NEW HAMPSHIRE INSURANCE COMPANY – PAKISTAN BRANCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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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, 2015** 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) proper books of accounts have been kept by the Branch as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Branch and are further in accordance with accounting policies consistently applied;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Branch's affairs as at December 31, 2015 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 give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

(d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

AFF & Co

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: April 28, 2016
Karachi

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NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	2015	2014
		Rupees in '000	
Head office account	7	985,638	1,245,836
Underwriting provisions			
Provision for outstanding claims (including IBNR)		359,453	451,256
Provision for premium deficiency		873	-
Provision for unearned premium		591,120	672,012
Commission income unearned		170,320	124,793
Total underwriting provisions		1,121,766	1,248,061
Creditors and accruals			
Amounts due to other insurers / reinsurers	8	930,882	917,880
Accrued expenses	9	100,725	111,082
Other creditors and accruals	10	80,682	81,926
		1,112,289	1,110,888
TOTAL LIABILITIES		2,234,055	2,358,949
TOTAL EQUITY AND LIABILITIES		3,219,693	3,604,785
CONTINGENCIES AND COMMITMENTS	12		

	Note	2015	2014
		Rupees in '000	
Cash and bank deposits	13		
Cash and other equivalents		1,971	1,011
Current and other bank accounts		42,507	125,888
Deposits maturing within 12 months		150,000	816,850
		194,478	943,749
Investments	14	1,388,050	1,085,121
Deferred taxation	15	8,218	8,789
Security deposits		3,149	3,219
Other Assets			
Premium due but unpaid	16	106,280	246,855
Amounts due from other insurers / reinsurers	17	459,670	401,527
Salvage recoveries accrued		5,751	3,535
Accrued income on investments and deposits	18	26,803	47,426
Reinsurance recoveries against outstanding claims	19	269,927	301,313
Taxation - payments less provision	20	72,559	24,756
Deferred commission expense		83,936	85,674
Prepayments	21	562,317	415,197
Loans to employees - unsecured - considered good	22	4,040	3,267
Sundry receivables	23	2,057	692
		1,593,340	1,530,242
Fixed Assets			
Tangible and Intangible assets			
Leasehold improvements		3,161	5,456
Furniture and fittings		4,571	6,335
Office equipment		2,452	3,874
Computers and EDP equipment		7,477	1,500
Vehicles		14,797	16,473
Software		-	27
	24	32,458	33,665
TOTAL ASSETS		3,219,693	3,604,785

The annexed notes 1 to 36 form an integral part of these financial statements.

Manager for Pakistan / Principal Officer

Assistant General Manager

Chief Financial Officer

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	Fire and property	Marine, aviation and transport	Motor	Accident and health	Miscellaneous	2015	2014
		(Rupees in '000)						
Revenue Account								
Net Premium Revenue		5,789	28,585	284,025	75,306	3,073	396,778	606,613
Net Claims		(352)	(9,331)	(208,788)	(45,859)	(715)	(265,045)	(418,815)
Premium deficiency reserve		-	-	-	(873)	-	(873)	-
Management Expenses	25	(91,970)	(16,467)	(18,172)	(9,687)	(3,978)	(140,274)	(101,691)
Net Commission		163,109	22,988	(31,765)	(16,813)	4,855	142,374	99,141
		70,787	(2,810)	(258,725)	(73,232)	162	(263,818)	(421,365)
Underwriting Results		76,576	25,775	25,300	2,074	3,235	132,960	185,248
Investment income - net							158,131	262,150
Other income / (charges) - net	26						10,839	(4,007)
General and administration expenses	27						(123,640)	(141,697)
Profit before taxation							178,290	301,694
Taxation	28						(60,345)	(89,672)
Profit after taxation							117,945	212,022

The annexed notes 1 to 36 form an integral part of these financial statements.

Manager for Pakistan / Principal Officer | **Assistant General Manager** | **Chief Financial Officer**

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	Rupees in '000	
OPERATING CASH FLOWS		
(a) Underwriting activities		
Premiums received	1,469,812	1,637,390
Reinsurance premiums paid	(1,178,848)	(1,138,392)
Claims paid	(699,407)	(1,429,775)
Reinsurance and other recoveries received	285,239	1,050,174
Commissions paid	(199,112)	(216,559)
Commissions received	404,156	331,748
Net cash generated from underwriting activities	81,840	234,586
(b) Other operating activities		
Income tax paid	(107,577)	(110,478)
General and administrative expenses and management expenses paid - net	(214,577)	(206,186)
Net cash flow from other operating activities	(322,154)	(316,664)
Net cash used in operating activities	(240,314)	(82,078)
INVESTMENT ACTIVITIES		
Profit / return received	171,237	152,159
Dividends received	5,133	5,566
Investment in term deposit receipt	666,850	93,150
Proceeds from disposal of investments - available for sale	-	72,469
Proceeds from redemption of investments	3,819,098	3,027,298
Investments made during the year	(4,119,643)	(3,392,230)
Fixed capital expenditure	(15,304)	(2,416)
Proceeds from disposal of fixed assets	8,665	4,251
Net cash generated from / (used in) investing activities	536,036	(39,753)
FINANCING ACTIVITIES		
Remittance made to Head Office	(378,143)	-
Net cash used in financing activities	(378,143)	-
Net decrease in cash and cash equivalents during the year	(82,421)	(121,831)
Cash and cash equivalents at the beginning of the year	126,899	248,730
Cash and cash equivalents at the end of the year	44,478	126,899
Reconciliation to Profit and Loss Account		
Operating cash flows	(240,314)	(82,078)
Depreciation expense	(12,105)	(14,839)
Amortisation	(27)	(93)
Provision for doubtful debts	(20,118)	-
Investment income	158,131	262,150
Gain on disposal of fixed assets	4,286	2,651
(Decrease) / Increase in assets other than cash	103,198	(253,865)
Decrease / (Increase) in liabilities	124,894	298,096
Profit after taxation for the year	117,945	212,022

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.

	2015	2014
	Rupees in '000	
Cash and cash equivalents for the purposes of the Statement of Cash Flows consists of:		
- cash and other equivalents	1,971	1,011
Current and other bank accounts		
- saving accounts	42,507	125,888
Cash and cash equivalents for the purpose of Statement of Cash Flows	44,478	126,899

The annexed notes 1 to 36 form an integral part of these financial statements.

