

ANNUAL REPORT
2005



Organisation
development
through
self development





Vision

A first class insurance company that provides the highest level of quality service to its policyholders.

Mission

To stay in the forefront of innovation and technological developments, continue to achieve corporate success, provide its policyholders quality products and service to their satisfaction, promote interest of all the stakeholders – employees, shareholders, reinsurers and business associates equitably fulfilling demand of overall social responsibility.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive	Arshad P. Rana
Directors	Aamir H. Shirazi
	Frahim Ali Khan
	Jawaid Iqbal Ahmed
	Muhammad Faruque
	S. C. Subjally
Company Secretary	Pervaiz I. Malik

GROUP EXECUTIVE COMMITTEE

President	Aamir H. Shirazi
Members	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Saqib H. Shirazi
Secretary	Theresa Dias

HUMAN RESOURCE COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Bashir Makki

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Iftikhar H. Shirazi
Members	Abdul Razzaq Ghauri
	Zia Ullah Begg
Secretary	Sarfraz Hassan

AUDIT COMMITTEE

Chairman	Jawaid Iqbal Ahmed
Members	Frahim Ali Khan
	S. C. Subjally
Secretary	Pervaiz I. Malik
Chief Internal Auditor	Saleem Mahmood Akhtar

INVESTMENT COMMITTEE

Chairman	Frahim Ali Khan
Members	Iftikhar H. Shirazi
	Arshad P. Rana
Secretary	Muhammad Zafar Riaz

COMPANY INFORMATION
UNDERWRITING COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana Muhammad Munir
Secretary	Asad Mahmood Awan

CLAIMS SETTLEMENT COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana Muhammad Munir
Secretary	Asad Mahmood Awan

REINSURANCE & CO-INSURANCE COMMITTEE

Chairman	Frahim Ali Khan
Members	Arshad P. Rana Muhammad Munir
Secretary	Asad Mahmood Awan

MANAGEMENT COMMITTEE

Chief Executive	Arshad P. Rana
Chief Financial Officer	Muhammad Zafar Riaz
Senior Manager Technical	Muhammad Munir
Company Secretary	Pervaiz I. Malik

AUDITORS

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Ch. Maqsood Advocate
Agha Faisal Barrister at Law

TAX ADVISOR

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BANKERS

Allied Bank of Pakistan Ltd.
Atlas Bank Ltd.
Bank Alfah Limited
Habib Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank
United Bank Ltd.

REGISTERED & HEAD OFFICE

3-Bank Square,
Shahrah-e-Quaid-e-Azam,
Lahore
Telephone: (92-42) 7320542-43, 7322271, 73
Fax: (92-42) 7234742
Email: info@atlasinsurance.com.pk
Website: www.atlasinsurance.com.pk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 71st Annual General Meeting of the Members of the Atlas Insurance Limited (*Formerly* Muslim Insurance Company Limited) will be held on Saturday, April 29, 2006 at 11:00 am at the Registered Office of the company at 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting to be held on April 10, 2006.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2005 together with the Directors' and Auditors' Reports thereon.
3. To approve Cash Dividend @ 70% and Stock Dividend @ 30%, as recommended by the Directors.
4. To appoint auditors and fix their remuneration for the year ending December 31, 2006. The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolutions as Special Resolutions with or without modification:
 - a) RESOLVED THAT approval is hereby accorded to place the quarterly accounts of the company on company's website, subject to approval from Securities & Exchange Commission of Pakistan (SECP) and compliance of conditions of SECP's Circular No. 19 of 2004 dated April 14, 2004.
 - b) RESOLVED THAT the authorized share capital of the Company be and is hereby increased to Rs.500,000,000 (Rupees five hundred million only) divided into 50,000,000 (Fifty million) shares of Rs.10 (Rupees ten only) each.

FURTHER RESOLVED That Clause V of the Memorandum of the Association of the Company be and is hereby amended to be read as follows:

"The share capital of the Company is Rs.500,000,000 (Rupees five hundred million only) divided into 50,000,000 (Fifty million) Ordinary Shares of Rs.10 (Rupees ten only) each, with powers to increase or reduce the capital, to divide the shares of the capital into several classes and to attach thereto respectively such ordinary or preferential rights and privileges, conditions or restrictions in such manner as may from time to time, be provided by the regulations of the Company."

FURTHER RESOLVED That the Article 4 of the Articles of Association of the Company be and is hereby amended to be read as follows:

"The share capital of the Company is Rs.500,000,000 (Rupees five hundred million only) divided into 50,000,000 (Fifty million) Ordinary Shares of Rs.10 (Rupees ten only) each, with powers to increase or reduce the capital, to divide the shares of the capital into several classes and to attach thereto respectively such ordinary or preferential rights and privileges, conditions or restrictions in such manner as may from time to time, be provided by the regulations of the Company."

- c) RESOLVED THAT the Memorandum and Articles of Association of the Company be and are hereby amended in line with the requirements of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and other relevant statutes and due to change in circumstances subject to approval of SECP and any alternation proposed by them in this respect. The proposed amendments are given in Statement under section 160(1)(b) of the Companies Ordinance, 1984.
- d) The Chief Executive of the Company be and is hereby authorized to complete all such legal formalities to give effect to the aforesaid Resolution(s) on behalf of the Company. In case of any change / alternation is pointed out by the SECP and any other competent authority in the aforesaid Resolution(s), the Chief Executive be and is hereby authorized to make necessary modifications / corrections.
- e) RESOLVED THAT the remuneration of the Chief Executive Officer and Executive Director for the financial year ended December 31, 2006 be and is hereby approved.

OTHER BUSINESS

- 6. To consider any other business with the permission of the Chair.

A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting and is being sent to the members.

BY ORDER OF THE BOARD

Lahore: April 8, 2006

PERVAIZ. I. MALIK
Company Secretary

NOTES:

- 1. Share transfer books of the company will remain closed from 22 April, 2006 to 29 April, 2006 (both days inclusive).
- 2. A member entitled to attend and vote at the meeting may appoint another person as his / her proxy to attend and vote on his / her behalf. The proxy form, must be received at the registered office of the company at 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore, duly stamped, signed and witnessed not later than forty-eight (48) hours before the meeting.
- 3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- 4. For attending the meeting and appointing proxies CDC account holders will further have to follow the guideline as laid in Circular 01 dated 26 January, 2000 issued by the SECP.
- 5. Members are requested to immediately inform the company of any change in their address.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This Statement is annexed to the Notice of the 71st Annual General Meeting of Atlas Insurance Limited (*Formerly Muslim Insurance Company Limited*) to be held on April 29, 2006 at which certain special business to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

ITEM NO. 5 (a) OF THE AGENDA

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 dated April 14, 2004 has allowed the listed companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

The Company maintains a website (www.atlasinsurance.com.pk) and latest accounts may be placed there for information of the shareholders and the general public. Prior permission of the SECP would be sought for transmitting the quarterly accounts through Company website after the approval of the shareholders. The Company, however will make available printed copies of accounts to the shareholders on demand at their registered addresses, free of charge, within one week of receiving such request.

ITEM NO. 5(b) OF THE AGENDA

With the issuance of 30% Bonus Shares as proposed, the paid-up Capital of the Company would increase to Rs.158,844,556. Therefore, the present Authorized Capital of the Company needs to be increased to facilitate the issuance of the proposed bonus shares. Accordingly, the Board of Directors in its meeting held on February 21, 2006 has recommended to increase the Authorized Capital from Rs.150,000,000 (Rupees one hundred fifty million only) to Rs.500,000,000 (Rupees five hundred million only) by creation of 35,000,000 (Thirty five million) new Ordinary Shares of Rs.10 (Rupees ten only) each. Increase in Authorized Capital will also necessitate amendments in Clause V of the Memorandum and Article 4 of Articles of Association of the Company. The directors are not interested in this business except as shareholders of the Company.

ITEM NO. 5(c) OF THE AGENDA

Approval is being sought for the amendments in the Memorandum and Articles of Association of the Company in line with the requirements of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and other relevant statutes. Following are the proposed amendments:

7 A. Memorandum of Association

Clause No.

- | | | |
|------|--------------------------|---|
| I. | III (1) | The words "general insurance business specified in the Insurance Ordinance, 2000 (as amended, modified, supplemented and / or re-enacted from time to time) (the "Insurance Ordinance"), and" shall be inserted after the words "of the world". |
| II. | III (1)(a),
(b) & (c) | These Clauses shall be deleted. |
| III. | III (1)(s) | The words "of life" after the words "insurance business" shall be deleted and word "including" after the words "(in all its branches)" shall be inserted. |
| IV. | III (3) | The words "life reversionary and" shall be deleted. |

- V. III (5) This Clause shall be deleted
- VI. 23 (A) Following new Clause shall be inserted after Clause 23:
"To make investment in and /or underwrite stocks and shares, short and long term participation term certificates and other negotiable term obligations of corporations and financial institutions."
- VII. 41 This Clause shall be deleted.
- VIII. 42 Following new Clause shall be inserted after Clause 41:
"To subscribe, donate or guarantee money for any national, charitable, benevolent, public, general or useful object including any educational institution, hospital, flood or famine relief fund and other institution or fund established for charitable purpose in accordance with policy formulated by the Board of Directors."

7 B. Articles of Association

- | Article No. | |
|-------------|--|
| I. 1 | The words "Insurance Act, 1938" shall be substituted by the words "Insurance Ordinance, 2000". |
| II. 6 (A) | Following new Article shall be inserted after Article 6:
"Company may reserve a certain percentage of further issue to its employees under employees stock option scheme to be approved by the Commission." |
| III. 24 | The words "or, where the transferee is a central depository, within five days" after the words "thirty days" shall be inserted. |
| IV. 36 (a) | The word "six" shall be substituted by the word "four". |
| V. 43 | The words "Three Shareholders present in person representing" shall be substituted by the words "Not less than ten members present personally who represent not less than". |
| VI. 64 | The Form of Proxy shall be substituted by the following Form of Proxy: |

"I/We _____ of _____
being member(s) of Atlas Insurance Limited and holder(s) of _____ Ordinary Shares
as per Registered Folio No. _____ hereby appoint _____ of
_____ or failing him _____ of _____ as my/our
proxy to attend, act and vote for me/us and on my/our behalf at the _____ General
Meeting of the company to be held at _____ on
_____ at _____ and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 20_ _.

Signature: _____

Address: _____

Witness:

Signature: _____

Address: _____

Affix
Revenue
Stamps

Signature

Notes:

1. A member entitled to attend and vote at the General Meeting of the Company is entitled to appoint proxy to attend and vote instead of him/her. No person shall act, as a proxy who is not a member of the company except that a corporation may appoint a person who is not a member.
 2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her constituted attorney or if such appointer is a corporation or company, under the common seal of such corporation or company.
 3. The Form of proxy, duly completed, must be deposited at the Company's Registered Office, 3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore."
- VII. 65 The words "which shall not be less than seven nor more than fifteen" shall be substituted by the words "as specified in Section 174 of the Companies Ordinance, 1984".
- VIII. 67 The words "of at least Rs.25,000" shall be substituted by the words "as determined by the Board from time to time".
- IX. 67 (A) Following new Article shall be inserted after Article 67:
The members in General Meeting, from amongst the candidates eligible for election, shall elect Directors in accordance with the relevant provisions of the Companies Ordinance, 1984 and Code of Corporate Governance.
- X. 72 (i) & 94 The words "Managing Director" shall be substituted by the words "Chief Executive".
- XI. 74 Shall be replaced with the following Article:
"A Director shall ipso facto cease to hold office if he becomes ineligible to be appointed as a Director on any one or more of the grounds specified in the relevant provisions of the Companies Ordinance, 1984 and Code of Corporate Governance."
- XII. 78 The words "may be filled up by the Directors" shall be substituted by the words "shall be filled up within 30 days by the Directors".
- XIII. 83 The words "may meet for the dispatch of business, adjourn or otherwise regulate their meetings," shall be substituted with the words "shall meet together at least once in each quarter of a year for the dispatch of business".
- XIV. 84 This Article shall be deleted.
- XV. 86 The words "not to exceed Rs.500" after the word "remuneration" shall be substituted by the words "as they may think fit" and words "Managing Director" shall be deleted.
- XVI. 90 Following new Para after the words "by the Board" shall be inserted in Article 90:
"A copy of the minutes of meeting of board of directors shall be furnished to every director within fourteen days of the date of meeting."

- XVII. 90 (A) Following new Article shall be inserted after Article 90:
"The Company shall have a whole time Secretary and Chief Financial Officer possessing such qualification as may be prescribed."
- XVIII. 95 (A) Following new Article shall be inserted after Article 95:
"The Chief Executive shall receive such remuneration as the Company in General Meeting may determine and as the Directors may determine within limits approved by the company in General Meeting and it may be made a term of his appointment that he be paid a pension or gratuity or provided with employee stock options, if permitted by law, on retirement from his office."
- XIX. 99 (A) Following new Article shall be inserted after Article 99:
"The Directors shall cause to be kept proper books and records as mentioned in section 45 of Insurance Ordinance, 2000."
- XX. 103 Shall be replaced with the following Article:
"The Directors shall annually lay before the Company in General Meeting Profit and loss Account and Balance Sheet for the twelve month ending on December 31. Printed copies of the Balance Sheet and Directors' Report and Auditors' Report shall be forwarded to the Shareholders at least twenty one days before the annual general meeting. The annual general meeting is to held within four months after the close of the year."
- XXI. 103 (A) Following new Article shall be inserted after Article 103:
"The company within one month of the close of first and third quarter and two months of the close of second quarter should prepare Profit and Loss Account and Balance Sheet and transmit to the members and the Stock Exchanges in which shares of the company are listed."
- XXII. 104 This Article shall be deleted.
- XXIII. 114 Shall be replaced with the following Article:
"Except to the extent and in the manners allowed by Section 95A of the Companies Ordinance, 1984 and other provisions and rules formed by Securities and Exchange Commission of Pakistan (SECP), no part of the funds of the Company shall be employed in purchase of, or in loans upon the security of the Company's shares."
- XXIV. 115 Shall be replaced with the following Article:
"(a) Auditors shall be appointed and their duties regulated in accordance with Sections 252 to 255 of the Companies Ordinance, 1984 and Section 48 of The Insurance Ordinance, 2000. Nothing contained herein shall limit or restrict the right or power of Directors of the Company to approve from time to time any internal audit or other examination of the financial condition of the Company and to authorize payment of any out of pocket costs and expenses incurred or sustained by the relevant auditors or examiners in connection therewith.

(b) The auditor shall be eligible for appointment of auditor subject to satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan."

- XXV. 116, 117,
118, 119,
120, 121,
122 & 123 These Articles shall be deleted.
- XXVI. 129 The words "post, courier or by a messenger, at the discretion of Directors. In addition to any other mode provided by the Companies Ordinance, 1984 for notice of any general meeting, notice of every general meeting shall be given in same manner herein before authorized to:
a) Every member of the company;
b) Every person entitled to a share due to operation of law; and
c) The auditors of the company".
shall be inserted after the words "shareholder either through".
- XXVII. 135 The words "No shareholder or other person" shall be substituted by the words "Save as otherwise provided in the Companies Ordinance, 1984 no member or other person (not being a director)".
- XXVIII. 136 Following new Article shall be inserted after Article 135:
"Every Director or officer of the company and every person employed by the company as Auditor shall be indemnified of the funds of the company against all liability incurred by him as such Director, Officer or Auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted, or in connection with any application under section 488 of the Companies Ordinance, 1984 in which relief is granted to him by the Court."

ITEM NO. 5(e) OF THE AGENDA

Approval is being sought for the annual increase in the remuneration of the Chief Executive and Executive Director, working whole time with the Company. The Chief Executive and Executive Director are interested only in the remuneration payable to them.

The Directors of the Company have no direct or indirect interest in the special businesses to be conducted except and to their interest as shareholders of the Company.

A copy of the Memorandum and Articles of Association of the Company including the proposed amendments is available for inspection at the Registered Office of the Company from 9.00 am to 5.00 pm on any working day.

