



Annual

Report

2004



Muslim Insurance Company Limited

Organisation
development
through
self development



Muslim Insurance Company Ltd.



Muslim Insurance Company Limited

VISION

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

MISSION

Muslim Insurance Company Limited as a frontline insurance company will stay in the forefront of innovation and technological development; will achieve corporate success through commitment to providing its policyholders quality products and services to their satisfaction; and promote interest of all the stakeholders - employees, shareholders, reinsurers and other business associates equitably.



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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
	Saquib 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
	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
Tax Advisor	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Bankers	Allied Bank of Pakistan Ltd. Atlas Investment Bank Ltd. Bank Alflah Limited Habib Bank Ltd. Muslim Commercial Bank Ltd. National Bank of Pakistan Standard Chartered Bank The Bank of Tokyo-Mitsubishi Ltd. United Bank Ltd.



Muslim Insurance Company Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 70th Annual General Meeting of the Members of the Muslim Insurance Company Limited will be held on Thursday March 31, 2005 at 11.00 a.m. at the Registered Office of the company at 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on January 12, 2005.
2. To receive, consider and approve the audited accounts for the year ended December 31, 2004, together with the Reports of the Auditors and Directors thereon.
3. To declare Cash Dividend @ 20% i.e. Rs.2.00 per share and Stock Dividend @ 20% i.e. 2 new shares for every ten existing held, as recommended by the Directors.
4. To appoint auditors of the Company and fix their remuneration for the year ending December 31, 2005. The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for re-appointment.

B. OTHER BUSINESS

5. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore: March 04, 2005

Pervaiz I. Malik
Company Secretary

NOTES:

1. Share transfer books of the company will remain closed from March 24, 2005 to March 31, 2005 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another person as his / her proxy to attend and vote on his / her behalf. The instrument appointing a proxy and the power of attorney of other authority under which it is signed or a notorially certified copy of the power of attorney 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. Change of address, if any, should be notified immediately to the company.

In accordance with the circular 01 dated 26 January, 2000 issued by the Securities and Exchange Commission of Pakistan, the CDC account holders will follow the below mentioned guidelines:

A. FOR ATTENDING THE MEETING

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii) 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.

B. FOR APPOINTING PROXIES

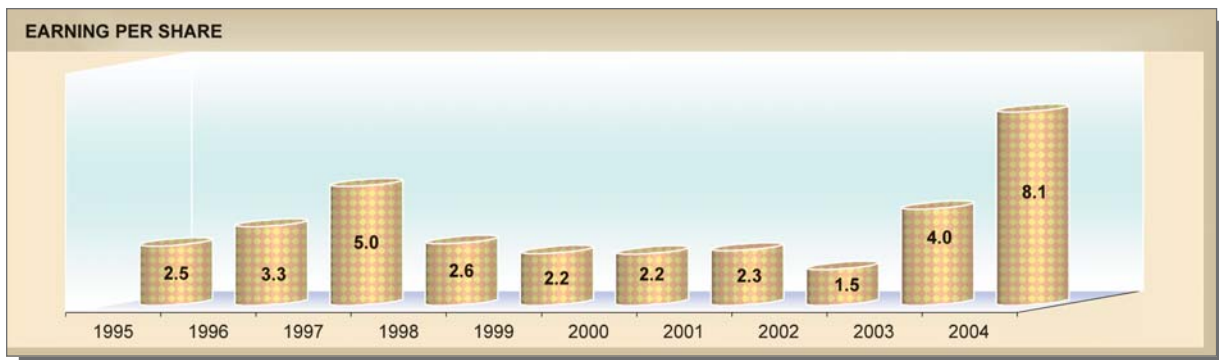
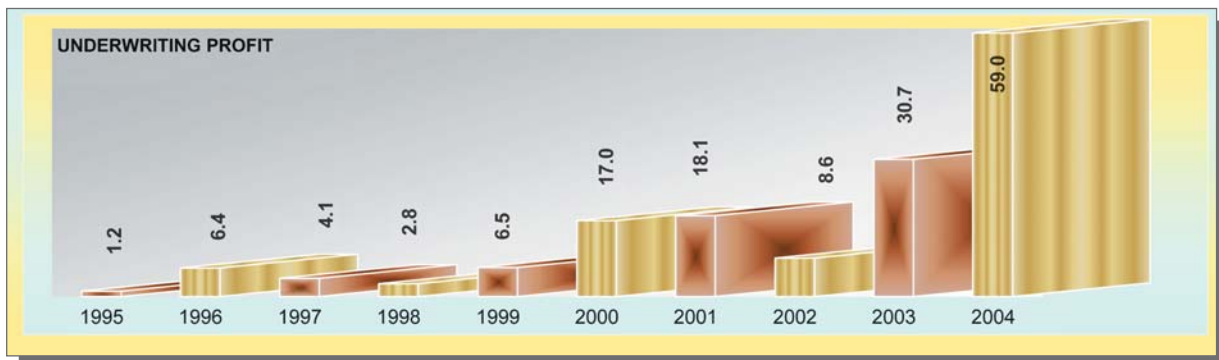
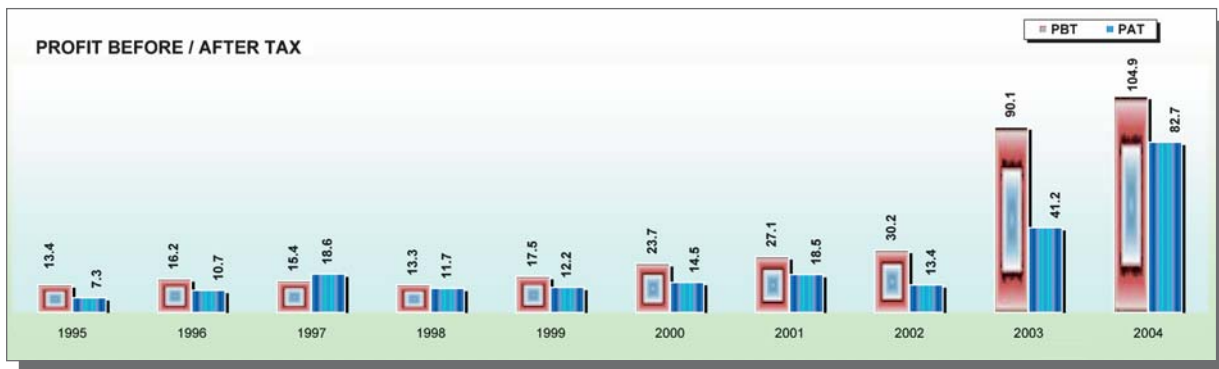
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii) Attested copies of the NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original NIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

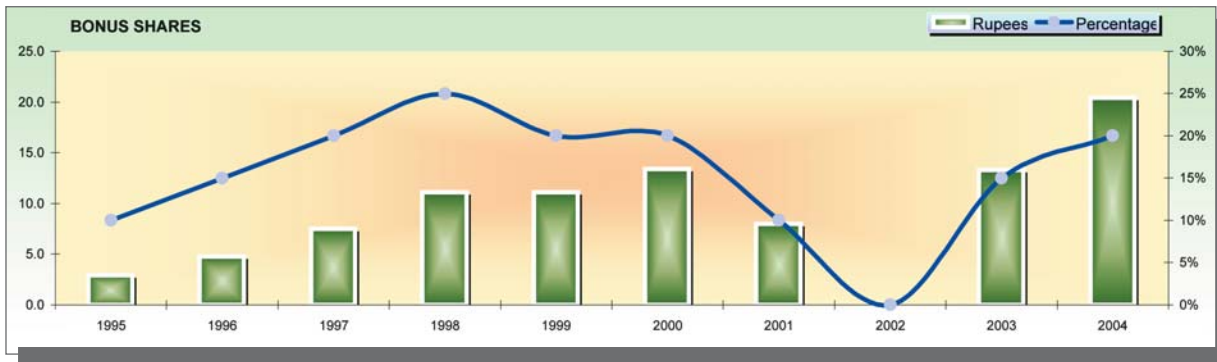
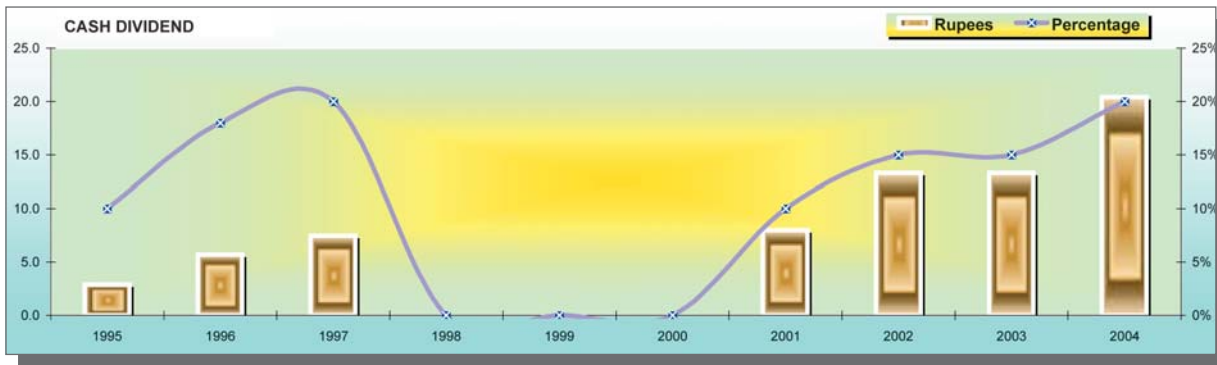
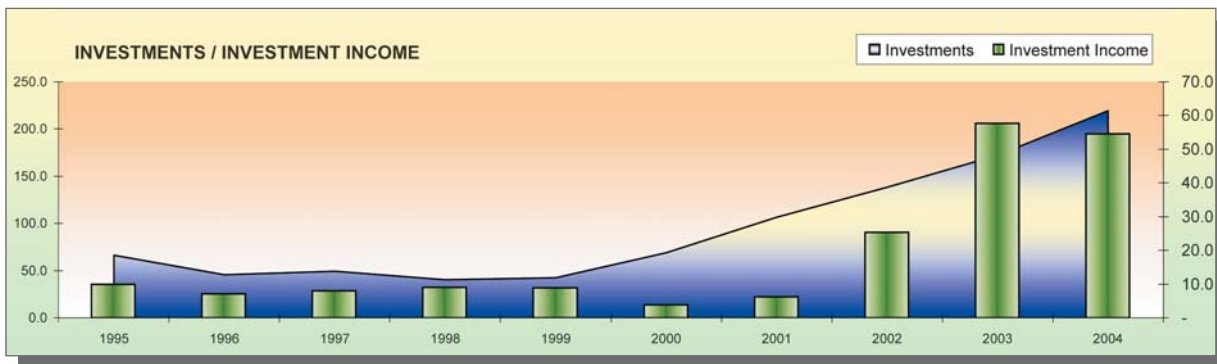
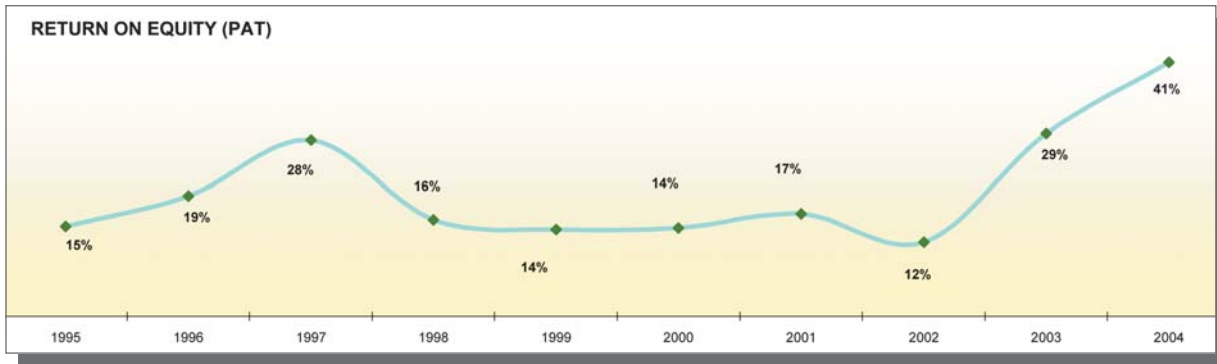
TEN YEARS GROWTH AT A GLANCE
(KEY FINANCIAL DATA)

