

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of East West Insurance Company Limited will be held on Thursday, May 28, 2020, at 11:30 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 March 31, 2020.
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, 2019.
3. To consider the appointment of Auditors for the year ending December 31, 2020 and fix their remuneration. Messrs BDO Ebrahim & Co. Chartered Accountants, being eligible have offered themselves for appointment.
4. To increase the number of Director from eight (8) to nine (9) as fix by the board of directors in their meeting held on April 29, 2020
5. To approve the interim bonus issue as final distribution for the year ended December 31, 2019 announced on October 15, 2019 and already issued to the shareholders in the proportion of two ordinary shares for every ten ordinary shares held i.e. 20%.

SPECIAL BUSINESS:

6. Investment in Askari Life Assurance Company Ltd

To consider and if thought fit to pass the following resolutions with or without any modification as Special Resolution:

7. "RESOLVED that consent of the members of East West Insurance Co., Ltd., be and is hereby accorded in terms of section 199 and other applicable provisions of Companies Act, 2017 and the Company be and is hereby authorized to further invest up to Rs. 75,000,000/- (Rupees Seventy five Million) from time to time in Askari Life Assurance Company Limited, an associated company for purchase of ordinary shares of face value of Rs. 10 each at the price ruling in stock exchange at the date of purchase as per terms and conditions disclosed to the members and the resolution shall be valid for a period of one year from the date of passing of special resolution."
8. "Further Resolved that Managing Director & Chief Executive or Company Secretary be and are hereby individually authorized to fulfill all legal and corporate formalities for making the above investment."

Other Business

3. To consider other business with the permission of the chair.

Attached to this notice of meeting being to the members is a statement under section 134(3) (b) Companies Act, 2017.

By the order of the board

Shabbir Ali Kanchwala

Company Secretary

Karachi: 29th April, 2020.

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 1stFloor,C,Block 6, P.E.C.H.S, Karachi.)
 - iii. Representative of our share Registrar at M/s. THK Associates (Private) Limited, 1stFloor, 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 May 22, 2020 to May 28, 2020, (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 May 21, 2020 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

As per SRO 787(1) 2014 dated September 8, 2014, issued by SECP, the members have option to receive Annual Audited Financial Statements and Notices of General Meeting through email. Members can give their consent in this regard on prescribed format to Company's Shares Registrar. Hard copy of Audited Financial Statements can be provided free of cost within seven days of receipt of such request.

7. Electronic Dividend Mandate

In accordance with the provision of Section 242 of Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to the shareholders only through electronic mode i.e. directly in to the bank account designated by the entitled shareholders. Please note that if Bank account details (IBAN) as per prescribed format have not been provided by the shareholders to their Registrar, Broker (participant) or CDC IAS, the Company would be constrained to act in accordance with the law and withhold the cash dividend.

8. Submission of Valid CNIC (Mandatory)

All those shareholders possessing physical shares are requested to submit a photocopy of their valid CNICs along with the Folio Number at the earliest directly to Company's Share Registrar. In case of non-submission of CNIC copy, dividend warrants may be withheld. Corporate are also requested to submit their NTN to Company's Share Registrar.

9. Deduction of Withholding Tax on the Amount of Dividend

As per Section 150 of the Income Tax Ordinance, 2001 withholding tax on dividend will be deducted for filers and non-filer of income tax returns of 15% and 30% respectively. According to FBR, withholding tax in case of joint accounts will be determined separately based on the filer and non-filer status of the principal and joint shareholder(s) based on their shareholding proportions.

10. Consent for Video Conference

Member(s) holding ten (10) percent individually or in aggregate of the total paid up capital residing in a same city; may demand the Company to provide them the facility of video-link for attending the meeting. If you wish to take benefit of this facility, please fill the attached form and submit it to the Company at its registered address at least ten (10) days prior to the date of meeting. The Company will intimate to the members the venue of the video-link facility at least five (5) days before the date of the General Meeting along with all the information necessary to enable them to access the facility.

Consent for Video Conference Facility

I / We / Messrs. _____ of _____, being a member of East West Insurance Co., Ltd. holder of _____ ordinary share(s) as per registered Folio / CDC Account no. _____ hereby opt for video-link facility.

Signature of the Member(s)

(Please affix company stamp in case of corporate entity)

Statement under section 134(3) of the Companies Act, 2017.

This statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General meeting of the Company to be held on May 28, 2020.

The details and information to be furnished regarding item No. 6 investment in associated company under section 199 of the Companies Act, 2017.

Information to be disclosed to members.- (1) The company shall disclose following information in the statement annexed to the notice, pursuant to section 134(3) of the Act, of a general meeting called for considering investment decision under section 199 of the Act.

Regulation No. 3(1)(a) - Disclosures for all types of investment,-**(A) Regarding associated company or associated undertaking:**

S.No	Description	Information Required
(i)	Name of associated company	Askari Life Assurance Co., Ltd (formerly East West Life Assurance Co., Ltd.)
(ii)	Basis of relationship	Common directorship
(iii)	Earnings per share for the last three years	September. 30, 2019 PKR (1.75) December. 31, 2018 PKR (1.82) December 31, 2017 PKR (0.0115)
(iv)	Break-up value per share, based on latest audited financial statements	Rs. 3.21 on the basis of financial statements for the period September 30, 2019
(V)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	As on September 30, 2019 Total asset base of Askari Life Assurance Co., Ltd is Rs.806 Million. It's After tax loss for the period September 30, 2019 was Rs. 192 Million and Paid -up Capital was Rs. 1102 Million
(vi)	In case of investment in relation to a project of an associated company or associated undertaking that has not commenced operations, following further information, namely:- (i) description of the project and its history since conceptualization; (ii) starting and expected dated of completion of work; (iii) time by which such project shall become commercially operational; and (iv) expected time by which the project shall start paying return on investment; (v) funds invested or to be invested by promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts.	Not applicable

Regulation No. 3(1)(a) (B) - General disclosures ,-

(i)	Maximum amount of investment	Upto PKR 75 Million
(ii)	Purpose, benefit and likely to accrue to the investing company and its members from such investment and period of investment	To subscribe to the right shares to be offered by Askari Life Assurance Co., Ltd to meet minimum capital requirements. Long term strategic investment for return and capital appreciation which will enhance the profitability of the Company and add to the value of the members.
(iii)	Source of funds to be utilized for investment and where the investment is intended to be made i. justification for investment through borrowings; ii. detail of collateral, guarantees provided and assets pledged for obtaining such funds, and iii. Cost benefit analysis	The investment will be made from Company's own funds. Hence, there is no need to provide justifications.
(iv)	Salient features of the agreement(s) if any, with associated company or associated undertaking with regards to the proposed investment.	Not applicable as shares will be purchased from time to time on an arms length transaction agreed between buyer and seller or at the prevailing stock exchange price.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives if any, in the associated company or associated undertaking or the transaction under consideration;	No Director or their relatives has any interest in the proposed investment, except, in their individual capacities as " Director" and/or as shareholders of the company
(vi)	In case any investment in associated company or associated undertaking has already been made the performance review of such investment including complete information/justification for any impairment or write offs, and	Askari Life Assurance Co., Ltd, is an associated company of the Company with 22% shares at a book value of Rs.282 million as at December 31, 2019. The market value of the associate is Rs.213.55 Million.
(vii)	any other important details necessary for the members to understand the transaction;	None

Regulation No. 3(b) - In case of equity investment following disclosure in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-

(i) Maximum price at which securities to be acquired.	Not more than the price quoted on the Pakistan Stock Exchange
(ii) In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	The intended purchase of shares will be on an arms length transaction not more than the market value.
(iii) Maximum number of securities to be acquired	The maximum number of securities will be at the optimum extent, we get the approval.
(iv) Number of securities and percentage thereof held before and after the proposed investment.	24,211,824 shares (22%) held to date i.e. before proposed investment. Number of Shares and percentage after proposed investment will depend on the prevailing prices at the time of actual purchase.
(v) Current and preceding twelve week's weighted average market price where investment is proposed to be made in listed securities; and	Current market value per share as of December 26, 2018 Rs. 8.20 and weighted average value of twelve weeks is Rs.8.
(vi) fair value determined in terms of sub-regulation 5 for investment in unlisted securities;	Not Applicable

Regulation No. 4(1) - Other information to be disclosed to the members. - (1) If the associated company or associated undertaking or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 199 of the Act.

No Director or Chief Executive has any interest in the investing Company except in their individual capacities as "Director/Chief Executive" and/or as shareholders of the investing Company. The shareholding of Directors is Mr. Javed Yunus 2,500, Mr. Pervez Yunus 400, Mr. Naved Yunus 1,662,091, Mian Mahboob Ahmad 7,427 and Mr. Umeed Ansari 2,500

Status of approval for investment in Associated undertakings:

associated companies and associated undertakings) Regulations, 2017 the status of approval is as follows:

i. Total investment approved;

Rs.60 million, Rs. 60 million, Rs.99 million and Rs. 90 million in Askari Life Assurance Co., Ltd were approved by the shareholders at Annual general meeting and Extraordinary general meeting of the company held on January 25, 2019 April 24, 2018, February 04, 2017 and September 10, 2016 respectively

ii. amount of investment made to date;

Rs. 282 million

iii. reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and

The investment was made to date was within the approved limit. However, we had excess approval which was not made due to the price on which shares were available from secondary market were higher than the approval limit and also on the floor the required shares were not offered to sale.

iv. material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment.

There is no material change occurred since the date of approval. However, we expect that Askari Life Insurance will be profitable when the group companies insurance will be underwritten.

DIRECTOR'S REPORT FOR THE YEAR 2019

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 37th Annual Report and audited financial statements for the year ending December 31st, 2019.

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

Assalam Allaikum.

I welcome you all on 37th Annual General Meeting of the company and express my humble gratitude to Almighty Allah for helping me in successfully closing of annual accounts for the year 2019. By the grace of Almighty Allah giving us the wisdom and strength to successfully steer the affairs of the company in completing 37 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.

In our normal practice the Board of Directors approves working strategy at the beginning of the year for the management to adopt and disseminate to operational and marketing staff in underwriting and selling the products of company 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.

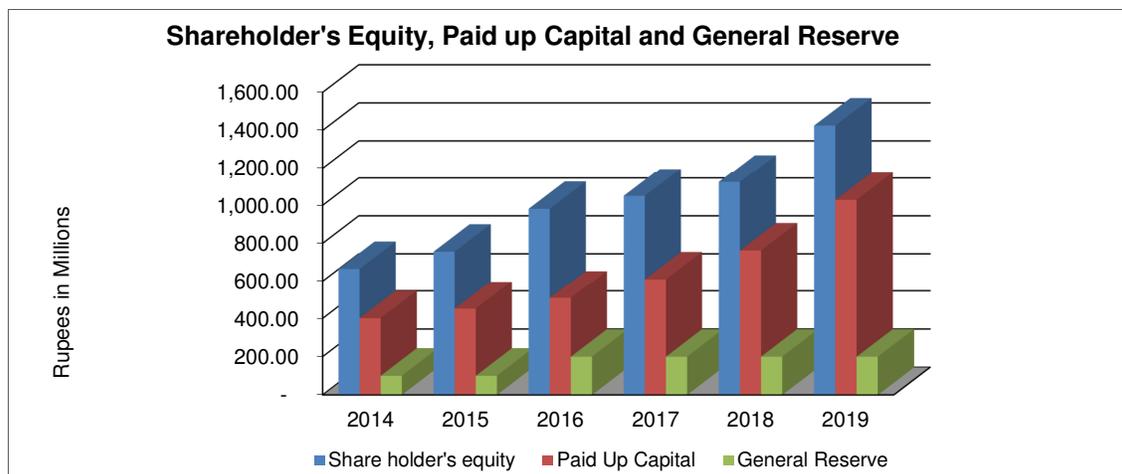
The insurance industry in Pakistan is relatively small compared to its peers in the region. The perception of security has changed due to overall change in the security situation in the country thus showing increased demand in property insurance. The impressive growth is also attributed to the expansion of distribution channels, such as Banc-assurance. However, we did not observe sizeable support from the banks in this regard. Whereas, Window Takaful Operations are successfully

managed and producing significant growth in premium income particularly motor insurance. The credit goes to Insurance Association of Pakistan who proposed to SECP for opening Window Takaful Operations 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 3.25 billion showing an increase of 4.5% in comparison to the previous year. The net earned premium in the year 2019 was PKR 1.47 billion as against PKR 1.46 billion in the previous year thus showing a growth of 0.6%. The combined ratio of losses & administrative expenses stood at 54% 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	2019 (Rs./billion)	2018 (Rs./billion)	% Increase (decrease)
Gross Premium	3.25	3.10	4.72%
Net Premium	1.47	1.50	-0.18%
Claims Paid	0.98	0.91	8.07%
U/W Profit	0.28	0.27	5.46%
Paid-up-capital	1.03	0.76	35.39%



FIRE/PROPERTY INSURANCE

The company has underwritten gross premium of PKR 1.016 billion under fire/property portfolio showing increase of 3.29% compared to last year. After keeping provision for reinsurance, claims and management expenses the company earned underwriting profit of PKR 149 million.

MARINE INSURANCE

Gross premium underwritten in Marine Portfolio including Marine Hull was PKR 397 million. After provisioning for reinsurance, claims, and management expenses, the company has earned underwriting profit of PKR 60 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 471 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 2019 we have underwritten gross premium of PKR 1.03 billion through direct and facultative insurance.

MISCELLANEOUS ACCIDENT

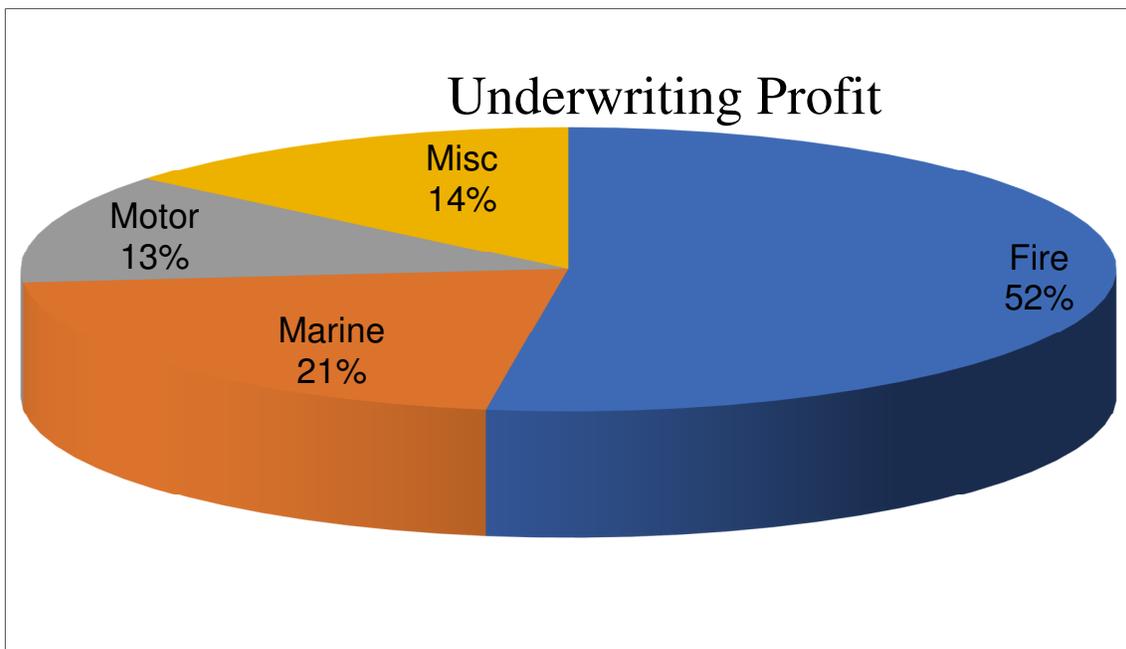
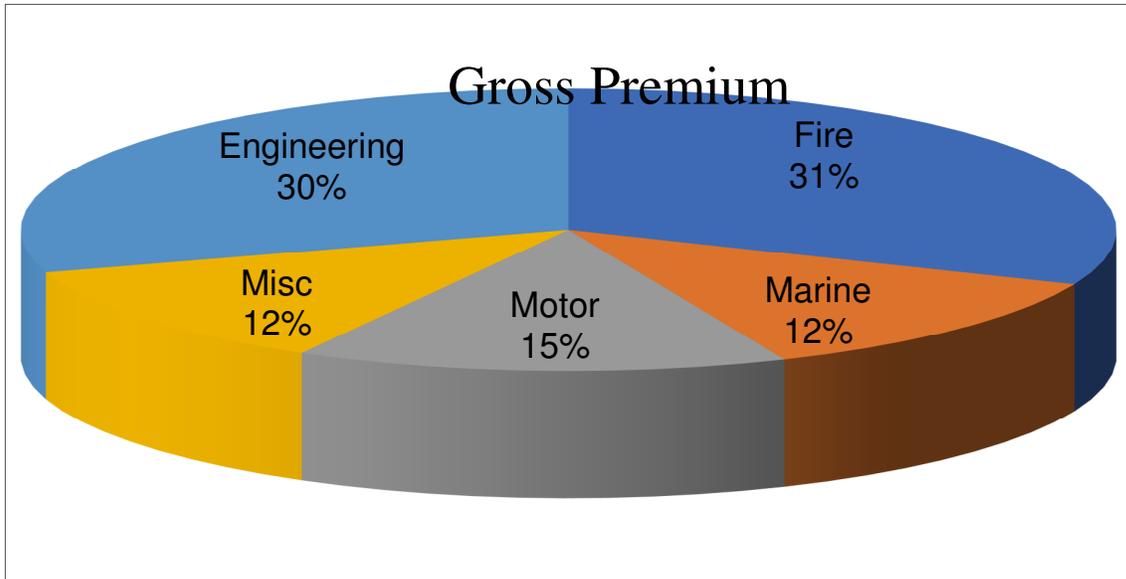
The deteriorating law & order situation in the country in general in particular in metropolitan cities in particular resulted in increased demand for this type of Insurance. As a result, people tend to insure themselves against variety of risks. This includes Personal Accident, Household Insurance, Burglary Insurance, Public liability, Cash in Safe and Transit Insurance. In addition, Workmen Compensation also covered under this portfolio. In the year 2019, we have underwritten gross premium of PKR 96 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 2019, we have underwritten gross premium of PKR 163 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 2019 the company enhanced its premium of crop and livestock insurance utilizing maximum benefits available through private and commercial banks. We will continue this aggressive pursuit in 2020 to generate maximum premium through this portfolio.



