

NICL Pictorials



Honourable Chairman NICL Mr. Muhammad Ayyaz Niazi with Senior Executives of the Company at Head Office, Karachi



*Mr. Muhammad Ayyaz Niazi - Chairman & Chief Executive NICL
meeting with Senior Executives at Head Office, Karachi*



*Honourable Chairman NICL Mr. Muhammad Ayyaz Niazi
along with members of Staff & Officer associations*

Auditors' Report to the Members

We have audited the annexed financial statements comprising:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of changes in equity;
- (iv) cash flow statement;
- (v) statement of premium;
- (vi) statement of claims;
- (vii) statement of expenses; and
- (viii) statement of investment income;

of **National Insurance Company Limited** as at **December 31, 2008** 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 International Accounting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

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

- (c) the financial statements, together with the notes thereon, present fairly, in all material respects, the state of the company's affairs as at December 31, 2008 and of the profit, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Anjum Asim Shahid Rahman
Chartered accountants

Karachi

Date: April 9, 2009

Balance Sheet as at December 31, 2008

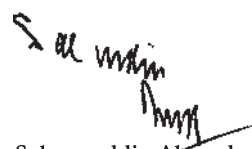
	Note	2008	2007
(Rupees in '000')			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital: 600,000,000 (2007: 600,000,000) ordinary shares of Rs. 10 each		6,000,000	6,000,000
Issued, subscribed and paid-up share capital	9	2,000,000	2,000,000
Reserve for exceptional loss		5,100,000	4,600,000
General reserve		5,300,000	4,700,000
Retained earnings		1,704,699	2,254,422
Total equity		14,104,699	13,554,422
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		3,178,894	3,299,031
Provision for unearned premium		2,731,708	2,112,226
Commission income unearned		34,195	36,636
Total underwriting provisions		5,944,797	5,447,893
DEFERRED LIABILITY			
Employee retirement benefits	10	344,262	302,527
CREDITORS AND ACCRUALS			
Premium received in advance		517,279	581,427
Amount due to the reinsurer	11	884,723	604,146
Accrued expenses	12	94,255	74,150
Taxation - provision less payment		284,068	734,477
		1,780,325	1,994,200
OTHER LIABILITIES	13	78,552	255,394
Total liabilities		8,147,936	8,000,014
CONTINGENCIES AND COMMITMENTS			
Total equity and liabilities	14	22,252,635	21,554,436

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive

NICL 24



Saleemuddin Ahmed
Director

	Note	2008	2007
(Rupees in '000)			
ASSETS			
CASH AND BANK DEPOSITS			
	15		
Current and saving accounts		3,349,329	4,686,762
Deposits maturing within 12 months		1,457,709	1,275,000
		4,807,038	5,961,762
LOANS TO EMPLOYEES			
- secured, considered good	16	25,298	27,836
INVESTMENTS			
	17	10,979,505	10,319,701
INVESTMENT PROPERTIES			
	18	647,346	528,539
DEFERRED TAX ASSET			
	19	486,759	64,244
OTHER ASSETS - CONSIDERED GOOD			
Premium due but unpaid	20	1,650,982	1,237,385
Accrued investment income		288,962	195,917
Reinsurance recoveries against outstanding claims		1,660,100	1,922,292
Advances, deposits and prepayments	21	1,607,044	1,194,853
Other receivables	22	17,219	7,055
		5,224,307	4,557,502
FIXED ASSETS- TANGIBLE			
	23		
Land and buildings		55,070	66,131
Furniture, fixtures and office equipment		12,186	11,436
Motor vehicles		15,126	17,285
		82,382	94,852
Total assets		22,252,635	21,554,436



Nessar Ahmed
Director


Muhammad Zahoor
Chief Financial Officer

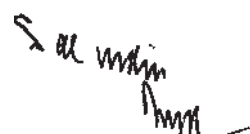
Profit and Loss Account for the year ended December 31, 2008

