

LATE MR. UNUS KHAN
Founder Chairman, East West Insurance Company Ltd.

Our founder Chairman, late Mr. Unus Khan, was born on December 27, 1927 in a respectable and cultured family. He received his basic education in Quetta and after graduation in Aeronautics and Meteorology in Great Britain, he adopted the field of Civil Aviation as his profession and remained associated with it for over 20 years. Subsequently, he took up the field of commerce/business in 1965 and a few years thereafter proceeded to the United States of America along with his family.

In the 70s, besides other ventures, he was also associated with the field of insurance in the Middle East. He returned to Pakistan in 1982 and founded East West Insurance Company Ltd, in 1983. Throughout the remaining years of his life, he remained dedicated to the development of this Company. He organized and strengthened the Company on modern lines and at the same time, encouraged the executives, field and office personnel of the company to face the challenges of the market with courage, sincerity and hard work. It was for his determined leadership, untiring efforts, honesty and sincerity of purpose that the Almighty Allah gifted him with such an outstanding success that the Company not only became one of the largest Insurance Companies of Pakistan during his life time but even thereafter a befitting tribute to the memorable accomplishment of its founder the Company continued making tremendous strides, always surpassing the achievements of the preceeding year. Today, by the Grace of Allah, East West Insurance Company Limited has become a symbol of security for its thousands of insured and of livelihood for its hundreds of hard-working personnel.

Mr. Unus Khan was endowed with piety, simplicity, sincerity, diligence and affection. He will always be remembered for his selfless devotion to cause of combining the profound cultural values of the EAST with the modern technological developments of the WEST. In order to give perpetuity to our late Chairman, all of us have pledged to adopt his practices as guidelines for the Future. Our beloved Chairman left us to join his heavenly abode on July 27, 1988. May Allah rest his soul in eternal peace. **Aameen!**

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East West Insurance Company Limited appeared on the horizon of Insurance Industry in Pakistan in 1983, founded by late Mr. Unus Khan who was its first Chairman. Over the years the Company, with the help of its adroit management and diligent staff, has successfully accomplished the essential task of gaining the good will and confidence of its policyholders as one of the leading insurance Companies with a vast network of branches all over the country.

Besides transacting traditional Insurance business like Fire, Marine & Motor, East West Insurance underwrites specialized portfolios for which it has created specialized divisions within the company namely, Engineering, Crops, Livestock Divisions, and Group Hospitalization. The Company business is thus well diversified and provides coverage to a wide range of Agricultural, industrial and commercial business activities.

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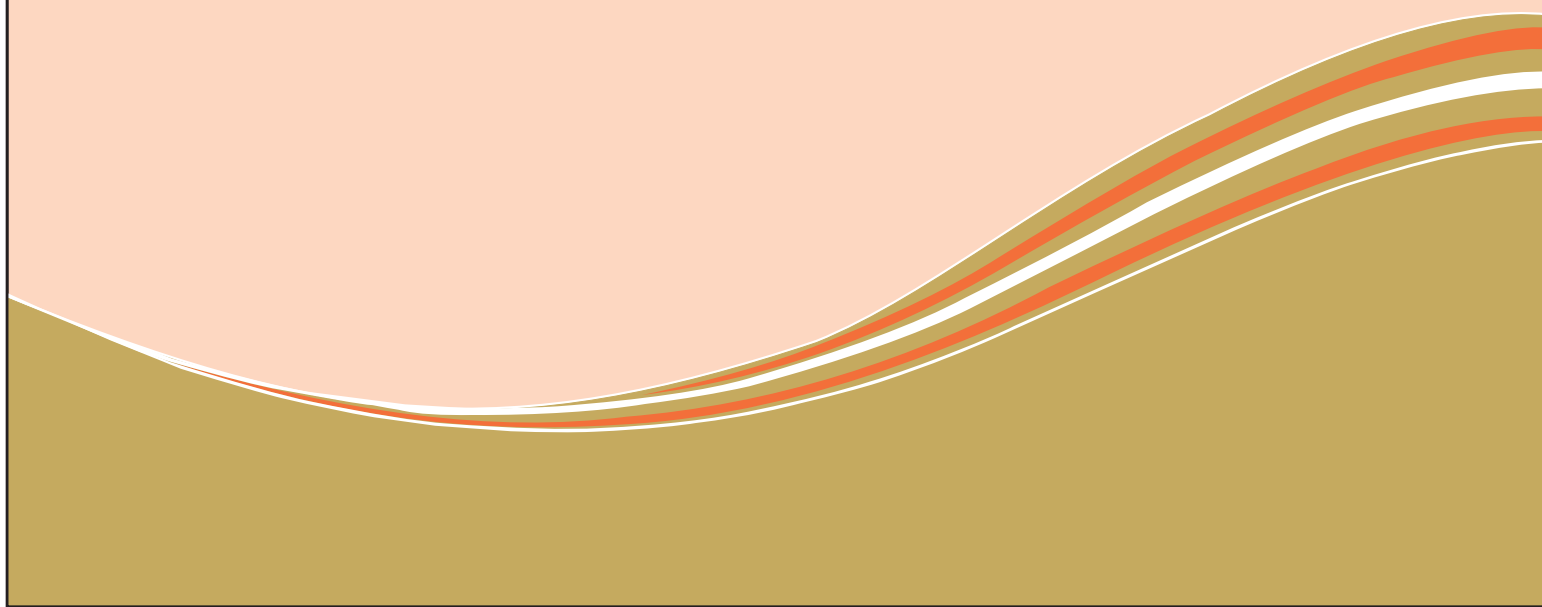
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[Quality services, innovative solutions and comprehensive risk cover]

OUR
VISION
OUR
VISION

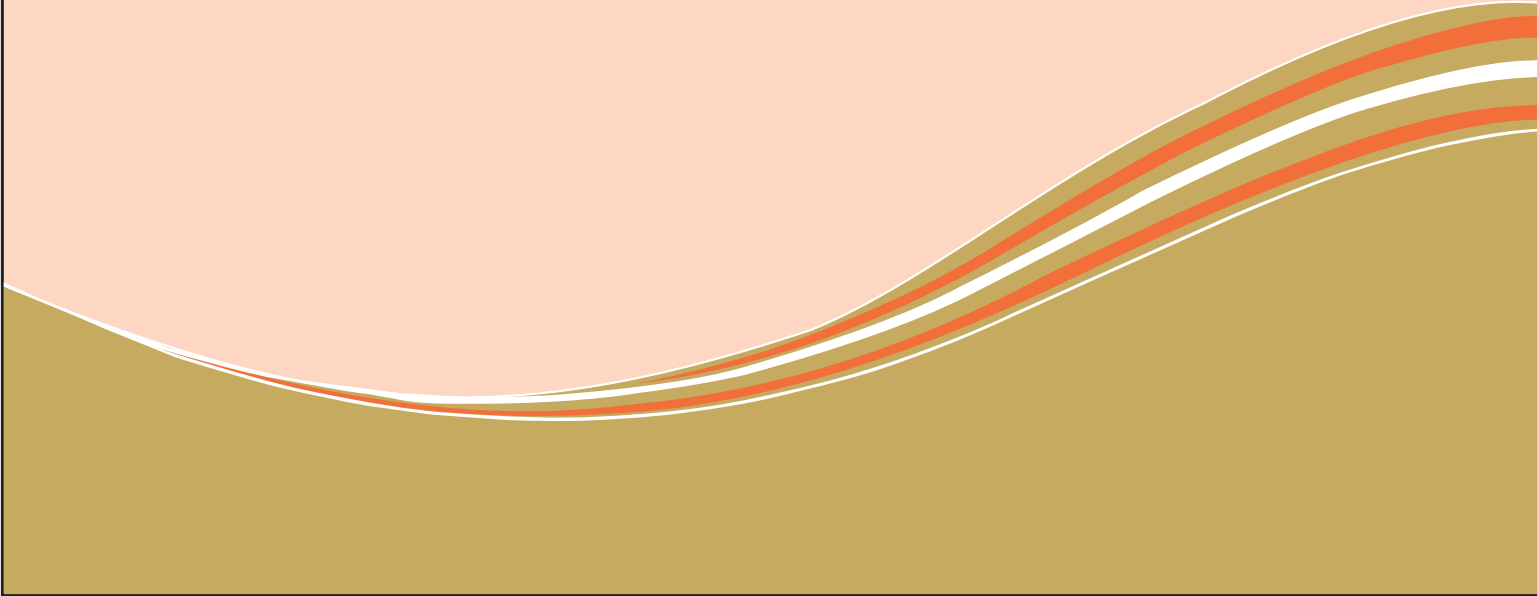




*To be amongst most trusted insurance security
of the country by providing protection to our
insured in most effective basis ensuring prosperity
for its stakeholders and growth with human
force.*

[Long term commitment to our valued clients]

OUR
MISSION
OUR
MISSION

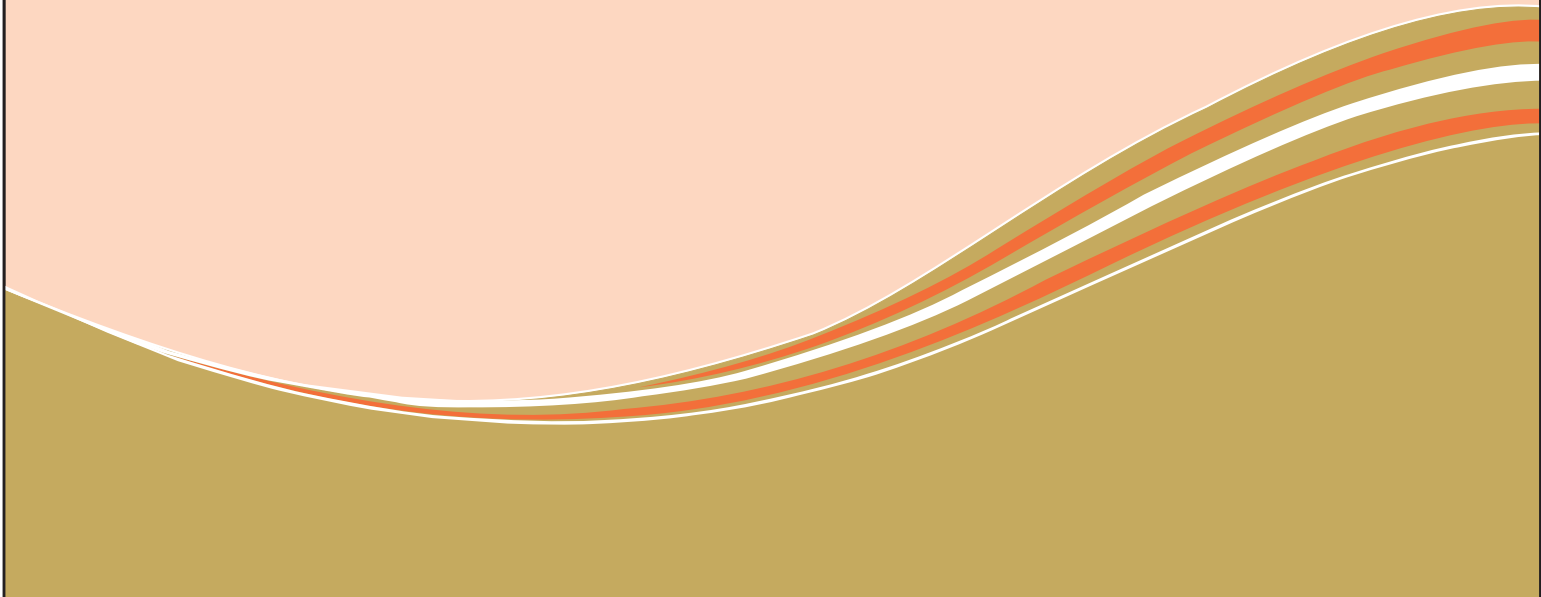




- *To ensure most effective management for sustained growth of the company.*
- *To provide reliable secure protection for the policyholders.*
- *To retain sound position of the company in industry while working with dedication & innovation.*
- *To maintain continuous pursuit for cost effectiveness, enhanced productivity for ensuring financial health of the organization, to take care of shareholder's aspiration continuously.*
- *To inculcate value added system all cross the organization for ensuring trustworthy relationship with its clients as well as shareholders.*

[Our team professionals ensure that quality is never compromised]

OUR
PEOPLE
OUR
PEOPLE



BOARD OF DIRECTORS



Chairman :

Chief Justice (R) Mian Mahboob Ahmad

Chief Executive Officer :

Naved Yunus

Director

Javed Yunus
Pervez Yunus
Maheen Yunus
Umeed Ansari
A.K.M. Sayeed
Tulu Javed Yunus

Consultant / Advisor

M. Jamaluddin

Company Secretary

Shabbir Ali Kanchwala

Legal Advisor

Khalid Law Associates

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Tax Advisor

BDO Ebrahim & Co.
Afnan Tax Consultants

Shares Registrar

Bema Associates (Pvt) Ltd.
515, EFU House, M.A.Jinnah Road,
Karachi.

Registered Office :

27, Regal Plaza, Jinnah Road, Quetta.

Head Office :

410, EFU House, M. A. Jinnah Road, Karachi.

IFS Rating : A (Single A) Stable Outlook

Website : www.eastwestinsurance.com.pk

Bankers :

Allied Bank Limited	National Bank of Pakistan Limited
Askari Bank Limited	NIB Bank Limited
Faysal Bank Limited	Summit Bank Limited
Habib Bank Limited	The Bank of Punjab Limited
Habib Metropolitan Bank Limited	United Bank Limited
MCB Bank Limited	The Karakoram Co-operative Bank Limited

COMMITTEES

Executive Committee :

NAVED YUNUS	Chairman
JAVED YUNUS	Member
PERVEZ YUNUS	Member
SHABBIR ALI KANCHWALA	Member / Secretary
ENGR. KAZIM RAZA	Member

Audit Committee :

UMEED ANSARI	Chairman
MAHEEN YUNUS	Member
A.K.M. SAYEED	Member
ENGR. KAZIM RAZA	Member
JOHRY LAL, ACCA (UK)	Secretary

Underwriting Committee :

PERVEZ YUNUS	Chairman
MAHEEN YUNUS	Member
ENGR. KAZIM RAZA	Member / Secretary

Claim Settlement Committee :

NAVED YUNUS	Chairman
MAHEEN YUNUS	Member
SHABBIR ALI KANCHWALA	Member
MAZHARUDDIN	Member / Secretary

Reinsurance Committee :

NAVED YUNUS	Chairman
JAVED YUNUS	Member
ENGR. KAZIM RAZA	Member
SYED ARSHAD ALI	Member / Secretary

Investment Committee :

A.K.M. SAYEED	Chairman
NAVED YUNUS	Member
SHABBIR ALI KANCHWALA	Member
MUHAMMAD ISMAIL IBRAHIM	Member / Secretary

Human Resource Committee :

A.K.M. SAYEED	Chairman
UMEED ANSARI	Member
SHABBIR ALI KANCHWALA	Member / Secretary

BOARD OF MANAGEMENT



Chief Executive Officer:

NAVED YUNUS

Executive Director (Marketing) :

JAVED YUNUS

Executive Director (Operation) :

PERVEZ YUNUS

Director Finance / Chief Financial Officer (CFO) :

SHABBIR ALI KANCHWALA

Director Operations :

ENGR. KAZIM RAZA

Regional Directors :

SAJJAD ZAFAR

IFTIKHAR HUSSAIN

MUHAMMAD FAYYAZ KHOKHAR

General Managers:

FAWAD AHMED KHOKAR

JAWAD FAYYAZ KHOKHA

IBRAR ELLAHI QURESHI

JAN MUHAMMAD

MUSHTAQ AHMED AWAN

NASIHAT ALI KHAN

AQEEL ANSARI

MIR MUFFAKHAR ALI

CH. M. JAWAD SADIQ ALI

WAHEED-UL-HAQ SIDDIQUI

IRFAN AFZAL MALIK

MUHAMMAD ARIF ALI

Executive Vice President:

SYED M. AFZAL KARIM
SHAH SAUD MIRZA (MARKETING)

Senior Vice President:

RAJA M. IQBAL AHMED

Assistant Vice President:

ZEESHAN FAISAL
AZHAR MAHMOOD

Deputy General Managers:

TARIQ MAHMOOD BUTT
SYED SAJID ALI NAQVI
MUNIR AHMED SHAKIR
GEORGE JOHN
MRS. RUBINA SHAHEEN
M. YASIN SAJID
SYED KHALIL AHMED

Assistant General Managers:

SHAHZAD AQIL
MUHAMMAD AAMIR KHAN
MUHAMMAD NAEEM AAMIR
MANSOOR SHOAIB MIAN

Chief Managers:

SYED AZHAR AMIN HASHMI
NAVEEN FELIX (MARKETING)
SOHAIB MAJEED BUTT
YUNUS SHAHEEN

Regional Managers:

MUHAMMAD SHARIF
ASHIQ HUSSAIN SOMMRO
TASWAR ELLAHI AWAN
MALIK MUHAMMAD SALEEM
QAZI RASHEED AHMED
MOOSA IBRAHIM
ASAD NAZIR BALOCH

Manager & Zonal Managers:

IFTIKHAR AHMED SHEIKH
MAQBOOL-UR-REHMAN
ZAHOR AHMED
KASHIF FAROOQ BUTT
MUHAMMAD RIAZ
SHEIKH NAVEED AHMED

RANA NAVEED-UR-REHMAN
(Manager Health)

KHURRAM SHAHZAD
(Manager Accounts)

Corporate Head:

M. IQBAL FEROZE RIZVI

NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that the 31st Annual General Meeting of East West Insurance Company Limited (the Company) will be held on Monday, March 31, 2014, at 5:00 p.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 November 30, 2013.
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, 2013.
3. To consider the appointment of Auditors for the year ending December 31, 2014 and fix their remuneration. The retiring Auditors M/s Anjum Asim Shahid Rahman Chartered Accountants, being eligible offer themselves for re-appointment.
4. To approve the interim dividend as final distribution for the year ended December 31, 2013 announced on July 13, 2013 and already paid to the shareholders @ ten percent (10%), that is Rupees one (Rs.1/-) per ordinary shares of rupees ten (10) each.
5. To approve the interim bonus issue as final distribution for the year ended December 31, 2013 announced on October 30, 2013 and already issued to the shareholders in the proportion of one ordinary share for every ten ordinary shares held i.e. 10%.
6. To elect eight (8) Directors' of the Company in accordance with section 178(1) of the companies' ordinance; 1984.
7. To transact any other business of the Company with the permission of the Chairman.

