



Annual

Report

2003



Muslim Insurance Company Limited

Organisation
development
through
self development



Muslim Insurance Company Ltd.



Muslim Insurance Company Limited

VISION

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

MISSION

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



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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive	S.C. Subjally
Directors	Aamir H. Shirazi
	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Muhammad Faruque
Company Secretary	Fariq M. K. Rohilla

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

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

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

AUDIT COMMITTEE

Chairman	Jawaid Iqbal Ahmed
Members	Iftikhar H. Shirazi
	Frahim Ali Khan
Secretary	Fariq M. K. Rohilla
Chief Internal Auditor	Saleem Mahmood Akhtar

INVESTMENT COMMITTEE

Chairman	Frahim Ali Khan
Members	Iftikhar H. Shirazi
	S. C. Subjally
	Arshad P. Rana
	Muhammad Zafar Riaz

COMPANY INFORMATION**UNDERWRITING COMMITTEE**

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

CLAIMS SETTLEMENT COMMITTEE

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

RE-INSURANCE & CO-INSURANCE COMMITTEE

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

MANAGEMENT COMMITTEE

Chief Executive	S.C. Subjally
Chief Operating Officer	Arshad P. Rana
Chief Financial Officer	Muhammad Zafar Riaz
Senior Manager Technical	Muhammad Munir
Senior manager Administration	Pervaiz I. Malik
Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Legal Advisors	Mohsin Tayebaly & Co. Ch. Maqsood Advocate
Tax Advisor	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Bankers	Allied Bank of Pakistan Ltd. Atlas Investment Bank Ltd. Habib Bank Ltd. Muslim Commercial Bank Ltd. National Bank of Pakistan Standard Chartered Bank The Bank of Tokyo-Mitsubishi Ltd. United Bank Ltd.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 69th Annual General Meeting of the Members of the Muslim Insurance Co. Ltd. will be held on Monday April 26, 2004 at 11:00 a.m. at the Registered Office of the Company at 3-Bank Square, Lahore to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the last AGM held on 15 May, 2003.
2. To receive, consider and approve the audited accounts for the year ended December 31, 2003, together with the Reports of the Auditors and Directors thereon.
3. To declare Cash Dividend @ 15% and Stock Dividend @ 15% i.e. 15 new shares for every hundred existing shares held, as recommended by the Directors.
4. To appoint auditors of the Company and fix their remuneration for the year ending December 31, 2004.

B. OTHER BUSINESS

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

BY ORDER OF THE BOARD

Lahore: March 25, 2004

FARIQ M. K. ROHILLA
Company Secretary

NOTES:

1. Share transfer books of the Company for the entitlement of Cash and Stock Dividend will be closed from April 19, 2004 to April 26, 2004 (both days inclusive).
2. A member entitled to attend and vote at this General Meeting may appoint another person as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney of other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company at 3 – Bank Square, Shahrah-e-Quaid-Azam, Lahore, duly stamped, signed and witnessed not later than forty-eight (48) hours before the meeting.
3. Change of address, if any, should be notified immediately to the Company.

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

A. FOR ATTENDING THE MEETING

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. FOR APPOINTING PROXIES

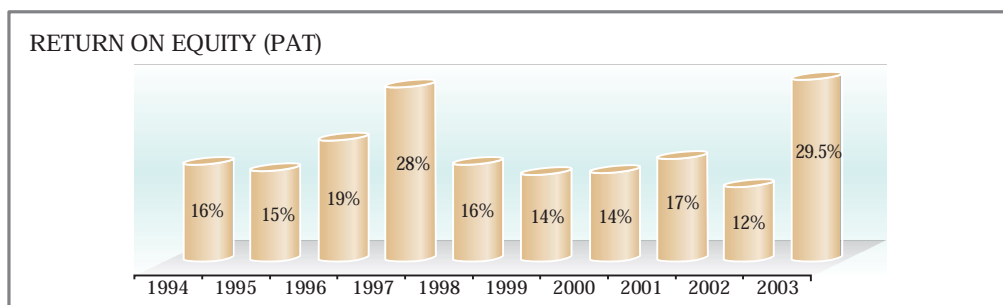
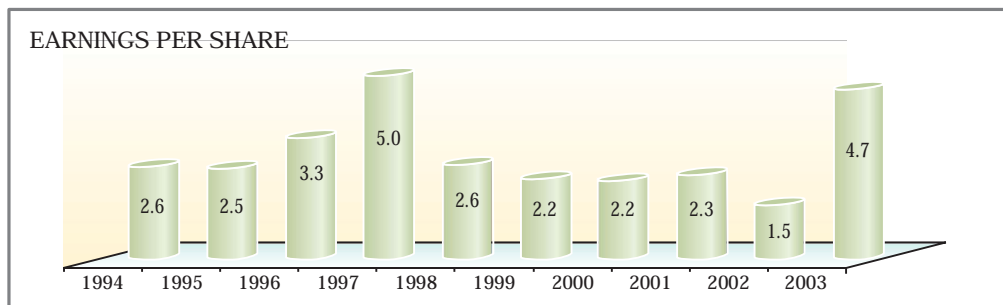
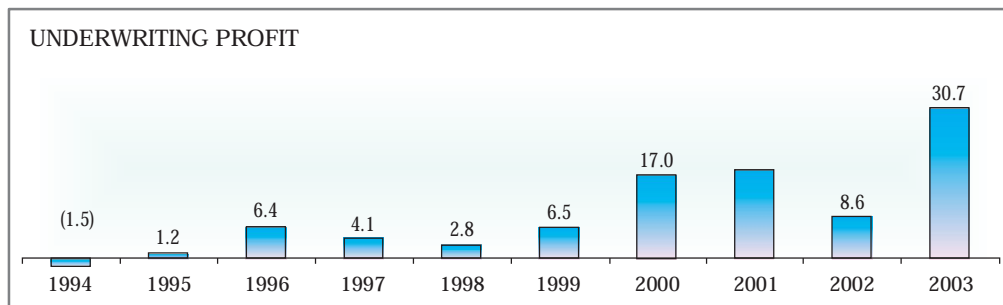
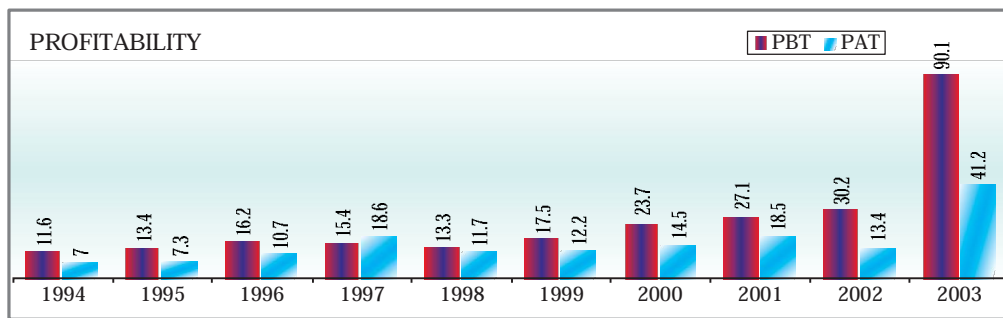
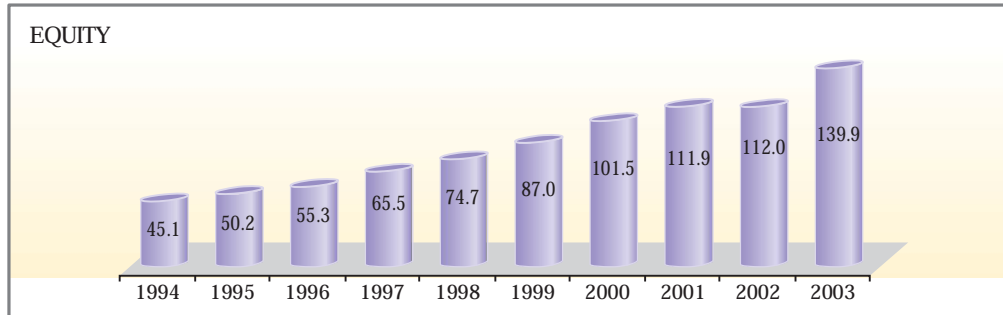
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement.
- ii) The proxy form shall be witnessed by two persons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

TEN YEARS AT A GLANCE
(KEY FINANCIAL DATA)

(Rupees in million)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
FINANCIAL DATA										
Paid-up Capital	88.5	88.5	80.5	67.1	55.9	44.7	37.3	32.4	29.5	26.8
General & Capital Reserves	51.3	23.5	31.4	34.4	31.1	30.0	28.2	22.9	20.7	18.3
Equity	139.9	112.0	111.9	101.5	87.0	74.7	65.5	55.3	50.2	45.1
Underwriting Premium Reserves	33.5	36.4	38.8	32.9	30.6	28.7	29.5	25.2	22.0	14.1
Investments - at Cost	172.1	138.5	106.3	68.6	42.2	40.5	49.4	45.3	66.0	63.3
Total Assets - at Book Value	406.0	337.1	282.6	181.4	160.7	138.9	154.8	143.3	127.2	112.5
Fixed Assets - Net	12.1	14.2	14.1	6.2	5.4	5.8	5.9	4.4	4.0	3.7
Cash and Bank Deposits	15.9	13.2	16.3	13.0	33.8	16.3	53.9	50.8	10.7	7.1
Advances, Deposits and Prepayments	3.7	3.0	6.6	6.3	6.6	5.8	6.0	3.8	3.2	2.1
OPERATING DATA										
Gross Premium	212.7	215.6	196.7	165.3	149.5	131.3	137.1	117.7	93.5	74.1
Net Premium	93.2	97.4	91.1	78.0	74.7	72.6	69.4	59.7	47.0	40.7
Net Claims Paid	18.2	17.5	19.3	16.8	15.2	16.2	17.4	17.0	11.5	11.4
Underwriting Profit	30.7	8.6	18.1	17.0	6.5	2.8	4.1	6.4	1.2	(1.5)
Investment Income	57.7	25.4	6.2	3.9	8.9	9.1	8.0	7.1	10.0	10.4
Profit Before Tax (PBT)	90.1	30.2	27.1	23.7	17.5	13.3	15.4	16.2	13.4	11.6
Profit After Tax (PAT)	41.2	13.4	18.5	14.5	12.2	11.7	18.6	10.7	7.3	7.0
FINANCIAL RATIOS										
Break-up Value per share	15.8	12.7	13.9	15.1	15.6	16.7	17.6	17.1	17.0	16.8
Market Value per share	28.0	19.1	20.0	15.0	14.0	17.0	16.0	18.6	22.0	38.0
Profit Before Tax / Gross Premium (%)	42.4	14.0	13.8	14.3	11.7	10.1	11.2	13.8	14.3	15.7
Profit Before Tax / Net Premium (%)	96.7	31.0	29.7	30.4	23.4	18.3	22.2	27.1	28.5	28.5
Profit After Tax / Gross Premium (%)	19.4	6.2	9.4	8.8	8.2	8.9	13.6	9.1	7.8	9.5
Profit After Tax / Net Premium (%)	44.2	13.8	20.3	18.6	16.3	16.1	26.8	18.0	15.5	17.3
Total Liabilities / Equity (Times)	1.6	2.0	0.9	0.8	0.9	0.9	1.4	1.6	1.5	1.5
Current Ratio (Times)	1.3	1.8	1.5	2.1	2.5	2.4	1.6	1.4	0.9	0.7
Return on Equity - PBT (%)	64.4	27.0	24.2	23.3	20.1	17.8	23.5	29.3	26.7	25.7
Return on Equity - PAT (%)	29.5	12.0	16.6	14.3	14.0	15.6	28.4	19.4	14.5	15.6
Return on Assets (%)	10.3	4.0	8.5	8.0	7.6	8.4	12.0	7.5	5.7	6.2
Return on Capital Employed (%)	13.9	5.1	12.2	8.8	10.4	11.3	19.6	13.3	10.1	11.9
Earnings Per Share (Rs.)	4.7	1.5	2.3	2.2	2.2	2.6	5.0	3.3	2.5	2.6
Total Assets Turnover Ratio (Times)	0.5	0.6	0.7	0.9	0.9	0.9	0.9	0.8	0.7	0.7
Price Earning Ratio (Times)	6.0	12.6	8.7	6.9	6.4	6.5	3.2	5.6	8.9	14.5
Paid-up Capital / Total Assets (%)	21.8	26.3	28.5	37.0	34.8	32.2	24.1	22.6	23.2	23.8
Equity / Total Assets (%)	34.5	33.2	39.6	56.0	54.1	53.8	42.3	38.6	39.5	40.1
Management Expenses / Gross Premium (%)	39.2	37.9	28.0	33.3	35.4	40.0	33.1	30.9	33.4	38.4
DISTRIBUTION										
Cash Dividend (Rs.)	13.3	13.3	8.0	-	-	-	7.5	5.7	2.9	4.0
Cash Dividend (%)	15	15	10	-	-	-	20	18	10	15
Bonus Shares (Rs.)	13.3	-	8.0	13.4	11.1	11.1	7.5	4.8	2.9	3.3
Bonus Shares (%)	15	-	10	20	20	25	20	15	10	12

