

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of East West Insurance Co., Ltd will be held on Thursday, April 27, 2023, 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, 2023.
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, 2022
3. To consider the appointment of Auditors for the year ending December 31, 2023 and fix their remuneration.
4. To approve the interim bonus issue as final distribution for the year ended December 31, 2022 announced on April 30, 2022 & December 9, 2022 respectively and already issued to the shareholders in the proportion of seven ordinary shares for every forty ordinary shares held i.e., 17.5%.

SPECIAL BUSINESS:

5. The Board of Directors has to decide to increase the Authorized Capital of the company to facilitate the further issue of capital. To consider and if thought fit to pass following Resolution.

RESOLVED that the Authorized Capital of the Company be increased from Rs.2,000,000,000 (Rupees Two Thousand Million) to Rs.2,500,000,000 (Rupees Two thousand five hundred Million) and divided in 250,000,000 ordinary shares of Rs. 10/- each. That respective clause of Memorandum and Articles of Association of the company be amended to the extent of increased Authorized Capital and division thereof to becomes effective immediately.

6. 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: 25th March, 2023.

Notes:

1. PARTICIPATION IN AGM THROUGH ELECTRONIC MEANS:

In light of the clarification issued by the Securities and Exchange Commission of Pakistan vide Circular No.4 of 2021 for ensuring participation of member in general meeting through electronic means as a regular feature, the Company has also provided the facility for attending the meeting via a video-link to its shareholders. The members are encouraged to participate in the meeting online by following the below guidelines.

The shareholders who intend to attend and participate in Annual General Meeting through video-link are requested to please provide below information to our Company Secretary at e-mail address: shabbir.a.kanchwala@ewi.com.pk, at least 24 hours before the time of AGM i.e., latest by 10.00 am on April 26, 2023.

Folio /CDC Account No.	Name	CNIC No.	Cell No.	Email Address

Upon receipt of the above information from shareholders the Company will send login details to their email address, which will enable them to join the said AGM through video conference on Thursday April 27, 2023 at 11:30 a.m.

2. 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.
3. 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 original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

- 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 requirement.
 - 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.
4. The Share Transfer Books of the company will be closed from April 21,2023 to April 27, 2023, (both days inclusive). Transfers received in order by our Share Registrar, M/s. THK Associates (Private) Limited, Plot no. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi, by the close of business on April 20, 2023 will be considered in time to attend and vote at the meeting.
 5. Members are requested to notify/submit the following, in case of book entry securities in CDC to respective CDC participants and in case of physical shares, to the Company's Share Registrar, if not earlier provided / notified:
 - a. Change in their address;
 - b. Valid and legible photocopies of Computerized National Identity Card (CNIC) for Individuals and National Tax Number (NTN) both for individual & corporate entities.

6. ELECTRONIC TRANSMISSION OF FINANCIAL STATEMENTS AND NOTICES

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

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

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

7. ELECTRONIC DIVIDEND MANDATE

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

In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available in the Annual Report and also on the Company, website and send it duly signed along with a copy of CNIC to the Share Registrar of the Company, M/s. THK Associates (Private) Limited, Plot no. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi in case of physical shares

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

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

8. SUBMISSION OF VALID CNIC (MANDATORY)

As per SECP directives, the dividend warrants of the shareholders whose valid CNICs are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are, therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Company's Share Registrar at the following address, M/s. THK Associates (Private) Limited, Plot no. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi without any further delay.

9. ZAKAT DECLARATION (CZ-50)

Zakat will be deducted from the dividends at source under the Zakat and Usher Laws and will be deposited within the prescribed period with the relevant authority. In case you want to claim exemption, please submit Zakat declaration under Zakat and Usher Ordinance, 1980 and Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form with our Share Registrar, M/s. THK Associates (Private) Limited, Plot no. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi or in case of book entry securities in CDC to respective CDC participants. The shareholders while sending the Zakat Declaration must quote company name and their respective CDS A/C # or Folio No.

10. DEDUCTION OF WITHHOLDING TAX ON THE AMOUNT OF DIVIDEND

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

The Government of Pakistan through Finance Act, 2019 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under;

- | | |
|---|------|
| a. For filers of income tax returns: | 15%. |
| b. For non-filer of income tax returns: | 30% |

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR, despite the fact that they are files, are advised to make sure that their names are entered into ATL before the date for payment of cash dividend otherwise tax on their cash dividend will be deducted @ 30% instead @15%.

11. CONSENT FOR VIDEO CONFERENCING FACILITY

Pursuant to the provision to the Companies Act, 2017 the member can also avail the video conferencing facility in this regard, please fill in the following and submit at registered address to the Company at least ten days prior to the date of meeting. If the Company receive consent from members holding aggregate 10% or more shareholding residing at the

geographical location to participate in the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I / We / 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.

12. UNCLAIMED DIVIDEND

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

13. DEMAND POLL

Members can exercise their right to demand a poll subject to meeting requirements of Sections 143 and 144 of the Companies Act, 2017 and applicable clause of the Companies (Postal Ballot) Regulation 2018.

14. TRANSMISSION OF THE ANNUAL AUDITED FINANCIAL STATEMENTSTHROUGH CD/ DVD

The company has circulated financial statements to its members through CD at their registered address, printed copy of above referred statements can be provided to members upon request.

15. AVAILABILITY OF AUDITED FINANCIAL STATEMENT ON COMPANY'S WEBSITE

The audited financial statement of the Company for the year ended December 31, 2022 have been available on the Company's website www.eastwestinsurance.com.pk

16. REGISTRATION DETAILS OF PHYSICAL SHAREHOLDERS

As per Section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile/telephone number, International Bank Account Number (IBAN), etc. to our Share Registrar at their below address immediately to avoid any non-compliance of law or any inconvenience in future:

M/s. THK Associates (Pvt) Limited. Address: Plot No. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi. Phone: +92-21-37120628-29, Email: sfc@thk.com.pk

17. DEPOSIT OF PHYSICAL SHARES IN TO CDC ACCOUNTS

As per Section 72 of the Companies Act, 2017 all existing companies are required to replace its physical shares with book-entry from in a manner as may be specified from the date notified by the Commission within a period not exceeding four years from the commencement of companies Act, 2017.

The Securities and Exchange Commission of Pakistan through its circular # CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised the listed companies to pursue their such members who still hold shares in physical form, to convert their shares into book entry form.

We hereby request all members who are holding shares in physical form to convert their shares into book entry form at the earliest. They are also suggested to contact the Central Depository Company of Pakistan Limited or any member/stock broker of the Pakistan stock Exchange to open an account in the Central Depository Company of Pakistan Limited and to facilitate conversion of physical shares into book-entry form. Members are informed that holding shares in book-entry form has several benefits including but not limited to secure and convenient custody of shares, conveniently tradeable and transferable, no risk of loss, damage or theft, no stamp duty on transfer of shares in book-entry form and hassle-free credit of bonus of right shares.

We once again strongly advise members of the Company, in their best interest, to convert their physical shares into book-entry form at the earliest.

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 April 27, 2023.

Item. No.5

The Authorized Share Capital of East West Insurance Company Limited at present is Rs. 2,000,000,000 In order to take care of expansion, it is considered necessary to increase the Authorized Share Capital from 2,000,000,000 to Rs.2,500,000,000.

DIRECTOR'S REPORT FOR THE YEAR 2022

All praises to Almighty Allah the most gracious and merciful.

On behalf of the Directors of your company we have the pleasure of presenting the 40th Annual Report and audited financial statements for the year ending December 31st, 2022.

Honorable shareholders, respected members of the Board of Directors and our dependable colleagues:

Assalam Alaikum.

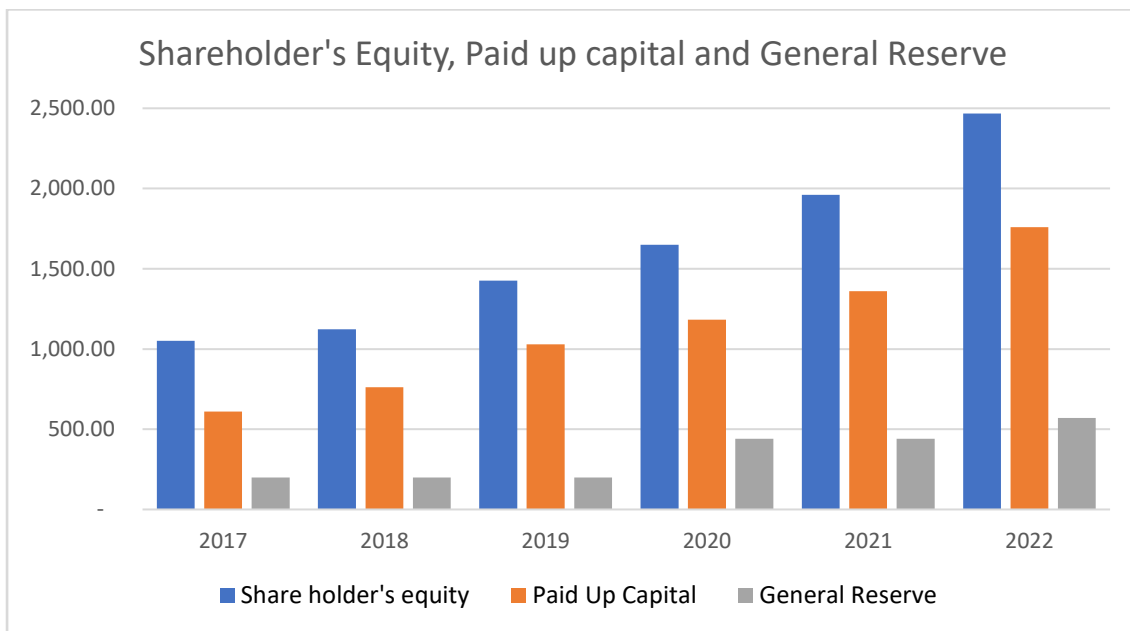
We welcome you all to the 40th Annual General Meeting of the company and express our humble gratitude to Almighty Allah for helping us in successfully closing the annual accounts for the year 2022 despite the challenging situation prevailing nationally and worldwide. By the grace of Almighty Allah who has given us the wisdom and strength to successfully steer the affairs of the company as we have completed 40 years since its establishment. The success of the company is attributed to the invaluable guidance of our chairman, members of the Board of Directors, shareholders, valued clients and distinguished patrons. We thank them all and look forward to their continued support in future.

In our normal practice the Board of Directors approves the 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 the 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, management continues to invest in profitable ventures to augment return on equity for the benefit of our shareholders.

Yearly Performance

The company's gross written premium grew to PKR 5.39 Billion showing an increase of 27.80% in comparison to the previous year. The net earned premium in the year 2022 was PKR 2.81 Billion as against PKR 2.16 Billion in the previous year thus showing a growth of 30%. The combined operating ratio (COR) for 2022 is 65%. This, however, has not impacted profitability as shown below: -

Particulars	2022 (Rs./Billion)	2021 (Rs./Billion)	% Increase (decrease)
Gross Premium	5.39	4.22	27.8%
Net Premium	2.81	2.16	30%
Claims Paid	2.72	1.55	75.9%
U/W Profit	0.43	0.39	9.4%
Paid-up-capital	1.76	1.36	29.4%



Fire/Property Insurance

The company has underwritten gross premium of PKR 1.72 Billion under Fire/Property portfolio showing an increase of 23% compared to last year. After keeping provision for reinsurance, claims and management expenses the company earned underwriting profit of PKR 134 million.

Marine Insurance

Gross premium underwritten in our Marine Portfolio including Marine Hull was PKR 594 million. After provisioning for reinsurance, claims, and management expenses, the company has earned underwriting profit of PKR 104 million.

Motor Insurance

The company wrote a premium of PKR 828 million against Motor Insurance including third party liability insurance. The growth over 2021 in this line of business is 34% with a profitability of PKR 65 million.

Engineering

Insurance companies are providing protection against accidental losses during execution of development projects. We provide Professional Indemnity insurance to reputed consultants for their design, planning and construction supervision of proposed 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. During 2022 we have underwritten a total Engineering gross premium of PKR 1.526 Billion with a growth of 37% with a profitability of Rs. 77.37 million.

Bond Insurance

We provide various kinds of bonds to esteemed Contractors for their proposed projects. During the year 2022, the company has underwritten gross premium of PKR 211 million under Bonds & Guarantee Insurance.

Miscellaneous Accident

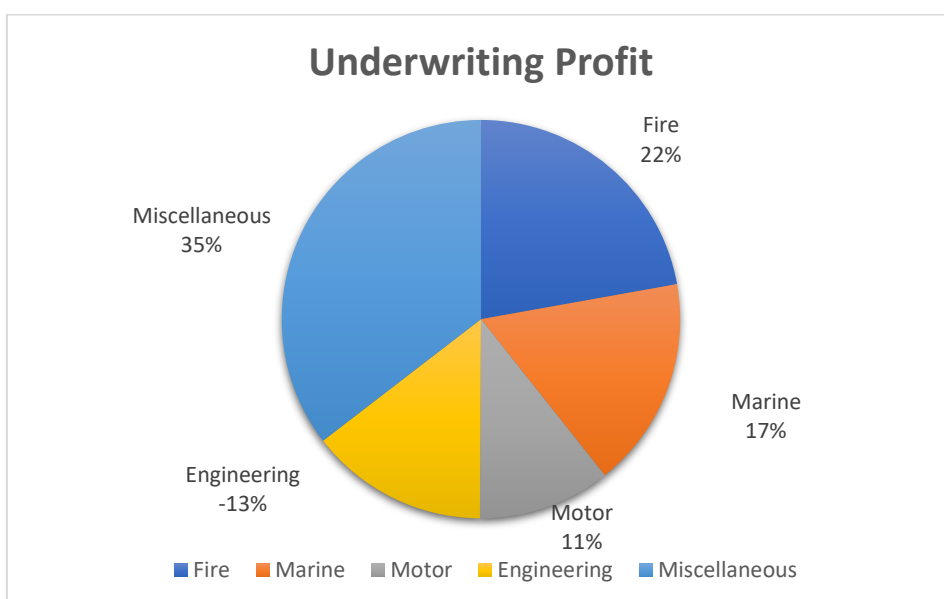
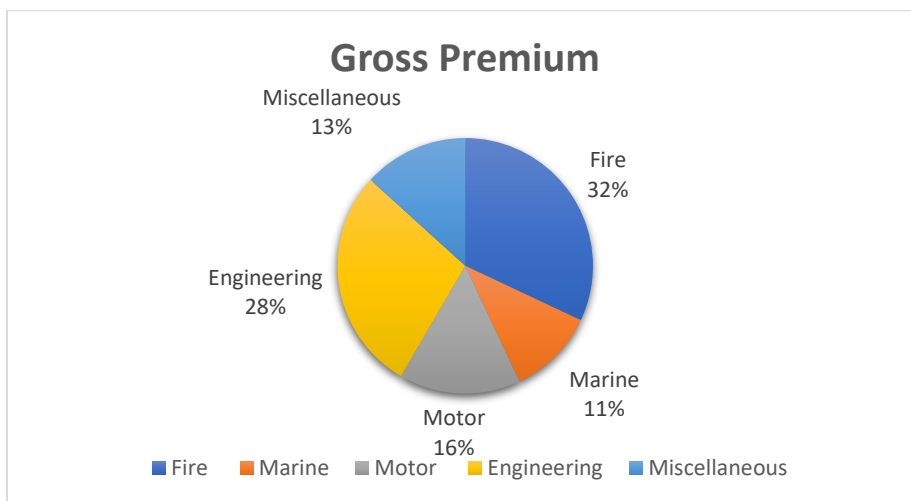
This line of business includes Personal Accident, Household Insurance, Burglary Insurance, Public Liability, Cash in Safe and Transit Insurance. In addition, Workmen Compensation policies are also covered under this portfolio.

Health Insurance

East West Insurance Company is also underwriting Health insurance through its corporate office in Islamabad. This portfolio is robustly growing through our countrywide network of branches. In the year 2022, we have underwritten Rs. 248.3 million premium through group hospitalization.

Crop and Livestock

Your company participates in the Crop and Livestock insurance program promulgated by the State Bank of Pakistan. In the year 2022 the company enhanced its written premium to Rs. 96.41 million of crop and livestock insurance utilizing maximum benefits available through private and commercial banks. We will continue this aggressive pursuit in 2023 to generate additional premium through this portfolio.



Window Takaful Operation

The company wrote total takaful contribution of PKR 493.99 million as against PKR 326.55 million in the previous year. The growth over 2021 in takaful operations is 35% with a profit of PKR 14.82 million. Individual contribution of businesses is also appended in business heads as disclosed above.

Credit Rating

We are pleased to inform our stakeholders that on November 25, 2022 Pakistan Credit Rating Agency (PACRA) maintained our IFS Rating to 'AA' (ifs) with stable outlook in their latest annual review. This decision reflects the rating agency's confidence in our stability, reliability, and growth potential.

Reinsurance Arrangements

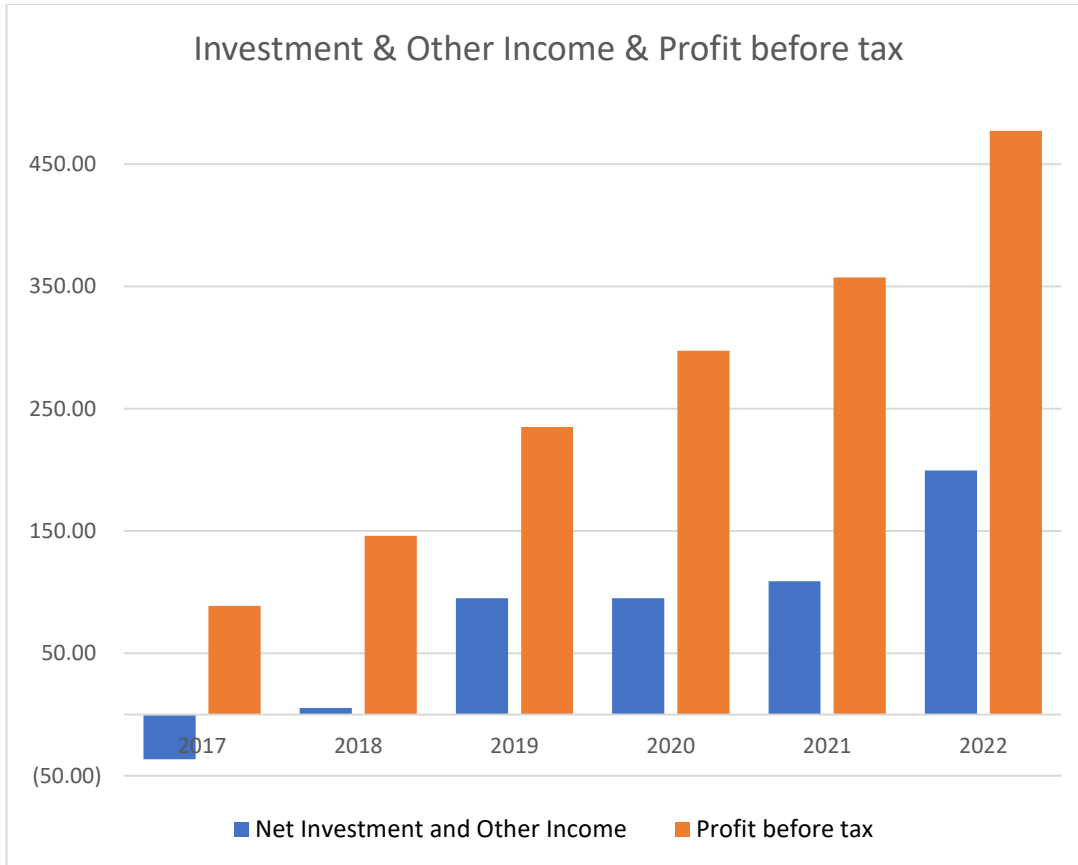
In keeping with global insurance industry standards, we have maintained adequate reinsurance coverage from both local and world-renowned reinsurers. This practice has significantly bolstered our operations, giving us the financial strength to underwrite a sizable share in policies for even the largest corporate clients. Consequently, our partner reinsurers have also expressed their complete satisfaction and consented to renew our treaties for the coming year 2023.

