



# NATIONAL INSURANCE COMPANY LIMITED

## ANNUAL AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019



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## NATIONAL INSURANCE COMPANY LIMITED

### DIRECTORS' REPORT – 2019

ON THE ANNUAL AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

The Directors of your Company take pleasure in presenting their report together with the audited financial statements and Auditors' Report thereon for the year ended December 31, 2019. The Director's report prepared under Section 227 of the Companies Act, 2017, the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance for Insurers, 2016, will be put forward to the members at the 20<sup>th</sup> Annual General Meeting of the Company to be held on September 10, 2024.

#### HISTORY, OBJECTIVES AND STATE OF AFFAIRS OF YOUR COMPANY

National Insurance Company Limited ("the Company") was incorporated in Pakistan on March 31, 2000, as an unquoted public limited company under the repealed Companies Ordinance 1984 (now the Companies Act, 2017) through National Insurance Corporation (Reorganization) Ordinance, 2000.

Major Objectives of National Insurance Company Limited include:

- To provide insurance cover to the Government/Semi Government organizations at economical cost;
- To reduce outflow of foreign exchange by reducing dependence on reinsurance abroad;
- To make significant contributions to public exchequer by payment of taxes & dividends;
- To make prudent investments in public as well as private sector in order to obtain maximum returns.

The Company provides general insurance coverage to the moveable and immovable assets, liabilities, risks and/ or interests belonging to Federal & Provisional Governments, Local Authorities and Statutory Corporations. It has a captive clientele in terms of the provisions of Section 166 of the Insurance Ordinance, 2000.

The Company provides insurance coverage in the following areas:

- Fire and Allied Perils
- Property All Risk
- Machinery Breakdown
- Contractors' All Risk
- Erection All Risk
- Business Interruption following;
  - Property Damage
  - Machinery Breakdown
- Marine Cargo
- Marine Hull
- Aviation Hull
- Bankers Blanket Bond
- Electronic Equipment
- Workmen Compensation
- General Public Liability
- Cash-in-Safe
- Cash-in-Transit

The Company has never been in loss ever since the year 2000 i.e. when the National Insurance Corporation was converted into a public limited company through the promulgation of the National Insurance Corporation (Reorganization) Ordinance, 2000.

The Company's operations and governance remained smooth until the year 2009, however, during the period from 2009 and 2010 due to certain decisions taken by the then Board members as a collegiate, the Company underwent a state of turmoil due to cases relating to purchase of properties. Thereafter, the Hon'ble Supreme Court of Pakistan took notice of the same and Suo Moto case bearing No. 18 of 2010 necessitated an overhaul of the Company. As a consequence, the Company has been functioning without a duly constituted Board of Directors for a significant period of time.

A Board of Directors was appointed/ nominated during the year 2013 for a period of six months only. Hence, during the period from 2010/2011 to 2015, the Company largely functioned without a Board of Directors. Consequently, the audits of the Company's accounts could not be carried out and the same interfered with the Company's smooth functioning as it created a backlog of numerous issues including, but not limited to, the audit of accounts given the fact that the process of auditing is a sequential one.



Another Board of Directors was appointed / nominated February 2015 which remained for three years, which got the financial statements for the years 2010, 2011, 2012, 2013 and 2014 audited and approved. After that, another Board of Directors was appointed/ nominated through notification dated May 31, 2018 for a period of three years and its tenure ended on May 31 2021, this Board of Directors got the financial statements for the years 2015, 2016 and 2017 audited and approved. Then after a gap two-and-a-half-year new Board (i.e. the present Board) was notified on August 8, 2023 and held its first meeting on November 13, 2023. This current Board of Directors of the Company took initiatives to conclude the pending audit and finalization/approval of pending financial years, and completed the audit of accounts for the years 2018 and 2019, the same are being adopted and adopted by the shareholders in Annual General Meeting being held on September 10, 2024 (20<sup>th</sup> Annual General Meeting) which is being convened after obtaining the direction of the Securities and Exchange Commission of Pakistan (SECP) in terms of Section 147 of the Companies Act, 2017.

Moreover, alongside the audit and finalization of accounts, the Company has not been in compliance with other statutory obligations including the ones relating/ ancillary to the audit and finalization of accounts. Other shortcomings in compliance of other statutory requirements include, but are not limited to, the following:

- i. Non-existence of Board of Directors for a considerable time.
- ii. Appointment of a qualified person as Chief Financial Officer, which has now been done on April 22, 2024, and a qualified professional from the finance function has been nominated as its Chief Financial Officer, who was looking after the finance function as Acting Chief Financial Officer since April 12, 2023. Before this the Company appointed its Chief Financial Officer on October 15, 2020, who stayed for around a year till November 19, 2021.
- iii. Appointment of Chief Internal Auditor, which is under process. The company had a Chief Internal Auditor Officer from January 1, 2020, till July 31, 2022, and was transferred to Finance function to assist in completion of financial statements and looking after the finance function.
- iv. Appointment of Compliance Officer, which is under process. The company had a Compliance Officer from April 22, 2021, till March 7, 2023.
- v. Obtaining credit rating(s), which can only be done once all outstanding accounts are audited, signed and approved.
- vi. Non-holding of Annual General Meetings within the timeframe stipulated under the Companies Law. A delayed Annual General Meeting was held on December 30, 2020, to adopt financials of years 2015 till 2017 and now another Annual General Meeting is being held on September 10, 2024 to adopt financials of years 2018 and 2019.
- vii. Timely appointment of external auditors. The external auditors, RSM Avais Hyder Liaquat Nauman, were appointed for the years from 2017 to 2019 on 30th August 2019. Now, external auditors are being appointed for the years from 2020 till 2023 in Annual General Meeting of September 10, 2024.
- viii. Timely audit, signing, approval and filing of accounts including quarterly statements of assets and liabilities, and other ancillary reports (Directors' Reports) and Statements of Compliance/ Non- Compliances under the Corporate Governance Laws as well as the Insurance Ordinance, 2000 applicable to the respective years.
- ix. Non-existence of various policies & procedures, which has already been addressed by the Board and many new policies & procedures in line with the best practices have now been made and approved, while some other policies & procedures are being made by the consultants engaged for this purpose and it is expected that those policies will be finalized and approved sooner.

The Company's Board of Directors and the Management has made all out efforts to ensure that the Company meets all its statutory obligations including finalization of the accounts for the previous years, within the earliest possible time, because of which the Company is able to conclude the audit of accounts for the year under consideration.





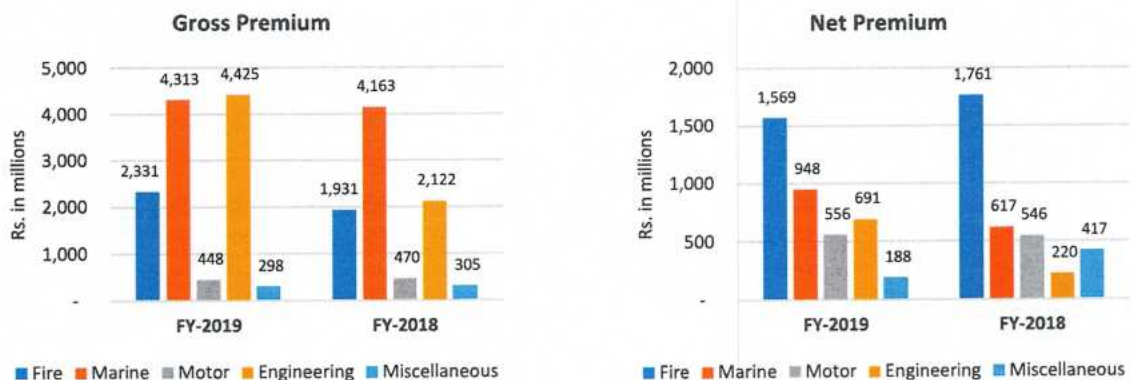
## COMPANY PERFORMANCE REVIEW

Key financial data depicting the business performance of the Company in the year 2019 in comparison with last year (2018) is presented below (all figures are stated in Rupees in millions):

Despite the challenging environment, the Company performed well in 2019 as we closed the year delivering sound financial results with a premium growth of 31.41% in business over the preceding year. We continued to follow the strategy of sustainable growth.

In 2019, the gross premium increased to Rs. 11,814.41 million as compared to Rs. 8,990.76 million in 2018. The net insurance premium revenue was 33.5% (Rs. 3,952.22 million) of total gross premium underwritten as compared to the net insurance premium revenue of 39.6% (Rs. 3,561.40 million) in 2018. The net claims ratio for the year 2019 was at 24.64% as compared to last year's ratio of 21.55%. The underwriting results reported a profit of Rs. 1,824.80 million in 2019 as against profit of Rs. 1,593.15 million in the year 2018.

The Gross Written Premium and Net Premium for different classes of business for the year 2019 as compared to previous year, 2018 as below;



The return-on-investment portfolio was substantially increased to Rs. 3,184.80 million in 2019 as compared to Rs. 1,403.41 million in 2018. This is due to investment income from T-Bill of Rs. 1,908.22 million. Rental and other income was Rs. 394.88 million whereas the same amount was Rs. 2,142.02 million in the preceding year.

Profit before tax amounted to Rs. 4,727.05 million in the year 2019 recording an increase of 7.05% against the preceding year's profit of Rs. 4,415.88 million. Also, the Profit after tax witnessed an increase of 21.80% to Rs. 3,485.08 million as against profits of Rs. 2,861.33 million in the preceding year.

## PORTFOLIO ANALYSIS

### Fire and Property Damage

Fire and property class of business constituted 19.73% of the total portfolio. During the year, the Company has underwritten a gross premium increased to Rs. 2,331.26 million (2018: Rs. 1,931million). Net claims to net premium ratio increased to 109.59% in 2019 as compared to 9.36% in 2018. As a result, fire and property class posted a underwriting loss of Rs. 396.64 billion in 2019 as compared to a profit of Rs. 1,343.83 million in 2018.

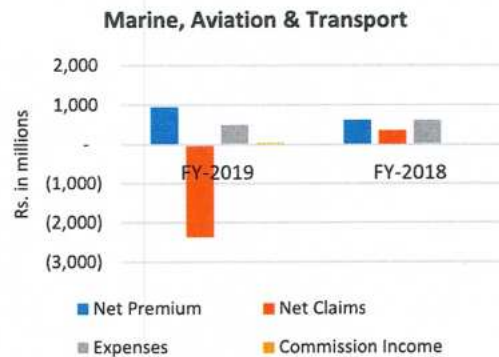






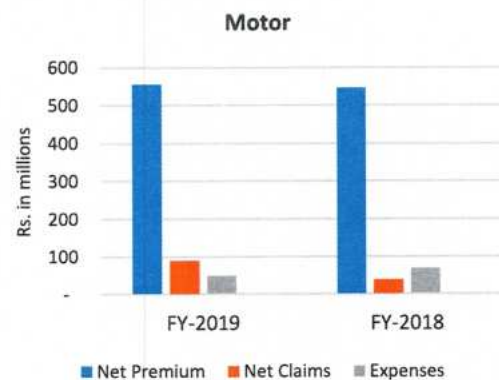
### Marine, Aviation & Transport

Marine, Aviation & Transport class of business constituted 36.50% of the total portfolio. During the year, the Company's underwritten gross premium has increased to Rs. 4,312.57 million (2018: Rs. 4,162.50 million). Net claims to net premium ratio of -249.37% in 2019 as compared to 57.58% in 2018. As a result, this portfolio showed underwriting profit of Rs. 2,873.33 million in 2019 as compared to a loss of Rs. 333.18 million in 2018.



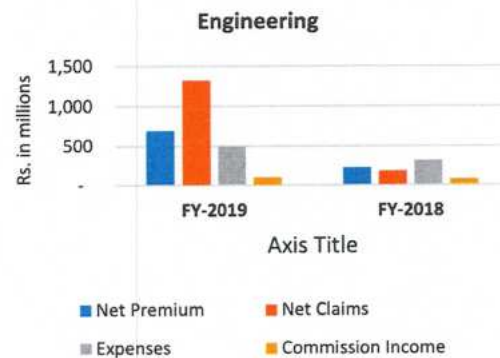
### Motor

Motor class of business constituted 3.79% of the total portfolio. During the year, the Company's gross written premium has reduced to Rs. 447.70 million (2018: Rs. 470.08 million). Net claims to net premium ratio increased to 16.35% in 2019 as compared to 7.35% in 2018. As a result, Motor class reported reduced profit of Rs. 415.98 million in 2019 as compared to profit of Rs. 436.83 million in 2018.



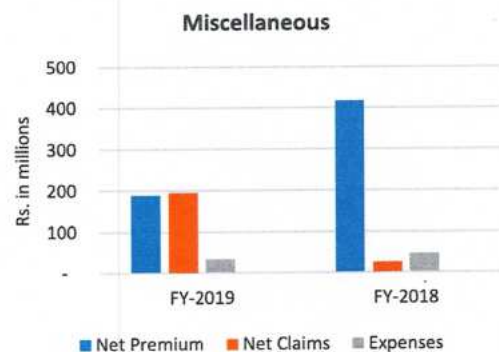
### Engineering

The Engineering class of business constituted 37.45% of the total portfolio. During the year, the gross written premium has increased to Rs. 4,424.86 million (2018: Rs. 2,122.14 million). Net claims to net premium ratio increased to 192.87% in 2019 as compared to 82.41% in 2018. As a result, this portfolio showed an underwriting loss of Rs. 1,028.34 million (2018: loss of Rs. 200.22 million).



### Miscellaneous

The Miscellaneous class of business constituted 2.52% of the total portfolio. During the year, the Company has underwritten a gross premium of Rs. 298.02 million (2018: Rs. 305.42 million). Net claims to net premium ratio increased to 103.56% in 2019 as compared to 6.25% in 2018. As a result, this portfolio showed an underwriting loss of Rs. 39.53 million (2018: profit of Rs. 345.90 million).





## INVESTMENT INCOME

Investment income of the Company witnessed a increase of 126.98% mainly due to increase in return on government securities (T-Bills) whereas return on term deposits decreased substantially due to change of strategy to switch investments to government securities.

Dividend income decreased by 41.75%, Income on government securities increased and income on term deposit decreased in 2019. As a result, the overall income from investments amounted to Rs. 3,185 million in 2019 as against Rs. 1,403 million in 2018.

The break-up of investment income is as under:

Income	FY-2019	FY-2018
	<i>(Rupees in million)</i>	
Dividend income	123	211
Return on PIBs	1,101	1,008
Return on T-Bills	1,908	46
Return on term deposits	2	359
(Loss)/Gain on sale of 'Held for trading' investments (Net impairment)	51	(218)
(Loss)/Gain on sale of 'Available-for-sale' investments (Net impairment)	0	(1)
<b>Net Investment Income</b>	<b>3,185</b>	<b>1,403</b>

## COMPANY'S ASSETS

Total assets of the Company as of 31 December 2019 amounted to Rs. 63,605 million as against Rs. 52,491 million in 2018. Total investments increased by 46.46% to Rs. 35,557.91 million as compared to Rs. 24,277.76 million in 2018. The management's strategy is to optimize utilization of funds over a long-term investment horizon to maximize investment returns.

### Assets Break-up



## KEY OPERATIONAL AND FINANCIAL DATA

(Figures in Rs. million)

Description	FY-2013	FY-2014	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019
Gross Written Premium	6,083	6,401	4,899	5,534	4,939	8,990	11,814
Net Written Premium	3,001	3,264	2,851	2,923	3,709	3,561	3,952
Net Claims	136	119	697	498	799	768	974
Underwriting Profit	2,036	2,398	1,415	1,705	2,271	1,593	1,825
Investment income	2,541	2,266	2,915	3,152	1,620	1,403	3,185
Profit Before Tax	4,501	4,183	3,865	4,411	2,823	4,416	4,727
Income Tax Expense	1,881	888	813	1,256	719	1,555	1,242
Profit After Tax	2,620	3,295	3,052	3,155	2,104	2,861	3,485
Total Equity	20,860	23,185	25,871	28,933	28,327	30,837	35,215
Total Liability	18,212	19,498	18,979	21,625	21,100	21,654	28,390
Dividend	500	500	500	500	500	410	500
Total Investments	14,723	24,734	23,725	31,390	29,653	27,757	38,988

## BOARD OF DIRECTORS

During the year 2019, following persons have been the directors on the Board of Directors of your company, whose appointments / nominations on the Board were approved by the Insurance Division of SECP.

As of December 31, 2019, the Board comprised of seven directors having the knowledge, skills and experience required to provide oversight and strategic guidelines to the Company. All the directors represented diverse fields / professions and possessed the necessary skills and understanding to deal with various business issues and had the ability to review management performance.

During the year 2019, Syed Arshad Ali (Independent member) ceased to hold the directorship of the Company on April 1, 2019, because of which a casual vacancy arose and Tariq Jamil was nominated by the Government of Pakistan, as independent member and he joined the Board of the Company on November 29, 2019.





Total number of directors during the year 2019 and Board composition was:

S. No.	Name	Category	Date of Appointment	End of Term
1	Syed Arshad Ali	Independent Director	31-May-2018	01-Apr-2019
2	Shafqaat Ahmed	Independent Director	31-May-2018	30-May-2021
3	Aasim Azim Siddiqui	Independent Director	31-May-2018	30-May-2021
4	Tariq Jamil	Independent Director	29-Nov-2019	30-May-2021
5	Syed Muhammad Tariq Huda	Non-Executive Director (Ex-Officio Director)	31-May-2018	18-May-2020
6	Dr. Rashid Manzoor	Non-Executive Director (Ex-Officio Director)	31-May-2018	30-May-2021
7	Manzoor Ali Shaikh	Non-Executive Director (Ex-Officio Director)	04-Feb-2019	30-May-2021
8	Syed Rafeo Bashir Shah	Acting Chief Executive Officer	27-Dec-2017	26-Jul-2019

#### DIRECTORS' REMUNERATION

The remuneration of the directors is approved by the Board. However, no director takes part in deciding his own remuneration. The Company pays remuneration to directors for attending the meetings of the Board of Directors and its Committees.

The Board of Directors has approved the remuneration of the members of the Board for attending meetings of the Board and Board Committee. The meeting fee of Rs. 50,000 per meeting is paid to directors. Travel expenses by air from the city of residence to the city of the meeting are paid with hotel accommodation, if availed. And that in addition to the said fee, each Director who is coming to attend a Board/Committee meeting from any other city, a daily allowance of Rs. 5,000/- shall also be paid for a day of his/her visit at the place of meeting. However, the Ministry of Commerce & Textile, vide its letter no. 3(10)/98-Ins dated September 06, 2017 has directed that the Director's Fee shall be standardized at no more than Rs.50,000/-. Hence, ever since the said directive of the Ministry of Commerce & Textile was received, the Directors have been paid a fee of Rs.50,000/- per meeting per director.

The remuneration paid to directors for attending the meetings of the Board of Directors as well as its committees have been disclosed in Note 35 to the financial statements.

#### BOARD MEETINGS & ATTENDANCE

During year 2019, 7 meetings of the Board of Directors and 4 Emergent meetings were held and attended by the Directors as under:

Directors	Meetings Attended
Syed Arshad Ali	2
Syed Muhammad Tariq Huda	10
Dr. Rashid Manzoor	11
Shafqaat Ahmed	11
Syed Rafeo Bashir Shah	4
Manzoor Ali Shaikh	8
Aasim Azim Siddiqui	11
Tariq Jamil	1



## BOARD COMMITTEES & ITS MEMBERS

The Board has formed the following committees:

### AUDIT COMMITTEE

(From August 13, 2018, to March 29, 2019)

NAME	CATEGORY
Aasim Azim Siddiqui	Chairman
Shafqaat Ahmed	Member
Roshan Ali Shaikh	Member
Dr. Rashid Manzoor	Member
General Manager (Internal Audit)	Secretary

(From March 30, 2019, to April 12, 2019)

NAME	CATEGORY
Aasim Azim Siddiqui	Chairman
Shafqaat Ahmed	Member
Manzoor Ali Shaikh	Member
Dr. Rashid Manzoor	Member
General Manager (Internal Audit)	Secretary

(From April 13, 2019 to December 05, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Aasim Azim Siddiqui	Member
Manzoor Ali Shaikh	Member
Dr. Rashid Manzoor	Member
General Manager (Internal Audit)	Secretary

(From December 06, 2019, to December, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Tariq Jamil	Member
Manzoor Ali Shaikh	Member
Dr. Rashid Manzoor	Member
General Manager (Internal Audit)	Secretary

### ETHICS, HUMAN RESOURCE & REMUNERATION

(From August 13, 2018, to April 12, 2019)

NAME	CATEGORY
Syed Arshad Ali	Chairman
Syed Muhammad Tariq Huda	Member
Dr. Rashid Manzoor	Member
Aasim Azim Siddiqui	Member
Chief Executive Officer	Member
General Manager (HR)	Secretary

(From April 13, 2019, to December 05, 2019)

NAME	CATEGORY
Syed Muhammad Tariq Huda	Chairman
Manzoor Ali Shaikh	Member
Shafqaat Ahmed	Member
Dr. Rashid Manzoor	Member
Aasim Azim Siddiqui	Member
Chief Executive Officer	Member
General Manager (HR)	Secretary

(From December 06, 2019 to December 31, 2019)

NAME	CATEGORY
Syed Muhammad Tariq Huda	Chairman
Manzoor Ali Shaikh	Member
Shafqaat Ahmed	Member
Dr. Rashid Manzoor	Member
Tariq Jamil	Member
Chief Executive Officer	Member
General Manager (HR)	Secretary





## INVESTMENT

(From August 13, 2018, to April 12, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Syed Arshad Ali	Member
Syed Muhammad Tariq Huda	Member
Chief Executive Officer	Member
Chief Manager (Accounts)	Secretary

(From April 13, 2019, to December 05, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Manzoor Ali Shaikh	Member
Syed Muhammad Tariq Huda	Member
Chief Executive Officer	Member
Chief Manager (Accounts)	Secretary

(From December 06, 2019, to December 31, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Manzoor Ali Shaikh	Member
Syed Muhammad Tariq Huda	Member
Tariq Jamil	Member
Chief Executive Officer	Member
Chief Manager (Accounts)	Secretary

## PROCUREMENT

(From August 13, 2018 to April 12, 2019)

NAME	CATEGORY
Syed Arshad Ali	Chairman
Shafqaat Ahmed	Member
Chief Executive Officer	Member
General Manager (Administration)	Secretary

(From April 13, 2019 to December 05, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Aasim Azim Siddiqui	Member
Rashid Manzoor	Member
Chief Executive Officer	Member
General Manager (Administration)	Secretary

(From December 06 2019 to December 31, 2019)

NAME	CATEGORY
Shafqaat Ahmed	Chairman
Tariq Jamil	Member
Rashid Manzoor	Member
Chief Executive Officer	Member
General Manager (Administration)	Secretary

## CORORATE SOCIAL RESPONSIBILITY (CSR)

(From March 30, 2019, to December 05, 2019)

NAME	CATEGORY
Aasim Azim Siddiqui	Chairman
Syed Muhammad Tariq Huda	Member
Shafqaat Ahmed	Member

(From December 06, 2019 to December 31, 2019)

NAME	CATEGORY
Tariq Jamil	Chairman
Syed Muhammad Tariq Huda	Member
Shafqaat Ahmed	Member

## SHAREHOLDING

The Company is 100% owned by Government of Pakistan and working under administrative control of Ministry of Commerce.



No. of Shareholders	Shareholdings	Total Shares Held
-	Shareholding from 1 to 100 shares	-
-	Shareholding from 101 to 500 shares	-
-	Shareholding from 501 to 1,000 shares	-
-	Shareholding from 1001 to 5,000 shares	-
-	Shareholding from 5,001 to 10,000 shares	-
-	Shareholding from 10,001 to 1,000,000 shares	-
-	Shareholding from 1,000,001 to 10,000,000 shares	-
-	Shareholding from 10,000,001 to 100,000,000 shares	-
1	Shareholding from 100,000,001 to 200,000,000 shares	200,000,000
1		200,000,000

Categories of Shareholders	Share(s) Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	-	0%
Associated Companies, undertakings and related parties	-	0%
Executives	-	0%
Banks, Development Financial Institutions, Non-Banking Financial Institutions	-	0%
Insurance Companies and Takaful Companies	-	0%
Modarabas and Mutual Funds	-	0%
Shareholders holding 5% or more		
General Public:		
- Local	-	0%
- Foreign	-	0%
Others:		
- Public Sector Companies and Corporations	-	0%
- Federation of Pakistan (In the name of President of Pakistan)	200,000,000	100%
- NIC Employees Empowerment Trust (NEET)	-	0%

#### SUBSIDIARY COMPANY

M/s. Civic Center Company (Private) Limited ("the subsidiary company") is the only wholly owned subsidiary of the Company. The subsidiary company was incorporated in the year 1994, and at present, it has a paid-up capital of Rs.448.20 million (divided into 44.820 million shares of Rs.10/- each share). The subsidiary company is engaged in the business of rental management and upkeep of its real estate properties/ buildings.

#### MOST RECENT DEVELOPMENT – SCHEME OF MERGER/AMALGAMATION OF THE COMPANY'S WHOLLY OWNED SUSIDIARY WITH AND INTO THE COMPANY

NICL holds 100% shares of CCCL which is contrary the requirements of sections 14(1) (b) and 15 read with section 200 of The Companies Act, 2017, therefore, SECP has required the change in the shareholding while transferring share(s) in the name of new nominee director(s) who would then also become the shareholder(s) of the CCCL.

As per resolution of the Board of Directors of CCCL, the matter for transfer of share(s) in the name of new nominee Director(s), from the existing shares i.e. Rs. 44,820,009, was referred to NICL's Board of Directors for necessary approval and further proceedings.

In pursuance of this, NICL Board of Directors in its 125<sup>th</sup> meeting held on 25<sup>th</sup> July 2024 approved to transfer one share of CCCL to the Chief executive Officer of National Insurance Company in order to comply with Security Exchange Commission requirement.

#### EARNINGS PER SHARE

During the year under review, earnings per share were Rs. 17.43/- (2018: Rs. 14.31/-). Detailed working has been reported in Note 34 to the Unconsolidated Financial Statements in this regard.

#### INTERNAL FINANCIAL CONTROLS AND ITS ADEQUACY

The Board has adopted policies and procedures for ensuring orderly and efficient conduct of its business including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial disclosures. The





system provides, though not absolute, reasonable assurance that adequate control mechanisms have been established within the operational businesses.

The Company's internal control system is commensurate with its size, scale, and complexities of its operations. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control system and suggests improvements to strengthen the same.

#### RECOMMENDATION OF THE AUDIT COMMITTEE

The appointment of external auditors for the year ended December 31, 2017, 2018 and 2019 was done in its Extraordinary General Meeting held on August 30, 2019. It was recommended the appointment and remuneration of M/s. RSM Avais Hyder Liaquat Noman, Chartered Accountants as the external auditors for the year ended December 31, 2017, 2018 and 2019 based on the outcome of the tendering process followed in accordance with the PPRA Rules.

No casual vacancy arose with respect to the external auditors for the year 2019.

Other matters considered and / or recommended by the Audit Committee included the following:

- discussions with external auditors on the issues from the audit and review of the financial statements.
- communication between the management and external auditors that are ought to have been affecting the progress of audit of financial statements.
- other matters requiring presence and/ outcomes of discussions with the external auditors.

#### OPINIONS EXPRESSED IN THE AUDITOR'S REPORT AND EXPLANATION

Auditors of the Company for the year ended December 31, 2019, have expressed their opinions on the financial statements for the said period, and an explanation thereto has been given as under:

S. No.	Audit Opinion	Explanation
1	<p>The Company does not neither maintain a fixed asset register nor have an items-wise detail fixed assets available with it. Due to non-availability of this information, we were unable to obtain sufficient appropriate audit evidence in relation to following:</p> <ul style="list-style-type: none"> <li>- the existence, completeness, rights &amp; obligations and valuation assertions of fixed assets recorded in the unconsolidated financial statements of the Company as at December 31 2015, December 31, 2016, December 31,2017, December 31, 2018 and December 31,2019.</li> <li>- the impairment if any, of any fixed assets recorded, in the unconsolidated financial statements of the Company as at December 31, 2015, December 31, 2016, December 31, 2017, December 31, 2018 and December 31. 2019.</li> </ul> <p>Consequently, we are unable to quantify the Impact of the adjustments, if any, on the unconsolidated financial statements:</p> <p>The Company historically has been charging depreciation on investment properties (refer note 7 to the unconsolidated financial statements) and fixed assets (refer note 5 to the unconsolidated financial statements) under reducing balance method using rates that are not in agreement with its estimate of useful life. Accordingly, this may have been resulted in a material misstatement, in the written down value of assets and a material misstatement, in the unconsolidated profit for the year and unconsolidated retained earnings of the Company. Due to non-availability of Item-wise detail fixed assets (as mentioned above) we are unable to quantify using incorrect depreciation rates on the unconsolidated financial statements pertaining to fixed assets and impact on the deferred tax.</p>	<p>Similar opinion was given by the external auditors for the year 2018. Factually, there was no fixed assets register during the year 2019.</p> <p>The Company is in process of acquiring new software solution, offering advanced asset register capabilities, including Procure-to-Payment and Fixed Asset Management Systems. This new solution will be integrated with NICL's existing General Ledger System, providing a complete procure-to-pay solution that will revolutionize business process and technology integration for procurement, services, and finance departments. By laying the foundation for incremental system evolution, this mission-critical solution will enable a new level of efficiency and integration, transforming the way procurement and finance departments operate.</p> <p>The Company has modified the depreciation policy to implement the Straight-Line Method for all assets starting January 1, 2020, to align with external auditors' requirements.</p> <p>We expect that this opinion shall change in the later years, as the auditors for those years will be able to see the fixed assets register and will also be able to carry out necessary audit verification procedures in respect of fixed assets as well as investment properties.</p>
2	<p>We were appointed subsequent to the balance sheet date consequently; we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of investment properties</p>	<p>This is an inherent limitation that the external auditors for the year ended December 31, 2019 were appointed in the year 2019.</p>



and fixed assets appearing in the unconsolidated statement or financial position as at December 31, 2019 and application of appropriate cut on-procedures. We were also unable to review the event subsequently to the balance sheet date till the date of our audit report. Which may affect the financial statements further, there being to satisfactory alternative audit procedures that we could adopt to obtain sufficient and appropriate audit evidence regarding the objectives of these procedures, Consequently, we are unable to assess due impact of the adjustments, if any that may have been identified as a result of such audit procedures on the balances as appearing the unconsolidated financial statements.	
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#### **DIRECTION / PREPARATION TO HOLD ANNUAL GENERAL MEETING**

On the application(s) made by the Company in terms of Section 147(1) of The Companies Act, 2017, vide letter No. CS.SEC/19<sup>th</sup>, 20<sup>th</sup> AGM/Sec.147-CA/2024 dated August 9, 2024, the Securities and Exchange Commission of Pakistan, vide its letter No. E-0004795 dated August 12, 2024, has intimated that the commission vide Circular No. 07/2024 March 7, 2024 has clarified that the spirit of section 147 of the Companies Act, 2017 is to empower the members/directors of the company to compel it to hold its overdue journal meetings with the intervention of Commission. Hence any application under section in 147 shall not be entertained by the Commission in case same is filed by on behalf of the company as a company cannot seek direction against itself.

In addition to above, SECP further clarified that, in case the company has held its overdue meeting without invocation of the provision of section 147 of the Companies Act, 2017, such meeting would be considered as valid meetings, if held in accordance with the relevant provisions of the law.

Therefore, as directed by SECP the Company will hold its Annual General Meetings on September 10, 2024 for the years 2018 & 2019.

#### **RECOMMENDATION FOR DIVIDEND**

A final dividend of Rs. 500 million for the financial year 2019 has been recommended for declaration by the Board Audit Committee and approved by the Board of Directors.

#### **STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Corporate laws, rules and regulations framed there under spell out the overall functions of the Board of Directors of the Company. The Board is fully aware of its corporate responsibilities as envisaged under the Companies Act, 2017, the Code of Corporate Governance for Insurers, 2016 and the Public Sector Companies (Corporate Governance) Rules 2013 (the Codes) and is pleased to give the following statements:

The financial statements prepared by the Company, present fairly its state of affairs, the results of its operation, cash flows and changes in equity. The Company has maintained proper books of accounts as required under The Companies Act, 2017.

The Company has followed consistently appropriate accounting policies in preparation of the financial statements. Changes, wherever made, have been disclosed, and accounting estimates made are on the basis of prudent and reasonable judgment.

Financial Statements have been prepared by the Company in accordance with the International Financial Reporting Standards as applicable in Pakistan. The departure therefrom (if any), is disclosed adequately and explained.

The fundamentals of the Company are strong and there are no doubts about its ability to continue as a going concern.

#### **COMPLIANCE WITH PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016**

Although, the Directors signing and approving this Report along with the financial statements for the year ended December 31, 2019, on the basis of the indemnity to the Board for signing and approving the financial statements / accounts for the year ended December 31, 2019, as elaborated in the "Disclaimer & Indemnity" part given in this Report were not present during the period to which these financial statements relate, however, the present





Directors have approved and signed this Report along with the financial statements for the year ended December 31, 2019, and the relevant Statements of Compliance / Non-Compliances, so as to meet the filing requirements as laid down under the law.

Based on the said indemnity to the Board, the Statements of Compliance / Non-compliances under Rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013 and Clause (lxxvi) or the Code of Corporate Governance for Insurers, 2016 [Clauses (lxxviii) to (lxxx) of the Code of Corporate Governance for Insurers, 2016 have been omitted vide S.R.O.277(1)/2020 dated April 01, 2020; hence, these provisions do not exist as at the date hereof, and accordingly, the Statement of Compliance with Section 11 and Section 12 of the Insurance Ordinance, 2000 is not been presented herewith], has been approved, signed, issued and annexed to these financial statements by the present Board of Directors without assuming any financial and/ or legal liability and/ or risk of any type or kind whatsoever, as the present Board of Directors was neither present during the period to which these accounts relate nor is the Board in a position to confirm the exact compliance status with respect to the requirements of the Companies Ordinance, 1984 (now the Companies Act, 2017), the Insurance Ordinance, 2000, the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance for insurers, 2016.

#### STATEMENT OF COMPLIANCE UNDER SECTION 46(6) OF THE INSURANCE ORDINANCE, 2000

Just like the Statement of Compliance / Non-Compliances under Rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013, the Statement of Compliance required under Section 46(6) of the Insurance Ordinance, 2000 is being presented as under:

*"In compliance with sub-Section (6) of Section 46 of the Insurance Ordinance, 2000, we, the Board of Directors of M/S. NATIONAL INSURANCE COMPANY LIMITED, bearing insurance registration no. 183 dated 1<sup>st</sup> January, 2002, through the Chairman Board, Chief Executive Officer and two Directors nominated by the Board of Directors to sign the financial statements for the year ended December 31, 2019, hereby make out the statement that:*

- a) *in our opinion the annual statutory accounts of the Company set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 and any rules made thereunder;*
- b) *the insurer has at all times in the year 2019 complied with the following provisions of the Insurance Ordinance, 2000 and the rules made thereunder relating to:*
  - i. *the provisions of the Ordinance relating to minimum paid-up share capital requirements;*
  - ii. *the provisions of the Ordinance relating to minimum solvency requirements;*
  - iii. *the provisions of the Ordinance relating to the obtaining of reinsurance arrangements.*
- c) *as at the date of the statement, the insurer continues to be in compliance with the following provisions of the Insurance Ordinance, 2000 and the rules made thereunder relating to:*
  - i. *the provisions of the Ordinance relating to minimum paid-up share capital requirements;*
  - ii. *the provisions of the Ordinance relating to minimum solvency requirements;*
  - iii. *the provisions of the Ordinance relating to the obtaining of reinsurance arrangements."*

The abovementioned statement of compliance under Section 46(6) of the Insurance Ordinance, 2000 should not be read in isolation; rather the statement should be read in conjunction with the "Disclaimer & Indemnity" part given in this Report.

#### EXEMPTION FROM THE REQUIREMENT TO PREPARE & FILE CONSOLIDATED STATEMENTS

The financials for the years 2018 & 2019 of NICL's subsidiary, Civic Center Company Limited, has not been audited and approved, hence the consolidated financial statements of NICL cannot be prepared for the year 2019.

The reason for non-finalization of accounts of CCCL is due to the absence of the Board of Directors of NICL and Civic Center Company Limited (CCCL) as directors of CCCL are from the directors of NICL.





Therefore, an application was made by the Company in terms of Section 228(7) of the Companies Act, 2017 read with Regulation 5 of the Companies (General Provisions and forms) Regulations, 2018, vide letter No. CS.SEC/Accounts/indemnity/2024 dated July 11 2024, whereby request was made before the Securities and Exchange Commission of Pakistan for issuance of directions for grant of exemption from the requirements of Section 228 of The Companies Act, 2017 concerning the preparation, audit and submission of the consolidated financial statements for the years 2018, 2019 & 2020. The Securities and Exchange Commission of Pakistan, vide its letter No. ID/PRDD/020-RA/2024/3291 dated July 23, 2024, accorded the requisite exemption from the requirements of Section 228 of the Companies Act, 2017 for the years 2018, 2019 & 2020.

#### DISCLAIMER AND INDEMNITY

As mentioned earlier, the present Board of Director of the Company was notified on August 8, 2023 and their first meeting was held on November 13, 2023. At that time, none of the accounts of NICL after the year 2017 were audited nor approved. The previous Board had approved and signed the financial statements for the years 2015, 2016 & 2017 on the basis of the indemnity provided by SECP on 10<sup>th</sup> August 2020.

On the same basis, accordingly, the Insurance Division of SECP was approached vide the Company's letter No. CS.SEC/Accounts/indemnity/2024 dated July 11, 2024, regarding issuance of indemnity to the Board of NICL for signing and approving of accounts of NICL for the years 2018 till 2023, which was responded to by SECP vide its letter No. ID/PRDD/020-RA/2024/3290 dated July 19, 2024. In the light of the said letter from SECP, the Board of Directors of the Company has considered approving, signing and recommending the accounts for the year 2018 and 2019 for placement before the shareholders in the 19<sup>th</sup> and 20<sup>th</sup> Annual General Meeting to be convened with the permission of SECP in terms of Section 147 of the Companies Act, 2017.

The present Board of Directors has taken initiative to approve and sign these financial statements merely on the basis of the indemnity issued by SECP vide its letter No. ID/PRDD/020-RA/2024/3290 dated July 19, 2024, as the present Board was neither present during the period to which these financial statements relate nor is the Board aware of the circumstances and compliance status of the Company during that period with respect to the requirements of the Companies Ordinance, 1984 (now the Companies Act, 2017), the Insurance Ordinance, 2000, the Public Sector Companies (Corporate Governance) Rules, 2013, and the Code of Corporate Governance for Insurers, 2016. Likewise, the present Directors have approved and signed this Report along with the financial statements for the year ended December 31, 2019, and the relevant Statements of Compliance / Non-compliances, so as to meet the filing requirements as laid down under the law.

Based on the above said indemnity to the Board:

- i. the Statements of Compliance / Non-Compliances have been approved, signed, issued and annexed to these financial statements by the present Board of Directors without assuming any financial and/ or legal liability and/ or risk of any type or kind whatsoever; and
- ii. the approval of the financial statements and / or all statements and notes annexed thereto does not, in any way, mean or constitute approval of transactions carried out during the period to which these accounts relate and earlier.

#### COMPLIANCE WITH SECRETARIAL PRACTICES

Secretarial Compliance Certificate under Clause (xxxiii) of the Code of Corporate Governance for Insurers, 2016 duly signed by the Company Secretary is being furnished herewith, as part of the annual financial statements for the year ended December 31, 2019.

#### HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate. The Real Estate Department looks after the real estate properties and matters ancillary to those properties including health safety (hygiene) and security of the buildings and its occupants (including the tenants). However, the nature of the Company's business is such that it is not detrimental to the overall health, safety and environment.





#### EMPLOYEES RETIREMENT BENEFITS

Detailed disclosure about deferred liabilities and movements in respect of employees' retirement benefits have been given in Note 22 to the financial statements for the year ended December 31, 2019.