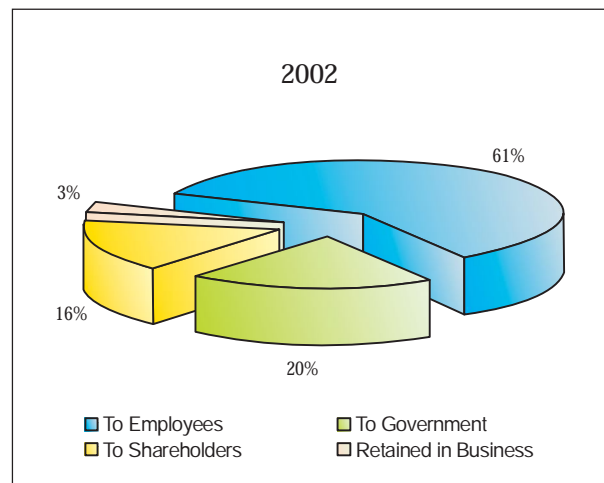
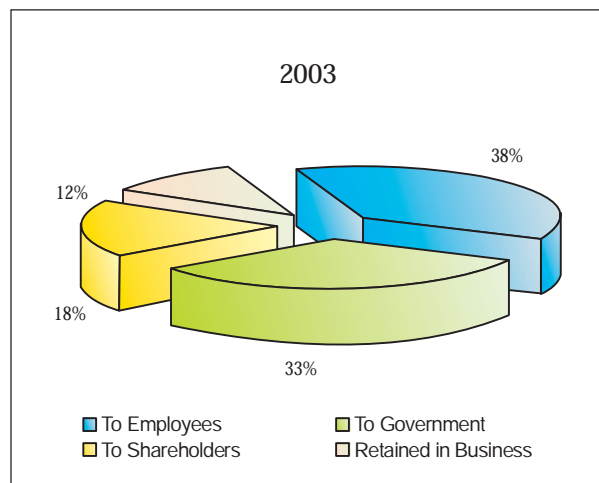
PERFORMANCE AT A GLANCE
GRAPHICAL PRESENTATION

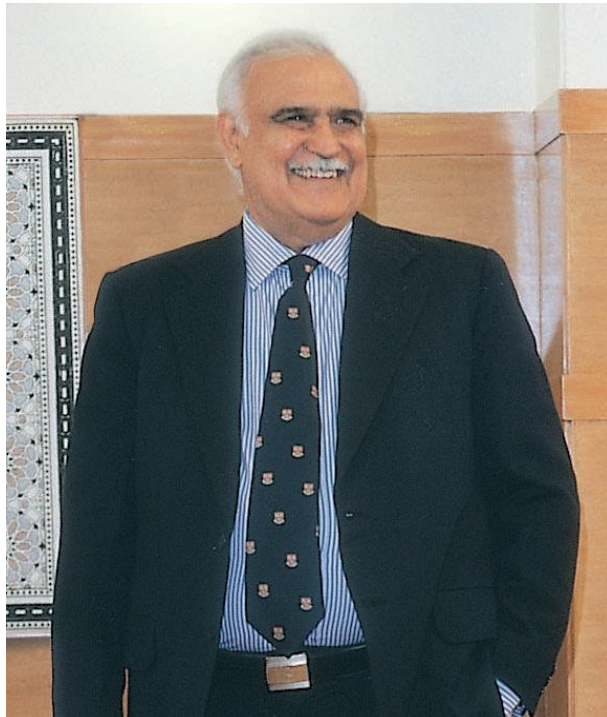


STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION

(Rupees in thousand)

	2003		2002	
	Rupees	%	Rupees	%
WEALTH GENERATED				
Gross Premium	227,282		209,622	
Commission Income	35,465		5,634	
Investment and Other Income	65,798		26,341	
	328,545		241,597	
Management and Other Expenses	180,182		157,978	
	<u>148,363</u>	100.00%	<u>83,619</u>	100.00%
WEALTH DISTRIBUTED				
To Employees	55,747	37.57%	50,863	60.83%
To Government	48,895	32.96%	16,820	20.12%
To Shareholders				
Cash Dividend	13,281	8.95%	13,281	15.88%
Stock Dividend	13,281	8.95%	-	-
	26,562	17.90%	13,281	15.88%
Retained in Business				
Depreciation and Amortization	2,566	1.73%	2,570	3.07%
General Reserves	14,593	9.84%	-	-
Retained Profit	-	-	85	0.10%
	17,159	11.57%	2,655	3.18%
	<u>148,363</u>	100.00%	<u>83,619</u>	100.00%





CHAIRMAN'S REVIEW

It is my pleasure to present to you the 69th Annual Report and Review of the performance of your Company for the year ended 31 December, 2003.

THE ECONOMY

The Pakistan economy is set on growth. Increasing foreign currency reserves, buoyant stock market, growth in agriculture and industrial production, low inflation and low interest rates, and higher revenue collection - all indicate that the economy is getting better.

The GDP growth for the fiscal year 2003-04 is expected to surpass last year's 5.1% and current year's target of 5.3%. It is hoped to be around 5.5% - 6%. In agriculture sector - all major crops production estimates, - sugarcane at 52.6m tones, rice at 4.87m tones, wheat at 20m tones and cotton at 10.3m bales are higher than last year's. The large scale manufacturing growth which was targeted to grow at 8.8% has already registered a broad based growth of 15% during July 2003 to February 2004 period. Exports, during July 2003 to February 2004, have increased

13.8% and imports shown growth of 17.2% during this period. Non-food, non-oil imports basically representing imports of machinery, raw materials and capital goods increased 29.4% during July 2003 to February 2004, indicating rising trend of domestic economic activity.

Against a target of Rs.510 billion for the year 2003-04, and Rs.298m for July 2003 to February 2004 period, the revenue collection was Rs.313.4 billion for 8 months period.

Foreign exchange reserves, which were \$10.72 billion in the beginning of the fiscal year 2003-04, have increased to \$12.52 billion as on March 15, 2004.

The stock market has done well depicting higher level of investors' confidence. The Karachi Stock Exchange 100-Index, which was at 3433 points on July 1, 2003, has crossed 5000 points on March 19, 2004.

THE INSURANCE INDUSTRY

The reinsurers are still passing through the losses coming from 9/11 debacle as well as the world stock markets. The asset base of the reinsurance market shrank due to which the overall reinsurance capacity further reduced resulting in need to inject fresh capital in the majority leading reinsurance companies.

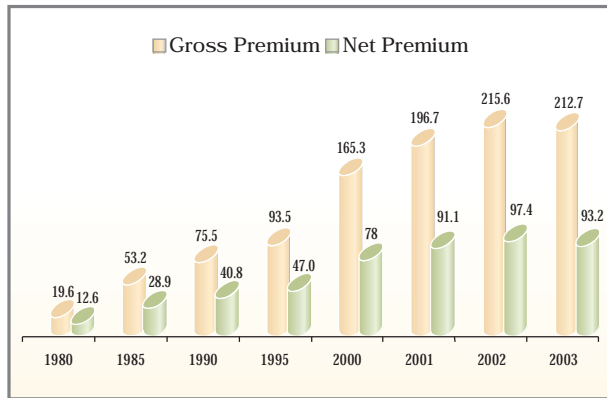
The attitude of the reinsurers became hard and it continues to be almost the same as it was in the preceding year as they continued to reduce reinsurance commissions and increase rate for other covers and structures as well. The insurance companies in Pakistan are also facing the same difficulty from their reinsurers. The brokers maintain that this is the approach generally taken by the reinsurers not only for the Pakistani market but for the overall international market as well.

The recent promulgation of the Insurance Ordinance 2000, which replaced the Insurance Act, 1938, and introduction of the Insurance Rules provide an environment conducive to foster the growth of insurance industry.

THE COMPANY RESULTS

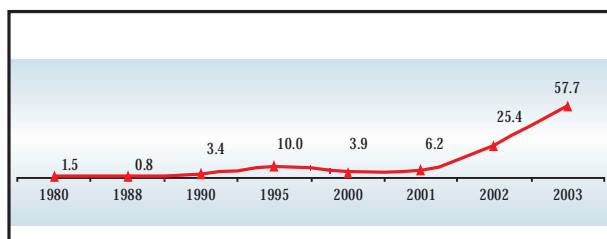
Overall your Company did quite well during the year under review. The gross premium at Rs.212.7m was slightly less than Rs.215.6m of the previous year due to our conservative approach. The net premium at Rs.93.2m was accordingly lower than Rs.97.4m of the last year.

Growth of Premium



The underwriting profit increased substantially to Rs.30.7m from Rs.8.6m of the last year. Investment rose to Rs.172.1m from Rs.138.5m (market value on 31st December'03 was Rs.296.6m). Investment income increased to Rs.57.7m from last year's Rs.25.4m. The improved investment income helped to raise the profitability during the year.