(Rupees in million)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
FINANCIAL DATA										
Paid-up Capital	101.8	88.5	88.5	80.5	67.1	55.9	44.7	37.3	32.4	29.5
General & Capital Reserves	100.4	51.3	23.5	31.4	34.4	31.1	30.0	28.2	22.9	20.7
Equity	202.2	139.9	112.0	111.9	101.5	87.0	74.7	65.5	55.3	50.2
Underwriting Premium Reserves	194.7	33.5	36.4	38.8	32.9	30.6	28.7	29.5	25.2	22.0
Investments - at Cost	219.5	172.1	138.5	106.3	68.6	42.2	40.5	49.4	45.3	66.0
Total Assets - at Book Value	509.8	406.0	337.1	282.6	181.4	160.7	138.9	154.8	143.3	127.2
Fixed Assets - Net	14.0	12.1	14.2	14.1	6.2	5.4	5.8	5.9	4.4	4.0
Cash and Bank Deposits	17.7	15.9	13.2	16.3	13.0	33.8	16.3	53.9	50.8	10.7
Advances, Deposits and Prepayments	6.1	3.7	3.0	6.6	6.3	6.6	5.8	6.0	3.8	3.2
OPERATING DATA										
Gross Premium	315.6	212.7	215.6	196.7	165.3	149.5	131.3	137.1	117.7	93.5
Net Premium	145.0	93.2	97.4	91.1	78.0	74.7	72.6	69.4	59.7	47.0
Net Claims Paid	40.2	18.2	17.5	19.3	16.8	15.2	16.2	17.4	17.0	11.5
Underwriting Profit	59.0	30.7	8.6	18.1	17.0	6.5	2.8	4.1	6.4	1.2
Investment Income	54.6	57.7	25.4	6.2	3.9	8.9	9.1	8.0	7.1	10.0
Profit Before Tax (PBT)	104.9	90.1	30.2	27.1	23.7	17.5	13.3	15.4	16.2	13.4
Income Tax	22.2	48.9	16.8	8.6	9.2	5.3	1.6	(3.2)	5.5	6.1
Profit After Tax (PAT)	82.7	41.2	13.4	18.5	14.5	12.2	11.7	18.6	10.7	7.3
FINANCIAL RATIOS										
Profitability										
Profit Before Tax / Gross Premium (%)	33.2	42.4	14.0	13.8	14.3	11.7	10.1	11.2	13.8	14.3
Profit Before Tax / Net Premium (%)	72.3	96.7	31.0	29.7	30.4	23.4	18.3	22.2	27.1	28.5
Profit After Tax / Gross Premium (%)	26.2	19.4	6.2	9.4	8.8	8.2	8.9	13.6	9.1	7.8
Profit After Tax / Net Premium (%)	57.0	44.2	13.8	20.3	18.6	16.3	16.1	26.8	18.0	15.5
Management Expenses / Gross Premium (%)	29.7	40.5	37.9	28.0	33.3	35.4	40.0	33.1	30.9	33.4
Management Expenses / Net Premium (%)	64.7	92.5	83.9	60.4	70.6	70.9	70.3	65.3	61.0	66.5
Underwriting Profit / Net Premium (%)	40.7	32.9	8.8	19.9	21.8	8.7	3.9	5.9	10.7	2.6
Net Claims / Net Premium (%)	27.7	19.5	18.0	21.2	21.5	20.3	22.3	25.1	28.5	24.5
Return on Assets (%)	16.2	10.1	4.0	8.5	8.0	7.6	8.4	12.0	7.5	5.7
Return to Shareholders										
Return on Equity - PBT (%)	51.9	64.4	27.0	24.2	23.3	20.1	17.8	23.5	29.3	26.7
Return on Equity - PAT (%)	40.9	29.5	12.0	16.6	14.3	14.0	15.6	28.4	19.4	14.5
Earnings Per Share (Rs.)	8.1	4.0	1.5	2.3	2.2	2.2	2.6	5.0	3.3	2.5
Price Earning Ratio (Times)	4.6	6.9	12.6	8.7	6.9	6.4	6.5	3.2	5.6	8.9
Market Value per share	37.0	28.0	19.1	20.0	15.0	14.0	17.0	16.0	18.6	22.0
Liquidity / Leverage										
Break-up Value per share	19.9	15.8	12.7	13.9	15.1	15.6	16.7	17.6	17.1	17.0
Current Ratio (Times)	1.5	1.3	1.8	1.5	2.1	2.5	2.4	1.6	1.4	0.9
Total Assets Turnover Ratio (Times)	0.6	0.5	0.6	0.7	0.9	0.9	0.9	0.9	0.8	0.7
Total Liabilities / Equity (Times)	1.5	1.9	2.0	0.9	0.8	0.9	0.9	1.4	1.6	1.5
Return on Capital Employed (%)	20.6	13.9	5.1	12.2	8.8	10.4	11.3	19.6	13.3	10.1
Paid-up Capital / Total Assets (%)	20.0	21.8	26.3	28.5	37.0	34.8	32.2	24.1	22.6	23.2
Equity / Total Assets (%)	39.7	34.5	33.2	39.6	56.0	54.1	53.8	42.3	38.6	39.5
DISTRIBUTION										
Cash Dividend (Rs.)	20.4	13.3	13.3	8.0	-	-	-	7.5	5.7	2.9
Cash Dividend (%)	20	15	15	10	-	-	-	20	18	10
Bonus Shares (Rs.)	20.4	13.3	-	8.0	13.4	11.1	11.1	7.5	4.8	2.9
Bonus Shares (%)	20	15	-	10	20	20	25	20	15	10
Total (%)	40	30	15	20	20	20	25	40	33	20

PERFORMANCE AT A GLANCE
GRAPHICAL PRESENTATION

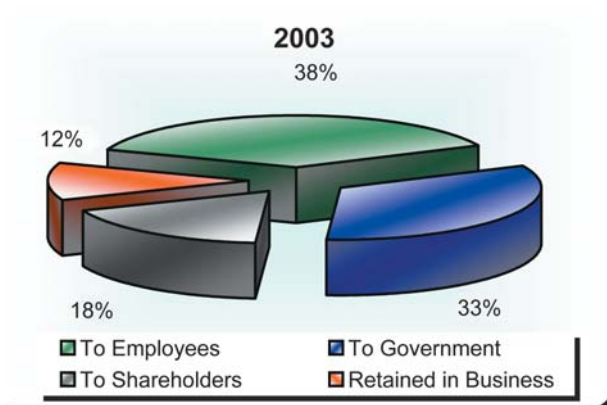
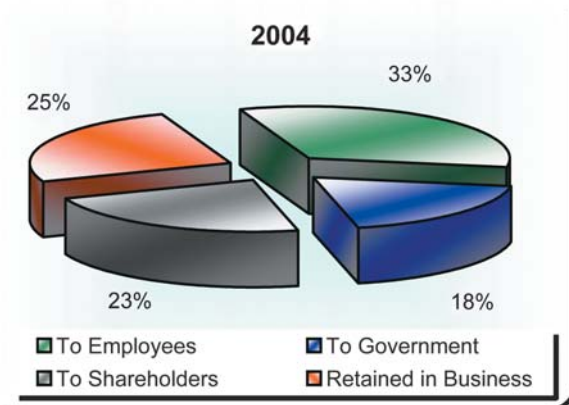


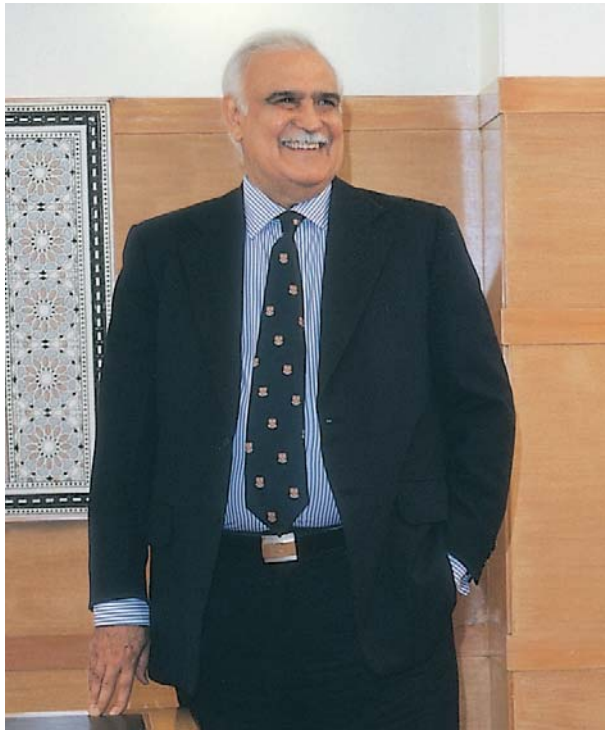


STATEMENT OF VALUE ADDITION

(Rupees in thousand)

