti Sajjad Ashraf Usmani
Shariah Advisor
East West Insurance Company
Window Takaful Operations

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	Operator's Fund	Participants' Takaful Fund	Aggregate
		December 31, 2018		
		---------- Rupees in '000 ----------		
ASSETS				
Investments	7	50,000	-	50,000
Qard-e-Hasna to PTF	8	6,000	-	6,000
Accrued investment income		130	3	133
Takaful / retakaful receivables	9	-	8,771	8,771
Taxation - net	10	122	-	122
Deferred wakala expense	19	-	4,109	4,109
Deferred commission expense	21	1,673	-	1,673
Receivable from PTF		1,800	-	1,800
Prepayments	11	-	366	366
Cash and bank	12	700	511	1,211
TOTAL ASSETS		60,425	13,760	74,185
EQUITY AND LIABILITIES				
Operator's fund				
Statutory fund	13	50,000	-	50,000
Accumulated losses		(920)	-	(920)
		49,080	-	49,080
Participants' takaful fund				-
Ceded money		-	500	500
Accumulated losses		-	(5,556)	(5,556)
		-	(5,056)	(5,056)
Qard-e-Hasna	8	-	6,000	6,000
LIABILITIES				
Underwriting provisions				
Unearned contribution reserve	17	-	10,821	10,821
Unearned retakaful rebate	20	-	37	37
		-	10,858	10,858
Unearned wakala fee	19	4,108	-	4,108
Payable to OPF		-	1,300	1,300
Other creditors and accruals	14	800	658	1,458
Payable to East West Insurance Company Limited	15	6,437	-	6,437
TOTAL LIABILITIES		11,345	12,816	24,161
TOTAL EQUITY AND LIABILITIES		60,425	13,760	74,185
CONTINGENCIES AND COMMITMENTS	16			

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHAIRMAN | **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM MAY 08, 2018 TO DECEMBER 31, 2018

	Note	For the period from May 08, 2018 to December 31, 2018 (Rupees in '000)
Participants' Takaful Fund		
Revenue Account		
Net takaful contribution	17	(2,201)
Net takaful claims	18	(835)
Wakala expense	19	(2,546)
Direct expenses		(2)
Retakaful rebate	20	24
Underwriting results		(5,559)
Investment income	23	3
Deficit for the period		(5,556)
Operator's Fund		
Revenue Account		
Wakala fee	19	2,546
Commission expense	21	(1,122)
Management expenses	22	(2,579)
Operating results		(1,155)
Investment income	23	1,315
Other expenses	24	(1,080)
Loss for the period		(920)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM MAY 08, 2018 TO DECEMBER 31, 2018

	For the period from May 08, 2018 to December 31, 2018 (Rupees in '000)
Participants' Takaful Fund	
Deficit for the period	(5,556)
Other comprehensive income	-
Total comprehensive loss for the period	(5,556)
Operator's Fund	
Loss for the period	(920)
Other comprehensive income	-
Total comprehensive loss for the period	(920)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MAY 08, 2018 TO DECEMBER 31, 2018

	For the period from May 08, 2018 to December 31, 2018		
	Operator's Fund	**Participants' Takaful Fund**	**Aggregate**
	----------------------- Rupees in '000-----------------------		
OPERATING CASH FLOWS			
(a) Takaful activities			
Contribution received	-	8,575	8,575
Retakaful contribution paid	-	(9,093)	(9,093)
Claims paid	-	(835)	(835)
Retakaful and recoveries received	-	-	-
Commission paid	(2,518)	-	(2,518)
Retakaful rebate received	-	61	61
Wakala fee received	6,655	-	6,655
Wakala fee paid	-	(6,655)	(6,655)
Net cash generated from / (used in) takaful activities	4,137	(7,947)	(3,810)
(b) Other operating activities			
Income tax paid	(122)	-	(122)
Direct expenses paid	-	(2)	(2)
Other expenses paid	(1,080)	-	(1,080)
Management expenses paid	(2,056)	-	(2,056)
Other operating receipts	4,636	1,959	6,595
Net cash generated from other operating activities	1,378	1,957	3,335
Net cash generated from / (used in) operating activities	5,515	(5,990)	(475)
INVESTMENT ACTIVITIES			
Profit / return received and net cash generated from investing activities	1,185	1	1,186
Qard-e-Hasna to PTF	(6,000)	-	(6,000)
Net cash (used in) / generated from investing activities	(4,815)	1	(4,814)
FINANCING ACTIVITIES			
Contribution to the Operator's fund	50,000	-	50,000
Ceded money	-	500	500
Qard-e-Hasna from OPF	-	6,000	6,000
Net cash generated from financing activities	50,000	6,500	56,500
Net increase in cash and cash equivalents	50,700	511	51,211
Cash and cash equivalents at beginning of the period	-	-	-
Cash and cash equivalents at end of the period	50,700	511	51,211
Reconciliation to profit and loss account:			
Operating cash flows	5,515	(5,990)	(475)
Return on deposits	1,185	1	1,186
Increase in assets other than cash	3,725	13,249	16,974
Increase in liabilities	(11,345)	(12,816)	(24,161)
Loss for the period	(920)	(5,556)	(6,476)
Attributed to:			
Operator's Fund			(920)
Participants' Takaful Fund			(5,556)
			(6,476)
CASH AND CASH EQUIVALENTS			
Cash in hand	-	-	-
Cash at bank	700	511	1,211
Term deposits	50,000	-	50,000
	50,700	511	51,211

