

**RIAZ AHMAD & COMPANY**

Chartered Accountants

**NATIONAL ASSETS INSURANCE LIMITED**

**FINANCIAL STATEMENTS WITH  
ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED**

**31 DECEMBER 2012**



# NATIONAL ASSETS INSURANCE LIMITED

## COMPANY INFORMATION

### BOARD OF DIRECTORS

|                              |                           |
|------------------------------|---------------------------|
| Mr. Shahid Anwar Khan        | (Chairman)                |
| Mr. Tariq Jamali             | (Director)                |
| Mr. Nadeem Anwer Ilyas       | (Director)                |
| Mr. Muhammad Faisal Siddiqui | (Chief Executive Officer) |

### DEPARTMENTAL HEADS

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

### AUDITORS

Riaz Ahmed & Company  
108-109, 1<sup>st</sup> Floor, Part Avenue, Block -6  
P.E.C.H.S, Shahrah-e- Faisal, Karachi, - 75400  
Pakistan  
URL [www.racopk.com](http://www.racopk.com)

### REGISTERED OFFICE

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

### HEAD OFFICE

1<sup>st</sup> & 3<sup>rd</sup> 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](http://www.nail.com.pk)

### BANKERS

National Bank of Pakistan

### REGISTRAR & SHARE TRANSFER OFFICE

THK Associates (Pvt.) Ltd.  
Ground Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmed Rd.  
Karachi  
Tel: 111-000-322 Fax: 35655595  
Web: [www.thk.com](http://www.thk.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](http://www.ahmedandqazi.com)

## 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 2012.

### **1. Financial Results**

The Company made a Pre-tax profit of Rs. 36.39 million for the year under consideration (31 December 2011, 12.57 million) after charging costs, expenses and provisions for the year.

|                       | <b>For the year ended<br/>31 December 2012</b> | <b>For the year ended<br/>31 December 2011</b> |
|-----------------------|--|--|
|                       | <u>Rupees</u>                                  | <u>Rupees</u>                                  |
| Pre Tax Profit        | 36,399,323                                     | 12,565,444                                     |
| Taxation              | <u>13,010,968</u>                              | <u>832,352</u>                                 |
| Profit after taxation | 23,388,355                                     | 11,733,092                                     |

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

The company had raised its paid up capital up to Rs. 500 million after 1<sup>st</sup> half of the previous year. During the current year almost all the funds of the Company were either invested in Treasury Bills or kept in NIDA account which resulted in material growth in pre tax profit.

The financial health of the company is strong and its total equity has reached Rs. 525 million during the current year.

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

The board is confident that after starting operations, 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.

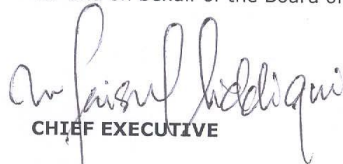
### **4. Pattern of Shareholding**

The statement of pattern of shareholding of the company as at December 31, 2012 is annexed.

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

The profit per share for the year is Rs. 0.47/- (31 December 2011, Rs. 0.49/-) and breakup value per share is Rs. 10.50 (31 December 2011, Rs. 10.03).

For and on behalf of the Board of Directors

  
**CHIEF EXECUTIVE**

Karachi  
April 08, 2013

### 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 2012 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 except for the change as referred to in note 2.15 to the financial statements with which we concur;
- 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 2012 and

## RIAZ AHMAD & COMPANY

Chartered Accountants

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.

Without qualifying our opinion we draw attention to note 1.2 to the financial statements which states that the Company did not start its underwriting operations so far as the Insurance License is still awaited from Securities and Exchange Commission of Pakistan (SECP). The Company has completed the formalities of the Insurance License including the compliance with the minimum paid up capital requirement. The management of the Company and its directors strongly believe that the Company is a going concern and would be able to kick-start the business operations during the next year after obtaining the Insurance License and Business Commencement Certificate. Accordingly, the enclosed financial statements have been prepared on going concern basis.



