

**NEW HAMPSHIRE INSURANCE  
COMPANY - PAKISTAN BRANCH**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**AUDITORS' REPORT TO THE DIRECTORS**

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of cash flows;
- (iv) statement of premiums;
- (v) statement of claims;
- (vi) statement of expenses; and
- (vii) statement of investment income

of **New Hampshire Insurance Company – Pakistan Branch (the Branch)** as at **December 31, 2012** together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Branch's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

In our opinion:

- (a) proper books of accounts have been kept by the Branch as required by the Insurance Ordinance, 2000;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Branch;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Branch's affairs as at December 31, 2012 and of the profit and its cash flows for the year then ended, in accordance with the approved accounting standards as applicable in Pakistan, and the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: April 30, 2013

Karachi

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <[www.pwc.com/pk](http://www.pwc.com/pk)>

Lahore: 23-C, Azis Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

**NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2012**

	Note	2012	2011
		Rupees in '000	
Head office account	7	1,194,991	1,002,279
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		318,476	96
Provision for unearned premium		479,982	196,576
Commission income unearned		97,824	910,000
<b>Total underwriting provisions</b>		<b>896,282</b>	<b>1,106,672</b>
<b>Creditors and accruals</b>			
Amounts due to other insurers / reinsurers	8	632,819	89,214
Accrued expenses	9	45,664	218,933
Other creditors and accruals	10	69,836	11,483
		813,771	25,916
<b>TOTAL LIABILITIES</b>		<b>1,769,511</b>	<b>1,043,546</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,964,502</b>	<b>2,753,760</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
Cash and bank deposits	12	183	96
Cash and other equivalent		251,049	196,576
Current and other bank accounts		1,055,000	910,000
Deposits maturing within 12 months		1,306,232	1,106,672
<b>Investments</b>	13	<b>525,338</b>	<b>529,831</b>
<b>Deferred taxation</b>	14	<b>7,319</b>	<b>10,075</b>
<b>Security deposits</b>		<b>2,800</b>	<b>3,301</b>
<b>Other Assets</b>			
Premium due but unpaid	15	138,224	89,214
Amounts due from other insurers / reinsurers	16	198,053	218,933
Salvage recoveries accrued		4,498	11,483
Accrued income on investment and deposits	17	22,568	25,916
Reinsurance recoveries against outstanding claims	18	286,276	219,137
Taxation - payments less provision	19	20,358	49,402
Deferred commission expense		65,466	73,785
Prepayments	20	316,367	347,594
Loans to employees - unsecured - considered good	21	3,974	4,903
Sundry receivables	22	4,750	3,179
		1,060,534	1,043,546
<b>Fixed Assets</b>			
<b>Tangible and Intangible assets</b>			
Leasehold improvements		10,310	7,842
Furniture and fittings		9,257	9,100
Office equipment		5,458	4,051
Computers and EDP equipment		1,665	2,647
Vehicles		25,002	18,412
Software		727	5,910
Capital work-in-progress		9,860	12,373
	23	62,279	60,335
<b>TOTAL ASSETS</b>		<b>2,964,502</b>	<b>2,753,760</b>

*Alto*  
 Manager for Pakistan / Principal Officer

*[Signature]*  
 Chief Financial Officer

*[Signature]*  
 Assistant General Manager


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

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2012	2011
(Rupees in '000)							
<b>Revenue Account</b>							
	11,633	26,040	277,948	112,924	8,441	436,986	443,395
Net Premium Revenue							
Net Claims	(1,784)	(26,015)	(198,607)	(41,947)	(1,840)	(270,193)	(268,243)
Management Expenses	24 (29,930)	(9,620)	(51,309)	(13,896)	(2,138)	(106,893)	(147,338)
Net Commission	125,712	17,802	(36,141)	(27,512)	2,199	82,060	39,015
	93,998	(17,833)	(286,057)	(83,355)	(1,779)	(295,026)	(376,566)
<b>Underwriting Results</b>	105,631	8,207	(8,109)	29,569	6,662	141,960	66,829
Investment income - net						181,894	177,545
Other income - net	25					118,193	84
General and administration expenses	26					(147,228)	(136,311)
<b>Profit before taxation</b>						294,819	108,147
Taxation	27					(102,107)	(33,926)
<b>Profit after taxation</b>						192,712	74,221

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

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 Manager for Pakistan / Principal Officer