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2015

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		2015	2014
	Rupees in '000									
Direct and Facultative										
Fire and property	1,062,172	401,451	480,844	982,779	1,082,641	367,044	472,695	976,990	5,789	25,197
Marine, aviation and transport	181,116	41,741	58,248	164,609	151,821	32,221	48,018	136,024	28,585	28,154
Motor	110,314	180,560	4,187	286,687	2,662	2	2	2,662	284,025	411,021
Accident and health	54,347	35,797	8,654	81,490	4,145	2,171	132	6,184	75,306	135,110
Miscellaneous	59,530	12,463	39,187	32,806	58,006	10,452	38,725	29,733	3,073	7,131
Total	1,467,479	672,012	591,120	1,548,371	1,299,275	411,890	559,572	1,151,593	396,778	606,613

The annexed notes 1 to 36 form an integral part of these financial statements.

Manager for Pakistan / Principal Officer

Assistant General Manager

Chief Financial Officer

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2015

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		2015	2014
	Rupees in '000									
Direct and Facultative										
Fire and property	326,577	293,407	269,593	302,763	338,114	265,967	230,264	302,411	352	16,718
Marine, aviation and transport	36,402	45,412	53,555	44,545	28,290	32,491	39,415	35,214	9,331	17,669
Motor	248,021	51,551	12,318	208,788	-	-	-	-	208,788	287,318
Accident and health	86,261	60,165	23,788	49,884	6,038	2,013	-	4,025	45,859	96,724
Miscellaneous	2,146	721	199	1,624	1,503	842	248	909	715	386
Total	699,407	451,256	359,453	607,604	373,945	301,313	269,927	342,559	265,045	418,815

The annexed notes 1 to 36 form an integral part of these financial statements.

Manager for Pakistan / Principal Officer

Assistant General Manager

Chief Financial Officer

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

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					2015	2014
	Rupees in '000								
Direct and Facultative									
Fire and property	157,956	50,125	71,578	136,503	91,970	228,473	299,612	(71,139)	(122,204)
Marine, aviation and transport	17,892	3,555	5,838	15,609	16,467	32,076	38,597	(6,521)	(12,934)
Motor	10,233	21,926	394	31,765	18,172	49,937	-	49,937	91,082
Accident and health	11,475	8,647	1,893	18,229	9,687	27,916	1,416	26,500	50,915
Miscellaneous	6,405	1,421	4,233	3,593	3,978	7,571	8,448	(877)	(4,309)
Total	203,961	85,674	83,936	205,699	140,274	345,973	348,073	(2,100)	2,550

Note: Commission from reinsurers is net of opening and closing unearned commission of Rs 124,793 thousand and Rs 170,320 thousand respectively.

The annexed notes 1 to 36 form an integral part of these financial statements.

Manager for Pakistan / Principal Officer

Assistant General Manager

Chief Financial Officer

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	Rupees in '000	
Income from non-trading investments		
Held to maturity		
Return on government securities	104,603	88,825
Available for sale		
Dividend income	5,133	5,566
Return on term deposits and balances with bank	48,395	97,486
Gain on sale of non-trading investments	-	70,273
	158,131	262,150
Net investment income	158,131	262,150

The annexed notes 1 to 36 form an integral part of these financial statements.

Manager for Pakistan / Principal Officer

Assistant General Manager

Chief Financial Officer

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 1 sale office (2014: 4) in Pakistan.

2 BASIS OF PRESENTATION

These financial statements have been prepared on the format of financial statements for insurance companies issued by the Securities and Exchange Commission of Pakistan through the Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide S.R.O. 938 (1) /2002 dated December 12, 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (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 5.8.1 to these financial statements.

3 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.

4 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Branch operates. The financial statements are presented in Pakistani Rupees, which is the Branch's functional and presentation currency.

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.

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

IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The amendment does not impact the financial statements of the Branch as in the case of available for sale investments, the equity securities are carried at lower of cost or market value in line with SEC (Insurance) Rules, 2002 (refer note 5.8.13).

There are certain new and amended standards and interpretations that are mandatory for the Branch's accounting periods beginning on or after January 1, 2015 but are considered not be to relevant or to have any significant effect on the Branch's operations and are, therefore, not disclosed in these financial statements.

5.1.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new and amended standards, interpretations and amendments that are mandatory for the Branch's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or will not have any significant effect on the Branch's operations and are therefore, not detailed in these financial statements.

5.1.4 Insurance contracts

Insurance contracts are those contracts where the branch (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and liabilities are extinguished or expired.

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

5.2 Premium

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised evenly over the period of insurance from inception to expiry.

Premium income also includes administrative surcharge that represents documentation and other charges recovered by the Branch from policy holders in respect of policies issued.

Receivables under insurance contracts are recognised when the contractual right to receive the money is established, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Branch reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

5.3 Reinsurance ceded

The Branch enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted insurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against expenses or income from related insurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

The Branch assesses its reinsurance assets for impairment on the balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Branch reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

5.4 Underwriting provisions

Underwriting provisions in respect of the insurance contracts entered into by the Branch are accounted for as under:

5.4.1 Provision for outstanding claims including incurred but not reported (IBNR)

Provision for outstanding claims are based on the estimated cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims expected settlement costs at undiscounted values. In addition, conforming to the requirements of the SEC (Insurance) Rules, 2002, a provision is made for the claims which may have been incurred in the current reporting period but have not been reported to the Branch. Incurred but not reported (IBNR) claims are recognised on the basis of actuarial valuation carried out by an actuary.

Any difference between the provision at the balance sheet date and settlement in the following year is included in the financial statements of that year.

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5.4.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage. The Branch recognises unearned portion of premium income as a liability, calculated as a proportion of the gross premium of each policy, determined as the ratio of the unexpired period of the policy and the total period, both measured to the nearest day, as allowed under SEC (Insurance) Rules, 2002.

5.4.3 Premium deficiency reserve

According to the requirements of the SEC (Insurance) Rules, 2002, a premium deficiency reserve needs to be created where the unearned premium for any class of business is not sufficient to cover the net liability expected to be incurred after the balance sheet date in respect of policies in that class of business. Any movement in the reserve is to be charged to the profit and loss account.

The management considers that the provision for the unearned premium for all classes of the business other than 'Accidental and Health' as at the year end is adequate to meet the expected future liability, after reinsurance, for claims and other expenses expected to be incurred after the balance sheet date in respect of policies in force at the balance sheet date. Hence, premium deficiency reserve has been created for 'Accidental and Health' class of business in these financial statements.

5.4.4 Unearned commission income

Commission income from reinsurers are deferred and recognised as a liability and are recognised in the profit and loss account as revenue in accordance with the pattern of recognition of reinsurance premiums.

5.5 Other creditors and accruals

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid for the goods and / or services received, whether or not billed to the Branch.

5.6 Provisions

Provisions are recognized when the Branch has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are regularly reviewed and adjusted to reflect the current estimate.

5.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments.

