

BOARD OF DIRECTORS

MS. NAHEED HYDER	CHAIRPERSON
MR. KAMAL AFSAR	DIRECTOR
MR. S. M. RAFIQUE AKHTAR	DIRECTOR
SYED YAWAR ALI	DIRECTOR
MR. FAZLUR REHMAN DITTU	DIRECTOR
MR. SHAMIM AHMED KHAN	DIRECTOR
MR. SIKANDAR HAYAT JAMALI	DIRECTOR
MR. HAIDER RAZA	DIRECTOR

SENIOR MANAGEMENT

Mr. Usman Hasan	Executive Director (Reinsurance)
Mr. Asghar Imam Khalid	E.D (F&A) Addl. / C.M (F&A) (Actg.)
Mr. Shahzad F. Lodhi	Secretary / Manager (Estb. & Admn.)
Mrs. Ghazala Imran	Chief Manager (NZO), Lahore
Mr. Fida Hussain Samoo	Acting Chief Manager (Reinsurance)
Mr. Ayaz Hussain M. Gad	Manager (Marine & Fire)
Mr. Anzarul Hasan Hashmi	Manager (Aviation)
Mr. Rahmatullah Khilji	Manager (Internal Audit)

AUDIT COMMITTEE

SYED YAWAR ALI	CHAIRMAN
MR. S. M. RAFIQUE AKHTAR	MEMBER
MR. FAZLUR REHMAN DITTU	MEMBER
MR. SHAMIM AHMED KHAN	MEMBER

HEAD OFFICE

PRC Towers, 32-A, Lalazar Drive, M.T.Khan Road,
P.O. Box : 4777, Karachi - Pakistan
Telephone No.9202908 - 14
Telex 20428 PAKRE PK Telefax (92-21) 9202921 - 9202922
E-mail: pic1@pk.netsolir.com
Website : www.pakre.org.pk

ZONAL OFFICE

AL-Jannat,
Bank Square, Lahore



Directors' Report to the Shareholders

THE SHAREHOLDERS,
Pakistan Reinsurance Co. Ltd.,

Gentlemen,

Your directors feel pleasure in presenting the un-audited financial statements of the Company for the 1st Quarter ended March 31, 2006.

Review of business activities

The Directors would like to inform the shareholders that the financial statements for the quarter reflect the surplus treaty premium received from sixteen insurance companies out of thirty one, which have furnished statutory returns to PRCL by 21st April, 2006 as per the amendment made in PIC Surplus Reinsurance Regulations, 1978 as well as facultative business as per record of the company. The business from these companies represents over 90% of the total average business for the quarter 2005.

As you are aware, the compulsory cession has been abolished w.e.f. 1st January 2005, and there is a possibility of gradual elimination of first refusal entitlement. The Board also feels that it is inevitable but prior to any such action, it is important that PRCL stands on its own feet. This requires enhancing technical and financial capacity and PRCL is taking steps to achieve the same.

Your company has earned underwriting profit of Rs.51 million for the period ended March 31, 2006. The Gross Premium for the period was Rs.971 million and the Net Premium was Rs.373 million. The net claims, net commission and management expenses have aggregated to Rs.322 million for the quarter. Besides, the income from investment including rental and other income for the period was recorded at Rs.160 million.

Your company has earned a pre-tax profit of Rs.207 million during the 1st Quarter ended March 31, 2006. Your Company is making all out efforts to ensure good results by way of accepting good business.

