



General Insurance Company

National Assets Insurance Limited

| Financial Statements with
| Accompanying Information |

≡≡≡ Annual Report ≡≡≡
≡≡≡ 31 December 2017 ≡≡≡



National Assets Insurance Ltd.

CONTENTS

Company Information	3
Notice of the 9th Annual General Meeting.....	4
Directors Report	5
Auditor's Report to the Members	7
Balance Sheet.....	9
Profit and Loss Account	10
Statement of Comprehensive Income	11
Statement of Changes in Equity	12
Statement of Cash Flow	13
Statement of Investment Income	15
Notes to the Financial Statements	16
Pattern of Shareholding	42
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. Javed Muslim	(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 & Share Transfer Office

THK Associates (Pvt) Ltd.
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi

Legal Advisors

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



National Assets Insurance Ltd.

NOTICE OF THE 9TH ANNUAL GENERAL MEETING

Notice is hereby given that the 9th Annual General Meeting of **National Assets Insurance Limited** will be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 30 April 2018 at 11:00 a.m., to transact the following business:

1. To consider and approve the minutes of the 8th Annual General Meeting of the company.
2. To approve and adopt the Audited Financial Statements of the company for the year ended 31 December 2017 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 2018 and to fix their audit fee for the same period.
4. To transact any other business with the permission of the chair.

Date: **April 05, 2018**

MUHAMMAD UMAIR BHAUR
(CFO & Company Secretary)

Notes:

1. The share transfer books of the company will remain close from April 19, 2017 to April 30, 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 2017.

1. Financial Results

The Company made a Pre-tax profit of Rs. 10.9 million for the year under consideration (31 December 2016, 23.2 million) after charging costs, expenses and provisions for the year.

	For the year ended 31 December 2017 Rupees	For the year ended 31 December 2016 Rupees
Pre Tax Profit	10,995,565	23,216,215
Taxation	3,330,477	7,250,431
Profit after taxation	<u>7,665,088</u>	<u>15,965,784</u>

All the accumulated profits are kept in retained earnings

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 2017, 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 but after balance sheet date, SECP regretted the license on the basis of State Bank of Pakistan's (SBP's) reservations regarding presumed control of National Bank of Pakistan (NBP) over the Company.

The renowned Corporate Lawyer Mohsin Tayebaly & Co. possesses strong opinion that the company is not a subsidiary of NBP either directly or indirectly. (Please refer to Note 1.2 to these financial statements that reflect that how this matter has been taken up).

Once the above referred changes would have been made, the reservations of regulators are hoped to be duly addressed and license is expected to be obtained.

The company has completed all other formalities of the insurance license including the compliance with the minimum paid up capital requirement.

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 main reason of decrease in profit during the year 2017 as compared to 2016 is increase in payroll and further there was a reversal of a provision last year which is not the case in 2017.

The financial health of the company is still strong and its total equity has reached Rs. 621.25 million during the current year (Rs. 613.96 million 2016).



National Assets Insurance Ltd.

General Insurance Company

DIRECTORS' REPORT TO THE SHAREHOLDERS

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, 2017 is annexed.

5. Profit and break-up value per share

The profit per share for the year is Rs. 0.15/- (31 December 2016, Rs. 0.32/-) and breakup value per share is Rs. 12.42 (31 December 2016, Rs. 12.28).

6. Board members during the year

S. No.	Board Members	Designation	Office tenure
1	Mr. Tariq Jamali	Chairman	Complete year
2	Mr. Mudassir H. Khan	Director	Complete year
3	Mr. Wajahat A. Baqai	Director	Complete year
4	Mr. Javed Muslim	CEO	From 25 May 2017 till date
5	Mr. M. Umair Bhaur	CEO	From 01 Jan. 2017 to 24 May 2017

7. The company observes adequate internal controls over the accounting systems and other matters.

For and on behalf of the Board of Directors

CHIEF EXECUTIVE OFFICER

Karachi
April 05, 2018



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) Cash flow statement; and
- (vi) statement of investment income

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of **National Assets Insurance Limited** (the Company) as at December 31, 2017 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 repealed 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 repealed 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 repealed 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, 2017 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 repealed 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, Securities and Exchange Commission of Pakistan has regretted the Company's application for insurance license, based on the reservation as stipulated in above mentioned note. The Company has obtained legal opinion based on which the Company might be able to obtain the license once such discrepancies have been resolved. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

Karachi
Date: **April 05, 2018**


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






National Assets Insurance Ltd.