CREDIT RATING

We are pleased to inform our stakeholders that in June 2019 Pakistan Credit Rating Agency (PACRA) upgraded our IFS Rating to 'AA' Minus (AA-) with stable outlook. This decision reflects the rating agency's confidence in our stability, reliability, and growth potential. We are confident that enhancement of our rating will bring positive impact on our performance and bring substantial growth in our premium income.

REINSURANCE ARRANGEMENTS

In keeping with global insurance industry standards, we have maintained adequate reinsurance coverage from both local and world-renowned reinsurers. This practice has significantly bolstered our operations, giving us the financial strength to underwrite sizable share in policies for even the largest corporate clients. Consequently, our partner reinsurers have also expressed their complete satisfaction and consented to renew our treaties for the coming year 2020.

CAPITAL, SOLVENCY, SHAREHOLDER'S FUND:

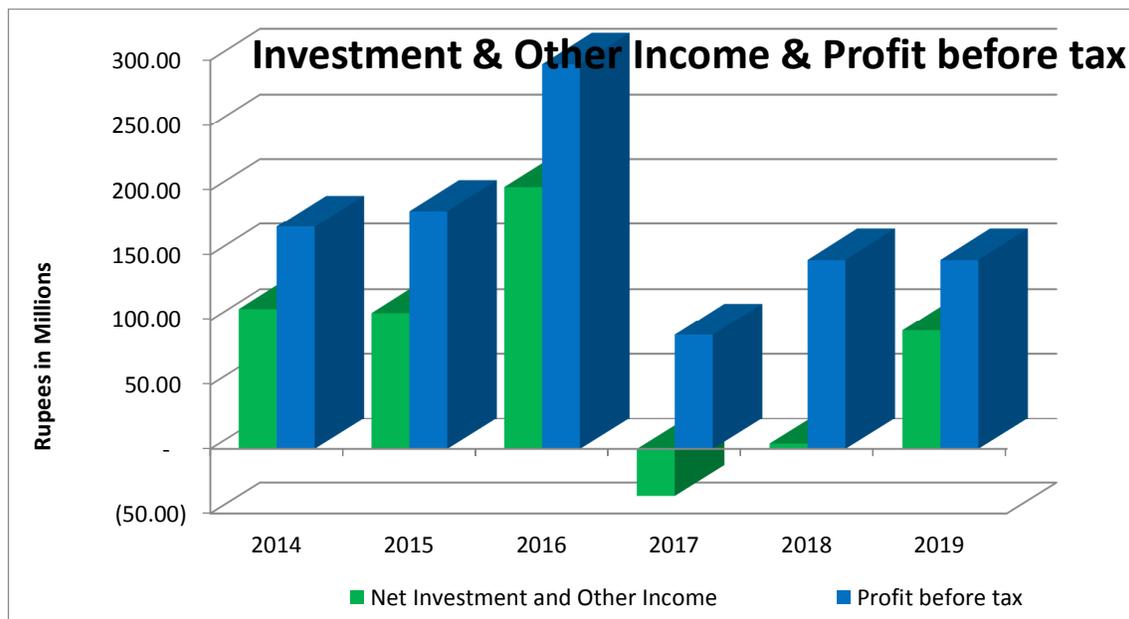
Your company is proud to report that while SECP minimum capital requirement for general insurers is 500 million, we have raised our paid-up capital from PKR 762 million in December 2018 to PKR 1.029 billion as of 31st December 2019.

Furthermore, we are pleased to inform our shareholders that your company offered 20% bonus shares and 15% right shares during the year 2019. Your company's management continues to supplement the paid-up capital to maintain healthy ratios of gross premium written to capital infused and gross premium written to shareholders' equity.

INVESTMENT INCOME:

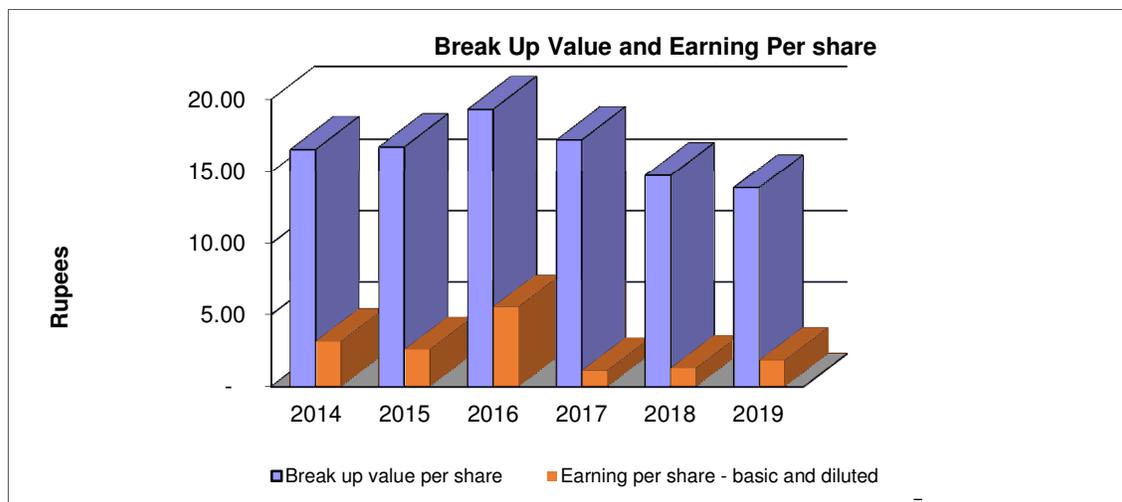
During the year 2019, our investment income was lower in proportion to the total investment of the company due to the geopolitical and economic situation in the country. We were expecting to see improvement after the new government assumed control but despite their best efforts, they were

unable to improve the financial health of the country. Another reason for the lower investment income was the continuous decline in the equity market and connected mutual funds. Unfortunately, economic distress combined with slow fiscal consolidation led the State Bank of Pakistan to raise the discount rate to make investments more attractive for new investors through higher rate of returns. Resultantly, demand for equities fell significantly and we decided to divest from underperforming equity stocks in favor of securities with improved returns.



EARNING PER SHARE:

Profit after tax as compared to last year has significantly increased to Rs. 189.89 million. This resulted in improved EPS of PKR 1.81 as compared to last year reported EPS of PKR 1.74.



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 2020 to deliver sustainable and profitable growth under the changing scenario with competitive environment. We have earned gross premium of over three billion rupees in 2019 and we are confident to maintain similar growth pattern in 2020.

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 experienced 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 personnel.

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.

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) The value of investments of provident fund based on their un-audited accounts as of December 31, 2019 was approximately PKR 72 million.

j) The statement of the pattern of shareholding of the Company as at 31 December, 2019 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 auditor's 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 2020 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 2020.

For and on behalf of the Board of Directors.

Director

Managing Director & Chief Executive Officer

Karachi Dated: April 29, 2020

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

		2019	2018
	Note	----- Rupees -----	
ASSETS			
Property and equipment	8	146,135,672	155,311,984
Intangible assets	9	1,196,931	1,407,759
Investment properties	10	48,565,494	50,442,445
Investments			
Equity securities	11	683,476,851	825,476,105
Debt securities	12	213,915,618	183,760,922
Term deposits	13	341,700,000	64,071,017
		1,239,092,469	1,073,308,044
Loans and other receivables	14	150,261,227	41,331,485
Insurance / reinsurance receivables	15	550,313,540	289,763,202
Reinsurance recoveries against outstanding claims	28	465,459,802	442,005,633
Deferred commission expense	29	328,921,034	172,215,623
Deferred taxation	16	-	11,899,403
Prepayments	17	578,016,129	624,193,598
Cash and bank	18	28,403,383	35,776,900
		3,536,365,681	2,897,656,076
Total assets of takaful operations		103,842,386	60,425,101
TOTAL ASSETS		3,640,208,067	2,958,081,177
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	19	1,029,007,050	762,227,450
Reserves	20	136,329,306	133,047,861
Unappropriated profit		257,750,908	228,563,284
TOTAL EQUITY		1,423,087,264	1,123,838,595
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	28	596,061,338	594,943,384
Unearned premium reserves	27	1,252,193,521	981,543,116
Unearned reinsurance commission	29	130,735,976	99,090,998
		1,978,990,835	1,675,577,498
Retirement benefit obligations		2,197,214	1,741,175
Liabilities against assets subject to finance lease	21	13,982,999	21,503,097
Deferred taxation	16	3,939,623	-
Premium received in advance	22	35,554,237	13,887,619
Insurance / reinsurance payables	23	18,638,127	12,714,329
Other creditors and accruals	24	91,223,164	77,956,270
Taxation - net	25	33,982,083	25,953,805
Total liabilities of takaful operations		38,612,521	4,908,789
TOTAL LIABILITIES		2,217,120,803	1,834,242,582
TOTAL EQUITY AND LIABILITIES		3,640,208,067	2,958,081,177
CONTINGENCIES AND COMMITMENTS	26		

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, 2019**

	2019	2018
Note	----- Rupees -----	
Net insurance premium	27 1,467,312,889	1,459,230,392
Net insurance claims	28 (642,479,059)	(633,992,275)
Net commission	29 (254,775,273)	(291,173,568)
Insurance claims and acquisition expenses	(897,254,332)	(925,165,843)
Management expenses	30 (285,316,429)	(263,264,891)
Underwriting results	284,742,128	270,799,658
Gain / (Loss) on investment	31 23,253,634	(9,219,571)
Rental income	32 4,839,607	6,437,610
Other income	33 63,998,508	6,951,813
Other expenses	34 (150,903,840)	(126,505,225)
Results of operating activities	225,930,037	148,464,285
Finance cost	35 (2,852,871)	(1,428,319)
Profit / loss before tax from window takaful operations - Operator's Fund	12,009,725	(920,408)
Profit before tax	235,086,891	146,115,558
Income tax expense	36 (53,453,777)	(13,723,891)
Profit after taxation	181,633,114	132,391,667
Earnings per share - basic and diluted (Restated)	37 1.79	1.30

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, 2019**

	2019	2018
Note	----- Rupees -----	
Profit after tax	181,633,114	132,391,667
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized gain / (loss) on available for sale investments - net of deferred tax	417,741	(58,071,468)
Reclassification of loss included in profit and loss account	2,863,704	-
	3,281,445	(58,071,468)
Total comprehensive income for the year	<u>184,914,559</u>	<u>74,320,199</u>

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, 2019

	Share capital	Reserves		Total reserves	Unappropriated profit	Total
	Issued subscribed and paid-up	General reserve	Unrealized loss on revaluation of available for sale investments			
	----- Rupees -----					
Balance as at January 01, 2018 (as reported)	609,781,960	200,000,000	(8,880,671)	191,119,329	248,617,107	1,049,518,396
Total comprehensive income for the year						
Profit after tax	-	-	-	-	132,391,667	132,391,667
Unrealized loss on revaluation of available for sale investments	-	-	(58,071,468)	(58,071,468)	-	(58,071,468)
	-	-	(58,071,468)	(58,071,468)	132,391,667	74,320,199
Issue of bonus shares	152,445,490	-	-	-	(152,445,490)	-
Balance as at December 31, 2018	<u>762,227,450</u>	<u>200,000,000</u>	<u>(66,952,139)</u>	<u>133,047,861</u>	<u>228,563,284</u>	<u>1,123,838,595</u>
Balance as at January 01, 2019	762,227,450	200,000,000	(66,952,139)	133,047,861	228,563,284	1,123,838,595
Total comprehensive income for the period						
Profit after tax	-	-	-	-	181,633,114	181,633,114
Unrealized loss on revaluation of available for sale investments	-	-	417,741	417,741	-	417,741
Reclassification of loss included in profit and loss account	-	-	2,863,704	2,863,704	-	2,863,704
	-	-	3,281,445	3,281,445	181,633,114	184,914,559
Issue of bonus shares (20 bonus shares for every 100 shares held)	152,445,490	-	-	-	(152,445,490)	-
Issue of Right shares (15 right shares for every 100 shares held)	114,334,110	-	-	-	-	114,334,110
Balance as at December 31, 2019	<u>1,029,007,050</u>	<u>200,000,000</u>	<u>(63,670,694)</u>	<u>136,329,306</u>	<u>257,750,908</u>	<u>1,423,087,264</u>

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, 2019

	Note	2019	2018
OPERATING CASH FLOWS			
a) Underwriting activities			
Premium received		3,152,820,499	3,081,194,431
Reinsurance premium ceded		(1,602,105,153)	(1,708,215,599)
Claims paid		(983,422,291)	(912,410,952)
Reinsurance and other recoveries received		318,607,017	310,968,697
Commission paid		(735,848,362)	(594,092,180)
Commission received		355,303,187	303,023,834
Underwriting payments		(289,106,234)	(258,674,804)
Net cash generated from underwriting activities		<u>216,248,663</u>	<u>221,793,427</u>
b) Other operating activities			
Income tax paid		(31,505,981)	(34,335,191)
Other expenses paid		(120,368,615)	(98,834,305)
Other operating (payments) / receipt		(115,369,217)	(55,067,562)
Net cash used in other operating activities		<u>(267,243,813)</u>	<u>(188,237,058)</u>
Net cash generated from all operating activities		<u>(50,995,150)</u>	<u>33,556,369</u>
INVESTING ACTIVITIES			
Investment income received		23,332,859	10,527,232
Dividend received		41,257,979	26,891,859
Other income received		13,459,404	9,929,081
Payments for investments		(669,019,015)	(275,456,962)
Proceeds from disposal of investment		764,310,790	263,509,999
Fixed capital expenditures		(16,266,824)	(66,986,686)
Purchase of investment property		(6,554,355)	-
Proceeds from disposal of fixed assets		55,883,500	14,065,000
Net cash used in investing activities		<u>206,404,338</u>	<u>(17,520,477)</u>
FINANCING ACTIVITIES			
Loan received from director		40,345,500	279,343,681
Loan repaid to director		(29,916,400)	(279,477,032)
Recived Right subscription money		114,334,110	-
		(7,520,098)	(5,879,903)
Payment of finance lease		(2,396,834)	(896,748)
Net cash (used in) / generated from financing activities		<u>114,846,278</u>	<u>(6,910,002)</u>
Net cash increase in cash and cash equivalent		270,255,466	9,125,890
Cash and cash equivalents at beginning of the year		99,847,917	90,722,027
Cash and cash equivalents at end of the year		<u><u>370,103,383</u></u>	<u><u>99,847,917</u></u>

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
RECONCILIATION TO PROFIT AND LOSS ACCOUNT			
Operating cash flows		(50,995,150)	33,556,369
Depreciation expense		(25,621,417)	(21,280,914)
Profit on disposal of fixed assets		47,419,643	4,940,461
Investment income		30,779,782	13,776,050
Dividend income		41,257,979	26,891,859
Loss on investment securities		(47,189,808)	(48,678,328)
Other income		14,680,607	14,680,607
Loss on takaful operations		12,009,725	(920,408)
Increase in assets other than cash		539,821,386	320,728,481
Decrease in operating liabilities		(372,532,529)	(211,302,510)
Profit after taxation		<u>189,630,218</u>	<u>132,391,667</u>
CASH AND CASH EQUIVALENTS			
Cash for the purpose of statement of cash flows consist of:			
Cash and other equivalents		127,676	76,348
Current and other accounts		28,275,707	35,700,552
Deposits maturing within 12 months		341,700,000	64,071,017
		<u>370,103,383</u>	<u>99,847,917</u>

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, 2019

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 BASIS OF PREPARATION

3.1 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.