By Order of the Board

Shabbir Ali Kanchwala
Company Secretary
Karachi: 7th March, 2014

Notes:

1. The Share Transfer Books of the company will remain closed from March 28, 2014 to April 3, 2014, both days inclusive.
2. A member entitled to attend and vote at the meeting is entitled to appoint another person as a proxy to attend and vote instead of him. The proxy forms duly completed and signed by the member appointing a proxy must be deposited with the Company's Share Registrar, Bema Associates (Private) Limited, 515, EFU House, M.A. Jinnah Road, Karachi, not later than forty-eight (48) hours before the time appointed for the Meeting.
3. The individual members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) and the Corporate members who have not yet submitted photocopy of their valid National Tax Number Certificate (NTN) to the Company are once again requested to send the same with the folio number at the earliest directly to Company's Share Registrar, Bema Associates (Private) Limited, 515, EFU House, M.A. Jinnah Road, Karachi, Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) notification dated July 5, 2012, SRO 831 (1) 2012, which mandates that the dividend warrants should bear CNIC number of the individual member or the authorized persons, except in case of minor(s) and National Tax Number (NTN) of Corporate members.
4. Any individual Beneficial Owner of Central Depository Company, entitled to at this Meeting must bring his/her Computerized National Identity Card ("CNIC") with him/her to provide his/her identity and in case of proxy must enclose an attested copy of his/her CNIC. the representative of corporate bodies should bring attested copy of Board Directors Resolution / Power of Attorney and/or all such documents as are required under Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for this purpose.
5. Change of address, if any, Should be notified immediately to the Company's Share Registrar aforesaid.
6. Members are requested to provide their e-mail address to enable the Company to send notices, financial statements etc. via e-mail.

FINANCIAL HIGHLIGHTS

	(Rupees in million)					
	2013	2012	2011	2010	2009	2008
Gross Premium	1,124.30	855.72	673.32	562.50	631.82	614.07
Direct Premium	723.61	584.65	426.10	389.20	427.75	443.84
Net Premium	622.57	467.72	387.69	331.97	436.97	405.71
Investment & Deposits	580.54	391.18	278.08	222.77	275.04	881.65
Investment Income	100.91	36.78	31.36	32.02	(561.66)	255.15
Total Assets	1,075.99	835.35	713.96	633.64	660.48	1,273.32
Fixed Assets	104.66	102.81	110.74	124.84	114.98	102.61
Paid up Capital	365.00	331.82	301.65	251.38	228.53	228.53
Share holder's equity	559.29	466.10	398.04	338.16	329.71	866.84
General Reserve	100.00	100.00	75.00	77.20	100.20	100.20
Claims Paid	374.44	282.51	262.09	316.28	303.47	280.73
Net Claims	253.99	179.32	153.90	151.33	178.30	168.45
Claim paid / Gross premium %	33.30	33.01	38.93	56.23	48.03	45.72
Management Expenses	115.96	92.20	78.17	66.55	87.24	82.98
Management Exp. / Gross premium %	10.31	10.77	11.61	11.83	13.81	13.51
Net Commission	135.72	83.25	73.81	68.64	82.16	73.94
Underwriting Profit	116.90	112.96	81.80	45.46	89.27	80.33
Profit / (Loss) before tax	149.58	84.25	47.87	15.55	(528.00)	277.02
Profit / (Loss) for the year	126.37	68.06	35.00	8.44	(537.12)	265.83
Dividend / Bonus	66.36	30.17	25.14	22.85	-	98.75
Break up value per share (Rupees)	15.32	14.05	13.21	13.45	14.03	37.93
Earning per share (Rupees)	3.46	2.05	1.14	0.34	(23.50)	11.63

CHAIRMAN'S REVIEW



I have the honor to present 31st Annual Report of East West Insurance Company Limited for our shareholders and valued clients. During the year under review, your company made solid progress in the growth of premium income besides chalking out strategic plans in meeting the future demands of our clients. It is also encouraging to note that your company by the grace of Almighty Allah earned gross premium of more than Rupees One Billion as of 31st December, 2013. Simultaneously, the total assets of the company have also increased to more than Rupees One Billion.

Economic Review

Pakistan's economy continues to face numerous domestic and external shocks since 2007 onwards. Economic performance has also been affected from devastating floods, rains, internal security hazards and energy crisis. The economy of Pakistan during last 5 years grew on an average rate of only 2.90% per annum. Deterioration in the power sector is the main constraint on the growth as power outages have shaved-off annual GDP growth by 2 percent. However, the indicators of past few years of economic performance shows that the country has the potential to move forward which is much needed to generate adequate employment and meaningful poverty reduction.

The GDP growth for 2012-13 was targeted at 4.3% at the back of 4% growth in large scale manufacturing sector and 4.6% in service sector. However, the heavy rains in Sindh and Punjab provinces damaged the crops which affected the performance of agriculture and other related sectors. The real GDP growth has been estimated at 3.6% compared to 4.4% (revised) in the previous fiscal year.

Pakistan has also undergone general elections in May, 2013. Election results indicate that people of Pakistan are well aware of their rights and socio economic needs in this global village. There were expectations that new government will launch more investments and growth friendly policies in a comprehensive way. Resultantly, domestic and foreign investors will gain confidence to initiate new business activities in a peaceful democratic transition which in turn would increase production, employment and stability in the economy.

As expected the economy has now started showing signs of improvement and the current trend of the past few months is encouraging. The government is following strict austerity measures that have not been easy to make. The measures are although very painful, yet government had to resort to politically unpopular decisions in the best interest of the country to change the direction of its economy. The economy at-least has been put on the road of recovery and stability.

Pakistan has also signed a \$6.7 billion loan from International Monetary Fund (IMF) to rebuild its reserves after more than two years of depletion and to support structural changes aimed at boosting investment and growth. The stock markets are showing appreciable increase in the investment reflected through KSE 100 index which has increased to more than 25261 as on 31st December, 2013 compared to 16905 on the last closing day of previous year. Exports are also showing encouraging increase particularly in textile sector and we hope by the end of year 2014 the economy of Pakistan would be put on stable footings.

Our Industry

The insurance industry of Pakistan has shown perceptible change in the market dynamics since liberalization and reforms after promulgation of new Insurance Ordinance 2000. However, it still requires lot of efforts to consolidate the growth and development of the industry in an orderly and sustainable manner. Notwithstanding the marginal improvement in insurance penetration and density, the industry largely remains under-penetrated. The market today is primarily dependent on tax incentives and mandatory buying for sales. There is very little customer pull, which will come from increasing awareness along-with increase in disposable income. However, in the long run, the insurance industry is still poised for a strong growth as the domestic economy would steadily grow leading to rise in per capita and thus disposable income.

Our Company

The legacy of leadership is a tribute to the success and stability of an organization. Personally, I am truly pleased with the performance of the Board of Directors and senior management in their respective responsibilities. The credit of remarkable growth in income goes to the efforts of Chief Executive and members of his dedicated team who worked hard in projecting the image of the company in order to support the marketing strategy of the company.

The challenges for us are the deteriorating law and order situation in the country combined with rapidly changing market dynamics, which further intensifies the complexity of our operations. However, I believe that providing high quality and reliable services to our customers in a sustainable manner is the bigger challenge for us. We take a positive approach of our resources and capabilities with flexibility and speed to adapt our products to meet the changing market conditions. In this regard our process and systems allow us to get the most out of our strength.

East West Insurance Company Limited is a profitable, well capitalized and resilient insurer of Pakistan. Our success is built on dedication of our field staff and a combination of financial and underwriting discipline, customer centricity and operational excellence. We maintain our momentum in an increasingly volatile economic and social environment. Our strategy is designed to deliver profitable growth by leveraging the strength of our business making the best use of our resources to maintain our reputation as a trusted security.

Our Strategy

East West Insurance Company was established in 1983 with a vision to support the small and mid-sized insurance consumers of the country. Our plan proved successful for over two decades in expansion of our company. However, from 2008 onwards, the SME sector was badly affected by the increasing costs of electricity, gas and various other commodities. Resultantly, the business of this sector declined all over Pakistan in general and in particular the region of Punjab which was badly affected. Hence, we realized that our strategy to depend on SME sector now requires revamping so as to concentrate on corporate business to augment our premium income. We therefore paid special attention on the corporate sector and approached clients directly and also through local insurance companies to receive premium in co-insurance/reinsurance. In this regard our Islamabad Region and Corporate Branch in Karachi played a significant role in introducing corporate clients including large industrial organizations such as textile and sugar mills, power generation units, manufacturers of cement & fertilizers, Oil and petroleum refineries etc. along-with importers, commercial banks, multinational companies, and last but not least renowned consultants and contracting firms of international repute engaged in development work such as highways and hydropower projects. As a result we successfully increased our gross premium income to Rs.1.124 Billion which is 31% higher than previous year.

Our Business Results

Our solid business results in 2013 were achieved while continuing to deliver meaningful services to our valued clients. We generated significant cash flow and maintained our rating 'A' by PACRA. Importantly, we continued our track record of consistent performance with 31 years of our presence in the industry. Our results also include strong growth in our conventional portfolio along-with new consumer lines of products. As a result of our continuing commitments, we expect to maintain strong momentum in our business operations while we continue to make investments in profitable ventures for sustainable growth in 2014 and beyond. Our broad base of branches gives us a unique perspective over our peers of the industry. The financial health of our company has also improved substantially with remarkable growth of our premium income.

Sound and Prudent Management

In 2012 Securities and Exchange Commission of Pakistan introduced regulations for Sound and Prudent Management in order to promote sound corporate governance to encourage the Board of Directors and management for effectively exercising their respective authorities. The rules were applicable to Chief Executive Officer, Principal Officers, Directors and key personnel of insurance companies. Since your company pays special attention in compliance with the law and legal system, the management formed various management committees which include the HR Committee, Underwriting Committee, Claims Committee, Reinsurance Committee, Audit Committee, and Executive Committee who regularly convene their meetings to monitor the performance in their respective areas of operations. During the year 2013, we replaced the Chairman of Audit committee to meet the requirement of Sound and Prudent Management Regulations of SECP. The vacancy was filled by inducting independent director Mr. Umeed Ansari as Chairman of the Audit Committee. Similarly, in case of underwriting committee our director Mr. Pervez Yunus replaced Mr. A.K.M Sayed who could not effectively participate in periodic meetings due to poor health problems.

Our Investment

Prudent investment also plays a significant role in the earning of an insurance company. However, it requires a professional team to monitor this portfolio in order to take the best utilization of investments. In the beginning of 2013 the Board of Directors advised the management to formulate an investment policy for the company. Hence, the management after formulating an investment policy submitted to the Board for approval and consequent implementation. You should be pleased to know that Investment Committee is now convening frequent meetings in order to review the status of investments in accordance with the laid down principles in various sectors of investments including attractive scrip in Karachi Stock Exchange. It is encouraging to note that during the year 2013 the ratio of our equity/investment has incredibly improved and your company has earned investment income of more than Rs.100 million.

Acknowledgment

In the end I wish to express my sincere appreciation to our valued shareholders, clients, reinsurers, SECP, and financial institutions whose faith, cooperation and support over the years strengthened our relationship which played a vital role in improving our performance for the benefit of common men and national economy.

Once again the successful performance of the company could not have been achieved without the continued commitment and dedication of the management and staff of your company. On behalf of the members of Board of Directors, I would like to extend my gratitude to all of them.

Finally, I wish to record my appreciation to all my fellow Directors for their continuous assistance, support and guidance during the year 2013 and look forward for their co-operation during the year 2014. With this in mind, I anticipate that Inshallah the company would successfully face the challenges ahead.

Allah may bestow upon us all the choicest blessings (Aamin).



**Chief Justice (Retd.)
Mian Mahboob Ahmad**
Chairman

Karachi Dated: 7th March, 2014

DIRECTOR'S REPORT



The Directors of East West Insurance Company Limited have pleasure in presenting the 31st Annual Report of your company along-with audited statement of accounts for the financial year ended December 31st, 2013.

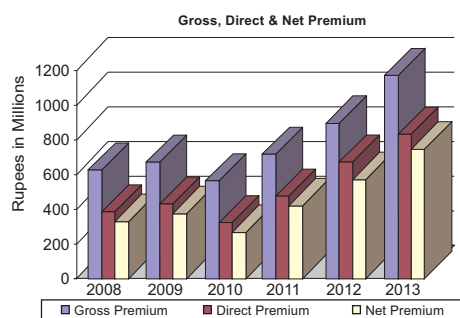
Overview of Insurance Industry

Insurance Industry of Pakistan is relatively under-developed compared to its potential. The overall results of the insurance industry for the year 2013 are still under compilation and hence we are unable to project them at this moment. However as of December 2012, the total gross premium of the industry was recorded at PKR 145 Billion while total assets were PKR 532 Billion. Major contribution towards this figure is from State Life Insurance Corporation, NIC and Pakistan Reinsurance Company Limited. The insurance density was also recorded at US \$8 compared to India with US \$59. The insurance penetration however was recorded 0.93% compared to India with 4.1%.

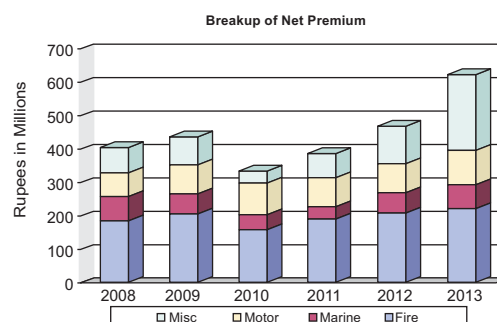
Despite unhealthy competition in rates in motor and marine insurance portfolios, the premium of the non-life insurance industry of Pakistan is progressively increasing. It was also expected that general insurance companies once allowed to transact Takaful insurance through window operation would further add premium to their overall income. However, the Takaful companies resented against the grant of permission by SECP and moved petition in court for seeking legal remedy. The honorable court granted them stay order and hence this program is still under suspense.

Our Performance

Despite unhealthy economic conditions and extremely disappointing law and order situation which hampered the overall business activities, your company by the grace of Almighty Allah has earned gross premium of Rs. 1.124 billion thus showing an increase of over 31% compared to previous year. Net premium revenue has also increased to Rs.622.57 million. Resultantly, Pre-tax profit has also increased to Rs.148.58 million which is higher by 76 percent compared to previous year. The investment income for the year has also made remarkable contribution towards overall profitability of the company.



2008	2009	2010	2011	2012	2013
Rupees in Million					
Gross Premium					
614.07	631.81	562.50	673.32	855.72	1,124.30
Direct Premium					
443.84	427.75	389.20	426.10	584.65	723.61
Net Premium					
405.71	436.97	331.97	387.69	467.72	622.57



2008	2009	2010	2011	2012	2013
Rupees in Million					
Fire					
185.172	205.4	158.70	188.85	208.56	224.49
Marine					
73.99	59.97	43.99	39.29	61.22	67.48
Motor					
68.96	86.92	96.01	82.62	88.08	106.10
Misc					
77.60	84.62	33.27	76.93	109.86	224.50

Property and Fire Portfolio

Property and Fire portfolio contributes a major share towards the overall premium income of a company. In 2013 your company has earned a gross premium of Rs.385.19 million through Fire and Property insurance. This shows an increase of 21% compared to year 2012. After meeting the claims and underwriting expenses, this portfolio has earned underwriting profit of Rs.51.25 million.

Marine Cargo / Transportation

This portfolio normally contributes 10% to 15% to the gross premium income of your company. The major portion is earned through overseas imports plus inland transit of cargo from seaports to dry ports and warehouses. Marginal contribution is also through insurance of cargo which is exported to USA, Europe and other countries. In 2013 EWI has earned gross premium of Rs.146.01 million. After taking losses and other expenses in to account, we earned an underwriting profit of Rs. 23.09 million through this portfolio.

Motor and WC

Motor and WC portfolio contributes around 15% to 20% of income towards gross premium. Despite reasonable contribution to gross premium, this portfolio marginally remains profitable due to inherent risks. Major losses are through accidents rendering the vehicles as total loss. Also due to theft, robberies and snatching, major claims have to be paid as total loss. In view of deteriorating law and order situation combined with wave of terrorism the quantum of loss has substantially increased. In 2013 we earned gross premium of Rs.136.26 million with marginal underwriting profit of Rs. 16.01 million.

Miscellaneous

According to Insurance Ordinance 2000, Liability, Travel, Health, Bonds/Engineering etc. comes under miscellaneous portfolio. Hence, the profit/loss under miscellaneous head is computed as consolidated figure of the entire portfolio. In 2013 we earned gross premium of Rs.456.84 million which resulted in underwriting profit of Rs.26.55 million through this account. However, through various sub-accounts under miscellaneous portfolio is as follows:

a) Liability / Crop

Liability portfolio contributes around 5 to 10% of income to our gross premium. This portfolio grew robustly due to increased activities of foreign companies and contracting firms operating in Pakistan. In 2013 we earned gross premium of Rs. 47.06 million through this portfolio.