RIAZ AHMAD & COMPANY  
Chartered Accountants

Name of engagement partner:  
Muhammad Kamran Nasir

Date: 08 APR 2013

KARACHI

**NATIONAL ASSETS INSURANCE LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2012**

|  | Note | 2012<br>Rupees     | 2011<br>Rupees     | Note | 2012<br>Rupees | 2011<br>Rupees |
|--|------|--------------------|--------------------|------|----------------|----------------|
| <b>Share capital and reserves</b>            |      |                    |                    |      |                |                |
| 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        | 500,000,000        |      |                |                |
| Accumulated profit                           |      | 25,115,876         | 1,727,521          |      |                |                |
| <b>Total equity</b>                          |      | <b>525,115,876</b> | <b>501,727,521</b> |      |                |                |
| <b>Deferred liabilities</b>                  |      |                    |                    |      |                |                |
| Staff retirement benefits                    | 4    | 381,147            | -                  |      |                |                |
| <b>Creditors and accruals</b>                |      |                    |                    |      |                |                |
| Accrued expenses                             | 5    | 837,843            | 1,647,234          |      |                |                |
| Provision for tax - net                      |      | 7,236,184          | -                  |      |                |                |
| <b>Total liabilities</b>                     |      | <b>8,074,027</b>   | <b>1,647,234</b>   |      |                |                |
| <b>CONTINGENCIES AND COMMITMENTS</b>         | 6    | -                  | -                  |      |                |                |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |      | <b>533,571,050</b> | <b>503,374,755</b> |      |                |                |
| <b>Cash and bank deposits</b>                |      |                    |                    |      |                |                |
| Current and other accounts                   | 7    | 380,822,808        | 101,210,987        |      |                |                |
| <b>Investments</b>                           |      |                    |                    |      |                |                |
| Deferred tax asset                           | 8    | 146,802,198        | 396,185,928        |      |                |                |
| <b>Current assets - others</b>               |      |                    |                    |      |                |                |
| Advance income tax - net                     |      | 497,990            | 747,168            |      |                |                |
| Prepayments                                  |      | 512,000            | 512,000            |      |                |                |
| Security deposit                             |      | -                  | 696,348            |      |                |                |
| Sundry receivable                            |      | 1,009,990          | 2,024,318          |      |                |                |
| <b>Fixed Assets - Tangible</b>               |      |                    |                    |      |                |                |
| Computer & related accessories               |      | 221,240            | 96,522             |      |                |                |
| Vehicles                                     |      | 1,462,902          | 1,853,628          |      |                |                |
| Furniture and fittings                       |      | 390,569            | 320,763            |      |                |                |
| Office equipment                             |      | 404,383            | 292,740            |      |                |                |
| Capital work in progress - intangible        | 9    | 2,499,094          | 2,563,653          |      |                |                |
|  | 10   | 2,280,000          | 1,140,000          |      |                |                |
| <b>TOTAL ASSETS</b>                          |      | <b>533,571,050</b> | <b>503,374,755</b> |      |                |                |

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 2012**

|  | Note | 2012<br>Rupees           | 2011<br>Rupees           |
|--|------|--------------------------|--------------------------|
| <b>Revenue account</b>                               |      |                          |                          |
| Underwriting results                                 |      | -                        | -                        |
| Investment income                                    |      | 38,093,770               | 19,035,928               |
| Other income   | 11   | 11,829,187               | 1,524,024                |
|  |      | <u>49,922,957</u>        | <u>20,559,952</u>        |
| General and administration expenses                  | 12   | (13,522,634)             | (7,993,708)              |
| Bank charges   |      | (1,000)                  | (800)                    |
| <b>Profit before taxation</b>                        |      | <u>36,399,323</u>        | <u>12,565,444</u>        |
| <b>Provision for taxation</b>                        |      |                          |                          |
|  | 13   |                          |                          |
| Current  |      | (12,889,623)             | (1,072,217)              |
| Prior year   |      | (28,436)                 | (10,004)                 |
| Deferred   |      | (92,909)                 | 249,869                  |
|  |      | <u>(13,010,968)</u>      | <u>(832,352)</u>         |
| <b>Profit after taxation</b>                         |      | <u><u>23,388,355</u></u> | <u><u>11,733,092</u></u> |
| <b>Profit and loss appropriation account</b>         |      |                          |                          |
| Balance at commencement of the year                  |      | 1,727,521                | (10,005,571)             |
| Profit after tax for the year                        |      | 23,388,355               | 11,733,092               |
| Appropriations made during the year                  |      | -                        | -                        |
| Balance unappropriated profit at the end of the year |      | <u><u>25,115,876</u></u> | <u><u>1,727,521</u></u>  |
| <b>Earnings per share - basic and diluted</b>        |      |                          |                          |
|  | 14   | <u><u>0.47</u></u>       | <u><u>0.49</u></u>       |

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.

