



ANNUAL REPORT
2002



Muslim Insurance Company Ltd.

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.



CONTENTS

Company Information	2
Notice of Annual General Meeting	4
Ten Years Growth at a Glance	7
Chairman's Review	8
Directors' Report	12
Corporate Governance	14
Statement of Compliance with Best Practices of Corporate Governance	15
Auditors' Report to the Members	18
Balance Sheet	19
Profit & Loss Account	21
Cash Flow Statement	22
Statement of Changes in Equity	24
Statement of Premiums	25
Statement of Claims	26
Statement of Expenses	27
Statement of Investment Income	28
Classified Summary of Assets in Pakistan	29
Notes to the Accounts	30
Pattern of Shareholdings	47
Company Offices	49
Atlas Group Companies	52
Proxy Application	

COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive	S. C. Subjally
Directors	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Muhammad Faruque
	Saquib H. Shirazi
Company Secretary	Muhammad Zafar Riaz

GROUP EXECUTIVE COMMITTEE

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

GROUP PERSONNEL COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Javed Haider Malik

AUDIT COMMITTEE

Chairman	Jawaid Iqbal Ahmed (Non-Executive Director)
Members	Iftikhar H. Shirazi (Non-Executive Director)
	Saquib H. Shirazi (Non-Executive Director)
Secretary	Fariq M.K. Rohilla
Chief Internal Auditor	Saleem Mahmood

UNDERWRITING COMMITTEE

Chairman	Frahim Ali Khan
Members	S. C. Subjally
	Muhammad Munir
Secretary	Asad Mahmood Awan



COMPANY INFORMATION

CLAIMS SETTLEMENT COMMITTEE

Chairman	Frahim Ali Khan
Members	S. C. Subjally
	Arshad P. Rana
Secretary	Muhammad Munir

REINSURANCE & CO-INSURANCE COMMITTEE

Chairman	Frahim Ali Khan
Members	S. C. Subjally
	Muhammad Munir
Secretary	Asad Mahmood Awan

COMPANY MANAGEMENT

Chief Executive	S. C. Subjally
Chief Operating Officer	Arshad P. Rana
Chief Financial Officer	Muhammad Zafar Riaz
Senior Manager	Fariq M.K. Rohilla
Senior Manager Technical	Muhammad Munir Khan
Senior Manager Administration	Pervaiz I. Malik

Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
-----------------	--

Legal Advisors	Mohsin Tayebaly & Co. Ch. Maqsood Advocate
-----------------------	---

Tax Advisor	Sheikh & Chaudhri Chartered Accountants
--------------------	--

Bankers	Allied Bank of Pakistan Ltd. Atlas Investment Bank Ltd. Habib Bank Ltd. Muslim Commercial Bank Ltd. National Bank of Pakistan Ltd. Standard Chartered Bank The Bank of Tokyo-Mitsubishi Ltd United Bank Ltd.
----------------	---

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 68th Annual General Meeting of the Members of the Muslim Insurance Co. Ltd. will be held on Thursday 15 May, 2003 at 11:30 A.M. at the Registered Office of the Company at 3-Bank Square, Lahore to transact the following business.

1. To confirm the minutes of the last AGM held on 26th April, 2002.
2. To receive consider and adopt the Directors' and Auditors' Report and the Audited Accounts of the Company for the year ended 31st December, 2002.
3. To approve cash dividend @ 15% for the year ended 31 December, 2002 as recommended by the Directors.
4. a) To elect Directors of the Company for a period of three years commencing from 11 April, 2003 to 10 April, 2006 in terms of Section 178 of the Companies Ordinance, 1984.
b) Pursuant to Section 178(1) and (2)(a) of the Companies Ordinance, 1984, the Directors have fixed the number of Directors at 7 (Seven).
c) Pursuant to Section 178(2)(b) of the Companies Ordinance, 1984 names of the retiring Directors are:

1) Mr. Yusuf H. Shirazi	2) Mr. Muhammad Faruque
3) Mr. Jawaid Iqbal Ahmed	4) Mr. Frahim Ali Khan
5) Mr. Iftikhar H. Shirazi	6) Mr. Saquib H. Shirazi
7) Mr. S.C. Subjally	

d) Pursuant to Section 178(3) and (4) of the Companies Ordinance, 1984, following persons have indicated their intention to offer themselves for election as Directors:

1) Mr. Yusuf H. Shirazi	2) Mr. Aamir H. Shirazi
3) Mr. Muhammad Faruque	4) Mr. Frahim Ali Khan
5) Mr. Jawaid Iqbal Ahmed	6) Mr. Iftikhar H. Shirazi
7) Mr. S.C. Subjally	
5. To appoint Auditors of the Company and fix their remuneration. The retiring Auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, Lahore being eligible offer themselves for reappointment.

Special Business

6. To approve remuneration of the Chief Executive and working Director.
7. To approve investments made in the shares of Sui Southern Gas and Cherat Cement Co. Ltd. amounting to Rs.511,200/- in 40,000 shares average rate Rs.12.78 and Rs.121,000 in 5000 shares average rate Rs.24.20 respectively.

(See appended statement as required under section 160(1)(b) of the Companies Ordinance, 1984, in respect of above mentioned Special Business).

Other Business

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

BY ORDER OF THE BOARD

MUHAMMAD ZAFAR RIAZ
Company Secretary

Lahore: 08 April, 2003



NOTES

1. Share transfer books of the Company for the entitlement of Dividend will be closed from 9 May, 2003 to 15 May, 2003 (both days inclusive).
2. The instruments appointing a proxy must be received at registered office of the Company not later than 48 hours before the time for holding of the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by the member with the Company all such instruments of proxy shall be rendered invalid. The proxy must be member of the Company.
3. The beneficial owners of the Company through Central Depository Company entitled to attend and vote at this meeting must bring his/her NIC or Passport to prove his/her identity, in case of Proxy must enclose an attested copy of his/her NIC/passport. Representatives of corporate members should bring the usual documents required for such purpose.

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

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of Muslim Insurance Co. Ltd. to be held on 15 May, 2003.

Item No. 6 of Agenda-Remuneration of Chief Executive and one working Director of the Company.

According to Government regulations, it is necessary to obtain Shareholders approval for the holding of office of profit by any of Directors as well as of their remuneration. It is therefore, proposed to consider and if thought fit, to pass with or without modification the following as a Special Resolution.

“RESOLVED that the Company hereby approves and authorizes payments as remuneration to Mr. Aamir H Shirazi Director and Mr.S.C.Subjally Chief Executive, a sum of Rs.6,549,761 and Rs.5,923,661 respectively, inclusive of allowances, perquisites and retirement benefits for the year 2003 or such increase in amounts as may be determined by the Board of Directors. Further a sum of Rs.5,923,661 and Rs.27,750 paid to Mr. S.C. Subjally and Mr. Frahim Ali Khan respectively during the year ended 2002 is hereby approved.”

Mr. S.C. Subjally the Chief Executive Officer, Mr. Aamir H. Shirazi and Mr. Frahim Ali Khan the Directors, are interested in this business to the extent of the remuneration payable to them individually.

Item No. 7 of the Agenda purchase of shares of Sui Southern Gas and Cherat Cement CO. Limited.

Investment in Associated undertakings

The Company invests its funds in a diversified portfolio of shares and Term Finance Certificates of quoted companies, which have a record of paying good dividend / return and have good rating. In this respect an investment for purchase of the shares of Sui Southern Gas and Cherat Cement Company Limited the Associated Companies were made on the following dates:

Sui Southern Gas

- 10000 shares purchased on 27 March, 2002, at the rate of Rs.12.88
- 10000 shares purchased on 04 April, 2002, at the rate of Rs. 12.88
- 10000 shares purchased on 05 April, 2002, at the rate of Rs. 12.73
- 10000 shares purchased on 11 April, 2002, at the rate of Rs. 12.63

Cherat Cement Company Limited

- 5000 shares purchased on 27 March, 2002, at the rate of Rs.24.20

Total investment amounting to Rs.632,200/- was made through the Brokerage House of Atlas Investment Bank Ltd at Karachi.

The Directors of the Muslim Insurance Company Limited have no interest in the above transaction.

For the purpose stated above, it is proposed that the following resolution be passed as Special Resolution namely:-

RESOLVED

“that investments made in the shares of Sui Southern Gas and Cherat Cement Company Limited amounting to Rs.511,200/- in 40,000 shares average rate Rs.12.78 and Rs.121,000 in 5000 shares average rate Rs.24.20 made variously as follows:

Sui Southern Gas

- 10000 shares purchased on 27 March, 2002, at the rate of Rs.12.88
- 10000 shares purchased on 04 April, 2002, at the rate of Rs. 12.88
- 10000 shares purchased on 05 April, 2002, at the rate of Rs. 12.73
- 10000 shares purchased on 11 April, 2002, at the rate of Rs. 12.63

Cherat Cement Company Limited

- 5000 shares purchased on 27 March, 2002, at the rate of Rs.24.20

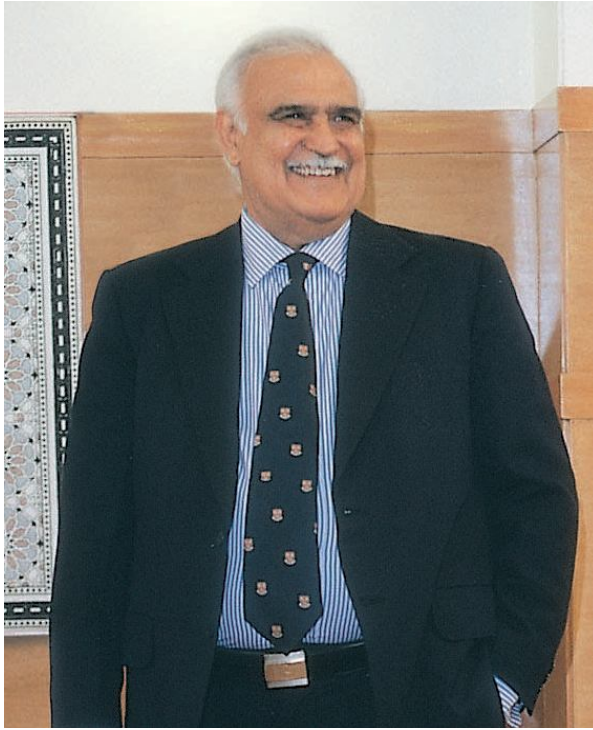
be and is hereby approved”.