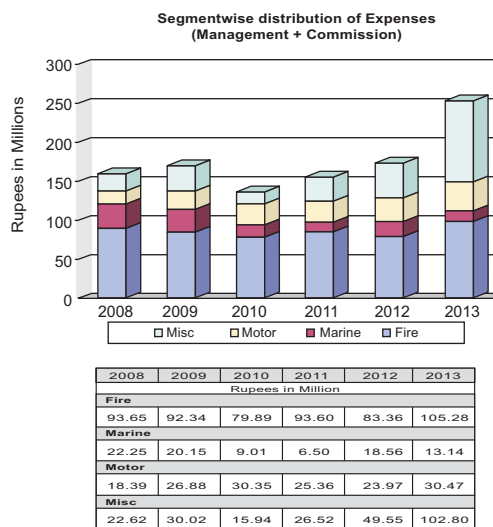
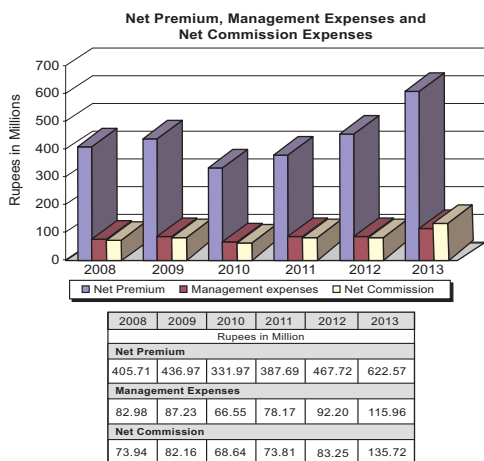
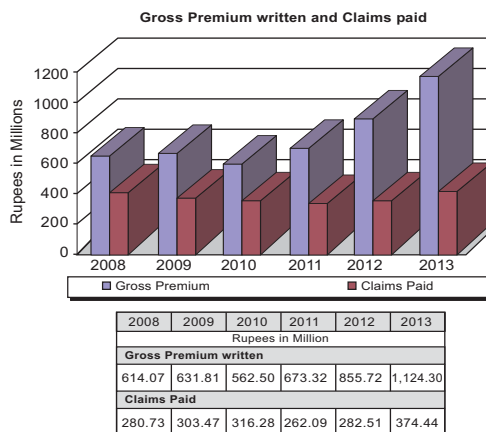
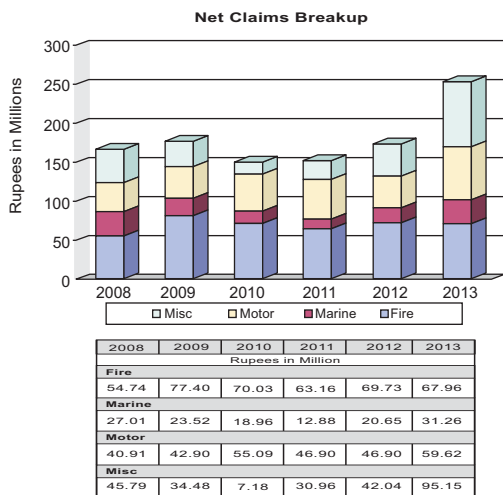
b) Travel and Health Insurance

Just recently, your company introduced Travel and Health insurance through corporate offices of Islamabad and Karachi under the control of our consultant Mr. M. Jamaluddin. The portfolio is now robustly growing through our countrywide network of branches. Our company is enlisted on the panel of various foreign missions who normally impose the requirement of travel insurance as prerequisite for VISA applications. In 2013, we earned gross premium of Rs. 65.70 million.

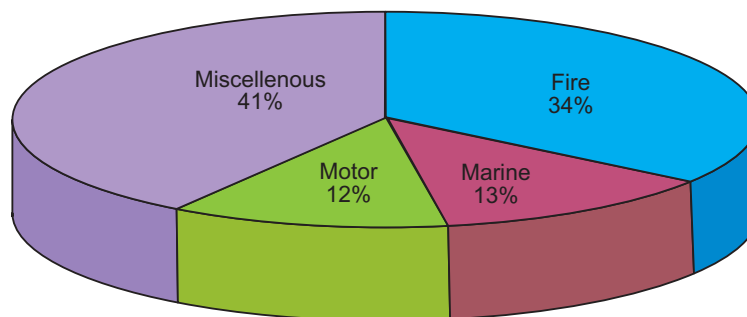
c) Engineering / Bonds

Major earning of the company in this portfolio is through underwriting of engineering policies written on behalf of large consulting firms and contracting companies of international repute.

You would be pleased to know that we are pleased to inform that we are also underwriting engineering projects in facultative reinsurance offered to us through brokers and local companies in Pakistan. During 2013 we earned gross premium of Rs.344.08 million through direct and facultative insurance.

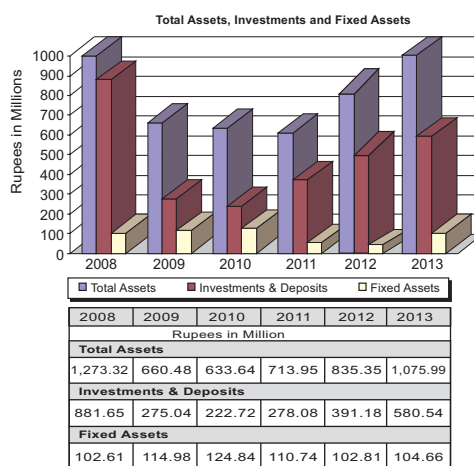


Gross Premium Break up



Investment Income

Investment income pays a significant contribution towards our profitability. Generally, the earning is through various sources including dividend, bank deposits, mutual funds and capital gains. The investment committee formed under Sound and Prudent Management supervises this portfolio and monitors investments in profitable ventures including attractive scrip in Stock Exchanges. During 2013 our investments recorded to Rs.503.06 million which gives a ratio of more than 90% to our equity/investment portfolio. As of 31st December, 2013 your company realized a gain of more than Rs.100 million through investment income.



Reinsurance Arrangements

The international reinsurance market remains stable during 2013. However due to small size and low GDP penetration, top class world renowned reinsurers including Munich Re, Swiss Re and other have either withdrawn from our market or reducing their participation particularly due to increasing incidents of terrorism. The devaluation of rupee and poor economic conditions of Pakistan also discourages the reinsurers in our market. The increasing losses of natural hazard such as floods, earthquake and excessive rains have also impacted the reinsurers.

In 2012 we introduced non-proportional treaties under the lead of world renowned 'A' rated reinsurers. During the year under review our results for reinsurers were extremely positive as most of the losses of our company remained under net account. Keeping in view the results and also our goodwill in the international reinsurers, we have successfully renewed sizeable treaties to enhance and increase our underwriting capacity for the year 2014.

Insurers Financial Strength Rating

We are pleased to announce that PACRA has maintained our IFS rating 'A' for the year 2013. The rating incorporates prudent strategy of the management focused on a diverse mix of products and customers. This would help the company to sustain further improvement in underwriting performance. The company has also adopted a focused approach to further improve insurance assets/liabilities management and favorable changes in the investment mix.

Future Outlook

The economic condition of USA and Europe is now showing improvement in their growth. As the recession is countered, the pace of economic growth would substantially improve with openings for exports to developing countries including Pakistan.

The economy in Pakistan is also showing improvement after taking over by the newly elected government in June,



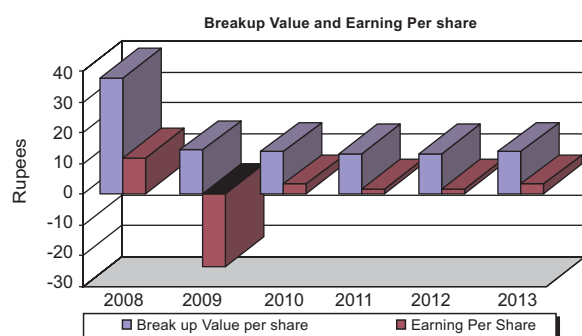
2013. The government is serious in addressing the situation of law and order to counter the threat of terrorism. The shortage of electricity is also addressed seriously and we are quite optimistic that the year 2014 would bring prosperity and improvement in the economic scenario with growth of industry and in turn jobs for our youth. This in result would turn around our economy and hence the insurance sector would also reap its benefits in coming years.

Human Resource

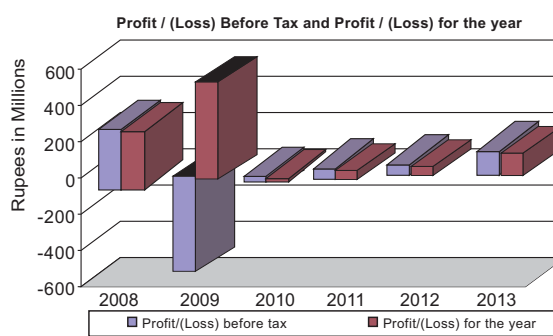
The success of a company is judged by the caliber of its workforce. EWI is committed to development of its employee and ensures that suitable skills are developed at all levels for improved efficiency. The management also pays special attention for training at all levels and nominates officers and staff for training courses in Pakistan and abroad to give them suitable exposure in their respective fields of operations. Beside training courses, officers are also deputed for international seminars and workshops for suitable exposure.

Financial Results

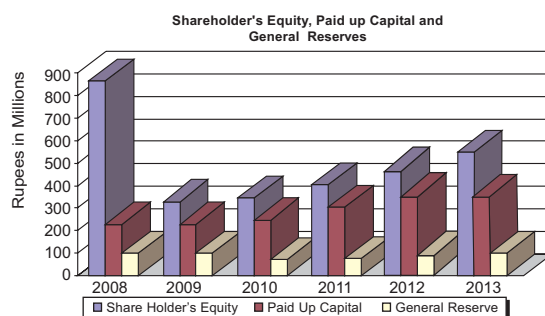
In the year 2013 your company recorded an underwriting profit of Rs.116.90 million. Profit before tax for the year 2013 was Rs.148.58 million as compared to Rs.84.26 million in the previous year. The profit after tax is Rs.126.37 million showing a net gain of 76%. The profitable returns have also increased our earning per share in the year 2013 to Rs. 3.46.



2008	2009	2010	2011	2012	2013
Rupees					
Break up value					
37.93	14.39	13.45	13.20	14.05	15.32
Earning per share					
11.63	(23.50)	0.34	1.16	2.05	3.46



2008	2009	2010	2011	2012	2013
Rupees in Million					
Profit/(Loss) before tax					
277.02	(528.00)	15.55	48.33	84.25	148.58
Profit/(Loss) for the year					
265.83	(537.12)	8.43	35.00	68.04	126.37



2008	2009	2010	2011	2012	2013
Rupees in Million					
Share Holder's Equity					
866.84	329.71	338.16	398.04	466.08	559.29
Paid up Capital					
228.53	228.53	251.38	301.65	331.82	365.00
General Reserves					
100.20	100.20	77.20	75.00	100.00	100.00

Solvency Margin

The Directors of your company continuously review the potential liabilities of the company to compare them with overall assets. You should be pleased to know that your company has adequate provisions to maintain our financial status so as to attract both corporate and individual clients who are always in search of sound and reliable securities.

Apart from income of the company, most controlled expenses also plays a vital role to support financial health of the company. Hence, it is extremely important to keep a check on un-prudent expenses to avoid unnecessary drain of funds. However, despite best efforts and austerity, it is extremely difficult to cut down on management expenses under the overall inflationary trend in the market. Reduction in expenses could also endanger the competence of HR and quality of service resulting in decline in the income of your company. The bottom line is the optimal expense which justifies the quality as well as quantum of our premium income. Keeping a rational control the management expenses have posted to Rs. 115.96 million in 2013.

The Board of Directors

The Board was actively involved during the year in performing its duties as required under the law and the Memorandum and Articles of Association of the company. Their ultimate objective was to safe-guard the interest of the shareholders, increase in profitability with an ultimate goal to promote the good-will of the company. As directed by the regulators the Board has perfect combination of executive and non-executive independent directors. All the Directors represent diverse fields/professions and possess necessary qualifications to deal with the business matters as required by SECP for good governance. The Directors on the Board are fully aware of their powers, duties and liabilities under the Companies Ordinance 1984, the Code of Corporate Governance, Memorandum and Articles of Associations and Listing Regulations.

Chairman's Review

The Chairman's review included in this report gives comprehensive scenario on the overall performance of your company during the year and its prospects for the future. The Directors fully endorsed the views of the Chairman and would like to follow the guidance for growth and prosperity of the company in years ahead.

Appreciation and Acknowledgement

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

We would also like to record our appreciation for the cooperation and professional support by the Insurance Division of Securities and Exchange Commission of Pakistan. Finally, the BOD also acknowledge the hard-work and dedication of our marketing teams, marketing staff, officer and staff members for achieving the desired goals and objectives of the company and look forward for their continued support in the year 2014.



APPROPRIATIONS: (Rupees in '000)

The working results of the company for the year 2013 are as under:

Profit before tax	148,579
Less: Taxation	(22,212)
Profit for the year	<u>126,367</u>
Add: Balance brought forward from previous year	<u>34,280</u>
Amount available for appropriation	160,647
Interim cash dividend 10%	(33,182)
Issuance of bonus shares 10%	(33,182)
Balance carried forward	<u><u>94,283</u></u>

Corporate and Financial Reporting Framework

- The financial statements together with the notes forming an integral part of these statements have been prepared by the management of the company in conformity with the Companies Ordinance 1984 and the Insurance Ordinance 2000; present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
 - Proper books of accounts of the company have been maintained.
 - Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements and any departure therefrom has been adequately disclosed.
 - The system of internal control is sound in design and has been effectively implemented and monitored. The Board is ultimately responsible for the company's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss. The process used by the Board to review the effectiveness of system of internal control include, inter alia, the following;
 - An audit committee has been formed. The audit committee has written terms of reference and reports to the Board. It reviews the approach adopted by the company's internal audit department and the scope of and the relationship with the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material control weaknesses that have been identified, and discusses the actions to be taken in areas of concern with the relevant executive directors.
 - An organizational structure has been established, which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
 - The Board has approved the business strategies for the divisional level. In addition, there is an annual budgeting and strategic planning process. Financial forecasts are prepared quarterly and these strategies are reviewed during the year to reflect significant changes in business environment.
- The principal features of control framework include:
- Evaluation and approval procedures for major capital expenditure and other transactions.
 - Regular reporting and monitoring of financial performance of the divisions, and the group as a whole, using operating statistics and monthly management accounts which highlight key performance indicators.
 - Review of the group's health, safety, environment contingency management processes and other significant policies.
- There are no significant doubts upon the company's ability to continue as a going concern.
 - There has been no material departure from the best practices of the Pakistan Institute of Corporate Governance (PICG).
 - An orientation course organized by Pakistan Institute of Corporate Governance (PICG) and Association of Chartered Certified Accountants (ACCA) Pakistan was arranged by the board for its Directors to apprise them of their duties and responsibilities.

- The value of investment in the provident Fund based on the un-audited accounts as at 31st Dec. 2013 is Rs. 24,077,253/-
- There has been no trading during the year in the shares of the company carried out by the directors, CEO, CFO, Company secretary and their spouses and minor children.

Board / Sub-Committee Members / Secretary	Board Meetings	Audit Committee	Underwriting Committee	Reinsurance Committee	Claims Committee	Investment Committee	H.R. Committee
No of Meeting held	05	04	04	04	04	07	04
ATTENDANCE							
Chief Justice (R) Mian Mahboob Ahmad	04	03	-	-	-	-	-
Mr. Naved Yunus	04	-	-	04	04	07	-
Mr. Javed Yunus	05	-	-	04	-	-	04
Mr. Pervez Yunus	05	-	04	-	-	-	-
Mr. Maheen Yunus	05	04	04	-	04	-	04
Mr. Umeed Ansari (Board Member since 30/10/2013)	01	-	-	-	-	-	-
Mr. A.K.M. Sayeed	02	01	-	-	-	05	-
Engr. Kazim Raza (Alternate Director in place of Mr. Tulu Javed Yunus)	03	03	04	04	-	-	-
Mr. Shabbir Ali Kanchwala	-	-	-	-	04	07	04
Mr. Johry Lal	-	04	-	-	-	-	-
Mr. Mazhar uddin	-	-	-	-	04	-	-
Syed Arshad Ali	-	-	-	04	-	-	-
Mr. Midhat Anis Ansari	-	-	-	-	-	-	04
Mr. Muhammad Zamran Ayub	-	-	-	-	-	07	-

Leave of absence was granted to director who could not attend the Board meetings.

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 forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;
- the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and
- as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

Auditors

The present auditors M/s Anjum Asim Shahid Rahman (Chartered Accountants) retire and being eligible, have offered themselves for reappointment. The external auditors, hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the audit Committee, the Board of Directors, has recommended the appointment of M/s. Anjum Asim Shahid Rahman (Chartered Accountants) as auditor of the company for the year 2014, at a fee to be mutually agreed.

Pattern of Shareholding

The pattern of shareholding, as required by section 236 of the Companies Ordinance 1984 and code of corporate Governance is enclosed.

Gratitude

I avail this opportunity to offer gratitude and respect for the departed soul of founder chairman late Unus Khan (May Allah rest his soul in eternal peace) for establishing this company on sound footing and by his able guidance in the initial years of its existence, by the determination making EWI a strong financial institution with integrity and honesty as its slogan and providing a symbol of security for this company and for all the personnel attached with the company.

Thanks are also due and accordingly extended with an appreciation to the Securities Exchange Commission of Pakistan in general and in particular to its insurance wing and all its dedicated staff for affording guidance to the company. On my own behalf and on behalf of Board of Directors, I would like to place on record enormous respect and appreciation for the hard working team of Executives, Regional Directors, General Managers, Branch Managers and field staff and hard working office staff at the Head Office, Principal Offices, Regional Offices and Branches for their dedication and devotion and honesty in discharge of their respective duties.

