



General Insurance Company

National Assets Insurance Limited

| Financial Statements with
| Accompanying Information |

≡ Annual Report ≡
≡ 31 December 2018 ≡



National Assets Insurance Ltd.

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National Assets Insurance Ltd.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Tariq Jamali	(Chairman)
Mr. Wajahat A. Baqai	(Director)
Mr. Usman Shahid	(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

Mohsin Tayebaly & Co.
(Corporate Legal Consultants)
1st Floor, Dime Centre, BC-4, Block-9,
Kehkashan, Clifton, Karachi



National Assets Insurance Ltd.

NOTICE OF THE 10TH ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of **National Assets Insurance Limited** will be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 29 March 2019 at 11:00 a.m., to transact the following business:

1. To consider and approve the minutes of the 9th Annual General Meeting of the company held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 30 April, 2018 at 11:00 a.m.
2. To approve and adopt the Audited Financial Statements of the company for the year ended 31 December 2018 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 2019 and to fix their audit fee for the same period.
4. To elect directors of the company for a period of three years commencing from 1 April 2019 to 31 March 2022 in terms of section 159 of the Companies Act 2017.
 - a) The number of directors has been fixed at three (3)
 - b) The retiring directors are
 - Mr. Tariq Jamali
 - Mr. Wajahat A. Baqai
 - Mr. Usman Shahid
5. To transact any other business with the permission of the chair.

Date: March 04, 2019


MUHAMMAD UMAIR BHAUR
(CFO & Company Secretary)

Notes:

1. The share transfer books of the company will remain close from March 15, 2019 to March 29, 2019 (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 2018.

1. Financial Results

The Company made a Pre-tax profit of Rs. 12.5 million for the year under consideration (31 December 2017, 10.9 million) after charging costs, expenses and provisions for the year.

	For the year ended 31 December 2018 Rupees	For the year ended 31 December 2017 Rupees
Pre Tax Profit	12,457,988	10,995,565
Taxation	3,868,502	3,330,477
Profit after taxation	<u>8,589,486</u>	<u>7,665,088</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 2018, 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 SECP regretted the license during the year 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 increase in profit during the year 2018 as compared to 2017 is increase in policy rate of SBP.

The financial health of the company is still strong and its total equity has reached Rs. 629.9 million during the current year (Rs. 621.2 million 2017).



National Assets Insurance Ltd.

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, 2018 is annexed.

5. Profit and break-up value per share

The profit per share for the year is Rs. 0.17/- (31 December 2017, Rs. 0.15/-) and breakup value per share is Rs. 12.59 (31 December 2017, Rs. 12.42).

6. Board members during the year

S. No.	Board Members	Designation	Office tenure
1	Mr. Tariq Jamali	Chairman	Complete year
2	Mr. Wajahat A. Baqai	Director	Complete year
3	Mr. Mudassir H. Khan	Director	Left on 22 November 2018
4	Mr. Usman Shahid	Director	From 21 December 2018
5	Mr. Javed Muslim	CEO	Complete year

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
March 04, 2019

INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF NATIONAL ASSETS
INSURANCE LIMITED**

REPORT ON THE AUDIT OF FINANCIAL STATEMENT

Opinion

We have audited the annexed financial statements of **National Assets Insurance Limited** (the Company), which comprise the statement of financial position as at **December 31, 2018** and the profit and loss account and statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account and the statement of comprehensive income, the statement of changes in equity and the cash flow statement with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty relating to Going Concern

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, the 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 modified in respect of this matter.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account and the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Khalid Aziz

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
Date: March 04, 2019



National Assets Insurance Ltd.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
ASSETS			
Property and equipment	7	2,349,325	1,393,054
Intangible asset	8	2,618,620	3,150,810
Investments	9		
Debt securities	9.1	594,311,244	188,177,253
Term deposits	9.2	-	300,000,000
Other loans and receivables	10	2,038,325	8,928,554
Deferred tax asset	11	1,864,891	1,504,202
Taxation - payments less provision		4,307,415	1,608,147
Prepayments	12	133,264	139,095
Cash and bank	13	28,016,406	120,396,959
TOTAL ASSETS		635,639,490	625,298,074
EQUITY AND LIABILITIES			
Authorised share capital	14	1,250,000,000	1,250,000,000
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	14.1	500,000,000	500,000,000
Unappropriated profit		129,968,761	121,246,708
Total equity		629,968,761	621,246,708
Liabilities			
Underwriting provisions		-	-
Retirement benefit obligations	15	4,022,096	2,696,365
Other creditors and accruals	16	1,648,633	1,355,001
Total liabilities		5,670,729	4,051,366
TOTAL EQUITY AND LIABILITIES		635,639,490	625,298,074
Contingencies and commitments	17		

The annexed notes from 1 to 28 form an integral part of these financial statements.