TEN YEARS GROWTH AT A GLANCE

(Rupees in million)

Years	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Gross Premium	211.7	196.7	165.3	149.5	131.3	137.1	117.7	93.5	74.1	93.5
Net Premium Revenue	93.4	91.1	78.0	74.7	72.6	69.4	59.7	47.0	40.7	46.5
Net Claims Paid	17.4	19.3	16.8	15.2	16.2	17.4	17.0	11.5	11.4	14.9
Underwriting Profit	4.4	18.1	17.0	6.5	2.8	4.1	6.4	1.2	(1.5)	1.4
Investment Income	25.4	6.2	3.9	8.9	9.1	8.0	7.1	10.0	10.4	9.9
Profit Before Tax	30.2	27.1	23.7	17.5	13.3	15.4	16.2	13.4	11.6	13.6
Profit After Tax	13.4	18.5	14.5	12.2	11.7	18.6	10.7	7.3	7.0	9.6
Cash Dividend	13.2	8.0				7.5	5.7	2.9	4.0	3.2
Bonus Shares		8.0	13.4	11.1	11.1	7.5	4.8	2.9	3.3	5.4
Investment at Cost	138.5	106.3	68.6	42.2	40.5	49.4	45.3	66.0	63.3	57.5
Total Assets	338.1	282.6	181.4	160.7	138.9	154.8	143.3	127.2	112.5	112.3
Free Reserves	23.5	31.4	34.4	31.1	30.0	28.2	22.9	20.7	18.3	19.5
Paid-up Capital	88.5	80.5	67.1	55.9	44.7	37.3	32.4	29.5	26.8	21.4
Equity	112.0	111.9	101.5	87.0	74.7	65.5	55.3	50.2	45.1	40.9



CHAIRMAN'S REVIEW

It is my pleasure to present to you the 68th Annual Report and Review of the performance of your Company for the year ended 31 December, 2002.

THE ECONOMY

The fiscal year 2001-02 has been a challenging one for the world economy in general and Pakistan economy in particular. The events of September 11 and December 13 and the continuation of severe drought condition adversely affected the pace of economic recovery in Pakistan. The country had to deploy troops in self-defence on both borders, resulting in an over-run in defence spending. This has seriously undermined Pakistan's efforts towards further fiscal consolidation.

Pakistan's economy showed a mixed trend achieving a 3.6% GDP growth, while witnessing a decline in revenues, exports, and production of wheat, rice and cotton crops. The 3.6%

growth was possible due to 1.4% growth in agriculture, 4.4% in the manufacturing and 5.1% in the service sector. Major crops registered a negative growth of 0.5 percent, while minor crops grew slightly by 1.1%, major crops witnessed decline - wheat 2.9%, rice 19.2% and cotton 1.1%. The sugarcane production, however increased by 10.2%. The manufacturing sector registered a growth of 4% in large-scale manufacturing. Exports at \$ 9.10 billion were slightly lower than \$ 9.20 billion of last year. Similarly the imports at \$ 10.30 billion were also lower compared to last year \$ 10.73 billion.

The inflation was 2.6%, lowest in three decades. The decline in interest rates, removal of economic sanctions, trade concessions, and Paris Club debt rescheduling enabled the stock market to post the highest year on year growth.

The current account balance at the end of outgoing year was surplus to the extent of \$ 2.7 billion as against \$ 0.331 billion of the previous year.

Foreign exchange reserves crossed the unprecedented level of \$ 10 billion. With the help of external debt reprofiling, foreign debt has declined from \$ 38 billion to \$ 36 billion. As a result, there has been a reduction in the foreign debt to GDP ratio from 62% to 50%.

The economy is set on the path of recovery. If growth rate of 4.5% targeted for the year 2002-2003 is achieved, then it is hoped that target of 6% growth set for the FY 05 will also be attained.

THE INSURANCE INDUSTRY

After the 9/11 incident in the US the International Reinsurers' market has taken a paradigm shift. The first effect of this was seen last year when the Reinsurance market became very cautious not only in terms of capacity but also with stiffer terms and conditions. Apart from the heavy losses due to 9/11 incident, the reinsurance market also suffered

heavily on the investment side as well due to steep decline in the capital markets. The asset base of these major Reinsurers Worldwide has reduced by approximately \$ 180 billion as at December 31, 2002, thus requiring injection of fresh capital. This situation is expected to continue for the next couple of years when hopefully the economies generally start improving.

On the other hand, the SECP has directed all insurance companies to make reinsurance arrangements with international Reinsurers having minimum 'A' rating from recognized international credit rating agencies, though, given the present environment in the international market, it is not an easy task.

The SECP has also introduced insurance rules in consultation with various stakeholders, including the Insurance Association of Pakistan, Pakistan Society of Actuaries and the managements of leading insurance companies. In order to ensure a well performing insurance sector in Pakistan, it is necessary that other components of the insurance market, i.e. intermediaries, professional bodies and surveyors also develop alongside the insurance companies. These rules will auger well for the Industry.

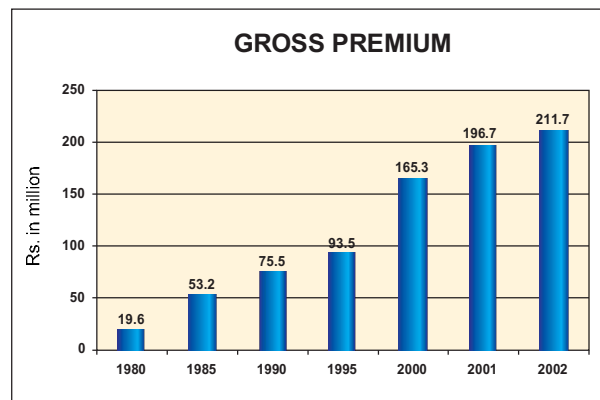
With the increase in paid-up capital requirement under the new Insurance Ordinance, it is likely that companies having paid-up capital less than the statutory limit would merge together to meet the capital requirement. This would ultimately lead towards lesser but more financially sound insurance companies with enhanced claim paying ability and better solvency.

COMPANY RESULTS

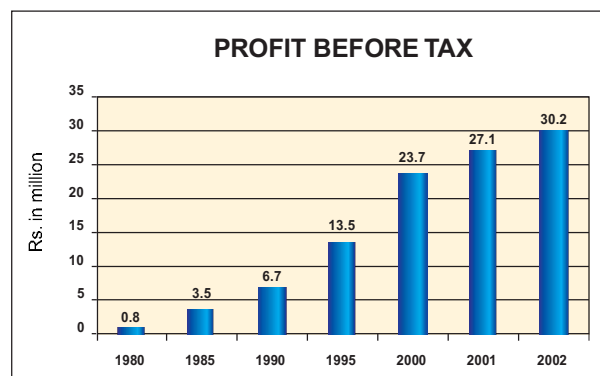
Despite several constraints your Company did well during the year under review. The gross premium rose to Rs. 211.7m as against Rs. 196.7m of the previous year, up 7.5%. In view of prevailing reinsurance conditions we have also had to reduce our net retention as compared to last year.

The net premium was Rs. 93.4m as against Rs. 91.1m of last year. To comply with SRO 938 of SECP, the company had to change its accounting policy which necessitated deferment of commission income of Rs. 15.2m, i.e. 40% of the total commission income, to next year. Due to this one time adjustment, the underwriting profit reduced to Rs. 4.4m compared to Rs. 18.0m of the last year. Investment and other income was Rs. 30.3m against last year's Rs. 11.5m. The net profit before tax thus came to Rs. 30.2m compared to Rs. 27.1m of the last year. The net profit after tax, however, reduced to Rs.13.4m compared to Rs.18.5m of last year. This was due to disallowance of expenses and charging additional tax of Rs. 8.4m in tax assessment (first time in the insurance industry) which we are contesting with the tax authorities.

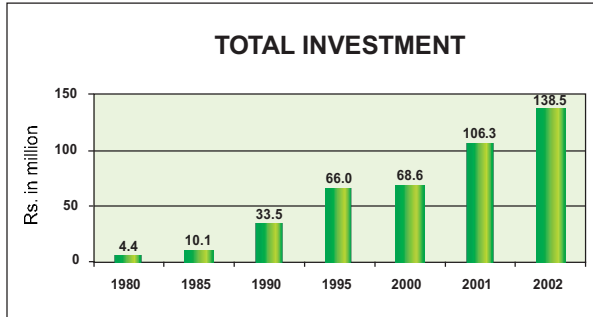
The gross premium has steadily increased year after year, as below:



The net profit has been improving year after year, as below:

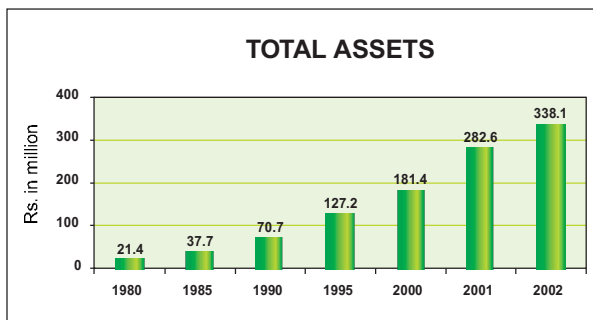


The investments have increased to Rs.138.5m (market value Rs.195.2m) against Rs.106.3m last year (market value Rs. 105.8m).