TEN YEARS AT A GLANCE

(Rupees in million)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
FINANCIAL DATA										
Paid-up Capital	122.2	101.8	88.5	88.5	80.5	67.1	55.9	44.7	37.3	32.4
General & Capital Reserves	248.6	100.4	51.3	23.5	31.4	34.4	31.1	30.0	28.2	22.9
Equity	370.8	202.2	139.9	112.0	111.9	101.5	87.0	74.7	65.5	55.3
Underwriting Premium Reserves	221.2	194.7	33.5	36.4	38.8	32.9	30.6	28.7	29.5	25.2
Investments - at Cost	280.0	219.5	172.1	138.5	106.3	68.6	42.2	40.5	49.4	45.3
Total Assets - at Book Value	843.2	509.8	406.0	337.1	282.6	181.4	160.7	138.9	154.8	143.3
Fixed Assets - Net	19.0	14.0	12.1	14.2	14.1	6.2	5.4	5.8	5.9	4.4
Cash and Bank Deposits	185.9	17.7	15.9	13.2	16.3	13.0	33.8	16.3	53.9	50.8
Advances, Deposits and Prepayments	4.7	6.1	3.7	3.0	6.6	6.3	6.6	5.8	6.0	3.8
OPERATING DATA										
Gross Premium	523.6	315.6	212.7	215.6	196.7	165.3	149.5	131.3	137.1	117.7
Net Premium	264.1	145.0	93.2	97.4	91.1	78.0	74.7	72.6	69.4	59.7
Net Claims Paid	64.4	40.2	18.2	17.5	19.3	16.8	15.2	16.2	17.4	17.0
Underwriting Profit	152.2	59.0	30.7	8.6	18.1	17.0	6.5	2.8	4.1	6.4
Investment Income	159.9	54.6	57.7	25.4	6.2	3.9	8.9	9.1	8.0	7.1
Profit Before Tax (PBT)	304.7	104.9	90.1	30.2	27.1	23.7	17.5	13.3	15.4	16.2
Income Tax	50.6	22.2	48.9	16.8	8.6	9.2	5.3	1.6	(3.2)	5.5
Profit After Tax (PAT)	254.1	82.7	41.2	13.4	18.5	14.5	12.2	11.7	18.6	10.7
FINANCIAL RATIOS										
Profitability										
Profit Before Tax / Gross Premium (%)	58.2	33.2	42.4	14.0	13.8	14.3	11.7	10.1	11.2	13.8
Profit Before Tax / Net Premium (%)	115.4	72.3	96.7	31.0	29.7	30.4	23.4	18.3	22.2	27.1
Profit After Tax / Gross Premium (%)	48.5	26.2	19.4	6.2	9.4	8.8	8.2	8.9	13.6	9.1
Profit After Tax / Net Premium (%)	96.2	57.0	44.2	13.8	20.3	18.6	16.3	16.1	26.8	18.0
Management Expenses / Gross Premium (%)	20.0	29.7	40.5	37.9	28.0	33.3	35.4	40.0	33.1	30.9
Management Expenses / Net Premium (%)	39.7	64.7	92.5	83.9	60.4	70.6	70.9	70.3	65.3	61.0
Underwriting Profit / Net Premium (%)	57.6	40.7	32.9	8.8	19.9	21.8	8.7	3.9	5.9	10.7
Net Claims / Net Premium (%)	24.4	27.7	19.5	18.0	21.2	21.5	20.3	22.3	25.1	28.5
Return on Assets (%)	30.1	16.2	10.1	4.0	6.6	8.0	7.6	8.4	12.0	7.5

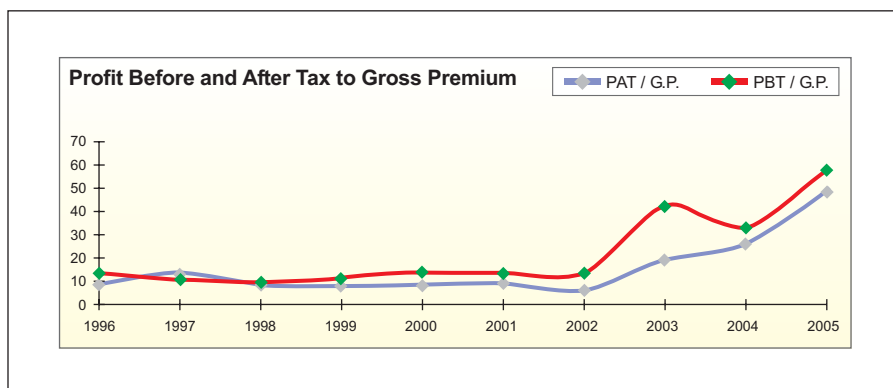
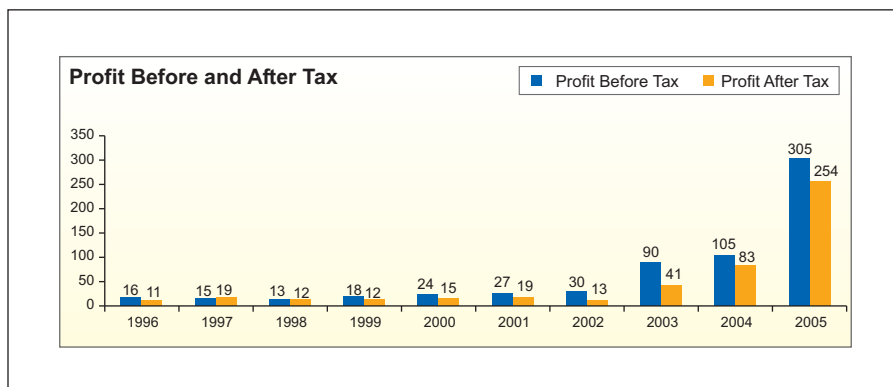
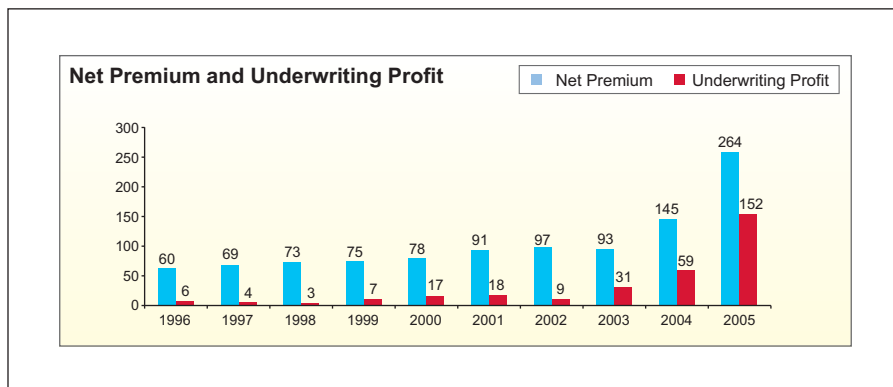
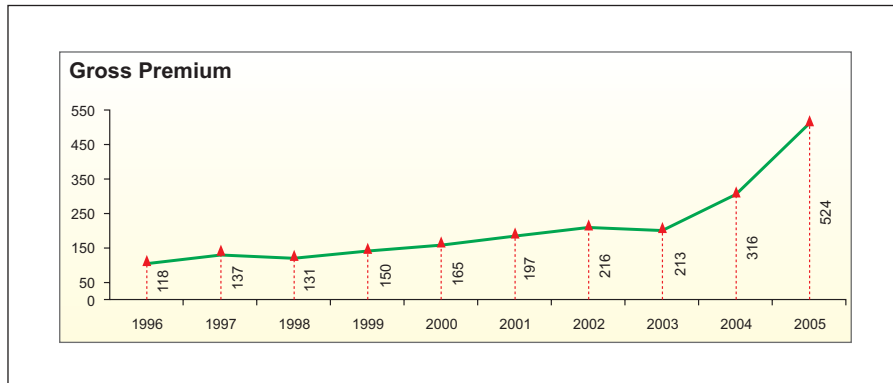
TEN YEARS AT A GLANCE

(Rupees in million)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Return to Shareholders										
Return on Equity - PBT (%)	82.2	51.9	64.4	27.0	24.2	23.3	20.1	17.8	23.5	29.3
Return on Equity - PAT (%)	68.5	40.9	29.5	12.0	16.6	14.3	14.0	15.6	28.4	19.4
Earnings Per Share (Rs.)	20.8	6.8	4.7	1.5	2.3	2.2	2.2	2.6	5.0	3.3
Price Earning Ratio (Times)	5.6	4.6	6.0	12.6	8.7	6.9	6.4	6.5	3.2	5.6
Market Value Per Share (Rs.)										
Market value at the end of the year	116.6	37.0	28.0	19.1	20.0	15.0	14.0	17.0	16.0	18.6
Highest value during the year	116.6	42.5	36.5	20.0	20.0	19.8	17.1	23.0	19.0	-
Lowest value during the year	37.5	28.1	17.5	14.8	13.1	12.1	14.0	13.0	-	-
Cash Dividend Per Share (Rs.)	7.0	2.0	1.5	1.5	1.0	-	-	-	2.0	1.8
Stock Dividend Per Share (Rs.)	3.0	2.0	1.5	-	1.0	2.0	2.0	2.5	2.0	1.5
Dividend Yield (%)	6.0	5.4	5.4	7.9	5.0	-	-	-	12.6	9.5
Dividend Pay Out (%)	48.1	49.2	64.6	99.3	86.4	92.4	91.0	95.0	80.6	97.8
Net Assets Per Share (Times)	30.3	19.9	15.8	12.7	13.9	15.1	15.6	16.7	17.6	17.1
Liquidity / Leverage										
Current Ratio (Times)	2.3	1.4	1.3	1.8	1.5	2.1	2.5	2.4	1.6	1.4
Total Assets Turnover (Times)	0.6	0.6	0.5	0.6	0.7	0.9	0.9	0.9	0.9	0.8
Fixed Assets Turnover (Times)	27.6	22.5	17.6	15.2	13.9	26.7	27.6	22.5	23.1	26.7
Total Liabilities / Equity (Times)	1.3	1.5	1.9	2.0	1.0	0.8	0.8	0.9	1.4	1.6
Return on Capital Employed (%)	49.2	26.6	13.9	5.1	12.2	8.8	10.4	11.3	19.6	13.3
Paid-up Capital / Total Assets (%)	14.5	20.0	21.8	26.3	28.5	37.0	34.8	32.2	24.1	22.6
Equity / Total Assets (%)	44.0	39.7	34.5	33.2	39.6	56.0	54.1	53.8	42.3	38.6
DISTRIBUTION										
Cash Dividend (Rs.)	85.5	20.4	13.3	13.3	8.0	-	-	-	7.5	5.7
Cash Dividend (%)	70%	20%	15%	15%	10%	-	-	-	20%	18%
Bonus Shares (Rs.)	36.7	20.4	13.3	-	8.0	13.4	11.1	11.1	7.5	4.8
Bonus Shares (%)	30%	20%	15%	-	10%	20%	20%	25%	20%	15%
Total Distribution (%)	100%	40%	30%	15%	20%	20%	20%	25%	40%	32%

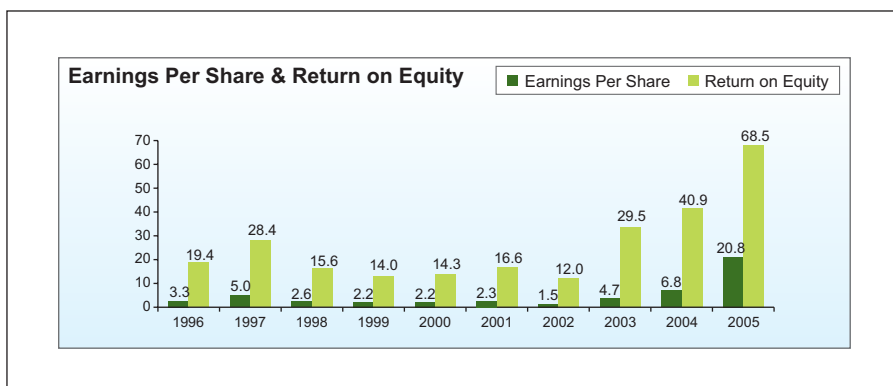
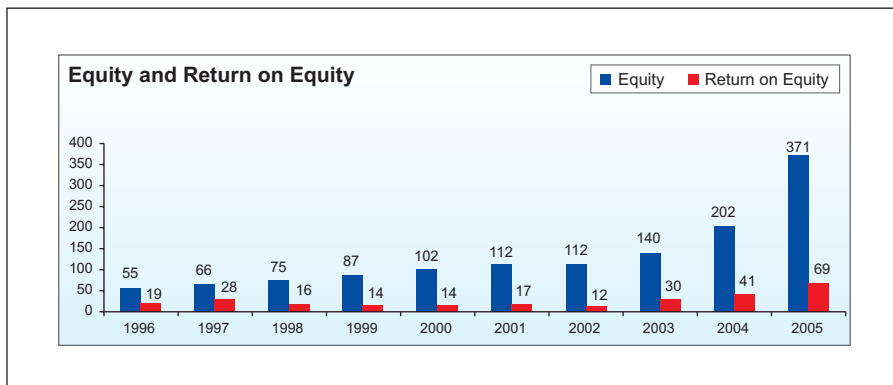
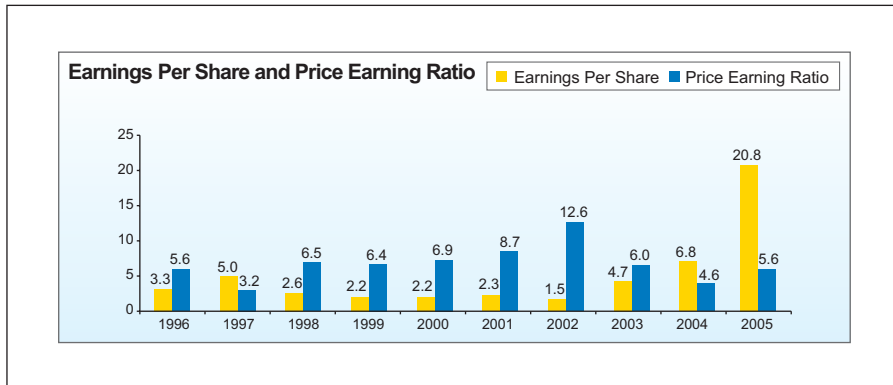
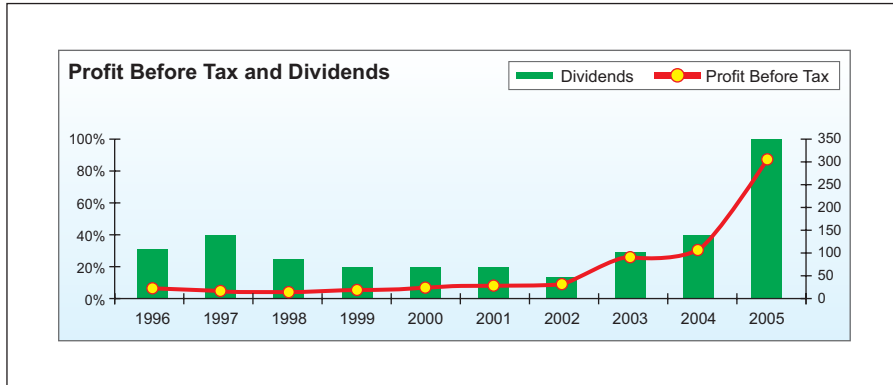
TEN YEARS AT A GLANCE (GRAPHICAL PRESENTATION)

(Rupees in million)