5.8 Financial instruments

5.8.1 Financial assets

5.8.1.1 Classification

The Branch classifies its financial assets into the following categories: 'at fair value through profit or loss' , 'available for sale', 'held to maturity' and 'loans and receivables'. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

a) At fair value through profit or loss

A financial asset is classified in the 'financial assets at fair value through profit or loss' category at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by the management.

b) Available for sale

These are non-derivative financial assets, which are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or changes in price. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.

c) **Held to maturity**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity, in respect of which the Branch has the positive intent and ability to hold to maturity.

d) **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

5.8.1.2 Initial recognition and measurement

Financial assets are recognised at the time when the Branch becomes a party to the contractual provisions of the instrument. Investments other than those categorised as 'financial assets at fair value through profit or loss' category are initially recognised at fair value which includes transaction costs which are directly attributable to the acquisition of the securities. Investments classified as 'financial assets at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date.

5.8.1.3 Subsequent measurement

Investments classified as 'financial assets at fair value through profit or loss' are subsequently measured at their fair values and gains and losses arising from changes in fair value are included in the profit and loss account. 'Available for sale' investments are subsequently measured at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002. In case of quoted equity securities, the market value is determined by using Stock Exchange quotations at the balance sheet date. However, in case of Government securities the market value is determined by using rates announced by the Financial Market Association. Investments classified as 'held to maturity' are subsequently measured at amortised cost less any impairment losses, taking into account any discount or premium on acquisition by using the effective interest rate method.

5.8.1.4 Impairment against financial assets

The Branch assesses at each balance sheet date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, as the case may be, is taken to the profit and loss account. For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash outflows, discounted at the original effective interest rate.

5.8.2 Financial liabilities

Financial liabilities are recognised at the time when the Branch becomes a party to the contractual provisions of the instrument.

5.8.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.8.4 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Branch has a legally enforceable right to set-off and the Branch intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

5.9 Reinsurance recoveries against outstanding claims

These are recognised as assets at the same time as the claims which give rise to the right of recovery are recognised as liabilities and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

5.10 Salvage and subrogation reimbursements

Some insurance contracts permit the Branch to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Branch may also have a right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

5.11 Deferred commission expense

Commission expense and costs incurred in obtaining and recording policies are deferred and recognised as an asset and are recognised in the profit and loss account as expenses in accordance with the pattern of recognition of premium income.

5.12 Prepaid reinsurance

Reinsurance expense is recognised evenly in the period of indemnity. The portion of reinsurance contribution not recognised as an expense is shown as a prepayment.

5.13 Sundry receivables

These are recognised at cost, which is the fair value of the consideration receivable less impairment, if any.

5.14 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to the profit and loss account over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 24.1 to the financial statements. Depreciation is charged on additions from the month of acquisition and on disposals till the month of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain and loss on disposal of fixed assets is included in the profit and loss account.

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

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Subsequent costs are included in the asset's carrying amounts or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably.

Intangible

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is charged to the profit and loss account over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 24.2 to the financial statements. Amortisation is calculated from the month the assets are available for use, while on disposal, amortisation is charged upto the month in which the assets are disposed of.

Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment in value.

Impairment

The carrying values of the Branch's fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

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5.15 Revenue recognition

Premium received / receivable under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income is recognised evenly over the period of policy from inception to expiry (note 5.4.2).

Commission income is being taken to the profit and loss account, on a time proportionate basis, in accordance with the pattern of recognition of reinsurance premium to which they relate.

Administrative surcharge recovered by the Branch from policy holders is included in income currently.

Return on bank balances and government securities is recognised on an accrual basis.

Dividend income is recognised when the right to receive the dividend is established.

Gain / loss on sale / redemption of investments is included in the profit and loss account in the period of sale / redemption.

5.16 Taxation

Tax charge for the period comprises current and deferred taxation. Tax charge is recognised in the profit and loss account, except to the extent that it relates to the items recognised directly in the equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits, if enacted. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.17 Staff retirement benefits

Defined benefit plan

The Branch operates an approved gratuity fund scheme (defined benefit plan) for all permanent employees who have completed the minimum prescribed period of service under the scheme. The Branch makes contributions to the fund on the basis of recommendations made by an actuary.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated by an independent actuary using the Projected Unit Credit Method.

IAS 19 'Employee benefits' requires "remeasurements" (actuarial gain and losses) to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income (OCI) in the periods in which they occur, which are not later reclassified to profit and loss account. However, the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, which do not require an OCI statement. Accordingly, remeasurements are recognised in the profit and loss account.

Defined contribution plan

The Branch operates a funded contributory provident fund (defined contribution plan) for all permanent employees. Equal monthly contributions are made, both by the Branch and the employees, to the fund at the rate of 10% of basic salary. The Branch has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

5.18 Premiums due but unpaid

These are recognised at cost, which is the fair value of the consideration receivable, less provision for impairment, if any.

5.19 Amount due from / to other insurers / reinsurers

Amounts due from / to other insurers / reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services rendered / received, less provision for impairment, if any.

5.20 Management expenses

Expenses have been allocated to profit and loss account among classes of business based on management's best estimate which primarily takes into account gross premium written and number of employees.

5.21 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

6 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

	Note
Provision for outstanding claims (including IBNR)	5.4.1
Premium deficiency reserve	5.4.3
Staff gratuity fund	5.17 and 10.1
Deferred taxation	5.16 and 15
Classification of investments	5.8.1.1 and 14
Provision for doubtful debts	5.6
Deferred commission	5.11
Useful lives of assets and methods of depreciation	5.14 and 24
Allocation of management expenses	5.20, 25 and 27

7 HEAD OFFICE ACCOUNT

	2015	2014
	-------- Rupees in '000 ----------	
Unremitted profit		
Balance at the beginning of the year	1,245,836	1,033,814
Profit after tax for the year	117,945	212,022
Remittance to Head Office	(378,143)	-
Balance at the end of year	985,638	1,245,836

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		Note	2015	2014
			-------- Rupees in '000 -----------	
8	**AMOUNTS DUE TO OTHER INSURERS / REINSURERS**			
	Amounts due to group companies		710,232	742,595
	Amounts due to others		220,650	175,285
			930,882	917,880
9	**ACCRUED EXPENSES**			
	Salaries, wages and benefits		19,965	23,478
	Software usage and maintenance charges		45,903	56,201
	Legal and professional charges		1,500	6,472
	Agency development and recognition		10,597	6,754
	Other accrued expenses		22,760	18,177
			100,725	111,082
10	**OTHER CREDITORS AND ACCRUALS**			
	Due to related parties		27,437	4,061
	Commission		20,292	46,149
	Federal Excise Duty		979	5,365
	Federal Insurance Fee		139	516
	Withholding tax		600	128
	Workers' Welfare Fund		9,797	6,349
	Payable to gratuity fund	10.1	2,694	4,931
	Others		18,744	14,427
			80,682	81,926

10.1 Defined benefit plan - approved gratuity fund

10.1.1 Salient features

As mentioned in note 5.17 to these financial statements, the Branch operates an approved funded gratuity scheme for all permanent employees who have completed the minimum prescribed period of service under the scheme. Contribution to the fund is made and expense is recognised on the basis of actuarial valuations carried out at each year end using the projected unit credit method.

