



General Insurance Company

## **National Assets Insurance Limited**

| Financial Statements with  
| Accompanying Information |

==== Annual Report ====  
==== 31 December 2016 =====



## National Assets Insurance Ltd.

### CONTENTS

|   |    |
|---|----|
| Company Information .....                     | 2  |
| Notice of the 8th Annual General Meeting..... | 3  |
| Directors Report .....                        | 4  |
| Auditor's Report to the Members .....         | 5  |
| Balance Sheet.....                            | 7  |
| Profit and Loss Account .....                 | 8  |
| Statement of Comprehensive Income .....       | 9  |
| Statement of Changes in Equity .....          | 10 |
| Statement of Cash Flow .....                  | 11 |
| Statement of Investment Income .....          | 13 |
| Notes to the Financial Statements .....       | 14 |
| Pattern of Shareholding .....                 | 38 |
| Form of Proxy                                 |    |



## National Assets Insurance Ltd.

### COMPANY INFORMATION

#### BOARD OF DIRECTORS

|                          |                           |
|--------------------------|---------------------------|
| Mr. Tariq Jamali         | (Chairman)                |
| Mr. Wajahat A. Baqai     | (Director)                |
| Mr. Mudassir H. Khan     | (Director)                |
| Mr. Muhammad Umair Bhaur | (Chief Executive Officer) |

#### DEPARTMENTAL HEADS

|                           |                           |
|---------------------------|---------------------------|
| Syed Iqbal Hussain        | (Operations)              |
| Mr. Mushtaq Ahmed Qureshi | (Marketing)               |
| Mr. Muhammad Umair Bhaur  | (CFO & Company Secretary) |

---

#### **Auditors**

**Grant Thorton Anjum Rahman**  
1st & 3rd Floor, Modern Motors House  
Beaumont Road, Karachi

---

#### **Registered Office**

69/2, Abid Majeed Road, Lahore Cantt. Lahore

---

#### **Head Office**

3rd Floor, 78/C, Main Khayaban-e-Jami,  
Phase VII, DHA, Karachi

---

#### **Bankers**

National Bank of Pakistan

#### **Registrar &**

THK Associates (Pvt) Ltd.

#### **Share Transfer Office**

Ground Floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road  
Karachi

---

#### **Legal Advisors**

Ahmed & Qazi (Advocates & Legal Consultants)  
403-404, Clifton Centre, Clifton, Karachi



## **National Assets Insurance Ltd.**

### **NOTICE OF THE 8TH ANNUAL GENERAL MEETING**

Notice is hereby given that the 8th Annual General Meeting of **National Assets Insurance Limited** will be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 26 April 2017 at 11:00 a.m., to transact the following business:

1. To consider and approve the minutes of the 4th Extra Ordinary General Meeting of the company held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 15 November, 2016 at 11:00 a.m.
2. To approve and adopt the Audited Financial Statements of the company for the year ended 31 December 2016 along with all the policies as mentioned in the Financial Statements.
3. To appoint statutory auditors of the company for the year ended 31 December 2017 and to fix their audit fee for the same period.
4. To transact any other business with the permission of the chair.

**Date: March 31, 2017**

**MUHAMMAD UMAIR BHAUR**  
(CFO & Company Secretary)

#### **Notes:**

1. The share transfer books of the company will remain close from April 15, 2017 to April 26, 2017 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. The financial statements are available on website



## National Assets Insurance Ltd.

### DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company feel pleasure in presenting the annual report together with audited financial statements for the year ended 31 December 2016.

#### **1. Financial Results**

The Company made a Pre-tax profit of Rs. 23.22 million for the year under consideration (31 December 2015, 31.12 million) after charging costs, expenses and provisions for the year.

|                       | <b>For the year ended<br/>31 December 2016</b> | <b>For the year ended<br/>31 December 2015</b> |
|-----------------------|--|--|
|                       | Rupees   | Rupees   |
| Pre Tax Profit        | <b>23,216,215</b>                              | 31,120,533                                     |
| Taxation              | <b>7,250,431</b>                               | 9,781,301                                      |
| Profit after taxation | <b>15,965,784</b>                              | 21,339,232                                     |

#### **2. Review of financial Affairs and Future Prospects**

The company had raised its paid up capital up to Rs. 500 million after 1st half of the year 2011. During the year 2015, the Company kept the available funds either in National Income Daily Account (NIDA), in Treasury Bills or in Term Deposit Receipts. During the current year, the Company continued its efforts to obtain Insurance License from SECP and it appears based on developments with SECP that the Insurance License will be issued in near future.

The main reason of decrease in profit during the year 2016 as compared to 2015 is the overall decline in mark up rates.

The financial health of the company is still strong and its total equity has reached Rs. 613.96 million during the current year.

The company has completed all the formalities of the insurance license including the compliance with the minimum paid up capital requirement and has been doing its best efforts to obtain the License. It is expected that the company will start business operations during the next year after obtaining Insurance License from Securities and Exchange Commission of Pakistan.

The board is confident that after starting operations, the company will start making underwriting profits as well.

#### **3. Auditors**

The present auditors M/S. Grant Thornton Anjum Rahman (Chartered Accountants) are retiring and offer themselves for re-appointment. The matter of their re-appointment shall be finalized in the next Annual General Meeting.

#### **4. Pattern of Shareholding**

The statement of pattern of shareholding of the company as at December 31, 2016 is annexed.

#### **5. Profit and break-up value per share**

The profit per share for the year is Rs. 0.32/- (31 December 2015, Rs. 0.43/-) and breakup value per share is Rs. 12.28 (31 December 2015, Rs. 11.96).

For and on behalf of the Board of Directors

**CHIEF EXECUTIVE OFFICER**

Karachi  
March 31, 2017

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in equity;
- (v) statement of cash flow;
- (vi) statement of investment income

**GRANT THORNTON ANJUM RAHMAN**

1st & 3rd Floor,  
Modern Motors House  
Beaumont Road,  
Karachi 75530

T +92 021 3567 2951-56  
F +92 021 3568 8834  
www.gt-pak.com

of **National Assets Insurance Limited** (the Company) as at December 31, 2016 together with the notes forming part thereof for the year then ended.

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

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

In our Opinion:

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;

- (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, 2016 and of its profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Emphasis of Matter**

We draw attention to note 1.2 to the financial information which inter alia states that the Company has applied for certificate for registration to carry on insurance activities (the certificate) as required by Insurance Ordinance, 2000 (the Ordinance); however, its application is pending for approval by the Securities and Exchange Commission of Pakistan, and therefore the Company is not allowed to undertake insurance activities. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, we have been informed by the management that the Company has completed the formalities under the Ordinance and it expects that it would be able to obtain the certificate subsequent to the year-end. The management therefore has concluded that the going concern assumption is appropriate.

Our opinion is not qualified in respect of this matter.