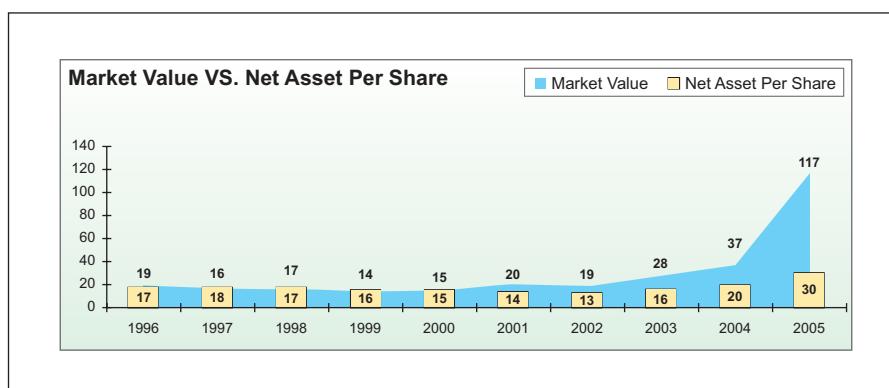
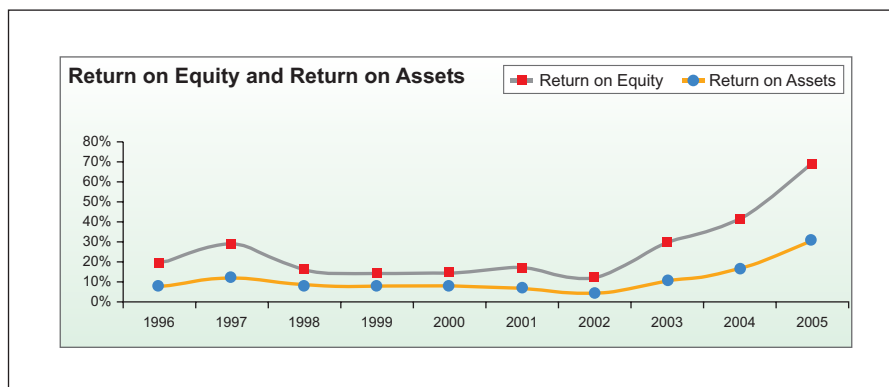
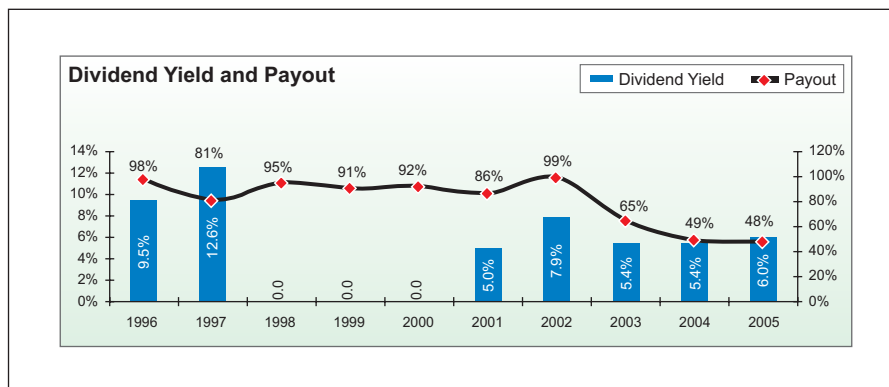
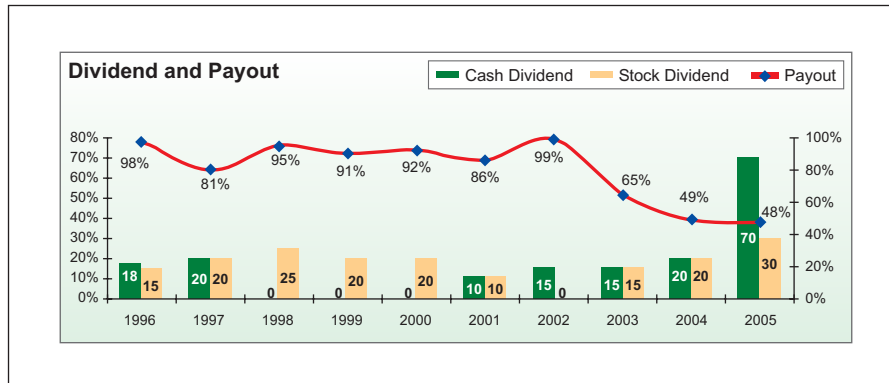
TEN YEARS AT A GLANCE
(GRAPHICAL PRESENTATION)

(Rupees in million)



TEN YEARS AT A GLANCE (GRAPHICAL PRESENTATION)

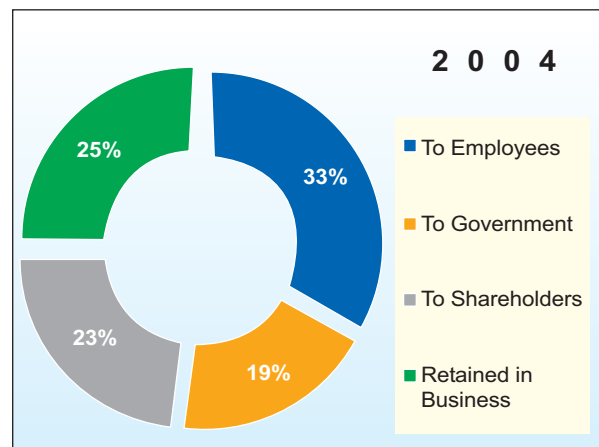
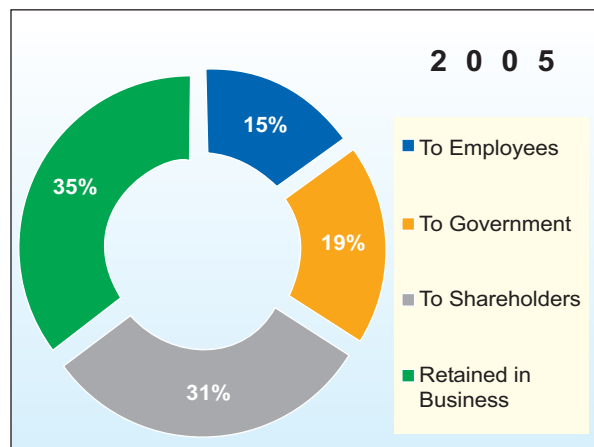
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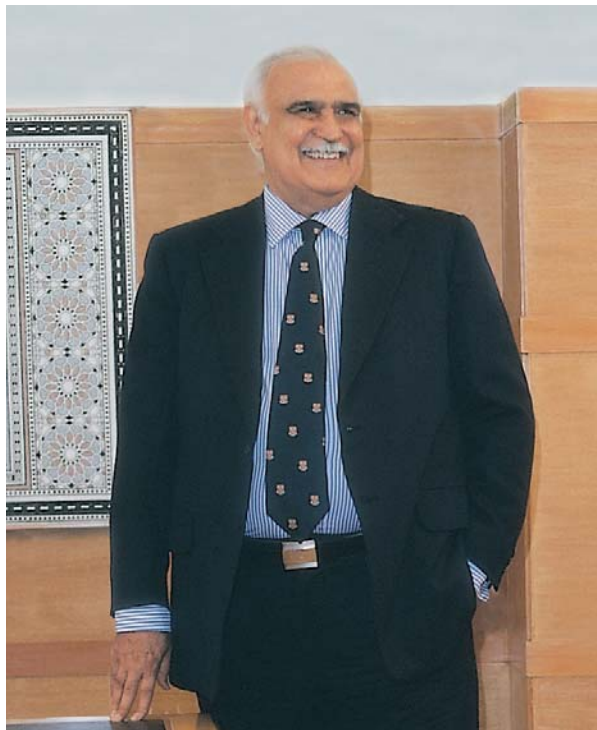


STATEMENT OF VALUE ADDITION

(Rupees in thousand)

	2005		2004	
	Rupees	%	Rupees	%
WEALTH GENERATED				
Gross Premium	544,809		326,281	
Commission Income	43,406		36,677	
Investment and Other Income	166,556		57,210	
	754,771		420,168	
Management and Other Expenses	367,506		242,554	
	<u>387,265</u>	100.00%	<u>177,614</u>	100.00%
WEALTH DISTRIBUTED				
To Employees	58,139	15.01%	59,324	33.40%
To Government	71,839	18.55%	32,851	18.50%
To Shareholders				
Cash Dividend	85,532	22.09%	20,365	11.47%
Stock Dividend	36,656	9.47%	20,365	11.47%
	122,188	31.55%	40,730	22.93%
Retained in Business				
Depreciation and Amortization	3,198	0.83%	2,739	1.54%
Statutory Reserves	131,030	33.83%	41,000	23.08%
Retained Profit	871	0.22%	970	0.55%
	135,099	34.89%	44,709	25.17%
	<u>387,265</u>	100.00%	<u>177,614</u>	100.00%





CHAIRMAN'S REVIEW

It is my pleasure to present to you the 71st Annual Report and Review of performance of your company for the year ended December 31, 2005. In order to capitalize the image of Atlas Group, the name of your company has been changed to Atlas Insurance Ltd. With the new name your company will be better equipped to take advantage of the goodwill of Atlas in the market place.

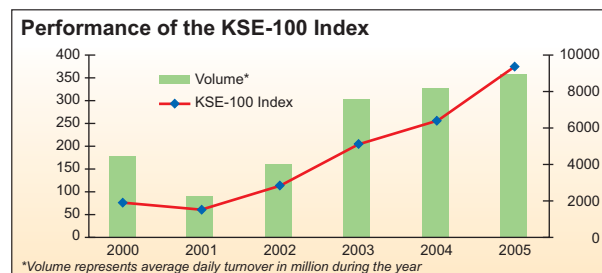
THE ECONOMY

Despite the constraints of the October 8 earthquake and rising energy costs, Pakistan economy, on the whole, has shown stable trend during the first half of the current fiscal year. Exports during the period increased 23.8% to \$8.07 billion as against \$6.52 billion in the corresponding period. Imports grew 53.0% to \$13.65 billion from \$8.92 billion previously. The increase in imports was due to higher oil prices and import of machinery, raw materials, oil and consumer goods, such as, automobiles. As a result, trade deficit rose 132.5% to \$5.58 billion compared to \$2.40 billion during the corresponding period, last year. Consequently, foreign

exchange reserves fell to \$11.67 billion by the end of December 2005 from \$12.62 billion at the start of the year despite remittances having increased to \$2.05 billion as compared to \$1.94 billion in the corresponding period.

GDP growth moderated from 8.4%, last year: it is obvious that the economy is unlikely to achieve 7% growth, both large scale manufacturing and agriculture having missed the mark. The State Bank's tight monetary policy initiated in early 2005 continued during the period under review is expected to continue during the second half of financial year 2005-06. As a result, inflation came down marginally to 8.43% from 8.82% during the corresponding period. This slowed down rise in interest rates, whereby the yield on the benchmark 6-month T-bill rose 31 basis points to 8.29% from 7.98% at the start of the year and 2.23% at the start of financial year 2004-05.

The stock market recovered after March 2005 crisis. The KSE-100 index during the first half of the financial year 2005-06 rose 28% to 9557 from 7451 at the start of the fiscal year due to strong fundamentals in place.



THE INSURANCE INDUSTRY

Insurance plays a vital role in growing economy in securing assets and providing indemnification of risks. Besides employment generation, its contribution towards strengthening linkage with other sectors of the economy in promoting growth, stability and creating an impact on the national income. Unlike the developed countries where insurance is a necessary part of daily life in the developing countries, like Pakistan, it is still far behind the required level, as the importance of insurance has still not been fully realized. The share of gross premium of Pakistani market is only 0.02% to the global market whereas India accounts for 0.61% and USA and UK, 36% and 8.6% respectively. The significance of insurance is

measurable by the share of total gross premium to GDP, which is low in developing countries in contrast to developed countries. Insurance companies help in managing risks which can impact economic well being. In Pakistan, although per capita gross premium has improved from \$2.7 to \$3.3 in the recent years, it still remains among the lowest, compared to many countries including the neighbouring India. In India - and Indonesia per capita gross premium is \$16.9 and \$14.6 and GDP \$3.28 & \$1.29 respectively. Thus a large segment of market in Pakistan still remains untapped. There is greater potential for insurance market to grow in Pakistan. The Government - SECP and Insurance Association of Pakistan need to play a role to educate general public on the importance of insurance for safeguarding assets against various risks with due contribution to national income.

On the other hand, insurance which had undergone a major setback since 2001 is picking up. The performance of leading global insurance and reinsurance companies has started improving since mainly due to the growth rate of the world GDP and low level of inflation. International reinsurance market however continues to remain cautious.

However, with the prudent underwriting approach the management of your company has been successful in renewing its Reinsurance Treaty Arrangements for 2006 with improved terms and increased capacity with the world renowned Reinsurers like Swiss Re of Switzerland, Hannover Re of Germany, Tokio Marine & Nishido Fire and Sompo of Japan, to name a few. This reflects leading Reinsurers' confidence in your company's performance.

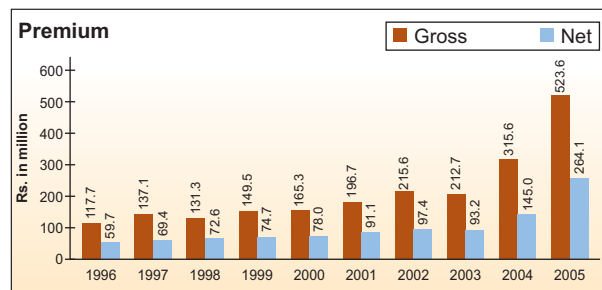
The competition, however, is on increase in the domestic market. Banks are also entering into insurance business and establishing their own insurance companies to capture business which may lead to further competition in the market. SECP role as regulatory body, implementation of Insurance Ordinance, 2000 and industry's own realization of the situation is expected to bring greater discipline in the insurance industry. With the growth in the market the need for development of Human Resource to cater to the future needs of the industry has even increased and the SECP, Insurance Association of Pakistan and the individual companies focuses to fill in the gap and particularly meet the dearth of educated and trained manpower in the industry is very essential. Concrete efforts to attract educated young

people to join this important segment of industry would lead to further improve the level of services this sector can provide to play its due role in the growing economy.

THE COMPANY RESULTS

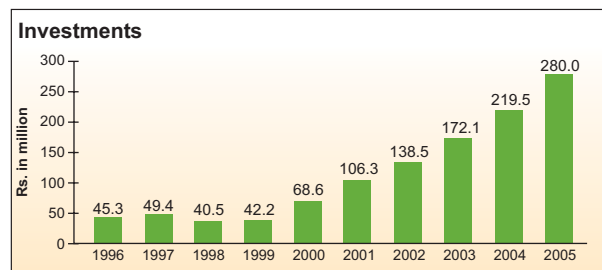
Premium

During the year under review, your company performed well. The company underwrote gross premium at Rs.523.58m against Rs.315.59m of the last year. The net premium increased to Rs.264.08m against Rs.144.97m of the last year. The gross premium of Marine business, increased to Rs.297.87m against Rs.176.75m of the last year.



Investments

Book value of the investments rose to Rs.280.03m from Rs.219.54m of the last year with the market value at Rs.616.41m (Rs.799.91m as at March 31, 2006) against Rs.472.61m of the last year reflecting the financial strength of the company and availability of ample resources to meet the contingencies and future requirements. The income from investment was Rs.159.88m against Rs.54.64m last year.



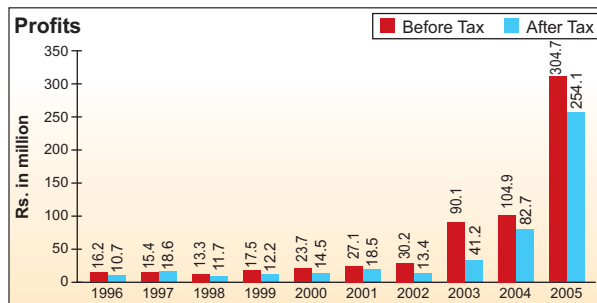
Cash Flows

The Company generated a cash flow of Rs.209.41m through its operational activities during the period under

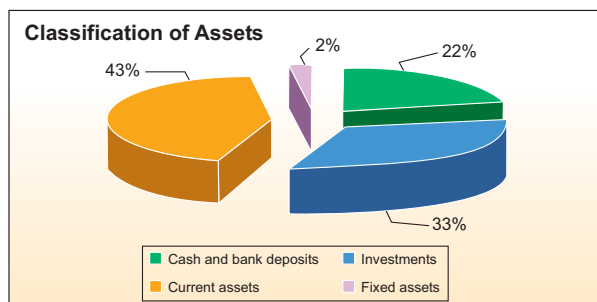
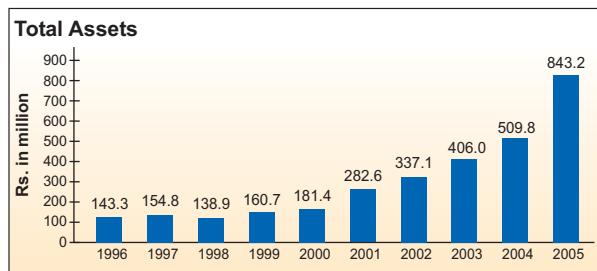
review against Rs.50.47m of the last year. An amount of Rs.389.82m was paid for investment and fixed capital expenditures against Rs.121.97m of the last year. The net cash flow from all activities was record Rs.168.17m against Rs.1.82m of the last year reflecting the company's focus on cash management and its importance.