BALANCE SHEET AS AT DECEMBER 31, 2017

	Note	2017	2016
		----- Rupees -----	
SHARE CAPITAL AND RESERVES			
EQUITY			
Authorised share capital	6.1	<u>1,250,000,000</u>	1,250,000,000
Issued, subscribed and paid-up share capital	6.2	<u>500,000,000</u>	500,000,000
Retained earnings		<u>121,246,708</u>	113,956,646
Total equity		621,246,708	613,956,646
Deferred liabilities			
Staff retirement benefits	7	<u>2,696,365</u>	1,651,459
Creditors and accruals			
Accrued expenses	8	<u>1,355,001</u>	1,357,563
Total liabilities		4,051,366	3,009,022
Contingencies and commitments	9		
TOTAL EQUITY AND LIABILITIES		625,298,074	616,965,668
ASSETS			
Cash and bank deposits	10	120,396,959	442,164,855
Investments	11	488,177,253	160,000,000
Deferred taxation	12	1,504,202	988,304
Current assets - others			
Taxation- net		<u>1,608,147</u>	570,406
Prepayments		<u>139,095</u>	100,600
Other receivable		<u>7,880</u>	4,000
Accrued income	13	<u>8,665,674</u>	7,124,129
Security deposit		<u>255,000</u>	255,000
		10,675,796	8,054,135
Fixed Assets			
Tangible			
Computer & related accessories		<u>228,171</u>	122,565
Motor vehicles		<u>798,117</u>	1,527,516
Furniture and fittings		<u>127,982</u>	159,977
Office equipment		<u>238,784</u>	265,316
	14	1,393,054	2,075,374
Intangible			
Capital work in progress	15	-	3,429,000
Intangible Asset	16	<u>3,150,810</u>	254,000
TOTAL ASSETS		625,298,074	616,965,668

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

				
Tariq Jamali Chairman	Wajahat A. Baqai Director	Mudassar Husain Khan Director	Javed Muslim CEO	Muhammad Umair Bhaur CFO



National Assets Insurance Ltd.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		----- Rupees -----	
Revenue account			
Underwriting results		-	-
Investment income		26,814,488	27,928,172
Profit on bank deposits		5,362,308	5,843,887
		32,176,796	33,772,059
General and administration expenses	17	(21,176,863)	(13,410,222)
Bank charges		(4,368)	(2,798)
Other income	18	-	2,857,176
Profit before taxation		10,995,565	23,216,215
Taxation	19	(3,330,477)	(7,250,431)
Profit for the year		7,665,088	15,965,784
Profit and loss appropriation account			
Balance at commencement of the year		113,956,646	97,953,991
Profit for the year		7,665,088	15,965,784
Other comprehensive (loss)/income		(375,026)	36,871
Balance unappropriated profit at the end of the year		121,246,708	113,956,646
Earnings per share - basic and diluted	20	0.15	0.32

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	 Javed Muslim CEO	 Muhammad Umair Bhaur CFO
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National Assets Insurance Ltd.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		----- Rupees -----	-----
Profit for the year		7,665,088	15,965,784
Other comprehensive (loss)/income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit obligation - net of deferred tax	7.5	(375,026)	36,871
Items that may subsequently be reclassified to profit and loss account			
		-	-
		(375,026)	36,871
Total comprehensive income for the year		<u>7,290,062</u>	<u>16,002,655</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


Javed Muslim
CEO


Muhammad Umair Bhaur
CFO



National Assets Insurance Ltd.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up share capital	Retained earnings	Total
	----- Rupees -----		
Balance as at January 1, 2016	500,000,000	97,953,991	597,953,991
Total comprehensive income for the year ended December 31, 2016			
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
Balance as at December 31, 2016	500,000,000	113,956,646	613,956,646
Total comprehensive income for the year ended December 31, 2016			
Profit for the year	-	7,665,088	7,665,088
Other comprehensive income	-	(375,026)	(375,026)
Total comprehensive income for the year	-	7,290,062	7,290,062
Balance as at December 31, 2017	<u>500,000,000</u>	<u>121,246,708</u>	<u>621,246,708</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
  Javed Muslim
CEO
  Muhammad Umair Bhaur
CFO



National Assets Insurance Ltd.

