



General Insurance Company

National Assets Insurance Limited

Financial Statements with
Accompanying Information

Annual Report
31 December 2013



National Assets Insurance Ltd.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahid Anwar Khan (Chairman)
Mr. Tariq Jamali (Director)
Mr. Nadeem A. Ilyas (Director)

Mr. Muhammad Faisal Siddiqui (Chief Executive Officer)

DEPARTMENTAL HEADS

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

Auditors Riaz Ahmad & Company
108-109, 1st Floor, Park Avenue, Block-6
PECHS, Shahrah-e-Faisal
Karachi

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

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

Bankers National Bank of Pakistan

**Registrar &
Share Transfer Office** THK Associates (Pvt) Ltd.
2nd Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi

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



National Assets Insurance Ltd.

NOTICE

All shareholders are hereby requested to fill this form and return to the under mentioned address within 15 days from the dispatch of this Notice.

If this communication is not responded within due time, the specimen signatures and addresses as per our record shall be considered to be accurate and final.

1. Folio No. _____
2. Name: _____
3. Father's / Husband's Name: _____
4. CNIC # _____ (Please attached photocopy of CNIC)
5. Postal Address (Official):

6. Postal Address (Permanent Residential):

7. Contact Nos.
Mobile phone number: _____ Official _____ Residence _____
8. Specimen Signatures **(CONCERNED BRANCH MANAGER MUST ATTEST AND STAMP THE SIGNATURES AND MENTION HIS / HER DESIGNATION):**

(1) _____ (2) _____ (3) _____
SIGNATURE OF SHAREHOLDER SIGNATURE OF SHAREHOLDER SIGNATURE OF SHAREHOLDER
(3 attested signatures of the shareholder are required)

To
National Assets Insurance Limited
78-C, Khayaban-e Jami
Phase-VII, DHA
Karachi



National Assets Insurance Ltd.

March 14, 2014

Company Secretary
National Assets Insurance Limited
Plot No. 78 C, 3rd Floor
Khayaban-e-Jami
DHA Phase 7
KARACHI

Dear Sir

NOTICE FOR THE CHANGE OF STATUTORY AUDITORS UNDER SECTION 253 OF THE COMPANIES ORDINANCE, 1984

Please refer to the matter captioned above.

As required under section 253 of the Companies Ordinance, 1984, I, **Abdul Khaliq Mughal** (CNIC: 42101-1813027-3) being the member / shareholder of National Assets Insurance Limited (Folio No. 305) hereby give the notice to consider appointing Messrs **Anjum, Asim, Shahid, Rahman, Chartered Accountants** as statutory auditors of National Assets Insurance Limited for the year ending on 31 December 2014 in the annual general meeting for the year 2013.

Please acknowledge the receipt of this notice and oblige.

Thanking you.

Yours faithfully,

Abdul Khaliq Mughal
(CNIC: 42101-1813027-3)
(Folio No.305)



National Assets Insurance Ltd.

NOTICE OF THE 5TH ANNUAL GENERAL MEETING

Notice is hereby given that the 5th Annual General Meeting of **National Assets Insurance Limited** will be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 30 April 2014 at 11:00 a.m., to transact the following business:

1. To consider and approve the minutes of the 3rd Extra Ordinary General Meeting of the company held at Carlton Hotel, D.H.A, Karachi, on 31 January, 2014 at 11:00 a.m..
2. To approve and adopt the Audited Financial Statements of the company for the year ended 31 December 2013 along with all the policies as mentioned in the Financial Statements.
3. To appoint statutory auditors of the company for the year ended 31 December 2014 and to fix their audit fee for the same period.
4. To transact any other business with the permission of the chair.

Date: April 01, 2014

MUHAMMAD UMAIR BHAUR
(CFO & Company Secretary)

Notes:

1. The share transfer books of the company will remain close from April 20, 2014 to April 30, 2014 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.



National Assets Insurance Ltd.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company feel pleasure in presenting the annual report together with audited financial statements for the year ended 31 December 2013.