	2004		2003	
	Rupees	%	Rupees	%
WEALTH GENERATED				
Gross Premium	326,281		227,282	
Commission Income	36,677		35,465	
Investment and Other Income	57,210		65,798	
	420,168		328,545	
Management and Other Expenses	242,554		180,182	
	177,614	100.00%	148,363	100.00%
WEALTH DISTRIBUTED				
To Employees	59,324	33.40%	55,747	37.57%
To Government	32,851	18.50%	48,895	32.96%
To Shareholders				
Cash Dividend	20,365	11.47%	13,281	8.95%
Stock Dividend	20,365	11.47%	13,281	8.95%
	40,730	22.93%	26,562	17.90%
Retained in Business				
Depreciation and Amortization	2,739	1.54%	2,566	1.73%
Statutory Reserves	41,000	23.08%	14,593	9.84%
Retained Profit	970	0.55%	-	0.00%
	44,709	25.17%	17,159	11.57%
	177,614	100.00%	148,363	100.00%

WEALTH DISTRIBUTION



CHAIRMAN'S REVIEW

It is my pleasure to present to you the 70th Annual Report and Review of the performance of your company for the year ended 31 December, 2004.

THE ECONOMY

The fiscal year 2004-05 began on a positive note which continues to be positive. Agriculture, industry and service sectors are all doing better than the previous year. Imports, exports and revenue collection are also better than the last year. All these indicators show that the targets set for the year are likely to be met!

GDP growth target for the fiscal year 2004-05 was set at 6.6% which was revised to 7%. Imports target was set at \$16.7 billion, Exports at \$13.7 billion and inflation at 7%. A trade deficit was envisaged at \$3 billion.

At the end of the first half of the year the Imports at \$9.25 billion and Exports at \$7 billion showed significant growth over \$6.26 billion and \$6.10 billion respectively in the corresponding period last year. Trade deficit also

widened to \$2.257 billion from \$0.159 billion in the previous half year. Excessive imports are attributable to import bill of oil and machinery which amounted to \$4 billion and oil bill which was higher mainly due to hike in the oil prices. Inflation crossed 7%. In order to check inflationary pressure State Bank of Pakistan is gradually increasing interest rates. The 6 months T-Bill rate which now stands at 5.20% was 2.23% about a year ago. Revenue collection at Rs.253 billion improved from Rs.220 billion in the corresponding half year. Foreign remittances improved from \$1.87 billion to \$1.94 billion during the first half and foreign exchange reserves stood at \$12 billion plus.

All the macro and micro economic indications are encouraging and it is hoped that the targets set for the fiscal year will be achieved and the economy will continue to grow.

THE INSURANCE INDUSTRY

The reinsurance capacity continues to be shrinking with reduced commissions. The leading international reinsurers are considering to introduce new reinsurance arrangements limiting exposures in various markets particularly in developing ones to improve their results. It will make further difficult for ceding companies to obtain reinsurance on same terms as in the past. Your company however was successful in renewing its treaty agreements for 2005 with the world renowned reinsurers like Swiss Re of Switzerland, Hanover Re of Germany, Tokio Marine and Sampo of Japan to name a few. This reflects leading reinsurers' confidence in your company.

The promulgation of the Insurance Ordinance, 2000 and its implementation is gradually showing results leading to restructuring and bringing discipline in the industry.

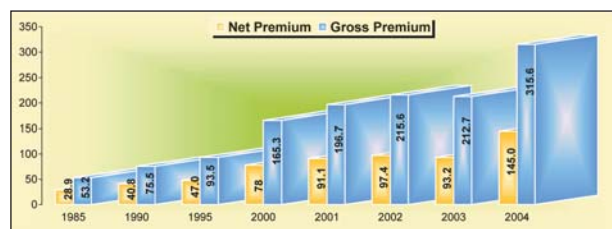
An important area which needs focused attention of the SECP, the Insurance Association and the individual companies is the dearth of educated people in the industry. Concerted efforts to attract educated young people to join this industry must be made: the sooner the better!

THE COMPANY RESULTS

Premium

During the year under review the company performed quite well. The company underwrote gross premium of Rs.315.59m against Rs.212.65m of the last year, up 47%. The net premium also increased to Rs.144.97m against Rs.93.17m of the last year, up 56%.

The company is continuously strengthening its infrastructure to improve efficiency, provide better service to valued clients and explore new business opportunities.



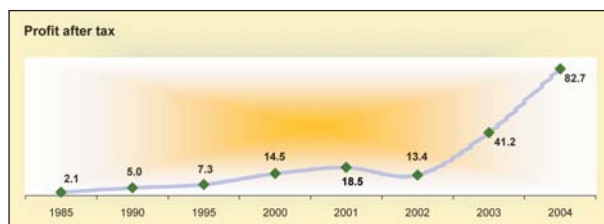
Investments

Book value of the investments rose to Rs.219.5m from Rs.172.06m of the last year while the market value stood at Rs.472.61m against Rs.296.61m last year showing inherent strength of the investment. The company earned income from investment of Rs.54.6m against Rs.57.68m last year.



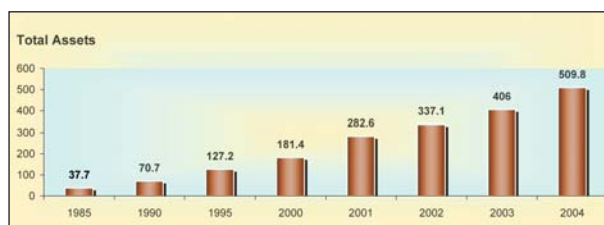
Profitability

As a result of prudent underwriting policy your company managed to increase its underwriting profit during the year. The underwriting profit increased to Rs.59.03m from Rs.30.70m. Profit before tax rose to Rs.104.86m against Rs.90.10m of the last year. The net profit after tax stood at Rs.82.70m compared to Rs.41.16m of the last year - a good performance indeed.

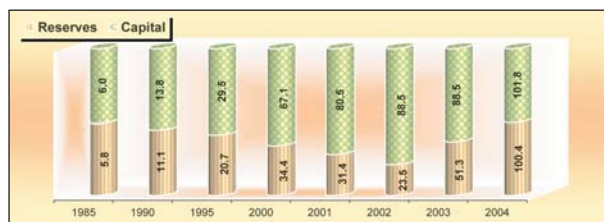


Your company achieved return on equity at 40.90% against 29.42% and after tax earnings per share of Rs.8.12 against Rs.4.04, last year. The company contributed a sum of Rs.48.9m towards government exchequer on account of income tax, central excise duty and other government levies during the year making total from the Group at Rs.9 billion which is about 1.5% of Governments total revenue.

The book value of total assets of the company stood at Rs.509.8m at the close of the year.



May I pride in adding that your company ranks amongst the top three leading insurance companies having the highest solvency margin in the insurance industry of Pakistan. Capital and reserves of the company stood at Rs.202.22m as against Rs.139.89m last year.



COMPUTERIZATION

In order to meet the challenges of present times and to cater to the need of future emerging from advance technology your company is entering into new era of computerized environment. With the support of professional

experts, the company is in the process of developing new Oracle based software with the aim of ultimately bringing all branches on line through web base system. It will not only facilitate the management to take immediate decisions for smooth operations of the company but will also help provide even better service to the clients.

HUMAN RESOURCE

Human resource development is key to success. We strongly believe that investment in human resource development pays rich dividends. In order to equip the staff with professional knowledge and expertise the Group of which your company is a constituent member makes necessary arrangements to send the employees to the renowned institutions of Pakistan and abroad for MBA and other management development programs including Harvard, Stanford and Insead. Both long term and short term growth and operational needs of the company are matched with individual growth plans. Abilities and needs of individuals are identified systematically for appropriate jobs and future training. Besides exposure to outside training the Group also organizes periodic in house seminars and courses specially tailored keeping in view the needs of the participants.

In line with the Group's commitment to develop indigenous managerial capacity through Human Resource development the Group in collaboration with LUMS has designed a course, "ATLAS-LUMS Diploma in Business Management" in which eligible employees of your company are also participating. Employees of your company have also been nominated to LUMS executive MBA program.

The systematic and structured approach to individual development program, such as individual objective setting, performance appraisal -MBO-, individual career development, succession planning and implementation of HAY Management system will further help to achieve the desired results.

RATING BY PACRA

The Pakistan Credit Rating Agency (PACRA) maintained Insurer Financial Strength (IFS) rating of Muslim Insurance

Company Limited at "A". The rating denotes strong capacity to meet 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, maintained performance and adequate liquidity.

BEST CORPORATE REPORT AWARD

Your company was adjudged as one of the "Top 5 Companies" in the financial sector by a Joint Committee of The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost & Management Accountants of Pakistan (ICMAP) and awarded the 'Best Corporate Report Award 2003'. The company will endeavour to maintain the high level of professional excellence, responsibility and transparency in reporting.



Chief Executive Officer, Mr. Arshad P. Rana receiving the Best Corporate Report Award in Financial Sector from Governor, State Bank of Pakistan, Dr. Isbrat Hussain

MIC WEBSITE

A separate website of Muslim Insurance Company Limited was developed to allow the users to get the company related information. The website covers information about the Muslim Insurance Company Limited, its history, types of insurance available with the company, reinsurance arrangements, list of reinsurers and surveyors. An online complaint system to further improve the efficiency has also been introduced. The website is linked with the SECP.

FUTURE OUTLOOK

All macro and micro economic indicators are positive. The economy is on the growth path. The insurance industry being a service industry will benefit from the economic growth and prosperity. An estimated economic growth of around 7% for the fiscal year 2004-2005 ensures a better future for insurance industry as well. Your

management is well equipped to take advantage of opportunities ahead.