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	-	-
Reinsurance premiums paid	-	-
Claims paid	-	-
Surrenders paid	-	-
Reinsurance and other recoveries received	-	-
Commissions paid	-	-
Commissions received	-	-
Other underwriting payments	-	-
Net cash flow from underwriting activities	-	-
b) Other operating activities		
Income tax paid	(4,723,393)	(5,552,840)
General and other expenses paid	(19,329,926)	(11,258,317)
Other receipts	22,460,799	2,384,803
Net cash used in other operating activities	(1,592,520)	(14,426,354)
Total cash used in all operating activities	(1,592,520)	(14,426,354)
Investment activities		
Investment matured	925,000,000	1,436,000,000
Investments purchased	(1,245,002,800)	(1,057,713,300)
Fixed capital expenditure - tangible assets	(172,576)	(29,500)
Proceeds from disposal of fixed assets	-	16,200
Total cash (used in)/flow from investing activities	(320,175,376)	378,273,400
Financing activities	-	-
Total (used in)/cash flow from financing activities	-	-
Net cash flow from all activities	(321,767,896)	363,847,046
Cash at the beginning of the year	442,164,855	78,317,809
Cash at the end of the year	120,396,959	442,164,855



National Assets Insurance Ltd.

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
Reconciliation to Profit and Loss Account		
Operating cash flows	(1,592,520)	(14,426,354)
Depreciation	(854,896)	(846,528)
Amortization	(532,190)	(127,000)
Reversal of provision for workers' welfare fund	-	2,852,221
Charge for staff retirement benefits	(509,155)	(464,132)
Investment income	8,174,453	27,928,172
Gain on disposal of fixed assets	-	4,955
Decrease in assets other than cash	1,583,918	4,344,089
(Decrease) in liabilities	2,562	(1,602,048)
	6,272,172	17,663,375
Others		
Profit on sale of investments	-	-
Staff retirement benefits paid	-	-
Income tax paid	4,723,393	5,552,840
	4,723,393	5,552,840
Profit before taxation	10,995,565	23,216,215
Definition of cash:		
Cash comprises of cash in hand, bank balances.		
Cash for the purpose of the Statement of Cash Flows consists of:		
Current and other accounts	120,396,959	442,164,855
Total cash and cash equivalents	120,396,959	442,164,855

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

 Tariq Jamali Chairman	 Wajahat A. Baqai Director	 Mudassar Husain Khan Director	 Javed Muslim CEO	 Muhammad Umair Bhaur CFO
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National Assets Insurance Ltd.

STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
Income from non-trading investments		
Held to maturity		
Return on treasury bills	8,174,453	25,735,295
Return on term deposit receipts	18,640,035	2,192,877
Net investment income	<u>26,814,488</u>	<u>27,928,172</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


Javed Muslim
CEO


Muhammad Umair Bhaur
CFO



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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 repealed 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 from time to time) (the "Insurance Ordinance") including re-insurance of any or all classes of business.
- 1.2 The Company has not yet started its underwriting operations because despite ongoing efforts it could not so far obtain Insurance License from Securities and Exchange Commission of Pakistan (SECP). Subsequent to the year-end, SECP issued letter No.SECP/ID/PRDD/7/2018/NAIL/V/13441 dated January 29, 2018 to the Company, based on its communications with State Bank of Pakistan (SBP), stating that the Company appears to be a subsidiary of National Bank of Pakistan (NBP) under Section 2(1)(68) of the Companies Act, 2017 whereas a banking company cannot establish a subsidiary to carry out insurance business. As per letter, majority of directors on the Company's board are NBP's executives and powers are also vested with NBP through NBP's directors on the boards of other shareholders of the Company i.e.NBP Employees Pension Fund, NBP Employees Benevolent Fund and NBP Staff Welfare Foundation. SECP, therefore, regretted the Company's application for insurance license.

