

TRAFICO INSURANCE COMPANY LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

KARACHI OFFICE:
407-Commerce Centre,
Hasrat Mohani Road,
Karachi-74200
PH: 021-32638521-4 FAX: 32639843

LAHORE OFFICE:
19-B, Block G,
Gulberg III,
Lahore-54660
PH: 042-35858624-6

ISLAMABAD OFFICE:
407- Second floor
Millennium Heights
F-11/1, Islamabad
PH: 051-2224970

E-mail: audit.khi@mushtaqandco.com E-mail: audit.lhr@mushtaqandco.com

INDEPENDENT AUDITOR'S REPORT

To the Members of TRAFICO Insurance Company Limited Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **TRAFICO Insurance Company Limited (the Company)**, which comprise the statement of financial position as at December 31, 2024 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that, except for the matters described in the Basis for Qualified Opinion section below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section in our report and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2024 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

1. In accordance with the Insurance Ordinance, 2000, non-life insurance companies are mandated by Section 29, sub-sections 1 & 2, to deposit and maintain a prescribed minimum amount with the State Bank of Pakistan, either in cash or in approved securities, estimated at the market value of the securities on the day of deposit, or a combination of both. The required minimum deposit is the higher of Rs. 10 million or 10% of the insurer's paid-up capital. However, it has come to our attention that the Company has not complied with this requirement by failing to deposit any securities or cash. This constitutes a non-compliance of the Insurance Ordinance. Furthermore, as per Section 157, sub-section 1 of the Insurance Ordinance, 2000, any insurer or individual acting on behalf of an insurer, who conducts any class of insurance business in contravention of Section 29, may be subject to a fine, the maximum amount of which can extend to two million rupees. Despite this potential liability, the Company has not made any provision in its financial statements in respect of such penalties. Had the company recorded the penalty of, the loss for the year would have been increased by the same amount.
2. Pursuant to the Insurance Ordinance, 2000, non-life insurance companies are obligated, under Section 36 Sub-sections 1&2, to maintain admissible assets in excess of their liabilities, meeting or exceeding the minimum solvency requirement. As per Section 36, sub-section 3, the minimum solvency requirement is calculated at Rs. 150 million. Upon review, we found that TRAFICO Insurance Company Limited's net admissible assets amount to Rs. 18.39 million, resulting in a deficit of Rs. 131.62 million compared to the minimum requirement. This deficiency in maintaining the minimum solvency requirement signifies non-compliance with the Insurance Ordinance;

Furthermore, according to the section 156 of the Insurance Ordinance 2000, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance who is knowingly a party to the default, shall be punishable with fine which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues. Despite this potential liability, the Company has not made any provision in its financial statements in respect of such penalties. Had the company recorded the penalty of, the profit for the year would have been decreased by the same amount.

3. We refer to Note 8 to the financial statements, which describes a loan extended to related parties amounting to Rs. 68.56 million in principal and Rs. 30.07 million in accrued mark-up, as per the terms of the agreement. We were unable to obtain sufficient appropriate audit evidence regarding the recoverability of the said loan and related mark-up.

Consequently, we were unable to determine whether any adjustments were necessary to the expected credit loss (ECL) allowance in accordance with the requirements of IFRS 9 – Financial Instruments.

4. We refer to Note 15 and 18 to the financial statements. The Company has not paid certain statutory dues, including Federal Excise Duty (FED) of Rs. 2.24 million and Withholding Tax Payable of Rs. 2.55 million, which represents non-compliance with applicable tax laws and regulations. In addition, the Company has not reconciled the insurance premium with the corresponding figures reported in the Punjab Revenue Authority (PRA) sales tax return, resulting in an unexplained variance of Rs. 8.87 million in premium amounts. Due to the absence of sufficient information and reconciliations, we were unable to assess the completeness and accuracy of the related liabilities and revenue recognition. Consequently, we could not determine whether any adjustments are required to the financial statements in respect of revenue, statutory liabilities, penalties, or surcharges in respect of such non-compliances and variances.
5. During the year, the Company did not comply with the provisions of the Punjab Employees Social Security Ordinance, 1965, as it did not make the required contributions for eligible employees to the Punjab Employees Social Security Institution (PESSI). Had the Company complied, it would have recognized a liability and corresponding expense for the contributions due. The financial impact of this non-compliance and any impact of penalty, if any, has not been quantified in the accompanying financial statements.

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

Material Uncertainty relating to Going Concern

We draw attention of the members to Note No. 2.3 in the financial statements, The Company incurred a loss from underwriting results amounting to Rs. 4.89 million during the year ended December 31, 2024 (2023: Rs. 29.75 million) accumulated losses as at December 31, 2024 are Rs. 273.79 (2023: Rs. 280.75). Additionally, the Company has not complied with Section 29 of the Insurance Ordinance, 2000, which requires a minimum statutory deposit to be maintained with the State Bank of Pakistan. No such deposit has been made, constituting non-compliance and exposing the Company to potential penalties, for which no provision has been recognized in these financial statements.

Further, the Company has failed to meet the minimum solvency requirement prescribed under Section 36 of the Insurance Ordinance, 2000. As of the reporting date, the Company's net admissible assets amount to Rs. 18.39 million, resulting in a shortfall of Rs. 131.62 million against the required minimum of Rs. 150 million.

Moreover, the Securities and Exchange Commission of Pakistan (SECP), through S.R.O.310(I)/2025, has significantly increased the minimum paid-up capital requirement for non-life insurance companies to Rs. 2,000 million in phases. Based on the current financial position and available funds, the Company may not be able to meet this enhanced requirement, which indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the enclosed financial statements have been prepared on going concern basis for the reasons and mitigating factors mentioned in the aforesaid note. Our opinion is not modified in respect of this matter.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report:

- Proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business and;
- No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter Paragraph

The financial statements of the company for the year ended December 31, 2023 were audited by another auditor who expressed Qualified opinion on those statements as on March 26, 2024.

The engagement partner on the audit resulting in this independent auditor's report is **Nouman Arshad, ACA**.

Mushtaq & Co.
Mushtaq and Co.
Chartered Accountants.