  
 Chairman

  
 Director

  
 Director

  
 Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012

|   | 2012<br>Rupees    | 2011<br>Rupees    |
|---|-------------------|-------------------|
| Profit for the year                     | 23,388,355        | 11,733,092        |
| Other comprehensive income              | -                 | -                 |
| Total comprehensive income for the year | <u>23,388,355</u> | <u>11,733,092</u> |

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



Chairman



Nadeem Javed  
Director



Tariq Jamali  
Director



Faizul Siddiqui  
Chief Executive Officer



**NATIONAL ASSETS INSURANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

|   | Issued,<br>subscribed<br>and paid-up<br>share capital | Unappropriated<br>profit<br>/(Accumulated<br>loss) | Total              |
|---|---|--|--------------------|
|   | Rupees  | Rupees   | Rupees             |
| <b>Balance as at 31 December 2010</b>                               | 27,000,000  | (10,005,571)                                       | 16,994,429         |
| Issuance of ordinary shares   | 473,000,000   | -  | 473,000,000        |
| <b>Comprehensive income for the year ended<br/>31 December 2011</b> |   |  |                    |
| Profit for the year ended 31 December 2011                          | -   | 11,733,092   | 11,733,092         |
| Other comprehensive income  | -   | -  | -                  |
| Total comprehensive income for the year                             | -   | 11,733,092   | 11,733,092         |
| <b>Balance as at 31 December 2011</b>                               | 500,000,000   | 1,727,521  | 501,727,521        |
| <b>Comprehensive income for the year ended<br/>31 December 2012</b> |   |  |                    |
| Profit for the year ended 31 December 2012                          | -   | 23,388,355   | 23,388,355         |
| Other comprehensive income  | -   | -  | -                  |
| Total comprehensive income for the year                             | -   | 23,388,355   | 23,388,355         |
| <b>Balance as at 31 December 2012</b>                               | <u>500,000,000</u>                                    | <u>25,115,876</u>                                  | <u>525,115,876</u> |

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

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

**NATIONAL ASSETS INSURANCE LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

|  | 2012<br>Rupees     | 2011<br>Rupees       |
|--|--------------------|----------------------|
| <b>Operating Cash Flows</b>  |                    |                      |
| <b>a) Underwriting activities</b>                                      |                    |                      |
| Premiums received  | -                  | -                    |
| Reinsurance premiums paid  | -                  | -                    |
| Claims paid  | -                  | -                    |
| Surrenders paid  | -                  | -                    |
| Reinsurance and other recoveries received                              | -                  | -                    |
| Commissions paid   | -                  | -                    |
| Commissions received   | -                  | -                    |
| Other underwriting payments  | -                  | -                    |
| <b>Net cash flow from underwriting activities</b>                      | -                  | -                    |
| <b>b) Other operating activities</b>                                   |                    |                      |
| Income tax paid  | (5,613,074)        | (1,025,403)          |
| Security deposit paid  | -                  | (512,000)            |
| General and other expenses paid  | (12,424,142)       | (7,170,002)          |
| Other receipts   | 56,151,687         | 1,086,421            |
| <b>Net cash generated from / (used in) other operating activities</b>  | <b>38,114,471</b>  | <b>(7,620,984)</b>   |
| <b>Total cash generated from / (used in) all operating activities</b>  | <b>38,114,471</b>  | <b>(7,620,984)</b>   |
| <b>Investment activities</b>   |                    |                      |
| Investment matured   | 1,218,177,500      | 8,730,000            |
| Investments purchased  | (975,022,500)      | (385,880,000)        |
| Capital work in progress - intangible                                  | (1,140,000)        | (1,140,000)          |
| Fixed capital expenditure - Tangible assets                            | (517,650)          | (676,400)            |
| <b>Total cash generated from / (used in) from investing activities</b> | <b>241,497,350</b> | <b>(378,966,400)</b> |
| <b>Financing activities</b>  |                    |                      |
| Proceeds from issue of ordinary shares                                 | -                  | 473,000,000          |
| <b>Total cash flow from financing activities</b>                       | <b>-</b>           | <b>473,000,000</b>   |
| <b>Net cash inflow from all activities</b>                             | <b>279,611,821</b> | <b>86,412,616</b>    |
| Cash at the beginning of the year                                      | 101,210,987        | 14,798,371           |
| <b>Cash at the end of the year</b>                                     | <b>380,822,808</b> | <b>101,210,987</b>   |