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUNDS
FOR THE PERIOD FROM MAY 08, 2018 TO DECEMBER 31, 2018

	Operator's Fund		
	Statutory Fund	**Accumulated Losses**	**Total**
	----------------------- Rupees in '000-----------------------		
Contribution made during the period	50,000	-	50,000
Total comprehensive income for the period			
Loss for the period	-	(920)	(920)
Other comprehensive income	-	-	-
	-	(920)	(920)
Balance as at December 31, 2018	50,000	(920)	49,080

	Participants' Fund		
	Ceded Money	**Accumulated Losses**	**Total**
	----------------------- Rupees --------------------------		
Ceded money	500	-	500
Total comprehensive income for the period			
Deficit for the period	-	(5,556)	(5,556)
Other comprehensive income	-	-	-
	-	(5,556)	(5,556)
Balance as at December 31, 2018	500	(5,556)	(5,056)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHAIRMAN | **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** | **DIRECTOR** | **CHIEF FINANCIAL OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MAY 08, 2018 TO DECEMBER 31, 2018

1 STATUS AND NATURE OF BUSINESS

1.1 East West Insurance Company Limited (the Operator) has been allowed to undertake Window Takaful Operations (WTO) on May 08, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations in Pakistan.

1.2 For the purpose of carrying on the takaful business, the Operator has formed a Participants' Takaful Fund (PTF) on April 06, 2018 under the Waqf deed with the ceded money of Rs. 500,000. The Waqf deed and PTF policies (Waqf Rules) which govern the relationship of Operator, Waqf and Participants for management of Takaful operations, investment of Waqf and Operator's Fund are approved by the Shariah Advisor of the Operator.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Operator is situated at 27, Regal Plaza, Jinnah Road, Quetta. The principal place of business is situated at Sarwar Shaheed Road, Lakson Square Building No. 03, 4th, Floor Karachi.

3 BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by the SECP through Insurance Rules, 2017, and SECP Circular no 25 of 2015 dated July 09, 2015.

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable.

3.1 Statement of compliance

3.1.1 These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting Regulation and SECP Takaful Rules, 2012.

In case requirements differ, the provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, Insurance Accounting regulations, 2017 and SECP Takaful Rules, 2012, shall prevail. Total assets, total liabilities and profit of the Window Takaful Operations of the Operator's referred to as the Operator's Fund has been presented in these financial statements in accordance with the requirements of Circular 25 of 2015 dated July 9, 2015.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the Operator's functional currency. All financial statements presented in Pak Rupees have been rounded to nearest Rupees, unless otherwise stated.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Amendments that are effective in current year but not relevant to the Operator

The Operator has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 28	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	Immediately
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

		Effective date (annual periods beginning on or after)
Annual Improvements to IFRSs (2014 – 2016) Cycle:		
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

4.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive	

	income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 9 - Financial instruments are still being assessed, as this new standard may have a significant effect on the Operator's future financial statements.