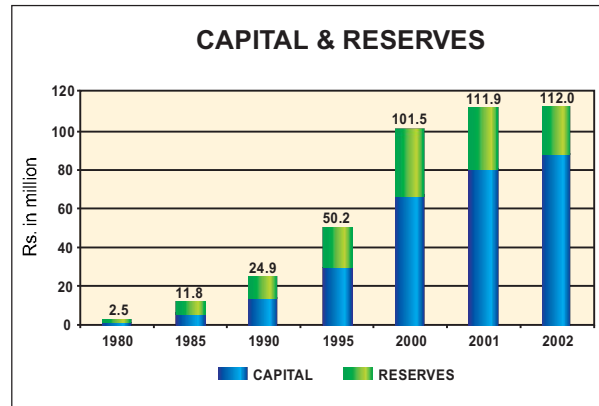


Your Company achieved a return on equity of 11.9% against last year's 18.2% and after tax earnings per share of Rs. 1.51 against Rs. 2.09 last year. The Company contributed a sum of Rs. 23.8m towards government exchequer on account of income tax, central excise duty and other government levies during the year, the total group's contribution being over Rs.5.0 billion or over 1% of the Government's total revenues. Given the general level of economic activity, market conditions and social order, I think your Company made a satisfactory progress during the year under review.

The total assets have grown to Rs.338.1 million.



Your Company ranks amongst the top few insurance companies in respect of financial health and overall performance with assets of Rs. 338.1m. Capital and Reserves stood at Rs. 112.0m in 2002.



HUMAN RESOURCE

Reliance on human resource has been the hallmark of the Atlas Group of Companies of which your company is a constituent member. It has successfully implemented Hay's job evaluation system in which job grades were assigned to positions instead of persons behind the job and each position is analyzed individually and is compensated accordingly.

In keeping with group policy to be in line with the market, the Company has introduced Gratuity Scheme for the staff. This will boost the morale of the staff and secure their long-term commitment with the company.

We have a strong conviction that well trained staff is a time precious asset and the most valuable capital of the company. The training is thus planned and provided to employees keeping in view the needs of the individuals and the organization.

RATING BY PACRA

I am pleased to inform you that PACRA has assigned IFS rating "A" (Single A) to your Company on the performance and results obtained during the year 2001. The rating denotes strong capacity to meet policyholder and contract obligations.

The rating rationale is based on Company's financial strength, performance, underwriting profits and adequate Investment portfolio.

FUTURE OUTLOOK

Insurance being essentially a service industry depends greatly on the general level of economic growth and stability. Our economy has been under pressure for quite some time and is now set on the path of recovery. The recent change in the political setup has been received well and it is hoped that it will have a positive impact on the economy. The transition of power to the new government will take place in due course of time and it is hoped that policies and economic programmes initiated by the Government will auger well.

As per State Bank of Pakistan's report for the 2nd quarter ending December 31, 2002, domestic demand and export are picking up. Large scale manufacturing and agriculture sectors have also done better and it is hoped that 4.5 percent GDP growth target for FY 03 will be achieved.

Your management is fully aware of the new challenges and the opportunities ahead and is well equipped to take

advantage of the same. I foresee a better future for your company.

ع کہ تیرے زمان و مکاں اور بھی ہیں

(There are opportunities and a lot of opportunities. It is only for those who take them on.)

ACKNOWLEDGEMENT

I would like to thank the Board of Directors, the Group President, Mr. Aamir H. Shirazi, the Group Director, Mr. Fahim Ali Khan, the Group Executive Committee, and the Chief Executive Officer, Mr. S.C. Subjally 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 Accounts and Auditors' Report thereon for the year ended December 31, 2002.

	<u>2002</u>	<u>2001</u>
	(Rupees in thousand)	
The overall Business figures are:		
Net Premium Revenue	93,409	91,141
Net Claims	17,451	19,294
Investment and other income	30,291	11,531
Net Commission	5,634	13,613
Expenses of Management	77,204	67,388
Balance of Fire, Marine, Motor and Miscellaneous Accounts	36,382	38,837
Financial Results are as follows:		
Profit for the year after Tax	13,366	18,487
Add: Balance B/F from previous year	21	33
Profit available for Appropriation	13,387	18,519
Appropriations:		
Proposed Bonus Shares @ 0% (2001: @ 10%)	-	8,049
Proposed Dividend @ 15% (2001: @ 10%)	13,281	8,049
Transferred to General Reserve	-	2,400
Balance Carried Forward	106	21

Earning per Share

Earning per share after taxation comes to Rs. 1.51 per share (2001: Rs. 2.09 per share).

Operating and Financial Data

Operating and Financial data of the company for last ten years are annexed.

Employees Provident Fund & Gratuity

Value of investments of provident fund and gratuity as at December 31, 2002 is Rs. 20.1 million and Rs. 2.6 million respectively; Audit of these funds is in process. While the value of investment of provident fund and gratuity fund as per audited accounts for the year ended December 31, 2001 is Rs. 17.5 million and Rs. 2.5 million respectively.

Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the company for the year ended December 31, 2002 and future prospects. The directors endorse the contents of the review.



Muslim Insurance Company Limited

Board of Directors

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

Except the two directors mentioned below, no other Directors/Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children have made any transaction of company's shares during the year.

Sr.	Name	Sale	Purchase
1.	Mr.Iftikhar H. Shirazi	50,000	-
2.	Mr.Saquib H. Shirazi	50,000	-

During the year Four Board meetings were held and attended as follows:

Mr.Yusuf H. Shirazi	4
Mr.S.C. Subjally	4
Mr.Frahim Ali Khan	3
Mr.Iftikhar H. Shirazi	2
Mr.Jawaid Iqbal Ahmed	4
Mr.Muhammad Faruque	3
Mr.Saquib H. Shirazi	1

Corporate Governance

Statements on compliance of Corporate Governance are annexed.

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

Auditors

The present Auditors M/s. Ford Rhodes Sidat Hyder & Co., retire and being eligible, offer themselves for reappointment. Audit committee has recommended the re-appointment of retiring Auditors for the year 2003.

For and on behalf of the
Board of Directors

S.C. SUBJALLY
Chief Executive

Lahore: April 4, 2003

CORPORATE GOVERNANCE

Statements 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 accordingly amended listing rules of the Stock Exchanges.

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

Financial Statements

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

Books of 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 judgement.

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

Audit Committee was established by the Board in its meeting held on August 21, 2002 to assist the Board in discharging its responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The committee consists of three members including the Chairman of the committee, who are non-executive directors.

The Board Audit Committee is responsible for reviewing reports of the company's financial results, audit and adherence to standards of the system of management controls. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the company and make recommendations to the Board of Directors.

Group Personnel Committee

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

Management Committee

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

Code of business Principles

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

Communication

Communication with the shareholders is given a high priority. Annual, Half yearly and Quarterly Reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site (www.atlasgroup.pk.com), which contains up to date information on group activities. There is also an opportunity for individual shareholders to attend and ask questions at the general meetings.

Safety and Environment

The company follows the safety and environment rules and regulations.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulation No. 37, of Karachi and Lahore Stock Exchanges (Guarantee) Limited 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 and directors representing minority interests on its Board of Directors. At present the Board includes six independent non-executive 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 NBFI. No director in the board is a member of any of the stock exchanges in Pakistan and hence the question of declaring any of our directors' as a defaulter by any stock exchange does not arise.
4. No Casual vacancy has occurred in the Board during the year 2002.
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 the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met 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 directors are aware about their fiduciary responsibilities and have attended orientation courses.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and term and conditions of employment, as determined by the Chief Executive Officer.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, all of them are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at 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.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

CHIEF EXECUTIVE

CHAIRMAN

Lahore: April 4, 2003



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, Clause 40 (Chapter XIII) of the Listing Regulation of the Lahore Stock Exchange.

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, 2002.

Lahore: April 5, 2003

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) cash flow statement;
- (v) statement of premium;
- (vi) statement of claim;
- (vii) statement of expenses; and
- (viii) statement of investment income

of **Muslim Insurance Company Limited** as at December 31, 2002 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of accounts have been kept by the 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 except for the change in accounting policy as stated in note 2(b) to the financial statements with which we concur;
- (c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2002 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.

Without qualifying our opinion, we draw attention to Note: 13.2 to the financial statements. The company had made these investments in associated undertakings without complying with the provisions of section 208 of the Companies Ordinance, 1984. However, as the company will obtain *post facto* approval, any adverse effect of the omission has not been recognized in the accounts.

Lahore: April 4, 2003

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BALANCE SHEET

	Notes	<u>2002</u>	<u>2001</u>
(Rupees in thousand)			
Share Capital and Reserves			
Authorized Share Capital 15,000,000 (2001:15,000,000) ordinary shares of Rs. 10/- each		150,000	150,000
Paid-up share capital	3	88,542	80,493
Retained earnings		106	21
Reserves	4	23,365	31,414
		112,013	111,928
Underwriting provisions			
Provision for outstanding claims (including IBNR)	5	42,540	30,402
Provision for unearned premium		84,661	78,680
Commission income unearned		15,219	-
Total underwriting provisions		142,420	109,082
Deferred Liabilities			
Staff Retirement Benefits	6	2,651	443
Creditors and Accruals			
Premiums Received in Advance		212	96
Amounts due to other insurers/reinsurers	7	37,667	31,943
Accrued expenses		3,786	2,069
Taxation - Provision less payments		8,277	8,340
Other Creditors and accruals	8	10,129	5,449
		60,071	47,897
Other liabilities			
Deposits against Performance Bonds		1,391	1,391
Dividend	9	14,679	8,989
Obligation against assets subject to finance lease	10	4,891	2,917
		20,961	13,297
TOTAL LIABILITIES		226,103	170,719
TOTAL EQUITY AND LIABILITIES		338,116	282,647

The annexed notes form an integral part of these account.