|  | 2012<br>Rupees    | 2011<br>Rupees    |
|--|-------------------|-------------------|
| <b>Reconciliation to Profit and Loss Account</b>   |                   |                   |
| Operating cash flows                               | 38,114,471        | (7,620,984)       |
| Depreciation                                       | (582,209)         | (491,064)         |
| Increase in assets other than cash                 | 61,927            | 11,978,031        |
| Increase in liabilities other than running finance | (6,807,940)       | (1,055,942)       |
|  | 30,786,249        | 2,810,041         |
| <b>Others</b>                                      |                   |                   |
| Profit on sale of investments                      | -                 | 8,730,000         |
| Income tax paid                                    | 5,613,074         | 1,025,403         |
|  | 5,613,074         | 9,755,403         |
| <b>Profit before taxation</b>                      | <b>36,399,323</b> | <b>12,565,444</b> |

**Definition of cash:**

Cash comprises of cash in hand, bank balances.

**Cash for the purpose of the Statement of Cash Flows consists of:**

|  |                    |                    |
|--|--------------------|--------------------|
| Current and other accounts             | 380,822,808        | 101,210,987        |
| <b>Total cash and cash equivalents</b> | <b>380,822,808</b> | <b>101,210,987</b> |

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

  
Chairman

  
Director

  
Director

  
Chief Executive Officer

NATIONAL ASSETS INSURANCE LIMITED  
STATEMENT OF INVESTMENT INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012

|                                     | 2012<br>Rupees    | 2011<br>Rupees    |
|-------------------------------------|-------------------|-------------------|
| Income from non-trading investments |                   |                   |
| Held to maturity                    |                   |                   |
| Return on treasury bills            | 38,093,770        | 19,035,928        |
| <b>Net investment income</b>        | <u>38,093,770</u> | <u>19,035,928</u> |

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



Chairman



Nadeem Akbar  
Director



Tariq Jamali  
Director



Chief Executive Officer

**NATIONAL ASSETS INSURANCE LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 from time to time) (the "Insurance Ordinance") including re-insurance of any or all classes of business.

1.2 The Company did not start its underwriting operations so far as the Insurance License is still awaited from Securities and Exchange Commission of Pakistan (SECP). After obtaining the License, the Company shall apply for the Certificate of Commencement of Business from SECP in order to start its operations.

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

Since the Company has already met the minimum paid up capital requirement and carries a very healthy financial position, the management of the Company and its directors strongly believe that the Company is a going concern and would be able to kick-start the business operations during the next year after obtaining the Insurance License and Business Commencement Certificate. Accordingly, these financial statements have been prepared on going concern basis.

**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.

**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.

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, interpretations and amendments to published approved standards that are effective in current year and are relevant to the Company**

The following amendment is effective for the year ended 31 December 2012. This amendment is not expected to have significant impact on the Company's financial statements.

**- Amendments to IFRS 7 - Financial Instruments: Disclosures - Transfer of Financial Assets**

The IASB issued an amendment to IFRS 7 on 07 October 2010 which is effective from the accounting periods beginning on or after 01 July 2011. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entirety and transferred assets that are not recognized in their entirety.

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

There are other new standards, interpretations and amendments to the published approved accounting standards 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 these financial statements and are therefore not detailed in these financial statements.

**h) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are relevant to the Company's operations but in some cases not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**- Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income**

This amendment is effective for the accounting periods beginning on or after 01 January 2013. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).

**- Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information**

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

**- Amendments to IAS 16 - Property, Plant and Equipment – Classification of Servicing Equipment**

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

**- Amendments to IAS 32 - Financial Instruments: Presentation – Tax Effects of Distributions to Holders of an Equity Instrument, and Transaction Costs of an Equity Transaction**

This amendment is effective for the accounting periods beginning on or after 01 January 2013. This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

**- Amendments to IAS 32 - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities**

This amendment is effective for the accounting periods beginning on or after 01 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to setoff". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of setoff be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

**- Amendments to IFRS 7 - Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities**

These amendments are effective for the accounting periods beginning on or after 01 January 2013. These amendments require an entity to disclose information about rights to set off and related arrangements (for example collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are setoff in accordance with IAS 32.