3.2 Functional and presentation currency

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

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 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)
Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
IFRS 5 Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
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 15 Original issue	July 01, 2018
IFRS 15 Clarifications to IFRS 15	July 01, 2018
IFRS 16 Leases	January 01, 2019

		Effective date (annual periods beginning on or after)
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 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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
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

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

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

4.2 Standards / amendments that are effective in current year and relevant to the Company

IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018
IFRS 16	Leases	January 01, 2019

**Effective date
(annual periods
beginning on or
after)**

4.3 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

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
IFRS 3 Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14 Regulatory Deferral Accounts	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 39 Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

4.4 Standards or interpretations not yet effective

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 17 Insurance Contracts

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.

5 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.

5.1 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	6.2.2
- Premium due but unpaid - net	6.2.3
- Provision for outstanding claims (including IBNR)	6.3.1
- Premium deficiency reserve	6.7
- Useful life of property, plant and equipment	6.10
- Taxation (current and deferred)	6.17
- Impairment of asset	6.22
- Classification of insurance contracts	6.10
- Investment property life, residual value and depreciation method	
- Segment reporting	6.13
- Commission income unearned	6.6.2
- Reinsurance recoveries against outstanding claims	6.5
- Prepaid reinsurance premium ceded	6.4.2
- Deferred commission expense	6.6.1

6 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.

6.1 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.

6.2 Premium

6.2.1 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.

6.2.2 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.

6.2.3 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.

6.3 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.

6.3.1 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.

6.4 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.

6.4.1 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.

6.4.2 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.

6.5 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.

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 premium revenue.

6.6.2 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.

6.7 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:

	2019	2018
Fire and property damage	14%	22%
Marine, aviation and transport	23%	38%
Motor	13%	19%
Miscellaneous	7%	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.

6.8 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:

6.8.1 Held-to-Maturity

Investments with fixed determinable payments and fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment, if any.

Any premium paid or discount availed on government securities and term finance certificates is deferred and amortised over the period to maturity of investment using the effective yield

6.8.2 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.

6.8.3 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.

6.9 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.

6.10 Property, plant and equipment

6.10.1 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.

6.10.2 Leased assets

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', and IFRIC 4 'Determining whether an Arrangement contains a Lease' The Company applied IFRS 16 with a date of initial application of January 01, 2019

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant impact of IFRS 16 due to either short term lease contracts or finance lease contracts.

The Company decided to apply recognition exemption to short term leases of office premises, as lessor can get these premises vacated by serving short notice.

6.10.3 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.

6.11 Investment properties

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

6.11.1 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.

6.11.2 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.

6.11.3 Depreciation

Depreciation is charged to profit and loss account in the same manner as owned fixed assets. Refer note 6.10.1.

6.12 Investment and other income

6.12.1 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.

6.12.2 Interest income

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

6.12.3 Rental income

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

6.12.4 Administrative surcharge

Administrative surcharge includes documentation and other holders in respect of insurance policies issued, at a rate of 5% of the gross premium, restricted to a maximum of charges recovered by the Company from insurance contract Rs. 2,000 in case of motor and health, and Rs. 4,000 in case of all other insurance contracts. Administrative surcharge is recognized as revenue at the time of issuance of policy. For the purpose of these financial statements, administrative surcharge is included in gross premiums written during the year.

6.13 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 6.1.

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.

6.14 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.

6.15 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.

6.16 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.

6.17 Taxation

6.17.1 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.

6.17.2 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.

6.18 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.

6.19 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.

6.20 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.

6.21 IFRS 9 - Financial Instruments and Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 'Financial Instruments with IFRS 4

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 'Financial Instruments with IFRS 4 (effective for annual periods beginning on or after July 01, 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

Temporary Exemption from Application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for the financial assets with contractual cash flows that meet the 'Solely for Payment of Principal and Interest' (SPPI) criteria excluding those held for trading and for the financial assets that do not meet the SPPI criteria for being eligible to apply the temporary exemption from the application of IFRS 9.

When adopted IFRS 9 replaces the existing IAS 39, 'Financial Instruments - Recognition and Measurement' and will affect the following two areas.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (Rupees)	New carrying amount under IFRS 9 (Rupees)
Financial Assets				
Investments				
Equity securities				
Listed shares	Held for trading	Fair value through Profit and loss	75,258,466	75,258,466
Mutual funds	Held for trading	Fair value through Profit and loss	393,390,236	393,390,236
Listed shares	Available for sale	Fair value through Other comprehensive income	214,828,149	214,828,149
Debt securities				
Government Securities	Held to maturity	Amortised cost	182,585,618	182,585,618
Others	Available for sale	Fair value through Other comprehensive income	31,330,000	31,330,000
Term deposit receipts (TDRs)	Held to maturity	Amortised cost	341,700,000	341,700,000
Other receivables	Loans and receivables	Amortised cost	1,813,290	1,813,290
Insurance / reinsurance receivables	Loans and receivables	Amortised cost	550,313,540	550,313,540
Reinsurance recoveries against outstanding claims	Loans and receivables	Amortised cost	465,459,802	465,459,802
Cash at bank	Loans and receivables	Amortised cost	28,403,383	28,403,383
Financial Liabilities				
Outstanding claims including IBNR	Other financial liabilities	Amortised cost	596,061,338	596,061,338
Insurance / reinsurance payables	Other financial liabilities	Amortised cost	18,638,127	18,638,127
Other creditors and accruals	Other financial liabilities	Amortised cost	91,223,164	91,223,164

6.22 Impairment

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment loss impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognised in profit and loss account. Impairment is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

6.23 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.

6.24 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.

6.25 Dividend and bonus shares

Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved. 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.

6.26 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.

6.27 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.

7 CHANGES IN ACCOUNTING POLICY

7.1 On January 01, 2019 the Company changed its accounting policy for the recognition, classification and measurement of Government Securities amounting to Rs. 158,918,816 to held to maturity on the basis of management's intention to hold the securities till their maturities, as required by the International Accounting Standards "IAS 39'. Previously, these investments were carried at fair value under available-for-sale investment category.

As per the revised accounting policy refer no. 6.8.1, losses amounting to Rs. 21,504,266 previously recognized in the other comprehensive income and accumulated in statement of changes in equity as reserve namely 'unrealised loss on revaluation of available for sale investment' is being amortized using the effective interest rate method over the remaining life of the held to maturity investment. Further, the difference between new amortized cost and maturity amount is being also amortized over the remaining life of the financial assets using the effective interest rate method and realized in the profit and loss account.

This change in accounting policy has been applied prospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error'.

Movement of reserve "unrealised loss on revaluation of available for sale investment" due to reclassification:

Opening reserve	-
Reserve of loss transfer due to reclassification	21,504,266
Reclassification of loss included in profit and loss account	
Maturity of investment	69,353
Amortization	2,794,351
	<hr/>
	2,863,704
Closing reserve	<hr/> <hr/>
	18,640,562

8 PROPERTY AND EQUIPMENT

Particulars	2019										Written down value as at December 31, 2019	Depreciation rate (% per annum)
	Cost					Depreciation						
	As at January 1, 2019	Additions	Disposals / write-offs	Transfer in / (out)	As at December 31, 2019	As at January 1, 2019	Depreciation for the year	Disposals / write-offs	Transfer in / (out)	As at December 31, 2019		

(Rupees)

Owned

Office premises	62,082,770	-	-	-	62,082,770	10,476,258	2,580,326	-	-	13,056,584	49,026,186	5%
Furniture and fixtures	32,192,272	275,000	-	-	32,467,272	19,233,847	1,316,219	-	-	20,550,066	11,917,206	10%
Electric fittings and equipments	27,318,626	1,013,134	-	-	28,331,760	15,300,817	1,257,401	-	-	16,558,218	11,773,542	10%
Office equipments	8,799,838	290,500	-	-	9,090,338	6,446,589	246,520	-	-	6,693,109	2,397,229	10%
Motor vehicles	135,365,019	14,332,410	(12,796,914)	-	136,900,515	86,236,020	11,241,554	(9,955,362)	-	87,522,212	49,378,303	20%
Computers equipments	17,393,740	298,200	-	-	17,691,940	16,160,600	468,169	-	-	16,628,769	1,063,171	33.3%

Right of use asset

Motor vehicles	27,383,000	57,580	-	-	27,440,580	1,369,150	5,491,395	-	-	6,860,545	20,580,035	20%
	310,535,265	16,266,824	(12,796,914)	-	314,005,175	155,223,281	22,601,584	(9,955,362)	-	167,869,503	146,135,672	

Particulars	2018										Written down value as at December 31, 2018	Depreciation rate (% per annum)
	Cost					Depreciation						
	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)

Owned

Office premises	62,082,770	-	-	-	62,082,770	7,760,126	2,716,132	-	-	10,476,258	51,606,512	5%
Furniture and fixtures	31,929,972	262,300	-	-	32,192,272	17,802,848	1,430,999	-	-	19,233,847	12,958,425	10%
Electric fittings and equipments	25,772,866	1,545,760	-	-	27,318,626	14,021,107	1,279,710	-	-	15,300,817	12,017,809	10%
Office equipments	8,603,772	196,066	-	-	8,799,838	6,188,223	258,366	-	-	6,446,589	2,353,249	10%
Motor vehicles	114,639,060	37,148,215	(16,422,256)	-	135,365,019	82,798,119	10,735,618	(7,297,717)	-	86,236,020	49,128,999	20%
Computers equipments	16,942,395	451,345	-	-	17,393,740	15,625,709	534,891	-	-	16,160,600	1,233,140	33.3%

Right of use asset

Motor vehicles	-	27,383,000	-	-	27,383,000	-	1,369,150	-	-	1,369,150	26,013,850	20%
	259,970,835	66,986,686	(16,422,256)	-	310,535,265	144,196,132	18,324,866	(7,297,717)	-	155,223,281	155,311,984	

8.1 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						
Motor Vehicles							
Honda Civic	1,410,769	1,341,961	68,808	952,500	883,692	Negotiations	Mr.Sardar Muhammad
Honda Civic	1,405,819	1,336,922	68,897	850,000	781,103	Negotiations	Mr.Aurangzeb Shaikh
Honda Civic	1,829,994	1,466,401	363,593	1,075,000	711,407	Negotiations	Mr.Ghulam Shabbir Channar
Suzuki	178,699	178,638	61	100,000	99,939	Negotiations	Mrs.Azra
Nissan Sunny	400,699	400,211	488	211,000	210,512	Negotiations	Mr.Junaid Iftikhar
Daihatsu Mira	925,400	207,041	718,359	850,000	131,641	Negotiations	Mr.Muhammad Tahir
Toyota Corrola	1,605,000	804,640	800,360	1,250,000	449,640	Negotiations	Takaful Operator
Honda Civic	2,494,219	1,934,622	559,597	1,050,000	490,403	Negotiations	Takaful Operator
Honda Civic	1,888,456	1,739,959	148,497	1,260,000	1,111,503	Negotiations	Mr.Khurram Shahzad
Nissan Sunny	393,999	387,958	6,041	130,000	123,959	Negotiations	Mr.Moinuddin
Honda	58,500	56,475	2,025	15,000	12,975	Negotiations	Mr.Arshad Khan
Yamaha	130,000	30,550	99,450	100,000	550	Negotiations	Mr.Sardar Abdul Khalil
Ravi	37,000	35,285	1,715	20,000	18,285	Negotiations	Mr.Khurram Shahzad
Ravi	38,360	34,699	3,663	20,000	16,337	Negotiations	Mr.Khurram Shahzad
sub, Total	12,796,914	9,955,362	2,841,554	7,883,500	5,041,946		
INVESTMENT PROPERTIES & OFFICES PREMISES							
Shafiq Plaza	1,125,129	881,982	243,147	16,000,000	15,756,853	Negotiations	Takaful Operator
Bahadur Shah	6,698,000	3,984,107	2,713,893	12,000,000	9,286,107	Negotiations	Takaful Operator
Faisalabad	4,548,000	1,981,899	2,566,101	10,000,000	7,433,899	Negotiations	Takaful Operator
Business Centre	507,451	408,289	99,162	10,000,000	9,900,838	Negotiations	Takaful Operator
sub, Total	12,878,580	7,256,277	5,622,303	48,000,000	42,377,697		
2019	25,675,494	17,211,639	8,463,857	55,883,500	47,419,643		
2018	16,422,256	7,297,717	9,124,539	14,065,000	4,940,461		

	Note	2019 ----- Rupees -----	2018 -----
9			
INTANGIBLE ASSETS			
Computer software	9.1	491,931	702,759
Capital work in progress	9.2	705,000	705,000
		<u>1,196,931</u>	<u>1,407,759</u>
9.1			
Net carrying value basis			
Opening net book value		702,759	1,003,941
Amortization charge		(210,828)	(301,182)
Closing net book value		<u>491,931</u>	<u>702,759</u>
Gross carrying value basis			
Cost		1,736,980	1,736,980
Accumulated amortization		(1,245,049)	(1,034,221)
Net book value		<u>491,931</u>	<u>702,759</u>
Amortization rate % per annum		30	30
9.2			
Capital work in progress			
Balance as at December 31	9.2.1	<u>705,000</u>	<u>705,000</u>
9.2.1	This represents amount paid to the vendor for the development of computer software.		

10 INVESTMENT PROPERTIES

Particulars	2019									Depreciation rate (% per annum)
	Cost				Depreciation				Written down value as at December 31, 2019	
	As at January 1, 2019	Additions / transfer in	Deletion / transfer out	As at December 31, 2019	As at January 1, 2019	Depreciation for the year / transfer in	on disposal	As at December 31, 2019		
----- (Rupees) -----										
Office premises	77,343,316	6,554,355	12,878,580	71,019,091	26,900,871	2,809,003	7,256,277	22,453,597	48,565,494	5%
	77,343,316	6,554,355	12,878,580	71,019,091	26,900,871	2,809,003	7,256,277	22,453,597	48,565,494	

Particulars	2018									Depreciation rate (% per annum)
	Cost				Depreciation				Written down value as at December 31, 2018	
	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) -----										
Office premises	77,343,316	-		77,343,316	24,246,005	2,654,866		26,900,871	50,442,445	5%
	77,343,316	-		77,343,316	24,246,005	2,654,866		26,900,871	50,442,445	

10.1 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. 172.50 million (2018: Rs. 216.70 million).

10.2 Rental income from investment property amounting to Rs. 7.7 million (2018: Rs. 9.06 million) has been recorded net of depreciation in profit and loss account i.e. Rs. 4.84 million (2018: Rs.6.44 million).

11 INVESTMENTS IN EQUITY SECURITIES

11.1 Investments - Held for Trading

	2019			2018		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
-----Rupees-----						
Listed securities						
Oil and Gas Development Company Limited	35,856,630	4,747,266	40,603,896	33,420,787	(7,142,387)	26,278,400
Kot Addu Power Company Limited	24,775	(9,010)	15,765	26,950	(2,175)	24,775
Fauji Fertilizer Company Limited	6,038,734	556,816	6,595,550	3,559,950	618,300	4,178,250
Silkbank Limited	2,625,000	(651,000)	1,974,000	3,318,000	(693,000)	2,625,000
Fauji Cement Company Limited	17,602	(4,516)	13,086	21,033	(3,431)	17,602
Pakistan Stock Exchange Limited	4,843,242	(389,029)	4,454,213	7,994,739	(3,151,497)	4,843,242
Habib Bank Limited	3,385,289	550,211	3,935,500	-	-	-
Bank Alfalah Limited	1,285,853	85,147	1,371,000	-	-	-
Lotte Chemical Pakistan Limited	1,417,391	(15,391)	1,402,000	-	-	-
Sui Northern Gas pipelines	726,892	34,808	761,700	-	-	-
Pakistan State Oil Co.,	2,356,826	115,330	2,472,156	-	-	-
Avanceon Limited	3,786,178	(31,178)	3,755,000	-	-	-
The Hub Power Limited	3,554,964	1,112,536	4,667,500	-	-	-
United Bank Limited	1,392,982	252,018	1,645,000	-	-	-
Nishat Mills Limited	1,253,820	338,280	1,592,100	-	-	-
	68,566,178	6,692,288	75,258,466	48,341,459	(10,374,190)	37,967,269
Mutual funds						
National Investment Trust Limited	-	-	-	224,277,860	(22,178,306)	202,099,554
MCB Cash Management Optimizer Fund	23,236,009	69,960	23,305,969	20,221,945	(224,493)	19,997,452
HBL Cash Fund (formerly PICIC Cash fund)	5,176,594	49,492	5,226,086	20,483,913	(528,339)	19,955,574
First Habib Cash Fund	20,040,086	26,845	20,066,931	20,180,042	(151,931)	20,028,111
ABL Cash Fund	13,196,083	23,994	13,220,077	10,136,697	(92,159)	10,044,538
NAFA Islamic Asset Allocation Fund	-	-	-	51,688,090	(2,388,467)	49,299,623
Pakistan Cash Management Fund	-	-	-	9,913,935	79,707	9,993,642
Askari Sovereign Cash Fund	-	-	-	30,428,084	(301,683)	30,126,401
Faysal Money Market Fund	19,054,614	731,216	19,785,830	19,789,109	306,592	20,095,701
UBL Liquidity Plus Fund	9,688,130	33,592	9,721,722	10,214,402	(245,603)	9,968,799
Atlas Money Market Fund	9,817,850	(132,997)	9,684,853	9,725,878	348,972	10,074,850
Al Ameen Islamic Asset Allocation Fund	-	-	-	20,189,576	77,558	20,267,134
JS Islamic fund	-	-	-	41,137,613	(3,818,067)	37,319,546
NAFA Stock fund	-	-	-	42,196,799	(3,238,679)	38,958,120
Meezan Islamic Fund	-	-	-	40,870,720	(4,902,023)	35,968,697
HBL Cash Fund	20,262,072	216,789	20,478,861	20,382,262	(401,729)	19,980,533
Alfalah GHP Money Market Fund	28,076,982	59,774	28,136,756	20,494,301	(388,938)	20,105,363
ABL Government Securities Fund	9,356,073	177,714	9,533,787	9,948,552	108,225	10,056,777
NIT Money Market (Saddar br.)	87,060,362	83,778	87,144,140	-	-	-
NIT Money Market (Clifton br.)	138,354,886	1,661,355	140,016,241	-	-	-
Al-Ameen Islamic Cash Fund	7,041,890	27,093	7,068,983	-	-	-
	157,904,493	3,028,605	393,390,236	622,279,778	(37,939,363)	584,340,415
	226,470,671	9,720,893	468,648,702	670,621,237	(48,313,553)	622,307,684