1. Financial Results

The Company made a Pre-tax profit of Rs. 28.33 million for the year under consideration (31 December 2012, 40.61 million) after charging costs, expenses and provisions for the year.

	For the year ended 31 December 2013 Rupees	For the year ended 31 December 2012 Rupees
Pre Tax Profit	28,326,396	40,613,561
Taxation	<u>9,325,577</u>	<u>14,516,053</u>
Profit after taxation	19,000,819	26,097,508

2. Review of financial Affairs and Future Prospects

The company had raised its paid up capital up to Rs. 500 million after 1st half of the year 2011. During 2012 and 2013, the Company kept the available funds either in National Income Daily Account (NIDA) or in Treasury Bills. During these two years the Company continued its efforts to obtain Insurance License from SECP. The main reason of reduction in profit during the year 2013 as compared to 2012 is the reduced Policy Rate of State Bank of Pakistan which resulted in low returns on invested funds on NIDA account as well as Treasury Bills.

As the current Policy Rate is 10%, it is expected that the Company shall earn better returns on such investments during the next year.

The financial health of the company is still strong and its total equity has reached Rs. 550.8 million during the current year.

The company has completed all the formalities of the insurance license including the compliance with the minimum paid up capital requirement and doing its best efforts to obtain the License. It is expected that the company will start business operations during the next year after obtaining Insurance License 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 matter of appointment of new auditors shall be finalized in the next Annual General Meeting.

4. Pattern of Shareholding

The statement of pattern of shareholding of the company as at December 31, 2013 is annexed.

5. Profit and break up value per share

The profit per share for the year is Rs. 0.38/- (31 December 2012, Rs. 0.52/-) and breakup value per share is Rs. 11.02 (31 December 2012, Rs. 10.64).

For and on behalf of the Board of Directors

CHIEF EXECUTIVE

Karachi
March 18, 2014

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 2013 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 change referred to in note 2.15 with which we concur;

RIAZ AHMAD & COMPANY

Chartered Accountants

- 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 2013 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.

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: 18 MAR 2014

KARACHI

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated
Share capital and reserves								
Authorised share capital	3.1	1,000,000,000	1,000,000,000	1,000,000,000	7	384,308,964	380,822,808	101,210,987
Issued, subscribed and paid-up share capital	3.2	500,000,000	500,000,000	500,000,000	8	149,926,488	146,802,198	396,185,928
Unappropriated profit (2012 & 2011: restated)		50,877,269	32,026,430	5,928,922		1,063,322	156,960	249,869
Total equity		550,877,269	532,026,430	505,928,922				
Deferred liabilities								
Staff retirement benefits	4	1,049,402	381,147	-		15,692,311	10,763,937	6,463,694
Creditors and accruals								
Accrued expenses	5	1,677,694	923,848	1,647,234		37,484	497,990	747,168
Provision for tax - net		2,260,366	11,003,562	2,193,491		257,000	512,000	512,000
Total liabilities		3,938,060	11,927,410	3,840,725		16,003,580	11,773,927	8,419,210
CONTINGENCIES AND COMMITMENTS	6	4,987,462	12,308,557	3,840,725		154,868	221,240	96,522
						771,109	1,482,902	1,853,628
						312,455	390,569	320,763
						363,945	404,383	292,740
					9	1,602,377	2,489,094	2,563,653
					10	2,960,000	2,280,000	1,140,000
TOTAL EQUITY AND LIABILITIES		555,864,731	544,334,987	509,769,647		555,864,731	544,334,987	509,769,647