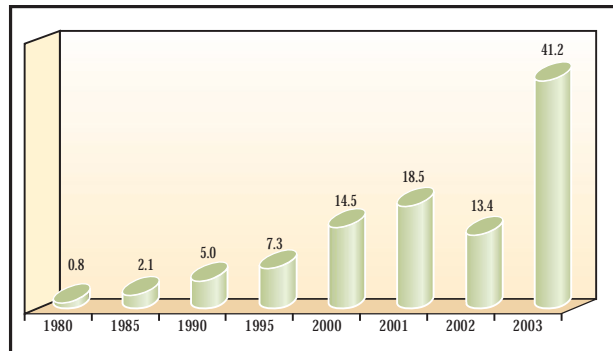
Growth of Investment Income



The net profit before tax increased to Rs.90.1m from Rs.30.2m of the last year, while provision for income tax of Rs.48.9m has been incorporated, which includes Rs.19.3m for the previous years, due to change in tax officer's assessing income what we believe was not taxable. We are in appeal against certain disallowances which we regard are allowable. The net profit after

tax thus stood at Rs.41.2m compared to Rs.13.4m of the last year, a commendable performance, nevertheless.

Growth of Profit After Tax

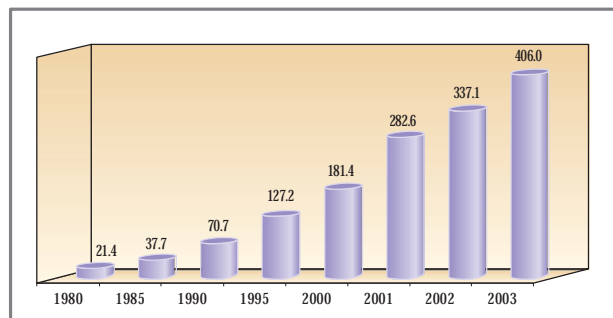


Your Company achieved a return on equity of 29.5% against the last year's 12% and after tax earnings per share of Rs.4.65 against Rs.1.51, last year. The Company contributed a sum of Rs.36.3m towards government exchequer on account of income tax, central excise duty and other government levies during the year. The total Group's contribution of which your company is a constituent member was Rs.7 billion which is over 1% of the Government's total revenue.

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.

Total Assets

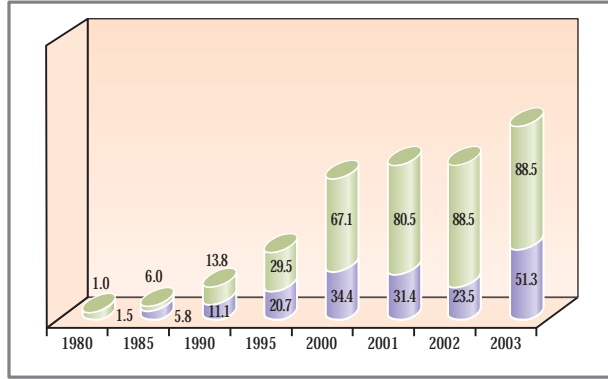
The total assets have grown to Rs.406.0m since the Atlas Group took over the company in 1980.



Your Company ranks amongst the top insurance companies in respect of market share, financial health

and overall performance with assets of Rs.406.0m. Capital and Reserve stood at Rs.139.9m as against Rs.112.0m, last year.

Capital & Reserves



HUMAN RESOURCE

We believe in intellectual capital highly. We believe that well educated and trained staff is valuable capital of the company. As such, your company has continued to invest in development of its manpower over the years. Development and training needs of individuals are identified carefully and their training and growth plans are made. The company's long term and short term growth and operational needs are dovetailed with individuals growth plans. Individuals' abilities and skills are also identified and matched with appropriate jobs or marked for training. In addition to outside exposure, the Group also organized an in-house Managerial Grid Seminar, in which a number of staff members of your company and the Group participated.

Implementation of Hay's management system particularly in objectives setting and individual appraisal system has started giving results. Creation of an identifiable pool of expertise is just one of its advantages. This has given the organization the advantages of drawing on its available but hitherto unidentified pool of resources for its growth and expansion needs. A more scientific and structured approach to performance appraisal, career development and succession planning is now in place.

RATING BY PACRA

The Pakistan Credit Rating Agency (PACRA) has maintained Insurer Financial Strength (IFS) rating of Muslim Insurance Company Ltd. at "A" (single A). The rating denotes strong capacity to meet policyholders and contract obligations. At the same time, risk factors considered moderate, and the impact of adverse and economical factors is expected to be small.

While assigning rating PACRA has recognized company's sound solvency margin, maintained performance, underwriting and adequate liquidity.

MIC WEBSITE

A separate website (www.atlasgroup.pk.com/mic) of Muslim Insurance Company Ltd. was developed during the year under review to allow consolidation of all information relating to the insurance sector. This website will raise awareness about the insurance sector among the general public. The website currently covers information about Muslim Insurance Company Ltd. Its history, types of insurances offered and detail of reinsurers, overview of insurance industry in Pakistan and list of insurers, reinsurers and surveyors. An online complaint system has also been introduced. The website is linked with the SECP.

FUTURE OUTLOOK

Economic indicators are positive and promise an accelerated economic growth. Insurance being a service industry will benefit from this economic growth and prosperity. An estimated economic growth of around 5.5% – 6% for the fiscal year 2003-2004 vis-à-vis 5.1% of the last year, ensures opportunities for insurance industry as well. Your management is well equipped to take advantage of opportunities ahead.

خبر اک ہر من نے کہا ہے کہ یہ سال اچھا ہے۔

(All indicators are that the future is brighter)



ACKNOWLEDGEMENT

Mr. S. C. Subjally the Chief Executive of your company after having served the company for 15 years has opted to focus wholly on setting up a life insurance company for the Group. He will continue to be a member of the Board of Directors, serve as member of the Audit Committee of the company and as an advisor to the Company.

During his tenure the company progressed well. Your company's balance sheet is now one of the best in the industry. On your behalf and on my own behalf I place on record deep appreciation of his service to the company and wish him success in his new assignment.

Mr. Arshad P. Rana, your Chief Operating Officer, has been elevated as Chief Executive Officer of the Company. Mr. Arshad P. Rana is an MBA and has 28 years experience

in the industry – 13 in your company. Mr. Rana is known for his expertise in insurance, honesty and sincerity of purpose. Let us welcome him and wish him a great success in giving your company the right leadership in the ever changing circumstances of the industry.

May I also thank your Board of Directors, the Group President, Mr.Aamir H. Shirazi and the Group Director Financial Services, Mr. Frahim Ali Khan for their 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, 2003.

Following are the overall performance of the company for the year ended December 31, 2003:

	<u>2003</u>	<u>2002</u>
	(Rupees in thousand)	
Gross Premium	212,652	215,603
Net Premium	93,171	97,359
Net Claims paid, outstanding and IBNR	18,196	17,451
Management expenses	86,188	81,697
Profit from underwriting business	30,698	8,593
Investment and other income	65,798	26,341
Financial Results:		
Profit for the year before Tax	90,050	30,186
Profit for the year after Tax	41,155	13,366
Add: Balance B/F from previous year	106	21
Profit Available for appropriation	41,261	13,387
Appropriations:		
Proposed Bonus Shares @ 15% (2002 : @ Nil)	13,281	-
Proposed Dividend @ 15% (2002 : @ 15%)	13,281	13,281
Transferred to General Reserve	14,699	-
Balance Carried Forward	-	106

Earnings per share

Earnings per share after tax is Rs.4.65 (2002 : Rs.1.51)

Dividend

Directors propose cash dividend @ 15% and stock dividend @ 15%.

Chairman's Review

The chairman's review included in the Annual Report deals inter alia with the performance of the company for the year ended December 31, 2003 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of two Executive and five Non-Executive Directors. During the year, Mr. Saquib H. Shirazi, retired from the board and in his place Mr. Aamir H. Shirazi was appointed by the board as Director. All the Non-Executive directors are independent from management.

The Board had five (5) meetings during the year. Attendance by each Director was as follows:

<u>S. No.</u>	<u>Name of Directors</u>	<u>Attendance</u>
1	Mr. Yusuf H. Shirazi	5
2	Mr. Aamir H. Shirazi	2
3	Mr. Iftikhar H. Shirazi	5
4	Mr. Saquib H. Shirazi (Retired during the year)	3
5	Mr. Muhammad Faruque	3
6	Mr. Jawaid Iqbal Ahmed	2
7	Mr. Frahim Ali Khan	4
8	Mr. S.C. Subjally	4

Auditors

The Audit Committee has recommended to appoint Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants as auditors of the Company subject to their eligibility under the law, at the time of appointment at the AGM.

Employees Provident Fund & Gratuity

The value of investment of provident fund as per audited accounts for the year ended December 31, 2003 is Rs.21.1m (December 31, 2002 Rs.20.1m). The value of investment of Gratuity Fund as per audited accounts for the year ended June 30, 2003 is Rs.2.7m (December 31, 2002 Rs.2.6m).

Compliance with Code of Corporate Governance

Your Board is pleased to announce that the Company has adopted and complied with the Code of Corporate Governance as per the provisions set out by the Securities and Exchange Commission of Pakistan (SECP) and the consequent listing regulations of the Lahore and Karachi Stock Exchanges, on which the Company is listed. Statement regarding compliance of Corporate Governance is annexed.

Statement of Directors' Responsibilities

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the company's overall objectives. The board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and the listing rules of the Stock Exchanges.

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 judgment.

Application of International Accounting Standards

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

Internal Control System

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

Going Concern

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

Audit Committee

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

The committee constituted of the following Directors:

Mr. Jawaid Iqbal Ahmed (Chairman)	(Non-Executive Director)
Mr. Iftikhar H. Shirazi	(Non-Executive Director)
Mr. Frahim Ali Khan	(Non-Executive Director)

Group Executive Committee

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

Group Personnel Committee

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

Group Systems & Technology Committee

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

Investment Committee

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

Underwriting Committee

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



Claims Settlement Committee

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

Re-Insurance & Co-Insurance Committee

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

Pattern of Shareholding

The pattern of shareholding of the company is annexed

Operating and Financial Data

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

Code of Business Principles

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

Communication

Communication with the shareholders is given a high priority. Annual, Half yearly and Quarterly Reports are distributed to them within the time specified by the Companies Ordinance, 1984. The company also has a web site (www.atlasgrouppk.com), which contains up to date information of the company and other group companies.

Outstanding Statutory Payments

All outstanding payments are of normal and routine nature.

Trading of Shares

No trading of shares has been made by the Directors, Chief Executive, Executives, Chief Financial Officer, Company Secretary and their spouses.

Safety and Environment

The company follows the safety and environment rules and regulations.

For and on behalf of the
Board of Directors

S. C. Subjally
Chief Executive

Lahore: March 25, 2004

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2003

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes five independent non-executive directors out of seven directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred in the Board during the year ended 2003.
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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are aware about their fiduciary responsibilities and have attended orientation courses.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' report 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 CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of Company other than that disclosed in the pattern of shareholding.



Muslim Insurance Company Limited

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 least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed Underwriting, Claims Settlement, Re-Insurance and Co-Insurance Committees.
18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive

Chairman

Lahore: March 25, 2004

**STATEMENT OF COMPLIANCE WITH THE
BEST PRACTICES ON TRANSFER PRICING**
For the year ended December 31, 2003

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

Chief Executive

Chairman

Lahore: March 25, 2004



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

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable for the year ended December 31, 2003.