Javed Muslim
Chief Executive Officer

Tariq Jamali
Chairman

Muhammad Umair Bhaur
Chief Financial Officer

Usman Shahid
Director

Wajahat A. Baqai
Director



National Assets Insurance Ltd.

General Insurance Company

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
Underwriting results		-	-
Investment income	18	36,057,597	26,814,488
Profit on bank deposits		3,300,001	5,362,308
		39,357,598	32,176,796
General and administration expenses	19	(26,896,753)	(21,176,863)
Results of operating activities		12,460,845	10,999,933
Finance cost		(2,857)	(4,368)
Profit before tax		12,457,988	10,995,565
Income tax expense	20	(3,868,502)	(3,330,477)
Profit for the year		8,589,486	7,665,088
Earnings per share - basic and diluted	21	0.17	0.15

The annexed notes from 1 to 28 form an integral part of these financial statements.

Javed Muslim
Chief Executive Officer

Tariq Jamali
Chairman

Muhammad Umair Bhaur
Chief Financial Officer

Usman Shahid
Director

Wajahat A. Baqai
Director




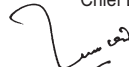
National Assets Insurance Ltd.

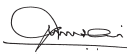
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018


	Note	2018	2017
		----- Rupees -----	-----
Profit for the year		8,589,486	7,665,088
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit obligation - net of deferred tax	15.5	132,567	(375,026)
Items that may subsequently be reclassified to profit and loss account		-	-
Other comprehensive income/(loss) for the year		132,567	(375,026)
Total comprehensive income for the year		8,722,053	7,290,062


The annexed notes from 1 to 28 form an integral part of these financial statements.


Tariq Jamali
Chairman


Muhammad Umair Bhaur
Chief Financial Officer


Javed Muslim
Chief Executive Officer


Usman Shahid
Director


Wajahat A. Baqai
Director



National Assets Insurance Ltd.

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	----- Rupees -----	
Operating Cash Flows		
a) Underwriting activities		
Insurance premium received	-	-
Reinsurance premium paid	-	-
Claims paid	-	-
Reinsurance and other recoveries received	-	-
Commission paid	-	-
Commission received	-	-
Management expenses paid	-	-
Net cash flow from underwriting activities	-	-
Net cash flow from underwriting activities	-	-
b) Other operating activities		
Income tax paid	(6,982,606)	(4,723,393)
General and administration expenses paid	(23,605,687)	(19,329,926)
Other receipts	21,266,546	22,460,799
Net cash used in other operating activities	(9,321,747)	(1,592,520)
Total cash used in all operating activities	(9,321,747)	(1,592,520)
Investment activities		
Proceeds from investment	1,910,000,000	925,000,000
Payments for investment	(1,991,151,590)	(1,245,002,800)
Fixed capital expenditure	(2,195,299)	(172,576)
Proceeds from sale of property and equipment	288,083	-
Total cash used in investing activities	(83,058,806)	(320,175,376)
Financing activities	-	-
Total cash flow from financing activities	-	-
Net cash flow from all activities	(92,380,553)	(321,767,896)
Cash and cash equivalent at the beginning of the year	120,396,959	442,164,855
Cash and cash equivalent at the end of the year	13 28,016,406	120,396,959



National Assets Insurance Ltd.