Capital, Solvency, and Shareholders' Fund

Your company is proud to report that while the regulator's minimum capital requirement (MCR) for general insurers is Rs. 500 million, we continue to enhance our paid-up capital even after having achieved the milestone of PKR one Billion paid-up capital in the year 2019. Despite the challenges faced this year, we have further raised our total paid-up capital through issuing 17.5% bonus shares and 10% right shares which now stands at Rs. 1.76 Billion as of December 31st, 2022.

Investment Income

Although the Stock Market continued high levels of volatility during this past year, the total investment income from conventional operations for the year improved to PKR 185.21 million as against Rs. 91.502 million last year. The Primary component of this year's investment income consists of dividend income which also improved to PKR 151 million as against PKR 69 million in 2021.



Earnings Per Share

Profit after tax as compared to last year has significantly increased to Rs. 477.27 million. This resulted in improved EPS of PKR 2.22 as compared to last year's restated EPS of PKR 1.80.

Board Committees

Your Company maintains following Board committees:

Audit Committee

The Board of Directors are 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 principal responsibility of the Internal Auditors is to conduct periodic audits

to ensure adequacy in operational controls, consistency in the application of policies and procedures, and compliance with laws and regulations.

Investment Committee

The investment portfolio of your company is actively monitored under the supervision of qualified staff. Keeping in view the 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 monitoring the investment policy for the Company.

Ethics, Human Resource and Remuneration Committee

The Board has formed the Ethics, Human Resource and Remuneration Committee, which is responsible for recommending introductions 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 maintains the following four Management committees which meet at least once 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 Settlement 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 disputed claims are 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 underwriting activities. It assesses 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 light of market developments. 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 targets. 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 that it maintains a predetermined level of cash and cash equivalents to ensure 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 and regularly monitoring change in interest rates where it has exposure.

Analysis of Performance Against Prior Forecasts

By the grace of Almighty Allah your company achieved the financial targets for 2022 maintaining its position in the industry. The Company believes that its strength lies in customer trust and satisfaction. We have been in the industry for the last 40 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 years we have provided training to our employees both in-house and through institutions including Pakistan Insurance Institute programs to enhance and improve relevant skills. We believe this leads to greater customer satisfaction and increased trust.

Prospects in 2023

Our performance indicates strong performance in support of management's objectives of maximizing customer satisfaction, improving underwriting results, and controlling overhead expenses to increase the profitability and shareholder's equity.

Management has devised the strategy for the year 2023 to deliver sustainable and profitable growth under the dynamic and competitive environment. We have earned gross premium of over five Billion rupees in 2022 and we are confident in our ability to maintain a similar growth pattern in 2023.

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 a 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 and Environmental Impact

Every year, we perform an in-house Energy Conservation Audit which is benchmarked 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. Employees are encouraged to communicate through emails instead of physical letters in order to reduce paper consumption through printing and reuse paper where possible in order to reduce the environmental impact.

Relationships with Stakeholders

We strive to maintain a very positive and practical approach towards relations with various stakeholders 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 implementing and adhering to 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 according to the requirements of the regulator and the State Bank of Pakistan. The database includes information provided by the FATCA in order to do vigilant underwriting. By keeping the record of our customers, we update ourselves 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 facilities 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 to participate in sports and arrange matches of cricket, football and hockey. Besides sports the company also allows employees to arrange picnics at various 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. Our Statement of Ethics and Business Practices is based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

Relationship with other Stakeholders

Your Company continues to maintain good relationship with:

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

Appropriations

											PKR in '000
Profit before tax from General Insurance Operation											428,979
Profit from Window Takaful Operation											48,294
Profit before tax											477,273
Income tax Expenses											(89,172)
Profit after tax											388,101
Other comprehensive income / (Loss)											(17,620)
Total comprehensive income											370,481
Unappropriated profit at beginning of the year											231,951
Profit for the year											388,101
Issuance of bonus shares											(261,966)
Transfer to general reserves											(130,000)
Unappropriated profit at the end of the year											228,086

Related Party Transactions

At each board meeting the Board of Directors approves the Company's transactions with associated companies or related parties. All the transactions executed with related parties are on arm's length basis.

Compliance with Code of Corporate Governance

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

Statement of Directors Responsibilities

In compliance with the Financial Reporting Framework of the Code of Corporate Governance, the Directors confirm the following:

- a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements. Accounting standards and such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, SEC (Insurance) Rules, 2017, Takaful Rules, 2012 and General Takaful Accounting Regulations 2019. Any departure therefrom 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 is no material departure from the best practices of corporate governance, as detailed in the listing regulations; and
- h) There are adequate Internal Financial Controls in place in the Company.
- i) 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, 2022 was approximately PKR 67.916 million.

j) The statement of the pattern of shareholding of the Company as at 31 December, 2022 is included in the Report.

k) The total number of directors in the Board are eight (8) among which one is female director. Out of eight directors there are three independent directors, two Non-executive directors and three Executive directors.

l) Non-executive directors and independent directors are paid meeting fee approved by the Board in accordance with the provisions of the articles. All other features of directors' remuneration are approved by the Board and set in the Directors' Remuneration Policy.

Other Information Under Section 227 of the Companies Act 2017 & Code of Corporate Governance for Insurers, 2016

The other information required under section 227 of the Companies Act, 2017 is disclosed under Pattern of Shareholding (including trading in the shares of the Company by its Directors and Executives), Internal Controls Framework, Financial Position and Performance, Risk and Opportunities and Sustainability sections of this Report.

Board / Sub-committee Members / Secretary	Board	Audit	Ethics, HR & Remuneration	Investment
	Committees Attendance			
	5	4	1	12
Chief Justice (R) Mian Mahboob Ahmad	3			
Mr. Naved Yunus	5			12
Mr. Javed Yunus	5			
Mr. Pervez Yunus	5			
Mr. Umeed Ansari	5	4	1	12
Mr. Ahsan Mehmood Alvi	5	4	1	12
Mr. Saad Yunus	5	4		12
Mazhar Zubair Abbasi	3	3		
Urooj Yunus Ansari	5			
Shahzad Farooq Lodhi	2			
Mr. Shabbir Ali Kanchwala	5	4	1	12
Mr. Johry Lal		4		
Mr. Tanveer Iqbal		4		12
Saeed Ahmed				12
Mr. Adil Hussain			1	

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 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 thereunder;
- The Company has at all times in the year complied with the provisions of the Ordinance and rules made thereunder relating to the paid-up capital, solvency and reinsurance 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

To appoint Auditors for the Financial Year 2023 retiring Auditors M/s Crowe Hussain Chaudhury & 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 the Quality Control Review Program. As suggested by the Audit Committee, the Board of Directors recommended the appointment of M/s Crowe Hussain Chaudhury & Co. Chartered Accountants to be the statutory auditor for the financial year 2023 at a fee to be mutually agreed.

APPRECIATION AND ACKNOWLEDGEMENT

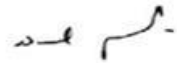
We thank our valued clients and shareholders for their continued confidence which enabled us to progressively increase our market penetration in order to generate sizable premium revenue. We also thank our reinsurers and brokers for the valuable support in performing our responsibilities.

We would also like to record our appreciation for the cooperation and professional support by the Insurance Division of the Securities & Exchange Commission of Pakistan. Finally, we also acknowledge the hard work and dedication of our marketing teams, officers, and staff members for achieving the desired goals and objectives of the company and look forward to their continued support in the year 2023.

For and on behalf of the Board of Directors.



Director



Chief Executive Officer

Karachi Dated: March 25, 2022

INDEPENDENT AUDITORS' REPORT

To the Members of East West Insurance Company Limited Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **East West Insurance Company Limited** (the Company), which comprise of the statement of financial position as at December 31, 2022 and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2022 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

S. No	Key Audit Matter	How the matter was addressed in our audit
01	Revenue Recognition Refer note 5.2 and 23 to the annexed financial statements The Company revenue primarily based on premiums from insurance policies which comprises 93% of total income.	Our audit procedures included the following: <ul style="list-style-type: none">• Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premium income;• Assessed the appropriateness of the Company's accounting policy for

	<p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>recording of premiums in line with requirements of applicable accounting and reporting standards;</p> <ul style="list-style-type: none"> • Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; • Recalculated the unearned portion of the premium income and ensured that amount has been recorded as provision for unearned premium in liabilities. • Consider the adequacy of disclosures as per 'Insurance Rules 2017'.
S. No	Key Audit Matter	How the matter was addressed in our audit
02	<p>Valuation of claim liabilities</p> <p>Refer note 5.3.1 and 24 to the annexed financial statements</p> <p>The Company's claim liabilities represent 42% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimation.</p> <p>We have identified the valuation of claim liabilities as key audit matter because estimation of claim liabilities involves a significant degree of estimation.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Assessed the sufficiency of reserving of claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had

		<p>been recognized in the appropriate accounting period; and</p> <ul style="list-style-type: none"> • Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.
S. No	Key Audit Matter	How the matter was addressed in our audit
03	<p>Valuation of Investments</p> <p>Refer note 5.8, 9, 10 and 11 to the financial statements</p> <p>As at December 31, 2022, the Company has investments classified as 'At amortized cost' 'Available for sale' and "At fair value through profit or loss' amounting to Rs 2,298 million which in aggregate represent 38% of the total assets of the Company.</p> <p>We identified the valuation of investments as a key audit matter because their significance in relation to the total assets of the Company and judgement involved in valuation.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> - Assessing the design and tested the operating effectiveness of the relevant controls in place relating to valuation of investments. - Checking on a sample basis, the valuation of investments to support documents, externally quoted market prices and break-up values, and - Evaluating the management's assessment related to classification of investments and performed independent assessment on those classification. - - Obtained independent confirmations for verifying the existence of the investment portfolio as at December 31, 2022 and reconciled it with the books and record of the Company.

Information Other than Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore

the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Place: Karachi

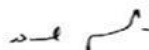
Date:

UDIN:

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2 0 2 2 ----- Rupees-----	2 0 2 1
ASSETS			
Property and equipment	6	111,347,201	115,337,232
Right of use of assets	7	17,436,579	-
Intangible assets	8	873,732	946,046
Investment properties	9	48,177,647	45,231,603
Investments			
Equity securities	10	1,471,940,394	1,306,177,282
Debt securities	11	636,422,267	402,638,123
Term deposit receipts	12	190,295,368	163,382,338
		2,298,658,029	1,872,197,743
Loans and other receivables	13	76,870,969	100,416,094
Insurance / reinsurance receivables	14	916,409,398	799,710,582
Re-insurance recoveries against outstanding claims	26	1,062,320,280	535,855,031
Deferred commission expense	27	378,287,611	329,200,886
Deferred tax assets	22	10,892,951	-
Prepayments	15	821,287,617	535,261,819
Cash and bank	16	31,320,794	27,915,325
		5,773,882,808	4,362,072,361
Total assets of takaful operations		219,476,000	171,732,299
TOTAL ASSETS		5,993,358,808	4,533,804,660
EQUITY AND LIABILITIES			
Capital and reserves attributable to			
Company's equity holders			
Ordinary share capital	17	1,758,913,880	1,360,861,810
Reserves		480,510,026	368,129,837
Unappropriated profit		228,086,249	231,950,574
TOTAL EQUITY		2,467,510,155	1,960,942,221
LIABILITIES			
Underwriting provisions			
Outstanding claims including IBNR	26	1,457,395,011	798,276,118
Unearned premium reserves	25	1,477,391,055	1,335,760,872
Unearned reinsurance commission	27	176,821,681	120,510,380
		3,111,607,747	2,254,547,370
Retirement benefit obligations		1,717,036	2,679,452
Premium received in advance	18	75,171,158	45,610,434
Lease liability against right of use of asset	19	19,936,638	-
Insurance / reinsurance payables	20	33,170,381	3,665,035
Other creditors and accruals	21	113,908,168	137,163,438
Deferred taxation	22	-	254,684
Taxation - net	23	106,933,378	69,763,189
TOTAL LIABILITIES		3,462,444,506	2,513,683,602
Total liabilities of takaful operations		63,404,147	59,178,837
TOTAL EQUITY AND LIABILITIES		5,993,358,808	4,533,804,660
CONTINGENCIES AND COMMITMENTS	24		

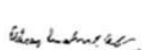
The annexed notes from 1 to 48 form an integral part of these financial statements.



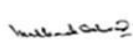
CHIEF EXECUTIVE
OFFICER



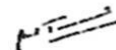
DIRECTOR



DIRECTOR



CHAIRMAN

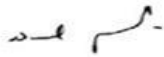


CHIEF FINANCIAL
OFFICER

**EAST WEST INSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022**

		2 0 2 2	2 0 2 1
	Note	-----Rupees-----	
Net insurance premium	25	2,732,382,964	2,117,506,997
Net insurance claims	26	(1,325,068,719)	(887,393,420)
Net commission	27	(541,078,660)	(477,996,709)
Insurance claims and acquisition expenses		(1,866,147,379)	(1,365,390,129)
Management expenses	28	(451,564,280)	(374,889,790)
Underwriting results		414,671,305	377,227,078
Investment income	29	185,205,655	91,502,879
Other income	30	11,460,074	14,267,113
Other expenses	31	(177,778,947)	(158,010,479)
Results of operating activities		433,558,087	324,986,591
Finance cost	32	(4,578,636)	(547,486)
Profit before taxation from window takaful operations - Operator's Fund		48,293,899	33,073,205
Profit before taxation		477,273,350	357,512,310
Income tax expense	33	(89,171,785)	(45,045,538)
Profit after taxation		388,101,565	312,466,772
Earnings per share - basic and diluted (Restated)	34	2.22	1.80

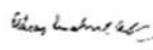
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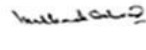
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OFFICER**



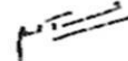
DIRECTOR



DIRECTOR



CHAIRMAN

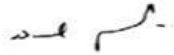


**CHIEF FINANCIAL
OFFICER**

**EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2 0 2 2 ----- Rupees -----	2 0 2 1
Profit after taxation	388,101,565	312,466,772
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or loss account		
Unrealized (loss) / gain on available for sale investments - net of deferred tax	(20,589,280)	(3,115,555)
Reclassification of loss included in profit and loss account	2,969,469	2,826,764
	(17,619,811)	(288,791)
Total comprehensive income for the year	<u>370,481,754</u>	<u>312,177,981</u>

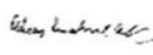
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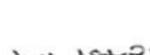
**CHIEF EXECUTIVE
OFFICER**



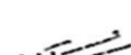
DIRECTOR



DIRECTOR



CHAIRMAN

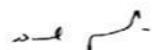


**CHIEF FINANCIAL
OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Reserves		Total reserves	Unappropriated profit	Total
	Issued, subscribed and paid-up capital	General reserve	Unrealized loss on revaluation of available for sale investments			
	-----Rupees-----					
Balance as at January 01, 2021	1,183,358,100	440,000,000	(71,581,372)	368,418,628	96,987,512	1,648,764,240
Total comprehensive income for the year						
Profit after taxation	-	-	-	-	312,466,772	312,466,772
Other comprehensive income	-	-	(288,791)	(288,791)	-	(288,791)
	-	-	(288,791)	(288,791)	312,466,772	312,177,981
Issue of bonus shares (20 bonus shares for every 100 shares held)	177,503,710	-	-	-	(177,503,710)	-
Balance as at December 31, 2021	1,360,861,810	440,000,000	(71,870,163)	368,129,837	231,950,574	1,960,942,221
Total comprehensive income for the year						
Profit after taxation	-	-	-	-	388,101,565	388,101,565
Other comprehensive loss	-	-	(17,619,811)	(17,619,811)	-	(17,619,811)
	-	-	(17,619,811)	(17,619,811)	388,101,565	370,481,754
Transfer to general reserve	-	130,000,000	-	130,000,000	(130,000,000)	-
Issue of bonus shares (3 bonus shares for every 40 shares held)	102,064,630	-	-	-	(102,064,630)	-
Issue of Right shares (1 right shares for every 10 shares held)	136,086,180	-	-	-	-	136,086,180
Issue of bonus shares (1 bonus shares for every 10 shares held)	159,901,260	-	-	-	(159,901,260)	-
Balance as at December 31, 2022	1,758,913,880	570,000,000	(89,489,974)	480,510,026	228,086,249	2,467,510,155

The annexed notes from 1 to 48 form an integral part of these financial statements.



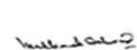
**CHIEF EXECUTIVE
OFFICER**



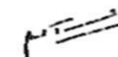
DIRECTOR



DIRECTOR



CHAIRMAN



**CHIEF FINANCIAL
OFFICER**

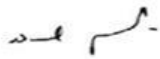
EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2 0 2 2	2 0 2 1
	-----Rupees-----	
OPERATING CASH FLOWS		
a) Underwriting activities		
Premium received	5,003,890,592	4,034,535,053
Reinsurance premium ceded	(2,473,658,625)	(1,871,386,671)
Claims paid	(2,491,292,652)	(1,384,094,201)
Reinsurance and other recoveries received	1,298,877,577	562,200,785
Commission paid	(1,115,706,598)	(861,001,798)
Commission received	605,951,016	363,961,080
Underwriting payments	(475,223,854)	(388,238,269)
Net cash flow from underwriting activities	352,837,456	455,975,979
b) Other operating activities		
Income tax paid	(43,846,573)	(44,724,124)
Management and administrative expenses paid	(144,549,814)	(78,431,447)
Other operating receipts / (payments)	(17,727,838)	(3,548,226)
Net cash flow used in other operating activities	(206,124,224)	(126,703,797)
Total cash flow generated from all operating activities	146,713,232	329,272,182
INVESTING ACTIVITIES		
Investment income received	38,236,318	30,075,050
Dividend received	151,388,402	69,369,318
Other income received	6,866,592	3,459,781
Payments for investments	(914,089,537)	(760,981,298)
Proceeds from disposal of investment	496,190,734	119,503,117
Fixed capital expenditures	(12,163,442)	(3,462,577)
Purchase of investment property	(5,278,718)	-
Proceeds from disposal of fixed assets	4,930,778	678,000
Total cash flow used in investing activities	(233,918,873)	(541,358,609)
FINANCING ACTIVITIES		
Loan received from director	1,319,560	16,067,500
Lease rental paid	(9,981,600)	-
Loan repaid to director	(9,900,000)	(18,895,000)
Received Right subscription money	136,086,180	-
Payment of financial charges	-	(5,555,699)
Total cash flow (used in) / generated from financing activities	117,524,140	(8,383,199)
Net cash increase in cash and cash equivalents	30,318,499	(220,469,626)
Cash and cash equivalents at beginning of the year	191,297,663	411,767,289
Cash and cash equivalents at end of the year	221,616,162	191,297,663

EAST WEST INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note	2 0 2 2 -----Rupees-----	2 0 2 1
Reconciliation to profit and loss account		
Operating cash flows	146,713,232	329,272,182
Depreciation expense	(26,051,872)	(19,155,445)
Amortization expense	(72,314)	(103,306)
Profit on disposal of fixed assets	4,120,163	633,736
Investment income	41,773,565	32,061,530
Dividend income	151,388,402	69,369,318
Loss on investment securities	(6,541,857)	(8,590,408)
Other income	7,339,911	3,826,648
Profit on takaful operations	48,293,899	33,073,205
(Increase) / decrease in assets other than cash	(1,013,368,115)	(176,783,018)
Increase / (decrease) in operating liabilities	1,034,506,551	48,862,331
Profit after taxation	<u>388,101,566</u>	<u>312,466,773</u>
CASH AND CASH EQUIVALENTS		
Cash for the purpose of statement of cash flows consist of	12,766	14,384
Cash and other equivalents	31,308,028	27,900,941
Saving accounts	190,295,368	163,382,338
Deposits maturing within 12 months	<u>221,616,162</u>	<u>191,297,663</u>

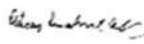
The annexed notes from 1 to 48 form an integral part of these financial statements.



