TRAFCO Insurance Company Ltd.

Secure Tomorrow, Today

TRAFCO INSURANCE COMPANY LIMITED (FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)

FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

Vision Statement

Elevate the Company as an organization of scrupulous, prudent values and virtues along with professionalism and skills.

Mission Statement

To develop the status of our company as law abiding moderate and consistently going-on Insurance concern carrying the interests and risks of shareholders as well as valued clientele by a breasting with the requirements of state's law and gradual but timely fulfillment and implantations of them.

Company Information

Chairman	Mr.Tahir Malik	
Chief Executive	Mr. Muhammad Nawaz Shahid	
Directors	Mrs. Saboohi Tahir Mr. Asif Malik Mr. Kashif Malik Mrs. Mahnoor Asif Mrs.Sadia Atif Mst. Sundus Malik	
Audit Committee	Mr. Asif Malik	Chairman
	Ms Sundus Malik	Member
	Mr Hamad Javed	Secretary
Company Secretary/C.F.O	Mr.Khurram Javed (ACMA)	
Controller of Branches	Mr. Usman Arif	
Management at Head Office	Mr. Ghulam Qamber Naqvi	General Manager
	Mr. Athsham Gull	Manager Claim
	Mr. Emmemual Gulzar	Motor Underwriter
Auditors	Hameed Khan & Co Chartered Accountants	
Legal Advisor	**Mr. Shahzad Bashir** **Advocate High Court**	

Registered & Head Office
Trafco House-1-C-1, Canal Bank Road,
Canal Park, Gulberg II, Lahore, Phones: 92-42-111-872-326, 92-42-111-811-911
Fax: 92-42-35871172, Email- info@trafcoinsurance.com.pk

List of Board Committees

Investment Committees

Mr. Tahir Malik	**Chairman**
Mrs. Saboohi Tahir	**Member**
Mr. Asif Malik	**Member**
Mr. Kashif Malik	**Member**
Mrs. Mahnoor Asif	**Member**

Underwriting Committees

Mrs. Saboohi Tahir	**Chairperson**
Mr. Asif Malik	**Member**
Mr. Emmanuel Gulzar	**Secretary**

Claim Settlement Committees

Mr. Kashif Malik	**Chairman**
Mr. Asif Malik	**Member**
Mr. G. Q. Naqvi	**Member**
Mr. Ahtsham Gulls	**Secretary**

Re-Insurance/Co-Insurance Committees

Mr. Tahir Malik	**Chairman**
Mrs. Saboohi Tahir	**Member**
Mr. Ghulam Qamber Naqvi	**Secretary**

April 07, 2017

NOTICE OF ANNUAL GENERAL MEETING

Dear Sir/Madam,

Notice is hereby given that the Annual General Meeting of the Shareholders of Trafco Insurance Company Limited (Formerly The Credit Insurance Company Limited) will be held on Friday April 28, 2017 at 10.00 a.m. at the Registered Office of the company Trafco House, 1-C-1, Canal Bank Road, Canal Park, Gulberg II Lahore to transact the following business.

A-Ordinary Business

1- To confirm the minutes of the last Extra General Meeting 2016 at Lahore.
2- To receive, consider and adopted the Audited Accounts of the Company for the year ended 31st December, 2016 and reports of the directors and auditors thereon.
3- To appoint auditors for the year 2017 and to fix their remuneration.

B-SPECIAL BUSINESS

4-A, to consider and if thought fit, to pass the following resolution with and without modification as Special Resolution:

"Resolved that the approval be and is hereby granted to make the following amendments/addition in Articles of Association of the company in accordance with requirement of the Companies (E-Voting/Video Conference Facility) Regulations, 2016 issued by the Securities and Exchange Commission of Pakistan and with the provision of Section 28 of the Companies Ordinance, 1984:

a) The existing Articles 48,51 and 53 of the Articles of Association of the Company be amended as follows:

In Articles 48: Votes: A member may also opt for E-Voting in a General Meeting of the Company under the provision of the Companies (E-Voting) Regulation, 2016 (including any statutory modification thereof), as amended from time to time.

In Articles 51 & 53: Manner of Proxy and Proxy to be deposited at registered office: In the case of E-Voting under the provision of the Companies (E-Voting) Regulation, 2016, both members and non-members can be appointed as proxy.

b) The following new Article 56(a) be inserted after the existing Articles 56 of the Articles of Association of the Company:

<u>Form of Proxy in case of E-Voting</u>

56A. an instrument of proxy in relation to e-voting shall be in the following Form:

I/We, -- of ---------------------------------------, being a member of Trafco Insurance Company Limited, holder of -------------------------------------- Share(s) as per Register Folio No. ---------------------------------- or CDC account no. --------------------------------------- here by opt for E-Voting through intermediary and hereby consent to the appointment of Execution Officer-- as proxy and will exercise E-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is ---, please send login details, password and electronic signature through email.

Signature of Member
(Signature should agree with the specimen Signature registered with Company)

Signed in the presence of:

Signature of Witness

Signature of Witness

The proxy E-Voting Form shall be required to be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

4-B, to consider and if thought fit, to pass the following resolution with and without modification as Special Resolution:

"Resolved that the approval be and is hereby granted to make the amendments, addition/deletion in articles number 58 regarding name of present directors under the provision of section 28 Companies Ordinance 1984.

"Further resolved that the Chairman or Company Secretary is hereby authorized to complete all the necessary legal and corporate formalities with regard to the above resolution and take such action as he may consider necessary or expedient to complete the process. Further resolved that in case of omission or mistake if pointed out by the SECP or any other competent authority in the aforesaid resolutions the Chairman or company secretary be and is hereby authorized to make necessary correction as permitted under the law in letter & spirit"

C-Any Other Business

5- To transact any other business that may be placed before the meeting with permission of the chair.

By order of the Board

Khurram Javed
Company Secretary

Lahore: April 7, 2017

Notes:

1- The Share Transfer Books of the Company will remain closed from 22nd April, 2017 to 28th April 2017(both days inclusive).
2- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote.
3- Shareholders are requested to promptly notify the company of any change in their address.
4- In case of individuals, the accountholder or sub-accountholder and/or the person whose securities are

in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card ("CNIC") or original passport at the time of attending the meeting.

5- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For Appointing of Proxies:

i. In case of individuals, the accountholder or sub-accountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

. iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Company.

STATEMENT UNDER SECTION 160(1) (B) OF THE COMPANIES'ORDINANCE, 1984 REGARDING SPECIAL BUSINESS VIDE PARA B (2) ABOVE AS UNDER;

The statement sets out the material facts concerning the Special Business, given in Agenda No.4 A & B of the Notice to be transacted at the Annual General Meeting of the company to be held on April 28, 2017 at 10.00 A.M. at registered and head office the company, Trafco House, 1-C-1, Canal Bank Road, Canal Park, Gulberg II, Lahore

Agenda No. 4 Approval for Alteration in the Articles of Association of the Company:

A- The Securities and Exchange Commission of Pakistan ("SECP") vide its SRO No. 43(I)/2016, dated January 22, 2016, has issued the Companies (E-Voting) Regulations, 2016, (the "Regulations") which shall apply to general meeting of companies for providing voting rights to members through electronic means managed by authorized Intermediary. The Regulations requires that Trafco Insurance Company Limited, shall formulate procedures for appointment and authorization of intermediary and its articles of association shall provide that in case of e-voting both members and non-members can be appointed as proxy.