Lahore: March 25, 2004

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising;

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

of Muslim Insurance Company Limited as at December 31, 2003 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;
- (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, 2003 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.

BALANCE SHEET

	Notes	2003 (Rupees in thousand)	2002
Share Capital and Reserves			
Authorized share capital 15,000,000 (2002: 15,000,000) ordinary shares of Rs. 10/- each		150,000	150,000
Paid-up share capital	6	88,542	88,542
Retained earnings		-	106
Reserves	7	51,345	23,365
		139,887	112,013
Underwriting Provisions			
Provision for outstanding claims (including IBNR)	8	71,755	42,540
Provision for unearned premium		70,031	84,661
Commission income unearned		5,737	15,219
Total underwriting provisions		147,523	142,420
Deferred Liabilities			
Staff retirement benefits	9	3,506	2,651
Creditors and Accruals			
Premiums received in advance		381	212
Amounts due to other insurers / reinsurers	10	47,477	37,667
Accrued expenses		13,333	9,742
Taxation - Provision less payments		28,347	8,277
Other creditors	11	4,329	3,163
		93,867	59,061
Other Liabilities			
Deposits against performance bonds		1,391	1,391
Dividend	12	15,003	14,679
Obligations against assets subject to finance lease	13	4,847	4,891
		21,241	20,961
TOTAL LIABILITIES		266,137	225,093
TOTAL EQUITY AND LIABILITIES		406,024	337,106
CONTINGENCIES AND COMMITMENTS	14	-	-

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

FINANCIAL YEAR ENDED DECEMBER 31, 2003

	Notes	<u>2003</u> (Rupees in thousand)	<u>2002</u>
Cash and Bank Deposits			
Cash and other equivalent	15.1	-	1
Current and other accounts	15.2	15,890	11,627
Deposits maturing within 12 months	15.3	-	1,601
		15,890	13,229
Loans			
To employees	16	1,009	885
Investments	17	172,057	138,496
Other Assets			
Premiums due but unpaid-unsecured, considered good	10	37,203	18,592
Amounts due from other insurers / reinsurers	10	59,294	64,939
Accrued investment income	18	3,359	3,538
Reinsurance recoveries against outstanding claims	8	61,568	31,715
Deferred commission expense		3,698	-
Prepayments	19	38,660	49,888
Sundry receivables	20	1,182	1,351
		204,964	170,023
Fixed Assets			
Tangible			
Land and Buildings	21	5,321	5,540
Furniture, Fixtures and Office Equipment		2,566	3,752
Motor Vehicles		4,217	4,926
		12,104	14,218
Intangible			
License fee for software	22	-	255
TOTAL ASSETS		<u>406,024</u>	<u>337,106</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, 2003

Notes	Fire & Property	Marine, Aviation & Transport	Motor	Misc.	Current year Aggregate 2003	Prior Year Aggregate 2002	
	(Rupees in thousand)						
Revenue Account							
Net Premium Revenue	4,660	65,546	19,732	3,233	93,171	97,359	
Net Claims	(4,804)	(3,775)	(8,327)	(1,290)	(18,196)	(17,451)	
Expenses	23	(1,982)	(56,872)	(18,595)	(79,742)	(76,949)	
Net Commission		10,313	24,563	509	80	35,465	5,634
Underwriting result		8,187	29,462	(6,681)	(270)	30,698	8,593
Investment Income					57,675	25,381	
Rental Income					748	575	
Other Income	24				7,375	385	
General and administration expenses	25				(3,787)	(3,870)	
Financial Charges	26				(1,141)	(878)	
Other charges	21.1				(1,518)	-	
Profit before tax					90,050	30,186	
Provision for Taxation	27				(48,895)	(16,820)	
Profit after tax					41,155	13,366	
Profit and Loss Appropriation Account							
Balance at commencement of year					106	21	
Profit after tax for the year					41,155	13,366	
Proposed Dividend Rs. 1.50 (2002: Rs.1.50) per share					(13,281)	(13,281)	
Transfer to reserves for bonus shares					(13,281)	-	
Transfer to reserves					(14,699)	-	
					(106)	85	
Balance Unappropriated Profit at the end of Year					-	106	
Basic earnings per share	28				4.65	1.51	

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

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED DECEMBER 31, 2003

	Current Year	Prior Year
	(Rupees in thousand)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	194,210	207,116
Reinsurance premiums paid	(106,940)	(122,038)
Claims paid	(43,704)	(32,914)
Reinsurance and other recoveries received	24,870	18,849
Commissions paid	(11,361)	(12,859)
Commissions received	43,128	38,048
Net cash flow from underwriting activities	100,203	96,202
b) Other operating activities		
Income tax paid	(28,825)	(16,883)
General management expenses paid	(86,080)	(70,143)
Other operating receipts	6,961	3,986
Loans advanced	(382)	(620)
Loans repayments received	258	663
Net cash flow from other operating activities	(108,068)	(82,997)
Total cash flow from all operating activities	(7,865)	13,205
Investment activities		
Profit / Return received	6,061	6,399
Dividends received	16,188	12,577
Rentals received	792	597
Payments for investments	(95,435)	(28,939)
Proceeds from disposal of investments	98,360	3,812
Fixed Capital Expenditure	(475)	(2,009)
Proceeds from disposal of fixed assets	544	595
Total cash inflow / (outflow) from investing activities	26,035	(6,968)
Financing activities		
Dividends paid	(12,957)	(7,591)
Financial charges paid	(1,141)	(878)
Payments on finance leases	(1,411)	(806)
Total cash flow from financing activities	(15,509)	(9,275)
Net cash inflow / (outflow) from all activities	2,661	(3,038)
Cash at the beginning of the year	13,229	16,267
Cash at the end of the year	15,890	13,229

Reconciliation to Profit and Loss Account

	Current Year	Prior Year
	(Rupees in thousand)	
Operating cash flows	(7,865)	13,205
Depreciation expense	(2,311)	(2,570)
Amortisation of Intangible asset	(255)	(255)
Fixed Asset written off	(1,518)	-
Financial charges expense	(1,141)	(878)
Profit on disposal of fixed assets	417	349
Gain on investment	36,486	912
Increase in assets other than cash	31,546	40,234
Increase in liabilities other than running finance	(14,204)	(37,631)
Profit after taxation	41,155	13,366
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalent		
Stamps in hand	-	1
Current and other account		
Current accounts	15,890	11,627
Deposits maturing within 12 months		
Term deposit receipt with banks	-	1,601
	15,890	13,229

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

S. C. Subjally
Chief Executive

Frahim Ali Khan
Director

Iftikhar H. Shirazi
Director

Yusuf H. Shirazi
Chairman

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2003

	SHARE CAPITAL	CAPITAL RESERVES				REVENUE RESERVES			Unappropriated Profit	Total
	Issued, Subscribed and Paid up	Capital Reserve	Reserve for Exceptional Losses	Reserve for issue of Bonus Share	Sub Total	General Reserve	Investment Fluctuation Reserve	Sub Total		
	(Rupees in thousand)									
Balance as on January 01, 2002	80,493	2,251	2,164	8,049	12,464	15,950	3,000	18,950	21	111,928
Bonus shares issued	8,049	-	-	(8,049)	(8,049)	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	13,366	13,366
Proposed dividend	-	-	-	-	-	-	-	-	(13,281)	(13,281)
Balance as on December 31, 2002	88,542	2,251	2,164	-	4,415	15,950	3,000	18,950	106	112,013
Bonus shares issued	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	41,155	41,155
Transferred to reserve for issue of bonus shares	-	-	-	13,281	13,281	-	-	-	(13,281)	-
Proposed dividend	-	-	-	-	-	-	-	-	(13,281)	(13,281)
Transfer to general reserve	-	-	-	-	-	14,699	-	14,699	(14,699)	-
Balance as on December 31, 2003	88,542	2,251	2,164	13,281	17,696	30,649	3,000	33,649	-	139,887

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

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, 2003

December 31, 2003									December 31, 2002	
Business underwritten inside Pakistan	Premium Written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid Reinsurance premium ceded		Reinsurance expense	Net premium revenue	Net premium revenue
		Opening	Closing			opening	closing			
(R u p e e s i n t h o u s a n d)										
Direct and Facultative										
Class										
Fire and Property Damage	59,582	28,066	32,760	54,888	48,768	25,138	21,121	52,785	2,103	13,644
Marine, Aviation and Transport	108,552	39,541	15,206	132,887	64,437	19,096	10,996	72,537	60,350	52,111
Motor	31,299	10,057	16,758	24,598	4,621	1,926	1,681	4,866	19,732	19,821
Miscellaneous	8,625	2,736	5,005	6,356	4,569	2,119	2,765	3,923	2,433	1,419
Total	208,058	80,400	69,729	218,729	122,395	48,279	36,563	134,111	84,618	86,995
Treaty										
Proportional										
Fire	941	1,628	12	2,557	-	-	-	-	2,557	3,192
Marine	3,112	2,084	-	5,196	-	-	-	-	5,196	5,441
Miscellaneous	541	549	290	800	-	-	-	-	800	1,731
Total	4,594	4,261	302	8,553	-	-	-	-	8,553	10,364
Grand Total	212,652	84,661	70,031	227,282	122,395	48,279	36,563	134,111	93,171	97,359

December 31, 2002									December 31, 2001	
Business underwritten inside Pakistan	Premium Written	Unearned premium reserve		Premium earned	Reinsurance ceded	Prepaid Reinsurance premium ceded		Reinsurance expense	Net premium revenue	Net premium revenue
		Opening	Closing			opening	closing			
(R u p e e s i n t h o u s a n d)										
Direct and Facultative										
Class										
Fire and Property Damage	70,873	25,761	28,066	68,568	62,844	17,218	25,138	54,924	13,644	19,954
Marine, Aviation and Transport	101,400	37,580	39,541	99,439	47,741	18,683	19,096	47,328	52,111	40,584
Motor	25,715	8,880	10,057	24,538	4,816	1,827	1,926	4,717	19,821	18,706
Miscellaneous	6,965	2,484	2,736	6,713	5,298	2,115	2,119	5,294	1,419	1,746
Total	204,953	74,705	80,400	199,258	120,699	39,843	48,279	112,263	86,995	80,990
Treaty										
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	215,603	78,680	84,661	209,622	120,699	39,843	48,279	112,263	97,359	91,141

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

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, 2003

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

		December 31, 2002							December 31, 2001		
		Claims paid	Outstanding Claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries Revenue	Net claims expense	Net claims expense
			Opening	Closing			Opening	Closing			
(Rupees in thousands)											
Business underwritten inside Pakistan											
Direct and											
Facultative	Class										
	Fire and Property Damage	10,618	11,668	17,267	16,217	10,094	11,261	16,670	15,503	714	1,485
	Marine, Aviation and Transport	6,908	5,505	9,059	10,462	6,091	4,707	8,092	9,476	986	1,843
	Motor	11,302	3,207	5,972	14,067	1,711	560	916	2,067	12,000	9,434
	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	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 financial statements.