The Operator expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Operator's financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value.
The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

5.1 Use of judgments and estimates

The preparation of financial statements in conformity with the requirements of accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates

The areas where assumptions and estimates are significant to the financial statements or judgment was exercised in application of accounting policies, are as follows:

	Note
- Unearned contribution reserve	6.2.2
- Contribution due but unpaid - net	6.2.3
- Provision for outstanding claims (including IBNR)	6.3.1
- Taxation (current and deferred)	6.15
- Unearned retakaful rebate	6.6.2
- Retakaful recoveries against outstanding claims	6.5
- Prepaid Retakaful contribution ceded	6.4.2
- Deferred commission expense	6.6.1

Judgments

In the process of applying the Operator's accounting policies, management has made following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of investments

As the Operator's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

The Operator treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. ‘Significant’ is to be evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. In addition, the Operator evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

6.1 Takaful contracts

Takaful contracts are based on the principles of Wakala. Takaful contracts so agreed usually inspire concept of Tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Takaful Fund (PTF) is created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of Takaful Operator is of the management of the PTF. At the initial stage of the setup of the PTF, the Takaful Operator makes payment as ceded money to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful Operator.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life takaful contracts that can be categorised into:

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

Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another takaful operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and property damage

Fire and property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and against liabilities to third parties and passengers arising from their use.

Motor

Motor takaful contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Miscellaneous

All other takaful contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous takaful cover.

6.2 Contribution

6.2.1 Contribution income earned

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

a) for takaful business, evenly over the period of the policy;
b) for proportional retakaful business, evenly over the period of underlying retakaful policies; and
c) for non-proportional retakaful business, on inception of the retakaful contract in accordance with the pattern of retakaful service.

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

Where contribution for a policy is payable in installments, full contribution for the duration of the policy is recognized as written at the inception of the policy and a related asset is set up in respect of the contribution receivable at a later date. Contribution is stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on contributions.

6.2.2 Unearned contribution reserve

The unearned contribution reserve is the unexpired portion of the contribution including administrative surcharge which relates to business in force at the balance sheet date. Unearned contribution has been calculated by applying 1/24th method and proportionate method for policies covering a period of one year and other policies respectively as specified in the Insurance Rules, 2017.

6.2.3 Contribution due but unpaid - net

Contribution due but unpaid under takaful contracts is recorded as receivable when it is due, at the fair value of consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Operator reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss in profit and loss account.

6.3 Claims expense

Takaful claims are charged to PTF and include all claims occurring during the year, whether reported or not, including external claims handling costs that are directly related to the processing and settlement of claims, reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims are charged to profit and loss account as incurred based on estimated liability for compensation owed under the takaful contracts.

6.3.1 Provision for outstanding claims (including IBNR)

The PTF recognises liability in respect of all claims incurred upto 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 a Takaful contract.

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date, in accordance with SECP circular no. 9 of 2016. Since no historical data is available, provision for IBNR claims has not been recorded. However, any claim reported before finalization of accounts will be considered as IBNR claim.

6.4 Retakaful contracts

6.4.1 Retakaful expense

Contribution ceded is recognized as an expense over the period of retakaful from inception to which it relates to its expiry as follows:

a) for proportional retakaful business, evenly over the period of the underlying polici
b) for non-proportional retakaful business, evenly over the period of indemnity.

Where the pattern of incidence of risk varies over the period of the policy, retakaful contribution is recognized as expense in accordance with the pattern of incidence of risk.

6.4.2 Prepaid retakaful contribution ceded

The portion of retakaful contribution ceded not recognized as an expense as at year end is recognized as prepaid retakaful contribution ceded. Unrecognized portion is determined in the same manner as for unearned contribution reserve.

6.5 Retakaful recoveries against outstanding claims

Claims recoveries receivable from retakaful operator are recognized as an asset at the same time as the claims, which give rise to the right of recovery, are recognized as a liability and are measured at the amount expected to be received.

6.6 Commission

6.6.1 Commission expense

Commission expense incurred in obtaining and recording policies is deferred and is recognized in the profit and loss account as an expense in accordance with the pattern of recognition of takaful contribution revenue.

6.6.2 Rebate from retakaful operators

Rebate income from retakaful is recognised at the time of issuance of the underlying takaful policy. These are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of retakaful contribution.

6.7 Wakala and Mudarib fee

The Operator manages the general takaful operations for the participants and charges 40% for fire and property, 40% for marine, aviation and transport, 35% for motor, 35% for miscellaneous and 20% for health, on gross contribution written including administrative surcharge as wakala fee against the services.