Karachi  
Date: **March 31, 2017**



**Grant Thornton Anjum Rahman**  
Chartered Accountants  
**Khaliq-ur-Rahman**  
Engagement Partner



## National Assets Insurance Ltd.

### BALANCE SHEET AS AT DECEMBER 31, 2016

|  | Note | 2016                 | 2015          |
|--|------|----------------------|---------------|
|  |      | ----- Rupees -----   |               |
| <b>SHARE CAPITAL AND RESERVES</b>            |      |                      |               |
| <b>EQUITY</b>                                |      |                      |               |
| Authorised share capital                     | 6.1  | <b>1,250,000,000</b> | 1,250,000,000 |
| Issued, subscribed and paid-up share capital | 6.2  | <b>500,000,000</b>   | 500,000,000   |
| Retained earnings                            |      | <b>113,956,646</b>   | 97,953,991    |
| <b>Total equity</b>                          |      | <b>613,956,646</b>   | 597,953,991   |
| <b>Deferred liabilities</b>                  |      |                      |               |
| Staff retirement benefits                    | 7    | <b>1,651,459</b>     | 1,240,763     |
| <b>Creditors and accruals</b>                |      |                      |               |
| Accrued expenses                             | 8    | <b>1,357,563</b>     | 3,507,776     |
| <b>Total liabilities</b>                     |      | <b>3,009,022</b>     | 4,748,539     |
| <b>CONTINGENCIES AND COMMITMENTS</b>         |      |                      |               |
|  | 9    |                      |               |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |      | <b>616,965,668</b>   | 602,702,530   |
| <b>ASSETS</b>                                |      |                      |               |
| Cash and bank deposits                       | 10   | <b>442,164,855</b>   | 78,317,809    |
| Investments                                  | 11   | <b>160,000,000</b>   | 512,551,405   |
| Deferred taxation                            | 12   | <b>988,304</b>       | 1,409,623     |
| Current assets - others                      |      |                      |               |
| Taxation- net of provision                   |      | <b>570,406</b>       | 1,863,253     |
| Prepayments                                  |      | <b>100,600</b>       | 112,089       |
| Other receivable                             |      | <b>4,000</b>         | 5,535         |
| Accrued income                               | 13   | <b>7,124,129</b>     | 1,472,169     |
| Security deposit                             |      | <b>255,000</b>       | 257,000       |
|  |      | <b>8,054,135</b>     | 3,710,046     |
| <b>Fixed Assets</b>                          |      |                      |               |
| <b>Tangible</b>                              |      |                      |               |
| Computer & related accessories               |      | <b>122,565</b>       | 151,964       |
| Vehicles                                     |      | <b>1,527,516</b>     | 2,256,916     |
| Furniture and fittings                       |      | <b>159,977</b>       | 199,971       |
| Office equipment                             |      | <b>265,316</b>       | 294,796       |
|  | 14   | <b>2,075,374</b>     | 2,903,647     |
| <b>Intangible</b>                            |      |                      |               |
| Capital work in progress                     | 15   | <b>3,429,000</b>     | 3,810,000     |
| Intangible Asset                             | 16   | <b>254,000</b>       | -             |
| <b>TOTAL ASSETS</b>                          |      | <b>616,965,668</b>   | 602,702,530   |

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer





## National Assets Insurance Ltd.

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2016

|   | Note | 2016               | 2015               |
|---|------|--------------------|--------------------|
|   |      | ----- Rupees ----- |                    |
| Revenue account   |      |                    |                    |
| Underwriting results  |      | -                  | -                  |
| Investment income   |      | 27,928,172         | 38,558,993         |
| Profit on bank deposits                                     |      | 5,843,887          | 4,446,298          |
|   |      | <u>33,772,059</u>  | <u>43,005,291</u>  |
| General and administration expenses                         | 17   | (13,410,222)       | (11,883,883)       |
| Bank charges  |      | (2,798)            | (875)              |
| Other income  | 18   | 2,857,176          | -                  |
| <b>Profit before taxation</b>                               |      | <u>23,216,215</u>  | <u>31,120,533</u>  |
| Taxation  |      |                    |                    |
| Current   |      | (6,845,677)        | (10,171,438)       |
| Deferred  |      | (404,754)          | 390,137            |
|   | 19   | <u>(7,250,431)</u> | <u>(9,781,301)</u> |
| <b>Profit for the year</b>                                  |      | <u>15,965,784</u>  | <u>21,339,232</u>  |
| <b>Profit and loss appropriation account</b>                |      |                    |                    |
| Balance at commencement of the year                         |      | 97,953,991         | 76,655,669         |
| Profit for the year   |      | 15,965,784         | 21,339,232         |
| Other comprehensive income                                  |      | 36,871             | (40,910)           |
| <b>Balance unappropriated profit at the end of the year</b> |      | <u>113,956,646</u> | <u>97,953,991</u>  |
| <b>Earnings per share - basic and diluted</b>               | 20   | <u>0.32</u>        | <u>0.43</u>        |

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer



## National Assets Insurance Ltd.

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

|   | Note | 2016               | 2015       |
|---|------|--------------------|------------|
|   |      | ----- Rupees ----- |            |
| <b>Profit for the year</b>  |      | <b>15,965,784</b>  | 21,339,232 |
| <b>Other comprehensive income/ (loss)</b>                               |      |                    |            |
| <b>Items that will never be reclassified to profit and loss account</b> |      |                    |            |
| Remeasurement of defined benefit obligation - net of deferred tax       | 7.5  | 36,871             | (40,910)   |
| Items that may subsequently be reclassified to profit and loss account  |      | -                  | -          |
|   |      | <b>36,871</b>      | (40,910)   |
| Total comprehensive income for the year                                 |      | <b>16,002,655</b>  | 21,298,322 |

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer



## National Assets Insurance Ltd.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

|   | Issued,<br>subscribed<br>and paid-up<br>share capital | Retained<br>earnings | Total              |
|---|---|----------------------|--------------------|
|   | ----- Rupees -----                                    |                      |                    |
| <b>Balance as at January 1, 2015</b>  | 500,000,000   | 76,655,669           | 576,655,669        |
| <b>Transactions with other than owners:</b>                                 |   |                      |                    |
| <b><i>Comprehensive income for the year ended<br/>December 31, 2015</i></b> |   |                      |                    |
| Profit for the year   | -   | 21,339,232           | 21,339,232         |
| Other comprehensive loss  | -   | (40,910)             | (40,910)           |
| Total comprehensive income for the year                                     | -   | 21,298,322           | 21,298,322         |
| <b>Balance as at December 31, 2015</b>                                      | 500,000,000   | 97,953,991           | 597,953,991        |
| <b>Transactions with other than owners:</b>                                 |   |                      |                    |
| <b><i>Comprehensive income for the year ended<br/>December 31, 2016</i></b> |   |                      |                    |
| Profit for the year   | -   | 15,965,784           | 15,965,784         |
| Other comprehensive income  | -   | 36,871               | 36,871             |
| Total comprehensive income for the year                                     | -   | 16,002,655           | 16,002,655         |
| <b>Balance as at December 31, 2016</b>                                      | <u>500,000,000</u>                                    | <u>113,956,646</u>   | <u>613,956,646</u> |

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer



## National Assets Insurance Ltd.

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 2016                   | 2015            |
|--|------------------------|-----------------|
|  | ----- Rupees -----     |                 |
| <b>Operating Cash Flows</b>                        |                        |                 |
| <b>a) Underwriting activities</b>                  |                        |                 |
| Premiums received                                  | -                      | -               |
| Reinsurance premiums paid                          | -                      | -               |
| Claims paid  | -                      | -               |
| Surrenders paid                                    | -                      | -               |
| Reinsurance and other recoveries received          | -                      | -               |
| Commissions paid                                   | -                      | -               |
| Commissions received                               | -                      | -               |
| Other underwriting payments                        | -                      | -               |
| <b>Net cash flow from underwriting activities</b>  | <b>-</b>               | <b>-</b>        |
| <b>b) Other operating activities</b>               |                        |                 |
| Income tax paid                                    | <b>(5,552,840)</b>     | (12,105,872)    |
| General and other expenses paid                    | <b>(11,258,317)</b>    | (9,954,400)     |
| Other receipts                                     | <b>2,384,803</b>       | 6,066,231       |
| <b>Net cash used in other operating activities</b> | <b>(14,426,354)</b>    | (15,994,041)    |
| <b>Total cash used in all operating activities</b> | <b>(14,426,354)</b>    | (15,994,041)    |
| <b>Investment activities</b>                       |                        |                 |
| Investment matured                                 | <b>1,436,000,000</b>   | 1,302,238,200   |
| Investments purchased                              | <b>(1,057,713,300)</b> | (1,321,889,050) |
| Fixed capital expenditure - tangible assets        | <b>(29,500)</b>        | (123,505)       |
| Proceeds from disposal of fixed assets             | <b>16,200</b>          | -               |
| <b>Total cash flow from investing activities</b>   | <b>378,273,400</b>     | (19,774,355)    |
| <b>Financing activities</b>                        |                        |                 |
|  | -                      | -               |
| <b>Total cash flow from financing activities</b>   | <b>-</b>               | <b>-</b>        |
| <b>Net cash flow from all activities</b>           | <b>363,847,046</b>     | (35,768,396)    |
| <b>Cash at the beginning of the year</b>           | <b>78,317,809</b>      | 114,086,205     |
| <b>Cash at the end of the year</b>                 | <b>442,164,855</b>     | 78,317,809      |