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


Chairman


Director


Director


Chief Executive Officer

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 Rupees	2012 Rupees Restated
Revenue account			
Underwriting results		-	-
Investment income		10,854,532	38,093,770
Other income (2012: restated)	11	31,931,402	16,129,430
		<u>42,785,934</u>	<u>54,223,200</u>
General and administration expenses	12	(14,458,480)	(13,608,639)
Bank charges		(1,058)	(1,000)
Profit before taxation		<u>28,326,396</u>	<u>40,613,561</u>
Provision for taxation (2012: restated)	13		
Current		(10,151,181)	(14,394,708)
Prior year		-	(28,436)
Deferred		825,604	(92,909)
		<u>(9,325,577)</u>	<u>(14,516,053)</u>
Profit after taxation (2012: restated)		<u>19,000,819</u>	<u>26,097,508</u>
Profit and loss appropriation account			
Balance at commencement of the year (2012: restated)		32,026,430	5,928,922
Profit after tax for the year (2012: restated)		19,000,819	26,097,508
Appropriations made during the year		-	-
Other comprehensive income: Remeasurement of defined benefit obligation		(149,980)	-
Balance unappropriated profit at the end of the year (2012: restated)		<u>50,877,269</u>	<u>32,026,430</u>
Earnings per share - basic and diluted (2012: restated)	14	<u>0.38</u>	<u>0.52</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 Ltd.

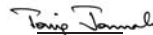
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 Rupees	2012 Rupees Restated
Profit for the year (2012: restated)	19,000,819	26,097,508
Other comprehensive loss		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plan - net of tax (Note 4.4)	(149,980)	-
Items that may subsequently be reclassified to profit and loss account	-	-
	(149,980)	-
Total comprehensive income for the year (2012: restated)	18,850,839	26,097,508

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


Chairman


Director


Director


Chief Executive Officer

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Issued, subscribed and paid-up share capital	Unappropriated profit /(Accumulated loss)	Total
	Rupees	Rupees	Rupees
Balance as at 31 December 2011	500,000,000	1,727,521	501,727,521
Effect of restatement (Note 11.1)	-	4,201,401	4,201,401
Balance as at 31 December 2011 - restated	500,000,000	5,928,922	505,928,922
Comprehensive income for the year ended 31 December 2012			
Profit for the year ended 31 December 2012 - restated	-	26,097,508	26,097,508
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	26,097,508	26,097,508
Balance as at 31 December 2012 - restated	500,000,000	32,026,430	532,026,430
Comprehensive income for the year ended 31 December 2013			
Profit for the year ended 31 December 2013	-	19,000,819	19,000,819
Other comprehensive loss	-	(149,980)	(149,980)
Total comprehensive income for the year	-	18,850,839	18,850,839
Balance as at 31 December 2013	500,000,000	50,877,269	550,877,269

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


Chairman


Director


Director


Chief Executive Officer



National Assets Insurance Ltd.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 Rupees	2012 Rupees Restated
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	(18,894,377)	(5,613,073)
Security deposit received	255,000	-
General and other expenses paid	(11,892,952)	(13,120,491)
Staff retirement benefit paid / adjusted	(18,000)	-
Other receipts	26,986,243	12,525,535
Net cash used in other operating activities	(3,564,086)	(6,208,029)
Total cash used in all operating activities	(3,564,086)	(6,208,029)
Investment activities		
Investment matured	409,180,000	1,262,500,000
Investments purchased	(401,449,758)	(975,022,500)
Capital work in progress - intangible	(680,000)	(1,140,000)
Fixed capital expenditure - tangible assets	-	(517,650)
Total cash flow from investing activities	7,050,242	285,819,850
Financing activities		
Proceeds from issue of ordinary shares	-	-
Total cash flow from financing activities	-	-
Net cash inflow from all activities	3,486,156	279,611,821
Cash at the beginning of the year	380,822,808	101,210,987
Cash at the end of the year	384,308,964	380,822,808



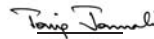
National Assets Insurance Ltd.