#### INTERNAL AUDIT

The Internal Audit Department has been made functional in the year 2020 by hiring a qualified Chartered Accountant as Chief Internal Auditor with a reporting line to Board Audit Committee. Subsequently, the Internal Audit Manual has been developed and approved by the Board of Directors. According to the said manual, a risk based Internal Audit Plan has been developed and implemented. Resultantly, Internal Audit Reports were presented to the Board Audit Committee. Before the year 2020, the Internal Audit Department was not fully functional. The Internal Audit Department used to perform pre-audit of all vouchers / transactions to be carried out before any payment was to be made.

#### FINANCIAL STATEMENTS

The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity, as opined by the external auditors in their report thereon.

#### BOOKS OF ACCOUNTS

The Company has maintained proper books of account, as opined by the external auditors in their report thereon.

#### ACCOUNTING POLICIES

Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment, as opined by the external auditors in their report thereon.

#### INTERNATIONAL ACCOUNTING STANDARDS

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements, as opined by the external auditors in their report thereon.

#### INTERNAL CONTROL SYSTEM

The system of internal control is evolving across the Company, and the present Board is painstakingly getting the policies developed by professional consultants so that the policies are approved and implemented in line with the best practices. Moreover, the present Board of Directors is in the process of appointing a professionally qualified person to act as the Chief Internal Auditor. Many other initiatives are being taken to strengthen the internal control system across the Company.

#### GOING CONCERN

There is no doubt about the Company's ability to continue as a going concern, and hence, the financial statements for the year ended December 31, 2019 have been accordingly made.

#### TAXES AND LEVIES

Information about taxes and levies is given in Note 33 to the financial statements for the year ended December 31, 2019.

#### STATUTORY PAYMENTS

There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2019, except those disclosed in the financial statements.

#### TRANSACTIONS WITH RELATED PARTIES

Detailed disclosure on transactions with related parties is given in Note 36 to the financial statements for the year ended December 31, 2019.



## COMMUNICATION

Communication with the shareholders is given a high priority. Financial statements / Annual reports are circulated to the members and are also uploaded onto the website of the Company ([www.nicl.com.pk](http://www.nicl.com.pk)), as and when they are approved by the Board. Once the outstanding accounts are approved by the Board and adopted by the shareholders at the respective Annual General Meetings, the Company shall ensure that all half yearly and quarterly reports are

also circulated, as per the requirement of the law, and also placed on Company's website within the time specified by the Companies Act, 2017. The Company has a website, [www.nicl.com.pk](http://www.nicl.com.pk), which contains information on Company's activities and financial reports.

## NON-ADJUSTING EVENTS & COMMITMENTS

As per External Auditors, there were no non-adjusting material events which need disclosure in the Financial Statement for the year ended December 31, 2019. Further, detail disclosure about contingencies & commitments has been given in Note 23 to the financial statements for the year ended December 31, 2019.

## SAFEGUARDING OF RECORDS

The Company emphasizes storage and safe custody of its financial records. The Company is using oracle-based GIS system for recording its financial information. Access to electronic documentation has been ensured through implementation of comprehensive password protected authorization matrix. Also, the digitization of records as well as of files has been achieved to ensure that the records are present in physical as well as in digital form.

## WHISTLEBLOWER POLICY

The Company has Whistleblower Policy in place

## CODE OF CONDUCT

The Company has prepared a 'Code of Conduct', which has been approved by the Board of Directors. This Code has been disseminated throughout the Company. The basic philosophy underlying this Code is to conduct business operations with honesty, integrity and openness, and with respect for human rights and the interests of the employees. The Company respects the legitimate interest of all those with whom it has a relationship - government, employees, clients, shareholders and other stakeholders. The Code has been placed on Company's website.

## PRINCIPAL RISKS AND UNCERTAINTIES

Risks associated with the Company and its business have been discussed in Note 39 to the financial statements for the year ended December 31, 2019.

## AUDITORS

The Auditors, M/s. RSM Avais Hyder Liaquat Noman, Chartered Accountants for the year ended December 31, 2019, have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). The external auditors have confirmed that their firm is in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the provisions of the Companies Act, 2017 and the Insurance Ordinance, 2000, and they have confirmed that they have observed IFAC guidelines in this respect.

The external auditors attended those Audit Committee meetings in which audited / reviewed financial statements of the Company were considered by the Audit Committee. It may be noted that the financial statements for the period ended December 31, 2019 were neither audited by the external auditors nor approved by the Board of Directors during the year 2019 in the relevant year. The auditors have confirmed that they have no issue of independence, and they have already reported all their concerns in the Board letter. Audit Committee has recommended appointment and remuneration of the external auditors for consideration of the Board in the year 2019 for the years 2017, 2018 and 2019.





## ACKNOWLEDGEMENT

The present board of directors has been endeavoring to make all out efforts and strengthening the internal control system of the company and also upgrade the overall working of the company through technological advancements, digitization of systems, employees' skill and capacity development and moving forward towards more competitive approach.

The Board of Directors of the Company are thankful to the management as well as the regulators for the support and cooperation as without which the Company would not have achieved the finalization of these financial statements and other initiatives taken by the Board of Directors of the Company.

The Company would also like to thank its shareholders for the confidence they have shown in us. We express our sincere thanks to our customers, employees, strategic partners, vendors and suppliers.

We also appreciate the continuing support and guidance provided by the Securities and Exchange Commission of Pakistan during the year.

For and on behalf of the Board



Sanjibzada Rafat Raouf Ali  
Director

Karachi: August 20, 2024



Khalid Hamid  
Chief Executive Officer

## نیشنل انشورنس کمپنی لمیٹڈ ڈائریکٹرز رپورٹ 2019

### 31 دسمبر 2019 کو اختتام پذیر ہونے والے سال کیلئے سالانہ آڈٹ شدہ مالیاتی گوشوارے

کمپنی کے ڈائریکٹرز 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال کے لیے آڈٹ شدہ مالیاتی گوشواروں اور اس کے ساتھ آڈیٹرز کی رپورٹ بمعہ اپنی رپورٹ پیش کرتے ہوئے پُرمسرت ہیں۔ یہ رپورٹ کمپنیز ایکٹ، 2017 کے سیکشن 227 کے مطابق تیار کی گئی ہے۔ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013، اور کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان 2016، مورخہ 10 ستمبر 2024 کو طے شدہ 20 ویں سالانہ عام اجلاس میں اراکین کو پیش کیا جائے گا۔

#### کمپنی کی تاریخ، مقاصد اور معاملات:

نیشنل انشورنس کمپنی لمیٹڈ ("کمپنی") پاکستان میں 31 مارچ 2000 کو منسوخ شدہ کمپنیز آرڈیننس، 1984 (اب کمپنیز ایکٹ، 2017 کے زیر انتظام) کے تحت ایک غیر فہرست شدہ پبلک لمیٹڈ کمپنی کے طور پر قائم کی گئی تھی۔ یہ نیشنل انشورنس کارپوریشن (تنظیم نو) آرڈیننس، 2000 کے ذریعے تشکیل دی گئی تھی۔

نیشنل انشورنس کمپنی لمیٹڈ کے اہم مقاصد میں شامل ہیں:

- سرکاری اور نیم سرکاری اداروں کو کم قیمت پر انشورنس کوریج فراہم کرنا۔
- بیرون ملک سے ری انشورنس پر انحصار کم سے کم کر کے زرمبادلہ کے اخراج کو کم کرنا۔
- ٹیکسوں اور منافع کے ذریعے سرکاری خزانے میں نمایاں حصہ ڈالنا۔
- زیادہ سے زیادہ منافع حاصل کرنے کے لیے سرکاری اور نجی دونوں شعبوں میں دانشمندانہ سرمایہ کاری کرنا۔

کمپنی منقولہ اور غیر منقولہ دونوں اثاثوں، واجبات، خطرات، اور وفاقی اور صوبائی حکومتوں، مقامی اتھارٹیز، اور قانونی کارپوریشنز کے مفادات کے لیے عمومی انشورنس کوریج پیش کرتی ہے۔ اس کا کسٹمر بیس بنیادی طور پر انشورنس آرڈیننس 2000 کے سیکشن 166 کی دفعات کے مطابق محفوظ ہے۔

- |   |                       |
|---|-----------------------|
| • آگ اور اس سے متعلقہ خطرات               | • میرین کارگو         |
| • جانیداد کے تمام خطرات                   | • میرین ہل            |
| • مشینری کی خرابی                         | • ایوی ایشن ہل        |
| • ٹھیکیداروں کے تمام خطرات                | • بینکرز بلینکٹ بانڈ  |
| • تنصیب کے تمام خطرات                     | • الیکٹرانک آلات      |
| • کاروباری تعطل درج ذیل وجوہات کی بنا پر: | • ورک مین کمپنیشن     |
| ➤ پراپرٹی کا نقصان                        | • جنرل پبلک لائیبلیٹی |
| ➤ مشینری کی خرابی                         | • نقدی برائے حفاظت    |
|   | • نقدی برائے ترسیل    |

سال 2000 میں پبلک لمیٹڈ کمپنی میں تبدیل ہونے کے بعد سے، نیشنل انشورنس کارپوریشن (ری آرگنائزیشن) آرڈیننس 2000 کے نفاذ کے ذریعے، کمپنی مسلسل منافع بخش رہی ہے اور اسے کبھی خسارہ نہیں ہوا۔

سال 2009 تک کمپنی کے آپریشنز اور گورننس مستحکم رہے۔ تاہم، 2009 اور 2010 کے درمیان، اس وقت کے بورڈ ممبران کے اجتماعی طور پر کیے گئے کچھ فیصلوں نے تنازعہ پیدا کر دیا، خاص طور پر جانیداد کے حصول سے متعلق معاملات میں۔ اس کے بعد، پاکستان کی سپریم کورٹ نے نوٹس لیا اور 2010 کا سو موٹو کیس نمبر 18 شروع کیا، جس میں کمپنی کی ایک جامع تنظیم نو کی ضرورت تھی۔ نتیجتاً، کمپنی نے ایک طویل مدت کے لیے باقاعدہ طور پر تشکیل شدہ بورڈ آف ڈائریکٹرز کے بغیر کام کیا۔

سال 2013 میں صرف چھ ماہ کی مدت کے لیے بورڈ آف ڈائریکٹرز کا تقرر کیا گیا تھا۔ نتیجتاً، 2010/2011 سے 2015 تک، کمپنی نے بڑے پیمانے پر بورڈ آف ڈائریکٹرز کے بغیر کام کیا۔ اس صورت حال نے کمپنی کے کھاتوں کے آڈٹ میں رکاوٹ ڈالی، جس کے نتیجے میں متعدد مسائل کا سامنا کرنا پڑا۔ کام کرنے والے بورڈ کی کمی نے کمپنی کے ہموار آپریشنز میں مداخلت کی، خاص طور پر اکاؤنٹ آڈیٹنگ کے ترتیب وار عمل کو متاثر کیا۔

فروری 2015 میں ایک اور بورڈ آف ڈائریکٹرز کا تقرر کیا گیا اور اس نے تین سال تک خدمات انجام دیں۔ اس عرصے کے دوران 2010، 2011، 2012، 2013 اور 2014 کے مالیاتی گوشواروں کا آڈٹ کیا گیا اور ان کی منظوری دی گئی۔ اس کے بعد، 31 مئی 2018 کو ایک نوٹیفیکیشن کے ذریعے تین سال کی مدت کے لیے نئے بورڈ آف ڈائریکٹرز کا تقرر کیا گیا، جو 31 مئی 2021 کو ختم ہوا۔ یہ بورڈ سال 2015، 2016 اور 2017 کے مالیاتی گوشواروں کا آڈٹ اور منظوری دینے میں کامیاب رہا۔ ڈھائی سال کے وقفے کے بعد، موجودہ بورڈ آف ڈائریکٹرز کا تقرر 8 اگست 2023 کو ہوا اور اس کا پہلا



اجلاس 13 نومبر 2023 کو ہوا۔ اس بورڈ نے زیر التواء اثاثوں کو مکمل کرنے اور بقایا سالوں کے مالیاتی گوشواروں کو حتمی شکل دینے کا کام انجام دیا۔ انہوں نے 2018 اور 2019 کے اکاؤنٹس کا کامیابی سے آڈٹ کیا۔ یہ آڈٹ شدہ مالیاتی بیانات 10 ستمبر 2024 کو طے شدہ 20ویں سالانہ جنرل میٹنگ میں شیئر ہولڈرز کے ذریعہ اپنانے کے لیے پیش کیے جائیں گے۔ یہ اجلاس کمپنیز ایکٹ 2017 کے سیکشن 147 کے تحت سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی ہدایات کے بعد بلایا جا رہا ہے۔

اکاؤنٹس کے آڈٹ اور حتمی شکل دینے کے علاوہ، کمپنی مختلف دیگر قانونی ذمہ داریوں کی تعمیل نہیں کر رہی ہے، جن میں آڈٹ کے عمل سے متعلق یا ذیلی ذمہ داریاں بھی شامل ہیں۔ قانونی تقاضوں کو پورا کرنے میں دیگر کمیوں میں درج ذیل شامل ہیں، جو کہ ان تک محدود نہیں ہیں:

- i. بورڈ آف ڈائریکٹرز کافی عرصے سے غیر حاضر رہا۔
- ii. ایک اہل چیف فنانشل آفیسر (سی ایف او) کی تقرری 22 اپریل 2024 کو مکمل ہوئی۔ فنانس فنکشن سے ایک پیشہ ور، جو 12 اپریل 2023 سے قائم مقام سی ایف او کے طور پر خدمات انجام دے رہا تھا، کو مقرر کیا گیا ہے۔ اس سے پہلے، کمپنی کے پاس 15 اکتوبر 2020 سے ایک CFO تھا، جس نے 19 نومبر 2021 تک خدمات انجام دیں۔
- iii. چیف انٹرنل آڈیٹر کی تقرری اس وقت جاری ہے۔ کمپنی کے پاس 1 جنوری 2020 سے 31 جولائی 2022 تک ایک چیف انٹرنل آڈیٹر تھا، جسے پھر فنانس فنکشن اور فنانشل سٹیٹمنٹس کی تکمیل میں مدد کے لیے منتقل کر دیا گیا۔
- iv. کمپلائنس آفیسر کی تقرری بھی جاری ہے۔ کمپنی کے پاس 22 اپریل 2021 سے 7 مارچ 2023 تک ایک کمپلائنس آفیسر تھا۔
- v. کریڈٹ ریٹنگ حاصل کرنا زیر التواء ہے، کیونکہ یہ صرف ایک بار مکمل ہو سکتا ہے جب تمام بقایا کھاتوں کا آڈٹ، دستخط اور منظوری ہو جائے۔
- vi. کمپنی نے کمپنیز لاء کی طرف سے مقرر کردہ ٹائم فریم کے اندر سالانہ جنرل میٹنگز (AGMs) منعقد نہیں کیں۔ 2015 سے 2017 کے مالیاتی گوشواروں کو اپنانے کے لیے 30 دسمبر 2020 کو ایک تاخیری AGM منعقد کی گئی۔
- vii. بیرونی آڈیٹرز کی بروقت تقرری ایک مسئلہ رہا ہے۔ آر ایس ایم اویس حیدر لیاقت نعمان کو 30 اگست 2019 کو سال 2017 سے 2019 کے لیے آڈیٹر مقرر کیا گیا تھا۔ 10 ستمبر 2024 کو ہونے والی AGM میں سال 2020 سے 2023 کے لیے نئے بیرونی آڈیٹرز کا تقرر کیا جا رہا ہے۔
- viii. اکاؤنٹس کے آڈٹ، دستخط، منظوری اور فائل کرنے میں تاخیر ہونی ہے، بشمول اثاثوں اور واجبات کے سہ ماہی بیانات، اور دیگر رپورٹس (جیسے ڈائریکٹرز کی رپورٹس) اور کارپوریٹ گورننس قوانین اور انٹرنس آرڈیننس 2000 کے تحت تعمیل/غیر تعمیل کے بیانات۔
- ix. ابتدائی طور پر مختلف پالیسیوں اور طریقہ کار کی کمی تھی لیکن اب بورڈ نے ان پر توجہ دی ہے۔ بہترین طریقوں کے ساتھ منسلک بہت سی نئی پالیسیاں اور طریقہ کار قائم اور منظور کیے گئے ہیں۔ کنسلٹنٹس کے ذریعے اضافی پالیسیاں تیار کی جا رہی ہیں، جن کو حتمی شکل دینے اور منظوری جلد متوقع ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز اور مینجمنٹ نے اس بات کو یقینی بنانے کے لیے وسیع کوششیں کی ہیں کہ کمپنی اپنی تمام قانونی ذمہ داریوں بشمول گذشتہ سالوں کے اکاؤنٹس کو جتنا جلد ممکن ہو حتمی شکل دینا، کو پورا کرتی ہے۔ ان کوششوں کے نتیجے میں، کمپنی نے رواں سال کے اکاؤنٹس کا آڈٹ کامیابی سے مکمل کر لیا ہے۔

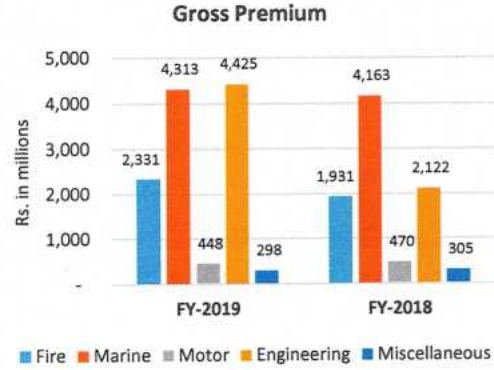
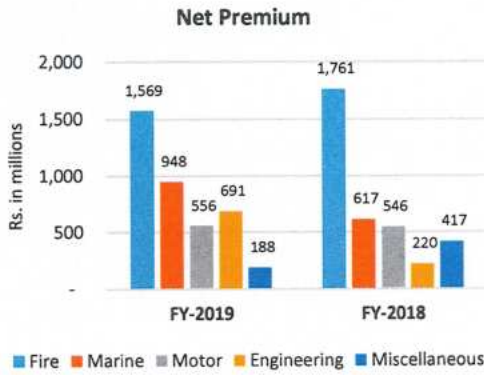
#### کمپنی کی کارکردگی کا جائزہ:

سال 2019 میں کمپنی کی کاروباری کارکردگی کی اہم تفصیلات سال 2018 کے مقابلے میں درج ذیل ہیں (تمام اعداد و شمار ملین روپے میں ہیں):

ایک چیلنجنگ ماحول کے باوجود، کمپنی نے 2019 میں اچھی کارکردگی کا مظاہرہ کرتے ہوئے مضبوط مالیاتی نتائج اور گذشتہ سال کے مقابلے پریمیم نمو میں 31.41 فیصد اضافے کے ساتھ سال کا اختتام کیا۔ ہم نے پائیدار ترقی کی حکمت عملی پر اپنی توجہ برقرار رکھی۔

سال 2019 میں، مجموعی پریمیم بڑھ کر 11,814.41 ملین روپے ہو گیا، جو کہ 2018 میں 8,990.76 ملین روپے تھا۔ خالص انشورنس پریمیم آمدنی 33.5 فیصد (3,952.22 ملین روپے) رہی، جو کہ 2018 میں 39.6 فیصد (3,561.40 ملین روپے) تھی۔ خالص کلیمز کا تناسب 2019 میں 24.64 فیصد رہا جو کہ گذشتہ سال 21.55 فیصد تھا۔ انٹر رائٹنگ کے نتائج نے 2018 میں 1,593.15 ملین روپے کے منافع کے مقابلے میں 2019 میں 1,824.80 ملین روپے کا منافع ظاہر کیا۔

سال 2019 کے لئے مختلف کاروباری شعبوں کی مجموعی تحریری پریمیم اور خالص پریمیم کا گذشتہ سال 2018 کے مقابلے میں موازنہ درج ذیل دیا گیا ہے:



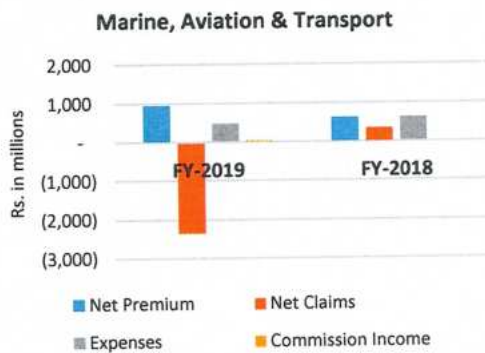
2019 میں، سرمایہ کاری پر منافع کا پورٹ فولیو 2018 میں 1,403.41 ملین روپے سے بڑھ کر 3,184.80 ملین روپے ہو گیا۔ یہ منافع T-Bill سے ہونے والی سرمایہ کاری آمدنی 1,908.22 ملین روپے کے باعث ہوا۔ کرایہ اور دیگر آمدنی 394.88 ملین روپے رہی، جو گذشتہ سال 2,142.02 ملین روپے تھی۔

قبل از ٹیکس منافع 2019 میں 7.05 فیصد بڑھ کر 4,727.05 ملین روپے ہو گیا، جو کہ 2018 میں 4,415.88 ملین روپے تھا۔ اسی طرح، بعد از ٹیکس منافع میں 21.80 فیصد اضافہ ہوا، جو گذشتہ سال کے 2,861.33 ملین روپے کے مقابلے میں 3,485.08 ملین روپے تک پہنچ گیا۔

#### پورٹ فولیو تجزیہ:

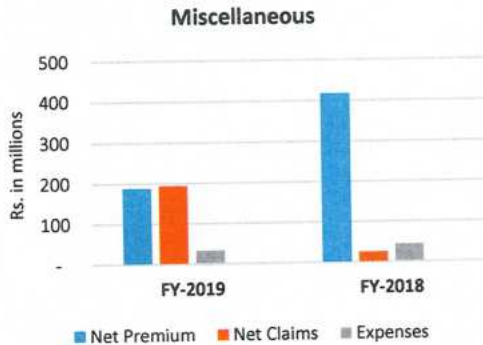
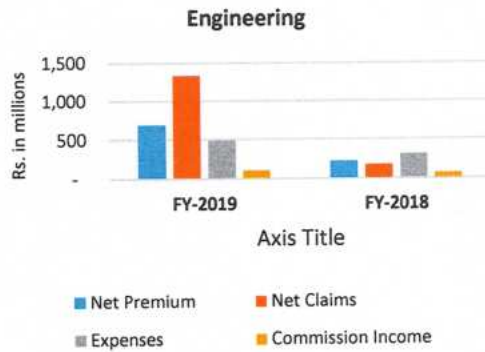
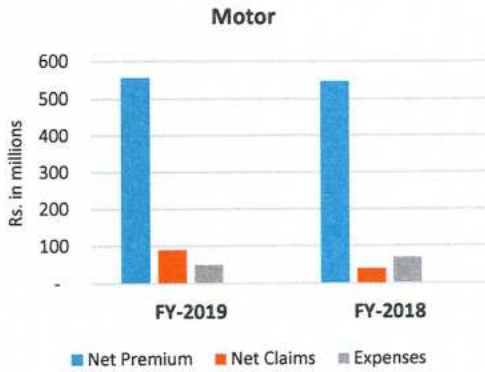


**آگ اور املاک کا نقصان:**  
آگ اور پراپرٹی کے کاروباری شعبہ کے کل پورٹ فولیو کا 19.73 فیصد حصہ رہا۔ سال کے دوران، کمپنیاں مجموعی تحریری پریمیم بڑھ کر 2,331.26 ملین روپے (2018): 1,931 ملین روپے) ہو گیا۔ خالص پریمیم تناسب کے خالص کلیمز 2018 میں 9.36 فیصد کے مقابلے میں 2019 میں بڑھ کر 109.59 فیصد ہو گئے۔ نتیجتاً، فائر اینڈ پراپرٹی کے شعبے نے 2018 میں 1,343.83 ملین روپے کے منافع کے مقابلے میں 2019 میں 396.64 بلین روپے کا انٹر رائٹنگ خسارہ رپورٹ کیا۔



**میرین، ایوی ایشن اور ٹرانسپورٹ:**  
میرین، ایوی ایشن اور ٹرانسپورٹ کے کاروباری شعبہ نے کل پورٹ فولیو کے 36.50 فیصد کی نمائندگی کی۔ سال بھر میں، کمپنی کا مجموعی تحریری پریمیم بڑھ کر 4,312.57 ملین روپے (2018: 4,162.50 ملین روپے) ہو گیا۔ خالص پریمیم تناسب کے خالص کلیمز 2019 میں 249.37 فیصد ہو گئے، جو کہ 2018 میں 57.58 فیصد تھے۔ نتیجتاً، اس شعبہ نے 2019 میں 2,873.33 ملین روپے کا انٹر رائٹنگ منافع ظاہر کیا، جو 2018 میں 333.18 ملین روپے کا خسارہ تھا۔





FY-2018	FY-2019	آمدنی
		(روپے ملین میں)
211	123	ڈیویڈنڈ آمدنی
1,008	1,101	PIBs پر منافع
46	1,908	T-Bills پر منافع
359	2	ٹرم ڈپازٹ پر منافع
(218)	51	تجارت کے لیے رکھی گئی سرمایہ کاری کی فروخت پر (خسارہ) / نفع
(1)	0	فروخت کے لیے دستیاب سرمایہ کاری کی فروخت پر (خسارہ) / نفع
<b>1,403</b>	<b>3,185</b>	<b>خالص سرمایہ کاری کی آمدنی</b>

#### موٹر:

موٹر کے کاروباری شعبہ کے کل پورٹ فولیو کا 3.79 فیصد حصہ رہا۔ 2019 میں، کمپنی کا مجموعی تحریری پریمیم 2018 میں 470.08 ملین روپے سے کم ہو کر 447.70 ملین روپے ہو گیا۔ مزید برآں، خالص پریمیم تناسب کے خالص کلیمز 2019 میں بڑھ کر 16.35 فیصد ہو گئے، جو کہ 2018 میں 7.35 فیصد تھے۔ نتیجتاً، موٹر ک کاروباری شعبہ نے 2018 میں 436.83 ملین روپے کے مقابلے 2019 میں 415.98 ملین روپے کا منافع میں کمی ظاہر کی۔

#### انجینئرنگ:

انجینئرنگ کے کاروباری شعبہ نے کل پورٹ فولیو کے 37.45 فیصد کی نمائندگی کی۔ 2019 میں، مجموعی تحریری پریمیم نمایاں طور پر بڑھ کر 4,424.86 ملین روپے ہو گیا، جو کہ 2018 میں 2,122.14 ملین روپے تھا۔ تاہم، خالص پریمیم تناسب کے خالص کلیمز 2018 میں 82.41 فیصد کے مقابلے میں 2019 میں بڑھ کر 192.87 فیصد ہو گئے۔ نتیجے کے طور پر، اس پورٹ فولیو کو 2019 میں 1,028.34 ملین روپے کا انٹر رائٹنگ خسارہ ہوا، جبکہ 2018 میں 200.22 ملین روپے کا خسارہ تھا۔

#### متفرقات:

کاروبار کے متفرق شعبہ کے کل پورٹ فولیو کا 2.52 فیصد حصہ رہا۔ سال کے دوران، کمپنی کا مجموعی تحریری پریمیم 298.02 ملین روپے رہا جو کہ 2018 میں 305.42 ملین روپے سے تھوڑا کم ہے۔ خالص پریمیم تناسب کے خالص کلیمز 2018 میں صرف 6.25 فیصد کے مقابلے میں 2019 میں نمایاں طور پر بڑھ کر 103.56 فیصد ہو گئے۔ نتیجتاً، اس پورٹ فولیو کو 2019 میں 39.53 ملین روپے کا انٹر رائٹنگ خسارہ ہوا، جو کہ 2018 میں رپورٹ کیے گئے 345.90 ملین روپے کے منافع کے بالکل برعکس ہے۔

#### سرمایہ کاری آمدنی:

کمپنی کی سرمایہ کاری کی آمدنی میں 2019 میں 126.98 فیصد کا غیر معمولی اضافہ ہوا جو کہ بنیادی طور پر سرکاری سیکیورٹیز (T-Bills) پر زیادہ منافع کی وجہ سے تھا۔ اس اضافہ کو ٹرم ڈپازٹس پر واپسی میں خاطر خواہ کمی سے پورا کیا گیا، جو کہ گورنمنٹ سیکیورٹیز میں سرمایہ کاری کی طرف اسٹریٹجک تبدیلی کا نتیجہ ہے۔

ڈیویڈنڈ کی آمدنی میں 41.75 فیصد کی کمی ہوئی، جبکہ سرکاری سیکیورٹیز سے ہونے والی آمدنی میں اضافہ ہوا، اور مدتی ذخائر سے ہونے والی آمدنی میں کمی ہوئی۔ نتیجتاً، سرمایہ کاری سے کل آمدنی 2018 میں 1,403 ملین روپے کے مقابلے 2019 میں 3,185 ملین روپے



**کمپنی کے اثاثے:**  
31 دسمبر 2019 تک، کمپنی کے کل اثاثوں کی مقدار 63,605 ملین روپے رہی، جو کہ 2018 میں 52,491 ملین روپے تھی۔ کل سرمایہ کاری 46.46 فیصد بڑھ کر 2018 میں 24,277.76 ملین روپے کے مقابلے میں 35,557.91 ملین روپے تک پہنچ گئی۔ انتظامیہ کی حکمت عملی زیادہ سے زیادہ منافع حاصل کرنے کے لیے طویل مدتی سرمایہ کاری کے آفق پر فنڈز کے استعمال کو بہتر بنانے پر مرکوز ہے۔

**اہم آپریشنل اور مالیاتی تفصیلات:**

(اعداد و شمار ملین روپے میں)

تفصیلات	FY-2019	FY-2018	FY-2017	FY-2016	FY-2015	FY-2014	FY-2013
مجموعی تحریری پریمیم	11,814	8,990	4,939	5,534	4,899	6,401	6,083
خالص تحریری پریمیم	3,952	3,561	3,709	2,923	2,851	3,264	3,001
خالص کلیمز	974	768	799	498	697	119	136
انڈر رائٹنگ منافع	1,825	1,593	2,271	1,705	1,415	2,398	2,036
سرمایہ کاری کی آمدنی	3,185	1,403	1,620	3,152	2,915	2,266	2,541
قبل از ٹیکس منافع	4,727	4,416	2,823	4,411	3,865	4,183	4,501
انکم ٹیکس کا خرچ	1,242	1,555	719	1,256	813	888	1,881
بعد از ٹیکس منافع	3,485	2,861	2,104	3,155	3,052	3,295	2,620
کل ایکویٹی	35,215	30,837	28,327	28,933	25,871	23,185	20,860
کل قرضہ جات	28,390	21,654	21,100	21,625	18,979	19,498	18,212
ڈیویڈنڈ	500	410	500	500	500	500	500
کل سرمایہ کاری	38,988	27,757	29,653	31,390	23,725	24,734	14,723

**بورڈ آف ڈائریکٹرز:**

2019 میں، درج ذیل افراد نے کمپنی کے بورڈ آف ڈائریکٹرز میں بطور ڈائریکٹر خدمات انجام دیں، ان کی تقرریوں/نامزدگیوں کو SECP کے انشورنس ڈویژن نے منظور کیا۔

31 دسمبر 2019 تک، بورڈ سات ڈائریکٹرز پر مشتمل تھا، جن میں سے ہر ایک کے پاس کمپنی کو موثر نگرانی اور اسٹریٹجک رہنمائی فراہم کرنے کے لیے ضروری علم، مہارت اور تجربہ تھا۔ بورڈ کے اراکین متنوع شعبوں اور پیشوں سے منسلک تھے، جو وسیع پیمانے پر مہارت اور مختلف کاروباری مسائل کو حل کرنے اور انتظامی کارکردگی کو موثر طریقے سے جانچنے کی صلاحیت کو یقینی بناتے ہیں۔

سال 2019 کے دوران، سید ارشد علی، ایک آزاد رکن، نے یکم اپریل 2019 سے اپنی ڈائریکٹر شپ چھوڑ دی، جس سے بورڈ میں ایک غیر معمولی آسامی خالی ہو گئی۔ بعد ازاں جناب طارق جمیل کو حکومت پاکستان نے نئے آزاد رکن کے طور پر نامزد کیا اور 29 نومبر 2019 کو انہوں نے بورڈ میں شمولیت اختیار کی۔

2019 کے دوران ڈائریکٹرز کی کل تعداد اور بورڈ کی تشکیل حسب ذیل تھی:

نمبر شمار	نام	درجہ بندی	تاریخ تقرر	مدت تکمیل
1	سید ارشد علی	آزاد ڈائریکٹر	31 مئی 2018	01 اپریل 2019
2	شفقت احمد	آزاد ڈائریکٹر	31 مئی 2018	30 مئی 2021
3	عاصم عظیم صدیقی	آزاد ڈائریکٹر	31 مئی 2018	30 مئی 2021
4	طارق جمیل	آزاد ڈائریکٹر	29 نومبر 2019	30 مئی 2021
5	سید محمد طارق بدی	غیر ایگزیکٹو ڈائریکٹر (سابقہ ڈائریکٹر)	31 مئی 2018	18 مئی 2020
6	ڈاکٹر راشد منظور	غیر ایگزیکٹو ڈائریکٹر (سابقہ ڈائریکٹر)	31 مئی 2018	30 مئی 2021
7	منظور علی شیخ	غیر ایگزیکٹو ڈائریکٹر (سابقہ ڈائریکٹر)	04 فروری 2019	30 مئی 2021
8	سید رافع بشیر شاہ	ایگزیکٹو چیف ایگزیکٹو آفیسر	27 دسمبر 2017	26 جولائی 2019





### ڈائریکٹرز کا معاوضہ:

ڈائریکٹرز کے معاوضے کی منظوری بورڈ سے ہوتی ہے۔ کوئی بھی ڈائریکٹر اپنے معاوضے کا تعین کرنے میں ملوث نہیں ہے۔ کمپنی ڈائریکٹرز کو بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے معاوضہ دیتی ہے۔ بورڈ آف ڈائریکٹرز نے بورڈ اور بورڈ کمیٹیوں کے اجلاسوں میں شرکت کے معاوضے کی منظوری دے دی ہے۔ ہر ڈائریکٹر 50,000 روپے فی اجلاس فیس وصول کرتا ہے۔ اس فیس کے علاوہ، دوسرے شہروں سے سفر کرنے والے ڈائریکٹروں کو ہوانی سفر کے اخراجات کی ادائیگی کی جاتی ہے اور ضرورت پڑنے پر ہوٹل میں رہائش فراہم کی جاتی ہے۔ اجلاس کے دن کے لیے 5000 روپے یومیہ الاؤنس بھی دیا جاتا ہے۔ وزارت تجارت اور ٹیکسٹائل کی ہدایت کے بعد، ان کے لیٹر نمبر 3(10)/98-Ins مورخہ 06 ستمبر 2017 کے مطابق، ڈائریکٹر کی فیس 50,000 روپے فی اجلاس فی ڈائریکٹر مقرر کی گئی ہے۔ نتیجتاً یہ ہدایت ملنے کے بعد سے ڈائریکٹرز کو فی اجلاس 50,000 روپے فیس ادا کی گئی ہے۔

بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے ڈائریکٹرز کو ادا کیے جانے والے معاوضے کا انکشاف مالیاتی گوشواروں کے نوٹ 35 میں کیا گیا ہے۔

### بورڈ کے اجلاس اور حاضری:

سال 2019 کے دوران بورڈ آف ڈائریکٹرز کے کل 7 اجلاس اور 4 ہنگامی اجلاس منعقد ہوا۔ ڈائریکٹرز کی حاضری حسب ذیل تھی:

ڈائریکٹرز	اجلاس میں حاضری
سید ارشد علی	2
سید محمد طارق بدی	10
ڈاکٹر راشد منظور	11
شفقت احمد	11
سید رافع بشیر شاہ	4
منظور علی شیخ	8
عاصم عظیم صدیقی	11
طارق جمیل	1

### بورڈ کمیٹیاں اور اس کے ممبران

بورڈ نے درج ذیل کمیٹیاں تشکیل دی ہیں:

#### آڈٹ کمیٹی:

(13 اگست 2018 سے 29 مارچ 2019 تک)

نام	درجہ بندی
عاصم عظیم صدیقی	چینرمین
شفقت احمد	ممبر
روشن علی شیخ	ممبر
ڈاکٹر راشد منظور	ممبر
جنرل منیجر (انٹرنل آڈٹ)	سیکرٹری

(30 مارچ 2019 سے 12 اپریل 2019 تک)

نام	درجہ بندی
عاصم عظیم صدیقی	چینرمین
شفقت احمد	ممبر
منظور علی شیخ	ممبر
ڈاکٹر راشد منظور	ممبر
جنرل منیجر (انٹرنل آڈٹ)	سیکرٹری

(13 اپریل 2019 سے 05 دسمبر 2019 تک)

نام	درجہ بندی
شفقت احمد	چینرمین
عاصم عظیم صدیقی	ممبر
منظور علی شیخ	ممبر
ڈاکٹر راشد منظور	ممبر
جنرل منیجر (انٹرنل آڈٹ)	سیکرٹری

(06 دسمبر 2019 سے دسمبر 2019 تک)

نام	درجہ بندی
شفقت احمد	چینرمین
طارق جمیل	ممبر
منظور علی شیخ	ممبر
ڈاکٹر راشد منظور	ممبر
جنرل منیجر (انٹرنل آڈٹ)	سیکرٹری

### اخلاقیات، انسانی وسائل اور معاوضہ

(13 اگست 2018 سے 12 اپریل 2019 تک)

نام	درجہ بندی
سید ارشد علی	چینرمین
سید محمد طارق بدی	ممبر
ڈاکٹر راشد منظور	ممبر
عاصم عظیم صدیقی	ممبر
چیف ایگزیکٹو آفیسر	ممبر
جنرل منیجر (ایچ آر)	سیکرٹری

(13 اپریل 2019 سے 05 دسمبر 2019 تک)

نام	درجہ بندی
سید محمد طارق بدی	چینرمین
منظور علی شیخ	ممبر
شفقت احمد	ممبر
ڈاکٹر راشد منظور	ممبر
عاصم عظیم صدیقی	ممبر
چیف ایگزیکٹو آفیسر	ممبر
جنرل منیجر (ایچ آر)	سیکرٹری



(06 دسمبر 2019 سے 31 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	سید محمد طارق بدی
ممبر	منظور علی شیخ
ممبر	شفقت احمد
ممبر	ڈاکٹر راشد منظور
ممبر	طارق جمیل
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	جنرل منیجر (ایچ آر)

سرمایہ کاری

(13 اگست 2018 سے 12 اپریل 2019 تک)

درجہ بندی	نام
چیئرمین	شفقت احمد
ممبر	سید ارشد علی
ممبر	سید محمد طارق بدی
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	چیف منیجر (اکائونٹس)

(06 دسمبر 2019 سے 31 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	شفقت احمد
ممبر	سید ارشد علی
ممبر	سید محمد طارق بدی
ممبر	طارق جمیل
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	چیف منیجر (اکائونٹس)

پروکیورمنٹ

(13 اگست 2018 سے 12 اپریل 2019 تک)

درجہ بندی	نام
چیئرمین	سید ارشد علی
ممبر	شفقت احمد
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	جنرل منیجر (ایڈمنسٹریشن)

(06 دسمبر 2019 سے 31 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	شفقت احمد
ممبر	طارق جمیل
ممبر	راشد منظور
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	جنرل منیجر (ایڈمنسٹریشن)

کارپوریٹ سوشل ریسپانسیبیلٹی (CSR):

(30 مارچ 2019 سے 05 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	عاصم عظیم صدیقی
ممبر	سید محمد طارق بدی
ممبر	شفقت احمد

(13 اپریل 2019 سے 05 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	شفقت احمد
ممبر	منظور علی شیخ
ممبر	سید محمد طارق بدی
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	چیف منیجر (اکائونٹس)

(13 اپریل 2019 سے 05 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	شفقت احمد
ممبر	عاصم عظیم صدیقی
ممبر	راشد منظور
ممبر	چیف ایگزیکٹو آفیسر
سیکرٹری	جنرل منیجر (ایڈمنسٹریشن)

(06 دسمبر 2019 سے 31 دسمبر 2019 تک)