پرواز ہے دونوں کی اسی ایک فضا میں
کرگس کا جہاں اور پے شاپین کا جہاں اور
(Let us continue to fly our flag high)

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, 2004.

Following are the overall performance of the company for the year ended December 31, 2004:

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
Gross premium	315,588	212,652
Net premium	144,974	93,171
Net claims paid, outstanding and IBNR	40,227	18,196
Management expenses	93,776	86,188
Profit from underwriting business	59,031	30,698
Investment and other income	57,210	65,798
Financial Results:		
Profit for the year before tax	104,858	90,050
Profit for the year after tax	82,700	41,155
Add: Balance B/F from previous year	-	106
Profit available for appropriation	82,700	41,261
Appropriations:		
Proposed bonus shares @ 20% (2003: @ 15%)	20,365	13,281
Proposed dividend @ 20% (2003: @ 15%)	20,365	13,281
Transferred to general reserve	41,000	14,699
Balance carried forward	970	-

Earnings per share

Earnings per share after tax is Rs.8.12 per share (2003: Rs.4.04 per share)

Dividend

Directors propose cash dividend @ 20% and stock dividend @ 20%.

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, 2004 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 non-executive directors are independent from management.

The Board had five (5) 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	5
2	Mr. Aamir H. Shirazi	0
3	Mr. Iftikhar H. Shirazi (Resigned effective April 23, 2004)	3
4	Mr. Arshad P. Rana (Appointed effective March 25, 2004)	3
5	Mr. Muhammad Faruque	4
6	Mr. Jawaid Iqbal Ahmed	4
7	Mr. Frahim Ali Khan	4
8	Mr. S. C. Subjally	5

Auditors

The Audit Committee has recommended to appoint Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants as auditors of the company for the year ending December 31, 2005.

Employees Provident & Gratuity Fund

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

Provident Fund Rs.13.5 million (as at December 31, 2004)

Gratuity Fund

Management Staff Rs.0.87 million (as at June 30, 2004)
Non-management Staff Rs.1.87 million (as at December 31, 2004)

Compliance with Code of Corporate Governance

The company complied with the Code of Corporate Governance as per the provisions set out by the Securities and Exchange Commission of Pakistan (SECP) and the consequent listing regulations of the Lahore and Karachi Stock Exchanges, on which the company is listed. Statement regarding compliance of Corporate Governance is annexed.

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 Lahore and Karachi Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2004. 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 the 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.

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 Account

The company has maintained proper books of account.

Accounting Policies

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

Application of 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.

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 of the following directors:

Mr. Jawaid Iqbal Ahmed (Chairman)	(non-executive director)
Mr. Frahim Ali Khan	(non-executive director)
Mr. S. C. Subjally	(executive director)

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, 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, carry over transactions and underwriting of new issues.

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 claim 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 reinsurance arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating reinsurers, 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.



Muslim Insurance Company Limited

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

Operating and Financial Data

Operating and Financial data and key ratios of the company for last ten years are 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 have 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. The company also has a web site (www.musliminsurance.com.pk), which contains up to date information of the company and other group companies.

Outstanding Statutory Payments

All outstanding payments are of normal and routine nature.

Trading of Shares

Except transfer of 12,500 shares by Mr. Aamir H. Shirazi, there has been no trading during the year in the shares of the company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Safety and Environment

The company follows the safety and environment rules and regulations.

For and on behalf of the
Board of Directors

Lahore: March 04, 2005

Arshad P. Rana
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2004

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 The Karachi Stock Exchange (Guarantee) Limited and The 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 NBFIs. No director in the Board is a member of any of the stock exchanges in Pakistan.
4. Subsequent to the appointment of Mr. Arshad P. Rana as Chief Executive Officer on March 25, 2004, he has also been appointed as Director in place of Mr. Iftikhar H. Shirazi who resigned from the Board.
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 the 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.



Muslim Insurance Company Limited

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. It comprises three members, two members are non-executive directors including the chairman of the committee and one member is executive director.
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.

Chief Executive

Chairman

Lahore: March 04, 2005

**STATEMENT OF COMPLIANCE WITH THE
BEST PRACTICES ON TRANSFER PRICING**

For the year ended December 31, 2004

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.

Chief Executive

Chairman

Lahore: March 04, 2005



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, 2004.

Lahore: March 04, 2005

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising:

- (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, 2004 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 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 used and significant estimates made by management, as well as, evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) proper books of 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 respect, the state of the company's affairs as at December 31, 2004 and of the profit, its cash flows and changes in equity for the year then ended in accordance with 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: March 04, 2005

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants



BALANCE SHEET

	Notes	2004 (Rupees in thousand)	2003
Share Capital and Reserves			
Authorized share capital 15,000,000 (2003: 15,000,000) ordinary shares of Rs.10/- each		150,000	150,000
Paid-up share capital	6	101,823	88,542
Retained earnings		970	-
Reserves	7	99,429	51,345
		202,222	139,887
Underwriting Provisions			
Provision for outstanding claims (including IBNR)	8	91,993	71,755
Provision for unearned premium		90,246	70,031
Commission income unearned		12,450	5,737
Total underwriting provisions		194,689	147,523
Deferred Liabilities			
Deferred taxation	9	2,840	-
Staff retirement benefits	10	2,356	3,506
		5,196	3,506
Creditors and Accruals			
Premiums received in advance		2,141	381
Amounts due to other insurers / reinsurers	11	45,984	47,477
Accrued expenses		16,437	13,333
Taxation - Provision less payments		9,536	28,347
Other creditors	12	6,547	4,329
		80,645	93,867
Other Liabilities			
Deposits against performance bonds		1,391	1,391
Dividend	13	22,603	15,003
Obligations against assets subject to finance lease	14	3,093	4,847
		27,087	21,241
TOTAL LIABILITIES		307,617	266,137
TOTAL EQUITY AND LIABILITIES		509,839	406,024
CONTINGENCIES AND COMMITMENTS	15	-	-

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

FINANCIAL YEAR ENDED DECEMBER 31, 2004

	<u>Notes</u>	<u>2004</u> (Rupees in thousand)	<u>2003</u>
Cash and Bank Deposits			
Cash and other equivalent	16.1	2	-
Current and other accounts	16.2	17,704	15,890
		17,706	15,890
Loans			
To employees	17	522	1,009
Investments			
	18	219,537	172,057
Other Assets			
Premiums due but unpaid - unsecured, considered good	11	29,882	37,203
Amounts due from other insurers / reinsurers	11	39,405	59,294
Accrued investment income	19	3,628	3,359
Reinsurance recoveries against outstanding claims	8	76,799	61,568
Deferred commission expense		5,846	3,698
Short term placements	20	38,700	-
Prepayments	21	54,837	38,660
Deferred cost	22	7,815	-
Sundry receivables	23	1,163	1,182
		258,075	204,964
Fixed Assets			
Tangible			
Land and buildings	24	5,114	5,321
Furniture, fixtures and office equipments		2,403	2,566
Motor vehicles		6,482	4,217
		13,999	12,104
TOTAL ASSETS		509,839	406,024

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

PROFIT AND LOSS ACCOUNT

FINANCIAL YEAR ENDED DECEMBER 31, 2004

	Notes	Fire & Property	Marine, Aviation & Transport	Motor	Misc.	Current year Aggregate 2004	Prior Year Aggregate 2003
(Rupees in thousand)							
Revenue Account							
Net Premium Revenue		10,168	99,010	30,762	5,034	144,974	93,171
Net Claims		(15,334)	(7,759)	(15,239)	(1,895)	(40,227)	(18,196)
Expenses	25	(5,779)	(56,270)	(17,483)	(2,861)	(82,393)	(79,742)
Net Commission		11,065	24,851	(303)	1,064	36,677	35,465
Underwriting result		<u>120</u>	<u>59,832</u>	<u>(2,263)</u>	<u>1,342</u>	<u>59,031</u>	<u>30,698</u>
Investment Income						54,641	57,675
Rental Income						755	748
Other Income	26					1,814	7,375
General and administration expenses	27					(10,409)	(3,787)
Financial Charges	28					(974)	(1,141)
Other charges						-	(1,518)
Profit before tax						<u>104,858</u>	<u>90,050</u>
Provision for taxation	29					(22,158)	(48,895)
Profit after tax						<u>82,700</u>	<u>41,155</u>
Profit and Loss Appropriation Account							
Balance at commencement of year						-	106
Profit after tax for the year						82,700	41,155
Proposed Dividend Rs.2.00 (2003: Rs.1.50) per share						(20,365)	(13,281)
Transfer to reserves for bonus shares						(20,365)	(13,281)
Transfer to reserves						(41,000)	(14,699)
						970	(106)
Balance Unappropriated Profit at the end of Year						<u>970</u>	<u>-</u>
Basic earnings per share	30					8.12	4.04

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2004

	Current Year	Prior Year
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	324,669	194,210
Reinsurance premiums paid	(145,381)	(106,940)
Claims paid	(80,396)	(43,704)
Reinsurance and other recoveries received	45,176	24,870
Commissions paid	(13,523)	(11,361)
Commissions received	48,052	43,128
Net cash flow from underwriting activities	178,597	100,203
b) Other operating activities		
Income tax paid	(38,129)	(28,825)
General management expenses paid	(80,071)	(86,080)
Other operating receipts / (payments)	(888)	6,961
Voluntary retirement scheme payments	(9,378)	-
Loans advanced	(535)	(382)
Loans repayments received	869	258
Net cash flow from other operating activities	(128,132)	(108,068)
Total cash flow from all operating activities	50,465	(7,865)
Investment activities		
Profit / Return received	5,591	6,061
Dividends received	20,948	16,188
Rentals received	778	792
Payments for investments	(118,996)	(95,435)
Proceeds from disposal of investments	99,348	98,360
Fixed Capital Expenditure	(2,974)	(475)
Short Term Placements	(38,700)	-
Proceeds from disposal of fixed assets	1,438	544
Total cash inflow / (outflow) from investing activities	(32,567)	26,035
Financing activities		
Dividends paid	(13,354)	(12,957)
Financial charges paid	(974)	(1,141)
Payments on finance leases	(1,754)	(1,411)
Total cash flow from financing activities	(16,082)	(15,509)
Net cash inflow / (outflow) from all activities	1,816	2,661
Cash at the beginning of the year	15,890	13,229
Cash at the end of the year	17,706	15,890