The Branch faces the following risks on account of gratuity fund:

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares are subject to adverse fluctuation as a result of changes in market prices.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets

This is managed by making regular contribution to the Fund as advised by the actuary.

10.1.2 Valuation results

An actuarial valuation is carried out every year to determine the liability of the Branch in respect of the benefit and the latest valuation was carried out as at December 31, 2015. The information provided below has been obtained from the actuarial valuation carried out as at December 31, 2015. The following significant assumptions have been used for valuation of this scheme:

	2015	2014
Financial assumptions		
Discount rate	8.00%	10.50%
Rate of salary increase	7.50%	10.00%
Demographic assumptions		
Mortality rate (for death in service)	SLIC (2001-05)	SLIC (2001-05)
Rate of employee turnover	Moderate	Moderate

	2015	2014
	-------- Rupees in '000 --------	
Amounts recognised in the balance sheet		
Present value of defined benefit obligation	26,241	33,642
Fair value of plan assets	(23,547)	(28,711)
Liability as at December 31	2,694	4,931
Movement in defined benefit obligations		
Balance as at January 1	4,931	777
Charge for the year	4,694	4,154
Contributions	(6,931)	-
Balance as at December 31	2,694	4,931
Amounts recognised in profit and loss account		
Current service cost	3,080	2,650
Net interest cost	492	93
Remeasurements - actuarial loss recognised	1,122	1,411
Charge for the year ended December 31	4,694	4,154
Movement in the Present Value of Defined Benefit Obligation:		
Present Value of Defined Benefit Obligation as at January 1	33,642	27,618
Current service cost	3,080	2,650
Interest cost on defined benefit obligation	3,633	3,628
Remeasurements - actuarial loss on obligation	410	547
Actual benefits paid during the year	(14,524)	(801)
Present value of defined benefit obligation as at December 31	26,241	33,642
Movement in Fair Value of Plan Assets:		
Fair value of plan assets as at January 1	28,711	26,841
Interest income on plan assets	3,141	3,535
Contributions made by the Branch	6,931	-
Actual benefits paid during the year	(14,524)	(801)
Remeasurements - actuarial loss on assets	(712)	(864)
Fair value of plan assets as at December 31	23,547	28,711

Sensitivity analysis

a) The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
		------------ (Rupees in '000) ------------	
Discount rate	1%	24,915	27,786
Long term salary increases	1%	27,908	24,782

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b) The impact on defined benefit obligation due to increase in life expectancy by 1 year is not significant.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

Weighted average duration of the present value of defined benefit obligation is 5.47 years (2014: 7.09 years)

Breakup of plan assets	2015		2014	
	Rupees in '000	%	Rupees in '000	%
Treasury Bills	14,618	62.08	21,471	74.78
Pakistan Investment Bonds	-	-	5,150	17.94
Bank deposits	8,929	37.92	2,090	7.28
	23,547	100.00	28,711	100.00

5 year data on experience adjustments is as follows:

	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligations	26,241	33,642	27,618	25,406	26,289
Fair value of plan assets	23,547	28,711	26,841	26,680	21,381
Surplus / (deficit)	(2,694)	(4,931)	(777)	1,274	(4,908)

Expected contribution to the plan for the year ending December 31, 2016 is Rs 2.194 million.

11 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Branch has set up a provident fund for its permanent employees and the contributions were made by the Branch to the Fund in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31 2015, was Rs 3.258 million (2014: Rs 3.569 million). The total assets based on the audited financial statements of the Provident Fund as at June 30, 2015 were Rs 28.518 million (2014: Rs 32.021 million) out of which 94% (2014: 92%) were invested in different financial instrument categories as provided in Section 227 of the Companies Ordinance, 1984 and rules formulated for the purpose. The fair value of the assets of the fund equate their carrying value.

Break up of investments	As per audited financial statements as at June 30 2015		As per audited financial statements as at June 30 2014	
	Rupees in '000	% of the size of the fund	Rupees in '000	% of the size of the fund
Government securities	22,408	78%	28,977	90%
Bank deposits	4,430	16%	589	2%
Total	26,838		29,566	

12 CONTINGENCIES AND COMMITMENTS

12.1 The Branch is defendant in a law suit filed by Syed Bhais (Private) Limited in the Honourable High Court of Sindh in respect of a Marine insurance policy, issued to the plaintiff with a maximum liability of Rs 5.6 million. The legal advisor of the Branch is of the view that the loss claimed by the plaintiff is not covered under the subject policy as the consignment was auctioned by the customs department due to non clearance of the consignment in time and hence, based on the merits of the case, the Branch is in a good position to defend their interest in the above suit. Accordingly, no provision in respect of the above matter is considered necessary in these financial statements.

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	Note	2015	2014
		------- Rupees in '000 -------	
13 CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		52	91
Stamps in hand		1,919	920
		1,971	1,011
Current and other bank accounts			
Savings accounts	13.1	42,507	125,888
Deposits maturing within 12 months			
Term deposit receipts	13.2	150,000	816,850
		194,478	943,749

13.1 These include balance in foreign currency amounting to Nil (2014: USD 0.410 million) carrying mark-up at Nil (2014: 0.05%) per annum. Local currency balances carry mark-up 4.0% to 5.0% (2014: 4.5% to 6.5%) per annum.

13.2 These include balances in foreign currency amounting to USD Nil (2014: USD 1.750 million) carrying mark-up at Nil (2014: 0.24%) per annum. Local currency balances carry mark-up ranging from 7.0% to 7.4% (2014: 8.5% to 9.6%) per annum.

	Note	2015	2014
		------- Rupees in '000 -------	
14 INVESTMENTS			
Held-to-maturity	14.1	1,372,390	1,069,461
Available-for-sale	14.2	15,660	15,660
		1,388,050	1,085,121

14.1 Held-to-maturity

Government Securities	Profit payment	Face Value Rs in '000	Coupon rate / yield	Maturity year	2015	2014
Deposited with the State Bank of Pakistan (14.1.1)						
3 years Pakistan Investment Bonds	Half yearly	11,000	11.25%	2016	10,968	10,918
					10,968	10,918
Others						
3 years Pakistan Investment Bonds	Half yearly	290,000	8.75% to 11.25%	2016 - 2018	290,781	288,093
5 years Pakistan Investment Bonds	Half yearly	50,000	11.50%	2018	49,003	48,691
10 years Pakistan Investment Bonds	Half yearly	105,000	9.60%	2016	104,409	103,132
					444,193	439,916
1 year market treasury bill	At maturity	515,000	6.29% - 7.17%	2016	498,353	-
1 year market treasury bills	At maturity	369,000	9.47% to 9.99%	2015	-	351,696
6 months market treasury bill	At maturity	430,000	6.31% - 6.39%	2016	418,876	-
6 months market treasury bills	At maturity	200,000	9.47% to 9.98%	2015	-	193,418
3 months market treasury bill	At maturity	75,000	9.48%	2015	-	73,513
					917,229	618,627
					1,372,390	1,069,461

14.1.1 These securities have been deposited with the State Bank of Pakistan in compliance with the requirements of section 29 of the Insurance Ordinance, 2000.