Profitability

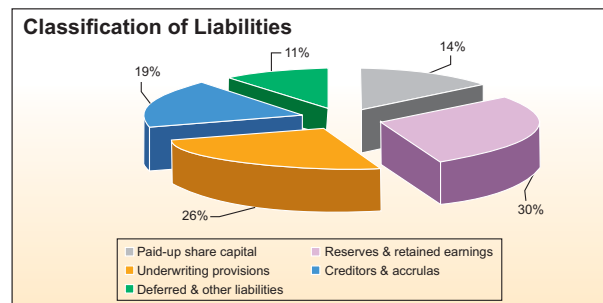
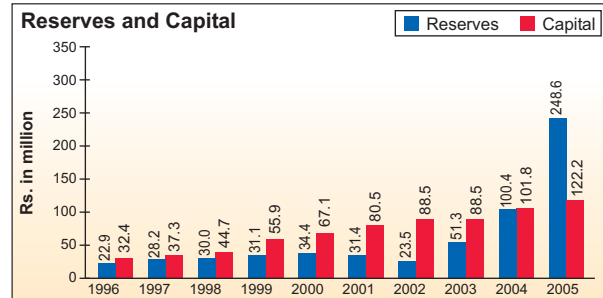
The underwriting profits of your company increased to Rs.152.18m against Rs.59.03m of the last year. Profit before tax rose to Rs.304.70m against Rs.104.86m of the last year. The net profit after tax stood at Rs.254.09m compared to Rs.82.70m of the last year:



Your company achieved return on equity at 68.53% against 40.90% of the last year and after tax earnings per share of Rs.20.79 against Rs.6.77 last year. The book value of total assets of the company stood at Rs. 843.20m at the close of the year against Rs.509.84 of last year.



The Capital and reserves of the company stood at Rs.370.78m as against Rs.202.22m last year reflecting financial strength of the company.



مشک آنست که خود بیبود نه که عطار بگوید

(It is performance which matters)

COMPUTERIZATION

In order to meet the challenges of future and for the optimum utilization of the available resources your company, has developed a state of the art Oracle based software to cater to the needs of future. In order to further improve the efficiency all the branches will have online connectivity through web based system. It will not only facilitate the management to take quick decisions for smooth operations of the company but will also help provide even better services to the clients.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

Your Company contributed a sum of Rs.56.23m towards Government exchequer on account of Income Tax, Central Excise Duty and other levies. The Atlas Group, of which your Company is a constituent member, paid Rs.15 billion to Government under the head taxes and different levies which is approximately 2% of the total

Government revenue, kindly recognized by the honourable Prime Minister who termed the Group as AAA Group.

HUMAN RESOURCE

Human resource development has been the top priority of your company having firm belief that organization development can only be achieved through continuous human resource development. This also accelerates productivity effectively and efficiently, provides job satisfaction and promotes self respect, dignity and integrity in line with the group philosophy. Human Resource value is to have right people at the right time and managing scarce human resources – the intellectual capital. In order to develop professional knowledge and skills of the staff regular in house coaching programs are organized. Individual training needs are assessed and accordingly eligible employees are sent to the renowned institutions of Pakistan. The Group of which your company is a constituent member also sends the employees to the renowned institutions of the world like Harvard, Stanford & Insead for MBA and other management development programs.

In order to have systematic and structured approach to individual development program, such as, Job Evaluation, Objective Setting and Performance Appraisal – and Individual Career Planning, HAY Management System was implemented during the year under review. This Management System will help to achieve the desirable results to improve performance.

SOCIAL RESPONSIBILITIES

Your Company is well aware of its social responsibilities too. During the period under review an amount of Rs.4.02m was contributed towards donations to the President Relief Fund established for relief of earthquake victims to the Group's total over Rs.50 million.

RATING BY PACRA

The Pakistan Credit Rating Agency (PACRA) has upgraded Insurer Financial Strength (IFS) rating of Atlas Insurance

Limited (*Formerly* Muslim Insurance Company Limited) from “A” to “A+”. The rating denotes strong capacity to meet the policyholders and contract obligations. At the same time, risk factors are considered moderate, and the impact of adverse economic factors is expected to be small. While assigning the rating, PACRA has also recognized company's sound solvency margin, performance and liquidity.

COMPANY WEBSITE

A separate website of the Company is developed which allows the users to get the company related information about its financials, history, types of insurance available with the company, reinsurance arrangements, list of reinsurers and surveyors etc. An online complaint system to further improve the efficiency is also available. The website is linked with the SECP.

Website address: www.atlasinsurance.com.pk

FUTURE OUTLOOK

All economic indicators indicate economic growth of around 7% for the fiscal year 2006-2007. The insurance industry will follow suit. Your management is quite capable of benefiting from the opportunities ahead!

ACKNOWLEDGEMENT

I would like to thank the Board of Directors, the Group President, Mr. Aamir H. Shirazi, Group Director Financial Services, Mr. Frahim Ali Khan, the Group Executive Committee, and the Chief Executive Officer, Mr. Arshad P. Rana and his team for their efforts, dedication and sincerity of purpose. I also express my gratitude to all Reinsurers, our valued clients, Banks and SECP for their continued help, support and guidance. I am also thankful to the shareholders for their trust and confidence reposed in your company.

Yusuf H. Shirazi

DIRECTORS' REPORT

The directors of your company take pleasure in presenting their report together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2005.

Financial Results

Following is the overall performance of the company for the year ended December 31, 2005:

	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)	
Gross premium	523,579	315,588
Profit for the year before tax	304,698	104,858
Taxation:		
Current	57,500	26,973
Deferred	(1,005)	2,840
Prior years	(5,886)	(7,655)
	50,609	22,158
Profit for the year after tax	254,089	82,700
Add: Unappropriated profit brought forward	970	-
Profit available for appropriation	255,059	82,700
Appropriations:		
Proposed bonus shares @ 30% (2004: @ 20%)	36,656	20,365
Proposed cash dividend @ 70% (2004: @ 20%)	85,532	20,365
Transferred to general reserve	132,000	41,000
	254,188	81,730
Unappropriated profit carried forward	871	970

Earnings Per Share

Earnings per share after tax is Rs.20.79 per share (2004: Rs.6.77 per share)

Dividend

Directors propose cash dividend @ 70% i.e. Rs.7.00 per share and stock dividend @ 30% i.e. 3 bonus shares for every ten shares held.

Chairman's Review

The chairman's review included in the Annual Report deals inter alia with the performance of the company for the year ended December 31, 2005 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of two executive and five non-executive directors. All the directors keenly take interest in the proper stewardship of the company's affairs. All the non-executive directors are independent from management.

No transaction in the Company's shares has been reported by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year except the following:

- i. Purchase of 2,000 shares @ Rs.37.00 per share by Mr. Frahim Ali Khan
- ii. Purchase of 100 shares @ Rs.55.11 per share by Mr. Jawaid Iqbal Ahmed
- iii. Purchase of 100 shares @ Rs.41.45 per share by Mr. Muhammad Faruque

The Board had six (6) meetings during the year. Attendance by each director was as follows:

<u>S. No.</u>	<u>Name of Directors</u>	<u>Attendance</u>
1	Mr. Yusuf H. Shirazi	4
2	Mr. Aamir H. Shirazi	4
3	Mr. Arshad P. Rana	6
4	Mr. Muhammad Faruque	5
5	Mr. Jawaid Iqbal Ahmed	4
6	Mr. Frahim Ali Khan	4
7	Mr. S. C. Subjally	4

Auditors

The present Auditors M/s Ford Rhodes Sidat Hyder & Co. retire and being eligible, offer themselves for reappointment. The Audit Committee recommends and the Board endorses that they be appointed as Auditors for the year ending December 31, 2006.

Employees Provident & Gratuity Fund

The company operates a contributory provident fund scheme for all employees and defined benefit gratuity fund scheme of its management/non-management employees. The value of investments based on their respective audited accounts are as follows:

Provident Fund Rs.20.08 million (as at December 31, 2005)

Gratuity Fund

Management Staff	Rs.3.46 million (as at June 30, 2005)
Non-Management Staff	Rs.0.93 million (as at December 31, 2005)

Compliance with the Code of Corporate Governance and Transfer Pricing as contained in the Listing Regulations of Stock Exchanges

The directors confirm the compliance of the requirements of the Code of Corporate Governance and Transfer Pricing as set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2005. Separate statements to these effects are annexed.

Statement of Directors' Responsibilities

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in light of the company's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

Financial Statements

The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

Books of Accounts

The company has maintained proper books of accounts.

Accounting Policies

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

International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

There is no doubt about the company's ability to continue as a going concern.

Operating and Financial Data

Operating and financial data and key ratios of the company for last ten years are annexed.

Best Practices of Corporate Governance

There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations.

Taxes and Levies

Information about taxes and levies is given in notes to the accounts.

Audit Committee

The Audit Committee was established to assist the directors in discharging their responsibilities towards the company. Audit Committee's responsibilities includes, reviewing reports of the company's financial results, monitoring internal audit functions and compliance with the relevant statutory requirements, to assist the Board in discharging its responsibilities for safeguarding the company's assets, development and implementation of effective internal control system.

The committee constituted consists of three members. All the members including Chairman of the committee are non-executive directors.

During the year eight Audit Committee meetings were held and attended as follows:

<u>S. No.</u>	<u>Name of Directors</u>	<u>Attendance</u>
1	Mr. Jawaid Iqbal Ahmed (Chairman)	8
2	Mr. Frahim Ali Khan	6
3	Mr. S. C. Subjally	6

Group Executive Committee

The Group Executive Committee is responsible for setting overall corporate objectives and strategies, identifying opportunities, monitoring group business strategies and plans, and developing its group members as leaders of their respective fields.

Group Human Resource Committee

The Group Human Resource Committee determines the remuneration package for the management staff. The committee also has the responsibility to create and maintain conducive work environment that instills trust and ensures respect, fair treatment, development opportunities and grooming and make succession plan for all employees.

Group Systems & Technology Committee

The Group Systems & Technology Committee is responsible to provide an insight towards the various technological aspects of information systems. The objective of the committee is to introduce leading edge technology and IT initiative to automate information delivery and accessibility of data for enhancement of time and cost efficiency.

Investment Committee

It provides necessary guidelines and approval for commitment and de-commitment of investments in equities, fixed income securities, government bonds and securities, continuous funding system and underwriting of new issues.

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The committee is responsible for reviewing and forwarding long term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the company as well as outside the company through channeling its financing and investment to projects producing environment friendly products.

Underwriting Committee

The Underwriting Committee formulates the underwriting policy of the company. It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers. It regularly reviews the underwriting and premium policies of the company with due regard to relevant factors such as its business portfolio and the market development.

Claims Settlement Committee

Claims Settlement Committee devises the claims setting policy of the company. It oversees the claims position of the company and ensures that adequate claims reserves are made. It pays attention to significant claims cases, which will give rise to a series of claims. The committee determines the circumstances under which the claims disputes shall be brought to its attention and decide how to deal with such claims disputes.

Re-Insurance & Co-Insurance Committee

Re-Insurance & Co-Insurance Committee ensures that adequate reinsurance arrangements are made for the company business. It pursues the proposed reinsurances arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating reinsures, makes appropriate adjustments to those arrangements in the light of the market development. It also assesses the effectiveness of the reinsurance program for future reference.

Pattern of Shareholding

The Pattern of Shareholding of the company is annexed.

Code of Business Principles

As a leading general insurance company, reputation for high ethical standards is central to business success. Code of Business Principles has been developed and communicated. Each director and employee of the company has acknowledged the same.

Communication

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified by the Companies Ordinance, 1984 and Code of Corporate Governance. The company also has a web site (www.atlasinsurance.com.pk), which contains up to date information of the company.

Outstanding Statutory Payments

All outstanding payments are of normal and routine nature.

Safety and Environment

The company follows the safety and environment rules and regulations.

For and on behalf of the
Board of Directors

Lahore: February 21, 2006

Arshad P. Rana
Chief Executive

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2005**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulation No. 37 and Chapter XIII, of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes five independent non-executive directors out of seven directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No director in the Board is a member of any of the stock exchanges in Pakistan.
4. There were no causal vacancies in the Board during the year.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company includes all necessary aspects of internal control given in the Code.
10. The Board had previously arranged an orientation course for its members to apprise them of their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of company other than that disclosed in the pattern of shareholding.
15. The Company has complied with the corporate and financial reporting requirements of the Code.
16. The Board formed Underwriting, Claims Settlement, Re-Insurance and Co-Insurance committees. The meetings of the committees were held once in every quarter.
17. The Board has formed an Audit Committee comprising three non-executive directors as members including the chairman of the committee.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has set-up an effective internal audit function which is manned by experienced and qualified personnel. The audit team is fully conversant with the policies and procedures of the company and is involved in the internal audit function on a full time basis.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the
Board of Directors

Lahore: February 21, 2006

Arshad P. Rana
Chief Executive

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING
FOR THE YEAR ENDED DECEMBER 31, 2005**

The Company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulation No. 38 of the Karachi Stock Exchange (Guarantee) Limited and chapter XIV of Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited.

For and on behalf of the
Board of Directors

Lahore: February 21, 2006

Arshad P. Rana
Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Muslim Insurance Company Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulation of the Lahore Stock Exchange (Guarantee) Limited.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable for the year ended December 31, 2005.