Reconciliation to Profit and Loss Account

	Current Year	Prior Year
	(Rupees in thousand)	
Operating cash flows	50,465	(7,865)
Depreciation expense	(2,739)	(2,311)
Amortization of deferred cost	(1,563)	-
Amortization of Intangible asset	-	(255)
Fixed Asset written off	-	(1,518)
Financial charges expense	(974)	(1,141)
Profit on disposal of fixed assets	1,398	417
Gain on investments	28,825	36,486
Increase in assets other than cash	44,072	31,546
Increase in liabilities other than running finance	(36,784)	(14,204)
Profit after taxation	82,700	41,155
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent		
Stamps in hand	2	-
Current and other account		
Current accounts	17,704	15,890
	17,706	15,890

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2004

	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, 2003	88,542	2,251	2,164	-	4,415	15,950	3,000	18,950	106	112,013
Net profit for the year	-	-	-	-	-	-	-	-	41,155	41,155
Transfer to reserve for issue of bonus shares	-	-	-	13,281	13,281	-	-	-	(13,281)	-
Proposed dividend	-	-	-	-	-	-	-	-	(13,281)	(13,281)
Transfer to general reserve	-	-	-	-	-	14,699	-	14,699	(14,699)	-
Balance as on December 31, 2003	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	101,823	2,251	2,164	20,365	24,780	71,649	3,000	74,649	970	202,222

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF PREMIUMS

FINANCIAL YEAR ENDED DECEMBER 31, 2004

December 31, 2004									December 31, 2003	
Business underwritten inside Pakistan	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	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

December 31, 2003									December 31, 2002	
Business underwritten inside Pakistan	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	59,582	28,066	32,760	54,888	48,768	25,138	21,121	52,785	2,103	13,644
Marine, Aviation and Transport	108,552	39,541	15,206	132,887	64,437	19,096	10,996	72,537	60,350	52,111
Motor	31,299	10,057	16,758	24,598	4,621	1,926	1,681	4,866	19,732	19,821
Miscellaneous	8,625	2,736	5,005	6,356	4,569	2,119	2,765	3,923	2,433	1,419
Total	208,058	80,400	69,729	218,729	122,395	48,279	36,563	134,111	84,618	86,995
Treaty										
Proportional										
Fire	941	1,628	12	2,557	-	-	-	-	2,557	3,192
Marine	3,112	2,084	-	5,196	-	-	-	-	5,196	5,441
Miscellaneous	541	549	290	800	-	-	-	-	800	1,731
Total	4,594	4,261	302	8,553	-	-	-	-	8,553	10,364
Grand Total	212,652	84,661	70,031	227,282	122,395	48,279	36,563	134,111	93,171	97,359

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CLAIMS

FINANCIAL YEAR ENDED DECEMBER 31, 2004

		December 31, 2004							December 31, 2003		
Business underwritten inside Pakistan	Direct and Facultative	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)											
Class											
	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	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

		December 31, 2003							December 31, 2002		
Business underwritten inside Pakistan	Direct and Facultative	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)											
Class											
	Fire and Property Damage	17,783	17,267	42,789	43,305	16,628	16,670	42,145	42,103	1,202	714
	Marine, Aviation and Transport	8,226	9,059	13,844	13,011	6,296	8,092	12,503	10,707	2,304	986
	Motor	11,630	5,972	3,813	9,471	1,596	916	464	1,144	8,327	12,000
	Miscellaneous	661	7,130	7,528	1,059	350	6,037	6,456	769	290	242
	Total	38,300	39,428	67,974	66,846	24,870	31,715	61,568	54,723	12,123	13,942
Treaty											
	Proportional										
	Fire	2,544	698	1,756	3,602	-	-	-	-	3,602	(529)
	Marine	1,418	1,886	1,939	1,471	-	-	-	-	1,471	3,031
	Miscellaneous	1,442	528	86	1,000	-	-	-	-	1,000	1,007
	Total	5,404	3,112	3,781	6,073	-	-	-	-	6,073	3,509
	Grand Total	43,704	42,540	71,755	72,919	24,870	31,715	61,568	54,723	18,196	17,451

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF EXPENSES

FINANCIAL YEAR ENDED DECEMBER 31, 2004

		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
	Other Motor business	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	13,128	3,698	5,846	10,980	82,393	93,373	48,052	45,321	41,315
Treaty										
	Proportional									
	Fire	176	-	-	176	-	176	-	176	1,286
	Marine	195	-	-	195	-	195	-	195	1,273
	Miscellaneous	24	-	-	24	-	24	-	24	403
	Total	395	-	-	395	-	395	-	395	2,962
	Grand Total	13,523	3,698	5,846	11,375	82,393	93,768	48,052	45,716	44,277

		December 31, 2003						December 31, 2002		
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	4,384	-	2,669	1,715	1,982	3,697	13,314	(9,617)	6,507
	Marine, Aviation and Transport	2,560	-	225	2,335	56,872	59,207	28,171	31,036	40,732
	Motor	1,041	-	560	481	18,595	19,076	990	18,086	18,056
	Miscellaneous	414	-	244	170	2,293	2,463	653	1,810	1,306
	Total	8,399	-	3,698	4,701	79,742	84,443	43,128	41,315	66,601
Treaty										
	Proportional									
	Fire	1,286	-	-	1,286	-	1,286	-	1,286	1,512
	Marine	1,273	-	-	1,273	-	1,273	-	1,273	2,538
	Miscellaneous	403	-	-	403	-	403	-	403	664
	Total	2,962	-	-	2,962	-	2,962	-	2,962	4,714
	Grand Total	11,361	-	3,698	7,663	79,742	87,405	43,128	44,277	71,315

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF INVESTMENT INCOME
FINANCIAL YEAR ENDED DECEMBER 31, 2004

	Current Year	Prior Year
	(Rupees in thousand)	
Held - to - Maturity		
Return on Fixed Income Securities and Deposits	4,803	6,153
Available - for - sale		
Return on N.I.T and U.T.P.	1,163	225
Dividend Income		
Associated undertakings	6,091	6,428
Others	14,751	9,264
	20,842	15,692
Income on reverse repo transactions	503	-
Gain on sale of investments	28,322	36,486
Provision for Impairment in the Value of Investments written back		
Available for sale	-	-
Held to maturity	-	-
	-	-
Less: Investment related expenses	992	881
Net Investment Income	<u>54,641</u>	<u>57,675</u>

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

FORM AA

CLASSIFIED SUMMARY OF ASSETS IN PAKISTAN

AS AT DECEMBER 31, 2004

(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 Deposite with State Bank of Pakistan	350	1,047	350	755	As per published quotation
Shares of Companies incorporated in Pakistan (including NIT Units)	219,187	471,559	171,707	295,855	-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	3,946	7,767	4,153	7,767	-do-
Cash in hand, on Current Account with the Banks and in transit	17,706	17,706	15,890	15,890	At realisable value
Agents' Balances and outstanding premiums	29,882	29,882	37,203	37,203	- do -
Outstanding and Accrued interest	3,628	3,628	3,359	3,359	- do -
Amount due from other persons or bodies carrying on insurance business	39,405	39,405	59,294	59,294	- do -
Advances, Deposits and Prepayments	56,000	56,000	39,842	39,842	- do -
Furniture, Office Equipment and Vehicles	8,885	8,885	6,783	6,783	- do -

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2004

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 thereunder. 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 differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or the said directives take precedence.

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 recognised 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, 2004, 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, 2004, using the Projected Unit Credit Method.

Following significant assumptions were used for the actuarial valuation:

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

The amounts recognized in balance sheet are as follows:

	Management Staff		Non - Management Staff	
	2004	2003	2004	2003
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligation	8,389	6,363	1,873	1,746
Fair value of plan assets	(4,238)	(3,391)	(2,669)	(2,334)
Deficit / (surplus)	4,151	2,972	(796)	(588)
Unrecognised actuarial gain	(770)	1,111	(229)	11
Unrecognised prior service cost	-	-	-	-
Net liability / (asset) for balance sheet	<u>3,381</u>	<u>4,083</u>	<u>(1,025)</u>	<u>(577)</u>

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

	Management Staff		Non - Management Staff	
	2004	2003	2004	2003
	(Rupees in thousand)		(Rupees in thousand)	
Opening balance	4,083	6,130	(577)	97
Charge / (income) for the year	768	1,130	158	(478)
Expenses paid directly by the company	(1,470)	(656)	(606)	(196)
Amount vested to the group fund	-	(2,521)	-	-
Closing balance	<u>3,381</u>	<u>4,083</u>	<u>(1,025)</u>	<u>(577)</u>

The following amounts have been charged in the profit and loss account for the year 2004 in respect of these benefits:

	Management Staff		Non - Management Staff	
	2004	2003	2004	2003
	(Rupees in thousand)		(Rupees in thousand)	
Current service cost	416	353	195	184
Interest cost	440	397	117	116
Expected return on assets	(41)	(5)	(154)	(131)
Recognition of transitional asset	-	-	-	(647)
Past service cost	-	385	-	-
Amortization of actuarial (gain) / loss	(47)	-	-	-
Total cost / (income) to be recognized	<u>768</u>	<u>1,130</u>	<u>158</u>	<u>(478)</u>
Actual return on plan assets	<u>748</u>	<u>639</u>	<u>316</u>	<u>211</u>

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 recognised 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 recognised at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognised 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 amortised cost, less provision for impairment in value, if any. Amortised 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 is 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 considers that the future economic benefits will flow to the company. The deferred cost is being amortized over a period of thirty six months. The carrying amount of the deferred cost is reviewed at each balance sheet date to assess whether the future economic benefits envisaged in the scheme are still available to the company and any resulting decline is charged to income immediately.

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 capitalised and the assets so replaced, if any, are retired. Gain and loss on disposal of assets is taken to the profit and loss account.

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 amortisation and impairment, if any. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset.

5.10 Provisions

Provisions are recognised 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 recognised at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised 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 recognised 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 recognised 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 recognised as revenue in accordance with the pattern of the incidence of risk.

Premiums for policies receivable in instalments are recognised as receivable at the inception of the policy and is recognised 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 recognised 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 recognised 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 recognised as revenue at the time, the policies are written.