B- The approval be and is hereby granted to make the amendments, addition/deletion in articles number 58 regarding name of present directors under the provision of section 28 Companies Ordinance 1984. Mention the name of existing directors in place of old or first directors.

The members opting for e-voting shall be required to communicate their intention to opt for e-voting and demand of poll for resolutions through an instrument of e-voting to the Company at least ten (10) days before holding of a general meeting, through regular mail or electronic mail at the registered address/email of the Company, to be provided in notice of the meeting. The Bank shall arrange for e-voting if the Company receives demand for poll from at least five members or by any member or members having not less than one tenth of the voting power.

In case of receipt of e-voting request, the Company shall provide detail of members who have opted for e-voting to the Intermediary along with their email addresses and also communicate the name and contact details of Intermediary to the members opted for e-voting. The facility for e-voting shall remain open for not less than three (3) days and shall close at 1700 hours on the date preceding the date of the general meeting. Members who intending to cast vote through e-voting shall be authenticated through secured electronic signature provided by the Intermediary and shall cast vote online during the time specified.

Inspection of Documents:

The copies of the existing and amended Memorandum and Articles of Association have been kept at the Registered Office of the Company which could be inspected on any working day during usual business hours till the date of Annual General Meeting of the Company.

Website of the Company:

The Annual Audited Financial Statements of the Company for the year ended December 31, 2016 and Notice of Annual General Meeting along with the Statement under Section 160 (1) (b) of the Companies Ordinance, 1984, pertaining to Special Business, have been placed Agenda No.4 A & B.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your company are pleased to present to you the Annual Report together with Accounts of the Company for the year ended December 31, 2016 and the Auditors' Report thereon.

The accounts of the company for the year are drawn and laid out in compliance with the International Accounting Standards adopted by Securities and Exchange Commission of Pakistan.

Your management efforts during the year have also been directed towards achieving the newly introduced code of good governance.

AUTHORIZED CAPITAL

Your company's authorized capital is Rs, 700,000,000/- on December 31, 2016.

PAID UP CAPITAL

Your company's paid up capital is Rs. 200,000,000/- on December 31, 2016.

OPERATING RESULTS

The company has suffered a loss before tax of Rs. (12,699,042) in the year 2016. Under written Premium during the year under review was Rs. 36,061,068 as against Rs. 6,882,094 in the year 2015. This figure shows Business of the company increase during the year 2016.

FINANCIAL REVIEW

	2016	2015
	Rs.	Rs.
Under Written Premium	36,061,068	6,882,094
Net Premium Income	18,353,324	1,089,912
Net Claims (Paid & Outstanding)	14,487,678	3,005,086
Expenses of Management	10,207,417	4,437,507
Reserve for Unexpired Risks	20,960,140	5,546,767
Other income	6,113	2,576

OUTLOOK FOR THE CURRENT YEAR

There was significant increase in the gross premium, but it is felt that because of late approval received from SECP for the acquisition of share and change of management, the business has been effected considerably. The permission for change of management was received on May 3, 2016.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors remained engaged in performing their duties as required under the Code of Corporate Governance. In addition, the Code of Corporate Governance for Insurance Companies has also been adopted and complied with, and such compliance is attached with this report.

CHANGE IN THE BOARD OF DIRECTORS

There was no change in the Board of Directors of the Company during the year 2016.

BOARD OF DIRECTORS MEETINGS

During the year four (5) Board Meetings were held and the numbers of meetings attended by directors are given hereunder:

	NAME OF DIRECTORS	ATTENDANCE
1.	Mr. Tahir Malik	5
2.	Mrs. Saboohi Tahir	5
3.	Mr. Asif Malik	5
4.	Mr. Kashif Malik	5
5.	Mrs. Mahnoor Asif	5
6.	Mst. Sundus Malik	5
7.	Mrs. Sadia Atif	4

AUDIT COMMITTEE

As required and reported last year, the Board established an audit committee, which has its terms of reference duly approved by the Board. The committee members are as follows:

1.	Mr. Asif Malik	Chairman
2.	Mst. Sundus Malik	Member
3.	Mr. Hammad Javed	Secretary

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PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding of the Company and additional information as at December 31, 2016 is annexed with this report.

CORPORATE FINANCIAL REPORTING

1. The financial statements together with the notes forming an integral part of these statements are drawn up in conformity with the Companies Ordinance 1984, and the Insurance Ordinance 2000, prepared by the management of your Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.

4. The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuing process and any weaknesses will be removed and its effective implementation shall be ensured.

6. There is no doubt upon the Company’s ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last five years is annexed with the report.

9. Details of outstanding taxes and duties are given in the financial statements.

STATUTORY PAYMENTS

The company is in process to make the remaining statutory payments of sales tax in services & Federal Insurance Fee, the shortfall was due to shortage of funds.

FUTURE OUTLOOK

The Board and the management of Company recognize the fact that we are operating in a highly competitive, yet a mature and dynamic industry. We believe that we have the right professional team and a modern and efficient operational platform to deliver sustainable and profitable growth in the future. We hope that next year will be an excellent year under new management and we strive to achieve even greater heights in the years to come.

GENERAL

The directors and the management of the Company wish to express their profound gratitude to valued customer for their association with the Company .We also take this opportunity to thank Pak Reinsurance Company, who participated in our treaty program -2016 and the valuable clients of the Company for the support given to Trafco Insurance Company during the year 2016.

Company's paid up capital is Rs.200 million up to 31-12-2016, for further enhancement in the paid up capital we have already entered the writ petition under W.P. # 26058/2010 in Honorable Lahore High Court for the relief of further enhancement in the paid up capital. However in the meantime, the new management has got the approval of Rs.700 million authorized capital from SECP. The increase in paid up capital for Rs.500 million in process.

The Directors are also pleased to record their appreciation of the valuable services rendered by the employees of the Company and hope that they will continue to work with the more zeal and dedication enabling the Company to achieve higher goals.

For and on behalf of the **Board of Directors**

Lahore: April 7, 2017

Tahir Malik
Chairman/Director

HAMEED KHAN & CO.
Chartered Accountants
16-A, Link Farid Kot Road,Near A.G Office,
Lahore- Pakistan.
Tel: 37234562-37222149-37362491 Fax:92-42-37351851
E-mail: hameed@brain.net.pk, hameed@inbox.pk

KS INTERNATIONAL

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of;

i) Balance Sheet ;
ii) Profit & Loss Account ;
iii) Statement of Comprehensive Income ;
iv) Statement of Changes in Equity ;
v) Statement of Cash Flow ;
vi) Statement of Premium ;
vii) Statement of Claim ;
viii) Statement of Expenses; and
ix) Statement of Investment Income

of **M/s TRAFCO INSURANCE COMPANY LIMITED (FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)** "(the company)" as at December 31, 2016 together with notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors 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 International 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 statement. 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, and we report that:

1. As stated in note 16 to the financial statements, a total amount of Rs. 31,125,000 (2015: Rs. 31,125,000) was advanced against land. We could not get independent confirmation for these balances. Further the final payment of cost of land has not yet been made and accordingly the land has not been transferred in the name of company.

2. As disclosed in note 17 to the financial statements the company has purchased a 300 kanal piece of land amounting to Rs. 62,400,000 during the year 2008 situated at Haripur Hazara for the purpose of building farm houses which is against the main objects of the company.

3. The company has not carried out any fresh valuation of land & building. Further no adjustment has been made against incremental depreciation on surplus on revaluation and related deferred income tax liability.