11.2 Investments - Available for Sale

	2019			2018		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
Related party						
Listed Securities						
Askari Life Assurance Company Limited (note 12.3)	285,830,236	(3,816,577)	282,013,659	270,211,719	(65,943,209)	204,268,510
Others						
Listed Securities						
Agritech Limited	10,593,327	(142,207)	10,451,120	10,593,331	(54,856)	10,538,475
	296,423,563	(3,958,785)	292,464,778	280,805,050	(65,998,065)	214,806,985
Deficit on revaluation	-	-	(77,636,629)	-	-	(11,638,564)
	296,423,563	(3,958,785)	214,828,149	280,805,050	(65,998,065)	203,168,421
Total equity securities	522,894,234	5,762,108	683,476,851	951,426,287	(114,311,618)	825,476,105

11.3 This represents investment in associated undertaking.

12 INVESTMENTS IN DEBT SECURITIES

	2019			2018		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
----- Rupees -----						
Held to Maturity (Note 12.1)						
Government securities						
Pakistan Investment Bonds	141,642,159	-	141,642,159	145,430,258	(21,782,483)	123,647,775
GoP Ijara Sukuk	-	-	-	20,045,618	278,217	20,323,835
T - Bills	40,943,459	-	40,943,459	14,947,206	-	14,947,206
	182,585,618	-	182,585,618	180,423,082	(21,504,266)	158,918,816
Available for sale (Note 12.1)						
Others						
Term Finance Certificates	13,040,000	2,690,000	15,730,000	10,000,000	3,040,000	13,040,000
Corporate Sukuk	12,270,000	3,330,000	15,600,000	10,000,000	2,270,000	12,270,000
	25,310,000	6,020,000	31,330,000	20,000,000	5,310,000	25,310,000
Deficit on revaluation	-	-	-	-	-	(467,894)
	207,895,618	6,020,000	213,915,618	200,423,082	(16,194,266)	183,760,922

12.1 Investment in debt securities - held to maturity

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 31, 2019
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Held to maturity

Pakistan Investment Bonds (Note 12.1.1)

10 Years Pakistan Investment Bond	2021	12.10%	Half yearly	1,000,000	996,944
10 Years Pakistan Investment Bond	2021	12.10%	Half yearly	4,000,000	3,987,881
10 Years Pakistan Investment Bond	2022	11.64%	Half yearly	5,000,000	4,965,403
5 Years Pakistan Investment Bond	2020	13.40%	Half yearly	1,000,000	995,545
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	20,000,000	16,537,072
3 Years Pakistan Investment Bond	2019	12.05%	Half yearly	22,000,000	20,671,299
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	20,000,000	16,540,064
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,117,061
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,117,270
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,117,271
20 Years Pakistan Investment Bond	2024	10.91%	Half yearly	15,000,000	13,615,495
20 Years Pakistan Investment Bond	2024	10.91%	Half yearly	10,000,000	9,187,218
10 Years Pakistan Investment Bond	2022	11.64%	Half yearly	30,000,000	29,793,637

Treasury Bills

6 Months Treasury Bill	2019	7.45%	On maturity	42,000,000	40,943,459
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Available for sale

Term Finance Certificates

JS Bank	Perpetuity	(6M Kibor + 2.225%)	Half yearly	10,000,000	15,730,000
Corporate Sukuks					
Dubai Islamic Bank	Perpetuity	(3M Kibor + 1.75%)	Quarterly	10,000,000	15,600,000
					213,915,618

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 12.1.1)					
10 Years Pakistan Investment Bond	2021	13.25%	Half yearly	1,000,000	973,380
10 Years Pakistan Investment Bond	2021	11.50%	Half yearly	4,000,000	4,042,732
10 Years Pakistan Investment Bond	2022	12.68%	Half yearly	5,000,000	4,907,301
5 Years Pakistan Investment Bond	2020	7.70%	Half yearly	1,000,000	1,016,988
10 Years Pakistan Investment Bond	2026	8.00%	Half yearly	20,000,000	20,808,655
3 Years Pakistan Investment Bond	2019	5.80%	Half yearly	5,000,000	5,017,457
10 Years Pakistan Investment Bond	2026	7.80%	Half yearly	20,000,000	21,019,341
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000,000	10,497,684
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000,000	10,514,904
10 Years Pakistan Investment Bond	2026	7.87%	Half yearly	10,000,000	10,514,904
20 Years Pakistan Investment Bond	2024	9.25%	Half yearly	15,000,000	15,460,766
20 Years Pakistan Investment Bond	2024	9.26%	Half yearly	10,000,000	10,292,854
10 Years Pakistan Investment Bond	2022	11.55%	Half yearly	30,000,000	30,363,291
					<u>145,430,257</u>
GoP Ijarah Sukuks					
3 Years GoP Ijarah Sukuk	2019	4.40%	Half yearly	20,000,000	20,045,618
Treasury Bills					
6 Months Treasury Bill	2019	7.45%	On maturity	15,000,000	14,947,207
Term Finance Certificates					
JS Bank	Perpetuity (6M Kibor + 2.225%)		Half yearly	10,000,000	10,000,000
Corporate Sukuks					
Dubai Islamic Bank	Perpetuity (3M Kibor + 1.75%)		Quarterly	10,000,000	<u>10,000,000</u>
					<u>200,423,082</u>

12.1.1 The amount of Pakistan Investment Bonds includes Rs. 101 million (2018: Rs. 81 million) deposited with the State Bank of Pakistan as required by Section 29 of the Insurance Ordinance, 2000.

2019 **2018**
Note ----- **Rupees** -----

13 INVESTMENTS IN TERM DEPOSITS

Deposits maturing within 12 months	13.1	<u>341,700,000</u>	<u>64,071,017</u>
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13.1 These represent Term Deposit Receipts (TDRs) in local currency carrying interest rates ranging from 7.20% to 13.90% per annum (2018: 3.50% to 6.00% per annum).

	Note	2019 ----- Rupees -----	2018 -----
14 LOANS AND OTHER RECEIVABLES			
Unsecured - considered good			
Accrued investment income		6,560,030	3,751,447
Advances	14.1	132,359,888	26,405,005
Deposits		9,528,019	6,361,689
Other receivables		1,813,290	4,813,344
		<u>150,261,227</u>	<u>41,331,485</u>
14.1 This represents advances in the normal course of business which do not carry any interest / mark-up.			
15 INSURANCE / REINSURANCE RECEIVABLES			
(Unsecured - considered good)			
Due from insurance contract holders		252,942,667	138,582,483
Provision for impairment of receivables from insurance contract holders	15.1	(5,765,134)	(7,115,351)
Premium written off		(1,972,507)	(1,286,345)
		245,205,026	130,180,787
Due from other insurers / reinsurers		305,108,514	159,582,415
		<u>550,313,540</u>	<u>289,763,202</u>
15.1 Movement of provision for doubtful debts			
Opening balance		(7,115,351)	-
Charge during the year		(5,765,134)	(7,758,524)
Reversal during the year		7,115,351	643,173
		<u>(5,765,134)</u>	<u>(7,115,351)</u>
16 DEFERRED TAXATION			
Deferred tax asset / (liability) arising in respect of:			
accelerated depreciation on fixed assets		(29,125,513)	(16,202,580)
investments		25,427,141	27,346,649
leased assets		(1,913,140)	(1,308,118)
provision for doubtful debts		1,671,889	2,063,452
	16.1	<u>(3,939,623)</u>	<u>11,899,403</u>
16.1 Balance at beginning of the year		11,899,403	(14,845,049)

	2019	2018
Note	----- Rupees -----	
Reversal during the year in respect of effect of change in tax rate in respect of temporary differences arising during the year	-	148,451
	(15,839,026)	26,596,001
	(15,839,026)	26,744,452
Balance at the end of the year	(3,939,623)	11,899,403

17 PREPAYMENTS

Prepaid reinsurance premium ceded	577,141,443	622,853,417
Prepaid rent	643,267	1,072,807
Others	231,419	267,374
	578,016,129	624,193,598

18 CASH AND BANK

Cash and cash equivalents		
Cash in hand	124,948	6,560
Policy and revenue stamps, bond papers	2,728	69,788
	127,676	76,348
Cash at bank		
Current account	17,159,448	26,052,144
Saving account	11,116,259	9,648,408
	28,275,707	35,700,552
	28,403,383	35,776,900

18.1 These include interest bearing accounts carrying interest rates ranging from 5% to 10% (2018: 5% to 10%) per annum.

19 ORDINARY SHARE CAPITAL

19.1 Authorized share capital

2019	2018		
Number of shares			
120,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,200,000,000
1,200,000,000	1,000,000,000		1,000,000,000

	Note	2019 ----- Rupees -----	2018 -----
22 PREMIUM RECEIVED IN ADVANCE			
Premium received in advance	22.1	<u>35,554,237</u>	<u>13,887,619</u>
22.1 This includes cash margin (bond) received from policy holders amounting to Rs. 10.957 million (2018: Rs. 10.957 million).			
23 INSURANCE / REINSURANCE PAYABLES			
Due to other insurers / reinsurers		<u>18,638,127</u>	<u>12,714,329</u>
24 OTHER CREDITORS AND ACCRUALS			
Sundry creditors		18,821,114	22,871,042
Commission payable		15,951,322	16,660,791
Federal excise duty		2,739,770	2,077,439
Federal insurance fee		782,287	2,737,186
Workers' Welfare Fund		29,987,806	25,284,117
Withholding tax		4,949,738	3,493,668
Unclaimed dividend		31,303	31,303
Due to directors	24.1	<u>17,959,824</u>	<u>4,800,724</u>
		<u>91,223,164</u>	<u>77,956,270</u>
24.1 This represents unsecured and interest free loan obtained from directors of the Company.			
25 TAXATION - NET			
Provision for income tax		48,536,980	36,915,137
Less: Advance tax		<u>(14,554,897)</u>	<u>(10,961,332)</u>
		<u>33,982,083</u>	<u>25,953,805</u>
26 CONTINGENCIES AND COMMITMENTS			
There are no contingencies and commitments as at statement of financial position date (2018: Nil).			

	2019	2018
Note	----- Rupees -----	
27 NET INSURANCE PREMIUM		
Written gross premium	3,246,178,120	3,107,160,828
Unearned premium reserves - opening	981,543,116	754,295,174
Unearned premium reserves - closing	(1,252,193,521)	(981,543,116)
Premium earned	<u>2,975,527,715</u>	<u>2,879,912,886</u>
Less: Reinsurance premium ceded	1,462,502,852	1,616,904,113
Prepaid reinsurance premium ceded - opening	622,853,417	426,631,798
Prepaid reinsurance premium ceded - closing	(577,141,443)	(622,853,417)
Reinsurance expense	<u>1,508,214,826</u>	<u>1,420,682,494</u>
	<u>1,467,312,889</u>	<u>1,459,230,392</u>
28 NET INSURANCE CLAIMS EXPENSE		
Claims paid	983,422,291	912,410,952
Outstanding claims (including IBNR) - closing	596,061,338	594,943,384
Outstanding claims (including IBNR) - opening	(594,943,384)	(660,414,958)
Claims expense	<u>984,540,245</u>	<u>846,939,378</u>
Less: Reinsurance and other recoveries received	318,607,017	310,968,697
Reinsurance and other recoveries in respect of outstanding claims - closing	465,459,802	442,005,633
Reinsurance and other recoveries in respect of outstanding claims - opening	(442,005,633)	(540,027,227)
Reinsurance and other recoveries revenue	<u>342,061,186</u>	<u>212,947,103</u>
	<u>642,479,059</u>	<u>633,992,275</u>

28.1 Claim development

	2015	2016	2017	2018	2019
	----- Rupees -----				
At end of accident year	18,899,131	47,499,114	15,086,380	9,431,161	1,372,901
one year later	18,513,367	47,268,402	8,407,031	9,398,531	-
two years later	18,440,367	46,030,877	7,610,069	-	-
three years later	18,408,367	46,030,877	-	-	-
four years later	12,171,663	-	-	-	-
Current estimate of current claims	<u>12,171,663</u>	<u>46,030,877</u>	<u>7,610,069</u>	<u>9,398,531</u>	<u>1,372,901</u>
Cumulative payments to date	9,745,909	4,984,793	5,754,171	3,205,673	-
Liability recognized in balance sheet	<u>2,425,754</u>	<u>41,046,084</u>	<u>1,855,898</u>	<u>6,192,858</u>	<u>1,372,901</u>

	Note	2019	2018
		----- Rupees -----	
29 NET COMMISSION			
Commission paid or payable		735,138,893	598,586,046
Deferred commission expense - opening		172,215,623	146,600,131
Deferred commission expense - closing		(328,921,034)	(172,215,623)
Net commission		<u>578,433,482</u>	<u>572,970,554</u>
Less: Commission received or recoverable		<u>355,303,187</u>	<u>303,023,834</u>
Unearned reinsurance commission - opening		99,090,998	77,864,150
Unearned reinsurance commission - closing		(130,735,976)	(99,090,998)
Commission from reinsurers		<u>323,658,209</u>	<u>281,796,986</u>
		<u>254,775,273</u>	<u>291,173,568</u>
30 MANAGEMENT EXPENSES			
Employee benefit cost	30.1	122,573,107	114,565,472
Office repairs and maintenance		7,192,632	8,505,703
Vehicle running expenses		68,072,126	55,527,907
Traveling expenses		46,707,522	44,319,112
Electricity, gas and water		8,477,642	7,622,878
Printing and stationery		7,655,576	7,536,909
Office rent		5,295,559	4,546,195
Entertainment		12,162,954	14,990,933
Postage, telegram and telephone		4,644,106	4,360,402
Advertisement and publicity		1,469,557	292,510
Rent, rates and taxes		86,424	95,498
Miscellaneous		979,224	901,372
		<u>285,316,429</u>	<u>263,264,891</u>
30.1 Employee benefit cost			
Salaries, allowance and other benefits		120,084,771	112,379,877
Charges for post employment benefit		2,488,336	2,185,595
		<u>122,573,107</u>	<u>114,565,472</u>
31 GAIN / LOSS ON INVESTMENT			
Income from equity securities			
Held for trading			
Dividend income		41,257,979	26,891,859
Loss on disposal of securities		(56,910,702)	(364,775)
		<u>(15,652,723)</u>	<u>26,527,084</u>

	Note	2019	2018
		----- Rupees -----	
Income from debt securities			
Available for sale			
Return on debt securities			
Pakistan Investment Bonds	31.1	14,817,642	9,489,047
GoP Ijara Sukuk		223,929	2,599,526
Treasury Bills		177,683	1,385,243
Term Finance Certificates		1,417,373	14,290
Corporate Sukuk		1,381,908	26,893
		18,018,535	13,514,999
Return on term deposits		12,761,247	261,051
Net unrealized gains / losses on investments at fair value through profit or loss (held for trading)		9,720,894	(48,313,553)
		24,847,953	(8,010,419)
Investment related expenses		(1,594,319)	(1,209,152)
		23,253,634	(9,219,571)
31.1 Pakistan Investment Bonds			
Return on Pakistan Investment Bonds		17,611,993	9,489,047
Amortization of unrealized loss due to reclassification from available for sale to held to maturity		(2,794,351)	-
		14,817,642	9,489,047
32 RENTAL INCOME			
Rental income		7,648,612	9,092,473
Less : Depreciation		(2,809,005)	(2,654,863)
		4,839,607	6,437,610
33 OTHER INCOME			
Return on bank balances		2,778,679	1,364,643
Profit on disposal of fixed assets		47,419,643	4,940,461
Reversal of bad debts		10,312,036	643,173
Others		3,488,150	3,536
		63,998,508	6,951,813
34 OTHER EXPENSES			
Employee benefit cost	34.1	56,819,350	44,677,125
Office repairs and maintenance		14,975,817	10,300,079
Vehicle running expenses		11,315,724	13,372,376
Auditors' remuneration	34.3	1,250,900	1,364,200
Remuneration of directors and executives	38	12,465,000	12,410,000
Legal and professional charges		2,617,944	2,534,045