## National Assets Insurance Ltd.

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

|   | 2016               | 2015              |
|---|--------------------|-------------------|
|   | ----- Rupees ----- |                   |
| <b>Reconciliation to Profit and Loss Account</b>                        |                    |                   |
| Operating cash flows  | (14,426,354)       | (15,994,041)      |
| Depreciation  | (846,528)          | (856,397)         |
| Amortization  | (127,000)          | -                 |
| Reversal of provision for workers' welfare fund                         | 2,852,221          | (648,689)         |
| Charge for staff retirement benefits                                    | (464,132)          | (384,241)         |
| Investment income   | 27,928,172         | 38,558,993        |
| Gain on disposal of fixed assets  | 4,955              | -                 |
| Decrease in assets other than cash                                      | 4,344,089          | 349,773           |
| (Decrease) in liabilities other than running finance                    | (1,602,048)        | (2,010,737)       |
|   | <b>17,663,375</b>  | <b>19,014,661</b> |
| <b>Others</b>   |                    |                   |
| Profit on sale of investments   | -                  | -                 |
| Staff retirement benefits paid  | -                  | -                 |
| Income tax paid   | 5,552,840          | 12,105,872        |
|   | <b>5,552,840</b>   | <b>12,105,872</b> |
| <b>Profit before taxation</b>   | <b>23,216,215</b>  | <b>31,120,533</b> |
| <b>Definition of cash:</b>  |                    |                   |
| Cash comprises of cash in hand, bank balances.                          |                    |                   |
| <b>Cash for the purpose of the Statement of Cash Flows consists of:</b> |                    |                   |
| Current and other accounts  | 442,164,855        | 78,317,809        |
| <b>Total cash and cash equivalents</b>                                  | <b>442,164,855</b> | <b>78,317,809</b> |

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer



## National Assets Insurance Ltd.

### STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2016


|  | 2016               | 2015              |
|--|--------------------|-------------------|
|  | ----- Rupees ----- |                   |
| <b>Income from non-trading investments</b> |                    |                   |
| <b>Held to maturity</b>                    |                    |                   |
| Return on treasury bills                   | 25,735,295         | 38,558,993        |
| Return on term deposit receipts            | 2,192,877          | -                 |
| <b>Net investment income</b>               | <u>27,928,172</u>  | <u>38,558,993</u> |

The annexed notes from 1 to 26 form an integral part of these financial statements.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

#### 1 THE COMPANY AND ITS OPERATIONS

"National Assets Insurance Limited" ("the Company") was incorporated on 26 June 2009 as a Public Limited Company in Pakistan under the Companies Ordinance, 1984. The registered office of the Company is situated at 69-2 Abid Majeed Road, Lahore Cantt, Lahore.

- 1.1 The principal activity of the Company will be to carry on any or all classes of non-life insurance business specified in the "Insurance Ordinance, 2000" (as amended, modified and/or re-enacted form time to time) {the "Insurance Ordinance"} including re-insurance of any or all classes of business.
- 1.2 The Company has not started its underwriting operations so far as the Insurance License is still awaited from Securities and Exchange Commission of Pakistan (SECP). After obtaining the License, the Company shall apply for the Certificate of Commencement of Business from SECP in order to start its operations.

The Company has completed all the formalities of the Insurance License including the compliance with the minimum paid up capital requirement. The management of the Company is perusing the matter of obtaining License proactively with the SECP and expects that it would be able to obtain the Insurance License and Business Commencement Certificate during the next year.

Since the Company has already met the minimum paid up capital requirement and carries a very healthy financial position, the management of the Company and its directors strongly believe that the Company is a going concern and would be able to undertake insurance and related activities during the next financial year after obtaining the Certificate of registration to carry on insurance business under the section 6 of the Insurance Ordinance, 2000.

#### 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.

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

##### a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

The SECP has allowed insurance companies to defer the application of International Accounting Standard - 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' in respect of "investments available-for-sale" until suitable amendments have been made in the laws. Accordingly, the requirements of IAS-39, to the extent allowed by SECP, are not followed in the preparation of these financial statements. However, the Company did not hold any "available-for-sale investments" as at the reporting date.

#### b) Basis of presentation

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. The operations of the Company have not yet been started and the Company is at pre-commencement of business stage. Resultantly there is no underwriting activities of the Company. Hence, the following statements as required under Insurance Ordinance 2000 have no data, therefore, not prepared:

- statement of premiums
- statement of claims
- statement of expenses

#### c) Accounting convention

These financial statements have been prepared under the historical cost convention. Accrual basis of accounting has been used in preparation of these financial statements except for the cash flow information which is prepared on cash basis.

#### e) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

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

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

| Standard or Interpretation   | Effective date<br>(annual periods beginning) |
|--|--|
| IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)   | January 1, 2016                              |
| IFRS 10, IFRS 12 and IAS 28 - Investment Entities : Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016                              |
| Annual Improvements to IFRSs 2012 - 2014 Cycle   | January 1, 2016                              |





## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

| Standard or Interpretation   | Effective date<br>(annual periods beginning) |
|--|--|
| IAS 16 and IAS 41 - Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)   | January 1, 2016                              |
| IAS 27 - Equity method in Separate Financial Statements (Amendments to IAS 27)   | January 1, 2016                              |
| IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | January 1, 2016                              |
| IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)                             | January 1, 2016                              |

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2015 and 2016.

#### **Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company**

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

| Standard or Interpretation  | IASB Effective date<br>(annual periods beginning on or after) |
|---|---|
| IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Postponed   |
| IAS 7 - Disclosure Initiative (Amendments to IAS 7)   | January 1, 2017   |
| IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)  | January 1, 2017   |
| IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)   | January 1, 2018   |

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

#### **Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)**

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation                      | IASB Effective date<br>(annual periods beginning on or after) |
|---|---|
| IFRS 14 - Regulatory Deferral Accounts          | January 1, 2016   |
| IFRS 15 - Revenue from Contracts with Customers | January 1, 2018   |
| IFRS 9 - Financial Instruments (2014)           | January 1, 2019   |
| IFRS 16 - Leases                                | January 1, 2018   |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

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 USE OF ESTIMATES AND JUDGMENTS

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements or judgments were exercised in application of accounting policies are as follows:

##### 4.1 Useful lives, patterns of economic benefits and impairments - Fixed assets

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of fixed assets, with a corresponding effect on the depreciation charge and impairment.

##### 4.2 Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of the appellate authorities on certain issues in the past.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies have been applied on consistent basis. Following policies have been adopted in the preparation of these financial statements:

##### 5.1 Creditors, accruals and provisions

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

##### 5.2 Cash and bank deposits

Cash and bank deposits are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank deposits.

##### 5.3 Investments

###### Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investments through profit or loss in which case transaction costs are charged to the profit and loss account. These are recognized and classified as follows:



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

- Investment at fair value through profit or loss - Held-for-trading
- Held-to-maturity
- Available-for-sale

#### *Measurement*

#### **(a) Investment at fair value through profit or loss - held for trading.**

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on investments on remeasurement of these investments are recognized in profit and loss account.