14.1.2 The aggregate market value of held-to-maturity investments as at December 31, 2015 amounted to Rs 1,388.276 million (2014: Rs 1,083.902 million).

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14.2 Available-for-sale

Ordinary shares (face value of Rs.10 each) - quoted

2015	2014		Note	2015	2014
-------No. of shares-------		Name of Entity		------- Rupees in '000 -------	
225,000	225,000	Hub Power Company Limited		12,570	12,570
245,560	245,560	MCB Bank Limited		2,134	2,134
8,210	8,210	Pakistan State Oil Company Limited		956	956
				15,660	15,660

14.2.1 The aggregate market value of available-for-sale investments as at December 31, 2015 amounted to Rs 79.009 million (2014: Rs 95.625 million).

14.2.2 In compliance with the accounting regulations as per the Securities and Exchange Commission (Insurance) Rules, 2002, the Branch has accounted for the available-for-sale investments at lower of cost or market value. Had the Branch valued its available-for-sale investments at fair value in accordance with the requirements of International Accounting Standard - 39 "Financial Instruments: Recognition and Measurement", the investments as at December 31, 2015 would have been higher by Rs 63.349 million (2014: Rs 79.965 million) and surplus on revaluation of available-for-sale investments (under Head Office account) would have been Rs 63.349 million (2014: Rs 79.965

		Note	2015	2014
			------- Rupees in '000 -------	
15	**DEFERRED TAXATION**			
	Temporary differences arising in respect of:			
	Provision for doubtful debts		7,618	5,825
	Decelerated tax depreciation on fixed assets		600	2,964
			8,218	8,789
16	**PREMIUM DUE BUT UNPAID**			
	Considered good		106,280	246,855
	Considered doubtful		5,517	5,250
			111,797	252,105
	Less: Provision for doubtful debts	16.1	(5,517)	(5,250)
			106,280	246,855
16.1	**Provision for doubtful debts**			
	Opening balance		5,250	5,250
	Charge for the year		267	-
			5,517	5,250
17	**AMOUNT DUE FROM OTHER INSURERS / REINSURERS**			
	Considered good		459,670	401,527
	Considered doubtful		18,290	11,391
			477,960	412,918
	Less: Provision for doubtful debts	17.1	(18,290)	(11,391)
			459,670	401,527
17.1	**Provision for doubtful debts**			
	Opening balance		11,391	11,391
	Charge during the year		19,851	-
	Written off during the year		(12,952)	-
			18,290	11,391

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18	ACCRUED INCOME ON INVESTMENTS AND DEPOSITS	2015	2014
		Rupees in '000	
	- Pakistan Investment Bonds	19,531	21,931
	- Term Deposit Receipts	7,272	25,462
	- Dividend Income receivable	-	33
		26,803	47,426
19	REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS	269,927	301,313

19.1 The above balance includes claims receivable from American Home Assurance Company and National Union Fire Insurance Company of Pittsburgh, PA (group companies) amounting to Rs 38.70 million and Rs 155.93 million respectively (2014: Rs 49.51 million and Rs 167.90 million respectively).

20	TAXATION - PAYMENT LESS PROVISION	2015	2014
		Rupees in '000	
	Opening refundable	24,756	6,195
	Charge for the year	(59,774)	(91,917)
	Payments during the year	107,577	110,478
		47,803	18,561
	Closing refundable	72,559	24,756

20.1 The income tax assessments of the Branch have been finalised up to and including the tax year 2015 except for tax years as mentioned below.

20.2 During the year the Additional Commissioner Inland Revenue (ACIR) has opened the income tax assessments of the Branch for the tax years 2009 and 2011 and has issued orders under section 122(5A) of the Income Tax Ordinance, 2001 in June and August 2015 respectively. The ACIR has made certain additions / disallowances in the profit & loss account, and created an additional demand of Rs 5.950 million. The Branch has paid the demand under protest to the taxation authorities. The Branch has also filed an appeal before the Commissioner Inland Revenue - Appeals against the orders. The Branch and the tax advisor of the Branch are confident that sufficient grounds exist to contest the additions / disallowances made by the ACIR at the appellate forums and these additions are not maintainable. No provision has been made in the financial statements against the above orders.

20.3 The Branch's case was selected in the random balloting done for selection of cases for audit for the tax year 2013 by the Federal Board of Revenue (FBR) under section 214C of the Income Tax Ordinance, 2001. The audit proceedings have been completed and the Deputy Commissioner Inland Revenue (DCIR) has passed an amended order vide D.C 06/16 dated May 08, 2015. The DCIR has made certain additions / disallowances in the profit & loss account, and created an additional demand of Rs 31.517 million. The Branch has paid the demand under protest to the taxation authorities. The Branch has also filed an appeal before the Commissioner Inland Revenue - Appeals against the order. The Branch and the tax advisor of the Branch are confident that sufficient grounds exist to contest the additions / disallowances made by the DCIR at the appellate forums and these additions are not maintainable. No provision has been made in the financial statements against the above order.

21	PREPAYMENTS	Note	2015	2014
			Rupees in '000	
	Prepaid re-insurance premium		559,572	411,890
	Rent		2,745	3,307
			562,317	415,197
22	LOANS TO EMPLOYEES - Unsecured - considered good	22.1	4,040	3,267

22.1 These represent interest free domestic loans to employees upto two months salary repayable within 11 months.

23	SUNDRY RECEIVABLES	Note	2015	2014
			Rupees in '000	
	Advances to suppliers		2,057	692
			2,057	692
24	FIXED ASSETS			
	Tangible assets	24.1	32,458	33,638
	Intangible assets	24.2	-	27
			32,458	33,665