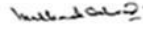
**CHIEF EXECUTIVE
OFFICER**



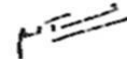
DIRECTOR



DIRECTOR



CHAIRMAN



**CHIEF FINANCIAL
OFFICER**

EAST WEST INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1 LEGAL 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.

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 (2021: 3) principal offices and 25 (2021: 25) branches in Pakistan.

2 BASIS OF PREPARATION

2.1 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 of IFRS differ from 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.

In accordance with the requirement of Circular 25 of 2015, total assets, total liabilities and profit of Window Takaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statements. A separate set of financial statements of General Window Takaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012.

2.2 Functional and presentation currency

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

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2022 but are considered not to be relevant or do not have any significant effect on the Company's operation and therefore not detailed in these financial statements.

3.1.1 IFRS 9 - Financial Instruments and Amendment to IFRS 4 'Insurance Contracts- Applying IFRS 9 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 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.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The table below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and
- b) all other financial assets

	December 31, 2021			
	Fail the SPPI test		Pass the SPPI test	
	Fair value	Change in unrealised gain	Fair value	Change in unrealised gain
	-----Rupees-----			
Financial assets				
Investments				
Equity securities *	1,471,940,394	(36,112,113)	-	-
Debt securities *	-	-	636,422,267	-
Term deposit receipts *	-	-	190,295,368	-
Loans and other receivable *	-	-	31,162,433	-
Reinsurance recoveries against outstanding claims	-	-	1,062,320,280	-
Insurance / reinsurance receivables *	-	-	916,409,398	-
Cash at bank *	12,766	-	31,308,028	-
Window takaful operations- Operator's fund	-	-	59,394,697	-
	<u>1,471,953,160</u>	<u>(36,112,113)</u>	<u>2,927,312,471</u>	<u>-</u>

* The carrying amounts of these financial assets measured applying IAS 39 are a reasonable approximation of their fair value.

	December 31, 2021									
	Gross carrying amount of financial assets that pass SPPI test									
	AAA	AA+	AA-	AA	A-I+	A-I	A+	A	Suspended	Not rated
	-----Rupees-----									
Cash at bank	6,403,661	21,819	8,578,691	6,061,805	-	-	2,828	2,820	6,226,426	3,987,416
Investments										
Debt securities	616,422,267	-	20,000,000	-	-	-	-	-	-	-
Term deposit receipts	1,000,000	-	60,500,000	-	-	-	-	-	75,486,368	37,000,000
Loans and other receivable	-	-	-	-	-	-	-	-	-	31,162,433
Reinsurance recoveries against outstanding claims	-	-	-	-	-	-	-	-	-	1,062,320,280
Window takaful operations- Operator's fund	-	-	-	-	25,590	553	-	-	6,414	59,362,140
	<u>623,825,928</u>	<u>21,819</u>	<u>89,078,691</u>	<u>6,061,805</u>	<u>25,590</u>	<u>553</u>	<u>2,828</u>	<u>2,820</u>	<u>81,719,208</u>	<u>1,193,832,269</u>

3.1.2 Impact of IFRS 3 – Business Combinations

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2021). The Board has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

- 3.1.3** Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2021). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the Board has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

3.2 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:

		Effective date (annual periods beginning on or after)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimate	January 01, 2023
IAS 12	deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities as current or non-	January 01, 2023

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

3.3 Standards, interpretations and amendments becoming effective in future period but not relevant:

There are certain new standards, amendments to standards and interpretations that are effective for different future periods but are considered not to be relevant to Company's operations, therefore not disclosed in these financial statements.

4 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.

4.1 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	5.2.2
- Premium due but unpaid - net	5.2.3
- Provision for outstanding claims (including IBNR)	5.3.1
- Prepaid reinsurance premium ceded	5.4.2
- Reinsurance recoveries against outstanding claims	5.5
- Premium deficiency reserve	5.7
- Deferred commission expense	5.6.1
- Commission income unearned	5.6.2
- Classification of insurance contracts	5.10
- Investment property life, residual value and depreciation method	5.11
- Segment reporting	5.13
- Taxation (current and deferred)	5.17
- Impairment of asset	5.21

5 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 unless otherwise stated.

5.1 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.

5.2 Premium

5.2.1 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

- 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.

5.2.2 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.

5.2.3 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.

5.3 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.

5.3.1 Provision for outstanding claims (including IBNR)

The Company recognizes liability in respect of all claims incurred upto the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts 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.

5.4 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.

5.4.1 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.

5.4.2 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.

5.5 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.

5.6 Commission

5.6.1 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.

5.6.2 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.

5.7 Premium deficiency reserve - (liability adequacy test)

At each reporting 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:

	2022	2021
Fire and property damage	17%	13%
Marine, aviation and transport	37%	40%
Motor	41%	14%
Engineering	17%	19%
Miscellaneous	46%	38%

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.

5.8 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:

5.8.1 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.

5.8.2 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.

5.8.3 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.

5.9 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.

5.10 Property and equipment

5.10.1 Owned assets

Owned fixed assets are stated at cost, signifying historical cost, less accumulated depreciation and any provision for accumulated impairment. Cost of an item of fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition.

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

Depreciation is calculated on reducing balance method at the rates specified in note 7 to the financial statements. Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying value exceed the estimated recoverable amounts, the assets are written down to their recoverable amount. The useful life and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing process with the carrying amount of the assets disposed of. There are taken to profit and loss account.

5.10.2 Right-of-use-asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

5.10.3 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.

5.11 Investment properties

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

5.11.1 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.

5.11.2 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.

5.11.3 Depreciation

Depreciation is charged to profit and loss account in the same manner as owned fixed assets. Refer note 5.10.1.

5.12 Investment and other income

5.12.1 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.

5.12.2 Interest income

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

5.12.3 Rental income

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

5.12.4 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.

5.13 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.

5.14 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 statement of financial position 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.

5.15 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.

5.16 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.

5.17 Taxation

5.17.1 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.

5.17.2 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.

5.18 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.

5.19 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 reporting 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.

5.20 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.

5.21 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.

5.22 Earnings per share

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

5.23 Cash and cash equivalents

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

5.24 Dividend and bonus shares

Dividend to shareholders is recognised as liability in the year in which it is approved Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved. Similarly, reserve for issue of bonus shares is recognised in the year in which such issue is approved.

5.25 Fair value

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

5.26 Share capital

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

6 PROPERTY AND EQUIPMENT

Particulars	2022											Written down value as at December 31, 2022	Depreciation rate (% per annum)
	Cost					Depreciation							
	As at January 01, 2022	Additions	Transfer in/ (out)	Disposals	As at December 31, 2022	As at January 01, 2022	Depreciation for the year	Transfer in/ (out)	Disposals	As at December 31, 2022			
-----Rupees-----													
Owned													
Office premises	62,082,770	-	-	-	62,082,770	17,836,637	2,212,307	-	-	20,048,944	42,033,826	5%	
Furniture and fixtures	32,500,272	13,000	-	-	32,513,272	22,815,436	969,676	-	-	23,785,112	8,728,160	10%	
Electric fittings and equipments	29,738,443	2,841,440	-	-	32,579,883	18,875,845	1,248,757	-	-	20,124,602	12,455,281	10%	
Office equipments	9,179,338	465,803	-	-	9,645,141	7,159,311	217,277	-	-	7,376,588	2,268,553	10%	
Motor vehicles	159,963,372	8,455,250	-	(5,054,963)	163,363,659	112,075,288	10,404,933	-	(4,244,347)	118,235,874	45,127,785	20%	
Computers equipments	17,927,444	387,949	-	-	18,315,393	17,291,890	289,907	-	-	17,581,797	733,596	33%	
	<u>311,391,639</u>	<u>12,163,442</u>	<u>-</u>	<u>(5,054,963)</u>	<u>318,500,118</u>	<u>196,054,407</u>	<u>15,342,856</u>	<u>-</u>	<u>(4,244,347)</u>	<u>207,152,917</u>	<u>111,347,201</u>		

Particulars	2021											Written down value as at December 31, 2021	Depreciation rate (% per annum)
	Cost					Depreciation							
	As at January 01, 2021	Additions	Transfer in/ (out)	Disposals	As at December 31, 2021	As at January 01, 2021	Depreciation for the year	Transfer in / (out)	Disposals	As at December 31, 2021			
-----Rupees-----													
Owned													
Office premises	62,082,770	-	-	-	62,082,770	15,507,893	2,328,744	-	-	17,836,637	44,246,133	5%	
Furniture and fixtures	32,467,272	33,000	-	-	32,500,272	21,741,787	1,073,649	-	-	22,815,436	9,684,836	10%	
Electric fittings and equipments	28,468,920	1,269,523	-	-	29,738,443	17,742,737	1,133,108	-	-	18,875,845	10,862,598	10%	
Office equipments	9,179,338	-	-	-	9,179,338	6,934,864	224,447	-	-	7,159,311	2,020,027	10%	
Motor vehicles	131,570,891	2,039,350	27,440,580	(1,087,449)	159,963,372	90,129,984	11,733,868	11,254,621	(1,043,185)	112,075,288	47,888,084	20%	
Computers equipments	17,806,740	120,704	-	-	17,927,444	17,010,872	281,018	-	-	17,291,890	635,554	33%	
Right of use assets													
Motor vehicles	27,440,580	-	(27,440,580)	-	-	11,254,621	-	(11,254,621)	-	-	-	20%	
	<u>309,016,511</u>	<u>3,462,577</u>	<u>-</u>	<u>(1,087,449)</u>	<u>311,391,639</u>	<u>180,322,758</u>	<u>16,774,834</u>	<u>-</u>	<u>(1,043,185)</u>	<u>196,054,407</u>	<u>115,337,232</u>		

6.1 Detail of disposal of fixed

Particular of asset	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit on disposal	Mode of disposal	Particulars of purchaser
-----Rupees-----							
Motor Vehicles							
Toyota Corrola	965,370	954,220	11,150	1,000,000	988,850	Negotiations	Mr.Adnan Shafi
Toyota Corrola	938,595	926,531	12,064	1,000,000	987,936	Negotiations	Mr.Samsul Rehman
Toyota Corrola	674,999	665,920	9,079	450,778	441,699	Negotiations	Mr.Samsul Rehman
Toyota Corrola	924,999	920,936	4,063	500,000	495,937	Negotiations	Mr.Imran Ali Dodani
Suzuki Cultus	1,551,000	776,741	774,259	1,980,000	1,205,741	Negotiations	Syed Afaq Ahmed
Total - 2022	<u>5,054,963</u>	<u>4,244,348</u>	<u>810,615</u>	<u>4,930,778</u>	<u>4,120,163</u>		
Total - 2021	<u>1,087,449</u>	<u>1,043,185</u>	<u>44,264</u>	<u>678,000</u>	<u>633,736</u>		

2 0 2 2 **2 0 2 1**
Note **----- Rupees -----**

7 RIGHT OF USE OF ASSETS

Cost

Additions **25,812,921** -

Accumulated depreciation

Depreciation during the year **(8,376,342)** -

17,436,579 -

Depreciation rate (%) **33.33%** -

7.1 This represents the Company's right to use the branch premises of Al-Asghar Plaza - Islamabad, Muhammad Gulistan Khan House - Islamabad, 170-7 - Peshawar, Naqi Arcade - Lahore and Abdul Hakim Market - Gilgit obtained under lease agreement. The principal terms and conditions of these lease arrangements are as follows:

Al-Asghar Plaza - Islamabad		Muhammad Gulistan Khan House - Islamabad		170-7 - Peshawar	
Lessor's Name	Mrs. Parveen Asghar	Lessor's Name	Qaiser ali khan and Mohammad waseem	Lessor's Name	Mr. Syed Humayun Shah
Start Date:	1-Jan-22	Start Date:	1-Jan-22	Start Date:	1-Jan-22
End Date:	31-Dec-24	End Date:	31-Dec-24	End Date:	31-Dec-24
Lease period:	3 Years	Lease period:	3 Years	Lease period:	3 Years
No. of years for which the lease extension option is available	Indefinite	No. of years for which the lease extension option is available	Indefinite	No. of years for which the lease extension option is available	Indefinite

Naqi Arcade - Lahore		SNC - Islamabad		Abdul Hakim Market - GILGIT	
Lessor's Name	Raziuddin Sheikh / Khalid Moenuddin	Lessor's Name	Syed Samran Chishty	Lessor's Name	Mr. Milad Ul Salman
Start Date:	1-Jan-22	Start Date:	1-Jan-22	Start Date:	1-Jan-22
End Date:	31-Dec-24	End Date:	31-Dec-24	End Date:	31-Dec-24
Lease period:	3 Years	Lease period:	3 Years	Lease period:	3 Years
No. of years for which the lease extension option is available	Indefinite	No. of years for which the lease extension option is available	Indefinite	No. of years for which the lease extension option is available	Indefinite

7.2 During the year, the management has carried out an exercise to determine the lease term of rented properties on the expected useability of these properties. Based on the exercise carried out, the management has decided to recognize ROUA on the properties irrespective of legal lease term except for low value leases as management has estimated to use these rented properties for more than a year.

	Note	2 0 2 2 ----- Rupees -----	2 0 2 1
8 INTANGIBLE ASSETS			
Computer software	8.1	168,732	241,046
Capital work in progress	8.2	705,000	705,000
		<u>873,732</u>	<u>946,046</u>
8.1 Net carrying value basis			
Opening net book value		241,046	344,352
Amortization charge		(72,314)	(103,306)
Closing net book value		<u>168,732</u>	<u>241,046</u>
Gross carrying value basis			
Cost		1,736,980	1,736,980
Accumulated amortization		(1,568,248)	(1,495,934)
Net book value		<u>168,732</u>	<u>241,046</u>
Amortization rate % per annum		30	30
8.2 Capital work in progress			
Balance as at December 31	8.2.1	<u>705,000</u>	<u>705,000</u>

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

9 INVESTMENT PROPERTIES

Particulars	2022							
	Cost			Depreciation			Written down value as at December 31, 2022	Depreciation rate (% per annum)
	As at January 1, 2022	Additions / transfer in	As at December 31, 2022	As at January 1, 2022	Depreciation for the year / transfer in	As at December 31, 2022		
	(Rupees)							
Office premises	72,519,091	5,278,718	77,797,809	27,287,488	2,332,674	29,620,162	48,177,647	5%
	72,519,091	5,278,718	77,797,809	27,287,488	2,332,674	29,620,162	48,177,647	

Particulars	2021							
	Cost			Depreciation			Written down value as at December 31, 2021	Depreciation rate (% per annum)
	As at January 1, 2021	*Additions / transfer in	As at December 31, 2021	As at January 1, 2021	Depreciation for the year / transfer in	As at December 31, 2021		
	(Rupees)							
Office premises	72,519,091	-	72,519,091	24,906,877	2,380,611	27,287,488	45,231,603	5%
	72,519,091	-	72,519,091	24,906,877	2,380,611	27,287,488	45,231,603	

- 9.1 Revaluation was carried out by the Company in the month of August 2022. 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. 172.5 million (2021: Rs. 172.5 million).

10 INVESTMENTS IN EQUITY SECURITIES

10.1 Investments - Held for Trading

	2022			2021		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
----- Rupees -----						
Listed securities						
Oil and Gas Development Company Limited	31,406,511	(2,306,714)	29,099,797	36,549,821	(5,922,962)	30,626,859
Kot Addu Power Company Limited	16,175	(2,850)	13,325	13,600	2,575	16,175
Fauji Fertilizer Company Limited	6,516,900	(100,750)	6,416,150	7,052,500	(535,600)	6,516,900
Silk Bank Limited	3,045,000	(1,008,000)	2,037,000	2,268,000	777,000	3,045,000
Fauji Cement Company Limited	15,449	(4,078)	11,371	18,224	(2,775)	15,449
Pakistan Stock Exchange Limited	4,907,486	(2,023,668)	2,883,818	5,289,377	(381,891)	4,907,486
Habib Bank Limited	6,122,550	(2,776,725)	3,345,825	6,944,700	(822,150)	6,122,550
Bank Alfalah Limited	1,038,000	(133,800)	904,200	1,059,900	(21,900)	1,038,000
Pakistan State Oil Company	2,728,350	(568,500)	2,159,850	3,229,500	(501,150)	2,728,350
The Hub Power Limited	2,853,600	(330,400)	2,523,200	3,173,200	(319,600)	2,853,600
United Bank Limited	4,097,399	(1,074,900)	3,022,499	3,775,799	321,600	4,097,399
Pakistan Oilfield limited	11,443,840	1,127,360	12,571,200	12,599,343	(1,155,503)	11,443,840
Pakistan Petroleum Limited	6,323,200	(872,000)	5,451,200	7,056,989	(733,789)	6,323,200
MCB	3,833,750	(929,750)	2,904,000	4,632,000	(798,250)	3,833,750
Bata Pakistan Limited	434,230	(1,572)	432,658	306,368	127,862	434,230
	84,782,440	(11,006,347)	73,776,093	93,969,321	(9,966,533)	84,002,788
Mutual funds						
MCB Cash Management Optimizer Fund	200,629,332	872,201	201,501,533	150,356,165	273,167	150,629,332
HBL Cash Fund (formerly PICIC Cash fund)	312,358	3,311	315,669	-	-	-
ABL Cash Fund	101,364,449	1,086,523	102,450,972	150,398,790	413,741	150,812,531
UBL Liquidity Plus Fund	-	-	-	150,117,848	497,624	150,615,472
HBL Cash Fund	101,788,434	442,614	102,231,048	150,731,476	1,053,870	151,785,346
NIT Money Market (Saddar br,)	200,316,425	138,865	200,455,290	150,922,775	(606,350)	150,316,425
NIT Money Market (Clifton br,)	199,304,806	138,457	199,443,263	149,879,701	(574,895)	149,304,806
NBP Money Market fund	200,178,863	665,201	200,844,064	100,034,918	143,945	100,178,863
Alfalah GHP Money Market fund	100,000,000	73,789	100,073,789	-	-	-
Atlas Money Market fund	100,000,000	472,259	100,472,259	-	-	-
	1,203,894,667	3,893,220	1,207,787,887	1,002,441,673	1,201,102	1,003,642,775
	1,288,677,107	(7,113,127)	1,281,563,980	1,096,410,994	(8,765,431)	1,087,645,563