	Note	Fire and property	Marine, aviation and transport	Motor	Liability
Revenue account					
Net premium revenue		511,402	1,673,698	366,467	25,735
Net claims		(489,413)	(209,737)	(115,005)	(12,121)
Management expenses	25	(61,707)	(201,952)	(44,219)	(3,105)
Commission from reinsurer		8,291	1,675	-	-
Net underwriting expenses		(53,416)	(200,277)	(44,219)	(3,105)
Underwriting result		<u>(31,427)</u>	<u>1,263,684</u>	<u>207,243</u>	<u>10,509</u>
Investment (loss) / income					
Rental income					
Other income	24				
General and administration expenses	25				
Exchange gain					
Profit before tax					
Provision for taxation - current	26				
- prior year					
- deferred					
Profit after tax					
Balance at commencement of the year					
Profit after tax for the year					
- Dividend 2007 25% (2006: 25%)					
- Transfer to general reserve					
- Transfer to reserve for exceptional losses					
Balance of unappropriated profit at end of the year					
Earnings per share - basic 29					

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive



Saleemuddin Ahmed
Director

Worker's Compensation	Credit and Suretyship	Accident and Health	Miscellaneous	2008 (Rupees in '000)	2007
8,685	5,016	17,395	295,120	2,903,518	2,433,157
(3,682)	496	(2,045)	(196,740)	(1,028,247)	(235,857)
(1,048)	(605)	(2,099)	(35,610)	(350,345)	(300,838)
-	-	-	48,487	58,453	54,573
(1,048)	(605)	(2,099)	12,877	(291,892)	(246,265)
3,955	4,907	13,251	111,257	1,583,379	1,951,035
				(389,169)	1,446,002
				140,913	108,510
				790	32
				(295,267)	(213,711)
				472,968	10,945
				(69,765)	1,351,778
				1,513,614	3,302,813
				(885,852)	(1,108,563)
				-	27,989
				422,515	13,898
				(463,337)	(1,066,676)
				1,050,277	2,236,137
				2,254,422	1,618,285
				1,050,277	2,236,137
				(500,000)	(500,000)
				(600,000)	(600,000)
				(500,000)	(500,000)
				(549,723)	636,137
				1,704,699	2,254,422
				5.25	11.18


Nessar Ahmed
Director


Muhammad Zahoor
Chief Financial Officer

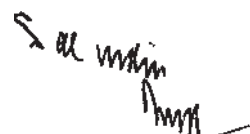
Statement of Changes in Equity for the year ended December 31, 2008

	<u>Share capital</u> Issued, subscribed and paid-up capital	<u>Capital reserve</u> Reserve for exceptional losses
Balance as at January 1, 2007	2,000,000	4,100,000
Final dividend - for the year ended December 31, 2006	-	-
Transfer to general reserve	-	-
Transfer to reserve for exceptional losses	-	500,000
Profit after tax for the year ended December 31, 2007	-	-
Balance as at December 31, 2007	<u>2,000,000</u>	<u>4,600,000</u>
Final dividend - for the year ended December 31, 2007	-	-
Transfer to general reserve	-	-
Transfer to reserve for exceptional losses	-	500,000
Profit after tax for the year ended December 31, 2008	-	-
Balance as at 31 December 2008	<u><u>2,000,000</u></u>	<u><u>5,100,000</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive



Saleemuddin Ahmed
Director

Revenue reserves		(Rupees in '000)
General reserve	Retained earnings	Total
4,100,000	1,618,285	11,818,285
-	(500,000)	(500,000)
600,000	(600,000)	-
-	(500,000)	-
-	2,236,137	2,236,137
<u>4,700,000</u>	<u>2,254,422</u>	<u>13,554,422</u>
-	(500,000)	(500,000)
600,000	(600,000)	-
-	(500,000)	-
-	1,050,277	1,050,277
<u><u>5,300,000</u></u>	<u><u>1,704,699</u></u>	<u><u>14,104,699</u></u>


Nessar Ahmed
Director


Muhammad Zahoor
Chief Financial Officer

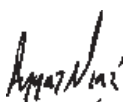
Cash Flow Statement for the year ended December 31, 2008