#### **(b) Held-to-maturity**

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

Subsequent to initial recognition, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using effective interest method.

#### **(c) Available-for-sale**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

#### *Quoted*

Subsequent to initial recognition, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis 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 SECP in December 2002. Moreover, section 16(a) of the Securities and Exchange (Insurance) Rules, 2002 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 amortised uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value.

#### *Unquoted*

Unquoted investments are recorded at cost less impairment (if any).

#### *Date of recognition*

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

#### 5.4 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

##### Deferred

Deferred tax is accounted for by using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in these financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets 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 profit and loss account, except to the case that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### 5.5 Fixed assets

Fixed assets are stated at cost signifying historical cost less accumulated depreciation and any accumulated impairment loss. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation is charged to income applying reducing balance method except for vehicles which are depreciated using the straight line method at the rates specified for calculation of depreciation in note no. 14

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

Depreciation on additions is charged from the month the assets are available for use while on disposals, depreciation is charged up to the month in which the assets are disposed off.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets disposed off. These are included in the profit and loss account currently.



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

#### 5.6 Intangibles

Intangibles are stated initially at cost. After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is based on its useful life. The Company assesses whether the useful life of the intangible asset is finite or infinite. In case of finite life, amortisation is charged to income on a systematic basis over its useful life.

Amortisation shall begin when the asset is available for use. Amortisation shall cease at the earlier of the date asset is classified as Held for Sale and the date the asset is derecognised.

Method for amortisation shall reflect the pattern in which asset's future economic benefits are expected to be consumed. If pattern is not determinable, then straight line method is used.

Intangible asset arising from development phase are recognised separately. Moreover, expenditure on research phase are recognised as expense when it is incurred.

Amortisation is charged to income applying straight line method with the useful life of three years.

#### 5.7 Investment income

##### -Return on fixed income investments

Return on fixed income securities classified as held to maturity is recognized on a time proportion basis.

##### -Dividend

Dividend income is recognized when the Company's right to receive the dividend is established.

##### -Return on bank deposits

Return on bank deposits is recognized on a time proportion basis.

#### 5.8 Financial instruments

Financial instruments carried on the statement of financial position include cash and bank deposits, investments, accrued investment income, security deposit, other receivables and staff retirement benefit and creditors and accruals. Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account currently. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

#### 5.9 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

#### 5.10 Off setting

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 5.11 Impairment

##### Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

##### Non financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds the recoverable amount.

Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If there is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognized for the assets in prior year. Such reversal is recognized in profit and loss account.

#### 5.12 Staff retirement benefits plan

Actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in Other Comprehensive Income with no subsequent recycling through the profit and loss account.



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### 5.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the board of directors) who is responsible for allocating resources and assessing performance of the operating segments.

Since the Company has not yet started underwriting operations, the segment reporting cannot be presented in these financial statements.

#### 5.14 Share Capital

Ordinary shares are classified as equity.

#### 5.15 GENERAL

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

### 6 SHARE CAPITAL

#### 6.1 Authorized share capital

| 2016               | 2015               |  | 2016                 | 2015                 |
|--------------------|--------------------|--|----------------------|----------------------|
| (Number of shares) |                    |  | ----- Rupees -----   |                      |
|                    |                    | Ordinary shares of Rupees 10 each fully paid in cash |                      |                      |
| <u>125,000,000</u> | <u>125,000,000</u> |  | <u>1,250,000,000</u> | <u>1,250,000,000</u> |

#### 6.2 Issued, subscribed and paid-up share capital

|                   |                   |  |                    |                    |
|-------------------|-------------------|--|--------------------|--------------------|
|                   |                   | Ordinary shares of Rupees 10 each fully paid in cash |                    |                    |
| <u>50,000,000</u> | <u>50,000,000</u> |  | <u>500,000,000</u> | <u>500,000,000</u> |

**6.3** 4,481,500 ordinary shares (2015: 4,481,500 ordinary shares) of the Company are held by National Bank of Pakistan.

**6.4** 9,000,000 ordinary shares (2015: 9,000,000 ordinary shares) of the Company are held by NBP Staff Welfare Foundation.

**6.5** 5,000,000 ordinary shares (2015: 5,000,000 ordinary shares) of the Company are held by NBP Employees Benevolent Fund.

**6.6** 16,000,000 ordinary shares (2015: 16,000,000 ordinary shares) of the Company are held by NBP Employees Pension Fund.

#### 6.7 Capital risk management policies and procedures

The Company's objective when managing the capital are:

-to safeguard its ability to continue as a going concern so that it can continue to provide return to shareholders and benefits to other stakeholders; and



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

- to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and to maintain optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to shareholders, issue new shares and adopt other means commensurate to the circumstances.

#### 7 STAFF RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit scheme, for all employees. The latest valuation was carried out as at 31 December 2016 by an independent actuary - M/S Akhtar & Hassan (Private) Limited.

The Company operates an unfunded gratuity scheme covering all its employees under the age of 60 years. The employees who have completed one year of their service with the Company are eligible for the scheme. Provision is made in these financial statements on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method.

The defined benefit plans expose the Authority to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

##### a) Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and is denominated in Pak Rupees. A decrease in market yield on high quality corporate bonds will increase the Authority's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of the plan assets, in case of funded plans.

##### b) Investment risk

This is the risk of the investment underperforming and not being sufficient to meet the liabilities. The plan assets at December 31, 2016 are predominantly equity and debt instruments. This risk is mitigated by closely monitoring the performance of the investments.

##### c) Longevity risk

The Authority is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, particularly in case of pension where the pension/gratuity payments are linked to pay scales defined by the Government, will increase the defined benefit liability.

##### d) Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Authority's liability. This risk is mitigated by closely monitoring the performance of the investments.





## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|  | Note | 2016               | 2015             |
|--|------|--------------------|------------------|
|  |      | ----- Rupees ----- |                  |
| <b>7.1 Balance sheet date position</b>                                     |      |                    |                  |
| Present value of defined benefit obligation                                | 7.2  | <u>1,651,459</u>   | <u>1,240,763</u> |
| <b>7.2 Movement in net liability</b>                                       |      |                    |                  |
| Opening balance  |      | 1,240,763          | 796,360          |
| Charge for the year  | 7.4  | 464,132            | 384,241          |
| Remeasurements recognized in Other Comprehensive Income                    |      | (53,436)           | 60,162           |
| Benefits to outgoing employee  |      | -                  | -                |
| Closing balance  |      | <u>1,651,459</u>   | <u>1,240,763</u> |
| <b>7.3 Movement in present value of defined benefit obligation</b>         |      |                    |                  |
| Present value as at 01 January   |      | 1,240,763          | 796,360          |
| Current service cost   |      | 327,228            | 281,634          |
| Interest cost  |      | 136,904            | 102,607          |
| Actuarial (gain)/ loss:  |      |                    |                  |
| - due to change in financial assumption                                    |      | (161,013)          | 21,306           |
| - due to change in demographic assumptions                                 |      | -                  | -                |
| - due to change in experience adjustments                                  |      | 107,577            | 38,856           |
|  | 7.5  | <u>(53,436)</u>    | <u>60,162</u>    |
| Present value as at 31 December  |      | <u>1,651,459</u>   | <u>1,240,763</u> |
| <b>7.4 The amounts charged in profit and loss are as follows:</b>          |      |                    |                  |
| Current service cost   |      | 327,228            | 281,634          |
| Interest cost  |      | 136,904            | 102,607          |
| Expense for the year   |      | <u>464,132</u>     | <u>384,241</u>   |
| <b>7.5 The amount charged in other comprehensive income is as follows:</b> |      |                    |                  |
| Actuarial (gain)/ loss on obligation                                       | 7.3  | (53,436)           | 60,162           |
| Related deferred tax   |      | 16,565             | (19,252)         |
|  |      | <u>(36,871)</u>    | <u>40,910</u>    |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