	Note	2019 ----- Rupees -----	2018 -----
Depreciation and amortization	9 & 10	22,812,412	18,626,051
Subscription and membership		6,776,035	5,529,501
Annual supervision fee		2,015,704	2,015,704
Bad debt expense	15	1,972,507	1,286,345
Provision for doubtful debt	15.1	8,961,819	7,758,524
Rent, rates and taxes		1,691,382	912,934
Electricity, gas and water		669,932	370,992
Postage, telegram and telephone		1,614,405	1,730,594
Workers Welfare Fund		4,703,689	2,981,956
Others		241,220	634,799
		<u>150,903,840</u>	<u>126,505,225</u>
34.1 Employee benefit cost			
Salaries, allowance and other benefits		55,203,024	43,375,567
Charges for post employment benefit		1,616,326	1,301,558
		<u>56,819,350</u>	<u>44,677,125</u>
34.2 Employees' provident fund			
		Unaudited	Audited
Size of the fund		72,080,913	60,528,520
Number of members		120	122
Cost of investment made		38,588,571	37,580,981
Percentage of investment made		54%	62%
Fair value of investment		44,829,791	41,119,268
34.2.1	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.		
34.3 Auditors' remuneration			
Audit fee		847,800	847,800
Half yearly review		265,500	265,500
Out of pocket expenses		250,900	250,900
		<u>1,364,200</u>	<u>1,364,200</u>
35 FINANCE COST			
Bank charges		456,037	531,571
Lease finance charges		2,396,834	896,748
		<u>2,852,871</u>	<u>1,428,319</u>

	Note	2019 ----- Rupees -----	2018 -----
36 INCOME TAX EXPENSE			
For the year			
Current		48,536,980	36,915,137
Deferred		13,919,518	(1,665,353)
		<u>62,456,498</u>	<u>35,249,784</u>
For the prior year(s)	36.1		
Current		(9,002,721)	(24,525,893)
Prior		-	3,000,000
		<u>(9,002,721)</u>	<u>(21,525,893)</u>
		<u>53,453,777</u>	<u>13,723,891</u>

36.1 The income tax assessments of the Company are finalized on self assessment basis. The return of income upto tax year 2019 have been submitted to the authorities. Amount of Rs. 21.525 million (2018: Rs. 21.525 million) represents excess liability recorded in the books of the Company as compared to tax return.

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

Accounting profit before tax	235,086,891	146,115,558
Applicable tax rate	29%	30 %
Tax at the above rate	68,175,198	43,834,667
Effect of deductions not allowed	(4,742,818)	(1,786,505)
Effect of rental income	(1,069,894)	(1,099,247)
Effect of deferred tax	4,261,784	(1,665,352)
Effect of dividend income	(1,994,221)	(4,033,779)
Effect of prior year reversal	(9,002,730)	(21,525,893)
Effect of capital gain tax on immoveable property	(10,170,647)	-
Provision for taxation	<u>45,456,672</u>	<u>13,723,891</u>

37 EARNING PER SHARE

Net profit after tax for the year	181,633,114	132,391,667
Weighted average number of ordinary shares outstanding	101,527,719	101,472,956
Basic and diluted earnings per share (Rupees)	37.1 1.79	1.30

37.1 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 and right shares.

38 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	----- Rupees -----					
Managerial remuneration	3,312,000	3,312,000	5,040,000	5,040,000	12,832,800	9,521,400
Bonus	-	-	-	-	1,926,900	1,375,000
House rent	1,488,000	1,488,000	2,160,000	2,160,000	12,547,200	9,678,600
BOD Meeting fee	-	-	705,000	650,000	-	-
	<u>4,800,000</u>	<u>4,800,000</u>	<u>7,905,000</u>	<u>7,850,000</u>	<u>27,306,900</u>	<u>20,575,000</u>
Number of persons	1	1	6	7	7	5

38.1 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.

39 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	2019	2018
		----- Rupees -----	
Loan received from directors			
Javed Yunus	Director	4,895,500	3,025,000
Naveed Yunus	Director	35,450,000	275,318,681
Pervez Yunus	Director	-	1,000,000
Loan repaid to directors			
Javed Yunus	Director	5,695,500	2,090,000
Naveed Yunus	Director	24,220,900	276,637,250
Pervez Yunus	Director	-	749,782
Purchase of shares			
Askari Life Assurance Company Limited	Associated undertaking	15,618,517	89,061,820
Issue of bonus shares and right shares at market value			
Chief Justice (R) Mian Mahboob Ahmad	Director	54,725	91,199
Naved Yunus	Director	272,237,476	159,448,221
Ambreen Naved Yunus	Other related party	159,700,472	181,433,498
Javed Yunus	Director	186,669,275	174,392,092
Rubina Javed Yunus	Other related party	335,482,050	111,814,763
Pervez Yunus	Director	227,860,386	172,376,688
Samina Pervez Yunus	Other related party	73,064,859	112,700,990
Maheen Yunus	Director	355,715,538	189,734,662
Shamiala Maheen Yunus	Other related party	86,946,020	144,893,722
Samad Maheen Yunus	Other related party	59,238,867	98,720,332
Anum Maheen Yunus	Other related party	61,038,499	101,719,381
Umeed Ansari	Director	20,344	33,903
Ahsan Mahmood Alvi	Director	18,479	30,794
Kazim Raza	Director	16,790	27,981
Remuneration Paid			
Naveed Yunus	Director	4,800,000	4,800,000
Javed Yunus	Director	3,600,000	3,600,000
Pervez Yunus	Director	3,600,000	3,600,000
Chief Justice (R) Mian Mahboob Ahmad	Director	170,000	195,000
Umeed Ansari	Director	150,000	170,000
Ahsan Mahmood Alvi	Director	180,000	170,000
Kazim Raza	Director	150,000	413,000
Shabbir Kanchwala	Chief financial officer	2,700,000	2,700,000

39.1 Year end balances

Receivable from related parties	-	-
Payable to related parties	<u>18,172,824</u>	<u>5,013,724</u>

40 SEGMENT REPORTING

40.1 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
-----2019-----					
-----Rupees-----					
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	1,016,253,663	397,526,854	471,478,656	1,360,918,947	3,246,178,120
Gross direct premium	221,183,835	151,797,092	211,783,604	1,160,458,315	1,745,222,846
Facultative inward premium	785,011,949	239,845,821	250,301,628	164,893,389	1,440,052,787
Administrative surcharge	10,057,879	5,883,941	9,393,424	35,567,243	60,902,487
	<u>1,016,253,663</u>	<u>397,526,854</u>	<u>471,478,656</u>	<u>1,360,918,947</u>	<u>3,246,178,120</u>
Written gross premium	1,016,253,663	397,526,854	471,478,656	1,360,918,947	3,246,178,120
Unearned premium reserves - opening	285,590,099	52,096,814	139,382,310	504,473,893	981,543,116
Unearned premium reserves - closing	(362,733,454)	(54,466,378)	(197,527,644)	(637,466,045)	(1,252,193,521)
Premium earned	939,110,308	395,157,290	413,333,322	1,227,926,795	2,975,527,715
Reinsurance premium ceded	-	-	-	(1,462,502,852)	(1,462,502,852)
Prepaid reinsurance premium ceded - opening	(133,642,032)	(26,410,368)	(47,911,813)	(414,889,204)	(622,853,417)
Prepaid reinsurance premium ceded - closing	129,520,247	9,616,320	43,294,769	394,710,107	577,141,443
Reinsurance expense	(4,121,785)	(16,794,048)	(4,617,044)	(1,482,681,949)	(1,508,214,826)
Net insurance premium	934,988,523	378,363,242	408,716,278	(254,755,154)	1,467,312,889
Commission income	132,868,613	32,057,906	18,752,276	139,979,414	323,658,209
Net underwriting income	1,067,857,136	410,421,148	427,468,554	(114,775,740)	1,790,971,098
Insurance claims paid	(230,561,020)	(144,266,965)	(170,903,929)	(437,690,377)	(983,422,291)
Outstanding claims (including IBNR) - opening	119,062,424	23,801,473	35,341,827	416,737,660	594,943,384
Outstanding claims (including IBNR) - closing	(103,892,000)	(16,741,421)	(36,921,124)	(438,506,793)	(596,061,338)
Insurance claims expenses	(215,390,596)	(137,206,913)	(172,483,226)	(459,459,510)	(984,540,245)
Reinsurance and other recoveries received	110,253,875	66,299,924	22,063,886	119,989,332	318,607,017
Reinsurance and other recoveries in respect of outstanding claims - opening	(56,040,329)	(4,248,135)	(8,164,044)	(373,553,125)	(442,005,633)
Reinsurance and other recoveries in respect of outstanding claims - closing	54,542,009	4,381,053	10,432,071	396,104,669	465,459,802
Insurance claims recovered from reinsurers	108,755,555	66,432,842	24,331,913	142,540,876	342,061,186
Net claims	(106,635,041)	(70,774,071)	(148,151,313)	(316,918,634)	(642,479,059)
Commission expense	(255,088,053)	(85,964,975)	(92,211,477)	(145,168,977)	(578,433,482)
Management expense	(181,806,886)	(73,572,072)	(79,474,167)	49,536,695	(285,316,429)
Net insurance claims and expenses	<u>(543,529,980)</u>	<u>(230,311,118)</u>	<u>(319,836,957)</u>	<u>(412,550,916)</u>	<u>(1,506,228,970)</u>
Underwriting results	524,327,156	180,110,030	107,631,597	(527,326,656)	284,742,128
Net investment income					23,253,634
Rental income					4,839,607
Other income					63,998,508
Other expenses					(150,903,840)
Finance cost					(2,852,871)
Profit before tax from takaful operations					12,009,725
Profit before tax					<u>235,086,891</u>
Segment assets	1,384,667,293	560,335,441	605,286,641	(377,278,566)	2,173,010,809
Unallocated assets					1,467,197,258
					<u>3,640,208,067</u>
Segment liabilities	1,320,171,883	534,235,984	577,093,435	(359,705,583)	2,071,795,720
Unallocated liabilities					145,325,083
					<u>2,217,120,803</u>

Segment prior year	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
-----2018-----					
-----Rupees-----					
Premium receivable (inclusive of federal excise duty, federal insurance fee and administrative surcharge)	983,895,563	386,645,955	474,099,660	1,262,519,650	3,107,160,828
Gross direct premium	312,332,866	203,825,971	216,213,020	1,039,135,122	1,771,506,979
Facultative inward premium	656,754,807	176,536,225	247,727,789	194,695,925	1,275,714,746
Administrative surcharge	14,807,890	6,283,759	10,158,851	28,688,603	59,939,103
	<u>983,895,563</u>	<u>386,645,955</u>	<u>474,099,660</u>	<u>1,262,519,650</u>	<u>3,107,160,828</u>
Written gross premium	983,895,563	386,645,955	474,099,660	1,262,519,650	3,107,160,828
Unearned premium reserves - opening	273,841,488	30,364,400	94,263,763	355,825,523	754,295,174
Unearned premium reserves - closing	(285,590,099)	(52,096,814)	(139,382,310)	(504,473,893)	(981,543,116)
Premium earned	972,146,952	364,913,541	428,981,113	1,113,871,280	2,879,912,886
Reinsurance premium ceded	(527,364,690)	(145,368,740)	(136,841,619)	(807,329,064)	(1,616,904,113)
Prepaid reinsurance premium ceded - opening	(125,474,854)	(17,360,923)	(23,083,203)	(260,712,818)	(426,631,798)
Prepaid reinsurance premium ceded - closing	133,642,032	26,410,368	47,911,813	414,889,204	622,853,417
Reinsurance expense	(519,197,512)	(136,319,295)	(112,013,009)	(653,152,678)	(1,420,682,494)
Net insurance premium	452,949,440	228,594,246	316,968,104	460,718,602	1,459,230,392
Commission income	129,649,424	29,403,702	18,482,942	104,260,918	281,796,986
Net underwriting income	582,598,864	257,997,948	335,451,046	564,979,520	1,741,027,378
Insurance claims paid	(264,063,186)	(114,744,136)	(138,829,753)	(394,773,877)	(912,410,952)
Outstanding claims (including IBNR) - opening	166,101,769	30,559,341	26,027,800	437,726,048	660,414,958
Outstanding claims (including IBNR) - closing	(119,062,424)	(23,801,473)	(35,341,827)	(416,737,660)	(594,943,384)
Insurance claims expenses	(217,023,841)	(107,986,268)	(148,143,780)	(373,785,489)	(846,939,378)
Reinsurance and other recoveries received	126,494,040	40,864,901	27,942,097	115,667,659	310,968,697
Reinsurance and other recoveries in respect of outstanding claims - opening	(103,651,680)	(15,179,894)	(15,086,607)	(406,109,046)	(540,027,227)
Reinsurance and other recoveries in respect of outstanding claims - closing	56,040,329	4,248,135	8,164,044	373,553,125	442,005,633
Insurance claims recovered from reinsurers	78,882,689	29,933,142	21,019,534	83,111,738	212,947,103
Net claims	(138,141,152)	(78,053,126)	(127,124,246)	(290,673,751)	(633,992,275)
Commission expense	(237,099,740)	(77,617,233)	(112,763,305)	(145,490,276)	(572,970,554)
Management expense	(81,718,203)	(41,241,492)	(57,185,331)	(83,119,865)	(263,264,891)
Net insurance claims and expenses	(456,959,095)	(196,911,851)	(297,072,882)	(519,283,892)	(1,470,227,720)
Underwriting results	125,639,769	61,086,097	38,378,164	45,695,628	270,799,658
Net investment income					(9,219,571)
Rental income					6,437,610
Other income					6,951,813
Other expenses					(126,505,225)
Finance cost					(1,428,319)
Loss before tax from takaful operations					(920,408)
Profit before tax					<u>146,115,558</u>
Segment assets	541,337,407	273,201,831	378,820,849	550,622,633	1,743,982,719
Unallocated assets					<u>1,214,098,458</u>
					<u>2,958,081,177</u>
Segment liabilities	529,885,249	267,422,163	370,806,779	538,974,044	1,707,088,235
Unallocated liabilities					<u>127,154,347</u>
					<u>1,834,242,582</u>

40.2 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.

41 MOVEMENT IN INVESTMENTS

	Available for sale	Held to Maturity	Fair value through profit and loss	Total
----- Rupees -----				
As at January 01, 2019	386,929,343	-	622,307,684	1,009,237,027
Additions	15,618,517	60,753,331	708,482,859	784,854,707
Disposals (sale and redemptions excluding net realised gains)	6,020,000	(39,991,780)	(871,862,734)	(905,834,514)
Fair value net gains (excluding net realised gains)	(3,958,785)	-	9,720,893	5,762,108
Reclassified to held to Maturity investment	(158,450,922)	158,450,922	-	-
Effect of reclassification	-	345,388	-	345,388
Effect of amortization	-	3,027,753	-	3,027,753
As at December 31, 2019	246,158,153	182,585,614	468,648,702	897,392,469

42 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

42.1 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.

42.1.1 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	2019				2018			
	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	17%	38%	29%	35%	20%	41%	29%	42%
Marine, aviation and transport	3%	9%	5%	7%	4%	13%	6%	7%
Motor	6%	20%	16%	23%	6%	18%	14%	26%
Miscellaneous	74%	32%	51%	36%	66%	28%	51%	25%
Total	100%	100%	100%	100%	96%	100%	100%	100%

42.1.2 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.

42.1.3 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.

42.1.4 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.

42.1.5 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.