**- Amendments to IAS 19 Employee Benefits: Elimination of Corridor Approach**

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after 01 January 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to Non adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to Non adoption of IFRS 10 and IFRS 11

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

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 2013 but are considered not to be relevant or do not have any significant impact on these financial statements and are therefore not detailed in these financial statements.

The company has adopted its other accounting policies as under. The policies relating to underwriting activities 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 mentioned 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 reducing balance method, 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

Intangibles 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, amortisation is charged to income on a systematic basis over its useful life.

Amortisation shall begin when the asset is available for use. Amortisation shall cease the earlier of the date asset is classified as 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 / reinsurers, 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 / reinsurers, 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.

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

#### **2.15 Staff retirement benefits plan**

From the current year, the Company operates an unfunded gratuity scheme covering all its employees under the age of 60 years. The employees who have completed one year of their service with the Company are eligible for the scheme. Provision is made in these financial statements on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method. Actuarial gains and losses are amortized over the expected future service of the current members in accordance with the International Accounting Standard – 19 'Employee Benefits'.

Previously, the Company was operating a provident fund scheme for all its eligible employees requiring equal monthly contribution @ 8.33% of salary by the Company and its employees. During the year, this scheme has been terminated and replaced with the unfunded gratuity scheme. The outstanding balances have been adjusted accordingly. Had there been no change in the scheme and related accounting policy, profit for the year and the shareholders' equity would have been higher by Rupees 0.155 million. There is no impact of this change on the profitability and shareholder's equity of previous years.

#### **2.16 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.

#### **2.17 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.

#### **2.18 Share Capital**

Ordinary shares are classified as equity.

3. SHARE CAPITAL

3.1 Authorized share capital

| 2012<br>(Number of shares) | 2011<br>(Number of shares) |  | 2012<br>Rupees       | 2011<br>Rupees       |
|----------------------------|----------------------------|--|----------------------|----------------------|
| <u>100,000,000</u>         | <u>100,000,000</u>         | Ordinary shares of Rupees 10 each fully paid in cash | <u>1,000,000,000</u> | <u>1,000,000,000</u> |

3.2 Paid-up share capital

Issued, subscribed and fully paid:

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

3.3 4,481,500 ordinary shares (8.96%) 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. STAFF RETIREMENT BENEFITS - Unfunded staff gratuity

From the current year, the Company operates an unfunded gratuity scheme for all employees. The latest valuation was carried out as at 31 December 2012.

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

|  | Rate per annum |      |
|--|----------------|------|
|  | 2012           | 2011 |
| - Valuation discount rate                                | 12.50%         | -    |
| - Expected rate of increase in salary level - first year | 17.00%         | -    |
| - Expected rate of increase in salary level - long term  | 12.50%         | -    |

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

|  | 2012<br>Rupees | 2011<br>Rupees |
|--|----------------|----------------|
| Present value of defined benefit obligation at the end of the year | 381,147        | -              |
| Gratuity fund balance  | -              | -              |
|  | <u>381,147</u> | <u>-</u>       |
| Unrecognized actuarial gain / (loss)                               | -              | -              |
| Net liability  | <u>381,147</u> | <u>-</u>       |