5.15.6 Rental and other income

Rental and other income is recognised 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 recognised 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 recognised 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 organised 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 provides 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>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
(Number of Shares)			(Rupees in thousand)	
250,000	250,000	Ordinary shares of Rs.10 each fully paid in cash	2,500	2,500
9,932,344	8,604,270	Ordinary shares of Rs.10 each issued as fully paid bonus shares	99,323	86,042
<u>10,182,344</u>	<u>8,854,270</u>		<u>101,823</u>	<u>88,542</u>

As at December 31, 2004, Shirazi Investments (Private) Limited, an associated undertaking, held 4,399,498 (2003: 3,825,651) ordinary shares of Rs.10/- each.

7. RESERVES

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		(Rupees in thousand)	
Capital Reserves			
Capital reserve		2,251	2,251
Reserve for exceptional losses	7.1	2,164	2,164
		4,415	4,415
Reserve for issue of bonus shares		20,365	13,281
		24,780	17,696
Revenue Reserves			
General reserve		71,649	30,649
Investment fluctuation reserve	7.2	3,000	3,000
		74,649	33,649
		<u>99,429</u>	<u>51,345</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.15.194 (2003: Rs.9.810) 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.

2004 2003
(Rupees in thousand)

9. DEFERRED TAXATION

This comprise of the following tax liability

Difference in tax and accounting basis of
Voluntary Retirement Scheme

2,840

-

10. STAFF RETIREMENT BENEFITS

Staff Gratuity

2,356

3,506

11. AMOUNTS 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.21.395 (2003: Rs.27.295) million, receivable from associated undertakings.

12. OTHER CREDITORS

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

1,453

1,066

3,953

2,827

11

20

1,130

416

6,547

4,329

13. DIVIDEND

Unclaimed Dividend
Proposed Dividend

2,238

1,722

20,365

13,281

22,603

15,003

14. OBLIGATIONS AGAINST ASSETS SUBJECT TO FINANCE LEASE

The average rate of interest implicit in these leases ranges from 10.50% to 20% (2003: 10.50% to 20%) per annum. The amount of future payments and the periods in which they fall due are:

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
year ended December 31, 2004	-	2,326
year ending December 31, 2005	2,321	2,321
year ending December 31, 2006	924	924
year ending December 31, 2007	133	133
	<u>3,378</u>	<u>5,704</u>
Less: Future financial charges	285	857
Present value of minimum lease payments	<u>3,093</u>	<u>4,847</u>
Less: Current maturity	1,766	1,754
	<u>1,327</u>	<u>3,093</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>	
	(Rupees in thousand)		(Rupees in thousand)	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Not later than one year	2,321	2,326	1,766	1,754
Later than one year but not later than five year	1,057	3,378	1,327	3,093
	<u>3,378</u>	<u>5,704</u>	<u>3,093</u>	<u>4,847</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 CLAIMS NOT ACKNOWLEDGED AS DEBT

Claim for recovery of approximately Rs.5.70 (2003: Rs.5.70) millions under guarantees has been lodged but is not accepted by the Company. The suits filed in this connection by the Claimant so far have been dismissed for lack of proper jurisdiction by the various Courts. The Company is advised by its lawyers that since the underlying basis of such claims is untenable, the possibility of any liability arising is unlikely. However, the company has provided for the net liability of the claim after reinsurance.

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
16. CASH AND BANK DEPOSITS		
16.1 Cash and Other equivalents		
Stamps in Hand	2	-
16.2 Current and Other Accounts		
Current Accounts	17,704	15,890
17. LOANS		
Secured:		
Executives	-	875
Others	522	134
	522	1,009
Less: Current maturity	150	283
	372	726

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 instalments 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	131	198
Others	241	528
	372	726

18. INVESTMENTS
HELD TO MATURITY
TERM FINANCE CERTIFICATES

Number of Certificates		Face Value (Rupees)	Company's Name	Book Value	
2004	2003			2004	2003
				(Rupees in thousand)	
ASSOCIATED UNDERTAKING					
2,004	2,004	5,000	Atlas Investment Bank Limited	6,779	10,116
OTHERS					
600	600	5,000	Bank Al-Falah Limited	2,998	2,999
1,000	1,000	5,000	Dewan Salman Fibre Limited	1,260	3,756
-	1,338	5,000	Engro Chemical Limited	-	6,685
500	500	5,000	Orix Leasing Company Limited	1,048	2,453
-	2,000	5,000	Pakistan PTA Limited	-	9,992
1,000	1,000	5,000	KASB Leasing Company Limited	4,373	4,999
1,000	1,000	5,000	Pak Arab Refinery Limited	75	5,071
400	400	5,000	Union Leasing Limited	999	1,999
				10,753	37,954
				17,532	48,070

AVAILABLE FOR SALE**OTHERS**

Number of Units

218	180	10	Unit Trust of Pakistan	1,273	1,004
375,282	350,387	10	National Investment Trust units (refer note 18.1)	5,507	4,701
				6,780	5,705

ORDINARY QUOTED SHARES

Number of Shares

ASSOCIATED UNDERTAKINGS

724,268	579,415	10	Atlas Honda Limited Equity Held : 2.835 %(2003:2.835%)	7,033	7,033
141,768	141,768	10	Allwin Engineering Industries Limited Equity Held : 2.873%(2003:2.873%)	1,549	1,549
80,148	57,270	10	Atlas Battery Limited Equity Held : 1.744% (2003: 1.744%)	220	220
236,852	197,377	10	Atlas Investment Bank Limited Equity Held : 0.562 % (2003: 0.562 %)	2,831	2,831
250,000	250,000	10	Honda Atlas Cars Pakistan Limited Equity Held : 0.595% (2003: 0.595%)	3,932	3,932
98,676	78,941	10	Cherat Cement Company Limited Equity Held : 0.148% (2003: 0.148%)	2,881	2,881
68,400	57,000	10	Cherat Paper Sack Limited Equity Held : 1.397% (2003: 1.397%)	3,264	3,264
20,058	20,058	10	Sui Southern Gas Company Limited Equity Held : 0.0299% (2003: 0.413%)	287	287
				21,997	21,997

Number of Shares		Face Value	Company's Name	Book Value	
2004	2003			2004	2003
		(Rupees)		(Rupees in thousand)	
OTHERS					
INVESTMENT COMPANIES / BANKS					
154,214	90,195	10	Askari Commercial Bank Limited	9,282	2,407
447,173	406,521	10	Muslim Commercial Bank Limited	21,840	16,266
55,000	-	10	Faysal Bank Limited	1,958	-
50,000	-	10	The Bank of Punjab	2,840	-
				35,920	18,673
FUEL ENERGY					
14,000	14,000	10	National Refinery Limited	4,158	446
30,000	30,000	10	Pakistan State Oil Company Limited	7,041	7,041
10,000	-	10	Pakistan Oil Fields Limited	2,080	-
645,000	410,000	10	Hub Power Company Limited	22,965	15,173
73,406	23,406	10	Oil and Gas Development Company Limited	4,094	749
				40,338	23,409
TRANSPORT AND COMMUNICATION					
605,000	425,000	10	Pakistan Telecommunication Company Limited	20,318	13,254
				20,318	13,254
CHEMICAL AND PHARMACEUTICAL					
63,360	52,800	10	Abbott Laboratories Pakistan Limited	7,240	3,665
1,380	1,380	10	BOC Pakistan Limited	91	91
533,000	295,000	10	Fauji Fertilizer Company Limited	55,547	23,419
9,504	7,920	10	Glaxosmithkline (Pakistan) Limited	248	248
				63,126	27,423
PAPER AND BOARD					
35,385	35,385	10	Packages Limited	4,643	4,643
				4,643	4,643
FOOD AND ALLIED					
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
MISCELLANEOUS					
64,500	64,500	10	Tri Pack Film Limited	2,710	2,710
				2,710	2,710
UN-QUOTED ASSOCIATED UNDERTAKING					
50,000	50,000	10	Arabian Sea Country Club (refer note 18.2)	500	500
				500	500
				195,725	118,782
Less : Provision for diminution in the value of shares				500	500
Cost of shares of concerns incorporated in Pakistan				195,225	118,282
Cost of investments of concerns incorporated in Pakistan				219,537	172,057
Aggregated market value of Investments as on December 31				472,606	296,610

18.1 This includes 28,000 (2003: 28,000) units held as Statutory deposit with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

18.2 The name of the Chief Executive is Javed Barki. The break up value of the share is Rs.5.89 (2003: Rs.5.94).

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		(Rupees in thousand)	
19. ACCRUED INVESTMENT INCOME			
Dividend Income		2,927	1,870
Interest Income on TFCs		701	1,489
		<u>3,628</u>	<u>3,359</u>
20. SHORT TERM PLACEMENTS			
Secured under reverse repurchase agreements of quoted shares - considered good	20.1	<u>38,700</u>	<u>-</u>
20.1 This is a placement for reverse repo transactions through Atlas Investment Bank Limited (AIBL, an associated undertaking) (2003: Nil) at mark up rate which ranges from 14% to 23% (2003: Nil) per annum. The commission payable to AIBL on these transactions ranges from 1.75% to 5.25% which is linked to the rate of the reverse repo.			
21. PREPAYMENTS			
Prepaid expenses		4,896	2,097
Prepaid reinsurance premium ceded		49,941	36,563
		<u>54,837</u>	<u>38,660</u>
22. DEFERRED COST			
Compensation under voluntary retirement scheme		9,378	-
Less: Amortized during the year		(1,563)	-
Closing Balance		<u>7,815</u>	<u>-</u>
23. SUNDRY RECEIVABLES			
Advances to employees - unsecured, considered good		243	228
Deposits		920	940
Staff gratuity		-	14
		<u>1,163</u>	<u>1,182</u>

