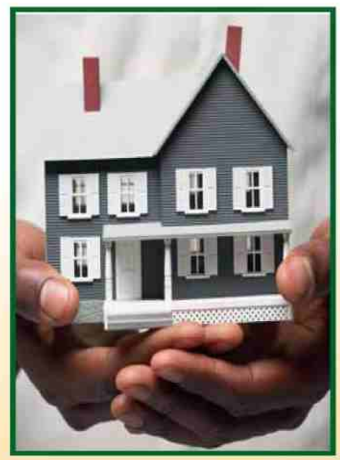
Financial Statements

for the year ended

31 December 2011

A symbol of Security with Integrity



NAIL National Assets Insurance Ltd.

General Insurance Company

NATIONAL ASSETS INSURANCE LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahid Anwar Khan	(Chairman)
Dr. Asif A. Brohi	(Director)
Mr. Nadeem Anwer Ilyas	(Director)
Mr. Muhammad Faisal Siddiqui	(Chief Executive Officer)
DEPARTMENTAL HEADS	
Syed Iqbal Husssain	(Operations)
Mr. Mushtaq Ahmed Qureshi	(Marketing)
Mr. Muhammad Umair Bhaur	(CFO & Company Secretary)
AUDITORS	Riaz Ahmed & Company 108-109, 1st Floor, Part Avenue, Block -6 P.E.C.H.S, Shahrah-e- Faisal, Karachi, - 75400 Pakistan URL www.racopk.com
REGISTERED OFFICE	69/2, Abid Majeed Road, Lahore Cantt, Lahore
HEAD OFFICE	1st & 3rd Floor, 78/C, Main Khayaban-e- Jami Phase VII, D.H.A. Karachi Tel: 021-35314286-97 Fax 021-5314288 URL: www.nail.com.pk
BANKERS	National Bank of Pakistan
REGISTRAR & SHARE TRANSFER OFFICE	Noble Computers 1st Floor, House of Habib Building, 3-Jinnah C. H. Society, Main Shahrah-e- Faisal Karachi Tel: 34325482-87 Fax: 34325442 URL: www.noble-computers.com
LEGAL ADVISORS	Ahmed & Qazi *(Advocates & Legal Consultants)* 403-404, Clifton Centre, Clifton, Karachi Pakistan Tel: 021-111-000-073 Fax: 021-35860428 URL: www.ahmedandqazi.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of NATIONAL ASSETS INSURANCE LIMITED ("the company") as at 31 December 2011 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 financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

a) proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied;

c) the financial statements together with the notes thereon, present fairly, in all material respects, the state of the company's affairs as at 31 December 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: 07 MAY 2012

KARACHI

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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 2011.

1. Financial Results

The Company made a Pre-tax profit of Rs. 12.56 million for the year under consideration (31 December 2010, the loss was 4.44 million) after charging costs, expenses and provisions for the year.

	For the year ended 31 December 2011 Rupees	**For the year ended 31 December 2010** Rupees
Pre Tax Profit / (Loss)	12,565,444	(4,442,796)
Taxation	832,352	-
Profit / (Loss) after taxation	11,733,092	(4,442,796)

2. Review of financial Affairs and Future Prospects

The company raised its paid up capital up to Rs. 500 million after 1st half of this year. Company keeps most of its funds in Treasury Bills or any other secure government securities as long as the operations are not started. This is done in order to keep the shareholders investment as secure as possible.

Due to the investment income of available funds during 2nd half of the year 2011, the company successfully converted its accumulated losses of Rs. 10,005,571 (2010 accumulated losses) into accumulated profits of Rs. 1,727,521/- this year.

The company has applied to Securities and Exchange Commission of Pakistan to obtain the Insurance License under Insurance Ordinance 2000. This process is at advanced stage and it is expected that the company shall be granted the desired license soon.

The company has not yet started its operations however the company shall start insurance operations after obtaining the said license.

The board is confident that after starting operations in the next year, the company will start making operating profits as well.

3. Auditors

The present auditors Messrs Riaz Ahmad & Company, Chartered Accountants retire and being eligible, offer themselves for the re-appointment. The Board of Directors has recommended the re-appointment of Messrs Riaz Ahmad and Company, Chartered Accountants as statutory auditors of the company till the conclusion of the next Annual General Meeting.