4. Securities & Exchange Commission of Pakistan, Insurance Division has issued the direction dated 4/12/2008 u/s 63 of Insurance Ordinance, 2000 to cease entering into new contracts of insurance. This direction was issued on the basis of non maintaining the non prescribed level of statutory deposit, minimum solvency requirement for the year 2006-2007, failed to maintain proper reinsurance treaty for the year 2008 and failed to meet the criteria of sound and prudent management. The company has filed an appeal before appellate bench of Securities & Exchange Commission of Pakistan and the appellate bench ordered to maintain the statutory deposit and solvency level. The company filed an appeal before the Honourable Lahore High Court against the order of appellant bench. The Honourable Lahore High Court has stayed the order issued by the SECP vide their order Case No. C.O. No. 05/2009 dated October 12, 2009.

5. The company was taken over by an agreement between Tahir Malik and Ikhlaq Butt on the basis of transfer of paid up capital. There is no clause in the agreement about the status of assets and liabilities before and after the change of management. Accordingly the ownership of assets stated at cost in note 17 at Rs. 89,000,652 remained unconfirmed.

In our opinion, because of the significance of the matters discussed in the preceding paragraphs 1 to 5, the financial statements do not give a true and fair view of the financial position of **TRAFCO INSURANCE COMPANY LIMITED (FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)** as of December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Hameed Khan & Co.
Chartered Accountants

Abdul Hameed Khan
Audit Engagement Partner

Lahore:
Dated: 07 APR 2017

TRAFCO INSURANCE COMPANY LIMITED (FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)
BALANCE SHEET AS AT DECEMBER 31,2016

	Note	2016 Rupees	2015 Rupees
SHARE CAPITAL & RESERVE			
Authorized			
70,000,000 (2015: 20,000,000) Ordinary share of Rs.10 each		700,000,000	200,000,000
Issued, subscribed & paid-up			
20,000,000 Ordinary share of Rs. 10 each fully paid in cash	5	200,000,000	200,000,000
Accumulated loss		(113,262,953)	(100,563,911)
		86,737,047	99,436,089
SURPLUS ON REVALUATION OF ASSETS		7,181,560	7,181,560
DIRECTOR LOAN	6	-	354,290
UNDERWRITING PROVISIONS			
Provision for outstanding claims (including IBNR)		9,966,981	2,574,791
Provision for unearned premium		20,960,140	5,546,767
		30,927,121	8,121,558
CREDITORS & ACCRUALS			
Amounts due to other insurers/ reinsurers		2,045,819	366,357
Accrued expenses	7	2,743,471	501,515
Other creditors	8	14,067,220	1,993,643
		18,856,510	2,861,515
OTHER LIABILITIES			
Taxation	9	218,828	35,295
TOTAL LIABILITIES		50,002,460	11,372,658
CONTINGENCIES & COMMITMENTS	10	-	-
TOTAL EQUITY & LIABILITIES		143,921,067	117,990,307

	Note	2016 Rupees	2015 Rupees
CASH & BANK DEPOSITS			
Cash & other equivalent	11	1,439	2,440
Current and other accounts	11	4,595,046	68,357
		4,596,485	70,797
Advance Tax		101,514	81,093
OTHER ASSETS			
Amount due from other insurers/ reinsurers	12	-	-
Reinsurance recoveries against outstanding claims	13	1,731,500	40,000
Prepaid reinsurance premium ceded	14	3,627,799	820,126
Defferd Commission Expense	15	2,211,483	-
Stationery stock		-	33,100
Sundry receivables	16	47,925,412	33,655,275
		55,496,194	34,548,501
FIXED ASSETS			
Tangible			
Land		78,410,000	78,410,000
Building		2,207,183	2,452,426
Furniture, fixtures & office equipments		3,109,692	2,427,490
		83,726,875	83,289,916
TOTAL ASSETS		143,921,067	117,990,307

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

TRAFCO INSURANCE COMPANY LIMITED (FORMERLY THE CREDIT INSURANCE COMPANY LIMITE
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Fire & Property Damage	Marine, Aviation & Transport	Motor	Others	Aggregate 2016	Aggregate 2015
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue Account							
Net premium revenue		-	17,825	17,951,487	384,013	18,353,325	1,089,912
Net claims		-	-	(14,487,678)	-	(14,487,678)	(3,005,086)
Expenses	18	-	(18,517)	(9,899,842)	(289,058)	(10,207,417)	(5,012,241)
Net commission		-	3,455	(911,255)	(95,857)	(1,003,657)	(72,696)
Underwriting results		-	2,763	(7,347,288)	(902)	(7,345,427)	(7,000,111)
Other income						6,113	2,576
Other loss	19					-	(318,864)
General & administration expenses	20					(5,176,195)	(3,623,390)
						(5,170,082)	(3,939,678)
Loss before tax						(12,515,509)	(10,939,789)
Taxation - current						(183,533)	(10,899)
- prior year						-	(269,455)
						(183,533)	(280,354)
Loss after tax						(12,699,042)	(11,220,143)
Loss appropriation account							
Balance at commencement of year						(100,563,911)	(89,343,769)
Loss after tax for the year						(12,699,042)	(11,220,142)
Balance Unappropriated loss at end of year						(113,262,953)	(100,563,911)
Loss per share - basic	22					(0.635)	(0.561)

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

TRAFCO INSURANCE COMPANY LIMITED
(FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rupees	2015 Rupees
Loss after taxation	(12,699,042)	(11,220,143)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(12,699,042)	(11,220,143)

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

TRAFCO INSURANCE COMPANY LIMITED
(FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Share Capital	Accumulated Loss	Total
	Rs.	Rs.	Rs.
Balance as at December 31, 2014	200,000,000	(89,343,769)	110,656,231
Loss for the year	-	(11,220,142)	(11,220,142)
Balance as at December 31, 2015	200,000,000	(100,563,911)	99,436,089
Loss for the year	-	(12,699,042)	(12,699,042)
Balance as at December 31, 2016	200,000,000	(113,262,953)	86,737,047

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

TRAFCO INSURANCE COMPANY LIMITED
(FORMERLY THE CREDIT INSURANCE COMPANY LIMITED)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rs.	2015 Rs.
Operating Cash Flows		
a) Underwriting Activities		
Premiums received	36,061,068	6,882,094
Reinsurance premiums paid	(5,102,044)	(1,238,725)
Claims paid	(10,208,234)	(1,504,665)
Reinsurance and other recoveries received	1,421,246	534,370
Portfolio Withdrawal / Losses	-	-
Commissions paid	(1,054,052)	(114,684)
Commissions received	50,396	41,988
Net cash flow from underwriting activities	21,168,379	4,600,378
b) Other operating activities		
General management expenses paid	(7,932,361)	(4,007,877)
Other operating Receipts/(payments)	(6,817,649)	(3,884,930)
Other receipts/(payments) on operating assets	(14,146,299)	1,918,582
Cash used in operations	13,753,039	(152,432)
Net cash flow from other operating activities	(15,143,270)	(6,126,657)
Total cash flow from all operating activities	6,025,110	(1,526,278)
Investment activities		
Fixed capital expenditure	(1,151,245)	(640,250)
Proceed from disposal of fixed assets	-	1,743,045
Other Income	6,113	2,576
Total cash flow from investing activities	(1,145,132)	1,105,371
Financial charges	-	-
Total cash flow from financing activities	-	-