My Special thanks to the shareholders of your company who gave placed their utmost confidence in the professional management team of the company so that the company could attain further soundness, financial strength and integrity unequalled by anyone else.

In the end I thank you all for sparing your valuable time and affording me a patient hearing. I pray to Almighty Allah for your good health and prosperity in future and also for growth of this institution. For and on behalf of the Board of Directors.

JAVED YUNUS

Executive Director

Karachi Dated: 7th March, 2014

STATEMENT OF COMPLIANCE



WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No. 35 of the listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present the board includes four non-executive directors.

Category	Names
Independent Directors	Chief Justice (R) Mian Mahboob Ahmad, Mr. Umeed Ansari and Mr. A.K.M. Sayeed
Executive Directors	Mr. Naved Yunus, Mr. Javed Yunus and Mr. Pervez Yunus
Non-Executive Directors	Mr. Maheen Yunus and Mr. Tulu Javed Yunus

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this company.
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board during the current year on 30th October, 2013 which was filled on the same date.
5. The company has prepared a "Code of Conduct", however it is in the finalization stage which will simultaneously be signed by the board of directors.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particular of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and condition of employment of the CEO, and other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and in his absence by a director elected by the board for this purpose and the board met at least once in every quarter during the year. Written notices of the Board meetings along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. Board of directors comprised of seven directors out of which three directors have obtained "Orientation Course" organised by ACCA Pakistan & Pakistan Institute of Corporate Governance and three other directors are experienced and educated enough that exempted them from certification course.
10. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration terms and conditions of employment as determined by the CEO.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the audit committee is non-executive director. As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committees have been formed and advised to the committees for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members. During the year four meetings were held.
18. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final result, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Karachi. Stock Exchange.
23. We confirm that all other material principles contained in the CCG have been complied with.
24. The Board has been updated with respect to amendment in various relevant regulations.
25. The Board has formed an underwriting committee and it comprises of three members.
26. The Board has formed an executive committee and it comprises of five members.
27. The Board has formed a claim committee and it comprises of four members.
28. The Board has formed a re-insurance committee and it comprises of four members.
29. The Board has formed an investment committee and it comprises of four members.



NAVED YUNUS
Chief Executive Officer

Karachi Dated: 7th March, 2014

REVIEW REPORT



REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of East West Insurance Company Limited for the year ended to comply with the requirements of Listing Regulation of Karachi Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2013.

Anjum Asim Shahid Rahman
Chartered Accountants
Engagement Partner: Muhammad Shaukat Naseeb

Karachi Dated: 7th March, 2014

STATEMENT OF COMPLIANCE

with the Best Practices on Transfer Pricing

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

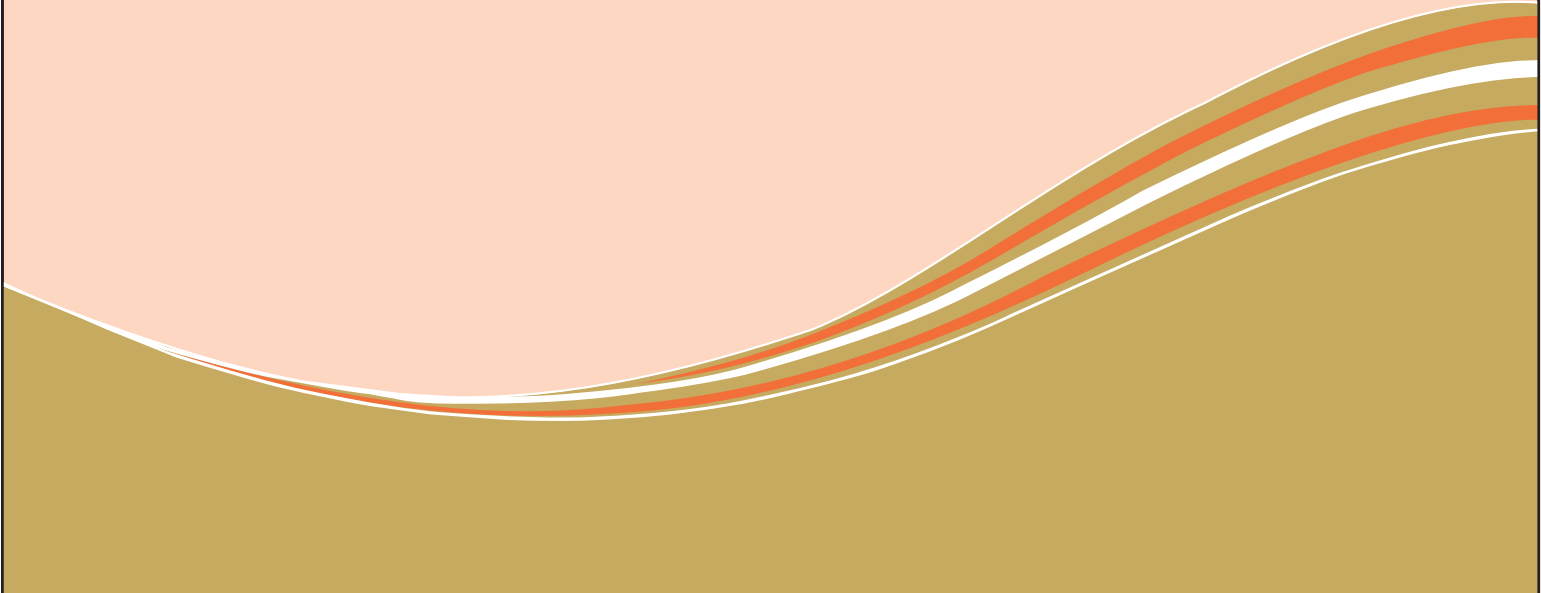


NAVED YUNUS
Chief Executive Officer

Karachi Dated: 7th March, 2014

[We offer a wide range of general insurance cover to clients all over Pakistan]

OUR SERVICES

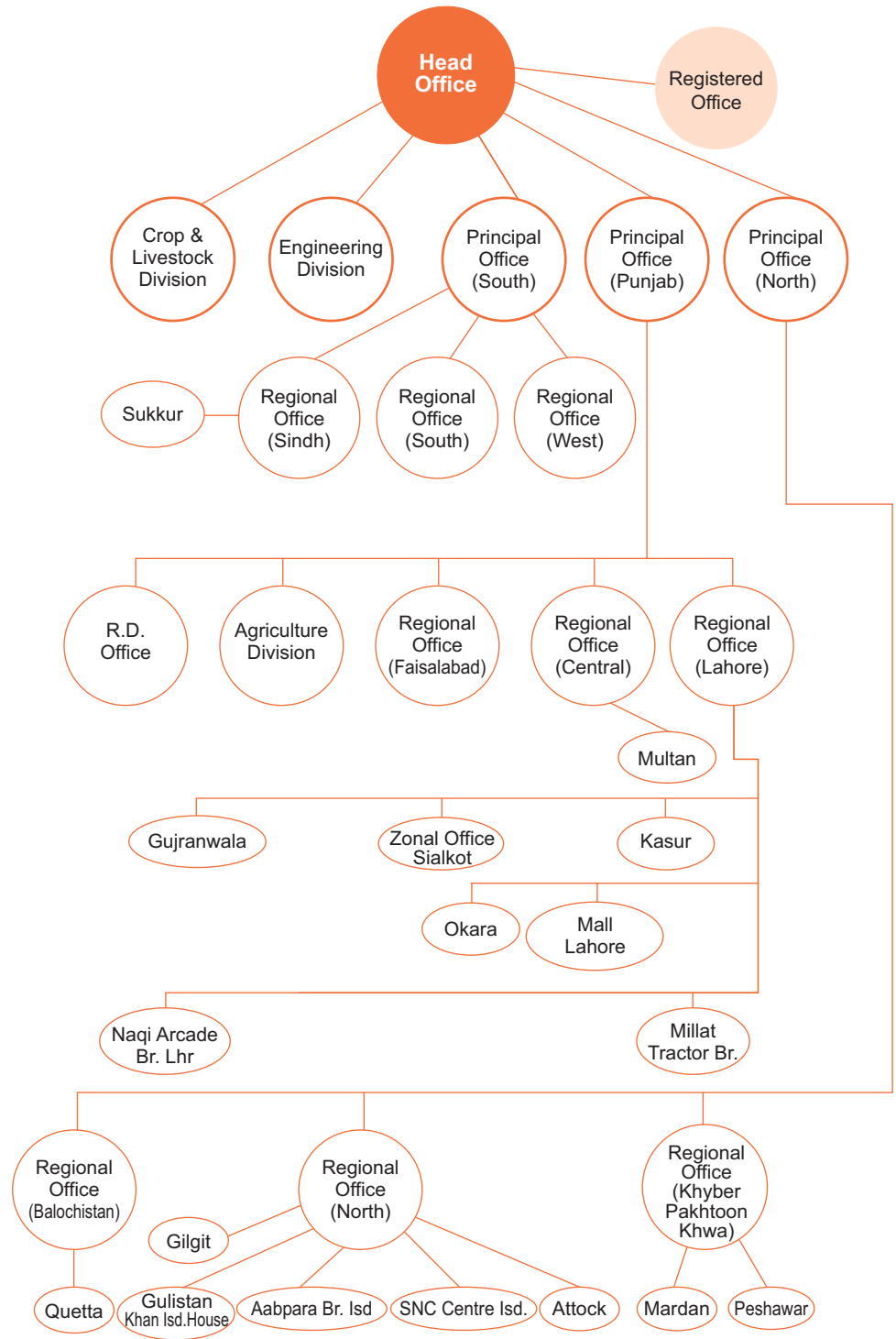


ORGANIZATIONAL SET-UP

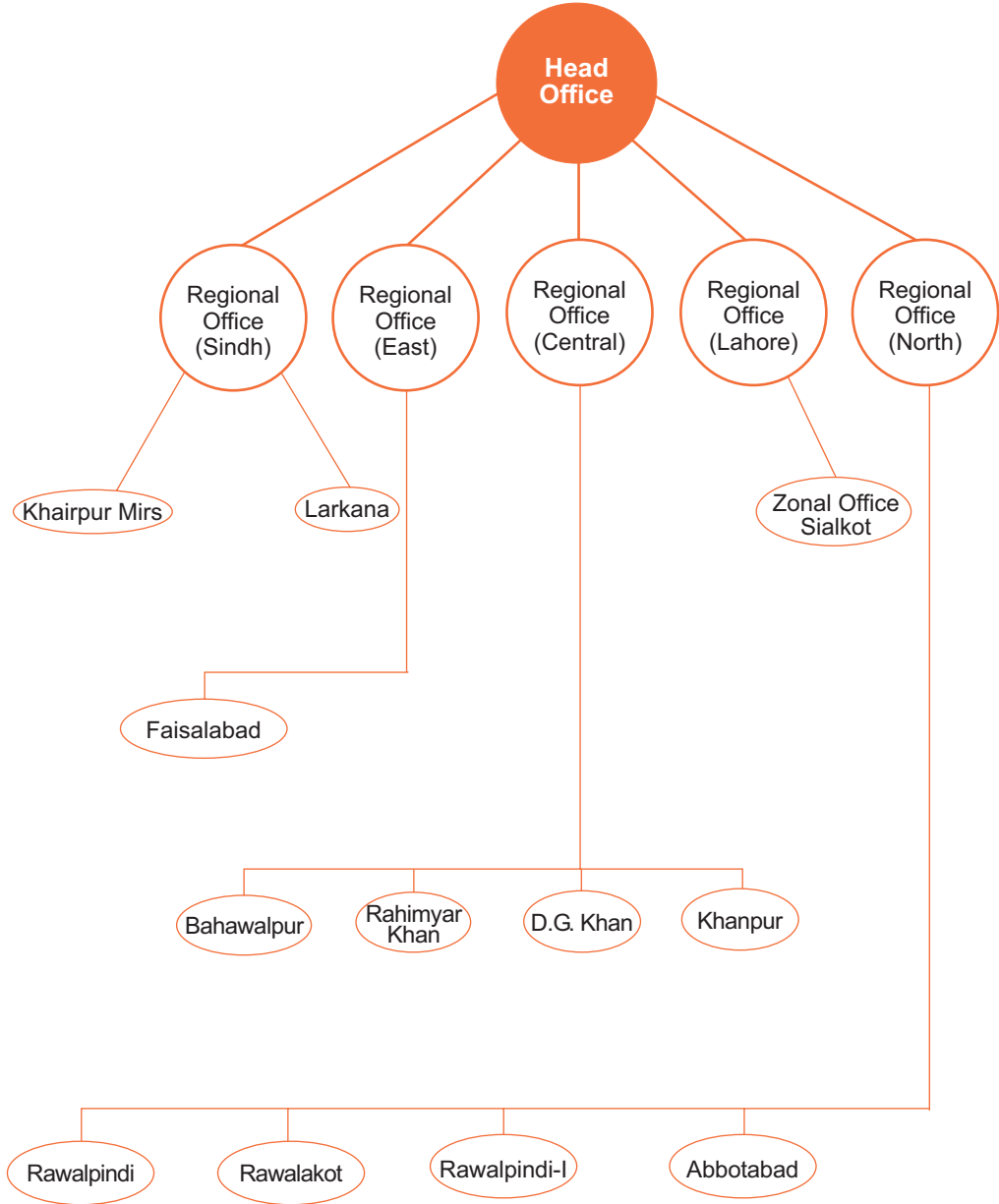


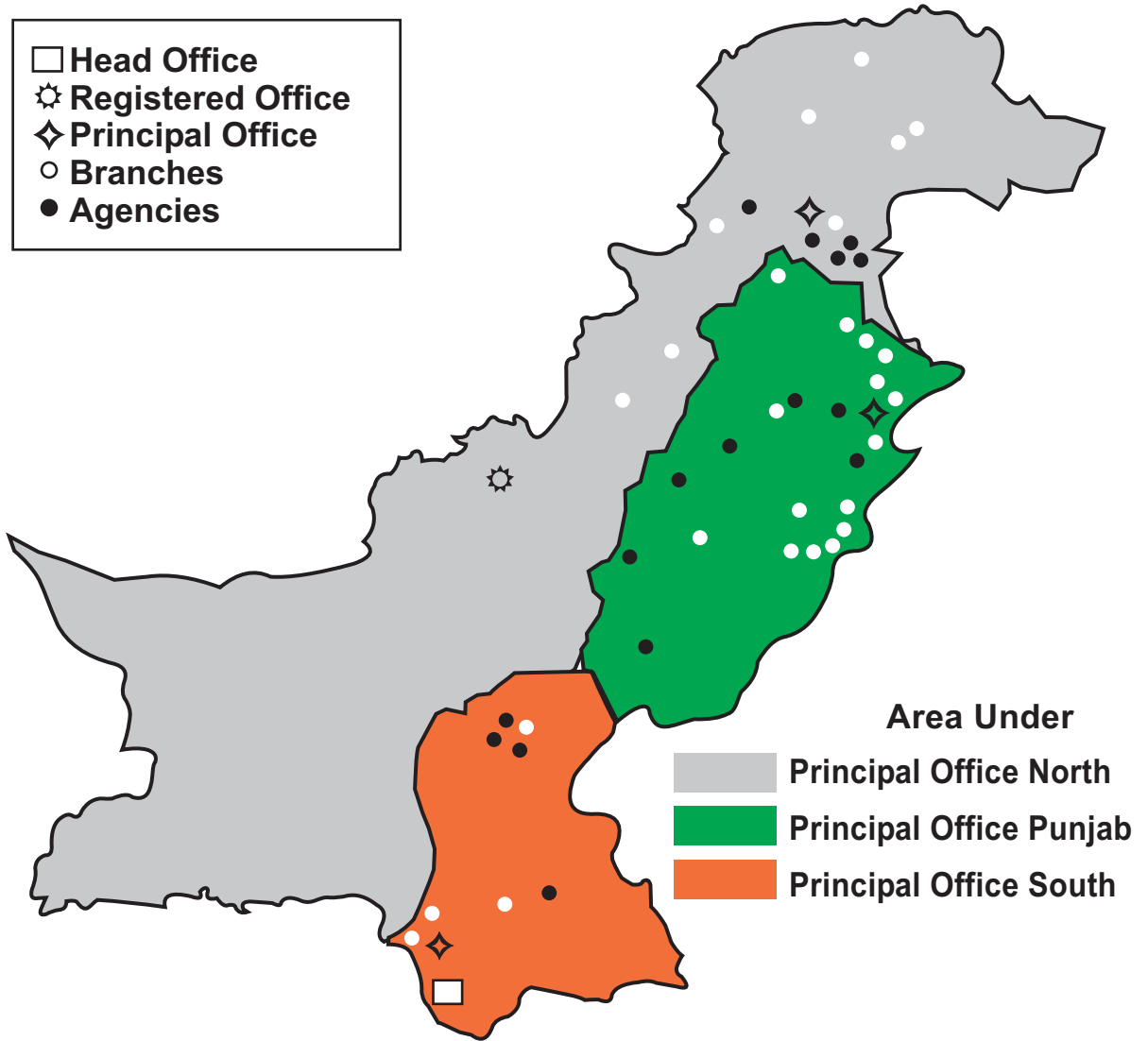
- A. Company Offices & Branch Network**
- B. Agencies Network**