درجہ بندی	نام
چیئرمین	طارق جمیل
ممبر	سید محمد طارق بدی
ممبر	شفقت احمد





### حصص داری:

کمپنی سو فیصد حکومت پاکستان کی ملکیت ہے اور وزارت تجارت کے انتظامی کنٹرول کے تحت کام کرتی ہے۔

شہر بولڈنگ کی تعداد	شہر بولڈنگ	کل حامل شہر
-	شہر بولڈنگ 1 سے 100 شہرز تک	-
-	شہر بولڈنگ 101 سے 500 شہرز تک	-
-	شہر بولڈنگ 501 سے 1,000 شہرز	-
-	شہر بولڈنگ 1001 سے 5,000 شہرز	-
-	شہر بولڈنگ 5,001 سے 10,000 شہرز	-
-	شہر بولڈنگ 10,001 سے 1,000,000 شہرز	-
-	شہر بولڈنگ 1,000,001 سے 10,000,000 شہرز	-
-	شہر بولڈنگ 10,000,001 سے 100,000,000 شہرز	-
1	شہر بولڈنگ 100,000,001 سے 200,000,000 شہرز	200,000,000
1	شہر بولڈنگ 200,000,000 سے	200,000,000

شہر بولڈنگ کی درجہ بندی	حامل شہرز	فیصد
ڈائریکٹرز، چیف ایگزیکٹو آفیسر، اور ان کی شریک حیات اور نابالغ بچے	-	0%
وابستہ کمپنیاں، ادارے اور متعلقہ فریق	-	0%
ایگزیکٹوز	-	0%
بینک، ترقیاتی مالیاتی ادارے، غیر بینکنگ مالیاتی ادارے	-	0%
انشورنس کمپنیاں اور تکافل کمپنیاں	-	0%
مدارس اور میوچل فنڈز	-	0%
5 فیصد یا اس سے زیادہ کے حامل شہرز بولڈنگ	-	0%
عام عوام:	-	0%
- مقامی	-	0%
- غیر ملکی	-	0%
دیگر:	-	0%
- پبلک سیکٹر کمپنیاں اور کارپوریشنز	-	0%
- فیڈریشن آف پاکستان (صدر پاکستان کے نام پر)	200,000,000	100%
- NIC - ایمپلائز ایمپاورمنٹ ٹرسٹ (NEET)	-	0%

### ذیلی کمپنی:

میسرز سوک سینٹر کمپنی (پرائیویٹ) لمیٹڈ ("ذیلی کمپنی") کمپنی کا واحد مکمل ملکیتی ماتحت ادارہ ہے۔ 1994 میں قائم کیا گیا، ذیلی ادارے کے پاس فی الحال 448.20 ملین روپے کا ادا شدہ سرمایہ ہے، جسے 10 روپے فی شہر کے حساب سے 44.82 ملین روپے شہرز میں تقسیم کیا گیا ہے۔ ذیلی ادارہ ریٹیل مینجمنٹ اور اس کی جائیدادوں اور عمارتوں کی دیکھ بھال میں مصروف ہے۔

### حالیہ ڈویلپمنٹ - انضمام/ انضمام کی اسکیم:

سوک سینٹر کمپنی (پرائیویٹ) لمیٹڈ (CCCL) میں NICL کے 100 فیصد شہرز ہیں۔ ملکیت کا یہ اسٹرکچر کمپنیز ایکٹ 2017 کے سیکشن 200 کے ساتھ پڑھے گئے سیکشن 14(1)(b) اور 15 کے تقاضوں کے برعکس ہے۔ نتیجتاً، SECP نے شہر بولڈنگ کے اسٹرکچر میں تبدیلی کا حکم دیا ہے۔ CCCL کے شہرز نئے نامزد ڈائریکٹرز کو منتقل کر دیے جائیں گے، جو پھر ریگولیٹری تقاضوں کی تعمیل کو یقینی بناتے ہوئے CCCL کے شہر بولڈر بن جائیں گے۔

CCCL کے بورڈ آف ڈائریکٹرز کی قرارداد کے مطابق، موجودہ شہرز سے 44,820,009 روپے کے شہرز نئے نامزد ڈائریکٹرز کو منتقل کرنے کے معاملے کو ضروری منظوری اور مزید کارروائی کے لیے NICL کے بورڈ آف ڈائریکٹرز کو بھیج دیا گیا ہے۔

اس قرارداد کی پیروی میں، NICL کے بورڈ آف ڈائریکٹرز نے 25 جولائی 2024 کو ہونے والے اپنے 125 ویں اجلاس کے دوران، CCCL کا ایک حصہ نیشنل انشورنس کمپنی کے چیف ایگزیکٹو آفیسر کو منتقل کرنے کی منظوری دی۔ یہ کارروائی سیکورٹیز اینڈ ایکسچینج کمیشن کی ضروریات کو پورا کرنے کے لیے کی گئی ہے۔

### آمدنی فی شہر:

سال کے لیے فی شہر آمدنی 17.43 روپے رپی، جو کہ 2018 میں 14.31 روپے تھی۔ تفصیلی حساب کے لیے، براہ کرم غیر مجموعی مالیاتی حسابات کا نوٹ 34 ملاحظہ کریں۔

### انٹرنل مالیاتی کنٹرول اور ان کی مناسبت:

بورڈ نے کاروبار کے منظم اور موثر آپریشن کو یقینی بنانے کے لیے پالیسیوں اور طریقہ کار کو نافذ کیا ہے۔ اس میں کمپنی کی پالیسیوں کی پابندی، اثاثوں کی حفاظت، دھوکہ دہی اور غلطیوں کو روکنا اور ان کا پتہ لگانا، اکاؤنٹنگ ریکارڈ کی درستگی اور مکمل ہونے کو یقینی بنانا، اور قابل اعتماد مالیاتی انکشافات کی بروقت تیاری شامل ہے۔ مکمل یقین فراہم نہ کرتے ہوئے، نظام معقول یقین دہانی پیش کرتا ہے کہ آپریشنل کاروباروں کے اندر مناسب کنٹرول میکانزم موجود ہیں۔

کمپنی کے انٹرنل کنٹرول کے نظام کو اس کے سائز، دائرہ کار، اور آپریشنل پیچیدگیوں سے مماثل بنانے کے لیے مناسب طور پر پیمانہ بنایا گیا ہے۔ بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی فعال طور پر اس نظام کی مناسبت اور تاثیر کا جائزہ لیتی ہے اور اسے مزید مضبوط بنانے کے لیے بہتری کی سفارش کرتی ہے۔

### آڈٹ کمیٹی کی سفارش:

30 اگست 2019 کو منعقدہ غیر معمولی جنرل میٹنگ میں 31 دسمبر 2017، 2018 اور 2019 کو ختم ہونے والے سالوں کے لیے بیرونی آڈیٹرز کی تقرری پر تبادلہ خیال کیا گیا۔ آڈٹ کمیٹی نے پی پی آر اے رولز کی تعمیل میں کئے گئے ٹینڈرنگ کے عمل کے نتائج کی بنیاد پر، چارٹرڈ اکاؤنٹنٹس، میسرز آر ایس ایم اویس حیدر لیاقت نعمان کی تقرری اور معاوضہ ان سالوں کے لیے بیرونی آڈیٹرز کے طور پر دینے کی سفارش کی۔

سال 2019 میں بیرونی آڈیٹرز کے لیے کوئی بھی آسامی خالی نہیں ہوئی۔ آڈٹ کمیٹی نے مندرجہ ذیل پر بھی غور کیا اور/یا سفارش کی:

- مالی بیانات کے آڈٹ اور جائزہ کے دوران جن مسائل کی نشاندہی کی گئی ہے ان کے بارے میں بیرونی آڈیٹرز کے ساتھ بات چیت۔
- انتظامیہ اور بیرونی آڈیٹرز کے درمیان مواصلت جو مالیاتی بیان کے آڈٹ کی پیشرفت کو متاثر کر سکتی ہے۔
- دیگر امور جن کی موجودگی اور بیرونی آڈیٹرز کے ساتھ بات چیت کے نتائج کی ضرورت ہوتی ہے۔

### آڈیٹرز کی رپورٹ اور وضاحت میں اظہار خیال:

31 دسمبر 2018 کو ختم ہونے والے سال کے آڈیٹرز نے اس مدت کے مالیاتی گوشواروں پر اپنی رائے فراہم کی ہے۔ ذیل میں ان کے خیالات کی وضاحت پیش کی جاتی ہے:

نمبر شمار	آڈٹ کی رائے	وضاحت
1	کمپنی ایک مقررہ اثاثہ رجسٹر کو برقرار نہیں رکھتی ہے، اور نہ ہی اس کے پاس اپنے مقررہ اثاثوں کے تفصیلی، انتہائی ریکارڈز ہیں۔ نتیجے کے طور پر، ہم درج ذیل امور کے حوالے سے کافی اور مناسب آڈٹ ثبوت حاصل کرنے سے قاصر رہے: 31 دسمبر 2015، 31 دسمبر 2016، 31 دسمبر 2017، 31 دسمبر 2018 اور 31 دسمبر 2019 تک کمپنی کے غیر مجموعی مالیاتی گوشواروں میں درج شدہ اثاثوں کی موجودگی، مکملیت، حقوق اور نمہ داریوں کے ساتھ ساتھ تشخیصی دعوے بھی۔ 31 دسمبر 2015، 31 دسمبر 2016، 31 دسمبر 2017، 31 دسمبر 2018 اور 31 دسمبر 2019 تک کمپنی کے غیر مجموعی مالیاتی گوشواروں میں درج مقررہ اثاثوں کی خرابی، اگر کوئی ہے۔ نتیجے کے طور پر، ہم غیر متفقہ مالیاتی بیانات پر کسی بھی ممکنہ ایڈجسٹمنٹ کے اثرات کا اندازہ لگانے سے قاصر ہیں۔	اسی طرح کی رائے کا اظہار بیرونی آڈیٹرز نے سال 2017 کے لیے کیا، حقیقت میں، کمپنی نے سال 2018 کے دوران ایک مقررہ اثاثہ جات کا رجسٹر برقرار نہیں رکھا۔ کمپنی ایک نیا سافٹ ویئر سلوشن حاصل کرنے کے عمل میں ہے جو اثاثوں کے رجسٹر کی اعلیٰ صلاحیتیں بشمول پروکیور ٹو پیمنٹ اور فکسڈ ایسٹ مینجمنٹ سسٹم پیش کرتا ہے۔ اس سلوشن کو NICL کے موجودہ جنرل لیجر سسٹم کے ساتھ مربوط کیا جائے گا، ایک جامع پروکیور ٹو پیے سلوشن فراہم کرے گا جو خریداری، خدمات اور مالیاتی محکموں میں کاروباری عمل اور ٹیکنالوجی کے انضمام کو نمایاں طور پر بڑھا دے گا۔ جاری نظام کے ارتقاء کے لیے ایک بنیاد قائم کرتے ہوئے، یہ مشن ایم سلوشن ایک نئی سطح کی کارکردگی اور انضمام کو آگے بڑھائے گا، جو پروکیورمنٹ اور فنانس دونوں محکموں کے آپریشنز کو تبدیل کر دے گا۔ کمپنی نے اپنی فرسودگی کی پالیسی پر نظر ثانی کی ہے تاکہ تمام اثاثوں کے لیے سٹریٹ لائن میٹھ اپنایا جا سکے، جو کہ یکم جنوری 2020 سے لاگو ہو گا، تاکہ بیرونی آڈیٹرز کی طرف سے مقرر کردہ تقاضوں کی تعمیل ہو سکے۔ ہم توقع کرتے ہیں کہ یہ رائے مستقبل کے سالوں میں تبدیل ہو جائے گی، کیونکہ آڈیٹرز کو فکسڈ اثاثہ جات کے رجسٹر تک رسائی حاصل ہو گی اور وہ مقررہ اثاثوں اور سرمایہ کاری کی خصوصیات کے لیے ضروری آڈٹ تصدیقی طریقہ کار کو انجام دینے کے قابل ہو جائیں گے۔
2	ہمیں بیلنس شیٹ کی تاریخ کے بعد مقرر کیا گیا تھا، لہذا، ہم سرمایہ کاری کی جائیدادوں اور مقررہ اثاثوں کی مقدار اور حالت کے بارے میں مناسب یقین دہانی حاصل کرنے کے لیے ضروری آڈیٹنگ کے طریقہ کار کو انجام دینے سے قاصر تھے جیسا کہ 31 دسمبر 2019 تک مالیاتی پوزیشن کے غیر مربوط بیان میں ظاہر ہوتا ہے۔ ہم اپنی آڈٹ رپورٹ کے اجراء تک بیلنس شیٹ کی تاریخ کے بعد پیش آنے والے مناسب کٹ آف طریقہ کار کے اطلاق کا جائزہ لینے یا واقعات کا جائزہ لینے سے بھی قاصر تھے، جو مالیاتی بیانات کو مزید متاثر کر سکتے ہیں۔ مناسب اور مناسب آڈٹ شواہد حاصل کرنے کے لیے دستیاب تسلی بخش متبادل آڈٹ طریقہ کار کی کمی کی وجہ سے، ہم ایڈجسٹمنٹ کے ممکنہ اثرات کا تعین کرنے سے قاصر ہیں، اگر کوئی ہیں، جو ان طریقہ کار سے غیر متفقہ مالیاتی گوشواروں میں پیش کردہ بیلنس پر پیدا ہوا ہو گا۔	یہ حد اس حقیقت کی وجہ سے ہے کہ 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بیرونی آڈیٹرز کا تقرر 2019 میں کیا گیا تھا۔





### سالانہ عام اجلاس کے انعقاد کی ہدایت/ تیاری:

کمپنیز ایکٹ 2017 کے سیکشن 147(1) کے تحت کمپنی کی درخواست کے جواب میں، لیٹر نمبر CS.SEC/19<sup>th</sup>, 20<sup>th</sup> مورخہ 9 اگست 2024 کے مطابق، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے اپنے لیٹر نمبر E-0004795 مورخہ 12 اگست 2024 کے ذریعے مطلع کیا کہ سرکلر نمبر 07/2024 مورخہ 7 مارچ 2024 کے مطابق، کمپنیز ایکٹ 2017 کے سیکشن 147 کا مقصد کمپنی کے ممبران یا ڈائریکٹرز کو کمیشن کی مداخلت سے کمپنی کو التوا میں جنرل میٹنگز منعقد کرنے پر مجبور کرنے کا اختیار دینا ہے۔ نتیجتاً، سیکشن 147 کے تحت کسی بھی درخواست کو کمیشن کے ذریعے غور نہیں کیا جائے گا اگر وہ خود کمپنی کی طرف سے یا اس کی طرف سے دائر کی گئی ہے، کیونکہ کمپنی اپنے خلاف ہدایت نہیں لے سکتی۔

مزید برآں، SECP نے واضح کیا کہ اگر کمپنی کمپنیز ایکٹ 2017 کے سیکشن 147 کو لاگو کیے بغیر اپنی التوا میٹنگز کرتی ہے، تو ان میٹنگز کو درست تصور کیا جائے گا، بشرطیکہ وہ متعلقہ قانونی دفعات کے مطابق منعقد ہوں۔

لہذا، SECP کی ہدایت کے مطابق، کمپنی سال 2018 اور 2019 کے لیے اپنی سالانہ جنرل میٹنگز 10 ستمبر 2024 کو منعقد کرے گی۔

### ڈیویڈنڈ کے لیے سفارش:

بورڈ آف ڈائریکٹرز نے اپنی مالی سال 2019 کے لیے 500 ملین روپے کے حتمی ڈیویڈنڈ سفارش کی ہے اور اسے بورڈ آف ڈائریکٹرز نے اعلان کے لیے منظور کر لیا ہے۔

### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کا بیان:

کارپوریٹ قوانین، قواعد، اور ضوابط کمپنی کے بورڈ آف ڈائریکٹرز کے امور کا خاکہ پیش کرتے ہیں۔ بورڈ اپنی کارپوریٹ ذمہ داریوں کو تسلیم کرتا ہے جیسا کہ کمپنیز ایکٹ 2017، اور کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان 2016 کے تحت بیان کیا گیا ہے، اور درج ذیل بیانات فراہم کرتا ہے:

کمپنی کی طرف سے تیار کردہ مالیاتی بیانات اس کی حالت، آپریشن کے نتائج، نقد بہاؤ، اور ایکویٹی میں تبدیلیوں کو اچھی طرح سے پیش کرتے ہیں۔ کمپنی نے کمپنیز ایکٹ 2017 کے مطابق اکاؤنٹ کی مناسب کتابیں مرتب کی ہیں۔

کمپنی نے مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کی مسلسل پیروی کی ہے۔ کی گئی کسی بھی تبدیلی کا انکشاف کر دیا گیا ہے، اور اکاؤنٹنگ کے تخمینے دانشمندانہ اور معقول فیصلے پر مبنی ہیں۔

مالیاتی گوشوارے پاکستان میں لاگو ہونے والے بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کے مطابق تیار کیے گئے ہیں۔ ان معیارات سے کوئی بھی انحراف، اگر کوئی ہے، مناسب طور پر ظاہر اور وضاحت کی جاتی ہے۔

کمپنی کے بنیادی اصول مضبوط ہیں، اور اس کی ایک جاری تشویش کے طور پر جاری رکھنے کی صلاحیت کے بارے میں کوئی شک نہیں ہے۔

### پبلک سیکٹر کمپنیوں (کارپوریٹ گورننس) کے قواعد، 2013 اور بیمہ کنندگان کے لیے ضابطہ کارپوریٹ گورننس، 2016 کے ساتھ تعمیل:

اگرچہ 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی گوشواروں کے ساتھ اس رپورٹ پر دستخط اور منظوری دینے والے ڈائریکٹرز اس مدت کے دوران موجود نہیں تھے جس سے یہ مالیاتی بیانات متعلق ہیں، موجودہ ڈائریکٹرز نے اس رپورٹ اور 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی گوشواروں کا جائزہ لیا اور اس کی منظوری دی ہے۔ یہ منظوری اسی مدت کے لیے مالیاتی گوشواروں/اکاؤنٹس پر دستخط اور منظوری کے لیے بورڈ کو فراہم کردہ معاوضے پر مبنی ہے، جیسا کہ اس رپورٹ کے ”ٹس کلیمر اور معاوضہ“ سیکشن میں تفصیل سے بتایا گیا ہے۔ موجودہ ڈائریکٹرز نے تعمیل اور عدم تعمیل کے متعلقہ بیانات کی بھی توثیق کی ہے تاکہ اس بات کو یقینی بنایا جا سکے کہ فنانسنگ کے تمام تقاضوں کو قانون کے ذریعہ لازمی طور پر پورا کیا گیا ہے۔

بورڈ کو مذکورہ بالا معاوضے کی بنیاد پر، پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013 کے رول 24 کے تحت تعمیل اور عدم تعمیل کے بیانات، اور کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان 2016 کی شق (ixxvi) : ضابطہ کارپوریٹ گورننس برائے بیمہ کنندگان 2016 کی شقیں (ixxviii) سے (lxxx) کو S.R.O.277(1)/2020 مورخہ 1 اپریل 2020 کے ذریعہ چھوڑ دیا گیا تھا] اسی کے مطابق تیار کیا گیا ہے۔ لہذا، چونکہ موجودہ تاریخ کے مطابق یہ دفعات مزید موجود نہیں ہیں، اس لیے انشورنس آرڈیننس 2000 کے سیکشن 11 اور سیکشن 12 کے ساتھ تعمیل کا بیان پیش نہیں کیا گیا ہے۔ موجودہ بورڈ آف ڈائریکٹرز نے اس رپورٹ کی منظوری، دستخط، جاری، اور مالیاتی بیانات سے منسلک کیا ہے، بغیر کسی مالی یا قانونی ذمہ داری یا کسی بھی قسم یا کسی بھی قسم کا خطرہ مول لیا ہے۔ اس کی وجہ یہ ہے کہ موجودہ بورڈ اس



مدت کے دوران موجود نہیں تھا جس سے ان اکاؤنٹس کا تعلق ہے اور کمپنیز آرڈیننس 1984 (حالیہ کمپنیز ایکٹ 2017)، انشورنس آرڈیننس 2000، پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013، اور کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان 2016، کی ضروریات کے حوالے سے درست تعمیل کی حیثیت کی تصدیق کرنے سے قاصر ہے۔

#### انشورنس آرڈیننس 2000 کے سیکشن 46(6) کے تحت تعمیل کا بیان:

پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013 کے رول 24 کے تحت تعمیل اور عدم تعمیل کے بیان کی طرح، انشورنس آرڈیننس 2000 کے سیکشن 46(6) کے تحت ضروری تعمیل کا بیان درج ذیل ہے:

”انشورنس آرڈیننس 2000 کے سیکشن 46 کے ذیلی سیکشن (6) کی تعمیل میں، ہم، M/S NATIONAL INSURANCE COMPANY LIMITED کے بورڈ آف ڈائریکٹرز، بولڈنگ انشورنس رجسٹریشن نمبر 183 مورخہ یکم جنوری 2002 کے ذریعے 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال کے مالیاتی گوشواروں پر دستخط کرنے کے لیے بورڈ کے چیئرمین، چیف ایگزیکٹو آفیسر، اور بورڈ کی طرف سے نامزد کردہ دو ڈائریکٹرز مندرجہ ذیل بیان جاری کرتے ہیں:

(a) ہماری رائے میں، کمپنی کے سالانہ قانونی اکاؤنٹس، جیسا کہ اس بیان کے ساتھ منسلک فارموں میں بیان کیا گیا ہے، انشورنس آرڈیننس 2000 اور اس کے تحت بنائے گئے کسی بھی قواعد کے مطابق تیار کیا گیا ہے۔

(b) بیمہ کنندہ نے، سال 2018 کے دوران، بیمہ آرڈیننس 2000 کی درج ذیل دفعات اور اس کے تحت بنائے گئے قواعد کی تعمیل کی ہے، جن سے متعلق:

- کم از کم ادا شدہ شیئر کیپیٹل کی ضروریات سے متعلق آرڈیننس کی دفعات؛
- کم از کم سالوینسی کی ضروریات سے متعلق آرڈیننس کی دفعات؛
- ری انشورنس کے انتظامات کے حصول سے متعلق آرڈیننس کی دفعات۔

(c) اس بیان کی تاریخ تک، بیمہ کنندہ انشورنس آرڈیننس 2000 کی درج ذیل دفعات اور اس کے تحت بنائے گئے قواعد کی تعمیل کرتا رہتا ہے، جن سے متعلق:

- کم از کم ادا شدہ شیئر کیپیٹل کی ضروریات سے متعلق آرڈیننس کی دفعات؛
- کم از کم سالوینسی کی ضروریات سے متعلق آرڈیننس کی دفعات؛
- ری انشورنس کے انتظامات کے حصول سے متعلق آرڈیننس کی دفعات۔

انشورنس آرڈیننس 2000 کے سیکشن 46(6) کے تحت تعمیل کا مذکورہ بالا بیان، تنہائی میں نہیں پڑھا جانا چاہیے؛ بلکہ، اس پر اس رپورٹ میں فراہم کردہ ”ڈس کلیمر اور معاوضہ“ سیکشن کے ساتھ ملا کر غور کیا جانا چاہیے۔

#### جامع بیانات تیار کرنے اور فائل کرنے کی ضرورت سے استثنیٰ:

NICL کے ذیلی ادارے، سوک سینٹر کمپنی لمیٹڈ (CCCL) کے سال 2018 اور 2019 کے مالیاتی گوشواروں کا آڈٹ اور منظوری نہیں دی گئی ہے۔ نتیجتاً، سال 2019 کے لیے NICL کے مالیاتی گوشوارے تیار نہیں کیے جاسکتے۔

CCCL کے اکاؤنٹس کو حتمی شکل دینے میں تاخیر کی وجہ سے NICL کے بورڈ آف ڈائریکٹرز کی عدم موجودگی ہے، کیونکہ CCCL کے ڈائریکٹرز بھی NICL کے ڈائریکٹر ہیں۔

لہذا، کمپنی کی طرف سے کمپنیز ایکٹ 2017 کے سیکشن 228(7) کے تحت، کمپنیز (جنرل پروویژنز اینڈ فارمز) ریگولیشنز 2018 کے ریگولیشن 5 کے ساتھ مورخہ 11 جولائی 2024 کو لیٹر نمبر CS.SEC/Accounts/indemnity/2024 کے ذریعے ایک درخواست جمع کرانی گئی۔ درخواست میں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) سے سال 2018، 2019 اور 2020 کے مالیاتی گوشواروں کی تیاری، آڈٹ اور جمع کرانے کے حوالے سے سیکشن 228 کے تقاضوں سے استثنیٰ کے لیے ہدایات مانگی گئیں۔ SECP نے اپنے لیٹر نمبر ID/PRDD/020-RA/2024/3291 مورخہ 23 جولائی 2024 کے ذریعے سال 2018، 2019 اور 2020 کیلئے استثنیٰ کی درخواست دی تھی۔

#### دستبرداری اور معاوضہ:

جیسا کہ پہلے ذکر کیا گیا ہے، کمپنی کے موجودہ بورڈ آف ڈائریکٹرز کو 8 اگست 2023 کو مطلع کیا گیا تھا، اور ان کا پہلا اجلاس 13 نومبر 2023 کو ہوا تھا۔ اس وقت، 2017 کے بعد کسی بھی سال کے لیے NICL کے اکاؤنٹس کا آڈٹ نہیں کیا گیا تھا یا منظور شدہ گنشتہ بورڈ نے 10 اگست 2020 کو ایس ای سی پی کی طرف سے فراہم کردہ معاوضے کی بنیاد پر سال 2015، 2016 اور 2017 کے مالیاتی گوشواروں کی منظوری اور دستخط کیے تھے۔

اسی بنیاد پر، ایس ای سی پی کے انشورنس ڈویژن سے کمپنی کے لیٹر نمبر CS.SEC/Accounts/indemnity/2024 مورخہ 11 جولائی 2024 کے ذریعے رابطہ کیا گیا، جس میں این آئی سی ایل کے بورڈ کو 2018 سے 2023 تک کے NICL کے اکاؤنٹس پر دستخط کرنے اور ان کی منظوری دینے کے لیے معاوضے



کی درخواست کی گئی۔ ایس ای سی پی نے اس درخواست کا جواب اپنے لیٹر نمبر ID/PRDD/020-RA/2024/3290 مورخہ 19 جولائی 2024 کے ذریعے دیا۔ ایس ای سی پی کے لیٹر کی روشنی میں، کمپنی کے بورڈ آف ڈائریکٹرز نے 19 ویں اور 20 ویں سالانہ عام اجلاس میں شیئر ہولڈرز کے سامنے پیش کرنے کے لیے سال 2018 اور 2019 کے اکاؤنٹس کی منظوری، دستخط اور سفارش کرنے کا فیصلہ کیا ہے۔ یہ اجلاس کمپنیز ایکٹ 2017 کے سیکشن 147 کے مطابق ایس ای سی پی کی اجازت سے بلانے جانیں گے۔

موجودہ بورڈ آف ڈائریکٹرز نے 19 جولائی 2024 کو ایس ای سی پی کی جانب سے اپنے لیٹر نمبر ID/PRDD/020-RA/2024/3290 میں جاری کردہ معاوضے کی بنیاد پر ان مالیاتی گوشواروں کی منظوری اور دستخط کرنے کی پہل کی ہے۔ یہ فیصلہ اس لیے کیا گیا ہے کہ موجودہ بورڈ نہ تو اس مدت کے دوران موجود تھا جس سے یہ مالیاتی بیانات وابستہ ہیں اور نہ ہی وہ کمپنیز آرڈیننس 1984 (موجودہ کمپنیز ایکٹ 2017)، انشورنس آرڈیننس 2000، پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013، اور کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان 2016 کے حوالے سے اس وقت کے حالات اور کمپنی کی عمل کی حیثیت سے واقف ہے۔ اسی طرح، موجودہ ڈائریکٹرز نے 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی گوشواروں اور قانونی فائلنگ کے تقاضوں کو پورا کرنے کے لیے عمل/عدم عمل کے متعلقہ بیانات کے ساتھ اس رپورٹ کی منظوری اور دستخط کیے ہیں۔

بورڈ کو مذکورہ بالا معاوضے کی بنیاد پر:

- تعمیل / عدم تعویل کے بیانات کو موجودہ بورڈ آف ڈائریکٹرز کے ذریعے ان مالیاتی بیانات کی منظوری، دستخط، جاری، اور ان کے ساتھ منسلک کیا گیا ہے، بغیر کسی مالی یا قانونی ذمہ داری یا کسی بھی قسم یا کسی بھی خطرے کے؛ اور
- مالیاتی گوشواروں اور/یا اس کے ساتھ منسلک تمام بیانات اور نوٹس کی منظوری اس مدت کے دوران کی گئی لین دین کی منظوری یا تشکیل نہیں دیتی جس سے یہ کھاتوں کا تعلق ہے یا اس سے قبل کی مدت۔

#### سیکرٹریل پریکٹسز کی تعویل:

ایک سیکریٹریل کمپلائنس سرٹیفکیٹ، جیسا کہ کوڈ آف کارپوریٹ گورننس برائے بیمہ کنندگان 2016 کی شق (xxxiii) کے تحت درکار ہے، اور کمپنی سیکریٹری کے دستخط شدہ، 31 دسمبر 2019 کو ختم ہونے والے سال کے سالانہ مالیاتی بیانات کے حصے کے طور پر اس کے ساتھ فراہم کیا جاتا ہے۔

#### صحت، حفاظت، اور ماحولیات:

ہم اپنے ملازمین اور ان کمیونٹیز کی فلاح و بہبود کو یقینی بنانے کے لیے جہاں ہم کام کرتے ہیں صحت، حفاظت اور ماحولیاتی طریقوں میں اعلیٰ ترین معیارات کو برقرار رکھنے کے لیے پرعزم ہیں۔ رینیل اسٹیٹ ڈیپارٹمنٹ ہماری جانیدادوں کا انتظام کرتا ہے اور صحت، حفاظت (بشمول حفظان صحت) اور عمارتوں اور ان کے مکینوں بشمول کرایہ داروں کی حفاظت سے متعلق معاملات کو سنبھالتا ہے۔ تاہم، کمپنی کے کاروبار کی نوعیت کو دیکھتے ہوئے، یہ مجموعی صحت، حفاظت، یا ماحول کے لیے کوئی خاص خطرہ نہیں لاتا ہے۔

#### ملازمین کے ریٹائرمنٹ کے فوائد:

31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی بیانات کے نوٹ 22 میں ملازمین کے ریٹائرمنٹ فوائد سے متعلق موخر واجبات اور نقل و حرکت کے بارے میں تفصیلی معلومات فراہم کی گئی ہیں۔

#### انٹرنل آڈٹ:

انٹرنل آڈٹ ڈیپارٹمنٹ کا قیام 2020 میں ایک قابل چارٹرڈ اکاؤنٹنٹ کی بطور چیف انٹرنل آڈیٹر تقرری کے ساتھ کیا گیا تھا، جو براہ راست بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے۔ اس کے بعد، بورڈ آف ڈائریکٹرز نے ایک انٹرنل آڈٹ مینول تیار کیا اور اس کی منظوری دی۔ یہ دستور العمل خطرے پر مبنی اندرونی آڈٹ پلان کا خاکہ پیش کرتا ہے، جسے اسی کے مطابق نافذ کیا گیا ہے۔ جس کے نتیجے میں اندرونی آڈٹ رپورٹس بورڈ آڈٹ کمیٹی کو پیش کر دی گئی ہیں۔ سال 2020 سے پہلے انٹرنل آڈٹ ڈیپارٹمنٹ مکمل طور پر فعال نہیں تھا۔ اس مدت کے دوران، محکمہ نے کسی بھی ادائیگی سے پہلے تمام واچرز اور لین دین کا پری آڈٹ کیا۔

#### مالی بیانات:

کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی مالی پوزیشن، آپریشنز کے نتائج، نقد بہاؤ، اور ایکویٹی میں تبدیلیوں کی درست عکاسی کرتے ہیں، جس کی تصدیق بیرونی آڈیٹرز نے اپنی رپورٹ میں کی ہے۔

#### کھاتوں کی کتابیں:

کمپنی نے کھاتوں کی مناسب کتابیں رکھی ہیں، جیسا کہ بیرونی آڈیٹرز نے اپنی رپورٹ میں تصدیق کی ہے۔



### اکاؤنٹنگ پالیسیاں:

مالیاتی گوشواروں کی تیاری میں ایکاؤنٹنگ کی مستقل پالیسیوں کا اطلاق کیا گیا ہے، اور ایکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں، جیسا کہ بیرونی آڈیٹرز نے اپنی رپورٹ میں نوٹ کیا ہے۔

### بین الاقوامی ایکاؤنٹنگ معیارات:

مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی ایکاؤنٹنگ معیارات کی پیروی کی گئی ہے، جس کی تصدیق بیرونی آڈیٹرز نے اپنی رپورٹ میں کی ہے۔

### انٹرنل کنٹرول سسٹم:

کمپنی کا انٹرنل کنٹرول سسٹم مسلسل ترقی سے گزر رہا ہے۔ موجودہ بورڈ پیشہ ورانہ کنسلٹنٹس کے ساتھ مستعدی سے کام کر رہا ہے تاکہ بہترین طریقوں سے ہم آہنگ پالیسیوں کو ڈیزائن اور لاگو کیا جا سکے۔ مزید برآں، بورڈ اندرونی کنٹرول کے فریم ورک کو مزید بڑھانے کے لیے ایک اہل چیف انٹرنل آڈیٹر کی تقرری کے عمل میں ہے۔ پوری کمپنی میں اندرونی کنٹرول کو مضبوط بنانے کے لیے کئی دیگر اقدامات کیے جا رہے ہیں۔

### جاری تشویش:

کمپنی ایک جاری تشویش کے طور پر جاری رکھنے کی اپنی صلاحیت پر پراعتماد ہے۔ لہذا، 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی گوشوارے اسی بنیاد پر تیار کیے گئے ہیں۔

### ٹیکسز اور لیویز:

ٹیکسز اور لیویز سے متعلق تفصیلات نوٹ 33 میں 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی بیانات میں فراہم کی گئی ہیں۔

### قانونی ادائیگیاں:

31 دسمبر 2019 تک، ٹیکسز، ڈیوٹی، لیویز، اور چارجز سے متعلق کوئی بقایا قانونی ادائیگیاں نہیں ہیں، سوائے ان مالیاتی گوشواروں کے جن کا انکشاف کیا گیا ہے۔

### متعلقہ فریقین کے ساتھ لین دین:

متعلقہ فریقین کے ساتھ لین دین کے بارے میں تفصیلی معلومات 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی بیانات کے نوٹ 36 میں شامل ہیں۔

### مواصلات:

شینرز ہولڈرز کے ساتھ موثر مواصلت کمپنی کے لیے ایک ترجیح ہے۔ مالیاتی گوشواروں اور سالانہ رپورٹس کو ممبران میں تقسیم کیا جاتا ہے اور بورڈ کی منظوری کے بعد کمپنی کی ویب سائٹ ([www.nicl.com.pk](http://www.nicl.com.pk)) پر دستیاب کرایا جاتا ہے۔ ایک بار زیر التواء کھاتوں کو بورڈ کی طرف سے منظور کر لیا جاتا ہے اور حصص یافتگان کی طرف سے ان کے متعلقہ سالانہ عام اجلاسوں میں اپنا لیا جاتا ہے، کمپنی اس بات کو یقینی بنانے کی تمام ششماہی اور سہ ماہی رپورٹس بھی کمپنی کی ویب سائٹ پر کمپنیز ایکٹ 2017 کے ذریعے متعین کردہ ٹائم لائنز کے اندر گردش اور پوسٹ کی جائیں۔ کمپنی کی ویب سائٹ [www.nicl.com.pk](http://www.nicl.com.pk) اس کی سرگرمیوں اور مالیاتی رپورٹس کے بارے میں تفصیلی معلومات فراہم کرتی ہے۔

### غیر ایڈجسٹ کرنے والے واقعات اور وعدے:

بیرونی آڈیٹرز کے مطابق، 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے مالیاتی گوشواروں میں کوئی غیر ایڈجسٹ کرنے والے مادی واقعات نہیں تھے جن کے لیے انکشاف کی ضرورت ہو۔

### ریکارڈ کی حفاظت:

کمپنی اپنے مالیاتی ریکارڈ کے محفوظ ذخیرہ اور تحویل کو ترجیح دیتی ہے۔ اوریکل پر مبنی GIS سسٹم مالیاتی معلومات کو ریکارڈ کرنے کے لیے استعمال کیا جاتا ہے، اور الیکٹرانک دستاویزات تک رسائی کو ایک جامع، پاس ورڈ سے محفوظ اجازت میٹریکس کے ذریعے کنٹرول کیا جاتا ہے۔ مزید برآں، ریکارڈز اور فائلوں کو ڈیجیٹل کیا گیا ہے تاکہ ان کی طبعی اور ڈیجیٹل دونوں شکلوں میں دستیابی کو یقینی بنایا جا سکے۔

### وسل بلور پالیسی:

کمپنی نے غیر اخلاقی رویے کی رپورٹنگ کی حوصلہ افزائی کرنے اور خدشات کو فوری اور منصفانہ طریقے سے دور کرنے کو یقینی بنانے کے لیے وسل بلور پالیسی نافذ کی ہے۔



### ضابطہ اخلاق:

کمپنی نے ایک "ضابطہ اخلاق" قائم کیا ہے جسے بورڈ آف ڈائریکٹرز نے منظور کیا ہے۔ یہ ضابطہ انسانی حقوق اور ملازمین کے مفادات کا احترام کرتے ہوئے ایمانداری، دیانتداری اور شفافیت کے ساتھ کاروباری کارروائیوں کی رہنمائی کے لیے ڈیزائن کیا گیا ہے۔ ضابطہ تمام اسٹیک ہولڈرز بشمول سرکاری اداروں، ملازمین، کلائنٹس، شینر ہولڈرز اور دیگر کے احترام پر زور دیتا ہے۔ یہ کمپنی کی ویب سائٹ پر دستیاب ہے۔

### بنیادی خطرات اور غیر یقینی صورتحال:

کمپنی کو درپیش بنیادی خطرات اور غیر یقینی صورتحال کے بارے میں معلومات نوٹ 39 میں 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی بیانات میں دی گئی ہیں۔

### آڈیٹرز:

31 دسمبر 2019 کو ختم ہونے والے سال کے آڈیٹرز، میسرز RSM اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش ریٹنگ حاصل کی ہے۔ انہوں نے بین الاقوامی فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق سے متعلق رہنما خطوط پر عمل کرنے کی تصدیق کی ہے، جیسا کہ ICAP نے اپنایا ہے۔ بیرونی آڈیٹرز کا تقرر مکمل طور پر آڈیٹنگ خدمات کے لیے کیا گیا ہے اور وہ کمپنیز ایکٹ 2017 اور انشورنس آرڈیننس 2000 کی دفعات کے مطابق کسی بھی دوسری خدمات میں مصروف نہیں ہیں جو ان کی آزادی سے سمجھوتہ کرے۔ انہوں نے اس سلسلے میں IFAC کے رہنما خطوط کی تعمیل کی تصدیق کی ہے۔

بیرونی آڈیٹرز نے آڈٹ کمیٹی کے اجلاسوں میں شرکت کی جہاں کمپنی کے آڈٹ شدہ یا نظرثانی شدہ مالیاتی گوشواروں پر تبادلہ خیال کیا گیا۔ یہ نوٹ کرنا ضروری ہے کہ 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی گوشواروں کا نہ تو بیرونی آڈیٹرز نے آڈٹ کیا اور نہ ہی متعلقہ سال کے دوران بورڈ آف ڈائریکٹرز کی طرف سے منظوری دی گئی۔ آڈیٹرز نے اپنی آزادی کی تصدیق کی ہے اور بورڈ کو لکھے گئے خط میں اپنے تمام خدشات کی اطلاع دی ہے۔ آڈٹ کمیٹی نے سال 2017، 2018 اور 2019 کے لیے بیرونی آڈیٹرز کی تقرری اور معاوضے کی سفارش بورڈ کو سال 2019 میں غور کے لیے کی ہے۔

### اظہار تشکر:

موجودہ بورڈ آف ڈائریکٹرز کمپنی کے اندرونی کنٹرول سسٹم کو مضبوط بنانے اور تکنیکی ترقی، ڈیجیٹائزیشن، مہارت کی ترقی، اور مسابقتی نقطہ نظر کے ذریعے اس کے مجموعی آپریشنز کو بڑھانے کے لیے وقف ہے۔ ہم انتظامیہ اور ریگولیٹرز کا ان کی انمول حمایت اور تعاون کے لیے شکریہ ادا کرتے ہیں، جو ان مالیاتی بیانات کو حتمی شکل دینے اور مختلف اقدامات کو نافذ کرنے میں اہم تھے۔ ہم اپنے حصص یافتگان کے ہم پر کیے گئے اعتماد کی بھی تعریف کرتے ہیں اور اپنے صارفین، ملازمین، اسٹریٹجک شراکت داروں، ویبڈرز اور سپلائرز کا تہ دل سے شکریہ ادا کرتے ہیں۔ مزید برآں، ہم سال بھر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے فراہم کردہ مسلسل تعاون اور رہنمائی کا اعتراف کرتے ہیں۔

بورڈ کی جانب سے،

چیف ایگزیکٹو آفیسر

ڈائریکٹر  
کراچی، 20/Aug/2024

NATIONAL INSURANCE COMPANY LIMITED  
REVIEW REPORT FOR STATEMENT OF COMPLIANCE  
WITH THE PUBLIC SECTOR COMPANIES (CORPORATE  
GOVERNANCE RULES 2013 AND THE CODE OF  
CORPORATE GOVERNANCE FOR INSURERS, 2016  
FOR THE YEAR 2019

ASSURANCE DEPARTMENT



## Review Report to the Members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance for Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016 (referred to as 'the Codes') prepared by the Board of Directors of National Insurance Company Limited (the Company) for the year ended December 31, 2019 to comply with requirements of the Codes.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended December 31, 2019.

Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Regulations as reflected in the note/paragraph reference where it/these is/are stated in the Statement of Compliance

S.NO.	PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013		DESCRIPTION
	REF. OF RULE NO.	REF. OF THE ST. OF COMPLIANCE	
1.	3(2)	Refer explanation for non-compliance section (1)	casual vacancy arose in the Board in the manner specified in sub-section (1) of section 161 of the Act wasn't filled in by the directors in accordance with sub-section (2) of section 161 of the Act.
2.	5(5)	Refer compliance statement point # 9	The Board didn't establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company,
3.	5(5)(b)(iv) & 18	Refer explanation for non-compliance section (3)	a "register of interests" wasn't maintained to record all relevant personal, financial and business interests, of directors and executives who have any decision-making role in the company, and the same shall be made publicly available.
4.	5(6)	Refer compliance statement point # 14	The Board hasn't developed a vision statement and corporate strategy of the company.
5.	5(7)	Refer explanation for non-compliance section (5)	The Board hasn't developed most of the significant policies for the company.
6.	5(10)	Refer explanation for non-compliance section (6)	The Board hasn't defined the level of materiality, keeping in view the specific context of the Public Sector Company and the recommendations of any committee of the Board that may be set up for the purpose



7.	8	Refer explanation for non-compliance section (7)	The performance evaluation of members of the Board including the chairman and the chief executive wasn't undertaken annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment.
8.	8(2)	Refer compliance statement point # 19	The Board hasn't monitored and assessed the performance of Senior management on <del>Annual/half-yearly/quarterly basis*</del> and held them accountable for accomplishing Objectives, goals and key performance indicators set for this purpose.  *Strike whichever is not applicable.
9.	9	Refer explanation for non-compliance section (8)	During the year 2019, all related party transactions were not placed before the Audit Committee, as there were routine transactions with NICL's related party i.e., Civic Centers Company (Pvt.) Ltd.
10.	10	Refer compliance statement point # 21	Every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website. This wasn't complied during the year
11.	17,19(4) & 24	Refer explanation for non-compliance section (9)	The Board didn't submit an annual report to the shareholders.
12.	13,14 &15	Refer explanation for non-compliance section (10)	A whole-time CFO was not there, as the Board did not find any suitable candidate.  13,14 &15

13.	20	Refer explanation for non-compliance section (11)	NICL did not have a Chief Financial Officer as at the year ended December 31, 2019. However, financial statements were endorsed by the current Chief Executive and current CFO before submission to the current Audit Committee and the Board.
14.	21(3)	Refer compliance statement point # 32	The chief financial officer, the chief internal auditor, and a representative of the external auditors didn't attend all meetings of the audit committee at which issues relating to accounts and audit are discussed.
15.	22	Refer compliance statement point # 33	The Board hasn't set an effective internal audit function, which has an audit charter, duly approved by the audit committee. The internal audit reports haven't been provided to external auditors for their review.

S.NO.	CODE OF CORPORATE GOVERNANCE (CCG) FOR INSURERS, 2016		CLAUSE DESCRIPTION
	REF. OF SECTION NO.	REF. OF THE CCG FOR INSURERS, 2016	
1.	(Viii) & (ix)	Refer compliance statement point # 2	Any casual vacancy in the Board of Directors of an insurer wasn't filled up by the directors at the earliest but not later than ninety (90) days from the date of occurrence of the casual vacancy.
2.	(xi)(b), (c) and (d)	Refer compliance statement point # 5	The Board has [not] developed a vision mission statement, overall corporate strategy and significant policies of the insurer.
3.	(xiii)	Refer compliance statement point # 8	The Board has [not] established a system of sound internal control. Which is [and to be] effectively implemented at all levels within the insurer. The insurer has [not been able to] adopted and complied with all the necessary aspects of internal controls given in the code.
4.	(xviii)	Refer compliance statement point # 30	Significant Issues wasn't placed for Decision by Board of Directors

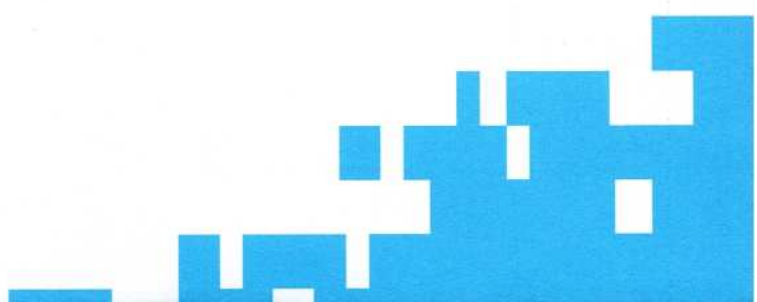


5.	(xx) (xxi) & (xxii)	Refer compliance statement point # 30	During the year 2019 the position for CFO remained vacant. The chief internal audit of the company was appointed in December 2019.
6.	(xxv)	Refer compliance statement point # 30	The quarterly unaudited financial statements of insurer weren't prepared and circulated along with Directors' Review Report on the affairs of the insurer for the quarter.
7.	(xxvi)	Refer compliance statement point # 30	The insurer didn't ensure that half-yearly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.
8.	(xxvii)	Refer compliance statement point # 30	The insurer didn't ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year unless an extension in terms of sub-section (1) of section 51 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) is granted by the Securities and Exchange Commission of Pakistan, in which case the insurer shall circulate the said financial statements on or before the expiry of such extension.
9.	(xxviii)	Refer compliance statement point # 30	Annual Reviews and compliance procedures
10.	(xxix) (xxx) & (xxxiii)	Refer compliance statement point # 30	Compliance Officer (Adoption of Compliance program, appointment of and assignment of duties to Compliance officer: reporting line of the Compliance officer and duties & responsibilities of Compliance Officer)
11.	(xxix) (xxx) & (xxxiii)	Refer compliance statement point # 30	Responsibilities for Financial reporting and Corporate Compliance
12.	(xliii)	Refer compliance statement point # 30	Management Committees
13.	(xliii)	Refer compliance statement point # 30	Board Committees
14.	(lviii) & (lix)	Refer compliance statement point # 30	Internal Audit

15.	(xxxiii)r/w (ix) to (ixviii)	Refer compliance statement point # 30	External Auditors
16.	(lix)	Refer compliance statement point # 30	Risk Management System
17.	(lxx) & (lxxi)	Refer compliance statement point # 30	Risk Management Function Department
18.	(lxxiii)	Refer compliance statement point # 30	Actuary
19.	(lxxii)	Refer compliance statement point # 30	Rating by a Credit Rating agency
20.	(lxxiv) & (lxxv)	Refer compliance statement point # 30	Grievance Function (Establishment of & procedure for the Grievance Function of an insurer) & Claims Settlement Committee to oversee
21.	(lxxvi) & (lxxvii)	Refer compliance statement point # 30	Compliance with the code of Corporate Governance (Preparation & circulation of the reviewed statement of compliance with best Practices of corporate Governance along with annual report)

  
 CHARTERED ACCOUNTANTS  
 Engagement Partner: Adnan Zaman  
 Karachi.

Dated:







## NATIONAL INSURANCE COMPANY LIMITED

Statement of Compliance with the  
Public Sector Companies (Corporate Governance) Rules, 2013

**Name of company** NATIONAL INSURANCE COMPANY LIMITED  
**Name of the line Ministry:** Ministry of Commerce & Textile  
**For the year ended:** December 31, 2019

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance
- II. The company has complied with the provisions of the Rules in the following manner:

S. No	Provision of the Rules	Rule no.	Y	N																							
1	The independent directors meet the criteria of independence, as defined under the Rules.	2 (d)	✓																								
2	The Board has at least one-third of its total members as independent directors. At present [i.e. as at December 31, 2019] the Board includes:	3(2)	✓																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Category</th> <th style="width: 45%;">Names</th> <th style="width: 30%;">Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="5"><b>Independent Directors</b></td> <td>1. Syed Arshad Ali</td> <td>31-May 2018 till 01-04-2019</td> </tr> <tr> <td>2. Mr. Aasim Azim Siddiqui</td> <td>31-May 2018 till 30-05-2021</td> </tr> <tr> <td>3. Mr. Shafqaat Ahmed</td> <td>31-May 2018 till 30-05-2021</td> </tr> <tr> <td>4. Mr. Tariq Jamil</td> <td>29-Nov 2019 till 30-05-2021</td> </tr> <tr> <td>5. Dr. Nazish Afraz</td> <td>She never joined the Board, as she regretted vide her letter dated 09-Jul-18.</td> </tr> <tr> <td><b>Executive Directors</b></td> <td>1. Syed Rafeo Bashir Shah (Acting CEO)</td> <td>27-Dec-2017 till 26-07-2019</td> </tr> <tr> <td rowspan="3"><b>Non-Executive Directors</b></td> <td>1. Syed Muhammad Tariq Huda</td> <td>31-May-2018 till 18-05-2020</td> </tr> <tr> <td>2. Mr. Manzoor Ali Shaikh</td> <td>04-Feb-2019 till 30-05-2021</td> </tr> <tr> <td>3. Dr. Rashid Manzoor</td> <td>31-May-2019 till 26-07-2021</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	<b>Independent Directors</b>	1. Syed Arshad Ali	31-May 2018 till 01-04-2019	2. Mr. Aasim Azim Siddiqui	31-May 2018 till 30-05-2021	3. Mr. Shafqaat Ahmed	31-May 2018 till 30-05-2021	4. Mr. Tariq Jamil	29-Nov 2019 till 30-05-2021	5. Dr. Nazish Afraz	She never joined the Board, as she regretted vide her letter dated 09-Jul-18.	<b>Executive Directors</b>	1. Syed Rafeo Bashir Shah (Acting CEO)	27-Dec-2017 till 26-07-2019	<b>Non-Executive Directors</b>	1. Syed Muhammad Tariq Huda	31-May-2018 till 18-05-2020	2. Mr. Manzoor Ali Shaikh	04-Feb-2019 till 30-05-2021	3. Dr. Rashid Manzoor	31-May-2019 till 26-07-2021		
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3	The directors have confirmed that none of them is serving as a director on more than five Public Sector Companies and listed Companies simultaneously, except their subsidiaries.	3(5)	✓																								
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provision of the Act.	3(7)	✓																								
5	The chairman of the Board is working separately from the Chief Executive Officer of the company.	4(1)	✓																								
6	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government of Pakistan.	4(4)	✓																								
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)	5(2)		N/A <sup>1</sup>																							



## NATIONAL INSURANCE COMPANY LIMITED

8	<p>(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.</p> <p>(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (<a href="https://nicl.com.pk/wp-content/uploads/2022/03/APPROVED-CODE-OF-CONDUCT_0.pdf">https://nicl.com.pk/wp-content/uploads/2022/03/APPROVED-CODE-OF-CONDUCT_0.pdf</a>)</p> <p>(c) The Board has set in place adequate systems and controls for the identification and redressed of grievances arising from unethical practices.</p>	5(4)	√ <sup>2</sup>	
			√ <sup>3</sup>	
			√	
9	<p>The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectives, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.</p> <p>√ with the fundamental principles of probity and propriety; objectivity, integrity and</p>	5(5)		√
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	√ <sup>4</sup>	
11	The Board has developed and implemented a policy on anti-corruption to minimize the actual and perceived corruption in the Company.	5(5) (b)(vi)	√ <sup>5</sup>	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c)(ii)	√ <sup>6</sup>	
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing, and technical standards, when dealing with suppliers of goods and services.	5(5) (c)(iii)	√ <sup>7</sup>	
14	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)		√ <sup>8</sup>
15	The Board has developed significant policies for the company. A complete record of significant policies along with the dates, on which they were approved or amended, has been maintained.	5(7)		√ <sup>9</sup>
16	The Board has quantified the outlay of any action in respect of any service delivered goods sold by the Company as public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)		√
18	<p>(a) The Board has met at least four times during the year.</p> <p>(b) Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings.</p> <p>(c) The minutes of the meetings were appropriately recorded and circulated.</p>	6(1) 6(2) 6(3)	√ √ <sup>10</sup> √	
19	<p>The Board has monitored and assessed the performance of Senior management on Annual/<del>half-yearly/quarterly</del> basis* and held them accountable for accomplishing Objectives, goals and key performance indicators set for this purpose. *Strike whichever is not applicable.</p>	8(2)		√ <sup>11</sup>
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	√	





## NATIONAL INSURANCE COMPANY LIMITED

21	<p>(a) The Board has approved the profit and loss account for, and balance sheet as at the end of the first, second and third quarter of the year as well as the financial year end.</p> <p>(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.</p> <p>(c) The Board has placed the annual financial statements on the company's website.</p>	10	N/A	√ <sup>12</sup>   ✓																		
22	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information, as specified in the Rules.	11	√ <sup>13</sup>																			
23	<p>a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition</p> <p>✓</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <p>✓</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Committee</th> <th style="text-align: center;">Number of Members</th> <th style="text-align: center;">Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td style="text-align: center;">04</td> <td>Mr. Aasim Azim Siddiqui &amp; w.e.f. 13-04-2019 Mr. Shafqaat Ahmed</td> </tr> <tr> <td>Risk Management Committee</td> <td style="text-align: center;">06</td> <td>Syed Arshad Ali &amp; w.e.f. 13 April 2019 Mr. Shafqaat Ahmed</td> </tr> <tr> <td>Human Resources Committee<sup>14</sup></td> <td style="text-align: center;">05</td> <td>Syed Arshad Ali w.e.f. 13-04-2019 Syed Tariq Huda</td> </tr> <tr> <td>Procurement Committee</td> <td style="text-align: center;">03 and 04 w.e.f. 13-04-2019</td> <td>Syed Arshad Ali &amp; w.e.f. 13 April 2019 Mr. Shafqaat Ahmed</td> </tr> <tr> <td>Nomination Committee<sup>15</sup></td> <td style="text-align: center;">--Nil--</td> <td>--None-- The Board is performing the role of Nomination Committee</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	04	Mr. Aasim Azim Siddiqui & w.e.f. 13-04-2019 Mr. Shafqaat Ahmed	Risk Management Committee	06	Syed Arshad Ali & w.e.f. 13 April 2019 Mr. Shafqaat Ahmed	Human Resources Committee <sup>14</sup>	05	Syed Arshad Ali w.e.f. 13-04-2019 Syed Tariq Huda	Procurement Committee	03 and 04 w.e.f. 13-04-2019	Syed Arshad Ali & w.e.f. 13 April 2019 Mr. Shafqaat Ahmed	Nomination Committee <sup>15</sup>	--Nil--	--None-- The Board is performing the role of Nomination Committee	12	✓  ✓  ✓  ✓	
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Procurement Committee	03 and 04 w.e.f. 13-04-2019	Syed Arshad Ali & w.e.f. 13 April 2019 Mr. Shafqaat Ahmed																				
Nomination Committee <sup>15</sup>	--Nil--	--None-- The Board is performing the role of Nomination Committee																				
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor by whatever name called with their remuneration and terms and conditions of employment.	13		√ <sup>16</sup>																		
25	<p>i. Chief Financial Officer and</p> <p>ii. Company Secretary</p> <p>have requisite qualification prescribed in the Rules.</p>	14	✓	√ <sup>17</sup>																		
26	The company has adopted international Financial reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																			
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓ <sup>18</sup>																			
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf	18	✓ <sup>19</sup>																			



## NATIONAL INSURANCE COMPANY LIMITED

	of the company except those disclosed to the company.																					
29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.  (b) The annual report of the company contains criteria and details of remuneration of each director	19	✓																			
30	The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before consideration and approval of the Audit Committee and the Board.	20	✓																			
31	The Board has formed an audit Committee with defined and written terms of reference, and having the following members.	21(1) and 21(2)	✓																			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Name of Director</th> <th style="width: 20%;">Category</th> <th style="width: 50%;">Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Aasim Azim Siddiqui</td> <td>Independent Director</td> <td>Businessman, MD Marine Group of Companies</td> </tr> <tr> <td>Mr. Shafqaat Ahmed</td> <td>Independent Director</td> <td>Banker, Ex CEO of Al Baraka Bank</td> </tr> <tr> <td>Mr. Tariq Jameel</td> <td>Independent Director</td> <td>Professional Banker</td> </tr> <tr> <td>Dr. Rashid Manzoor</td> <td>Non-Executive Director</td> <td>Civil Servant, Government Service</td> </tr> <tr> <td>Mr. Manzoor Ali Shaikh</td> <td>Non-Executive Director</td> <td>Civil Servant, Government Service</td> </tr> </tbody> </table>	Name of Director	Category	Professional Background	Mr. Aasim Azim Siddiqui	Independent Director	Businessman, MD Marine Group of Companies	Mr. Shafqaat Ahmed	Independent Director	Banker, Ex CEO of Al Baraka Bank	Mr. Tariq Jameel	Independent Director	Professional Banker	Dr. Rashid Manzoor	Non-Executive Director	Civil Servant, Government Service	Mr. Manzoor Ali Shaikh	Non-Executive Director	Civil Servant, Government Service		✓	
Name of Director	Category	Professional Background																				
Mr. Aasim Azim Siddiqui	Independent Director	Businessman, MD Marine Group of Companies																				
Mr. Shafqaat Ahmed	Independent Director	Banker, Ex CEO of Al Baraka Bank																				
Mr. Tariq Jameel	Independent Director	Professional Banker																				
Dr. Rashid Manzoor	Non-Executive Director	Civil Servant, Government Service																				
Mr. Manzoor Ali Shaikh	Non-Executive Director	Civil Servant, Government Service																				
	The Chief Executive and Chairman Board are not members of the Audit Committee.																					
32	(a) The Chief Financial Officer, Chief Internal Auditor and a representative of external auditors attended all meetings of Audit committee at which issues relating to accounts and audit were discussed.  (b) The Audit Committee met the external auditors, at least once in a year, without the presence of Chief Financial Officer, the Chief Internal Auditor and other executives.  (c) The audit committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and external auditor.	21(3)	✓	✓ <sup>20</sup>																		
33	(a) The Board has set an effective internal audit function, which has an audit charter, duly approved by the audit committee. .  (b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.  (c) The internal audit reports have been provided to external auditors for their review.	22		✓ <sup>21</sup>  ✓ <sup>22</sup>  ✓																		
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines of Ethics as applicable in Pakistan.	23(4)	✓																			
35	The Auditors have confirmed that they have observed the applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓																			





## NATIONAL INSURANCE COMPANY LIMITED

<sup>1</sup> No appointment for the post of Chief Executive Officer was made during the year 2019, Capt. M Jamil Akher khan, the last full time CEO of the Company left the NICL as Chief Executive Officer of the insurer in December 2017, and in his place, Syed Rafeo Bashir Shah was given the look after charge of the office of the Chief Executive Officer who remained in this position till July, 2019 and later on the Acting charge of CEO, NICL during 2019 was given to Syed Muhammad Tariq Huda w.e.f. 08-08-2019 till 18-05-2020. Mr. Khalid Hamid joined as full time CEO, NICL in May 2021 and is still in position.

<sup>2</sup> Code of Conduct (including Conflict of Interest Policy) was prepared and circulated among the Board members which was approved by the board of NICL in its 93<sup>rd</sup> meeting held on March 04, 2017. The Code was disseminated across the board among the employees, and is also placed on the website of the Company. Previously, Code of Conduct was in place as one of the chapters of NICL's Human Resource Manual.

<sup>3</sup> Similar to the Code of Conduct, NICL's whistleblower policy was prepared and circulated among the Board members. This was approved by the Board of NICL its 93<sup>rd</sup> held on March 04, 2017. Moreover, every transaction in the company has been carried out after pre-audit of the respective payment voucher is done. More, Auditor General of Pakistan does carry out Government audits of each year, and any instance of concerns is reported by them at other constitutional forums like the Public Accounts Committee / Departmental Accounts Committee.

<sup>4</sup> Conflict of interest policies have been covered under NICL's Code of Conduct.

<sup>5</sup> NICL's Anti-Corruption / Anti-Fraud Policy was prepared and circulated among the Board members which was approved by the Board of NICL in its 93<sup>rd</sup> meeting held on March 04, 2017.

<sup>6</sup> HR Manual lays down the procedure for making appointments, which involves publication of the advertisement in the newspapers. However, Chief Internal Auditor was appointed during the end of the year 2019.

<sup>7</sup> Boards procurement Committee as well as Management's Central Procurement Committee (CPC) ensures that PPRA Rules are complied with.

<sup>8</sup> The Company already had a mission statement during 2019; however, the current Board of Directors is reviewing the new Vision and Mission Statement of the company.

<sup>9</sup> Policies have been prepared and approved except in so far as mentioned in the statement of Non-Compliance (Schedule II).

<sup>10</sup> Written notices of the Board meetings along with agenda were circulated at least 07 days before the meeting; however, 04 emergent Board meetings was held during the year 2019, in which case, the notices and agenda were sent less than 07 days before the meetings as allowed by the Public Sector Companies (Corporate Governance) Rules, 2013.

<sup>11</sup> The performance evaluation of CEO and senior management was not conducted during the year 2019. The Acting CEO joined NICL by the end of the year 2017 in compliance with the Ministry of Commerce & Textile's Order dated December 27, 2017, hence, his performance was not assessed by the Board during the Year 2019, keeping view that he was not a full time CEO. Senior management's performance is assessed through the Chief Executive Officer and / or the HR Committee.

<sup>12</sup> The Annual/ Quarterly/ Monthly Financial Statements for the year 2019 were not prepared during the 2019. Furthermore during the tenure of the previous Board the Accounts / financial statements for the year 2015, 2016 & 2017 have been audited, signed and approved by them, which have been placed on the website of NICL, whereas the Accounts / financial Statements for the later years up till 2018 & 2019 have now been audited and approved, which shall be placed on the website once relevant AGM is held. Accounts / Financial statements for the years 2020 will soon be audited and finalized by Audit / BoD .

<sup>13</sup> An in house orientations session / presentations / reading materials were arranged for the newly constituted Board of Directors in their first meeting, the same was confirmed by directors during 99<sup>th</sup> meeting held on August 13, 2018.

<sup>14</sup> Human Resources Committee is called as the Ethics, Human Resource, Remuneration & IT Committee constituted in compliance with the Code of Corporate Governance for the insurer 2016 { S.R.O. 1045(1)/2016 dated November 05, 2016}.

<sup>15</sup> The Code of Corporate Governance for insurers, 2016 {S.R.O. 1045(1)/2016 dated November 05, 2016} allows an insurer that if its board does not want to constitute a nominations committee, the Board shall discharge the responsibilities of a



## NATIONAL INSURANCE COMPANY LIMITED

nominations committee. Accordingly the board of NICL in its 94<sup>th</sup> meeting held on May 06, 2017 resolved that that the Board shall discharge the responsibilities of nominations Committee.

All committees have been formed expect the nominations Committee as in the light of the code of corporate Governance for insurers 2016 {S.R.O. 1045(1)/2016 dated November 09, 2016} the board has the option not to constitute nomination committee and in case of it is not constituted, the Board shall perform the role of the said Committee According, the Board of NICL is discharging the role of the Nomination Committee. .

<sup>16</sup> During the year 2019 (the position for CFO remained vacant). However, Mr. Farrukh Majeed Qureshi joined the company as Company Secretary in December 2016 with approval of the Board of Directors his remuneration was also fixed by the then BoD. He remained in position during the year in review i.e. 2019 and resigned from the services in the year 2023 and additional charge was then allowed to the Mr. Bilal kully in Aug, 2023 to till date. The Board has also initiated the process to appoint a full time Company Secretary of NICL.

Mr. Rasheed Kalwar, a civil servant from the Audit & Accounts Group of the Federal Government was serving as the Head of internal audit on deputation basis during the 1<sup>st</sup> half of the year 2019, he relinquish the charge on 01-03-2019. Mr. Fahad Sultan joined the company in December 2019 as Chief Internal Auditor with approval of the Board of Directors his remuneration was also fixed by the then BoD. Recently he has been assigned the responsibilities of the CFO during 2024 by the Board of Directors and the Board has initiated the process to fill the vacant position of CIA.

The Board did select a qualified person as the CFO of the company (Mr. Qasim Rasheed) in October 2020, who resigned from services in Nov, 2021.

<sup>17</sup> The Company Secretary appointed during the year 2016 possesses the requisite qualification prescribed in the Rules who resigned from services of NICL in 2023. The position of CFO remained vacant during 2019.


<sup>18</sup> Director's Report has been attached to the balance sheet as at year ended December 31, 2019.

<sup>19</sup> Only one Board member is a nominee of State Life Insurance Corporation of Pakistan, which is a client of NICL. However, that Board member is not personally interested in any contract or agreement of NICL with State Life. This is well disclosed and documented.

<sup>20</sup> The position of CIA was filled at the end of year 2019 i.e. Dec 2019.

<sup>21</sup> The Internal Audit Function was duly established by the Board, Internal Audit Charter was not approved during the year 2019 but Later on the Company has an approved internal Audit Manual etc which includes Audit Charter.

<sup>22</sup> During the 1<sup>st</sup> half of the year 2019, the Head of Internal Audit was a Civil servant of BS-19, who has extensive experience of audit of public officers. However, the position of the Chief Internal Auditor was filled by a well qualified professional with the approval of the Board at the end of the year 2019.

  
Chief Executive Officer 20/Aug/2024

  
Chairman





## NATIONAL INSURANCE COMPANY LIMITED

### Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 FOR THE YEAR ENDED DECEMBER 31, 2019

#### Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

**Name of Company** National Insurance Company Limited  
**Name of the line ministry:** Ministry of Commerce & Textile  
**For the year ended:** December 31, 2019

We confirm that other material requirements envisaged in the Rules have been complied with except for the following toward which reasonable progress is being made by the company to seek compliance expectedly by the end of next accounting year.

S. No.	Rule/Su b-Rule No.	Reason for Non-Compliance	Future Course of Action
1	3(4)	<p>A casual vacancy arose on the Board of Directors of the Company on July 08, 2018, which was not filled up by the Board within 90 days thereof.</p> <p>The Casual Vacancies arising from the transfer of Mr. Roshan Ali Shaikh and Syed Arshad Ali were filled accordingly.</p>	<p>Dr. Nazish Afraz was nominated by the Government of Pakistan on the Board of NICL as an independent Director. She never joined the Board, as she regretted vide her letter dated 09-Jul-18, her casual vacancy could not be filled by the BoD.</p> <p>The casual vacancy arising from the transfer of Mr. Roshan Ali Shaikh in October, 2018 was later on filled by Mr. Manzoor Ali Shaikh in Feb, 2019.</p> <p>The casual vacancy arising from the resignation of Syed Arshad Ali in April, 2019 was later on filled by Mr. Tariq Jamil in Nov, 2019.</p>
2	5(5)	<p>System of internal controls has already been strengthened by the Board and management of NICL; however, still a lot needs to be done to curb the expenses. Whistle blower Policy has been put in place. Chief Internal Auditor was also hired at the end of the year 2019</p>	<p>Similar to the Code of Conduct, NICL's Whistleblower Policy was prepared and circulated among the Board member which was approved by the Board of NICL in its 93<sup>rd</sup> meeting held on March 04, 2017. Previously, there was no such mechanism in place. However, every transaction in the Company has been carried out after pre-audit of the respective payment voucher is done. Moreover, Auditor General of Pakistan does carry out Government audits of each year and any instance of concern is reported by them at other constitutional forums like the Public Accounts Committee / Departmental Accounts Committee.</p> <p>The System of internal controls is improving day by day. The Board and the Audit Committee intends to further strengthen the internal Audit Department, in this regard a well qualified professional was hired during 2019 to strengthen the Internal Audit function of the Company.</p>



## NATIONAL INSURANCE COMPANY LIMITED

3	5(5)(b)(i) v) &18	<p>Register of interests is being maintained (commencing from the year 2019) to the Extent of directors in which directors disclose their interest prior to convening of a Board / Committee meeting. However, no register of interests was being maintained for executives during the year 2019. Executives (other than CEO) are perceived to have no impact on decision making at all financial authorities have already been delegated by the Board.</p>	<p>Board of NICL is committed to make improvements in the internal control system, and in doing so, Code of Conduct and Policy on Related Party Transactions have been put in place which cover conflict of Interest policy. Register of interests for executives / the management committees is now being maintained.</p>
4	5(6)	<p>The company has a mission statement which can be seen in the Annual Report for the year ended December 31, 2009.</p> <p>However, the company has not developed a vision statement and corporate strategy for the company.</p>	<p>The Company already had a mission statement during 2019; however, the current Board of Directors is reviewing the new Vision and Mission Statement of the company</p>
5	5(7)	<p>Although the Board and its predecessors have formulated, approved and implemented various policies, but still, the following policies as are required to be formulated:</p> <ol style="list-style-type: none"> <li>a. The formal approval and adoption of the annual report of the Company including the financial statements - Law has already laid down a formal procedure for approval and adoption of financial statements. Considering that the financial statements for the year 2019,2020,2021,2022 &amp; 2023 have yet to be prepared, audited, approved, signed and adopted, this policy shall be prepared.</li> <li>b. Effective communication policy has yet to be formally laid down; however, Office Orders have been issued which ensure that all communication is routed through the office of the CEO.</li> <li>c. Practice is there for the identification, monitoring and management of the principal insurance risks and opportunities; however, other enterprise risks have yet to be managed, which shall be looked after with the strengthening of the Internal Audit Department.</li> <li>d. Procurement policy did not existed previously, as the management relied purely on the provisions of the PPRA laws for procurement etc.</li> </ol>	<p>Board is considering and approving the annual accounts for the year 2019.</p> <p>Effective communication policy shall be made in future, if need is felt.</p> <p>Internal Audit Department has been strengthened; a new Chief Internal Auditor was hired who joined NICL in 2019 during his tenure has worked a lot on strengthening the internal controls under the guidance and supervision of BoD audit Committees. Post Audits of different departments were conducted by the CIA with his team.</p> <p>Procurement policy has already been approved by the Board in its 103<sup>rd</sup> meeting held on 23-02-2019</p>





**NATIONAL INSURANCE COMPANY LIMITED**

		<p>e. Marketing of goods to be sold or services to be rendered by the Company - The Company has a captive business, hence, marketing of its products is not required;</p> <p>f. Determination of terms of credit and discount to customers - The clients are public sector entities, which pay the premiums as per the past practice;</p> <p>g. Write-off of bad or doubtful debts. The Board decided on a case-by-case basis. The Board decided on a case-by-case basis, if so required done.</p> <p>h. Acquisition or disposal of fixed assets and investments - Proper delegation of financial and administrative authorities in place along with the provisions of the Companies &amp; Insurance law, Real Estate Administration Committee Procurement Committee used to look into matters relating to disposal or acquisition of fixed assets. The Investment Policy is in place and the Board's Investment Committee looks into the matters concerning investments. Accordingly, need for a formal policy was not felt;</p> <p>i. Corporate social responsibility initiatives including donations, charities, contributions and other payments of a similar nature.</p> <p>j. Health, safety and environment- The nature of business of the Company is that it offers intangible service/ product; hence this is not applicable.</p>	<p>So far not required</p> <p>Not required due to the fact that NICL has a renewal business and no new clients are attracted as such. However, cases are decided by the competent authorities on a case-by-case basis.</p> <p>The Board decides on a case-by-case. If required</p> <p>This is being effectively managed as of the date of filling of the statement.</p> <p>The management of NICL has taken CSR initiatives as part of NICL's image building, and a CSR Committee has also been constituted by the Board in its 06<sup>th</sup> Emergent meeting held on April 13, 2019. Moreover CSR Policy has been approved in the 109<sup>th</sup> BoD meeting held on 06-12-2019.</p> <p>Not Applicable. However, the company has a dedicated department to look after the safety, security and overall (including sanitization and fumigation etc) across the premises of the company.</p>
6	5(10)	<p>The provision requiring the Board to define level of materiality is itself subjective in nature. However, it is all established that the committees analyze and review various day to day transactions and practices, and then make recommendations to the Board for its consideration. Moreover, the Board has already delegated various financial powers across different levels.</p>	<p>The management shall review if there is any room for further defining the level of materiality. However, at present, the company has a threshold based delegation of financial and administrative authorities.</p>



## NATIONAL INSURANCE COMPANY LIMITED

7	8	The performance evaluation of CEO and senior management was not conducted during the year 2019. Acting Charge of CEO, NICL was allowed to Syed Rafeo Bashir Shah from Dec, 2017 and during 2018 & 2019. The Board has evaluated the performance of the last full fletch CEO of NICL during the year 2017, on the Key Performance Indicators assigned to him, on which he was being assisted by the senior management.	The Board evaluates the performance of senior management through the CEO and/or HR Committee.
8	9	During the year 2019, all related party transactions were not placed before the Audit Committee, as there were routine transactions with NICL's related party Ltd. However, it may be noted that the Government Auditors are currently carrying audit of all transactions / expenses / claims / payments.	Policy on Related Party Transactions is approved by the Board in its 112 <sup>th</sup> Board meeting held on 30-09-2019, on the recommendation of the Audit Committee.
9	10,17,19 (4) & 24	The Annual/ Quarterly/ Monthly Financial Statements for the year 2019 were not prepared during the 2019. The financial statements / Annual Report of the Company for the years 2020, 2021, 2022 & 2023 have not been prepared, audited, approved, signed and adopted which were required to be prepared and audited as per the timeline given in the Companies Act, 2017. Also, the Directors' Report was also not prepared and filed by the said timeline, which is essentially required to be annexed to every balance sheet.	At present, the Board has considered and approved the financial statements for the year ended December 31, 2019 along with all applicable deliverables.
10	13,14 & 15	A whole-time CFO was not there, as the Board did not find any suitable candidate.	At professionally qualified individual has recently assumed the responsibilities of CFO.
11	20	NICL did not have a Chief Financial Officer as at the year ended December 31, 2019. However, financial statements were endorsed by the current Chief Executive and current CFO before submission to the current Audit Committee and the Board.	The company now has qualified professional serving as the Chief Financial Officer of the company. Subsequent financial statements shall be signed by the current Chief Executive Officer and Chief Financial Officer before placing the same before the Audit Committee and the Board.





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12	22(3) & 22(4)	Internal Audit Charter was not approved by the Audit Committee during the year 2018	The Internal Audit Manual is being approved by the Audit Committee and the Board in its 116 <sup>th</sup> Board meeting 27-04-2021. Audit Committee is rigorously taking up internal audit matters on top priority.

  
Chief Executive Officer      20/ Aug /2024

  
Chairman



**NATIONAL INSURANCE COMPANY LIMITED**

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURER, 2016**

Name of Insurer: **NATIONAL INSURANCE COMPANY LIMITED**  
Year Ended: **December 31, 2019**

This statement is being presented in compliance with the code of Corporate Governance for insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

The insurer has applied the principles contained in the Code in the following manner.

1. The insurer encourages representation of independent non-executive directors and directors representing minority interests on its Board included:

Category	Names	Date of Appointment
<b>Independent Directors</b>	1. Syed Arshad Ali	31-May 2018 till 01-04-2019
	2. Mr. Aasim Azim Siddiqui	31-May 2018 till 30-05-2021
	3. Mr. Shafqaat Ahmed	31-May 2018 till 30-05-2021
	4. Mr. Tariq Jamil	29-Nov 2019 till 30-05-2021
	5. Dr. Nazish Afraz	She never joined the Board, as she regretted vide her letter dated 09-Jul-18.
<b>Executive Directors</b>	1. Syed Rafeo Bashir Shah (Acting CEO)	27-Dec-2017 till 26-07-2019
<b>Non-Executive Directors</b>	1. Syed Muhammad Tariq Huda	31-May-2018 till 18-05-2020
	2. Mr. Manzoor Ali Shaikh	04-Feb-2019 till 30-05-2021
	3. Dr. Rashid Manzoor	31-May-2019 till 26-07-2021

All Independent directors meet the criteria of independence as laid down under the Code of Corporate Governance for insurance 2016.

All these directors were appointed nominated by the Government of Pakistan.

1. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this insurer (excluding the listed subsidiaries of listed holding companies in which each one of them is a director).
2. All the resident directors of the insurer are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, A DFI or an NBEI or, being a member of stock exchange, has been declared as a defaulter by a sock exchange.
3. A casual vacancy occurring on the Board on May 31, 2018 was [not]<sup>2</sup> filled up by the directors and the casual vacancy arising from the transfer of Mr. Roshan Ali Shaikh in October, 2018 was later on filled by Mr. Manzoor Ali Shaikh in the year Feb, 2019. The casual vacancy arising from the resignation of Syed Arshad Ali in April, 2019 was later on filled by Mr. Tariq Jamil in Nov, 2019.
4. The insurer has prepared a code of conduct<sup>3</sup>, which has been disseminated among all the directors and employees of the insurer.
5. The Board has [not] developed a vision mission statement, overall corporate strategy and significant policies of the insurer. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.