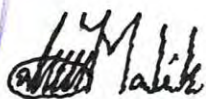


Lahore.
Dated: 09-APR-2025
UDIN: AR202410724rzKdmEefc

TRAFICO INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

		31 December 2024 Rupees	31 December 2023 Rupees
ASSETS	Note		
Property and equipment	5	234,944,389	232,591,248
Intangible assets	6	6,735,000	7,857,500
Insurance / Reinsurance receivables	7	3,045,981	3,852,736
Loans and other receivables	8	99,155,371	71,508,096
Deferred commission expense / acquisition cost	20	7,116,794	2,682,380
Prepayments	9	3,594,376	3,895,833
Taxation - provision less payment	16	-	893,891
Deferred Taxation	10	-	-
Investments	11	-	3,000,000
Cash and bank	12	289,843	485,247
Total Assets		354,881,754	326,766,931
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	13	570,000,000	570,000,000
Accumulated loss		(273,789,056)	(280,747,053)
Total Equity		296,210,944	289,252,947
Liabilities			
Underwriting provisions			
- Outstanding claims including IBNR	19	3,559,720	3,659,199
- Unearned premium reserves	18	30,688,891	12,547,126
- Premium deficiency reserves		-	-
Insurance / Reinsurance payables	14	4,567,711	9,000,000
Premium received in advance		48,042	48,044
Other creditors and accruals	15	19,292,407	12,259,615
Taxation - provision less payment	16	514,039	-
		58,670,810	37,513,984
Total Equity and Liabilities		354,881,754	326,766,931
Contingencies and commitments	17		

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



Chairman



Director



Director



Chief Executive
Officer

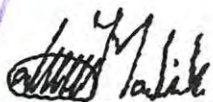


Chief Financial
Officer

TRAFICO INSURANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

		31 December 2024 Rupees	31 December 2023 Rupees
Net insurance premium	18	41,000,815	9,539,905
Net insurance claims	19	(1,473,531)	(2,082,530)
Premium deficiency		-	-
Net commission and other acquisition costs	20	(10,997,823)	(3,081,066)
Insurance claims and acquisition expenses		(12,471,354)	(5,163,596)
Management expenses	21	(33,422,765)	(34,126,004)
Underwriting results		(4,893,304)	(29,749,695)
Other income	22	19,042,235	15,678,275
Other expenses	23	(5,750,811)	(1,520,112)
		13,291,424	14,158,163
Results of operating activities		8,398,120	(15,591,532)
Finance costs		(14,991)	-
Profit / (Loss) before levies and taxation		8,383,129	(15,591,532)
Levies		-	(119,249)
Profit / (Loss) before taxation		8,383,129	(15,710,781)
Taxation	24	(1,425,132)	-
Profit / (Loss) for the year		6,957,997	(15,710,781)
Other comprehensive income:		-	-
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		6,957,997	(15,710,781)
Earnings / (Loss) per share - Basic	25	0.12	(0.28)

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



Chairman



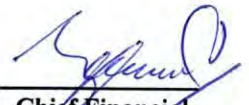
Director



Director



**Chief Executive
Officer**



**Chief Financial
Officer**

TRAFICO INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

Attributable to equity holders of the Company		
Share capital	Revenue Reserve Accumulated Profit /(loss)	Total equity
Rupees		
Balance as at January 1, 2023	570,000,000	(265,036,272) 304,963,728
Profit / (Loss) for the year	-	(15,710,781) (15,710,781)
Other comprehensive income / (loss) for	-	- -
Total comprehensive income / (loss) for	-	(15,710,781) (15,710,781)
Balance as at December 31, 2023	570,000,000	(280,747,053) 289,252,947
Balance as at January 1, 2024	570,000,000	(280,747,053) 289,252,947
Profit / (Loss) for the year	-	6,957,997 6,957,997
Other comprehensive income / (loss) for	-	- -
Total comprehensive income / (loss) for the year	-	6,957,997 6,957,997
Balance as at December 31, 2024	570,000,000	(273,789,056) 296,210,944

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



Chairman



Director



Director



Chief Executive Officer



Chief Financial Officer

TRAFICO INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2024

	Note	31 December 2024 Rupees	31 December 2023 Rupees
Operating cash flows			
a) Underwriting activities			
Insurance premiums received		67,487,586	20,703,890
Claims paid		(1,573,010)	(2,737,357)
Reinsurance and other recoveries received / (paid)		(11,621,041)	4,480,796
Commission paid		(15,432,237)	(5,489,595)
Management expenses paid		(25,024,791)	(20,551,824)
Net cash flow from underwriting activities		13,836,507	(3,594,090)
b) Other operating activities			
Income tax paid		(17,202)	(106,216)
Net cash flow from other operating activities		(17,202)	(106,216)
Total cash flow from all operating activities		13,819,305	(3,700,306)
Investing activities			
Fixed capital expenditure		(8,394,678)	-
Investment in TDRs		3,000,000	(3,000,000)
Loan to related party - net		(8,605,040)	4,859,927
Total cash flow from investing activities		(13,999,718)	1,859,927
Financing activities			
Finance cost paid		(14,991)	-
Total cash flow from financing activities		(14,991)	-
Net cash flow from all activities		(195,404)	(1,840,379)
Cash and cash equivalents at beginning of year		485,247	2,325,626
Cash and cash equivalents at end of year	12	289,843	485,247
Reconciliation to profit and loss account			
Operating cash flows		13,819,305	(3,700,306)
Depreciation expense	5	(6,041,537)	(6,522,200)
Amortisation expense	6	(1,122,500)	(1,122,500)
Loan to related party - net		(8,605,040)	4,859,927
Other income		2,707,151	-
(Decrease) / increase in assets other than cash and investment		27,357,444	13,030,293
Decrease/ (Increase) in liabilities other than borrowings		(21,156,826)	(22,255,995)
Profit / (Loss) after taxation		6,957,997	(15,710,780)

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

 Chairman	 Director	 Director	 Chief Executive Officer	 Chief Financial Officer
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TRAFICO INSURANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

1 Legal status and nature of business

TRAFICO Insurance Company Limited ("the Company") was incorporated in Pakistan as a public limited company on October 25, 1979 under the Companies Act, 1913 (now the Companies Act, 2017).

The Company is engaged in providing general insurance service in spheres of Fire and property damage; Marine, aviation and transport, Motor and Miscellaneous.

The registered office and principal place of the Company is located at TRAFICO house, 1st floor 1-C-1, Canal bank road, Canal Park, Gulberg - II, Lahore. The Company operates through 3 (2023: 3) branches in Pakistan.