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, 2003

		December 31, 2003						December 31, 2002		
Business underwritten inside Pakistan		Commissions paid or payable	Opening Deferred commission	Closing Deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	Net underwriting expense
		(R u p e e s i n t h o u s a n d)								
Direct and Facultative										
Class										
	Fire and Property Damage	4,384	-	2,669	1,715	1,982	3,697	13,314	(9,617)	6,507
	Marine, Aviation and Transport	2,560	-	225	2,335	56,872	59,207	28,171	31,036	40,732
	Motor	1,041	-	560	481	18,595	19,076	990	18,086	18,056
	Miscellaneous	414	-	244	170	2,293	2,463	653	1,810	1,306
	Total	8,399	-	3,698	4,701	79,742	84,443	43,128	41,315	66,601
Treaty										
	Proportional									
	Fire	1,286	-	-	1,286	-	1,286	-	1,286	1,512
	Marine	1,273	-	-	1,273	-	1,273	-	1,273	2,538
	Miscellaneous	403	-	-	403	-	403	-	403	664
	Total	2,962	-	-	2,962	-	2,962	-	2,962	4,714
	Grand Total	11,361	-	3,698	7,663	79,742	87,405	43,128	44,277	71,315

		December 31, 2002						December 31, 2001		
Business underwritten inside Pakistan		Commissions paid or payable	Opening Deferred commission	Closing Deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	Net underwriting expense
		(R u p e e s i n t h o u s a n d)								
Direct and Facultative										
Class										
	Fire and Property Damage	6,705	-	-	6,705	12,068	18,773	12,266	6,507	17,367
	Marine, Aviation and Transport	3,759	-	-	3,759	46,093	49,852	9,120	40,732	22,357
	Motor	1,314	-	-	1,314	17,532	18,846	790	18,056	8,163
	Miscellaneous	703	-	-	703	1,256	1,959	653	1,306	1,543
	Total	12,481	-	-	12,481	76,949	89,430	22,829	66,601	49,430
Treaty										
	Proportional									
	Fire	1,512	-	-	1,512	-	1,512	-	1,512	870
	Marine	2,538	-	-	2,538	-	2,538	-	2,538	2,521
	Miscellaneous	664	-	-	664	-	664	-	664	954
	Total	4,714	-	-	4,714	-	4,714	-	4,714	4,345
	Grand Total	17,195	-	-	17,195	76,949	94,144	22,829	71,315	53,775

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

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, 2003

	<u>Current Year</u>	<u>Prior Year</u>
	(Rupees in thousand)	
Held - to - Maturity		
Return on Fixed Income Securities and Deposits	6,153	6,234
Available - for - sale		
Return on N.I.T and U.T.P.	225	34
Dividend Income		
Associated undertakings	6,428	7,109
Others	9,264	4,939
	15,692	12,048
Gain on sale of investments	36,486	912
Provision for Impairment in the Value of Investments written back		
Available for sale	-	6,071
Held to maturity	-	202
	-	6,273
Less: Investment related expenses	881	120
Net Investment Income	57,675	25,381

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

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, 2003

(Rupees in thousand)

CLASS OF ASSETS	Current year		Prior year		Remarks
	Cost or Book Value	Market Value	Cost or Book Value	Market Value	
NIT Units Deposite with State Bank of Pakistan	350	755	350	438	As per published quotation
Shares of Companies incorporated in Pakistan (including NIT Units)	171,707	295,855	138,146	194,758	As per published quotation
Freehold Land	1,168	2,336	1,168	2,336	Realisable value as per valuation report (dated March 22, 1984) of Licenced Architect.
Building on Freehold Land	4,153	7,767	4,372	7,767	-do-
Cash on deposits in Banks	-	-	1,601	1,601	At realisable Value
Cash in hand, on Current Account with the Banks	15,890	15,890	11,628	11,628	-do-
Agents' Balances and outstanding premiums	37,203	37,203	18,592	18,592	-do-
Outstanding and Accrued interest	3,359	3,359	3,538	3,538	-do-
Amount due from other persons or bodies carrying on insurance business	59,294	59,294	64,939	64,939	-do-
Advances, Deposits and Prepayments	39,842	39,842	51,239	51,239	-do-
Furniture, Office Equipment and Vehicles	6,783	6,783	8,678	8,678	-do-

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED DECEMBER 31, 2003

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

4. BASIS OF MEASUREMENT

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Underwriting Provisions

5.1.1 Provision for outstanding claims

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

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

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

5.1.2 Provision for unearned premium

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

As discussed below, the company has opted for the 1/24th method to calculate provision for unearned premium, as per the option given under S.R.O. 938.

Change in accounting estimate

Effective from the current year, the company has adopted the 1/24th method to calculate provision for unearned premium, to comply with the relevant provisions of S.R.O. 938. Previously, the company was maintaining a reserve for unexpired risk at the end of the year at the rate of 40 percent of the premium income, for that year.

The above change in the accounting estimate resulted in an increase in profit before tax for the current year to the tune of Rs.1.624 million. Had the company not changed the accounting basis, as mentioned above, profit after tax for the current year and retained earnings at the end of the year would have been lower by Rs.1.056 million whereas provision for unearned premium at the end of the year would have been higher by Rs.1.624 million.

5.1.3 Commission income

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

Change in accounting estimate

Effective from the current year, the company has adopted the 1/24th method to calculate provision for unearned commission income, to comply with the relevant provisions of S.R.O. 938. Previously, the company was maintaining a reserve for the same at the end of the year at the rate of 40 percent of the prepaid premium ceded at the year end.

The above change in the accounting estimate resulted in an increase in profit before tax for the current year to the tune of Rs.4.512 million. Had the company not changed the accounting basis, as mentioned above, profit after tax for the current year and retained earnings at the end of the year would have been lower by Rs.2.933 million whereas provision for unearned premium at the end of the year would have been higher by Rs.4.512 million.

5.1.4 Premium deficiency reserve

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

Keeping in view the adequacy of the reserves on December 31, 2003, in line with the aforementioned provisions of the Rules, the Premium Deficiency Reserve is not required, and accordingly no provision for the same has been made in the financial statements of the current year.

5.2 Staff Retirement Benefits

5.2.1 Defined contribution plan

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

5.2.2 Defined benefit plan

The company operates two separate funded gratuity schemes (defined benefit plans) in respect of the all permanent employees (management and non - management) to which the company makes contribution on the basis of recommendations made by the actuary. The latest actuarial valuation was carried out as at December 31, 2003, using the Projected Unit Credit Method.

Following significant assumptions were used for the actuarial valuation:

- Discount rate	7% per annum compound
- Expected rate increase in salaries	5% per annum
- Expected return on the plan assets	7% per annum

The amounts recognized in balance sheet are as follows:

	Management Staff		Non - Management Staff	
	2003	2002	2003	2002
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligation	6,363	7,247	1,746	-
Fair value of plan assets	(3,391)	(1,372)	(2,334)	-
Deficit / (surplus)	2,972	5,875	(588)	-
Unrecognised actuarial gain	1,111	640	11	-
Unrecognised prior service cost	-	(385)	-	-
Net liability / (asset) for balance sheet	<u>4,083</u>	<u>6,130</u>	<u>(577)</u>	<u>-</u>
Movements in the net liability recognized in the balance sheet are as follows:				
Opening balance	6,130	2,123	97	-
Charge / (income) for the year	1,130	4,007	(478)	-
Expenses paid directly by the company	(656)	-	(196)	-
Amount vested to the group fund	(2,521)	-	-	-
Closing balance	<u>4,083</u>	<u>6,130</u>	<u>(577)</u>	<u>-</u>

The following amounts have been charged in the profit and loss account for the year 2003 in respect of these benefits:

	Management Staff		Non - Management Staff	
	2003	2002	2003	2002
	(Rupees in thousand)		(Rupees in thousand)	
Current service cost	353	707	184	-
Interest cost	397	154	116	-
Expected return on assets	(5)	(94)	(131)	-
Recognition of transitional asset	-	(1,270)	(647)	-
Past service cost	385	4,510	-	-
Total cost / (income) to be recognized	<u>1,130</u>	<u>4,007</u>	<u>(478)</u>	<u>-</u>
Actual return on plan assets	<u>639</u>	<u>493</u>	<u>211</u>	<u>218</u>

Change in accounting estimate

During the current year, the company changed its accounting estimate in respect of its funded gratuity scheme, for non - management staff, as result of an actuarial valuation, carried out as at the balance sheet date, in accordance with the requirements of the International Accounting Standard (IAS) 19, "Employees Benefits" whereby, with effect from the current year, Projected Unit Credit Method is used for determining staff gratuity as opposed to prior years when the same was determined on the basis of last drawn salary for each completed year of service.

The above change in accounting estimate resulted in an increase in profit before tax for the current year by Rs.0.787 million. Had the company not changed the accounting estimate, as mentioned above, profit after tax for the current year and retained earning would have been lower by Rs.0.512 million, and sundry receivables at the end of the year would have been lower by Rs.0.787 million.

5.2.3 Compensated absences

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

5.3 Taxation

5.3.1 Current

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

5.3.2 Deferred

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

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

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

5.4 Cash and Cash Equivalents

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

5.5 Loans

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

5.6 Investments

5.6.1 Recognition

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

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

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

5.6.2 Measurement

5.6.2.1 Held - to - Maturity

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

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

5.6.2.2 Available - for - Sale - Marketable Securities

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

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

5.7 Amount Due to / from Other Insurers / Reinsurers

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

5.8 Deferred Commission Expense

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

Change in accounting estimate

In accordance with S.R.O. 938, the company, with effect from the current year, changed its method for calculating reserve for deferred commission. Henceforth, the company has adopted the 1/24th method to calculate the reserve for the deferred commission. Previously, the company was recognising the amount of commission as an expense at the inception of the underlying policy.

The above change in the accounting basis resulted in an increase in profit before tax for the current year by Rs.3.678 million. Had the company not changed the accounting estimate, as mentioned above, profit after tax for the current year and retained earnings at the end of the year would have been lower by Rs.2.391 million whereas reserve for deferred commission at the end of the year would have been lower by Rs.3.678 million.

5.9 Fixed Assets

5.9.1 Tangible

5.9.1.1 Owned

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

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

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

5.9.1.2 Leased

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

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

5.9.2 Intangible

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

5.10 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a

result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

5.11 Foreign Currency Translation

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

5.12 Financial Instruments

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

5.13 Offsetting of Financial Assets and Financial Liabilities

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

5.14 Related Party Transactions

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

5.15 Revenue Recognition

5.15.1 Premium income earned

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

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

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

Premiums for policies receivable in instalments are recognized as receivable at the

inception of the policy and is recognised as income over the period of the policy, in accordance with the provisions of the S.R.O. 938.

5.15.2 Dividend income and bonus shares

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

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

5.15.3 Income on fixed income investments

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

5.15.4 Commission income

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

5.15.5 Administrative Surcharge

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

5.15.6 Rental and other income

Rental and other income is recognised on accrual basis.