4. Pattern of Shareholding

The statement of pattern of shareholding of the company as at December 31, 2011 is annexed.

5. Profit / (Loss) per shares

The profit per share for the year under review is Rs. 0.49/- (Loss per share on 31 December 2010 was Rs. 1.65/-)

For and on behalf of the Board of Directors

M. Faisal Siddiqui

CHIEF EXECUTIVE

Lahore
May 07, 2012

NATIONAL ASSETS INSURANCE LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 Rupees	2010 Rupees
Share capital and reserves			
Authorised share capital	3.1	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	3.2	500,000,000	27,000,000
Accumulated profit / (loss)		1,727,521	(10,005,571)
Total equity		501,727,521	16,994,429
Creditors and accruals			
Accrued expenses	4	1,647,234	591,292
Total liabilities		1,647,234	591,292
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		503,374,755	17,585,721

	Note	2011 Rupees	2010 Rupees
Cash and bank deposits			
Current and other accounts	6	101,210,987	14,798,371
Investments	7	396,185,928	-
Deferred tax asset		249,869	-
Current assets - others			
Advance income tax - net		68,802	125,620
Prepayments		747,168	24,668
Security deposit		512,000	-
Sundry receivable		696,348	258,745
		2,024,318	409,033
Fixed Assets - Tangible			
Computer & related accessories		96,522	61,282
Vehicle		1,853,628	2,317,035
Furniture and fittings		320,763	-
Office equipment		292,740	-
	8	2,563,653	2,378,317
Capital work in progress - intangible	9	1,140,000	-
TOTAL ASSETS		503,374,755	17,585,721

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

Chairman | Director | Director | Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 Rupees	2010 Rupees
Revenue account			
Underwriting results		-	-
Investment income		19,035,928	413,325
Other income	10	1,524,024	588,895
		20,559,952	1,002,220
General and administration expenses	11	(7,993,708)	(5,444,716)
Finance cost		(800)	(300)
Profit / (Loss) before taxation		12,565,444	(4,442,796)
Provision for taxation	12		
Current		(1,072,217)	-
Prior year		(10,004)	-
Deferred		249,869	-
		(832,352)	-
Profit / (Loss) after taxation		11,733,092	(4,442,796)
Profit and loss appropriation account			
Balance at commencement of the year		(10,005,571)	(5,562,775)
Profit / (Loss) after tax for the year		11,733,092	(4,442,796)
Appropriations made during the year		-	-
Balance unappropriated profit / (accumulated loss) at the end of the year		1,727,521	(10,005,571)
Earnings / (loss) per share - basic and diluted	13	0.49	(1.65)

The annexed notes form an integral part of these financial statements. As the company has not yet started its underwriting operations, the statements relating to underwriting cannot be prepared.

Nadir Alam

Chairman	Director	Director	Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2011

	2011 Rupees	2010 Rupees
Profit / (loss) for the year	11,733,092	(4,442,796)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	**11,733,092**	**(4,442,796)**

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

Nada Alfa

Chairman	Director	Director	Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Issued, subscribed and paid-up share capital	Unappropriated profit /(Accumulated loss)	Total
	Rupees	Rupees	Rupees
Balance as at 31 December 2009	27,000,000	(5,562,775)	21,437,225
Total comprehensive loss for the year	-	(4,442,796)	(4,442,796)
Balance as at 31 December 2010	27,000,000	(10,005,571)	16,994,429
Issuance of ordinary shares	473,000,000	-	473,000,000
Total comprehensive income for the year	-	11,733,092	11,733,092
Balance as at 31 December 2011	500,000,000	1,727,521	501,727,521