Wakala fee is recognised on the same basis as the related revenue is recognised. Unexpired portion of wakala fee is recognized as a liability of OPF and an asset of PTF.

The Operator also manages the Participants' investment as Mudarib and charges 50% of the investment / deposit income earned by the PTF as Mudarib's share.

6.8 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

6.9 Qard-e-Hasna

Qard-e-Hasna is provided by Operators' Fund to PTF in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to PTF less impairment, if any. In the event of future surplus in the Participants' Takaful Fund, to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to Participants.

6.10 Revenue recognition

6.10.1 Participants' takaful fund

6.10.1.1 Contribution

The revenue recognition policy for contributions is given under note 6.2.1.

6.10.1.2 Rebate from retakaful operators

The revenue recognition policy for rebate from Re-takaful operators is given under note 6.6.2.

6.10.2 Operator's fund

The revenue recognition policy for wakala fee is given under note 6.7.

6.10.3 Participants' takaful fund / Operator's fund

6.10.3.1 Investment income

Profit on investments, return on profit and loss sharing accounts and bank deposits are recognized on accrual basis.

6.11 Segment reporting

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Operator has four primary business segments for reporting purposes namely; fire and property damage, marine, aviation and transport, motor and miscellaneous. The nature and business activities of these segments are disclosed in note 6.1.

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

6.12 Financial instruments

Financial assets and financial liabilities are recognized when the Operator becomes a party to the contractual provisions of the instrument and derecognized when the Operator loses control of contractual rights that comprise the financial assets and, in the case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the derecognition of the financial assets and liabilities is included in the net profit or loss account for the period in which it arises.

Financial instruments carried in the balance-sheet include investments, accrued investment income, takaful / retakaful receivables, receivable from PTF, cash and bank deposits, payable to OPF, other creditors and accruals and payable to East West Insurance Company Limited.

6.13 Off setting of financial asset and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Operator intends either to settle on net basis, or realize the assets and to settle the liabilities simultaneously.

6.14 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the Operator to do

6.15 Taxation

The profit of the Operator is taxed as part of total profit of the East West Insurance Company Limited as the Operator is not separately registered for tax purposes.

6.16 Foreign currencies

Transactions in foreign currency, if any, are converted into Pak rupees at the rate of exchange prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rate of exchange prevailing at the reporting date. Exchange difference are taken to profit and loss account.

6.17 Management expenses

Expenses allocated to the PTF represent directly attributable expenses and these are allocated to various revenue accounts on equitable basis. Expenses not directly allocable to PTF are charged to OPF.

6.18 Creditors, accruals and provisions

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

Provisions are recognised when the Operator / PTF has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions will be reviewed at each balance sheet date and will be adjusted to reflect the current estimate.

6.19 Receivables and payables related to Takaful contracts

These are recognised at cost, which is the fair value of the consideration given. However, 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 recognised for the difference between the recoverable amount and the carrying amount.

6.20 Impairment

The carrying amounts of the assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

6.21 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash at bank in current and saving account, cash in hand, stamps in hand and bank deposits.

		2018		
		Operator's Fund	Participants' Fund	Aggregate
	Note	---------------------Rupees in '000-------------------		
7 INVESTMENTS				
Deposits maturing within 12 months	7.1	50,000	-	50,000

7.1 These represent term deposits in local currency carrying profit rates ranging from 4.13% to 7.80% per annum.

8 QARD-E-HASNA TO PTF

In accordance with the Takaful Rules, 2012, if at any point in time, assets in Participants' Takaful Fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator's Fund. In the event of future surplus in the Participants' Takaful Fund, to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to Participants. Further, if there is deficit in a Participants' Takaful Fund for three consecutive years, the Operator is required to submit a report to the Commission within 30 days of the submission of the regulatory returns under section 46(1) of the Ordinance explaining the reasons thereof.

		2018		
		Operator's Fund	Participants' Fund	Aggregate
		---------------------Rupees in '000-------------------		
9 TAKAFUL / RE-TAKAFUL RECEIVABLES				
(Unsecured - considered good)				
Due from Takaful contract holders		-	4,065	4,065
Due from other Takaful / Re-takaful operators		-	4,706	4,706
		-	8,771	8,771
10 TAXATION - NET				
Advance tax		122	0	122
11 PREPAYMENTS				
Prepaid retakaful contribution ceded		-	366	366
12 CASH AND BANK				
Cash in hand		-	-	-
Cash at bank				
Current accounts		2	-	2
PLS saving accounts	12.1	698	511	1,209
		700	511	1,211

12.1 These represent profit and loss sharing accounts carrying profit rates ranging from 3.75% to 7.27% per annum.

13 STATUTORY FUND

Amount of Rs. 50 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank'.