FINANCIAL YEAR ENDED DECEMBER 31, 2002

	Notes	<u>2002</u>	<u>2001</u>
		(Rupees in thousand)	
Cash and Bank Deposits			
Cash and other equivalent	12.1	1	2
Current and other accounts	12.2	11,627	7,804
Deposits maturing within 12 months	12.3	1,601	8,461
		13,229	16,267
Investments	13	138,496	106,304
Other Assets			
Premiums due but unpaid-unsecured considered good	7	18,592	14,916
Amounts due from other insurers/reinsurers	7	64,939	56,898
Accrued investment income	14	3,538	4,198
Reinsurance recoveries against outstanding claims	5	31,715	22,963
Prepayments	15	49,888	40,988
Sundry receivables	16	1,351	5,463
		170,023	145,426
Fixed Assets			
Tangible			
	17		
Land and Buildings		5,540	5,770
Furniture, Fixtures and Office Equipment		3,752	4,425
Motor Vehicles		6,821	3,945
		16,113	14,140
Intangible			
License fee for software	18	255	510
TOTAL ASSETS		<u>338,116</u>	<u>282,647</u>

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

PROFIT AND LOSS ACCOUNT

FINANCIAL YEAR ENDED DECEMBER 31, 2002

	Notes	Fire & Property	Marine, Aviation & Transport	Other motor business	Others	Current year Aggregate 2002	Prior Year Aggregate 2001
(Rupees in thousand)							
Revenue Account							
Net Premium Revenue		16,130	55,005	19,249	3,025	93,409	91,141
Net Claims		(185)	(4,017)	(12,000)	(1,249)	(17,451)	(19,294)
Expenses	19	(13,333)	(45,458)	(15,912)	(2,501)	(77,204)	(67,388)
Net Commission		4,049	2,823	(524)	(714)	5,634	13,613
Underwriting result		6,661	8,353	(9,187)	(1,439)	4,388	18,072
Investment Income						25,381	6,182
Rental Income						575	440
Other Income	20					4,335	4,909
Financial Charges	21					(878)	(401)
General and administration expenses	22					(3,615)	(2,116)
Profit before tax						30,186	27,086
Provision for Taxation	23					(16,820)	(8,600)
Profit after tax						13,366	18,486
Profit and Loss Appropriation Account							
Balance at commencement of year						21	33
Profit after tax for the year						13,366	18,486
Proposed Dividend 15% (2001:10%)						(13,281)	8,049
Transfer to reserve for bonus shares						-	8,049
Transfer to reserve						-	2,400
						85	(12)
Balance Unappropriated Profit at end of Year						106	21
Earnings per share	24					1.51	2.09

The annexed notes form an integral part of these account.

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

CASH FLOW STATEMENT

FINANCIAL YEAR ENDED DECEMBER 31, 2002

	Current Year	Prior Year
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	207,116	195,060
Reinsurance premiums paid	(122,038)	(74,997)
Claims paid	(32,914)	(46,942)
Reinsurance and other recoveries received	18,849	30,498
Commissions paid	(12,859)	(12,930)
Commissions received	38,048	24,533
Net cash flow from underwriting activities	96,202	115,222
b) Other operating activities		
Income tax paid	(16,883)	(9,217)
General management expenses paid	(70,143)	(75,543)
Other operating receipts	3,986	4,095
Loans advanced	(620)	(976)
Loans repayments received	663	709
Net cash flow from other operating activities	(82,997)	(80,932)
Total cash flow from all operating activities	13,205	34,290
Investment activities		
Profit/Return received	6,399	471
Dividends received	12,577	9,077
Rentals received	597	601
Payments for investments	(28,939)	(42,205)
Proceeds from disposal of investments	3,812	1,140
Fixed Capital Expenditure	(2,009)	(1,330)
Proceeds from disposal of fixed assets	595	1,781
Total cash flow from investing activities	(6,968)	(30,465)
Financing activities		
Dividends paid	(7,591)	-
Financial charges paid	(878)	(401)
Payments on finance leases	(806)	(194)
Total cash flow from financing activities	(9,275)	(595)
Net cash inflow/outflow from all activities	(3,038)	3,230
Cash at the beginning of the year	16,267	13,037
Cash at the end of the year	13,229	16,267

Reconciliation to Profit and Loss Account

	Current Year	Prior Year
	(Rupees in thousand)	
Operating cash flows	13,205	34,290
Depreciation expense	(2,570)	(1,472)
Financial charges	(878)	(401)
Profit on disposal of fixed assets	349	813
Increase in assets other than cash	41,026	33,630
(Increase) in liabilities other than running finance	(37,766)	(48,374)
Profit or loss after taxation	13,366	18,486
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent		
Stamps in Hand	1	2
Current and other account		
Current Accounts	11,627	7,804
Deposits maturing within 12 months		
Term Deposit Receipt with banks	1,601	8,461
	13,229	16,267

The annexed notes form an integral part of these accounts.

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

	CAPITAL RESERVES				REVENUE RESERVES			Total
	Share Capital	Capital Reserve	Exceptional Losses Reserve	Reserve for Bonus Share	General Reserve	Investment Fluctuation Reserve	Unappropriated Profit	
(Rupees in thousands)								
Balance as on 01-01-2001	67,077	2,251	2,164	13,416	13,550	3,000	33	101,491
Transfer from reserve for Bonus share	13,416	-	-	(13,416)	-	-	-	-
Net Profit for the year	-	-	-	-	-	-	18,486	18,486
Transfer to reserve for bonus share and general reserve	-	-	-	8,049	2,400	-	(10,449)	-
Proposed Dividend	-	-	-	-	-	-	(8,049)	(8,049)
Balance as on 01-01-2002	80,493	2,251	2,164	8,049	15,950	3,000	21	111,928
Transfer from reserve for Bonus share	8,049	-	-	(8,049)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	13,366	13,366
Proposed Dividend	-	-	-	-	-	-	(13,281)	(13,281)
Balance as on 31-12-2002	88,542	2,251	2,164	-	15,950	3,000	106	112,013

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF PREMIUMS

FINANCIAL YEAR ENDED DECEMBER 31, 2002

	Premium Written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premium earned	Reinsurance ceded	Prepaid Reinsurance ceded	premium ceded	Reinsurance expense	Current year Net premium revenue	Prior year Net premium revenue
	(R u p e e s i n t h o u s a n d)									
Direct and Facultative										
Class										
1. Fire and Property Damage	70,167	25,761	28,066	67,862	62,844	17,218	25,138	54,924	12,938	19,954
2. Marine, Aviation and Transport	98,853	37,580	39,541	96,892	47,741	18,683	19,096	47,328	49,564	40,584
3. Other Motor business	25,143	8,880	10,057	23,966	4,816	1,827	1,926	4,717	19,249	18,706
4. Miscellaneous	6,840	2,484	2,736	6,588	5,298	2,115	2,119	5,294	1,294	1,746
Total	201,003	74,705	80,400	195,308	120,699	39,843	48,279	112,263	83,045	80,990
Treaty										
5. Proportional										
Fire	4,067	753	1,628	3,192	-	-	-	-	3,192	2,159
Marine	5,210	2,315	2,084	5,441	-	-	-	-	5,441	5,689
Miscellaneous	1,373	907	549	1,731	-	-	-	-	1,731	2,303
Total	10,650	3,975	4,261	10,364	-	-	-	-	10,364	10,151
Grand Total	211,653	78,680	84,661	205,672	120,699	39,843	48,279	112,263	93,409	91,141

The annexed notes form an integral part of these accounts.

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CLAIMS

FINANCIAL YEAR ENDED DECEMBER 31, 2002

Business underwritten inside Pakistan		Claims paid	Outstanding Opening	Claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Current Year Net claims expense	Prior Year Net claims expense
Direct and Facultative		(R u p e e s i n t h o u s a n d)									
Class											
	1. Fire and Property Damage	10,618	11,668	17,267	16,217	10,094	11,261	16,670	15,503	714	1,485
	2. Marine, Aviation and Transport	6,908	5,505	9,059	10,462	6,091	4,707	8,092	9,476	986	1,843
	3. Other Motor business	11,302	3,207	5,972	14,067	1,711	560	916	2,067	12,000	9,434
	4. Miscellaneous	1,281	7,614	7,130	797	953	6,435	6,037	555	242	1,512
	Total	30,109	27,994	39,428	41,543	18,849	22,963	31,715	27,601	13,942	14,274
Treaty	5. Proportional										
	Fire	(271)	956	698	(529)	-	-	-	-	(529)	1,042
	Marine	1,844	699	1,886	3,031	-	-	-	-	3,031	2,104
	Miscellaneous	1,232	753	528	1,007	-	-	-	-	1,007	1,874
	Total	2,805	2,408	3,112	3,509	-	-	-	-	3,509	5,020
	Grand Total	32,914	30,402	42,540	45,052	18,849	22,963	31,715	27,601	17,451	19,294

The annexed notes form an integral part of these accounts.

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF EXPENSES

FINANCIAL YEAR ENDED 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	Current year Net underwriting expense	Prior year Net underwriting expense
(R u p e e s i n t h o u s a n d)									
Direct and Facultative Class									
1. Fire and Property Damage	6,705	-	-	6,705	13,333	20,038	12,266	7,772	(5,942)
2. Marine, Aviation and Transport	3,759	-	-	3,759	45,458	49,217	9,120	40,097	(11,798)
3. Other Motor business	1,314	-	-	1,314	15,912	17,226	790	16,436	281
4. Miscellaneous	703	-	-	703	2,501	3,204	653	2,551	(672)
Total	12,481	-	-	12,481	77,204	89,685	22,829	66,856	(18,131)
Treaty									
5. Proportional									
Fire	1,512	-	-	1,512	-	1,512	-	1,512	1,040
Marine	2,538	-	-	2,538	-	2,538	-	2,538	2,521
Miscellaneous	664	-	-	664	-	664	-	664	957
Total	4,714	-	-	4,714	-	4,714	-	4,714	4,518
Grand Total	17,195	-	-	17,195	77,204	94,399	22,829	71,570	(13,613)

The annexed notes form an integral part of these accounts.