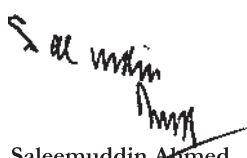
	2008	2007
	(Rupees in '000)	
OPERATING CASH FLOWS		
<i>a) Underwriting activities</i>		
Premiums received	4,875,519	3,916,867
Reinsurance premium paid	(2,099,164)	(2,012,261)
Claims paid	(1,364,060)	(356,190)
Reinsurance and other recoveries received	477,869	185,175
Commissions received	56,015	63,038
Net cash flow from underwriting activities	<u>1,946,179</u>	<u>1,796,629</u>
<i>b) Other operating activities</i>		
Income tax paid	(1,336,261)	(594,995)
General management expenses paid	(552,693)	(331,718)
Other operating receipts	468,099	12,226
Loans repayments received / (disbursement) - net	3,010	(1,060)
Net cash (used) in other operating activities	<u>(1,417,845)</u>	<u>(915,547)</u>
Total cash flow from all operating activities	528,334	881,082
INVESTMENT ACTIVITIES		
Profit / return received	1,105,450	1,444,371
Dividends received	124,806	51,259
Rentals received	133,476	131,595
Payments for investments	(4,205,500)	(2,407,840)
Proceeds from disposal of investments	1,833,226	1,228,502
Fixed capital expenditure	(175,217)	(3,781)
Proceeds from disposal of fixed assets	701	250
Total cash (used in) / generated from investing activities	(1,183,058)	444,356
FINANCING ACTIVITIES		
Dividends paid	(500,000)	(500,000)
Payments on finance leases	-	-
Total cash outflow from financing activities	(500,000)	(500,000)
Net cash (used in) / generated from all activities	(1,154,724)	825,438
Cash and cash equivalents at beginning of the year	5,961,762	5,136,324
Cash and cash equivalents at end of the year	<u>4,807,038</u>	<u>5,961,762</u>

Cash Flow Statement (continued) for the year ended December 31, 2008

	Note	2008	2007
(Rupees in '000)			
Reconciliation to profit and loss account			
Operating cash flows		528,334	881,082
Depreciation expense	25	(68,203)	(39,334)
Profit on disposal of fixed assets	24	24	15
Provision for unearned premium		(619,482)	89,153
Provision for outstanding claims including incurred but not reported liabilities		(142,055)	(64,842)
Reinsurance prepaid		410,859	(221,939)
Mark-up income		1,096,161	1,122,801
Increase in assets other than cash		416,218	167,377
(Decrease) / Increase in liabilities		(54,416)	385,060
Provision for taxation	26	(463,337)	(1,108,563)
Provision for taxation - prior year		-	27,989
<i>Other adjustments:</i>			
Provision for diminution in value of investment	17	(1,189,649)	4,479
-Gain on revaluation of held for trading investments		(423,774)	67,455
-Rent income		140,913	108,510
-Gain on sale of investments		-	197,949
-Dividend income		128,093	53,318
-Provision for employee benefits		(45,670)	(29,368)
-Taxation - payment less provision		1,336,261	594,995
Profit after taxation		1,050,277	2,236,137
Cash and cash equivalents			
Current and saving accounts		3,349,329	4,686,762
Deposits maturing within 12 months		1,457,709	1,275,000
		4,807,038	5,961,762

The annexed notes 1 to 35 form an integral part of these financial statements.


Muhammad Ayyaz Niazi
Chairman & Chief Executive


Saleemuddin Ahmed
Director


Nessar Ahmed
Director


Muhammad Zahoor
Chief Financial Officer

Statement of Premium for the year ended December 31, 2008

Business underwritten inside Pakistan

	Premiums Written (A)	Unearned premium reserve		Premium earned (D = A+B-C)
		Opening (B)	Closing (C)	
Direct and facultative				
Fire and property damage	1,038,318	513,341	737,206	814,453
Marine, aviation and transport	3,209,576	943,309	1,299,785	2,853,100
Motor	338,101	183,892	155,526	366,467
Liability	25,451	18,354	18,070	25,735
Others				
Worker's compensation	13,745	4,149	9,209	8,685
Credit and suretyship	1,420	4,278	682	5,016
Accident and health	14,399	12,211	9,215	17,395
Miscellaneous	850,872	432,692	502,015	781,549
	880,436	453,330	521,121	812,645
	5,491,882	2,112,226	2,731,708	4,872,400