5.16 Management Expenses

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

5.17 Reinsurance Expenses

Premium ceded to reinsurers is recognised as expense as follows:

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

5.18 Pakistan Reinsurance Company Limited (PRCL) Retrocession

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

5.19 Segment reporting

Primary segments

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

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

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

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

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

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

6. PAID-UP SHARE CAPITAL

Issued, subscribed and fully paid:

<u>2003</u> (Number of Shares)	<u>2002</u> (Number of Shares)		<u>2003</u> (Rupees in thousand)	<u>2002</u> (Rupees in thousand)
250,000	250,000	Ordinary shares of Rs.10 each fully paid in cash	2,500	2,500
8,604,270	8,604,270	Ordinary shares of Rs.10 each issued as fully paid bonus shares	86,042	86,042
<u>8,854,270</u>	<u>8,854,270</u>		<u>88,542</u>	<u>88,542</u>

As at December 31, 2003, Shirazi Investments (Private) Limited, an associated undertaking, held 3,825,651 (2002: 3,825,651) ordinary shares of Rs.10/- each.

	Notes	<u>2003</u> (Rupees in thousand)	<u>2002</u>
7. RESERVES			
Capital Reserves			
Capital reserve		2,251	2,251
Reserve for exceptional losses	7.1	2,164	2,164
		4,415	4,415
Reserve for issue of bonus shares		13,281	-
		<u>17,696</u>	<u>4,415</u>
Revenue Reserves			
General reserve		30,649	15,950
Investment fluctuation reserve	7.2	3,000	3,000
		33,649	18,950
		<u>51,345</u>	<u>23,365</u>

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

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

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

The net outstanding claims at the end of the year have been worked out to Rs.9.810 (2002: Rs.10.825) million. As per the policy, being followed by the company consistently over the years, no provision of claims has been made, where the quantum of loss is not known.

9. STAFF RETIREMENT BENEFITS

Staff Provident Fund	-	199
Staff Gratuity	3,506	2,452
	<u>3,506</u>	<u>2,651</u>

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

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

Premium due but unpaid includes an amount of Rs.27.295 (2002: Rs.14.755) million, receivable from associated undertakings.

2003 2002
(Rupees in thousand)

11. OTHER CREDITORS

Federal Insurance Fee payable	1,066	729
Central Excise Duty payable	2,827	1,832
Tax deducted at source	20	170
Other creditors	416	432
	4,329	3,163
	4,329	3,163

12. DIVIDEND

Unclaimed Dividend	1,722	1,398
Proposed Dividend	13,281	13,281
	15,003	14,679
	15,003	14,679

13. OBLIGATIONS AGAINST ASSETS SUBJECT TO FINANCE LEASE

The average rate of interest implicit in these leases ranges from 10.50% to 20% (2002: 17% to 20%) per annum. The amount of future payments and the periods in which they fall due are;

year ended December 31, 2003	-	1,872
year ending December 31, 2004	2,326	1,872
year ending December 31, 2005	2,321	1,867
year ending December 31, 2006	924	679
year ending December 31, 2007	133	-
	5,704	6,290
Less: Future financial charges	857	1,399
Present value of minimum lease payments	4,847	4,891
Less: Current maturity	1,754	1,159
	3,093	3,732

13.1 Minimum lease payments and their present values are regrouped as follows;

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	(Rupees in thousand)		(Rupees in thousand)	
	2003	2002	2003	2002
Not later than one year	2,326	1,872	1,754	1,159
Later than one year but not later than five year	3,378	4,418	3,093	3,732
	5,704	6,290	4,847	4,891

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.

14. CONTINGENCIES AND COMMITMENTS CLAIMS NOT ACKNOWLEDGED AS DEBT

Claim for recovery of approximately Rs. 5.70 (2002: Rs. 5.70) millions under guarantees has been lodged but is not accepted by the Company. The suits filed in this connection by the Claimant so far have been dismissed for lack of proper jurisdiction by the various Courts. The Company is advised by its lawyers that since the underlying basis of such claims is untenable, the possibility of any liability arising is unlikely. However the company has provided for the net liability of the claim after reinsurance.

	<u>2003</u>	<u>2002</u>
	(Rupees in thousand)	
15. CASH AND BANK DEPOSITS		
15.1 Cash and Other equivalents		
Stamps in Hand	-	1
15.2 Current and Other Accounts		
Current Accounts	15,890	11,627
15.3 Deposits maturing within 12 months		
Term Deposit Receipt with banks	-	1,601
16. LOANS		
Secured;		
Executives	875	754
Others	134	131
	1,009	885
Less: Current maturity	283	258
	726	627

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

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

Outstanding for period exceeding three years	198	220
Others	528	407
	726	627

17. INVESTMENTS
**HELD TO MATURITY
TERM FINANCE CERTIFICATES**

Number of Certificates 2003	2002	Face Value (Rupees)	Company's Name	Book Value	
				2003 (Rupees in thousand)	2002
ASSOCIATED UNDERTAKING					
2,004	2,004	5,000	Atlas Investment Bank Limited	10,116	10,120
OTHERS					
600	600	5,000	Bank Al-Falah Limited	2,999	3,000
1,000	1,000	5,000	Dewan Salman Fiber Limited	3,756	5,007
1,338	1,338	5,000	Engro Chemical Limited	6,685	6,687
500	500	5,000	Orix Leasing Company Limited	2,453	2,528
2,000	2,000	5,000	Pakistan PTA Limited	9,992	9,996
1,000	1,000	5,000	KASB Leasing Company Limited	4,999	5,000
1,000	1,000	5,000	Pak Arab Refinery Limited	5,071	5,073
400	400	5,000	Union Leasing Limited	1,999	2,000
				37,954	39,291
				48,070	49,411
AVAILABLE FOR SALE					
OTHERS					
Number of Units					
180	180	10	Unit Trust of Pakistan	1,004	1,004
350,387	327,808	10	National Investment Trust units (refer note 17.1)	4,701	4,209
				5,705	5,213
ORDINARY QUOTED SHARES					
Number of Shares					
ASSOCIATED UNDERTAKINGS					
579,415	579,415	10	Atlas Honda Limited Equity Held : 2.835 %	7,033	7,033
141,768	141,768	10	Allwin Engineering Industries Limited Equity Held : 2.873%	1,549	1,549
57,270	49,800	10	Atlas Battery Limited Equity Held : 1.744% (2002: 1.831%)	220	220
197,377	179,434	10	Atlas Investment Bank Limited Equity Held : 0.562 % (2002: 0.562 %)	2,831	2,831
250,000	250,000	10	Honda Atlas Cars Pakistan Limited Equity Held : 0.595% (2002: 0.595%)	3,932	3,932
78,941	78,941	10	Cherat Cement Company Limited Equity Held : 0.148% (2002: 0.164%)	2,881	2,881
57,000	57,000	10	Cherat Paper Sack Limited Equity Held : 1.397% (2002: 1.397%)	3,264	3,264
20,058	277,558	10	Sui Southern Gas Company Limited Equity Held : 0.0299% (2002: 0.413%)	287	3,969
				21,997	25,679

Number of Shares 2003	Number of Shares 2002	Face Value (Rupees)	Company's Name	Book Value	
				2003	2002
				(Rupees in thousand)	
OTHERS					
-	79,200	10	LEASING Askari Leasing Limited	-	1,212
				-	1,212
			INVESTMENT COMPANIES / BANKS		
90,195	85,900	10	Askari Commercial Bank Limited	2,407	1,355
406,521	353,497	10	Muslim Commercial Bank Limited	16,266	6,894
-	1,000	10	Orix Investment Bank Limited	-	8
				18,673	8,257
			TEXTILE COMPOSITE		
-	89,000	10	Nishat Mills Limited	-	2,331
				-	2,331
			SYNTHETIC AND RAYON		
-	193,750	10	Ibrahim Fiber Limited	-	2,743
				-	2,743
			CEMENT		
-	5,500	10	Dadex Eternit (Asbestos)	-	199
				-	199
			FUEL ENERGY		
14,000	14,000	10	National Refinery Limited	446	446
-	70,294	10	Sui Northern Gas Limited	-	859
30,000	15,600	10	Pakistan State Oil Company Limited	7,041	2,317
-	23,400	10	Shell Pakistan Limited	-	5,355
410,000	140,000	10	Hub Power Company Limited	15,173	3,987
23,406	-	10	Oil and Gas Development Company Limited	749	-
				23,409	12,964
			TRANSPORT AND COMMUNICATION		
425,000	448,000	10	Pakistan Telecommunication Company Limited	13,254	10,597
				13,254	10,597
			CHEMICAL AND PHARMACEUTICAL		
52,800	48,000	10	Abbott Laboratories Pakistan Limited	3,665	1,453
1,380	1,380	10	BOC Pakistan Limited	91	91
-	25,000	10	Engro Chemical Pakistan Limited	-	1,498
295,000	125,000	10	Fauji Fertilizer Company Limited	23,419	6,832
-	35,000	10	FFC Jordan Fertilizer Company Limited	-	674
7,920	5,500	10	Glaxo Welcome (Pakistan) Limited	248	248
-	23,368	10	ICI Pakistan Limited	-	1,622
-	232	10	Pakistan PTA Limited	-	6
				27,423	12,424

Number of Shares		Face Value (Rupees)	Company's Name	Book Value	
2003	2002			2003	2002
				(Rupees in thousand)	
35,385	35,385	10	PAPER AND BOARD Packages Limited	4,643	2,163
				4,643	2,163
11,200	11,200	10	FOOD AND ALLIED Rafhan Maize Products Company Limited	4,357	1,191
2,000	2,000	50	Unilever Pakistan Limited	1,816	1,816
				6,173	3,007
64,500	57,000	10	MISCELLANEOUS Tri Pack Film Limited	2,710	2,296
				2,710	2,296
UN-QUOTED ASSOCIATED UNDERTAKING					
50,000	50,000	10	Arabian Sea Country Club (refer note 17.2)	500	500
				500	500
				118,782	84,372
			Less : Provision for diminution in the value of shares	500	500
			Cost of shares of concerns incorporated in Pakistan	118,282	83,872
			Cost of investments of concerns incorporated in Pakistan	172,057	138,496
			Aggregated market value of Investments as on December 31	296,610	195,196

17.1 This includes 28,000 (2002: 28,000) units held as Statutory deposit with State Bank of Pakistan under section 29 of the Insurance Ordinance, 2000.