10.2 Investments - Available for Sale

	2022			2021		
	Cost	Impairment / Provision	Carrying value	Cost	Impairment / Provision	Carrying value
Related party						
Listed Securities						
Askari Life Assurance Company Limited (note 10.3)	291,149,366	(29,180,527)	261,968,839	290,305,684	(3,988,715)	286,316,969
Others						
Listed Securities						
Agritech Limited	10,593,327	181,541	10,774,868	10,593,327	(399,391)	10,193,936
	301,742,693	(28,998,986)	272,743,707	300,899,011	(4,388,106)	296,510,905
Deficit on revaluation	-	-	(82,367,293)	-	-	(77,979,186)
	301,742,693	(28,998,986)	190,376,414	300,899,011	(4,388,106)	218,531,719
Total equity securities	1,590,419,800	(36,112,113)	1,471,940,394	1,397,310,005	(13,153,537)	1,306,177,282

10.3 This represents investment in associated undertaking.

11 INVESTMENTS IN DEBT SECURITIES

Cost	2022			2021			
	Impairment / provision	Surplus on revaluation	Carrying value	Cost	Impairment / Provision	Surplus on revaluation	Carrying value
Rupees							
Held to maturity (note 10.1)							
Government securities							
Pakistan Investment Bonds	412,774,064	-	412,774,064	282,088,168	-	-	282,088,168
Treasury Bills	203,648,203	-	203,648,203	100,549,955	-	-	100,549,955
	<u>616,422,267</u>	<u>-</u>	<u>616,422,267</u>	<u>382,638,123</u>	<u>-</u>	<u>-</u>	<u>382,638,123</u>
Available for sale (note 10.1)							
Others							
Term Finance Certificate	10,000,000	-	10,000,000	10,000,000	-	-	10,000,000
Corporate Sukuk	10,000,000	-	10,000,000	10,000,000	-	-	10,000,000
	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>20,000,000</u>
	<u>636,422,267</u>	<u>-</u>	<u>636,422,267</u>	<u>402,638,123</u>	<u>-</u>	<u>-</u>	<u>402,638,123</u>

11.1 Investments in debt securities - held to maturity and available for sale

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 31, 2022
Related party					
Held to maturity					
Government securities					
Pakistan Investment Bonds (Note 10.2)					
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	20,000,000	17,973,511
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	20,000,000	17,979,946
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,802,065
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,802,618
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,802,621
20 Years Pakistan Investment Bond	2024	10.91%	Half yearly	15,000,000	14,488,412
20 Years Pakistan Investment Bond	2024	10.91%	Half yearly	10,000,000	9,759,184
10 Years Pakistan Investment Bond	2026	9.00%	Half yearly	15,000,000	14,895,155
10 Years Pakistan Investment Bond	2026	9.00%	Half yearly	15,000,000	14,895,313
10 Years Pakistan Investment Bond	2026	9.00%	Half yearly	15,000,000	14,895,333
10 Years Pakistan Investment Bond	2026	8.80%	Half yearly	30,000,000	29,947,848
5 Years Pakistan Investment Bond	2025	9.60%	Half yearly	20,000,000	19,069,796
5 Years Pakistan Investment Bond	2025	9.12%	Half yearly	25,000,000	24,064,957
5 Years Pakistan Investment Bond	2025	9.08%	Half yearly	10,000,000	9,642,654
3 Years Pakistan Investment Bond	2023	11.00%	Half yearly	15,000,000	14,683,210
5 Years Pakistan Investment Bond	2025	11.46%	Half yearly	10,000,000	9,111,583
5 Years Pakistan Investment Bond	2025	11.46%	Half yearly	15,000,000	13,667,375
5 Years Pakistan Investment Bond	2025	10.62%	Half yearly	10,000,000	9,311,970
5 Years Pakistan Investment Bond	2027	12.98%	Half yearly	20,000,000	16,547,885
5 Years Pakistan Investment Bond	2027	12.98%	Half yearly	20,000,000	16,547,885
5 Years Pakistan Investment Bond	2027	13.34%	Half yearly	35,000,000	28,641,058
5 Years Pakistan Investment Bond	2027	12.97%	Half yearly	10,000,000	9,140,463
5 Years Pakistan Investment Bond	2027	13.02%	Half yearly	40,000,000	36,496,415
3 Years Pakistan Investment Bond	2025	15.20%	Half yearly	50,000,000	44,606,807
					<u>412,774,064</u>
Treasury Bills					
3 Months Treasury Bill	2022	10.20%	On maturity	100,000,000	96,981,310
	2022	10.25%	On maturity	110,000,000	106,666,893
					<u>203,648,203</u>
					<u>616,422,267</u>
Available for sale					
Corporate Sukuks (Note 10.3)					
Dubai Islamic Bank	Perpetuity	(KIBOR+1.75%)	Monthly	10,000,000	10,000,000
Others (Note 10.3)					
Term Finance Certificates					
JS Bank Limited	Perpetuity	(KIBOR+2.25%)	Half yearly	10,000,000	10,000,000
					<u>20,000,000</u>
					<u>636,422,267</u>

Name of investment	Maturity year	Effective yield %	Profit Payment	Face Value	December 31, 2021
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Related party

Held to maturity

Government securities

Pakistan Investment Bonds (Note 10.2)

10 Years Pakistan Investment Bond	2022	11.64%	Half yearly	5,000,000	4,991,598
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	20,000,000	17,456,746
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	20,000,000	17,462,809
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,555,831
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,556,328
10 Years Pakistan Investment Bond	2026	11.00%	Half yearly	10,000,000	8,556,330
20 Years Pakistan Investment Bond	2024	10.91%	Half yearly	15,000,000	14,170,735
20 Years Pakistan Investment Bond	2024	10.91%	Half yearly	10,000,000	9,550,948
10 Years Pakistan Investment Bond	2022	11.64%	Half yearly	30,000,000	29,950,520
10 Years Pakistan Investment Bond	2026	9.00%	Half yearly	15,000,000	14,868,967
10 Years Pakistan Investment Bond	2026	9.00%	Half yearly	15,000,000	14,869,164
10 Years Pakistan Investment Bond	2026	9.00%	Half yearly	15,000,000	14,869,189
10 Years Pakistan Investment Bond	2026	8.80%	Half yearly	30,000,000	29,937,367
5 Years Pakistan Investment Bond	2025	9.60%	Half yearly	20,000,000	18,790,022
5 Years Pakistan Investment Bond	2025	9.12%	Half yearly	25,000,000	23,781,703
5 Years Pakistan Investment Bond	2025	9.08%	Half yearly	10,000,000	9,534,261
3 Years Pakistan Investment Bond	2023	11.00%	Half yearly	15,000,000	14,160,075
5 Years Pakistan Investment Bond	2025	11.46%	Half yearly	10,000,000	8,810,230
5 Years Pakistan Investment Bond	2025	11.46%	Half yearly	15,000,000	13,215,345
					282,088,168

Treasury Bills

3 Months Treasury Bill	2022	10.20%	On maturity	100,000,000	98,106,897
3 Months Treasury Bill	2022	10.25%	On maturity	2,500,000	2,443,058
					100,549,955
					382,638,123

Available for sale

Corporate Sukuks

Dubai Islamic Bank Perpetuity (KIBOR+1.75%) Monthly 10,000,000 10,000,000

Others

Term Finance Certificates JS Bank Limited Perpetuity (KIBOR+2.25%) Half yearly 10,000,000 10,000,000

20,000,000

402,638,123

11.2 These include PIB's amounting to Rs. 150 million (2020: PIB's amounting to Rs. 119.91 million), which are pledged with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

11.3 Term Finance Certificate and Corporate Sukuk

	No. of certificates		Face value	Value of certificate	
	2022	2021		2022	2021
JS Bank Limited	100	100	100,000	10,000,000	10,000,000
Dubai Islamic Bank	2000	2000	5,000	10,000,000	10,000,000
	2,100	2,100		20,000,000	20,000,000

2022

2021

Note

-----Rupees-----

12 INVESTMENT IN TERM DEPOSIT RECEIPTS

Deposits maturing within 12 months - local currency

12.1 190,295,368 163,382,338

12.1 These represents Term Deposit Receipts (TDRs) with commercial banks carrying markup ranging from 7% to 13.75% (2021: 7.20% to 13.90%).

		2 0 2 2	2 0 2 1
	Note	-----Rupees-----	
13	LOANS AND OTHER RECEIVABLES		
	Unsecured - considered good		
	Accrued investment income	8,301,949	6,179,157
	Advances	45,708,536	72,256,600
	Deposits	14,478,374	13,909,779
	Other receivables	8,382,110	8,070,558
		76,870,969	100,416,094

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

		2 0 2 2	2 0 2 1
	Note	-----Rupees-----	
14	INSURANCE / REINSURANCE RECEIVABLES		
	(Unsecured - considered good)		
	Due from insurance contract holders	286,059,138	313,075,295
	Provision for impairment of receivables from insurance contract holders	(514,672)	-
	Premium written off	(3,128,198)	(2,049,325)
		282,416,268	311,025,970
	Due from other insurers / reinsurers	633,993,130	488,684,612
		916,409,398	799,710,582

14.1 Movement of provision for doubtful debts

	Opening balance	-	2,414,077
	Charge during the year	7,405,207	7,392,652
	Reversal during the year	(6,890,535)	(9,806,729)
		514,672	-

15 PREPAYMENTS

	Prepaid reinsurance premium ceded	821,021,588	534,873,154
	Prepaid rent	-	163,021
	Others	266,029	225,644
		821,287,617	535,261,819

	Note	2022 -----Rupees-----	2021
16 CASH AND BANK			
Cash and cash equivalents			
Cash in hand		9,916	3,291
Policy stamps		2,850	11,093
		<u>12,766</u>	<u>14,384</u>
Cash at bank			
Current account		14,402,147	8,448,655
Saving account	16.1	16,905,881	19,452,286
		<u>31,308,028</u>	<u>27,900,941</u>
		<u>31,320,794</u>	<u>27,915,325</u>

16.1 This represents interest bearing accounts carrying interest rates ranging from 8.25% to 14.50% (2021: 4.10% to 8.20%) per annum.

17 ORDINARY SHARE CAPITAL

17.1 Authorized share capital

2022	2021		2022	2021
-----Number of shares-----			-----Rupees-----	
<u>200,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rupees 10 each	<u>2,000,000,000</u>	<u>1,500,000,000</u>

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

17.2 Issued, subscribed and paid up share capital

2022	2021		2022	2021
-----Number of shares-----			-----Rupees-----	
31,396,928	17,788,310	Ordinary shares of Rupees 10 each fully paid in cash	313,969,280	177,883,100
144,494,460	118,297,871	Ordinary shares of Rs.10 each, issued as fully paid bonus	1,444,944,600	1,182,978,710
<u>175,891,388</u>	<u>136,086,181</u>		<u>1,758,913,880</u>	<u>1,360,861,810</u>

	Note	2022 -----Rupees-----	2021
18 PREMIUM RECEIVED IN ADVANCE			
Premium received in advance		<u>75,171,158</u>	<u>45,610,434</u>

18.1 This includes cash margin (bond) received from policy holders amounting to Rs. 72.765 million (2021: Rs. 45.298 million).

	2022	2021
Note	-----Rupees-----	
19 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS		
Present value of minimum lease payments	19,936,638	-
Less: current portion of lease liabilities	(8,443,434)	-
	11,493,204	-
Maturity		
Not later than 1 year	8,443,434	-
Later than 1 year	11,493,204	-
	19,936,638	-

20 INSURANCE / REINSURANCE PAYABLES

Due to other insurers / reinsurers	33,170,381	3,665,035
------------------------------------	-------------------	-----------

21 OTHER CREDITORS AND ACCRUALS

Sundry creditors	22,166,702	15,921,122
Commission payable	29,135,027	61,347,826
Federal excise duty	1,469,852	2,022,492
Federal insurance fee	588,956	1,287,701
Workers' Welfare Fund	52,610,928	44,055,542
Withholding tax	1,988,766	2,082,091
Unclaimed dividend	31,303	31,303
Due to directors	5,916,634	10,415,361
21.1	113,908,168	137,163,438

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

	2022	2021
Note	-----Rupees-----	
22 DEFERRED TAXATION		
Deferred tax liability / (asset) arising in respect of:		
Accelerated tax depreciation	21,651,782	26,910,715
Amortization	(248,512)	(227,541)
Unrealised gain on available for sale investments	(32,296,221)	(26,428,490)
	(10,892,951)	254,684
22.1 Balance at beginning of the year	254,684	5,717,273
Reversal during the year in respect of temporary differences arising during the year	(11,147,635)	(5,462,589)
Balance at the end of the year	(10,892,951)	254,684

23 TAXATION - NET

Provision for income tax	139,524,737	93,439,511
Less: Advance tax	(32,591,359)	(23,676,322)
	106,933,378	69,763,189

24 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at statement of financial position date (2021: Nil).

	Note	2 0 2 2 -----Rupees-----	2 0 2 1
25 NET INSURANCE PREMIUM			
Written gross premium		4,945,720,166	3,889,266,451
Unearned premium reserve - opening		1,335,760,872	1,223,128,077
Unearned premium reserve - closing		(1,477,391,055)	(1,335,760,872)
Premium earned		4,804,089,983	3,776,633,656
Less: Reinsurance premium ceded		2,357,855,453	1,628,322,163
Prepaid reinsurance premium			
ceded - opening		534,873,154	565,677,650
Prepaid reinsurance premium			
ceded - closing		(821,021,588)	(534,873,154)
Reinsurance expense		2,071,707,019	1,659,126,659
		2,732,382,964	2,117,506,997
26 NET INSURANCE CLAIMS EXPENSE			
Claim paid		2,491,292,652	1,384,094,201
Outstanding claims including IBNR - opening		(798,276,118)	(652,587,244)
Outstanding claims including IBNR - closing	26.1	1,457,395,011	798,276,118
Claim expense		3,150,411,545	1,529,783,075
Less: Reinsurance and other recoveries received		1,298,877,577	562,200,785
Reinsurance and other recoveries in respect of outstanding claims - opening		(535,855,031)	(455,666,161)
Reinsurance and other recoveries in respect of outstanding claims - closing		1,062,320,280	535,855,031
Reinsurance and other recoveries revenue		1,825,342,826	642,389,655
		1,325,068,719	887,393,420
26.1 Outstanding claims		1,119,606,141	703,032,300
Incurred but not reported claims		337,788,870	95,243,818
		1,457,395,011	798,276,118

26.2 Claim development

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a year of time. All amounts are presented in gross numbers before reinsurance:

Accident year	2017 & prior years	2018	2019	2020	2021	2022	Total
	-----Rupees-----						
Estimate of ultimate claims cost:							
At the end of accident year	965,873,185	91,124,291	108,697,757	197,058,179	391,482,652	951,498,093	2,705,734,157
one year later	784,483,553	89,898,741	107,090,038	224,797,756	512,324,334		1,718,594,422
two years later	782,218,486	78,320,818	108,515,135	224,880,227	-		1,193,934,666
three years later	770,259,993	78,320,818	108,475,732	-	-		957,056,543
four years later	717,538,658	78,320,818	-	-	-		
five years later	717,521,859	-	-	-	-		717,521,859
Current estimate of cumulative claims	717,521,859	78,320,818	108,475,732	224,880,227	512,324,334	951,498,093	2,593,021,063
Cumulative payment to date	(443,149,733)	(68,239,717)	(97,364,504)	(121,240,332)	(405,631,766)	-	(1,135,626,052)
Liability recognized in statement of financial position	274,372,126	10,081,101	11,111,228	103,639,895	106,692,568	951,498,093	1,457,395,011

	2 0 2 2	2 0 2 1
Note	-----Rupees-----	
27 NET COMMISSION EXPENSE		
Commission paid or payable	1,083,493,799	891,393,099
Deferred commission expense - opening	329,200,886	290,582,372
Deferred commission expense - closing	(378,287,611)	(329,200,886)
Net commission	1,034,407,074	852,774,585
Less: Commission received or recoverable	549,639,715	369,369,478
Unearned reinsurance commission - opening	120,510,380	125,918,778
Unearned reinsurance commission - closing	(176,821,681)	(120,510,380)
Commission from reinsurers	493,328,414	374,777,876
	541,078,660	477,996,709

28 MANAGEMENT EXPENSES

Employee benefits cost	28.1	185,105,218	157,620,125
Office repairs and maintenance		2,260,110	10,176,112
Vehicle running expense		112,539,974	89,055,371
Travelling expense		83,446,596	58,919,109
Electricity, gas and water		12,095,219	9,196,688
Printing and stationery		16,204,167	7,760,892
Office rent		1,898,847	6,081,365
Entertainment		27,668,008	22,683,447
Postage, telegrams and telephones		7,009,121	4,580,962
Advertisement and publicity		362,830	170,705
Rent, rates and taxes		290,705	297,361
Miscellaneous		2,683,485	8,347,653
		451,564,280	374,889,790

28.1 Employee benefits cost

Salaries, allowance and other benefits	181,476,800	154,594,924
Charges for post employment benefits	3,628,418	3,025,201
	185,105,218	157,620,125

29 INVESTMENT INCOME

Income from equity securities		
Held for trading		
Dividend income	151,388,402	69,369,318
Gain / (loss) on disposal of securities	571,271	175,021
	151,959,673	69,544,339
Income from debt securities		
Held to Maturity		
Return on debt securities		
Pakistan Investment Bonds	29.1 32,303,180	23,440,258
GoP Ijara Sukuk	-	-
Treasury Bills	1,536,943	72,514
	33,840,123	23,512,772
Available for sale		
Term Finance Certificates	2,072,954	976,629
Corporate Sukuk	1,503,186	927,866
	3,576,140	1,904,495
Return on term deposits	4,357,302	6,644,263
Net unrealized (losses) / gains on investments at fair value through profit or loss (held for trading)	(7,113,128)	(8,765,429)
	186,620,110	92,840,440
Investment related expenses	(1,414,455)	(1,337,561)
	185,205,655	91,502,879

29.1 Pakistan Investment Bonds

Return on Pakistan Investment Bonds	35,272,649	26,267,022
Amortization of unrealized loss due to reclassification from available for sale to held to maturity	(2,969,469)	(2,826,764)
	32,303,180	23,440,258

30 OTHER INCOME

Return on bank balances	7,069,911	1,579,804
Profit on disposal of fixed assets	4,120,163	633,736
Reversal of bad debts	-	9,806,729
Others	270,000	2,246,844
	11,460,074	14,267,113

	Note	2 0 2 2 -----Rupees-----	2 0 2 1
31 OTHER EXPENSES			
Employee benefits cost	31.1	63,043,014	59,267,474
Office repairs and maintenance		16,601,769	11,187,391
Vehicle running expense		17,593,033	15,471,345
Auditors' remuneration	31.3	2,018,912	2,094,592
Remuneration of directors and executives	35	16,340,000	15,695,000
Legal and professional charges		4,486,855	2,744,994
Depreciation	6	26,051,873	19,155,445
Amortisation	8	72,314	103,306
Subscription and membership		11,224,667	8,503,888
Annual supervision fee		4,583,587	2,986,022
Bad debt expense	14	3,128,198	9,441,977
Provision for doubtful debt	14.1	514,672	
Rent, rates and taxes		1,480,772	1,428,472
Electricity, gas and water		394,251	507,310
Postage, telegram and telephone		1,248,018	1,243,728
Workers Welfare Fund		8,555,386	7,998,370
Others		441,626	181,165
		177,778,947	158,010,479

31.1 Employee benefits cost

Salaries, allowance and other benefits	61,971,077	57,312,152
Charges for post employment benefits	1,071,937	1,955,322
	63,043,014	59,267,474

December 31, 2022 Unaudited	December 31, 2021 Audited
-----Rupees-----	

31.2 Employees' provident fund

Size of the fund	103,579,547	93,723,576
Number of members	128	128
Cost of investment made	67,915,781	56,902,927
Percentage of investment made	66%	61%
Fair value of investment	68,116,625	58,469,868

31.2.1 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. The investments by the fund have been made in accordance with the conditions specified in section 218 of the Companies Act 2017 and rules specified thereunder.