General Insurance Company

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	----- Rupees -----	
Reconciliation to Profit and Loss Account		
Operating cash flows	(9,321,747)	(1,592,520)
Depreciation expense	(950,945)	(854,896)
Amortization expense	(532,190)	(532,190)
Charge for staff retirement benefits	(1,512,445)	(509,155)
Investment income	24,982,401	8,174,453
Increase / (decrease) in assets other than cash	(6,896,060)	1,583,918
Increase in liabilities	(293,632)	2,562
	5,475,382	6,272,172
Profit on sale of investments	-	-
Staff retirement benefits paid	-	-
Income tax paid	6,982,606	4,723,393
	6,982,606	4,723,393
Profit before taxation	12,457,988	10,995,565
Definition of cash:		
Cash comprises of bank balances in NBP current and NIDA account.		
Cash for the purpose of the statement of cash flows consists of:		
Current accounts	10,000	10,000
NIDA account	28,006,406	120,386,959
Total cash and cash equivalents	28,016,406	120,396,959

The annexed notes from 1 to 28 form an integral part of these financial statements.

Javed Muslim
Chief Executive Officer

Tariq Jamali
Chairman

Muhammad Umair Bhaur
Chief Financial Officer

Usman Shahid
Director

Wajahat A. Baqai
Director



National Assets Insurance Ltd.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Attributable to equity holders of the Company		
	Share capital	Revenue reserves Unappropriated profit	Total
	----- Rupees -----		
Balance as at January 1, 2017	500,000,000	113,956,646	613,956,646
Total comprehensive income for the year ended December 31, 2017			
Profit for the year	-	7,665,088	7,665,088
Other comprehensive loss	-	(375,026)	(375,026)
Balance as at December 31, 2017	500,000,000	121,246,708	621,246,708
Total comprehensive income for the year ended December 31, 2018			
Profit for the year	-	8,589,486	8,589,486
Other comprehensive income	-	132,567	132,567
Balance as at December 31, 2018	500,000,000	129,968,761	629,968,761

The annexed notes from 1 to 28 form an integral part of these financial statements.

Javed Muslim
Chief Executive Officer

Tariq Jamali
Chairman

Muhammad Umair Bhaur
Chief Financial Officer

Usman Shahid
Director

Wajahat A. Baqai
Director



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1 LEGAL STATUS OF COMPANY AND ITS BUSINESS

"National Assets Insurance Limited" ("the Company") was incorporated on June 26, 2009 as a Public Limited Company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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). During the year, 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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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 prescribed in Insurance Accounting Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan ("SECP") vide its S.R.O 89(1)/2017 dated February 09, 2017.

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 as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017 and Insurance Accounting Regulations 2017 shall prevail.

b) Basis of measurement

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.

c) 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

Promulgation of 'Insurance Rules, 2017' and 'Insurance Accounting Regulations, 2017'.

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated February 09, 2017 has issued the Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 (the new Rules and Regulations). The impact and changes related to the aforementioned rules and regulations are described in note no. 5.1.1.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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)
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	January 1, 2018
IAS 40 - Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018

Adoption of the these revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2018.

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

- IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' (SECP in its press release dated February 15, 2019 defers applicability of IFRS 9 for reporting period/year ending on or after June 30, 2019). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. A new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

- IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2018 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.

3.3 Other 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
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16 - Leases	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
IAS 19 - Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019
IAS 12/IAS 23/ IFRS 3/ IFRS 11 - Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
IAS 1/IAS 8 - Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various - Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 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.

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.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 - Insurance Contracts	January 1, 2021
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016

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 - property and equipment and intangibles

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 property and equipment and intangibles, with a corresponding effect on the depreciation and amortization 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.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5 Application of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017

Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O 88(1)/2017 and S.R.O 89(1)/2017 dated February 9, 2017 has issued the Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 (the Rules and Accounting Regulations 2017). The application of these Rules and Accounting Regulations, 2017 for the purpose of preparation and presentation of the financial statements was effective from April 1, 2017.

The Rules and Accounting Regulations, 2017 require significant disclosures / requirements, which are relevant to the Company includes but not limited to: Presentation and disclosure of financial statements prescribed in Annexure II of the Insurance Rules, 2017, recognition of available-for-sale investments at fair value as per IAS 39 "Financial Instruments: Recognition and Measurement".

The Company has adopted these Rules and Accounting Regulations, 2017 and accordingly has changed its accounting policies as follows:

5.1 Presentation of financial statements

The Company has adopted format for preparation and presentation of its financial statements in line with the requirements of the Rules and Accounting Regulations 2017. Significant changes in presentation are rearrangements in sequence of assets / liabilities in the statement of financial position; presentation of single profit or loss account instead of segment wise (classes of business) presentation and discontinuation of separate statements of Premiums, Claims, Expense and investment Income. The segment wise and premiums, claims and expenses and investment income is now included in notes to financial statements. As 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 segment wise and premiums, claims and expenses is not presented in these financial statements.