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

Chairman

Nadu Alf
Director

Director

Faisal Siddiqui
Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 Rupees	2010 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	(1,025,403)	(125,620)
Security deposit paid	(512,000)	-
General and other expenses paid	(7,170,002)	(4,667,959)
Other receipts	1,086,421	330,150
Net cash used in other operating activities	**(7,620,984)**	**(4,463,429)**
Total cash used in all operating activities	**(7,620,984)**	**(4,463,429)**
Investment activities		
Investment matured	8,730,000	14,000,000
Investments purchased	(385,880,000)	-
Capital work in progress - intengible	(1,140,000)	-
Fixed capital expenditure - Tangible assets	(676,400)	(2,888,481)
Proceeds from sale of fixed assets	-	5,999
Total cash (used in) flow from investing activities	**(378,966,400)**	**11,117,518**
Financing activities		
Proceeds from issue of ordinary shares	473,000,000	-
Total cash flow from financing activities	**473,000,000**	-
Net cash inflow from all activities	86,412,616	6,654,089
Cash at the beginning of the year	14,798,371	8,144,282
Cash at the end of the year	**101,210,987**	**14,798,371**

	2011 Rupees	2010 Rupees
Reconciliation to Profit and Loss Account		
Operating cash flows	(7,620,984)	(4,463,429)
Depreciation	(491,064)	(554,572)
Gain on sale of fixed assets	-	1,799
Increase in assets other than cash	11,978,031	27,638
(Increase) in liabilities other than running finance	(1,055,942)	(248,952)
	2,810,041	(5,237,516)
Others		
Profit on sale of investments	8,730,000	669,100
Income tax paid / (refund)	1,025,403	125,620
	9,755,403	794,720
Profit before taxation	12,565,444	(4,442,796)

Definition of cash:

Cash comprises of cash in hand, bank balances.

Cash for the purposes of the Statement of Cash Flows consists of:

Current and other accounts	101,210,987	14,798,371
Total cash and cash equivalents	**101,210,987**	**14,798,371**

Chairman | Director | Director | Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED
STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 Rupees	2010 Rupees
Income from non-trading investments		
Held to maturity		
Return on treasury bills	19,035,928	413,325
Net investment income	19,035,928	413,325

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

Nadeem Alfran

Faisal Siddiqui

Chairman	Director	Director	Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. THE COMPANY AND ITS OPERATIONS

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

1.1 The principal activity of the Company will be to carry on any or all classes of non-life insurance business specified in the "Insurance Ordinance, 2000" (as amended, modified and/or re-enacted form time to time) (the "Insurance Ordinance") including re-insurance of any or all classes of business.

1.2 The Company has raised the capital of Rupees 500 million as mentioned in circular under section 86 of the Companies Ordinance 1984, submitted with the SECP and communicated to the then existing shareholders of the Company along with the statement in lieu of prospectus. The Company will hold its statutory meeting after obtaining the certificate of commencement of business from SECP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the 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 Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

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

b) Basis of presentation

These financial statements have been prepared in accordance with the format of financial statements prescribed under SEC (Insurance) Rules, 2002. The operations of the Company have not yet been started and the Company is at pre-commencement of business stage. Resultantly there is no underwriting activities of the Company. Hence, the following statements as required under Insurance Ordinance 2000 have no data, therefore, not prepared:

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

c) Accounting convention

These financial statements have been prepared under the historical cost convention. Accrual basis of accounting has been used in preparation of these financial statements.

d) **Critical accounting 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:

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

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

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.

f) **Standards and amendments to published approved accounting standards that are effective in current period**

Standards and amendments to published approved accounting standards that are effective in the current period and relevant to the Company have no significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

g) **Standards, interpretations and amendments to published approved accounting standards that are effective in current period but not relevant**

There are new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 January 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

h) **Standard and amendments to published approved accounting standards that are not yet effective but relevant**

Following standard and amendments to existing standards have been published and may be mandatory for the Company's accounting periods beginning on or after 01 January 2011 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as 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. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

i) **Standards, interpretations and amendments to published approved accounting standards that are not effective in current period and not considered relevant**

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 January 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

The Company has adopted its other accounting policies as under, most of which would take effect after the company commences its business:

2.2 Revenue recognition

Premium received / receivable under a policy is recognized as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognized over the period of insurance from inception to expiry as follows:

(a) For direct business, evenly over the period of the policy;
(b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and
(c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

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

Administrative surcharge is recognized as premium at the time the policies are written.

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002. This liability is calculated as follows:

- for other classes / lines of business, by applying the twenty-fourths method as specified in the SEC (Insurance) Rules, 2002, as majority of the remaining policies are issued for a period of one year.