December 31, 2018	Rate	Impact on gross liabilities	Impact on profit and loss account
----- Rupees -----			
Current claims	+10%	98,454,025	(98,454,025)
	-10%	(98,454,025)	98,454,025

42.2 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
----- Rupees -----			
A or above (including PRCL)	<u>305,108,514</u>	<u>465,459,802</u>	<u>577,141,443</u>
	<u>305,108,514</u>	<u>465,459,802</u>	<u>577,141,443</u>

42.3 Financial risk

42.3.1 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, 2019 is the carrying amount of the financial assets as set out below:

	2019	2018
	----- Rupees -----	
Nature of financial assets		
Investments		
Equity securities	683,476,851	825,476,105
Debt securities	213,915,618	183,760,922
Term deposits	341,700,000	64,071,017
	<u>1,239,092,469</u>	<u>1,073,308,044</u>
Loans and other receivables	17,901,339	41,331,485
Insurance / reinsurance receivables	550,313,540	289,763,202
Reinsurance recoveries against outstanding claims	465,459,802	442,005,633
Cash and bank	28,275,707	35,700,552
	<u>2,301,042,857</u>	<u>1,882,108,916</u>

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	2019	2018
	Short term	Long term			
----- Rupees -----					
Cash at bank					
Allied Bank of Pakistan	A-1+	AAA	PACRA	2,767,220	498,296
Askari Bank Limited	A-1+	AA+	PACRA	2,603	1,261,468
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	2,820	3,216
Bank Alfalah Limited	A-1+	AA+	PACRA	4,494	4,848
BankIslami Pakistan Limited	A1	A+	PACRA	700	
The Bank of Punjab	A-1+	AA	PACRA	217,099	38,841
Dubai Islamic Bank	A-1+	AA	JCR-VIS	26,311	6,552
Faysal Bank Limited	A-1+	AA	PACRA	5,568,635	10,194,791
Habib Metropolitan Bank	A-1+	AA+	PACRA	16,484	11,208
Habib Bank Limited	A-1+	AAA	JCR-VIS	2,674	2,009
MCB Bank Limited	A-1+	AAA	PACRA	118,624	103,760
National Bank of Pakistan	A-1+	AAA	PACRA	10,241	60,039
Soneri Bank Limited	A-1+	AA-	PACRA	1,629,791	1,520,551
Summit Bank Limited		Suspended	JCR-VIS	10,363,050	5,438,645
Sindh Bank Limited	A-1	A+	JCR-VIS	1,478	1,478
United Bank Limited	A-1+	AAA	JCR-VIS	160,252	1,297,092
The Punjab Provincial Bank		Not available		6,030	6,030
JS Bank Limited	A-1+	AA-	PACRA	553,705	1,774,847
MCB Bank Limited (Formerly NIB Bank Limited)	A-1+	AAA	PACRA	7,653	7,653
The Karakoram Cooperative Bank		Not available		2,334,403	1,701,567
Zarai Taraqati Bank Limited	A-1+	AAA	JCR-VIS	8,683,064	11,767,661
				<u>32,477,331</u>	<u>35,700,552</u>
Term deposit certificates					
JS Bank Limited	A1+	AA-	PACRA	250,000,000	-
Summit Bank Limited	Suspended		JCR-VIS	47,000,000	36,900,000
Dubai Islamic Bank	A-1+	AA-	JCR-VIS	10,000,000	-
MCB Bank Limited	A1+	AAA	PACRA	200,000	300,000
Faysal Bank Limited	A1+	AA	PACRA	-	10,071,017
The Karakoram Cooperative Bank		Not available		14,500,000	16,800,000
Bank Islami Limited		Not available		20,000,000	-
				<u>341,700,000</u>	<u>64,071,017</u>

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. 5.765 million (2017: Rs. 7.115) were impaired and provided for. The movement in provision for doubtful debts account is shown in note 15.1.

42.3.2 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:

2019			
Carrying amount	Contractual cash flows	Upto one year	Greater than one year

----- Rupees -----

Non-derivative

Financial liabilities

Outstanding claims including IBNR	596,061,338	596,061,338	139,981,800	456,079,538
Insurance / reinsurance payables	18,638,127	18,638,127	18,638,127	-
Other creditors and accruals	52,763,563	52,763,563	52,763,563	-
Liabilities against assets subject to finance lease	13,982,999	15,870,023	8,513,271	7,356,752
	<u>681,446,027</u>	<u>683,333,051</u>	<u>219,896,761</u>	<u>463,436,290</u>

2018			
Carrying amount	Contractual cash flows	Upto one year	Greater than one year

----- Rupees -----

Non-derivative

Financial liabilities

Outstanding claims including IBNR	594,943,384	594,943,384	86,038,344	508,905,040
Insurance / reinsurance payables	12,714,329	12,714,329	18,638,127	(5,923,798)
Other creditors and accruals	44,363,860	44,363,860	39,005,094	5,358,766
Liabilities against assets subject to finance lease	21,503,097	21,503,097	9,573,732	11,929,365
	<u>652,021,573</u>	<u>652,021,573</u>	<u>143,681,565</u>	<u>508,340,008</u>

42.3.3 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.

42.3.4 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 markets.

The table below summarizes the Company's equity price risk as of December 31, 2019 and 2018 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.

	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, 2019	683,476,851	10% increase	751,824,536	48,526,856	68,347,685
		10% decrease	615,129,166	(48,526,856)	(68,347,685)
December 31, 2018	825,476,105	10% increase	908,023,716	57,783,327	82,547,611
		10% decrease	742,928,495	(57,783,327)	(82,547,611)

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

	Carrying amount	
	2019	2018
	----- Rupees -----	
Fixed rate instruments		
Financial assets	624,984,318	207,574,733
Variable rate instruments		
Financial assets	42,446,259	34,958,408

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, 2019 Sensitivity	424,463	(424,463)	301,369	(301,369)
As at December 31, 2018 Sensitivity	349,584	(349,584)	244,709	(244,709)

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 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.

44 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:

	2019		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	----- Rupees -----		
Fair value - amounts for disclosure purposes			
Investment properties	-	48,565,494	-
Investment - available for sale	214,828,149	-	-
	<u>214,828,149</u>	<u>48,565,494</u>	<u>-</u>
Investment - held for trading	<u>468,648,702</u>	<u>-</u>	<u>-</u>

	2018		
	Fair value measurement using		
	Level 1	Level 2	Level 3
	----- Rupees -----		
Fair value - amounts for disclosure purposes			
Investment properties	-	50,442,445	-
Investment - available for sale	203,168,421	183,760,922	-
	<u>203,168,421</u>	<u>234,203,367</u>	<u>-</u>
Investment - held for trading	<u>622,307,684</u>	<u>-</u>	<u>-</u>

2019
Rupees

45 STATEMENT OF SOLVENCY

ADMISSIBLE ASSETS

Cash and bank deposits	
Cash and other equivalents	127,676
Current and other accounts	28,275,707
Deposits maturing within 12 months	341,700,000
	370,103,383
Investments (Available for sale)	
Government Securities	182,585,618
Marketable securities	510,105,010
Term Finance Certificates	31,330,000
	724,020,628
Investment Properties	48,565,494
Current assets - others	
Premium due but unpaid	217,422,153
Amount due from other insurers/reinsurers	305,108,514
Prepaid reinsurance premium ceded	577,141,443
Loans and other receivables	6,560,030
Deferred commission expense	328,921,034
Admissible assets of Takaful Operation	67,427,748
Reinsurance recoveries against outstanding claims	465,459,802
Prepayments	874,686
Advances, deposits and receivable	143,701,197
	2,112,616,607
Fixed Assets	
Office premises	49,026,186
Total admissible assets	3,304,332,298

INADMISSIBLE ASSETS

Marketable securities	173,371,841
Inadmissible assets of Takaful Operation	36,414,638
Premium due but unpaid	27,782,873
Furniture and fixtures	11,917,206
Electric fittings and equipments	11,773,542
Computers	1,063,171
Office equipment	2,397,229
Vehicles	69,958,338
Computer software	491,931
Capital workin progress	705,000
Total inadmissible assets	335,875,769
Total assets	3,640,208,067

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
OFFICER**

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	December 31, 2019			December 31, 2018		
		Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
		Rupees			Rupees		
ASSETS							
Property and equipment	7	11,948,334	-	11,948,334	-	-	-
Investment property - at cost	8	37,100,000	-	37,100,000	-	-	-
Investments	9	-	-	-	50,000,000	-	50,000,000
Qard-e-Hasna to PTF	10	18,150,000	-	18,150,000	6,000,000	-	6,000,000
Accrued investment income		411	5,226	5,637	130,047	2,660	132,707
Takaful / retakaful receivables	11	-	78,473,619	78,473,619	-	8,770,898	8,770,898
Taxation - net	12	385,917	14,989	400,906	121,794	72	121,866
Deferred wakala expense	21	-	31,701,100	31,701,100	-	4,108,655	4,108,655
Deferred commission expense	23	19,571,136	-	19,571,136	1,672,779	-	1,672,779
Receivable from PTF		16,232,971	-	16,232,971	1,800,927	-	1,800,927
Prepayments	13	437,276	44,454,864	44,892,140	-	366,365	366,365
Cash and bank	14	16,341	811,959	828,300	699,558	511,226	1,210,784
TOTAL ASSETS		103,842,386	155,461,757	259,304,143	60,425,105	13,759,876	74,184,981
EQUITY AND LIABILITIES							
Operator's fund							
Statutory fund	15	50,000,000	-	50,000,000	50,000,000	-	50,000,000
Accumulated surplus / (losses)		11,089,318	-	11,089,318	(920,408)	-	(920,408)
		61,089,318	-	61,089,318	49,079,592	-	49,079,592
Ceded money		-	500,000	500,000	-	500,000	500,000
Accumulated surplus / (losses)		-	9,440,023	9,440,023	-	(5,556,429)	(5,556,429)
		-	9,940,023	9,940,023	-	(5,056,429)	(5,056,429)
Qard-e-Hasna	10	-	18,150,000	18,150,000	-	6,000,000	6,000,000
LIABILITIES							
Underwriting provisions							
Outstanding claims		-	-	-	-	-	-
Unearned contribution reserve	19	-	86,423,643	86,423,643	-	10,820,755	10,820,755
Unearned retakaful rebate	22	-	7,319,085	7,319,085	-	36,636	36,636
		-	93,742,728	93,742,728	-	10,857,391	10,857,391
Takaful / Re-takaful payable		-	15,195,551	15,195,551	-	-	-
Unearned wakala fee	21	31,701,100	-	31,701,100	4,108,655	-	4,108,655
Contribution received in advance		-	2,456,943	2,456,943	-	-	-
Payable to OPF		-	15,732,971	15,732,971	-	1,300,927	1,300,927
Other creditors and accruals	16	6,911,421	243,541	7,154,962	800,134	657,987	1,458,121
Payable to East West Insurance Company Limited	17	4,140,547	-	4,140,547	6,436,724	-	6,436,724
TOTAL LIABILITIES		42,753,068	127,371,734	170,124,802	11,345,513	12,816,305	24,161,818
TOTAL EQUITY AND LIABILITIES		103,842,386	155,461,757	259,304,143	60,425,105	13,759,876	74,184,981
CONTINGENCIES AND COMMITMENTS	18						

The annexed notes from 1 to 34 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 YEAR ENDED DECEMBER 31, 2019**

		December 31, 2019	For the period from May 08, 2018 to December 31, 2018
	Note	(Rupees)	(Rupees)
PARTICIPANTS' TAKAFUL FUND			
Revenue Account			
Net takaful contribution	19	66,840,291	(2,201,314)
Net takaful claims	20	(14,764,729)	(835,000)
Wakala expense	21	(44,854,545)	(2,546,009)
Direct expenses		(2,638)	(1,968)
Retakaful rebate	22	7,702,192	24,475
Underwriting results		14,920,571	(5,559,816)
Investment income	25	75,881	3,387
Surplus / (deficit) for the year / period		<u>14,996,452</u>	<u>(5,556,429)</u>
OPERATOR'S FUND			
Revenue Account			
Wakala fee	21	44,854,545	2,546,009
Commission expense	23	(25,950,397)	(1,122,241)
Management expenses	24	(5,620,166)	(2,578,741)
Operating results		13,283,982	(1,154,973)
Investment income	25	2,745,263	1,314,823
Rental income		232,001	-
Other expenses	26	(4,251,520)	(1,080,258)
Profit / (loss) for the year / period		<u>12,009,726</u>	<u>(920,408)</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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**CHIEF EXECUTIVE
OFFICER**

DIRECTOR

DIRECTOR

**CHIEF FINANCIAL
OFFICER**

**EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	December 31, 2019	For the period from May 08, 2018 to December 31, 2018
	(Rupees)	(Rupees)
PARTICIPANTS' TAKAFUL FUND		
Surplus / (deficit) for the year / period	14,996,452	(5,556,429)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year / period	<u>14,996,452</u>	<u>(5,556,429)</u>
OPERATOR'S FUND		
Profit / (loss) for the year / period	12,009,726	(920,408)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year / period	<u>12,009,726</u>	<u>(920,408)</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operator's Fund		
	Statutory Fund	Accumulated (losses) / profit	Total
	----- Rupees -----		
Contribution made during the period	50,000,000	-	50,000,000
Total comprehensive income for the period			
Loss for the period	-	(920,408)	(920,408)
Other comprehensive income	-	-	-
	-	(920,408)	(920,408)
Balance as at December 31, 2018	50,000,000	(920,408)	49,079,592
Total comprehensive income for the year			
Profit for the year	-	12,009,726	12,009,726
Other comprehensive income	-	-	-
	-	12,009,726	12,009,726
Balance as at December 31, 2019	<u>50,000,000</u>	<u>11,089,318</u>	<u>61,089,318</u>
	Participants' Fund		
	Ceded Money	Accumulated (Deficit) / Surplus	Total
	----- Rupees -----		
Ceded money	500,000	-	500,000
Total comprehensive income for the period			
Deficit for the period	-	(5,556,429)	(5,556,429)
Other comprehensive income	-	-	-
	-	(5,556,429)	(5,556,429)
Balance as at December 31, 2018	500,000	(5,556,429)	(5,056,429)
Total comprehensive income for the year			
Surplus for the year	-	14,996,452	14,996,452
Other comprehensive income	-	-	-
	-	14,996,452	14,996,452
Balance as at December 31, 2019	<u>500,000</u>	<u>9,440,023</u>	<u>9,940,023</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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OFFICER**

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

For the period from
May 08, 2018 to
December 31, 2018

	For the year ended December 31, 2019			For the period from
	Operator's Fund	Participants' Takaful Fund	Aggregate	Aggregate
	----- Rupees -----			----- Rupees -----
OPERATING CASH FLOWS				
(a) Takaful activities				
Contribution received	-	146,108,169	146,108,169	8,575,293
Retakaful contribution paid	-	(99,803,716)	(99,803,716)	(9,093,115)
Claims paid	-	(98,069,153)	(98,069,153)	(835,000)
Retakaful and recoveries received	-	83,304,424	83,304,424	-
Commission paid	(39,534,891)	-	(39,534,891)	(2,518,137)
Retakaful rebate received	-	14,984,641	14,984,641	61,111
Wakala fee received	72,446,990	-	72,446,990	6,654,664
Wakala fee paid	-	(72,446,990)	(72,446,990)	(6,654,664)
Net cash generated from / (used in) takaful activities	32,912,099	(25,922,625)	6,989,474	(3,809,848)
(b) Other operating activities				
Income tax paid	(264,123)	(14,917)	(279,040)	(121,866)
Direct expenses paid	-	(2,638)	(2,638)	(1,968)
Other expenses paid	(2,999,853)	-	(2,999,853)	(1,080,258)
Management expenses paid	(3,822,742)	-	(3,822,742)	(2,055,490)
Other operating receipts	(17,165,498)	14,017,598	(3,147,900)	6,594,711
Net cash generated from other operating activities	(24,252,216)	14,000,043	(10,252,173)	3,335,129
Net cash generated from / (used in) operating activities	8,659,883	(11,922,582)	(3,262,699)	(474,719)
INVESTMENT ACTIVITIES				
Profit / return received on investments	3,106,900	73,315	3,180,215	1,185,503
Addition to plant and equipment	(50,300,000)	-	(50,300,000)	-
Addition to investments	(20,000,000)	-	(20,000,000)	-
Proceeds from disposal of investment	20,000,000	-	20,000,000	-
Qard-e-Hasna to PTF	(12,150,000)	-	(12,150,000)	(6,000,000)
Net cash (used in) / generated from investing activities	(59,343,100)	73,315	(59,269,785)	(4,814,497)
FINANCING ACTIVITIES				
Contribution to the Operator's fund	-	-	-	50,000,000
Ceded money	-	-	-	500,000
Qard-e-Hasna from OPF	-	12,150,000	12,150,000	6,000,000
Net cash generated from financing activities	-	12,150,000	12,150,000	56,500,000
Net (decrease) / increase in cash and cash equivalents	(50,683,217)	300,733	(50,382,484)	51,210,784
Cash and cash equivalents at beginning of the year / period	50,699,558	511,226	51,210,784	-
Cash and cash equivalents at end of the year / period	16,341	811,959	828,300	51,210,784
Reconciliation to profit and loss account:				
Operating cash flows	8,659,883	(11,922,582)	(3,262,699)	(474,719)
Depreciation	(1,251,666)	-	(1,251,666)	-
Return on deposits	3,106,900	73,315	3,180,215	1,185,503
Increase in assets other than cash	32,902,164	141,401,148	174,303,312	16,974,197
Increase in liabilities	(31,407,555)	(114,555,429)	(145,962,984)	(24,161,818)
Profit / (loss) for the year / period	12,009,726	14,996,452	27,006,178	(6,476,837)
Attributed to:				
Operator's Fund			12,009,726	(920,408)
Participants' Takaful Fund			14,996,452	(5,556,429)
			27,006,178	(6,476,837)
CASH AND CASH EQUIVALENTS				
Cash in hand	-	-	-	82
Cash at bank	16,341	811,959	828,300	1,210,702
Term deposits	-	-	-	50,000,000
	16,341	811,959	828,300	51,210,784

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHAIRMAN

**CHIEF EXECUTIVE
OFFICER**

DIRECTOR

**CHIEF FINANCIAL
OFFICER**

DIRECTOR

**EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 or loss 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 and 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)
Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
IFRS 5 Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
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

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 16	Leases	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 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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
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

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 (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

**Effective date
(annual periods
beginning on or
after)**

4.2 Standards / amendments that are effective in current year and relevant to the Operator

IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018

The impact of its adoption or classification and measurement is not considered material on these financial statements.