5.2 Available for sale investmetns

Previously, the available for sale investments subsequent to initial recognition had been stated at the lower of cost or market value (market value on an individual investment basis being taken lower as if the fall is other than temporary) as the application of International Accounting Standard-39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of available for sale investments was deferred in accordance with repealed SEC (Insurance) Rules 2002.

According to the Rules and Accounting Regulations 2017, the Company has changed its accounting policy for subsequent measurement of investments classified as available for sale from lower of cost or market value (market value on an individual investment basis being taken lower as if the fall is other than temporary) to fair value as per the requirements of IAS 39 and any unrealised gains or losses arising on re measurement on of available-for-sale investments are taken to revaluation reserve through other comprehensive income. On de-recognition or impairment of available-for-sale investments, the cumulative gains or losses previously reported in revaluation reserves are reclassified to profit and loss account for the period.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5.3 However, there is no significant effect on these financial statements for the adoption of these financial presentation.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies have been applied on consistent basis, except the changes in policies as described in 5.1.

6.1 Creditors, accruals and provisions

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

6.2 Cash and bank

Cash and bank are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank deposited in Company's bank accounts.

6.3 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.

Investments 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.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(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.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the market, where applicable and any unrealized gains or losses arising on remeasurement on available for sale investments are taken to revaluation reserve through statement of other comprehensive income. On derecognition or impairment of available for sale investments, the cumulative gains or losses previously reported in revaluation reserves are recognized to profit and loss account.

6.4 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.

6.5 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.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6.6 Property and equipment

Property and equipment 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 7 to these financial statements.

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 property and equipment 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.

6.7 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.

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.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6.8 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.

6.9 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.

6.10 Financial instruments

Financial instruments carried on the balance sheet include cash and bank, investments, loan and other receivable, retirement benefit obligations and other 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.

6.11 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.

6.12 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.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6.13 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.

6.14 Retirement benefits obligation 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.

6.15 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.

6.16 Ordinary share Capital

Ordinary shares are classified as equity.



National Assets Insurance Ltd.

General Insurance Company

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6.17 General

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

6.18 Transaction with related parties

All transactions involving related parties arising in the normal course of business are conducted at agreed or commercial terms and conditions.

	Note	2018	2017
		----- Rupees -----	
7 PROPERTY AND EQUIPMENT			
Operating Assets	7.1	<u>2,349,325</u>	<u>1,393,054</u>

7.1 Operating Assets

	2018				
	Computer & related accessories	Motor vehicles	Furniture and fittings	Office equipment	Total
Rupees.....				
Opening net book value	228,171	798,117	127,982	238,784	1,393,054
Additions	25,799	2,169,500	-	-	2,195,299
Disposals					
Cost *	-	1,728,500	-	-	1,728,500
Depreciation	-	(1,440,417)	-	-	(1,440,417)
	-	288,083	-	-	288,083
Depreciation charge for the year	(69,096)	(832,375)	(25,596)	(23,878)	(950,945)
Closing net book value	<u>184,874</u>	<u>1,847,159</u>	<u>102,386</u>	<u>214,906</u>	<u>2,349,325</u>
As at December 31, 2018					
Cost	638,015	4,088,000	486,950	447,200	5,660,165
Accumulated depreciation	(453,141)	(2,240,841)	(384,564)	(232,294)	(3,310,840)
Net book value	<u>184,874</u>	<u>1,847,159</u>	<u>102,386</u>	<u>214,906</u>	<u>2,349,325</u>
Depreciation rate per annum	30%	20%	20%	10%	

* The disposal of vehicle is the sale of Company owned Toyota Corolla to the CFO of the Company as per Company's policy.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2017				
	Computer & related accessories	Motor vehicles	Furniture and fittings	Office equipment	Total
Rupees.....				
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	228,171	798,117	127,982	238,784	1,393,054
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	228,171	798,117	127,982	238,784	1,393,054
Depreciation rate per annum	30%	20%	20%	10%	

Note **2018** 2017
----- Rupees -----

8 INTANGIBLE ASSET

Cost		
Opening	3,810,000	381,000
Transfer during the year	-	3,429,000
Closing	3,810,000	3,810,000
Amortization		
Opening	(659,190)	(127,000)
Charge for the year	(532,190)	(532,190)
Closing	(1,191,380)	(659,190)
Balance as at December 31, 2018	2,618,620	3,150,810