	Note	2 0 2 2 -----Rupees-----	2 0 2 1
31.3 Auditors' remuneration			
Audit fee		986,000	895,800
Half yearly review fee		200,000	215,136
Other services		577,412	307,692
Out-of-pocket expenses		255,500	675,964
		2,018,912	2,094,592

	Note	2 0 2 2 -----Rupees-----	2 0 2 1
32 FINANCE COST			
Bank charges		473,319	366,867
Lease finance charges		4,105,317	180,619
		4,578,636	547,486

33 INCOME TAX EXPENSE

For the year			
Current		139,524,737	93,439,511
Prior	33.1	(47,615,023)	(44,203,935)
Deferred		(2,737,929)	(4,190,038)
		89,171,785	45,045,538

33.1 The income tax assessments of the Company are finalized on self assessment basis. The return of income upto tax year 2022 have been submitted to the authorities. Amount of Rs. 47.615 million (2021: Rs. 44.203 million) represents excess liability recorded in the books of the Company as compared to tax return.

	Note	2 0 2 2 -----Rupees-----	2 0 2 1
33.2 Relationship between accounting profit and tax expense is as follows			
Accounting profit before tax		477,273,350	357,512,310
Tax @ 29%		155,819,976	103,678,570
Effect of prior year reversal		(47,615,023)	(44,203,935)
Effect of dividend income		(21,194,376)	(9,711,705)
Effect of deductions not allowed		10,329,508	8,921,317
Effect of deferred tax		(2,737,929)	(4,190,038)
Effect of super tax			
Others		(5,430,372)	(9,448,671)
Provision for taxation		89,171,784	45,045,538

34 EARNINGS PER SHARE -

Profit after tax for the year		388,101,565	312,466,772
Weighted average number of ordinary shares outstanding (Numbers)		174,867,363	173,984,402
Basic and diluted earnings per share (Rupees)	34.1	2.22	1.80

34.1 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.

35 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	-----Rupees-----					
Managerial remuneration	3,312,000	3,312,000	7,035,000	5,040,000	19,890,000	12,832,800
Rent and house maintenance	-	-	-	-	3,015,000	1,926,900
Utilities	1,488,000	1,488,000	3,870,000	2,160,000	19,890,000	12,547,200
Meeting fee	-	-	595,000	705,000	-	-
	4,800,000	4,800,000	11,500,000	7,905,000	42,795,000	27,306,900
Number of persons	1	1	8	6	10	7

- 35.1 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.

36 TRANSACTIONS WITH RELATED PARTIES

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	2022	2021
		-----Rupees-----	
Loan received from directors			
Javed Yunus	Director	1,319,560	16,067,500
Loan repaid to directors			
Javed Yunus	Director	4,900,000	13,885,000
Naveed Yunus	Director	5,000,000	5,010,000
Issue of bonus shares and right shares at market value			
Chief Justice (R) Mian			
Mahboob Ahmad	Director	435,350	50,960
Naved Yunus	Director	877,037,604	96,564,800
Ambreen Naved Yunus	Other related party	989,910,800	109,365,840
Javed Yunus	Director	517,745,914	60,658,000
Rubina Javed Yunus	Other related party	951,482,009	11,473,680
Pervez Yunus	Director	1,499,453,688	106,776,560
Samina Pervez Yunus	Other related party	545,202,916	63,874,800
Umeed Ansari	Director	147,025	18,960
Ahsan Mahmood Alvi	Director	147,025	17,200
Saad Yunus	Director	561,920,566	65,400,320
Urooj Yunus Ansari	Director	363,076,143	42,537,280
Mazhar Zubair Abbasi	Director	-	6,000
Shezad Farroq Lodhi	Director	41,426	-
East West Holding Co. Ltd	Associated undertaking	2,078,836,368	117,750,560
Askari Life Assurance Co. Ltd	Associated undertaking	648,806	76,000

Nature of Transaction	Nature of relationship with the Company	2 0 2 2	2 0 2 1
		-----Rupees-----	
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	Director	170,000	145,000
Umeed Ansari	Director	150,000	175,000
Ahsan Mahmood Alvi	Director	1,500,000	180,000
Saad Yunus	Director	3,705,000	3,180,000
Mazhar Zubair Abbasi	Director	60,000	145,000
Urooj Yunus Ansari	Director	125,000	125,000
Shabbir Ali Kanchwala	Company Secretary	3,600,000	3,360,000
Tanveer Iqbal	Chief financial officer	1,230,000	1,080,000
36.1 Year end balances			
Payable to related parties		<u>5,916,634</u>	<u>10,415,361</u>

37 SEGMENT REPORTING

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

Segment current year	Fire and property damage	Marine, aviation & transport	Motor	Engineering	Miscellaneous	Total
	2022					
-----Rupees-----						
Premium receivable (inclusive of gross direct premium, facultative inward premium and administrative surcharge)	1,532,758,522	536,784,375	697,058,674	1,468,747,189	710,371,407	4,945,720,167
Gross direct premium	281,142,757	280,732,398	272,685,221	1,217,422,648.00	597,506,476	2,649,489,500
Facultative inward premium	1,239,753,015	246,682,543	412,189,915	223,634,559.00	94,276,506	2,216,536,538
Administrative surcharge	11,862,750	9,369,434	12,183,538	27,689,982	18,588,425	79,694,129
	<u>1,532,758,522</u>	<u>536,784,375</u>	<u>697,058,674</u>	<u>1,468,747,189</u>	<u>710,371,407</u>	<u>4,945,720,167</u>
Written gross premium	1,532,758,522	536,784,375	697,058,674	1,468,747,189	710,371,407	4,945,720,167
Unearned premium reserves - opening	441,988,148	68,236,038	247,575,026	388,696,574	189,265,086	1,335,760,872
Unearned premium reserves - closing	(506,428,785)	(88,811,059)	(213,799,113)	(427,865,339)	(240,486,759)	(1,477,391,055)
Premium earned	1,468,317,885	516,209,354	730,834,587	1,429,578,424	659,149,734	4,804,089,984
Reinsurance premium ceded	726,910,599	191,225,653	145,121,576	1,145,336,108	149,261,516	2,357,855,452
Prepaid reinsurance premium ceded - opening	219,156,326	19,686,132	40,187,026	198,165,292	57,678,378	534,873,154
Prepaid reinsurance premium ceded - closing	(253,620,373)	(20,169,428)	(58,334,329)	(411,703,892)	(77,193,566)	(821,021,588)
Reinsurance expense	692,446,552	190,742,357	126,974,273	931,797,508	129,746,328	2,071,707,018
Net insurance premium	775,871,333	325,466,997	603,860,314	497,780,916	529,403,406	2,732,382,966
Commission income	201,916,598	50,571,484	26,221,799	190,463,153	24,155,380	493,328,414
Net underwriting income	977,787,931	376,038,481	630,082,113	688,244,069	553,558,786	3,225,711,380
Insurance claims paid	(1,097,098,620)	(187,823,320)	(302,405,738)	(620,915,622)	(283,049,352)	(2,491,292,652)
Outstanding claims (including IBNR) - opening	154,487,217	35,136,389	45,249,473	465,166,577	98,236,462	798,276,118
Outstanding claims (including IBNR) - closing	(481,939,312)	(42,641,072)	(97,186,332)	(677,638,940)	(157,989,355)	(1,457,395,011)
Insurance claims expenses	(1,424,550,715)	(195,328,003)	(354,342,597)	(833,387,985)	(342,802,245)	(3,150,411,545)
Reinsurance and other recoveries received	813,252,890	85,389,857	31,477,524	368,757,306	-	1,298,877,577
Reinsurance and other recoveries in respect of outstanding claims - opening	(97,785,376)	(7,859,070)	(10,627,267)	(392,322,076)	(27,261,242)	(535,855,031)
Reinsurance and other recoveries in respect of outstanding claims - closing	393,815,018	10,176,311	8,630,705	602,764,158	46,934,088	1,062,320,280
Insurance claims recovered from reinsurers	1,109,282,532	87,707,098	29,480,962	579,199,388	19,672,846	1,825,342,826
Net claims	(315,268,183)	(107,620,905)	(324,861,635)	(254,188,597)	(323,129,399)	(1,325,068,719)
Commission expense	(402,084,175)	(106,843,256)	(155,093,876)	(274,421,617)	(95,964,150)	(1,034,407,074)
Management expense	(128,223,527)	(53,787,947)	(99,796,314)	(82,265,218)	(87,491,274)	(451,564,280)
Net insurance claims and expenses	(845,575,885)	(268,252,108)	(579,751,825)	(610,875,432)	(506,584,823)	(2,811,040,073)
Underwriting result	132,212,046	107,786,373	50,330,288	77,368,637	46,973,963	414,671,307
Net investment income						185,205,655
Other income						11,460,074
Other expenses						(177,778,947)
Finance costs						(4,578,636)
Profit from Window Takaful Operation						48,293,899
Profit before tax						<u>477,273,352</u>
Segment assets	1,088,459,547	420,167,686.83	518,454,449	1,091,132,485	391,521,643	3,509,735,810
Un-allocated assets						2,483,622,998
Total assets						<u>5,993,358,808</u>
Segment liabilities	1,018,252,536	393,066,342	485,013,484	1,020,753,066	366,268,004	3,283,353,433
Un-allocated liabilities						242,495,220
Total liabilities						<u>3,525,848,653</u>

Segment prior year	Fire and property damage	Marine, aviation & transport	Motor	Engineering	Miscellaneous	Total
	2021					
-----Rupees-----						
Premium receivable (inclusive of gross direct premium, facultative inward premium and administrative surcharge)	1,272,799,030	436,557,515	538,882,361	1,075,530,667	565,496,879	3,889,266,452
Gross direct premium	323,991,481	264,594,997	189,712,605	865,773,135	424,939,713	2,069,011,931
Facultative inward premium	933,693,722	163,170,729	341,158,004	184,728,307	123,738,427	1,746,489,189
Administrative surcharge	15,113,827	8,791,789	8,011,752	25,029,225	16,818,739	73,765,332
	<u>1,272,799,030</u>	<u>436,557,515</u>	<u>538,882,361</u>	<u>1,075,530,667</u>	<u>565,496,879</u>	<u>3,889,266,452</u>
Written gross premium	1,272,799,030	436,557,515	538,882,361	1,075,530,667	565,496,879	3,889,266,452
Unearned premium reserves - opening	361,270,936	71,682,629	222,248,890	165,459,939	402,465,683	1,223,128,077
Unearned premium reserves - closing	(441,988,148)	(68,236,038)	(247,575,026)	(388,696,574)	(189,265,086)	(1,335,760,872)
Premium earned	1,192,081,818	440,004,106	513,556,225	852,294,032	778,697,476	3,776,633,657
Reinsurance premium ceded	(574,189,584)	(185,396,589)	(98,789,292)	(660,962,517)	(108,984,182)	(1,628,322,164)
Prepaid reinsurance premium ceded - opening	(171,486,152)	(27,890,167)	(37,021,358)	(288,530,121)	(40,749,852)	(565,677,650)
Prepaid reinsurance premium ceded - closing	219,156,326	19,686,132	40,187,026	198,165,292	57,678,378	534,873,154
Reinsurance expense	(526,519,410)	(193,600,624)	(95,623,624)	(751,327,346)	(92,055,656)	(1,659,126,660)
Net insurance premium	665,562,408	246,403,482	417,932,601	100,966,686	686,641,820	2,117,506,997
Commission income	155,861,952	49,057,305	20,093,323	125,174,693	24,590,603	374,777,876
Net underwriting income	821,424,360	295,460,787	438,025,924	226,141,379	711,232,423	2,492,284,873
Insurance claims paid	(407,437,905)	(154,863,540)	(210,089,641)	(378,598,059)	(233,105,056)	(1,384,094,201)
Outstanding claims (including IBNR) - opening	104,633,446	38,286,714	27,232,803	421,315,674	61,118,607	652,587,244
Outstanding claims (including IBNR) - closing	(154,487,217)	(35,136,389)	(45,249,473)	(465,106,577)	(98,296,462)	(798,276,118)
Insurance claims expenses	(457,291,676)	(151,713,215)	(228,106,311)	(422,388,962)	(270,282,911)	(1,529,783,075)
Reinsurance and other recoveries received	196,539,341	57,430,278	31,725,692	265,530,090	10,975,384	562,200,785
Reinsurance and other recoveries in respect of outstanding claims - opening	(58,984,408)	(6,271,179)	(9,364,005)	(355,505,935)	(25,540,634)	(455,666,161)
Reinsurance and other recoveries in respect of outstanding claims - closing	97,785,376	7,859,070	10,627,267	392,322,076	27,261,242	535,855,031
Insurance claims recovered from reinsurers	235,340,309	59,018,169	32,988,954	302,346,231	12,695,992	642,389,655
Net claims	(221,951,367)	(92,695,046)	(195,117,357)	(120,042,731)	(257,586,919)	(887,393,420)
Commission expense	(325,318,147)	(86,665,480)	(109,055,247)	(226,391,235)	(105,344,476)	(852,774,585)
Management expense	(117,833,165)	(43,624,012)	(73,992,041)	(17,875,445)	(121,565,127)	(374,889,790)
Net insurance claims and expenses	<u>(665,102,679)</u>	<u>(222,984,538)</u>	<u>(378,164,645)</u>	<u>(364,309,411)</u>	<u>(484,496,522)</u>	<u>(2,115,057,795)</u>
Underwriting results	156,321,681	72,476,249	59,861,279	(138,168,032)	226,735,901	377,227,078
Investment income						91,502,879
Other income						14,267,113
Other expenses						(158,010,479)
Finance costs						(547,486)
Profit from Window Takaful Operation						33,073,205
Profit before tax						<u>357,512,310</u>
Segment assets	771,486,013	297,809,407	367,473,790	773,380,556	277,505,464	2,487,655,230
Un-allocated assets						2,046,149,430
Total assets						<u>4,533,804,660</u>
Segment liabilities	732,827,732	282,886,520	349,060,099	734,627,342	263,599,983	2,363,001,676
Un-allocated liabilities						209,860,763
Total liabilities						<u>2,572,862,439</u>

38 MOVEMENT IN INVESTMENTS

	Available for sale	Held to Maturity	Held for Trading	Total
-----Rupees-----				
As at January 01, 2021	222,919,825	239,785,277	594,056,587	1,056,761,689
Additions	-	218,065,573	542,915,725	760,981,298
Disposals (sale and redemptions)	-	(78,766,780)	(40,561,316)	(119,328,096)
Fair value net gains (excluding net realised gains)	(4,388,106)	-	(8,765,431)	(13,153,537)
Maturity of investment	-	3,554,049	-	3,554,049
	(4,388,106)	142,852,842	493,588,978	632,053,714
As at December 31, 2021	218,531,719	382,638,119	1,087,645,565	1,688,815,403
Additions	843,682	354,623,934	559,151,005	914,618,621
Disposals (sale and redemptions)	-	(137,500,000)	(358,119,463)	(495,619,463)
Fair value net gains (excluding net realised gains)	(28,998,986)	-	(7,113,127)	(36,112,113)
Maturity of investment	-	16,660,594	-	16,660,594
	(28,155,304)	233,784,528	193,918,415	399,547,639
As at December 31, 2022	190,376,415	616,422,647	1,281,563,980	2,088,363,042

39 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company's activities expose it to a variety of insurance and financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk, price risk and currency risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to insurance and financial risk without any material change from previous year in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

39.1 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.

39.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical factors, 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 reporting date:

Class of business	2022				2021			
	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	33%	22%	34%	33%	19%	22%	33%	28%
Marine, aviation and transport	3%	8%	6%	5%	4%	10%	5%	6%
Motor	7%	22%	14%	12%	6%	13%	19%	26%
Engineering	46%	19%	29%	37%	58%	28%	29%	24%
Miscellaneous	11%	28%	16%	14%	12%	27%	14%	16%
Total	100%	100%	100%	100%	100%	100%	100%	100%

39.1.2 Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

In compliance with regulatory requirements, the reinsurance agreements are duly submitted to the SECP on an annual basis.

The Company's class wise risk exposure (based on maximum loss coverage in a single policy is as follows):

Class	Gross sum insured	Reinsurance	Net exposure of risk	Net exposure of risk
			2022	2021
			-----Rupees-----	
Fire and property damage	10,666,996,424	10,414,996,424	252,000,000	504,290,919,788
Marine, aviation and transport	3,738,905,000	3,688,905,000	50,000,000	176,706,342,773
Motor	1,863,140,368	558,942,110	1,304,198,258	35,716,699,005
Engineering	22,593,529,540	22,343,529,540	250,000,000	499,869,073,731
Miscellaneous	1,989,953,691	1,979,953,691	10,000,000	34,157,260,859

39.1.3 Source of uncertainty in estimation of future claim payments

The key source of estimation of uncertainty at the reporting 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.

39.1.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR is that the Company's future claim development will follow similar market pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which reporting pattern will not apply in future. The judgment includes external factors such as 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.

39.1.5 Claim 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 26.2. All amounts are presented in gross numbers before reinsurance.

39.1.6 Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact on the before tax and shareholders's equity of the changes in the claim liabilities net of reinsurance is analyzed below, the sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all the other assumptions constant.

	Pre-tax profit		Shareholders' equity	
	2022	2021	2022	2021
	-----Rupees-----		-----Rupees-----	
10% increase in loss				
Fire and property damage	(31,526,818)	(22,195,137)	(22,384,041)	(15,758,547)
Marine, aviation and transport	(10,762,091)	(9,269,505)	(7,641,084)	(6,581,348)
Motor	(32,486,164)	(19,511,736)	(23,065,176)	(13,853,332)
Engineering	(25,418,860)	(22,639,124)	(18,047,390)	(16,073,778)
Miscellaneous	(32,312,940)	(25,758,692)	(22,942,187)	(18,288,671)
	<u>(1,32,506,872)</u>	<u>(99,374,192)</u>	<u>(94,079,878)</u>	<u>(70,555,676)</u>

	Pre-tax profit		Shareholders' equity	
	2022	2021	2022	2021
	-----Rupees-----		-----Rupees-----	
10% decrease in loss				
Fire and property damage	31,526,818	22,195,137	22,384,041	15,758,547
Marine, aviation and transport	10,762,091	9,269,505	7,641,084	6,581,348
Motor	32,486,164	19,511,736	23,065,176	13,853,332
Engineering	25,418,860	22,639,124	18,047,390	16,073,778
Miscellaneous	32,312,940	25,758,692	22,942,187	18,288,671
	<u>132,506,872</u>	<u>99,374,192</u>	<u>94,079,878</u>	<u>70,555,676</u>

39.2 Financial risk

39.2.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management follows an effective cash management program to mitigate the liquidity risk.