COMPANY OFFICES & BRANCH NETWORK



AGENCIES NETWORK





COMPANY OFFICES & BRANCHES



REGISTERED OFFICE	27, Regal Plaza, Jinnah Road, Quetta. Tel : (081) 2822913, 2821397 Telefax: (081) 2821460
HEAD OFFICE	410-414, EFU House M. A. Jinnah Road, Karachi. Tel : (021) 32313304-11 Telefax: (021) 32310851, 32311904 Website: www.eastwestinsurance.com.pk E Mail : ewire@cyber.net.pk E Mail : info@eastwestinsurance.com.pk
PRINCIPAL OFFICES	
NORTH	Al-Asghar Plaza, 20, Blue Area, F-6, Islamabad. Tel : (051) 2276663-5 Telefax: (051) 2822207 E Mail : ewi.isd@dal.net.pk
PUNJAB	1st Floor, Naqi Arcade, 71-Shahrah-e-Quaid-e-Azam, Lahore. Tel : (042) 36306573, 36370703, 36306589, 36375553 Telefax: (042) 36361479, 36368849 E Mail : ewins@brain.net.pk
SOUTH	410, EFU House M. A. Jinnah Road, Karachi-2. Tel : (021) 32314832 Telefax: (021) 32200128
REGIONAL OFFICES	
NORTH	Al-Asghar Plaza, 20, Blue Area, F-6, Islamabad. Tel : (051) 2276663-5 Telefax: (051) 2822207 E Mail : ewi.isd@dal.net.pk
LAHORE	1st Floor, Naqi Arcade, 71-Shahrah-e-Quaid-e-Azam, Lahore. Tel : (042) 36306573, 36370703, 36306589, 36375553 Telefax: (042) 36361479, 36368849 E Mail : ewins@brain.net.pk
CENTRAL	Ghaffar Plaza Bohra Street, Multan Cantt. Tel : (061) 4512502, 4587112, 4514300 Telefax: (061) Fax : 4514859
SINDH	House No. C-217, Naseem Nagar, Qasimabad, Hyderabad Cell : (0301) 3527060
SOUTH	B-1, Shafeeq Plaza, 255/A, Sarwar Shaheed Road, Karachi. Tel : (021) 35681403, 35681424, 35621690-3 Telefax: (021) 35685122 E Mail : cwiros@hotmail.com ewiros@eastwestinsurance.com.pk
WEST	403, Business Centre, Mumtaz Hassan Road, Off. I.I. Chundrigar Road, Karachi. Tel : (021) 32426352 Telefax: (021) 32426349
BALUCHISTAN	27, Regal Plaza, Jinnah Road, Quetta. Tel : (081) 2822913, 2821397 Telefax: (081) 2821460
KHYBER PAKHTOONKHTWA	8th Floor, State Life Building 34, The Mall, Peshawar Cantt. Tel : (091) 5276438-9, 5273933 Telefax: (091) 5273513

SPECIALIZED DIVISIONS UNDER HEAD OFFICE

CROP DIVISION 410 EFU House,
M.A Jinnah Road, Karachi.
Tel : (021) 32313304-11
Fax : (021) 32311904

ENGINEERING DIVISION 410-414, EFU House
M.A. Jinnah Road, Karachi.
Tel : (021) 32314832
Fax : (021) 32200128

BRANCH OFFICES UNDER PRINCIPAL OFFICE (SOUTH) KARACHI

REGIONAL OFFICE (WEST) 403, Business Centre,
Mumtaz Hassan Road Karachi. Karachi
Off, I.I Chundrigar Road Karachi. City
Tel : (021) 32426352
Fax : (021) 32426349

REGIONAL OFFICE (SOUTH) B-1 Shafeeq Plaza, 255/A, Karachi
Sarwar Shaheed Road, Karachi. City
Tel : (021) 35381403, 35681424, 35621690-3
Fax : (021) 35685122
E Mail : cwiros@hotmail.com
cwiros@eastwestinsurance.com.pk

HYDERABAD House No. C-217, Naseem Nagar, Sindh (Except Karachi.)
Qasimabad, Hyderabad Cantt. Hyderabad
Cell : (0301) 3527060 Tando Jam Mohammad,
Matari

EFU House Branch 515, EFU House, Karachi
M. A. Jinnah Road, Karachi. City
Tel : 021-32316087
Fax : 021-32316187

BRANCH OFFICES UNDER PRINCIPAL OFFICE (NORTH), ISLAMABAD

PRINCIPAL OFFICE (NORTH) Al-Asghar Plaza, 20, Blue Area, Frontier &
F-6 Islamabad Baluchistan
Tel : (051) 2276663-5 Regions
Fax : (051) 2822207

REGIONAL OFFICE (PHOTOHAR) 12-D, SNC Center, 4th Floor, Islamabad
Office No 2, Fazal-e-Haq Road, Rawalpindi
Blue Area, Islamabad
Tel : (051) 2201696
Fax : (051) 2201231

ISLAMABAD AABPARA BRANCH Flat No. 4, Block No. 2, Islamabad
Pervez Market, Rawalpindi
G-6/1-1, New Aabpara, Islamabad.
Tel : (051) 2602889
Fax : (051) 2602889


GULISTAN KHAN HOUSE Office # 303, 3rd Floor, Islamabad
Sector Gulistan Khan House, Rawalpindi
Fazal-e-Haq Road,
Blue Area, Islamabad.
Tel : (051) 2802491-4
Fax : (051) 2802490



ATTOCK	F-37, Sheikh Zaffar Plaza Mandi Chowk, Attock City. Tel : (057) 2611726	Attock Fateh Jang Pindi Gheb.
REGIONAL OFFICE (GILGIT - BALTISTAN)	Shahrah-e-Quaid-e-Azam Zulfiqar Abad Jutial Gilgit. Tel : (05811) 455279 Fax : (05811) 455232	Gilgit Diamer Skardu
REGIONAL OFFICE (BALUCHISTAN)	27 Regal Plaza, M.A.Jinnah Road Quetta . Tel : (081) 2822913, 2821397 Telefax: (081) 2821460	Baluchistan Except Coastal Belt Quetta Chaman Ziarat, Khuzdar
REGIONAL OFFICE KHYBER PAKHTOON KHOWAH	8th floor, State Life Building 34, The Mall, Peshawar Cantt. Tel : (091) 5276438-9, 5273933, 5276439 Telefax: (091) 5273513	(Khyber Pakhtoon Khwah)

BRANCH OFFICES UNDER PRINCIPAL OFFICE (PUNJAB), LAHORE.

PRINCIPAL OFFICE (LAHORE)	1st Floor, Naqi Arcade, 71- Shahrah-e-Quaid-e-Azam, Lahore Tel : (042) 36306573, 36375553, 36306589, 36370703 Fax : (042) 36361479, 36368849 E-mail : ewins@brain.net.pk	
AGRI DIVISION	1st Floor, Naqi Arcade, 71- Shahrah-e-Quaid-e-Azam, Lahore Tel : (042) 36306573, 36375553, 36306589, 36370703 Fax : (042) 36361479, 36368849	Lahore City
REGIONAL OFFICE	1st Floor, Naqi Arcade, 71- Shahrah-e-Quaid-e-Azam, Lahore Tel : (042) 36306573, 36375553, 36306589, 36370703 Fax : (042) 36361479, 36368849	Lahore City

		
MILLAT TRACTOR BRANCH	Millat Tractor Limited, Sheiakpura Road, Lahore. Tel : (042) 37910319 Mobile : 0321-4684036 UAN : 111-200-786 Ext. 446	Lahore City
KASUR	Opp. Jamia Masjid Noor, Railway Road, Kasur Tel : (0492) 770732 Mobile : (0300) 6599688	Kasur Chunain Bhai Pheru Pattoki Raiwand Kahan Nau
ZONAL OFFICE SIALKOT	Al-Rehman Centre, Defence Road, Sialkot. Tel : (052) 3240271-3 Fax : (052) 3240270	Sialkot
OKARA	M.A. Jinnah Road, Okara. Tel : (0442) 550324, 522388 Fax : (0442) 522388 Mobile : 0321-6950324	Okara Depalpur Basirpur Renala Khurd
GUJRANWALA	Trust Plaza Block "C", G.T. Road, Gujranwala. Tel : (055) 3846106 Fax : (055) 3846107	Gujranwala Wazirabad Gujrat Lalamusa Kamoke
FAISALABAD	2nd Floor, Room No. 1, Pakistan Market, Katchery Bazar, Faisalabad. Tel : (041) 2413043, 4011231 Fax : (041) 2628471	Faisalabad Jaranwala Samundri Gojra Jhang
REGIONAL OFFICE (MULTAN)	Ghaffar Plaza, Bohra Street, Multan Cantt. Tel : (061) 4512502, 4587112, 4514300 Fax : (061) 4514859	Southern Punjab Multan Khanewal Muzaffargarh



AGENCIES UNDER PRINCIPAL OFFICE (SOUTH), KARACHI

KHAIRPUR MIRS	524, Mohallah Tappali Street Khairpur Mirs. Tel : (0243) 552275	Khairpur Mirs, Gambat Ranipur, Kotdigi Pacca Chang, Nara Thari Mirwah Mehrampur
LARKANA	Near Lal Bungalow, Farooq Ali Street, Dari Mohalla, Larkana. Tel : (074) 4045582, 4045753 Mob : 0300-3411750	Larkana, Jacobabad, Shahdad Kot, Kandh Kot, Kamber, Warrach, Thul, Miro Khan, Naukot, Naudero

AGENCIES UNDER PRINCIPAL OFFICE (NORTH), ISLAMABAD

RAWALPINDI-I	Plaza No.98, 2nd Floor, Near Bank Al-Falah, Civic Centre, Bahria Town, Rawalpindi. Cell : (0300-) 5550053	Islamabad Rawalpindi
RAWALPINDI-II	55/A, Malik Plaza, Room # 8, 2nd Floor, Bank Road, Rawalpindi Cantt. Tel : (051) 5564173 Cell : 0333-5583342	Islamabad Rawalpindi
ABBOTTABAD	Dr. Sher Afzal Plaza The Mall, Abbottabad. Cell : 0301-8704094	Abbottabad Mansehra Kohistan
MARDAN	Bank Road, Mardan. Tel : (0937) 867639	Mardan
SKARDU-I	Near Yadhar Chowk, Neal Bazar, Skardu.	Skardu
HUNZA	Aliabad, Main Bazar, Hunza.	Hunza

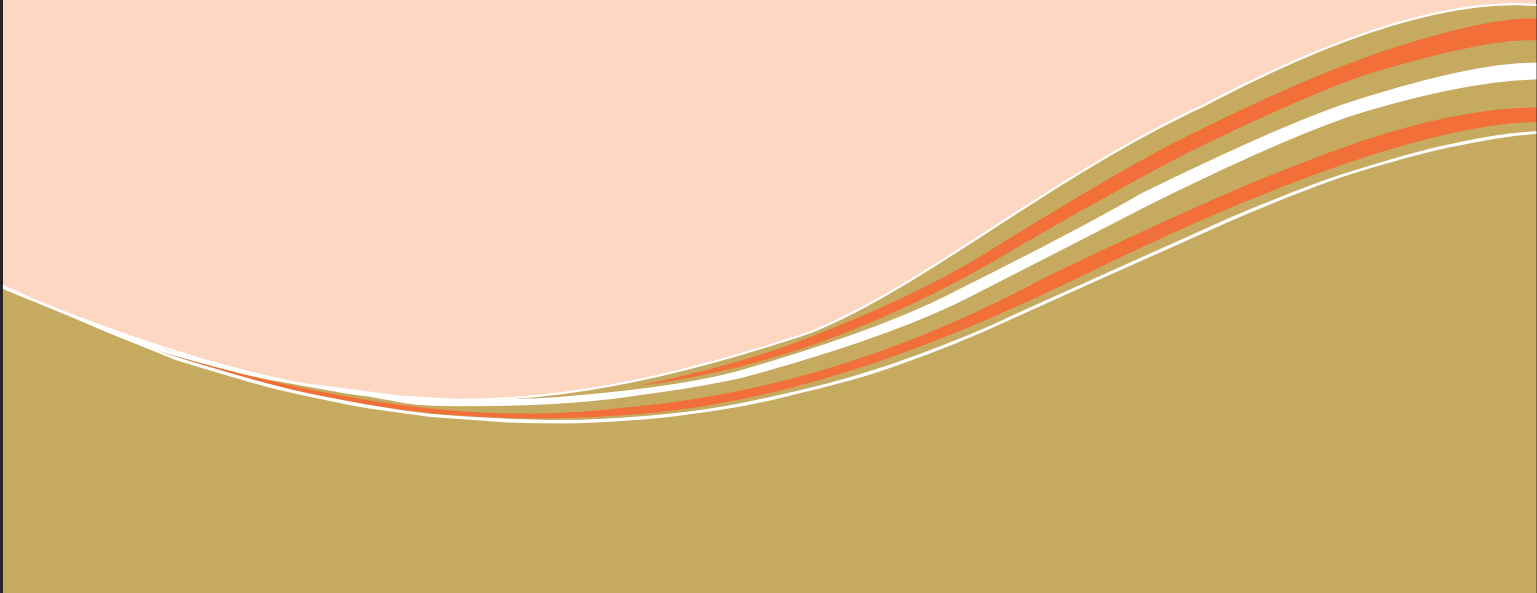
MUZAFFARABD	Village Kamar Bandi, Muzafarbad (A.K.)	Muzafarbad.
RAWALAKOT (A.K)	Village Kina Parrat, Rawalakot Distt. Poonch (A.K)	Rawalakot (A.K) Bagh Poonch.
GILGIT	Zulfiqarabad Jutial Gilgit	Gilgit Diامر Skardu.
MIRPUR (A.K)	92-G-I, Part Hall Road, Mirpur (A.K)	Mirpur (A.K)
SKARDU - II	Jawad Glass House New Bazar, Skardu	Skardu.
KOTLI (A.K)	H.No.157/C, Lane No.5D, Lalazar, Kotli (A.K)	Kotli (A.K)

AGENCIES UNDER PRINCIPAL OFFICE (PUNJAB), LAHORE.

ZONAL OFFICE SIALKOT	Al-Rehman Centre, Defence Road, Sialkot. Tel : (052) 3240271-3 Fax : (052) 3240270	Sialkot
BAHAWALPUR	02-Rainbow Shopping Centre, Chowk Sraiki, Bahawalpur. Tel : (062) 2875183 Mobile : (0300) 6825874	Bahawalpur Ahmedpur East Yazman Lodhran Duniyapur
D.G.KHAN	House No. 389-C, Khyaban-e-Sarwar. Dera Ghazi Khan Tel : (0642) 470671 Mobile : (0333) 6477885	D. G. Khan Taunsa Sharif, Alipur, Jampur, Rajanpur, Kot Mithan
KHANPUR	44-Old Ghallah Mandi, Khanpur. Tel : (068) 72834, 71236	Khanpur Liaquatpur Sadiqabad, R.Y. Khan
RAHIM YAR KHAN	28/A, Block-X, Scheme # 3, Gulshan-e-Iqbal, Rahim Yar Khan, Mobile : 0331-7533210	Rahim Yar Khan

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS



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AUDITORS' REPORT



We have audited the annexed financial statements comprising of:

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

of **East West Insurance Company Limited** (the Company) as at December 31, 2013 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn upon in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2013 and of its profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with the International Accounting Standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

Anjum Asim Shahid Rahman
Chartered Accountants
Engagement Partner: Muhammad Shaukat Naseeb

Karachi Dated: 7th March, 2014

BALANCE SHEET


AS AT DECEMBER 31, 2013

		(Rupees in '000)	
	Note	2013	2012
SHARE CAPITAL AND RESERVES			
Authorised share capital		<u>500,000</u>	<u>500,000</u>
50,000,000 (2012:50,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up share capital	6	365,002	331,820
Reserves and Retained earning			
Retained earnings		94,283	34,280
General reserves		100,000	100,000
TOTAL SHARE HOLDER'S EQUITY		559,285	466,100
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)		200,935	118,926
Provision for unearned premium		211,060	186,967
Commission income unearned		31,969	11,163
Total underwriting provision		443,964	317,056
Deferred Liabilities			
Deferred Taxation	7	11,261	2,879
Creditors and Accruals			
Premium received in advance	8	2,099	1,922
Amount due to other insurers/reinsurers	9	1,319	3,085
Taxation - provision less payments		21,042	19,078
Current portion of obligation under finance lease	10	-	1,348
Others creditors and accruals	11	33,800	21,910
		58,260	47,343
Other Liabilities			
Due to Directors - unsecured and interest free		3,217	1,974
TOTAL LIABILITIES		516,702	369,252
TOTAL EQUITY AND LIABILITIES		1,075,987	835,352
CONTINGENCIES AND COMMITMENTS	12		

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

		(Rupees in '000)	
	Note	2013	2012
ASSETS			
Cash and bank deposits	13		
Cash and other equivalents		116	117
Current and other accounts		6,579	25,326
Deposits maturing within 12 months		29,125	36,761
Total cash and bank deposits		35,820	62,204
Investments	14	503,063	309,801
Investment properties	15	48,356	44,616
Current assets - others			
Premium due but unpaid - net	16	30,048	36,770
Amount due from other insurers / reinsurers	17	56,520	52,554
Accrued investment income	18	2,261	1,862
Reinsurance recoveries against outstanding claims		149,427	94,829
Deferred commission expense		21,799	34,112
Prepaid reinsurance premium ceded		146,607	122,873
Advances, deposits and receivables	19	25,355	16,961
Prepayments and others	20	424	571
		432,442	360,532
Fixed assets - tangible			
Office premises	21	7,189	7,568
Furniture and fixtures		7,530	7,657
Electric fittings and equipments		8,381	4,566
Computers		1,433	1,622
Office equipment		2,619	2,558
Vehicles		29,154	32,079
Assets subject to finance lease		-	2,149
Total fixed assets		56,306	58,199
TOTAL ASSETS		1,075,987	835,352

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


 CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


 NAVED YUNUS
 Chief Executive Officer


 UMEED ANSARI
 Director


 A.K.M. SAYEED
 Director

Karachi Dated : 7th March, 2014

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	Fire and property damage	Marine, aviation and transport	Motor
Revenue account				
Net premium revenue		224,489	67,481	106,104
Net claims		(67,957)	(31,258)	(59,618)
Management expenses	22	(41,814)	(12,569)	(19,762)
Net commission		(63,464)	(567)	(10,712)
Underwriting results		51,254	23,087	16,012
Net investment income				
Other income	23			
General and administrative expenses	24			
Workers welfare fund (WWF)				
Profit before tax				
Taxation	25			
Profit for the year				

PROFIT AND LOSS FOR THE YEAR ENDED

Profit and loss appropriation account

Balance at beginning of the year
 Profit for the year
 Interim cash dividend: 10% (2012: Nil)
 Issuance of bonus shares: 10% (2012: 10%)
 Add: Transferred from / (to) general reserve

Balance unappropriated profit at end of the year

Earnings per share - basic and diluted (refer note 31)

The annexed notes 1 to 33 form an integral part of these accounts.