Lahore: February 21, 2006

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

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

of Muslim Insurance Company Limited as at December 31, 2005 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- a) proper books of account have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984 and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2005 and of the profit, its cash flows and changes in equity for the year then ended in accordance with the approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and;
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore: February 21, 2006

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BALANCE SHEET

	<u>Notes</u>	<u>2005</u> (Rupees in thousand)	<u>2004</u>
Share Capital and Reserves			
Authorized share capital 15,000,000 (2004: 15,000,000) ordinary shares of Rs.10/- each		150,000	150,000
Paid-up share capital	6	122,188	101,823
Retained earnings		871	970
Reserves	7	247,720	99,429
		370,779	202,222
Underwriting Provisions			
Provision for outstanding claims (including IBNR)	8	76,445	91,993
Provision for unearned premium		131,945	90,246
Commission income unearned		12,853	12,450
Total underwriting provisions		221,243	194,689
Deferred Liabilities			
Deferred taxation	9	-	2,840
Staff retirement benefits	10	607	2,356
		607	5,196
Creditors and Accruals			
Premiums received in advance		10,489	2,141
Amounts due to other insurers / reinsurers	11	98,943	45,984
Accrued expenses		17,044	16,437
Taxation - provision less payments		27,822	9,536
Other creditors	12	5,640	6,547
		159,938	80,645
Other Liabilities			
Deposits against performance bonds		1,391	1,391
Dividend	13	88,669	22,603
Obligations against assets subject to finance lease	14	569	3,093
		90,629	27,087
TOTAL LIABILITIES		472,417	304,777
TOTAL EQUITY AND LIABILITIES		843,196	509,839
CONTINGENCIES AND COMMITMENTS	15	-	-

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

FINANCIAL YEAR ENDED DECEMBER 31, 2005

	<u>Notes</u>	<u>2005</u> (Rupees in thousand)	<u>2004</u>
Cash and Bank Deposits			
Cash and other equivalent	16.1	49	2
Current and other accounts	16.2	18,707	17,704
Deposits maturing within 12 months	16.3	167,120	-
		185,876	17,706
Loans			
To employees	17	1,242	522
Investments			
	18	280,025	219,537
Current Assets - Other			
Premiums due but unpaid - unsecured, considered good	11	46,525	29,882
Amounts due from other insurers / reinsurers	11	43,987	39,405
Accrued investment income	19	1,235	3,628
Reinsurance recoveries against outstanding claims	8	48,349	76,799
Deferred commission expense		8,324	5,846
Short term placements	20	146,684	38,700
Prepayments	21	61,606	54,837
Deferred cost	22	-	7,815
Sundry receivables	23	344	1,163
		357,054	258,075
Fixed Assets			
Tangible			
	24		
Land and buildings		4,917	5,114
Furniture, fixtures and office equipments		4,244	2,403
Motor vehicles		6,465	6,482
		15,625	13,999
Intangible			
Capital work in progress	25	3,374	-
TOTAL ASSETS		<u>843,196</u>	<u>509,839</u>

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

PROFIT AND LOSS ACCOUNT

FINANCIAL YEAR ENDED DECEMBER 31, 2005

	Notes	Fire & property	Marine, aviation & transport	Motor act	Misc.	Current year aggregate 2005	Prior year aggregate 2004
(Rupees in thousand)							
Revenue Account							
Net premium revenue		14,110	175,857	70,149	3,965	264,081	144,974
Net claims		(1,203)	(9,889)	(51,851)	(1,503)	(64,446)	(40,227)
Expenses	26	(5,269)	(60,190)	(23,888)	(1,510)	(90,857)	(82,393)
Net commission		11,515	33,491	(2,421)	821	43,406	36,677
Underwriting Result		<u>19,153</u>	<u>139,269</u>	<u>(8,011)</u>	<u>1,773</u>	<u>152,184</u>	<u>59,031</u>
Investment income						159,876	54,641
Rental income						819	755
Other income	27					5,861	1,814
General and administration expenses	28					(13,444)	(10,409)
Financial charges	29					(598)	(974)
Profit Before Tax						<u>304,698</u>	<u>104,858</u>
Provision for taxation	30					(50,609)	(22,158)
Profit After Tax						<u>254,089</u>	<u>82,700</u>
Profit and loss appropriation account							
Balance at commencement of year						970	-
Profit after tax for the year						254,089	82,700
Proposed dividend Rs.7/- per share (2004: Rs.2.0 per share)						(85,532)	(20,365)
Transfer to reserves for bonus shares						(36,656)	(20,365)
Transfer to reserves						(132,000)	(41,000)
						(99)	970
Balance unappropriated profit at the end of year						<u>871</u>	<u>970</u>
Basic earnings per share	31					<u>20.79</u>	<u>6.77</u>

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

 Arshad P. Rana
Chief Executive

 Aamir H. Shirazi
Director

 Muhammad Faruque
Director

 Yusuf H. Shirazi
Chairman

STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2005

	Current Year	Prior Year
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	515,284	324,669
Reinsurance premiums paid	(176,710)	(145,381)
Claims paid	(85,042)	(80,396)
Reinsurance and other recoveries received	33,498	45,176
Commissions paid	(20,862)	(13,523)
Commissions received	61,790	48,052
Net cash flow from underwriting activities	327,958	178,597
b) Other operating activities		
Income tax paid	(32,323)	(38,129)
General management expenses paid	(93,694)	(80,071)
Other operating receipts / (payments)	8,191	(888)
Voluntary retirement scheme payments	-	(9,378)
Loans advanced	(964)	(535)
Loans repayments received	244	869
Net cash flow from other operating activities	(118,546)	(128,132)
Total cash flow from all operating activities	209,412	50,465
Investment Activities		
Profit / return received	1,681	5,591
Dividends received	31,944	20,948
Rentals received	819	778
Payments for investments	(380,790)	(118,996)
Proceeds from disposal of investments	441,599	99,348
Fixed capital expenditure	(9,030)	(2,974)
Short term placements	(107,984)	(38,700)
Proceeds from disposal of fixed assets	3,107	1,438
Total cash inflow / (outflow) from investing activities	(18,654)	(32,567)
Financing Activities		
Dividends paid	(19,466)	(13,354)
Financial charges paid	(598)	(974)
Payments on finance leases	(2,524)	(1,754)
Total cash flow from financing activities	(22,588)	(16,082)
Net cash inflow / (outflow) from all activities	168,170	1,816
Cash at the beginning of the year	17,706	15,890
Cash at the end of the year	185,876	17,706

Reconciliation to Profit and Loss Account

	Current Year	Prior Year
	(Rupees in thousand)	
Operating cash flows	209,412	50,465
Depreciation expense	(3,198)	(2,739)
Amortization of deferred cost	(7,815)	(1,563)
Financial charges expense	(598)	(974)
Profit on disposal of fixed assets	1,805	1,398
Gain on investments	121,297	28,825
Increase in assets other than cash	15,909	44,072
Increase in liabilities other than running finance	(82,723)	(36,784)
Profit after taxation	254,089	82,700
Cash for the purpose of the Statement of Cash Flows consists of:		
Cash and other equivalent		
Cash and stamps in hand	49	2
Current and other account		
Current accounts	18,707	17,704
Deposits		
Maturing within 12 months	167,120	-
	185,876	17,706

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

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2005

	Share capital	Capital reserves				Revenue reserves			Unappropriated profit	Total
	Issued, subscribed and paid-up	Capital reserve	Reserve for exceptional losses	Reserve for issue of bonus share	Sub total	General reserve	Investment fluctuation reserve	Sub total		
	(Rupees in thousand)									
Balance as on January 1, 2004	88,542	2,251	2,164	13,281	17,696	30,649	3,000	33,649	-	139,887
Bonus shares issued	13,281	-	-	(13,281)	(13,281)	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	82,700	82,700
Transfer to reserve for issue of bonus shares	-	-	-	20,365	20,365	-	-	-	(20,365)	-
Proposed dividend	-	-	-	-	-	-	-	-	(20,365)	(20,365)
Transfer to general reserve	-	-	-	-	-	41,000	-	41,000	(41,000)	-
Balance as on December 31, 2004	<u>101,823</u>	<u>2,251</u>	<u>2,164</u>	<u>20,365</u>	<u>24,780</u>	<u>71,649</u>	<u>3,000</u>	<u>74,649</u>	<u>970</u>	<u>202,222</u>
Bonus shares issued	20,365	-	-	(20,365)	(20,365)	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	254,089	254,089
Transfer to reserve for issue of bonus shares	-	-	-	36,656	36,656	-	-	-	(36,656)	-
Proposed dividend	-	-	-	-	-	-	-	-	(85,532)	(85,532)
Transfer to general reserve	-	-	-	-	-	132,000	-	132,000	(132,000)	-
Balance as on December 31, 2005	<u><u>122,188</u></u>	<u><u>2,251</u></u>	<u><u>2,164</u></u>	<u><u>36,656</u></u>	<u><u>41,071</u></u>	<u><u>203,649</u></u>	<u><u>3,000</u></u>	<u><u>206,649</u></u>	<u><u>871</u></u>	<u><u>370,779</u></u>

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

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF PREMIUMS

FINANCIAL YEAR ENDED DECEMBER 31, 2005

		December 31, 2005								December 31, 2004	
		Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	Net premium revenue
			Opening	Closing			opening	closing			
		(R u p e e s i n t h o u s a n d)									
Business underwritten inside Pakistan											
Direct and facultative											
Class											
	Fire and property damage	101,762	41,725	49,786	93,701	95,356	32,306	47,475	80,187	13,514	8,913
	Marine, aviation and transport	297,865	16,104	13,635	300,334	116,196	11,967	3,707	124,456	175,878	98,925
	Motor act	111,122	26,712	60,917	76,917	4,141	2,675	48	6,768	70,149	30,762
	Miscellaneous	12,878	5,088	7,607	10,359	9,394	2,993	5,999	6,388	3,971	4,046
	Total	523,627	89,629	131,945	481,311	225,087	49,941	57,229	217,799	263,512	142,646
Treaty											
	Proportional										
	Fire	(21)	617	-	596	-	-	-	-	596	1,255
	Marine	(21)	-	-	(21)	-	-	-	-	(21)	85
	Miscellaneous	(6)	-	-	(6)	-	-	-	-	(6)	988
	Total	(48)	617	-	569	-	-	-	-	569	2,328
	Grand Total	523,579	90,246	131,945	481,880	225,087	49,941	57,229	217,799	264,081	144,974

		December 31, 2004								December 31, 2003	
		Premium written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	Net premium revenue
			Opening	Closing			opening	closing			
		(R u p e e s i n t h o u s a n d)									
Direct and facultative											
Class											
	Fire and property damage	81,069	32,760	41,725	72,104	74,376	21,121	32,306	63,191	8,913	2,103
	Marine, aviation and transport	176,749	15,206	16,104	175,851	77,897	10,996	11,967	76,926	98,925	60,350
	Motor act	45,905	16,758	26,712	35,951	6,183	1,681	2,675	5,189	30,762	19,732
	Miscellaneous	9,222	5,005	5,088	9,139	5,321	2,765	2,993	5,093	4,046	2,433
	Total	312,945	69,729	89,629	293,045	163,777	36,563	49,941	150,399	142,646	84,618
Treaty											
	Proportional										
	Fire	1,860	12	617	1,255	-	-	-	-	1,255	2,557
	Marine	85	-	-	85	-	-	-	-	85	5,196
	Miscellaneous	698	290	-	988	-	-	-	-	988	800
	Total	2,643	302	617	2,328	-	-	-	-	2,328	8,553
	Grand Total	315,588	70,031	90,246	295,373	163,777	36,563	49,941	150,399	144,974	93,171

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

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CLAIMS

FINANCIAL YEAR ENDED DECEMBER 31, 2005

		December 31, 2005								December 31, 2004		
Business underwritten inside Pakistan	Direct and facultative	Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	Net claims expense
				Opening	Closing		Opening	Closing				
(R u p e e s i n t h o u s a n d)												
		Fire and property damage	13,514	43,962	16,043	(14,405)	12,001	42,775	15,249	(15,525)	1,120	16,502
		Marine, aviation and transport	28,821	22,546	20,165	26,440	18,648	18,669	16,641	16,620	9,820	7,251
		Motor act	40,669	4,728	18,029	53,970	2,180	518	457	2,119	51,851	15,239
		Miscellaneous	1,831	16,976	18,427	3,282	669	14,837	16,002	1,834	1,448	1,702
		Total	84,835	88,212	72,664	69,287	33,498	76,799	48,349	5,048	64,239	40,694
	Treaty	Proportional										
		Fire	83	1,756	1,756	83	-	-	-	-	83	(1,168)
		Marine	69	1,939	1,939	69	-	-	-	-	69	508
		Miscellaneous	55	86	86	55	-	-	-	-	55	193
		Total	207	3,781	3,781	207	-	-	-	-	207	(467)
		Grand Total	85,042	91,993	76,445	69,494	33,498	76,799	48,349	5,048	64,446	40,227

		December 31, 2004								December 31, 2003		
Business underwritten inside Pakistan	Direct and facultative	Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	Net claims expense
				Opening	Closing		Opening	Closing				
(R u p e e s i n t h o u s a n d)												
		Fire and property damage	38,809	42,789	43,962	39,982	22,850	42,145	42,775	23,480	16,502	1,202
		Marine, aviation and transport	22,885	13,844	22,546	31,587	18,170	12,503	18,669	24,336	7,251	2,304
		Motor act	15,942	3,813	4,728	16,857	1,564	464	518	1,618	15,239	8,327
		Miscellaneous	3,227	7,528	16,976	12,675	2,592	6,456	14,837	10,973	1,702	290
		Total	80,863	67,974	88,212	101,101	45,176	61,568	76,799	60,407	40,694	12,123
	Treaty	Proportional										
		Fire	(1,168)	1,756	1,756	(1,168)	-	-	-	-	(1,168)	3,602
		Marine	508	1,939	1,939	508	-	-	-	-	508	1,471
		Miscellaneous	193	86	86	193	-	-	-	-	193	1,000
		Total	(467)	3,781	3,781	(467)	-	-	-	-	(467)	6,073
		Grand Total	80,396	71,755	91,993	100,634	45,176	61,568	76,799	60,407	40,227	18,196

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

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF EXPENSES

FINANCIAL YEAR ENDED DECEMBER 31, 2005

		December 31, 2005							December 31, 2004	
Business underwritten inside Pakistan		Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	Net underwriting expense
		(R u p e e s i n t h o u s a n d)								
Direct and facultative										
Class										
	Fire and property damage	8,276	3,724	4,441	7,559	5,269	12,828	19,105	(6,277)	(5,462)
	Marine, aviation and transport	6,712	659	744	6,627	60,190	66,817	40,319	26,498	31,224
	Motor act	5,142	1,190	2,933	3,399	23,888	27,287	978	26,309	17,786
	Miscellaneous	494	273	206	561	1,510	2,071	1,388	683	1,773
	Total	<u>20,624</u>	<u>5,846</u>	<u>8,324</u>	<u>18,146</u>	<u>90,857</u>	<u>109,003</u>	<u>61,790</u>	<u>47,213</u>	<u>45,321</u>
Treaty										
Proportional										
	Fire	31	-	-	31	-	31	-	31	176
	Marine	201	-	-	201	-	201	-	201	195
	Miscellaneous	6	-	-	6	-	6	-	6	24
	Total	<u>238</u>	<u>-</u>	<u>-</u>	<u>238</u>	<u>-</u>	<u>238</u>	<u>-</u>	<u>238</u>	<u>395</u>
	Grand Total	<u>20,862</u>	<u>5,846</u>	<u>8,324</u>	<u>18,384</u>	<u>90,857</u>	<u>109,241</u>	<u>61,790</u>	<u>47,451</u>	<u>45,716</u>

		December 31, 2004							December 31, 2003	
Business underwritten inside Pakistan		Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	Net underwriting expense
		(R u p e e s i n t h o u s a n d)								
Direct and facultative										
Class										
	Fire and property damage	6,745	2,669	3,724	5,690	5,779	11,469	16,931	(5,462)	(9,617)
	Marine, aviation and transport	3,782	225	659	3,348	56,270	59,618	28,394	31,224	31,036
	Motor act	2,117	560	1,190	1,487	17,483	18,970	1,184	17,786	18,086
	Miscellaneous	484	244	273	455	2,861	3,316	1,543	1,773	1,810
	Total	<u>13,128</u>	<u>3,698</u>	<u>5,846</u>	<u>10,980</u>	<u>82,393</u>	<u>93,373</u>	<u>48,052</u>	<u>45,321</u>	<u>41,315</u>
Treaty										
Proportional										
	Fire	176	-	-	176	-	176	-	176	1,286
	Marine	195	-	-	195	-	195	-	195	1,273
	Miscellaneous	24	-	-	24	-	24	-	24	403
	Total	<u>395</u>	<u>-</u>	<u>-</u>	<u>395</u>	<u>-</u>	<u>395</u>	<u>-</u>	<u>395</u>	<u>2,962</u>
	Grand Total	<u>13,523</u>	<u>3,698</u>	<u>5,846</u>	<u>11,375</u>	<u>82,393</u>	<u>93,768</u>	<u>48,052</u>	<u>45,716</u>	<u>44,277</u>

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

Arshad P. Rana
 Chief Executive

Aamir H. Shirazi
 Director

Muhammad Faruque
 Director

Yusuf H. Shirazi
 Chairman

STATEMENT OF INVESTMENT INCOME
FINANCIAL YEAR ENDED DECEMBER 31, 2005

	Current Year	Prior Year
	(Rupees in thousand)	
Held - to - Maturity		
Return on fixed income securities and deposits	1,919	4,803
Available - for - Sale		
Return on N.I.T and U.T.P.	1,456	1,163
Dividend income		
Associated undertakings	5,702	6,091
Others	22,155	14,751
	27,857	20,842
Income on reverse repo transactions	7,347	503
Gain on sale of investments	124,285	28,322
Less: Investment related expenses	2,988	992
Net Investment Income	<u>159,876</u>	<u>54,641</u>

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

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

FORM AA
CLASSIFIED SUMMARY OF ASSETS IN PAKISTAN

AS AT DECEMBER 31, 2005

(Rupees in thousand)

CLASS OF ASSETS	Current year		Prior year		Remarks
	Cost or book value	Market value	Cost or book value	Market value	
NIT Units deposited with State Bank of Pakistan	350	1,432	350	1,047	As per published quotation
Shares of Companies incorporated in Pakistan (including NIT Units)	279,675	614,974	219,187	471,559	-do-
Freehold land	1,168	2,336	1,168	2,336	Realisable value as per valuation report (dated March 22, 1984) of Licenced Architect.
Building on freehold land	3,749	7,767	3,946	7,767	-do-
Cash in hand, in current account with the Banks and maturing within 12 months	185,876	185,876	17,706	17,706	At realisable value
Agents' balances and outstanding premiums	46,525	46,525	29,882	29,882	- do -
Outstanding and accrued interest	1,235	1,235	3,628	3,628	- do -
Amount due from other persons or bodies carrying on insurance business	43,987	43,987	39,405	39,405	- do -
Advances, deposits and prepayments	61,950	61,950	56,000	56,000	- do -
Furniture, office equipments and vehicles	10,709	10,709	8,885	8,885	- do -

NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED DECEMBER 31, 2005

1. STATUS AND NATURE OF BUSINESS

Muslim Insurance Company Limited was incorporated as a public limited company on September 06, 1935 and is quoted on Lahore and Karachi stock exchanges. The company is engaged in general insurance business. The registered office of the company is situated at 3-Bank Square, Lahore.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of S.R.O. 938, dated December 12, 2002, issued by the Securities and Exchange Commission of Pakistan (SECP), the Insurance Ordinance, 2000 and the requirements of Companies Ordinance, 1984.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and Insurance Ordinance, 2000 and the rules made there under. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or the said directives take precedence.