In view of the above letter received from SECP, the Company initiated legal consultation process. The Company's legal advisers are of the opinion that NBP does not have a control over the Company. NBP employee funds are separate entities from NBP, and their shareholding in the Company does not create NBP's indirect control over the Company resulting in a parent-subsiidiary relationship. However, besides providing this opinion, the Company's legal advisers have also advised the management a roadmap for repositioning the Company's shareholding and governance structure to resolve the regulatory objections regarding NBP's presumed control over the Company. In the light of this consultation, the Company is now contemplating to change its shareholding structure through divestment by NBP employee funds to a strategic equity investor (that is being located), and to reduce the number of directors from NBP's executives below 50% of total directorship on the Company's board, thereby reducing NBP's shareholding and directors in the Company. Once the Company makes these proposed changes, NBP's executives who are on the board of the Company will reduce, and its direct and indirect shareholding will fall well below the threshold of providing any control under Section 2(68) of the Companies Act, 2017 that has been presumed by the regulators.

The management has started working proactively on the legal advice. Management, directors and shareholders of the Company strongly believe that with a revised shareholding and governance structure, the Company will be able to obtain its insurance license successfully. Apart from pending regulatory approvals, the Company enjoys a strong net assets and liquidity position and has been profitable through its non-core investing activities.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Should the Company be unable to achieve its plan, there is a material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and, therefore, whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements. However, based on the aforementioned plans which management strongly believes is workable, it has prepared these financial statements on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business.

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.

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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

During the year, Securities and Exchange Commission of Pakistan (SECP) has issued Insurance Accounting Regulations, 2017, which were applicable with effect from 09 February 2017. However the Company is voluntarily applying the SEC (Insurance) 2002 in the view that the Company will obtain insurance license. The matter related to the license is still pending as disclosed in paragraph 1.2, therefore the financial statements for the year ended December 31, 2017 are prepared in accordance with the requirements of SEC (Insurance) Rules, 2002.

The SECP has allowed insurance companies to carry the "available-for-sale investments" at lower of cost and market value. 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" at the reporting date.

b) Basis of presentation

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



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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 APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

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 (Annual periods beginning on or after)
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 12 - Annual Improvements to IFRS 2014-2016	January 1, 2017

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2017.

3.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

3.3 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	Effective Date (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
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 40 - Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRS 15 - Revenue from Contracts with Customers	July 1, 2018
IFRS 9 - Financial Instruments	July 1, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019

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.

3.4 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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

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, 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:



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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:

- 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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(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 amortized 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.

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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

5.6 Intangibles

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

Amortization 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, amortization is charged to income on a systematic basis over its useful life.

Amortization shall begin when the asset is available for use. Amortization shall cease at the earlier of the date asset is classified as held for sale and the date the asset is derecognized.

Method for amortization 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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Amortization is charged to income applying straight line method with the useful life of seven 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 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account currently.

5.9 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, investments, accrued 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.

5.10 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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

5.11 Off setting

Financial asset and 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.

5.12 Impairment

Financial assets

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 this 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 amortization, had no impairment loss been recognized for the assets in prior year. Such reversal is recognized in profit and loss account.

5.13 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, 2017

5.14 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.

5.15 Share Capital

Ordinary shares are classified as equity.

5.16 GENERAL

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

6 SHARE CAPITAL

6.1 Authorized share capital

2017	2016		2017	2016
(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 (2016: 4,481,500 ordinary shares) of the Company are held by National Bank of Pakistan.

6.4 9,000,000 ordinary shares (2016: 9,000,000 ordinary shares) of the Company are held by NBP Staff Welfare Foundation.