FORM GB



(Rupees in '000)

Miscellaneous	Treaty	Aggregate 2013	Aggregate 2012
224,498	-	622,572	467,724
(95,154)	-	(253,987)	(179,314)
(41,815)	-	(115,960)	(92,196)
(60,980)	-	(135,723)	(83,250)
26,549	-	116,902	112,964
		100,907	36,777
		4,487	4,172
		(70,721)	(67,942)
		(2,996)	(1,720)
		31,677	(28,713)
		148,579	84,251
		(22,212)	(16,194)
		126,367	68,057

APPROPRIATION ACCOUNT DECEMBER 31, 2013

34,280	21,388
126,367	68,057
(33,182)	-
(33,182)	(30,165)
-	(25,000)
94,283	34,280
3.46	1.86


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman


NAVED YUNUS
Chief Executive Officer


UMEED ANSARI
Director


A.K.M. SAYEED
Director

Karachi Dated : 7th March, 2014

STATEMENT OF COMPREHENSIVE INCOME

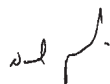
FOR THE YEAR ENDED DECEMBER 31, 2013

	(Rupees in '000)	
	2013	2012
Profit for the year	126,367	68,057
Other comprehensive income	-	-
Total comprehensive income for the year	126,367	68,057

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



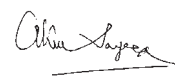
CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



NAVED YUNUS
Chief Executive Officer



UMEED ANSARI
Director



A.K.M. SAYEED
Director

Karachi Dated : 7th March, 2014

STATEMENT OF CHANGES IN EQUITY



FOR THE YEAR ENDED DECEMBER 31, 2013

(Rupees in '000)

	Issued, subscribed and paid up capital	General Reserve	Retained earnings	Total shareholders' equity
Balance as at January 01, 2012	301,655	75,000	21,388	398,043
Total comprehensive income for the year ended December 31, 2012	-	-	68,057	68,057
Transactions with owners				
Transfer from general reserve	-	25,000	(25,000)	-
Issue of bonus shares (10%)	30,165	-	(30,165)	-
Balance as at December 31, 2012	331,820	100,000	34,280	466,100
Total comprehensive income for the year ended December 31, 2013	-	-	126,367	126,367
Transactions with owners				
1st interim dividend (10%)	-	-	(33,182)	(33,182)
Issue of bonus shares (10%)	33,182	-	(33,182)	-
Balance as at December 31, 2013	365,002	100,000	94,283	559,285

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


 CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


 NAVED YUNUS
 Chief Executive Officer


 UMEED ANSARI
 Director


 A.K.M. SAYEED
 Director

Karachi Dated : 7th March, 2014

STATEMENT OF CASH FLOWS

FORM GC

FOR THE YEAR ENDED DECEMBER 31, 2013

		(Rupees in '000)	
	Note	2013	2012
Operating Cash Flows			
Underwriting activities			
Premium received		1,131,195	857,330
Reinsurance premium paid		(507,098)	(403,065)
Claims paid		(374,436)	(282,506)
Reinsurance and other recoveries received		147,860	119,037
Commission paid		(187,820)	(118,416)
Commission received		85,216	18,945
Underwriting payments		(164,700)	(143,497)
Net cash from underwriting activities		130,217	47,828
Other operating activities			
Income tax paid		(11,865)	(6,657)
Other operating (payments) / receipts		(8,247)	1,436
Net cash used in other operating activities		(20,112)	(5,221)
Total cash from all operating activities		110,105	42,607
Investing activities			
Profit/return received		10,575	10,347
Other income received		3,997	1,668
Payment for investments		(969,082)	(472,489)
Proceeds from disposal of investments		865,753	433,265
Fixed capital expenditure	20	(14,048)	(8,325)
Proceeds from disposal of fixed assets		794	5,517
Total cash used in investing activities		(102,011)	(30,017)
Financing activities			
First interim cash dividend 10%		(33,182)	-
Loan received from directors - unsecured and interest free		5,710	4,606
Loan repaid to directors - unsecured and interest free		(5,658)	(5,724)
Payment of finance lease		(1,348)	(1,841)
Total cash used in financing activities		(34,478)	(2,959)
Net (decrease) / increase in cash and cash equivalent		(26,384)	9,631
Cash and cash equivalent at the beginning of the year		62,204	52,573
Cash and cash equivalent at the end of the year	13	35,820	62,204

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

		(Rupees in '000)	
	Note	2013	2012
Reconciliation to the profit and loss account			
Operating cash flows		110,105	42,607
Depreciation expense	15 & 21	(11,897)	(13,239)
Profit on disposal of fixed assets	21.2	490	2,503
Investment income		10,575	10,347
Gain on disposal of investment securities		86,413	14,240
Other income		3,997	1,668
Reversal / (provision) of impairment in value of available for sale investment		3,520	12,801
Increase in assets other than cash		71,910	53,428
Increase in operating liabilities		(148,746)	(56,298)
Profit for the year		<u><u>126,367</u></u>	<u><u>68,057</u></u>

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


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman


NAVED YUNUS
Chief Executive Officer


UMEED ANSARI
Director


A.K.M. SAYEED
Director

Karachi Dated : 7th March, 2014

STATEMENT OF PREMIUMS

FORM GD

FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

(Rupees in '000)

Class of business	Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue 2013	Net premium revenue 2012
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and property damage	385,188	30,437	42,646	372,979	136,108	31,289	18,907	148,490	224,489	208,563
Marine, aviation and transport	146,013	17,661	23,404	140,270	64,331	13,662	5,204	72,789	67,481	61,220
Motor	136,259	22,177	23,353	135,083	32,257	5,532	8,810	28,979	106,104	88,081
Miscellaneous	456,837	116,692	121,657	451,872	268,670	72,390	113,636	227,374	224,498	109,860
Sub-total	1,124,297	186,967	211,060	1,100,204	501,366	122,873	146,607	477,632	622,572	467,724
Treaty - proportional	-	-	-	-	-	-	-	-	-	-
Grand-total	1,124,297	186,967	211,060	1,100,204	501,366	122,873	146,607	477,632	622,572	467,724

Note: The Company does not underwrite business outside Pakistan

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



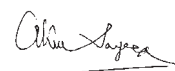
CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman



NAVED YUNUS
Chief Executive Officer



UMEED ANSARI
Director



A.K.M. SAYEED
Director

Karachi Dated : 7th March, 2014

STATEMENT OF CLAIMS

FORM GE



FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

(Rupees in '000)

Class of business	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense 2013	Net claims expense 2012
		Opening	Closing			Opening	Closing			
Direct and facultative										
Fire and property damage	119,325	42,293	51,307	128,339	54,331	31,767	37,818	60,382	67,957	69,726
Marine, aviation and transport	56,744	9,889	6,658	53,513	23,128	5,963	5,090	22,255	31,258	20,650
Motor	72,046	6,489	8,141	73,698	15,452	1,372	-	14,080	59,618	46,901
Miscellaneous	126,322	60,255	134,828	200,895	54,949	55,727	106,519	105,741	95,154	42,038
Sub-total	374,437	118,926	200,934	456,445	147,860	94,829	149,427	202,458	253,987	179,315
Treaty - proportional	-	-	-	-	-	-	-	-	-	(1)
Grand-total	374,437	118,926	200,934	456,445	147,860	94,829	149,427	202,458	253,987	179,314

Note: The Company does not underwrite business outside Pakistan

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


 CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


 NAVED YUNUS
 Chief Executive Officer


 UMEED ANSARI
 Director


 A.K.M. SAYEED
 Director

Karachi Dated : 7th March, 2014

STATEMENT OF EXPENSES

FORM GF

FOR THE YEAR ENDED DECEMBER 31, 2013

Business underwritten inside Pakistan

(Rupees in '000)

Class of business	Commission paid or payable	Deffered Commission		Net Commission expense	Other management expenses	Underwriting expenses	Commission from reinsurance	Net underwriting expense 2013	Net underwriting expense 2012
		Opening	Closing						
Direct and facultative									
Fire and property damage	77,618	11,617	8,306	80,929	41,814	122,743	17,465	105,278	83,363
Marine, aviation and transport	13,815	2,266	1,582	14,499	12,569	27,068	13,932	13,136	18,562
Motor	9,641	6,659	1,954	14,346	19,762	34,108	3,634	30,474	23,967
Miscellaneous	86,746	13,570	9,957	90,359	41,815	132,174	29,379	102,795	49,554
Sub-total	187,820	34,112	21,799	200,133	115,960	316,093	64,410	251,683	175,446
Treaty - proportional	-	-	-	-	-	-	-	-	-
Grand-total	187,820	34,112	21,799	200,133	115,960	316,093	64,410	251,683	175,446

Note: The company does not underwrite business outside Pakistan

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

The annexed notes 1 to 32 an integral part of these financial statements.


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


NAVED YUNUS
 Chief Executive Officer


UMEED ANSARI
 Director


A.K.M. SAYEED
 Director

Karachi Dated : 7th March, 2014

STATEMENT OF INVESTMENT INCOME FORM GG



FOR THE YEAR ENDED DECEMBER 31, 2013

(Rupees in '000)

	2013	2012
Income from non-trading investment		
Available-for-sale		
Dividend income	627	64
Return on government securities	6,360	5,812
Return on other fixed income securities and deposits	4,214	4,535
Amortization of premium and discount - net	413	(152)
	<u>11,614</u>	<u>10,259</u>
Gain on sale of non-trading investment		
Available-for-sale	86,413	14,240
Reversal in value of investment	3,520	12,801
Less: Investment related expenses	(640)	(523)
Net investment income	<u><u>100,907</u></u>	<u><u>36,777</u></u>

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


 CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
 Chairman


 NAVED YUNUS
 Chief Executive Officer


 UMEED ANSARI
 Director


 A.K.M. SAYEED
 Director

Karachi Dated : 7th March, 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1 THE COMPANY AND ITS OPERATION

East West Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1983 under the Companies Act, 1913 (now the Companies Ordinance, 1984), and the shares of Company are quoted on the Karachi Stock Exchange. The Company is engaged in the general insurance business and operates through 52 (2012: 52) branches in Pakistan. The registered office of the Company is situated at 27, Regal Plaza, Jinnah Road, Quetta. The principal place of business is situated at M.A. Jinnah Road, E.F.U. House (Qamar House) 4th Floor.

2. BASIS OF PREPARATION

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

2.1 Functional and presentation currency

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

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of SRO 938 issued by the SECP in December 2002, the Insurance Ordinance 2000, the requirements of the Companies Ordinance, 1984, and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. In case of requirement differs the provision & directives of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) rules 2002 shall prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "available for sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements. Subsequent valuation to the initial recognition at cost, of "available for sale investments" is done accordance with SECP directive as mentioned in note 4.8.2.

3.1 Standards, amendments and interpretations to the published standards that are not yet effective

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

Standard or Interpretation	Effective date (annual periods beginning)
IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendment)	01 January 2014
IAS 36 - Recoverable Amount for Non-Financial Assets (Amendment)	01 January 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	01 January 2014
IFRIC 21 - Levies	01 January 2014
IFAS 3 - Profit and Loss Sharing on Deposits	12 June 2013

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.



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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 Fair Value Measurement	01 January 2013

- 3.3 In November 2012, the SECP vide its notifications SRO No. 1383/2012 and SRO No. 1384/2012 published revised draft of insurance accounting regulations and draft amendments in SEC (Insurance) Rules, 2002 respectively. While these regulations and amendments are not yet effective.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

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 estimate about carrying values of assets and liabilities that are not readily apparent from other sources.

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including claims incurred but not reported (IBNR), impairment of assets, premium deficiency reserves, provision for income taxes, classification of investments, impairment, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

Judgments

In the process of applying the Company'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 Company'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.

Impairment of investments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amount, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

The Company 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 Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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
- Provision for unearned premiums	5.3.2
- Premium due but unpaid - net	5.3.3
- Provision for outstanding claims (including IBNR)	5.4
- Premium deficiency reserve	5.8
- Useful life of fixed assets	5.11
- Taxation	5.18
- Impairment in the value of investment	5.22

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 except otherwise stated.

5.1 New, revised and amended standards and interpretations

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

IAS 1 – Presentation of financial statements – presentation of items of other comprehensive income (Amendment)

IFRS 7 – Financial instruments: Disclosures – (Amendments), Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping costs in the production phase of a surface mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

5.2 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 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.

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 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.

Accident and health insurance covers unforeseen cash flows and financial hardships arising due to ailments, accidents and other natural causes necessitating hospitalization.

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

5.3 Premium

5.3.1 Premium income earned

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

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

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

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

Administrative surcharge on direct business is recognized as income at the time the policies are written.

5.3.2 Provision for unearned premium

Provision for unearned premium 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 return.
- b) for the other classes/line of business, by applying the twenty-fourth method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

5.3.3 Premium due but unpaid - net

Premium 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.

5.4 Claims

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.

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

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

5.5 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.

5.5.1 Reinsurance expense

Reinsurance ceded (treaty and facultative) is recognized 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, premium is recognized as expense in accordance with the pattern of incidence of risk.

5.5.2 Prepaid reinsurance premium ceded

The portion of reinsurance premium ceded not recognized as an expense as at year end is recognized as prepaid reinsurance premium ceded. Unrecognized portion is determine accordingly as provision for unearned premium.

5.6 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from reinsurers 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.

5.7 Commissions

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. 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 premiums.

5.8 Premium deficiency reserve

As per Securities and Exchange Commission (Insurance) Rules, 2002 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 expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of 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. In management's opinion the amount carried for unearned premium is sufficient to meet this requirement.

5.9 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified into the following category.

5.9.1 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.

5.9.2 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 stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O 938 issued by the Securities and Exchange Commission of Pakistan in December, 2002. The Company uses latest stock exchange quotations in an active market to determine the market value of its listed investments. Section 16 (1) (a) of the SECP Insurance Rules for available for sale - fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortized uniformly between the date of acquisition and the date of maturity.



5.9.3 Fair value through profit or loss - held for trading

Investments which are acquired with the intention to trade by taking advantage of short term market/interest rate movements are considered as held for trading. After initial recognition, these are measured at fair values with any resulting gains or losses recognized 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.

5.9.4 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.

5.9.5 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.

5.10 Employees 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.

Prior to the provident fund, the Company maintained an unfunded gratuity scheme for permanent employees which amount shall be drawn upon by the employees of the Company.

5.11 Operating fixed assets and depreciation

5.11.1 Owned

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income on reducing balance method using the following rates:

- Office premises on leasehold land	5%
- Furniture and fixture	10%
- Electric fittings and equipments	10%
- Computers	33.33%
- Office equipment	10%
- Vehicle owned and leased	20%

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

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

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

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

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

5.11.2 Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognized in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on assets subject to finance lease is recognized in the same manner as owned assets.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

5.11.3 Capital work in progress

Capital work in progress represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work in progress is stated at cost.

5.12 Investment properties

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

5.12.1 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.

5.12.2 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.

5.12.3 Depreciation

Depreciation is charged to profit and loss in the same manner as owned fixed assets. (note 5.110).

5.13 Investment and other income**5.13.1 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 by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof which is in accordance with the requirement of Institute of Chartered Accountants of Pakistan Technical Release-15.

5.13.2 Interest income

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

5.13.3 Expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Provision for bad debts is based on review of outstanding amounts as at balance sheet date. Bad debts are written off to the profit and loss account when identified.

5.14 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, marine, motor and miscellaneous.

5.14.1 Fire

The perils covered under this segment include damages by fire, riot and strike, explosion, earthquake, atmospheric damages, floods, electrical fluctuation impact and other coverage.



5.14.2 Marine

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transport.

5.14.3 Motor

Motor insurance provides comprehensive vehicle coverage and indemnity against third party loss.

5.14.4 Miscellaneous

Miscellaneous insurance provides cover against burglary, loss of cash in safe and in transit, personal accident, engineering losses and other coverage.

5.15 Financial instruments

Financial assets and Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Any gain or loss on the derecognition of the financial assets and liabilities is included in the net profit or loss for the period in which it arises.

5.16 Off setting of financial asset and financial liabilities

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

5.17 Transfer pricing policy

Transactions with related parties of the Company mainly consist of entering into the insurance contracts. The Company follows the "Comparable Uncontrolled Price Method" to measure and value the transactions with the related parties, without exceptions.

5.18 Taxation

5.18.1 Current

Provision for current taxation is based on taxable income taking into account applicable tax credits and exemptions available, if any.

5.18.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary difference 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

5.19 Foreign currencies

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

5.20 Management expenses

Management expenses are allocated to all classes of business in proportion to the net premium income of the year.

5.21 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 estimate.

5.22 Impairment

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

5.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary 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.

5.24 Cash and cash equivalents

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

5.25 Dividend and bonus shares

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

5.26 Fair Value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, difference may arise between the carrying values and the fair values estimates.

The carrying value of the financial instruments reported in the financial statements approximates their fair value except that investments have a higher market value as stated in note 14.4.

5.27 General

- i) Figures have been rounded off to the nearest rupee.
- ii) Corresponding figures have been re-arranged and re-classified, where ever necessary for the purpose of comparison, the effect of which is not material.