17.2 The name of the Chief executive is Javed Barki. The breakup value of the share is Rs. 5.94 (2002: Rs. 6.26)

18. ACCRUED INVESTMENT INCOME

Dividend Income	1,870	2,141
Interest Income on FTCs	1,489	1,397
	3,359	3,538

19. PREPAYMENTS

Prepaid expenses	2,097	1,609
Prepaid reinsurance premium ceded	36,563	48,279
	38,660	49,888

20. SUNDRY RECEIVABLES

Advances to employees - unsecured, considered good	228	964
Deposits	940	387
Staff gratuity	14	-
	1,182	1,351

21. OPERATING FIXED ASSETS - TANGIBLE

	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at January 01, 2003	Additions / Adjustments	Disposal / Adjustments	As at December 31, 2003		As at January 01, 2003	Charge For the Year	On Disposal / Adjustments	As at December 31, 2003	As at December 31, 2003
	Rupees in thousand				%	Rupees in thousand				
OWNED										
Freehold land	1,168	-	-	1,168	-	-	-	-	-	1,168
Building on freehold land	8,500	-	-	8,500	5	4,128	219	-	4,347	4,153
	9,668	-	-	9,668		4,128	219	-	4,347	5,321
Furniture and fixtures	1,829	10	(1,384)	455	10	1,257	13	(933)	337	118
Office equipments	2,835	152	(2,151)	836	10	1,832	8	(1,080)	760	76
Computers										
Owned	3,680	313	-	3,993	30	1,932	618	-	2,550	1,443
Leased	681	898	-	1,579	30	252	398	-	650	929
	9,025	1,373	(3,535)	6,863		5,273	1,037	(2,013)	4,297	2,566
Vehicles										
Owned	2,147	-	(257)	1,890	20	1,000	205	(134)	1,071	819
Leased	5,210	469	-	5,679	20	1,431	850	-	2,281	3,398
	7,357	469	(257)	7,569		2,431	1,055	(134)	3,352	4,217
December 31, 2003	26,050	1,842	(3,792)	24,100		11,832	2,311	(2,147)	11,996	12,104
December 31, 2002	21,587	4,789	(326)	26,050		9,342	2,570	(80)	11,832	14,218

21.1 The company, during the current year, carried out an exercise of physical count of the tangible fixed assets and as a result thereof, wrote off certain items of furniture, fixtures and office equipments, having a cost of Rs.3.504 million and written down value of Rs.1.518 million, from which no further economic benefits could be derived.

21.2 SCHEDULE OF DISPOSAL OF FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2003

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Price	Profit/ (Loss)	Particulars of Purchaser	Mode of disposal
(Rupees in thousand)							
Vehicles :							
AB - 4454	165,000	80,520	84,480	64,000	(20,480)	Mr. Aqueel Ahmed, Karachi	Negotiation
LXE - 5434	51,100	18,396	32,704	275,000	242,296	Mr. Nasim Ahmed Khan, Lahore	Negotiation
S - 9247	40,650	35,194	5,456	200,000	194,544	Mr. Muhammad Rafiq, Lahore	Negotiation
Office Equipment	25,700	22,229	3,471	4,000	529	M/S Zeeshan Enterprises, Lahore	Negotiation
Furniture & Fixture	5,500	4,583	917	917	-	M/S Burhani Disposal House, Lahore	Negotiation

	Notes	2003 (Rupees in thousand)	2002
22. INTANGIBLE ASSET			
Cost of asset	22.1	764	764
Amortisation to date		(764)	(509)
		-	255
Opening balance		255	510
Less: Amortized during the period	25	255	255
		-	255

22.1 This represents the license fee given against the purchase of software and is amortised over a period of 3 years in accordance with the company's policy as disclosed in note 5.9.2.

23. EXPENSES OF MANAGEMENT

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

Salary, wages and other benefits	23.1	55,747	51,124
Utilities		1,910	1,978
Rent, rates and taxes		3,258	3,358
Telephone and communication		2,608	2,541
Vehicle running and other maintenance		4,857	4,990
Travelling and conveyance		3,651	4,638
Printing, stationery and computer expenses		2,049	1,808
Education and training		181	99
Fee and subscriptions		841	1,274
Service charges		726	1,772
Entertainment		1,626	2,036
Advertisement expenses		1,216	903
Others		1,072	428
		79,742	76,949

23.1 Included herein is a sum of Rs.4.935 (2002: Rs.4.972) million, in respect of staff retirement benefits.

24. OTHER INCOME

Gain on sale of fixed assets		417	349
Recoveries against debts written off		6,914	-
Miscellaneous Income		44	36
		7,375	385

	Notes	<u>2003</u> (Rupees in thousand)	<u>2002</u>
25. GENERAL AND ADMINISTRATIVE EXPENSES			
Audit Fee	25.1	320	320
Legal and professional charges		772	653
Donations	25.2	43	-
Zakat		82	68
Directors' Fee		4	4
Depreciation	21	2,311	2,570
Amortisation of intangible asset	22	255	255
		<u>3,787</u>	<u>3,870</u>
25.1 AUDITORS' REMUNERATION			
Audit Fee		85	85
Audit of Provident Fund, Gratuity Fund and Special Certification Fee		205	205
Out of Pocket expenses		30	30
		<u>320</u>	<u>320</u>
25.2 None of the directors or their spouses are interested in the donee.			
26. FINANCIAL CHARGES			
Mark-up under lease finance arrangement		802	666
Bank charges		339	212
		<u>1,141</u>	<u>878</u>
27. PROVISION FOR TAXATION			
Current			
- Current year		29,500	8,420
- Prior year		19,395	8,400
		<u>48,895</u>	<u>16,820</u>
27.1 NUMERICAL RECONCILIATION BETWEEN EFFECTIVE RATE OF TAX WITH APPLICABLE TAX RATE			
		<u>2003</u> (%)	<u>2002</u> (%)
Applicable tax rate		35.00	35.00
Effect of income taxable at rate other than 35%		(5.22)	(12.27)
Effect of disallowances and amounts not deductible for tax purposes		5.66	10.36
Effect of tax on amounts deductible for tax purpose		(2.68)	(5.20)
Average Effective tax rate (Tax expense divided by profit before tax)		<u>32.76</u>	<u>27.89</u>

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

27.2 During the current year, the assessments relating to the assessment years 2000-01 and 2002-03 have been finalised by the tax authorities. The net tax liability was assessed at Rs.14.348 million and 15.696 million respectively, as against the related provisions in the financial statements of Rs.3.326 million and Rs.8.221 million respectively. The shortfall of Rs.11.022 million and Rs.7.475 million arose mainly due to the assessing officer taxing the excess management expenses under the amendment made in 1999 in Rule 5(c) of the Fourth Schedule to the repealed Income Tax Ordinance, 1979.

The Company has filed appeals with the Commissioner of Income Tax (Appeals) in respect of above-referred matters, which are currently pending for adjudication therewith. The management is confident that the decision of the said appeals will be given in its favor, however, as a matter of prudence provision for the same has been made in the financial statements.

27.3 Assessment relating to the assessment year 2001-2002 was finalised during the previous year. The assessing officer while finalising the assessment disallowed management expenses and made additions to the Profit and Loss account, resulting an increase in the tax liability of the company as against the recorded liability.

The company preferred an appeal against the said decision before the Commissioner of Income Tax (Appeals) (CIT(A)), who passed an order partially setting aside the afore-mentioned assessment, and remitted the matters back to the assessing officer. The company filed an appeal before the Income Tax Appellate Tribunal (ITAT) against the order passed by CIT(A), which is currently pending for adjudication. The management is confident that the decision of the said appeals will be given in its favor, however, as a matter of prudence provision for the same has been made in the financial statements.

28. BASIC EARNINGS PER SHARE

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

	<u>2003</u>	<u>2002</u>
	(Rupees in thousand)	
Net Profit after tax for the year	<u>41,155</u>	<u>13,366</u>
	(Number of Shares)	
Weighted Average number of shares	<u>8,854,270</u>	<u>8,854,270</u>
	(Rupees per Share)	
Basic/Adjusted earnings per share (Rs.)	<u>4.65</u>	<u>1.51</u>

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

29. 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	
	2003	2002	2003	2002	2003	2002
	(R u p e e s i n t h o u s a n d)					
Managerial Remuneration	3,756	3,235	2,687	-	17,253	17,364
Medical Reimbursement	25	41	9	-	744	550
House Rent and Utility Expenses	1,257	1,165	907	-	6,100	6,098
Retirement Benefits						
a) Provident Fund	307	285	222	-	1,352	1,286
b) Service Gratuity	120	1,054	84	-	547	1,605
Transportation provided	-	92	-	-	105	2,360
Other perquisites	698	52	504	28	2,989	103
Total	6,163	5,924	4,413	28	29,090	29,366
Number of Persons	1	1	1	1	53	40

29.1 Fees paid to 2 Non-Executive Directors for attending meetings during the year Rs.3,500 (2002: 2 Directors Rs.2,000 each). In addition, the Chief Executive, a Director and some of the Executives are also provided with free use of company cars, in accordance with the policy of the company.

30. NUMBER OF EMPLOYEES

	2003	2002
	159	163

31. RELATED PARTY TRANSACTIONS

Name of Related party	Nature of Relationship	Premium Underwritten	Premium Collected	Claims Paid	Lease Rentals	Vehicles Purchased	Rent Received	Interest Received	Dividend Received	Fixed Deposits	Brokerage Paid
(R u p e e s i n t h o u s a n d)											
Atlas Honda Limited	Common Directorship	41,976	41,043	2,962	-	182	-	-	4,056	-	-
Allwin Engineering Industries Limited	"	3,265	2,839	535	-	-	-	-	71	-	-
Atlas Battery Limited	"	7,290	8,100	1,936	-	-	-	-	299	-	-
Shirazi Trading Company (Private) Limited	"	4,043	3,509	863	-	-	394	-	-	-	-
Shirazi Investment Company (Private) Limited	"	414	400	365	-	-	-	-	-	-	-
Atlas Investment Bank Limited	"	1,835	1,833	412	2,188	-	-	1,729	179	51,327	1,714
Honda Atlas Power Product (Private) Limited	"	733	803	(24)	-	-	-	-	-	-	-
Total Atlas Lubricants Pakistan (Private) Limited	"	1,664	1,901	603	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	"	67,547	61,123	1,895	-	-	-	-	875	-	-
Cherat Paper Sack Limited	"	239	134	-	-	-	-	-	627	-	-
Cherat Cement Company Limited	"	2,678	1,530	35	-	-	-	-	99	-	-
Cherat Electric	"	(63)	163	32	-	-	-	-	-	-	-
Mirpur Khas Sugar Mills Limited	"	44	44	-	-	-	-	-	-	-	-
Shirazi Foundation	"	37	37	209	-	-	-	-	-	-	-
Atlas Warehousing (Private) Limited	"	-	-	23	-	-	-	-	-	-	-
Greaves Cotton	"	10	-	-	-	-	-	-	-	-	-
Atlas Asset Management Company Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Pakistan (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Carbon Products (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Faruque (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves Power Engineering (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Associated Constructions (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
Greaves CNG (Private) Limited	"	-	-	-	-	-	-	-	-	-	-
DECEMBER 31, 2003		131,712	123,459	9,845	2,188	182	394	1,729	6,206	51,327	1,714
DECEMBER 31, 2002		122,395	116,989	10,656	1,417	-	332	516	5,562	1,601	120

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

32. 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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	(R u p e e s i n t h o u s a n d)									
OTHER INFORMATION										
Segment assets	89,187	71,105	69,340	68,258	15,275	12,765	13,304	11,397	187,106	163,525
Unallocated corporate assets									218,918	173,581
Consolidated total assets									406,024	337,106
Segment Liabilities	91,100	61,152	55,385	72,109	28,950	22,124	14,792	12,455	190,227	167,839
Unallocated corporate Liabilities									75,910	57,254
Consolidated total Liabilities									266,137	225,093
Capital expenditure-according to above ratios	534	1,679	939	2,355	276	569	93	186	1,842	4,789
Depreciation/Amortization -according to above ratios	746	990	1,319	1,389	378	336	117	110	2,566	2,825

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.