## NATIONAL INSURANCE COMPANY LIMITED

6. All power of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other Executive Directors and the key officers, have been taken by the Board<sup>4</sup>.
7. The meetings of the Board were presided over the Chairman and in his/ her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notice of the Board meetings, along with agenda and working papers, were circulated at least seven (7 days before the meeting) exception the case of emergent meetings, where the notices and agenda were circulated at a shorter notice within the approval of the Chairman Board). The minutes of the meeting were appropriately recorded and circulated.
8. The Board has [not] established a system of sound internal control. Which is [and to be] effectively implemented at all levels within the insurer. The insurer has [not been able to] adopted and complied with all the necessary aspects of internal controls given in the code.
9. The Board arranged Orientation course(s) training programs for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary including their remuneration and terms and conditions of employment in 2016.
11. The Directors Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.<sup>5</sup>
12. The Financial statements for the year 2019 of the insurer were duly endorsed by the current Chief Executive Officer and CFO before approval of the Board.
13. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the insurer other than disclosed in the pattern of shareholding.
14. The insurer has [not] complied with all the corporate and financial reporting requirements of the code of corporate governance for insurers, 2016
15. The board has formed the following Management Committees [as on December 31, 2019]

### **MANAGEMENT COMMITTEE:**

- I. Underwriting, Reinsurance & Co-insurance Committee (From August 13, 2018)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Asad Ali Shaikh, General Manager (Reinsurance)	Member
Mr. Altaf Madrasswala, General Manager (Operations)	Secretary



## NATIONAL INSURANCE COMPANY LIMITED

### II. Claim Settlement committee (From August 13, 2018 to April 12, 2019)

Name of the Person with Designation /Position	Category
Mr. Aasim Azim Siddiqui	Chairman
Syed Arshad Ali	Member
Dr. Rashid Manzoor	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer	Member
Mr. Altaf Madrasswala, General Manager (Operations)	Secretary

### Claim Settlement committee (From April 13, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Mr. Aasim Azim Siddiqui	Chairman
Dr. Rashid Manzoor	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer Mr. Tariq Huda, Chief Executive Officer w.e.f. 08-08-2019	Member
Mr. Altaf Madrasswala, General Manager (Operations)	Secretary

### Claim Settlement committee (From December 06, 2019)

Name of the Person with Designation /Position	Category
Mr. Tariq Jamil	Chairman
Dr. Rashid Manzoor	Member
Mr. Tariq Huda, Chief Executive Officer	Member
Mr. Altaf Madrasswala, General Manager (Operations)	Secretary

### III. Risk Management & Compliance Committee (From August 13, 2018 to March 29, 2019)

Name of the Person with Designation /Position	Category
Syed Arshad Ali	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Roshan Ali Shaikh	Member
Mr. Shafqaat Ahmed	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer	Member
Mr. Farrukh Majeed Qureshi, Company Secretary	Member
Mr. Rasheed Kalwar, General Manager (Internal Audit)	Secretary

### Risk Management & Compliance Committee (From March 30, 2019 to April 12, 2019)

Name of the Person with Designation /Position	Category
Syed Arshad Ali	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Shafqaat Ahmed	Member Secretary
Mr. Rafeo Bashir Shah, Chief Executive Officer Mr. Tariq Huda, Chief Executive Officer w.e.f. 08-08-2019	Member
Mr. Farrukh Majeed Qureshi, Company Secretary	Member
Mr. Rasheed Kalwar, General Manager (Internal Audit)	Secretary





## NATIONAL INSURANCE COMPANY LIMITED

Risk Management & Compliance Committee (From April 13, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Aasim Azim Siddiqui	Member
Mr. Tariq Huda, Chief Executive Officer	Member
Mr. Faruukh Majeed, Company Secretary	Member
General Manager (Internal Audit)(Vacant)	Secretary

Risk Management & Compliance Committee (From December 06, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Tariq Jamil	Member
Mr. Tariq Huda, Chief Executive Officer	Member
Mr. Faruukh Majeed, Company Secretary	Member
General Manager (Internal Audit)(Vacant)	Secretary

### **BOARD COMMITTEES**

IV. Audit Committee (From August 13, 2018 to March 29, 2019)

Name of the Person with Designation /Position	Category
Mr. Aasim Azim Siddiqui	Chairman
Mr. Shafqaat Ahmed	Member
Mr. Roshan Ali Shaikh	Member
Dr. Rashid Manzoor	Member
Mr. Rasheed Ahmed Kalwar, General Manager (Internal Audit)	Secretary

Audit Committee (From March 30, 2019 to April 12, 2019)

Name of the Person with Designation /Position	Category
Mr. Aasim Azim Siddiqui	Chairman
Mr. Shafqaat Ahmed	Member
Mr. Manzoor Ali Shaikh	Member
Dr. Rashid Manzoor	Member
Mr. Rasheed Ahmed Kalwar, General Manager (Internal Audit)	Secretary

Audit Committee (From April 13, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Mr. Aasim Azim Siddiqui	Member
Mr. Manzoor Ali Shaikh	Member
Dr. Rashid Manzoor	Member
General Manager (Internal Audit) (Vacant)	Secretary



## NATIONAL INSURANCE COMPANY LIMITED

Audit Committee (From December 06, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Mr. Tariq Jamil	Member
Mr. Manzoor Ali Shaikh	Member
Dr. Rashid Manzoor	Member
General Manager (Internal Audit) (Vacant)	Secretary

V. Ethics, Human Resource & Remuneration Committee : (From August 13, 2018 to April 12, 2019)

Name of the Person with Designation /Position	Category
Syed Arshad Ali	Chairman
Syed Muhammad Tariq Huda	Member
Dr. Rashid Manzoor	Member
Mr. Aasim Azim Siddiqui	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer	Member
Tariq Aziz, General Manager (Human Resources)	Secretary

Ethics, Human Resource & Remuneration Committee: (From April 13, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Syed Muhammad Tariq Huda	Chairman
Mr. Manzoor Ali SHAikh	Member
Mr. Shafqaat Ahmed	Member
Dr. Rashid Manzoor	Member
Mr. Aasim Azim Siddiqui	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer	Member
Mr. Tariq Huda, Chief Executive Officer w.e.f. 08-08-2019	Member
Tariq Aziz, General Manager (Human Resources)	Secretary

Ethics, Human Resource & Remuneration Committee: (From December 06, 2019)

Name of the Person with Designation /Position	Category
Syed Muhammad Tariq Huda	Chairman
Mr. Manzoor Ali SHAikh	Member
Mr. Shafqaat Ahmed	Member
Dr. Rashid Manzoor	Member
Mr. Tariq Jamil	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer	Member
Tariq Aziz, General Manager (Human Resources)	Secretary

VI. Procurement Committee (From August 13, 2018 to April 12, 2019)

Name of the Person with Designation /Position	Category
Syed Arshad Ali	Chairman
Mr. Shafqaat Ahmed	Member
Syed Rafeo Bashir Shah, Chief Executive Officer	Member
Tariq Aziz, General Manager (Administration)	Secretary





## NATIONAL INSURANCE COMPANY LIMITED

Procurement Committee (From April 13, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Mr. Aasim Azim Siddiqui	Member
Mr. Rashid Manzoor	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer Mr. Tariq Huda, Chief Executive Officer w.e.f. 08-08-2019	Member
Mr. Tariq Aziz, General Manager (Administration)	Secretary

Procurement Committee (From December 06, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Mr. Tariq Jamil	Member
Mr. Rashid Manzoor	Member
Mr. Tariq Huda, Chief Executive Officer	Member
Mr. Tariq Aziz, General Manager (Administration)	Secretary

VII. Investment Committee (From August 13, 2018 to April 12, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Syed Arshad Ali	Member
Syed Muhammad Tariq Huda	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer	Member
Muhammad Ali, Chief Manager (Accounts)	Secretary

Investment Committee (From April 13, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Mr. Manzoor Ali Shaikh	Member
Syed Muhammad Tariq Huda	Member
Mr. Rafeo Bashir Shah, Chief Executive Officer Mr. Tariq Huda, Chief Executive Officer w.e.f. 08-08-2019	Member
Muhammad Ali, Chief Manager (Accounts)	Secretary

Investment Committee (From December 06, 2019)

Name of the Person with Designation /Position	Category
Mr. Shafqaat Ahmed	Chairman
Mr. Manzoor Ali Shaikh	Member
Syed Muhammad Tariq Huda	Member
Mr. Tariq Jamil	Member
Mr. Tariq Huda, Chief Executive Officer	Member
Muhammad Ali, Chief Manager (Accounts)	Secretary



## NATIONAL INSURANCE COMPANY LIMITED

### Additional Committee

VIII. CSR Committee (From March 30, 2019 to December 05, 2019)

Name of the Person with Designation /Position	Category
Mr. Aasim Azim Siddiqui	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Shafqaat Ahmed	Member

CSR Committee (From December 06, 2019)

Name of the Person with Designation /Position	Category
Mr. Tariq Jamil	Chairman
Syed Muhammad Tariq Huda	Member
Mr. Shafqaat Ahmed	Member

18. The meetings of the Committee were [not] held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers 2016. The terms of references of the Committee have been formed and advised to the Committees for compliance [until the end of the year 2019]
19. The Board has [not] set up an effective internal audit function / ~~or has outsourced the internal audit function to ..... who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they (or their representatives) are involved in the internal functions on a regular basis.~~
20. The Chief Executive Officer [Yes] Chief Financial Officer [not applicable]. Compliance Officer [not applicable] and the Head of Internal Audit [Yes] possess such as qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. ~~The Appointed Actuary of the insurer (if any) also meets the conditions as laid down in the said Code.~~ Moreover, the persons heading the underwriting, claim, reinsurance risk management and grievance functions department posses qualification and experience of direct relevance to their respective functions as required under section 12 of the Insurance Ordinance 2000 (Ordinance No. XXXIX of 2000)

Name of the Person	Designation
Syed Rafeo Bashir Shah ( remained until August, 2019) Syed Muhammad Tariq Huda (08-08-2019 to 18-05-2020)	Chief Executive Officer
None The Process of Hiring of a Chief Financial Officer was reinitiated in year 2019.	Chief Financial Officer
None The Process of Hiring of a Compliance Officer was also initiated in 2019.	Compliance
Mr. Furrukh Majeed Qureshi	Company Secretary
1. Mr. Altaf Madraswala. General Manger (Operations)- Head Officer: 2. Mr. Sanaullah Khan. General Manger (South Zone) 3. Lt. Col. (R) Zafar Iqbal General Manager (Central Zone) till 14-03-2019 then Mr, Yasir Khokhar from 2 <sup>nd</sup> quarter of the year 2019 became General Manager (Central Zone). 4. Mr. Kausar Ali Zaidi then Ms. Romanna Gul kakkar and finally Mr. Altaf Madrasswala remained as General Manager (North Zone)	Head of Underwriting





## NATIONAL INSURANCE COMPANY LIMITED

during the year 2019.	
1. Mr. Altaf Madraswala. General Manger (Operations)- Head Officer: 2. Mr. Sanaullah Khan. General Manger (South Zone) 3. Lt. Col.(R) Zafar Iqbal General Manager (Central Zone) till 14-03-2019 then Mr, Yasir Khokhar from 2 <sup>nd</sup> quarter of the year 2019 remained General Manager (Central Zone). 4. Mr. Kausar Ali Zaidi then Ms. Romanna Gul Kakkar and then finally Mr. Altaf Madrasswala remained as General Manager (North Zone) during the year 2019.	Head of Claims
Mr. Asad Ali Shaikh and Hanif Hisbani remained Head of Reinsurance during 2019	Head of Reinsurance
None	Head of Risk Management
No dedicated grievance department	Head of Grievance Dept.

NOTE: In case there is any Change in appointment of any person to act as Chief Executive Officer, Chief Financial Officer, Compliance Officer, Actuary, Company Secretary, Head of Internal Audit or during the reporting year should be adequately disclosed here with cogent reason(s) for such change.

22. The statutory auditors [for the year 2019] of the insurer have been appointed [in the year 2019] from the panel of Auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No XXXIX of 2000). The statutory auditors has confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services, and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
25. The Board [could not] ensure that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for the insurer 2016.
26. The Insurer has [not] set up a risk management function departments, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
27. The Board [could not] ensure that as a part of the risk management system, the insurer [could not] gets itself rated from a (credit rating agency) which [could have been] ~~is being~~ used by its risk management function/ department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency ..... (date) is ..... (rating) with ..... outlook.
28. The Board has [not] set up a [dedicated] grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for Insurers 2016, [However, Head of each three zones of the insurer have been designated as a focal persons for handling policy holder's complaints].



## NATIONAL INSURANCE COMPANY LIMITED

29. The insurer has [tried to] obtain exemptions from the Securities and Exchange Commission of Pakistan in respect of the following requirement(s) of the Code of Corporate Governance for Insurers, 2016:

- The Company, vide its letters stated that the Board of Directors and the management of the Company is constantly striving to regularize its accounts of the previous year even when the current Board was not in place. Moreover, it was also stated that it is an established fact that unless and until all accounts till date are audited, finalized. Signed by the directors of a company and approved by the shareholders credit rating agencies do not entertain requests for assignment of rating to that company. And, due to non-availability of the Board during the last many years. The account of the company for the previous years (i.e.) from 2017 and onwards have yet to be audited. Finalized signed and approved. But, the current Board of the company is consistently trying to resolve this issue which will obviously take some time. Then it was requested to accord relaxation of the above referred clause (xxxi) of the 2016 Code including all other Clause with regard to adhering the statutory timeline relating directly or indirectly to audit, finalization, signing and or approval of the account and supplementary statements thereon in terms of clause (xxxi) of the aforementioned 2016 code. However SECP vide its letter No.ID OSM NICL 20178220 dated January 20, 2017 declined the request of the company on the basis of the reason that SECP has already issued direction followed by show cause Notice on the relevant violations stated in the said letter.

30. We confirm that all other material principles contained in the Code of Corporate Governance for insurers, 2016 have been complied with except for the following, towards which reasonable progress is being made by the insurer to seek compliance by the end of next accounting year:

clause	Brief Description of the Clause	Compliance Status
(viii) & (ix)	Casual Vacancy in the board (Timeframe for filing up casual vacancy and approval by the Commission)	<p>Dr. Nazish Afraz was nominated by the Government of Pakistan on the Board of NICL as an independent Director. She never joined the Board, as she regretted vide her letter dated 09-Jul-18, her casual vacancy could not be filled by the BoD.</p> <p>The casual vacancy arising from the transfer of Mr. Roshan Ali Shaikh in October, 2018 was later on filled by Mr. Manzoor Ali Shaikh in Feb, 2019.</p> <p>The casual vacancy arising from the resignation of Syed Arshad Ali in April, 2019 was later on filled by Mr. Tariq Jamil in Nov, 2019.</p>
(xi)(b), (c) and (d)	Responsibilities, powers Functions of the Board of Directors. (Adoption of mission/vision statement and overall corporate strategy, formulation of significant policies, and establishment of sound internal controls)	<p>Mission statement of the company exists however, vision statement as well as new mission statement and the <b>Corporate Strategy</b> of the company wasn't developed in the year 2019. The current status is that BoD has approved the Vision and Mission Statement.</p> <p>Moreover, following significant policies were not developed by the end of the year 2016.</p> <p>a. Product development – No new products were developed, as existing products met the needs of the policyholders:</p>





## NATIONAL INSURANCE COMPANY LIMITED

clause	Brief Description of the Clause	Compliance Status
		<p>b. Underwriting procedures – KPMG, being the consultant of the company has developed the underwriting policy manual for the company which will be submitted to the current BoD for approval.</p> <p>c. Claim lodging and claim settlement procedures – KPMG, being the consultant of the Company has developed the claim settlement policy manual for the company which was duly approved by the BoD in its 116<sup>th</sup> Meeting held on 27-04-2024.</p> <p>d. Policy servicing – will be covered under the underwriting policy / Claim Settlement policy manuals:</p> <p>e. Reinsurance policy – KPMG, being the consultant of the company has developed the reinsurance policy manual for the company which will be submitted to the current BoD for its approval</p> <p>f. Risk management – KPMG being the consultant of the Company, has developed the Risk Management policy for the company, which has already been <b>recommended</b> by the Risk Management &amp; Compliance committee and shall be submitted to the current Board for approval.</p> <p>g. Procurement of goods and services – Board has subsequently approved the procurement policy in 103<sup>rd</sup> Board meeting held on February 23, 2019.</p> <p>h. Marketing – not required for the company, at it has a captive clientele:</p> <p>i. Determination of terms of credit and discount to customers – Approved by the relevant competent authority on a case-by-case basis:</p> <p>j. Premium collection and recovery of receivable premium – shall be covered under the underwriting policy manual, which is being made by KPMG:</p> <p>k. Write off of bad / doubtful debts, advances and receivables – Doubtful receivables are written off (if required) on a case-to-case basis by the relevant competent authority.</p> <p>l. Agency management – the company has no agents so far; hence, no requirement for this policy is there:</p> <p>m. Acquisition disposal of fixed assets – Already determined in the delegation of financial and administrative authorities duly approved by the Board:</p> <p>n. Donations, Charities, contributions and other alike payment - CSR policy was approved by the Board in the year 2019:</p> <p>o. Transaction or contracts with associated companies and related parties – Policy for related party Transactions was approved by the Board in its 112<sup>th</sup> meeting held on 30 September, 2020.</p> <p>p. Health, safety and environment – Real Estate Department looks after the safety, security and overall working conditions (including sanitization and fumigation etc) across all premises of the company: however, no formal policy is</p>



## NATIONAL INSURANCE COMPANY LIMITED

clause	Brief Description of the Clause	Compliance Status
		<p>policy is in place due to the fact that the company's Core business has impact on health, safety and environment.</p> <p>Delegation of financial / administrative authorities and other policies determine the level of materiality / thresholds w.r.t. approval and exercise of powers by various officials / competent forums.</p>
(xi)(f)	<p>Responsibilities, Powers and functions of board of Directors (Comprehensive proxy voting policy for institutional investors)</p>	<p>The company for practical purpose does not have institutional investors.</p>
(xiii)	<p>Internal Control (Aspects of system of internal control to be implemented at all levels)</p>	<p>Given the company remained without a full-time board for quite a long period the internal controls are improving / evolving with the passage of time. By the end year 2019, the company hired a dedicated and a qualified person as Chief Internal Auditor who was heading the internal Audit Department and during October 2020 a qualified person also joined the company as the Chief Financial Officer and new policies and procedures have been developed while some are in the pipeline, which will be approved soon. Board has segregated the functions, and in response to the new legislative charges, Moreover, assets are being segregated tagged and properly recorded, with a view to safeguard the assets of the company, compliance issues are being taken up by the board through relevant committees, company's authorized signatories have been determined and approved by the Board Insurance committee have been formulated to maintain oversight over the Company's core business activities.</p>
(xviii)	<p>Significant Issue to be placed for Decision by Board of Directors</p>	<p>Once the accounts are updated budgets and annual business plan in line with the approved budget shall be considered by the Board. Moreover, quarterly operating results shall also be considered once all accounts are updated , new Chief Financial Officer has also assumed the charge the company in 2024, who shall attend the Board meeting (expect where he is not required to attend )</p> <p>The internal audit reports shall be considered on a regular basis.</p>
(xx) (xxi) & (xxii)	<p>Chief Financial Officers Company Secretary and Head of Internal Audit (Appointment and approval)</p> <p>Qualification of Chief Financial Officer and Head of Internal Audit.</p>	<p>During the year 2019 (the position for CFO remained vacant). However, Mr. Furrukh Majeed Qureshi joined the company as Company Secretary in December 2016.</p> <p>Mr. Fahad Sultan joined the company in December 2019 as Chief Internal Audit of the Company.</p> <p>Capt. M Jamil Akher khan, the last full time CEO of the Company left the NICL as Chief Executive Officer of the insurer in December 2017, and in his place, Syed Rafeo Bashir Shah was given the look after charge of the office of the Chief Executive Officer remained in this position till July, 2019 and later on the</p>





**NATIONAL INSURANCE COMPANY LIMITED**

clause	Brief Description of the Clause	Compliance Status
		<p>Acting charge of CEO, NICL during 2019 was given to Syed Muhammad Tariq Huda w.e.f. 08-08-2019 till 18-05-2020. Mr. Khalid Hamid joined as full time CEO, NICL in May 2021 and is still in position.</p> <p>The Chief Internal Auditor who joined the company in December 2019 and has now been given the responsibilities of the CFO in 2024; recently the BoD has initiated the process to hire new CIA. The Board did select a qualified person as the CFO of the company (Mr. Qasim Rasheed) in October 2020, who resigned from services in Nov, 2021.</p>
(xxv)	Frequency of Financial Reporting (preparation and circulation of quarterly unaudited financial statements and half-yearly reviewed financial statement along with Directors Report)	Quarterly financial statements along with Directors Report shall be prepared and circulated once all pending accounts are updated.
(xxvi)	Frequency of Financial reporting (Review of half-yearly financial statements by the statutory auditors)	Half- yearly financial statements shall be prepared and reviewed by the auditors once all pending accounts are updated.
(xxvii)	Frequency of financial reporting (Circulation of annual audited financial Statements)	Pending accounts are being updated.
(xxviii)	Annual Reviews and compliance procedures	Strategies on various matters are considered by the Board Keeping in view the risks outcomes of the operational performance of the Company on an ongoing basis. No conflicts of interest w.r.t officers exit as all keys officers are whole-time employees of the company and no instance of their relationships with vendors or policy holders has so far been reported. However, the company has one director who is a serving Executive Director of the state life insurance corporation of Pakistan and whose relationship with the company's client (State life insurance) was disclosed to the Board and documented.
(xxix) (xxx) & (xxxiii)	Compliance Officer (Adoption of Compliance program, appointment of and assignment of duties to Compliance officer: reporting line of the Compliance officer and duties & responsibilities of	The position of compliance officer was vacant in 2019. The Company appointed Mr. Bilal Ali Zafar as compliance officer in April 2021 who resigned from services in March, 2023, some progress has been on the subject assignments. The board will again advertise the position of compliance officer during this year who shall commence the relevant exercises once appointed.



**NATIONAL INSURANCE COMPANY LIMITED**

clause	Brief Description of the Clause	Compliance Status
	Compliance Officer)	
(xxix) (xxx) & (xxxiii)	Responsibilities for Financial reporting and Corporate Compliance	The enclosed Financial statements were signed by the Current CEO as well as the Current Chief Financial Officer before the same were placed before the audit committee and the Board. The Board shall authorize the signing of financial statements for issuance and circulation in accordance with Section 51 of the Insurance Ordinance 2000.  Secretarial Compliance certificate is enclosed herewith.
(xliii)	Management Committees	The Board has formulated the management committee: however during the year under consideration. The committees did not meet on a quarterly basis. Terms of reference have been approved by the Board for these committees. The committee endeavor to meet on a regular / basis.
(xliii)	Board Committees	The Board has formulated the board committee: however during the year under consideration, the committees did not meet on a quarterly basis. The committee endeavor to meet on a regular / need basis. Composition attendance at the meeting and terms of reference of the investment Committee and the Audit Committee are now in accordance with the code.
(lviii) & (lix)	Internal Audit	A qualified individual was appointed as Chief Internal Auditor who joined the Company in December 2019 and is recently assigned the responsibility CFO of the company in 2024. Internal audit reports are being prepared during his tenure as CIA and shall be considered by the audit committee on a regular basis. These reports shall also be provided to the external auditors for their review.  The BoD has decided to fill the vacant position for the CIA.
(xxxiii) r/w (lx) to (ixviii)	External Auditors	External Auditors for the year to which these financial statements related were appointed subsequent to that rotation of external auditors and other provisions relating to external auditors have been observed.
(lxix)	Risk Management System	Underwriting / insurance risk are accounted for through effective underwriting as well as proper reinsurance arrangements. The Company has remained highly solvent and has a good portfolio of investments spread across various categories.  Blueprint of the Risk Management Development has been recommended by the Risk Management & Compliance Committee for approval, which is being / shall be approved by the Board.  The BoD has decided to fill the vacant position for the Head of Risk Management.
(lxx) & (lxxi)	Risk Management Function Department	The Board has recently approved the blueprint of the Risk Management Development and Risk Management policy in its 103 <sup>rd</sup> meeting dated 23-02-2019 and has also been recommended by the Risk Management & Compliance Committee for approval, which is being / shall be approved by

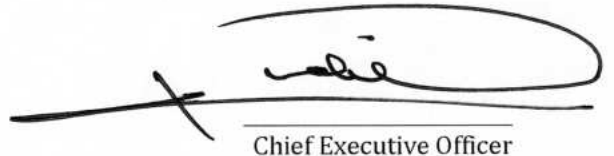




## NATIONAL INSURANCE COMPANY LIMITED

clause	Brief Description of the Clause	Compliance Status
		the Board. The BoD has decided to fill the vacant position for the CIA.
(lxxii)	Rating by a Credit Rating agency	Once the accounts are updated Credit rating shall be obtained.
(lxxiii)	Actuary	The position Actuary during 2019 remained vacant in NICL.
(lxxiv) & (lxxv)	Grievance Function (Establishment of & procedure for the Grievance Function of an insurer) & Claims Settlement Committee to oversee	Currently, the Company has three zones across Pakistan and each Zonal Head has been designated as focal person to look into the complaints of the policyholders. Complaints received from the policyholders of any are / shall be reported to the claim settlement committee.
(lxxvi) & (lxxvii)	Compliance with the code of Corporate Governance (Preparation & circulation of the reviewed statement of compliance with best Practices of corporate Governance along with annual report)	The instant statement is being prepared and circulated after review by the external auditors.

*By Order of the Board*



Chief Executive Officer

Dated: 20/Aug/2024

<sup>1</sup> Capt. M. Jamil Akhtar Khan left the company on December 13, 2017 and his place, Syed Rafeo Bashir Shah was given the look after change of the office of the Chief Executive Officer on December 27, 2017 till July 2019. The Acting Charge was then given to Syed Muhammad Tariq Huda w.e.f. 08-08-2019 till 18-08-2020

<sup>2</sup> Dr. Nazish Afraz was nominated by the Government of Pakistan on the Board of NICL as an independent Director. She never joined the Board, as she regretted vide her letter dated 09-Jul-18 her casual vacancy could not be filled by the BoD.

<sup>3</sup> Code of Conduct including conflict of interest policy was prepared and circulated among the Board members which was approved by the Board of NICL in its 93th meeting held on March 04, 2017 Previously, Code of conduct was in place as one of the chapters of NICL Human Resource Manual.



## NATIONAL INSURANCE COMPANY LIMITED

<sup>4</sup> Whole-time Chief Financial Officer {as per requirement of the Code} were not there during the year under consideration. In fact, the Board had advertised the posts. The whole-time company secretary joined in December 2016. A qualified and experienced chartered accountant has been hired as the Chief Internal Auditor of company in year Dec, 2019 and was later on assigned the responsibilities of CFO in 2023.

The Board did appoint a CFO, Mr. Qasim Rashid in October 2020 who resigned from services in the year Nov, 2021; however, the present Board has finally decided to initiate the process of hiring a Chief Internal Auditor of the Company.

<sup>5</sup> During the year 2019, Mr. Fahad Sultan was appointed as the Chief Internal Auditor of the Company, and Capt. M. Jamil Akhtar Khan joined as Chief Executive Officer of the insurer in April 2016 and left the Company in December 2017, and the whole-time Company Secretary joined the insurer in December 2016. The Board did not find any suitable person to be appointed as CFO until the end of the year 2019; however, the present Board has finally selected a qualified person as the CFO of the company.

<sup>6</sup> The Board further resolved, in its 94<sup>th</sup> meeting held on May 06, 2017, that there shall be no Nomination committee, and the role of the said Committee shall be discharged by the Board itself. Furthermore, the Board also resolved that the Ethics, Human Resource & Remuneration Committee shall also look into the matter relating to IT.



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NATIONAL INSURANCE COMPANY LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019

ASSURANCE DEPARTMENT

The logo for RSM, consisting of a stylized horizontal bar with a gap in the middle, positioned above the letters "RSM".

RSM

NATIONAL INSURANCE COMPANY LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019

ASSURANCE DEPARTMENT



**INDEPENDENT AUDITOR'S REPORT****To the members of National Insurance Company Limited****Report on the Audit of the Unconsolidated Financial Statements****Qualified Opinion**

We have audited the annexed financial statements of National Insurance Company Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2019 and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required however except for the effects of the matter described in the Basis for Qualified Opinion section of our report, these financial statements give a true and fair view of the state of Company's affairs as at December 31, 2019 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Qualified Opinion**

1. The Company does not neither maintain a fixed asset register nor have an item-wise detail of fixed assets available with it. Due to non-availability of this information, we were unable to obtain sufficient appropriate audit evidence in relation to following:
  - the existence, completeness, rights & obligations and valuation assertions of fixed assets recorded in the unconsolidated financial statements of the Company as at December 31, 2015, December 31, 2016, December 31, 2017, December 31, 2018 and December 31, 2019.
  - the impairment, if any, of any fixed assets recorded in the unconsolidated financial statements of the Company as at December 31, 2015, December 31, 2016, December 31, 2017, December 31, 2018 and December 31, 2019.

Consequently, we are unable to quantify the impact of the adjustments, if any, on the unconsolidated financial statements;

The Company historically has been charging depreciation on investment properties (refer note 7 to the unconsolidated financial statements) and fixed assets (refer note 5 to the unconsolidated financial statements) under reducing balance method using rates that are not in agreement with its estimate of useful life. Accordingly, this may have resulted in a material misstatement in the written down value of assets and a material misstatement in the unconsolidated profit for the year and unconsolidated retained earnings of the Company. Due to non-availability of item-wise detail of fixed assets (as mentioned above) we are unable to quantify the impact of using incorrect depreciation rates on the unconsolidated financial statements pertaining to fixed assets and impact on the deferred tax.

2. We were appointed subsequent to the balance sheet date; consequently, we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of investment properties and fixed assets appearing in the unconsolidated statement of financial position as at December 31, 2019 and application of appropriate cut off procedures. We were also unable to review the events subsequent to the balance sheet date till the date of our audit report, which may affect the financial statements. Further, there being no satisfactory alternative audit procedures that we could adopt to obtain sufficient and appropriate audit evidence regarding the objectives of these procedures. Consequently, we are unable to assess due impact of the adjustments, if any, that may have been identified as a result of such audit procedures on the balances as appearing in the unconsolidated financial statements;

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

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the Other Information. The other Information comprises the information included in the Company's Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### Report on Other Legal and Regulatory Requirements

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

- a) except for the matters described in the Basis for Qualified Opinion section of our report, proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) except for the matters described in the Basis for Qualified Opinion section of our report, the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) except for the matters described in the Basis for Qualified Opinion section of our report, investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and;
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Adnan Zaman.

  
Chartered Accountants  
Karachi  
Dated: 11 SEP 2024



NATIONAL INSURANCE COMPANY LIMITED  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019

	Note	2019	2018
		-----Rupees in '000-----	
<b>Assets</b>			
Property and equipment	5	160,696	173,838
Intangible assets	6	252	360
Investment property	7	3,071,949	3,120,778
Investments in subsidiary and associate investments	8	358,560	358,560
Equity securities	9	5,403,380	3,645,395
Debt securities	10	28,989,529	20,632,369
Term deposits	11	1,165,000	-
Loans and other receivables	12	2,700,989	1,947,402
Insurance / Reinsurance receivables	13	5,064,543	3,497,717
Reinsurance recoveries against outstanding claims	25	7,206,827	3,837,320
Deferred taxation	14	-	-
Taxation - payment less provisions	15	2,488,536	3,047,923
Prepayments	16	3,965,444	2,289,967
Cash & Bank	17	3,029,286	9,939,170
<b>Total Assets</b>		<b>63,604,992</b>	<b>52,490,799</b>

**Equity and Liabilities**

<b>Capital and reserves attributable to Company's equity holders</b>			
Ordinary share capital	18	6 2,000,000	2,000,000
Reserves	19	20 12,600,000	12,600,000
Unappropriated profit		20,614,517	16,236,853
<b>Total Equity</b>		<b>35,214,517</b>	<b>30,836,853</b>

**Liabilities**

<b>Underwriting Provisions</b>			
Outstanding claims including IBNR	25	11,689,910	7,421,722
Unearned premium reserves	24	5,677,485	4,288,210
Unearned Reinsurance Commission	26	122,328	55,589
Retirement benefit obligations	22	6,303,831	5,981,922
Premium received in advance		310,905	371,781
Insurance / Reinsurance Payables	20	3,189,745	2,091,624
Other Creditors and Accruals	21	1,096,271	1,443,098
<b>Total Liabilities</b>		<b>28,390,475</b>	<b>21,653,946</b>
<b>Total Equity and Liabilities</b>		<b>63,604,992</b>	<b>52,490,799</b>

Contingencies and commitments 23

The annexed notes 1 to 46 form an integral part of these financial statements

  
Chief Executive Officer

  
Director

  
Director

  
Chairman

**NATIONAL INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019	2018
		-----Rupees in '000-----	
Net insurance premium	24	3,952,220	3,561,397
Net Insurance claims	25	(973,963)	(767,503)
Net Commission and other acquisition costs	26	160,647	123,777
Insurance claims and acquisition expenses		(813,315)	(643,726)
Management Expenses	27	(1,314,108)	(1,324,519)
Underwriting results		1,824,797	1,593,152
Investment income	28	3,184,587	1,403,410
Rental income	29	174,277	240,802
Other income	30	220,604	1,901,215
Other expenses	31	(707,361)	(742,803)
Reversal of impairment of investment property	7.1	30,150	20,099
Results of operating activities		2,902,258	2,822,723
Finance costs	32	-	-
<b>Profit before tax</b>		4,727,055	4,415,876
Income tax expense	33	(1,241,972)	(1,554,549)
<b>Profit after tax</b>		3,485,083	2,861,327
Earnings (after tax) per share - basic and diluted	34	17.43	14.31

The annexed notes 1 to 46 form an integral part of these financial statements

  
 Chief Executive Officer

  
 Director

  
 Director


  
 Chairman




NATIONAL INSURANCE COMPANY LIMITED  
 UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Note	2019	2018
	-----Rupees in '000-----	
Profit after tax	3,485,083	2,861,327
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit and loss account</i>		
Unrealized gain on 'available-for-sale' investments	1,174,004	-
Current tax	1,653,526	-
	(479,523)	-
<i>Items that will not be subsequently reclassified to profit and loss account</i>		
Actuarial gain/(loss) on defined benefits plans	181,096	(495,305)
Tax credit related to remeasurement loss on defined benefits plans	(52,518)	143,638
Current tax	128,578	(351,667)
<b>Total comprehensive income for the year</b>	<b>4,787,664</b>	<b>2,509,660</b>

The annexed notes 1 to 46 form an integral part of these financial statements

  
 Chief Executive Officer

  
 Director

  
 Director

  
 Chairman

NATIONAL INSURANCE COMPANY LIMITED  
 UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Capital reserves	Revenue reserves		Total
	Issued, Subscribed and paid-up share capital	Reserve for Exceptional Losses	General reserves	Unappropriated Profit	
	-----Rupees in '000-----				
Balance as at December 31, 2017	2,000,000	6,100,000	6,500,000	13,727,193	28,327,193
<b>Total Comprehensive Income for the year:</b>					
Profit for the year	-	-	-	2,861,327	2,861,327
Other comprehensive loss	-	-	-	(351,667)	(351,667)
	-	-	-	2,509,660	2,509,660
Others (if any, please specify)					
Dividend relating to 200X	-	-	-	-	-
Balance as at December 31, 2018	2,000,000	6,100,000	6,500,000	16,236,853	30,836,853
<b>Total Comprehensive Income for the year:</b>					
Profit for the year				3,485,083	3,485,083
Other comprehensive income				1,302,582	1,302,582
	-	-	-	4,787,664	4,787,664
Others (if any, please specify)					
Dividend relating to 2018				(410,000)	(410,000)
Balance as at December 31, 2019	2,000,000	6,100,000	6,500,000	20,614,517	35,214,517

The annexed notes 1 to 46 form an integral part of these financial statements

  
 Chief Executive Officer

  
 Director

  
 Director

  
 Chairman



**NATIONAL INSURANCE COMPANY LIMITED**  
**UNCONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

2019                      2018  
 -----Rupees in '000-----

**Operating Cash flows**

**Underwriting activities**

Insurance premium received	10,186,708	7,934,028
Reinsurance premium paid	(6,760,175)	(3,562,970)
Claims paid	(3,923,285)	(4,632,194)
Reinsurance and other recoveries received	3,848,003	2,109,685
Commission received	227,386	155,176
Management expenses paid	(3,020,895)	896,961
<b>Net cash flow generated from underwriting activities</b>	<b>557,742</b>	<b>2,900,687</b>

**Other operating activities**

Income tax paid	(1,214,625)	(1,232,081)
Other operating receipts	759,831	(74,019)
Loans advanced	(16,688)	44,069
Loan repayments received	(26,533)	24,872
<b>Net cash flow used in other operating activities</b>	<b>(498,015)</b>	<b>(1,237,160)</b>
<b>Total cash flow generated from all operating activities</b>	<b>59,727</b>	<b>1,663,528</b>

**Investment activities**

Profit/ return received	354,754	692,906
Dividend received	122,629	210,506
Rental received	135,965	168,861
Payment for investments / investment properties	(9,713,128)	-
Proceeds from investments / investment properties	2,555,088	1,654,193
Fixed capital expenditure	(14,900)	(14,211)
Proceeds from sale of property, plant and equipment	(18)	(1,198)
<b>Total cash flow (used in)/ generated from investing activities</b>	<b>(6,559,610)</b>	<b>2,711,057</b>

**Financing activities**

Dividends paid	(410,000)	-
<b>Total cash flow used in financing activities</b>	<b>(410,000)</b>	<b>-</b>

**Net (decrease)/increase in cash flow**

Cash and cash equivalents at beginning of year	9,939,170	5,564,585
<b>Cash and cash equivalents at end of year</b>	<b>3,029,286</b>	<b>9,939,170</b>

**Reconciliation to Profit and Loss Account**

Operating cash flows	59,727	1,663,528
Depreciation expense	(105,337)	(115,287)
Financial charges expense	-	-
Loss on disposal of property, plant and equipment	8	(117)
Rental income	174,277	240,802
Dividend income	122,629	210,506
Other Investment income	3,061,958	1,192,904
Increase / (Decrease) in assets other than cash	1,212,019	(679,177)
(Increase)/decrease in liabilities other than borrowings	(553,450)	(741,184)
Other Income	220,612	1,901,099
Other expenses	(707,361)	(811,746)
<b>Profit after taxation</b>	<b>3,485,083</b>	<b>2,861,327</b>

The annexed notes 1 to 46 form an integral part of these financial statements

  
 Chief Executive Officer

  
 Director

  
 Director

  
 Chairman

**NATIONAL INSURANCE COMPANY LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**1 STATUS AND NATURE OF BUSINESS**

- 1.1 National Insurance Company Limited (the Company) was incorporated in Pakistan on March 31, 2000 as an unquoted public limited company under the Companies Act, 2017. The Company's registered office is situated in NIC Building, Abbasi Shaheed Road, Karachi, Sindh. The Company is principally engaged in non-life insurance business of public property, comprising fire, marine, aviation and transportation, engineering, etc.

With effect from January 01, 2001, the Company took over all the assets and liabilities of former National Insurance Corporation (NIC) at book values under the 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 Centres Company (Private) Limited, which is incorporated in Pakistan.

**2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

These unconsolidated 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 Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000 and Insurance Rules, 2017 and the Insurance accounting Regulations, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017, Insurance Ordinance, 2000 the Insurance Rules, 2017 and the Insurance accounting Regulations, 2017 shall prevail.

**2.1 Basis of Measurement**

These unconsolidated financial statements have been prepared under the historical cost convention except for 'held for trading' investments that are stated at fair value, 'held to maturity' investments that are stated at amortized cost and 'staff retirement benefits' that are carried at present value. The provision of IBNR and premium deficiency reserve is made on the basis of actuarial valuation.

**2.2 Functional and Presentation Currency**

These unconsolidated financial statements are presented in Pakistani rupees, which is the company's functional and presentation currency.

**2.3 Standards, Interpretations and Amendments To The Published Approved Accounting Standards**

**2.3.1 Benazir Employees' Stock Option Scheme**

On August 14, 2009, the Government of Pakistan (GOP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State-Owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GOP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible

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**NATIONAL INSURANCE COMPANY LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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employees would be allocated units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amount from Trust Funds in exchange of the surrendered units as would be determined based on market price for listed entities or breakup values for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The scheme also provides that 50% of the dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the central revolving fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet re-purchase commitment would be met by GOP.

The Scheme, developed in compliance with the stated GOP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan in June 2011 vide SRO 587(I)/2011; on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

The payment of dividend has been withheld since GOP is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by Privatization Commission of Pakistan (PCP). Further, the PCP vide Letter No. 9 (15)/Admn/PC/09 dated January 09, 2013 has informed the Company that all activities regarding BESOS shall be withheld till decision is made by the Government of Pakistan.

On 9 April 2019 on summary sent by the Ministry of Finance, the Cabinet has given go ahead to wind-up BESOS by reverting the shares kept in trust to the President of Pakistan, with the condition that in case any order by the apex court to the contrary in the pending litigation, the Finance Division shall recoup the funds under the relevant head. The main reason for winding-up decision was that the scheme is creating extra burden on national exchequer and not sustainable."

**2.4 Standards, Interpretations and Amendments to Approved Accounting Standards That Are Not Yet Effective**

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 3 - 'Business Combinations' – (Amendments)	01 January 2020
IAS 1 - 'Preparation of Financial Statements' – (Amendments)	01 January 2020
IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors – (Amendments)	01 January 2020

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless stated otherwise.