6.5 5,000,000 ordinary shares (2016: 5,000,000 ordinary shares) of the Company are held by NBP Employees Benevolent Fund.

6.6 16,000,000 ordinary shares (2016: 16,000,000 ordinary shares) of the Company are held by NBP Employees Pension Fund.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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
- 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 commensuration to the circumstances.

7 STAFF RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit scheme, for all employees upto the age of 60 years. The latest valuation was carried out as at December 31, 2017 by an independent actuary - M/S Akhtar & Hassan (Private) Limited.

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.

	Note	2017	2016
		-----	-----
		Rupees	
7.1 Balance sheet date position			
Present value of defined benefit obligation	7.2	<u><u>2,696,365</u></u>	<u><u>1,651,459</u></u>
7.2 Movement in net liability			
Opening balance		1,651,459	1,240,763
Charge for the year	7.4	509,155	464,132
Remeasurements recognized in other comprehensive income		535,751	(53,436)
Benefits to outgoing employee		-	-
Closing balance		<u><u>2,696,365</u></u>	<u><u>1,651,459</u></u>



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		----- Rupees -----	
7.3 Movement in present value of defined benefit obligation			
Present value as at 01 January		1,651,459	1,240,763
Current service cost		340,071	327,228
Interest cost		169,084	136,904
Actuarial (gain)/ loss:			
- due to change in financial assumption		(15,524)	(161,013)
- due to change in demographic assumptions		-	-
- due to change in experience adjustments		551,275	107,577
	7.5	535,751	(53,436)
Present value as at 31 December		<u>2,696,365</u>	<u>1,651,459</u>
7.4 The amounts charged in profit and loss are as follows:			
Current service cost		340,071	327,228
Interest cost		169,084	136,904
Expense for the year		<u>509,155</u>	<u>464,132</u>
7.5 The amount charged in other comprehensive income is as follows:			
Actuarial (gain)/ loss on obligation	7.3	535,751	(53,436)
Related deferred tax		(160,725)	16,565
		<u>375,026</u>	<u>(36,871)</u>
7.6 Following significant assumptions have been used for valuation of this scheme:			
Significant actuarial valuation assumptions			
Financial assumptions			
- Discount rate percentage		8.25%	9.5%
- First year salary increase rate percentage		8.25%	9.5%
- Long term salary increase rate percentage		8.25%	9.5%
Demographic assumptions			
- Mortality rate (for death in service)		SLIC(2001-05)-1	SLIC(2001-05)-1
- Rate of employee turnover		Moderate	Moderate



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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	131,494
For the second year after year-end	181,378
For the third year after year-end	3,153,859
For the fourth year after year-end	150,799
For the fifth year after year-end	170,648
For the period from sixth to tenth year after year-end	944,402

	Note	2017	2016
		-----	-----
		Rupees	
8 ACCRUED EXPENSES			
Rent payable		-	315,326
Bills payable		-	14,496
Retirement benefit payable to employee		28,002	28,002
Sindh Worker's Welfare Fund payable	8.1	1,066,531	820,821
Audit fee payable		153,315	138,850
Other payable		107,153	40,068
		<u>1,355,001</u>	<u>1,357,563</u>

- 8.1** As per 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.

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 obtained 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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2017 (2016: Nil).

	Note	2017	2016
		----- Rupees -----	
10 CASH AND BANK BALANCES			
Current		10,000	10,000
National income daily account	10.1	<u>120,386,959</u>	<u>442,154,855</u>
		<u>120,396,959</u>	<u>442,164,855</u>

10.1 This bank account is maintained with National Bank of Pakistan (a related party). The markup is calculated on daily basis on the previous day's account balance @ 3.75% to 3.90% (2016: 3.75% to 3.95%) and credited on a semi-annual basis.

11 INVESTMENTS

Classified as held to maturity

Term deposits receipts	11.1	300,000,000	160,000,000
Treasury bills	11.2	<u>188,177,253</u>	<u>-</u>
		<u>488,177,253</u>	<u>160,000,000</u>

11.1 This investment is maintained with National Bank of Pakistan (a related party). The investment in TDR carry markup @ of 5.60% to 5.75% (2016: 5.75%).