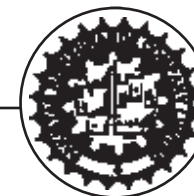
Fazlur Rehman Dittu
Director

Haider Raza
Director

Naheed Hyder
Chief Executive

Karachi: April 26, 2006

Balance Sheet as at March 31, 2006 (Unaudited)



	Unaudited March 31, 2006 (Rupees)	Audited 2005		Unaudited March 31, 2006 (Rupees)	Audited 2005
Share Capital and Reserves			Cash and Bank deposits		
Authorized Share Capital 100,000,000 ordinary shares of Rs. 10/- each	1,000,000,000	1,000,000,000	Cash and other equivalents	100,516	34,351
Issued, subscribed and paid up share capital	450,000,720	450,000,720	Current and other accounts	1,103,959,943	269,654,270
Exceptional Losses Reserve	281,000,000	281,000,000	Deposits maturing within 12 months	1,700,000	1,700,000
General Reserve	1,277,419,085	1,277,419,085		1,105,760,459	271,388,621
Retained earnings	218,845,898	230,110,869	Loans (Considered good)		
	1,777,264,983	1,788,529,954	– to employees	28,696,149	30,974,288
	2,227,265,703	2,238,530,674	– to others	4,252,021	3,926,249
				32,948,170	34,900,537
Underwriting Provisions			Investments	2,288,276,630	2,872,639,778
– Provision for outstanding claims (including IBNR)	580,921,224	518,012,976	Deferred taxation	43,050,001	43,050,001
– Provision for unearned premium	2,004,670,221	2,114,756,145	Investment properties	56,888,455	57,822,167
– commission income unearned	62,415,142	58,397,166	Other Assets		
	2,648,006,587	2,691,166,287	Amount due from persons and bodies carrying on insurance business	450,260,471	461,336,757
Deferred Liability Employee benefits	129,266,024	132,515,177	Deposits held by ceding companies	88,221,075	84,143,171
Long term deposit	13,719,842	17,670,298	Accrued investment income	140,984,729	26,491,735
Creditors and accruals			Other Receivable	192,578,015	190,471,420
Amount due to other persons and bodies carrying on insurance business	630,013,336	334,700,662	Prepaid reinsurance ceded	1,422,070,205	1,290,424,332
Deposits retained/received from other Companies	32,592,222	34,381,932	Deferred commission expense	225,246,551	269,444,909
Current Maturity of lease liability	722,720	1,253,061	Stock of stationery	468,713	316,741
Other creditors and accruals	26,233,129	29,859,710		2,519,829,759	2,322,629,065
Taxation net	178,517,812	142,578,859	Fixed assets		
Retention money payable	6,386,472	6,379,025	Tangible		
	874,465,691	549,153,249	Land and building	24,550,229	24,944,596
Other liabilities			Furniture, fixture, books and office equipment	2,846,985	2,923,096
Dividend payable	183,236,187	3,235,899	Vehicles	3,123,151	3,287,528
Surplus profit payable	1,313,805	1,313,805		30,520,365	31,155,220
	184,549,992	4,549,704	Assets related to Bangladesh	–	–
Total liabilities	3,850,008,136	3,395,054,715	Total assets	6,077,273,839	5,633,585,389
Contingencies	–	–			
Total equity and liabilities	6,077,273,839	5,633,585,389			

The annexed notes 1 to 7 form an integral part of these financial statements.

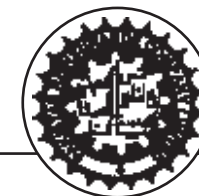
Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Profit and Loss Account for the Quarter ended March 31, 2006 (Unaudited)



