

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. JAVED SYED	DIRECTOR
MR. FAZAL-I-QADAR	DIRECTOR

SENIOR MANAGEMENT

Mr. Asghar Imam Khalid	E.D (F&A) Actg./C.F.O.
Mr. Fida Hussain Samoo	E.D (Re) /C.M. (Re) Actg.
Mr. Shahzad F. Lodhi	Secretary / Manager (Estb. & Admn.)
Mrs. Ghazala Imran	Chief Manager (NZO), Lahore
Mr. Ayaz Hussain M. Gad	Chief Manager (Re/D.P.D) Actg.
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 AHMAD KHAN	MEMBER

HEAD OFFICE

PRC Towers, 32-A, Lalazar Drive, M.T.Khan Road,
P.O. Box : 4777, Karachi - Pakistan
Telephone No.9202908 - 14
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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 half ended June 30, 2006.

Review of business activities

The year 2006 is the second year without compulsory cession. The figures reveal that the performance of the company is satisfactory.

Your company has earned underwriting profit of Rs.118 million for the period ended June 30, 2006. The Gross premium for the period is Rs.2,030 million and the Net premium is Rs.733 million. The net claims for the period stand at Rs.341 million and the net commission expenses at Rs.197 million. The income from investment has shown remarkable increase from Rs.81 million in 1st half 2005 to Rs.247 million in the 1st half 2006.

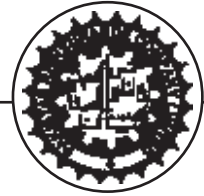
Your company has earned a pre-tax profit of Rs.348 million during the 1st half ended June 30, 2006. Your Company is making all out efforts to ensure good results by way of accepting good business.

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Naheed Hyder
Chief Executive

August 24, 2006



We have reviewed the annexed condensed interim balance sheet of **Pakistan Reinsurance Company Limited** as at 30 June 2006, and the related condensed interim profit and loss account, condensed interim statement of cash flow, condensed interim statement of changes in equity, condensed interim statement of premium, condensed interim statement of claims, condensed interim statement of expenses and condensed interim statement of investment income together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial statements") for the half year then ended. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatements. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

a) As per the condensed interim financial statements for the half year ended 30 June 2006, balances of Rs.446.715 million and Rs.437.878 million were respectively due from and due to other persons and bodies carrying on insurance business. The Company is in process of reconciling these balances with these persons and bodies. Further, as explained in note 4 to the financial statements, the Company in previous years had reversed certain claims amounting to Rs.98.4 million due to the reason that appropriate documentation for substantiating these claims was not provided.

Pending reconciliation of differences with these persons and bodies, adjustments if any, required in these balances could not be quantified and consequently we are unable to verify these balances.

b) As per the condensed interim financial statements for the half year ended 30 June 2006, the balances in respect of deposits held by ceding companies amounted to Rs.63.295 million and balances in respect of deposits retained / received from other companies amounted to Rs.24.575 million. The company is in the process of reconciling these balances with various insurance companies.

Pending reconciliation of balances with other companies, adjustments, if any, required in these balances could not be quantified and consequently we are unable to verify these balances.



Review Report to the Members

Based on our review, except for the issues described in the preceding paragraphs (a) and (b), nothing has come to our attention that causes us to believe that the annexed condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

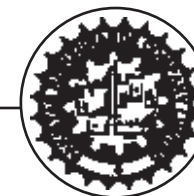
The figures of profit and loss account for the quarter ended 30 June 2005 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2006.

Date: August 24, 2006

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Condensed Interim Balance Sheet as at June 30, 2006 (Unaudited)