	2018		
	Operator's Fund	**Participants' Fund**	**Aggregate**
	---------------------Rupees in '000-------------------		

14 OTHER CREDITORS AND ACCRUALS

	Operator's Fund	Participants' Fund	Aggregate
Salaries payable	331	-	331
Staff provident fund	108	-	108
Federal excise duty	-	564	564
Commission payable	277	-	277
Federal insurance fee	-	43	43
Withholding tax payable	26	47	73
Accrued expenses	59	4	63
	800	658	1,458

15 PAYABLE TO EAST WEST INSURANCE COMPANY

This represents the amount payable in respect of expenses incurred by East West Insurance Company Limited on behalf of the Operator.

16 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2018.

	Note	For the period from May 08, 2018 to December 31, 2018 (Rupees)

17 NET TAKAFUL CONTRIBUTION

	Note	(Rupees)
Written gross contribution		17,346
Unearned contribution reserve		(10,821)
Contribution earned		6,525
Less:		
Re-takaful contribution ceded		9,093
Prepaid retakaful contribution ceded		(366)
Retakaful expense		8,727
		(2,201)

		Note	For the period from May 08, 2018 to December 31, 2018 (Rupees in '000)
18	**NET TAKAFUL CLAIMS**		
	Claims paid or payable		835
19	**WAKALA EXPENSE**		
	Gross wakala fee		6,655
	Deferred wakala expense		(4,109)
			2,546
20	**RETAKAFUL REBATE**		
	Retakaful rebate received or recoverable		61
	Unearned retakaful rebate		(37)
			24
21	**COMMISSION EXPENSE**		
	Commission paid or payable		2,795
	Deferred commission expense		(1,673)
			1,122
22	**MANAGEMENT EXPENSES**		
	Salaries, allowances and employees benefits	22.1	2,339
	Office rent and maintenance		15
	Motor vehicle running expense		148
	Printing and stationary		3
	Postage and telegram		2
	Utility expenses		56
	Repair and maintenance		10
	Computer related expenses		4
			2,579

22.1 These include Rs. 0.163 million and Rs. 0.068 million in respect of bonus and provident fund respectively.

	Note	For the period from May 08, 2018 to December 31, 2018 (Rupees in '000)
23 INVESTMENT INCOME		
Participants' Takaful fund		
Return on PLS saving accounts		3
Operator's Fund		
Return on PLS saving accounts		896
Return on term deposits		418
		1,315
24 OTHER EXPENSES		
Salaries, allowances and employees benefits	24.1	668
Shariah registrar fees		324
Auditor's remuneration		59
Bank charges		4
Staff welfare expenses		24
Newspaper and periodicals		1
		1,080

24.1 These include Rs. 0.013 million and Rs. 0.009 million in respect of bonus and provident fund respectively.

25 RELATED PARTY TRANSACTIONS

The Operator has related party comprise of the associates, subsidiary company, directors, key management personnel and staff retirement funds. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. Detail of related parties transactions with balances, other than those which have been disclosed elsewhere in these financial statements are as follows:

	Relationship with the Company	Basis of Relationship	Rupees in '000
Loan received from East West Insurance Company Limited	Window Takaful Operator	Management Company	11,957
Loan repaid to East West Insurance Company Limited	Window Takaful Operator	Management Company	5,520
Payment received from East West Insurance Company as statutory receipt	Window Takaful Operator	Management Company	50,000
Remuneration Paid			
Syed Arif Hussain	Head of Window Takaful Operation	Key Management Personal	1,350
Sajjad Usmani	Shariah Advisor	Key Management Personal	324
Staff retirement benefits	Head of Window Takaful Operation	Key Management Personal	108

25.1 Year end balances

Receivable from related parties	-
Payable to related parties	
East West Insurance Company Limited	6,437
Staff retirement benefits	108
Key management personal	312
	6,857