4.3 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:

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

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
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14	Regulatory Deferral Accounts	July 01, 2019
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 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

4.4 Standards or interpretations not yet effective

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 17	Insurance Contracts

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 on these financial statements in the period of initial application.

5 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except otherwise stated.

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

5.1 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies.

Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both periods. In particular, judgements and estimates made by the management in the application of approved accounting standards, as applicable in Pakistan, that involve a high degree of complexity or assumptions and are significant to these financial statements are as follows:

	Note
- Determining the residual values, depreciation method and useful lives of property and equipment	6.1
- Determining the residual values, depreciation method and useful lives of investment property at cost	6.2

	Note
- Unearned contribution reserve	6.5.2
- Contribution due but unpaid - net	6.5.3
- Provision for outstanding claims (including IBNR)	6.6.1
- Unearned retakaful rebate	6.9.2
- Retakaful recoveries against outstanding claims	6.8
- Classification of takaful contracts	6.4
- Prepaid Retakaful contribution ceded	6.7.2
- Segment reporting	6.14
- Impairment of assets	6.22
- Deferred commission expense	6.9.1
- Allocation of management expenses	6.19

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in the note 7 to the financial statements.

In respect of addition and disposal during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Subsequent costs are included in the asset's carrying amount or recognised separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Operator and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the profit and loss account in the year in which they are incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

6.2 Investment property - at cost

These are assets held for capital appreciation and for rental earnings and are measured under the cost model. These are stated at cost less accumulated depreciation and impairment.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposals and carrying amount of the asset is recognised in the statement of profit or loss in the year of derecognition.

Transfers are made to or from the investment property only when there is a change in use. If owner occupied property becomes an investment property, the Operator accounts for such property in accordance with the policy stated under property, plant and equipment upto the date of change in use.

Depreciation is charged to statement of profit or loss using the straight-line method over their estimated useful lives at the rates disclosed in note 8 to these financial statements, whereby the cost of an asset less residual value is written-off over its estimated useful life. A full month's depreciation is charged for assets in the month of purchase and no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements, if any, are capitalised.

Rental income from investment property that is leased to a third party under an operating lease is recognised in profit and loss account on a straight-line basis over the lease term.

6.3 IFRS 9 - Financial Instruments and Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 'Financial Instruments with IFRS 4

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 'Financial Instruments with IFRS 4 (effective for annual periods beginning on or after July 01, 2018). The amendment address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

Temporary Exemption from Application of IFRS 9

As an insurance Operator, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below.

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

When adopted IFRS 9 replaces the existing IAS 39, 'Financial Instruments - Recognition and Measurement' and will affect the following two areas.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Operator and Participants' financial assets and financial liabilities.

OPERATOR'S FUND	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (Rupees)	New carrying amount under IFRS 9 (Rupees)
Financial assets				
Qard-e-Hasna to PTF	Loans and receivables	Amortised cost	18,150,000	18,150,000
Accrued investment income	Loans and receivables	Amortised cost	411	411
Cash at bank	Loans and receivables	Amortised cost	16,341	16,341
Receivable from PTF	Loans and receivables	Amortised cost	16,232,971	16,232,971
Financial Liabilities				
Other creditors and accruals	Other financial liabilities	Amortised cost	6,911,421	6,911,421
PARTICIPENTS' TAKAFUL FUND				
Financial assets				
Accrued investment income	Loans and receivables	Amortised cost	5,226	5,226
Takaful / retakaful receivable	Loans and receivables	Amortised cost	78,473,619	78,473,619
Cash at bank	Loans and receivables	Amortised cost	811,959	811,959
Financial Liabilities				
Qard-e-Hasna from Operator	Other financial liabilities	Amortised cost	18,150,000	18,150,000
Outstanding claims	Other financial liabilities	Amortised cost	-	-
Takaful / Re-takaful payable	Other financial liabilities	Amortised cost	15,195,551	15,195,551
Payable to Operator's Fund	Other financial liabilities	Amortised cost	15,732,971	15,732,971
Other creditors and accruals	Other financial liabilities	Amortised cost	243,541	243,541

As on reporting dates the fair value of the Operator's financial assets are not significantly different from their carrying amounts.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The ECL model involve significant judgments and estimation processes. The Operator is currently in the process of analyzing the potential impact of expected credit loss model upon adoption of IFRS 9.

6.4 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.

6.5 Contribution

6.5.1 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.

6.5.2

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.

6.5.3 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.

6.6 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.

6.6.1 Provision for outstanding claims (including IBNR)

The PTF recognises liability in respect of all claims incurred upto the statement of financial position 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 statement of financial position date, in accordance with SECP circular no. 9 of 2016. For estimation of IBNR claims reserve, the liability for IBNR for all classes of business is based on actuary recommendation. Any significant change in assumption used event may affect the management's judgement which could affect the provision made for IBNR. Reinsurance recoveries against outstanding claims and salvage recoveries are recognized as an asset and are measured at the amount expected to be received.

6.7 Retakaful contracts

6.7.1 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 policy
- 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.

6.7.2 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.

6.8 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.

6.9 Commission

6.9.1 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.

6.9.2 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.

6.10 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.

6.11 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.

6.12 Qard-e-Hasna

Qard-e-Hasna (interest free loan) 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.

6.13 Revenue recognition

6.13.1 Participants' takaful fund

6.13.1.1 Contribution

The revenue recognition policy for contributions is given under note 6.5.1.

6.13.1.2 Rebate from retakaful operators

The revenue recognition policy for rebate from Re-takaful operators is given under note 6.9.2.

6.13.2 Operator's fund

The revenue recognition policy for wakala fee is given under note 6.10.

6.13.3 Participants' takaful fund / Operator's fund

6.13.3.1 Investment income

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

6.14 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 6.4.

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.

6.15 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 profit or loss account for the period in which it arises.

Financial instruments carried in the statement of financial position 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.

6.16 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.

6.17 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 so.

6.18 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.

6.19 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.

6.20 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 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 statement of financial position date and will be adjusted to reflect the current estimate.

6.21 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 statement of financial position 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.

6.22 Impairment

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

6.23 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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.

7 PROPERTY AND EQUIPMENT

December 31, 2019									
Cost				Accumulated depreciation				Written down value	Depreciation rate %
As at January 1, 2019	Additions during the year	Transfer to investment property	As at December 31, 2019	As at January 1, 2019	Depreciation for the year	Transfer to investment property	As at December 31, 2019		
-----Rupees-----									
Office Premises	- 48,000,000	(38,000,000)	10,000,000	-	783,333	(700,000)	83,333	9,916,667	5%
Vehicles	- 2,300,000	-	2,300,000	-	268,333	-	268,333	2,031,667	20%
	- 50,300,000	(38,000,000)	12,300,000	-	1,051,666	(700,000)	351,666	11,948,334	

	2019			2018
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
-----Rupees-----				

8 INVESTMENT PROPERTIES - AT COST

Cost	38,000,000	-	38,000,000	-
Less: accumulated depreciation	(900,000)	-	(900,000)	-
	<u>37,100,000</u>	<u>-</u>	<u>37,100,000</u>	<u>-</u>

Balance as at January 01, 2019	-	-	-	-
Transfer from property and equipment	38,000,000	-	38,000,000	-
Depreciation charge:				
upto the date of transfer	(700,000)	-	(700,000)	-
upto year end	(200,000)	-	(200,000)	-
Carrying amount as at December 31, 2019	<u>37,100,000</u>	<u>-</u>	<u>37,100,000</u>	<u>-</u>

The carrying amount as at December 31, 2019 is aggregate of:

Cost	38,000,000	-	38,000,000	-
Accumulated depreciation	(900,000)	-	(900,000)	-
	<u>37,100,000</u>	<u>-</u>	<u>37,100,000</u>	<u>-</u>

Rate of depreciation (%) 5%

8.1 This represents office premises owned by the Operator. These investments properties are acquired on an arms length transaction and recorded as per cost model defined in IAS 40. All of these properties are rented out and income generated since its purchase date is Rs. 232,000/-. The fair value of investment is same as the cost since we purchased it recently, however, we are carrying it at cost model due to the difficulties of identifying sale of the similar type of properties recently.

8.2 Depreciation on this property is calculated using reducing balance method @5% calculated on written down value (WDV) of the property.

8.3 Forced sale value of the investment property is assessed at Rs. 38 million.

8.4 The depreciation on investment property measured at WDV is charged to other expenses.

	2020	2021-2024	After 2024
8.5 The minimum lease payments receivable under non-cancellable operating leases	2,292,000	11,700,889	3,691,289

Note	Operator's Fund	Participants' Fund	Aggregate	Aggregate
	-----Rupees-----			
9 INVESTMENTS				
Deposits maturing within 12 months	9.1	-	-	50,000,000

9.1 This represented term deposits in local currency carrying profit rates Nil for this year (2018: 4.13% to 7.80% per annum).

10 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.

	2019	2018
Balance as at January 01	6,000,000	-
Transferred from OPF during the year	12,150,000	6,000,000
Returned by PTF during the year	-	-
Closing balance as at December 31	18,150,000	6,000,000

	2019		2018	
	Operator's Fund	Participants' Fund	Aggregate	Aggregate
-----Rupees-----				

11 TAKAFUL / RE-TAKAFUL RECEIVABLES

(Unsecured - considered good)

Due from Takaful contract holders	-	44,600,409	44,600,409	4,065,211
Due from other Takaful / Re-takaful operators	-	33,873,210	33,873,210	4,705,687
	-	78,473,619	78,473,619	8,770,898

12 TAXATION - NET

Advance tax	385,917	14,989	400,906	121,866
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13 PREPAYMENTS

Prepaid retakaful contribution ceded	-	44,454,864	44,454,864	366,365
Other prepayments	437,276	-	437,276	-
	437,276	44,454,864	44,892,140	366,365

	Operator's Fund	Participants' Fund	Aggregate	Aggregate
	-----Rupees-----			
14 CASH AND BANK				
Cash in hand	-	-	-	82
Cash at bank				
Current accounts	1,337	75	1,412	1,687
PLS accounts	14.1 15,004	811,884	826,888	1,209,015
	<u>16,341</u>	<u>811,959</u>	<u>828,300</u>	<u>1,210,784</u>

14.1 These represent profit and loss sharing accounts carrying profit rates ranging from 7% to 10% (2018: 3.75% to 7.27%) per annum.

15 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'.

16 OTHER CREDITORS AND ACCRUALS

Salaries payable	178,757	-	178,757	330,556
Staff provident fund	184,600	-	184,600	108,000
Federal excise duty	-	-	-	563,816
Commission payable	4,590,746	-	4,590,746	276,883
Federal insurance fee	-	-	-	43,112
Withholding tax payable	45,679	-	45,679	72,841
Accrued expenses	1,911,639	243,541	2,155,180	62,913
	<u>6,911,421</u>	<u>243,541</u>	<u>7,154,962</u>	<u>1,458,121</u>

17 PAYABLE TO EAST WEST INSURANCE COMPANY LIMITED

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

18 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2019.

	December 31, 2019	For the period from May 08, 2018 to December 31, 2018
Note	(Rupees)	(Rupees)
19 NET TAKAFUL CONTRIBUTION		
Written gross contribution	196,669,864	17,346,191
Unearned contribution reserve (opening)	10,820,755	-
Unearned contribution reserve (closing)	(86,423,643)	(10,820,755)
Contribution earned	<u>121,066,976</u>	<u>6,525,436</u>
Less:		
Re-takaful contribution ceded	98,315,184	9,093,115
Prepaid retakaful contribution ceded (opening)	366,365	-
Prepaid retakaful contribution ceded (closing)	(44,454,864)	(366,365)
Retakaful expense	<u>54,226,685</u>	<u>8,726,750</u>
	<u>66,840,291</u>	<u>(2,201,314)</u>
20 NET TAKAFUL CLAIMS		
Claims paid or payable	98,069,153	835,000
Less: Retakaful and other recoveries received	(83,304,424)	-
	<u>14,764,729</u>	<u>835,000</u>
21 WAKALA EXPENSE		
Gross wakala fee	72,446,990	6,654,664
Deferred wakala expense (Opening)	4,108,655	-
Deferred wakala expense (Closing)	(31,701,100)	(4,108,655)
	<u>44,854,545</u>	<u>2,546,009</u>
22 RETAKAFUL REBATE		
Retakaful rebate received or recoverable	14,984,641	61,111
Unearned retakaful rebate (opening)	36,636	-
Unearned retakaful rebate (closing)	(7,319,085)	(36,636)
	<u>7,702,192</u>	<u>24,475</u>
23 COMMISSION EXPENSE		
Commission paid or payable	43,848,754	2,795,020
Deferred commission expense	(17,898,357)	(1,672,779)
	<u>25,950,397</u>	<u>1,122,241</u>

		December 31, 2019	For the period from May 08, 2018 to December 31, 2018
	Note	(Rupees)	(Rupees)
24	MANAGEMENT EXPENSES		
Salaries, allowances and employees benefits	24.1	4,733,727	2,339,129
Office rent and maintenance		72,477	15,420
Motor vehicle running expense		245,063	148,006
Printing and stationary		92,126	3,267
Postage and telegram		10,910	1,960
Utility expenses		199,694	56,439
Repair and maintenance		19,060	10,120
Computer related expenses		250	4,400
Service charges		246,859	-
		<u>5,620,166</u>	<u>2,578,741</u>

24.1 These include Rs. 0.05 million and Rs. 0.065 million (2018: Rs. 0.163 and Rs. 0.068 million) in respect of bonus and provident fund respectively.

25 INVESTMENT INCOME

Participants' Takaful fund			
Return on PLS accounts		151,763	3,387
Less: Modarib share on return on PLS accounts		(75,882)	-
		<u>75,881</u>	<u>3,387</u>
Operator's Fund			
Return on PLS accounts		317,478	896,469
Return on mutual fund		285,830	-
Return on term deposits		2,066,073	418,354
		<u>2,669,381</u>	<u>1,314,823</u>
Add: Modarib share on return on PLS saving accounts		75,882	-
		<u>2,745,263</u>	<u>1,314,823</u>

		December 31, 2019	For the period from May 08, 2018 to December 31, 2018
	Note	(Rupees)	(Rupees)
26 OTHER EXPENSES			
Salaries, allowances and employees benefits	26.1	1,052,995	668,494
Shariah registrar fees		1,228,000	324,000
Auditor's remuneration	26.2	604,800	59,000
Depreciation expenses		1,251,666	-
Bank charges		1,506	3,531
Staff welfare expenses		105,668	24,351
Newspaper and periodicals		6,885	882
		4,251,520	1,080,258

26.1 These include Rs. 0.008 million and Rs. 0.024 million (2018: Rs. 0.013 million and Rs. 0.009 million) in respect of bonus and provident fund respectively.