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

	2022		
	Carrying amount	Contractual cash flows	More than one year
	----- Rupees -----		

Non-derivative

Financial liabilities

Outstanding claims including IBNR	#####	1,457,395,011	951,498,093	505,896,918
Insurance / reinsurance payables	33,170,381	33,170,381	33,170,381	-
Other creditors and accruals	57,249,666	57,249,666	57,249,666	-
	#####	1,547,815,058	1,041,918,140	505,896,918

	2021		
	Carrying amount	Contractual cash flows	More than one year
	----- Rupees -----		

Non-derivative

Financial liabilities

Outstanding claims including IBNR	798,276,118	798,276,118	296,238,835	502,037,283
Insurance / reinsurance payables	3,665,035	3,665,035	3,665,035	-
Other creditors and accruals	87,715,612	87,715,612	87,715,612	-
	<u>889,656,765</u>	<u>889,656,765</u>	<u>387,619,482</u>	<u>502,037,283</u>

39.2.2 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark-up rate risk, price risk and currency risk.

a) Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatching of financial assets and liabilities that mature or repaid in a given year. The Company manages this mismatchment through risk management strategies where significant changes in gap position can be adjusted. At the reporting date, the interest / mark-up rate profile of the Company's significant interest / mark-up bearing financial instruments was as follows:

	Effective yield / interest rate	2022						Total
		Interest / mark-up bearing			Non-interest bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
----- Rupees -----								
Financial assets								
Investments								
Equity securities		-	-	-	-	1,471,940,394	1,471,940,394	
Debt securities	7.25% to 15.73%	27,871,861	404,902,203	432,774,064	203,648,203	-	636,422,267	
Term deposits	7.20% to 13.90%	190,295,368	-	190,295,368	-	-	190,295,368	
		218,167,229	404,902,203	623,069,432	203,648,203	1,471,940,394	2,298,658,029	
Loan and other receivables		-	-	-	31,162,433	-	31,162,433	
Insurance / reinsurance receivables		-	-	-	916,409,398	-	916,409,398	
Reinsurance recoveries against outstanding claims		-	-	-	1,062,320,280	-	1,062,320,280	
Cash and bank	4.10% to 8.20%	16,905,881	-	16,905,881	12,766	-	16,918,647	
		235,073,110	404,902,203	639,975,313	2,213,553,080	1,471,940,394	4,325,468,787	

	Effective yield / interest rate	2022						Total
		Interest / mark-up bearing			Non-interest bearing			
		Maturity upto one year	Maturity after one year	Sub total	Maturity within one year	Maturity after one year	Sub total	
----- Rupees -----								
Financial liabilities								
Outstanding claims including IBNR	-	-	-	-	1,457,395,011	-	1,457,395,011	
Insurance / reinsurance payables	-	-	-	-	33,170,381	-	33,170,381	
Other creditors and accruals	-	-	-	-	57,249,666	-	57,249,666	
Lease liability	8.22% to 15.06%	-	-	-	-	-	-	
		-	-	-	1,547,815,058	-	1,547,815,058	
On balance sheet gap (a)		235,073,110	404,902,203	639,975,313	665,738,022	1,471,940,394	2,777,653,729	
Off balance sheet financial instrument		-	-	-	-	-	-	
Off balance sheet gap (b)		-	-	-	-	-	-	
		235,073,110	404,902,203	639,975,313				
Total interest rate sensitivity gap (a) + (b)		235,073,110	404,902,203	639,975,313				
Cumulative interest rate sensitivity gap		235,073,110	404,902,203					

	Effective yield / interest rate	2021						Total
		Interest / mark-up bearing			Non-interest bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total	
----- Rupees -----								
Financial assets								
Investments								
Equity securities		-	-	-	-	1,306,177,282	1,306,177,282	
Debt securities	7.25% to 13.40%	34,942,118	267,146,050	302,088,168	100,549,955	-	402,638,123	
Term deposits	7.50% to 13.90%	163,382,338	-	163,382,338	-	-	163,382,338	
		198,324,456	267,146,050	465,470,506	100,549,955	1,306,177,282	1,872,197,743	
Loan and other receivables		-	-	-	28,159,494	-	28,159,494	
Insurance / reinsurance receivables		-	-	-	799,710,582	-	799,710,582	
Reinsurance recoveries against outstanding claims		-	-	-	535,855,031	-	535,855,031	
Cash and bank	4.10% to 8.20%	19,452,286	-	19,452,286	14,384	-	19,466,670	
		217,776,742	267,146,050	484,922,792	1,464,289,446	1,306,177,282	3,255,389,520	
Financial liabilities								
Outstanding claims including IBNR	-	-	-	-	798,276,118	-	798,276,118	
Insurance / reinsurance payables	-	-	-	-	3,665,035	-	3,665,035	
Other creditors and accruals	-	-	-	-	87,715,612	-	87,715,612	
Lease liability	12.01% to 15.39%	-	-	-	-	-	-	
		-	-	-	889,656,765	-	889,656,765	
On balance sheet gap (a)		217,776,742	267,146,050	484,922,792	574,632,681	1,306,177,282	2,365,732,755	
Off balance sheet financial instrument		-	-	-	-	-	-	
Off balance sheet gap (b)		-	-	-	-	-	-	
		217,776,742	267,146,050	484,922,792				
Total interest rate sensitivity gap (a) + (b)		217,776,742	267,146,050	484,922,792				
Cumulative interest rate sensitivity gap		217,776,742	267,146,050					

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

	2 0 2 2	Carrying amount	2021
		Rupees	
Fixed rate instruments			
Financial assets	603,069,432		445,470,506
Variable rate instruments			
Financial assets	36,905,881		39,452,286

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis of variable rate instruments

An increase of 100 basis points in interest rates would have increased the profit and loss account 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.

	<u>Profit before tax</u>		<u>Total equity</u>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at December 31, 2022				
Sensitivity	369,059	(369,059)	262,032	(262,032)
As at December 31, 2021				
Sensitivity	394,523	(394,523)	280,111	(280,111)

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.

b) Price risk

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

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, 2022 and 2021 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, 2022	1,471,940,394	10% increase	1,619,134,433	104,507,768	147,194,039
		10% decrease	1,324,746,355	(104,507,768)	(147,194,039)
December 31, 2021	1,306,177,282	10% increase	1,436,795,010	92,738,587	130,617,728
		10% decrease	1,175,559,554	(92,738,587)	(130,617,728)

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk as the Company has no financial assets and financial liabilities in foreign currencies.

39.2.3 Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various sectors and by continually assessing the credit worthiness of counterparties.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2022 is the carrying amount of the financial assets as set out below:

	2022	2021
	-----Rupees-----	
Nature of financial assets		
Investments		
Equity securities	1,471,940,394	1,306,177,282
Debt securities	636,422,267	402,638,123
Term deposits	190,295,368	163,382,338
	2,298,658,029	1,872,197,743
Loans and other receivables	31,162,433	28,159,494
Insurance / reinsurance receivables	916,409,398	799,710,582
Reinsurance recoveries against outstanding claims	1,062,320,280	535,855,031
Bank balances	31,308,028	27,900,941
	<u>4,339,858,168</u>	<u>3,263,823,791</u>

Provision for impairment is made for doubtful receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

The age analysis of due from insurance contract holders from other than related parties is as follows:

Upto 3 months	124,117,208	231,670,038
3 to 6 months	157,784,392	79,355,932
6 to 12 months	1,029,344	-
Above 12 months	3,128,198	2,049,325
	<u>286,059,142</u>	<u>313,075,295</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:

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Name of banks	Rating		Rating agency	2022	2021
	Long term	Short term			
----- Rupees -----					
Cash at bank					
Allied Bank Limited	AAA	A-1+	PACRA	8,873	19,748
Askari Bank Limited	AA+	A-1+	PACRA	9,889	45,858
AlBaraka Bank (Pakistan) Limited	A	A1	PACRA	2,820	2,820
Bank Alfalah Limited	AA+	A-1+	PACRA	4,494	4,494
BankIslami Pakistan Limited	A+	A1	PACRA	1,350	5,762
The Bank of Punjab	AA+	A-1+	PACRA	15,231	41,603
Dubai Islamic Bank	AA-	A-1+	JCR-VIS	859,053	15,008,192
Faysal Bank Limited	AA	A-1+	JCR-VIS	6,046,574	2,990,461
Habib Metropolitan Bank	AA+	A-1+	PACRA	11,930	12,269
Habib Bank Limited	AAA	A-1+	JCR-VIS	18,129	6,330
Habib Microfinance Bank				17,563	-
MCB Bank Limited	AAA	A-1+	PACRA	2,794,441	1,762,007
National Bank of Pakistan	AAA	A1+	PACRA	444,967	172,068
Soneri Bank Limited	AA-	A-1+	PACRA	1,997,152	1,513,657
Summit Bank Limited		Suspended	JCR-VIS	6,226,426	2,604,517
Sindh Bank Limited	A+	A-1	JCR-VIS	1,478	1,478
United Bank Limited	AAA	A-1+	JCR-VIS	732,267	97,667
The Punjab Provincial Bank		Not available		123,815	119,416
JS Bank Limited	AA-	A-1+	PACRA	5,722,486	87,895
MCB Bank Limited (Formerly NIB Bank Limite	AAA	A-1+	PACRA	7,653	7,653
The Karakoram Cooperative Bank		Not available		3,863,601	2,524,020
Zarai Taraqiati Bank Limited	AAA	A-1+	JCR-VIS	2,392,837	873,026
				<u>31,303,029</u>	<u>27,900,941</u>
Term deposit certificates					
JS Bank Limited	AA-	A-1+	PACRA	25,000,000	-
Summit Bank Limited		Suspended	JCR-VIS	75,486,368	118,750,338
Dubai Islamic Bank	AA-	A-1+	JCR-VIS	35,500,000	10,000,000
MCB Bank Limited	AAA	A-1+	PACRA	-	1,150,000
Habib Microfinance Bank				1,000,000	-
The Karakoram Cooperative Bank		Not available		37,000,000	16,800,000
Bank Islami Limited	A+	A-1+	PACRA	-	10,000,000
Soneri Bank Limited	AA-	A-1+	PACRA	15,955,000	2,500,000
The Bank of Punjab	AA+	A-1+	PACRA	-	150,000
The Punjab Provincial Bank		Not available		354,000	782,000
United Bank Limited	AAA	A-1+	JCR-VIS	-	3,250,000
				<u>190,295,368</u>	<u>163,382,338</u>

40 CAPITAL RISK MANAGEMENT

The Company's goals and objectives when managing capital are:

To be an appropriately capitalized institution in compliance with the paid-up capital requirement set by the SECP. The minimum paid-up capital requirement for non-life insurers is Rs. 500 million. The Company's current paid-up capital is well in excess of the limit prescribed by the SECP;

To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders;

To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;

To maintain strong ratings and to protect the Company against unexpected events / losses; and

To ensure a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

2022											
Carrying amount							Fair value				
Held-to-maturity	Available for sale	Held for Trading	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees)							(Rupees)				
Financial assets measured at fair value											
Investments											
Equity securities	-	190,376,414	1,281,563,980	-	-	-	1,471,940,394	190,376,414	-	-	190,376,414
Debt securities	-	20,000,000	-	-	-	-	20,000,000	-	10,000,000	10,000,000	20,000,000
Financial assets not measured at fair value											
Investments											
Debt securities	616,422,267	-	-	-	-	-	616,422,267	-	-	-	-
Term deposits	-	-	-	-	190,295,368	-	190,295,368	-	-	-	-
Loans and other receivable*	-	-	-	76,870,969	-	-	76,870,969	-	-	-	-
Insurance / reinsurance receivable*	-	-	-	916,409,398	-	-	916,409,398	-	-	-	-
Re-insurance recoveries against outstanding claims*	-	-	-	1,062,320,280	-	-	1,062,320,280	-	-	-	-
Cash and bank balance*	-	-	-	-	31,320,794	-	31,320,794	-	-	-	-
	616,422,267	210,376,414	1,281,563,980	2,055,600,647	221,616,162	-	4,385,579,470	190,376,414	10,000,000	10,000,000	210,376,414
Financial liabilities not measured at fair value											
Outstanding claims including IBNR*	-	-	-	-	-	(1,457,395,011)	(1,457,395,011)	-	-	-	-
Insurance / reinsurance payables*	-	-	-	-	-	(33,170,381)	(33,170,381)	-	-	-	-
Other creditors and accruals*	-	-	-	-	-	(57,249,666)	(57,249,666)	-	-	-	-
Lease liability against right of use of asset	-	-	-	-	-	(19,936,638)	(19,936,638)	-	-	-	-
	616,422,267	210,376,414	1,281,563,980	2,055,600,647	221,616,162	(1,567,751,696)	2,817,827,774	190,376,414	10,000,000	10,000,000	210,376,414

2021											
Carrying amount							Fair value				
Held-to-maturity	Available for sale	Held for Trading	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees)							(Rupees)				
Financial assets measured at fair value											
Investments											
Equity securities	-	218,531,719	1,087,645,563	-	-	-	1,306,177,282	1,306,177,282	-	-	1,306,177,282
Debt securities	-	20,000,000	-	-	-	-	20,000,000	-	10,000,000	10,000,000	20,000,000
Financial assets not measured at fair value											
Investments											
Debt securities	382,638,123	-	-	-	-	-	382,638,123	-	-	-	-
Term deposits	-	-	-	-	163,382,338	-	163,382,338	-	-	-	-
Insurance / reinsurance receivable*	-	-	-	732,304,967	-	-	732,304,967	-	-	-	-
Loans and other receivable*	-	-	-	127,512,183	-	-	127,512,183	-	-	-	-
Re-insurance recoveries against outstanding claims*	-	-	-	455,666,161	-	-	455,666,161	-	-	-	-
Cash and bank balance*	-	-	-	-	26,721,813	-	26,721,813	-	-	-	-
	382,638,123	238,531,719	1,087,645,563	1,315,483,311	190,104,151	-	3,214,402,867	1,306,177,282	10,000,000	10,000,000	1,326,177,282
Financial liabilities not measured at fair value											
Outstanding claims including IBNR*	-	-	-	-	-	(798,276,118)	(798,276,118)	-	-	-	-
Insurance / reinsurance payables*	-	-	-	-	-	(3,665,035)	(3,665,035)	-	-	-	-
Other creditors and accruals*	-	-	-	-	-	(87,715,612)	(87,715,612)	-	-	-	-
Lease liability	-	-	-	-	-	-	-	-	-	-	-
	382,638,123	238,531,719	1,087,645,563	1,315,483,311	190,104,151	(889,656,765)	2,324,746,102	1,306,177,282	10,000,000	10,000,000	1,326,177,282

* The company has not disclosed the fair value of these items because their carrying amounts are a reasonable approximation of their fair values. Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences may arise between the carrying values and the fair value estimates.

42 FAIR VALUE OF NON FINANCIAL ASSET

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

Fair value measurement of investment property is based on the valuation carried out by independent valuers M/s. Al-Shahbaz Surveyors (Private) Limited and M/s. Salam Associates (Private) Limited on the basis of market value. Fair value measurement of revalued premises is based on assumptions considered to be level 2 inputs.

Valuation techniques used to derive level 2 fair values

Fair value of freehold land and investment property was derived using sale comparison approach, standard appraisal procedures and physical site inspection. Sale prices of comparable land in close proximity is adjusted for differences in key attributes, such as location and size of the land. The most significant input in this valuation approach is price / rate per kanal / acre in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

2 0 2 2
Rupees

43 STATEMENT OF SOLVENCY

ASSETS

Property and equipment	
Office premises	42,033,826
Furniture and fixtures	8,728,160
Electric fittings and equipments	12,455,281
Office equipments	2,268,553
Motor vehicles	45,127,785
Computers equipments	733,596
Intangible assets	873,732
Right to use assets	17,436,579
	129,657,512
Investment Properties	48,177,647
Investments	
Equity securities	1,471,940,394
Debt securities	636,422,267
Term deposit receipts	190,295,368
	2,298,658,029
Loans and other receivables	76,870,969

2 0 2 2
Rupees

Current assets - others	
Insurance / reinsurance receivables	916,409,398
Re-insurance recoveries against outstanding claims	1,062,320,280
Deferred commission expense	378,287,611
Deferred tax assets	10,892,951
Prepayments	821,287,617
Cash and bank	31,320,794
	<u>3,220,518,651</u>
Total assets	5,773,882,808
Total assets of takaful operations	<u>219,476,000</u>
Total assets	<u><u>5,993,358,808</u></u>

Inadmissible Assets

Marketable securities	111,172,718
Deferred tax assets	10,892,951
Premium due but unpaid	158,813,736
Furniture and fixtures	8,728,160
Electric fittings and equipments	12,455,281
Computers	733,596
Office equipment	2,268,553
Vehicles	45,127,785
Right of use of assets	17,436,579
Vehicles - Operators' Fund	1,040,214
Qard-e-Hasna	18,150,000
Receivable from PTF	126,951,887
Computer software	168,732
Capital working progress	705,000
Total inadmissible assets	<u>514,645,192</u>
Total admissible assets	5,478,713,616

LIABILITIES

Underwriting Provisions	
Outstanding claims including IBNR	1,457,395,011
Unearned premium reserves	1,477,391,055
Unearned reinsurance commission	176,821,681
	<u>3,111,607,747</u>
Retirement benefit obligations	1,717,036
Premium received in advance	75,171,158
Insurance / reinsurance payables	33,170,381
Other creditors and accruals	113,908,168

	2 0 2 2 Rupees
Taxation - net	106,933,378
Total Liabilities	<u>3,442,507,868</u>
Total liabilities of takaful operations	63,404,147
Total Liabilities	<u><u>3,505,912,015</u></u>
Total net admissible assets	1,972,801,601

Minimum Solvency Requirement (higher of following)

Method A - u/s 36(3)(a)	150,000,000
Method B - u/s 36(3)(b)	546,476,593
Method C - u/s 36(3)(c)	295,766,502
	<u>546,476,593</u>
Excess in Net Admissible Assets over Minimum Requirements	<u><u>1,426,325,008</u></u>

44 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

	2 0 2 2	2 0 2 1
45 NUMBER OF EMPLOYEES		
Number of employees at the end of the year	157	153
Average number of employees	155	152

46 CORRESPONDING FIGURES

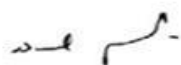
Corresponding figures have been re-arranged and re-classified, where ever necessary for the purpose of comparison, the effect of which is not material.

47 DATE OF AUTHORIZATION FOR ISSUE

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

48 GENERAL

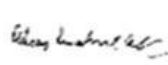
Figures have been rounded off to the nearest Pakistan rupee unless otherwise stated.



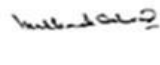
**CHIEF EXECUTIVE
OFFICER**



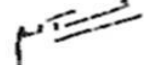
DIRECTOR



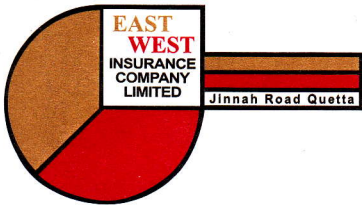
DIRECTOR



CHAIRMAN



**CHIEF FINANCIAL
OFFICER**



EAST WEST INSURANCE CO., LTD.

WINDOW TAKAFUL OPERATIONS

SHARIAH ADVISOR REPORT TO THE BOARD OF DIRECTORS

For the year ended 31 December 2022

الحمد لله رب العلمين والصلاة والسلام على سيد الانبياء والمرسلين محمد النبي الامى وعلى اله وصحبه اجمعين وبعد.

We have reviewed the accompanying financial statements of East West Insurance Company Limited Window Takaful Operation (hereafter referred as "The Operator") for the year ended 31 December 2022.

We acknowledge that as a Shariah Advisor of the Operator, it is Shariah Department's responsibility to ensure that the financial arrangements, contracts and transactions under taken by the Operator with its participants and stakeholders are compliant with the requirements of Shariah rules and principles.

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

To form our opinion as expressed in this report, we have reviewed all types of business transactions of the Operator during the year 2022. Based on above, we are of the view that under Takaful Rule 2012.