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF INVESTMENT INCOME
FINANCIAL YEAR ENDED DECEMBER 31, 2002

	Current Year	Prior Year
	(Rupees in thousand)	
Income from Non-Trading Investments		
Held to Maturity		
Return on Government Securities	34	18
Return on Other Fixed Income Securities and Deposits	6,234	2,092
Available for sale		
Dividend Income		
- From associated undertakings	7,109	3,239
- From other companies	4,939	4,213
Gain on Sale of Non-Trading Investments	792	470
Write back / (Provision) for diminution in the value of Investments		
- Available for sale	6,071	(3,648)
- Held to Maturity	202	(202)
Net Investment Income	25,381	6,182

The annexed notes form an integral part of these accounts.

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

FORM AA

CLASSIFIED SUMMARY OF ASSETS IN PAKISTAN

AS AT DECEMBER 31, 2002

S.No.	Class of Assets	Book Value (Rupees in thousand)	Market Value	REMARKS
1.	NIT Units Deposited with State Bank of Pakistan.	350	438	As per published quotation
2.	Shares of Companies incorporated in Pakistan (including NIT Units)	138,146	194,758	As per published quotation
3.	Freehold Land	1,168	2,336	Realisable value as per valuation report (dated March 22, 1984) of Licenced Architect.
4.	Building on Freehold Land	4,372	7,767	- do -
5.	Cash on deposits in Banks	1,601	1,601	At realisable Value
6.	Cash in hand, on Current Account with the Banks	11,628	11,628	- do -
7.	Agents' Balances and outstanding premiums	18,592	18,592	- do -
8.	Outstanding and Accrued interest	3,538	3,538	- do -
9.	Amount due from other persons or bodies carrying on insurance business	64,939	64,939	- do -
10.	Advances, Deposits and Prepayments	51,239	51,239	- do -
11.	Furniture, Office Equipment and Vehicles	10,573	10,573	- do -

Provision for the permanent diminution in value amounting to Rs.0.50(M) (2001: Rs. 6.773(M)) has been made on un-quoted shares of companies incorporated in Pakistan.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

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 in Lahore.

2 ACCOUNTING POLICIES

a) Basis of preparation

The accounts have been prepared in accordance with the requirements of the Insurance Ordinance, 2000, Companies Ordinance, 1984, International Accounting Standards as applicable in Pakistan and relevant provisions of S.R.O. 938 issued on December 12, 2002. 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, the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan, differ with the requirements of these standards, the requirements of Insurance Ordinance 2000, Companies Ordinance 1984 or the requirements of the said directives take precedence.

However, the company in accordance with the directions of the SECP through its circular No. ID-SEC/IAP/01/2003 dated February 27, 2003 has adopted the policy of maintaining the reserves for unexpired risks at 40% of the net premium and opted to defer the establishment of premium deficiency reserve in its accounts for the year ended December 31, 2002. Had the company adopted the policy of calculating reserve for unearned premium on the basis of 1/24th method according to the provision of S.R.O.938 issued on December 12,2002 the amount of reserve for unearned premium would have been Rs. 46,257 (thousands). Consequently, the profit before tax and its net assets would have been reduced by Rs. 9,875 (thousands).

b) Basis of measurement

These accounts have been prepared under the historical cost convention.

c) Change in accounting policy

The company has adopted IAS-39 "Financial instruments: Recognition and Measurement" for the year ended December 31,2002.The effect due to adoption of IAS-39 has not been recognized as explained in Note: 2(j).

d) Premiums

Premium income is recognized at the time of issue of policies, after taking into account the unearned portion of the premium. The unearned portion of premium income represents 40% of gross premium income written during the year and is recognized as liability.

Reinsurance expense is recognized at the time of issuance of the policies, after taking into account the portion of deferred expense. The deferred portion of reinsurance expense represents 40% of gross premium ceded during the year.

e) Commission

Commission expense is recognized at the time of issuance of policy. Commission income from the reinsurers (apart from recoveries) are brought to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.

Deferred commission income is amortized over the reporting periods over which the related reinsurance expense is recognized.

During the year the company has changed its policy in respect of the commission income to comply with the directives of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan. Previously, the company was taking commission to the profit and loss account at the time policies were written. The change in accounting policy has been accounted for prospectively. The comparative statements for the year 2001 have not been restated. Had the company not changed the above policy the profit before tax and net assets (excluding taxation) would have been higher by Rs.15,219 (thousands).

f) Estimated liability in respect of outstanding claims

The liability in respect of outstanding claims is based on certified returns of the branches and represents the estimates of the claims intimated or assessed before the end of the accounting year and measured at the undiscounted value of expected future payments.

Consistent with prior years provision for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR), and expected claims settlement cost.

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

g) Taxation

Current

Provision for taxation is based on taxable income at current rates of taxation after taking into account tax rebates and tax credits available, if any.

Deferred

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

Deferred tax assets and liabilities are measured at the 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.

h) Employees' retirement benefits

The Company operates a defined contributory approved provident fund for all its employees. The company and the employees make matching contributions to the provident fund. Contributions made by the company to the provident fund are recognized as an expense in the profit and loss account.

The company has instituted management staff gratuity scheme duly approved by the income tax department on November 30,2002, under which charge for gratuity in the accounts is made in accordance with the actuary's recommendation based on the actuarial valuation of the fund as on December 31,2002 subject to completion of 10 years of service.

The Projected Unit Credit Method, using the following significant assumptions, was used for the actuarial valuation.

- Discount rate 7% per annum compound.
- Expected rate increase in salaries 5% per annum

The amounts recognized in balance sheet are as follows:

	December 31, 2002
Present value of defined benefit obligation	7,247
Fair value of plan assets	(1,372)
Deficit	5,875
Unrecognized actuarial gain	640
Unrecognized prior service cost	(385)
Net liability for balance sheet	6,130

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

	December 31, 2002
Opening balance	2,123
Charge for the year	4,007
Closing balance	6,130

The following amounts have been charged in the profit and loss account for the year 2002 in respect of these benefits:

December 31, 2002

Current service cost	707
Interest cost	154
Expected return on assets	(94)
Recognition of Transitional Asset	(1,270)
Past Service Cost	4,510
Total cost to be recognized	<u>4,007</u>

The liability as at December 31, 2002 would be amortized over the period of three years in equal installments as prescribed by SRO 938 issued by SECP.

The charge for gratuity other than the management staff has been made with reference to last drawn basic salary of that year subject to maximum benefit of Rs.100 (thousands).

i) Cash and cash equivalents

Cash and bank balances are defined as cash in hand and at banks, stamps in hand and short term placements with banks.

j) Investments

All investments are initially recognized at cost, being fair value of the consideration given and including acquisition charges associated with investments and are classified as either, Available for Sale or Held to Maturity.

Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates are classified as available for Sale. These are classified as non-current unless management has an intention of holding the investment for less than 12 months from the balance sheet date in which case they are included as current assets. 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 SRO-938 issued by the Securities and Exchange Commission Of Pakistan in December, 2002. 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.

Previously, these were valued at cost and provision was made for permanent diminution in the value of investments, if any, on portfolio basis. Moreover, investment fluctuation reserve is also maintained to cover possible diminution in the value of investments. Had these investments been measured at fair value as required by IAS-39, the net equity would have been higher by Rs. 56,200 (thousands).

Held to maturity investments are those with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity.

Any premium paid or discount availed on acquisition of held to maturity investment is deferred and included in the income for the period on a straight-line-basis over the term of the investment. Subsequent to initial recognition at cost, the investments that have a fixed maturity are measured at amortized cost.

k) Fixed assets and depreciation

Fixed Assets are stated at cost less accumulated depreciation calculated on reducing balance method as per rates mentioned in Note: No.17.

Full year's depreciation is charged in the year of acquisition whereas no depreciation is charged in the year of disposal. The company has not charged any depreciation on Motor Vehicles held for sale to Company's staff on installment basis. Gains and losses arising as a result of disposal of assets are included in the income currently.

Assets subject to finance lease

Assets held under finance lease are stated at cost less accumulated depreciation at the rates and basis applicable to company's owned assets. The outstanding obligations under the lease less finance charges allocated to future periods is shown as liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to profit and loss account.

l) Intangible Fixed Assets

These are stated at cost less amortization. Amortization is charged over the expected useful life of the asset in equal installments.

m) Revenue recognition

Dividend income is recognized as and when declared. Profit / loss on sale of investments is taken to the profit and loss account in the year of sale.

Profit on Term Finance Certificates is recognized on a time proportion basis taking account of the relevant maturity dates and the applicable mark-up in respect thereof.

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

Other revenue is recognized on accrual basis.

n) Management Expenses

Expenses of management have been allocated to various revenue accounts and to Profit and loss account on the basis of net premium revenue.

o) Zakat

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

p) Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

q) Segment reporting

The company has four primary business segments for reporting purposes namely, fire, marine, motor and miscellaneous.

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

The fire insurance segment provides insurance covers against damages caused by fire, riot and strike, explosion, earthquake.

Marine insurance segment provide coverage against cargo risk, war risk and damages occurring in transit.

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

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, engineering losses and other coverages.

r) Offsetting of financial assets and financial liabilities

The financial asset and financial liability is offset where there is a clear legal enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

s) Basis of Provision

A provision is recognized when the company has 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 the obligation.