  
 Chief Financial Officer

  
 Assistant General Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	----- Rupees in '000 -----	
<b>OPERATING CASH FLOWS</b>		
(a) <b>Underwriting activities</b>		
Premiums received	1,385,271	1,288,140
Reinsurance premiums paid	(1,041,445)	(1,626,127)
Claims paid	(483,323)	(437,124)
Reinsurance and other recoveries received	312,406	717,722
Commissions paid	(181,192)	(196,489)
Commissions received	327,589	522,698
<b>Net cash generated from underwriting activities</b>	<b>319,306</b>	<b>268,820</b>
(b) <b>Other operating activities</b>		
Income tax paid	(70,307)	(28,184)
General and administrative expenses and management expenses paid - net	(212,739)	(204,897)
<b>Net cash flow from other operating activities</b>	<b>(283,046)</b>	<b>(233,081)</b>
<b>Net cash generated from all operating activities</b>	<b>36,260</b>	<b>35,739</b>
<b>INVESTMENT ACTIVITIES</b>		
Profit / return received	175,651	178,443
Dividends received	6,617	6,724
Investment in term deposit receipt	(145,000)	(310,000)
Proceeds from redemption of investments	550,000	656,204
Investments made during the year	(542,533)	(429,364)
Fixed capital expenditure	(28,041)	(25,009)
Proceeds from disposal of fixed assets	1,606	1,015
<b>Net cash generated from investing activities</b>	<b>18,300</b>	<b>78,013</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>54,560</b>	<b>113,752</b>
Cash and cash equivalents at the beginning of the year	196,672	82,920
<b>Cash and cash equivalents at the end of the year</b>	<b>251,232</b>	<b>196,672</b>
<b>Reconciliation to Profit and Loss Account</b>		
Operating cash flows	36,260	35,739
Depreciation expense	(16,111)	(22,053)
Amortisation	(5,183)	(5,606)
Investment income	181,894	177,545
(Loss) / gain on disposal of fixed assets	(3,197)	84
Increase in assets other than cash	17,079	43,799
Increase in liabilities	(18,030)	(155,287)
<b>Profit after taxation for the year</b>	<b>192,712</b>	<b>74,221</b>

**Definition of cash**

Cash comprises of cash in hand, stamps, 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.

	2012	2011
	----- Rupees in '000 -----	
<b>Cash and cash equivalents for the purposes of the Statement of Cash Flows consists of:</b>		
- cash and other equivalents	183	96
<b>Current and other bank accounts</b>		
- current accounts	-	79,683
- saving accounts	251,049	116,893
<b>Cash and cash equivalents for the purpose of Statement of Cash Flows</b>	<b>251,232</b>	<b>196,672</b>

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

  
Manager for Pakistan / Principal Officer

  
Chief Financial Officer

  
Assistant General Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF PREMIUMS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Business underwritten inside Pakistan

Class	Premiums written		Unearned premium reserve		Premiums earned	Reinsurance ceded		Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
	Opening	Closing	Opening	Closing		Opening	Closing	2012	2011			
Rupees in '000												
<b>Direct and Facultative</b>												
Fire and property	798,128	317,713	293,597	822,244	782,999	314,304	286,692	810,611	11,633	8,248		
Marine, aviation and transport	127,859	8,313	17,174	118,998	104,906	2,494	14,442	92,958	26,040	80,643		
Motor	297,726	103,837	116,366	285,197	7,248	3	2	7,249	277,948	237,541		
Accident and health	122,504	34,292	29,765	127,031	11,842	5,694	3,429	14,107	112,924	110,562		
Miscellaneous	53,384	15,827	9,196	60,015	44,958	15,023	8,407	51,574	8,441	6,401		
<b>Total</b>	<b>1,399,601</b>	<b>479,982</b>	<b>466,098</b>	<b>1,413,485</b>	<b>951,953</b>	<b>337,518</b>	<b>312,972</b>	<b>976,499</b>	<b>436,986</b>	<b>443,395</b>		

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

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Manager for Pakistan / Principal Officer



Chief Financial Officer



Assistant General Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF CLAIMS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Business underwritten inside Pakistan