2 Basis of preparation and statement of compliance

2.1 These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017 and the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017.

In case requirements differ, the provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 89(1) 2017 dated February 09, 2017 has prescribed format of the presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention, except as otherwise stated under relevant policy notes.

2.3 Going concern assumption

The Company incurred a loss from underwriting results amounting to Rs. 4.89 million during the year ended December 31, 2024 (2023: Rs. 29.75 million) accumulated losses as at December 31, 2024 are Rs. 273.79 (2023: Rs. 280.75). Additionally, the Company has not complied with Section 29 of the Insurance Ordinance, 2000, which requires a minimum statutory deposit to be maintained with the State Bank of Pakistan. No such deposit has been made, constituting non-compliance and exposing the Company to potential penalties, for which no provision has been recognized in these financial statements.

Further, the Company has failed to meet the minimum solvency requirement prescribed under Section 36 of the Insurance Ordinance, 2000. As of the reporting date, the Company's net admissible assets amount to Rs. 18.39 million, resulting in a shortfall of Rs. 131.61 million against the required minimum of Rs. 150 million.

Moreover, the Securities and Exchange Commission of Pakistan (SECP), through S.R.O.310(I)/2025, has significantly increased the minimum paid-up capital requirement for non-life insurance companies to Rs. 2,000 million in phases. Based on the current financial position and available funds, the Company may not be able to meet this enhanced requirement.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, the directors have expressed their commitment to inject further capital as and when required. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2.4 Significant estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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TRAFICO INSURANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- Useful lives and residual values of property and equipment	-Note 3.1 & 5
- Useful lives and residual values of intangible assets	-Note 3.2 & 6
- Provision for unearned premium reserves	-Note 3.5 & 18
- Provision for premium deficiency reserve	-Note 3.6
- Provision for outstanding claims including IBNR	-Note 3.14 & 19
- Provision for taxation and deferred tax	-Note 3.16
- Impairment	-Note 3.19

2.5 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency.

2.6 New or amendments to existing standards and interpretations

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

The following standards, amendments and interpretations are effective for the year ended December 31, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Standards Particulars	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024

2.6.2 Standards, interpretations and amendments to published accounting and reporting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Standards or Interpretations	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2026
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase	January 01, 2026

TRAFICO INSURANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements

January 01, 2026

IFRS 17 Insurance Contracts

January 01, 2026

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 18 Presentation and Disclosures in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- IFRS 17 Insurance contracts

The SECP vide SRO 1715 (I) / 2023 dated November 21, 2023 has directed the companies engaged in insurance/takaful and re-insurance/re-takaful to follow IFRS 17 from January 01, 2026.

3 Material Accounting Policy Information

3.1 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

Assets' residual values (if significant) and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

When parts of an item of property and equipment have different useful lives, they are recognized as separate items of property and equipment.

Depreciation is charged to statement of comprehensive income by applying the reducing balance method at the rates specified in note 5 to the financial statements. Depreciation on addition to property and equipment is charged from the day the asset is available for use till the day the asset is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of property and equipment.

Subsequent costs are recognized as part of asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to statement of comprehensive income during the period in which they are incurred.

Gains or losses on disposal of assets, if any, are included in statement of comprehensive income for the year.

3.2 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such assets can be measured reliably. Cost of intangible asset includes purchase cost and directly attributable expenses incidental to bringing the asset for its intended use.

Costs that are directly associated with identifiable intangible and have probable economic benefits beyond one year are recognized as intangible assets. However, costs associated with the maintenance of intangible are recognized as expenses.

Intangible asset are measured initially at cost and subsequently stated at cost less accumulated amortisation and identified accumulated impairment losses, if any. Amortisation is charged to statement of comprehensive income on straight line basis so as to write off the cost of the intangible asset over its estimated useful life. The amortisation period and the amortisation method for intangible assets are reviewed, at each reporting date, and adjusted if the impact on amortisation is significant.

Intangible capital work-in-progress is stated at cost less any identified accumulated impairment loss.

3.3 Insurance contracts

Insurance contracts are 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. Insurance contracts are classified into following main categories:

- Fire and property damage
- Marine, aviation and transport
- Motor
- Other classes

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FOR THE YEAR ENDED DECEMBER 31, 2024

These contracts are entered with group companies, corporate clients, and individual residing or located in Pakistan.

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 rights and liabilities are extinguished or expired.

3.4 Commission

Commission income

Commission from reinsurers (apart from recoveries) is deferred and recognised 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 recognised when the Company's right to receive the same is established.

Deferred commission expense

Commission expenses incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the twenty-fourths' method.

3.5 Unearned premium reserves

Premium under a policy is recognised at the time of the date of issuance of the policy.

Administrative surcharge is recognised as income at the time policies are written.

Revenue from premiums is determined after taking into account unearned portion of premium by applying 1/24th method and has maintained its reserves for unexpired risk as prescribed by Insurance Accounting Regulations, 2017. The unearned portion of premium income is recognised as liability.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for impairment, if any.

3.6 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 and IFRS-4, 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 reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recorded as an expense in the statement of comprehensive income and the same shall be recognised as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of expired periods. For this purpose, average loss ratio of last three years inclusive of claims settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

3.7 Re-insurance contracts held

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises entitled benefits under the contract as various reinsurance assets. Outward reinsurance premiums are accounted for in same period as related premiums for the direct or accepted reinsurance business being reinsured. An impairment review of reinsurance assets is performed at each financial statement date. If there is objective evidence that the asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Accounting Regulations, 2017.

3.8 Receivables and payables related to insurance contracts

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 contract are not offset against expenses or income from related insurance assets.

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The Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income.

3.9 Reinsurance recoveries against outstanding claims

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

3.10 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 management to make decisions about resources to be allocated to the segment and assess its performance, 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 Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and the Board of Directors who are responsible for allocating resources and assess the 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 segments for reporting 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 can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The Company underwrites non-life insurance contracts that can be categorized into fire and property damage, marine, motor, bond, engineering losses and other insurance contracts with other companies, corporate clients and individuals residing or located in Pakistan.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statements at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks and temporary overdraft in current or saving accounts.

3.12 Revenue recognition

Premium income

For all the insurance contracts, premiums including administrative surcharge received / receivable under a policy are recognized as written at the time of issuance of policy. Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognized as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated at gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of Rs. 2,000 per policy.