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive



Saleemuddin Ahmed
Director

Reinsurance ceded (E)	Prepaid reinsurance premium ceded		Reinsurance expense (H = E+F-G)	2008	2007
	Opening (F)	Closing (G)		(Rupees in '000)	
				Net premium (I = D-H)	Net premium
436,059	176,594	309,602	303,051	511,402	639,813
1,396,404	738,364	955,366	1,179,402	1,673,698	1,226,635
-	-	-	-	366,467	272,554
-	-	-	-	25,735	23,355
-	-	-	-	-	-
-	-	-	-	8,685	4,794
-	-	-	-	5,016	8,097
-	-	-	-	17,395	16,362
547,278	262,045	322,894	486,429	295,120	241,546
547,278	262,045	322,894	486,429	326,216	270,799
2,379,741	1,177,003	1,587,862	1,968,882	2,903,518	2,433,156


Nessar Ahmed
Director


Muhammad Zahoor
Chief Financial Officer

Statement of Claims for the year ended December 31, 2008

Business underwritten inside Pakistan

	Claims paid (A)	Outstanding claims		Claims expense (D = A-B+C)
		Opening (B)	Closing (C)	
Direct and facultative				
Fire and property damage	365,109	666,138	878,086	577,057
Marine, aviation and transport	651,734	608,507	790,867	834,094
Motor	90,420	62,869	87,454	115,005
Liability	-	3,771	15,892	12,121
Others				
Worker's compensation	1,864	821	2,639	3,682
Credit and suretyship	-	681	185	(496)
Accident and health	3,224	4,095	2,916	2,045
Miscellaneous	251,709	1,952,148	1,400,855	(299,584)
	256,797	1,957,745	1,406,595	(294,353)
	1,364,060	3,299,030	3,178,894	1,243,924

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive



Saleemuddin Ahmed
Director

Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H = E-F+G)	2008	2007
	Opening (F)	Closing (G)		(Rupees in '000)	
				Net claims (I = D-H)	Net claims
-	537,121	624,765	87,644	489,413	652
436,598	261,160	448,919	624,357	209,737	193,738
-	-	-	-	115,005	54,931
-	-	-	-	12,121	677
-	-	-	-	3,682	454
-	-	-	-	(496)	32
-	-	-	-	2,045	5,600
41,271	1,124,011	586,416	(496,324)	196,740	(20,228)
41,271	1,124,011	586,416	(496,324)	201,971	(14,141)
477,869	1,922,292	1,660,100	215,677	1,028,247	235,857


Nessar Ahmed
Director



Muhammad Zahoor
Chief Financial Officer

Statement of Expenses for the year ended December 31, 2008

Business underwritten inside Pakistan			2008	2007
			(Rupees in '000)	
	Management (underwriting) expenses (A)	Commission from reinsurers (B)	Net Underwriting Expenses (C=A-B) (C)	Net Underwriting Expenses
Direct and facultative				
Fire and property damage	61,707	8,291	53,416	68,138
Marine, aviation and transport	201,952	1,675	200,277	150,951
Motor	44,219	-	44,219	33,699
Liability	3,105	-	3,105	2,888
Others				
Worker's compensation	1,048	-	1,048	593
Credit and suretyship	605	-	605	1,001
Accident and health	2,099	-	2,099	2,022
Miscellaneous	35,610	48,487	(12,877)	(13,027)
	39,362	48,487	(9,125)	(9,411)
	350,345	58,453	291,892	246,265

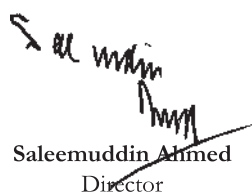
Note: Commission from reinsurers is arrived at after taking the impact of the opening and closing balances of unearned commission.

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive

NICL 36



Saleemuddin Ahmed
Director



Nessar Ahmed
Director



Muhammad Zahoor
Chief Financial Officer

Statement of Investment Income for the year ended December 31, 2008

	2008	2007
	(Rupees in '000)	
Income from trading investments		
Gain on trade (i.e. buying and selling difference) net	-	5,308
Dividend income (earned while holding the securities)	43,493	44,856
	<u>43,493</u>	<u>50,164</u>
Income from non-trading investments		
Held to Maturity		
Return on government securities	821,920	733,916
Return on other fixed income securities and accounts	373,288	485,389
Amortization of (premium) relative to par - net off discount	(99,047)	(96,504)
	<u>1,096,161</u>	<u>1,122,801</u>
Dividend income	84,600	8,462
	<u>1,180,761</u>	<u>1,131,263</u>
Gain on sale of available for sales investments	-	192,641
(Loss) / Gain on revaluation of held for trading investments	(423,774)	67,455
(Provision) / Reversal for impairment in value of investments	(1,189,649)	4,479
Net investment income	<u>(389,169)</u>	<u>1,446,002</u>

The annexed notes 1 to 35 form an integral part of these financial statements.