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
9 INVESTMENTS			
Classified as held to maturity			
Debt securities	9.1	594,311,244	188,177,253
Term deposits	9.2	-	<u>300,000,000</u>
		<u>594,311,244</u>	<u>488,177,253</u>

9.1 Debt securities - Treasury bills *

Tenure	Maturity	Coupon Percentage	Amortised cost	
			2018	2017
			----- Rupees -----	
69 days	17-Jan-19	8.89%	248,980,862	188,177,253
84 days	14-Feb-19	8.79%	247,342,054	-
84 days	14-Mar-19	10.29%	97,988,328	-
			<u>594,311,244</u>	<u>188,177,253</u>

* The market value of these treasury bills as at December 31, 2018 is Rs.593,661,350 (2017 : Rs. 188,153,580)

9.2 These investments were maintained with National Bank of Pakistan (a related party) and had a markup rate at 5.60% to 5.75%. These were matured during the year.

	Note	2018	2017
		----- Rupees -----	
10 OTHER LOANS AND RECEIVABLES			
Income accrued on investments		-	6,765,617
Income accrued on bank deposits		1,774,325	1,900,057
Security deposit		255,000	255,000
Loan to employees		9,000	5,000
Other receivables		-	2,880
		<u>2,038,325</u>	<u>8,928,554</u>



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		-----	-----
		Rupees	
11 DEFERRED TAXATION			
Deferred tax (liabilities)/assets arising in respect of:			
- accelerated depreciation on property and equipment		1,166,408	303,306
- amortization		193,506	72,027
- provision for Sindh Workers Welfare Fund due but not paid		113,471	319,959
- provision for retirement benefit due but not paid		391,506	808,910
		<u>1,864,891</u>	<u>1,504,202</u>
11.1 Movement in deferred tax asset during the year			
Balance at beginning of the year		1,504,202	988,304
Charge to profit and loss account during the year		414,836	355,173
Charge to other comprehensive income during the year		(54,147)	160,725
		<u>360,689</u>	<u>515,898</u>
Balance at end of the year		<u>1,864,891</u>	<u>1,504,202</u>
12 PREPAYMENTS			
Prepaid rent to National Bank of Pakistan		32,664	38,495
Prepaid professional tax		100,600	100,600
		<u>133,264</u>	<u>139,095</u>
13 CASH AND BANK			
Current		10,000	10,000
National income daily account (NIDA)	13.1	28,006,406	120,386,959
		<u>28,016,406</u>	<u>120,396,959</u>

13.1 These bank accounts are maintained with National Bank of Pakistan (a related party). The mark-up on NIDA is calculated on daily basis on the previous day's account balance @ 3.75% to 5.50% (2017: 3.75% to 3.90%) and credited on a semi-annual basis.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

14 AUTHORIZED SHARE CAPITAL

2018 (Number of shares)	2017		2018 ----- Rupees -----	2017 ----- Rupees -----
<u>125,000,000</u>	<u>125,000,000</u>	Ordinary shares of Rupees 10 each fully paid in cash	<u>1,250,000,000</u>	<u>1,250,000,000</u>
14.1 Ordinary share capital				
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rupees 10 each fully paid in cash	<u>500,000,000</u>	<u>500,000,000</u>

14.2 These includes:

- 14.2.1** 4,481,500 ordinary shares (2017: 4,481,500 ordinary shares) of the Company are held by National Bank of Pakistan.
- 14.2.2** 9,000,000 ordinary shares (2017: 9,000,000 ordinary shares) of the Company are held by NBP Staff Welfare Foundation.
- 14.2.3** 5,000,000 ordinary shares (2017: 5,000,000 ordinary shares) of the Company are held by NBP Employees Benevolent Fund.
- 14.2.4** 16,000,000 ordinary shares (2017: 16,000,000 ordinary shares) of the Company are held by NBP Employees Pension Fund.

14.2.5 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.



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

15 RETIREMENT BENEFIT OBLIGATIONS

The Company operates an unfunded gratuity scheme, a defined benefit scheme, for all employees up to the age of 60 years. The latest valuation was carried out as at December 31, 2018 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.