		2 0 0 3						
		Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
Interest Rate %		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
(Rupees in thousand)								
Financial assets								
		-	-	-	15,890	-	15,890	15,890
		-	-	-	-	-	-	-
		-	-	-	283	726	1,009	1,009
	13 - 16	-	48,070	48,070	-	124,487	124,487	172,557
		-	-	-	3,359	-	3,359	3,359
		-	-	-	940	-	940	940
		-	48,070	48,070	20,472	125,213	145,685	193,755
Financial Liabilities								
		-	-	-	13,333	-	13,333	13,333
		-	-	-	416	-	416	416
		-	-	-	1,391	-	1,391	1,391
		-	-	-	1,722	-	1,722	1,722
		-	-	-	13,281	-	13,281	13,281
	10.5 - 20	1,754	3,093	4,847	-	-	-	4,847
		1,754	3,093	4,847	30,143	-	30,143	34,990
		(1,754)	44,977	43,223	(9,671)	125,213	115,542	158,765
On Balance Sheet Gap								
		2 0 0 2						
		Interest / Mark-up bearing			Non-Interest bearing			
Interest Rate %		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
(Rupees in thousand)								
Financial assets								
		-	-	-	11,628	-	11,628	11,628
	6 - 8	1,601	-	1,601	-	-	-	1,601
		-	-	-	-	-	-	-
	13 - 16	-	49,411	49,411	-	89,585	89,585	138,996
		1,397	-	1,397	2,141	-	2,141	3,538
		-	-	-	387	-	387	387
		2,998	49,411	52,409	14,156	89,585	103,741	156,150
Financial Liabilities								
		-	-	-	9,742	-	9,742	9,742
		-	-	-	432	-	432	432
		-	-	-	1,391	-	1,391	1,391
		-	-	-	13,281	-	13,281	13,281
		-	-	-	1,398	-	1,398	1,398
	17 - 20	1,159	3,732	4,891	-	-	-	4,891
		1,159	3,732	4,891	26,244	-	26,244	31,135
		1,839	45,679	47,518	(12,088)	89,585	77,497	125,015
On Balance Sheet Gap								

34. RISK MANAGEMENT

34.1 Reinsurance risk

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

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

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

34.2 Credit Risk and Concentration of Credit Risk Exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.193.755 (2002: Rs.156.150) million, the financial assets which are subject to credit risk amounted to Rs.176.856 (2002: Rs.142.921) million. The company believes that it is not exposed to major concentration of credit risk.

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

34.3 Fair Value of Financial Instruments

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

34.4 Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The company has invested its funds in ordinary shares, term finance certificates and National Investment Trust Units, resulting in exposure due to the fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

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

34.5 Interest Rate Risk

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

34.6 Currency Risk

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

34.7 Liquidity Risk

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

35. AUTHORISATION FOR ISSUE

These accounts were authorised for issue on March 25, 2004 in accordance with a resolution of the Board of Directors.

36. COMPARATIVE FIGURES

Corresponding figures have been restated, as the restatement, shown below, is considered to be more appropriate for the purpose of presentation and due to change in the format of the financial statements as advised by the SECP through S.R.O. 938,

Reclassification		Nature	2002 (Rupees in thousand)
From	To		
Other creditors and accruals	Accrued expenses	Commission payable	5,956
Other creditors and accruals	Loans	Loans deduction from staff	1,010
Vehicles	Loans	Loans to staff	1,895
Other income	Premium income	Administrative surcharge	3,950

37. 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

**DISTRIBUTION OF SHAREHOLDING
IN CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
AS AT DECEMBER 31, 2003**

**PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2003**

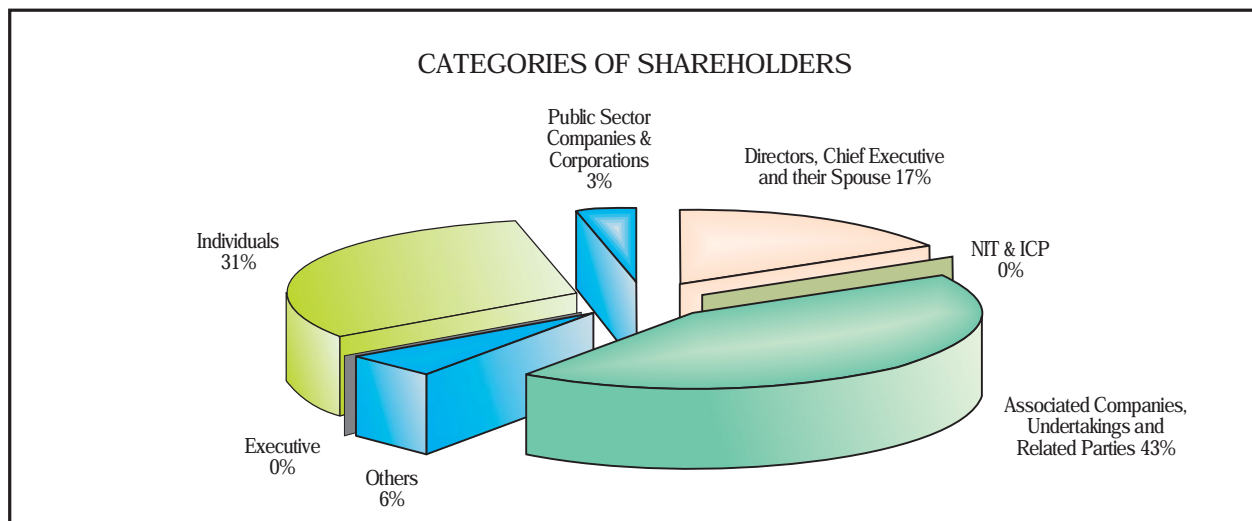
NUMBER OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD	NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	From	To			From	To	
39	1	100	1,417	126	1	100	4,217
46	101	500	14,249	130	101	500	37,637
25	501	1,000	22,157	76	501	1,000	59,048
52	1,001	5,000	124,113	155	1,001	5,000	375,786
16	5,001	10,000	116,814	37	5,001	10,000	270,343
3	10,001	15,000	36,734	9	10,001	15,000	107,943
6	15,001	20,000	110,174	13	15,001	20,000	231,370
2	20,001	25,000	49,317	3	20,001	25,000	74,312
1	25,001	30,000	25,317	2	25,001	30,000	54,803
2	40,001	45,000	83,431	1	30,001	35,000	30,047
1	50,001	55,000	50,264	1	35,001	40,000	35,410
1	250,001	255,000	252,780	4	40,001	45,000	168,945
1	3,825,001	383,000	3,825,651	2	50,001	55,000	103,378
				1	55,001	60,000	58,975
<u>195</u>			<u>4,712,418</u>	1	151,000	200,000	200,000
				1	200,001	205,000	200,296
				1	215,001	220,000	219,568
				1	250,001	255,000	252,780
				4	600,001	650,000	2,543,704
				1	3,825,001	383,000	3,825,651
				<u>569</u>			<u>8,854,213</u>

**CATEGORIES OF SHAREHOLDING
AS AT DECEMBER 31, 2003**

CATEGORIES	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Individual	535	4,237,707	47.86
Investment Companies	5	3,850,927	43.49
Insurance Companies	1	252,780	2.85
Joint Stock Companies	21	60,738	0.69
Financial Institutions	2	5,100	0.06
Others	4	436,961	4.94
Modaraba Companies	1	10,000	0.11
	<u>569</u>	<u>8,854,213</u>	<u>100.00</u>

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2003
INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage of Shares Held
Associated Companies, Undertakings and Related Parties (NameWise Detail)			
Shirazi Investments (Pvt) Ltd.	1	3,825,651	43.21
NIT and ICP			
Investment Corporation of Pakistan	1	3,618	0.04
Director, Chief Executive and their spouse			
Directors and Family			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	200,296	2.26
Mr. Iftikhar H. Shirazi	1	626,909	7.08
Mr. Aamir H. Shirazi	1	636,833	7.19
Chief Executive			
Mr. S.C. Subjally	1	30	0.00
Executive and Family			
Mr. Fariq M.K. Rohilla (Company Secretary)	1	50	0.00
Public Sector Companies & Corporations			
Bank, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	6	289,538	3.27
Shareholders holding 10% or more voting interest			
	-	-	-
Individuals	532	2,773,589	31.33
Others	24	497,699	5.62
	569	8,854,213	100.00





COMPANY OFFICES

HEAD OFFICE

3 Bank Square Shahrah-e-Quaid-e-Azam, Lahore.	PABX: Direct:	7310658-7234757 7234812-7314241 Fax: 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
SALEEM MEHMOOD Chief Internal Auditor	Extension:	302

NORTH ZONE OFFICES & BRANCHES

LAHORE

MUHAMMAD MUNIR QAZI Chief Manager	Nawa-i-Waqat Building, Fatima Jinnah Road, Lahore.	6364906 6371185 Fax: 6371186
ZAFAR HUSSAIN JAMAL Branch Manager	Hafeez Chambers, 85- Shahrah-e-Quaid-e-Azam, Lahore.	6305595
KH. MUHAMMAD NADEEM Branch Manager	Nairobi Mansion Napier Road, Lahore.	7352560 7358190
KHALID MAHMOOD Branch Manager	Alnoor Building, Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7358805
MUHAMMAD IJAZ Manager	Alnoor Building, Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.	7358805

RAWALPINDI

MAHMOOD AHMED
Chief Manager

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

5563413
Fax: 5566518

MANZAR ALI NAQVI
Manager

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

5563413
Fax: 5566518

FAISALABAD BRANCH - I

IRSHAD AHMED SHEIKH
Chief Manager

Chartered Bank Chambers
Railway Road, Faisalabad.

647194
Fax: 635080

FAISALABAD BRANCH - II

IRSHAD FARRUKH BHATTI
Branch Manager

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

721256
Fax: 721256

SIALKOT

AHMED SAEED RANA
Branch Manager

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

594520
Fax: 592863

SAHIWAL

HABIB-UR-REHMAN CH.
Branch Manager

147-Railway Road, Sahiwal.

66044
Fax: 66044

MULTAN

BASHIR AHMED GHAURI
Branch Manager

Atlas Honda Building,
Azmat Wasti Road, Multan.

544494

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:

2620081-5
2629531-2621924
2621925-2625697
Fax: 2629532

S.C. SUBJALLY
Chief Executive

Direct:
Extension:

2629531
305

FARIQ M.K. ROHILLA
Company Secretary

Direct:
Extension:

2621924
302

S. MUBARAK AHMED
Manager Admin.

Extension:

316



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 April 26, 2004 at 11:00 a.m. for the year ended 31st December, 2003 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.....2004

Signature:.....

Address:.....

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

Witness :

Name:.....

Address:.....

Affix
Revenue
Stamp

**AFFIX
POSTAGE**

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

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