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24.1 Tangible Assets

	2015							
	Cost			Accumulated Depreciation			Written down value as at December 31, 2015	Rate of Depreciation per annum
	As at January 1, 2015	Additions / (disposals)	As at December 31, 2015	As at January 1, 2015	Charge for the year / (on disposals)	As at December 31, 2015		
	Rupees in '000							%
Leasehold property	56	-	56	56	-	56	-	20
Leasehold improvements	25,044	- (19,062)	5,982	19,588	1,825 (18,592)	2,821	3,161	20
Furniture and fittings	17,175	- (1,357)	15,818	10,840	1,521 (1,114)	11,247	4,571	10
Office equipment	17,413	- (1,311)	16,102	13,539	1,225 (1,114)	13,650	2,452	20
Computer and EDP equipment	30,873	7,386 (2,072)	36,187	29,373	1,409 (2,072)	28,710	7,477	33.33
Vehicles	39,140	7,918 (14,846)	32,212	22,667	6,125 (11,377)	17,415	14,797	20
December 31, 2015	129,701	15,304 (38,648)	106,357	96,063	12,105 (34,269)	73,899	32,458	

	2014							
	Cost			Accumulated Depreciation			Written down value as at December 31, 2014	Rate of Depreciation per annum
	As at January 1, 2014	Additions / (Disposals)	As at December 31, 2014	As at January 1, 2014	Charge for the year / (on disposals)	As at December 31, 2014		
	Rupees in '000							%
Leasehold property	56	-	56	56	-	56	-	20
Leasehold improvements	25,044	-	25,044	17,220	2,368	19,588	5,456	20
Furniture and fittings	17,175	-	17,175	9,298	1,542	10,840	6,335	10
Office equipment	17,169	244	17,413	11,938	1,601	13,539	3,874	20
Computer and EDP equipment	30,624	249	30,873	28,129	1,244	29,373	1,500	33.33
Vehicles	43,689	2,993 (7,542)	39,140	20,525	8,084 (5,942)	22,667	16,473	20
December 31, 2014	133,757	3,486 (7,542)	129,701	87,166	14,839 (5,942)	96,063	33,638	

	Note	2015	2014
		------- Rupees in '000 -------	

24.1.1 The depreciation charge for the year has been allocated as follows:

	Note	2015	2014
Management expenses	25	7,514	9,409
General and administration expenses	27	4,591	5,430
		12,105	14,839

24.1.2 Cost of fully depreciated fixed assets that are still in the Branch's use as at December 31, 2015 amounted to Rs 38.336 million (2014: Rs 56.627 million).

24.2 Intangible Assets

	Cost			Accumulated Amortisation			Written down value as at December 31	Rate of Amortisation per annum
	As at January 1	Additions	As at December 31	As at January 1	Amortisation for the year	As at December 31		
	Rupees in '000							%
Software	28,030	-	28,030	28,003	27	28,030	-	20
2015	28,030	-	28,030	28,003	27	28,030	-	
2014	28,030	-	28,030	27,910	93	28,003	27	20

	Note	2015	2014
		--------Rupees in '000--------	

24.2.1 Amortisation has been allocated as follows:

	Note	2015	2014
General and administration expenses	27	27	93
		27	93

25 MANAGEMENT EXPENSES

	Note	2015	2014
Salaries, wages and benefits	25.1	62,125	45,608
Rents, taxes, electricity etc.		10,446	9,952
Communication		3,376	1,753
Advertisement and sales promotion		7,543	12,135
Printing and stationery		934	1,391
Traveling and entertainment		1,814	1,431
Car running and maintenance		3,362	4,361
Software maintenance charges		35,364	9,687
Depreciation	24.1.1	7,514	9,409
Subscription and membership fees		4,953	5,362
Other expenses		2,843	602
		140,274	101,691

25.1 This includes staff retirement benefits amounting to Rs 4.865 million (2014: Rs 2.780 million).

26 OTHER INCOME / (CHARGES) - NET

	2015	2014
	--------Rupees in '000--------	
Gain on disposal of fixed assets	4,286	2,651
Exchange gain / (loss)	6,553	(6,658)
	10,839	(4,007)

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27 GENERAL AND ADMINISTRATION EXPENSES

	Note	2015	2014
		Rupees in '000	
Salaries, wages and benefits	27.1	39,419	80,034
Rent, taxes, electricity etc.		6,384	8,048
Communication		1,094	3,040
Printing and stationery		2,334	3,476
Traveling and entertainment		1,366	3,179
Depreciation	24.1.1	4,591	5,430
Amortisation	24.2.1	27	93
Software maintenance charges		21,611	8,785
Repairs and maintenance		5,598	6,485
Legal and professional charges		552	5,030
Auditors' remuneration	27.2	547	547
Insurance		2,366	2,234
Provision for doubtful debts		20,118	-
Car running and maintenance		1,670	3,998
Workers' Welfare Fund		3,640	6,157
Other expenses		12,323	5,161
		123,640	141,697

27.1 This includes staff retirement benefits amounting to Rs 3.087 million (2014: Rs 4.943 million).

27.2 Auditors' remuneration

	2015	2014
	Rupees in '000	
Audit fee	344	344
Other certification services	63	63
Out of pocket expenses	140	140
	547	547

28 TAXATION

	2015	2014
Current - for the year	57,540	76,598
Current - for prior year	2,234	15,319
Deferred	571	(2,245)
	60,345	89,672

28.1 Relationship between tax expense and accounting profit

The tax on the Branch's profit (before tax) differs from the theoretical amount that would arise using the Branch's applicable tax rate as follows:

	2015	2014
	Rupees in '000	
Profit before tax	178,290	301,694
Tax calculated at the rate of 32 % (2014: 33 %)	57,053	99,559
Tax effect of dividend income	(1,183)	(1,317)
Prior year adjustments	2,234	15,319
Effect of change in tax rate	753	-
Tax effect of income taxable on lower rates	-	(23,190)
Others	1,488	(699)
	60,345	89,672

29 REMUNERATION OF MANAGER FOR PAKISTAN

	2015	2014
Salary and other benefits	9,833	10,853
Branch's provided accommodation and utilities	5,946	5,485
	15,779	16,338

In addition, the Manager for Pakistan has been provided with free use of the Branch's car and household fixtures, in accordance with the practice of the Branch.