Commission

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.

Miscellaneous income

Other revenues are recognized on accrual basis.



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3.13 Claims expenses

Insurance claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

The Company recognises liability in respect of all claims incurred up to the reporting date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

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

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

Provision in respect of unpaid reported claims is made on basis of individual case estimates. These are accounted for on management's best estimate which takes into account past trends, expected future patterns of reporting claims actually reported subsequent to the reporting date. Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

3.14.1 Outstanding claims

Provision for liability in respect of claims reported but not settled at the reporting 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.

3.14.2 Claims incurred but not reported (IBNR)

The provision for claims incurred but not reported (IBNR) at reporting date is based on an analysis of the past claims reporting pattern experienced by the Company. The provision for IBNR has been accounted for on the basis whereby all claims incurred before preceding year but reported up to current year were aggregated and the ratio of such claims to outstanding claims at preceding year has been applied to outstanding claims except exceptional losses at current year to arrive at liability for IBNR. The analysis is carried out separately for each class of business.

3.15 Employees' compensated absences

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences.

3.16 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized in other comprehensive income or in statement of changes in equity.

Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. Charge for current taxation also includes adjustments relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

Deferred

Deferred tax is accounted for using liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in financial statements and corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are 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.

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Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

Levy

Tax charged under Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid / payable in excess of the calculation based on taxable income or any minimum tax which is not adjustable against future income tax liability is classified as levy in the statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC 21/IAS 37.

3.17 Management expenses

Expenses of management both direct and indirect are allocated on the basis of activity in each class of business. Expenses not allocable to the underwriting business are charged as other expenses.

3.18 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and / or services received, whether or not billed to the Company. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current estimate.

3.19 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if 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 reporting 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 statement of comprehensive income. Provisions for impairment are reviewed at each reporting date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

3.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the statement of comprehensive income.

Financial instruments carried in the financial statements include bank deposits, loans and other receivables, insurance / reinsurance receivables, insurance / reinsurance payables, reinsurance recoveries against outstanding claims, provision for outstanding claims, accrued expenses, other creditors and accruals and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.21 Offsetting of financial assets and financial liabilities

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

3.22 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the reporting date. Exchange differences are taken to the statement of comprehensive income.

3.23 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.24 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4 Impact of change in accounting policy

During the year the Institute of Chartered Accountant of Pakistan (ICAP) have withdrawn the Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued guidance - "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance requires certain amounts of tax paid under minimum tax (which is not adjustable against future income tax liability) and final tax regime to be shown separately as a levy instead of showing it in current tax.

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) — 'Accounting Policies, Change in Accounting Estimates and Errors'. Effect on the statement of profit or loss is as follows:

Amount in Rupees		
Had there been no change in accounting policies	Impact of Change in Accounting Policies	After Incorporating effect of change in accounting policies
Profit/ (loss) before levies and income tax	-	15,591,532
Levies	-	(15,591,532)
Profit/ (loss) before income tax	(15,591,532)	119,249
Taxation	(119,249)	(119,249)
Profit/(loss) for the year	(15,710,781)	-

MICRO VENETIC

234,944,389	232,591,248
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2024

Cost		Depreciation			Written down value				
As at January 01, 2024	Additions	(Disposals)	As at December 31, 2024	As at January 01, 2024	Charge for the year	(Disposals)	As at December 31, 2024	As at December 31, 2024	Rate
Rupees									
%									
185,000,000	-	-	185,000,000	-	-	-	185,000,000		
35,791,500	250,000	-	36,041,500	8,249,941	2,761,485	-	11,011,426	25,030,074	10
7,043,619	120,500	-	7,164,119	5,620,271	148,442	-	5,768,713	1,395,406	10
211,789	438,500	-	650,289	67,440	39,185	-	106,625	543,664	10
757,062	7,585,678	-	8,342,740	259,483	359,758	-	619,241	7,723,499	10
1,552,169	-	-	1,552,169	1,318,804	70,010	-	1,388,814	163,355	30
23,825,950	-	-	23,825,950	6,074,902	2,662,657	-	8,737,559	15,088,391	15
254,182,089	8,394,678	-	262,576,767	21,590,841	6,041,537	-	27,632,378	234,944,389	

Costs

As at January 01, 2023	Additions	(Disposals)	As at December 31, 2023	Depreciation			Written down value		Rate
				As at January 01, 2023	Charge for the year	(Disposals)	As at December 31, 2023	As at December 31, 2023	
Rupees									
%									
185,000,000	-	-	185,000,000	-	-	-	185,000,000		
35,791,500	-	-	35,791,500	5,189,768	3,060,173	-	8,249,941	27,541,559	10
7,043,619	-	-	7,043,619	5,462,121	158,150	-	5,620,271	1,423,348	10
211,789	-	-	211,789	51,401	16,039	-	67,440	144,349	10
757,062	-	-	757,062	204,196	55,287	-	259,483	497,579	10
1,552,169	-	-	1,552,169	1,218,791	100,013	-	1,318,804	233,365	30
23,825,950	-	-	23,825,950	2,942,364	3,132,538	-	6,074,902	17,751,048	15
254,182,089	-	-	254,182,089	15,068,641	6,522,200	-	21,590,841	232,591,248	

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		31 December 2024	31 December 2023
	Note	Rupees	Rupees
6 Intangible assets			
Opening net book value		7,857,500	8,980,000
Additions		-	-
Amortization charged for the year		(1,122,500)	(1,122,500)
Closing net book value		6,735,000	7,857,500
Cost		11,225,000	11,225,000
Accumulated amortisation		(4,490,000)	(3,367,500)
Closing net book value		6,735,000	7,857,500
Amortization rate per annum (%)		10%	10%
7 Insurance / Reinsurance receivables			
Unsecured and considered good			
Due from insurance contract holders		5,721,850	3,852,736
Less: provision for impairment of receivables from insurance contract holders		(2,675,869)	-
		3,045,981	3,852,736
8 Loans and other receivables			
Unsecured and considered good			
Loan to related parties	8.1	68,563,905	57,025,910
Security deposits		500,000	500,000
Accrued mark up	8.2	30,071,466	13,982,186
Advance to staff against salary		20,000	-
		99,155,371	71,508,096
8.1 Loan to related parties			
This represents unsecured, interest bearing loan repayable on demand at the rate of 1 month average KIBOR provided to Trafco Logistics (Private) Limited and Trafco Tracking (Private) Limited to meet working capital requirements.			
8.1.1	The aging of loan to related party including mark up receivable as at the reporting date is as follows:		
Not past due		-	-
Past due 0 - 30 days		1,084,582	942,542
Past due 31 - 90 days		5,300,569	4,606,393
Past due 91 - 1 year		21,242,124	10,215,291
Past due more than 1 year		71,008,096	55,243,870
		98,635,371	71,008,096
8.1.2	The maximum aggregate amount outstanding including mark up at any time during the year was Rs.98,635,371 (2023: 71,008,096)		
8.2	This represents markup on loans provided to related parties.		