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

	Note	2018	2017
		----- Rupees -----	
15.1 Balance sheet date position			
Present value of defined benefit obligation	15.2	<u>4,022,096</u>	<u>2,696,365</u>
15.2 Movement in net liability			
Opening balance		2,696,365	1,651,459
Charge for the year	15.4	1,512,445	509,155
Remeasurements recognized in statement of comprehensive income		(186,714)	535,751
Closing balance		<u>4,022,096</u>	<u>2,696,365</u>
15.3 Movement in present value of defined benefit obligation			
Present value as at January 01		2,696,365	1,651,459
Current service cost		1,244,974	340,071
Interest cost		267,471	169,084
Actuarial (gain)/ loss:			
- due to change in financial assumption		67,152	(15,524)
- due to change in demographic assumptions		-	-
- due to change in experience adjustments		(253,866)	551,275
	15.5	(186,714)	535,751
Present value as at December 31		<u>4,022,096</u>	<u>2,696,365</u>



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
15.4 The amounts charged in profit and loss account are as follows:			
Current service cost		1,244,974	340,071
Interest cost		267,471	169,084
Expense for the year		<u>1,512,445</u>	<u>509,155</u>

15.5 The amount charged in other comprehensive income is as follows:

Actuarial (gain)/ loss on obligation	15.3	(186,714)	535,751
Related deferred tax		<u>54,147</u>	<u>(160,725)</u>
		<u>(132,567)</u>	<u>375,026</u>

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

Significant actuarial valuation assumptions	2018	2017
Financial assumptions		
- Discount rate percentage	13.25%	8.3%
- Long term salary increase rate percentage	13.25%	8.3%
Demographic assumptions		
- Mortality rate (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
- Rate of employee turnover	Moderate	Moderate

15.7 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:

15.8 Maturity analysis of undiscounted payments for future years	2018	2017
	----- Rupees -----	
For the first year after year-end	183,780	131,494
For the second year after year-end	3,295,518	181,378
For the third year after year-end	168,702	3,153,859
For the fourth year after year-end	199,393	150,799
For the fifth year after year-end	233,934	170,648
For the period from sixth to tenth year after year-end	1,233,911	944,402



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
16 OTHER CREDITORS AND ACCRUALS			
Bills payable		11,590	-
Retirement benefit payable to employee		28,002	28,002
Sindh Workers Welfare Fund payable	16.1	1,350,019	1,066,531
Audit fee payable		160,719	153,315
Directors' meeting fee payable		50,000	-
Other payable		48,303	107,153
		<u>1,648,633</u>	<u>1,355,001</u>

16.1 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 and further provided for the current year under Sindh WWF Act 2014.

17 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018 (2017 : Nil).

	Note	2018	2017
		----- Rupees -----	
18 INVESTMENT INCOME			
Classified as held to maturity			
Return on debt securities - treasury bills		24,982,401	8,174,453
Return on term deposits		11,075,196	18,640,035
		<u>36,057,597</u>	<u>26,814,488</u>



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
19 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, allowances and other benefits	19.1 and 19.2	19,096,240	14,132,158
Charges for post employee benefits	15.2	1,512,445	509,155
Legal and professional charges		475,151	432,285
Advertisement		10,920	343,043
Auditors' remuneration	19.3	172,714	153,065
Depreciation expense	7.1	950,945	854,896
Amortization expense	8	532,190	532,190
Insurance		103,277	144,596
Rent, rates & taxes		1,777,303	1,787,230
Printing & stationery		462,887	445,611
Utilities		647,708	788,387
Repair and maintenance		64,100	60,201
Entertainment		79,348	62,761
Postage and periodicals		214,100	139,065
Travelling expense		164,994	112,564
Provision for Sindh workers welfare fund		283,488	245,710
Vehicle and professional tax		61,330	123,119
Miscellaneous		287,613	310,827
		<u>26,896,753</u>	<u>21,176,863</u>
19.1 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES			
Chief Executive Officer			
Managerial remuneration and other benefits		<u>10,678,851</u>	<u>7,648,350</u>
Number of persons		<u>1</u>	<u>2</u>
Executives			
Managerial remuneration and other benefits		<u>6,932,251</u>	<u>5,391,358</u>
Number of persons		<u>3</u>	<u>3</u>
19.2 Rs.125,000 charged for attending the board meetings by director during the year (2017: Rs.50,000).			