#### 3.1 Operating Fixed Assets

##### Owned (Tangible and Intangible)

Operating fixed assets except land, which is stated at cost, are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated so as to write off the assets over their expected economic lives under the diminishing balance method at rates given in note 5 in these unconsolidated financial statements.

Depreciation is charged from the month of addition up to the month preceding the disposal.

Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Expenditure incurred subsequent to the initial acquisition of asset is capitalized only when it increases the future economic lives of fixed assets. All other expenditure is recognized in profit and loss account as an expense.

#### 3.2 Investment property

Investment properties are accounted for under the cost model in accordance with International Accounting Standard (IAS) 40 'Investment Property' and the Insurance Rules, 2017. In accordance with these requirements:

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated so as to write-off the assets over their expected economic lives under the diminishing balance method at rates given in note 7 to these unconsolidated financial statements.
- Subsequent expenditure and gains or losses on disposals are accounted for in the same manner as operating fixed assets.

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### 3.3 Insurance contracts

Insurance contracts are those contracts under which the Company as insurer has accepted insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its tenure, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are classified into the following main categories, depending on the nature and duration of risk and whether or not the terms and conditions are fixed:

- Fire and property
- Marine cargo
- Marine hull
- Marine aviation
- Motor
- Others
  - Liability
  - Workers' compensation
  - Credit and suretyship
  - Accident and health
  - Crop
  - Miscellaneous (including engineering)

Fire and property insurance provides comprehensive cover in respect of loss or damage to property against fire and lightning, riot and strike damage, atmospheric disturbance, earthquake fire and shock explosion, impact damage, aircraft damage, malicious damage (such as act of terrorism).

Marine cargo insurance protects all goods while in transit depending upon the needs of a client.

Marine hull insurance provides cover for ship of all kinds, barges, tugs, dredgers, fishing trawlers, yacht, pleasure boats, speed boats etc.

Marine aviation covers the aircraft itself for accidental damage or loss from whatsoever cause operating anywhere in the world subject to certain terms and conditions, and damage to/loss of spare parts of the aircraft/engines against all risks.

Motor policy provides coverage against accidental damage, fire, burglary, theft, malicious damage, and strike damage due to natural calamities.

Liability insurance provides coverage against legal liabilities to pay for death and/or bodily injury to any person and/or direct damage to the property arising due to accident.

Workers' compensation policy provides coverage for any legal liabilities of the employers arising out of and in the course of employment as per Workmen Compensation Act, Fatal Accident Acts, or Common Law.

Credit and suretyship policy provides coverage to the employer for pecuniary loss sustained by an act of fraud or dishonesty committed by the employee.

Accident and health insurance provides cover to a person who sustains any personal injury caused accidentally by violence due to any external and visible means, and it provides payment of specified capital

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**NATIONAL INSURANCE COMPANY LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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benefits following accidental death, bodily injury, permanent total disablement, and permanent partial disablement, temporary total and temporary partial disablement caused by an accident.

Crop insurance includes comprehensive agricultural loan insurance schemes for production, development and livestock loans.

Miscellaneous (engineering) insurance offers comprehensive and adequate protection against loss or damage in respect of the contract works, construction plant and equipment and/or construction machinery, as well as against third party claims in respect of property damage and/or bodily injury arising in connection with the execution of construction project.

The Company enters into outward reinsurance arrangements only in the normal course of business in order to limit the potential for losses arising from certain exposures and does not engage in inward reinsurance arrangements.

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

### **3.4 Premium Deficiency Reserve**

The Company is required under Insurance Rules, 2017 to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the Statement of Financial position date in respect of the unexpired policies in that class of business at the Statement of Financial position date. The movement in the premium deficiency reserve (PDR) is recognized in the profit and loss account for the year.

The requirement for additional provision for unexpired risks is determined on the basis of an actuarial valuation. The latest valuation was carried out as of DECEMBER 31, 2019. Premium deficiency reserve analysis, a rough estimate of management expenses is used. The management expenses for each line of business are obtained by splitting this amount on the basis of gross premium. Gross premium of each line of business is divided by the total gross premium and this ratio is multiplied with the total management expenses to obtained estimated value of management expenses for each line of business.

### **3.5 Reinsurance Contracts Held**

Premium for reinsurance contract operative on a proportional or non-proportional basis is respectively recorded as a liability on the attachment of the underlying policies reinsured or inception of the reinsurance contract. Reinsurance premium is recognized as an expense evenly over the period of the underlying policies /indemnity. The portion of reinsurance premium not yet recognized as expense is recognized as prepayment.

### **3.6 Receivables and Payables Related To Insurance Contracts**

#### **a. Due To/ From Insurance Contract Holders**

These are initially recognized at cost which is the fair value of consideration received. Provision for impairment on premium receivable is established when there is objective evidence that the company will not be able to collect all amounts due, according to original terms of receivables. Receivables are also analyzed as per their aging and accordingly provision is maintained on a systematic basis.



**b. Due To / From Reinsurer**

Amounts due to / from re-insurer are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be received / paid in the future for services rendered / received. Provision for impairment on amount due from reinsurer is established when there is objective evidence that the Company will not be able to collect all amounts due according to original terms.

The Company has reinsurance arrangements with Pakistan Reinsurance Company Limited (PRCL) only.

**3.7 Segment Reporting**

For management purposes, the Company is organized into four business segments; fire and property, marine aviation and transport, motor and others comprising liability, workers' compensation, credit and surety ship, accident and health, crop insurance and miscellaneous.

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of these segments are the same as those described in the summary of significant accounting policies.

A business segment is a group of assets and operations engaged in providing products or services (business segment) which are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2017.

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 which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

**3.8 Cash and Cash Equivalents**

Cash and cash equivalent comprises of cash in hand, policy stamps, cheques in hand, bank balances and other deposits which are readily convertible to cash and which are used in the cash management function on a day-to-day basis.

**3.9 Revenue Recognition**

➤ **Premium**

Premium received / receivable under a policy is recognized from the date of the issuance of the policy to which it relates (premium income under a policy is recognized over the period of insurance from inception to expiry while in case of marine premium is recognized on the issuance of debit note).

➤ **Commission Income**

Commission and other forms of revenue receivable from reinsures are recognized at the time of the issuance of policy. These are deferred and brought to account as revenue in accordance with the pattern of the recognition of the insurance premium to which they relate.

➤ **Investment Income**

Profit on held-to-maturity instruments is recognized on a time proportion basis taking into account the effective yield on the investments.

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Gain or loss on remeasurement of investments held-for-trading is recognized in profit and loss account.

Loss on remeasurement of investments available-for-sale is recognized in profit and loss account in the year in which their market value falls below their respective cost.

Gain or loss on sale of investments is recognized in the profit and loss account at the time of sale.

➤ **Dividend Income**

Dividend income is recognized when the right to receive the same is established, i.e., at the time of the closure of share transfer books of the company declaring the dividend.

➤ **Income From Investment Properties**

Rental income on investment properties is recognized on time proportion basis.

➤ **Return On Bank And Other Saving Deposits**

Return on bank and other saving deposits is recognized on time proportion basis.

### 3.10 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for those classified as held for trading. Subsequently, these are recognized and classified as follows:

➤ **Held For Trading**

Quoted investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or are comprised in a portfolio of which there is a recent actual pattern of short-term profit taking are classified as held for trading.

Subsequent to initial recognition these are re-measured at fair value by reference to quoted market prices with the resulting gain or loss being included in profit or loss for the period in which it arises.

➤ **Held To Maturity**

Investments with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortized cost. Any premium paid or discount availed on acquisition of held to maturity investment is deferred and amortized over the term of the investment using the effective yield method.

These are reviewed for impairment at year end and any losses arising from impairment in value are charged to the profit and loss account.

➤ **Available For Sale**

Investments which are intended to be held for 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.

Quoted

Subsequent to initial recognition, these investments are remeasured at fair value. Gains or losses on remeasurement of these investments are recognized in the statement of comprehensive income.





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Unquoted

Unquoted investments are recognized at fair value of the consideration paid less accumulated impairment losses, if any.

➤ **Investment In Subsidiary Company**

Investment in subsidiary company is stated at cost.

**Basis of Measurement and Recognition / De Recognition of Investments**

The fair value of investments held for trading is their quoted bid price at the Statement of Financial position date.

**Recognition/De Recognition**

Investments held for trading and available for sale investment are recognized / derecognized by the Company on the day it commits to purchase / sell the investment. Investments held-to-maturity are recognized / derecognized on the day they are transferred to / sold by the Company.

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

**3.11 Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are off set and the net amount is reported in these unconsolidated financial statements only when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

**3.12 Underwriting Provisions**

Underwriting provision consist of provision for outstanding claims including claims payable and provision for losses incurred but Not Reported (IBNR) and provision for deferment of premium (unearned premium) and commission income (unearned commission income). These provisions are determined and recorded based on the percentages suggested by the actuarial valuation report. The actuarial valuation is carried out annually. The methods used for determination of these reserves are stated in note 39 "valuation of insurance reserves".

➤ **Provision for Outstanding Claims (Including IBNR)**

A liability is recognized for outstanding claims incurred up to the Statement of Financial position date and is considered to be incurred at the time of the incident giving rise to the claim, except as otherwise expressly indicated in an insurance contract.

Liability for the claims incurred up to the Statement of Financial position date but not reported to the Company is determined through an actuarial valuation, results of which are recognized in these unconsolidated financial statements currently.

This liability includes expected additional settlement costs.

➤ **Provision for Unearned Premium**

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.

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➤ **Commission Income Unearned**

Unearned commission income from the re-insurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability.

**3.13 Taxation**

➤ **Current Taxation**

Provision for the current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current taxation also includes adjustments were considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

➤ **Deferred Taxation**

Deferred taxation is recognized using the Statement of Financial position liability method for all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax is recognized based on the expected manner of realization on settlement of the carrying amount of assets and liabilities using tax rates enacted at the Statement of Financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3.14 Staff Retirement Benefits**

➤ **Defined Contribution Plan – Provident Fund**

The Company operates a non-contributory provident fund scheme for those eligible employees who have opted the scheme. Contribution to the fund is made by the employees @ 10% of their basic pay. However, the Company does not contribute to the fund.

➤ **Defined Benefit Plans**

The Company operates the following defined benefit plans / scheme for its employees:

- Fund pension scheme.
- Unfunded gratuity scheme (for employees under Monetized Salary Package Scheme).
- Unfunded post-retirement medical benefit scheme.
- Unfunded compensated absences.

The employees who have joined the Company on or after January 01, 2001 under Monetized Salary Package Scheme (MSP) are eligible for unfunded gratuity scheme.

The Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences based on actuarial valuation. The actuarial valuation has been carried out using the projected unit credit method. Actuarial valuation is carried out annually as on December 31.

The Company's obligation under the above schemes is determined by estimating the amount of future benefits that the employees have earned in return of their services in the current and prior years, that benefit is discounted to determine the present value and the fair value of plan assets, if any, is deducted. The calculation is performed by an independent actuary.

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All actuarial gains and losses are immediately recognized in the period in which they occur through the statement of comprehensive income.

Assumptions and other findings of post-employment benefits have been briefly disclosed in note 21.

### **3.15 Impairment of Assets**

#### **Financial Assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

#### **Non-Financial Assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels at which they are generating separately identifiable cash flows (cash generating units).

### **3.16 Claims Expense**

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from the previous years.

The Company recognizes liability in respect of all claims incurred up to the Statement of Financial position date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the actuarial valuation which takes in to account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the Statement of Financial position date.

### **3.17 Reinsurance Recoveries against Outstanding Claims**

Claims recoveries receivable from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized and are measured at the amount expected to be received. Claims expenses are reported net off reinsurance in the profit and loss account.

Salvage value recoverable is recognized only if a firm and irrevocable contract and price thereon have been agreed with the buyer

### **3.18 Loans and Other Receivables**

Loans and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Other receivables comprise of rent, balance due from pension fund and interest receivable from PIBs. A provision for impairment of loans, advances and other receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Loans, advances and other receivables are written off when considered irrecoverable.

### **3.19 Premium Received In Advance**

Premium received in advance is carried at cost which is the fair value of consideration received against services to be provided in the future.

### **3.20 Creditors and Accruals**

#### **Accrued Expenses**

Accrued expenses 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.

#### **Other Liabilities**

Other liabilities are carried at cost which is the fair value of the consideration to be paid / received in the future for the goods and / or services received / provided, whether or not billed to / by the Company. Except for liability for government levies including Excise Duty, Sales Tax on Services, Federal Insurance Fee and Stamp Duty, as applicable on underwriting activities have been recognized after receipt of such amount from respective clients.

### **3.21 Foreign Currency Transactions**

Foreign currency transactions are translated into Pakistani Rupees at exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing at the Statement of Financial position date.

Exchange differences, if any, are taken to profit and loss account.

### **3.22 Financial Instruments**

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of instrument. Any gains or losses on de-recognition of financial assets and liabilities are taken to profit and loss account currently.

### **3.23 Dividend and Appropriation to Reserves**

Dividend and appropriation to reserves are recognized as liability in the Company's unconsolidated financial statements in the year in which these are approved.

### **3.24 Allocation of Expenses to Underwriting Business**

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium income under individual business.

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### 3.25 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) for its shareholders.

#### Basic EPS

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

#### Diluted EPS

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

### 3.26 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized in the Statement of Financial position when the Company has a legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

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### **3.27 Reserve For Exceptional Losses**

The reserve for exceptional losses was set aside prior to 1979 and was charged to income with the provision of Income Tax Act of 1922 (repealed). The Company has ceased to set aside such reserves.

## **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these unconsolidated 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.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to the following;

### **4.1 Accounting for Underwriting Operations**

Significant accounting estimates and exercise of judgment in relation to underwriting business is stated in note 38.

### **4.2 Staff Retirement Benefits**

In accordance with the accounting policy, the management carries out an annual assessment to ascertain staff retirement benefits on the basis of actuarial valuation performed by an expert. Significant assumptions and judgments are disclosed in note 21.

### **4.3 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. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

### **4.4 Fixed Assets, Investment Properties, Depreciation and Amortization**

In making estimates of depreciation / amortization, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in expected pattern of consumption of future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with IFRSs.

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

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The Company also reviews value of the assets for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of respective items of fixed assets with a corresponding effect on the depreciation / amortization charge and impairment.

#### **4.5 Impairment of Financial Assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

#### **4.6 Impairment of Non-Financial Assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels at which they are generating separately identifiable cash flows (cash generating units).

#### **4.7 Provisions, Contingencies and Commitments**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty.

The Company, based on the latest information, estimates the current value of provisions already recorded, contingent liabilities and assets which may differ on the occurrence/non-occurrence of the uncertain future event(s) and decides upon the recognition and/or disclosure of additional provisions, contingent liabilities and assets.

#### **4.8 Provision against Loans, Advances and Other Receivables**

The Company reviews the recoverability of its loans to employees, premium due but unpaid, advances and other receivables to assess amount of bad debts and provision required there against on an annual basis. While determining provision, the Company considers financial health, market information, ageing of receivables, credit worthiness, credit rating, past records and business relationship.

#### **4.9 Allocation of Expenses To Underwriting Business**

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

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5 PROPERTY AND EQUIPMENT  
 5.1 Operating assets

	2019									
	Cost				Depreciation				Written down value as at 31 December 2019	Depreciation rate %
	As at 1 January 2019	Additions	(disposals) / Adjustments	As at 31 December 2019	As at 1 January 2019	Charge For the year	(disposals) / Adjustments	As at 31 December 2019		
	Rupees in '000									
Land - leasehold	10,583	-	-	10,583	-	-	-	-	10,583	0
Building on leasehold land	215,313	-	-	215,313	156,413	11,421	-	167,834	47,479	5 to 20
Furniture and fixtures	124,385	195	-	124,580	73,836	5,066	-	78,901	45,678	10
Office equipment	80,132	2,024	-	82,155	47,234	3,408	-	50,642	31,513	10
Computer equipment	50,610	1,868	240	52,238	38,573	3,841	185	42,229	10,010	30
Vehicles	55,889	10,814	4,723	61,980	47,046	2,511	2,986	46,571	15,409	20
Library books	378	-	-	378	351	3	-	353	25	10
	<u>537,290</u>	<u>14,900</u>	<u>4,963</u>	<u>547,227</u>	<u>363,452</u>	<u>26,250</u>	<u>3,171</u>	<u>386,531</u>	<u>160,696</u>	

	2018									
	Cost				Depreciation				Written down value as at 31 December 2018	Depreciation rate %
	As at 1 January 2018	Additions	(disposals) / Adjustments	As at 31 December 2018	As at 1 January 2018	Charge For the year	(disposals) / Adjustments	As at 31 December 2018		
	Rupees in '000									
Land - leasehold	10,583	-	-	10,583	-	-	-	-	10,583	0
Building on leasehold Land	215,313	-	-	215,313	143,638	12,775	-	156,413	58,900	5 to 20
Furniture and fixtures	124,105	280	-	124,385	68,238	5,598	-	73,836	50,550	10
Office equipment	78,052	2,080	-	80,132	43,690	3,544	-	47,234	32,898	10
Computer equipment	40,640	9,970	-	50,610	35,411	3,162	-	38,573	12,038	30
Vehicles	63,067	1,881	9,059	55,889	53,146	1,761	7,861	47,046	8,843	20
Library books	378	-	-	378	348	3	-	351	27	10
	<u>532,138</u>	<u>14,211</u>	<u>9,059</u>	<u>537,290</u>	<u>344,471</u>	<u>26,842</u>	<u>7,861</u>	<u>363,452</u>	<u>173,838</u>	

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5.11 Disposal of property and equipment

2019						
Particulars	Particulars of Buyer	Relationship with the company	Cost	Net book value	Sale Proceeds	Gain/Loss on Disposal
-----Rs in '000-----						
<i>Vehicles</i>						
	Mention names of employee					
Suzuki Cultus 2019 (BQN-307)	Mr. Sanaullah Sheikh	Employee	1,455	1,334	1,334	-
Toyota Corolla 2010 (GP-1214)	Mr. Rasheed Ahmed Kalwar	Employee	1,269	200	200	-
Suzuki Cultus 2006 (ALB-899)	Mr. Sheikh Abdul Qayyum	Employee	615	39	39	-
Toyota Corolla 2010 (LEJ-1800)	Mr. Farrukh Majeed Qureshi	Employee	1,384	164	164	-
2019			<u>4,723</u>	<u>1,737</u>	<u>1,737</u>	<u>-</u>
2018			<u>9,059</u>	<u>1,102</u>	<u>1,102</u>	<u>-</u>

6 INTANGIBLE ASSETS

	Cost			Amortization				Written down value as at 31 December	Amortization Rate	
	As at 1 January	Additions	(Disposals)/ Adjustments	As at 31 December	As at 1 January	Charge For the year	(Disposals)/ Adjustments			As at 31 December
-----Rs in '000-----										
Computer software-2019	<u>3,325</u>	-	-	<u>3,325</u>	<u>2,965</u>	<u>108</u>	-	<u>3,073</u>	<u>252</u>	30%
Computer software-2018	<u>3,325</u>	-	-	<u>3,325</u>	<u>2,590</u>	<u>154</u>	-	<u>2,965</u>	<u>360</u>	30%

Disclose the classification of intangible as either finite or infinite life and basis of amortization for each intangible asset.

Disclose description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the financial statements as a whole; the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; a description of any fully amortized intangible asset that is still in use; and a brief description of significant intangible assets controlled by the enterprise but not recognized as assets because they did not meet the recognition criteria.

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7 INVESTMENT PROPERTY

7.1 Carrying amount – (net of depreciation)

		2019										
		Cost			Depreciation			Impairment		Written down value	Useful Life	
		As at 1 January 2019	Additions / (disposals)	As at 31 December 2019	As at 1 January 2019	For the year / (Disposals)	As at 31 December 2019	As at 1 January 2019	For the year / (Disposals) / (reversal)	As at 31 December 2019		
Note		-----Rupees in '000-----										
Leasehold Land												
- Karachi		7,904	-	7,904	-	-	-	-	-	-	7,904	
- Islamabad		46,193	-	46,193	-	-	-	-	-	-	46,193	
- Dehi Karachi	7.21	491,001	-	491,001	-	-	-	-	-	-	491,001	
- Lahore	7.22	1,170,210	-	1,170,210	-	-	-	245,610	(30,150)	215,460	954,750	
Freehold Land												
- Lahore		389,523	-	389,523	-	-	-	-	-	-	389,523	
Land		2,104,831	-	2,104,831	-	-	-	245,610	(30,150)	215,460	1,889,371	
Building on Leasehold Land											60 Years	
- Karachi		396,056	-	396,056	278,524	22,002	300,526	-	-	-	95,530	5 to 20
- Islamabad		334,007	-	334,007	256,735	3,639	260,374	-	-	-	73,633	5 to 20
- Dubai	7.23	1,698,938	-	1,698,938	632,730	53,310	686,041	-	-	-	1,012,897	5
Building on Freehold Land											60 Years	
- Lahore		1,467	-	1,467	922	27	949	-	-	-	518	5
Buildings		2,430,468	-	2,430,468	1,168,911	78,979	1,247,890	-	-	-	1,182,578	
		4,535,299	-	4,535,299	1,168,911	78,979	1,247,890	245,610	(30,150)	215,460	3,071,949	
		-----Rupees in '000-----										
		2018										
		Cost			Depreciation			Impairment		Written down value	Useful Life	
		As at 1 January 2018	Additions / (disposals)	As at 31 December 2018	As at 1 January 2018	For the year / (Disposals)	As at 31 December 2018	As at 1 January 2018	For the year / (Disposals) / (reversal)	As at 31 December 2018		
Note		-----Rupees in '000-----										
Leasehold Land												
- Karachi		7,904	-	7,904	-	-	-	-	-	-	7,904	
- Islamabad		46,193	-	46,193	-	-	-	-	-	-	46,193	
- Dehi Karachi		491,001	-	491,001	-	-	-	-	-	-	491,001	
- Lahore		1,170,210	-	1,170,210	-	-	-	265,709	(20,099)	245,610	924,600	
Freehold Land												
- Lahore		389,523	-	389,523	-	-	-	-	-	-	389,523	
Land		2,104,831	-	2,104,831	-	-	-	265,709	(20,099)	245,610	1,859,221	
Building on Leasehold Land											60 Years	
- Karachi		396,056	-	396,056	247,818	30,706	278,524	-	-	-	117,532	5 to 20
- Islamabad		334,007	-	334,007	251,656	5,079	256,735	-	-	-	77,272	5 to 20
- Dubai		1,698,938	-	1,698,938	576,614	56,116	632,730	-	-	-	1,066,208	5
Building on Freehold Land											60 Years	
- Lahore		1,467	-	1,467	893	29	922	-	-	-	545	5
Buildings		2,430,468	-	2,430,468	1,076,981	91,930	1,168,911	-	-	-	1,261,557	
		4,535,299	-	4,535,299	1,076,981	91,930	1,168,911	265,709	(20,099)	245,610	3,120,778	

7.1.1 Building including related leasehold lands are held by the Company for both own use purpose and as investment properties. The carrying value of these buildings and leasehold lands have been allocated between the investment properties and asset held for own use on the basis of floor space occupied for respective purposes. Investment properties are let out to related and other parties under operating lease arrangement. The related to whom investment properties are let out include SECP and NESPAK.



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7.1.2 The market value of the investment properties as per valuation carried out by professional valuers in 2019 is Rs. 10,927.161 million.

7.1.3 Valuation of land and building is required to be carried out on an annual basis under the Insurance Rules, 2017. Following is the result of such valuation (together with the name of the valuers) and attribution of land and building into investment property and fixed asset:

	2019	2018	2019	2018	2019	2018	2019	2018
			----- Rupees in '000 -----		----- Rupees in '000 -----		----- Rupees in '000 -----	
			Total market value as per the valuer		Market value attributable to investment property		Market value attributable to fixed asset	
<b>Land</b>								
NIC Building Karachi	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	1,403,850	1,303,575	1,029,443	955,912	374,407	347,663
NIC Building Islamabad	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	4,720,000	4,838,400	4,045,040	4,146,509	674,960	691,891
NIC House DHA Karachi	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	162,500	162,500	119,161	119,161	43,339	43,339
128 Upper Mall Lahore	FKS Building Services	FKS Building Services	188,682	185,076	188,682	185,076	-	-
Dehi Karachi	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	750,000	750,000	750,000	750,000	-	-
Airport Road Lahore	FKS Building Services	FKS Building Services	954,750	924,600	954,750	924,600	-	-
Shah dien Building Lahore	FKS Building Services	FKS Building Services	838,200	825,500	838,200	825,500	-	-
			9,017,982	8,989,651	7,925,276	7,906,758	1,092,706	1,082,893
<b>Building</b>								
NIC Building Karachi	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	794,308	792,681	571,107	569,938	223,200	222,743
NIC Building Islamabad	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	580,000	632,235	497,060	541,825	82,940	90,410
NIC House DHA Karachi	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	9,361	8,119	9,361	8,119	-	-
Shah dien Building Lahore	FKS Building Services	FKS Building Services	14,545	13,939	14,545	13,939	-	-
Liberty Tower Dubai	M.J.Surveyors (Pvt) Limited	M.J.Surveyors (Pvt) Limited	1,909,811	1,715,647	1,909,811	1,715,647	-	-
			3,308,025	3,162,621	3,001,885	2,849,468	306,140	313,153
<b>Total market value</b>			<u>12,326,007</u>	<u>12,152,272</u>	<u>10,927,161</u>	<u>10,756,226</u>	<u>1,398,846</u>	<u>1,396,046</u>

7.1.4 Fair value of building situated at liberty towers Dubai amounts to AED: 45.1492 million (2018: AED: 45.1492 million ) in terms of foreign currency.

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7.2 Status of properties under litigation

7.2.1 10 Acre Plot situated at Korangi Deh Pihai, Karachi (FIR No. 21/2010 dated November 22, 2010)

NICL purchased 10 Acre land situated at Korangi Deh Pihai, Karachi as per the approval of the then Board of Directors from Mr. Khalid Anwer at a cost of Rs. 900 million excluding government levies. Sale agreement in this respect was duly executed on August 19, 2009, possession was handed over to NICL, title was duly transferred in the name of NICL vide conveyance deed August 21, 2009 and mutation was done on November 20, 2009. Prior to purchase of the said land, a Pakistan Bank's Association (PBA) approved valuer namely Consultancy Support Services Limited was commissioned by NICL for carrying out the land pre-purchase valuation which valued this land at Rs. 92.5 million per acre (Rs. 925 million) on June 11, 2009. Further, in response to a letter No. NICL/LD/HO/85 dated June 9, 2009 the Executive District Officer (Revenue), City District Government Karachi in its letter No. EDO/REV/1473/2009 dated June 25, 2009 mentioned that the cost of per acre of this land as informed by the District Officer (Revenue), City District Government Karachi vide its letter No. DO/REV/K/R.B/3478/2008 dated July 30, 2008 is Rs. 90.50 million per acre (Rs. 905 million).

Prior to the registration of FIR, the complainant namely the Ministry of Commerce, Government of Pakistan, got an independent valuation done on the orders of the National Assembly Standing Committee on Commerce by a State Bank of Pakistan approved valuer namely M/s. Eastern Surveyor, who valued the land at Rs. 975 million on April 3, 2010.

After registration of FIR, Federal Investigation Agency (FIA) and NICL got a valuation of the land in question done by another State Bank of Pakistan approved valuer namely M/s. Ahmed Associates who valued the land at Rs. 925 million on December 6, 2010. Later, FIA/NICL got yet another valuation done of the same land by the same valuer at Rs. 700 million as at August 2009 on January 5, 2011. Finally, on March 03, 2011 FIA and the company got another valuation of the land done by National Engineering Services Pakistan (Private) Limited (NESPAC) which valued the land at Rs. 412.61 million as on July 2009.

Mr. Khalid Anwer, without any admission of guilt or wrong doing or irregularity on his part or on the part of any other person, volunteered to conditionally deposit the differential amount of Rs. 490 million under the believe and impression that the case regarding purchase of aforesaid land is sub Judice before the learned Special Judge (Central) – II, Karachi and the matter would be decided qua allegations upon conclusion of a trial wherein Mr. Khalid Anwer has all the opportunity to defend the transaction under reference and challenge the veracity of the valuation done by NESPAC or by another valuer(s). The differential amount was tendered with the sole purpose of saving the applicant's good repute and to avoid any inconvenience and discomfort and is conditionally deposited. The entire amount of Rs. 490 million, recovery based on NESPAC valuation, has already been received from the sellers and credited to NICL bank accounts. No amount is outstanding in this case.

After several letters from the seller, through his legal council showing his reservation on NESPAC valuation, in the final reply dated September 22, 2011 NESPAC concluded the matter writing "The land in question at the time of purchase could justifiably be evaluated on the basis of its commercial value, which could range between Rs. 65 million to Rs. 67 million per acre for this 10 acre piece of land".

All accused persons have been released on bail on the ground of statutory delay in decision of the case and on the basis of important development in the case that the alleged embezzled amount worth Rs. 490 million have fully been realized and paid in the account of NICL.

As at December 31, 2019, the value of the property assessed by M.J.Surveyors (Pvt) Limited is Rs. 750 million (2018:Rs. 750 million).

The case was decided / disposed of on 08-12-2018, whereby Ayyaz Khan Niazi and other accused persons were convicted/sentenced for imprisonment of seven years each. The accused persons have filed appeals against order / judgment dated 08-12-2018, before the High Court of Sindh at Karachi, which is pending.

The above case was disposed of on 08-12-2018 by Accountability Court No. III at Karachi, whereby the accused persons were sentenced. Appeals filed by accused persons were accepted vide judgment dated 08-10-2019 passed by the Sindh High Court and all accused persons were acquitted. Appeals were filed by NAB against the orders/judgment of Sindh High Court before the Supreme Court of Pakistan, but the same was dismissed on 10-12-2019. Accordingly, this instant matter is no more in field and finally all accused persons have been acquitted.

Following is a summary of amounts recoverable out of the property:

	Rupees in '000
Purchase price	900,000
Less: Value as determined by NESPAC	(412,610)
Add: Other charges	2,610
Difference recoverable	490,000
Less: Recovered in prior years	(490,000)
Balance recoverable	-

7.2.2 20 Kanal 2 Marala (FIR No. 29/2010 dated November 13, 2010)

NICL purchased 20 Kanal 2 Marala plot of land in July 2009 as per the approval of the then Board of Directors from Mr. Mohsin Habib Warraich situated at Airport Road, Lahore. NICL paid Rs. 1,067,755,000 to the Seller (Mohsin Habib Warraich) as price of land. Sale deeds were executed in July 2009 in favor of NICL and the land was duly mutated / transferred.

NICL arranged valuation of this land from M/s. Tristar International who valued it at Rs. 1,326,000,000 on June 29, 2009. Another valuation arranged by NICL from M/s. Madallion Services resulted in valuation of this land at Rs. 61,500,000 per Kanal (Rs. 1,236,150,000) on June 16, 2009.

On a valuation arranged for and conducted on the instructions of Ministry of Commerce, Islamabad in March 2010 the valuer M/s. S. A Associates determined the value of the land at Rs. 1,266,300,000.

Ministry of commerce through M/s. National Evaluation Company arranged valuation of this land who also valued it at Rs. 1,206,000,000 on March 31, 2010.

During the course of investigation after FIR, FIA arranged valuation of the property through M/s. Ahmed Associates in December 2010, who valued the property at Rs. 984,900,000 as at July 2009 on December 20, 2010. Mr. Mohsin Habib Warraich, without admission of any guilt or wrong doing or irregularity, conditionally deposited the differential amount of Rs. 80,400,000.

Subsequently, FIA arranged another valuation of the property through NESPAC, who assessed the value at Rs. 562,500,000 as at July 2009 in January 2011 with differential recoverable amount of Rs. 505,255,000. By the efforts of FIA, Mr. Mohsin Habib Warraich made a conditional offer to pay back this differential amount.

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On March 30, 2011 Mr. Mohsin Habib Waraich through his authorized attorney, in good faith and without admission / confession of any wrong doing / guilt / offence and without prejudice to the trial and defence therein made conditional / without prejudice offer of paying the differential amount of Rs. 505,255,000 subject to the decision of the case upon conclusion of the trial and in case of acquittal and discharge the offer shall be deemed to be withdrawn and of no legal effect and NICL will be obligated to refund the alleged differential received under protest along with the cost of funds and such offer is made without prejudicing / affecting right to defend instant transaction in trial court and / or to challenge the valuation done by NESPAK before the court of competent jurisdiction.

The differential amount of Rs. 505,255,000 has been conditionally tendered in the following manner:

- a The amount of Rs. 80,400,000 shall be adjusted towards payment of differential amount of Rs. 505,255,000 leaving the balance of Rs. 424,855,000.
- b The balance of Rs. 424,855,000 along with interest @ SBP discount rate will be paid in five years through ten bi-annual installments of Rs. 42,000,000 each except the last installment of Rs. 44,400,000. The payment of the last installment shall become due on November 01, 2016. Refer note 1.2 for details of the cheques along with the dates of their dishonor and FIRs.

NICL has also filed application for auction of property of accused person for recovery of valuable amount of the company, which is pending for arguments.

As at December 31, 2019, the value of the property assessed by FKS Building Services is Rs. 924 million (2018: by FKS Building Services, Rs. 824.1 million).

In compliance of Supreme Court Order dated 22.11.2013, passed in Suo moto case NO. 18/2010, this case was transferred on 02.01.2014 from the court of Special Judge (Anti-Corruption, Lahore to NAB court No.2 Lahore.

The above noted matter was fixed before Accountability Court NO. II at Lahore on 06.06.2017. The Court adjourned the case for further arguments on 02.05.2019.

The above case was disposed of on 02-01-2020 by Accountability Court No. IV at Karachi, whereby the all accused persons were acquitted. Accordingly, this instant matter is no more in field. As per information NAB is in process to file appeals before Lahore High Court against judgment dated 02-01-2020 passed by the Accountability Court. However NICL's ten Execution Applications for recovery / realization of 422 million are still pending before Civil Court, Lahore. The opinion of Asiam Law Associates related to recovery of Rs.422 million is that Habib Mohsin Warraich is no more under legal obligation to pay this amount to NICL unless judgment of acquittal is challenged and reversed in appeal.

Following is a summary of amounts recoverable out of the above mentioned property:

	Rupees in '000
Purchase price	1,067,755
Less: Value as determined by NESPAK	<u>(562,500)</u>
Difference recoverable	505,255
Less: Recovered upto the balance sheet date	<u>(80,400)</u>
Balance recoverable	<u>424,855</u>
Unrealized cheques (April 2012 – 2016)	-
10 Bounced cheques of dates April 2012- November 2016	<u>424,855</u>
Balance recoverable	<u>424,855</u>

**7.2.3 Office space in Liberty Towers, DIFC Area, Dubai (FIR No. 14/2010 dated November 22, 2010)**

In July 2009, NICL purchased 6 units / offices measuring 27,429 sq. fts in Liberty Towers, Dubai International Financial Center (DIFC) Area, Dubai at a cost of Rs. 1,649,646,764 (US \$ 19,990,000 equivalent to AED 73,463,250) excluding levies of Rs. 49,291,429 in July 2009 as per the approval of the then Board of Directors. NICL arranged a valuation of this property through M/s. JAI Consultants, Dubai who valued the property at AED 74,075,000 (Rs. 1,741,332,480 equivalent to US \$ 20,909,372) on June 30, 2009.

On the direction of Supreme Court of Pakistan, the FIA initiated enquiry and got the property valued from M/s. Hayptons International, Dubai who valued the property as at December 31, 2010 at AED 76,800,000 (Rs. 1,692,609,180).

In the context of judicial proceeding against the procurement of 6 office units in Liberty House, DIFC Area, Dubai, M/s. Hayptons International, Dubai valuation report is considered more reliable. Accordingly, no recovery has been initiated by the FIA.

FIR No. 14 of 2010 was registered under section 409, 420, 109, PPC read with Section 5(2) of PCA-II, 1947, at Police Station FIA Corporate Crime Circle Karachi on November 22, 2010 on written communication sent by secretary Commerce to Director General FIA. It was requested to probe into matter regarding office Space in Dubai measuring 27000 sq. ft. had been purchased in July 2009 at the rate of UAE Dirham 2700 per sq. ft. It was alleged that this was an exorbitant amount and it had caused loss the national exchequers.

The Investigation Officer, concerned Deputy Director and Assistant Director (Legal) have suggested that due to lack of evidence the case is not made out. The Director General FIA has approved the recommendation made by Director FIA Sindh and directed to sent the case to the Ministry of Interior for withdrawal of under section 494 Cr.P.C. matter is pending in Court for final adjudication.

The matter was fixed on December 22, 2014 for arguments on application under section 265-K of Criminal procedure code. The advocates for the accused persons have contended that NICL sustained no loss in this transaction; therefore, no case is made out against the accused persons. After arguments at length on said application from both of the sides, the say was allowed and all accused persons have been acquitted. Accordingly the case was disposed of on December 22, 2014. NAB has filed appeal in the high court of Sindh against the said order vide CR.ACC.AQC.Appeal No.01 of 2015 dated January 08, 2015.

As at December 31, 2019, the value of the property assessed by M.J.Surveyors (Pvt) Limited 1,715 million (2018:Rs. 1,358 million).

The title to the properties representing 6 units / offices in Liberty tower, Dubai International Financial Center (DIFC) Area, Dubai is not held in the name of the Company.

Reference No. 1/2014 (FIR No. 14/2010), It is submitted that that the case is pending before Accountability Court No. III at Karachi. The case was fixed before the said Court on 07-01-2020 for submission of report. However, the sale was adjourned until 29-01-2020 without any progress.

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8 INVESTMENTS IN SUBSIDIARY AND ASSOCIATE	Note	2019	2018
		-----Rupees in '000-----	
Cost		358,560	358,560

8.1 The company's interests in its subsidiaries were as follows:

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit/ (loss)	% Interest held
Civic Centers Company (Pvt) Ltd Total at the end of 2019	Pakistan	423,344	78,782	8,038	(6,635)	100%
Civic Centres Company (Pvt) Ltd Total at the end of 2018	Pakistan	433,653	82,456	7,443	(13,599)	100%

8.2 The post of Chief Executive of Civic Centre Company (Private) Limited was vacant. The par value per share is Rs.10 each. The break up value of Civic Centre Company (Private) Limited as per unaudited financial statements as at December 31, 2019 is Rs. 7.69 (2018: Rs. 8.7). The break up value per share shall increase over its cost in the event of disposal of hotel building which is under consideration of relevant government authorities.

During the financial year ended December 31, 2005, the Company received a memo reference U.O. No. 4 (33) / DS (i-ii) / 05, dated October 4, 2005 from Prime Minister Secretariat through Ministry of Commerce (MoC) letter reference No. 7 (5) 98 - Admn.III dated October 11, 2005 regarding sale of Services International Hotel, Lahore a property of Civic Centres Company (Private) Limited (CCCL). The MoC letter required us to furnish detailed / updated brief along with comments after thorough examination of proposal of the Governor of Punjab received by MoC and Prime Minister Secretariat.

Punjab Cooperative Board for Liquidation (PCBL) has claimed that it is entitled to get 25% share in the value of the Services International Hotel Building. The CCCL is of the view that PCBL can only claim 6% of the value of hotel building, as the amount payable to PCBL of Rs. 11.9 million represents 6% of the sale proceeds of Rs. 190 million. CCCL has declined the claim of PCBL, which in turn has filed a suit against the Company and CCCL. This matter was discussed with the Governor of Punjab, who suggested the following:

- both parties withdraw court cases filed against each other; and
- building would be transferred to Privatization Commission, the Company and PCBL would ensure that the vacant possession is handed over to the Privatization Commission, and they would dispose off the building through public auction, and the sales proceeds may be apportioned in the ratio of 75:25 between the Company and PCBL respectively.

The Company has responded to MoC through its letter dated October 11, 2005 and clarified its position and suggested that the Privatization Commission should dispose off the CCCL with all its assets and liabilities and not only the hotel building and the sale proceeds be distributed between the Company and the PCBL in the ratio of 94:6 respectively. However, if Prime Minister Secretariat desires to implement the Governor of Punjab's proposal i.e. distribution of sale proceeds in 75:25 ratio, a directive from the Prime Minister Secretariat will have to be issued as the board of the Company is not likely to agree to the proposed ratio of the sharing of the sale proceeds.