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			31 December 2024 Rupees	31 December 2023 Rupees
9	Prepayments	Note		
	Prepaid reinsurance premium ceded		3,594,376	3,895,833
			<u>3,594,376</u>	<u>3,895,833</u>
10	Deferred taxation			
	Taxable temporary differences:			
	Property and equipment		219,501	256,954
	Deductible temporary differences:			
	Allowance for ECL		(776,002)	-
	Unused tax losses / Minimum tax		(24,334,984)	(12,695,017)
			<u>(24,891,485)</u>	<u>(12,438,063)</u>
10.1	During the year, Deferred Tax Asset amounting to Rs. 24.89 million (2023: Rs. 12.44 million) has not been recognized as the company do not foresee taxable temporary difference or taxable profits in near future.			
11	Investments			
	Investments in TDRs - Held to maturity	11.1	-	3,000,000
			<u>-</u>	<u>3,000,000</u>
			Rate	Maturity period
11.1	Term Deposit Receipt - Bank Makramah Limited (2024)		20.5%	-
	Term Deposit Receipt - Bank Makramah Limited (2023)		20.5%	1 month
12	Cash and bank			
	Cash and cash equivalent			
	- Cash in hand		73,138	94,359
	Cash at bank			
	- Current accounts		216,705	390,888
			<u>289,843</u>	<u>485,247</u>
			31 December 2024	31 December 2023
13	Share capital	----- Number of Shares-----	-----Rupees-----	
13.1	Authorized capital			
	Ordinary shares of Rs. 10 each			
		<u>70,000,000</u>	<u>70,000,000</u>	<u>700,000,000</u>
13.2	Issued, subscribed and paid-up share capital			
	Ordinary shares of Rs. 10 each			
	- Fully paid in cash	<u>57,000,000</u>	<u>57,000,000</u>	<u>570,000,000</u>
		<u>57,000,000</u>	<u>57,000,000</u>	<u>570,000,000</u>

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FOR THE YEAR ENDED DECEMBER 31, 2024

		31 December 2024	31 December 2023
	Note	Rupees	Rupees
14 Insurance / reinsurance payables			
Due to other insurers / reinsurers		<u>4,567,711</u>	<u>9,000,000</u>
15 Other creditors and accruals			
Federal excise duty / sales tax		2,239,643	52,739
Federal insurance fee		31,105	15,130
Accrued expenses	15.1	12,866,009	10,239,212
Withholding tax payable		2,549,712	1,952,534
Worker's profit participation fund		540,829	-
Worker's welfare fund		216,332	-
Others		848,777	-
		<u>19,292,407</u>	<u>12,259,615</u>
15.1	This includes salaries payable to directors and chairman as at December 31, 2024 amounting to Rs. 6,241,790 (2023: Rs. 3,363,895).		
16 Taxation - provision less payment			
Balance at beginning of the year		(893,891)	(906,924)
Add: Charge for			
- Current year		1,425,132	119,249
- Prior period taxation		-	-
		1,425,132	119,249
Less: Paid during the year		(17,202)	(106,216)
Balance at end of the year		<u>514,039</u>	<u>(893,891)</u>
17 Contingencies and commitments			
17.1 Contingencies			
17.1.1	During the year ended December 2022, a complaint has been filed before the Labour Court Lahore (court of payment and wages authority) by a claimant, Sheikh Zafar Iqbal amounting to Rs50,000/-. As per confirmation received from legal advisor the Complaint was dismissed vide order dated 04-Nov-2024 and written order still not received by The Company.		
17.1.2	During the year ended December 2022, a complaint has been filed before the Labour Court Lahore (court of payment and wages authority) by a claimant, Usman Arif, employee of the Company amounting to Rs. 1,500,000/-. However, the outcome of the complaint is still pending and the legal advisor is of the opinion that it is likely to be decided in favor of the Company therefore, the Company has not created any provision in this regard. The next date of hearing is fixed on 17-Jun-2025.		
17.1.3	During the year ended December 2022, a complaint has been filed before the Insurance Tribunal Lahore by a claimant, Amir Iqbal amounting to Rs. 400,000/ which was decided in favour of complainant. The Company filed appeal against the order in Islamabad High Court the outcome of the complaint is still pending and the legal advisor is of the opinion that it is likely to be decided in favor of the Company therefore, the Company has not created any provision in this regard. No date of hearing is fixed yet in IHC.		
17.1.4	Punjab Revenue Authority (PRA) has issued an assessment order against the company, raising a demand of Rs. 49,743/-. An appeal is filed against this order before Commissioner Appeals Punjab Revenue Authority (PRA). The matter is currently pending adjudication and is under hearing before the Appellate Authority. Based on the opinion of tax advisor it is likely that it will be decided in favor of the company. Therefore, the company has not created any provision in this regard.		

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17.1.5 Federal Board of Revenue (FBR) passed an order by creating impugned demand of Rs. 163,111/- u/s 122(1) of the Income Tax Ordinance, 2001. An appeal is filed before Commissioner Inland Revenue (Appeals) and hearing of the appeal is pending before appellate authority. Based on the opinion of tax advisor it is likely that it will be decided in favor of the company. Therefore, the company has not created any provision in this regard.