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		----- Rupees -----	
19.3 Auditors' remuneration			
Annual audit fee		146,108	139,150
Out of pocket expenses		26,606	13,915
		172,714	153,065
20 INCOME TAX EXPENSE			
Current			
- for the year		4,110,583	3,685,650
-for prior year		172,755	-
Deferred		(414,836)	(355,173)
		3,868,502	3,330,477
20.1 The relationship between accounting profit and tax expense is as follows			
Profit before taxation		12,457,988	10,995,565
Tax at the applicable rate at 29% (2017:30%)		3,612,817	3,298,669
Tax effect of:			
Prior year tax		172,755	-
Change in rate adjustment		50,140	31,808
Others		32,790	-
		3,868,502	3,330,477
21 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the year		8,589,486	7,665,088
		----- Shares -----	
Weighted average number of ordinary shares		50,000,000	50,000,000
		----- Rupees -----	
Earnings per share		0.17	0.15

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



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

22 FINANCIAL INSTRUMENTS

Financial instruments consist of financial asset and financial liabilities.

Financial asset of the Company including investments, loan and other receivables and cash and cash equivalent. Financial liabilities of the Company include retirement benefit obligations and other creditors and accruals.

	Note	2018			2017		
		Held to Maturity	Loans and receivables	Total	Held to Maturity	Loans and receivables	Total
		Rupees			Rupees		
Assets							
Investments	9	594,311,244	-	594,311,244	488,177,253	-	488,177,253
Other loans and receivables	10	-	2,038,325	2,038,325	-	8,928,554	8,928,554
Cash and bank	13	-	28,016,406	28,016,406	-	120,396,959	120,396,959
		<u>594,311,244</u>	<u>30,054,731</u>	<u>624,365,975</u>	<u>488,177,253</u>	<u>129,325,513</u>	<u>617,502,766</u>

	Note	2018		2017	
		At amortised cost	Total	At amortised cost	Total
		Rupees		Rupees	
Liabilities					
Retirement benefit obligations	15	4,022,096	4,022,096	2,696,365	2,696,365
Other creditors and accruals	16	1,648,633	1,648,633	1,355,001	1,355,001
		<u>5,670,729</u>	<u>5,670,729</u>	<u>4,051,366</u>	<u>4,051,366</u>



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

23 FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including 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 price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Price risk

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), 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.

(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:

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

		2018						
		Mark-up / interest bearing financial instruments			Sub total	Non-mark-up / interest bearing financial instruments	Total	
		Upto one year	Over one year to five years	Over five years				
Note	Percentage	Effective interest per annum						
-----Rupees-----								
Financial assets								
Investments	9	6.26 to 10.30	594,311,244	-	-	594,311,244	-	594,311,244
Other loans and receivables	10		-	-	-	-	2,038,325	2,038,325
Cash and bank	13		28,006,406	-	-	28,006,406	10,000	28,016,406
Total			622,317,650	-	-	622,317,650	2,048,325	624,365,975
Financial liabilities								
Retirement benefit obligations	15		-	-	-	-	4,022,096	4,022,096
Other creditors and accruals	16		-	-	-	-	1,648,633	1,648,633
Total			-	-	-	-	5,670,729	5,670,729
Interest rate sensitivity gap			<u>622,317,650</u>	<u>-</u>	<u>-</u>	<u>622,317,650</u>	<u>(3,622,404)</u>	<u>618,695,246</u>
Cumulative Interest rate sensitivity gap			<u>622,317,650</u>	<u>-</u>	<u>-</u>	<u>622,317,650</u>		

		2017						
		Mark-up / interest bearing financial instruments			Sub total	Non-mark-up / interest bearing financial instruments	Total	
		Upto one year	Over one year to five years	Over five years				
Note	Percentage	Effective interest per annum						
-----Rupees-----								
Financial assets								
Investments	9	5.60 to 6.01	488,177,253	-	-	488,177,253	-	488,177,253
Other loans and receivables	10		-	-	-	-	8,928,554	8,928,554
Cash and bank	13	3.90 to 3.95	120,386,959	-	-	120,386,959	10,000	120,396,959
Total			608,564,212	-	-	608,564,212	8,938,554	617,502,766
Financial liabilities								
Retirement benefit obligations	15		-	-	-	-	2,696,365	2,696,365
Other creditors and accruals	16		-	-	-	-	1,355,001	1,355,001
Total			-	-	-	-	4,051,366	4,051,366
Interest rate sensitivity gap			<u>608,564,212</u>	<u>-</u>	<u>-</u>	<u>608,564,212</u>	<u>4,887,188</u>	<u>613,451,400</u>
Cumulative Interest rate sensitivity gap			<u>608,564,212</u>	<u>-</u>	<u>-</u>	<u>608,564,212</u>		



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(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 and backed by government of Pakistan.