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, If any. Provision for impairment on premium receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivable. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis.

2.3 Creditors, accruals and provisions

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

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

2.4 Cash and cash equivalents

Cash and cash equivalents 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.

2.5 Investments

All investments are initially recognized at cost being the fair value of the consideration given and include transaction costs. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investment:

Available-for-sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available-for-sale.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value of its quoted investments whereas fair value of investments in delisted / unlisted companies is determined by reference to the net assets and financial position of the investee on the basis of the latest available audited financial statements.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortized uniformly over the period between the acquisition date and the date of maturity in determining 'cost' at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account on an effective yield method.

2.6 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.

2.7 Fixed assets

Fixed assets, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost, signifying historical cost, less accumulated depreciation and any provision for impairment. Freehold land and capital work-in-progress are carried at cost less impairment losses, if any. Depreciation is charged to income applying varying methods depending upon the nature of the asset, at the rates specified for calculation of depreciation after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

2.8 Intangibles

Intangiles are stated initially at cost. After initial recognition, an intangible asset shall be carried at cost less any accumulated amortisation and any accumulated impairment losses.

Accounting for intangible asset 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, amoritsation is charged to income on a systematic basis over its useful life.

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

Method for ammortisation 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 shall be recognised separately. Moreover, expenditure on research phase shall be recognised as expense when it is incurred.

2.9 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 term finance certificates

  The difference between the redemption value and the purchase price of the Term Finance Certificates is amortized and taken to the profit and loss account over the term of the investment.

2.10 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.

2.11 Financial instruments

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.

Financial instruments carried on the balance sheet include cash and bank, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsures, premium and claim reserves retained by cedants, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsures, accrued expenses, other creditors and accruals, liabilities against assets subject to finance lease and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.12 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.

2.13 Off setting

A financial asset and a financial liability is 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.

2.15 Impairment

Financial assets

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

An impairment loss in respect of financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

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 theasset's recoverable amount since the last impairment loss was recognized. If there is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior year. Such reversal is recognized in profit and loss account.

2.16 Staff retirement benefits plan

The company operates a provident fund scheme for all its employees who are eligible for benefit. Equal monthly contributions @ 8.33% of basic salary are made by the Company and its employees. As at balance sheet date the Provident Fund has not been separately incorporated.

2.17 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.

The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

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

2.18 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.19 Share Capital

Ordinary shares are classified as equity.

3. SHARE CAPITAL

3.1 Authorized share capital

2011	2010		31 December 2011	31 December 2010
(Number of shares)			Rupees	Rupees
100,000,000	**100,000,000**	Ordinary shares of Rupees 10 each fully paid in cash	**1,000,000,000**	**1,000,000,000**

3.2 Paid-up share capital

Issued, subscribed and fully paid:

2,700,000	**2,700,000**	Opening balance	27,000,000	27,000,000
47,300,000	-	Shares issued during the year of Rupees 10 each against cash	473,000,000	-
50,000,000	**2,700,000**		**500,000,000**	**27,000,000**

3.3 4,481,500 ordinary shares (9%) of the Company are held by National Bank of Pakistan.

3.4 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.

4. CREDITORS AND ACCRUALS

Accrued expenses

Provident fund payable	1,391,498	516,292
Rent payable	158,050	-
Bills payable	12,686	-
Accrued expenses	85,000	75,000
	1,647,234	591,292

5. CONTINGENCIES AND COMMITMENTS

5.1 There were no contingencies at the balance sheet date. (2010: Nil)

5.2 There were no capital and other commitments at the balance sheet date. (2010:Nil)

6. CASH AND BANK BALANCES

Cash in bank - Current account	101,210,987	14,798,371

6.1 The nature of account is income account and is called NIDA i.e. National Income Daily Account. As reflected from its name, the markup is credited to the account on daily basis on the previous day's account balance.

7. INVESTMENTS

Held to maturity

Treasury bills maturing within three months	396,185,928	-
	396,185,928	-

7.1 During the year, the company purchased Treasury Bills through non-competitive bidding having face value of Rupees 400 million maturing on 26 January 2012 and 09 February 2012.