	2016 Rs.	2015 Rs.
Financing activities		
Loan from Director	(354,290)	354,290
Net cash inflow from all activities	4,525,688	(66,618)
Cash at the beginning of the year	70,797	137,415
Cash at the end of the year	4,596,485	70,797
Reconciliation to Profit & Loss Account		
Operating cash flows	6,025,110	(1,526,279)
Depreciation expense	(714,287)	(574,734)
Loss on Sale of assets	-	(318,864)
Other Income	6,113	2,576
Taxation	(183,533)	(10,899)
Increase/(Decrease) in assets other than cash	20,968,114	(2,886,215)
(Increase)/Decrease in liabilities other than running finance	(38,800,559)	(5,905,728)
Loss after taxation	(12,699,042)	(11,220,143)
Definition of cash		
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents	1,439	2,440
Current and other accounts	4,595,046	68,357
	4,596,485	70,797

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

STATEMENT OF PREMIUMS
FOR THE YEAR ENDED DECEMBER 31, 2016

Class	Premiums				Reinsurance				Net Premium Revenue	
	Written	Unearned Premium Reserve		Earned	Reinsurance Ceded	Prepaid Reinsurance Premium ceded		Reinsurance expense	December 31, 2016	December 31, 2015
		Opening	Closing			Opening	Closing			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Direct										
Fire	-	-	-	-	-	-	-	-	-	6,711
Marine	65,417	20,189	38,261	47,345	27,018	10,305	7,803	29,520	17,825	6,426
Motor	34,974,460	5,378,106	20,334,056	20,018,510	4,830,058	736,620	3,499,654	2,067,024	17,951,487	996,227
Miscellaneous	1,021,191	148,472	587,823	581,840	244,968	73,201	120,342	197,827	384,013	80,548
Total	36,061,068	5,546,767	20,960,140	20,647,695	5,102,044	820,126	3,627,799	2,294,371	18,353,325	1,089,912

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

STATEMENT OF CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2016

Class	Claims				Reinsurance				Net Claims Expense	
	Paid	Outstanding		Claims Expense	Reinsurance and other Recoveries Received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other Recoveries Revenue	December 31, 2016	December 31, 2015
		Opening	Closing			Opening	Closing			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Direct</u>										
Fire	-	400,000	400,000	-	-	40,000	40,000	-	-	360,000
Marine	-	-	-	-	-	-	-	-	-	-
Motor	10,208,234	2,174,791	9,566,981	17,600,424	1,421,246	-	1,691,500	3,112,746	14,487,678	2,645,086
Misc.	-	-	-	-	-	-	-	-	-	-
Total	10,208,234	2,574,791	9,966,981	17,600,424	1,421,246	40,000	1,731,500	3,112,746	14,487,678	3,005,086

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Class	Commission				Other			Net Underwriting Expenses	
	Paid or Payable	Deferred Opening	Deferred Closing	Net Expense	Management Expense	Underwriting Expense	Commission from Reinsurers	December 31, 2016	December 31, 2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Direct and Facultative									
Fire	-	-	-	-	-	-	-	-	44,375
Marine	4,106	-	2,785	1,321	18,517	19,838	4,776	15,062	104,316
Motor	2,922,492	-	1,993,660	928,832	9,899,842	10,828,674	17,577	10,811,097	4,027,855
Miscellaneous	338,937	-	215,038	123,899	289,058	412,957	28,042	384,915	908,391
Total	3,265,535	-	2,211,483	1,054,052	10,207,417	11,261,469	50,396	11,211,074	5,084,937

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

STATEMENT OF INVESTMENT INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	Rs.	**Rs.**
Income from Non-Trading Investments		
Held to Maturity	-	-
Net Investment Income	-	-

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

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

TRAFCO INSURANCE COMPANY LIMITED (FORMERLY THE CREDIT INSURANCE COMPANY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. STATUS AND NATURE OF BUSINESS

Trafco Insurance Company Limited (Formerly The Credit Insurance Company Limited) was incorporated as a public limited company on October 25, 1979. The name of the company was changed on November 30, 2016.The Company is engaged in general insurance business. The registered office and principal place of business is located at Trafco house 2nd Floor 1-C-1, Canal Bank Road Canal Park, Gulberg-II Lahore.

2. GOING CONCERN ASSUMPTION

2.1 During the year 2009 Securities & Exchange Commission of Pakistan, Insurance Division has issued the direction dated 4/12/2008 u/s 63 of Insurance Ordinance, 2000 to cease entering into new contracts of insurance. This direction was issued on the basis of non maintaining the non prescribed level of statutory deposit, minimum solvency requirement for the year 2006-2007, failed to maintain proper reinsurance treaty for the year 2008 and failed to meet the criteria of sound and prudent management. The company has filed an appeal before appellate bench of Securities & Exchange Commission of Pakistan and the appellate bench ordered to maintain the statutory deposit and solvency level. The company filed an appeal before the Honourable Lahore High Court against the order of appellant bench. The Honourable Lahore High Court has stayed the order issued by the SECP vide their order Case No. C.O. No. 05/2009 dated October 12, 2009. Hence, these financial statements have been prepared on going concern basis.

The company was taken over by the new management TRAFCO Group of Companies w.e.f. December 8, 2014 and the permission for acquisition of shares was granted by SECP on February 15, 2016. Accordingly the management, however, believes that in view of future prospectus the going concern assumption is still valid and, therefore, these accounts have been prepared on going concern basis without considering any adjustment relating to the recoverability of recorded assets and liabilities.

3. STATEMENT OF COMPLIANCE

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

3.1 Basis of Preparation

These financial statements have been prepared on the format of financial statements issued by the Securities & Exchange Commission of Pakistan (SECP) through Securities & Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002].

3.2 Accounting Convention

These financial statements have been prepared under the historical Cost Convention.

3.3 Critical Accounting Estimates and Judgments

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 reporting 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 recognized 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.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements or judgment was exercised in application of accounting policies are as follows:-

- Provision for outstanding claims incurred but not paid (IBNR)
- Provision for doubtful receivables
- Useful lives, pattern of economic benefits of operating fixed assets
- Provision for unearned premiums
- Impairment of assets
- Provision for taxation
- Premiums due but unpaid
- Premium deficiency reserve
- Classification of insurance contracts
- Allocation of management expenses
- Segment reporting

3.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective.

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

Standard or Interpretation	Effective date (annual periods beginning)
IFRS 2 – Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 – Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 – Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	01 January 2018
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

3.4.2 Further, following new standards have been issued by IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) New, revised and amended standards and interpretations

The Company has adopted the following accounting standard and the amendments of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

ii) Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 – Employee Benefits - Discount rate: regional market issue

IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the Company's financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

4.1 Profit & Loss Account

The premium earned on Fire, Marine, Motor and Miscellaneous Insurance business net of reinsurance after providing outstanding claims including IBNR, commission and allocable management expenses and reserve for unexpired risks are transferred to the profit and loss account.

4.2 Provision for un-earned Premium

Provision for unearned premium represents the portion of premium written relating to unexpired period of coverage. The company has opted for $1/24^{th}$ method to calculate provision for unearned premium as per the option given under SEC (Insurance) Rules, 2002.

4.3 Premium Deficiency Reserve

The Company is required as per SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense and the same shall be recognized as a liability.

For this purpose, loss ratios for each class are estimated based on historical claims development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, premium deficiency is estimated. The loss ratio estimated on these basis for the unexpired portion are as follows:-

Fire and property damage
Marine, aviation and transport
Motor
Miscellaneous

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no provision for the same has been made in these financial statements.

4.4 Taxation

4.4.1 Current

Provision for current taxation is based on taxable income at the rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year to such years.