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

	Note	2018	2017
		----- Rupees -----	
Investments	9	594,311,244	488,177,253
Other loans and receivables	10	2,038,325	8,928,554
Cash and bank	13	28,016,406	120,396,959
		<u>624,365,975</u>	<u>617,502,766</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 cash and bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2018	2017
	Short term	Long term	Rating agency		
National Bank of Pakistan	A1+	AAA	PACRA	<u>28,016,406</u>	<u>120,396,959</u>
	A1+	AAA	JCR-VIS		



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

23.2 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.

24 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 1 assets and liabilities are one way to measure the strength and reliability of an entity's balance sheet.

LEVEL 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. Level 2 assets and liabilities are commonly held by private equity firms, insurance companies and other financial institutions that have investment arms.

LEVEL 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. These assets and liabilities are not actively traded, and their values can only be estimated using a combination of complex market prices, mathematical models and subjective assumptions.

There were no financial instruments at the year end whose fair value is significantly different from their carrying value.

	Level 1	Level 2	Level 3
	----- Rupees -----		
2018			
Financial cost at amortized cost			
Treasury bills	-	<u>594,311,244</u>	-
	<u>-</u>	<u>594,311,244</u>	<u>-</u>
	Level 1	Level 2	Level 3
	----- Rupees -----		
2017			
Financial cost at amortized cost			
Treasury bills	-	188,177,253	-
	<u>-</u>	<u>188,177,253</u>	<u>-</u>



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

24.1 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.

25 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors and their close family members; key management personnel and major shareholders of the Company. The associated companies are associated either based on holding in equity or due to the same management and / or common directors. All transactions involving related parties arising in the normal course of business are conducted at agreed terms and conditions. Transactions with the key management personnel are made under their terms of employment / entitlements. Balances, including investments in associates, are disclosed in relevant notes to these financial statements. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2018	2017
	----- Rupees -----	
National Bank of Pakistan-Shareholder		
-Transactions		
Profit on bank deposits	3,300,001	5,362,308
Investment income	11,075,196	18,640,035
Bank charges	2,857	4,368
Rent expense - Lahore Office	95,986	94,010
-Balances		
Receivable against investment income and bank deposits	1,774,325	6,765,617
Cash and bank deposits	28,016,406	120,396,959
Investment	594,311,244	488,177,253
Prepaid rent	32,664	38,495



National Assets Insurance Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2018 2017
----- Employees -----

26 NUMBER OF EMPLOYEES

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

At year end	<u>6</u>	<u>6</u>
Average	<u>6</u>	<u>6</u>

27 SUBSEQUENT EVENTS

There is no subsequent event.

28 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 04, 2019.

Javed Muslim
Chief Executive Officer

Tariq Jamali
Chairman

Muhammad Umair Bhaur
Chief Financial Officer

Usman Shahid
Director

Wajahat A. Baqai
Director



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%
	15,492	50,000,000	100%



National Assets Insurance Ltd.

Ref. No. NAIL/ACC/015/2019

Date: 04 March 2019

Individual Shareholders
of
National Assets Insurance Limited

Dear Sirs,

Subject: UNDELIVERED ORDINARY SHARES OF THE COMPANY

Out of more than 15,000 individual shareholders of the company, the shares of around 510 individual allottees are still with the company despite all possible and continuous efforts to make these shares reach the entitled allottees.

We hereby request all such allottees who could not receive the shares to please contact the Company Secretary in order to take possession of your respective shares.

Regards,

M. Umair Bhaur
(Company Secretary)



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 10th Annual General Meeting of the Company to be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 29 March 2019 at 11:00 a.m., to transact the business as mentioned in the notice of this AGM on page no. 4.

Signed this _____ day of _____, 2019.

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