	2013 Rupees	2012 Rupees Restated
Reconciliation to Profit and Loss Account		
Operating cash flows	(3,564,086)	(6,208,029)
Depreciation	(896,717)	(582,209)
Provision for workers' welfare fund	(597,128)	(828,848)
Charge for staff retirement benefits	(455,517)	(381,147)
Investment income	10,854,532	38,093,770
Increase in assets other than cash	4,229,653	3,354,717
(Increase) / decrease in liabilities other than running finance	(156,718)	1,552,234
	9,414,019	35,000,488
Others		
Profit on sale of investments	-	-
Staff retirement benefits paid / adjusted	18,000	-
Income tax paid	18,894,377	5,613,073
	18,912,377	5,613,073
Profit before taxation	28,326,396	40,613,561
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	384,308,964	380,822,808
Total cash and cash equivalents	384,308,964	380,822,808

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


Chairman


Director


Director


Chief Executive Officer



National Assets Insurance Ltd.

STATEMENT OF INVESTMENT INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 Rupees	2012 Rupees
Income from non-trading investments		
Held to maturity		
Return on treasury bills	10,854,532	38,093,770
Net investment income	<u>10,854,532</u>	<u>38,093,770</u>

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


Chairman


Director


Director


Chief Executive Officer



National Assets Insurance Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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.



National Assets Insurance Ltd.

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 except for the cash flow information.

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 amendments are effective for the year ended 31 December 2013. These amendments are not expected to have significant impact on the Company's financial statements.



National Assets Insurance Ltd.

IAS 1 'Financial statements presentation' has been amended effective 01 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments) or not. The specified changes have been made in the statement of comprehensive income for the year.

IAS 19 Employee Benefits (revised) which became effective for annual periods beginning on or after 01 January 2013 amends accounting for employees benefits. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

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 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.

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

Following standard and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on 01 January 2014 or later periods:

IAS 32 'Financial Instruments: Presentation' (effective for the annual periods beginning on or after 01 January 2014). This 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.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.



National Assets Insurance Ltd.

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 2014 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.



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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.



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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 capital work-in-progress, are stated at cost signifying historical cost less accumulated depreciation and any provision for impairment. Capital work-in-progress is carried at cost less accumulated impairment losses, if any. Depreciation is charged to income applying reducing balance method except for vehicles which are depreciated using the straight line method, at the rates specified for calculation of depreciation after taking into account residual value, if any. Previously, vehicles were depreciated using reducing balance method. This change in accounting estimate has been made prospectively in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' for better reflection of the pattern of consumption of economic benefits. Had this change not been made, profit after tax for the year and shareholders' equity would have been higher by Rupees 415,213. The financial impact of this change on future profitability cannot be determined presently. 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 is 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 amortisation shall reflect the pattern in which asset's future economic benefits are expected to be consumed. If pattern is not determinable, then straight line method is used.

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



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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.

- Return on bank deposits

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

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

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

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.



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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

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.

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans as required under International Accounting Standard (IAS) 19, 'Employee Benefits'. Previously, the actuarial gains and losses were amortized over the expected future service of the current members in accordance with the International Accounting Standard – 19 'Employee Benefits'. According to new policy actuarial gains and losses are recognized in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', however, there is no effect of this change on corresponding figures. The effect of the change in accounting policy on the current period financial statements have been summarised below:

	2013
	Rupees
Impact on balance sheet	
Increase in other liabilities	<u>230,738</u>
Increase in deferred tax asset	<u>80,758</u>
Decrease in unappropriated profit	<u>149,980</u>

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.



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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.



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3. SHARE CAPITAL

3.1 Authorized share capital

2013 (Number of shares)	2012		2013 Rupees	2012 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:

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

The Company operates an unfunded gratuity scheme for all employees. The latest valuation was carried out as at 31 December 2013 by an independent actuary - Akhtar & Hassan (Private) Limited.