4.4.2 Deferred

Deferred tax is accounted using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets liabilities for financial reporting purposes. Deferred tax liabilities and generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.5 Investments

- **Held to maturity**

  These are measured at cost.

4.6 Tangible Fixed Assets & Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit by applying reducing balance method at the rates specified in note 14 to the financial statements.

Depreciation is charged on additions from the month the asset in put to use and on disposals upto the month of disposal.

Gain/loss on disposal of fixed assets is included in income currently. Normal repairs and maintenance are charged to income currently.

The assets’ residual value and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company’s estimate of the residual value of its fixed assets as at December 31, 2015 has not required any adjustment as its impact is considered insignificant.

4.7 Financial Instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

4.8 Offsetting of Financial assets and Financial Liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.9 Expenses of Management

Expenses of management include directly attributable expenses and indirect expenses allocated to various classes of business on the basis of gross premium revenue. Expenses not allocable to the underwriting business are charged as general and administrative expenses.

4.10 Revenue Recognition

4.10.1 Premium

Premium received/receivable under a policy are recognized at the time of issuance of policy. Similarly, reinsurance premium is recorded at the time the reinsurance is ceded.

Administrative surcharge represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy and are recognized as revenue at the time of issuance of insurance policy.

4.10.2 Return on Investment and Bank Deposits

Return on investments and profit and loss sharing accounts are recognized on a time proportion basis.

4.11 Insurance Contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders are insurance policy contracts. The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, money, engineering losses and other insurance contracts with group companies, corporate clients and individuals residing or located in Pakistan.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant reinsurance contracts. The Company enters into reinsurance contracts with both foreign and local reinsurers. The Company 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 reinsurance business being reinsured.

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

4.12 Reinsurance ceded

Reinsurance liabilities represent balances due to reinsurance companies. Balance payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balance 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 contract are not offset against expenses or income from related insurance assets are required by Insurance Ordinance, 2000.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Company assesses its reinsurance assets for impairment on balance sheet date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes it as impairment loss.

4.13 Claims

Liability for outstanding claims is recognized in respect of all claims incurred as at the balance sheet date which represent the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments.

Consistent with prior year's provision for outstanding claims include amounts in relation to unpaid reported claims, claim incurred but not reported (IBNR), and expected claims settlement costs.

Provision for IBNR, is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgement and the company's prior experience.

Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

4.14 Provision for outstanding claims (including IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

4.14.1 Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

4.14.2 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP Circular no. 9 of 2016, the Company has changed its method of estimation of IBNR. The Company now takes actuarial advice for the determination of IBNR claims. IBNR claim have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

Upto previous year the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

4.15 Reinsurance recoveries against outstanding claims

Claims recoveries from the reinsurer and recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

4.16 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. The income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, under the terms of reinsurance arrangements, is recognized when the Company's right to receive the same is established.

4.17 Pakistan Reinsurance Company Limited (PRCL) Retrocession

PRCL retrocession business is accounted for on the basis of the statements received relating to the first three quarters of the current year and one quarter of the previous year, with the exception of each and bank transactions which are accounted for currently.

4.18 Zakat

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

4.19 Foreign Currency Transactions

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.20 Impairment of Assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

4.21 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segment purposes namely fire, marine, motor and miscellaneous.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

			2016 Rs.	2015 Rs.
5	**SHARE CAPITAL**			
	Issued, subscribed and fully paid 20,000,000 ordinary shares of Rs. 10 each fully paid in cash		200,000,000	200,000,000
			200,000,000	200,000,000

6 DIRECTORS LOAN

This represent interest free loan from one of the director to meet the running expenses of the company in the year 2015 which was repaid during the year.

7	**ACCRUED EXPENSES**			
	Audit Fee		368,340	218,340
	Commission Payable Motor		589,915	-
	Commission Income Unearned		63,367	-
	Salaries Payable		450,526	-
	Director remuneration payable		1,265,000	-
	Advance tax payable		6,323	-
	Others		-	283,175
			2,743,471	501,515
8	**OTHER CREDITORS**			
	Sales tax on services		3,181,090	1,095,038
	Federal insurance fees		117,577	845,161
	Withholding tax Payable		156,137	32,299
	Trafco Logistics (Pvt) Ltd	8.1	125,448	-
	Other Payable		2,628,159	21,145
	Director's Current account		7,213,774	-
	Bulls Eye Communication		174,537	-
	PST 16%		95,749	-
	Pak Kuwait Takaful Company		117,658	-
	Premium received Motor Refundable		23,842	-
	Witholding Tax 4% Deduction From Policy Holder		233,249	-
			14,067,220	1,993,643

8.1 This represents Rs. 125,448 (2015: Rs.Nil) due to Trafco Logistics (Pvt) Limited, an associated undertakings.

		2016 Rs.	2015 Rs.
9	**TAXATION**		
	Opening balance	35,295	24,396
	For the Year	183,533	10,899
		218,828	35,295

Provision of minimum tax liability under section 113 of the Income Tax Ordinance 2001 has been accounted for in the accounts.

No numeric tax rate reconciliation is given as the Company is liable for turnover tax.

- Income tax assessment of the company has been finalised upto the assessment year 2001-2002. The company has not recognized a demand of Rs. 380,134 raised by the Income Tax Department. The company has filed appeals against the order of Commissioner of Income Tax (Appeals) to honourable Income Tax Appellate Tribunal. The management is of the view that they have the fair chance to win the case.

- The income tax assessment of Trafco Insurance Company Ltd (Formerly The Credit Insurance Company Ltd) has been finalized upto and including tax year 2015 by deeming provisions of Income Tax Ordinance 2001.
- Commissioner of Income Tax (Appeals) in response to the company's appeal for the assessment 2002-2003 vide his order dated 11-2-2006 granted relief in addition made in profit & loss expenses and deleted the addition made in the head of excess management expenses and commission on reinsurance. The appeal effects have not yet been finalized.

- FBR has filed a reference on certain issues for the tax year 2002-2003 in the Lahore High Court. The outcome of which cannot be determined at this stage.

10 CONTINGENCIES AND COMMITMENTS

- The company's banks on the instructions of the Lahore High Court (Rawalpindi Bench) have liquidated the company's statutory deposits of Rs. 2,250,000 but the company is of the view that these amounts were wrongly paid and are recoverable. The company on this issue has filed an appeal before the Supreme Court of Pakistan. The Honourable Supreme Court has suspended the orders of Lahore High Court (Rawalpindi Bench). The final verdict of the case is still awaited.

The Commissioner (Appeal), Punjab Revenue Authority has set aside demand of Rs.1,130,535 against sales tax for the period from July 2012 to October 2013. The reassessment proceeding has not yet completed. The company is confident that the case will be decided in their favour.