|   | 2012               | 2011               |
|---|--------------------|--------------------|
|   | Rupees             | Rupees             |
| <b>4.1 Movement in net liability</b>  |                    |                    |
| Opening balance   | -                  | -                  |
| Charge for the year   | 381,147            | -                  |
| Payments made during the year   | -                  | -                  |
| Closing balance   | <u>381,147</u>     | <u>-</u>           |
| <b>4.2 The amounts charged in profit and loss are as follows:</b>   |                    |                    |
| Current service cost  | 335,812            | -                  |
| Interest on obligation  | 45,335             | -                  |
| Expense for the year  | <u>381,147</u>     | <u>-</u>           |
| <b>4.3 Changes in present value of the defined benefit obligation</b>   |                    |                    |
| Present value of defined benefit obligation at the beginning of the year  | -                  | -                  |
| Current service cost  | 335,812            | -                  |
| Interest cost   | 45,335             | -                  |
| Actuarial (gain) / loss   | -                  | -                  |
| Benefits paid   | -                  | -                  |
| Present value of defined benefit obligation at the end of the year  | <u>381,147</u>     | <u>-</u>           |
| <b>5. CREDITORS AND ACCRUALS</b>  |                    |                    |
| <b>Accrued expenses</b>   |                    |                    |
| Provident fund payable  | -                  | 1,391,498          |
| Rent payable  | -                  | 158,050            |
| Bills payable   | -                  | 12,686             |
| Worker's welfare fund payable   | 742,843            | -                  |
| Accrued expenses  | 95,000             | 85,000             |
|   | <u>837,843</u>     | <u>1,647,234</u>   |
| <b>6. CONTINGENCIES AND COMMITMENTS</b>   |                    |                    |
| 6.1 There were no contingencies at the balance sheet date. (2011: Nil).   |                    |                    |
| 6.2 There were no capital and other commitments at the balance sheet date (2011:Nil).   |                    |                    |
| <b>7. CASH AND BANK BALANCES</b>  |                    |                    |
| Cash in bank - Current account  | <u>380,822,808</u> | <u>101,210,987</u> |
| 7.1 This bank account is maintained with National Bank of Pakistan (a related party). The nature of account is income account and is called NIDA i.e. National Income Daily Account. As reflected from its name, the markup is calculated on daily basis on the previous day's account balance and credited periodically. |                    |                    |
| <b>8. INVESTMENTS</b>   |                    |                    |
| <b>Held to maturity</b>   |                    |                    |
| Treasury bills maturing within three months   | 146,802,198        | 396,185,928        |
|   | <u>146,802,198</u> | <u>396,185,928</u> |
| 8.1 The company purchased Treasury Bills through non-competitive bidding having face value of Rupees 150 million maturing on 21 March 2013 .  |                    |                    |
| 8.2 Treasury bills of Rupees 53,500,000 (2011 :53,500,000) are pledged with State Bank of Pakistan as statutory deposit.  |                    |                    |

9. FIXED ASSETS - TANGIBLE

|                                    | 2012                           |                  |                        |                  |                  |
|------------------------------------|--------------------------------|------------------|------------------------|------------------|------------------|
|                                    | Computer & related accessories | Vehicle          | Furniture and fittings | Office equipment | Total            |
|                                    | .....Rupees.....               |                  |                        |                  |                  |
| <b>At 01 January 2012</b>          |                                |                  |                        |                  |                  |
| 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                     | <u>96,522</u>                  | <u>1,853,628</u> | <u>320,763</u>         | <u>292,740</u>   | <u>2,563,653</u> |
| <b>Year ended 31 December 2012</b> |                                |                  |                        |                  |                  |
| Opening net book value             | 96,522                         | 1,853,628        | 320,763                | 292,740          | 2,563,653        |
| Additions                          | 204,900                        | -                | 160,750                | 152,000          | 517,650          |
| Disposals                          |                                |                  |                        |                  |                  |
| Cost                               | -                              | -                | -                      | -                | -                |
| Depreciation                       | -                              | -                | -                      | -                | -                |
| Depreciation charge for the year   | 80,182                         | 370,726          | 90,944                 | 40,357           | 582,209          |
| Closing net book value             | <u>221,240</u>                 | <u>1,482,902</u> | <u>390,569</u>         | <u>404,383</u>   | <u>2,499,094</u> |
| <b>At 31 December 2012</b>         |                                |                  |                        |                  |                  |
| Cost                               | 374,635                        | 2,837,186        | 486,950                | 447,200          | 4,145,971        |
| Accumulated depreciation           | 153,395                        | 1,354,284        | 96,381                 | 42,817           | 1,646,877        |
| Net book value                     | <u>221,240</u>                 | <u>1,482,902</u> | <u>390,569</u>         | <u>404,383</u>   | <u>2,499,094</u> |
| Depreciation rate per annum        | 30%                            | 20%              | 20%                    | 10%              |                  |
|                                    | 2011                           |                  |                        |                  |                  |
|                                    | Computer & related accessories | Vehicle          | Furniture and fittings | Office equipment | Total            |
|                                    | .....Rupees.....               |                  |                        |                  |                  |
| <b>At 01 January 2011</b>          |                                |                  |                        |                  |                  |
| Cost                               | 114,735                        | 2,837,186        | -                      | -                | 2,951,921        |
| Accumulated depreciation           | 53,453                         | 520,151          | -                      | -                | 573,604          |
| Net book value                     | <u>61,282</u>                  | <u>2,317,035</u> | <u>-</u>               | <u>-</u>         | <u>2,378,317</u> |
| <b>Year ended 31 December 2011</b> |                                |                  |                        |                  |                  |
| 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             | <u>96,522</u>                  | <u>1,853,628</u> | <u>320,763</u>         | <u>292,740</u>   | <u>2,563,653</u> |
| <b>At 31 December 2011</b>         |                                |                  |                        |                  |                  |
| 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                     | <u>96,522</u>                  | <u>1,853,628</u> | <u>320,763</u>         | <u>292,740</u>   | <u>2,563,653</u> |
| Depreciation rate per annum        | 30%                            | 20%              | 20%                    | 10%              |                  |