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

	Rate per annum	
	2013	2012
- Valuation discount rate	12.75%	12.50%
- Expected rate of increase in salary level - first year	17.00%	17.00%
- Expected rate of increase in salary level - long term	12.75%	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:

	2013 Rupees	2012 Rupees
Present value of defined benefit obligation at the end of the year	1,049,402	381,147
Gratuity fund balance	-	-
Net liability	<u>1,049,402</u>	<u>381,147</u>



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	2013 Rupees	2012 Rupees
4.1 Movement in net liability		
Opening balance	381,147	-
Charge for the year	455,517	381,147
Remeasurements recognized in OCI	230,738	-
Benefits to outgoing employee	(18,000)	-
Closing balance	<u>1,049,402</u>	<u>381,147</u>
4.2 Reconciliation of present value of defined benefit obligation		
Present value as at 01 January	381,147	-
Current service cost	363,547	335,812
Interest cost	91,970	45,335
Benefit paid	(18,000)	-
Actuarial loss:		
- due to change in financial assumption	1,164	-
- due to change in demographic assumptions	-	-
- due to change in experience adjustments	229,574	-
	<u>230,738</u>	<u>-</u>
Present value as at 31 December	<u>1,049,402</u>	<u>381,147</u>
4.3 The amounts charged in profit and loss are as follows:		
Current service cost	363,547	335,812
Interest cost	91,970	45,335
Expense for the year	<u>455,517</u>	<u>381,147</u>
4.4 The amount charged in other comprehensive income is as follows:		
Actuarial loss on obligation	230,738	-
Related deferred tax	(80,758)	-
	<u>149,980</u>	<u>-</u>
5. CREDITORS AND ACCRUALS		
Accrued expenses		
Rent payable	62,718	-
Bills payable	14,000	-
Retirement benefit payable to employee	18,000	-
Worker's welfare fund payable	1,425,976	828,848
Accrued expenses	157,000	95,000
	<u>1,677,694</u>	<u>923,848</u>



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6. CONTINGENCIES AND COMMITMENTS

- 6.1 There were no contingencies at the balance sheet date. (2012: Nil).
- 6.2 There were no capital and other commitments at the balance sheet date (2012:Nil).

	2013 Rupees	2012 Rupees
7. CASH AND BANK BALANCES		
Cash in bank - National income daily account	<u>384,308,964</u>	<u>380,822,808</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 on a semi-annual basis.

8. INVESTMENTS

Held to maturity

- | | | |
|----------------|--------------------|--------------------|
| Treasury bills | <u>149,926,488</u> | <u>146,802,198</u> |
|----------------|--------------------|--------------------|
- 8.1 The Company purchased Treasury Bills through non-competitive bidding having face value of Rupees 153 million (2012: Rupees 150 million) maturing on 20 February 2014 to 15 May 2014.
- 8.2 Treasury bills of Rupees 53,000,000 (2012 :53,500,000) are pledged with State Bank of Pakistan as statutory deposit.

9. FIXED ASSETS - TANGIBLE

	2013				
	Computer & related accessories	Vehicle	Furniture and fittings	Office equipment	Total
Rupees.....				
At 01 January 2013					
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>
Year ended 31 December 2013					
Opening net book value	221,240	1,482,902	390,569	404,383	2,499,094
Additions	-	-	-	-	-
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Depreciation charge for the year	66,372	711,793	78,114	40,438	896,717
Closing net book value	<u>154,868</u>	<u>771,109</u>	<u>312,455</u>	<u>363,945</u>	<u>1,602,377</u>
At 31 December 2013					
Cost	374,635	2,837,186	486,950	447,200	4,145,971
Accumulated depreciation	219,767	2,066,077	174,495	83,255	2,543,594
Net book value	<u>154,868</u>	<u>771,109</u>	<u>312,455</u>	<u>363,945</u>	<u>1,602,377</u>
Depreciation rate per annum	30%	20% - 48%	20%	10%	
	2012				
	Computer & related accessories	Vehicle	Furniture and fittings	Office equipment	Total
Rupees.....				
At 01 January 2012					
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>
Year ended 31 December 2012					
Opening net book value	96,522	1,853,628	320,763		2,563,653
Additions	204,900	-	292,740	160,750	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>
At 31 December 2012					
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%	



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	2013 Rupees	2012 Rupees
10. CAPITAL WORK IN PROGRESS		
Intangible	<u>2,960,000</u>	<u>2,280,000</u>

10.1 During the previous years, 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 seventy eight percent payment for the development stage has been made in advance. Most of the modules have been developed and are currently in testing phase.