The SECP has allowed the insurance companies to defer the applicability of International Accounting Standard - 39 (IAS - 39) "Financial Instruments: Recognition and Measurement", in respect of valuation of investment available for sale. Accordingly, the requirements of IAS - 39, to the extent allowed by SECP as aforesaid, has not been considered in preparation of these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention without any adjustment for the effect of inflation, except for certain investments which are stated at fair value. All amounts are in Pakistani Rupee unless stated otherwise.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Underwriting Provisions

5.1.1 Provision for outstanding claims

The liability in respect of outstanding claims is based on the certified statements received from the branches and represents the best estimate of the claims intimated or assessed before the end of the accounting year.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date are made on the basis of individual case estimates.

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

5.1.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage.

The company uses 1/24th method to calculate provision for unearned premium, to comply with the relevant provisions of S.R.O. 938.

5.1.3 Commission income

Commission income receivable from reinsurers is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.

The company uses 1/24th method to calculate provision for unearned commission income, to comply with the relevant provisions of S.R.O. 938.

5.1.4 Premium deficiency reserve

In order to comply with the Securities and Exchange Commission of Pakistan (Insurance) Rules 2002, a premium deficiency provision is to be maintained, where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after re-insurance, for claim and other expenses, including re-insurance expenses, commission, and other underwriting provision, expected to be incurred after the balance sheet date in respect of the policies in force at the balance sheet date, in that class of business.

Keeping in view the adequacy of the reserves on December 31, 2005, in line with the aforementioned provisions of the Rules, the Premium Deficiency Reserve is not required, and accordingly no provision for the same has been made in the financial statements of the current year.

5.2 Staff Retirement Benefits

5.2.1 Defined contribution plan

The company operates a funded contributory provident fund (defined contribution plan) for all employees. Matching monthly contributions are made, both by the company and the employees, to the fund, under the terms of the scheme.

5.2.2 Defined benefit plan

The company operates two separate funded gratuity schemes (defined benefit plans) in respect of the all permanent employees (management and non - management) to which the company makes contribution on the basis of recommendations made by the actuary. The latest actuarial valuation was carried out as at December 31, 2005, using the Projected Unit Credit Method.

Following significant assumptions were used for the actuarial valuation:

- | | |
|--------------------------------------|-----------------------|
| - Discount rate | 9% per annum compound |
| - Expected rate increase in salaries | 8% per annum |
| - Expected return on the plan assets | 9% per annum |

The amounts recognized in balance sheet are as follows:

	Management Staff		Non - Management Staff	
	2005	2004	2005	2004
	(Rupees in thousand)			
Present value of defined benefit obligation	5,511	8,389	1,555	1,873
Fair value of plan assets	(7,746)	(4,238)	(3,016)	(2,669)
Deficit / (surplus)	(2,235)	4,151	(1,461)	(796)
Unrecognised actuarial gain	4,072	(770)	231	(229)
Net liability / (asset) for balance sheet	1,837	3,381	(1,230)	(1,025)

Movements in the net liability recognized in the balance sheet are as follows:

Opening balance	3,381	4,083	(1,025)	(577)
Charge / (income) for the year	640	768	104	158
Expenses paid directly by the company	(2,184)	(1,470)	(309)	(606)
Closing balance	1,837	3,381	(1,230)	(1,025)

The following amounts have been charged in the profit and loss account for the year 2005 in respect of these benefits:

Current service cost	411	416	149	195
Interest cost	384	440	133	117
Expected return on assets	(155)	(41)	(178)	(154)
Amortization of actuarial (gain) / loss	-	(47)	-	-
Total cost / (income) to be recognized	640	768	104	158
Actual return on plan assets	3,508	639	346	211

5.2.3 Compensated absences

The company accounts for accumulating compensated absences on the basis of the unavailed leave balances at the end of the year.

5.3 Taxation

5.3.1 Current

Provision for taxation is based on taxable income at current rates of taxation, under the relevant provisions of the Income Tax Ordinance, 2001, after taking into account rebates and tax credits available, if any.

5.3.2 Deferred

Deferred tax, if any, is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted, or subsequently enacted, at the balance sheet date.

Deferred tax assets, if any, are recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

5.4 Cash and Cash Equivalents

Cash and cash equivalents comprises (a) cash on deposit accounts with banks, (b) cash in hand, and at banks on current accounts and (c) stamps in hand.

5.5 Loans

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

5.6 Investments

5.6.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified into the following categories:

- Held - to - Maturity
- Available - for - Sale

All purchases and sales of financial assets are accounted for at settlement date.

5.6.2 Measurement

5.6.2.1 Held - to - Maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition, which is deferred and included in the income for the period on a straight line basis, over the term of the investments.

5.6.2.2 Available - for - Sale - Marketable Securities

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale and are stated at cost.

Subsequent to initial recognition at cost, these are stated at the lower of cost or market value (market value being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938. The company uses latest stock exchange quotations in an active market to determine the market value of its listed investments whereas, impairment of investments in unlisted companies is computed to net assets of the investee on the basis of the latest available audited financial statements.

5.7 Amounts Due to / from Other Insurers / Reinsurers

Amounts due to / from other insurers / reinsurers are carried at cost which is the fair value of the consideration to be received / paid in the future for services. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

5.8 Deferred Expenses

5.8.1 Deferred commission expense

Commission costs incurred in obtaining and recording policies of insurance and reinsurance are being deferred and recognised as an asset in correlation with unearned premium that will be recognised in the subsequent reporting periods.

The company uses 1/24th method to calculate the reserve for the deferred commission in accordance with S.R.O. 938.

5.8.2 Deferred cost

The cost of compensation / benefits under the Voluntary Retirement Scheme offered to the employees was accounted for as a deferred cost in accordance with the Technical Release (TR- 28) "Golden Hand Shake - Accounting for" issued by the Institute of Chartered Accountants of Pakistan as the management considered that the future economic benefits will flow to the company. The deferred cost was being amortized over a period of thirty six months. However, the carrying amount of the deferred cost is reviewed at current balance sheet date to assess whether the future economic benefits envisaged in the scheme are still available to the company and the management considers that the balance amount be charged to the profit and loss account during the current year.

5.9 Fixed Assets

5.9.1 Tangible

5.9.1.1 Owned

These are stated at cost less accumulated depreciation. Cost of tangible fixed assets

consists of historical cost and directly attributable cost of bringing the assets to their present location and condition. Depreciation is charged to income applying the reducing balance method at the rates given in fixed assets schedule to write off the cost of operating fixed assets over their expected useful life. Full year's depreciation is charged in the year of acquisition, while no depreciation is charged in the year of disposal.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain and loss on disposal of assets is taken to the profit and loss account.

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

5.9.1.2 Leased

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the leases less financial charges allocated to future periods are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

5.9.2 Intangible

The intangible asset is stated at cost less accumulated amortization and impairment, if any. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

5.9.3 Capital work-in-progress

Capital work in progress is stated at cost accumulated upto the balance sheet date.

5.10 Provisions

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

5.11 Foreign Currency Translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

5.12 Financial Instruments

All financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

5.13 Offsetting of Financial Assets and Financial Liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

5.14 Related Party Transactions

Parties are said to be related if they are able to influence the operating and financial decisions of the company and vice versa. The company in the normal course of business carries out transactions with such parties. The transactions with related parties are priced at Comparable Uncontrolled Market Price. The Comparable Uncontrolled Price Method determines whether the amount charged in a controlled transaction gives rise to an arm's length result by reference to the amount charged in a comparable uncontrolled transaction.

5.15 Revenue Recognition

5.15.1 Premium income earned

Premium income under a policy is recognized over the period of insurance from the date of the issue of the policy to which it relates to its expiry as follows:

- (a) for direct business, evenly over the period of the policy;
- (b) for proportional reinsurance business, evenly over the period of underlying insurance policies; and

Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Premiums for policies receivable in instalments are recognized as receivable at the inception of the policy and are recognized as income over the period of the policy, in accordance with the provisions of the S.R.O. 938.

5.15.2 Dividend income and bonus shares

Dividend income and entitlement of bonus shares are recognized when the right to receive such dividend and bonus shares is established.

Profit / loss on sale of investments is taken to the profit and loss account in the year of sale.

5.15.3 Income on fixed income investments

Income on fixed income investments is recognized taking into account the relevant maturity dates and the applicable mark-up rates in respect thereof.

5.15.4 Commission income

Commission income receivable from reinsurers is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.

5.15.5 Administrative surcharge

Administrative surcharge is recognized as revenue at the time, the policies are written.

5.15.6 Rental and other income

Rental and other income is recognized on accrual basis.

5.16 Management Expenses

Expenses of management have been allocated to various business segments on the basis of net premium revenue.

5.17 Reinsurance Expenses

Premium ceded to reinsurers is recognized as expense as follows:

- (a) for reinsurance contracts operating on a proportional basis, or for which the term of the reinsurance contract is directly referable to the term of the underlying policy or policies, at the same point at which the premium of the underlying policy or policies is recognized as revenue.
- (b) for reinsurance contracts operating on a non-proportional basis, and for which the term of the reinsurance contract is not directly referable to the term of any underlying policy or policies, on inception of the reinsurance contract.

5.18 Pakistan Reinsurance Company Limited (PRCL) Retrocession

PRCL Retrocession business is accounted for on the basis of the statements received relating to the first two quarters of the current year and last two quarters of the previous year, with the exception of cash and bank transactions which are accounted for currently.

5.19 Segment Reporting

Primary segments

The company's operating businesses are organized and managed separately according to the nature of products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The fire insurance segment provides cover against damages by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage.

Miscellaneous insurance provide cover against burglary, loss of cash in safe and cash in transit, personal accident money, engineering losses and other coverage.

The company usually accounts for the intersegment sales and transfers, if any, as if the sale and / or transfers were made to third parties at fair market price.

6. PAID-UP SHARE CAPITAL

Issued, subscribed and fully paid:

<u>2005</u> (Number of shares)	<u>2004</u> (Number of shares)	<u>Notes</u>	<u>2005</u> (Rupees in thousand)	<u>2004</u> (Rupees in thousand)
250,000	250,000	Ordinary shares of Rs.10 each fully paid in cash	2,500	2,500
11,968,812	9,932,344	Ordinary shares of Rs.10 each issued as fully paid bonus shares	119,688	99,323
<u>12,218,812</u>	<u>10,182,344</u>		<u>122,188</u>	<u>101,823</u>

As at December 31, 2005, Shirazi Investments (Private) Limited, an associated undertaking, held 4,155,454 (2004: 4,399,498) ordinary shares of Rs.10/- each.

7. RESERVES

Capital Reserves

Capital reserve	7.1	2,251	2,251
Reserve for exceptional losses		2,164	2,164
		4,415	4,415
Reserve for Issue of Bonus Shares		36,656	20,365
		41,071	24,780
Revenue Reserves			
General reserve		203,649	71,649
Investment fluctuation reserve	7.2	3,000	3,000
		206,649	74,649
		<u>247,720</u>	<u>99,429</u>

7.1 This represents a specific purpose reserve for possible losses on exceptional insurance claims. The reserve was created to avail the deduction thereof in computing taxable income, as allowed previously under the old Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979 and the Income Tax Ordinance, 2001 under which the said deductions are not permitted, hence the company discontinued the setting aside of amounts thereafter as reserve for exceptional losses.

7.2 This has been set aside in prior years to utilize the same against diminution in the value of investments.

8. PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR) / REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS

The net outstanding claims at the end of the year have been worked out to Rs.28.096 (2004: Rs.15.194) million. As per the policy being followed by the company consistently over the years, claims outstanding are booked on the basis of estimate of the valuer.

2005 2004
(Rupees in thousand)

9. DEFERRED TAXATION

This comprise of the following deferred tax liability

Difference in tax and accounting basis of
Voluntary Retirement Scheme

	-	2,840
--	---	-------

10. STAFF RETIREMENT BENEFITS

Staff gratuity

	607	2,356
--	-----	-------

11. AMOUNT DUE TO / FROM OTHER INSURERS / REINSURERS AND PREMIUM DUE BUT UNPAID

The amounts of agents' balances and outstanding premium and the balances due to / from other persons or bodies carrying on insurance business are not confirmed. However, the same are considered by management to have been accurately stated.

Premium due but unpaid includes an amount of Rs.30.908 (2004: Rs.21.395) million, receivable from associated undertakings.

12. OTHER CREDITORS

Federal Insurance Fee payable
Central Excise Duty payable
Tax deducted at source
Other creditors

	1,978	1,453
	2,993	3,953
	29	11
	640	1,130
	5,640	6,547

13. DIVIDEND

Unclaimed dividend
Proposed dividend

	3,137	2,238
	85,532	20,365
	88,669	22,603

14. OBLIGATIONS AGAINST ASSETS SUBJECT TO FINANCE LEASE

The average rate of interest implicit in these leases ranges from 10.50% to 17% (2004: 10.50% to 20%) per annum. The amount of future payments and the periods in which they fall due are:

	<u>2005</u> (Rupees in thousand)	<u>2004</u> (Rupees in thousand)
year ending December 31, 2005	-	2,321
year ending December 31, 2006	483	924
year ending December 31, 2007	143	133
	<u>626</u>	<u>3,378</u>
Less: Future financial charges	57	285
Present value of minimum lease payments	<u>569</u>	<u>3,093</u>
Less: Current maturity	440	1,766
	<u>129</u>	<u>1,327</u>

14.1 Minimum lease payments and their present values are regrouped as follows:

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)			
Not later than one year	483	2,321	440	1,766
Later than one year but not later than five year	143	1,057	129	1,327
	<u>626</u>	<u>3,378</u>	<u>569</u>	<u>3,093</u>

The company has the option to purchase these assets at the end of the lease period. There are no financial restrictions in the lease agreements.

15. CONTINGENCIES AND COMMITMENTS

Commitment To Purchase Shares

The company, at year end, has committed to purchase shares amounting to Rs.58 (2004: Nil) million.

	<u>Notes</u>	<u>2005</u> (Rupees in thousand)	<u>2004</u>
16. CASH AND BANK DEPOSITS			
16.1 Cash and Other Equivalents			
Cash and stamps in hand		49	2
16.2 Current and Other Accounts			
Current Accounts		18,707	17,704
16.3 Fixed Deposits	16.4	167,120	-

16.4 This represents short term deposits placed with Atlas Investment Bank Limited, an associated undertaking, barring mark-up at the rate of 7.5% (2004: Nil) per annum.

17. LOANS

Secured:

Executives	-	-
Others	1,242	522
	1,242	522
Less: Current maturity	320	150
	922	372

These represent the interest free loans to employees, for the purchase of motor vehicles, in accordance with the policy of the company. These loans are secured against the registration of the vehicles and are repayable in monthly installments over period of five years.