7.2 Treasury bills are pledged with State Bank of Pakistan amounted to Rupees 53,500,000 (2010 : Rupees Nil) as statutory deposit.

8 **FIXED ASSETS - TANGIBLE**

	2011				
	Computer & related accessories	Vehicle	Furniture and fittings	Office equipments	Total
	..........Rupees..........				
At 01 January 2011					
Cost	114,735	2,837,186	-	-	2,951,921
Accumulated depreciation	53,453	520,151	-	-	573,604
Net book value	61,282	2,317,035	-	-	2,378,317
Year ended 31 December 2011					
Opening net book value	61,282	2,317,035	-	-	2,378,317
Additions	55,000	-	326,200	295,200	676,400
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
	-	-	-	-	-
Depreciation charge for the year	19,760	463,407	5,437	2,460	491,064
Closing net book value	96,522	1,853,628	320,763	292,740	2,563,653
At 31 December 2011					
Cost	169,735	2,837,186	326,200	295,200	3,628,321
Accumulated depreciation	73,213	983,558	5,437	2,460	1,064,668
Net book value	96,522	1,853,628	320,763	292,740	2,563,653
Depreciation rate per annum	30%	20%	20%	10%	

	2010				
	Computer & related accessories	Vehicle	Furniture and fittings	Office equipments	Total
	..........Rupees..........				
At 01 January 2010					
Cost	69,440	-	-	-	69,440
Accumulated depreciation	20,832	-	-	-	20,832
Net book value	48,608	-	-	-	48,608
Year ended 31 December 2010					
Opening net book value	48,608	-	-	-	48,608
Additions	51,295	2,837,186	-	-	2,888,481
Disposals					
Cost	6,000	-	-	-	6,000
Depreciation	1,800	-	-	-	1,800
	4,200	-	-	-	4,200
Depreciation charge for the year	34,421	520,151	-	-	554,572
Closing net book value	61,282	2,317,035	-	-	2,378,317
At 31 December 2010					
Cost	114,735	2,837,186	-	-	2,951,921
Accumulated depreciation	53,453	520,151	-	-	573,604
Net book value	61,282	2,317,035	-	-	2,378,317
Depreciation rate per annum	30%	20%			

		31 December 2011	31 December 2010
9.	**CAPITAL WORK IN PROGRESS - INTENGIBLE**	**Rupees**	**Rupees**
		1,140,000	-

9.1 During the year, the company entered into an agreement with Data Corporation (Private) Limited, for development of general insurance ERP system amounting to Rupees 3.8 million. Thirty percent payment for the development stage has been made in advance.

10.	**OTHER INCOME**		
	Profit on bank deposits	1,524,024	587,096
	Gain on sale of fixed assets	-	1,799
		1,524,024	588,895
11.	**GENERAL AND ADMINISTRATION EXPENSES**		
	Legal and professional charges	773,005	-
	Advertisement	107,219	-
	Salaries and benefits	5,788,286	4,415,175
	Auditors' remuneration	85,000	75,000
	Depreciation	491,064	554,572
	Insurance	116,050	92,473
	Rent, rates & taxes	452,700	135,000
	Internet charges	17,200	-
	Communication expenses	94,793	63,486
	Printing & stationery	8,720	-
	Miscellaneous	59,671	109,010
		7,993,708	5,444,716
12.	**PROVISION FOR TAXATION**		
	For the year:		
	Current year	1,072,217	-
	Prior year	10,004	-
	Deferred	(249,869)	-
		832,352	-
12.1	The relationship between accounting profit and tax expense:		**2011**
	Profit befor taxation		12,565,444
	Tax at the applicable rate of 35 %		4,397,905
	Prior year tax effect		10,004
	Computation impact		(3,575,557)
			832,352
		31 December 2011	**31 December 2010**
13.	**EARNINGS / (LOSS) PER SHARE -BASIC AND DILUTED**		
	There is no dilutive effect on basic earnings per share which is based on:		
	Profit / (loss) for the year	11,733,092	(4,442,796)
	Weighted average number of ordinary shares in issue during the year	23,823,013	2,700,000
	Earnings / (loss) per share basic and diluted	0.49	(1.65)

14. FINANCIAL RISK MANAGEMENT

14.1 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 minimise potential adverse effects on the financial performance.