24. OPERATING FIXED ASSETS - TANGIBLE

	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN
	As at January 01, 2004	Additions / Adjustments	Disposal / Adjustments	As at December 31, 2004		As at January 01, 2004	Charge For the Year	On Disposal / Adjustments	As at December 31, 2004	DOWN VALUE
	Rupees in thousand				%	Rupees in thousand				
OWNED										
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	-	-	8,500	5	4,347	207	-	4,554	3,946
	9,668	-	-	9,668		4,347	207	-	4,554	5,114
Furniture and fixtures	455	32	-	487	10	337	15	-	352	135
Office equipments	836	188	-	1,024	10	760	26	-	786	238
Computers										
Owned	3,993	528	-	4,521	30	2,550	591	-	3,141	1,380
Leased	1,579	-	-	1,579	30	650	279	-	929	650
	6,863	748	-	7,611		4,297	911	-	5,208	2,403
Vehicles										
Owned	1,890	3,926	(187)	5,629	20	1,071	941	(147)	1,865	3,764
Leased	5,679	-	5,679	-	20	2,281	680	-	2,961	2,718
	7,569	3,926	(187)	11,308		3,352	1,621	(147)	4,826	6,482
December 31, 2004	24,100	4,674	(187)	28,587		11,996	2,739	(147)	14,588	13,999
December 31, 2003	26,050	1,842	(3,792)	24,100		11,832	2,311	(2,147)	11,996	12,104

24.1 SCHEDULE OF DISPOSAL OF FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Price	Profit/ (Loss)	Particulars of Purchaser	Mode of disposal
(R u p e e s)							
Vehicles							
Honda City	63,300	37,372	25,928	407,000	381,072	Mr. Abid Ansar, Lahore	Negotiation
Toyota Corolla	28,400	25,350	3,050	400,000	396,950	Mr. Abid Ansar, Lahore	Negotiation
Charmant	14,675	13,414	1,261	176,000	174,739	Mr. Muhammad Amjad, Karachi	Negotiation
Toyota Corolla	30,625	27,995	2,630	350,000	347,370	Mr. Abid Ansar, Lahore	Negotiation
Suzuki Mehran	21,026	15,514	5,512	105,000	99,488	Mr. Abid Ansar, Lahore	Negotiation
Motor Cycle	29,070	27,792	1,278	-	(1,278)	Stolen	

25. EXPENSES OF MANAGEMENT

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

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
(Rupees in thousand)			
Salary, wages and other benefits	25.1	59,296	55,747
Utilities		1,858	1,910
Rent, rates and taxes		3,915	3,258
Telephone and communication		2,680	2,608
Vehicle running and other maintenance		5,226	4,857
Travelling and conveyance		3,189	3,651
Printing, stationery and computer expenses		1,529	2,049
Education and training		372	181
Fee and subscriptions		1,385	841
Service charges		934	726
Entertainment		421	1,626
Advertisement expenses		553	1,216
Others		1,035	1,072
		<u>82,393</u>	<u>79,742</u>

25.1 Included herein is a sum of Rs.3.647 (2003: Rs.4.935) million, in respect of staff retirement benefits.

26. OTHER INCOME

Gain on sale of fixed assets	1,398	417
Recoveries against debts written off	-	6,914
Miscellaneous Income	416	44
	<u>1,814</u>	<u>7,375</u>

27. GENERAL AND ADMINISTRATIVE EXPENSES

Audit Fee	27.1	385	320
Legal and professional charges		568	772
Donations	27.2	-	43
Zakat		88	82
Directors Fee		11	4
Depreciation	24	2,739	2,311
Provision for recovery against agents		6,618	-
Amortisation of intangible asset		-	255
		<u>10,409</u>	<u>3,787</u>

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
(Rupees in thousand)			
27.1 AUDITORS' REMUNERATION			
Audit Fee		95	85
Tax Consultancy		55	-
Audit of Provident Fund, Gratuity Fund and Special Certification Fee		205	205
Out of Pocket expenses		30	30
		385	320
		385	320
27.2 None of the directors or their spouses are interested in the donee.			
28. FINANCIAL CHARGES			
Mark-up under lease finance arrangement		586	802
Bank charges		388	339
		974	1,141
		974	1,141
29. PROVISION FOR TAXATION			
Current			
- Current year		26,973	29,500
- Prior year		(7,655)	19,395
- Deferred Tax		2,840	-
		22,158	48,895
		22,158	48,895
29.1 NUMERICAL RECONCILIATION BETWEEN EFFECTIVE RATE OF TAX WITH APPLICABLE TAX RATE			
		<u>2004</u>	<u>2003</u>
Applicable tax rate		35.00	35.00
Effect of income taxable at rate other than 35%		1.05	(5.22)
Effect of disallowances and amounts not deductible for tax purposes		4.01	5.66
Effect of tax on amounts deductible for tax purpose		(18.94)	(2.68)
Average Effective tax rate		21.12	32.76
(Tax expense divided by profit before tax)		21.12	32.76

30. 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:

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
Net Profit after tax for the year	<u>82,700</u>	<u>41,155</u>
	(Number of Shares)	
Weighted Average number of shares	<u>10,182,344</u>	<u>10,182,344</u>
	(Rupees per Share)	
Basic/Adjusted earnings per share (Rs.)	<u>8.12</u>	<u>4.04</u>

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.

31. 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:

	<u>Chief Executive</u>		<u>Director</u>		<u>Executives</u>		
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
	CEO	Ex-CEO	(R u p e e s i n t h o u s a n d)				
Managerial Remuneration	1,774	722	2,793	4,061	1,621	2,569	13,334
Bonus	551	-	963	963	1,066	170	3,919
Medical Reimbursement	45	6	25	31	9	181	744
House Rent and Utility Expenses	915	325	1,257	1,972	907	1,052	6,100
Retirement Benefits							
a) Provident Fund	195	79	307	447	222	170	1,352
b) Service Gratuity	98	-	120	254	84	88	547
Other reimbursable expenses	540	271	698	935	504	623	3,094
Total	<u>4,118</u>	<u>1,403</u>	<u>6,163</u>	<u>8,663</u>	<u>4,413</u>	<u>4,853</u>	<u>29,090</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>53</u>

31.1 Fees paid to 3 Non-Executive Directors for attending meetings during the year Rs 11,000 (2003: Rs.3,500). 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.

32. NUMBER OF EMPLOYEES

	<u>2004</u>	<u>2003</u>
	<u>122</u>	<u>159</u>

33. 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	63,475	71,527	3,584	-	283	-	-	4,346	-	-
Allwin Engineering Industries Limited	"	5,359	4,724	308	-	-	-	-	142	-	-
Atlas Battery Limited	"	10,083	10,127	1,537	-	-	-	-	344	-	-
Shirazi Trading Company (Private) Limited	"	4,975	5,465	1,583	-	-	415	-	-	-	-
Shirazi Investments (Private) Limited	"	453	459	66	-	-	-	-	-	-	5
Atlas Investment Bank Limited	"	2,755	2,899	1,372	2,326	-	-	1,185	197	-	1,190
Honda Atlas Power Product (Private) Limited	"	1,057	1,085	-	-	-	-	-	-	-	-
Total Atlas Lubricants Pakistan (Private) Limited	"	1,757	1,609	755	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	"	104,549	107,874	15,878	-	1,258	-	-	1,063	-	-
Cherat Paper Sack Limited	"	174	321	-	-	-	-	-	342	-	-
Cherat Cement Company Limited	"	2,479	4,251	2,506	-	-	-	-	316	-	-
Cherat Electric	"	-	-	-	-	-	-	-	-	-	-
Mirpur Khas Sugar Mills Limited	"	6	60	-	-	-	-	-	-	-	-
Shirazi Foundation	"	46	46	538	-	-	-	-	-	-	-
Atlas Warehousing (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Cotton	"	1	13	-	-	-	-	-	-	-	-
Atlas Asset Management Company Limited	"	577	529	19	-	-	-	-	-	-	-
Greaves Pakistan (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Carbon Products (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Faruque (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Power Engineering (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Associated Constructions (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves CNG (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
DECEMBER 31, 2004		197,747	210,988	28,146	2,326	1,541	415	1,185	6,749	-	1,195
DECEMBER 31, 2003		131,712	123,459	9,845	2,188	182	394	1,729	6,206	51,327	1,714

33.1 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.

34. SEGMENT REPORTING

The Company has four primary business segments for reporting purposes 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(R u p e e s i n t h o u s a n d)									
OTHER INFORMATION										
Segment assets	93,288	89,187	69,460	69,340	13,271	15,275	20,008	13,304	196,027	187,106
Unallocated corporate assets									313,812	218,918
Consolidated total assets									509,839	406,024
Segment Liabilities	100,143	91,100	66,355	55,385	39,520	28,950	23,595	14,792	229,614	190,227
Unallocated corporate Liabilities									78,003	75,910
Consolidated total Liabilities									307,617	266,137
Capital expenditure-according to above ratios	1,228	534	2,619	939	680	276	147	93	4,674	1,842
Depreciation/Amortization -according to above ratios	720	746	1,535	1,319	398	378	86	117	2,739	2,560

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.

2 0 0 4							
Interest Rate %	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
Financial Assets							
Cash and bank balances	-	-	-	17,706	-	17,706	17,706
Loans	-	-	-	150	372	522	522
Investments	13 - 16	-	17,532	17,532	-	202,005	219,537
Dividend and Interest	-	-	-	3,628	-	3,628	3,628
Short term placements	17.16	38,700	-	38,700	-	-	38,700
Deposits	-	-	-	920	-	920	920
		38,700	17,532	56,232	22,404	202,377	224,781
							281,013
Financial Liabilities							
Accrued expenses	-	-	-	16,437	-	16,437	16,437
Other creditors	-	-	-	1,130	-	1,130	1,130
Deposits	-	-	-	1,391	-	1,391	1,391
Un-claimed dividend	-	-	-	2,238	-	2,238	2,238
Proposed dividend	-	-	-	20,365	-	20,365	20,365
Obligation under Finance Lease	10.5 - 20	1,766	1,327	3,093	-	-	3,093
		1,766	1,327	3,093	41,561	-	41,561
						41,561	44,654
On Balance Sheet Gap		36,934	16,205	53,139	(19,157)	202,377	183,220
							236,359
2 0 0 3							
Interest Rate %	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
Financial Assets							
Cash and bank balances	-	-	-	15,890	-	15,890	15,890
Deposit maturing within 12 months	-	-	-	-	-	-	-
Loans	-	-	-	283	726	1,009	1,009
Investments	13 - 16	-	48,070	48,070	-	124,487	172,557
Dividend and Interest	-	-	-	3,359	-	3,359	3,359
Deposits	-	-	-	940	-	940	940
		-	48,070	48,070	20,472	125,213	145,685
							193,755
Financial Liabilities							
Accrued expenses	-	-	-	13,333	-	13,333	13,333
Other creditors	-	-	-	416	-	416	416
Deposits	-	-	-	1,391	-	1,391	1,391
Un-claimed Dividend	-	-	-	1,722	-	1,722	1,722
Proposed dividend	-	-	-	13,281	-	13,281	13,281
Obligation under Finance Lease	10.5 - 20	1,754	3,093	4,847	-	-	4,847
		1,754	3,093	4,847	30,143	-	30,143
							34,990
On Balance Sheet Gap		(1,754)	44,977	43,223	(9,671)	125,213	115,542
							158,765

36. RISK MANAGEMENT

36.1 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.