	<u>2002</u>	<u>2001</u>
	(Rupees in thousand)	
3. PAID-UP SHARE CAPITAL		
Issued, subscribed and paid up capital 250,000 (2001: 250,000) ordinary shares of Rs. 10/- each fully paid in cash	2,500	2,500
8,604,270 (2001: 7,799,285) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		
Balance at the beginning of the year	77,993	64,577
Transferred from reserve for bonus shares	8,049	13,416
	86,042	77,993
	88,542	80,493
3,825,651 (2001: 3,477,680) ordinary shares are held by associated undertakings.		
4. RESERVE		
CAPITAL RESERVE		
Capital Reserve	2,251	2,251
Reserves for exceptional losses	2,164	2,164
	4,415	4,415
Reserve for bonus shares		
Balance at the beginning of the year	8,049	-
Transfer to ordinary share capital account	(8,049)	8,049
	-	8,049
	4,415	12,464
REVENUE RESERVE		
GENERAL RESERVE		
Balance at the beginning of the year	15,950	13,550
Transfer from profit & loss appropriation account	-	2,400
	15,950	15,950
Investment Fluctuation reserve	3,000	3,000
Balance at the end of the year	23,365	31,414

**5. 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. 10,825 (thousands) (2001: Rs. 7,439 (thousands)). As a general policy of the company being followed consistently over the years, no provision of claims where the quantum of loss is not known has been made. Similarly, where retrocession accounts have not been received from the reinsurers, provision of outstanding claims has been made of an amount equivalent to the previous year.

	<u>2002</u>	<u>2001</u>
	(Rupees in thousand)	
6. STAFF RETIREMENT BENEFITS		
Staff Provident Fund	199	443
Staff Gratuity	2,452	-
	<u>2,651</u>	<u>443</u>

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

The amounts of agents' balances and outstanding premium and the balances due from and due to 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.14,755 (thousands) (2001:10,348 (thousands)) receivable from an associated undertaking.

	<u>2002</u>	<u>2001</u>
	(Rupees in thousand)	
8. OTHER CREDITORS AND ACCRUALS		
Other creditors	1,442	1,173
Commission payable	5,956	1,619
Federal Insurance Fee payable	729	634
Central Excise Duty payable	1,832	2,023
Tax deducted at source	170	-
	<u>10,129</u>	<u>5,449</u>

9. DIVIDEND

Unclaimed Dividend	1,398	940
Proposed Dividend	13,281	8,049
	<u>14,679</u>	<u>8,989</u>

10. OBLIGATION AGAINST ASSETS SUBJECT TO FINANCE LEASE

The average rate of interest implicit in these leases ranges from 17%-20% (2001: 20%) per annum. The amount of future payments and the period in which they fall due are:

	<u>2002</u>	<u>2001</u>
	(Rupees in thousand)	
Minimum lease payments due within		
1 year	1,872	1,006
2-5 years	4,418	3,013
	<u>6,290</u>	<u>4,019</u>
Less: Future financial charges	1,399	1,102
Present value of minimum lease payments	<u>4,891</u>	<u>2,917</u>
Less: Current Portion	1,159	532
	<u>3,732</u>	<u>2,385</u>

10.1 Minimum lease payments and their present values are grouped as follows:

	2002 (Rupees in thousand)		2001 (Rupees in thousand)	
	MLP	PV of MLP	MLP	PV of MLP
Due within one year	1,872	1,159	1,006	532
Due in 3 - 5 years	4,418	3,732	3,013	2,385
	<u>6,290</u>	<u>4,891</u>	<u>4,019</u>	<u>2,917</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.

11. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES - CLAIMS NOT ACKNOWLEDGED AS DEBT

Claim for recovery of approximately Rs. 5.7 (M) (2001 Rs. 5.7 (M)) 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.

12. CASH AND BANK DEPOSITS

	2002	2001
	(Rupees in thousand)	
12.1 Cash and Other equivalents		
Cash in Hand	-	-
Stamps in Hand	1	2
	<u>1</u>	<u>2</u>
12.2 Current and Other Accounts		
Current Accounts	11,627	7,804
	<u>11,627</u>	<u>7,804</u>
12.3 Deposits maturing within 12 months		
Term Deposit Receipt with banks (Note:12.4)	1,601	8,461
	<u>1,601</u>	<u>8,461</u>
12.4 This represents registered deposit certificates with one month maturity bearing mark up at the rate of 6 % (2001: 10 %) per annum in an associated undertaking.		

13. INVESTMENTS

Available for sale

Fully paid Ordinary Shares of Concerns in Pakistan:

Number of Shares		Face Value (Rupees)	Company's Name	Book Value (Rupees in thousand)	
2002	2001			2002	2001
QUOTED					
Government Securities					
180	180	10	Unit Trust of Pakistan	1,004	1,004
28,000	28,000	10	N.I.T units with SBP (Note :13.1)	350	350
299,808	273,576	10	N.I.T units with company	3,859	3,565
				4,209	3,915
Less : Provision for diminution in the value of NIT				-	1,291
				5,213	3,628
HELD TO MATURITY					
TERM FINANCE CERTIFICATES					
ASSOCIATED UNDERTAKING					
2,004	-	5,000	Atlas Invest. Bank Ltd.(Formerly:Atlas Lease Ltd.)	10,120	9,114
OTHERS					
600	-	5,000	Bank Al-Falah Ltd.	3,000	-
1,000	1,000	5,000	Dewan Salman Fiber Ltd.	5,007	5,011
1,338	1,338	5,000	Engro Chemical Ltd.	6,687	6,690
500	400	5,000	Orix Leasing Co. Ltd.	2,528	2,022
2,000	2,000	5,000	Pakistan PTA Ltd.	9,996	10,000
1,000	-	5,000	KASB Leasing Co. Ltd.	5,000	-
1,000	1,000	5,000	Pak Arab Refinery Ltd.	5,073	5,075
400	-	5,000	Union Leasing Ltd.	2,000	-
				39,291	28,798
Less : Provision for diminution in the value of TFC				-	201
				49,411	37,711
AVAILABLE FOR SALE					
ASSOCIATED UNDERTAKINGS					
579,415	579,415	10	Atlas Honda Ltd. (Atlas Autos) Equity Held : 2.835 %	7,033	7,033
141,768	141,768	10	Allwin Engineering Industries Ltd. Equity Held : 2.873%	1,549	1,549
49,800	47,429	10	Atlas Battery Ltd. Equity Held : 1.831%	220	220
179,434	179,434	10	Atlas Invest. Bank Ltd.(Formerly:Atlas Lease Ltd.) Equity Held : 0.562 %	2,831	2,831
250,000	250,000	10	Honda Atlas Cars Pakistan Ltd. Equity Held : 0.595%	3,932	3,932
78,941	73,941	10	Cherat Cement Co. Ltd.(Note :13.2) Equity Held : 0.164%	2,881	2,760
57,000	57,000	10	Cherat Paper Sack Ltd. Equity Held : 1.397%	3,264	3,264
277,558	237,558	10	Sui Southern Gas Ltd.(Note : 13.2) Equity Held : 0.413%	3,969	3,458
				25,679	25,047
LEASING COS.					
79,200	79,200	10	Askari Leasing Ltd.	1,212	1,212
				1,212	1,212

Number of Shares		Face Value	Company's Name	Book Value	
2002	2001			2002	2001
		(Rupees)		(Rupees in thousand)	
INV. COS/BANKS					
85,900	58,000	10	Askari Commercial Bank Ltd.	1,355	685
353,497	321,361	10	Muslim Commercial Bank Ltd.	6,894	4,900
1,000	1,000	10	Orix Bank Ltd.	8	8
200	200		Bankers Equity Ltd.	-	-
				8,257	5,593
TEXTILE COMPOSITE					
89,000	89,000	10	Nishat Mills Ltd.	2,331	2,331
				2,331	2,331
SYNTHETIC & RAYON					
193,750	193,750	10	Ibrahim Fiber	2,743	2,743
				2,743	2,743
CEMENT					
5,500	5,500	10	Dadex Eternit (Asbestos)	199	199
				199	199
FUEL & ENERGY					
14,000	10,000	10	National Refinery	446	229
70,294	45,294	10	Sui Northern Gas Ltd.	859	349
15,600	13,000	10	Pakistan State Oil	2,317	2,317
23,400	23,400	10	Shell Pakistan	5,355	5,355
140,000	-	10	Hub Power	3,987	-
				12,964	8,250
TRANS. & COMMUN.					
448,000	248,000	10	PTCL	10,597	5,956
				10,597	5,956
CHEM/PHARM.					
48,000	-	10	Abbott Lab.	1,453	-
1,380	1,150	10	B.O.C. (Pak)	91	91
25,000	25,000	10	Engro Chemicals Ltd.	1,498	1,498
125,000	125,000	10	Fauji Fertilizers Ltd.	6,832	6,832
35,000	35,000	10	F.F.C. Jordan	674	674
5,500	5,500	10	Glaxo Welcome	248	248
23,368	21,244	10	I.C.I. Pakistan Ltd.	1,622	1,622
232	63,732	10	Pakistan Pure Terapthalic	6	1,622
-	60,000	10	Knoll Pharmaceutical	-	1,453
				12,424	14,040
PAPER/BOARD					
35,385	35,385	10	Packages Ltd.	2,163	2,163
				2,163	2,163
FOOD/ALLIED					
11,200	11,200	10	Rafhan Maize Products Co. Ltd.	1,191	1,191
2,000	-	50	Unilever Pak. Ltd.	1,816	-
				3,007	1,191
MISCELLANEOUS					
57,000	34,000	10	Tri Pack Film Ltd.	2,296	1,021
				2,296	1,021
UN-QUOTED					
ASSOCIATED UNDERTAKING					
50,000	50,000	10	Arabian Sea Country Club (Note: 13.3)	500	500
				500	500
Less : Provision for diminution in the value of shares				84,372	70,246
Cost of shares of concerns incorporated in Pakistan				500	5,281
Cost of investment in concerns incorporated in Pakistan				83,872	64,965
				138,496	106,304
Aggregated market value of Investments as on 31st Dec.				195,196	105,804

- 13.1 These are held as Statutory deposit with State Bank of Pakistan under section 29 of the Insurance Ordinance 2000.
- 13.2 The company had purchased these share certificates during the year and inadvertently overlooked compliance with the provision of section 208 of the Companies Ordinance 1984. The company proposes to seek share-holders' approval, as envisaged in that section, in the forthcoming annual general meeting and expects that no adverse regulatory action will result.
- 13.3 The name of the Chief Executive is Javed Barki. The breakup value of the share is Rs.6.26 (2001: Nil).