17.2 Commitments

17.2.1 There are no known commitments as at December 31, 2024 (2023: Nil).

		31 December 2024	31 December 2023
	Note	Rupees	Rupees
18 Net insurance premium			
Written gross premium		66,632,789	21,184,632
Add: Unearned premium reserve opening		12,547,126	6,006,566
Less: Unearned premium reserve closing		(30,688,891)	(12,547,126)
Premium earned		48,491,024	14,644,072
Less: Reinsurance premium ceded		7,188,752	9,000,000
Add: Prepaid reinsurance premium opening		3,895,833	-
Less: Prepaid reinsurance premium closing		(3,594,376)	(3,895,833)
Reinsurance expense		7,490,209	5,104,167
		41,000,815	9,539,905
19 Net insurance claims			
Claims paid		1,573,010	2,737,357
Add: Outstanding claims including IBNR closing		3,559,720	3,659,199
Less: Outstanding claims including IBNR opening		(3,659,199)	(4,314,026)
Claim expenses		1,473,531	2,082,530
Less: Reinsurance and other recoveries received		-	4,480,796
Add: Reinsurance and other recoveries receivable closing		-	-
Less: Reinsurance and other recoveries receivable opening		-	(4,480,796)
Reinsurance and other recoveries revenue		-	-
		1,473,531	2,082,530
20 Net commission expense / acquisition costs			
Commission paid or payable		15,432,237	5,489,595
Add: Deferred commission expense opening		2,682,380	273,851
Less: Deferred commission expense closing		(7,116,794)	(2,682,380)
Net commission		10,997,823	3,081,066
Less: Commission received / recoverable from reinsurer		-	-
Add: Unearned reinsurance commission opening		-	-
Less: Unearned reinsurance commission closing		-	-
Commission from reinsurance		-	-
		10,997,823	3,081,066

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FOR THE YEAR ENDED DECEMBER 31, 2024

		31 December 2024	31 December 2023
	Note	Rupees	Rupees
21 Management expenses			
Salaries, wages and benefits	21.1	16,537,176	17,673,283
Depreciation	5	6,041,537	6,522,200
Amortisation	6	1,122,500	1,122,500
Communication		228,795	386,847
Utilities		2,016,142	1,897,129
Advertisement and sales promotion		2,190,504	819,141
Fee and subscription		613,575	421,525
Office repairs and maintenance		799,151	866,520
Entertainment		1,257,325	960,717
Printing and stationery		162,860	254,543
Travelling and conveyance		2,227,222	2,752,563
Annual supervision fee - SECP		100,000	100,000
Miscellaneous		125,978	349,036
		33,422,765	34,126,004
21.1	It includes directors' remuneration amounting to Rs. 3,805,704 (2023: Rs. 3,419,994).		
22 Other income			
Interest on investment		245,804	2,232,632
Interest income		16,089,280	13,445,643
Liability written back		2,707,151	-
		19,042,235	15,678,275
23 Other expenses			
Legal and professional fee		1,098,927	630,194
Auditors' remuneration	23.1	516,288	574,913
Realized Foreign exchange loss		-	245,805
Bad debts		2,675,869	-
Rent, rates and taxes		702,566	69,200
Worker's profit participation fund		540,829	-
Worker welfare fund		216,332	-
		5,750,811	1,520,112
23.1 Auditors' remuneration			
Audit fee		382,663	382,663
Review of Code of Corporate Governance		75,000	58,625
Fee for interim review		-	75,000
Special certifications and sundry advisory services		58,625	58,625
		516,288	574,913
24 Levies and Taxation			
Levies and taxation		1,425,132	119,249
24.1 Levies			
Minimum taxes		-	119,249
24.2 Taxation			
Current tax		1,425,132	-
Deferred tax		-	-
		1,425,132	-

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- 24.3** The current year charge is based on minimum tax on net insurance premium @ 1.25%, the reconciliation of tax on accounting profit and tax charge has not been prepared.

		31 December 2024	31 December 2023
	Note	Rupees	Rupees
25 Earnings / (Loss) per share - Basic			
The calculation of the basic earnings per share is based on the following data :			
Profit / (Loss) after tax	Rupees	6,957,997	(15,710,781)
Weighted average number of ordinary shares	Number	57,000,000	57,000,000
Loss per share - basic and diluted	Rupees	0.12	(0.28)



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26 Compensation of Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, directors and other executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Rupees								
For the year ended December 31								
Managerial remuneration	765,000	739,500	3,805,704	3,419,994	3,452,400	4,893,000	8,023,104	9,052,494
House rent allowance	255,000	246,500	-	-	1,150,800	1,631,000	1,405,800	1,877,500
Travelling expenses	-	-	2,050,116	1,858,804	480,000	-	2,530,116	1,858,804
Others	255,000	246,500	934,900	409,843	1,150,800	1,631,000	2,340,700	2,287,343
	<u>1,275,000</u>	<u>1,232,500</u>	<u>6,790,720</u>	<u>5,688,641</u>	<u>6,234,000</u>	<u>8,155,000</u>	<u>14,299,720</u>	<u>15,076,141</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>3</u>	<u>4</u>	<u>11</u>	<u>12</u>

26.1 An executive is defined as an employee, other than the chief executive and directors of the Company, whose basic salary exceeds Rs. 1,200,000 in a financial year.

27 Transactions with related parties

Related parties comprise of related companies, directors of the company and key management personnel. Remuneration of directors, chief executive and executives are disclosed in note 26 and other transactions entered into with related parties are as follows:

Related party	Relationship	Nature of transaction	Dec. 31 / 2024	Dec. 31 / 2023
			Rupees	
Trafco Logistics (Private) Limited	Common directorship	Loan provided during the year	10,681,603	-
		Mark up accrued	15,324,612	13,982,186
		Payment received against outstanding loan	1,511,608	-
		Outstanding loan and mark up receivable at reporting date	93,930,777	69,436,170
		Advance for expense	-	-
		Receivable against advances at reporting date	-	-
Trafco Tracking (Private) Limited	Common directorship	Loan provided during the year	2,368,000	-
		Mark up accrued	764,668	-
		Payment received against outstanding loan	-	-
		Outstanding loan and mark up receivable at reporting date	4,704,594	1,571,926
		Advance for expense	-	-
Mr. Tahir Malik	Director/ Chairman	Receivable at reporting date	-	-
		Loan repayable at reporting date	581,039	234,825
		Loan received during the year	449,852	834,383
		Loan repaid during the year	103,638	632,583

28 Number of employees

Number of employees as at the end of year	16	16
Average number of employees during the year	15	15

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TRAFICO INSURANCE COMPANY LIMITED
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29 Segment information