- I. The financial arrangements products and transactions entered into by the Operator and the Waqf, as the case may be for the year ended December 31, 2022 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisor.
- II. The Operator strived to identify new investment avenues and opted different available options that delivered excellent results. During the year management continuously consulted with the Shariah advisor on the matters and market practices relating to investment activities. The investment avenues and locations selected by the investment manager were periodically reviewed by the Shariah Department and are found Shariah compliant and in conformity with the Shariah guidelines issued by the Shariah Advisor.
- III. The Shariah Department has provided Basic Takaful training to the staff of the window Takaful operations. Meanwhile, the mandatory training on Takaful Concept and practices was also organized for executive level & sales staff as well.
- IV. The Operator should more focus towards enhancing the skills and knowledge for the all staff of Window Takaful related to the Shariah structure of the company and on Takaful Concept and practices. The Operator should organize the more sessions for executive level & sales staff as well around the country.
- V. Consequently, we have found that the company is in accordance with the Shariah principals with respect to all transactions.

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

Mufti Abbad Ashraf Usmani

Shariah Advisor

East West Insurance Company

Window Takaful Operations

THE ONLY PUBLIC LIMITED INSURANCE COMPANY OF BALUCHISTAN

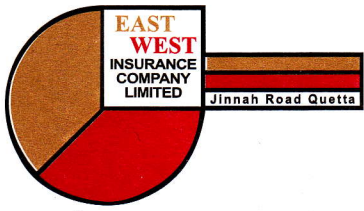
REGISTERED OFFICE : 27, Regal Plaza, Jinnah Road, Quetta. Phones : (081) 2822913, 2821397 Fax: (081) 2821460

HEAD OFFICE : 401 - 404, Block "B", 4th Floor, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi.

PABX : 021-35630400-11 Fax: 021-35630414-35630415 E-mail : info@eastwestinsurance.com.pk Web: www.eastwestinsurance.com.pk

PRINCIPAL OFFICE TAKAFUL: First Floor, Plot No: 23 C, Khayaban-e-ittihad, Phase-II EXT DHA, Karachi.

Phones: 021-35897872, 021-35897873, 021-35897874



EAST WEST INSURANCE CO., LTD.

WINDOW TAKAFUL OPERATIONS

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

The financial arrangements, contracts and transactions, entered into by the Window Takaful Operation of the East West Insurance Company ("the Company") for the year ended 31 December 2022 are in compliance with the Takaful Rules, 2012.

Further, we confirm that:

1. The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/Shariah Advisor and the Board of Directors have been implemented.
2. The Company has ensured availability of all manuals / agreements approved by Shariah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff and management:
3. All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions entered into by Window Takaful Operation are in accordance with the policies approved by Shariah Advisor:
4. The assets and liabilities of Window Takaful Operations (Participant's Takaful Fund and Operator's Fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012: and
5. Rule 10 (1) (k) of Takaful Rule 2012 which states that an operator shall ensure that in case of general takaful each Participant Takaful Fund, at all times, has admissible assets in excess of its liabilities. During the year there was no need of transfer of funds as Qard-e-Hasna because PTF has admissible assets in excess of its liabilities. Therefore there was not any change in balance of Qard-e-Hasna.

This has been duly confirmed by the Shariah Advisor of the Company.

NAVED YUNUS
Chief Executive Officer

THE ONLY PUBLIC LIMITED INSURANCE COMPANY OF BALUCHISTAN

REGISTERED OFFICE : 27, Regal Plaza, Jinnah Road, Quetta. Phones : (081) 2822913, 2821397 Fax: (081) 2821460

HEAD OFFICE : 401 - 404, Block "B", 4th Floor, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi.

PABX : 021-35630400-11 Fax: 021-35630414-35630415 E-mail : info@eastwestinsurance.com.pk Web: www.eastwestinsurance.com.pk

PRINCIPAL OFFICE TAKAFUL: First Floor, Plot No: 23 C, Khayaban-e-ittihad, Phase-II EXT DHA, Karachi.

Phones: 021-35897872, 021-35897873, 021-35897874

INDEPENDENT AUDITORS' REPORT

To the Members of East West Insurance Company Limited – Window Takaful Operations Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **East West Insurance Company Limited – Window Takaful Operations** (the Operator), which comprise of the statement of financial position as at December 31, 2022 and the profit and loss account, the statement of comprehensive income, the statement of changes in fund and the cashflows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position as at December 31, 2022 and the profit and loss account, the statement of comprehensive income, the statement of changes in funds and the cashflows statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Operator's affairs as at December 31, 2022 and of the profit and total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

S. No	Key Audit Matter	How the matter was addressed in our audit
01	<p>Revenue Recognition</p> <p>Refer note 20 and 22 to the annexed financial statements</p> <p>The revenue of Participants' Takaful Fund of the Operator based on contribution earned and re-takaful rebate from takaful policies which comprises almost 99.98 % of total income.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Operator and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of income; • Assessed the appropriateness of the Operator's accounting policy for recording takaful contributions in line with requirements of applicable accounting and reporting standards; • Tested the policies on sample basis where contributions were recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; • Recalculated the unearned portion of the contribution and re-takaful rebate and ensured that appropriate amount has been recorded as provision for unearned contribution reserve and re-takaful rebate. • Considered the adequacy of disclosure as per 'General Takaful Accounting Regulation 2019'.

Information Other than Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Imran Shaikh.

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Place: Karachi

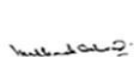
Date:

UDIN:

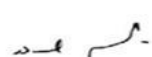
EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	Operator's Fund		Participant's Takaful Fund	
		2022	2021	2022	2021
		-----Rupees-----		-----Rupees-----	
ASSETS					
Property and equipment	7	9,542,516	10,250,060	-	-
Investment property - at cost	8	31,808,610	33,482,748	-	-
Investment					
Term deposits		-	1,000,000	-	-
Accrued investment income	9	4,188	4,468	2,277	2,418
Qard-e-Hasna to Participants' Takaful Fund (PTF)	10	18,150,000	18,150,000	-	-
Takaful / re-takaful receivables	11	-	-	230,395,268	150,447,508
Receivable from PTF	12	126,951,887	83,454,307	-	-
Retakaful recoveries against outstanding claims		-	-	39,931,939	-
Taxation - payment less provision	13	4,598	23,392	5,700	7,783
Deferred wakala fee expense		-	-	52,601,172	41,586,885
Deferred commission expense	23	32,875,584	24,336,954	-	-
Prepayments	14	12,000	810,300	65,983,521	61,240,665
Cash and bank	15	126,617	220,070	1,153,814	783,022
TOTAL ASSETS		219,476,000	171,732,299	390,073,691	254,068,281
FUND AND LIABILITIES					
Operators' Fund					
Statutory Fund		50,000,000	50,000,000	-	-
Accumulated profit		105,594,896	57,300,997	-	-
Total Operators Fund		155,594,896	107,300,997	-	-
Participants' Takaful Fund					
Ceded money		-	-	500,000	500,000
Accumulated surplus		-	-	45,436,008	30,618,322
Balance of Participant Takaful Fund		-	-	45,936,008	31,118,322
Qard-e-Hasna from Operator's Fund	10	-	-	18,150,000	18,150,000
LIABILITIES					
Underwriting provisions					
Outstanding claims		-	-	42,875,000	-
Unearned contribution reserve		-	-	140,294,281	110,072,202
Unearned Re-takaful rebate		-	-	8,520,696	9,412,256
		-	-	191,689,977	119,484,458
Takaful / Re-takaful payable	16	-	-	7,707,899	816,714
Unearned wakala fee		52,601,172	41,586,885	-	-
Contribution received in advance		-	-	-	134,486
Payable to OPF	12	-	-	126,451,887	82,954,307
Other creditors and accruals	17	10,802,975	17,591,952	137,920	1,409,994
Payable to East West Insurance Company Limited	18	476,957	5,252,465	-	-
TOTAL LIABILITIES		63,881,104	64,431,302	325,987,683	204,799,959
TOTAL FUND AND LIABILITIES		219,476,000	171,732,299	390,073,691	254,068,281
CONTINGENCIES AND COMMITMENTS					
	19				

The annexed notes from 1 to 35 form an integral part of this financial information.



CHAIRMAN



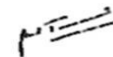
CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

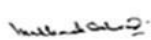


CHIEF FINANCIAL OFFICER

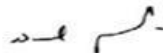
**EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022**

		December 31 2022	December 31 2021
	Note	-----Rupees-----	
Participants' Takaful Fund			
Contributions earned	20	254,394,027	188,932,769
Less: Contributions ceded to retakaful	20	(175,287,607)	(150,751,067)
Net contributions revenue		79,106,420	38,181,702
Retakaful rebate	22	25,828,341	21,716,473
Net underwriting income		104,934,761	59,898,175
Net claims - reported / settled	21	(90,132,456)	(44,396,414)
Other direct expenses		(3,548)	(8,766)
Surplus before investment income		14,798,757	15,492,995
Investment income	26	37,859	40,787
Less: Modarib share of investment income	26	(18,930)	(20,394)
		14,817,686	15,513,388
Operator's Fund			
Wakala fee	24	155,374,744	113,628,984
Commission expense	23	(98,197,428)	(66,890,410)
Management expenses	25	(11,024,552)	(16,133,240)
		46,152,764	30,605,334
Modarib's share of PTF investment income		18,930	20,394
Investment income	26	46,425	49,085
Rental income		2,724,780	3,076,300
Other expenses	27	(649,000)	(677,908)
Profit for the year		48,293,899	33,073,205

The annexed notes from 1 to 35 form an integral part of this financial information.



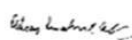
CHAIRMAN



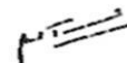
CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR

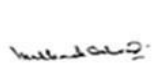


CHIEF FINANCIAL OFFICER

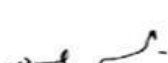
**EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Operator's Fund		
	Statutory Fund	Accumulated Profit	Total
	----- Rupees -----		
Balance as at January 1, 2021	50,000,000	24,227,792	74,227,792
Total comprehensive income for the period			
Profit for the period	-	33,073,205	33,073,205
Balance as at December 31, 2021	<u>50,000,000</u>	<u>57,300,997</u>	<u>107,300,997</u>
Balance as at January 1, 2022	50,000,000	57,300,997	107,300,997
Total comprehensive income for the period			
Profit for the year	-	48,293,899	48,293,899
Balance as at December 31, 2022	<u>50,000,000</u>	<u>105,594,896</u>	<u>155,594,896</u>
	Participants' Fund		
	Ceded Money	Accumulated (Deficit) / Surplus	Total
	----- Rupees -----		
Balance as at January 1, 2021	500,000	15,104,934	15,604,934
Total comprehensive income for the period			
Surplus for the period	-	15,513,388	15,513,388
Balance as at December 31, 2021	<u>500,000</u>	<u>30,618,322</u>	<u>31,118,322</u>
Balance as at January 1, 2022	500,000	30,618,322	31,118,322
Total comprehensive income for the year			
Surplus for the year	-	14,817,686	14,817,686
Balance as at December 31, 2022	<u>500,000</u>	<u>45,436,008</u>	<u>45,936,008</u>

The annexed notes from 1 to 35 form an integral part of this financial information.



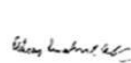
CHAIRMAN



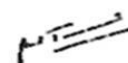
CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

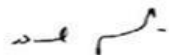
**EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

	December 31 2022	December 31 2021
	-----Rupees-----	
Participants' Takaful Fund		
Surplus for the year	14,817,686	15,513,388
Other comprehensive income	-	-
Total comprehensive surplus for the year	<u>14,817,686</u>	<u>15,513,388</u>
Operator's Fund		
Profit for the year	48,293,899	33,073,205
Other comprehensive income	-	-
Total comprehensive income for the year	<u>48,293,899</u>	<u>33,073,205</u>

The annexed notes from 1 to 35 form an integral part of this financial information.



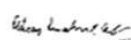
CHAIRMAN



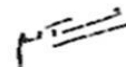
CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operator's Fund		Participant's Takaful Fund	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	-----Rupees-----		-----Rupees-----	
OPERATING CASH FLOWS				
(a) Takaful activities				
Contribution received	-	-	363,961,116	246,993,390
Retakaful contribution paid	-	-	(175,062,735)	(166,233,785)
Claims paid	-	-	(229,452,815)	(162,352,402)
Retakaful and recoveries received	-	-	140,134,365	117,955,988
Commission paid	(113,730,282)	(65,853,984)	-	-
Retakaful rebate received	-	-	24,936,781	24,324,596
Wakala fee received	122,891,451	123,547,590	-	-
Wakala fee paid	-	-	(122,891,451)	(123,547,590)
Modarib share received	18,930	20,394	-	-
Modarib share paid	-	-	(18,930)	(20,394)
Net cash flow takaful activities	9,180,099	57,714,000	1,606,331	(62,880,197)
(b) Other operating activities				
Income tax paid	18,794	(6,153)	2,083	(2,003)
Direct expenses paid	-	-	(3,548)	(8,766)
Other operating payment	(640,000)	(677,908)	-	-
Management expenses paid	(8,359,175)	(13,129,190)	-	-
Other operating receipts	(4,775,508)	(43,764,852)	(1,272,074)	42,743,028
Net cash flow from other operating activities	(13,755,889)	(57,578,103)	(1,273,539)	42,732,259
Total cash (used in) / generated from all operating activities	(4,575,790)	135,897	332,792	(20,147,938)
INVESTMENT ACTIVITIES				
Profit received on investment income	46,707	45,816	38,000	51,922
Rental income	3,435,630	1,007,000	-	-
Addition to plant and equipment	-	(1,000,000)	-	-
Proceeds from disposal of investments	1,000,000	-	-	-
Total cash flow generated from investing activities	4,482,337	52,816	38,000	51,922
Net cash flow from all activities	(93,453)	188,713	370,792	(20,096,016)
Cash and cash equivalents at beginning of the period	220,070	31,357	783,022	20,879,038
Cash and cash equivalents at end of the year	126,617	220,070	1,153,814	783,022
Reconciliation to profit and loss account:				
Operating cash flows	(4,575,790)	135,897	332,792	(20,147,938)
Depreciation	(2,381,680)	(2,558,360)	-	-
Investment income	46,707	45,816	38,000	51,922
Rental income	3,435,630	1,007,000	-	-
Increase in assets other than cash	51,218,834	50,097,537	135,634,618	93,811,311
Increase / (decrease) in liabilities	550,198	(15,654,685)	(121,187,724)	(58,201,907)
Profit / surplus for the year	48,293,899	33,073,205	14,817,686	15,513,388

The annexed notes from 1 to 35 form an integral part of this financial information.


CHAIRMAN


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

**EAST WEST INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1 LEGAL STATUS AND NATURE OF BUSINESS

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.

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. The Waqf deed governs the relationship of Operator and participants for management of takaful operations.

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.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial accounting Standards (IFAS) issued by the Institute of Chartered Accountant of Pakistan, as are notified under the Companies Act 2017, provision of and directives issued under the Companies Act 2017, the Insurance Ordinance 2000, the Takaful Rules 2012 and the General Takaful Accounting Regulations 2019. In case requirements differ, the provision or directives of the Companies Act 2017, the Insurance Ordinance 2000, the Takaful Rules 2012 and the General Takaful Accounting Regulations 2019 shall prevail. These financial statements reflect the financial position and results of operations of both the company and PTF in a manner that the assets, liabilities, income and expenses of the company and PTF remain separately identifiable.

2.1 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.

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

3.1 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Operator's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not have any significant effect on the Operator's operations and therefore, have not been stated in these financial statements.

3.2 **Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are not yet effective**

Standards, amendments or interpretations

	Effective date (period beginning on or after)
- IFRS 16 - 'Leases' (amendments)	April 1, 2021
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and contingent assets'	January 1, 2022
- IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023
- IAS 12 - 'Income taxes' (amendments)	January 1, 2023
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2024

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023 and yet to be notified by the Securities and Exchange Commission of Pakistan.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments are stated at lower of cost and market value.

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

4.1 Use of judgments and estimates

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

Estimates

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

	Note
- Unearned contribution reserve	6.5.2
- Contribution due but unpaid - net	6.5.3
- Provision for outstanding claims (including IBNR)	6.7
- Taxation (current and deferred)	6.20
- Unearned retakaful rebate	6.11
- Retakaful recoveries against outstanding claims	6.9
- Prepaid Retakaful contribution ceded	6.8.2
- Deferred commission expense	6.10.1

Judgments

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

Classification of investments

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

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

5 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

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 6 to the financial statements.

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

6.2 Investment property

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 Company 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.

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.

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.

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.

6.7 Provision for outstanding claims (including IBNR)

The PTF recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a Takaful contract.

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

6.8 Retakaful contracts

6.8.1 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 policies;
- 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.

6.8.2 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.

6.9 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.

6.10 Commission

6.10.1 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.

6.11 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.

6.12 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 engineering, 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.

6.13 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.

6.14 Qard-e-Hasna

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

6.15 Revenue recognition**6.15.1 Participants' takaful fund****6.15.1.1 Contribution**

The revenue recognition policy for contributions is given under note 6.5.

6.15.1.2 Rebate from retakaful operators

The revenue recognition policy for rebate from Re-takaful operators is given under note 6.11.

6.15.2 Operator's fund

The revenue recognition policy for wakala fee is given under note 6.12.

6.15.3 Participants' takaful fund / Operator's fund**6.15.3.1 Investment income**

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

6.16 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 6.3.

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.

6.17 Financial instruments

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

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

6.18 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.

6.19 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.

6.20 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.

6.21 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.

6.22 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.