26 SEGMENT REPORTING

26.1 Following are the segment assets, liabilities, revenue and expenses of the Operator's Takaful fund:

Operator's Fund	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	December 31, 2018				
	Rupees in '000				
Gross wakala fee	4,574	174	1,804	102	6,655
Unearned wakala fee - closing	(2,568)	(80)	(1,406)	(55)	(4,109)
Wakala fee earned	2,007	94	399	47	2,546
Commission paid / payable	(2,189)	(73)	(491)	(43)	(2,795)
Deferred commission expense - closing	1,292	29	328	24	1,673
Commission expense	(897)	(44)	(162)	(19)	(1,122)
Management expenses	(2,032)	(95)	(404)	(48)	(2,579)
Underwriting results	(923)	(45)	(167)	(20)	(1,155)
Investment income					1,315
Other expenses					1,080
Loss before taxation for the period					(920)
Segment Assets	1,319	62	262	31	1,673
Unallocated Assets					58,752
					60,425
Segment Liabilities	3,238	151	643	76	4,108
Unallocated Liabilities					7,237
					11,345

26.2 Following are the segment assets, liabilities, revenue and expenses of the Participants' Takaful fund:

Participants' Fund	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
	December 31, 2018				
	Rupees in '000				
Contribution receivable (inclusive of administrative surcharge, Federal Excise Duty and Federal Insurance Fee)	11,567	444	5,621	321	17,953
Less: Federal Excise Duty	(123)	(8)	(432)	-	(564)
Federal Insurance Fee	(9)	(1)	(33)	(1)	(43)
Written gross contribution including administrative surcharge	11,435	435	5,156	321	17,346
Gross written contribution	11,435	435	5,156	321	17,346
Unearned contribution reserve	(6,419)	(201)	(4,016)	(185)	(10,821)
Contribution earned	5,017	234	1,139	136	6,525
Re-takaful contribution ceded	6,436	205	2,451	-	9,093
Prepaid Retakaful contribution ceded	(366)	-	-	-	(366)
Retakaful expense	6,070	205	2,451	-	8,727
Net takaful contribution	(1,053)	29	(1,312)	136	(2,201)
Retakaful rebate	24	-	-	-	24
Net underwriting income	(1,029)	29	(1,312)	136	(2,177)
Net claims	-	-	(835)	-	(835)
Wakala fee	(2,007)	(94)	(398)	(47)	(2,546)
Direct expenses	(2)	-	-	-	(2)
Net insurance claims and expenses	(2,009)	(94)	(1,233)	(47)	(3,383)
Underwriting results	(3,037)	(65)	(2,545)	89	(5,559)
Investment income					3
Deficit for the period					(5,556)
Segment Assets	10,183	475	2,313	275	13,246
Unallocated Assets					514
					13,760
Segment Liabilities	8,347	389	1,896	226	10,858
Unallocated Liabilities					1,958
					12,816

26.3 Management has allocated indirect management expenses to underwriting business on the basis of net takaful contribution under individual business as per the stated accounting policy of the Operator.

27 FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Operator include investments, accrued investment income, takaful / retakaful receivable, receivable from PTF and cash and bank. Financial liabilities of the Operator include payable to OPF, other creditors and accruals and payable to East West Insurance Company Limited.

The carrying values of all financial assets and liabilities reflected in the financial statements are approximate to their fair values, except for non-trading investments, which are stated at cost.

Operator's Fund	Note	Effective yield / Profit rate	As at December 31, 2018						
			Profit bearing			Non-profit bearing			Total
			Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
			Rupees in '000						
Financial assets									
Investments	7	4.13% - 7.80%	50,000	-	50,000	-	-	-	50,000
Accrued investment income			-	-	-	130	-	130	130
Receivable from PTF			-	-	-	1,800	-	1,800	1,800
Cash and bank	12	3.75% - 7.27%	698	-	698	2	-	2	700
			50,698	-	50,698	1,932	-	1,932	52,630
Financial liabilities									
Other creditors and accruals	14		-	-	-	774	-	774	774
Payable to East West Insurance Company Limited	15		-	-	-	6,437	-	6,437	6,437
			-	-	-	7,211	-	7,211	7,211
On balance sheet gap			50,698	-	50,698	(5,279)	-	(5,279)	45,419