		2016 Rs.	2015 Rs.
11	**CASH AND BANK DEPOSITS**		
11.1	**Cash and other Equivalents**		
	Cash in hand	1,439	2,440
		1,439	2,440
11.2	**Current and other Accounts**		
	Current accounts	4,595,046	68,357

		2016 Rs.	2015 Rs.
12	**DUE FROM INSURERS/REINSURERS**		
	Pakistan Reinsurance.Co	-	2,114,268
	Societe Centeral Reins	-	472,048
		-	2,586,316
	Less: Provision for doubtful receivables	-	(2,586,316)
		-	-
13	**REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS**		
	Facultative business		
	Fire	40,000	40,000
	Motor	1,691,500	-
		1,731,500	40,000
14	**PREPAID REINSURANCE PREMIUM CEDED**		
	Facultative business		
	Marine	7,803	10,305
	Motor	3,499,654	736,620
	Miscellaneous	120,342	73,201
		3,627,799	820,126

		Note	2016 Rs.	2015 Rs.
15	**DEFFERED COMMISSION EXPENSE**			
	Facultative business			
	Marine		2,785	-
	Motor		1,993,660	-
	Miscellaneous		215,038	-
			2,211,483	-
16	**SUNDRY RECEIVABLES**			
	Advance for purchase of land		31,125,000	31,125,000
	Receivable from Trafco Logistics (Pvt) Ltd	16.1	-	243,211
	Receivable from Trafco Tracking (Pvt) Ltd	16.2	14,910,412	2,287,064
	Advance to suppliers		1,850,000	-
	Advance to Staff		40,000	-
			47,925,412	33,655,275

16.1 This represents Rs. Nil (2015: Rs. 243,211) due from Trafco Logistics (Pvt) Limited, an associated undertakings.

16.2 This represents Rs. 14,910,412 (2015: Rs. 2,287,064) due from Trafco Tracking (Pvt) Limited, an associated undertakings.

17 PROPERTY, PLANT & EQUIPMENT

PARTICULARS	COST / REVALUATION: As At January 1, 2016	Additions	Deletion	As At December 31, 2016	Rate %	DEPRECIATION: As At January 1, 2016	For the year	Disposal	As At December 31, 2016	WRITTEN DOWN VALUE AS AT DECEMBER 31, 2016
Land Freehold	16,010,000	-	-	16,010,000	-	-	-		-	16,010,000
Land Haripur	62,400,000	-	-	62,400,000	-	-	-		-	62,400,000
Building	4,269,911	-	-	4,269,911	10	1,817,485	245,242.57		2,062,728	2,207,183
Furniture & Fixtures	6,111,891	59,300	-	6,171,191	10	3,865,830	228,734		4,094,565	2,076,626
Computers	112,200	1,005,756	-	1,117,956	30	21,783	227,961		249,744	868,212
Electrical Appliances	-	10,400	-	10,400	10	-	580		580	9,820
Office Equipments	7,000	75,789	-	82,789	10	408	3,327		3,735	79,054
Airconditioners	89,650	-	-	89,650	10	5,230	8,442		13,672	75,978
Total 2016	89,000,652	1,151,245	-	90,151,897		5,710,736	714,287	-	6,425,023	83,726,874
Total 2015	94,109,021	640,250	(5,748,619)	89,000,652		8,822,713	574,734	(3,686,710)	5,710,736	83,289,916

17.1 Land & Building of the company was revalued by the independent valuer M/s Global Engineers Associates as on September 06, 2007 and charged to Surplus on Revaluation of Fixed Assets as per requirements of Section 235 of Companies Ordinance 1984.

		2016 Rupees	2015 Rupees
18	**MANAGEMENT EXPENSES**		
	Salaries & wages	4,637,761	2,692,215
	Chief Executive's Remuneration	720,000	200,000
	Electricity	23,008	91,345
	Vehicle expenses	27,168	266,648
	Office rent	300,000	234,000
	Postage & telegram	43,504	15,918
	Printing & stationery	182,540	119,147
	Registration & filing fee	100,000	156,325
	Telephone charges	16,350	22,183
	Entertainment	265,555	100,008
	Bank charges	6,345	5,069
	Office Maintenance	-	121,410
	Legal Charges	-	12,000
	Newspapers	6,590	610
	Conveyance	650	5,425
	Repair And Maintance	629,055	-
	Stamp Papers	7,190	-
	Electric Repair Charges	32,369	18,000
	Water Charges	36,350	-
	Inspection Fee Motor Vehicles	17,914	-
	Web Site Designing	150,000	-
	Travelling / Room Reservation Expenses	217,244	-
	Communication	18,000	-
	Fuel & Power (Generator Exp)	168,806	-
	Advertisement	576,492	-
	Traking Expense	1,163,494	-
	Depreciation	714,287	574,734
	Others	146,745	377,204
		10,207,417	5,012,241
19	**OTHER LOSSES**		
	Loss on Sale of Assets	-	318,864
		-	318,864

			2016	2015
20	**GENERAL & ADMINISTRATIVE EXPENSES**			
	Auditors' Remuneration	20.1	100,000	100,000
	Dirctor Remuneration		1,800,000	-
	Stationery		-	108,876
	Legal & Professional Charges		635,420	223,875
	Service Charges		-	108,500
	Registration & filing fee		2,353,310	-
	Iftar & Dinner		-	387,073
	Donation	20.2	-	108,750
	Bad Debts		-	2,586,316
	Director Car Fuel And Repair Expense		287,465	-
			5,176,195	3,623,390
20.1	**Auditors' Remuneration**			
	Audit Fee		100,000	100,000
			100,000	100,000

20.2 None of the directors and their spouses had any interest in any of the donees.

21 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Basic Salary	480,000	120,000	1,200,000	-	2,030,212	-
House Rent	240,000	80,000	600,000	-	1,015,106	
	720,000	200,000	1,800,000	-	3,045,318	-
Number of person	1	1	3		7	

In addition to above the Chief Executive & Director are provided with free use of company's maintained car.

		2016 Rupees	2015 Rupees
22	**LOSS PER SHARE-BASIC**		
	Loss after taxation	(12,699,042)	(11,220,142)
	Weighted average number of shares	20,000,000	20,000,000
	Loss per Share - Basic	(0.635)	(0.561)

No figure for diluted earnings per share has been presented as the company has not issued any Instrument which would have an impact on earnings per share when exercised.

		2016	2015
23	**NUMBER OF EMPLOYEES**		
	Number of Employees as at December 31, 2016	11	15

24 SEGMENT REPORTING

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets and liabilities as at December 31, 2016 and December 31, 2015, allocated capital expenditure and depreciation / amortization during the year. The above have been assigned to the following segments on the basis of gross premium earned by the segments.

Particulars	Fire Insurance		Marine Aviation and Transport		Motor		Worker's Compensation		Miscellaneous		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue												
Premium earned	-	88,819	47,345	49,463	20,018,510	1,438,091	-	-	581,840	487,572	20,647,695	2,063,946
Segment results	-	(397,664)	2,763	(97,890)	(7,347,288)	(5,676,713)	-	-	(902)	(253,110)	(7,345,427)	(6,425,377)
Other income											6,113	2,576
General & administrative expense											(5,176,195)	(4,198,124)
Other Loss											-	(318,864)
Loss before tax											(5,170,082)	(4,514,412)
Provision for tax											(183,533)	(280,354)
Net loss											(12,699,042)	(11,220,143)
Other information												
Segment assets	-	35,293	8,319	19,655	3,517,251	571,438	-	-	102,229	193,741	3,627,799	820,126
Unallocated assets	-	-	-	-	-	-	-	-	-	-	140,293,268	117,170,181
Total assets	-	35,293	8,319	19,655	3,517,251	571,438	-	-	102,229	193,741	143,921,067	117,990,307
Segment liabilities	-	435,293	103,172	242,415	43,623,256	7,047,949	-	-	1,267,913	2,389,544	44,994,341	10,115,201
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	5,008,119	1,257,457
Total liabilities	-	435,293	103,172	242,415	43,623,256	7,047,949	-	-	1,267,913	2,389,544	50,002,460	11,372,658
Capital Expenditure	-	27,552	2,640	15,344	1,116,164	446,106	-	-	32,441	151,248	1,151,245	640,250
Depreciation / Amortization	-	24,733	1,638	13,774	692,521	400,456	-	-	20,128	135,771	714,287	574,734

INSURANCE RISK

The principal risk the Company faces under insurance contracts is the possibility that the insured event occurs, the uncertainty of the amount of the resulting claims i.e. the frequency and severity of claims and that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy aims to minimise insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits. The Company underwrites mainly property, motor, marine cargo and transportation and other miscellaneous business. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span, usually one year. This helps to mitigate insurance risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. For large risks, particularly in property segment of business, risk inspections are carried out before accepting the risks. Similarly, in case of large risks, annual renewals are also preceded by on-site surveys. Where needed, risk mitigation measures are identified and communicated to the clients to improve the risk to an acceptable level.