Class	Total claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2012	2011
Rupees in '000										
<b>Direct and Facultative</b>										
Fire and property	159,097	207,825	236,388	187,660	162,279	201,042	224,639	185,876	1,784	2,019
Marine, aviation and transport	79,966	34,439	28,403	73,930	44,972	9,657	12,600	47,915	26,015	47,517
Motor	181,493	27,796	44,910	198,607	-	-	-	-	198,607	154,632
Accident and health	58,218	42,162	34,693	50,749	10,577	3,174	1,399	8,802	41,947	63,589
Miscellaneous	4,549	6,254	51,548	49,843	5,629	5,264	47,638	48,003	1,840	486
<b>Total</b>	<b>483,323</b>	<b>318,476</b>	<b>395,942</b>	<b>560,789</b>	<b>223,457</b>	<b>219,137</b>	<b>286,276</b>	<b>290,596</b>	<b>270,193</b>	<b>268,243</b>

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

*Alto*

  
Manager for Pakistan / Principal Officer

  
Chief Financial Officer

  
Assistant General Manager

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
STATEMENT OF EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

Business underwritten inside Pakistan

Class	Commissions paid or payable		Deferred commission		Commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
	Opening	Closing	Opening	Closing					2012	2011
Rupees in '000										
<b>Direct and Facultative</b>										
Fire and property	107,667	48,042	39,656	116,053	29,930	145,983	241,765	(95,782)	(48,544)	
Marine, aviation and transport	9,569	445	1,307	8,707	9,620	18,327	26,509	(8,182)	7,266	
Motor	38,303	13,210	15,372	36,141	51,309	87,450	-	87,450	85,570	
Accident and health	29,257	9,281	7,355	31,183	13,896	45,079	3,671	41,408	57,725	
Miscellaneous	10,117	2,807	1,776	11,148	2,138	13,286	13,347	(61)	6,306	
<b>Total</b>	<b>194,913</b>	<b>73,785</b>	<b>65,466</b>	<b>203,232</b>	<b>106,893</b>	<b>310,125</b>	<b>285,292</b>	<b>24,833</b>	<b>108,323</b>	

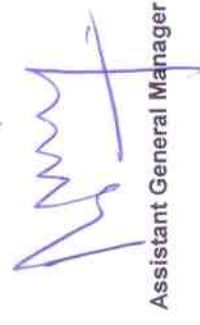
Note: Commission from reinsurers is net of opening and closing unearned commission of Rs 97,824 thousand and Rs 93,700 thousand respectively.

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

*Alto*

  
Manager for Pakistan / Principal Officer

  
Chief Financial Officer

  
Assistant General Manager



NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH  
 STATEMENT OF INVESTMENT INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2012

2012                      2011  
 ----- Rupees in '000 -----

Income from non-trading investments

Held to maturity		
Return on government securities	51,728	79,566
Available for sale		
Dividend income	6,617	6,724
Return on term deposits and balances with bank	121,065	91,977
	179,410	178,267
Reversal of provision / (provision) against diminution in the value of available-for-sale investments	2,484	(722)
Net investment income	181,894	177,545

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

Manager for Pakistan / Principal Officer

Chief Financial Officer

Assistant General Manager

**1 STATUS AND NATURE OF BUSINESS**

New Hampshire Insurance Company - Pakistan (the Branch) is a Branch operation of New Hampshire Insurance Company (the Head Office), incorporated in the United States of America with limited liability, having its registered office at 2005 Market Street, Philadelphia, Pennsylvania. The ultimate parent of the Head Office is American International Group, Inc. The registered office of the Pakistan Branch is located at 1st Floor, Dadex House 34-A/1, Block 6 PECHS Shahrah-e-Faisal, Karachi. The Branch is engaged in General Insurance business under the Insurance Ordinance, 2000 and operates through 4 sales offices (2011: 5) in Pakistan.

**2 BASIS OF PRESENTATION**

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

**3 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the said directives prevail.

The SECP has allowed insurance companies to defer the application of International Accounting Standard (IAS) -39 "Financial Instruments: Recognition and Measurement" in respect of valuation of investments classified as available-for-sale. The accounting policy in respect of available-for-sale investments is stated in note 5.8.

**4 ACCOUNTING CONVENTION**

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value.

**5 SIGNIFICANT ACCOUNTING POLICIES**

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

**5.1.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:**

There are certain new and amended standards and interpretations that are mandatory for the Branch's accounting period beginning on or after January 1, 2012 but are considered not to be relevant or to have any significant effect on the Branch's operations and are, therefore, not disclosed in these financial statements.

**5.1.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning January 1, 2012 and not early adopted:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments will have no impact on the financial statements of the Branch.

*Adho*