6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

		(Rupees in '000)		
2013	2012	Note	2013	2012
Number of Shares				
6,354,899	6,354,899	Ordinary share of Rs.10 each fully paid in cash	63,549	63,549
30,145,332	26,827,130	Ordinary share of Rs.10 each issued as fully paid bonus share	301,453	268,271
<u>36,500,231</u>	<u>33,182,029</u>		<u>365,002</u>	<u>331,820</u>

7 DEFERRED TAXATION

Deferred tax (liabilities) / assets arising in respect of:

- accelerated depreciation on fixed assets	13,867	14,591
- liabilities against assets subject to finance lease	-	(472)
- provision for due but unpaid	(1,591)	(166)
- minimum Tax	-	(3,320)
- investments	(1,015)	-
- tax losses	-	(7,754)
	<u>11,261</u>	<u>2,879</u>

8 PREMIUM RECEIVED IN ADVANCE

Premium received in advance	8.1	<u>2,099</u>	<u>1,922</u>
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8.1 This includes cash margin (Bond) received from policy holder amounting to Rs.0.888 million (2012: Rs. 0.626 million).

9 AMOUNT DUE TO OTHER INSURERS / REINSURERS

Foreign reinsurers	506	1,057
Local reinsurers / coinsurers	813	2,028
	<u>1,319</u>	<u>3,085</u>

10. OBLIGATION UNDER FINANCE LEASE

Future minimum lease payments under finance leases together with the present value of the minimum lease payments are as follows:

	2013		2012	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
----- (Rupees in '000)-----				
Due within one year	-	-	1,433	1,348
Due after one year but within three years	-	-	-	-
Total minimum lease payments	-	-	1,433	1,348
Less: Amount representing finance charges	-	-	(85)	-
Present value of minimum lease payments	-	-	1,348	1,348
Less: Current portion shown under- Current Liabilities	-	-	(1,348)	(1,348)
	-	-	-	-

10.1 The Company has entered into leasing arrangements with leasing companies for vehicles. Lease rentals are payable on monthly basis and include finance charges at rates ranging from 13.8% to 15.38% per annum (2012: 7.9% to 17% p.a.) which have been used as discounting factor. The Company has the option to purchase the vehicles upon completion of lease period and has the intention to exercise such option.

	Note	(Rupees in'000)	
		2013	2012
11 OTHER CREDITORS AND ACCRUALS			
Federal Excise Duty		1,091	1,425
Federal Insurance Fee		372	1,068
Withholding tax		2,655	1,380
Sundry creditors-others		23,990	15,341
Workers Welfare Fund		5,692	2,696
		33,800	21,910
12 CONTINGENCIES AND COMMITMENTS			
There are no contingencies or commitments as at the balance sheet date (2012:nil)			
13 CASH AND OTHER EQUIVALENTS			
Cash in hand		1	9
Policy stamps		115	108
		116	117
Current and other account with banks			
Current accounts and others	13.1	6,579	25,326
Deposits with banks maturing within 12 months	13.2	29,125	36,761
		35,820	62,204

13.1 These include interest bearing accounts carrying interest rates ranging from 5% to 10% (2012: 0.5% to 10%) per annum.

13.2 These represents Term Deposit Receipts (TDRs) in local currency carrying interest rates ranging from 3% to 10.1% per annum (2012: 5% to 11% per annum).



				(Rupees in '000)	
14 INVESTMENTS	Note	2013	2012		
Available-for-sale					
Marketable securities	14.1	411,474	191,957		
Term finance certificates	14.2	14,219	42,179		
Government securities	14.3	73,509	63,016		
Reversal / (provision) for diminution in value of investment - net		3,520	12,801		
Net capitalization of discount / (amortization of premium)		341	(152)		
		503,063	309,801		

14.1 Details of investments quoted

2013	2012		
---No. of shares / units---			
50,000	-	Pakistan Petroleum Limited	10,941
25,000	-	HUB Power Company Limited	1,629
50,000	-	Pakistan Oil Field	24,496
25,000	-	D.G. Khan Cement	2,101
50,000	-	Pakistan Telecommunication	1,565
302,569	-	Agritech Limited	3,531
8,572	572	Oil and Gas Development Co. Limited	2,318
308,841	308,841	Fauji Cement Company Limited	2,020
300,000	3,606,080	East West Life Assurance Co. Limited	1,472
15,500	500	Kot Addu Power Company Limited	949
64,777	1,545,890	The Bank of Khyber	176
2,205	2,205	Packages Limited	102
-	4,400	Pakistan Tobacco Company Limited	-
-	818	Ibrahim Fibers Limited	-
-	16,000	AL Abbas Cement Industries Limited	-
-	15,000	Samba Bank Limited	-
-	69	Orix Investment Bank Limited	-
-	8,000	Kohinoor Energy Limited	126
-	2,250	Network Micro Finance Bank Limited	-
-	1,500	Maqbool Textile Limited	-
-	2,530	United Distributor Pakistan Limited	-
-	500,000	NIB Bank Limited	865
17	174	Habib Bank Limited	16
1,205,005	945,412	JS Large Capital Fund	110,174
99,428	945,412	Askari Sovereign Cash Fund	10,000
400,620	98,644	Pakistan Cash Management Fund	20,000
200,316	204,724	MCB Cash Management Fund	20,000
198,106	100,582	HBL Money Market Fund	20,000
99,718	-	IGI Money Market Fund	10,000
-	99,411	Lakson Money Market Fund	-
293,885	-	JS Cash Fund	30,000
99,583	100,901	PICIC Cash Fund	10,000
100,108	101,142	First Habib Cash Fund	10,000
19,941	20,079	Atlas Money Market Fund	10,000
2,003,602	998,732	ABL Cash Fund	20,000

2013	2012	Note	(Rupees in '000)	
---No. of shares / units---			2013	2012
Investments – Available for sale				
99,654	-	UBL Liquid Plus Fund	10,000	-
196,060	-	KASB Cash Fund	20,000	-
99,889	-	Askari Sovereign Yield Enhance	10,000	-
98,580	-	Faysal Money Market Fund	10,000	-
20,031	-	Alfalah GHP Cash Fund	10,000	-
199,856	-	AKD Cash Fund	10,000	-
2,000,226	-	Nafa Money Market Fund	20,000	-
			<u>411,474</u>	<u>191,957</u>

14.2 Term Finance Certificates - at amortized cost

United Bank Limited	-	10,414
Azgard Nine Limited	-	17,123
Engro Fertilizer Limited (November 2007)	9,976	9,980
Engro Fertilizer Limited (December 2009)	4,243	4,662
	<u>14,219</u>	<u>42,179</u>
Impact of net capitalization of discount / amortization of (premium)	(12)	26
	<u>14,207</u>	<u>42,205</u>

14.3 Government securities

Pakistan Investment Bonds	43,139	32,325
GOP Ijara Sukuk	30,370	30,691
	<u>73,509</u>	<u>63,016</u>
Impact of net capitalization of discount / amortization of (premium)	354	(178)
	<u>73,862</u>	<u>62,838</u>
	14.5	
Impairment of investment - net of reversal	3,520	12,801
Total Investment	<u>503,063</u>	<u>309,801</u>

14.4 The fair value of available for sale investments is Rs.506,049,399 (2012: Rs.323,559,076/-). Available for sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) as required by the Securities and Exchange Commission rules, 2002. However, the International Accounting Standard (IAS-39) Financial Instruments: Recognition and Measurement requires that these instruments should be measured at fair value. Had these investments been measured at fair value, their carrying values as at December 31, 2013 would have been higher by Rs.2,986,480 (2012: Rs.13,758,006/-) and consequently shareholder's equity increased by the same amount.

14.5	Government securities	Tenure	Maturity	Principal repayment	Coupon percentage	Coupon payment	2013 (Rupees in '000)	2012
	10 Years Pakistan Investment Bond	10	May 2016	On maturity	9.6%	Semi-annually	9,117	8,866
	10 Years Pakistan Investment Bond	10	May 2016	On maturity	9.6%	Semi-annually	9,149	8,824
	10 Years Pakistan Investment Bond	10	April 2014	On maturity	8%	Semi-annually	984	937
	10 Years Pakistan Investment Bond	10	October 2013	On maturity	8%	Semi-annually	-	3,948
	10 Years Pakistan Investment Bond	10	August 2021	On maturity	12%	Semi-annually	4,095	4,106
	10 Years Pakistan Investment Bond	10	August 2021	On maturity	12%	Semi-annually	942	937
	5 Years Pakistan Investment Bond	5	August 2016	On maturity	11.5%	Semi-annually	4,885	4,850
	5 Years Pakistan Investment Bond	5	August 2016	On maturity	11.5%	Semi-annually	4,912	-
	5 Years Pakistan Investment Bond	5	July 2018	On maturity	11.5%	Semi-annually	9,710	-
	3 Years Ijara Sukuk	3	March 2014	On maturity	9.020%	Semi-annually	20,050	20,335
	3 Years Ijara Sukuk	3	December 2014	On maturity	9.227%	Semi-annually	10,018	10,035
							<u>73,862</u>	<u>62,838</u>

14.5.1 Pakistan Investment Bonds and GOP Ijara Sukuk having face value of Rs.46.0 million (2012: PIB of Rs.36 million) are placed with State Bank of Pakistan in compliance with Section 29 of the Insurance Ordinance, 2000 except one GOP Ijara Sukuk and one PIB those are placed with JS Bank Limited having face value of Rs.20 million and Rs.10 million respectively.

(Rupees in '000)

14.6 Other fixed income securities

Term Finance Certificate	Tenure	Maturity	Number of certificates	Rate of return	Profit payment	2013	2012
United Bank Limited	8 years	March 2013	2,100	9.49%	Semi-annually	-	10,478
Azgard Nine Limited	7 years	September 2012	5,000	6 month kibar + 2.40 %	Semi-annually	-	3,531
Engro Fertilizer	8 years	November 2015	2,000	6 month kibar + 1.55 %	Semi-annually	9,976	9,980
Engro Fertilizer	7 years	December 2016	1,000	6 month kibar + 2.40 %	Semi-annually	4,231	4,641
						14,207	28,630

15. INVESTMENT PROPERTIES

PARTICULARS	Note	Rate %	2013						Written Down Value as at December 31, 2013
			COST			DEPRECIATION			
			As at January 01, 2013	Additions/ (Deletion) or Transfer in/ (Transfer out)	As at December 31, 2013	As at January 01, 2013	Transfer in/ (out)/Charge for the year	As at December 31, 2013	
(Rupees in '000)									
Office premises	5		51,429	6,032	57,461	6,814	2,291	9,105	48,356

PARTICULARS	Note	Rate %	2012						Written Down Value as at December 31, 2012
			COST			DEPRECIATION			
			As at January 01, 2012	Additions/ (Deletion) or Transfer in/ (Transfer out)	As at December 31, 2012	As at January 01, 2012	Transfer in/ (out)/Charge for the year	As at December 31, 2012	
(Rupees in '000)									
Office premises	21.1	5	-	51,429	51,429	-	6,814	6,814	44,616

15.1 Investment Properties comprises of four properties having market value of 128.87 million as on December 31, 2013 (2012: Rs.128.87). The valuation has been carried out by independent valuers M/s. Intikhab Alam & Co., M/s. Pakistan System Registrar (SMC - Private) Limited and M/s. Reliance Surveyors Company (Private) Limited.

		Note	2013	2012
16	PREMIUM DUE BUT UNPAID - Unsecured			
	Considered good		30,773	37,449
	Considered doubtful	16.1	2,339	474
			33,112	37,923
	Provision for doubtful debts		(2,339)	(474)
	Written off during the year	24	(725)	(679)
			30,048	36,770
	16.1 Movement of provision for bad debts			
	Opening balance		474	849
	Reversal during the year		(474)	(849)
	Charge during the year		2,339	474
			2,339	474

				(Rupees in '000)	
	Note	2013	2012		
17. AMOUNT DUE FROM OTHER INSURERS / REINSURERS - Unsecured					
Considered good					
- Foreign reinsurers		30,142	25,024		
- Local reinsurers/coinsurers		26,378	27,530		
		<u>56,520</u>	<u>52,554</u>		
18. ACCRUED INVESTMENT INCOME					
Term deposit receipts		107	44		
Government securities		2,035	1,409		
Term finance certificates		119	409		
		<u>2,261</u>	<u>1,862</u>		
19. ADVANCES, DEPOSITS AND RECEIVABLES					
Advances		18,374	14,807		
Deposits		2,313	910		
Other receivables		4,668	1,244		
		<u>25,355</u>	<u>16,961</u>		
20. PREPAYMENTS AND OTHERS					
Prepaid rent		95	228		
Others		329	343		
		<u>424</u>	<u>571</u>		
21. FIXED ASSETS - TANGIBLE					

2013

PARTICULARS	Owned						Sub total	Leased	Total
	Office Premises	Furniture and fixture	Electric fitting and equipment	Computers	Office equipment	Vehicles		Vehicles	
(Rupees in '000)									
COST									
As at January 1, 2013	13,374	20,171	13,821	14,284	7,339	102,347	171,336	4,748	176,084
Additions	-	664	4,356	427	335	2,234	8,017	-	8,017
Deletion	-	-	-	-	-	(1,795)	(1,795)	-	(1,795)
Transfer in / (Transfer out)	-	-	-	-	-	4,748	4,748	(4,748)	-
As at December 31, 2013	13,374	20,835	18,177	14,711	7,674	107,534	182,306	-	182,306
ACCUMULATED DEPRECIATION									
As at January 1, 2013	5,806	12,515	9,255	12,662	4,781	70,268	115,287	2,599	117,885
Change for the year	378	791	542	617	274	7,004	9,606	-	9,606
Disposal	-	-	-	-	-	(1,490)	(1,490)	-	(1,490)
Transfer in / (Transfer out)	-	-	-	-	-	2,599	2,599	(2,599)	-
As at December 31, 2013	6,184	13,306	9,797	13,279	5,055	78,381	126,002	-	126,002
Written down value as at December 31, 2013	<u>7,190</u>	<u>7,529</u>	<u>8,380</u>	<u>1,432</u>	<u>2,619</u>	<u>29,154</u>	<u>56,304</u>	<u>-</u>	<u>56,304</u>
Rate	5%	10%	10%	33.33%	10%	20%	-	20%	

2012

PARTICULARS	Owned						Sub total	Leased	Total
	Office Premises	Furniture and fixture	Electric fitting and equipment	Computers	Office equipment	Vehicles		Vehicles	
(Rupees in '000)									
COST									
As at January 1, 2012	64,803	18,536	13,706	13,977	6,976	109,469	227,467	4,748	232,215
Additions	-	1,635	115	306	363	5,905	8,324	-	8,324
Deletion / Transfer out	(51,429)	-	-	-	-	(13,027)	(64,456)	-	(64,456)
As at December 31, 2012	13,374	20,171	13,821	14,283	7,339	102,347	171,335	4,748	176,083
ACCUMULATED DEPRECIATION									
As at January 1, 2012	9,873	11,768	8,755	11,918	4,514	72,583	119,411	2,061	121,472
Change for the year	398	746	500	743	267	7,698	10,353	537	10,890
Disposal / Transfer out	(4,465)	-	-	-	-	(10,013)	(14,478)	-	(14,478)
As at December 31, 2012	5,806	12,514	9,255	12,661	4,781	70,268	115,286	2,598	117,884
Written down value as at December 31, 2012	7,568	7,657	4,566	1,622	2,558	32,079	56,049	2,150	58,199
Rate	5%	10%	10%	33.33%	10%	20%	-	20%	

21.1 Office premises having cost amounting to Rs. 57.490 million has been reclassified to Investment Property along with accumulated depreciation thereon (note 15).