2024

	Fire and property damage	Marine, aviation and transport	Motor	Credit and Suretyship	Miscellaneous	Aggregate
	Rupees					
Premium receivable	1,960,140	797,721	-	288,120	-	3,045,981
Gross Written Premium						
(inclusive of administrative surcharge)	12,713,302	763,906	5,761,131	45,759,238	1,635,212	66,632,789
Gross direct premium	-	-	-	-	-	-
Administrative surcharge	-	-	-	-	-	-
Insurance premium earned	11,513,386	928,164	6,154,271	26,967,728	2,927,474	48,491,023
Insurance premium ceded to reinsurers	(2,085,857)	(1,703,611)	(1,349,796)	(2,350,944)	-	(7,490,208)
Net insurance premium	9,427,529	(775,447)	4,804,475	24,616,784	2,927,474	41,000,815
Commission income	-	-	-	-	-	-
Net underwriting income	9,427,529	(775,447)	4,804,475	24,616,784	2,927,474	41,000,815
Insurance claims	-	-	(1,473,531)	-	-	(1,473,531)
Insurance claims recovered from reinsurers	-	-	-	-	-	-
Net claims	-	-	(1,473,531)	-	-	(1,473,531)
Commission expense	(3,350,021)	(59,689)	(1,591,726)	(5,286,281)	(710,106)	(10,997,823)
Management expenses	(6,376,946)	(383,172)	(2,889,762)	(22,952,668)	(820,217)	(33,422,765)
Premium deficiency	-	-	-	-	-	-
Net insurance claims and expenses	(9,726,967)	(442,861)	(5,955,019)	(28,238,949)	(1,530,323)	(45,894,119)
Underwriting results	(299,438)	(1,218,308)	(1,150,544)	(28,238,949)	1,397,151	(4,893,304)
Other income						19,042,235
Other expenses						(5,750,811)
Finance cost						(14,991)
Profit before levies and taxation						8,383,129
Segment assets	4,484,403	1,216,321	2,073,796	5,752,634	229,997	13,757,151
Unallocated assets						341,124,603
Total assets						354,881,754
Segment liabilities	6,233,519	506,790	6,176,548	20,593,111	738,643	34,248,611
Unallocated liabilities						24,422,199
Total liabilities						58,670,810

2023

	Fire and property damage	Marine, aviation and transport	Motor	Credit and Suretyship	Miscellaneous	Aggregate
	Rupees					
Premium receivable	2,059,111	797,721	-	995,904	-	3,852,736
Gross Written Premium						
(inclusive of administrative surcharge)	7,563,130	794,950	6,162,975	2,269,799	4,393,778	21,184,632
Gross direct premium	-	-	-	-	-	-
Administrative surcharge	-	-	-	-	-	-
Insurance premium earned	4,475,615	123,902	5,722,336	976,125	3,346,094	14,644,072
Insurance premium ceded to reinsurers	(2,268,519)	(1,701,389)	(453,704)	(680,556)	-	(5,104,167)
Net insurance premium	2,207,096	(1,577,487)	5,268,632	295,569	3,346,094	9,539,905
Commission income	-	-	-	-	-	-
Net underwriting income	2,207,096	(1,577,487)	5,268,632	295,569	3,346,094	9,539,905
Insurance claims	-	-	(1,762,530)	-	(320,000)	(2,082,530)
Insurance claims recovered from reinsurers	-	-	-	-	-	-
Net claims	-	-	(1,762,530)	-	(320,000)	(2,082,530)
Commission expense	(1,374,119)	(3,187)	(681,092)	(609,632)	(413,036)	(3,081,066)
Management expenses	(12,183,332)	(1,280,573)	(9,927,843)	(3,656,385)	(7,077,871)	(34,126,004)
Premium deficiency	-	-	-	-	-	-
Net insurance claims and expenses	(13,557,451)	(1,283,760)	(12,371,465)	(4,266,017)	(7,810,907)	(39,289,600)
Underwriting results	(11,350,355)	(2,861,247)	(7,102,833)	(3,970,447)	(4,464,813)	(29,749,695)
Other income						15,678,275
Other expenses						(1,520,112)
Finance cost						-
Loss before levies and taxation						(15,591,532)
Segment assets	4,885,001	2,149,121	651,991	2,276,839	467,996	10,430,949
Unallocated assets						316,335,982
Total assets						326,766,931
Segment liabilities	5,033,603	671,048	6,669,167	1,801,601	2,030,906	16,206,325
Unallocated liabilities						21,307,659
Total liabilities						37,513,984

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30	Statement of solvency	31 December 2024
		...Rupees...
	Assets	
	Property and equipment	234,944,389
	Intangible assets	6,735,000
	Insurance / Reinsurance receivables	3,045,981
	Loans and other receivables	99,155,371
	Deferred commission expense / acquisition cost	7,116,794
	Prepayments	3,594,376
	Taxation - provision less payment	-
	Investment in TDRs	-
	Cash and bank	289,843
	Total assets (A)	354,881,754
	In-admissible assets as per section 32 (2) of the Insurance Ordinance, 2000	
	Property and equipment	171,935,367
	Intangible assets	6,735,000
	Loans and other receivables	99,155,371
	Total of in-admissible assets (B)	277,825,738
	Total admissible assets (C=A-B)	77,056,016
	Total liabilities	
	Underwriting provisions	
	- Outstanding claims including IBNR	3,559,720
	- Unearned premium reserves	30,688,891
	- Premium deficiency reserves	-
	Insurance / Reinsurance payables	4,567,711
	Premium received in advance	48,042
	Other creditors and accruals	19,292,407
	Taxation - provision less payment	514,039
	Total liabilities (D)	58,670,810
	Total net admissible assets (E=C-D)	18,385,206
	Minimum solvency requirement (F)	150,000,000
	Higher of following	
	Method A - u/s 36 (3)(a)	150,000,000
	Method B - u/s 36 (3)(b)	8,200,163
	Method C - u/s 36 (3)(c)	6,849,722
	Deficit in net admissible assets over minimum requirements (E-F)	(131,614,794)

31 Capital risk management

The Company's objectives When managing capital are to safeguard the Company's ability to continue as a going concern and meet the regulatory, solvency and paid up capital requirements in order to provide returns for share holders and benefit for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and making adjustments to it in the light of changes in economic conditions.

32 Insurance risk management

32.1 Insurance risk

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

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft and third party liabilities etc.