|   | 2012              | 2011              |
|---|-------------------|-------------------|
|   | Rupees            | Rupees            |
| <b>10. CAPITAL WORK IN PROGRESS - INTANGIBLE</b>  | <b>2,280,000</b>  | <b>1,140,000</b>  |
| 10.1 During the previous 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. So far sixty percent payment for the development stage has been made in advance. |                   |                   |
| <b>11. OTHER INCOME</b>   |                   |                   |
| Profit on bank deposits   | 11,814,187        | 1,524,024         |
| Miscellaneous income  | 15,000            | -                 |
|   | <b>11,829,187</b> | <b>1,524,024</b>  |
| <b>12. GENERAL AND ADMINISTRATION EXPENSES</b>  |                   |                   |
| Legal and professional charges  | 1,030,564         | 773,005           |
| Advertisement   | 51,200            | 107,219           |
| Salaries and benefits   | 7,834,896         | 5,788,286         |
| Auditors' remuneration  | 95,000            | 85,000            |
| Depreciation  | 582,209           | 491,064           |
| Insurance   | 131,365           | 116,050           |
| Rent, rates & taxes   | 1,920,648         | 452,700           |
| Printing & stationery   | 200,475           | 8,720             |
| Utilities   | 402,159           | 94,793            |
| Repair and maintenance  | 78,290            | -                 |
| Entertainment   | 143,728           | 7,951             |
| Travelling expense  | 23,536            | 31,170            |
| Provision for worker's welfare fund   | 742,843           | -                 |
| Miscellaneous   | 285,721           | 37,750            |
|   | <b>13,522,634</b> | <b>7,993,708</b>  |
| 12.1 Salaries and benefits include Rupees. 381,147 (2011: Rupees 437,603) in respect of staff retirement benefits.  |                   |                   |
| <b>13. PROVISION FOR TAXATION</b>   |                   |                   |
| For the year:   |                   |                   |
| Current year  | 12,889,623        | 1,072,217         |
| Prior year  | 28,436            | 10,004            |
| Deferred  | 92,909            | (249,869)         |
|   | <b>13,010,968</b> | <b>832,352</b>    |
| 13.1 The relationship between accounting profit and tax expense:  |                   | 2012              |
| Profit before taxation  |                   | <b>36,399,323</b> |
| Tax at the applicable rate of 35 %  |                   | 12,739,764        |
| Prior year tax effect   |                   | 28,436            |
| Computation impact  |                   | (17,227)          |
|   |                   | <b>12,750,973</b> |
| <b>14. EARNINGS PER SHARE -BASIC AND DILUTED</b>  | <b>2012</b>       | <b>2011</b>       |
| There is no dilutive effect on basic earnings per share which is based on:  |                   |                   |
| Profit for the year (Rupees)  | 23,388,355        | 11,733,092        |
| Weighted average number of ordinary shares in issue during the year (Number)  | 50,000,000        | 23,823,013        |
| Earnings per share basic and diluted (Rupees)   | <b>0.47</b>       | <b>0.49</b>       |



## 15. FINANCIAL RISK MANAGEMENT

### 15.1 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 exists due to transaction in foreign currencies.

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

Sensitivity analysis of functional currency at reporting date 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:

|                              | 2012<br>Rupees     | 2011<br>Rupees     |
|------------------------------|--------------------|--------------------|
| Balance with banks           | 380,822,808        | 101,210,987        |
| Investments - Treasury bills | 146,802,198        | 396,185,928        |
| Security deposit             | 512,000            | 512,000            |
| Sundry receivable            | -                  | 696,348            |
|                              | <u>528,137,006</u> | <u>498,605,263</u> |