30 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2015			
	Loans and receivables	Held to maturity	Available for sale	Total
	Rupees in '000			
Financial Assets				
Bank deposits	192,507	-	-	192,507
Salvage recoveries accrued	5,751	-	-	5,751
Investments	-	1,372,390	15,660	1,388,050
Premium due but unpaid	106,280	-	-	106,280
Amounts due from other insurers / reinsurers	459,670	-	-	459,670
Accrued income on investment and deposits	26,803	-	-	26,803
Reinsurance recoveries against outstanding claims	269,927	-	-	269,927
Loan to employees - unsecured - considered good	4,040	-	-	4,040
	1,064,978	1,372,390	15,660	2,453,028

	As at December 31, 2015	
	Other financial liabilities	Total
	Rupees in '000	
Financial Liabilities		
Provision for outstanding claims (including IBNR)	359,453	359,453
Provision for premium deficiency	873	873
Amounts due to other insurers / reinsurers	930,882	930,882
Accrued expenses	100,725	100,725
Other creditors and accruals	66,473	66,473
	1,458,406	1,458,406

	As at December 31, 2014			
	Loans and receivables	Held to maturity	Available for sale	Total
	Rupees in '000			
Financial Assets				
Bank deposits	942,738	-	-	942,738
Salvage recoveries accrued	3,535	-	-	3,535
Investments	-	1,069,461	15,660	1,085,121
Premium due but unpaid	246,855	-	-	246,855
Amounts due from other insurers / reinsurers	401,527	-	-	401,527
Accrued income on investment and deposits	47,426	-	-	47,426
Reinsurance recoveries against outstanding claims	301,313	-	-	301,313
Loan to employees - unsecured - considered good	3,267	-	-	3,267
	1,946,661	1,069,461	15,660	3,031,782

	As at December 31, 2014	
	Other financial liabilities	Total
	Rupees in '000	
Financial Liabilities		
Provision for outstanding claims (including IBNR)	451,256	451,256
Amounts due to other insurers / reinsurers	917,880	917,880
Accrued expenses	111,082	111,082
Other creditors and accruals	64,637	64,637
	1,544,855	1,544,855

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. The fair values of all the financial assets and liabilities are estimated to be not significantly different from their carrying values except for investments as disclosed in note 14 to these financial statements.

Underlying the definition of fair value is the presumption that the Branch is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares, treasury bills etc.) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Branch is the current bid price.

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A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 13, 'Fair Value Measurement' requires the Branch to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Currently all equity securities are held at cost which is lower than their market values, hence, hierarchy of the fair values has not been presented.

32 RISK MANAGEMENT

32.1 Financial risk management objective and policies

The Branch's activities expose it to a variety of financial risks namely market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk that could result in a reduction in the Branch's net assets or reduction in the profit. The Branch's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Branch's financial performance. The Branch management has the overall responsibility for the establishment and oversight of the Branch's risk management framework and is responsible for developing risk management policies and its monitoring.

32.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other equity prices. The Branch manages the market risk by monitoring exposure on marketable securities by following internal risk management policies.

Market risk comprises of three types of risk namely foreign currency risk, interest rate risk and price risk.

32.1.2 Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Branch's quoted securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Branch limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity market.

The following table summarizes the Branch's other price risk as of December 31, 2015 and 2014. It shows the effects of an estimated increase / decrease of 5% in the market prices as on the fair values of the quoted equity securities with other factors remaining constant. However, in practice the actual results may differ from the sensitivity analysis.

	Fair value	Price change	Effect on fair value
	Rupees in '000		Rupees in '000
December 31, 2015	79,009	+5%	3,950
		-5%	(3,950)
December 31, 2014	95,625	+5%	4,781
		-5%	(4,781)

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32.1.3 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Branch invests in securities and has deposits that are subject to interest / mark-up rate risk. The Branch limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The Branch is exposed to interest / mark-up rate risk as follows:

	2015							
		Interest / mark-up bearing			Non-interest / mark-up bearing			
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial assets								
Bank deposits	4.0% - 7.4%	192,507	-	192,507	-	-	-	192,507
Salvage recoveries accrued		-	-	-	5,751	-	5,751	5,751
Investments	6.29% - 11.50%	917,229	455,161	1,372,390	15,660	-	15,660	1,388,050
Premium due but unpaid		-	-	-	106,280	-	106,280	106,280
Amount due from other insurers / reinsurers		-	-	-	459,670	-	459,670	459,670
Accrued income		-	-	-	26,803	-	26,803	26,803
Reinsurance recoveries against outstanding claims		-	-	-	269,927	-	269,927	269,927
Loan to employees - unsecured - considered good		-	-	-	4,040	-	4,040	4,040
		1,109,736	455,161	1,564,897	888,131	-	888,131	2,453,028
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	359,453	-	359,453	359,453
Provision for premium deficiency		-	-	-	873	-	873	873
Amounts due to other insurers / reinsurers		-	-	-	930,882	-	930,882	930,882
Accrued expenses		-	-	-	100,725	-	100,725	100,725
Other creditors and accruals		-	-	-	66,473	-	66,473	66,473
		-	-	-	1,458,406	-	1,458,406	1,458,406
		1,109,736	455,161	1,564,897	(570,275)	-	(570,275)	994,622

	2014							
		Interest / mark-up bearing			Non-interest / mark-up bearing			
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial assets								
Bank deposits	0.05% - 9.6%	942,738	-	942,738	-	-	-	942,738
Salvage recoveries accrued		-	-	-	3,535	-	3,535	3,535
Investments	9.48% - 11.50%	618,627	450,834	1,069,461	15,660	-	15,660	1,085,121
Premium due but unpaid		-	-	-	246,855	-	246,855	246,855
Amount due from other insurers / reinsurers		-	-	-	401,527	-	401,527	401,527
Accrued income		-	-	-	47,426	-	47,426	47,426
Reinsurance recoveries against outstanding claims		-	-	-	301,313	-	301,313	301,313
Loan to employees - unsecured - considered good		-	-	-	3,267	-	3,267	3,267
		1,561,365	450,834	2,012,199	1,019,583	-	1,019,583	3,031,782
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	451,256	-	451,256	451,256
Amounts due to other insurers / reinsurers		-	-	-	917,880	-	917,880	917,880
Accrued expenses		-	-	-	111,082	-	111,082	111,082
Other creditors and accruals		-	-	-	64,637	-	64,637	64,637
		-	-	-	1,544,855	-	1,544,855	1,544,855
		1,561,365	450,834	2,012,199	(525,272)	-	(525,272)	1,486,927

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The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Branch's profit before tax and head office account based upon average balances and rates:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on Head Office Account
		----------- Rupees in '000 ----------	
December 31, 2015	100	15,649	10,641
	(100)	(15,649)	(10,641)
December 31, 2014	100	20,122	13,482
	(100)	(20,122)	(13,482)

32.1.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. The Branch's principal transactions are carried out in Pak Rupees and its exposure to foreign currency risk arises primarily with respect to US dollar. Financial liabilities exposed to foreign currency risk amounted to Rs 7.507 million (2014: Rs 7.781 million) at the end of the year.