7.6 Following significant assumptions have been used for valuation of this scheme:

#### Significant actuarial valuation assumptions

##### Financial assumptions

|  |      |         |
|--|------|---------|
| - Discount rate percentage                   | 9.5% | 10.00%  |
| - First year salary increase rate percentage | 9.5% | 13%/10% |
| - Long term salary increase rate percentage  | 9.5% | 10.00%  |

##### Demographic assumptions

|   |                 |                 |
|---|-----------------|-----------------|
| - Mortality rate (for death in service) | SLIC(2001-05)-1 | SLIC(2001-05)-1 |
| - Rate of employee turnover             | Moderate        | Moderate        |

#### 7.7 Sensitivity analysis of assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as under:

Rupees

#### 7.8 Maturity analysis of undiscounted payments for future years

|  |           |
|--|-----------|
| For the first year after year-end                      | 77,360    |
| For the second year after year-end                     | 93,569    |
| For the third year after year-end                      | 110,971   |
| For the fourth year after year-end                     | 129,862   |
| For the fifth year after year-end                      | 150,015   |
| For the period from sixth to tenth year after year-end | 1,032,951 |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|  | Note | 2016                    | 2015             |
|--|------|-------------------------|------------------|
|  |      | ----- Rupees -----      |                  |
| <b>8 ACCRUED EXPENSES</b>              |      |                         |                  |
| Rent payable                           |      | <b>315,326</b>          | 465,184          |
| Bills payable                          |      | <b>14,496</b>           | 9,280            |
| Retirement benefit payable to employee |      | <b>28,002</b>           | 28,002           |
| Worker's welfare fund payable          | 8.1  | <b>820,821</b>          | 2,852,221        |
| Audit fee payable                      |      | <b>138,850</b>          | 120,250          |
| Other Payable                          |      | <b>40,068</b>           | 32,839           |
|  |      | <u><b>1,357,563</b></u> | <u>3,507,776</u> |

- 8.1** During the year the Honorable Supreme Court has passed an order giving an opinion, there is no longer any basis in law to claim Federal WWF payments from the Company under the WWF Ordinance 1971. The parties to the case could file a review petition before the Supreme Court within 30 days. However, no petition was filed within the aforementioned period against the order of Supreme Court as per managements' knowledge. Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

Now after the Supreme Court's order only Provinces can collect respective Provincial WWF as per their respective laws. Since the collecting authority of WWF has changed from Federal to Provincial, therefore the management has reversed the opening balance of Federal WWF amounting to Rs. 2.8 million considering the above referred Supreme Court order and with reference to Sindh WWF Act 2014 has booked a new provision amounting to Rs. 0.8 million.

The Management is of the view that the Company does not actually fall under the scope of Sindh WWF Act 2014 as it has not yet been registered under the Insurance Ordinance 2000 and neither has commenced business. However the management has sought an opinion in this respect from a well reputed Lawyer, and for the sake of prudence it has kept the provision under Sindh WWF Act 2014.

### 9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2016 (2015: Nil).

|                                  | Note | 2016                      | 2015              |
|----------------------------------|------|---------------------------|-------------------|
|                                  |      | ----- Rupees -----        |                   |
| <b>10 CASH AND BANK BALANCES</b> |      |                           |                   |
| Current                          |      | <b>10,000</b>             | 10,000            |
| National income daily account    |      | <b>442,154,855</b>        | 78,307,809        |
|                                  |      | <u><b>442,164,855</b></u> | <u>78,317,809</u> |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

**10.1** This bank account is maintained with National Bank of Pakistan (a related party). The nature of account is income account and is called NIDA i.e. National Income Daily Account. As reflected from its name, the markup is calculated on daily basis on the previous day's account balance @ 3.75% to 3.95% (2015: 4.4% to 6.7%) and credited on a semi-annual basis.

| 11 INVESTMENTS                        | Note | 2016                      | 2015               |
|---------------------------------------|------|---------------------------|--------------------|
|                                       |      | -----                     | -----              |
|                                       |      | Rupees                    |                    |
| <b>Classified as held to maturity</b> |      |                           |                    |
| Term deposits receipts                | 11.1 | <b>160,000,000</b>        | -                  |
| Treasury bills                        | 11.2 | -                         | 512,551,405        |
|                                       |      | <u><b>160,000,000</b></u> | <u>512,551,405</u> |

**11.1** This investment is maintained with National Bank of Pakistan (a related party). The investment in TDR carry markup @ of 5.75%.

|             | Tenure   | Maturity  | Coupon Percentage | Amortised cost |              |
|-------------|----------|-----------|-------------------|----------------|--------------|
|             |          |           |                   | 2016           | 2015         |
|             |          |           |                   | -----          | -----        |
|             |          |           |                   | Rupees         |              |
| <b>11.2</b> |          |           |                   |                |              |
|             | 120 days | 3-Mar-16  | 6.95%             | -              | 163,117,005  |
|             | 78 days  | 7-Jan-16  | 6.44%             | -              | 103,891,543  |
|             | 78 days  | 14-Apr-16 | 6.46%             | -              | 245,542,857  |
|             |          |           |                   | -----          | -----        |
|             |          |           |                   | -              | 512,551,405  |
|             |          |           |                   | <u>-----</u>   | <u>-----</u> |

| 12 DEFERRED TAXATION                                     | 2016                  | 2015             |
|--|-----------------------|------------------|
|  | -----                 | -----            |
|  | Rupees                |                  |
| Deferred tax liabilities/(assets) arising in respect of: |                       |                  |
| - accelerated depreciation on fixed assets               | <b>194,338</b>        | 99,868           |
| - provision for workers' welfare fund due but not paid   | <b>254,455</b>        | 912,711          |
| - provision for retirement benefit due but not paid      | <b>511,952</b>        | 397,044          |
|  | <u><b>960,745</b></u> | <u>1,409,623</u> |

#### 12.1 Movement in deferred tax asset during the year

|  |                         |                  |
|--|-------------------------|------------------|
| Balance at beginning of the year                     | <b>1,409,623</b>        | 1,000,234        |
| Charge to profit and loss during the year            | <b>(404,754)</b>        | 390,137          |
| Charge to other comprehensive income during the year | <b>(16,565)</b>         | 19,252           |
|  | <u><b>(421,319)</b></u> | <u>409,389</u>   |
| Balance at end of the year                           | <u><b>988,304</b></u>   | <u>1,409,623</u> |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|                                 | 2016                    | 2015             |
|---------------------------------|-------------------------|------------------|
|                                 | ----- Rupees -----      |                  |
| <b>13 ACCRUED INCOME</b>        |                         |                  |
| Income accrued on investments   | <b>2,192,877</b>        | -                |
| Income accrued on bank deposits | <b>4,931,252</b>        | 1,472,169        |
|                                 | <b><u>7,124,129</u></b> | <u>1,472,169</u> |