	Rupees	Rupees Restated
11. OTHER INCOME		
Profit on bank deposits (Note 11.1)	31,931,402	16,114,430
Miscellaneous income	-	15,000
	<u>31,931,402</u>	<u>16,129,430</u>

11.1 In preceding years, profit on bank deposits was recognized on cash basis. During the year, this practice has been corrected and the respective balances of profit on bank deposits and accrued income have been adjusted retrospectively as required by International Accounting Standard (IAS)-8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The retrospective effect of this restatement on profit and loss account and balance sheet of the preceding years is as follows:

	2012 Rupees	2011 Rupees
Balance sheet:		
Increase in accrued income	<u>4,300,243</u>	<u>6,463,694</u>
Increase in workers' welfare fund charge	<u>86,005</u>	<u>-</u>
Provision for tax - net	<u>1,505,085</u>	<u>2,262,293</u>
Increase in unappropriated profit	<u>2,709,153</u>	<u>4,201,401</u>
Profit and loss account:		
Other income - profit on bank deposits	<u>4,300,243</u>	<u>5,653,308</u>
Worker's welfare fund payable	<u>86,005</u>	<u>-</u>
Provision for taxation	<u>1,505,085</u>	<u>1,978,658</u>
Net profit after tax	<u>2,709,153</u>	<u>3,674,650</u>

	2013 Rupees	2012 Rupees
12. GENERAL AND ADMINISTRATION EXPENSES		
Legal and professional charges	170,040	1,030,564
Advertisement	75,430	51,200
Salaries and benefits (Note 12.1)	8,991,489	7,834,896
Auditors' remuneration	135,000	95,000
Depreciation (Note 9)	896,717	582,209
Insurance	134,892	131,365
Rent, rates & taxes	2,358,220	1,920,648
Printing & stationery	39,883	200,475
Utilities	535,425	402,159
Repair and maintenance	23,400	78,290
Entertainment	69,312	143,728
Postage and periodicals	19,895	-
Travelling expense	30,370	23,536
Provision for workers' welfare fund	597,128	828,848
Vehicle and professional tax	114,950	-
Miscellaneous	266,329	285,721
	<u>14,458,480</u>	<u>13,608,639</u>



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12.1 Salaries and benefits include Rupees. 455,517 (2012: Rupees 381,147) in respect of staff retirement benefits

13. PROVISION FOR TAXATION

13.1 The relationship between accounting profit and tax expense is as follows:	2013	2012
Profit before taxation	28,326,396	40,613,561
Tax at the applicable rate of 34% (2012: 35%)	9,630,975	14,214,746
Tax effect of:		
Prior year adjustment	-	28,436
Accelerated depreciation	(4,954)	(17,436)
Staff retirement benefits	(4,375)	210
Provision for workers' welfare fund	(296,069)	290,097
	<u>9,325,577</u>	<u>14,516,053</u>

14. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012
There is no dilutive effect on basic earnings per share which is based on:		
Profit for the year (Rupees) (2012: restated)	19,000,819	26,097,508
Weighted average number of ordinary shares in issue during the year		
(Number)	50,000,000	50,000,000
Earnings per share basic and diluted (Rupees) (2012: restated)	<u>0.38</u>	<u>0.52</u>

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.