6.23 Creditors, accruals and provisions

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

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

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

7 PROPERTY AND EQUIPMENT

December 31, 2022								
Cost			Accumulated depreciation			Written down value	Depreciation rate %	
As at January 1, 2022	Addition during the period	As at December 31, 2022	As at January 1, 2022	Depreciation for the period	As at December 31, 2022			
-----Rupees-----								
Office Premises	10,000,000	-	10,000,000	1,050,208	447,490	1,497,698	8,502,302	5%
Vehicles	2,300,000	-	2,300,000	999,733	260,053	1,259,786	1,040,214	20%
	12,300,000	-	12,300,000	2,049,941	707,543	2,757,484	9,542,516	
December 31, 2021 - audited	12,300,000	-	12,300,000	1,253,832	796,109	2,049,941	10,250,060	

8 INVESTMENT PROPERTY

December 31, 2022								
Cost			Accumulated depreciation			Written down value	Depreciation rate %	
As at January 1, 2022	Addition during the period	As at December 31, 2022	As at January 1, 2022	Depreciation for the period	As at December 31, 2022			
----- Rupees -----								
Office premises	38,000,000	-	38,000,000	4,517,253	1,674,137	6,191,390	31,808,610	5%
	38,000,000	-	38,000,000	4,517,253	1,674,137	6,191,390	31,808,610	
December 31, 2021 - audited	38,000,000	-	38,000,000	2,755,000	1,762,253	4,517,253	33,482,748	

	Operator's Fund		Participant's Takaful Fund	
	2022	2021	2022	2021
	-----Rupees-----			
9 ACCRUED INVESTMENT INCOME				
Income accrued on savings account	4,188	4,468	2,277	2,418
	4,188	4,468	2,277	2,418
10 QARD-E-HASNA TO PARTICIPANT'S TAKAFUL FUND (PTF)				
Opening as at January 1st			18,150,000	18,150,000
Closing as at December 31st			18,150,000	18,150,000
11 TAKAFUL / RE-TAKAFUL RECEIVABLES (PTF)				
Participants' Takaful Fund				
Due from takaful participant holders			61,234,746	80,273,075
Due from other takaful / re-takaful operators			169,160,522	70,174,433
			230,395,268	150,447,508
12 RECEIVABLE FROM PTF / PAYABLE TO OPF				
Other receivable / payable	126,951,887	83,454,307	(126,451,887)	(82,954,307)
	126,951,887	83,454,307	(126,451,887)	(82,954,307)
13 TAXATION - PAYMENT LESS PROVISION				
Tax deducted at source	4,598	23,392	5,700	7,783
14 PREPAYMENTS				
Prepaid retakaful contribution ceded	-	-	65,983,521	61,240,665
Other prepayments	12,000	810,300	-	-
	12,000	810,300	65,983,521	61,240,665

	Operator's Fund		Participants Takaful Fund	
	2 0 2 2	2 0 2 1	2 0 2 2	2 0 2 1
Note	(Unaudited)	(Audited)	(Unaudited)	(Audited)
-----Rupees-----				
15 CASH AND BANK				
Cash and cash equivalents				
Policy stamps	-	-	143,334	-
Cash at bank				
Current accounts	1,337	1,337	75	75
Savings accounts	15.1 125,280	218,733	1,010,405	782,947
	126,617	220,070	1,153,814	783,022
15.1 These represent profit and loss sharing accounts carrying profit rates ranging from 5% to 10% (2019: 7% to 10%) per annum.				
	2 0 2 2	2 0 2 1	2 0 2 2	2 0 2 1
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	----- Rupees -----			
16 TAKAFUL / RETAKAFUL PAYABLE (PTF)				
Participants' Takaful Fund				
Due to other takaful / re-takaful				
Local			7,707,899	816,714
			7,707,899	816,714
17 OTHER CREDITORS AND ACCRUALS				
Salaries payable	595,518	786,810	-	-
Staff provident fund	87,652	467,452	-	-
Commission payable	8,034,057	15,028,281	-	-
Withholding tax payable	23,090	23,187	-	-
Accrued expenses	2,062,658	1,286,222	137,920	1,409,994
	10,802,975	17,591,952	137,920	1,409,994

18 PAYABLE TO EAST WEST INSURANCE COMPANY LIMITED (OPF)

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

19 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2022 (December 31, 2021: Nil).

	December 31, 2022	December 31, 2021
Note	-----Rupees-----	
20 NET TAKAFUL CONTRIBUTION	Participants' Takaful Fund	
Written gross contribution	439,990,850	326,547,194
Wakala fee	(155,374,744)	(113,628,984)
Contribution net of wakala	284,616,106	212,918,210
Unearned contribution reserve -Opening	110,072,202	86,086,761
Unearned contribution reserve -Closing	(140,294,281)	(110,072,202)
Contribution earned	254,394,027	188,932,769
Less:		
Re-takaful contribution ceded	180,030,463	166,233,785
Prepaid retakaful contribution ceded-Opening	61,240,665	45,757,947
Prepaid retakaful contribution ceded -Closing	(65,983,521)	(61,240,665)
Retakaful expense	175,287,607	150,751,067
	79,106,420	38,181,702
21 NET TAKAFUL CLAIMS		
Claim expense / paid	229,452,815	162,352,402
Outstanding claims - Opening	-	-
Outstanding claims - Closing	42,875,000	-
Claim expense	272,327,815	162,352,402
Recoveries and other recoveries received	142,263,420	117,955,988
Add: Retakaful and other recoveries in respect of outstandin claim-closing	39,931,939	-
Less: Retakaful and other recoveries in respect of outstandin claim-opening	-	-
	182,195,359	117,955,988
	90,132,456	44,396,414
22 RETAKAFUL REBATE		
Retakaful rebate received	24,936,781	24,324,596
Unearned retakaful rebate - opening	9,412,256	6,804,133
Unearned retakaful rebate - closing	(8,520,696)	(9,412,256)
Rebate from takaful operator	25,828,341	21,716,473
23 COMMISSION EXPENSE	Operators' Fund	
Commission paid	106,736,058	74,152,058
Deferred commission expense - opening	24,336,954	17,075,306
Deferred commission expense - closing	(32,875,584)	(24,336,954)
	98,197,428	66,890,410
24 WAKALA EXPENSE	Participants' Takaful Fund	
Gross wakala fee	166,389,031	123,547,590
Deferred wakala expense - opening	41,586,885	31,668,279
Deferred wakala expense - closing	(52,601,172)	(41,586,885)
Deferred wakala expense	155,374,744	113,628,984

24.1 The operator manages the general takaful operations for the participants' and charges 40% for fire, 35% for motor, 40% for marine and 35% for miscellaneous classes, 35% for engineering of gross contribution including administrative surcharges as wakala fee against the services.

	December 31, 2022	December 31, 2021
Note	-----Rupees-----	
25 MANAGEMENT EXPENSES	Operators' Fund	
Salaries, allowances and employee benefit	7,082,912	10,118,454
Staff welfare expenses	9,663	60,672
Depreciation expenses	2,381,680	2,558,360
Office rent and maintenance	315,390	1,881,006
Motor vehicle running expense	23,151	41,330
Printing and stationary	1,200	3,830
Postage and telegram	-	1,200
Utility expenses	8,020	263,437
Repair and maintenance	-	400
Computer Expenses	-	-
Newspaper and periodicals	-	935
Shariah registrar fees	1,200,000	1,200,000
Bank charges	2,536	3,616
	11,024,552	16,133,240
26 INVESTMENT INCOME		
Return on bank balances		
- Return on saving Accounts	46,425	49,085
Total investment income	46,425	49,085
	Participants' Fund	
Return on bank balances		
- Return on saving Accounts	37,859	40,787
Less: Investment related expenses	(18,930)	(20,394)
	18,929	20,393
27 OTHER EXPENSES		
	Operators' Fund	
Auditor's remuneration	649,000	677,908
	649,000	677,908

28 RELATED PARTY TRANSACTION

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:

			2022	2021
	Relationship with the Company	Basis of Relationship	-----Rupees-----	
Loan received from East West Insurance Company Limited				
	Window Takaful Operator	Management Company	(4,775,508)	(1,522,685)
			-	-
Remuneration Paid	Services	Key Management Personnel	2,100,000	1,931,667
Year end balances				
Payable to related parties				
			476,957	5,252,465
East West Insurance Company Limited			250,000	300,000
Key management personal			<u>726,957</u>	<u>5,552,465</u>

29 SEGMENT REPORTING

Operator's Fund	Fire and property damage	Marine, aviation and transport	Motor	Engineering	Miscellaneous	Total
-----December 31, 2022-----						
-----Rupees-----						
Wakala fee earned	69,419,880	26,225,511	36,541,042	21,076,903	2,111,408	155,374,744
Commission expense	(43,048,988)	(18,923,351)	(22,011,034)	(12,657,994)	(1,556,061)	(98,197,428)
Management expenses	(4,925,659)	(1,860,821)	(2,592,755)	(1,495,503)	(149,814)	(11,024,552)
Underwriting results	21,445,233	5,441,339	11,937,253	6,923,406	405,533	46,152,764
Mudarib's share of PTF investment income						18,930
Direct expenses						(649,000)
Investment income						46,425
Rental income						2,724,780
Profit before taxation for the year						48,293,899
Corporate segment assets	16,187,529	1,387,614	11,703,707	3,218,073	378,661	32,875,584
Corporate unallocated assets						186,600,416
Total assets						219,476,000
Corporate segment liabilities	25,948,865	2,036,515	17,938,784	6,221,978	455,030	52,601,172
Corporate unallocated liabilities						11,279,932
Total liabilities						63,881,104

Operator's Fund	Fire and property damage	Marine, aviation and transport	Motor	Engineering	Miscellaneous	Total
-----December 31, 2021-----						
-----Rupees-----						
Wakala fee earned	42,944,139	18,937,170	30,788,786	18,887,793	2,071,096	113,628,984
Commission expense	(26,386,452)	(12,548,870)	(17,835,570)	(8,889,669)	(1,229,849)	(66,890,410)
Management expenses	(6,097,283)	(2,688,732)	(4,371,445)	(2,681,722)	(294,058)	(16,133,240)
Underwriting results	<u>10,460,404</u>	<u>3,699,568</u>	<u>8,581,771</u>	<u>7,316,402</u>	<u>547,190</u>	<u>30,605,334</u>
Mudarib's share of PTF investment income						20,394
Direct expenses						(677,908)
Investment income						49,085
Rental income						3,076,300
Profit before taxation for the year						<u>33,073,205</u>
Corporate segment assets	11,060,292	3,899,271	5,615,290	3,169,798	592,303	24,336,954
Corporate unallocated assets						147,395,345
Total assets						<u>171,732,299</u>
Corporate segment liabilities	19,004,811	5,488,106	8,803,068	7,301,302	989,598	41,586,885
Corporate unallocated liabilities						22,844,417
Total liabilities						<u>64,431,302</u>

Participants' Takaful Fund

Participants' Fund	Fire and property damage	Marine, aviation and transport	Motor	Engineering	Miscellaneous	Total
-----December 31, 2022-----						
-----Rupees-----						
Written gross contribution including administrative surcharge	190,909,834	56,934,797	130,505,023	57,135,939	4,505,257	439,990,850
Gross direct contribution	20,555,669	7,888,861	21,862,623	15,433,028	60,993	65,801,174
Facultative inward contribution	169,440,416	48,670,759	107,663,120	40,931,254	4,441,215	371,146,764
Administrative surcharge	913,749	375,177	979,280	771,657	3,049	3,042,912
Wakala Fee	(69,419,880)	(26,225,511)	(36,541,042)	(21,076,903)	(2,111,408)	(155,374,744)
Contribution earned	104,129,821	39,338,265	67,861,936	39,142,818	3,921,187	254,394,027
Retakaful expense	(89,485,210)	(36,201,747)	(20,095,675)	(26,053,425)	(3,451,550)	(175,287,607)
Net takaful contribution	14,644,611	3,136,518	47,766,261	13,089,393	469,637	79,106,420
Retakaful rebate earned	14,022,780	5,677,337	2,685,156	2,805,338	637,730	25,828,341
Net underwriting income	28,667,391	8,813,855	50,451,417	15,894,731	1,107,367	104,934,761
Takaful claims	(111,490,565)	(34,077,145)	(44,608,361)	(36,056,623)	(3,220,121)	(229,452,815)
Outstanding claims - opening	-	-	-	-	-	-
Outstanding claims - closing	(42,875,000)	-	-	-	-	(42,875,000)
Takaful claims expenses	(154,365,565)	(34,077,145)	(44,608,361)	(36,056,623)	(3,220,121)	(272,327,815)
Takaful claims recovered from retakaful	87,640,916	21,113,003	8,848,843	21,762,549	2,898,109	142,263,420
Retakaful recoveries against outstanding claims - opening	-	-	-	-	-	-
Retakaful recoveries against outstanding claims - closing	39,931,939	-	-	-	-	39,931,939
Takaful claims recoveries from retakaful	127,572,855	21,113,003	8,848,843	21,762,549	2,898,109	182,195,359
Net claims	(26,792,710)	(12,964,142)	(35,759,518)	(14,294,074)	(322,012)	(90,132,456)
Direct expenses	(3,548)	-	-	-	-	(3,548)
Surplus/(Deficit) before investment income	1,871,133	(4,150,287)	14,691,899	1,600,657	785,355	14,798,757
Investment income						37,859
Surplus transferred to accumulated surplus						14,836,616
Corporate segment assets	159,191,342	60,139,460	103,745,810	59,840,665	5,994,623	388,911,900
Corporate unallocated assets						1,161,791
Total assets						390,073,691
Segment Liabilities	81,618,525	30,833,926	53,191,209	30,680,731	3,073,486	199,397,876
Unallocated Liabilities						126,589,807
						325,987,683

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	2022			2021		
	Amount due from Re-takaful operators	Re-takaful recoveries against outstanding	Other Retakaful assets	Amount due from Re-takaful operators	Re-takaful recoveries against outstanding	Other Retakaful assets
A or above (including PRCL)	169,160,522	-	65,983,521	70,174,433	-	61,240,665

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, 2022 is the carrying amount of the financial assets as set out below:

	2022			2021		
	Operator's Fund	Participants' Fund	Aggregate	Operator's Fund	Participants' Fund	Aggregate
	-----Rupees-----			-----Rupees-----		
Accrued investment income	4,188	2,277	6,465	4,468	2,418	6,886
Takaful / retakaful receivables	-	230,395,268	230,395,268	-	150,447,508	150,447,508
Retakaful recoveries against outstanding claims	-	39,931,939	39,931,939	-	-	-
Receivable from PTF	126,951,887	-	126,951,887	83,454,307	-	83,454,307
Cash and bank	126,617	1,153,814	1,280,431	220,070	783,022	1,003,092
	127,082,692	271,483,298	398,565,990	83,678,845	151,232,948	234,911,793

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.

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, 2022			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Other creditors and accruals Payable to East West Insurance Company Limited	10,779,885	10,779,885	10,779,885	-
	476,957	476,957	476,957	-
	11,256,842	11,256,842	11,256,842	-

Operator's Fund	December 31, 2021			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Other creditors and accruals Payable to East West Insurance Company Limited	17,568,765	17,568,765	17,568,765	-
	5,252,465	5,252,465	5,252,465	-
	22,821,230	22,821,230	22,821,230	-

Participants' Fund	December 31, 2022			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Payable to OPF	126,451,887	126,451,887	126,451,887	-
Other creditors and accruals	137,920	137,920	137,920	-
	126,589,807	126,589,807	126,589,807	-

Participants' Fund	December 31, 2021			
	Carrying amount	Contractual cash flows	Upto one year	Over one year
-----Rupees-----				
Financial liabilities				
Payable to OPF	82,954,307	82,954,307	82,954,307	-
Other creditors and accruals	1,409,994	1,409,994	1,409,994	-
	84,364,301	84,364,301	84,364,301	-

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:

	2022			2021		
	Operator's Fund	Participants' Fund	Aggregate	Operator's Fund	Participants' Fund	Aggregate
	-----Rupees-----			-----Rupees-----		
Variable rate instruments						
Financial assets	126,617	1,153,814	1,280,431	220,070	783,022	1,003,092
	<u>126,617</u>	<u>1,153,814</u>	<u>1,280,431</u>	<u>220,070</u>	<u>783,022</u>	<u>1,003,092</u>

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, the profit rate on which range between 4.1% to 8.2% (2019: 5.5% to 9.6%) 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
As at December 31, 2022 Sensitivity	<u>1,253</u>	<u>(1,253)</u>	<u>1,253</u>	<u>(1,253)</u>
As at December 31, 2021 Sensitivity	<u>2,187</u>	<u>(2,187)</u>	<u>2,187</u>	<u>(2,187)</u>

Participants' Fund	Surplus / (deficit) for the year / period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at December 31, 2022 Sensitivity	<u>10,104</u>	<u>(10,104)</u>	<u>10,104</u>	<u>(10,104)</u>
As at December 31, 2021 Sensitivity	<u>7,829</u>	<u>(7,829)</u>	<u>7,829</u>	<u>(7,829)</u>

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 - PTF

	December 31, 2022	December 31, 2021
	Participants' Takaful Fund	Participants' Takaful Fund
Accrued Investment Income	2,277	2,418
Takaful/ retakful receivable	230,395,268	150,447,508
Retakaful recoveries against outstanding claims	39,931,939	-
Taxation deducted at source	5,700	7,783
Deferred Wakala expense	52,601,172	41,586,885
Prepayments	65,983,521	61,240,665
Bank balances	1,153,814	783,022
Total Assets (A)	390,073,691	254,068,281
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
Takaful/ retakful receivable	60,575,345	37,975,599
Total In-admissible Assets (B)	60,575,345	37,975,599
Total Admissible Assets (C=A-B)	329,498,346	216,092,682
LIABILITIES		
PTF Underwriting provisions		
Outstanding claims	42,875,000	-
Unearned contribution reserve	140,294,281	110,072,202
Unearned retakaful rebate	8,520,696	9,412,256
Contribution received in advance	-	134,486
Payable to OPT	126,451,887	82,954,307
Takaful / retakaful payable	7,707,899	816,714
Other creditors and accruals	137,920	1,409,994
Total Liabilities (D)	325,987,683	204,799,959
Total Net Admissible Assets (E=C-D)	3,510,663	11,292,723

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.

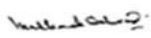
Level 3: Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

34 DATE OF AUTHORIZATION FOR ISSUE

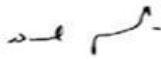
These financial statements were authorized for issue on _____ by the Board of Directors of the Operator.

35 GENERAL

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



CHAIRMAN



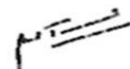
CHIEF EXECUTIVE OFFICER



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

EAST WEST INSURANCE CO., LIMITED
Pattern of Shareholdings
As At December 31, 2022

Number of Shareholders	Shareholdings		Share Held	Percentage
	From	To		
44	1	200	2,828	0.0016
178	201	500	57,169	0.0325
10	501	1,000	6,781	0.0039
4	1,001	5,000	7,655	0.0044
6	5,001	10,000	42,211	0.0240
6	25,001	30,000	164,433	0.0935
5	30,001	35,000	162,572	0.0924
3	35,001	40,000	114,417	0.0650
4	40,001	50,000	173,926	0.0989
1	50,001	55,000	52,589	0.0299
2	60,001	65,000	128,247	0.0729
2	65,001	80,000	147,016	0.0836
1	80,001	85,000	80,731	0.0459
1	150,001	175,000	172,899	0.0983
2	2,000,001	3,000,000	5,246,587	2.9829
2	4,000,001	5,000,000	9,037,948	5.1384
5	5,000,001	7,000,000	32,056,059	18.2249
2	7,000,001	8,000,000	14,698,931	8.3568
2	8,000,001	10,000,000	17,659,971	10.0403
2	10,000,001	12,000,000	22,595,322	12.8462
2	12,000,001	14,000,000	25,775,263	14.6541
1	14,000,001	20,000,000	19,907,776	11.3182
1	20,000,001	28,000,000	27,600,058	15.6915
286			175,891,389	100.0000

Categories Of Shareholders	Number	Share Held	Percentage
CEO, Directors and their spouses and minor children	12	83,730,953	47.6038
Joint Stock Companies, Insurance Companies, Investment Companies & Modaraba	2	27,608,672	15.6964
Individual	272	64,551,764	36.6998
Total	286	175,891,389	100.0000

Information as required under the Code of Corporate Governance

Categories of Shareholders	Shareholders	Share Held	Percentage
<u>Associated Company</u>			
M/s. Askari Life Assurance Co., Ltd.	1	8,614	0.0049
M/s. East West Holding Company Ltd.	1	27,600,058	15.6915
<u>CEO, Directors, their Spouses and Minor Children</u>			
Chief Justice (R) Mian Mahboob Ahmed	1	5,780	0.0033
Javed Yunus	1	6,873,950	3.9081
Pervez Yunus	1	19,907,776	11.3182
Naved Yunus	1	11,644,153	6.6201
Saad Yunus	1	7,460,443	4.2415
Urooj Yunus Ansari	1	4,820,448	2.7406
Umeed Ansari	1	2,150	0.0012
Ahsan Mahmood Alvi	1	1,952	0.0011
Shahad Farooq Lodhi	1	550	0.0003
Ambreen N. Yunus	1	13,142,735	7.4721
Rubina J. Yunus	1	12,632,528	7.1820
Samina P. Yunus	1	7,238,488	4.1153
Individual	272	64,551,764	36.6998
Total	286	175,891,389	100.0000