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

32.2 Frequency and severity of claims

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

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

32.3 Uncertainty in estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and conditions of the insurance contract.

Key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, Whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The detailed policy of estimation of outstanding claims (including IBNR) are given under note 3.14.

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



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32.4 Key assumptions

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

Estimation of IBNR is generally subject to a greater degree of uncertainty than estimation of cost of settling claims already notified to the Company, in which case information about claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) could be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

32.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. 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. The impact of 10% increase / decrease in incidence of insured events on loss before tax and shareholder's equity is as follows:

	Underwriting Results		Shareholders' Equity	
	2024	2023	2024	2023
	----- Rupees -----			
Impact of change in claim liabilities by +10%				
Motor and Misc.	<u>147,353</u>	<u>208,253</u>	<u>104,621</u>	<u>147,860</u>
Impact of change in claim liabilities by -10%				
Motor and Misc.	<u>(147,353)</u>	<u>(208,253)</u>	<u>(104,621)</u>	<u>(147,860)</u>

32.6 Concentration of risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are number of parameters which are significant in assessing the accumulation of risk with reference to the geographical location and the most important is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding fire separation / segregation with respect to manufacturing process, storage, utilities, etc. are extracted from layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation.

Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors and 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.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

The ability to manage catastrophic risk is tied with managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. 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.

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

33 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including interest / mark up rate risk, Foreign currency risk and price risk)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital which has been disclosed in note 30. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Board is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee.



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33.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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 effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the 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.

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

	Dec. 31 / 2024	Dec. 31 / 2023
	----- Rupees -----	
Loans and other receivables	99,135,371	71,508,096
Reinsurance recoveries against outstanding claims	-	-
Insurance / Reinsurance receivables	3,045,981	3,852,736
Investments	-	3,000,000
Balances with banks	216,705	390,888
	<u>102,398,057</u>	<u>78,751,720</u>

Geographical concentration of credit risk

Geographically, there is no concentration of credit risk.

Securities and provisions against receivables

The Company does not hold collateral as security. There is no single significant customer in the receivables of the Company. General provision is made for the impairment of due from insurance contract holders, whenever required. The loans are provided to related parties which are under common control through directorship.

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

Bank name	Rating	Agency	Dec. 31 / 2024	Dec. 31 / 2023
	Short term / Long term		----- Rupees -----	
National Bank of Pakistan	A1+ / AAA	PACRA	13,909	5,137
The Bank of Punjab	A1+ / AA+	PACRA	22,007	94,300
Bank Makramah Limited	A-3 / BBB-	VIS	74,967	269,996
Bank Al-Falah Limited	A1+ / AAA	PACRA	34,204	21,456
Soneri Bank Limited	A1+ / AA-	PACRA	422	-
United Bank Limited	AAA / A1+	PACRA	89,222	-
U Microfinance Bank Limit	A1 / A+	PACRA	(18,026)	-
			<u>216,705</u>	<u>390,888</u>

33.1.3 The credit quality of insurance / reinsurance receivables can be assessed with reference to external credit ratings as follows:

	Insurance / Reinsurance receivables	Reinsurance recoveries against outstanding claims	Total	
			Dec. 31 / 2024	Dec. 31 / 2023
	----- Rupees -----			
A or above	2,580,200	-	2,580,200	3,852,736
BBB	465,781	-	465,781	-
	<u>3,045,981</u>	<u>-</u>	<u>3,045,981</u>	<u>3,852,736</u>

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33.2 Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

33.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

33.3.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

33.4 Maturity analysis of financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows.

December 31, 2024				
	Carrying amount	Contractual cash flow	Up to one year	More than one year
			----- Rupees -----	
Financial assets				
Loans and other receivables	99,155,371	99,155,371	99,155,371	-
Insurance / Reinsurance receivables	3,045,981	3,045,981	3,045,981	-
Investments	-	-	-	-
Balances with banks	289,843	289,843	289,843	-
	<u>102,491,195</u>	<u>102,491,195</u>	<u>102,491,195</u>	<u>-</u>
Financial liabilities				
Outstanding claims	3,559,720	(3,559,720)	(3,559,720)	-
Insurance / Reinsurance payables	4,567,711	(4,567,711)	(4,567,711)	-
Other creditors and accruals	13,714,786	(13,714,786)	(13,714,786)	-
	<u>21,842,217</u>	<u>(21,842,217)</u>	<u>(21,842,217)</u>	<u>-</u>
December 31, 2023				
	Carrying amount	Contractual cash flow	Up to one year	More than one year
			----- Rupees -----	
Financial assets				
Loans and other receivables	71,508,096	71,508,096	71,508,096	-
Insurance / Reinsurance receivables	3,852,736	3,852,736	3,852,736	-
Investments	3,000,000	3,000,000	3,000,000	-
Balances with banks	485,247	485,247	485,247	-
	<u>78,846,079</u>	<u>71,508,096</u>	<u>71,508,096</u>	<u>-</u>

TRAFICO INSURANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Carrying amount	December 31, 2023		
		Contractual cash flow	Up to one year	More than one year
		----- Rupees -----		
Financial liabilities				
Outstanding claims	3,659,199	(3,659,199)	(3,659,199)	-
Insurance / Reinsurance payables	9,000,000	(9,000,000)	(9,000,000)	-
Other creditors and accruals	10,239,212	(10,239,212)	(10,239,212)	-
	<u>22,898,411</u>	<u>(22,898,411)</u>	<u>(22,898,411)</u>	<u>-</u>

33.5 Market risk

Market risk means that the fair value or future 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.

33.5.1 Interest / mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

33.5.2 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 factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is not exposed to price risk.

33.5.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk.

33.6 Fair value of financial instruments

The carrying amounts of the financial assets and financial liabilities as at the reporting date approximate their fair values.

34 Corresponding figures

Corresponding figures have been rearranged wherever necessary, for purposes of comparison. There was no material classification to report.

35 Date of authorization for issue

These financial statements have been approved by the Board of Directors of the Company and are authorized for issue on _____.

36 General

Figures have been rounded off to the nearest Rupee, unless otherwise stated.



Chairman



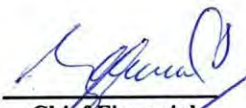
Director



Director



Chief Executive
Officer



Chief Financial
Officer