21.2 Detail of disposal of fixed assets

S. No.	Particular of asset	Cost	Accumulated depreciation	Book value	Sales proceed	Gain/(Loss) on disposal	Mode of disposal	Particular of purchaser
MOTOR VEHICLES								
1	S. Cultus	423	149	274	400	126	Negotiations	East West Life Assurance Co. Ltd.
2	Pajero	335	322	13	210	197	Negotiations	Mr. Zia-Ul-Abadeen
3	Suzuki	163	162	1	45	44	Negotiations	Muhammad Nawaz Khan
4	Suzuki Mehran	371	358	13	84	71	Negotiations	Muhammad Nawaz Khan
5	Toyota Corolla	415	412	3	43	40	Negotiations	Mr. Azam Khan
	Sub Total	1,707	1,403	304	782	478		
MOTOR CYCLES								
6	Suzuki	25	25	-	2	2	Negotiations	Muhammad Nawaz Khan
7	Honda	13	13	-	2	2	Negotiations	Muhammad Nawaz Khan
8	Honda	13	13	-	2	2	Negotiations	Muhammad Nawaz Khan
9	Yamaha	38	37	-	5	5	Negotiations	Mr. Jahangir Khan
	Sub Total	89	88	-	11	11		
	Grand Total	1,796	1,491	304	793	489		
	2012	13,027	10,013	3,014	5,517	2,503		

		(Rupees in '000)	
	Note	2013	2012
22 MANAGEMENT EXPENSES			
Salaries and allowances		33,043	34,046
Office rent		4,355	4,025
Travelling and hotel		3,903	802
Conveyance charges		2,290	779
Travelling and conveyance		4,796	4,264
Petrol		17,847	14,924
Vehicle tax		164	208
Tracker security system		253	439
Entertainment		2,642	1,029
Printing and stationary		2,539	3,165
Postage and telegram		1,351	852
Vehicle maintenance		12,038	9,658
Repairs and maintenance		5,667	2,039
Electricity		4,482	5,159
Newspapers and periodicals		156	96
E.O.B.I		590	734
Telephone and trunk calls		2,559	2,478
Gas charges		639	786
Computer maintenance		3,085	1,663
Medical		5,967	3,640
Extra duty		4,856	828
Water charges		151	178
S.E.S.S.I		106	145
Miscellaneous		1,557	259
Brokerage and commission		924	-
		<u>115,960</u>	<u>92,196</u>
23 OTHER INCOME			
Gain on sale of fixed assets	21.2	490	2,503
Rental income		2,563	423
Reversal of bad debts provision	16.1	474	849
Others		960	397
		<u>4,487</u>	<u>4,172</u>



		(Rupees in '000)			
24 GENERAL AND ADMINISTRATIVE EXPENSES	Note	2013	2012		
Salaries and allowances		25,274	26,114		
Directors remuneration		4,229	4,374		
Office rent		1,166	1,275		
Rent rates and taxes		15	100		
Advertisement and publicity		190	171		
Subscription and renewals		3,026	2,857		
Bonus to staff		8,666	6,312		
Staff welfare		1,513	1,485		
Legal and professional charges		914	1,416		
Finance cost		342	369		
Share registrar fees		120	120		
Provident fund employer's contribution		2,951	2,328		
Property taxes		63	125		
Conference meeting		404	92		
Auditor's remuneration	24.1	1,186	968		
Professional taxes		302	192		
Filing and license fee		17	22		
Inspection fee		24	76		
Court charges		80	63		
Depreciation	15 & 21	11,897	13,239		
CDC charges		50	1		
Office maintenance		1,628	1,535		
Coolie and cartage		64	75		
Insurance		159	-		
Bank charges		377	480		
Consultation fee		3,000	3,000		
Bad debt written off	16	725	679		
Provision for bad debt	16.1	2,339	474		
		70,721	67,942		
24.1 Auditor's remuneration					
Audit fee		550	500		
Half yearly review		104	90		
Other services		175	175		
Out of pocket expenses		357	203		
		1,186	968		
24.2 Remuneration of Chief Executive Directors and other executives					
		Chief Executive	Directors	Executive	
		2013	2012	2013	2012
		----- Rupees '000 -----			
Managerial remuneration		912	912	1,680	1,680
House rent		408	408	720	720
Meeting fee		25	20	605	770
		1,345	1,340	3,005	3,170
		13,789	12,140	10	9
Number of Persons		1	1	4	4

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

		(Rupees in '000)	
	Note	2013	2012
24.3 Employee Providend Fund			
- Size of the fund		36,967	44,917
- Number of members		142	153
- Cost of investment made		24,077	22,811
- Percentage of investment made		65%	51%
- Fair value of investment		25,202	22,857

25 TAXATION

Current	(21,902)	(19,851)
Prior year	8,072	2,281
Deferred	(8,382)	1,376
Net charge for the year	<u>(22,212)</u>	<u>(16,194)</u>

25.1 The income tax assessments of the Company are finalized on self assessment basis. The return of income upto tax year 2013 have been submitted to the authorities.

25.2 Relationship between accounting profit and tax expense is as follows

Accounting profit before tax	148,580	84,251
Applicable tax rate	34%	35%
- Tax at the above rate	(50,517)	(29,488)
- effect of other income and expenses	9,487	8,623
- effect of exempt income / capital gains	26,104	3,489
- effect of rental, commission and dividend income	786	143
- effect on minimum tax	-	3,320
- effect of prior year reversal	(8,072)	(2,281)
Provision for taxation	<u>(22,212)</u>	<u>(16,194)</u>

26 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 determined under "Comparable uncontrolled price method". Transactions with related parties including remuneration to key management personnel are as follows:

Loan received from directors	5,710	4,606
Loan repaid to directors	5,658	5,724
Sale of investment in associated company	6,130	-
Investment in associated company	1,472	-
Purchased of Motor Vehicle from Associated company	925	-
Sale of Motor Vehicle to Associated company	400	-
Cash Dividend	12,968	-
Issue of Bonus Shares	12,968	10,671
Remuneration to key management personnel	4,440	4,444



27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, deposits, investments and receivables. Financial liabilities of the Company include payables, accrued liabilities (to policyholders, insurance and reinsurance companies and other parties) and dividends payable.

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

27.1 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. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is that the occurrence of the insured events and the severity of reported claims. The Company'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 Company principally issues the general insurance cover. Risks under these policies usually cover a twelve month duration. For general insurance contracts the most significant risk arises from fire.

Underwriting and retention policies and procedures and limits 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 via 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.

	(Rupees in '000)	
Claims Development	2013	2012
Estimate of ultimate claims costs:		
At end of event year	456,445	346,612
Current estimate of cumulative claims	118,926	54,819
Cumulative payments to date	374,436	282,506
Liability recognized in the statement of financial position	<u>200,935</u>	<u>118,926</u>

Sensitivity Analysis

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

December 31, 2013	Change in Claims Assumption	Impact on gross liabilities	Impact on revenue account
Current claims	+10%	45,465	(45,645)
	-10%	(45,645)	45,645

27.2 Credit risk

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

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements as at December 31, 2012 is the carrying amount of the financial assets as set out below:

Nature of financial assets	Note	(Rupees in '000)	
		2013	2012
Cash and bank equivalents	13	35,820	62,204
Term Finance Certificate	14.2	14,219	42,205
Government securities	14.3	73,456	62,838
Premiums due but unpaid	16	30,048	36,770
Amounts due from other insurers/reinsurers	17	56,520	52,553
Advance, deposits and receivables	19	25,355	16,961
Accrued investment income	18	2,261	1,862
		<u>237,678</u>	<u>275,393</u>

Concentration of Credit Risk

Concentration is the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Concentration of risks arises 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.

General provision is made for receivables according to the Company's policies. 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 Company's banks balances can be assessed with reference to external credit ratings as follows:

Name of banks	Rating		Rating Agency	(Rupees in '000)	
	Short term	Long term		2013	2012
	Allied Bank of Pakistan	AA+		A1+	PACRA
Askari Bank Limited	AA	A1+	PACRA	684	538
Al Baraka Bank (Pakistan) Ltd	A	A1	PACRA	6	79
Bank Alfalah Limited	AA	A1+	PACRA	2	2
The Bank of Punjab	A	A1+	PACRA	637	81
Dubai Islamic Bank	A	A1+	JCR-VIS	10	10
Faysal Bank Limited	AA	A1+	PACRA	1,161	4,228
Habib Metropolitan Bank	A1+	A1+	PACRA	291	211
Habib Bank Limited	AAA	A1+	JCR-VIS	126	2
Industrial Development Bank Ltd.	-	-	-	-	107
KASB Bank Limited	BBB	A3	PACRA	-	11
MCB Bank Limited	AAA	A1+	PACRA	225	1,147
National Bank of Pakistan	AAA	A-1+	JCR-VIS	71	94
Samba Bank Limited	AA-	A-1	JCR-VIS	0	2
Soneri Bank Limited	AA-	A1+	PACRA	681	592
Summit Bank Limited	A-(SO)	-	JCR-VIS	803	15,920
Sindh Bank Limited	AA-	A1+	JCR-VIS	1	-
United Bank Limited	A1+	A1+	JCR-VIS	800	659
The Punjab Provincial Bank	-	-	-	3	4
JS Bank Limited	A+	A1	PACRA	5	4
NIB Bank Limited	AA-	A1+	PACRA	355	130
The Karakoram Cooperative Bank	-	-	-	228	219
				6,575	25,326

Name of Banks	Rating		Rating Agency	(Rupees in '000)	
	Short term	Long term		2013	2012
	Allied Bank of Pakistan	AA+		A1+	PACRA
Faysal Bank Limited	AA	A1+	PACRA	1,000	3,066
JS Bank Limited	A+	A1	PACRA	1,415	1,000
Summit Bank Limited	A-(SO)	-	JCR-VIS	23,450	10,095
MCB Bank Limited	AAA	A1+	PACRA	260	-
NIB Bank Limited	AA-	A1+	PACRA	-	20,000
The Karakoram Cooperative Bank	-	-	-	3,000	2,300
				29,125	36,761

27.3 Impaired assets

During the year no assets have been impaired other than those disclosed in the respective notes to the financial statements.

27.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

In the case of the Company, the liquidity level of Company remained on satisfactory level during the year and Company did not face any difficulty in generation of liquidity.

	(Rupees in '000)				
	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Over one year
Non-derivative Financial liabilities					
Creditors and accruals	34	34	16,719	12,425	2,962
Provision for outstanding claim (including IBNR)	200,935	200,935	82,148	64,498	54,289
Due to directors	3,216	3,216	2,128	565	907
	204,185	204,185	100,995	77,488	58,158
2012					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Over one year
Non-derivative Financial liabilities					
Creditors and accruals	21,910	21,910	8,910	2,017	5,467
Obligation under finance lease	1,348	1,433	1,433	-	-
Provision for outstanding claim (including IBNR)	118,926	118,926	71,285	19,984	27,657
Due to directors	1,974	1,974	1,519	210	245
	144,158	144,243	83,147	22,211	33,369

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at December 31.

27.5 Market risk

Market price risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company manages the market risk by monitoring exposure on related securities by following internal risk management policies.

Primarily, the Company's equity investments are exposed to market risk. Market risk is limited by diversification of the portfolio and active monitoring of capital markets.

The table below summarizes the Company's equity price risk as of December 31, 2013 and 2012 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. Indeed, 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, 2013	506,049	10% increase	556,654	-	-
		10% decrease	455,444	-	-
December 31, 2012	323,559	10% increase	355,915	-	-
		10% decrease	291,203	-	-

* As per requirements of Insurance Ordinance 2000, equities are stated at cost. Therefore change in market value does not affect shareholders' equity and profit and loss account.



Risk management

The Company's policy is to manage price risk through diversification and selection of finance instruments within specified limits.

27.6 Interest rate risk

Interest rate risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from leasing asset and TFC's. At the balance sheet date the interest rate profile of the Company's interest - bearing financial instruments is:

	(Rupees in '000)	
	Carrying amount	
	2013	2012
Fixed rate instruments		
Financial assets	43,794	91,468
Financial liabilities	-	1,348
Variable rate instruments		
Financial assets	44,275	18,152
Financial Liabilities	-	-

Fair value sensitivity analysis for fixed rate instruments

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

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates would have decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
As at Decembr 31, 2013				
Cash flow sensitivity	443	443	443	443
As at December 31, 2012				
Cash flow sensitivity	182	182	182	182

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

Risk Management / mitigation

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 this 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 changes in market interest rates.

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

Reinsurance Risk

(Rupees in '000)

Rating	Amount due from Reinsurers	Reinsurance Recoveries Against Outstanding Claims	Other Reinsurance Assets
A or Above (including PRCL)	26,548	149,428	146,607
BBB	-	-	-
Other	2,606	-	-

27.7 Foreign currency risk

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

28 FINANCIAL INSTRUMENTS

(Rupees in '000)

Note	Effective Interest rate		Interest/mark-up bearing			Non-interest bearing			2013	2012	
	2013	2012	Maturity upto one year	Maturity after one year	Sub Total	Maturity within one year	Maturity after one year	Sub Total			
Financial assets											
Cash and other equivalent	13	5%-10%	5%-11%	29,125	-	29,125	6,695	-	6,695	35,820	62,204
Investments	14	8%-12.55%	8% - 16%	31,052	57,017	88,069	414,994	-	414,994	503,063	309,801
Premium due but unpaid	16	-	-	-	-	-	30,048	-	30,048	30,048	36,770
Amount due from other insurers / re-insurers	17	-	-	-	-	-	56,520	-	56,520	56,520	52,554
Reinsurance recoveries and outstanding claims	-	-	-	-	-	-	149,428	-	149,428	149,428	94,829
Accrued Investment income	18	-	-	-	-	-	2,261	-	2,261	2,261	1,862
Advances, deposits and receivables	19	-	-	-	-	-	25,355	-	25,355	25,355	16,961
				60,177	57,017	117,194	685,301	-	685,301	802,495	574,981
Financial liabilities											
Due to directors	-	-	-	-	-	-	3,216	-	3,216	3,216	1,974
Provision for outstanding claims	-	-	-	-	-	-	200,935	-	200,935	200,935	118,926
Amount due to other insurers / re-insurers	9	-	-	-	-	-	1,319	-	1,319	1,319	3,085
Other creditors and accruals	11	-	-	-	-	-	33,800	-	33,800	33,800	21,910
Obligation under finance lease	10	13.8%-15.38%	7.9%-17.24%	-	-	-	-	-	-	-	1,348
				-	-	-	239,270	-	239,270	239,270	147,243
On balance sheet gap				60,177	57,017	117,194	446,031	-	446,031	563,225	427,738

28.1 Fair value of financial assets and liabilities

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



29 SEGMENT REPORTING

Each class of business has been identified as reportable segment. Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following is a schedule of class of business wise assets and liabilities:

	(Rupees in '000)									
	Fire and Property Damage		Marine Aviation and Transport		Motor		Miscellaneous		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment assets	157,841	165,996	59,832	60,878	55,835	56,130	187,201	162,810	460,709	445,815
Unallocated corporate assets									615,279	389,537
Consolidated total assets									1,075,988	835,352
Segment liabilities	153,275	120,420	58,102	44,163	54,220	40,719	181,786	118,109	447,383	323,411
Unallocated corporate liabilities									69,319	45,840
Consolidated total liabilities									516,702	369,251
Capital expenditure	4,813	3,259	1,824	1,116	1,703	1,082	5,708	2,868	14,048	8,325
Depreciation	4,076	4,929	1,545	1,808	1,442	1,667	4,834	4,835	11,897	13,239

30 CAPITAL MANAGEMENT

Objectives, policies and processes for managing capital:

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

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

	Note Rupees	
		2013	2012
31 EARNINGS PER SHARE – BASIC AND DILUTED			Restated
Profit for the year		<u>126,367,302</u>	<u>68,057,110</u>
		Number of Shares	
Weighted average number of shares		<u>36,500,231</u>	<u>36,500,231</u>
Basic and diluted earnings per share (EPS)	31.1	<u>3.46</u>	<u>1.86</u>

31.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments which have an impact on earning per share when exercised.

32 NUMBER OF EMPLOYEES

Number of employees at the end of the year	<u>142</u>	<u>153</u>
Average number of employees	<u>145</u>	<u>155</u>

33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in accordance with a resolution of the Board of Director on March 07, 2014.


CHIEF JUSTICE (R) MIAN MAHBOOB AHMAD
Chairman


NAVED YUNUS
Chief Executive Officer


UMEED ANSARI
Director


A.K.M. SAYEED
Director

Karachi Dated : 7th March, 2014



PATTERN OF SHARE HOLDINGS

HELD BY THE SHAREHOLDERS OF EAST WEST INSURANCE COMPANY LIMITED AS AT DECEMBER 31, 2013

No. of Shareholders	Shareholding Range		Shareholdings	Percentage
	From	To		
21	1	1,000	6938	0.0190
140	1,001	2,000	227,824	0.6242
5	2,001	3,000	12,395	0.0340
24	3,001	4,000	80,234	0.2198
3	4,001	5,000	13,523	0.0370
123	5,001	10,000	766,364	2.0996
1	10,001	15,000	13,597	0.0373
1	15,001	25,000	24,075	0.0660
2	700,001	800,000	1,447,486	3.9657
2	1,200,000	1,500,000	2,672,320	7.3214
2	1,700,001	1,800,000	3,489,021	9.5589
3	1,800,001	2,000,000	5,565,160	15.2469
2	2,100,001	2,200,000	4,322,429	11.8422
1	2,300,001	2,400,000	2,343,270	6.4199
3	2,700,001	3,000,000	8,402,503	23.0204
1	3,100,001	3,500,000	3,414,722	9.3553
1	3,500,001	4,000,000	3,698,370	10.1325
335			36,500,231	100.0000

Categories of Shareholders	Number	Share Held	Percentage
CEO, Directors and their spouses and minor childrens	12	22,171,462	60.7433
Joint Stock Companies, Insurance Companies, Investment Companies & Modarabas	1	2,200	0.0060
Individual	322	14,326,569	39.2507
Total	335	36,500,231	100.0000

Information as required under the code of Corporate Governance

Categories of Shareholders	Shareholders	Share Held	Percentage
Associated Company			
M/s. East West Life Assurance Co., Ltd.	1	2,200	0.0060
SHAREHOLDING 10%			
Naved Yunus	1	3,698,370	10.1325
CEO, Directors, their Spouses and Minor Childrens			
Chief Justice (R) Mian Mahboob Ahmad	1	1,343	0.0040
Javed Yunus	1	2,820,331	7.7269
Pervez Yunus	1	2,787,738	7.6376
Maheen Yunus	1	2,159,366	5.9160
Tulu Yunus	1	2,794,434	7.6559
A. K. M. Sayeed	1	900	0.0025
Umeed Ansari	1	550	0.0015
Ambreen Yunus	1	1,934,210	5.2992
Rubina Yunus	1	1,808,306	4.9542
Samina Yunus	1	1,822,644	4.9935
Shamaila Yunus	1	2,343,270	6.4199
Individual	322	14,326,569	39.2507
Total	335	36,500,231	100.0000

FORM OF PROXY



31st Annual General Meeting

I/We _____
of _____
in the district of _____
being a member of EAST WEST INSURANCE COMPANY LIMITED, hereby appoint:

_____ another member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held on Monday March 31, 2014 at 5:00 p.m. at the Registered Office of the Company at 27, Regal Plaza, Jinnah Road, Quetta and at any adjournment thereof.

Witness:

1. Signature _____
Name _____
Address _____
NIC or passport No. _____

**Please
affix rupee five
revenue stamp**

2. Signature _____
Name _____
Address _____
NIC or passport No. _____

Signature of Member

Please quote folio number

IMPORTANT : This instrument appointing a proxy, duly completed, must received at the Company's Share Registrar, Bema Associates (Pvt) Limited, 515, EFU House, M.A. Jinnah Road, Karachi, not later than 48 hours before the time of holding the meeting.