32.1.5 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. The Branch attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties. The table below analyses the Branch's maximum exposure to credit risk:

	2015	2014
	----------- Rupees in '000 ----------	
Bank accounts and deposits*	192,507	942,738
Accrued income on investment and deposits**	7,272	25,462
Premiums due but unpaid***	111,797	252,105
Security deposits	3,149	3,219
Loan to employees	4,040	3,267
Amounts due from other insurers / reinsurers***	477,960	412,918
Reinsurance recoveries against outstanding claims	269,927	301,313
	1,066,652	1,941,022

The credit quality of Branch's bank deposits and accrued income can be assessed with reference to external credit ratings as follows:

	Credit Rating	Credit Rating Agency	2015	2014
			---------- Rupees in '000 ---------	
*** Bank accounts and deposits**				
Various	AAA	JCR -VIS / PACRA	111,850	383,764
Various	A2	Moody's	-	418,383
Various	AA+	JCR -VIS / PACRA	80,657	140,092
Various	AA	JCR -VIS / PACRA	-	499
			192,507	942,738
**** Accrued income on investment and deposits**				
Various	P-1	JCR -VIS / PACRA	-	5,870
Various	A1+	JCR -VIS / PACRA	7,272	19,592
			7,272	25,462

*** The age analysis of premiums due but unpaid and amounts due from other insurers / reinsurers is as follows:

Afto

	2015	2014
	--------- Rupees in '000 ---------	
Upto 1 year	573,564	655,931
1 - 2 years	10,461	3,914
Over 2 years	5,732	5,178
	589,757	665,023

32.1.6 Liquidity risk

Liquidity risk is defined as the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Branch might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Branch 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 adequate liquidity is maintained.

The table below summarises the maturity profile of the Branch's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which these liabilities will be settled.

	2015			
	Within one year	Over one year to five years	Over five years	Total
	--------- Rupees in '000 ---------			
Financial liabilities				
Provision for outstanding claims (including IBNR)	359,453	-	-	359,453
Provision for premium deficiency	873	-	-	873
Amounts due to other insurers / reinsurers	930,882	-	-	930,882
Accrued expenses	100,725	-	-	100,725
Other creditors and accruals	66,473	-	-	66,473
	1,458,406	-	-	1,458,406

	2014			
	Within one year	Over one year to five years	Over five years	Total
	--------- Rupees in '000 ---------			
Financial liabilities				
Provision for outstanding claims (including IBNR)	451,256	-	-	451,256
Amounts due to other insurers / reinsurers	917,880	-	-	917,880
Accrued expenses	111,082	-	-	111,082
Other creditors and accruals	64,637	-	-	64,637
	1,544,855	-	-	1,544,855

32.2 Insurance risks

The Branch mainly issues the following types of insurance contracts:

- Fire and property
- Marine, aviation and transport
- Motor
- Accident and health
- Miscellaneous

These contracts are normally one year insurance contracts except marine and accident and health business contracts which are generally for a period of 3 months and 1 month respectively.

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32.2.1 Frequency and severity of claims

The principal risk the Branch faces under insurance contracts is that the actual claims and benefit payments or timing thereof, differ from expectations. This is influenced by frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Branch is to ensure that sufficient reserves are available to cover these liabilities.

32.2.2 Reinsurance Arrangements

Such risk exposure is mitigated by diversification across a large portfolio of insurance contracts and careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Strict claim review policies to assess all new and ongoing claims and regular detailed review of claims handling procedures are also put in place to reduce the risk exposure of the Branch. The Branch further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future development.

The Branch's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

	2015		
	Maximum sum insured	Reinsurance cover	Highest net liability
	Rupees in '000		
Fire and property	24,750,355	24,621,653	128,702
Marine, aviation and transport	14,000,000	11,529,000	2,471,000
Motor	341,421	-	341,421
Accident and health	1,945,650	176,400	1,769,250
Miscellaneous	2,575,000	2,567,275	7,725
	43,612,426	38,894,328	4,718,098

	2014		
	Maximum sum insured	Reinsurance cover	Highest net liability
	Rupees in '000		
Fire and property	85,995,000	81,695,250	4,299,750
Marine, aviation and transport	16,894,627	13,895,831	2,998,796
Motor	700,654	-	700,654
Accident and health	6,078,523	6,017,738	60,785
Miscellaneous	2,712,775	271,277	2,441,498
	112,381,579	101,880,096	10,501,483

32.2.3 Geographical concentration of insurance risk

To optimize benefits from the principle of averages and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location. Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the location, occupation and coverage of the insured.

The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. It provides a way to better visualize the risk exposures so the Branch determines the appropriate amount of reinsurance coverage to protect the business portfolio.

32.2.4 Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Branch is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on the intimation to the Branch. 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. For the estimation of provision of claims incurred but not reported (IBNR), actuarial valuation has been carried out by an actuary.

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There are several variable factors which affect the amount and timing of recognized claim liabilities. The Branch 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.

32.2.5 Key assumptions

The principal assumption underlying the liability estimation of claims and premium deficiency reserves is that the Branch'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 assumed net of reinsurance loss ratios for each class of business is as follows:

Class	Assumed Net Loss 2015	Assumed Net Loss 2014
Fire and property	41%	66%
Marine, aviation and transport	59%	63%
Motor	68%	70%
Accident and health	76%	72%
Miscellaneous	33%	5%

32.2.6 Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of 10% variation in claims value with other factors remaining constant is summarized below. However, in practice the actual results may differ from sensitivity analysis:

	Profit before tax		Head Office Account	
	2015	2014	2015	2014
	Rupees in '000			
10% increase in loss	(26,505)	(41,882)	(18,023)	(28,061)
10% decrease in loss	26,505	41,882	18,023	28,061

32.2.7 Claim development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

32.3 Reinsurance risk

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Branch obtains reinsurance rating from a number of reinsurers, who are dispersed over several geographical regions.

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

Rating	Amount due from other insurers / reinsurers		Reinsurance recoveries against outstanding claims	
	2015	2014	2015	2014
	Rupees in '000			
A or above including Pakistan Reinsurance Company Limited	459,670	401,527	269,927	301,313

33 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Branch comprises of head office, ultimate parent and subsidiaries / branches of ultimate parent. The Branch, in the normal course of business, carries out transactions at arm's length prices with various related parties. Details of transactions with related parties during the year and the balances as at the year end, with related group companies other than those already disclosed in the specific notes to the financial statements are as follows:

	2015	2014
	-------- Rupees in '000 --------	
Transactions during the year:		
Premiums ceded	1,029,643	862,964
Commission income	299,300	252,856
Claims recovered	259,253	744,557
Remittance	(503,939)	(144,734)
Software maintenance charges	53,330	4,890
Balances at the year end:		
Due to related parties included in accrued expenses	45,903	10,030

34 NUMBER OF EMPLOYEES

Number of permanent employees at the end of the year were 30 (2014: 55). The average number of employees of the Branch are 43 (2014: 56)

35 AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the management on 2 6 APR 2016

36 GENERAL

36.1 Figures have been rounded off to the nearest thousand rupees.

36.2 Prior year's figures have been reclassified, wherever necessary, for the purposes of comparison. However, such reclassifications are not material.

Manager for Pakistan / Principal Officer | Assistant General Manager | Chief Financial Officer