### 14 FIXED ASSETS - TANGIBLE

|  | 2016                                 |                  |                           |                     |                  |
|--|--------------------------------------|------------------|---------------------------|---------------------|------------------|
|  | Computer &<br>related<br>accessories | Vehicle          | Furniture<br>and fittings | Office<br>equipment | Total            |
|  | .....Rupees.....                     |                  |                           |                     |                  |
| <b>As at January 01, 2016</b>              |                                      |                  |                           |                     |                  |
| Cost                                       | 464,140                              | 3,647,000        | 486,950                   | 447,200             | 5,045,290        |
| Accumulated depreciation                   | (312,176)                            | (1,390,084)      | (286,979)                 | (152,404)           | (2,141,643)      |
| Net book value                             | <u>151,964</u>                       | <u>2,256,916</u> | <u>199,971</u>            | <u>294,796</u>      | <u>2,903,647</u> |
| <b>For the year ended 31 December 2016</b> |                                      |                  |                           |                     |                  |
| Opening net book value                     | 151,964                              | 2,256,916        | 199,971                   | 294,796             | 2,903,647        |
| Additions                                  | 29,500                               | -                | -                         | -                   | 29,500           |
| Disposals                                  |                                      |                  |                           |                     |                  |
| Cost                                       | (54,000)                             | -                | -                         | -                   | (54,000)         |
| Depreciation                               | 42,755                               | -                | -                         | -                   | 42,755           |
|  | (11,245)                             | -                | -                         | -                   | (11,245)         |
| Depreciation charge for the year           | (47,654)                             | (729,400)        | (39,994)                  | (29,480)            | (846,528)        |
| Closing net book value                     | <u>122,565</u>                       | <u>1,527,516</u> | <u>159,977</u>            | <u>265,316</u>      | <u>2,075,374</u> |
| <b>As at December 31, 2016</b>             |                                      |                  |                           |                     |                  |
| Cost                                       | 439,640                              | 3,647,000        | 486,950                   | 447,200             | 5,020,790        |
| Accumulated depreciation                   | (317,075)                            | (2,119,484)      | (326,973)                 | (181,884)           | (2,945,416)      |
| Net book value                             | <u>122,565</u>                       | <u>1,527,516</u> | <u>159,977</u>            | <u>265,316</u>      | <u>2,075,374</u> |
| Depreciation rate per annum                | 30%                                  | 20%              | 20%                       | 10%                 |                  |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|   | 2015                                 |                  |                           |                     |                  |
|---|--------------------------------------|------------------|---------------------------|---------------------|------------------|
|   | Computer &<br>related<br>accessories | Vehicle          | Furniture<br>and fittings | Office<br>equipment | Total            |
| .....Rupees.....                            |                                      |                  |                           |                     |                  |
| <b>As at January 01, 2015</b>               |                                      |                  |                           |                     |                  |
| Cost  | 374,635                              | 3,613,000        | 486,950                   | 447,200             | 4,921,785        |
| Accumulated depreciation                    | (266,228)                            | (662,384)        | (236,986)                 | (119,649)           | (1,285,247)      |
| Net book value                              | <u>108,407</u>                       | <u>2,950,616</u> | <u>249,964</u>            | <u>327,551</u>      | <u>3,636,538</u> |
| <b>For the year ended December 31, 2015</b> |                                      |                  |                           |                     |                  |
| Opening net book value                      | 108,407                              | 2,950,616        | 249,964                   | 327,551             | 3,636,538        |
| Additions                                   | 89,505                               | 34,000           | -                         | -                   | 123,505          |
| Disposals                                   |                                      |                  |                           |                     |                  |
| Cost  | -                                    | -                | -                         | -                   | -                |
| Depreciation                                | -                                    | -                | -                         | -                   | -                |
| Depreciation charge for the year            | (45,948)                             | (727,700)        | (49,993)                  | (32,755)            | (856,397)        |
| Closing net book value                      | <u>151,964</u>                       | <u>2,256,916</u> | <u>199,971</u>            | <u>294,796</u>      | <u>2,903,647</u> |
| <b>As at December 31, 2015</b>              |                                      |                  |                           |                     |                  |
| Cost  | 464,140                              | 3,647,000        | 486,950                   | 447,200             | 5,045,290        |
| Accumulated depreciation                    | (312,176)                            | (1,390,084)      | (286,979)                 | (152,404)           | (2,141,643)      |
| Net book value                              | <u>151,964</u>                       | <u>2,256,916</u> | <u>199,971</u>            | <u>294,796</u>      | <u>2,903,647</u> |
| Depreciation rate per annum                 | 30%                                  | 20%              | 20%                       | 10%                 |                  |

|                                    | Note        | 2016                    | 2015             |
|------------------------------------|-------------|-------------------------|------------------|
| ----- Rupees -----                 |             |                         |                  |
| <b>15 CAPITAL WORK IN PROGRESS</b> | <b>15.1</b> | <b><u>3,429,000</u></b> | <u>3,810,000</u> |

**15.1** The Company had entered into an agreement with Data Corporation (Private) Limited (the vendor), for development of an ERP system, at a cost of Rupees 3.8 million. Entire payment for the development has been made and most of the modules have been developed and installed. However, due to non-operation of company, the same has not yet been user acceptance tested except of GL module.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | Note | 2016               | 2015              |
|--|------|--------------------|-------------------|
|  |      | ----- Rupees ----- |                   |
| <b>16 INTANGIBLE ASSET</b>                     |      |                    |                   |
| Cost   |      |                    |                   |
| Opening  |      | -                  | -                 |
| Addition during the year                       | 15.1 | 381,000            | -                 |
| Closing  |      | 381,000            | -                 |
| Amortization                                   |      |                    |                   |
| Opening  |      | -                  | -                 |
| Charge for the year                            | 5.6  | (127,000)          | -                 |
| Closing  |      | (127,000)          | -                 |
| Balance as at December 31                      |      | <u>254,000</u>     | <u>-</u>          |
| <b>17 GENERAL AND ADMINISTRATION EXPENSES</b>  |      |                    |                   |
| Legal and professional charges                 |      | 487,238            | 335,995           |
| Advertisement                                  |      | 9,519              | 88,253            |
| Salaries and benefits (Note 17.1, 17.2 & 17.3) |      | 7,100,123          | 6,504,177         |
| Auditors' remuneration                         | 17.4 | 138,600            | 127,500           |
| Depreciation                                   | 14   | 846,528            | 856,397           |
| Amortization                                   | 16   | 127,000            | -                 |
| Insurance                                      |      | 173,577            | 164,258           |
| Rent, rates & taxes                            |      | 1,695,614          | 1,443,258         |
| Printing & stationery                          |      | 499,923            | 334,849           |
| Utilities                                      |      | 546,766            | 520,422           |
| Repair and maintenance                         |      | 34,267             | 61,300            |
| Entertainment                                  |      | 59,070             | 56,723            |
| Postage and periodicals                        |      | 262,060            | 110,360           |
| Travelling expense                             |      | 120,088            | 31,760            |
| Provision for workers' welfare fund            |      | 820,821            | 648,689           |
| Vehicle and professional tax                   |      | 180,868            | 364,369           |
| Miscellaneous                                  |      | 308,160            | 235,573           |
|  |      | <u>13,410,222</u>  | <u>11,883,883</u> |

17.1 Salaries and benefits include Rs. 464,132 (2015: Rs. 384,241) in respect of staff retirement benefits.

2016 2015  
----- Rupees -----

**17.2 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

|  |  |           |           |
|--|--|-----------|-----------|
| Chief Executive Officer                    |  |           |           |
| Managerial remuneration and other benefits |  | 3,469,621 | 3,155,151 |
| Number of persons                          |  | 1         | 1         |
| <b>Executives</b>                          |  |           |           |
| Managerial remuneration and other benefits |  | 2,489,716 | 2,485,586 |
| Number of persons                          |  | 2         | 2         |