36.2 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.281.013 (2003: Rs.193.775) million, the financial assets which are subject to credit risk amounted to Rs.262.785 (2003: Rs.176.856) 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.

36.3 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.

36.4 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 investments portfolio. In addition, the company actively monitors the key factors that affect investment market.



Muslim Insurance Company Limited

36.5 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.

36.6 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.

36.7 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.

37. AUTHORISATION FOR ISSUE

These accounts were authorised for issue on March 04, 2005 in accordance with a resolution of the Board of Directors.

38. GENERAL

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

Arshad P. Rana
Chief Executive

Frahim Ali Khan
Director

Aamir H. Shirazi
Director

Yusuf H. Shirazi
Chairman

**DISTRIBUTION OF SHAREHOLDING
IN CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**
AS AT DECEMBER 31, 2004

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2004

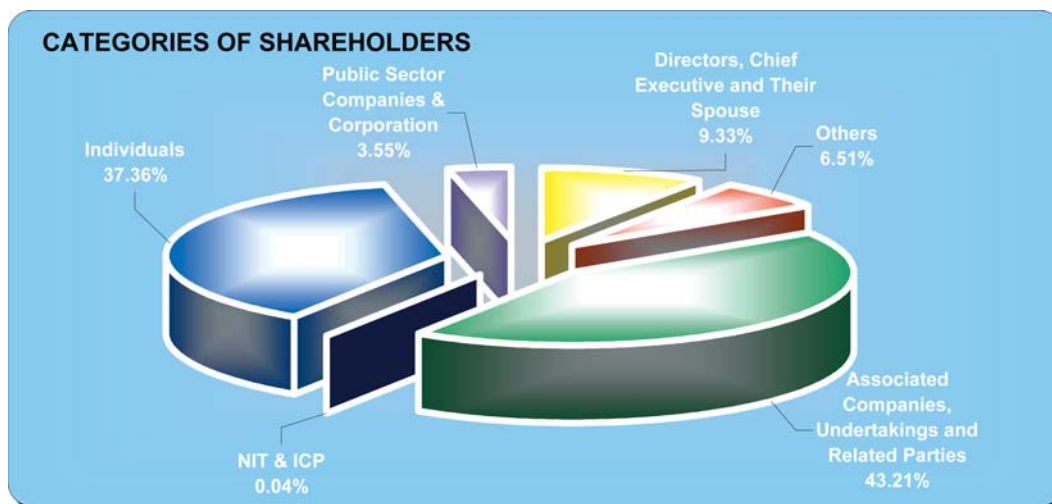
NUMBER OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD	NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	From	To			From	To	
49	1	100	1,894	132	1	100	4,089
61	101	500	18,121	140	101	500	40,774
19	501	1,000	14,390	65	501	1,000	48,642
44	1,001	5,000	94,295	142	1,001	5,000	332,578
19	5,001	10,000	137,780	44	5,001	10,000	312,855
3	10,001	15,000	33,199	11	10,001	15,000	123,047
3	15,001	20,000	51,289	7	15,001	20,000	120,223
1	20,001	25,000	21,735	7	20,001	25,000	145,391
4	25,001	30,000	115,262	5	25,001	30,000	144,006
2	35,001	40,000	76,579	2	30,001	35,000	68,462
1	40,001	45,000	43,357	2	35,001	40,000	76,579
1	45,001	50,000	49,604	2	40,001	45,000	84,078
1	55,001	60,000	57,803	2	45,001	50,000	99,087
1	75,001	80,000	79,000	1	50,001	55,000	53,114
1	285,001	290,000	287,197	1	55,001	60,000	57,803
1	4,395,001	4,400,000	4,399,498	1	65,001	70,000	67,821
				1	75,001	80,000	79,000
211			5,481,003	1	230,001	235,000	230,340
				1	250,001	255,000	252,503
				1	275,001	280,000	280,000
				1	285,001	290,000	287,197
				1	705,001	710,000	708,445
				1	710,001	715,000	714,142
				1	715,001	72,000	719,857
				1	730,001	735,000	732,813
				1	4,395,001	4,400,000	4,399,498
				574			10,182,344

CATEGORIES OF SHAREHOLDING
AS AT DECEMBER 31, 2004

CATEGORIES	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Individual	541	4,754,604	46.69
Investment Companies	4	4,403,638	43.25
Insurance Companies	1	287,197	2.82
Joint Stock Companies	18	31,616	0.31
Financial Institutions	4	35,835	0.35
Others	5	631,504	6.20
Modaraba Companies	1	37,950	0.37
	574	10,182,344	100.00

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2004
INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage of Shares Held
<u>Associated Companies, Undertakings and Related Parties (NameWise Detail)</u>			
Shirazi Investments (Pvt) Ltd.	1	4,399,498	43.21
<u>NIT and ICP</u>			
Investment Corporation of Pakistan	1	3,959	0.04
<u>Director, Chief Executive and their spouse and minor children</u>			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	230,340	2.26
Mr. Aamir H. Shirazi	1	719,857	7.07
Mr. S.C. Subjally	1	33	0.00
<u>Executive</u>	-	-	-
<u>Public Sector Companies & Corporations</u>			
Bank, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	6	361,163	3.55
<u>Shareholders holding 10% or more voting interest</u>	-	-	-
<u>Individuals</u>	538	3,804,374	37.36
<u>Others</u>	25	663,120	6.51
	<u>574</u>	<u>10,182,344</u>	<u>100.00</u>



Note 1: Except transfer of 12,500 shares by Mr. Aamir H. Shirazi, there has been no trading during the year in the shares of the company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

COMPANY OFFICES

HEAD OFFICE

3-Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX: Direct:	7310658-7234757 7234812-7314241 Fax: 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



Muslim Insurance Company Limited

RAWALPINDI

MAHMOOD AHMED
Chief Manager

101/13, Bank Road,
Grand Hotel Building,
P.O. Box 119, Rawalpindi.

5563413
Fax: 5566518

MANZAR ALI NAQVI
Manager

101/13, Bank Road,
Grand Hotel Building,
P.O. Box 119, Rawalpindi.

5563413
Fax: 5566518

FAISALABAD BRANCH - I

IRSHAD AHMED SHEIKH
Chief Manager

Chartered Bank Chambers
Railway Road, Faisalabad.

647194
Fax: 635080

FAISALABAD BRANCH - II

IRSHAD FARRUKH BHATTI
Branch Manager

Room:8 to 11
Ismail Plaza, 3rd Floor
Satiana Road, Faisalabad.

721256
Fax: 721256

SIALKOT

AHMED SAEED RANA
Branch Manager

Allama Iqbal Market,
Shahrah-e-Aitwan-e-Sannat-o-Tijarat,
Sialkot.

594520
Fax: 592863

SAHIWAL

HABIB-UR-REHMAN CH.
Branch Manager

147-Railway Road, Sahiwal.

66044
Fax: 66044

MULTAN

BASHIR AHMED GHAURI
Branch Manager

Atlas Honda Building,
Azmat Wasti Road, Multan.

544494

SOUTH ZONE OFFICE

Ground Floor, Federation House,
Shahrah-e-Firdousi, Clifton,
Karachi.

PABX:
Direct:
Fax:

5378803-5
5378843
5378515

ARSHAD P. RANA
Chief Executive

Direct:
Extension:

5378843
301

S. MUBARAK AHMED
Manager Admin.

Extension:

302

JAWAID IRSHAD
Manager Claims

Extension:

304

MUHAMMAD IMRAN
Manager Claims

Extension:

303

ALI ASGHAR
Manager Underwriting

Extension:

305

SOUTH ZONE BRANCHES**KARACHI**

AIJAZ ALI KHAN
Senior Manager

Karachi Branch
Ground Floor, Federation House,
Shahrah-e-Firdousi, Clifton, Karachi.

Direct: 5378757
Ext: 308
Fax: 5378515

ABDUL AZIZ
Branch Manager

Corporate Branch
1/10, Arkey Square, 1st Floor,
Shahrah-e-Liaquat, Karachi.

2421030, 2422911
Fax: 2421387

M. FAROOQ KANDLAWALA
Branch 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. Jinh Road, Karachi.

7720852, 7729339

HYDERABAD

ZAFAR AHMAD GHOURI
Chief Manager

Akbar Chamber, Saddar,
P.O. Box: 284, Hyderabad.

782659
Fax: 782660

SUKKUR

ABDUL MAJEED QURESHI
Chief Manager

House No. C-631/13,
Minara Road, Sukkur.

25965
Fax: 25977



Muslim Insurance Company Limited



Atlas Group Companies

		<i>Year of Establishment / Acquisition*</i>
	Shirazi Investments (Pvt) Ltd.	1962
	Atlas Honda Ltd.	1963
	Atlas Battery Ltd.	1966
	Shirazi Trading Co. (Pvt) Ltd.	1973
	Muslim Insurance Co. Ltd.	1980*
	Allwin Engineering Industries Ltd.	1981*
	Atlas Investment Bank Ltd.	1990
	Honda Atlas Cars (Pakistan) Ltd.	1992
HONDA	Honda Atlas Power Product (Pvt) Ltd.	1997
	Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997
	Atlas Asset Management Co. Ltd.	2002

FORM OF PROXY

I,
of.....
being a Shareholder of the 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 March 31, 2005 at 11:00 a.m. for the year ended 31st December, 2004 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.....2005

Signature:.....

Address:.....

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

Witness :

Name:.....

Address:.....



AFFIX
POSTAGE

The Secretary
Muslim Insurance Company Ltd.,
3 Bank Square,
Shahrah-e-Quaid-e-Azam,
Lahore.

Fold Here

Fold Here

Fold Here

Fold Here