Participants' Fund	Note	Effective yield / Profit rate	As at December 31, 2018						
			Profit bearing			Non-profit bearing			Total
			Maturity within one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
			Rupees in '000						
Financial assets									
Accrued investment income			-	-	-	3	-	3	3
Takaful / retakaful receivables	9		-	-	-	8,771	-	8,771	8,771
Cash and bank	12	3.75% - 7.27%	511	-	511	-	-	-	511
			511	-	511	8,774	-	8,774	9,285
Financial liabilities									
Payable to OPF			-	-	-	1,300	-	1,300	1,300
Other creditors and accruals	14		-	-	-	4	-	4	4
			-	-	-	1,304	-	1,304	1,304
On balance sheet gap			511	-	511	7,470	-	7,470	7,981

28 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The risks involved with financial instruments and the Operator's approach to managing such risks are discussed below.

28.1 Takaful risk

The risk under a takaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a takaful contract, this risk is random and therefore unpredictable. The principal risk faced under such contracts is that the occurrence of the covered events and the severity of reported claims. The Operator's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Operator principally issues the general takaful cover. Risks under these policies usually cover a twelve month duration. For general takaful contracts, the most significant risks arise from fire.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding takaful and retakaful contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines, if required.

The primary risk control measure in respect of the Takaful risk is the transfer of the risks to third parties via retakaful. The retakaful business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the takaful events. This has been managed by having in place underwriting strategy re-takaful arrangements and proactive claim handling procedures.

The Operator class wise major risk exposure is as follows:

Fire and property damage
Marine, aviation and transport
Motor
Miscellaneous

The primary risk control measure in respect of the takaful risk is the transfer of the risks to third parties via retakaful. The retakaful business ceded is placed on a proportional and non proportional basis with retention limits varying by lines of business.

Retakaful is used to manage takaful risk. Although the Operator has retakaful arrangements, it does not, however, discharge the Operator's liability and thus a credit risk exposure remains with respect to retakaful ceded to the extent that any retakaful operator may be unable to meet its obligations under such retakaful arrangements. The Operator minimizes such credit risk by entering into retakaful arrangements with retakaful operators having good credit ratings, which are reviewed on a regular basis. The creditworthiness of retakaful operators is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Uncertainty in the estimation of future claims payment

Claims on general takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contract including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the operations. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The operations takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

Claims development

The development of claims against takaful contracts written is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year. Statement of age-wise breakup of unclaimed takaful benefits is not presented as there are no claims that are past due for more than 6 months.

28.1.1 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the period end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the PTF surplus of the changes in the claim liabilities net of retakaful is analysed below. The sensitivity to changes in claim liabilities net of retakaful is determined separately for each class of business while keeping all other assumptions constant. Sensitivity analysis is not presented as there is no claim payable by the Operator as at the reporting date.

28.2 Retakaful risk

Retakaful ceded does not relieve the PTF from its obligation towards participants and, as a result, the PTF remains liable for the portion of outstanding claims covered through retakaful to the extent that retakaful operators fail to meet the obligation under the retakaful agreements.

Rating	Amount due from Re-takaful	Re-takaful recoveries against	Other Retakaful assets
A or above (including PRCL)	4,706	-	366

28.3 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Operator by failing to discharge an obligation. The Operator's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

28.3.1 Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2018 is the carrying amount of the financial assets as set out below:

	2018		
	Operator's Fund	Participants' Fund	Aggregate
	-----------------------Rupees in '000---------------------		
Investments	50,000	-	50,000
Accrued investment income	130	3	133
Takaful / retakaful receivables	-	8,771	8,771
Receivable from PTF	1,800	-	1,800
Cash and bank	700	511	1,211
	52,630	9,285	61,915

28.3.2 Concentration of credit risk

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Operator's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Provision for impairment is made for doubtful receivables according to the Operator's policy. The remaining past due balances were not impaired as they relate to a number of policy holders and other takaful / retakaful operators for whom there is no history of default. The credit quality of the banks with which Operator has balances can be assessed with reference to external credit ratings as follows:

				December 31, 2018		
Name of the bank	Rating		Rating agency	Operator's Fund	Participants' Fund	Aggregate
	Short term	Long term				
				---Rupees in '000---		
Cash at bank						
Summit Bank	Suspended		JCR-VIS	7	0	7
Dubai Islamic Bank	A-1	AA-	JCR-VIS	3	2	5
Bank Islami	A1	A+	PACRA	483	507	990
Meezan Bank	A-1+	AA+	JCR-VIS	206	2	208
				700	511	1,211
Term deposits						
Summit Bank	Suspended		JCR-VIS	10,000	-	10,000
Dubai Islamic Bank	A-1	AA-	JCR-VIS	20,000	-	20,000
Bank Islami	A1	A+	PACRA	20,000	-	20,000
				50,000	-	50,000

28.4 Impaired assets

The impairment provision is written-off when the Operator expects that it cannot recover the balance due. During the year, receivables of Rs. Nil were provided for or impaired.