	Tenure	Maturity	Coupon Percentage	Amortised cost	
				2017	2016
				----- Rupees -----	
	182 days	1-Mar-18	6.01%	<u>188,177,253</u>	<u>-</u>

	2017	2016
	----- Rupees -----	
12 DEFERRED TAXATION		
Deferred tax (liabilities)/assets arising in respect of:		
- accelerated depreciation on fixed assets	303,306	194,338
- amortization	72,027	27,559
- provision for Sindh Workers' Welfare Fund due but not paid	319,959	254,455
- provision for retirement benefit due but not paid	<u>808,910</u>	<u>511,952</u>
	<u>1,504,202</u>	<u>988,304</u>



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
12.1 Movement in deferred tax asset during the year		
Balance at beginning of the year	988,304	1,409,623
Charge to profit and loss during the year	355,173	(404,754)
Charge to other comprehensive income during the year	160,725	(16,565)
	515,898	(421,319)
Balance at end of the year	<u>1,504,202</u>	<u>988,304</u>
13 ACCRUED INCOME		
Income accrued on investments	6,765,617	2,192,877
Income accrued on bank deposits	1,900,057	4,931,252
	<u>8,665,674</u>	<u>7,124,129</u>

14 FIXED ASSETS - TANGIBLE

	2017				
	Computer & related accessories	Vehicle	Furniture and fittings	Office equipment	Total
	----- Rupees -----				
As at January 01, 2017					
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>
For the year ended 31 December 2017					
Opening net book value	122,565	1,527,516	159,977	265,316	2,075,374
Additions	172,576	-	-	-	172,576
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Depreciation charge for the year	(66,970)	(729,399)	(31,995)	(26,532)	(854,896)
Closing net book value	<u>228,171</u>	<u>798,117</u>	<u>127,982</u>	<u>238,784</u>	<u>1,393,054</u>
As at December 31, 2017					
Cost	612,216	3,647,000	486,950	447,200	5,193,366
Accumulated depreciation	(384,045)	(2,848,883)	(358,968)	(208,416)	(3,800,312)
Net book value	<u>228,171</u>	<u>798,117</u>	<u>127,982</u>	<u>238,784</u>	<u>1,393,054</u>
Depreciation rate per annum	30%	20%	20%	10%	



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2016				
	Computer & related accessories	Vehicle	Furniture and fittings	Office equipment	Total
Rupees.....				
As at January 01, 2016					
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>
For the year ended 31 December 2016					
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>
As at December 31, 2016					
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%	

	Note	2017	2016
		----- Rupees -----	-----
15 CAPITAL WORK IN PROGRESS	15.1	<u>-</u>	<u>3,429,000</u>

15.1 The Company has capitalized the intangible asset during the year.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

16 INTANGIBLE ASSET	Note	2017	2016
		----- Rupees -----	-----
Cost			
Opening		381,000	-
Transfer during the year	15.1	3,429,000	381,000
Closing		3,810,000	381,000
Amortization			
Opening		(127,000)	-
Charge for the year		(532,190)	(127,000)
Closing	5.6	(659,190)	(127,000)
Balance as at December 31, 2017		<u>3,150,810</u>	<u>254,000</u>

16.1 The Company has changed its estimates during the year based on the future economic benefit that will flow to the entity due to which the new useful life of an intangible asset is estimated from 3 to 7 years.

17 GENERAL AND ADMINISTRATION EXPENSES

Legal and professional charges		432,285	487,238
Advertisement		343,043	9,519
Salaries and benefits (Note 17.1, 17.2 & 17.3)		14,641,313	7,100,123
Auditors' remuneration	17.4	153,065	138,600
Depreciation	14	854,896	846,528
Amortization	16	532,190	127,000
Insurance		144,596	173,577
Rent, rates & taxes		1,787,230	1,695,614
Printing & stationery		445,611	499,923
Utilities		788,387	546,766
Repair and maintenance		60,201	34,267
Entertainment		62,761	59,070
Postage and periodicals		139,065	262,060
Travelling expense		112,564	120,088
Provision for Sindh workers' welfare fund		245,710	820,821
Vehicle and professional tax		123,119	180,868
Miscellaneous		310,827	308,160
		<u>21,176,863</u>	<u>13,410,222</u>