17.3 No amount in respect of meeting fee has been paid to directors during the year (2015: Nil).



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|   | Note | 2016               | 2015               |
|---|------|--------------------|--------------------|
|   |      | ----- Rupees ----- | ----- Rupees ----- |
| <b>17.4 Auditors' remuneration</b>  |      |                    |                    |
| Annual audit fee  |      | 126,500            | 105,000            |
| Out of pocket expenses  |      | 12,100             | 22,500             |
|   |      | <u>138,600</u>     | <u>127,500</u>     |
| <b>18 OTHER INCOME</b>  |      |                    |                    |
| Gain on disposal of fixed assets  |      | 4,955              |                    |
| Reversal of provision of workers' welfare fund  | 8.1  | 2,852,221          | -                  |
|   |      | <u>2,857,176</u>   | <u>-</u>           |
| <b>19 TAXATION</b>  |      |                    |                    |
| Current   |      |                    |                    |
| -for the year   |      | 6,845,677          | 10,171,438         |
| Deferred tax income   |      | 404,754            | (390,137)          |
|   |      | <u>7,250,431</u>   | <u>9,781,301</u>   |
| <b>19.1 The relationship between accounting profit and tax expense is as follows</b>  |      |                    |                    |
| Profit before taxation  |      | <u>23,216,215</u>  | <u>31,120,533</u>  |
| Tax at the applicable rate  |      | 7,197,027          | 9,958,571          |
| <b>Tax effect of:</b>   |      |                    |                    |
| Change in rate adjustment   |      | 53,404             | 30,310             |
| Staff retirement benefits   |      | -                  | -                  |
| Provision for workers' welfare fund   |      | -                  | (207,580)          |
|   |      | <u>7,250,431</u>   | <u>9,781,301</u>   |
|   |      | <b>2016</b>        | <b>2015</b>        |
|   |      | ----- Rupees ----- | ----- Rupees ----- |
| <b>20 EARNINGS PER SHARE - basic and diluted</b>  |      |                    |                    |
| Profit after tax for the year - Rupees  |      | <u>15,965,784</u>  | <u>21,339,232</u>  |
| Weighted average number of ordinary shares  |      | <u>50,000,000</u>  | <u>50,000,000</u>  |
| Earnings per share - Rupees   |      | <u>0.32</u>        | <u>0.43</u>        |
| No figure for diluted earnings per share has been presented as the Company has not issued any instrument which when exercised would have an impact on earnings per share, i.e. there were no convertible dilutive potential shares outstanding on December 31, 2016 |      |                    |                    |





## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### 21 FINANCIAL INSTRUMENTS

Financial instruments consist of financial asset and financial liabilities.

Financial asset of the Company including cash and cash equivalent, deposits, investments and receivables. Financial liabilities of the Company including Creditors and accruals.

|                            | Note | 2016               |                       |                    | 2015               |                       |                    |
|----------------------------|------|--------------------|-----------------------|--------------------|--------------------|-----------------------|--------------------|
|                            |      | Held to Maturity   | Loans and receivables | Total              | Held to Maturity   | Loans and receivables | Total              |
|                            |      | Rupees             |                       |                    | Rupees             |                       |                    |
| <b>Assets</b>              |      |                    |                       |                    |                    |                       |                    |
| Cash and bank deposits     | 10   | -                  | 442,164,855           | 442,164,855        | -                  | 78,317,809            | 78,317,809         |
| Investment- Treasury Bills | 11   | 160,000,000        | -                     | 160,000,000        | 512,551,405        | -                     | 512,551,405        |
| Accrued income             |      | -                  | 7,124,129             | 7,124,129          | -                  | 1,472,169             | 1,472,169          |
| Security deposits          |      | -                  | 255,000               | 255,000            | -                  | 257,000               | 257,000            |
| Other receivable           |      | -                  | 4,000                 | 4,000              | -                  | 5,535                 | 5,535              |
|                            |      | <u>160,000,000</u> | <u>449,547,984</u>    | <u>609,547,984</u> | <u>512,551,405</u> | <u>80,052,513</u>     | <u>592,603,918</u> |

|                           | Note | 2016                                    |                  | 2015                                    |                  |
|---------------------------|------|---|------------------|---|------------------|
|                           |      | Financial liabilities at amortised cost | Total            | Financial liabilities at amortised cost | Total            |
|                           |      | Rupees                                  |                  | Rupees                                  |                  |
| <b>Liabilities</b>        |      |   |                  |   |                  |
| Staff retirement benefits | 7    | 1,651,459                               | 1,651,459        | 1,240,763                               | 1,240,763        |
| Creditors and Accruals    | 8    | 1,357,563                               | 1,357,563        | 3,507,776                               | 3,507,776        |
|                           |      | <u>3,009,022</u>                        | <u>3,009,022</u> | <u>4,748,539</u>                        | <u>4,748,539</u> |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

#### 22 FINANCIAL RISK MANAGEMENT

##### 22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for the overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

##### (a) Market risk

###### (i) currency risk

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. Currency risk arises mainly from future commercial transaction or receivable and payable that exits due to transaction in foreign currencies.

The Company is not exposed to this risk because there were no receivables and payables in the foreign currency as at the balance sheet date. Moreover, no transactions were carried out in any foreign currency during the year.

Sensitivity analysis of functional currency at reporting date has been presented as the Company is not exposed to material currency risk.

###### (ii) interest rate risk

The company invests in securities and has deposits that are subject to interest / mark-up rate risk. Interest / mark-up rate risk to the company is the risk of changes in market interest / mark-up rates reducing the overall return on its interest bearing securities. The company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. The following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date based on contractual re-pricing or maturity dates which ever is earlier:



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 2016                                   |  |                                      |                               |  | Total            |                    |
|--|--|--|--------------------------------------|-------------------------------|--|------------------|--------------------|
|  | Effective rate per annum (percent age) | Interest / mark-up bearing financial instruments |                                      |                               | Non-interest / mark-up bearing financial instruments |                  |                    |
|  |  | Maturity up to one year                          | Maturity over one year to five years | Maturity more than five years |  |                  | Sub total          |
|  |  | -----Rupees-----                                 |                                      |                               |  |                  |                    |
| <b>Financial assets</b>                  |  |  |                                      |                               |  |                  |                    |
| Cash and bank deposits                   | 4.4 to 6.7                             | 442,154,855                                      | -                                    | -                             | 442,154,855  | 10,000           | 442,164,855        |
| Investment                               | 6.44 to 6.95                           | 160,000,000                                      | -                                    | -                             | 160,000,000  | -                | 160,000,000        |
| Accrued investment income                |  | 4,931,252  | -                                    | -                             | 4,931,252  | 2,192,877        | 7,124,129          |
| Security deposits                        |  | -  | -                                    | -                             | -  | 255,000          | 255,000            |
| Other receivable                         |  | -  | -                                    | -                             | -  | 4,000            | 4,000              |
| <b>Total</b>                             |  | <b>607,086,107</b>                               | <b>-</b>                             | <b>-</b>                      | <b>4,931,252</b>                                     | <b>2,461,877</b> | <b>609,547,984</b> |
| <b>Non Financial assets</b>              |  |  |                                      |                               |  |                  | <b>7,163,684</b>   |
| <b>Total Assets</b>                      |  |  |                                      |                               |  |                  | <b>616,711,668</b> |
| <b>Financial liabilities</b>             |  |  |                                      |                               |  |                  |                    |
| Deferred liability - employee benefits   |  | -  | -                                    | -                             | -  | 1,651,459        | 1,651,459          |
| Accrued expenses                         |  | -  | -                                    | -                             | -  | 1,357,563        | 1,357,563          |
| <b>Total</b>                             |  | <b>-</b>   | <b>-</b>                             | <b>-</b>                      | <b>-</b>   | <b>3,009,022</b> | <b>3,009,022</b>   |
| Interest risk sensitivity gap            |  | <u>607,086,107</u>                               | <u>-</u>                             | <u>-</u>                      | <u>607,086,107</u>                                   |                  |                    |
| Cumulative interest risk sensitivity gap |  | <u>607,086,107</u>                               | <u>-</u>                             | <u>607,086,107</u>            |  |                  |                    |