The break up of the loans maturing after 12 months from the balance sheet date are as follows:

Outstanding for period exceeding three years	830	131
Others	92	241
	922	372

18. INVESTMENTS

HELD TO MATURITY

TERM FINANCE CERTIFICATES

Number of Certificates		Face Value (Rupees)	Company's Name	Book Value (Rupees in thousand)	
2005	2004			2005	2004
ASSOCIATED UNDERTAKING					
2,004	2,004	5,000	Atlas Investment Bank Limited	3,441	6,779
OTHERS					
600	600	5,000	Bank Al-Falah Limited	2,997	2,998
-	1,000	5,000	Dewan Salman Fibre Limited	-	1,260
-	500	5,000	Orix Leasing Company Limited	-	1,048
-	1,000	5,000	KASB Leasing Company Limited	-	4,373
-	1,000	5,000	Pak Arab Refinery Limited	-	75
-	400	5,000	Union Leasing Limited	-	999
1,000	-	5,000	Chanda Oil & Gas Securitization Co. Ltd.	4,780	-
				7,777	10,753
				11,218	17,532

AVAILABLE FOR SALE

QUOTED - OTHERS

Number of Units

248	218	10	Unit Trust of Pakistan	1,484	1,273
404,749	375,282	10	National Investment Trust units (refer note 18.1)	6,651	5,507
				8,135	6,780

ORDINARY QUOTED SHARES

Number of Shares

ASSOCIATED UNDERTAKINGS

1,013,975	724,268	10	Atlas Honda Limited Equity held: 2.835% (2004: 2.835%)	7,033	7,033
354,420	141,768	10	Allwin Engineering Industries Limited Equity held: 2.873% (2004: 2.873%)	3,676	1,549
92,204	80,148	10	Atlas Battery Limited Equity held: 1.744% (2004: 1.744%)	220	220
284,222	236,852	10	Atlas Investment Bank Limited Equity held: 0.562% (2004: 0.562%)	2,831	2,831
250,000	250,000	10	Honda Atlas Cars (Pakistan) Limited Equity held: 0.595% (2004: 0.595%)	3,932	3,932
123,345	98,676	10	Cherat Cement Company Limited Equity held: 0.148% (2004: 0.148%)	2,881	2,881
82,080	68,400	10	Cherat Paper Sack Limited Equity held: 1.397% (2004: 1.397%)	3,264	3,264
20,058	20,058	10	Sui Southern Gas Company Limited Equity held: 0.030% (2004: 0.030%)	287	287
				24,124	21,997

OTHERS

Number of Shares		Face Value	Company's Name	Book Value	
2005	2004			2005	2004
		(Rupees)		(Rupees in thousand)	
<u>COMMERCIAL BANKS</u>					
156	154,214	10	Askari Commercial Bank Limited	9	9,282
173	447,173	10	MCB Bank Limited	7	21,840
450	55,000	10	Faysal Bank Limited	18	1,958
483,500	50,000	10	The Bank of Punjab	39,079	2,840
				39,113	35,920
<u>CEMENT</u>					
100,000	-	10	D. G. Khan Cement Company Limited	9,070	-
150,000	-	10	Lucky Cement	10,084	-
110,000	-	10	Maple Leaf Cement Factory Limited	3,653	-
				22,807	-
<u>FUEL AND ENERGY</u>					
14,000	14,000	10	National Refinery Limited	4,158	4,158
-	30,000	10	Pakistan State Oil Company Limited	-	7,041
-	10,000	10	Pakistan Oil Fields	-	2,080
-	645,000	10	Hub Power Company Limited	-	22,965
100,406	73,406	10	Oil and Gas Development Company Limited	11,769	4,094
200,000	-	10	Kot Addu Power Company Limited	8,743	-
50,000	-	10	Pakistan Petroleum Limited	10,639	-
				35,309	40,338
<u>TRANSPORT AND COMMUNICATION</u>					
5,000	605,000	10	Pakistan Telecommunication Company Limited	242	20,318
				242	20,318
<u>CHEMICAL AND PHARMACEUTICAL</u>					
76,032	63,360	10	Abbott Laboratories Pakistan Limited	7,240	7,240
1,380	1,380	10	BOC Pakistan Limited	91	91
791,724	533,000	10	Fauji Fertilizer Company Limited	83,895	55,547
226,100	-	10	Engro Chemical	31,831	-
11,880	9,504	10	Glaxosmithkline (Pakistan) Limited	248	248
				123,305	63,126
<u>PAPER AND BOARD</u>					
52,015	35,385	10	Packages Limited	6,889	4,643
				6,889	4,643
<u>FOOD AND ALLIED</u>					
11,200	11,200	10	Rafhan Maize Products Company Limited	4,357	4,357
2,000	2,000	50	Unilever Pakistan Limited	1,816	1,816
				6,173	6,173
<u>MISCELLANEOUS</u>					
64,500	64,500	10	Tri Pack Films Limited	2,710	2,710
				2,710	2,710

**UN-QUOTED
ASSOCIATED UNDERTAKING**

Number of Shares		Face Value (Rupees)	Company's Name	Book Value	
2005	2004			2005	2004
				(Rupees in thousand)	
50,000	50,000	10	Arabian Sea Country Club (refer note 18.2)	500	500
				500	500
				280,525	220,037
			Less : Provision for diminution in the value of shares	500	500
			Cost of investments of concerns incorporated in Pakistan	280,025	219,537
			Aggregated market value of Investments as on December 31	616,406	472,606

18.1 This includes 28,000 (2004: 28,000) units held as Statutory Deposit with The State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

18.2 The name of the Chief Executive is Mr. Arif Ali Khan Abbasi. The break up value of the share is Rs.8.39 (2004: Rs.5.89)

	Notes	2005	2004
		(Rupees in thousand)	
19. ACCRUED INVESTMENT INCOME			
Dividend income		296	2,927
Interest income on TFCs		939	701
		1,235	3,628
20. SHORT TERM PLACEMENTS			
Secured under reverse repurchase agreements of quoted shares - considered good	20.1	146,684	38,700
20.1 This is a placement for reverse repo transactions through Atlas Investment Bank Limited (AIBL, an associated undertaking) at mark up rate which ranges from 14% to 25% (2004: 14% to 23%) per annum. The commission payable to AIBL on these transactions ranges from 0.70% to 3.90% (2004: 1.75% to 5.25%) which is linked to the rate of the reverse repo.			
21. PREPAYMENTS			
Prepaid expenses		4,377	4,896
Prepaid reinsurance premium ceded		57,229	49,941
		61,606	54,837
22. DEFERRED COST			
Compensation under voluntary retirement scheme		7,815	9,378
Less: Amortized during the year		(7,815)	(1,563)
Closing balance		-	7,815
23. SUNDRY RECEIVABLES			
Advances to employees - unsecured, considered good		41	243
Deposits		303	920
		344	1,163

24. OPERATING FIXED ASSETS - TANGIBLE

	Cost				Rate	Accumulated Depreciation				Written
	As at January	Additions /	Disposal /	As at December		As at January	Charge for	On disposal /	As at December	Down Value
	01, 2005	adjustments	adjustments	31, 2005		01, 2005	the year	adjustments	31, 2005	As at December
	(Rupees in thousand)				%	(Rupees in thousand)				
OWNED										
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	-	-	8,500	5	4,554	197	-	4,751	3,749
	9,668	-	-	9,668		4,554	197	-	4,751	4,917
Furniture and fixtures	487	61	(70)	478	10	352	17	(45)	324	154
Office equipments	1,803	866	(326)	2,343	10	1,244	135	(250)	1,129	1,214
Computers										
Owned	3,742	3,202	(726)	6,218	30	3,154	1,100	(604)	3,650	2,568
Leased	1,579	-	(681)	898	30	458	132	-	590	308
	7,611	4,129	(1,803)	9,937		5,208	1,384	(899)	5,693	4,244
Vehicles										
Owned	5,629	4,901	(982)	9,548	20	2,554	1,483	(420)	3,617	5,931
Leased	5,679	-	(4,491)	1,188	20	2,272	133	(1,751)	654	534
	11,308	4,901	(5,473)	10,736		4,826	1,616	(2,171)	4,271	6,465
December 31, 2005	28,587	9,030	(7,276)	30,341		14,588	3,198	(3,070)	14,716	15,625
December 31, 2004	24,100	4,674	(187)	28,587		11,996	2,739	(147)	14,588	13,999

24.1 Schedule of Disposal of Fixed Assets for the year ended December 31, 2005

Particulars	Cost	Accumulated depreciation	Book value	Sale price	Profit/(Loss)	Particulars of purchaser	Mode of disposal
	(R u p e e s)						
Vehicles							
Suzuki Khyber	36,200	21,373	14,827	220,000	205,173	Mr. Jagdish Kumar, Karachi	Negotiation
Suzuki Margala	48,700	28,753	19,947	225,000	205,053	Mr. Aijaz Ali Khan, Karachi	Negotiation
Honda Civic	1,264,600	746,620	517,980	517,980	-	Mr. S. C. Subjally, Karachi	Negotiation
Suzuki Khyber	38,394	25,813	12,581	200,000	187,419	Mr. Aaqil, Lahore	Negotiation
Mitsubishi Lancer	70,300	60,865	9,435	210,000	200,565	Mr. Farooq Rashid, Lahore	Negotiation
Suzuki Margala	51,000	44,276	6,724	260,000	253,276	Mr. M. Asif Siqqidqui, Lahore	Negotiation
Nissan Sunny	36,000	32,973	3,027	210,000	206,973	Mr. Shahid Raza, Lahore	Negotiation
Suzuki Khyber	38,372	25,798	12,574	239,500	226,926	Mr. Shahid Raza, Lahore	Negotiation
Honda City	68,300	40,324	27,976	416,000	388,024	Mr. Rizwan Mahmood, Lahore	Negotiation
Suzuki Cultus	566,000	113,200	452,800	452,800	-	Mr. Saleem Mahmood, Lahore	Negotiation
Motorcycle	28,000	26,769	1,231	23,500	22,269	Mr. Jawad Khan, Karachi	Negotiation
Office equipments, computers & furniture	248,809	202,696	46,113	33,300	(12,813)	Mr. Kamran Kabari, Karachi	Negotiation
Office equipments, computers & furniture	590,323	488,908	101,415	37,000	(64,415)	M/s. Burhani Disposal House, Karachi	Negotiation
Office equipments, computers & furniture	283,075	207,508	75,567	62,200	(13,367)	Mr. Mubarak Ahmed, Karachi	Negotiation

Notes 2005 2004
(Rupees in thousand)

25. CAPITAL WORK IN PROGRESS

Intangible			
Software development		3,374	-
		3,374	-

26. EXPENSES OF MANAGEMENT

Expenses of management have been allocated to various business segments on the basis of net premium income.

Salary, wages and other benefits	26.1	58,139	59,296
Utilities		2,127	1,858
Rent, rates and taxes		4,076	3,915
Telephone and communication		2,738	2,680
Vehicle running and maintenance		4,984	4,340
Repair and maintenance		3,005	886
Traveling and conveyance		4,503	3,189
Printing, stationery and computer expenses		2,224	1,529
Education and training		343	372
Fee and subscriptions		3,563	1,385
Service charges		1,464	934
Entertainment		450	421
Advertisement expenses		1,438	553
Others		1,803	1,035
		90,857	82,393

26.1 Included herein is a sum of Rs.3.945 (2004: Rs.3.647) million, in respect of staff retirement benefits.

27. OTHER INCOME

Gain on sale of fixed assets		1,805	1,398
Miscellaneous income		4,056	416
		5,861	1,814

28. GENERAL AND ADMINISTRATIVE EXPENSES

Audit fee	28.1	385	385
Legal and professional charges		521	568
Donations	28.2	4,024	-
Zakat		94	88
Directors fee		71	11
Depreciation	24	3,198	2,739
Receivables written off		5,151	6,618
		13,444	10,409

	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)	
28.1 Auditors' Remuneration		
Audit fee	95	95
Tax consultancy	55	55
Audit of provident fund, gratuity fund and special certification fee	205	205
Out of pocket expenses	30	30
	<u>385</u>	<u>385</u>

28.2 It includes Rs.1.524 million (2004: Nil) paid to Atlas Foundation (formerly Sirazi Foundation) situated at 2nd Floor, Federation House, Clifton, Karachi, in which the following directors of the company are members of its Board of Directors.

Name of Directors

Mr. Yusuf H. Shirazi
Mr. Frahim Ali Khan

With the exception of their directorship, the directors and their spouses have no interest in the donee.

29. FINANCIAL CHARGES

Mark-up under lease finance arrangements	179	586
Bank charges	419	388
	<u>598</u>	<u>974</u>

30. PROVISION FOR TAXATION

Current		
- Current year	57,500	26,973
- Prior year	(5,886)	(7,655)
- Deferred tax	(1,005)	2,840
	<u>50,609</u>	<u>22,158</u>

30.1 Numerical Reconciliation Between Effective Rate of Tax with Applicable Tax Rate

Applicable tax rate	35.00	35.00
Effect of income taxable at rate other than 35%	(3.37)	1.05
Effect of disallowances and amounts not deductible for tax purpose	1.73	4.01
Effect of tax on amounts deductible for tax purpose	(14.49)	(18.94)
Average effective tax rate (Tax expense divided by profit before tax)	<u>18.87</u>	<u>21.12</u>

31. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year:

	2005	2004
	(Rupees in thousand)	
Net profit after tax for the year	254,089	82,700
	(Number of shares)	
Weighted average number of shares	12,218,812	12,218,812
	(Rupees per share)	
Basic/adjusted earnings per share (Rs.)	20.79	6.77

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

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Aggregate amounts charged in the accounts for the year for remuneration, including all benefits to Chief Executive, Directors and Executives of the company are as follows:

	Chief Executive			Director		Executives	
	2005	2004		2005	2004	2005	2004
	CEO	CEO	Ex-CEO				
	(R u p e e s i n t h o u s a n d)						
Managerial remuneration	2,953	1,774	722	2,310	4,061	2,662	2,569
Bonus	780	551	-	-	963	709	170
Medical reimbursement	55	45	6	7	31	109	181
House rent and utility expenses	1,413	915	325	1,105	1,972	1,273	1,052
Retirement benefits							
a) Provident fund	282	195	79	221	447	157	170
b) Service gratuity	107	98	-	381	254	60	88
Other reimbursable expenses	369	540	271	193	935	310	623
Total	5,959	4,118	1,403	4,217	8,663	5,280	4,853
Number of persons	1	1	1	1	2	3	3

32.1 Fees paid to 3 Non-Executive Directors for attending meetings during the year Rs.70,500 (2004: Rs.11,000). In addition, the Chief Executive, a Director and some of the Executives are also provided with free use of company cars, in accordance with the policy of the company.

	2005	2004
33. NUMBER OF EMPLOYEES	123	122

34. RELATED PARTY TRANSACTIONS

Name of related party	Nature of relationship	Premium underwritten	Premium collected	Claims paid	Lease rentals	Vehicles purchased	Rent received	Interest received	Dividend received	Fixed deposits	Brokerage paid
(R u p e e s i n t h o u s a n d)											
Atlas Honda Limited	Common										
	Directorship	87,009	85,373	7,757	-	102	-	-	4,348	-	-
Allwin Engineering Industries Limited	"	6,956	6,490	369	-	-	-	-	354	-	-
Atlas Battery Limited	"	13,128	11,197	2,656	-	-	-	-	200	-	-
Shirazi Trading Company (Private) Limited	"	5,400	4,723	463	-	-	415	-	-	-	-
Shirazi Investments Company (Private) Limited	"	1,302	1,378	53	-	-	-	-	-	-	-
Atlas Investment Bank Limited	"	2,765	2,846	1,588	2,711	-	-	1,045	237	167,120	6,729
Honda Atlas Power Product (Private) Limited	"	933	844	14	-	-	-	-	-	-	-
Total Atlas Lubricants Pakistan (Private) Limited	"	2,523	2,326	1,510	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	"	205,017	203,396	5,739	-	-	-	-	563	-	-
Cherat Paper Sack Limited	"	350	196	-	-	-	-	-	274	-	-
Cherat Cement Company Limited	"	-	761	358	-	-	-	-	296	-	-
Mirpur Khas Sugar Mills Limited	"	-	(2)	-	-	-	-	-	-	-	-
Atlas Foundation (Formerly Shirazi Foundation)	"	73	73	-	-	-	-	-	-	-	-
Atlas Warehousing (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Atlas Asset Management Company Limited	"	771	880	106	-	-	-	-	-	-	-
Batool Benefit Trust	"	27	27	-	-	-	-	-	-	-	-
Greaves Airconditioning(Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Pakistan (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Carbon Products (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Associated Constructions (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
December 31, 2005		326,253	320,507	20,613	2,711	102	415	1,045	6,272	167,120	6,729
December 31, 2004		197,747	210,988	28,146	2,326	1,541	415	1,185	6,749	-	1,190

34.1 The related parties comprise associated undertakings and key personnels. The company in the normal course of business carries out transactions with above mentioned parties. The transactions with related parties are at an arm's length determined using the Comparable Uncontrolled Price Method.