	Quarter ended March 31,						2006	2005	
	Facultative					Treaty			
	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering			
	----- Rupees -----								
Revenue Account									
Net premium revenue	23,599,095	5,174,941	1,174,667	2,470,291	5,963,014	22,012,252	312,685,992	373,080,252	495,655,554
Net claims	1,183,380	—	(391,620)	7,319	(1,100,595)	4,707,933	181,033,794	185,440,211	1,606,340
Management expenses	1,160,778	764,214	362,527	1,078,428	930,851	846,620	30,195,496	35,338,914	28,082,167
Net commission	1,674,630	694,889	(298,941)	363,845	(2,178,023)	(4,226,645)	105,605,234	101,634,989	191,845,590
Underwriting result	19,580,307	3,715,838	1,502,701	1,020,699	8,310,781	20,684,344	(4,148,532)	50,666,138	274,121,457
Investment income								141,264,513	24,774,267
Rental income								8,909,432	5,195,880
Exchange gain								(117,795)	(49,850)
Other income								10,266,456	10,015,507
General and administration expenses								(3,996,427)	(5,502,314)
Provision for doubtful debts								—	—
								156,326,179	34,433,490
Profit before tax								206,992,317	308,554,947
Provision for taxation								38,257,000	105,860,000
Profit after tax								168,735,317	202,694,947
Profit and loss appropriation account									
Balance at the commencement of year								230,110,869	148,183,586
Profit after tax for the quarter								168,735,317	202,694,947
Transfer to general reserve								—	—
Final Dividend								(180,000,288)	(112,500,180)
Balance of unappropriated profit at the end of quarter								218,845,898	238,378,353
Earning per share - basic and diluted								3.75	4.50

The annexed notes 1 to 7 form an integral part of these financial statements.

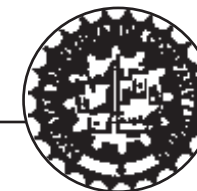
Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Statement of Premiums for the Quarter ended March 31, 2006 (Unaudited)



Business underwritten inside Pakistan

Class	Quarter ended March 31,								2006	2005
	Premium Written (A)	Unearned premium reserve		Premium earned (D=A+B-C)	Re-insurance Ceded (E)	Prepaid Reinsurance Premium ceded		Re-insurance expense (H=E+F-G)	Net premium Revenue (I=D-H)	Net premium Revenue
		Opening (B)	Closing (C)			Opening (F)	Closing (G)			
-----R u p e e s-----										
Direct and Facultative										
Fire	293,511,311	238,631,634	381,297,565	150,845,380	264,073,657	180,722,443	317,549,815	127,246,285	23,599,095	(813,991)
Marine Cargo	2,071,726	4,139,078	1,035,863	5,174,941	–	–	–	–	5,174,941	918,936
Marine Hull	–	26,692,581	15,791,782	10,900,799	–	24,479,795	14,753,663	9,726,132	1,174,667	(284,323)
Accident	3,341,719	12,124,774	10,583,468	4,883,025	–	7,323,368	4,910,634	2,412,734	2,470,291	867,234
Aviation	277,802,441	630,479,868	603,892,134	304,390,175	266,645,353	615,110,179	583,328,371	298,427,161	5,963,014	3,972,142
Engineering	122,133,057	378,268,618	334,474,909	165,926,766	99,167,805	330,403,933	285,657,224	143,914,514	22,012,252	8,676,112
Total	698,860,254	1,290,336,553	1,347,075,721	642,121,086	629,886,815	1,158,039,718	1,206,199,707	581,726,826	60,394,260	13,336,110
Treaty	272,908,393	824,419,592	657,594,500	439,733,485	210,533,377	132,384,614	215,870,498	127,047,493	312,685,992	482,319,444
Grand Total	971,768,647	2,114,756,145	2,004,670,221	1,081,854,571	840,420,192	1,290,424,332	1,422,070,205	708,774,319	373,080,252	495,655,554

The annexed notes 1 to 7 form an integral part of these financial statements.

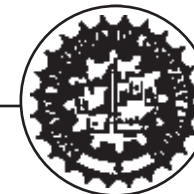
Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Statement of Claims for the Quarter ended March 31, 2006 (Unaudited)