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(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 significant long-term interest-bearing assets. As there is no borrowings of the Company so there is no interest rate exposure to the Company.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Fixed rate instruments :		
Financial assets		
Bank balances - deposit accounts	384,308,964	380,822,808
Market treasury bills	149,926,488	146,802,198
Financial Liabilities	-	-
Floating rate instruments :		
Financial assets	-	-
Financial Liabilities	-	-

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:

	2013 Rupees	2012 Rupees
Balance with banks	384,308,964	380,822,808
Investments - Treasury Bills	149,926,488	146,802,198
Accrued income	15,692,311	10,763,937
Security deposit	257,000	512,000
Other receivable	16,785	-
	<u>550,201,548</u>	<u>538,900,943</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			2013	2012
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	<u>384,308,964</u>	<u>380,822,808</u>

(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 2013, the Company had Rupees 384,308,964 bank balances. Following are the contractual maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:



National Assets Insurance Ltd.

Contractual maturities of financial liabilities as at 31 December 2013

	Total carrying amount	Contractual Cash Flows	6 Months or Less
	Rupees	Rupees	Rupees
Creditors and accruals	233,718	233,718	233,718

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

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

	Loans and receivables	Held to maturity	Total
	Rupees	Rupees	Rupees
As at 31 December 2013			
Assets as per Balance Sheet			
Cash and bank deposits	384,308,964	-	384,308,964
Investments - Treasury Bills	-	149,926,488	149,926,488
Accrued income	15,692,311	-	15,692,311
Security deposit	257,000	-	257,000
Other receivable	16,785	-	16,785
	400,275,060	149,926,488	550,201,548

Liabilities as per balance sheet

Creditors and accruals

Financial liabilities at amortized cost

Rupees

233,718

	Loans and receivables	Held to maturity	Total
	Rupees	Rupees	Rupees
As at 31 December 2012			
Assets as per Balance Sheet			
Cash and bank deposits	380,822,808	-	380,822,808
Investments - Treasury bills	-	146,802,198	146,802,198
Accrued income	10,763,937	-	10,763,937
Security deposit	512,000	-	512,000
	392,098,745	146,802,198	538,900,943



National Assets Insurance Ltd.

Financial liabilities at amortized cost

Rupees

Liabilities as per balance sheet

Creditors and accruals

95,000

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.

	2013	2012
	Rupees	Rupees

16. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Chief Executive Officer

Managerial remuneration and other benefits	<u>3,288,002</u>	<u>3,199,861</u>
Number of executive	<u>1</u>	<u>1</u>

Executive

Managerial remuneration and other benefits	<u>4,763,624</u>	<u>4,306,120</u>
Number of executive	<u>3</u>	<u>3</u>

16.1 No meeting fee has been paid to directors during the year (2012: 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:

	2013	2012
	Rupees	Rupees

Profit on bank deposits	31,931,402	16,114,430
Bank charges	1,058	1,000
Rent paid	-	218,688

18. NUMBER OF EMPLOYEES

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

	2013	2012
At year end	<u>5</u>	<u>4</u>
Average	<u>5</u>	<u>4</u>



National Assets Insurance Ltd.

19. 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 18 March, 2014.

20. GENERAL

20.1 There is no significant re-arrangement / re-classification / change in corresponding figure except as disclosed in note 11.1 to these financial statements.

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


Chairman


Director


Director


Chief Executive Officer



National Assets Insurance Ltd.

PATTERN OF SHAREHOLDING

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

Categories of Shareholders

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



National Assets Insurance Ltd.

Proxy Form

I/We, _____ of _____ being member of “National Assets Insurance Limited” and holder of _____ ordinary shares as per Share Register Folio No. _____ hereby appoint _____ of _____ at my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 5th Annual General Meeting of the Company to be held at 78/C, Khayaban-e-Jami, Phase-VII, D.H.A, Karachi, on 30 April 2014 at 11:00 a.m., to transact the business as mentioned in the notice of this AGM on page no. 4.

Signed this _____ day of _____, 2014

Witness:

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

Signature
on Revenue
Stamp of Rs.5/-

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

Notes:

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

BOOK POST

If undelivered, please return to:

NATIONAL ASSETS INSURANCE LIMITED

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

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

E-mail: jehanzaib@nail.com.pk Web: www.nail.com.pk