26.2 Auditor's remuneration

Annual audit fee	441,000	59,000
Interim review fee	100,000	-
Out of pocket expense	35,000	-
Sind sales tax	28,800	-
	604,800	59,000

27 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 are as follows:

	2019	2018
	Rupees	
	Basis of Relationship	
	Relationship with the Company	
Loan received from East West Insurance Company Limited		
Loan paid from East West Insurance Company Limited	Window Takaful Operator	Management Company
		6,437,000
	(2,296,177)	-
Payment received from East West Insurance Company as statutory receipt	Window Takaful Operator	Management Company
		50,000,000
Remuneration Paid		
Syed Arif Hussain	Head of Window Takaful Operation	Key Management Personal
Sajjad Usmani	Shariah Advisor	Key Management Personal
Abdul Hakeem Siddiqui	Head of Window Takaful Operation	Key Management Personal
		1,350,000
		1,228,000
		324,000
		638,925
		-
Staff retirement benefits	Head of Window Takaful Operation	Key Management Personal
		75,000
Takaful Operator -East West Insurance Company Limited	Purchase/ Transfer in Office Premises	Management Company
		10,000,000
		-
Takaful Operator -East West Insurance Company Limited	Purchase / Transfer in Investment Property	Management Company
		38,000,000
		-
Takaful Operator -East West Insurance Company Limited	Purchase/ Transfer in Motor Vehicles	Management Company
		2,300,000
		-
27.1 Year end balances		
Receivable from related parties		-
Payable to related parties		
East West Insurance Company Limited		4,140,547
Staff retirement benefits		184,600
Key management personal		178,757
		312,000
		4,503,904
		6,856,724

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, 2019						Total
			Profit bearing		Non-profit bearing		Sub Total	Sub Total	
			Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year			
-----Rupees-----									
Financial assets									
Accrued investment income			-	-	411	-	411	411	
Receivable from PTF			-	-	16,232,971	-	16,232,971	16,232,971	
Cash and bank	14	6.27% - 11%	15,004	-	15,004	1,337	1,337	16,341	
			15,004	-	16,234,719	-	16,234,719	16,249,723	
Financial liabilities									
Other creditors and accruals	16		-	-	6,865,742	-	6,865,742	6,865,742	
Payable to East West Insurance Company Limited	17		-	-	4,140,547	-	4,140,547	4,140,547	
			-	-	11,006,289	-	11,006,289	11,006,289	
On balance sheet gap			15,004	-	15,004	5,228,430	5,228,430	5,243,434	
-----Rupees-----									
Participants' Fund									
As at December 31, 2019									
Participants' Fund	Note	Effective yield/ Profit rate	Profit bearing		Non-profit bearing		Sub Total	Sub Total	Total
			Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year			
			-----Rupees-----						
Financial assets									
Accrued investment income			-	-	5,226	-	5,226	5,226	
Takaful / retakaful receivables	11		-	-	78,473,619	-	78,473,619	78,473,619	
Cash and bank	14	6.27% - 11%	81,884	-	81,884	75	75	81,959	
			81,884	-	81,884	78,478,920	78,478,920	79,290,804	
Financial liabilities									
Payable to OPF			-	-	15,732,971	-	15,732,971	15,732,971	
Other creditors and accruals	16		-	-	243,541	-	243,541	243,541	
			-	-	15,976,512	-	15,976,512	15,976,512	
On balance sheet gap			81,884	-	81,884	62,502,408	62,502,408	63,314,292	
-----Rupees-----									
Operator's Fund									
As at December 31, 2018									
Operator's Fund	Note	Effective yield/ Profit rate	Profit bearing		Non-profit bearing		Sub Total	Sub Total	Total
			Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year			
			-----Rupees-----						
Financial assets									
Investments			50,000,000	-	50,000,000	-	-	50,000,000	
Accrued investment income	7	4.13% - 7.80%	-	-	130,047	-	130,047	130,047	
Receivable from PTF			-	-	1,800,927	-	1,800,927	1,800,927	
Cash and bank	12	3.75% - 7.27%	697,946	-	697,946	1,612	1,612	699,558	
			50,697,946	-	50,697,946	1,932,586	1,932,586	52,630,532	
Financial liabilities									
Other creditors and accruals	14		-	-	774,439	-	774,439	774,439	
Payable to East West Insurance Company Limited	15		-	-	6,436,724	-	6,436,724	6,436,724	
			-	-	7,211,163	-	7,211,163	7,211,163	
On balance sheet gap			50,697,946	-	50,697,946	(5,278,577)	(5,278,577)	45,419,369	

Participants' Fund		As at December 31, 2018						Total
		Note	Profit bearing		Non-profit bearing		Sub Total	
Effective yield / Profit rate	Maturity within one year		Maturity after one year	Maturity within one year	Maturity after one year			
Financial assets								
			-	-	-	2,660	2,660	
9			-	-	-	8,770,898	8,770,898	
12	3.75% - 7.27%		511,069	-	511,069	157	511,226	
			511,069	-	511,069	8,773,715	9,284,784	
Financial liabilities								
			-	-	-	1,300,927	1,300,927	
14			-	-	-	3,913	3,913	
			-	-	-	1,304,840	1,304,840	
			511,069	-	511,069	7,468,875	7,468,875	
On balance sheet gap								
							7,979,944	

28 SEGMENT REPORTING

28.1 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, 2019					
Rupees					
Gross wakala fee	28,016,135	9,071,043	24,626,453	10,733,359	72,446,990
Unearned wakala fee - opening	2,567,594	80,219	1,405,673	55,169	4,108,655
Unearned wakala fee - closing	(12,141,807)	(2,479,800)	(10,685,625)	(6,393,868)	(31,701,100)
Wakala fee earned	18,441,922	6,671,462	15,346,501	4,394,660	44,854,545
Commission paid / payable	(16,671,247)	(5,798,479)	(14,960,670)	(6,418,358)	(43,848,754)
Deferred commission expense - opening	(1,291,897)	(28,627)	(328,436)	(23,819)	(1,672,779)
Deferred commission expense - closing	7,588,505	1,730,511	6,519,658	3,732,462	19,571,136
Commission expense	(10,374,639)	(4,096,595)	(8,769,448)	(2,709,715)	(25,950,397)
Management expenses	(2,310,728)	(835,918)	(1,922,880)	(550,640)	(5,620,166)
Underwriting results	5,756,555	1,738,950	4,654,174	1,134,305	13,283,982
Investment income					2,745,263
Rental income					232,001
Other expenses					(4,251,520)
Profit before taxation for the year					12,009,726
Segment Assets	8,226,448	2,975,961	6,845,664	1,960,340	20,008,412
Unallocated Assets					83,833,974
					103,842,386
Segment Liabilities	13,033,890	4,715,078	10,846,191	3,105,940	31,701,100
Unallocated Liabilities					11,051,968
					42,753,068

Operator's Fund	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
December 31, 2018					
Rupees					
Gross wakala fee	4,574,194	173,816	1,804,447	102,207	6,654,664
Unearned wakala fee - closing	(2,567,594)	(80,219)	(1,405,673)	(55,169)	(4,108,655)
Wakala fee earned	2,006,600	93,597	398,774	47,038	2,546,009
Commission paid / payable	(2,189,089)	(72,684)	(490,664)	(42,583)	(2,795,020)
Deferred commission expense - closing	1,291,897	28,627	328,436	23,819	1,672,779
Commission expense	(897,192)	(44,057)	(162,228)	(18,764)	(1,122,241)
Management expenses	(2,032,397)	(94,800)	(403,901)	(47,643)	(2,578,741)
Underwriting results	(922,989)	(45,260)	(167,355)	(19,369)	(1,154,973)
Investment income					1,314,823
Other expenses					1,080,258
Loss before taxation for the period					(920,408)
Segment Assets	1,318,376	61,495	262,003	30,905	1,672,779
Unallocated Assets					58,752,326
					60,425,105
Segment Liabilities	3,238,177	151,043	643,527	75,908	4,108,655
Unallocated Liabilities					7,236,858
					11,345,513

28.2 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, 2019					
Rupees					
Contribution receivable (inclusive of administrative surcharge, Federal Excise Duty and Federal Insurance Fee)	70,499,550	22,814,171	70,953,511	33,594,732	197,861,964
Less: Federal Excise Duty	(429,627)	(51,928)	(482,950)	(3,421)	(967,926)
Federal Insurance Fee	(29,581)	(84,635)	(109,270)	(688)	(224,174)
Written gross contribution including administrative surcharge	70,040,342	22,677,608	70,361,291	33,590,623	196,669,864
Gross written contribution	70,040,342	22,677,608	70,361,291	33,590,623	196,669,864
Unearned contribution reserve - opening	6,418,985	200,548	4,016,210	185,012	10,820,755
Unearned contribution reserve - closing	(30,354,519)	(30,530,358)	(6,199,499)	(19,339,267)	(86,423,643)
Contribution earned	46,104,808	(7,652,202)	68,178,002	14,436,368	121,066,976
Re-takaful contribution ceded	36,304,630	14,781,739	26,335,093	20,893,722	98,315,184
Prepaid Retakaful contribution ceded - opening	366,365	-	-	-	366,365
Prepaid Retakaful contribution ceded - closing	(44,454,864)	-	-	-	(44,454,864)
Retakaful expense	(7,783,869)	14,781,739	26,335,093	20,893,722	54,226,685
Net takaful contribution	53,888,677	(22,433,941)	41,842,909	(6,457,354)	66,840,291

Retakaful rebate	7,702,192	-	-	-	7,702,192
Net underwriting income	61,590,869	(22,433,941)	41,842,909	(6,457,354)	74,542,483
Net claims	(2,167,707)	(3,044,640)	(6,949,588)	(2,602,794)	(14,764,729)
Wakala fee	(18,441,922)	(6,671,462)	(15,346,501)	(4,394,660)	(44,854,545)
Direct expenses	(2,638)	-	-	-	(2,638)
Net insurance claims and expenses	(20,612,267)	(9,716,102)	(22,296,089)	(6,997,454)	(59,621,912)
Underwriting results	40,978,602	(32,150,043)	19,546,820	(13,454,808)	14,920,571
Investment income					75,881
Surplus for the year					14,996,452
Segment Assets	58,886,142	(9,773,572)	87,078,545	18,438,468	154,629,583
Unallocated Assets					832,174
					155,461,757
Segment Liabilities	42,421,604	(7,040,886)	62,731,423	13,283,081	111,395,222
Unallocated Liabilities					15,976,512
					127,371,734

Participants' Fund	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous	Total
Rupees					
Contribution receivable (inclusive of administrative surcharge, Federal Excise Duty and Federal Insurance Fee)	11,567,434	443,625	5,620,787	321,273	17,953,119
Less: Federal Excise Duty	(123,096)	(8,436)	(432,284)	-	(563,816)
Federal Insurance Fee	(8,853)	(650)	(32,942)	(667)	(43,112)
Written gross contribution including administrative surcharge	11,435,485	434,539	5,155,561	320,606	17,346,191
Gross written contribution	11,435,485	434,539	5,155,561	320,606	17,346,191
Unearned contribution reserve	(6,418,985)	(200,548)	(4,016,210)	(185,012)	(10,820,755)
Contribution earned	5,016,500	233,991	1,139,351	135,594	6,525,436
Re-takaful contribution ceded	6,435,857	205,790	2,451,468	-	9,093,115
Prepaid Retakaful contribution ceded	(366,365)	-	-	-	(366,365)
Retakaful expense	6,069,492	205,790	2,451,468	-	8,726,750
Net takaful contribution	(1,052,992)	28,201	(1,312,117)	135,594	(2,201,314)
Retakaful rebate	24,475	-	-	-	24,475
Net underwriting income	(1,028,517)	28,201	(1,312,117)	135,594	(2,176,839)
Net claims	-	-	(835,000)	-	(835,000)
Wakala fee	(2,006,600)	(93,597)	(398,774)	(47,038)	(2,546,009)
Direct expenses	(1,968)	-	-	-	(1,968)
Net insurance claims and expenses	(2,008,568)	(93,597)	(1,233,774)	(47,038)	(3,382,977)
Underwriting results	(3,037,085)	(65,396)	(2,545,891)	88,556	(5,559,816)
Investment income					3,387
Deficit for the period					(5,556,429)
Segment Assets	10,182,944	474,976	2,312,757	275,241	13,245,918
Unallocated Assets					513,958
					13,759,876
Segment Liabilities	8,346,738	389,328	1,895,717	225,609	10,857,391
Unallocated Liabilities					1,958,914
					12,816,305

28.3 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.

30 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

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

30.1 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.

30.1.1 Sensitivity analysis

The Operator believes that the claim liabilities under takaful contracts outstanding at the year 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.

30.2 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	2019			2018		
	Amount due from Re-takaful operators	Re-takaful recoveries against	Other Retakaful assets	Amount due from Re-takaful operators	Re-takaful recoveries against	Other Retakaful assets
A or above (including PRCL)	33,873,210	-	44,454,864	4,705,687	-	366,365

30.3 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.

30.3.1 Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2019 is the carrying amount of the financial assets as set out below:

	2019			2018		
	Operator's Fund	Participants' Fund	Aggregate	Operator's Fund	Participants' Fund	Aggregate
	-----Rupees-----					
Investments	-	-	-	50,000,000	-	50,000,000
Accrued investment income	411	5,226	5,637	130,047	2,660	132,707
Takaful / retakaful receivables	-	78,473,619	78,473,619	-	8,770,898	8,770,898
Receivable from PTF	16,232,971	-	16,232,971	1,800,927	-	1,800,927
Cash and bank	16,341	811,959	828,300	699,558	511,226	1,210,784
	<u>16,249,723</u>	<u>79,290,804</u>	<u>95,540,527</u>	<u>52,630,532</u>	<u>9,284,784</u>	<u>61,915,316</u>

30.3.2 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:

Name of the bank	Rating		Rating agency	December 31, 2019			December 31, 2018		
	Short term	Long term		Operator's Fund	Participants' Fund	Aggregate	Operator's Fund	Participants' Fund	Aggregate
	-----Rupees-----								
Cash at bank									
Summit Bank	Suspended		JCR-VIS	254	75	329	7,422	75	7,497
Dubai Islamic Bank	A-1	AA-	JCR-VIS	2,468	509,772	512,240	3,339	1,727	5,066
Bank Islami	A1	A+	PACRA	1,708	299,797	301,505	483,163	507,122	990,285
Meezan Bank	A-1+	AA+	JCR-VIS	11,911	2,315	14,226	205,634	2,220	207,854
				16,341	811,959	828,300	699,558	511,144	1,210,702
Term deposits									
Summit Bank	Suspended		JCR-VIS	-	-	-	10,000,000	-	10,000,000
Dubai Islamic Bank	A-1	AA-	JCR-VIS	-	-	-	20,000,000	-	20,000,000
Bank Islami	A1	A+	PACRA	-	-	-	20,000,000	-	20,000,000
				-	-	-	50,000,000	-	50,000,000

30.4 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.

30.5 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, 2019			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Other creditors and accruals	6,865,742	6,865,742	6,865,742	-
Payable to East West Insurance Company Limited	4,140,547	4,140,547	4,140,547	-
	11,006,289	11,006,289	11,006,289	-

Operator's Fund	December 31, 2018			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Other creditors and accruals	774,439	774,439	774,439	-
Payable to East West Insurance Company Limited	6,436,724	6,436,724	6,436,724	-
	7,211,163	7,211,163	7,211,163	-

Participants' Fund	December 31, 2019			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Payable to OPF	15,732,971	15,732,971	15,732,971	-
Other creditors and accruals	243,541	243,541	243,541	-
	15,976,512	15,976,512	15,976,512	-

Participants' Fund	December 31, 2018			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Payable to OPF	1,300,927	1,300,927	1,300,927	-
Other creditors and accruals	3,913	3,913	3,913	-
	1,304,840	1,304,840	1,304,840	-

30.6 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.

30.6.1 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.

30.6.2 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:

	2019			2018		
	Operator's Fund	Participants' Fund	Aggregate	Operator's Fund	Participants' Fund	Aggregate
	-----Rupees-----			-----Rupees-----		
Fixed rate instruments						
Financial assets	-	-	-	50,000,000	-	50,000,000
	-	-	-	50,000,000	-	50,000,000
Variable rate instruments						
Financial assets	15,004	811,884	826,888	697,946	511,069	1,209,015
	15,004	811,884	826,888	697,946	511,069	1,209,015

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 5.5% to 9.6% (2018: 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	Profit / (loss) for the year / period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	-----Rupees-----			
As at December 31, 2019				
Sensitivity	150	(150)	150	(150)
As at December 31, 2018				
Sensitivity	6,979	(6,979)	6,979	(6,979)
Participants' Fund	Surplus / (deficit) for the year / period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	-----Rupees-----			
As at December 31, 2019				
Sensitivity	8,120	(8,120)	8,120	(8,120)
As at December 31, 2018				
Sensitivity	5,111	(5,111)	5,111	(5,111)

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.

30.6.3 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.

31 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.

32 STATEMENT OF SOLVENCY

	2019	2018
	Participants'	Participants'
	Takaful Fund	Takaful Fund
	Rupees	Rupees
ASSETS		
Accrued Investment Income	5,226	2,660
Takaful / retakful receivable	78,473,619	8,770,898
Taxation deducted at source	14,989	72
Deferred Wakala expense	31,701,100	4,108,655
Prepayments	44,454,864	366,365
Bank balances	811,959	511,226
	<u>155,461,757</u>	<u>13,759,876</u>
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
Takaful / retakful receivable	(28,018,157)	(932,176)
Total admissible assets	<u>127,443,600</u>	<u>12,827,700</u>
LIABILITIES		
PTF Underwriting provisions		
Unearned contribution reserve	(86,423,643)	(10,820,755)
Unearned retakaful rebate	(7,319,085)	(36,636)
Contribution received in advance	(2,456,943)	-
Payable to OPT	(15,732,971)	(1,300,927)
Takaful/retakaful payables	(15,195,551)	-
Other creditors and accruals	(243,541)	(657,987)
Total liabilities	<u>(127,371,734)</u>	<u>(12,816,305)</u>
Total net admissible assets	<u>71,866</u>	<u>11,395</u>

33 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 EVENT AFTER REPORTING DATE

On March 11, 2020, the World Health Organisation has declared COVID-19 (the virus) a global 'pandemic'. With the growing number of cases in Pakistan the Provincial Governments and the Federal Government of Pakistan have provided various directions and are taking measures to respond to the virus. The ongoing situation may have an impact on the operations and financial condition of the Operator. The extent of the spread of the virus and its potential impact on the Operator is undeterminable at the date these financial statements were approved and authorised for issue. However, the management and the Board of Directors of the Operator continue to monitor the developing situation.

34 GENERAL

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

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE
OFFICER

DIRECTOR

CHIEF FINANCIAL
OFFICER