Business underwritten inside Pakistan

Class	Quarter ended March 31,							2006	2005	
	Claims Paid (A)	Outstanding Claims		Claims Expense (D=A+C-B)	Reinsurance and other recoveries Received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries Revenue (H=E+G-F)	Net claims expense (I=D-H)	Net claims expense
		Opening (B)	Closing (C)			Opening (F)	Closing (G)			
-----R u p e e s-----										
Direct and Facultative										
Fire	1,183,380	86,818,011	86,818,011	1,183,380	–	68,968,099	68,968,099	–	1,183,380	39,624
Marine Cargo	–	–	–	–	–	–	–	–	–	–
Marine Hull	22,456	12,949,463	12,535,387	(391,620)	–	5,497,669	5,497,669	–	(391,620)	–
Accident	7,319	6,528,725	6,528,725	7,319	–	–	–	–	7,319	–
Aviation	65,527,775	498,635,923	432,803,299	(304,849)	63,981,779	478,633,920	415,447,887	795,746	(1,100,595)	2,303,226
Engineering	–	326,997,677	319,827,281	(7,170,396)	–	299,073,926	287,195,597	(11,878,329)	4,707,933	1,370,819
Total	66,740,930	931,929,799	858,512,703	(6,676,166)	63,981,779	852,173,614	777,109,252	(11,082,583)	4,406,417	3,713,669
Treaty	126,308,238	1,478,190,450	1,535,206,923	183,324,711	6,535,426	1,034,981,659	1,030,737,150	2,290,917	181,033,794	(2,107,329)
Grand Total	193,049,168	2,410,120,249	2,393,719,626	176,648,545	70,517,205	1,887,155,273	1,807,846,402	(8,791,666)	185,440,211	1,606,340

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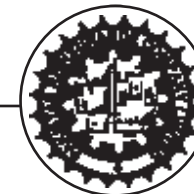
Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Statement of Expenses for the Quarter ended March 31, 2006 (Unaudited)



Business underwritten inside Pakistan

Class	Quarter ended March 31,										2006	2005
	Commission paid or payable (A)	Deferred Commission		Net commission expense (D=A+B-C)	Other management expenses (E)	Commission from reinsurers (G)		Opening (H)	Closing (I)	Net Commission Retrocession (J=G+H-I)	Net Underwriting Expense (K=F-J)	Net Underwriting Expense
		Opening (B)	Closing (C)			Underwriting expense (F=D+E)						
-----R u p e e s-----												
Direct and Facultative												
Fire	16,541,323	18,242,275	24,863,200	9,920,398	1,160,778	11,081,176	17,171,798	11,476,005	20,402,035	8,245,768	2,835,408	(395,226)
Marine Cargo	234,445	577,667	117,223	694,889	764,214	1,459,103	-	-	-	-	1,459,103	869,657
Marine Hull	-	2,164,025	1,247,200	916,825	362,527	1,279,352	-	3,059,974	1,844,208	1,215,766	63,586	45,318
Accident	481,668	760,724	860,427	381,965	1,078,428	1,460,393	-	27,002	8,882	18,120	1,442,273	958,197
Aviation	548,952	2,513,305	1,836,672	1,225,585	930,851	2,156,436	1,827,070	7,035,755	5,459,217	3,403,608	(1,247,172)	(770,343)
Engineering	12,934,087	19,785,254	23,219,937	9,499,404	846,620	10,346,024	13,614,491	29,111,605	29,000,047	13,726,049	(3,380,025)	(5,758,781)
Total	30,740,475	44,043,250	52,144,659	22,639,066	5,143,418	27,782,484	32,613,359	50,710,341	56,714,389	26,609,311	1,173,173	(5,051,178)
Treaty	58,212,848	225,401,659	173,101,892	110,512,615	30,195,496	140,708,111	2,921,309	7,686,825	5,700,753	4,907,381	135,800,730	224,978,935
Grand Total	88,953,323	269,444,909	225,246,551	133,151,681	35,338,914	168,490,595	35,534,668	58,397,166	62,415,142	31,516,692	136,973,903	219,927,757

The annexed notes 1 to 7 form an integral part of these financial statements.

Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director



Statement of Investment Income for the Quarter ended March 31, 2006 (Unaudited)

	March 31, 2006 (Rupees)	March 31, 2005 (Rupees)
Income from non-trading investment		
Held to maturity investments		
Return on government securities	21,828,255	16,265,683
Amortization of premium on Pakistan investment Bond	(3,759,551)	-
Return on other fixed income securities and deposits	4,863,795	128,233
Income on treasury bills	9,625,814	2,109,172
Available for sale investments		
Dividend income	109,450,278	7,119,133
Gain on sale of non-trading investments		
Available for sale investments	-	-
(Loss) / Gain on revaluation of investments		
Available for sale investments	(199,285)	-
	<u>141,809,306</u>	<u>25,622,221</u>
Less: investment related expenses	(544,793)	(847,954)
Net investment income	<u>141,264,513</u>	<u>24,774,267</u>

The annexed notes 1 to 7 form an integral part of these financial statements

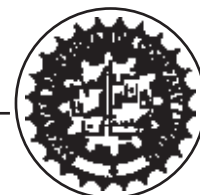
Executive Director (F&A)

Naheed Hyder
Chief Executive

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Director

Haider Raza
Director

Statement of Cash Flow for the Quarter ended March 31, 2006 (Unaudited)



	March 31, 2006 (Rupees)	March 31, 2005 (Rupees)
Operating Cash Flows:		
<u>Underwriting activities:-</u>		
Premium received	1,081,854,571	1,182,337,793
Reinsurance premium paid	(708,774,319)	(720,065,436)
Claims paid	(176,648,545)	(79,981,309)
Reinsurance and other recoveries received	(8,791,666)	78,374,969
Commission paid	(133,151,681)	(224,072,453)
Commission received	31,516,692	67,719,231
Due from person carrying on insurance business	11,076,286	(267,345,952)
Due to person carrying on insurance business	295,194,879	272,533,523
Deposits received from/paid to ceding companies	(5,867,614)	15,328,044
Expenses paid	(35,338,914)	(28,082,167)
Net cash flows from underwriting activities	351,069,689	296,746,243
<u>Other Operating Activities</u>		
Income tax paid	(2,318,047)	(2,954,491)
General management expenses paid	(3,996,427)	(5,502,314)
Loans, advances, deposits and prepaid	1,952,367	(373,132)
Advance, deposits received/adjusted	(3,950,456)	(10,755)
Premium reserve net	(241,731,797)	(479,592,151)
Reserve for prepaid commission	48,216,334	191,620,070
Reserve for outstanding claims	62,908,248	(54,694,472)
Other receipts	10,266,456	10,015,507
Other payments	(17,260,267)	(25,155,263)
Net cash flows from other operating activities	(145,913,589)	(366,647,001)
Total cash flow from all operating activities	205,156,100	(69,900,758)
<u>Investment activities</u>		
Fixed Capital expenditure	1,568,567	2,455,828
Acquisition of investments	(18,540)	(495,039,500)
Rental income received	8,841,464	1,667,397
Dividend income received	6,900,053	20,704,344
Interest income on bank deposits	4,863,795	128,233
Investment income received	13,656,288	11,795,900
Sale proceeds of investments	593,934,452	488,640,828
Total Cash Flow from investment activities	629,746,079	30,353,030
<u>Financing activities</u>		
Surplus paid	-	-
Dividend paid	-	-
Payments of finance leases	(530,341)	(492,134)
Total cash flows from financing activities	(530,341)	(492,134)
Net cash flow from all activities	834,371,838	(40,039,862)
Cash and cash equivalents at beginning of the year	271,388,621	314,794,182
Cash and cash equivalents at end of the quarter	1,105,760,459	274,754,320

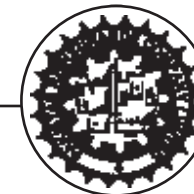
Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Statement of Changes in Equity for the Quarter ended March 31, 2006 (Unaudited)