	Note	Unaudited		Audited		Note	Unaudited		Audited	
		June. 30, 2006	Dec 31, 2005	June. 30, 2006	Dec 31, 2005		June. 30, 2006	Dec 31, 2005		
(Rupees)										
Share Capital and Reserves										
Authorized Share Capital										
100,000,000 ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000							
Issued, subscribed and paid up share capital		450,000,720	450,000,720							
Exceptional Losses Reserve		281,000,000	281,000,000							
General Reserve		1,277,419,085	1,277,419,085							
Retained earnings		331,694,162	230,110,869							
		1,890,113,247	1,788,529,954							
		2,340,113,967	2,238,530,674							
Underwriting Provisions										
Provision for outstanding claims (including IBNR)		514,535,184	518,012,976							
Provision for unearned premium		1,988,149,511	2,114,756,144							
Commission income unearned		55,671,027	58,397,167							
		2,558,355,722	2,691,166,287							
Deferred Liability										
Employee benefits		138,441,412	132,515,177							
Long term deposits		15,239,260	17,670,298							
Creditors and Accruals										
Amount due to other persons and bodies carrying on insurance business		437,877,839	334,700,662							
Deposits retained/received from other Companies		24,575,418	34,381,932							
Current Maturity of lease liability		182,372	1,253,061							
Other creditors and accruals		18,377,201	29,859,710							
Taxation net		192,386,852	142,578,859							
Retention money payable		6,394,844	6,379,025							
		679,794,526	549,153,249							
Other liabilities										
Dividend payable		7,534,108	3,235,899							
Surplus profit payable		1,313,805	1,313,805							
		8,847,913	4,549,704							
Total liabilities		3,400,678,833	3,395,054,715							
CONTINGENCIES	4									
Total equity and liabilities		5,740,792,800	5,633,585,389							
Cash and Bank deposits										
Cash and other equivalents		67,561	34,351							
Current and other accounts		295,587,538	269,654,270							
Deposits maturing within 12 months		1,700,000	1,700,000							
		297,355,099	271,388,621							
Loans (Considered good)										
to employees		26,435,097	30,974,288							
to others		3,777,133	3,926,249							
		30,212,230	34,900,537							
Investments										
Deferred taxation	5	2,945,382,469	2,872,639,778							
Investment properties		50,050,001	43,050,001							
		55,954,744	57,822,167							
Other Assets										
Amount due from persons and bodies carrying on insurance business		446,714,959	461,336,757							
Deposits held by ceding companies		63,294,591	84,143,171							
Accrued investment income		100,585,685	26,491,735							
Other Receivables		198,437,019	190,471,420							
Prepaid reinsurance ceded		1,299,636,771	1,290,424,332							
Deferred commission expense		223,047,453	269,444,909							
Stock of stationery		263,807	316,741							
		2,331,980,285	2,322,629,065							
Fixed assets										
Tangible	6									
Land and building		24,155,859	24,944,596							
Furniture, fixture, books and office equipment		2,743,338	2,923,096							
Vehicles		2,958,775	3,287,528							
		29,857,972	31,155,220							
Assets related to Bangladesh										
Total assets		5,740,792,800	5,633,585,389							

The annexed notes 1 to 9 form an integral part of these financial statements

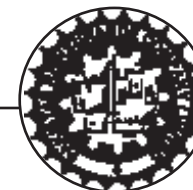
Aeghar Iman Khalid
Chief Financial Officer

Nahed Hyder
Chief Executive

Fazal-i-Qadir
Director

Fazlur Rehman Dittu
Director

Condensed Interim Profit and Loss Account for the half year ended June 30, 2006 (Unaudited)



Note	Quarter ended June 30,						2006	2005	
	Facultative					Treaty			
	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering			
Revenue Account	<u>Rupees</u>								
Net premium revenue	27,194,526	2,597,281	2,466,527	3,022,108	9,508,300	21,696,603	293,681,257	360,166,602	621,462,207
Net claims	(26,181,154)	653,630	858,894	(1,629,725)	22,311,815	11,926,305	147,896,818	155,836,583	520,309,589
Management expenses	1,151,615	761,471	363,227	977,891	941,554	847,757	36,342,698	41,386,213	37,852,973
Net commission	1,804,872	307,459	(105,230)	425,990	(1,942,859)	(3,443,667)	98,725,772	95,772,337	163,052,591
Underwriting result	50,419,193	874,721	1,349,636	3,247,952	(11,802,210)	12,366,208	10,715,969	67,171,469	(99,752,946)
Investment income							105,608,057	56,520,288	
Rental income							6,529,958	3,467,321	
Exchange (loss)/gain							(15,146,025)	22,595,213	
Other income							406,053	(8,804,901)	
General and administration expenses							(3,978,248)	(3,124,486)	
Provision for doubtful debts							(20,000,000)	(23,000,000)	
							73,419,795	47,653,435	
Profit before tax							140,591,264	(52,099,511)	
Provision for taxation							27,743,000	(23,601,280)	
Profit after tax							112,848,264	(28,498,231)	
Profit and loss appropriation account - Balance at the commencement of quarter							218,845,898	350,878,533	
Profit after tax for the quarter							112,848,264	(28,498,231)	
Profit and loss appropriation account - closing balance							331,694,162	322,380,302	
Earning per share - basic	8							2.51	(0.63)

The annexed notes 1 to 9 form an integral part of these financial statements.