2002 2001
(Rupees in thousand)

14. ACCRUED INVESTMENT INCOME

Dividend Income	2,141	2,636
Interest Income on Fixed Deposit	-	51
Interest Income on TFC's	1,397	1,511
	3,538	4,198
	3,538	4,198

15. PREPAYMENTS

Prepaid expenses	1,609	1,145
Prepaid reinsurance premium ceded	48,279	39,843
	49,888	40,988
	49,888	40,988

16. SUNDRY RECEIVABLES

Advances to employees - Considered good	964	4,959
Deposits	387	343
Gratuity	-	161
	1,351	5,463
	1,351	5,463

17. ADMINISTRATIVE FIXED ASSETS

Particulars	Cost As at January 01,2002	Cost Additions/ (Deletions) Adjustments	Cost As at December 31,2002	Accumulated Depreciation as at January 01, 2002	Depreciation Adjustment for Deletions/ Adjustment	Depreciation Charge for the year	Accumulated Depreciation as at December 31, 2002	Book Value as at December 31, 2002	Rate%
(R u p e e s i n t h o u s a n d)									
TANGIBLE									
Land	1,168	-	1,168	-	-	-	-	1,168	-
Building	8,500	-	8,500	3,898	-	230	4,128	4,372	5 %
	9,668	-	9,668	3,898	-	230	4,128	5,540	
Furniture	1,765	64	1,829	1,193	-	64	1,257	572	10%
Office equipment	2,751	135 (51)	2,886 (51)	1,768	(47)	111	1,832	1,003	10%
Computer	3,440	240	3,680	1,183	-	749	1,932	1,748	30%
Computer on finance lease	681	-	681	68	-	184	252	429	30%
	8,637	388	9,025	4,212	(47)	1,108	5,273	3,752	
Vehicle	2,747	1,570 (275)	4,317 (275)	746	(33)	287	1,000	3,042	20%
Vehicle on finance lease	2,430	2,780	5,210	486	-	945	1,431	3,779	20%
	5,177	4,075	9,252	1,232	(33)	1,232	2,431	6,821	
	23,482	4,789 (326)	28,271 (326)	9,342	(80)	2,570	11,832	16,113	
2001	20,798	4,440 (1,756)	23,482	8,658	(788)	1,472	9,343	14,140	

Of the total cost of vehicles Rs. 1,895 thousands (2001: Rs. 989 thousands) represent cost of vehicles held for sale to employees of the company on installment basis. Out of this amount Rs. 1,010 thousands (2001: Rs. 675 thousands) have been recovered from the employees and these are shown as Sundry creditors. No depreciation is charged on these assets by the company.

17.1 SCHEDULE OF DISPOSAL OF FIXED ASSETS AS ON DECEMBER 31, 2002

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Price	Profit/ (Loss)	Particulars of Purchaser	Mode of disposal
(R u p e e s i n t h o u s a n d)							
Vehicle	67	34	33	380	347	Mr. Shujauddin	Negotiation
Office Equipment	2	2	-	2	2	Maj. M. Siddique	Negotiation
Office Equipment	45	42	3	4	1	M/s. Shirazi Trad. (Pvt) Ltd	Negotiation
Office Equipment	3	2	1	-	(1)	-	Stolen
Office Equipment	1	0	1	1	-	Syed Mubarak Ahmed	Negotiation
M/Cycle LXD-5820	65	-	65	65	-	Mr. M. Latif (Employee)	Vehicle scheme
M/Cycle LOB-2871	22	-	22	22	-	Mr. Farhad Hussain (Employee)	"
M/Cycle LCS-1914	30	-	30	30	-	Mr. Shakeel Ahmed (Employee)	"
M/Cycle KAR-4683	43	-	43	43	-	Mr. Laiq Hassan (Employee)	"
M/Cycle KAP-7404	48	-	48	48	-	Mr. M. Afzal (Employee)	"
	326	80	246	595	349		

No assets were sold to Chief Executive, Directors, Executives or shareholders with holding of 10% or more shares of the company.

2002 2001
(Rupees in thousand)

18. INTANGIBLE FIXED ASSETS

Opening balance
Less: Amortized during the period

510	764
255	254
255	510
255	510

These are amortized over a period of three years.

19. EXPENSES OF MANAGEMENT

Expenses of Management have been allocated to various revenue accounts and to Profit and Loss account on the basis of net premium.

Salary, wages and benefits
Gas, electricity and utilities
Rent rates and taxes
Telephone and communication
Vehicle running and other maintenance
Travelling and conveyance
Printing, stationery and computer expenses
Education and training
Fee and subscriptions
Service charges
Others

50,863	45,257
1,978	1,820
3,358	2,717
2,541	2,462
4,990	4,954
4,638	2,853
1,808	1,324
99	113
1,274	1,272
1,772	1,777
3,883	2,839
77,204	67,388
77,204	67,388

20. OTHER INCOME

Gain on sale of fixed assets
Administrative Surcharge
Miscellaneous Income

349	813
3,950	3,944
36	152
4,335	4,909
4,335	4,909

21. FINANCIAL CHARGES

Markup under lease finance arrangement
Bank charges

666	122
212	279
878	401
878	401

22. GENERAL AND ADMINISTRATIVE EXPENSES

Audit Fee (Note:22.1)
Legal and professional charges
Donations
Zakat
Directors' Fee
Depreciation

250	210
723	163
-	201
68	67
4	2
2,570	1,473
3,615	2,116
3,615	2,116

	<u>2002</u>	<u>2001</u>
	(Rupees in thousand)	
22.1 AUDITORS' REMUNERATION		
Audit Fee	85	40
Accountancy and Consultancy	-	80
Audit of Provident Fund, Gratuity Fund and Special Certification Fee	135	70
Expenses reimbursed	30	20
	250	210
	250	210
23. PROVISION FOR TAXATION		
Taxation		
- Current year	8,420	8,600
- Prior year	8,400	-
	16,820	8,600
	16,820	8,600
23.1 NUMERICAL RECONCILIATION BETWEEN EFFECTIVE RATE OF TAX WITH APPLICABLE TAX RATE		
Applicable tax rate	35.00	35.00
Effect of income taxable at rate other than 35%	(12.27)	(9.79)
Effect of disallowances and amounts not deductible for tax purposes	10.36	6.54
Effect of tax on amounts deductible for tax purpose	(5.20)	-
Average Effective tax rate	27.89	31.75
(Tax expense divided by profit before tax)	27.89	31.75

The government enacted a change in the national tax rate from 33% to 35% in the year 2002.

24. EARNINGS PER SHARE:

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

Profit after tax for the year	13,366	18,486
Weighted Average number of shares	8,854	8,854
	1.51	2.09
	1.51	2.09

24.1 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

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Director		Executives	
	2,002	2001	2002	2001	2002	2001
	(R u p e e s i n t h o u s a n d)					
Managerial Remuneration	3,235	2,936	-	2,986	17,364	12,892
Medical Reimbursement	41	3	-	23	550	443
House Rent and Utility Expenses	1,165	1,057	-	565	6,098	4,606
Retirement Benefits						
a) Provident Fund	285	258	-	138	1,286	925
b) Service Gratuity	1,054	-	-	-	1,605	251
Transportation provided	92	68	-	-	2,360	1,811
Other perquisites	52	65	28	23	103	33
Total	<u>5,924</u>	<u>4,387</u>	<u>28</u>	<u>3,735</u>	<u>29,366</u>	<u>20,961</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>40</u>	<u>33</u>

25.1 Fees paid to 2 non-executive Directors for attending meetings during the year Rs. 4,000. (2001: 2 Directors Rs. 2,000).

2002 2001
(Rupees in thousand)

26. TRANSACTION WITH ASSOCIATED COMPANIES

1	Premium Underwritten	122,395	105,730
2	Premium Collected	116,989	113,627
3	Claims Paid	10,656	8,059
4	Commission Paid	-	11,761
5	Lease Rentals	1,417	1,208
6	Rent Paid	-	227
7	Rent Received	332	304
8	Interest Received	516	531
9	Dividend Received	5,562	2,155
10	Fixed Deposits	1,601	8,461
11	Shares Purchased	632	-
12	TFCs Purchased	1,010	9,114
13	Brokerage paid for Purchase/Sale of shares	120	35

26.1 The transactions with associated undertakings are in the normal course of business and were carried out at an arm's length basis.

27. NUMBER OF EMPLOYEES

Number of employees as at December 31	<u>163</u>	<u>165</u>
---------------------------------------	------------	------------

28. 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	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	(R u p e e s i n t h o u s a n d)									
OTHER INFORMATION										
Segment assets	71,105	52,134	68,258	58,983	12,765	10,309	11,397	11,575	163,525	133,001
Unallocated corporate assets									174,591	149,646
Consolidated total assets									<u>338,116</u>	<u>282,647</u>
Segment Liabilities	60,870	49,902	71,090	62,295	21,895	17,083	12,405	13,134	166,259	142,414
Unallocated corporate Liabilities									59,844	28,305
Consolidated total Liabilities									<u>226,103</u>	<u>170,719</u>
Capital expenditure-according to above ratios	<u>1,679</u>	<u>1,496</u>	<u>2,355</u>	<u>2,252</u>	<u>569</u>	<u>501</u>	<u>186</u>	<u>191</u>	<u>4,789</u>	<u>4,440</u>
Depreciation/Amortization -according to above ratios	<u>990</u>	<u>582</u>	<u>1,389</u>	<u>876</u>	<u>336</u>	<u>195</u>	<u>110</u>	<u>74</u>	<u>2,825</u>	<u>1,727</u>

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.