17.1 Salaries and benefits include Rs. 509,155 (2016: Rs. 464,132) in respect of staff retirement benefits.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
17.2 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES		
Chief Executive Officer		
Managerial remuneration and other benefits	<u>7,648,350</u>	<u>3,469,621</u>
Number of persons	<u>2</u>	<u>1</u>
Executives		
Managerial remuneration and other benefits	<u>5,391,358</u>	<u>2,489,716</u>
Number of persons	<u>3</u>	<u>2</u>
17.3 Rs. 50,000 charged for attending the board meetings by director during the year (2016: Nil).		
	Note	
	2017	2016
	----- Rupees -----	
17.4 Auditors' remuneration		
Annual audit fee	<u>139,150</u>	126,500
Out of pocket expenses	<u>13,915</u>	<u>12,100</u>
	<u>153,065</u>	<u>138,600</u>
18 OTHER INCOME		
Gain on disposal of fixed assets	-	4,955
Reversal of provision of workers' welfare fund	<u>-</u>	<u>2,852,221</u>
	<u>-</u>	<u>2,857,176</u>
19 TAXATION		
Current		
-for the year	<u>3,685,650</u>	6,845,677
Deferred	<u>(355,173)</u>	<u>404,754</u>
	<u>3,330,477</u>	<u>7,250,431</u>
19.1 The relationship between accounting profit and tax expense is as follows		
Profit before taxation	<u>10,995,565</u>	<u>23,216,215</u>
Tax at the applicable rate	<u>3,298,669</u>	7,197,027
Tax effect of:		
Change in rate adjustment	<u>31,808</u>	53,404
	<u>3,330,477</u>	<u>7,250,431</u>



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
20 EARNINGS PER SHARE - basic and diluted		
Profit after tax for the year - Rupees	<u>7,665,088</u>	<u>15,965,784</u>
Weighted average number of ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>
Earnings per share - Rupees	<u>0.15</u>	<u>0.32</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, 2017

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	2017			2016		
		Held to Maturity	Loans and receivables	Total	Held to Maturity	Loans and receivables	Total
		----- Rupees -----			----- Rupees -----		
Assets							
Cash and bank deposits	10	-	120,396,959	120,396,959	-	442,164,855	442,164,855
Investments	11	488,177,253	-	488,177,253	160,000,000	-	160,000,000
Accrued income	13	-	8,665,674	8,665,674	-	7,124,129	7,124,129
Security deposits		-	255,000	255,000	-	255,000	255,000
Other receivable		-	7,880	7,880	-	4,000	4,000
		<u>488,177,253</u>	<u>129,325,513</u>	<u>617,502,766</u>	<u>160,000,000</u>	<u>449,547,984</u>	<u>609,547,984</u>



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017		2016	
		At amortised cost	Total	At amortised cost	Total
		----- Rupees -----		----- Rupees -----	
Liabilities					
Staff retirement benefits	7	2,696,365	2,696,365	1,651,459	1,651,459
Accrued expenses	8	1,355,001	1,355,001	1,357,563	1,357,563
		4,051,366	4,051,366	3,009,022	3,009,022

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 programme 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 exists 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, 2017

	2017					Non-interest / mark-up bearing financial instruments	Total
	Effective rate per annum (percent age)	Interest / mark-up bearing financial instruments			Sub total		
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years			
-----Rupees-----							
Financial assets							
Cash and bank deposits	3.90 to 3.95	120,386,959	-	-	120,386,959	10,000	120,396,959
Investment	5.6 to 6.01	488,177,253	-	-	488,177,253	-	488,177,253
Accrued investment income		-	-	-	-	8,665,674	8,665,674
Security deposits		-	-	-	-	255,000	255,000
Other receivable		-	-	-	-	7,880	7,880
Total		608,564,212	-	-	608,564,212	8,938,554	617,502,766
Non financial assets							7,795,308
Total assets							<u>625,298,074</u>
Financial liabilities							
Staff retirement benefits		-	-	-	-	2,696,365	2,696,365
Accrued expenses		-	-	-	-	1,355,001	1,355,001
Total		-	-	-	-	4,051,366	4,051,366
On-balance sheet sensitivity gap		608,564,212	-	-	608,564,212		
Total yield / mark-up rate risk sensitivity gap		608,564,212	-	-	608,564,212		