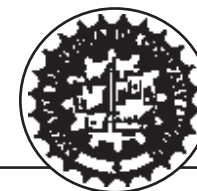
Asghar Iqbal Khalid
Chief Financial Officer

Nabeed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Profit and Loss Account for the half year ended June 30, 2006 (Unaudited)



Note	Half Year ended June 30,						2006	2005	
	Facultative					Treaty			
	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering			
Revenue Account									
Net premium revenue	50,793,621	7,772,222	3,641,194	5,492,399	15,471,314	43,708,855	606,367,249	733,246,854	1,117,117,761
Net claims	(24,997,774)	653,630	467,274	(1,622,406)	21,211,220	16,634,238	328,930,612	341,276,794	521,915,929
Management expenses	2,312,393	1,525,685	725,754	2,056,319	1,872,405	1,694,377	66,538,194	76,725,127	65,935,140
Net commission	3,479,502	1,002,348	(404,171)	789,835	(4,120,882)	(7,670,312)	204,331,006	197,407,326	354,898,181
Underwriting result	69,999,500	4,590,559	2,852,337	4,268,651	(3,491,429)	33,050,552	6,567,437	117,837,607	174,368,511
Investment income							246,872,570	81,294,555	
Rental income							15,439,390	8,663,201	
Exchange (Loss) /gain							(15,263,820)	22,545,363	
Other income							10,672,509	1,210,606	
General and administration expenses							(7,974,675)	(8,626,800)	
Provision for doubtful debts							(20,000,000)	(23,000,000)	
							229,745,974	82,086,925	
Profit before tax							347,583,581	256,455,436	
Provision for taxation							66,000,000	82,258,720	
Profit after tax							281,583,581	174,196,716	
Profit and loss appropriation account - Balance at the commencement of half year							230,110,869	148,183,586	
Profit after tax for half year							281,583,581	174,196,716	
Final Dividend							(180,000,288)	(112,500,180)	
Profit and loss appropriation account - closing balance							331,694,162	209,880,122	
Earning per share - basic	8						6.26	3.87	

The annexed notes 1 to 9 form an integral part of these financial statements

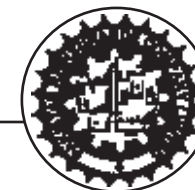
Asghar Imam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Fazal-i-Qadir
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Premium for the half year ended June 30, 2006 (Unaudited)



Business underwritten inside Pakistan

Quarter ended June 30,

2006

2005

Class	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	178,176,497	381,297,565	387,440,400	172,033,662	162,315,470	317,549,815	335,026,149	144,839,136	27,194,526	3,409,484
Marine Cargo	4,746,290	1,035,863	2,373,145	3,409,008	1,623,454		811,727	811,727	2,597,281	556,710
Marine Hull	13,392,859	15,791,782	17,476,936	11,707,705		14,753,663	5,512,485	9,241,178	2,466,527	52,201
Accident	5,564,363	10,583,468	10,953,068	5,194,763	332,967	4,910,634	3,070,946	2,172,655	3,022,108	1,210,894
Aviation	280,022,521	603,892,134	581,767,513	302,147,142	268,071,282	583,328,371	558,760,811	292,638,842	9,508,300	4,097,400
Engineering	137,141,642	334,474,909	312,002,195	159,614,356	125,613,822	285,657,224	273,353,293	137,917,753	21,696,603	11,040,928
Total	619,044,172	1,347,075,721	1,312,013,257	654,106,636	557,956,995	1,206,199,707	1,176,535,411	587,621,291	66,485,345	20,367,617
TREATY	439,206,457	657,594,500	676,136,254	420,664,703	34,214,308	215,870,498	123,101,360	126,983,446	293,681,257	601,094,590
Grand Total	1,058,250,629	2,004,670,221	1,988,149,511	1,074,771,339	592,171,303	1,422,070,205	1,299,636,771	714,604,737	360,166,602	621,462,207

The annexed notes 1 to 9 form an integral part of these financial statements

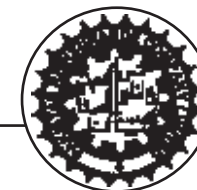
Asghar Inam Khalid
Chief Financial Officer

Nahid Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Premium for the half year ended June 30, 2006 (Unaudited)