The credit quality of financial assets 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     |           |         | 2012        | 2011        |
|---------------------------|------------|-----------|---------|-------------|-------------|
|                           | Short term | Long term | Agency  | Rupees      | Rupees      |
| National Bank of Pakistan | A-1+       | AAA       | JCR-VIS | 380,822,808 | 101,210,987 |

(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 2012, the company had Rupees 380,822,808 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 2012

|                        | Total carrying amount | Contractual Cash Flows | 6 Months or Less |
|------------------------|-----------------------|------------------------|------------------|
|                        | Rupees                | Rupees                 | Rupees           |
| Creditors and accruals | 95,000                | 95,000                 | 95,000           |

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 | 255,736               | 255,736                | 255,736          |

15.2 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.

15.3 Financial instruments by categories

As at 31 December 2012

|                              | Loans and receivables | Held to maturity investments | Total              |
|------------------------------|-----------------------|------------------------------|--------------------|
|                              | Rupees                | Rupees                       | Rupees             |
| Assets as per Balance Sheet  |                       |                              |                    |
| Cash and bank balances       | 380,822,808           | -                            | 380,822,808        |
| Investments - Treasury bills | -                     | 146,802,198                  | 146,802,198        |
| Security deposit             | 512,000               | -                            | 512,000            |
| Sundry receivable            | -                     | -                            | -                  |
|                              | <b>381,334,808</b>    | <b>146,802,198</b>           | <b>528,137,006</b> |

Financial Liabilities at amortized cost  
Rupees

Liabilities as per balance sheet  
Creditors and accruals

95,000

As at 31 December 2011

|                              | Loans and receivables | Held to maturity investments | Total              |
|------------------------------|-----------------------|------------------------------|--------------------|
|                              | 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            |
|                              | <b>102,419,335</b>    | <b>396,185,928</b>           | <b>498,605,263</b> |

**Financial  
Liabilities at  
amortized cost**

Rupees

Liabilities as per balance sheet  
Creditors and accruals

255,736

**15.4 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.

**16. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

|  | 2012             | 2011             |
|--|------------------|------------------|
|  | Rupees           | Rupees           |
| <b>Chief Executive Officer</b>             |                  |                  |
| Managerial remuneration and other benefits | <u>3,199,861</u> | <u>2,788,046</u> |
| Number of executive                        | <u>1</u>         | <u>1</u>         |
| <b>Executive</b>                           |                  |                  |
| Managerial remuneration and other benefits | <u>4,306,120</u> | <u>1,936,793</u> |
| Number of executive                        | <u>3</u>         | <u>1</u>         |

16.1 No meeting fee has been paid to directors during the year (2011: Nil).

**17. TRANSACTIONS WITH RELATED PARTIES**

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

There are no transactions with key management personnel other than as per their terms of employment. These transactions are disclosed in note 16 to these financial statements. Transactions with related parties not elsewhere disclosed are summarised as follows:

|                         | Rupees     |
|-------------------------|------------|
| Profit on bank deposits | 11,814,187 |
| Rent paid               | 218,688    |
| Bank charges            | 1,000      |

**18. 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 \_\_\_\_\_.

08 APR 2013

19. GENERAL

19.1 There is no change in corresponding figure except for the following:

| From                   | To                  | Reason                  | Rupees |
|------------------------|---------------------|-------------------------|--------|
| Miscellaneous          | Entertainment       | For better presentation | 7,951  |
| Miscellaneous          | Travelling expenses | For better presentation | 31,170 |
| Internet charges       | Miscellaneous       | For better presentation | 17,200 |
| Communication expenses | Utilities           | For better presentation | 94,793 |

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



Chairman



Director



Director



Chief Executive Officer

**PATTERN OF SHAREHOLDING**

| <u>No. of shareholders</u> | <u>From</u> | <u>To</u>  | <u>Total shares held</u> | <u>% of capital</u> |
|----------------------------|-------------|------------|--------------------------|---------------------|
| 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%              |
|                            |             |            | <b>50,000,000</b>        | <b>100.00%</b>      |

**Categories of Shareholders**

| <u>Description</u>                  | <u>No. of Shareholders</u> | <u>Shares held</u> | <u>%age of paid capital</u> |
|-------------------------------------|----------------------------|--------------------|-----------------------------|
| 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%                      |
|                                     | <b>15,492</b>              | <b>50,000,000</b>  | <b>100.00%</b>              |