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2016						
	Effective rate per annum (percent age)	Interest / mark-up bearing financial instruments			Sub total	Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years			
							-----Rupees-----
Financial assets							
Cash and bank deposits	3.75 to 3.95	442,154,855	-	-	442,154,855	10,000	442,164,855
Investment	5.75	160,000,000	-	-	160,000,000	-	160,000,000
Accrued income		-	-	-	-	7,124,129	7,124,129
Security deposits		-	-	-	-	255,000	255,000
Other receivable		-	-	-	-	4,000	4,000
Total		<u>602,154,855</u>	<u>-</u>	<u>-</u>	<u>602,154,855</u>	<u>7,393,129</u>	<u>609,547,984</u>
Non financial assets							<u>7,163,684</u>
Total assets							<u><u>616,711,668</u></u>
Financial liabilities							
Staff retirement benefits		-	-	-	-	1,651,459	1,651,459
Accrued expenses		-	-	-	-	1,357,563	1,357,563
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,009,022</u>	<u>3,009,022</u>
On-balance sheet sensitivity gap		<u>602,154,855</u>	<u>-</u>	<u>-</u>	<u>602,154,855</u>		
Total yield / mark-up rate risk sensitivity gap		<u>602,154,855</u>	<u>-</u>	<u>-</u>	<u>602,154,855</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.



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(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.

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:

	2017	2016
	----- Rupees -----	
Bank deposits	120,396,959	442,164,855
Investments	488,177,253	160,000,000
Accrued income	8,665,674	7,124,129
	<u>617,239,886</u>	<u>609,288,984</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			2017	2016
	Short term	Long term	Rating agency		
National Bank of Pakistan	A1+	AAA	JCR-VIS	<u>120,396,959</u>	<u>442,164,855</u>



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 summarized as follows:



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	----- Rupees -----	
National Bank of Pakistan-Shareholder		
<i>-Transaction</i>		
Profit on bank deposits	5,362,308	5,843,887
Investment income	18,640,035	2,192,877
Bank charges	4,368	2,798
Rent expense -Lahore Office	94,010	87,053
<i>-Balances</i>		
Receivable against profit on bank deposits	6,765,617	2,192,877
Receivable against investment income	1,900,057	4,931,252
Cash and bank deposits	120,396,959	442,164,855
Investment	488,177,253	160,000,000
Prepaid rent/ (payable)	38,495	(39,541)

24 NUMBER OF EMPLOYEES

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

At year end	<u><u>6</u></u>	<u><u>5</u></u>
Average	<u><u>6</u></u>	<u><u>5</u></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 05 April, 2018.

26 SUBSEQUENT EVENTS

There is no subsequent event.

 Tariq Jamali Chairman	 Wajahat A. Baqai Director	 Mudassir Husain Khan Director	 Javed Muslim CEO	 Muhammad Umair Bhaur CFO
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National Assets Insurance Ltd.

PATTERN OF SHAREHOLDING

No. of shareholders	From	To	Total Shares Held	% of Capital
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%
			50,000,000	100%

Categories of Shareholders

Description	No. of Shareholders	Shares Held	% of Capital
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%
		50,000,000	100%



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 9th Annual General Meeting of the Company to be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 30 April 2018 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 _____, 2018.

Witness:

1. Signature _____
Name _____
Address _____
CNIC No. _____

Signature
on Revenue
Stamp of Rs.5/-

2. Signature _____
Name _____
Address _____
CNIC No. _____

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 Web: www.nail.com.pk

CORPORATE