28.5 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. In the case of the Operator, the liquidity level remained on satisfactory level during the year and Operator did not face any difficulty in generation of liquidity.

The following are the contractual maturities of financial liabilities on an undiscounted cashflow basis:

Operator's Fund	December 31, 2018			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
	---	Rupees in '000	-------------------	
Financial liabilities				
Other creditors and accruals	774	774	774	-
Payable to East West Insurance Company Limited	6,437	6,437	6,437	-
	7,211	7,211	7,211	-

Participants' Fund	December 31, 2018			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
	---	Rupees in '000	-------------------	
Financial liabilities				
Payable to OPF	1,300	1,300	1,300	-
Other creditors and accruals	4	4	4	-
	1,304	1,304	1,304	-

28.6 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Operator manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the investment committee. Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

28.6.1 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. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

28.6.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from Term Deposits. The information about the exposure to profit rate risk based on contractual reprising or maturity dates whichever is earlier is as follows:

		2018	
	Operator's Fund	Participants' Fund	Aggregate
	---------------------------	Rupees in '000	-------------------------
Fixed rate instruments			
Financial assets	50,000	-	50,000
	50,000	-	50,000
Variable rate instruments			
Financial assets	698	511	1,209
	698	511	1,209

Sensitivity analysis for fixed rate instruments

The Operator does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in profit rates at reporting date would not affect profit and loss account.

Sensitivity analysis for variable rate instruments

Presently, the Operator does not hold any variable rate instrument and is not exposed to profit rate risk except for balances in certain profit and loss sharing accounts and term deposits, the profit rate on which range between 4.13% to 7.8% per annum.

An increase of 100 basis points in profit rates would have increased the profit and loss by the amounts shown below. Reduction in profit rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant.

Operator's Fund	Loss for the period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	---------------------------Rupees in '000-------------------------			
As at December 31, 2018				
Sensitivity	7	(7)	7	(7)

Participants' Fund	Deficit for the period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	---------------------------Rupees in '000-------------------------			
As at December 31, 2018				
Sensitivity	5	(5)	5	(5)

Above sensitivities are calculated on the assumption that all factors remain constant except profit rates and resulting variation in fair values of the investments and impact on the profit and loss.

The Operator monitors the profit rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Operator's policy requires the management to manage this risk by measuring the mismatch of the profit rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed profit securities.

The average effective duration of the Operator's portfolio is a measure of the sensitivity of the fair value of the Operator's fixed profit securities to changes in market profit rates.

The Operator's policy refrains from holding profit bearing instruments that induce the average effective duration of the fixed profit portfolio to pass the benchmark of the average duration.

28.6.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Operator is not exposed to any such risk.

29 CAPITAL MANAGEMENT

The objectives, policies and processes for managing capital of the Operator are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- maintain strong rating and to protect the Operator against unexpected events;
- availability of adequate capital at reasonable cost so as to enable the Operator to expand; and
- achieve low cost of capital with appropriate mix of capital elements.

30 STATEMENT OF SOLVENCY

	2018 Participants' Takaful Fund
	Rupees in '000
ASSETS	
Accrued Investment Income	3
Takaful / retakful receivable	8,771
Taxation deducted at source	0
Deferred Wakala expense	4,109
Prepayments	366
Bank balances	511
	13,760
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000	
Takaful / retakful receivable	(932)
Total admissible assets	12,828
LIABILITIES	
PTF Underwriting provisions	
Unearned contribution reserve	(10,821)
Unearned retakaful rebate	(37)
Payable to OPT	(1,300)
Other creditors and accruals	(658)
Total liabilities	(12,815)
Total net admissible assets	12

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair values estimates.

The Operator measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input for which the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____________ by the Board of Directors of the Operator.

33 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHAIRMAN **DIRECTOR** **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

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