Reinsurance arrangements in place include treaty and facultative arrangements, on proportional and non-proportional basis and also include catastrophe cover. The effect of such reinsurance arrangements is that the Company may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

The Company's arrangement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor the operations of the Company are substantially dependent upon any single reinsurance contract. The Company obtains reinsurance cover only from companies with sound financial health.

25 FREQUENCY AND SEVERITY OF CLAIMS

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements. The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the claims and premium liabilities (in percentage terms) by class of business at balance sheet date:

	2016				2015			
Class	Gross claims liabilities	Net Claims liabilities	Gross premium liabilities	Net premium liabilities	Gross claims liabilities	Net Claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%	%	%	%	%
Fire and property damage	4.00	4.40	-	-	15.54	14.2	-	-
Marine, aviation & transport	-	-	0.20	0.17	-	0	0.36	0.21
Motor	96.00	95.60	97.00	97.13	84.46	85.8	97.0	98.2
Miscellaneous	-	-	2.80	2.70	-	0	2.7	1.6
	100	100	100	100	100	100	100	100

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

25.1 Credit risk and concentration of credit risk

Credit risk is the risk that 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 Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The company's credit risk exposure is not significantly different from the reflected in these financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure, as specified below:-

	2016	2015
	Rs.	Rs.
Bank deposits	4,595,046	68,357
Amount due from other insurers/reinsurers	-	-
Sundry receivable	47,925,412	33,655,275
	52,520,458	33,723,632

The company does not held any collateral against the above during the year. General provision is made for receivables according to the company's policy. This impairment provision is utilized to write off a financial asset when it is determined that company cannot recover the balance due. During the year no premuim due but unpaid were impaired and provided for.

The credit quality of company's bank balances can be assessed with reference to external credit rating as follows:-

	Rating Short Term	Rating Long Term	Rating Agency	2016 Rs.	2015 Rs.
Habib Bank Ltd	A-1+	AAA	JCR-VIS	-	62,607
Faysal Bank Ltd	A1+	AA	JCR-VIS	4,595,046	5,750
				4,595,046	68,357

Age Analysis of Premium due but unpaid, amount due from other insurers/reinsurers, reinsurance recoveries against outstanding claims and sundry receivables is as under:-

	2016 Rs.	2015 Rs.
Upto 1 year	16,800,412	2,530,275
1-2 year	-	-
Above 2 years	31,125,000	31,125,000
	47,925,412	33,655,275

The credit quality of amount due from other insurers/reinsurers recoveries can be assessed with reference to external credit rating as follows:-

	Amount due from other insurers/ reinsurers Rs.	Reinsurance recoveries against outstanding claims Rs.	2016 Rs.	2015 Rs.
A or above (including PRCL)	-	1,731,500	1,691,500	40,000
BBB	-	-	-	-
Others	-	-	-	-
Total	-	1,731,500	1,691,500	40,000

25.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company finances its operations through equity and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

	2016	2015
On the balance sheet date, company has cash and bank balances of Rs.	4,596,485	70,797

The following are the contractual maturities of financial liabilities on an undiscounted cash flow basis:

	2016			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rs.	Rs.	Rs.	Rs.
Financial Liabilities				
Amount due to insurers/reinsurers	2,045,819	2,045,819	2,045,819	-
Accrued expenses	2,743,471	2,743,471	2,555,131	188,340
Sundry creditors	14,067,220	14,067,220	12,652,202	1,415,018
	18,856,510	18,856,510	17,253,152	1,603,358

	2015			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	Rs.	Rs.	Rs.	Rs.
Financial Liabilities				
Amount due to insurers/reinsurers	366,357	366,357	366,357	-
Accrued expenses	501,515	501,515	313,175	188,340
Sundry creditors	1,993,643	1,993,643	578,625	1,415,018
	2,861,515	2,861,515	1,258,157	1,603,358

25.3 Market Risk

Market risk means that the fair value of furtue cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark up rate risk and price risk. The Company is not exposed to material currency risk.

a) Interest / Mark up Rate Risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest / markup rate risk arises from mismatching of financial assets and liabilities that mature or reprice in a given period. The company manages these mismatches through risk mangement strategies

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments is as follows:-.

	Effective interest rate (in%)	2016	2015
	Rs.	Rs.	Rs.
Financial assets			
Bank deposits			
Investment-TFCs			

-------------**NIL**-------------

Sensitivity Analysis

For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased/(increased profit for the year by the amounts shown below:-

	2016 Rupees	2015 Rupees
Cash flow sensitivity - Variable rate financial assets	-	-

It is assumed, for the purpose of sensitivity analysis, that the changes occur immediately and uniformmly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all othr vaiables remain constant.

b) Price Risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instrument traded in the market. Company is not exposed to equity price risk since it has no investments in quoted equity securities.

25.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

25.5 Insurance Risk

The company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a ingle insurance contract issued to a particular demographic type of policy holder, within a geographical location or to types of commercial business. The company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

a) Geographical Concentration of Insurance Risk

To optimize benefits from the principle of average 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, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated primarily with the commercial / industrial /residential occupation of the insurers. Details regarding the fire separatin / segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details form part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation. Reference is made to the standard construction specifications laid down by IAP (Insurance Association of Pakistan). For Instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the building within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Address look-up and geocoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

For Marine risk, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea/air/inland), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is digned to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

b) Reinsurance Arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the company.

In compliance with the regulatory requirement, the reinsurance agreements are duly submitted with the Securities and Exchange Commission of Pakistan on an annual basis.

The concentration of risk by type of contracts is summarized below by reference to liabilities:

	Gross sum insured		Reinsurance		Net	
	2016	2015	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Fire	-	136,550,000	-	103,778,000	-	32,772,000
Marine	48,565,000	11,107,800	29,139,000	8,775,162	19,426,000	2,332,638
General Accident	321,500,000	-	257,200,000	-	64,300,000	-
Miscellaneous	824,754,274	148,358,705	494,852,564	106,818,268	329,901,710	41,540,437
	1,194,819,274	296,016,505	781,191,564	219,371,430	413,627,710	76,645,075

c) **Sensitivity Analysis**

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The sensitivity analysis is performed on the same basis as that of last year. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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

	Pre tax loss		Share holders' equity	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
10% increase in loss				
Net:				
Fire	-	(36,000)	-	39,766
Marine	-	-	(276)	9,789
Motor	(1,448,768)	(264,509)	734,729	567,671
Miscellaneous	-	-	90	25,311
	(1,448,768)	(300,509)	734,543	642,538
10% decrease in loss				
Net:				
Fire	-	36,000	-	(39,766)
Marine	-	-	276	(9,789)
Motor	1,448,768	264,509	(734,729)	(567,671)
Miscellaneous	-	-	(90)	(25,311)
	1,448,768	300,509	(734,543)	(642,538)

d) **Claims development tables**

The following tables shows the development of claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved with year. Further, claims with significant uncertainties are not outstanding as at December 31, 2016.

