

**NEW HAMPSHIRE INSURANCE COMPANY –
PAKISTAN BRANCH**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015



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.


Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: April 28, 2016

Karachi

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		

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

Alto

Manager for Pakistan / Principal Officer

	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

[Signature]
 Assistant General Manager

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 Chief Financial Officer

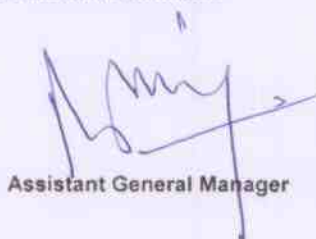
**NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015**

	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.

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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.

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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	2,682	2	2	2,682	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.

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Manager for Pakistan / Principal Officer

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Assistant General Manager

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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	85,261	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.

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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	31,785	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.

AKKO



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

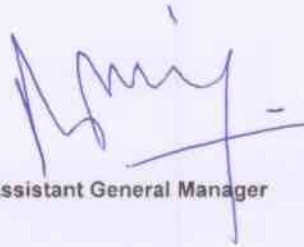
	2015	2014
	----- Rupees in '000 -----	
Income from non-trading investments		
Held to maturity		
Return on government securities	104,603	88,825
Available for sale		
Dividend income	5,133	5,566
Return on term deposits and balances with bank	48,395	97,486
Gain on sale of non-trading investments	-	70,273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

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

Alko



Manager for Pakistan / Principal Officer



Assistant General Manager



Chief Financial Officer

NEW HAMPSHIRE INSURANCE COMPANY - PAKISTAN BRANCH
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 to be relevant or to have any significant effect on the Branch's operations and are, therefore, not disclosed in these financial statements.

5.1.3 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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