An order has been issued from the Prime Minister Secretariat for the privatization of the Service International Hotel Lahore and sharing of proceeds in the ratio of 75:25 as proposed by the Governor of Punjab.

If the distribution of the sale proceeds of the hotel building is made at 75:25 between the Company and PCBL, the Company would be able to recover the carrying value of the investment (Rs. 358,560,000) as the fair value of the hotel building is significantly higher than the cost of the building appearing in the CCCL's financial statements for the year ended December 31, 2016.

Due to above mentioned details the break up value per share shall increase over its cost in the event of disposal of hotel building and therefore, no impairment has been charged.

9 INVESTMENTS IN EQUITY SECURITIES	Note	2019	2018
		----- Rupees in '000 -----	
Available for Sale	9.1	3,408,840	1,748,425
Held for Trading	9.2	1,994,540	1,896,963
		5,403,380	3,645,388

Note	2019			2018		
	Cost	Accumulated Impairment / Provision	Carrying value	Cost	Accumulated Impairment / Provision	Carrying value
	-----Rupees in '000-----					
9.1 AVAILABLE FOR SALE-QUOTED						
Others						
Listed Shares	97,125	(70,056)	27,069	97,125	(70,056)	27,069
Mutual Funds	1,728,245		1,728,245	1,721,357		1,721,357
Unrealized gain			1,653,526			
	1,825,370	(70,056)	3,408,840	1,818,482	(70,056)	1,748,425

9.1.1 Available for Sale-Listed Shares

2019 (Number of Shares)	2018	Name of the Company	2019	2018	2019	2018
			Market Value ----- Rupees in '000 -----		Cost ----- Rupees in '000 -----	
100,000	100,000	Food Producers Mirza Sugar	502	502	1,000	1,000
2,275,232	2,275,232	Modarba First Prudential Modaraba	2,730	3,163	10,000	10,000
795,980	795,980	KASB Modaraba	852	1,385	4,124	4,124
526,000	526,000	Household Goods Toweliers Limited	38,882	39,908	9,994	9,954
7,200,657	7,200,657	Financial Services First Dawood investment Bank Limited	13,321	12,025	72,007	72,007
		<b>Total</b>	<b>56,287</b>	<b>56,982</b>	<b>97,125</b>	<b>97,125</b>

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9.1.2 Listed Shares	Note	2019	2018
		Rupees in '000	
Cost		97,125	97,125
Provision For Impairment	9.1.3	(70,056)	(70,056)
		<u>27,069</u>	<u>27,069</u>
9.1.3 Provision for Impairment		70,056	69,216
Provision at the beginning of the year (Reversal) / Charge for the year		-	840
Provision at the end of the year		<u>70,056</u>	<u>70,056</u>

9.1.4 Available for Sale-Mutual Funds	2019 (Number of Units)	2018	Name of the fund	2019	2018	2019	2018
				Market Value Rupees in '000	Market Value Rupees in '000	Cost Rupees in '000	Cost Rupees in '000
			Open-end fund				
	3,647,591	3,647,591	Unit Trust of Pakistan	578,946	548,962	251,731	251,731
	13,508,438	13,508,438	Meezan Islamic Fund	778,426	749,448	182,823	182,823
	1,332,230	1,246,988	Pakistan Income Fund	76,448	69,480	61,159	54,271
	17,840,542	17,840,542	National Investment Unit Trust (NIUT)	1,132,874	1,130,912	960,000	960,000
	4,324,703	4,324,701	NI.T Equity Market Opportunity Fund	815,077	772,046	272,532	272,532
			<b>Total</b>	<u>3,381,771</u>	<u>3,270,848</u>	<u>1,728,245</u>	<u>1,721,357</u>

9.2 HELD FOR TRADING - QUOTED	Note	2019	2018
		Rupees in '000	
Others HELD FOR TRADING		1,992,284	1,894,493
Investments in ordinary shares of listed companies	9.2.1	2,257	2,471
Investments in preference shares of listed companies	9.2.2	<u>1,994,541</u>	<u>1,896,963</u>

9.2.1 Investment in ordinary shares -face value of Rs.10 each	Name of the investee entity	2019			2018		
		Cost	Unrealized Gain or (Loss) for the year Rupees in '000	Carrying Value	Cost	Unrealized Gain or (Loss) for the year Rupees in '000	Carrying Value
	<b>Fertilizer</b>						
	Fauji Fertilizer Company Limited	103,160	9,577	112,737	87,894	15,266	103,160
	Fauji Fertilizer Bin Qasim Limited	65,948	(31,408)	34,540	62,887	3,061	65,943
	Arif Habib Corporation Limited	83,020	3,676	86,696	91,822	(8,802)	83,020
	<b>Chemical</b>						
	Lotte Pakistan Limited	96,018	(16,316)	79,702	40,761	55,257	96,013
	<b>Banks</b>						
	National Bank of Pakistan Limited	21,077	637	21,714	24,352	(3,275)	21,077
	<b>Power Generation &amp; Distribution</b>						
	Hub Power Company Limited	709,502	98,922	808,424	703,017	(40,249)	662,763
	Kot Addu Power Company Limited	58,565	(21,298)	37,267	63,707	(5,142)	58,565
	Nishat Power Limited	103,698	574	104,272	130,101	(26,403)	103,693
	<b>Textile Composite</b>						
	Azgard Nine Limited	52,978	4,403	57,381	67,243	(14,265)	52,973
	<b>Technology &amp; Communication</b>						
	Pakistan Telecommunication Company Limited	25,155	(655)	24,500	34,159	(9,004)	25,155
	<b>Oil &amp; Gas Marketing Companies</b>						
	Pakistan State Oil Company Limited	101,982	2,053	104,035	110,500	(8,518)	101,982
	Attock Refinery Limited	28,141	(6,835)	21,306	35,729	(7,588)	28,141
	Sui Northern Gas Company Limited	21,953	(256)	21,697	26,949	(4,996)	21,953
	Sui Southern Gas Company Limited	17,221	(1,178)	16,043	22,730	(5,509)	17,221
	<b>Oil &amp; Gas Exploration Companies</b>						
	Pakistan Petroleum Limited	112,456	11,202	123,658	134,542	(22,086)	112,455
	Pakistan Oilfields Limited	183,522	9,461	192,983	213,934	(30,412)	183,522
	<b>Cement</b>						
	DG Khan Cement Limited	156,834	(11,505)	145,329	261,658	(104,824)	156,834
		<u>1,941,232</u>	<u>51,052</u>	<u>1,992,284</u>	<u>2,111,985</u>	<u>(217,487)</u>	<u>1,894,493</u>

9.2.2 Investment in Preference shares of listed companies - face value of Rs. 10 each	Industrial Metal and Mining Aisha Steel Mills Limited	2019	2018	2019	2018
		(Number of Shares)	(Number of Shares)	Market Value Rupees in '000	Market Value Rupees in '000
		235,338	235,338	2,257	2,471
		<u>235,338</u>	<u>235,338</u>	<u>2,257</u>	<u>2,471</u>
	<b>Grand Total</b>	<u>37,818,345</u>	<u>36,642,909</u>	<u>1,994,541</u>	<u>1,896,963</u>

ALL

10 INVESTMENTS IN DEBT SECURITIES

Note	2019			2018		
	Cost	Impairment / Provision for the year	Carrying value	Cost	Impairment / Provision for the year	Carrying value
	-----Rupees in '000-----					
Government securities						
Held to maturity						
Pakistan Investment Bonds	10.1	19,257,469	-	19,444,791	5,899,600	-
Treasury bills	10.2	9,286,241	-	9,544,738	14,663,143	-
		<u>28,543,710</u>	<u>-</u>	<u>28,989,529</u>	<u>20,562,743</u>	<u>-</u>

10.1 Government securities--Held to Maturity

10.1.1 Pakistan Investment Bonds

Face value Rupees in '000	Profit Rate	Tenure	Maturity Date	2019		2018	
				Cost	Carrying value	Cost	Carrying value
				-----Rupees in '000-----			
1,000,000	13%	10 year	July 19, 2022	959,800	984,692	959,800	979,883
1,000,000	13%	10 year	July 19, 2022	957,400	983,759	957,400	978,664
1,000,000	13%	10 year	July 19, 2022	956,000	983,214	956,000	977,951
1,000,000	13%	10 year	July 19, 2022	955,000	982,824	955,000	977,443
3,300,000	13%	10 year	September 19, 2029	3,008,947	2,972,910	-	-
116,000	13%	10 year	March 26, 2025	108,707	109,844	-	-
7,000,000	11%	5 year	July 12, 2023	5,819,273	6,017,803	-	-
7,000,000	11%	5 year	September 19, 2024	6,492,342	6,409,746	-	-
2,000,000	11%	5 year	July 19, 2019	-	-	2,071,400	2,009,773
<u>23,416,000</u>			Total	<u>19,257,469</u>	<u>19,444,791</u>	<u>5,899,600</u>	<u>5,923,713</u>

10.2 Treasury Bills

Face value Rupees in '000	Profit Rate	Tenure	Maturity Date	2019		2018	
				Cost	Carrying value	Cost	Carrying value
				-----Rupees in '000-----			
250,000	10.30%	3 months	March 14, 2019	-	-	244,213.00	244,988.73
5,000,000	10.29%	3 months	March 14, 2019	-	-	4,884,335.00	4,899,840.43
7,000,000	10.30%	3 months	March 14, 2019	-	-	6,837,915.00	6,859,643.77
2,750,000	10.31%	3 months	February 28, 2019	-	-	2,696,680.25	2,704,178.77
5,200,000	13.15%	12 months	September 10, 2020	4,744,875	4,882,412	-	-
5,000,000	13.17%	12 months	September 24, 2020	4,541,366	4,662,326	-	-
			Total	<u>9,286,241</u>	<u>9,544,738</u>	<u>14,663,143.25</u>	<u>14,708,651.82</u>

11 INVESTMENTS IN TERM DEPOSITS

Held to maturity  
 Deposits maturing within 12 months  
 Deposits maturing after 12 months

	2019	2018
	-----Rupees in '000-----	
	1,165,000	-
	-	-
	<u>1,165,000</u>	<u>-</u>

11.1 These include Term Deposits to National Bank of Pakistan and Habib Bank Limited with the interest rate of 12.30%

*Phew*



NATIONAL INSURANCE COMPANY LIMITED  
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12	LOANS AND OTHER RECEIVABLES	Note	2019	2018
			-----Rupees in '000-----	
	Rent receivable		104,171	134,789
	Accrued investment income		851,156	395,336
	Advance against purchase of land and stamp duty	12.1	3,373	3,373
	Advance to employees		14,503	14,579
	Other advances		132,485	117,601
	Loans to employees	12.2	23,150	36,085
	Less: provision for impairment of loans and receivables	12.3	(11,795)	(11,795)
	Receivable from the pension fund	12.4	-	1,483
	Other receivable		532,221	203,754
	Security deposit		55,258	55,459
	Sindh sales		571,614	571,883
	Land Recovery - Receivable	7.2.2	424,855	424,855
			<u>2,700,989</u>	<u>1,947,402</u>

12.1 In March 2010 as per the approval of the then Board of Directors, NICL purchased 803 kanals of land from M/s. Privilege Farms (Private) Limited situated at Mauna Toor Waraich, Tehsil Cantt., District Lahore to launch a housing scheme for its employees. The pre-requisite for bidding was that only that owner of land could participate in bidding who is owner of hundred percent of required land and certain areas were specified where land was required. Five different companies, including Privilege Farms (Private) Limited, participated in the said bidding. The rates and location offered by the rest of the four companies were apparently favorable for NICL but despite that all the said four companies were technically knocked out and were disqualified and bid of Privilege Farms (Private) Limited was accepted. This is despite the fact that the said Privilege Farms (Private) Limited was not owner of 803 kanals of this land which was a pre-requisite to participate in the said bidding. The land measuring 699 kanals was owned by the family members of accused Mr. Habibullah Waraich whereas 104 kanals of land was purchased from one Mr. Khinar Hamat's family through accused Mr. Akram Warraich being the general attorney. The said land was sold to NICL at Rs. 2,100,000 per Kanal and the said company had purchased 104 kanals of land which was adjoining to the said 699 kanals of land of Mr. Habibullah Waraich family at a very low rate of Rs. 200,000 per Kanal in the same year that is the year 2010. The entire amount of Rs. 1,686,300,000 was paid to Privilege Farms (Private) Limited without registering the sale deed, mutation and possession in favor of NICL.

The legal counsel of the petitioner Mr. Habibullah Waraich contended that the petitioner has no concern whatsoever with the affairs of Privilege Farms (Private) Limited, he has been implicated in this case for the reason that his real son, co-accused Mr. Mohsin Waraich, was managing director of the Privilege Farms (Private) Limited and that no portion of the sale proceeds of the land sold to NICL was credited into the account of the petitioner. However, an amount of Rs. 447,854,462 was transferred into joint account of the petitioner and Mr. Mohsin Waraich, wherefrom, the petitioner withdrew an amount of Rs. 197,262,500. However, both the learned standing council, under instruction from the investigating officer, stated that except this transaction, there is no other evidence against the petitioner. It has been confirmed by the learned officer that the entire sale proceeds received by Privilege Farms (Private) Limited from NICL has been reimbursed / credited into the account of NICL.

Privilege Farms (Private) Limited offered to return entire amount of sale proceeds to NICL after cancellation of the deal, which was accepted by NICL. Initially, an amount of Rs. 13,300,000 was received during the last year. As on December 31, 2010 remaining amount Rs. 1,673,000,000 plus stamp duty of Rs. 33,726,000 (recoverable from Punjab Revenue Board) aggregating Rs. 1,706,726,000. The recoverable amount from Privilege Farms (Private) Limited amounting to Rs. 1,673,000,000 has been received by NICL upto balance sheet date. Resultantly, entire amount of Rs. 1,686,300,000 paid to Privilege Farms (Private) Limited is recovered in total upto balance sheet date.

Integrity Pact was signed before purchasing the above property under PPRA rules. Its application however is subject to decision of the trial court.

This represents the stamp duty of Rs. 33,726,000 which was recoverable from Punjab Revenue Board in relation to the purchased 803 kanals of land from M/s. Privilege Farms (Private) Limited situated at Mauna Toor Waraich, Tehsil Cantt., District Lahore to launch a housing society for its employees. an amount of Rs 30,353,400 (90%) has been recovered from Punjab revenue board in the year 2015.

12.2 This amount includes current portion of loan to employees amounting to Rs. 10,417,051 (2018: Rs. 16,630,000). And represent mark-up free loan to employees for house rent and automobile loans, and are secured against retirement benefits of respective employees including, where applicable, charge over the assets for which the loans have been given. These loans are recoverable in 36 to 180 equal monthly installments.

*[Handwritten signature]*

**NATIONAL INSURANCE COMPANY LIMITED**  
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12.3	Provision for impairment of loans and receivables:	2019	2018
		-----Rupees in '000-----	
	Provision at the beginning of the year	11,797	11,797
	Charge for the year	-	-
	Provision at the end of the year	<u>11,797</u>	<u>11,797</u>
12.4	This represents amount receivable from pension fund in respect of pension paid by the North and Central zones of the Company on behalf of the pension fund.		
13	<b>INSURANCE / REINSURANCE RECEIVABLES</b>	2019	2018
		-----Rupees in '000-----	
	<b>Unsecured and considered good</b>		
	Due from insurance contract holders	5,070,591	3,503,765
	Less: Provision for impairment of receivables from insurance contract holders	(6,048)	(6,048)
	Due from reinsurers	-	-
	Less: Provision for impairment of due from other insurers / reinsurers	-	-
		<u>5,064,543</u>	<u>3,497,717</u>
14	<b>DEFERRED TAXATION</b>		
	Deferred tax debits arising in respect of:		
	Insurance / Reinsurance receivables	(1,754)	(1,754)
	Investment	-	(63,320)
	Fixed Assets and Intangible	1,136	-
	Retirement Benefit Obligation	<u>(1,828,111)</u>	<u>(1,734,757)</u>
		<u>(1,828,729)</u>	<u>(1,799,832)</u>
	Deferred tax credits arising in respect of:	-	-
		<u>(1,828,729)</u>	<u>(1,799,832)</u>
14.1	During the period the amount of deferred tax asset estimated by the company is Rs. 1,779.832 million, the company has not recorded deferred tax asset in the current year on prudence basis.		
15	<b>TAXATION – PAYMENT LESS PROVISIONS</b>		
	Income tax – advance at beginning of the year	3,047,923	1,657,963
	Quarterly Instalments	598,197	799,470
	Government Securities	362,783	325,233
	Bank Profit	50,911	106,201
	Rental Income	59,219	46,895
	Utility Bills	3,331	2,710
	Banking transactions	70,317	206,926
	Miscellaneous	69,867	1,313,434
	Income tax paid during the year	1,214,625	2,800,870
	Provision for taxation recognized in profit and loss account	(1,241,972)	(1,554,549)
	Provision for taxation recognized in statement of comprehensive income	(532,040)	143,638
	Income tax – advance at end of the period	<u>2,488,536</u>	<u>3,047,923</u>
16	<b>PREPAYMENTS</b>		
	Prepaid reinsurance premium ceded	3,961,593	2,286,459
	Prepaid miscellaneous expenses	3,852	3,508
		<u>3,965,444</u>	<u>2,289,967</u>
17	<b>CASH &amp; BANK</b>		
	Cash at bank		
	- Current account	151,216	4,167,461
	- Savings account	2,878,070	5,771,709
		<u>3,029,286</u>	<u>9,939,170</u>
17.1	These include an amount of Rs. 1.20 million (2018: Rs. 1.20 million) in respect of guarantee against any damage to Sul Sothern Gas Company's pipeline. This amount has been deposited with Habib Bank Limited – FTC Branch, Karachi and can not be utilized by the Company, as it must be kept as minimum balance in the respective bank account.		
17.2	This includes foreign currency accounts having balance of Rs. 2,812.388 million (2018 : Rs. 2,375.77 million).		



NATIONAL INSURANCE COMPANY LIMITED  
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18 SHARE CAPITAL

18.1 Authorized Capital

	2019	2018	Note	2019	2018
	Number of Shares			-----Rupees in '000-----	
	600,000,000	600,000,000		6,000,000	6,000,000

18.2 Issued, subscribed and paid-up share capital

	2019	2018		2019	2018
	Number of Shares			-----Rupees in '000-----	
	10,000,000	10,000,000		100,000	100,000
	190,000,000	190,000,000	18.3	1,900,000	1,900,000
	200,000,000	200,000,000	18.4	2,000,000	2,000,000

18.3 These were issued against net assets at the time of conversion of corporation to limited liability company.

18.4

176,000,000 (2018: 176,000,000) shares are held by the President of Pakistan and the remaining 24,000,000 (2018: 24,000,000) shares have been transferred to the NICL Employees Empowerment Trust (NEET) Benazir Employees Stock Option Scheme (BESOS) Fund on behalf of the employees of the Company. On 8 April 2019 Ministry of finance has proposed winding up of BESOS scheme as it is creating extra burden on national exchequer, but the final decision regarding the matter is still pending in the supreme court of Pakistan and reverting the shares kept in trust to the President of Pakistan. On 9 April 2019 on summary sent by the Ministry of Finance, the Cabinet has given go ahead to wind-up BESOS by reverting the shares kept in trust to the President of Pakistan, with the condition that in case any order by the apex court to the contrary in the pending litigation, the Finance Division shall recoup the funds under the relevant head. The main reason for winding-up decision was that the scheme is creating extra burden on national exchequer and not sustainable.

19 RESERVES

	2019	2018	Note
	-----Rupees in '000-----		
Capital reserves			
Reserve for exceptional loss	6,100,000	6,100,000	
Revenue reserves			
General reserve	6,500,000	6,500,000	
	12,600,000	12,600,000	

20 INSURANCE / REINSURANCE PAYABLES

Due to other insurers / reinsurers	3,189,745	2,091,624
	3,189,745	2,091,624

21 OTHER CREDITORS AND ACCRUALS

Accrued expenses	88,264	25,105
Salaries Payable	90,420	72,234
Bonus Payable	155,187	301,732
Unearned rental income	2,197	9,891
Security deposits payable	7,409	7,484
Federal insurance fee payable	182,675	165,752
Retention money	7,780	7,591
Stamp duty payable	17,002	17,002
Provision for contract employees medical benefit	54,008	54,008
Provision for legal contingencies	15,162	15,162
Dividend payable	120,000	120,000
Others	356,168	157,336
Land Recovery Account	-	490,000
	1,096,271	1,443,197

21.1 Bifurcation of Security Deposit:

Utilizable Security Deposit	7,409	7,484
Non-utilizable Security Deposit	-	-
	7,409	7,484

21.1.1 During the year, the Company utilized Rs. 7.409 Million for the purpose of the business from the security deposit in accordance with requirements of written agreements, in terms of section 217 of the Companies Act, 2017

*PK*

21.1 Status of provision for legal contingencies

21.1.1 Suit No. 203 of 1990

NICL has executed a performance bond guarantee for Rs. 13.559 million in favour of WAPDA on behalf of M/S. National Construction Company (Pakistan) Limited (NCC) for the construction of "Remodeling of Distributary System of Lower Swat Canal- Mardan Scrap". NCC has defaulted in the performance of its obligations under the contract and accordingly WAPDA has filed suit against NICL for recovery of the said amount of Rs.13.599 million. The case is still pending before the High Court of Sindh, Karachi.

21.1.2 HCA No. 203 of 2002

Insurance claim of KESC was repudiated by NICL. Suit for recovery of Rs.1.60 million filed by KESC was decreed against NICL. NICL has filed appeal before Division Bench, which is pending for Regular Hearing.

21.2 This represents dividend payable to NICL Employees' Empowerment Trust (NEET) related to 2012, 2013 and 2014. The payment of dividend has been withheld since the Government of Pakistan (the GOP) is considering to revamp Benazir Employees' Stock Option Scheme (BESOS) as communicated to the Company by the Privatization Commission of Pakistan (the PCP). Further, the PCP vide Letter No. 9 (15)/Admn/PC/09 dated January 09, 2013 has informed the Company that all activities regarding BESOS shall be withheld till decision is made by the GoP. On 8 April 2019 Ministry of finance has proposed winding up of BESOS scheme as it is creating extra burden on national exchequer, but the final decision regarding the matter is still pending in the supreme court of Pakistan. On 9 April 2019 on summary sent by the Ministry of Finance, the Cabinet has given go ahead to wind-up BESOS by reverting the shares kept in trust to the President of Pakistan, with the condition that in case any order by the apex court to the contrary in the pending litigation, the Finance Division shall recoup the funds under the relevant head. The main reason for winding-up decision was that the scheme is creating extra burden on national exchequer and not sustainable."

22 RETIREMENT BENEFIT OBLIGATIONS

22.1 Defined benefit plans

	2019	2018
	-----Rupees in '000-----	
-Pension fund	3,516,195	3,441,395
-Post Retirement Medical benefits	2,431,548	2,243,178
-Gratuity Scheme	320,673	275,084
-Compensated absences	35,415	22,265
	6,303,831	5,981,922

22.1.1 General description of Defined benefit plans

The benefits under the defined benefit plans are payable to the employees as follows:

a Pension scheme

- In case of retirement at the age of 60, pension is payable to employees who have completed a minimum of 10 years of qualifying service with the NICL. However, gratuity may be granted in the case of an employee who has not completed service of 10 years. The rate of pension is 2% of gross pension of each year extra service beyond 30 years of service subject to maximum of 10%.
- In case of death in service, widow is entitled to 75% of the gross pension. In addition, a lump sum amount of Pension in lieu of 75% of gross pension is paid. This family pension entitlement is subject to a minimum service requirement of 10 years. In case of death or remarriage of the widow, the pension amount shall be paid to the family members until they attain the age of 21 years in case of males and till marriage in case of females.
- In case of death of a pensioner, 75% of the net or gross amount of pension, which the deceased pensioner was in receipt of, shall be admissible to the family of deceased pensioner.

b Post retirement medical benefits

- Post-retirement medical facility to an employee shall be allowed in the following events:
  - Retirement
  - Death/ disability during or after services
  - Early retirement from service
- There is a requirement that the pensioner has to render 25 years of service to be entitled to the facility. However, this is not applied in practice.
- The eligible retiree and their spouse are entitled to the medical facility upto the life of the retiree.
- The eligible retirees and their spouse are entitled to reimbursement of all medical expense, including inpatient and outpatient, from hospitals, clinics, doctors etc. on NICL's panel.

*[Handwritten signature]*



c Gratuity

- Gratuity is payable under the scheme to employees on cessation of employment on the grounds of death, retirement and resignation. Normal retirement age is 60 years.
- No benefits under Gratuity Scheme are available to any employee who is dismissed / terminated from the service of NICL for misconduct, disobedience or violation of any existing rules and regulations of NICL.
- No benefits under Gratuity Scheme are available to any employee who is dismissed / terminated from the service of NICL for misconduct, disobedience or violation of any existing rules and regulations of NICL.
- One month Gross salary for each completed year of service will be awarded if length of service is greater or equal to 1 year.

d Compensated absences

- An employee will be entitled to encash the accumulated earned leave subject to a maximum of 180 days or take Leave Preparatory to Retirement (LPR) subject to a maximum of 360 days at the time of leaving Company service.
- All the Regular Employees of National Insurance Company Limited are entitled to take the following types of leaves every year:
  - Leave on average pay;
  - Leave on half average pay;
  - Extraordinary leave;
  - Examination and study leave;
  - Maternity leave;
  - Casual leave.
- These leaves (except casual leave) can be accumulated.

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	Pension Fund		Post-Retirement Medical Scheme		Gratuity Scheme		Compensated Absences		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
-----Rupees in '000-----										
<b>22.2 Balance Sheet Reconciliation</b>										
Present value of defined benefit obligations	3,733,770	3,481,063	2,431,548	2,243,178	320,673	275,084	35,415	22,265	6,521,405	6,021,591
Fair value of plan assets	(217,575)	(39,668)	-	-	-	-	-	-	(217,575)	(39,668)
	3,516,195	3,441,395	2,431,548	2,243,178	320,673	275,084	35,415	22,265	6,303,831	5,981,924
Unrecognised net actuarial loss / (gain)	-	-	-	-	-	-	-	-	-	-
Recognised liability	3,516,195	3,441,395	2,431,548	2,243,178	320,673	275,084	35,415	22,265	6,303,831	5,981,924
<b>22.3 Movement in the defined benefit obligations</b>										
Obligation as at January 1	3,481,063	3,297,584	2,243,178	1,203,252	275,084	203,856	22,265	34,712	6,021,589	4,739,404
Service cost	20,804	18,370	112,318	98,525	32,948	28,901	425	375	166,494	146,171
Past Service Cost	-	-	-	596,944	-	-	-	-	18,666	596,944
Interest cost	444,145	299,534	312,006	111,032	38,370	19,231	2,690	2,553	797,211	432,350
Settlement and Curtailment	-	-	-	-	-	-	-	-	-	-
Actuarial losses / (gains)	45,805	167,194	(206,835)	302,404	(23,711)	25,707	(4,701)	(7,840)	(189,442)	487,465
Benefits paid	(258,047)	(301,619)	(29,119)	(68,979)	(2,018)	(2,611)	(3,930)	(7,535)	(293,114)	(380,745)
Obligation as at December 31	3,733,770	3,481,063	2,431,548	2,243,178	320,673	275,084	35,415	22,265	6,521,405	6,021,589
<b>22.4 Movement in the fair value of plan assets</b>										
Fair value as at January 1	39,668	30,107	-	-	-	-	-	-	39,668	30,107
Expected return on plan assets	15,342	3,625	-	-	-	-	-	-	15,342	3,625
Actuarial gains / (losses)	10,320	2,258	-	-	-	-	-	-	10,320	2,258
Employer contributions	410,292	305,297	-	-	-	-	-	-	410,292	305,297
Benefits paid	(258,047)	(301,619)	-	-	-	-	-	-	(258,047)	(301,619)
Fair value as at December 31	217,575	39,668	-	-	-	-	-	-	217,575	39,668
<b>22.5 Cost</b>										
Current service cost	20,804	18,370	112,318	98,525	32,948	28,901	425	375	166,494	146,171
Interest cost	444,145	299,534	312,006	111,032	38,370	19,231	2,690	2,553	797,211	432,350
Expected return on plan assets	(15,342)	(3,625)	-	-	-	-	-	-	(15,342)	(3,625)
Past service cost	-	-	-	596,944	-	-	-	-	18,666	596,944
Recognition of actuarial loss or (Gain)	35,485	-	(206,835)	-	-	-	-	-	(171,349)	-
Re-measurements of other long term benefits	-	-	-	-	(23,711)	-	(4,701)	(7,840)	(28,412)	(7,840)
Expense	485,092	314,279	217,489	806,501	47,607	48,132	17,080	(4,912)	767,268	1,164,000
<b>22.6 Actual return on plan assets</b>	25,662	5,883	-	-	-	-	-	-	25,662	5,883

22.7 Principal actuarial assumptions used are as follows:

	Pension Fund		Post-Retirement Medical Scheme		Gratuity Scheme		Compensated Absences	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate & expected return on plan assets	11.75%	13.25%	11.75%	14.0%	11.75%	14.0%	11.75%	13.25%
Future salary increases	11.75%	13.25%	-	-	11.75%	14.0%	11.75%	13.25%
Future pension increases	7.75%	9%	-	-	-	-	-	-
Medical cost trend rates	-	-	11.75%	14.0%	-	-	-	-
Net Retirement age	60	60	-	-	-	-	-	-
Mortality Rates	SLIC 2001-05	SLIC 2001-05	-	-	-	-	-	-

22.8 Comparison for five years:

	Pension Fund				
	2019	2018	2017	2016	2015
-----Rupees in '000-----					
<b>As at December 31</b>					
Present value of defined benefit obligation	3,733,770	3,481,063	3,297,584	3,243,349	3,014,242
Fair value of plan assets	(217,575)	(39,668)	(30,107)	(121,613)	(350,961)
(Deficit) / surplus	3,516,195	3,441,395	3,267,477	3,121,736	2,663,281
-----Rupees in '000-----					
<b>As at December 31</b>					
Present value of defined benefit obligation	2,431,548	2,243,178	1,203,252	861,410	829,426
Fair value of plan assets	-	-	-	-	-
(Deficit) / surplus	2,431,548	2,243,178	1,203,252	861,410	829,426
-----Rupees in '000-----					
<b>As at December 31</b>					
Present value of defined benefit obligation	320,673	275,084	203,855	174,762	151,464
Fair value of plan assets	-	-	-	-	-
(Deficit) / surplus	320,673	275,084	203,855	174,762	151,464
-----Rupees in '000-----					
<b>As at December 31</b>					
Present value of defined benefit obligation	35,415	22,265	34,711	43,214	45,545
Fair value of plan assets	-	-	-	-	-
(Deficit) / surplus	35,415	22,265	34,711	43,214	45,545

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22.9 Experience adjustments

(Gain) / loss on obligations (as percentage of plan obligations)  
 Gain/( loss) on plan assets (as percentage of plan assets)

(Gain) / loss on obligations (as percentage of plan obligations)  
 Gain/( loss) on plan assets (as percentage of plan assets)

(Gain) / loss on obligations (as percentage of plan obligations)  
 Gain/( loss) on plan assets (as percentage of plan assets)

(Gain) / loss on obligations (as percentage of plan obligations)  
 Gain/( loss) on plan assets (as percentage of plan assets)

22.10 Plan assets comprise of the following:

Equity  
 Debt  
 Cash at bank  
 Fair value of plan Assets

22.11 Sensitivity analysis, the impact of 1% change in following variables on defined benefit obligation is as follows:

+1% Discount Rate  
 -1% Discount Rate  
 +1% Salary Increase Rate  
 -1% Salary Increase Rate  
 +1% Medical Cost Increase Rate  
 -1% Medical Cost Increase Rate  
 +1% Pension Increase Rate  
 -1% Pension Increase Rate  
 1Year mortality Setback  
 1Year mortality Set Forward

+1% Discount Rate  
 -1% Discount Rate  
 +1% Salary Increase Rate  
 -1% Salary Increase Rate  
 +1% Medical Cost Increase Rate  
 -1% Medical Cost Increase Rate  
 +1% Pension Increase Rate  
 -1% Pension Increase Rate  
 1Year mortality Setback  
 1Year mortality Set Forward

Pension Fund				
2019	2018	2017	2016	2015
1%	5%	0%	5%	-3%
5%	6%	-29%	-14%	-9%
Post Retirement Medical Scheme				
2019	2018	2017	2016	2015
-9%	13%	26%	-4%	-1%
0%	0%	0%	0%	0%
Gratuity Scheme				
2019	2018	2017	2016	2015
-7%	9%	-1%	-7%	-11%
0%	0%	0%	0%	0%
Compensated Absences				
2019	2018	2017	2016	2015
-13%	-35%	-25%	16%	-28%
0%	0%	0%	0%	0%

2019		2018	
Rupees in '000'	%	Rupees in '000'	%
-	-	-	-
-	-	-	-
217,575	100%	52,102	100%
217,575	-	52,102	-

	2019				Total
	Pension	Medical benefits	Gratuity	Compensated absences	
	-----Rupees in '000-----				
	3,403,732	2,154,286	288,412	38,082	5,884,512
	4,124,215	2,765,824	359,955	46,588	7,296,582
	3,766,715	-	360,217	46,527	4,173,459
	3,702,659	-	287,471	38,065	4,028,195
	-	2,769,844	-	-	2,769,844
	-	2,146,281	-	-	2,146,281
	4,113,878	-	-	-	4,113,878
	3,406,997	-	-	-	3,406,997
	3,816,646	-	-	-	3,816,646
	3,650,202	-	-	-	3,650,202
	29,985,045	9,836,235	1,296,055	169,262	41,286,597
	2018				Total
	Pension	Medical benefits	Gratuity	Compensated absences	
	-----Rupees in '000-----				
	3,190,227	1,873,175	235,931	21,377	5,320,710
	3,851,256	2,736,729	322,237	23,227	6,933,449
	3,524,053	-	322,063	23,245	3,869,361
	3,464,789	-	235,381	21,344	3,721,514
	-	2,745,056	-	-	2,745,056
	-	1,861,193	-	-	1,861,193
	3,841,859	-	-	-	3,841,859
	3,193,138	-	-	-	3,193,138
	3,571,519	-	-	-	3,571,519
	3,414,976	-	-	-	3,414,976
	28,051,817	9,216,153	1,115,612	89,193	38,472,775

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## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

23.1.1 Claims against the Company not acknowledged as debts amounted to Rs. 344.183 million at year end (2017: Rs.344.183 million). Hence, no provision has been made in these financial statements. Significant claim include claims of Rs. 114 million by AI – Khan Construction (Private) Limited.

23.1.2 Habib Bank Limited has issued guarantees on behalf of the Company amounting to Rs. 39.204 million (2017: Rs. 39.204 million) for the above mentioned claims.

23.1.3 The Company has issued policies in respect of guarantees against 'Fidelity Guarantee' amounting to Rs. 5.29 million (2017:Rs.240.393 million)

### 23.1.4 Matters related to taxation;

- (i) The Commissioner Inland Revenue CIR(A) has passed the order under section 129 of the Income Tax Ordinance, 2001(the Ordinance) for the tax years 2004, 2006, 2007 and 2008 in which the additions made by the Taxation Officer were deleted. Aggrieved by the order of the Commissioner Inland Revenue (Appeals) the Inland Revenue department had filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). Appeals were thereafter dismissed on account of non-attendance by Department at ATIR. Subsequently department filed rectification applications which have been accepted. Now appeals are to be decided on the grounds raised in the appeals. Appeal for the tax year 2005 is decided in favor of NICL all other appeals are still pending.
- (ii) The Commissioner Inland Revenue (Appeals) vide order no. 97 dated September14, 2015 vacated the amended order passed by the ACIR vide DC no. 28/48 dated 20/06/2014 on account of barred by time limitation for the tax year 2008. Department preferred appeal before ATIR and the same is still pending.
- (iii) The Commissioner Inland Revenue (Appeals) vide order no. 4 dated March 28, 2016 vacated the treatment accorded by the ACIR for taxing the dividend income at the normal Corporate rate for the tax year 2009. Department preferred appeal before ATIR and the same is still pending.
- (iv) For the tax year 2010 against the order passed by the CIR(Appeal) vide order no. 8 dated March 28, 2016, appeal has been filed before the ATIR on the issue of provision for IBNR. Tax department has also filed before ATIR against the order of CIR(A) for vacating the treatment accorded by the ACIR for taxing the dividend income at the normal Corporate rate.
- (v) For the tax year 2011 against the order passed by the CIR(Appeal) vide order no. 5 dated March 28, 2016 appeal has been filed before the ATIR on the issue of provision for IBNR. Tax department has also filed before ATIR against the order of CIR(A) for vacating the treatment accorded by the ACIR for taxing the dividend income and rental income at the normal Corporate rate.
- (vi) For the tax year 2012 against the order passed by the CIR(Appeal) vide order no. 6 dated March 28, 2016 tax department has filed appeal before ATIR for vacating the treatment accorded by the ACIR for taxing the dividend income at the normal Corporate rate.
- (vii) For the tax year 2013 against the order passed by the CIR(Appeal) vide order no. 7 dated March 28, 2016 appeal has been filed before the ATIR on the issue of provision for IBNR. Tax department has also filed before ATIR against the order of CIR(A) for vacating the treatment accorded by the ACIR for taxing the dividend income at the normal Corporate rate.
- (viii) For the issue of provision for IBNR, no provision for taxation has been made in these financial statements as Honorable High Court of Sindh has already decided the issue in the case of another insurance Company in favor of the taxpayer. Considering that at the ATIR level favorable outcome is expected in the case of the Company.
- (ix) For the tax year 2014, tax department passed the provisional assessment u/s 122C of the Ordinance as return for the said tax period was not filed by the Company due to non-availability of financial statements. Further, the said provisional assessment shall be treated as final assessment order after the expiry of 45 days from the date of service of order of provisional assessment. Later financial statements audited. On the basis thereof department amended the assessment and enhanced the income on the basis of audited financial statements. Against the tax department treatment Appeal-filed before CIR(A). CIR(A) given favorable order. Against the order of CIR(A) tax department preferred appeal before the ATIR. On the issue of reversal of impairment of investment, reversal in value of investment, tax on dividend income at reduced rate, deletion of addition on account of unrealized exchange gain and amortization of premium. Appeal is pending before ATIR. Considering the history and position of law favorable outcome is expected.
- (x) For the tax year 2015 tax department passed the provisional assessment u/s 122C of the Ordinance as return for the said tax period was not filed by the Company due to non-availability of financial statements. Further, the said provisional assessment shall be treated as final assessment order after the expiry of 45 days from the date of service of order of provisional assessment. Later financial statements audited. On the basis of audited account income arises less as compare to the provisional assessment. Application u/s 122A filed before the Commissioner Inland Revenue to cancel the provisional assessment. However, Commissioner Inland Revenue rejected the application. Against the Commissioner rejection of application matter may be raised at the High Court level to obtain the desired relief.
- (xi) For the tax year 2016 tax department passed the provisional assessment u/s 122C of the Ordinance as return for the said tax period was not filed by the Company due to non-availability of financial statements. Further, the said provisional assessment shall be treated as final assessment order after the expiry of 45 days from the date of service of order of provisional assessment.
- (xii) For the tax year 2017 tax department passed the order u/s 121 of the Ordinance as best judgment as return for the said tax period was not filed by the Company due to non-availability of financial statements by increasing the income thirty percent as compare to the preceding year. Against the order passed appeal filed before CIR(A). CIR(A) remanded the matter back to the DCIR. DCIR repeated the same treatment. Again appeal was filed before CIR(A). CIR(A) as per his order restricted the increased in income to the extent of fifteen percent as compare to the preceding tax year. Against the order of CIR(A) appeal before the ATIR is being filed.