Accident year	2016	2015	Total
	Rs.	Rs.	Rs.
Estimate of ultimate claims cost:			
At end of accident year	17,600,424	-	17,600,424
One year	-	2,574,791	2,574,791
Estimate of cumulative claims	17,600,424	2,574,791	20,175,215
Less: Cumulative payments to date	9,513,443	694,791	10,208,234
Liability recognized in the balance sheet	8,086,981	1,880,000	9,966,981

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reported in the financial statements approximate their fair value except for equity and debt instruments held whose fair values have been disclosed in their respective notes to the financial statements. Fair value is determined on the basis of objective evidence at each reporting date.

27 TRANSACTIONS WITH RELATED PARTIES.

27.1 Transactions with related parties comprise associated undertaking and other related parties through directorship and close family members of the directors of the company.

Transactions with related parties undertaken were as follows:

Name	Relationship	Nature	2016 Rupees	2015 Rupees
Trafco Logistics (Pvt) Ltd	Key Management Personnel	Payable	125,448	-
		Receivable	-	243,211
Trafco Tracking (Pvt) Ltd	Key Management Personnel	Receivable	14,910,412	2,287,064

Transactions Associated company

		2016 Rupees	2015 Rupees
Premiums written	(Trafco Tracking (Pvt) Ltd)	34,974,460	6,573,513
Premiums Paid	(Trafco Tracking (Pvt) Ltd)	20,259,745	4,286,449
Commission paid	(Trafco Tracking (Pvt) Ltd)	2,922,492	34,098

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly. The company considers its Managing Director and Director as a key management personnel.

28 CAPITAL MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company has not obtained long term finance and short term borrowings, therefore gearing ratio of the company is not applicable. In accordance with SRO No. 828(I)/2015 of Securities & Exchange Commission of Pakistan (SECP), minimum paid up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:-

	2016 Rupees	2015 Rupees
Minimum paid up capital	400,000,000	300,000,000

The company currently does not meet the imposed capital limit and has filed a case W.P. No. 26058 in Lahore High Court, Lahore against the increase in Capital. The matter is pending before the Lahore High Court and the outcome of which is not known.

29 AUTHORISATION FOR ISSUE

These accounts were authorised for issue on 07 APR 2017 in accordance with a resolution of the Board of Directors.

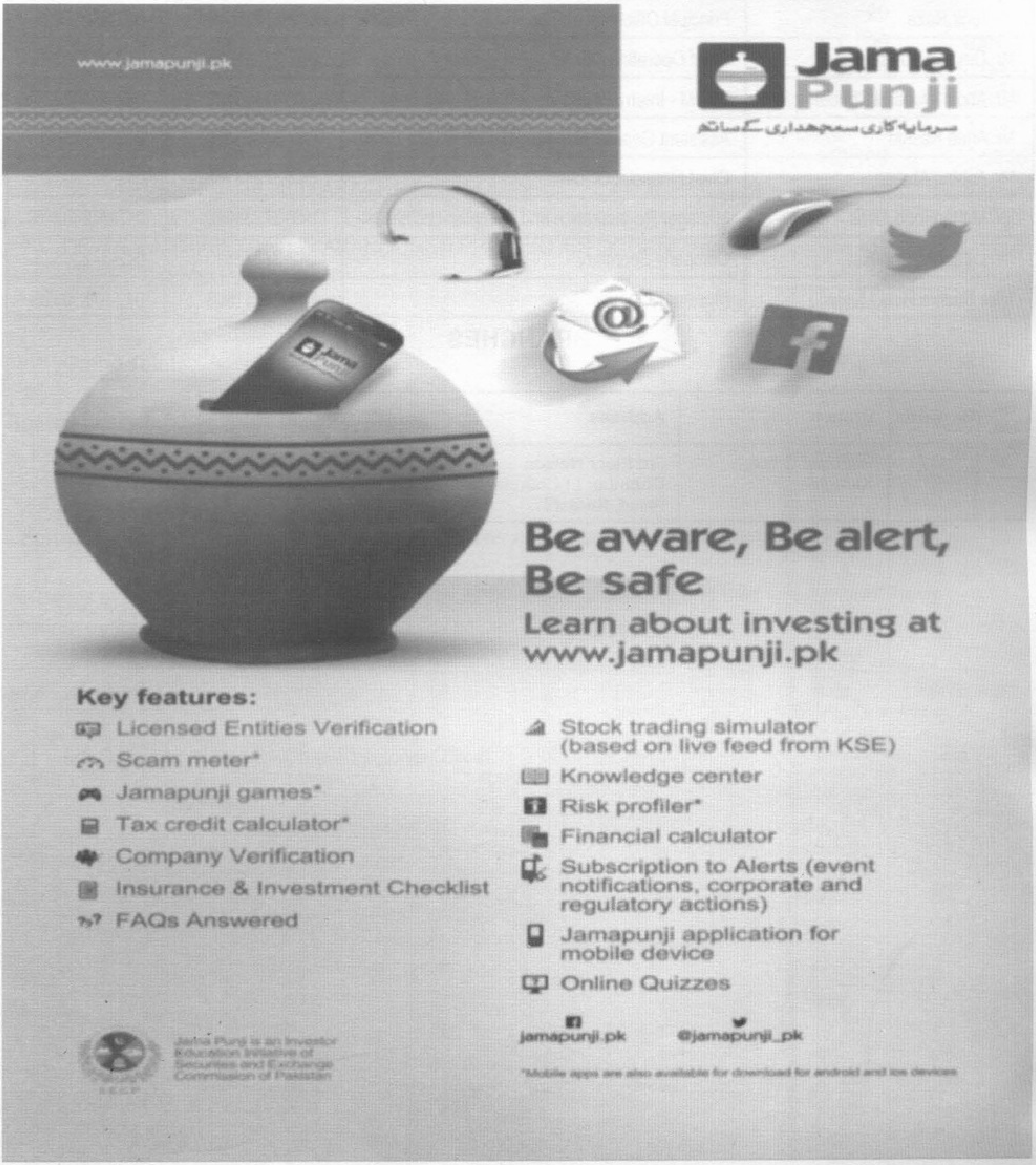
30 GENERAL

- Figures in these accounts have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHAIRMAN

Investor's Awareness

As per direction of SECP vide their S.R.O. 924 (1)/2015 dated September 09, 2015 we are pleased to incorporate the following informational message on **'JumaPunji '** for investor's awareness in Annual Report of the Company for the year ended December 31, 2016.



The Secretary
Trafco Insurance Company Limited
(Formerly the Credit Insurance Company Limited.)
Trafco House: 1st Floor, 1-C-1,
Canal Bank Road, Canal Park,
Gulberg-II, Lahore

Please quote folio number

I/we ---

Being a member of **Trafco Insurance Company Limited** (Formerly the Credit Insurance Company Ltd.), hereby appoint -------------------------- ---------------------- of ---------------------- or him ---------------------------------of --------------------------- --- ------------- another member of the Company as my/our Proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 28th April 2017 and any adjournment thereof

Signed this ------------------------------- day of -------------------------2017

Please Affix Rupees Five Revenue Stamp

____
Signed and address of Witness

IMPORTANT

This instrument appointing a proxy, duly completed, must be received at the Registered Office of the Trafco House: 1st Floor, 1-C-1, Canal Bank Road, Canal Park, Gulberg-II, Lahore not later than forty eight hours before the time of holding the meeting.