	Share Capital	Reserve			Total	
	Issued Subscribed and paid-up	Exceptional Losses reserve	General Reserve	Unappropriated Profit		Total
	R u p e e s					
Balance as at January 1, 2005	450,000,720	281,000,000	877,419,085	148,183,586	1,306,602,671	1,756,603,391
Final dividend 2004 @ 25% (Rs. 2.5 per share)	-	-	-	(112,500,180)	(112,500,180)	(112,500,180)
Net profit for the Year ended 31-12-2005	-	-	-	594,427,463	594,427,463	594,427,463
Transfer to reserves	-	-	400,000,000	(400,000,000)	-	-
Balance as at December 31, 2005	450,000,720	281,000,000	1,277,419,085	230,110,869	1,788,529,954	2,238,530,674
Balance as at January 1, 2006	450,000,720	281,000,000	1,277,419,085	230,110,869	1,788,529,954	2,238,530,674
Final dividend 2005 @ 40% (Rs. 4 per share)	-	-	-	(180,000,288)	(180,000,288)	(180,000,288)
Net profit for Quarter ended 31-03-2006	-	-	-	168,735,317	168,735,317	168,735,317
Transfer to reserves	-	-	-	-	-	-
Balance as at March 31, 2006	450,000,720	281,000,000	1,277,419,085	218,845,898	1,777,264,983	2,227,256,703

The annexed notes 1 to 7 form an integral part of these financial statements.

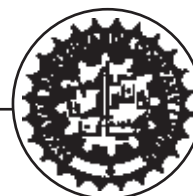
Executive Director (F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Notes to the Financial Statements for the Quarter ended March 31, 2006 (Unaudited)



1 The Company and its Operations

- 1.1 Pakistan Reinsurance Co. Ltd., ("the Company") was incorporated on March 30, 2000, under the Companies Ordinance, 1984. The object of the Company is the development of insurance and reinsurance business in Pakistan and to carry on reinsurance business.

The registered office of the company is located at PIC Towers, 32-A, Lalazar Drive, M.T. Khan Road, Karachi. Its shares are quoted on Karachi and Lahore Stock Exchanges.

- 1.2 In order to mitigate the impact of discontinuation of compulsory cession with effect from 01 January 2005, the Company has developed a corporate plan and adopting necessary measures for independently undertaking reinsurance business as per its strategy to continue to operate profitably in the year 2006 onward.

2 Significant Accounting Policies

These financial statements have been prepared in accordance with the requirements of S.R.O 938 issued by the Securities and Exchange Commission of Pakistan, in December, 2002, the Insurance Ordinance 2000, the requirements of Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan.

3 Quarterly Returns for Compulsory Surplus Treaties

PRC receives compulsory surplus reinsurance business from all insurance companies doing general insurance business as provided in Section 42(2) of the Insurance Ordinance 2000. Because of the nature of business of PRCL, the preparation of its accounts depend on the returns from ceding insurance companies. The time prescribed for submission of returns as per amendment made in PIC/PRC (Compulsory Surplus Reinsurance) Regulations 1978, is twenty one days after the close of the Quarter in case of 1st & 3rd Quarters.

For the 1st Quarter 2006, PRC received returns from sixteen general insurance companies by 21st April 2006 and as such above accounts have been prepared by incorporating only these returns. The returns from other companies have not been received and, therefore, could not be incorporated. The rest of the business reflects facultative business as per record of the Company.

4 Date of Authorization for issue

These financial statements have been authorized for issue on April 26, 2006 by the Board of Directors of the Company.

5 Corresponding Figures

Corresponding figures have been restated wherever necessary for the purpose of comparison.

6 Contingencies

There have been no significant change in the contingent liabilities since last published financial statements.

- 7 All figures have been rounded off to the nearest rupees.

Executive Director(F&A)

Naheed Hyder
Chief Executive

Fazlur Rehman Dittu
Director

Haider Raza
Director

Karachi April 26, 2006