35. SEGMENT REPORTING

The company has four primary business segments for reporting purpose namely Fire, Marine, Motor and Miscellaneous.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of gross premium earned by the segments.

	Fire		Marine		Motor		Miscellaneous		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	(R u p e e s i n t h o u s a n d)									
Other Information										
Segment assets	76,188	93,288	59,763	69,460	15,210	13,271	23,704	20,008	174,865	196,027
Unallocated corporate assets									668,331	313,812
Consolidated total assets									843,196	509,839
Segment liabilities	86,811	100,143	92,024	66,355	101,336	39,520	28,552	23,595	308,724	229,613
Unallocated corporate liabilities									78,161	78,004
Consolidated total liabilities									386,885	307,617
Capital expenditure -according to above ratios	1,906	1,228	5,580	2,619	2,082	680	241	147	9,809	4,674
Depreciation/amortization -according to above ratios	621	720	1,819	1,535	679	398	79	86	3,198	2,739

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

		2 0 0 5						
		Interest / mark-up bearing			Non-interest / mark-up bearing			
Interest rate %	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	
(Rupees in thousand)								
Financial Assets								
		-	-	-	18,756	-	18,756	18,756
	7.50	167,120	-	167,120	-	-	-	167,120
		-	-	-	320	922	1,242	1,242
	13 - 16	-	11,218	11,218	-	268,807	268,807	280,025
		-	-	-	1,235	-	1,235	1,235
	14 - 25	146,684	-	146,684	-	-	-	146,684
		-	-	-	303	-	303	303
		313,804	11,218	325,022	20,614	269,729	290,343	615,365
Financial Liabilities								
		-	-	-	17,044	-	17,044	17,044
		-	-	-	640	-	640	640
		-	-	-	-	1,391	1,391	1,391
		-	-	-	3,137	-	3,137	3,137
		-	-	-	85,532	-	85,532	85,532
	10.35 - 17	440	129	569	-	-	-	569
		440	129	569	106,353	1,391	107,744	108,313
		313,364	11,089	324,453	(85,739)	268,338	182,599	507,052
On balance sheet gap								
		2 0 0 4						
		Interest / mark-up bearing			Non-interest / mark-up bearing			
Interest rate %	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	
(Rupees in thousand)								
Financial Assets								
		-	-	-	17,706	-	17,706	17,706
		-	-	-	150	372	522	522
	13 - 16	-	17,532	17,532	-	202,005	202,005	219,537
		-	-	-	3,628	-	3,628	3,628
		38,700	-	38,700	-	-	-	38,700
		-	-	-	920	-	920	920
		38,700	17,532	56,232	22,404	202,377	224,781	281,013
Financial Liabilities								
		-	-	-	16,437	-	16,437	16,437
		-	-	-	1,130	-	1,130	1,130
		-	-	-	-	1,391	1,391	1,391
		-	-	-	2,238	-	2,238	2,238
		-	-	-	20,365	-	20,365	20,365
	10.5-20	1,766	1,327	3,093	-	-	-	3,093
		1,766	1,327	3,093	40,170	1,391	41,561	44,654
		36,934	16,205	53,139	(17,766)	200,986	183,220	236,359

37. RISK MANAGEMENT

37.1 Reinsurance Risk

As per general practice of the insurance industry, in order to minimize financial exposure arising from large claims, the company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurers' insolvencies, the company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurers fail to meet the obligations under the reinsurance agreements.

37.2 Credit Risk and Concentration of Credit Risk Exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.615.365 (2004: Rs.281.013) million, the financial assets which are subject to credit risk amounted to Rs.614.115 (2004: Rs.262.785) million. The company believes that it is not exposed to major concentration of credit risk.

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organization of sound financial standing covering various industrial sectors and segments.

37.3 Fair Value of Financial Instruments

The estimated fair value of financial instruments are not significantly different from their book value as shown in these financial statements. The fair value of the financial instruments are stated in their respective notes where the fair value is different from the book value.

37.4 Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The company has invested its funds in ordinary shares, Term Finance Certificates and National Investment Trust units, resulting in exposure due to the fluctuation in the rate of

interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The company minimizes such risk by having a diversified investment portfolio. In addition, the company actively monitors the key factors that affect investment market.

37.5 Interest Rate Risk

Interest / yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. The company is exposed to interest / yield rate risk for certain deposits with the banks and liabilities against assets subject to finance leases.

37.6 Currency Risk

Foreign currency risk arises mainly where receivables / payables exist due to transactions with foreign undertakings. The company is not exposed to currency risk as none of the financial assets and liabilities are payable in foreign currency, at the end of the year.

37.7 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

38. AUTHORIZATION FOR ISSUE

These accounts were authorized for issue on February 21, 2006 in accordance with a resolution of the Board of Directors.

39. GENERAL

Figures in the accounts are rounded off to the nearest thousand of Rupees.

Arshad P. Rana
Chief Executive

Aamir H. Shirazi
Director

Muhammad Faruque
Director

Yusuf H. Shirazi
Chairman

**DISTRIBUTION OF SHAREHOLDING
IN CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**
AS AT DECEMBER 31, 2005

Number of Shareholders	Shareholding		Total Shares held
	From	To	
58	1	100	2,710
99	101	500	32,157
42	501	1,000	34,759
86	1,001	5,000	231,203
24	5,001	10,000	179,475
8	10,001	15,000	100,017
6	15,001	20,000	99,310
3	20,001	25,000	66,724
2	25,001	30,000	51,182
1	30,001	35,000	34,936
1	35,001	40,000	35,050
1	40,001	45,000	40,540
2	45,001	50,000	91,982
1	65,001	70,000	70,000
1	340,001	345,000	344,636
1	1,195,001	1,200,000	1,200,000
1	4,155,001	4,160,000	4,155,454
<u>337</u>			<u>6,770,135</u>

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2005

Number of Shareholders	Shareholding		Total Shares held
	From	To	
146	1	100	5,376
168	101	500	54,400
76	501	1,000	60,322
173	1,001	5,000	444,217
53	5,001	10,000	381,858
18	10,001	15,000	223,464
8	15,001	20,000	134,709
10	20,001	25,000	228,004
3	25,001	30,000	77,249
3	30,001	35,000	103,786
1	35,001	40,000	35,050
2	40,001	45,000	81,229
3	45,001	50,000	140,847
1	50,001	55,000	53,114
1	55,001	60,000	59,379
1	65,001	70,000	70,000
1	275,001	280,000	276,408
1	300,001	305,000	303,003
1	335,001	340,000	336,000
1	340,001	345,000	344,636
1	850,001	855,000	850,134
1	855,001	860,000	856,970
1	860,001	865,000	863,828
1	875,001	880,000	879,375
1	1,195,001	1,200,000	1,200,000
1	4,155,001	4,160,000	4,155,454
<u>677</u>			<u>12,218,812</u>

The slabs representing nil holding have been omitted.

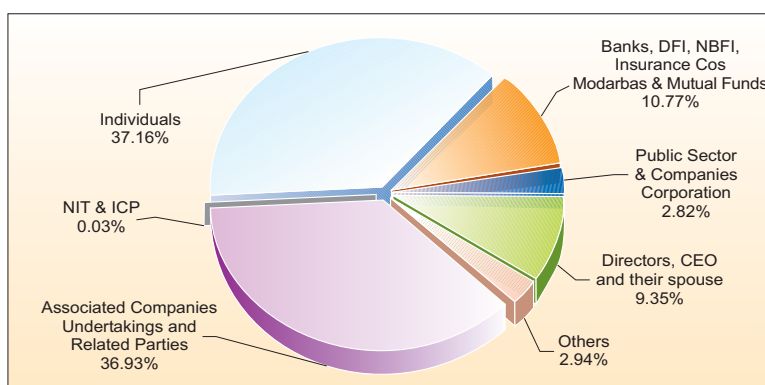
Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO their spouse and minor children	6	1,142,894	9.35
*Associated Companies, undertakings & related parties	3	4,512,188	36.93
NIT and ICP	1	4,224	0.03
Banks, DFIs & NEFCs - Local	2	58,150	0.48
Banks, DFIs & NEFCs - Foreign	1	1,200,000	9.82
Insurance Companies	1	17,000	0.14
Modaraba and Mutul Funds	1	40,540	0.33
Public Sector Companies & Corporations	1	344,636	2.82
Shareholders holding 10% or more voting interest in the Company	-	-	-
General Public:			
Local (Individuals)	637	4,530,112	37.07
Foreign	1	10,000	0.08
Others:			
Local (Individuals)	18	27,242	0.22
Foreign	5	331,826	2.72
TOTAL	677	12,218,812	100.00

Note: Included in Associated Companies

*Shirazi Investments (Pvt) Limited 4,155,454 shares

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2005
INFORMATION AS REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Associated Companies, Undertakings and Related Parties (NameWise Detail)			
Shirazi Investments (Pvt) Limited	1	4,155,454	34.01
Atlas Foundation (Formerly Shirazi Foundation)	1	336,000	2.75
Batool Benefit Trust	1	20,734	0.17
NIT and ICP			
Investment Corporation of Pakistan	1	4,224	0.03
Director, Chief Executive and their spouse and minor children			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	276,408	2.26
Mr. Aamir H. Shirazi	1	863,828	7.07
Mr. Frahim Ali Khan	1	2,400	0.02
Mr. Jawaid Iqbal Ahmed	1	120	0.00
Mr. Muhammad Faruque	1	100	0.00
Mr. S. C. Subjally	1	38	0.00
Executives			
	-	-	-
Public Sector Companies & Corporations			
State Life Insurance Corporation of Pakistan	1	344,636	2.82
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds			
	5	1,315,690	10.77
Shareholders holding 10% or more voting interest			
	-	-	-
Individuals			
	638	4,540,112	37.16
Others			
	23	359,068	2.94
	<u>677</u>	<u>12,218,812</u>	<u>100.00</u>



Detail of Shares purchased by the Directors

Name	No. of shares Purchased	Date of Purchase	Cost Per Share
Mr. Frahim Ali Khan	2,000	Jan 05, 2005	37.00
Mr. Jawaid Iqbal Ahmed	100	Feb 07, 2005	55.11
Mr. Muhammad Faruque	100	Jun 22, 2005	41.45

COMPANY OFFICES

HEAD OFFICE

3-Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX: Fax:	7320542, 7320543 7322271, 7322273 7234742
ARSHAD P. RANA Chief Executive	Direct: Extension:	7234812 301
MUHAMMAD ZAFAR RIAZ Chief Financial Officer	Direct: Extension:	7234757 307
MUHAMMAD MUNIR Sr. Manager Technical	Direct: Extension:	7314241 309
PERVAIZ I. MALIK Company Secretary	Direct: Extension:	7314241 308
ASAD MAHMOOD AWAN Manager Marketing	Direct: Extension:	7234757 312
SALEEM MAHMOOD Chief Internal Auditor	Extension:	302

NORTH ZONE OFFICES & BRANCHES

LAHORE

MUHAMMAD MUNIR QAZI Chief Manager	Nawa-i-Waqat Building, Fatima Jinnah Road, Lahore.	6364906 6371185
AZHAR M. PIRACHA Chief Manager	3 - Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7212365-6 Fax: 7212367
ZAFAR HUSSAIN JAMAL Branch Manager	Hafeez Chambers, 85- Shahrah-e-Quaid-e-Azam, Lahore.	6305595
KH. MUHAMMAD NADEEM Branch Manager	Nairobi Mansion Napier Road, Lahore.	7352560 7358190
KHALID MAHMOOD Branch Manager	Alnoor Building, Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7358805
MUHAMMAD IJAZ Manager	Alnoor Building, Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7358805

RAWALPINDI

MAHMOOD AHMED Chief Manager	101/13, Bank Road, Grand Hotel Building, P.O. Box 119, Rawalpindi.	5563413 Fax: 5566518
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MANZAR ALI NAQVI Manager	101/13, Bank Road, Grand Hotel Building, P.O. Box 119, Rawalpindi.	5563413 Fax: 5566518
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FAISALABAD BRANCH - I

RANA SAGHIR Branch Incharge	Chartered Bank Chambers Railway Road, Faisalabad.	647194 Fax: 635080
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FAISALABAD BRANCH - II

IRSHAD FARRUKH BHATTI Chief Manager	123-B, 6 People's Colony No. 1 D-Ground, Faisalabad.	8721256, 8734176 Fax: 8732499
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SIALKOT

REHAN NAZIR GHUMAN Branch Incharge	Allama Iqbal Market, Shahrah-e-Aiwan-e-Sannat-o-Tijarat, Sialkot.	594520 Fax: 592863
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SAHIWAL

HABIB-UR-REHMAN CH. Branch Manager	147-Railway Road, Sahiwal.	66044 Fax: 66044
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MULTAN

BASHIR AHMED GHOURI Branch Manager	Atlas Honda Building, Azmat Wasti Road, Multan.	544494
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SOUTH ZONE OFFICE

Ground Floor, Federation House, Shahrah-e-Firdousi, Clifton, Karachi.	PABX:	5378806-7
	Fax:	5369394-6 5378515

ARSHAD P. RANA Chief Executive	Direct:	5378757
	Extension:	201

JAWAID IRSHAD Manager Motor Claims	Extension:	215
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MUHAMMAD IMRAN Manager Fire & Marine Claims	Extension:	217
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ALI ASGHAR Manager Underwriting	Extension:	216
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SOUTH ZONE BRANCHES

KARACHI

ABDUL AZIZ Chief Manager	Corporate Branch 1/10, Arkey Square, 1st Floor, Shahrah-e-Liaquat, Karachi.	2421030, 2422911 Fax: 2421387
M. FAROOQ KANDLAWALA Chief Manager	Tower Branch State Life Building No. 7 Room No. 101, 1st Floor G. Allana Road, Karachi.	2201471 2316503, 2315248 Fax: 2315248
IMRAN SATTAR Branch Manager	Plaza Branch 3/3 Rimpa Plaza M.A. Jinah Road, Karachi.	2729339 Fax: 2720852








HYDERABAD

ZAFAR AHMAD GHOURI Chief Manager	Akbar Chamber, Saddar, P.O. Box: 284, Hyderabad.	2782660, 2782659 Fax: 2786410
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SUKKUR

ABDUL MAJEED QURESHI Chief Manager	House No. C-631/13, Minara Road, Sukkur.	5625965 Fax: 5625977
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Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Allwin Engineering	1981*
 Atlas Bank	1990
HONDA Honda Atlas Cars	1992
HONDA Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Atlas Capital Markets	2006

FORM OF PROXY

I,
of.....
being a Shareholder of the Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) do hereby appoint
..... of
also a Shareholder of the said Company, to be my proxy and to vote for me at the Annual General Meeting of the
Company to be held on the April 29, 2006 at 11:00 a.m. for the year ended 31st December, 2005 and at any
adjournment thereof in the same manner as I myself would vote if personally present at such meeting.
As witness my hand in this day of.....2006

Signature:.....

Address:.....

Holder of Shares No.....to.....

Witness :

Name:.....

Address:.....

Affix Revenue Stamp Signature
--

AFFIX
POSTAGE

The Secretary
Atlas Insurance Limited
(Formerly Muslim Insurance Company Limited)
3-Bank Square,
Shahrah-e-Quaid-e-Azam,
Lahore.

Fold Here

Fold Here

Fold Here

Fold Here

Atlas Insurance Limited

(Formerly Muslim Insurance Company Limited)

3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore-54000 **Ph:** (92-42) 7320542-3, 7322271,3 **Fax:** (92-42) 7234742
Email: info@atlasinsurance.com.pk **Website:** www.atlasinsurance.com.pk