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- (xiii) For the tax year 2018 taxpayer filed the return u/s 114 of the Ordinance. The return was filed on the basis of unaudited financial statements. Tax department declared the return invalid filed on the basis of the unaudited financial statements and passed the order u/s 121(1) of the Ordinance. Against the order passed appeal filed before CIR(A). CIR(A) remanded the matter back. Subsequently, the DCIR passed the non-speaking order of appeal effect order passed u/s 124/129 of the Ordinance without complying direction of the CIR(A). The DCIR based his finding on the income of tax year 2017 whereas, same is not in filed after decision of CIR(A) and cross appeals are pending before the Appellate Tribunal Inland Revenue (ATIR). The DCIR in arbitrary manner placed reliance for enhancement of income on the estimate of advance tax for the tax year 2020 which is against the rational as trend is to be followed on historical pattern. Against the above impugned order an appeal has been filed before CIR(A), however the decision is still pending.

For the tax year 2018. The learned ADCIR passed the amended order under section 122(5A) of the Ordinance by treating the reassessment order passed by the DCIR under section 124(4)/129 of the Ordinance as erroneous as well as prejudicial to the interest of revenue. As per ADCIR version increase in income as compared to the preceding year by 20% is not in line with the history and norms of the insurance industry and income should have been increased by 30%. This considered by the ADCIR as erroneous. However, treatment accorded by the ADCIR is arbitrary and against the provisions of law, ratio settled by the superior court and history of the case of the taxpayer. The ADCIR wrongly determined the taxable income on the basis of order passed for the tax year 2017 whereas, such order is not in field and cross appeals are pending before the ATIR. The ADCIR also failed to appreciate the revenue scheme of the insurance business and resorted to arbitrary treatment. The ADCIR also failed to give credit of refund adjustment and full tax credit of tax paid. Against the above impugned order an appeal has been filed before CIR(A), however the decision is still pending.

- (xiv) The Company believes that the above matter would be decided favorably. Accordingly, no provision for any tax liability, which may arise in case of adverse decisions, has been made in the financial statements.

#### 23.1.5 Suit No. 76 of 2005

Karachi Electric Supply Corporation (KESC) has filed a claim for recovery of Rs. 35.409 million against NICL in respect of the loss occurred due to fire in Korangi West Grid Station on 07-07-2001. NICL has repudiated the claim based on the grounds that the loss occurred due to fire was not covered in the insurance policy. This case has been dismissed and decided in favor of NICL vide Order dated 16-10-2017 passed by the Honourable Sindh High Court.

#### 23.1.6 Suit No.287/2001 and Suit No.432/2001

Al-Khan Construction(Pvt) Ltd. has been awarded a contract of construction of West Nawab Shah Surface Drainage System Left Bank Outfall vide contract no.10 AB-2, Stage -I by WAPDA while NICL issued Contractor's All Risk insurance policy for this work which covered the risk of rains/flood damages. In July and August 1992 there was rain and flood in the area which caused severe damages to the work done into the area. The claim has been lodged for Rs.114 million. However, the surveyors determined the amount of claim as Rs.2,694,682 which after deductions in accordance with the terms and conditions of the policy amounted to Rs.694,682. Al-Khan Construction has filed two identical cases (Suit No.287/2001 for recovery Rs.48.3 million and Suit No.432/2001 for recovery of Rs.65.7 million) in the Court of Senior Civil Judge, Lahore. The cases have been twice decreed against NICL. First at 26-4-2003 by Civil Judge Lahore and second at 24-11-2010 by the judge of insurance tribunal and the higher court has demanded bank guarantee of one third of decree amount and accordingly, Habib Bank Limited has issued guarantees on behalf of the Company amounting to Rs. 39.204 million (2014: Rs. 39.204 million). NICL filed RFA 269/2009 and RFA 270/2003 in Lahore High Court. The above mentioned suits have been transferred before insurance Tribunal vide order dated 28-01-2010 in view of Section 122 (3) of Insurance Ordinance, 2000. These cases were decided against NICL from Insurance Tribunal at Lahore. NICL filed RFA No. 97/2011 and RFA No. 98/2011, before Lahore High Court, which were decided in favour of NICL and cases were remanded back to Civil Court for recording evidence and decision afresh in this matter. Case is pending for evidence now and fixed for hearing on 27-01-2020.

#### 23.1.7 HCA 313/08 – Suit 694/01 & execution no. 87/2009

National Logistic Cell (NLC) in 1999 had sixteen claims amounting to Rs. 59.69 million decreed against it under Fatal Accidents Act, 1855 as, compensation for the families of the victims of an accident. NLC in turn filed a suit against the National insurance Company Limited ("NICL") for the recovery of the decretal amount of Rs.59.69 million along with markup amounting to Rs. 70.88 million on the basis that the vehicles that were involved in the accident were insured with NICL. In response, NICL raised the defence that they could not be held accountable for the disbursement of the entire decretal amount and that their liability was limited to Rs. 176,000 per case. The Judgment dated 15.9.2008 held NICL liable to Rs. 1,550,000 per case with markup @ 15% per annum. The instant appeal has been filed against the said Judgment whereby NICL is assailing its liability. However, being aggrieved and dissatisfied with the judgment/amended judgment, NICL filed HCA No. 313/2008 and obtained restraining orders till the final decision in the said HCA. Now the matter is fixed for regular hearing on 11-02-2020.

#### 23.1.8 Suit No. 2587 of 2016

NICL has filed suit against Karachi Cantonment Board (KCB). It is contended that previously the annual rental value of the property was being increased at the rate of 15% per annum, however, all of sudden for the period w.e.f 01.07.2013 to 30.06.2016 it has been exorbitantly increased @ 350% per annum. The amount for the said increase is approximately 48 million. As per the case details, it was evident that previously, NICL building has been treated as a single unit for the purpose of the House tax and Conservancy tax @ 15% and 2% per annum respectively up to June 30, 2013. However, notice under section 103 of the Cantonment Act, 1924 was served upon the NICL management vide letter No. KCB/189/2/A.S.R/1381 dated November 11, 2012 in which management was asked to disclose details of rented out portions of the NICL. Based on this KCB has assessed arrears of the value of Housing and conservancy tax of Rs.48.4 million for the period from July 2013 to June 2016. The appeal filed by NICL has been dismissed and as per the order dated February 23, 2017 of the Cantonment Board, the said dues have been ordered to be paid to KCB at earliest, NICL has filed Constitutional Petition against KCB in the Sindh High Court at Karachi, whereby NICL has challenged Order dated 23.02.2017 passed by the Directors Military Lands & Cantonment, Karachi Region, Karachi, in a Review Petition No. 15 of 2016. Consequently NIC Building was de-sealed and KCB was restraint from taking coercive action against NICL. Case was fixed for hearing on 02-12-2019 and the same was adjourned as date-in-office.

**NATIONAL INSURANCE COMPANY LIMITED**  
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**23.1.9 CP No. 4455 of 2018**

The present petition has been filed pursuant to Show Cause Notice dated 28-03-2018 issued by SRB against NICL, whereby objection regarding tax-ability of the NICL was raised, NICL has challenged the assessment of Sind Sales Tax i.e. Rs. 95,772,945/- on account of insurance service provided to TCP during the tax period of July-2011 to June-2018. NICL has obtained stay order for the above payment. Matter is fixed 31-01-2020 for arguments.

**23.1.10 CP No. 4456 of 2018**

The present petition has been filed pursuant to Show Cause Notice dated 28-03-2018 issued by SRB against NICL, whereby objection regarding tax-ability of the NICL was raised, NICL has challenged the assessment of Sind Sales Tax i.e. Rs. 370,436,259/- on account of insurance service provided to SSGC and PPL during the tax period of July-2011 to December -2017. NICL has obtained stay order vide order dated 08-06-2018 passed by the Sindh High Court against the above demand of SRB. Matter is fixed 31-01-2020 for arguments.

**23.1.11 RFA No. 117 of 2017**

M/s. Descon Engineering filed case against NICL before Insurance Tribunal at Lahore for recovery of Rs. 77,368,157/- on account of insurance claim regarding the flood policy obtained from NICL for it Dam construction project. The case was dismissed and decided in favour of NICL vide Order dated 01.02.2017 passed by the Insurance Tribunal Lahore. Being aggrieved M/s. Descon Engineering challenged the said Order dated 01.02.2017 and filed appeal before Lahore High Court, which is pending for final arguments. The case was fixed for hearing on 01-02-2017 and was adjourned as date-in-office.

**23.1.12** As per note 7 of these financial statements, the amount of Rs. 80,400,000 (recovered from a party) has been adjusted against investment property of Rs. 505,255,000 related to 20 Kanal 2 Marala, after the adjustment the said Investment property balance of Rs. 424,855,000 is reflected in these financial statements. The amount of Rs. 80 million was recovered as per order of the civil court details of which are mentioned in note 7.2.2 of these financial statements.

Subsequently, on January 02, 2020 the criminal case was disposed of by the Honorable Accountability Court No IV Karachi, where by all accused persons were acquitted. However, the reversal of the above amount has not been made in these financial statements as in the view of the management the order of the Accountability court will not impact the recovery already made.

**23.2 Commitments**

Commitments in respect of capital expenditure as at December 31, 2019 amounted to Rs. nil (2018: Rs. nil).

*pdh*



	2019	2018
	-----Rupees in '000-----	
<b>24 NET INSURANCE PREMIUM</b>		
Written Gross Premium	11,814,410	8,990,763
Add : Unearned premium reserve opening	4,288,210	2,207,956
Less : Unearned premium reserve closing	(5,677,485)	(4,288,210)
Premium earned	<u>10,425,135</u>	<u>6,910,509</u>
Reinsurance premium ceded	8,148,048	4,960,830
Add : Prepaid reinsurance premium opening	2,286,459	674,741
Less : Prepaid reinsurance premium closing	(3,961,593)	(2,286,459)
Reinsurance expense	<u>6,472,915</u>	<u>3,349,112</u>
	<u>3,952,220</u>	<u>3,561,397</u>
<b>25 NET INSURANCE CLAIMS</b>		
Claim Paid	3,923,285	4,632,194
Add : Outstanding claims including IBNR closing	11,689,910	7,421,722
Less : Outstanding claims including IBNR Opening	(7,421,722)	(12,298,501)
Claims expense	<u>8,191,473</u>	<u>(244,585)</u>
Less : Reinsurance and other recoveries received	3,848,003	106,570
Add : Reinsurance and other recoveries in respect of outstanding claims closing	7,206,827	3,837,320
Less : Reinsurance and other recoveries in respect of outstanding claims opening	(3,837,320)	(4,955,978)
Reinsurance and other recoveries revenue	<u>7,217,511</u>	<u>(1,012,088)</u>
	<u>973,963</u>	<u>767,503</u>

**25.1 Claim Development**

Actual claims compared to last four years will be disclosed as follows if there is still uncertainty about the amount and timing of the claims payments for material claims. The disclosure is not required if there is no change in previous estimates as uncertainty regarding amount of material claim payments do not exist. The disclosed balance may not need to be reconciled with the balance reported in the statement of financial position.

An insurer also need not to disclose this information if uncertainty about the amount and timing of claims payments is usually resolved within one year.

Accident year	2015	2016	2017	2018	2019
Estimate of ultimate claims costs:	55,557	84,472	699,895	608,781	5,227,687
At end of accident year	58,557	99,472	700,895	630,781	3,659,381
One year later	64,413	109,419	770,984	693,859	4,025,319
Two years later	69,566	118,173	832,663	749,368	4,226,585
Three years later	73,044	124,082	874,296	786,836	4,649,244
Four years later	62,087	105,469	743,152	668,811	5,579,092
Current estimate of cumulative claims	2,313,451	58,557	99,472	700,895	5,227,687
Cumulative payments to date	-	-	-	-	-
Liability recognized in the statement of financial position	<u>2,313,451</u>	<u>58,557</u>	<u>99,472</u>	<u>700,895</u>	<u>5,227,687</u>

	2019	2018
	-----Rupees in '000-----	
<b>26 NET COMMISSION AND OTHER ACQUISITION COSTS</b>		
Commission paid or payable	-	-
Add: Deferred commission expense opening	-	-
Less: Deferred commission expense closing	-	-
Net Commission	<u>-</u>	<u>-</u>
Less: Commission received or recoverable	227,386	155,176
Add: Unearned Reinsurance Commission opening	55,589	24,190
Less: Unearned Reinsurance Commission closing	(122,328)	(55,589)
Commission from reinsurers	<u>160,647</u>	<u>123,777</u>
	<u>160,647</u>	<u>123,777</u>

		2019	2018
		-----Rupees in '000-----	
<b>27 MANAGEMENT EXPENSES</b>	<b>Note</b>		
Employee benefit cost	27.1	1,024,265	1,092,273
Traveling expenses		11,953	8,391
Advertisements & sales promotion		5,058	3,991
Printing and stationery		9,443	7,612
Depreciation		105,229	115,133
Amortization of Intangible		108	154
Rent, rates and taxes		9,582	10,154
Legal and professional charges - business related		8,673	7,413
Electricity, gas and water		26,450	37,083
Entertainment		4,387	4,377
Vehicle running expenses		16,663	13,860
Office repairs and maintenance		(32,153)	(29,228)
Bank charges		1,774	2,369
Postages, telegrams and telephone		7,989	7,471
Insurance Expense		9,977	11,216
Annual Supervision fee SECP		9,888	11,182
Policy holder discount		-	4,957
Miscellaneous		94,820	16,112
		<u>1,314,108</u>	<u>1,324,519</u>

*Adler*

NATIONAL INSURANCE COMPANY LIMITED  
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	2019	2018
	-----Rupees in '000-----	
<b>27.1 Employee benefit cost</b>		
Salaries, allowance and other benefits	727,239	527,722
Charges for post employment benefit	297,027	564,551
	<u>1,024,265</u>	<u>1,092,273</u>
<b>28 INVESTMENT INCOME</b>		
Income from equity securities- Held for Trading		
- Dividend income	66,977	122,619
Income from equity securities- Available for Sale		
- Dividend income	55,652	87,887
Held to maturity		
Income from government securities		
- Return on PIBs	1,101,117	1,007,703
- Return on T-Bills	1,908,219	45,509
Income from term deposits		
- Return on term deposits	1,570	358,879
	<u>3,133,536</u>	<u>1,622,596</u>
Net unrealized (losses) on investments		
Held for Trading		
unrealized gain/ (losses) on:		
-Equity securities	51,052	(218,346)
Total investment income	3,184,587	1,404,250
Less: Impairment in value of available for sale securities equity securities	-	(840)
	<u>3,184,587</u>	<u>1,403,410</u>
<b>29 RENTAL INCOME</b>		
Rental income	174,277	240,802
	<u>174,277</u>	<u>240,802</u>
<b>30 OTHER INCOME</b>		
Return on bank balances	354,754	692,906
Gain/ (loss) on sale of fixed assets	8	(117)
FCY (loss)/ gain	(245,212)	566,511
Miscellaneous Income	111,055	641,916
	<u>220,604</u>	<u>1,901,215</u>
<b>31 OTHER EXPENSES</b>		
Legal & professional fee other than business related	3,717	3,177
Auditors' remuneration	1,296	1,296
Salaries and other benefits	484,826	351,815
Charges for post employment benefit	127,297	241,950
Electricity, gas and water	11,336	15,893
Office repairs and maintenance	(13,780)	(12,526)
Depreciation	-	-
Expenses on bonus issue	92,669	141,212
Donations	-	(14)
Others (Please specify separately if more than 5% of total)	-	-
	<u>707,361</u>	<u>742,803</u>
<b>31.1 Auditors' remuneration</b>		
Audit fee	1,296	1,296
Out-of-pocket expenses	-	-
	<u>1,296</u>	<u>1,296</u>

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	2019	2018
	-----Rupees in '000-----	
32 FINANCE COSTS	-	-
33 TAXATION		
For the year		
-Current	1,241,972	1,554,549
-Deferred	-	-
	<u>1,241,972</u>	<u>1,554,549</u>
33.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>4,727,055</u>	<u>4,415,876</u>
Tax charge at enacted tax rate of 29 % (2018 : 29%)	1,370,846	1,280,604
Tax effect of change in tax rate	-	-
Tax effect of loss on revaluation of held for trading	193,537	193,537
Tax effect of expenses that are not deductible in determining the taxable profit	80,127	80,408
Tax effect of super tax	<u>1,644,510</u>	<u>1,554,549</u>

Disclose an explanation of changes in the applicable tax rate compared to the previous accounting period.

	2019	2018
	-----Rupees in '000-----	
34 EARNINGS PER SHARE – BASIC AND DILUTED		
Profit (after tax) for the year	<u>3,485,083</u>	<u>2,861,327</u>
	Number of shares ('000)	
Weighted average number of ordinary shares	200,000	200,000
	-----Rupees-----	
Earnings per share	<u>17.43</u>	<u>14.31</u>

34.1 There is no dilutive effect on basic earnings per share, therefore basic EPS equals to diluted EPS.

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Fees	-	-	5,850	3,450	-	-
Managerial remuneration	-	-	-	-	240,643	342,971
Leave encashment	-	-	-	-	-	2,552
Bonus	-	-	-	-	100,268	93,854
Ex-gratia allowance	-	-	-	-	-	-
Charge for defend benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent and house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Conveyance	-	-	-	-	-	-
Others (to be specified, if material)	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>5,850</u>	<u>3,450</u>	<u>340,911</u>	<u>439,378</u>
Number of persons	<u>-</u>	<u>-</u>	<u>8</u>	<u>14</u>	<u>314</u>	<u>308</u>

35.1 There is no CEO / Acting CEO in the current year and in the prior year ended 31 December 2019.

35.2 No remuneration was paid to directors of the company except for meeting fees.

*Patel*

36 RELATED PARTY TRANSACTIONS

- 36.1 Related party means an entity which has the ability to control the company or exercise significant influence over the company in making financial and operating decisions or vice versa.
- 36.2 Government of Pakistan owns 88% (2017: 88%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. Other related parties comprise subsidiary company, directors, companies with common directorship, key management personnel, NICL employees empowerment trust and employees pension fund. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements
- 36.3 The transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. Accrual of liability in respect of the pension benefit fund is made in accordance with the actuarial advice. The Company does not make any contribution to the provident fund. Remuneration to key management personnel are included in note 34 to these unconsolidated financial statement and are determined in accordance with the terms of their employment / appointment. Certain key management personnel are also provided with free use of the Company maintained vehicles and post retirement benefits in accordance with their entitlement under the terms of their employment.

36.4 Profit oriented state-controlled entities - various

	2019	2018
	-----Rupees in '000-----	
Insurance premium written	11,814,410	8,990,763
Insurance claims paid	3,923,285	4,632,194
Re-insurance ceded	8,148,048	4,960,830
Re-insurance recoveries	3,848,003	106,570

- 36.5 NICL is wholly owned government entity and is required to insured government assets as per Insurance Ordinance 2000, consequently most of the related party transactions are insurance transactions with other government entities. Further, NICL is obtaining facility management fee from its wholly owned subsidiary Civic Centre Company (Private) Limited.

Transactions With Related Parties

	2019	2018
	-----Rupees in '000-----	
<b>Related parties by virtue of common directorship and GOP holdings</b>		
<b>Federal Board of Revenue / Sindh Board of Revenue</b>		
Taxes paid	1,214,625	2,800,870
Central excise duty payable		-
Stamp duty payable		-
Federal insurance fee payable	182,675	165,752
Withholding tax payable		-
<b>Punjab Revenue Board</b>		
Stamp duty receivable/Payable	-	14,705
<b>Securities Exchange Commission of Pakistan</b>		
Rent receivable	86,302	148,603
<b>State Life Insurance Corporation of Pakistan</b>		
Group insurance expense	9,977	1,100
Group insurance payable	497	156
<b>National Engineering Services Pakistan</b>		
Rent received	18,769	17,115
Rent receivable	39,646	30,393
<b>Balances With Related Parties</b>		
Pakistan investment bonds	19,444,791	5,923,718
Treasury Bills	9,544,738	14,708,652
Investments in ordinary shares - market value as at December	1,992,284	1,894,498
<b>Others</b>		
Defined benefit plans	6,303,831	5,981,922

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37 SEGMENT INFORMATION

The following segment information prepared in accordance with the requirements of Insurance Ordinance, 2000 and the Insurance Rules, 2017 for class of business wise revenues, results, assets and liabilities.

2019	Fire and property damage	Marine, Aviation and transport	Motor	Engineering	Miscellaneous	Treaty	Total
-----Rupees in '000-----							
Premium receivable (inclusive of Federal Excise Duty,	1,055,880	3,729,077	1,345	206,732	5,879	-	4,998,913
Gross written premium (inclusive of Administrative Surcharge)	-	-	-	-	-	-	-
Gross direct premium	2,331,263	4,312,574	447,698	4,424,859	298,016	-	11,814,410
Facultative inward premium	-	-	-	-	-	-	-
Administrative surcharge	-	-	-	-	-	-	-
Insurance premium earned	2,331,263	4,312,574	447,698	4,424,859	298,016	-	11,814,410
Insurance premium ceded to reinsurers	2,524,864	3,632,696	555,618	3,508,806	203,151	-	10,425,135
Net insurance premium	955,676	2,684,611	-	2,817,806	14,821	-	6,472,914
Commission income	3,480,540	6,317,307	555,618	6,326,612	217,972	-	3,952,221
Net underwriting income	14,137	40,644	-	105,545	321	-	160,647
Insurance claims	1,583,325	988,729	555,618	796,545	188,651	-	4,112,868
Net claims	1,719,663	(2,364,282)	90,839	1,332,710	195,033	-	973,963
Commission expense	-	-	-	-	-	-	-
Management expenses	1,719,663	(2,364,282)	90,839	1,332,710	195,033	-	973,963
Net insurance claims and expenses	-	-	-	-	-	-	-
Underwriting result	259,305	479,684	49,797	492,174	33,148	-	1,314,108
Net investment income	1,978,968	(1,884,598)	140,636	1,824,884	228,181	-	2,288,070
Rental income	(395,643)	2,873,326	414,982	(1,028,339)	(39,530)	-	1,824,798
Other income	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
(Charge)/Reversal of impairment of investment property	-	-	-	-	-	-	30,150
Share of (loss)/profit of associates	-	-	-	-	-	-	-
Profit before tax	-	-	-	-	-	-	4,727,055
Segment assets	2,838,393	12,686,175	627,719	2,286,767	400,237	-	18,839,291
Unallocated assets	-	-	-	-	-	-	44,765,701
Total Assets	-	-	-	-	-	-	63,604,992
Segment liabilities	2,818,585	9,808,586	421,755	2,305,196	611,059	-	15,965,181
Unallocated liabilities	-	-	-	-	-	-	12,425,294
Total Liabilities	-	-	-	-	-	-	28,390,475

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NATIONAL INSURANCE COMPANY LIMITED  
 NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

2018	Fire and property damage	Marine, Aviation and transport	Motor	Engineering	Miscellaneous	Treaty	Total
	-----Rupees in '000-----						
Premium receivable (inclusive of Federal Excise Duty, Less: Federal Insurance Fee	304,856	1,619,386	6,625	1,456,898	116,000	-	3,503,765
Gross written premium (inclusive of Administrative Surcharge)	-	-	-	-	-	-	-
Gross direct premium	1,930,622	4,162,501	470,084	2,122,141	305,416	-	8,990,763
Facultative inward premium	-	-	-	-	-	-	-
Administrative surcharge	-	-	-	-	-	-	-
	1,930,622	4,162,501	470,084	2,122,141	305,416	-	8,990,763
Insurance premium earned	2,145,104	1,928,530	546,210	1,873,700	416,965	-	6,910,509
Insurance premium ceded to reinsurers	(383,822)	(1,311,423)	-	(1,653,867)	-	-	(3,349,112)
Net insurance premium	1,761,282	617,107	546,210	219,833	416,965	-	3,561,397
Commission income	31,772	18,268	-	73,737	-	-	123,777
Net underwriting income	1,793,054	635,375	546,210	293,570	416,965	-	3,685,174
Insurance claims	164,809	355,335	40,129	181,158	26,072	-	767,503
Commission expense	-	-	-	-	-	-	-
Management expenses	284,419	613,220	69,253	312,634	44,994	-	1,324,519
Net insurance claims and expenses	449,228	968,554	109,382	493,792	71,066	-	2,092,022
Underwriting result	1,343,826	(333,180)	436,828	(200,221)	345,899	-	1,593,152
Net investment income							1,403,410
Rental income							240,802
Other income							1,901,215
Other expenses							(742,803)
Finance costs							-
(Charge)/Reversal of impairment of investment property							20,099
Profit before tax							4,415,876
Segment assets	8,929,450	4,999,007	2,679,960	1,046,842	2,008,110	-	19,663,369
Unallocated assets							32,827,429
Total Assets							52,490,798
Segment liabilities	1,270,236	2,167,955	494,641	856,679	2,001,593	-	6,791,104
Unallocated liabilities							14,862,841
Total Liabilities							21,653,945

37.1 All segments of the Company is confined in the geographical limits of Pakistan.



38 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through P&L	Total
At beginning of previous year	9,841,385	1,765,533	2,115,315	13,722,233
Additions	14,720,573	2,304	(218,345)	14,504,532
Disposals (sale and redemptions)	(3,948,160)	-	-	(3,948,160)
Fair value net gains (excluding net realized gains)	-	-	-	-
Designated at fair value through profit of loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	(840)	-	(840)
At beginning of current year	20,613,798	1,766,997	1,896,970	24,277,764
Additions	82,905,049	-	-	82,905,049
Disposals (sale and redemptions)	(73,351,168)	-	-	(73,351,168)
Fair value net gains (excluding net realized gains)	-	-	51,052	51,052
Designated at fair value through profit of loss upon initial recognition	-	-	-	-
Classified as held for trading	-	-	-	-
Impairment losses	-	-	-	-
At end of current year	30,167,679	1,766,997	1,948,022	33,882,697

39 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The company issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way company manages them.

39.1 INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquake, terrorist activities and other catastrophes.

The Company's risk exposure is mitigated by employing a informal practices to identify, assess, manage and monitor risk. These include implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

a) Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

Concentration of risk

The concentration of risk by type of contracts and major policyholders is summarized below:

	2019				Percentage
	Number of policyholders	Gross sum insured	Premium written	Total premium written	
----- Rupees in '000 -----					
Direct and facultative					
Fire and property damage	10	5,866,695,994	2,037,169	2,280,573	89%
Marine cargo	10	460,029,538	811,894	1,128,411	72%
Marine hull	2	141,403,541	551,407	566,152	97%
Aviation	3	18,579,535	2,783,024	2,890,854	96%
Motor	10	12,525,841	288,026	447,736	64%
Engineering	10	1,293,116,183	4,060,819	4,203,226	97%
Liability and others	9	530,916,882	257,151	297,498	86%
		<u>8,323,267,514</u>	<u>10,789,489</u>	<u>11,814,451</u>	
-----					
	2018				Percentage
	Number of policyholders	Gross sum insured	Premium written	Total premium written	
----- Rupees in '000 -----					
Direct and facultative					
Fire and property damage	10	2,022,372,969	1,684,961	1,947,677	87%
Marine cargo	10	747,071,510	881,459	1,080,783	82%
Marine hull	2	32,356,274	86,358	117,016	74%
Aviation	3	54,255,333	3,035,976	3,079,490	99%
Motor	10	12,750,734	297,049	470,084	63%
Engineering	10	2,041,218,702	2,003,395	2,112,550	95%
Liability and others	9	596,196,218	247,460	305,214	81%
		<u>5,506,221,740</u>	<u>8,236,658</u>	<u>9,112,814</u>	

The above disclosed figures are ascertained on tentative basis with an object to reflect Company's major risk exposures.

b) Sources of uncertainty in estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

c) Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserves is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed in separate, case to case basis, with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and updated as and when new information is available.

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

d) Changes in assumptions

The company did not change its assumptions for the insurance contracts as disclosed in above (b) and (c)

e) Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	2019		2018	
	Pre tax profit	Shareholder's equity	Pre tax profit	Shareholder's equity
	Rupees in '000			
<b>10% increase in claims liability net:</b>				
Fire and property damage	(435,207)	(265,476)	1,478,209	901,707
Marine, aviation and transport	3,160,659	1,928,002	(366,498)	(223,564)
Motor	456,480	278,453	480,511	293,112
Engineering	(1,131,173)	(690,015)	(220,244)	(134,349)
Miscellaneous	(43,482)	(26,524)	380,489	232,098
	<b>2,007,278</b>	<b>1,224,439</b>	<b>1,752,468</b>	<b>1,069,005</b>
<b>10% decrease in claims liability net:</b>				
Fire and property damage	(356,078)	(217,208)	1,209,443	737,761
Marine, aviation and transport	2,585,994	1,577,456	(299,862)	(182,916)
Motor	373,484	227,825	393,146	239,819
Liability	(925,505)	(564,558)	(180,199)	(109,922)
Miscellaneous	(35,577)	(21,702)	311,309	189,899
	<b>1,642,318</b>	<b>1,001,814</b>	<b>1,433,837</b>	<b>874,641</b>

39.1.1 Reinsurance risk

Reinsurance ceded does not relieve the Company from its obligation towards policy holders and, as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

An analysis of all reinsurance assets recognized by the rating of the entity from which it is due are as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2019	2018
	Rupees in '000				
A or above (including Pakistan Reinsurance Company Limited)	-	7,206,827	3,961,593	11,168,420	6,123,780
Total	-	7,206,827	3,961,593	11,168,420	6,123,780

39.1.2 Geographical concentration of insurance risk

The company does not have a formal mechanism for monitoring and management of concentration of insurance risk, except for timely arrangement of reinsurance. The Company has determined amount/ratio of retention for each significant client and accordingly obtain reinsurance cover for the policies.

39.2 FINANCIAL RISK

Introduction and overview

The Company has exposure to the following risks from financial instruments that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends:

- Market risk, comprising of price risk, interest rate risk and foreign currency risk
- Credit risk
- Liquidity risk

39.2.1 Financial risk factors and risk management framework

The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on limits established by the internal controls set on different activities of the Company.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees for developing risk management policies and its monitoring.

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments. As at year end, total exposure against investment amounts to Rs. 3,645 million (2017: Rs. 3,864 million).

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and debt securities. In addition, the Company actively monitors the key factor that affect stock exchange.



**Sensitivity analysis**

The table below summarizes the Company's equity price risk as of December 31, 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in price	Hypothetical increase / (decrease) in shareholder's equity	Hypothetical increase / (decrease) in profit / (loss) before tax
	Rupees in '000				
December 31, 2019	5,403,380	10% increase 10% decrease	5,943,719 4,863,042	329,606 (329,606)	540,338 (540,338)
December 31, 2018	3,645,395	10% increase 10% decrease	4,009,934 3,280,855	222,369 (222,369)	364,539 (364,539)

**(b) Interest rate risk**

Interest risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark-up rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to interest rate risk in respect of the following:

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees in '000						
<b>FINANCIAL ASSETS</b>							
Cash	2,878,070	-	2,878,070	151,216	-	151,216	3,029,286
Investments	-	5,997,373	5,997,373	5,403,380	-	5,403,380	11,400,753
Loans and other Receivables	-	-	-	2,645,732	55,258	2,700,989	2,700,989
Insurance/Reinsurance Receivable	-	-	-	5,064,543	-	5,064,543	5,064,543
Reinsurance recoveries against outstanding claims	-	-	-	7,206,827	-	7,206,827	7,206,827
December 31, 2019	2,878,070	5,997,373	8,875,443	20,471,699	55,258	20,526,956	29,402,399
<b>FINANCIAL LIABILITIES</b>							
Underwriting provisions for outstanding claims including IBNR	-	-	-	11,689,910	-	11,689,910	11,689,910
Premium Received in advance	-	-	-	310,905	-	310,905	310,905
Insurance/Reinsurance payable	-	-	-	3,189,745	-	3,189,745	3,189,745
Other creditors and accruals	-	-	-	-	-	-	-
December 31, 2019	-	-	-	15,190,560	-	15,190,560	15,190,560
December 31, 2019	2,878,070	5,997,373	8,875,443	35,662,258	55,258	35,717,516	44,592,959

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees in '000						
<b>FINANCIAL ASSETS</b>							
Cash	5,771,709	-	5,771,709	4,167,461	-	4,167,461	9,939,170
Investments	-	-	-	3,645,394	-	3,645,394	3,645,394
Loans and other Receivables	-	-	-	1,760,595	55,459	1,816,055	1,816,055
Insurance/Reinsurance Receivable	-	-	-	3,497,717	-	3,497,717	3,497,717
Reinsurance recoveries against outstanding claims	-	-	-	3,837,320	-	3,837,320	3,837,320
December 31, 2018	5,771,709	-	5,771,709	16,908,487	55,459	16,963,947	22,735,655
<b>FINANCIAL LIABILITIES</b>							
Underwriting provisions for outstanding claims including IBNR	-	-	-	7,421,722	-	7,421,722	7,421,722
Premium Received in advance	-	-	-	371,781	-	371,781	371,781
Insurance/Reinsurance payable	-	-	-	2,091,624	-	2,091,624	2,091,624
Other creditors and accruals	-	-	-	-	-	-	-
December 31, 2018	-	-	-	9,885,127	-	9,885,127	9,885,127
December 31, 2018	5,771,709	-	5,771,709	26,793,614	55,459	26,849,074	32,620,782

**(c) Foreign exchange risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company principal transactions are carried out in Pakistani Rupee and its exposure to foreign exchange risk arises primarily with respect to US Dollar and UK Pound. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs. 3.26 (2018: Rs. 2.3 billion billion) and Rs. 8.39 billion (2018: Rs. 500 million) respectively, at the end of the year. The Company has made appropriate policies to manage foreign exchange risk.

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39.3 Credit risk and concentration of credit risk

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligation in the similar manner.

The Company attempts to control credit risk by monitoring credit exposures by undertaking transaction with the large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties. The management monitors exposure to credit risk through regular review of credit exposure and prudent estimates of provisions to doubtful receivables. Further, the major insurance business customers of the Company are government entities, as all government entities are required under the Insurance Ordinance, 2000 to make their insurance arrangements with NiCL.

The Company is exposed to the credit risk in respect of the following financial assets:

Financial assets	Note	2019		2018	
		Carrying amount	Exposed to credit risk	Carrying amount	Exposed to credit risk
		Rupees in '000			
Cash and bank	17	3,029,286	3,029,286	9,939,170	9,939,170
Investments	8, 9, 10 & 11	35,916,470	35,916,470	24,636,323	24,636,323
Loans and other Receivables	12	2,700,989	2,700,989	1,816,055	1,816,055
Insurance/Reinsurance Receivable	13	5,064,543	5,064,543	3,497,717	3,497,717
Reinsurance recoveries against outstanding claims	25	7,206,827	7,206,827	3,837,320	3,837,320
		<u>53,918,115</u>	<u>53,918,115</u>	<u>43,726,585</u>	<u>43,726,585</u>

The financial assets as at the year end included Rs. 28.99 billion (2018: Rs.24.6 billion) which have been invested in risk free government securities. For the remaining financial assets of Rs. 23.31 billion (2018: Rs.24.6 billion), the Company attempts to control credit risk by monitoring the credit exposure, limiting transaction with specific customers and continuing assessment of credit worthiness of the customers

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating Agency	2019	2018
	Short term	Long term			
Rupees in '000					
Allied Bank Limited	A1+	AAA	PACRA	2	2
Habib Bank Limited	A-1+	AAA	JCR-VIS	226,906	3,695,104
MCB Bank Limited	A1+	AAA	PACRA	113	113
National Bank of Pakistan Limited	A1+/A-1+	AAA/AAA	PACRA/ JCR-VIS	2,667,876	6,242,974
United National Bank Limited	A-1+	AAA	JCR-VIS	1,067	1,067
Bank of Punjab	A1+	AA	PACRA	(101)	(101)
National Savings Account	A1+/A-1+	AAA/AAA	PACRA/ JCR-VIS	11	11
				<u>2,895,874</u>	<u>9,939,169</u>

39.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its funding requirements. To guard against this risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure that adequate liquidity is maintained.

The following are the contractual maturities of financial liabilities:

Financial Liabilities	2019		
	Carrying Amount	Upto one year	Greater than one year
outstanding claims including IBNR	11,689,910	11,689,910	-
Insurance/Reinsurance payable	3,189,745	3,189,745	-
Other creditors and accruals	1,096,271	1,096,271	-
	<u>15,975,926</u>	<u>15,975,926</u>	<u>-</u>
2018			
Financial Liabilities	Carrying Amount	Upto one year	Greater than one year
outstanding claims including IBNR	7,421,722	7,421,722	-
insurance/Reinsurance payable	2,091,624	2,091,624	-
Other creditors and accruals	1,443,097	1,443,097	-
	<u>10,956,443</u>	<u>10,956,443</u>	<u>-</u>

40 Capital management

Capital management objectives and requirements related to regulatory, solvency and paid up capital requirements are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These objectives and requirements are put in place to ensure sufficient solvency margins. Further, objective are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support business objectives, maximize shareholders value and provide returns for benefits for other stakeholders.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares.

The Company is financed by internal sources and is compliant with the externally imposed capital requirements as set by the SECP. Minimum paid-up capital requirement for non-life insurers was Rs. 300 million in December 31, 2015. It has been raised to Rs. 500 million in December 31, 2017. The Company's current paid-up capital of Rs. 2,000 million is well in excess of the limit prescribed by the SECP.

There were no changes to Company's approach to capital management during the year.



	2019	2018
	----- Rupees in '000 -----	
<b>41 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>41.1 Financial assets as per balance sheet</b>		
Held-to-maturity		
-Investment in Debt securities		
Pakistan Investment Bonds	19,444,791	5,923,718
Term deposit certificates	1,165,000	-
	20,609,791	5,923,718
Held-for-trading		
- Ordinary / preference shares of listed companies	1,994,540	1,896,969
Available-for-sale		
-Investment in Equity securities		
Ordinary shares of listed companies	27,069	27,069
Mutual funds	1,728,245	1,721,357
	1,755,314	1,748,426
Loans and receivables at amortized cost		
- Loans and other receivables	2,700,989	1,816,055
- Insurance / reinsurance receivables	5,064,543	3,497,717
- Reinsurance recoveries against outstanding claims	7,206,827	3,837,320
- Cash and bank balances	3,029,286	9,939,170
	18,001,645	19,090,261
	42,361,291	28,659,374
<b>41.2 Financial liabilities as per balance sheet</b>		
Financial liabilities measured at amortized cost		
- Premium received in advance	310,905	371,781
- Insurance / reinsurance payables	3,189,745	2,091,624
- Other creditors and accruals	1,096,271	1,443,098
	4,596,921	3,906,503

**42 FAIR VALUE OF FINANCIAL INSTRUMENTS**

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

42.1 All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly observable (i.e. derived from prices).

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Following are the assets where fair value is only disclosed and is different from their carrying value:

	2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Land	-	-	-	-
Buildings	-	-	-	-
Investment classified as held for trading	1,994,540	-	-	1,994,540
Investment classified as held to maturity	-	-	-	-
Investment classified as available for sale	1,755,314	-	-	1,755,314
	3,749,854	-	-	3,749,854
	2018			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Land	-	-	-	-
Buildings	-	-	-	-
Investment classified as held for trading	1,896,968	-	-	1,896,968
Investment classified as held to maturity	-	-	-	-
Investment classified as available for sale	1,748,426	-	-	1,748,426
	3,645,394	-	-	3,645,394

42.2 The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Company as 'held to maturity'. Quoted securities classified as held to maturity are carried at cost. Fair value of unquoted equity investments other than investments in subsidiaries is determined on the basis of break up value of these investments as per the latest available audited financial statements.

- a) Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.
- b) Financial instruments included in level 2 comprise of Pakistan Investment Bonds, Market Treasury Bills, Term Deposit Certificates and Term Finance Certificates.

*[Handwritten signature]*

NATIONAL INSURANCE COMPANY LIMITED  
 NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

43 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to align them with the presentation requirements of the Insurance Accounting Regulations, 2017.

44 NUMBER OF EMPLOYEES

	2019	2018
	(Number)	
As at 31 December	<u>610</u>	<u>595</u>
Average number of employees during the year	<u>590</u>	<u>600</u>

45 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue in the Board of Directors meeting held on

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46 GENERAL

The figures in the financial statements may be rounded off to the nearest thousand rupees unless otherwise stated.

*Rohit*

  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Chairman