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

|  | 2015   |  |  |                                     |                    | Non-interest<br>/<br>mark-up<br>bearing<br>financial<br>instruments | Total              |
|--|--|--|--|-------------------------------------|--------------------|---|--------------------|
|  | Effective<br>rate per<br>annum<br>(percent<br>age) | Interest / mark-up bearing financial instruments |  |                                     | Sub total          |   |                    |
|  |  | Maturity<br>up to<br>one year                    | Maturity<br>over one year<br>to five years | Maturity<br>more than<br>five years |                    |   |                    |
| -----Rupees-----                         |  |  |  |                                     |                    |   |                    |
| <b>Financial assets</b>                  |  |  |  |                                     |                    |   |                    |
| Cash and bank deposits                   | 4.4 to 6.7   | 78,317,809                                       | -  | -                                   | 78,317,809         | -   | 78,317,809         |
| Investment                               | 6.44 to 6.95                                       | 512,551,405                                      | -  | -                                   | 512,551,405        | -   | 512,551,405        |
| Accrued investment income                | -  | 1,472,169  | -  | -                                   | 1,472,169          | -   | 1,472,169          |
| Security deposits                        | -  | -  | -  | -                                   | -                  | 257,000   | 257,000            |
| Other receivable                         | -  | -  | -  | -                                   | -                  | 5,535   | 5,535              |
| <b>Total</b>                             |  | <b>592,341,383</b>                               | <b>-</b>                                   | <b>-</b>                            | <b>592,341,383</b> | <b>262,535</b>  | <b>592,603,918</b> |
| <b>Financial liabilities</b>             |  |  |  |                                     |                    |   |                    |
| Deferred liability - employee benefits   | -  | -  | -  | -                                   | -                  | 1,240,763   | 1,240,763          |
| Accrued expenses                         | -  | -  | -  | -                                   | -                  | 3,507,776   | 3,507,776          |
| <b>Total</b>                             |  | <b>-</b>   | <b>-</b>                                   | <b>-</b>                            | <b>-</b>           | <b>4,748,539</b>  | <b>4,748,539</b>   |
| Interest risk sensitivity gap            |  | <u>592,341,383</u>                               | <u>-</u>                                   | <u>-</u>                            | <u>592,341,383</u> |   |                    |
| Cumulative interest risk sensitivity gap |  | <u>592,341,383</u>                               | <u>592,341,383</u>                         | <u>592,341,383</u>                  |                    |   |                    |

#### (iii) other price risk

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

#### (b) Credit risk and concentration of credit risk

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



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure as specified below:

|                           | 2016               | 2015               |
|---------------------------|--------------------|--------------------|
|                           | ----- Rupees ----- |                    |
| Bank deposits             | 442,154,855        | 78,307,809         |
| Investments               | 160,000,000        | 512,551,405        |
| Accrued investment income | 7,124,129          | 1,472,169          |
|                           | <u>609,278,984</u> | <u>592,331,383</u> |

The Company did not hold any collateral against the above during the year. General provision is made for receivables according to the company's policy. The impairment provision is written off when the company expects that it cannot recover the balance due.

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

|                           | Rating     |           |               | 2016        | 2015       |
|---------------------------|------------|-----------|---------------|-------------|------------|
|                           | Short term | Long term | Rating agency |             |            |
| National Bank of Pakistan | A1+        | AAA       | JCR-VIS       | 442,164,855 | 78,317,809 |

#### 22.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient funds to meet its liabilities when due without incurring unacceptable losses. The Company is not subject to significant liquidity risk as it has sufficient cash and bank balances to meet its working capital requirements.

#### 22.3 Fair value measurement

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

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

LEVEL 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities



## National Assets Insurance Ltd.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

LEVEL 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

LEVEL 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no financial instruments whose fair value are different from their carrying value

#### 22.4 Insurance risk

Insurance risk signifies the risk which the Company may face under insurance contracts because the actual claims and benefit payments or the timing thereof may differ from expectations. This is typically influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims etc. Since the Company has not started insurance activities, it has not taken any exposure against insurance contracts till the year-end. Therefore, the Company is not subject to insurance risk.

#### 23 TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its major shareholders, associates, key management personnel and other parties.

There are no transactions with key management personnel other than as per their terms of employment. These transactions are disclosed in note 17.2 and 17.3 to these financial statements. Transactions with related parties not elsewhere disclosed are summarised as follows:

|  | 2016               | 2015      |
|--|--------------------|-----------|
|  | ----- Rupees ----- |           |
| <b>National Bank of Pakistan-Shareholder</b> |                    |           |
| Profit on bank deposits                      | 5,843,887          | 4,446,298 |
| Investment income                            | 2,192,877          | -         |
| Bank charges                                 | 2,798              | 875       |
| Rent expense -Lahore Office                  | 87,053             | 80,500    |

#### 24 NUMBER OF EMPLOYEES

The number of employees as at / average during the year are as follows:

|             |          |          |
|-------------|----------|----------|
| At year end | <u>5</u> | <u>5</u> |
| Average     | <u>5</u> | <u>5</u> |

#### 25 AUTHORIZATION FOR ISSUE

These financial statements have been approved and authorized for issue by the board of directors of the Company in their meeting dated March 31, 2017.

#### 26 SUBSEQUENT EVENTS

There is no subsequent event.

  
Tariq Jamali  
Chairman

  
Wajahat A. Baqai  
Director

  
Mudassir Husain Khan  
Director

  
Muhammad Umair Bhaur  
Chief Executive Officer



## National Assets Insurance Ltd.

### PATTERN OF SHAREHOLDING

| <u>No. of shareholders</u> | <u>From</u> | <u>To</u> | <u>Total Shares Held</u> | <u>% of Capital</u> |
|----------------------------|-------------|-----------|--------------------------|---------------------|
| 15485                      | 1           | 1000      | 15,485,000               | 30.97%              |
| 3                          | 1001        | 2000      | 33,500                   | 0.07%               |
| 1                          | 2001        | 4500000   | 4,481,500                | 8.96%               |
| 1                          | 4500001     | 5000000   | 5,000,000                | 10.00%              |
| 1                          | 5000001     | 9000000   | 9,000,000                | 18.00%              |
| 1                          | 9000001     | 16000000  | 16,000,000               | 32.00%              |
|                            |             |           | <u>50,000,000</u>        | <u>100%</u>         |

### Categories of Shareholders

| <u>Description</u>            | <u>No. of Shareholders</u> | <u>Shares Held</u> | <u>% of Capital</u> |
|-------------------------------|----------------------------|--------------------|---------------------|
| Individuals                   | 15,488                     | 15,518,500         | 31.04%              |
| NBP                           | 1                          | 4,481,500          | 8.96%               |
| NBP Staff Welfare Foundation  | 1                          | 9,000,000          | 18.00%              |
| NBP Employees Benevolent Fund | 1                          | 5,000,000          | 10.00%              |
| NBP Employees Pension Fund    | 1                          | 16,000,000         | 32.00%              |
|                               | <u>15,492</u>              | <u>50,000,000</u>  | <u>100%</u>         |



## National Assets Insurance Ltd.

### Proxy Form

I/We, \_\_\_\_\_ of \_\_\_\_\_ being member of “National Assets Insurance Limited” and holder of \_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ at my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 8th Annual General Meeting of the Company to be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 26 April 2017 at 11:00 a.m., to transact the business as mentioned in the notice of this AGM on page no. 3.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

#### **Witness:**

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_
2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Signature  
on Revenue  
Stamp of Rs.5/-

#### **Notes:**

1. The proxy form in order to be valid must be signed across five rupees revenue stamp and should be deposited with the company not later than 48 hours before the time of holding the meeting.
2. The proxy must be a member of the company.
3. Signature should agree with the specimen signature, registered with the company.



## BOOK POST

*If undelivered, please return to:*

### **NATIONAL ASSETS INSURANCE LIMITED**

Plot # 78-C, 3rd Floor, Main Khayaban-e-Jami,  
Phase-VII, D.H.A. Karachi

Tel: (92-21) 3531 4286, Fax: (92-21) 3531 4288

E-mail: [jehanzaib@nail.com.pk](mailto:jehanzaib@nail.com.pk) Web: [www.nail.com.pk](http://www.nail.com.pk)

CORPORATE