Muhammad Ayyaz Niazi
Chairman & Chief Executive



Saleemuddin Ahmed
Director



Nessar Ahmed
Director



Muhammad Zahoor
Chief Financial Officer

Notes to the Financial Statements for the Year Ended December 31, 2008

1. STATUS AND NATURE OF BUSINESS

National Insurance Company Limited (the company) was incorporated in Pakistan on 31 March 2000 as an unquoted public limited company under the Companies Ordinance, 1984. The Company's registered office is situated in NIC Building, Abbasi Shaheed Road, Karachi, Sindh, with nine branches in the country. The company is principally engaged in non-life insurance business of public property, comprising of fire, marine, aviation and transportation, engineering, etc.

With affect from January 01 2001, the company took over all the assets and liabilities of former National Insurance Corporation (NIC) at book values of vide SRO dated December 30, 2000 of the Federal Government issued in terms of National Insurance Corporation (Re-organization) Ordinance, 2000. Accordingly, with effect from January 01, 2001, NIC has been dissolved and ceases to exist and the operations and undertakings of NIC are being carried out by the company.

National Insurance Company Limited has a wholly-owned subsidiary Civic Centre Company (Private) Limited, which is incorporated in Pakistan.

2. BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Securities and Exchange Commission (Insurance) Rules, 2002; vide S.R.O. 938 dated December 12, 2002.

3. STATEMENT OF COMPLIANCE

- 3.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the requirements of the said directives shall prevail.
- 3.2** The SECP allowed the insurance companies to defer the application of International Accounting Standard-39 (IAS 39) Financial Instruments: Recognition and Measurement in respect of valuation subsequent to initial recognition of investments available for sale. Accordingly, the requirements of IAS 39, to the extent allowed by SECP, as aforesaid, have not been considered for the preparation of these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that held for trading investments are stated at fair value and obligation under certain employee benefits are measured at present value.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

5.5 Income taxes

In making the estimates for income taxes currently payable by the company, the management looks at the current income tax and the decisions of appellate authorities on certain issues in the past. There are various matters where the company's view differs with the view taken by income tax department.

1. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

During the year ended December 31, 2008, IFRIC Interpretation 14, 'IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' became effective. The interpretation provides guidance on assessing the limit in IAS 19 – 'Employee Benefits' on the amount of the surplus that can be recognized as an asset. It also explains how the gratuity asset or liability may be affected by a statutory or contractual minimum funding requirement. The application of this interpretation did not have any material impact on the company's financial statements.

There are other new standards, amendments and interpretations to published approved accounting standards that were mandatory for accounting periods beginning on or after January 1, 2008 but were considered not to be relevant or did not have any material impact on the company's financial statements.

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

- 7.1 The following standards and amendments to existing standards have been published and are mandatory for the company's annual accounting period beginning on or after January 1, 2009.

IAS 1 (Revised) – Presentation of financial statements

IAS 19 (Amendment) – Employee benefits

IFRS 4- Insurance Contracts

IFRS 8 – Operating Segments

Adoption of the above standards and amendments may results in an impact on the financial statements of the company including the nature and extent of disclosures made. The management is in the process of assessing the impact of their adoption on the company's financial statements.

- 7.2 The following standards, amendments and interpretations to published approved accounting standards, effective for annual accounting periods beginning on or after the dates specified below are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statement other than enhanced disclosures in certain cases:

Amendments in IAS 32 – Financial instruments: Presentation & Disclosures and IAS 1 – Presentation of Financial Statements	January 1, 2009
IAS 23 – Borrowing Costs	January 1, 2009
IAS 36 – Impairment of Assets	January 1, 2009
IAS 38 – Intangible Assets	January 1, 2009
IAS 27 – Consolidated and Separate Financial Statements	July 1, 2009

There are other new standards, amendments and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 1, 2009 but are not detailed in these financial statements as these will not involve any impact on the company's future financial statements.