29.1 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 segment.

29.2 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.

29.3 INTEREST RATE RISK EXPOSURE

The Company's exposure to Interest rate risk on its financial assets and liabilities as at December 31, are summarized as follows:

2 0 0 2								
Interest/Markup bearing				Non-Interest bearing			2002 Total	
Maturity upto one year	Maturity after one year and upto 5 years	Sub-total	Interest Rate	Maturity upto one year	Maturity after one year and upto 5 years	Sub-total		
(Rupees in thousand)								
Financial assets								
Investments	-	49,411	49,411	13%-16%	-	89,085	89,085	138,496
Premium due but unpaid	-	-	-		18,592	-	18,592	18,592
Dividend & Interest	1,397	-	1,397		2,141	-	2,141	3,538
Due from other insurers/ reinsurer	-	-	-		64,939	-	64,939	64,939
Prepaid reinsurance premium ceded	-	-	-		48,279	-	48,279	48,279
Advances & Deposits	-	-	-		1,351	-	1,351	1,351
Fixed Deposits	1,601	-	1,601	6%-8%	-	-	-	1,601
Deposit with Banks	-	-	-		11,627	-	11,627	11,627
Cash and cheques in hand	-	-	-		1	-	1	1
	2,998	49,411	52,409		146,930	89,085	236,015	288,424
Financial Liabilities								
Outstanding Claims	-	-	-		42,540	-	42,540	42,540
Due to Others	-	-	-		37,667	-	37,667	37,667
Accrued expenses	-	-	-		3,786	-	3,786	3,786
Other creditors & accruals	-	-	-		7,398	-	7,398	7,398
Staff retirement benefit	-	-	-		2,651	-	2,651	2,651
Obligation under finance lease	1,159	3,732	4,891	17%-20%	-	-	-	4,891
Deposits	-	-	-		1,391	-	1,391	1,391
Proposed dividend	-	-	-		13,281	-	13,281	13,281
Unclaimed dividend	-	-	-		1,398	-	1,398	1,398
	1,159	3,732	4,891		110,112	-	110,112	115,003
On Balance Sheet Gap	1,839	45,679	47,518		36,818	89,085	125,903	173,421

2001

	Interest/Markup bearing			Interest Rate	Non-Interest bearing			2001 Total
	Maturity upto one year	Maturity after one year and upto 5 years	Sub-total		Maturity upto one year	Maturity after one year and upto 5 years	Sub-total	
(Rupees in thousand)								
Financial assets								
Investments	-	39,207	39,207	13%-16%	-	67,096	67,096	106,303
Agents' Balances	-	-	-		13,297	-	13,297	13,297
Dividend & Interest	-	-	-		4,198	-	4,198	4,198
Due from other insurers/ reinsurers	-	-	-		56,898	-	56,898	56,898
Prepaid reinsurance premium ceded	-	-	-		39,843	-	39,843	39,843
Advances & Deposits	-	-	-		5,713	-	5,713	5,713
Deposit with Banks	8,461	-	8,461	10%	7,804	-	7,804	16,265
Cash and cheques in hand	-	-	-		2	-	2	2
	<u>8,461</u>	<u>39,207</u>	<u>47,668</u>		<u>127,755</u>	<u>67,096</u>	<u>194,851</u>	<u>242,519</u>
Financial Liabilities								
Outstanding Claims	-	-	-		30,402	-	30,402	30,402
Due to Others	-	-	-		31,943	-	31,943	31,943
Accrued expenses	-	-	-		2,069	-	2,069	2,069
Other creditors & accruals	-	-	-		1,173	-	1,173	1,173
Staff retirement benefit	-	-	-		443	-	443	443
Deposits	-	-	-		1,391	-	1,391	1,391
Un-claimed Dividend	-	-	-		940	-	940	940
Obligation under Finance Lease	532	2,385	2,917	20%	-	-	-	2,917
Proposed dividend	-	-	-		8,049	-	8,049	8,049
	<u>532</u>	<u>2,385</u>	<u>2,917</u>		<u>76,410</u>	<u>-</u>	<u>68,361</u>	<u>71,278</u>
On Balance Sheet Gap	<u>7,929</u>	<u>36,822</u>	<u>44,751</u>		<u>51,345</u>	<u>67,096</u>	<u>126,490</u>	<u>171,241</u>

30. AUTHORISATION FOR ISSUE

These accounts were authorised for issue on April 04, 2003 in accordance with a resolution of the Board of Directors.

31. COMPARATIVE FIGURES

The accounts have been prepared in accordance with the format of financial statements under SRO 938, and accordingly, previous year figures have been appropriately recast. Comparative figure in Note: 8, 18 and 28 have been rearranged due to change in classification for the purpose of comparison.

32. GENERAL

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

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

PATTERN OF SHAREHOLDINGS AS ON DECEMBER 31, 2002
ADDITIONAL INFORMATION

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE OF SHARES HELD
Associated Companies			
Atlas Investment Bank Ltd	1	11,550	0.13
Shirazi Investments (Pvt) Ltd	1	3,814,101	43.08
NIT and ICP			
Investment Corporation of Pakistan	1	3,618	0.04
Directors, CEO & their spouses and minor children			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	200,296	2.26
Mr. Iftikhar H. Shirazi	1	626,909	7.08
Mr. Saquib H. Shirazi	1	631,863	7.14
Mr. S.C. Subjally (C.E.O)	1	24	0.00
Executives	-	-	-
Public Sector Companies & Corporation	-	-	-
Bank, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds			
	3	254,038	2.87
Shareholders holding 10% or more voting interest	-	-	-
Individuals	521	2,853,029	32.22
Others	18	458,785	5.18
	<u>549</u>	<u>8,854,213</u>	<u>100.00</u>

PATTERN OF SHAREHOLDINGS AS ON DECEMBER 31, 2002

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL SHARES HELD
	FROM	TO	
108	1	100	3,420
133	101	500	38,090
78	501	1000	58,620
149	1001	5000	356,875
34	5001	10000	245,391
14	10001	15000	169,296
8	15001	20000	140,096
4	20001	25000	90,612
3	25001	30000	80,678
1	30001	35000	30,047
2	35001	40000	70,820
3	40001	45000	127,325
3	50001	55000	153,519
1	55001	60000	58,975
1	151000	200000	200,000
2	200001	205000	419,864
1	250001	255000	252,780
4	600001	650000	2,543,704
1	3810001	3815000	3,814,101
<u>549</u>			<u>8,854,213</u>

CATEGORIES OF SHAREHOLDINGS AS AT 31ST DECEMBER, 2002

CATEGORIES	SHAREHOLDERS	SHAREHOLDINGS	PERCENTAGE
Individuals	525	4,312,121	48.70
Investment Companies	3	3,817,877	43.12
Insurance Companies	1	252,780	2.86
Joint Stock Companies	13	12,596	0.14
Financial Institution	2	12,650	0.14
Others	5	446,189	5.04
	<u>549</u>	<u>8,854,213</u>	<u>100.00</u>



COMPANY OFFICES

HEAD OFFICE

3 Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX: Direct: Fax:	7320542-7320543-7322271 & 73 7310658-7234757 7234812-7314241 7234742
S.C.SUBJALLY Chief Executive	Direct: Extension:	7310658 313
ARSHAD P. RANA Chief Operating Officer	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 Sr. Manager Admin.	Direct: Extension:	7314241 308
ASAD MAHMOOD AWAN Manager Marketing	Direct: Extension:	7234757 312

NORTH ZONE OFFICES & BRANCHES

LAHORE

A. A. RIZVI Chief Manager	Hafeez Chambers, 85-Shahrah-e-Quaid-e-Azam, Lahore.	6305595
ZAFAR HUSSAIN JAMAL Branch Manager	Hafeez Chambers, 85-Shahrah-e-Quaid-e-Azam, Lahore.	6305595
MUHAMMAD MUNIR QAZI Chief Manager	Nawa-i-Waqt Building, Fatima Jinnah Road, Lahore	6364906 6371185 Fax: 6371186
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

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

MULTAN

BASHIR AHMED GHOURI
Branch Manager

Atlas Honda Building
Azmat Wasti Road, Multan

544494

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

SAHIWAL

HABIB-UR-REHMAN CH
Branch Manager

147-Railway Road,Sahiwal

66044
Fax : 66044

SIALKOT

AHMED SAEED RANA
Branch Manager

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

594520
592863

BAHAWALPUR

MUHAMMAD MASOOD CH.
Branch Manager

C.A-480, Railway Road,
Bahawalpur.

880802

SOUTH ZONE OFFICE

2nd Floor, Ameerjee Chambers,
Campbell Street,
P.O.Box: 5126, Karachi.

PABX:
Direct:

Fax:

2620081-5
2629531, 2621924
2621925, 2625697
2629532

S.C. SUBJALLY
Chief Executive

Direct:
Extension:

2629531
305

FARIQ M.K. ROHILLA
Senior Manager

Direct:
Extension:

2621924
302

S. MUBARAK AHMED
Manager Admin.

Extension: 316



Muslim Insurance Company Limited

JAWAID IRSHAD
Manager Claims

Extension : 303

MUHAMMAD IMRAN
Manager Claims

Extension : 309

ALI ASGHAR
Manager Customer Service

Extension : 312

SOUTH ZONE BRANCHES KARACHI

AIJAZ ALI KHAN
Senior Manager

Karachi Branch
2nd Floor Ameerjee Chambers
Campbell Street,
P.O.Box: 5126, Karachi

2620081-5
Ext. 313
Direct: 2621925
Fax: 2621925

ABDUL AZIZ
Branch Manager

Corporate Branch
4th Floor Ameerjee Chambers
Campbell Street,
P.O.Box: 5126, Karachi

2620081-5
Ext. 301 & 308
Direct: 2636576
Fax : 2625651

MOHAMMAD 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

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



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 15th May, 2003 at 11:30 a.m. for the year ended 31st December 2002 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.....2003

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