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

(a) Market risk

(i) currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transaction or receivable and payable that exits due to transaction in foreign currencies.

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

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and liabilities at the balance sheet date.

(ii) 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 commodity price risk.

(iii) interest rate risk

This represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The company has no long -term or short term interest-bearing assets or liabilities. Therefore, the company is not exposed to any interest rate risk.

Cash flow sensitivity analysis for the variable rate instruments

As there are no variable rate instruments, such sensitivity analysis is not required.

(b) Credit risk

Credit risk represents the risk that one party to a financial instruments will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011 Rupees	2010 Rupees
Balance with banks	101,210,987	14,798,371
Investments - Treasury bills	396,185,928	-
Security deposit	512,000	-
Sundry receivable	696,348	258,745
	498,605,263	15,057,116

The credit quality of financial assts that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2011	2010
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	101,210,987	14,798,371

(c) Liquidity risk

Liquidity risk is the that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash and bank balance. As 31 December 2011, the company had Rupees 101,210,987 cash and bank balances. Following are the contractual maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2011

	Total carrying amount	Contractual Cash Flows	6 Months or Less
	Rupees	Rupees	Rupees
Creditors and accruals	1,647,234	1,647,234	1,647,234

Contractual maturities of financial liabilities as at 31 December 2010

	Total carrying amount	Contractual Cash Flows	6 Months or Less
	Rupees	Rupees	Rupees
Creditors and accruals	591,292	591,292	591,292

14.2 Fair values of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. There were no financial instruments under this category as at the reporting date.

14.3 Financial instruments by categories

	Loans and receivables	Held to maturity investments	Total
As at 31 December 2011	Rupees	Rupees	Rupees
Assets as per Balance Sheet			
Cash and bank balances	101,210,987	-	101,210,987
Investments - Treasury bills	-	396,185,928	396,185,928
Security deposit	512,000	-	512,000
Sundry receivable	696,348	-	696,348
	102,419,335	396,185,928	498,605,263

	Financial Liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Creditors and accruals	1,647,234

	Loans and receivables	Total
	Rupees	Rupees
As at 31 December 2010		
Assets as per Balance Sheet		
Cash and bank balances	14,798,371	14,798,371
Sundry receivable	258,745	258,745
	15,057,116	15,057,116

	Financial Liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Creditors and accruals	591,292

14.4 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 its business, it has not taken any sort of exposure against insurance contracts during the year. Therefore, as at the reporting date, insurance risk was nil. Further, disclosures required under International Financial Reporting Standard (IFRS)-4 'Insurance Contracts' are not required due to such reason.

15. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES	**2011**	**2010**
Chief Executive Officer	**Rupees**	**Rupees**
Managerial remuneration and other benefits	2,788,046	2,464,085
Number of executive	1	1
Executive		
Managerial remuneration and other benefits	1,936,793	1,713,705
Number of executive	1	1

15.1 No meeting fee has been paid to directors during the year (2010: Nil).

16. 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 07 MAY 2012.

17. GENERAL

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

Chairman **Director** **Director** **Chief Executive Officer**

PATTERN OF SHAREHOLDING

No. of shareholders	From	To	Total shares held	% of capital
15,485	1	1,000	15,485,000	30.97%
3	1,001	2,000	33,500	0.07%
1	2,001	4,500,000	4,481,500	8.96%
1	4,500,001	5,000,000	5,000,000	10.00%
1	5,000,001	9,000,000	9,000,000	18.00%
1	9,000,001	16,000,000	16,000,000	32.00%
			50,000,000	**100.00%**

Categories of Shareholders

Description	No. of Shareholders	Shares held	%age of paid capital
Individuals	15,485	15,485,000	30.97%
Directors	3	33,500	0.07%
NBP	1	4,481,500	8.96%
NBP staff welfare foundation	1	9,000,000	18.00%
NBP employees benevolent fund trust	1	5,000,000	10.00%
NBP employees pension fund	1	16,000,000	32.00%
	15,492	50,000,000	100.00%