Business underwritten inside Pakistan

Half Year ended June 30,

2006

2005

Class	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	471,687,808	238,631,634	387,440,400	322,879,042	426,389,127	180,722,443	335,026,149	272,085,421	50,793,621	2,595,493
Marine Cargo	6,818,016	4,139,078	2,373,145	8,583,949	1,623,454	-	811,727	811,727	7,772,222	1,475,646
Marine Hull	13,392,859	26,692,581	17,476,936	22,608,504	-	24,479,795	5,512,485	18,967,310	3,641,194	(232,122)
Accident	8,906,082	12,124,774	10,953,068	10,077,788	332,967	7,323,368	3,070,946	4,585,389	5,492,399	2,078,128
Aviation	557,824,962	630,479,868	581,767,513	606,537,317	534,716,635	615,110,179	558,760,811	591,066,003	15,471,314	8,069,542
Engineering	259,274,699	378,268,618	312,002,195	325,541,122	224,781,627	330,403,933	273,353,293	281,832,267	43,708,855	19,717,040
Total	1,317,904,426	1,290,336,553	1,312,013,257	1,296,227,722	1,187,843,810	1,158,039,718	1,176,535,411	1,169,348,117	126,879,605	33,703,727
TREATY	712,114,850	824,419,592	676,136,254	860,398,188	244,747,685	132,384,614	123,101,360	254,030,939	606,367,249	1,083,414,034
Grand Total	2,030,019,276	2,114,756,145	1,988,149,511	2,156,625,910	1,432,591,495	,290,424,332	1,299,636,771	1,423,379,056	733,246,854	1,117,117,761

The annexed notes 1 to 9 form an integral part of these financial statements

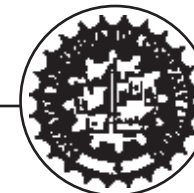
Asghar Inam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Claims for the half year ended June 30, 2006 (Unaudited)



Business underwritten inside Pakistan

Class	Quarter ended June 30,				2006		2005			
	Claims Paid (A)	Outstanding Claims Opening (B) Closing (C)		Claims Expense (D=A+C-B)	Reinsurance and other recoveries Received (E)	Reinsurance and other recoveries in respect of outstanding claims Opening (F) Closing (G)		Reinsurance and other recoveries Revenue (H=E+G-F)	Net claims expense (I=D-H)	Net claims expense
Rupees										
Direct and										
Facultative Fire	2,065,671	86,818,011	58,571,186	(26,181,154)		68,968,099	68,968,099		(26,181,154)	(2,972,184)
Marine Cargo	30,000		623,630	653,630					653,630	211,792
Marine Hull	1,536,175	12,535,387	14,340,995	3,341,783	1,672,724	5,497,669	6,307,834	2,482,889	858,894	368,241
Accident	399,000	6,528,725	4,500,000	(1,629,725)					(1,629,725)	
Aviation	8,743,387	432,803,299	492,045,053	67,985,141	8,439,743	415,447,887	452,681,470	45,673,326	22,311,815	(13,367,735)
Engineering	1,057,989	319,827,281	346,547,000	27,777,708		287,195,597	303,047,000	15,851,403	11,926,305	(6,920,910)
Total	13,832,222	858,512,703	916,627,864	71,947,383	10,112,467	777,109,252	831,004,403	64,007,618	7,939,765	(22,680,796)
TREATY	222,398,554	1,535,206,923	1,417,679,038	104,870,669	3,895,686	1,030,737,150	983,815,315	(43,026,149)	147,896,818	542,990,385
Grand Total	236,230,776	2,393,719,626	2,334,306,902	176,818,052	14,008,153	1,807,846,402	1,814,819,718	20,981,469	155,836,583	520,309,589

The annexed notes 1 to 9 form an integral part of these financial statements

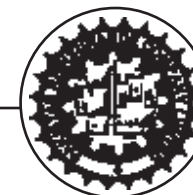
Asghar Inam Khalid
Chief Financial Officer

Nehed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Claims for the half year ended June 30, 2006 (Unaudited)



Business underwritten inside Pakistan

Class	Half Year ended June 30,				2006		2005			
	Claims Paid (A)	Outstanding Claims Opening (B) Closing (C)		Claims Expense (D=A+C-B)	Reinsurance and other recoveries Received (E)	Reinsurance and other recoveries in respect of outstanding claims Opening (F) Closing (G)		Reinsurance and other recoveries Revenue (H=E+G-F)	Net claims expense (I=D-H)	Net claims expense
Rupees										
Direct and										
Facultative Fire	3,249,051	86,818,011	58,571,186	(24,997,774)		68,968,099	68,968,099		(24,997,774)	(2,932,560)
Marine Cargo	30,000		623,630	653,630					653,630	211,792
Marine Hull	1,558,631	12,949,463	14,340,995	2,950,163	1,672,724	5,497,669	6,307,834	2,482,889	467,274	368,241
Accident	406,319	6,528,725	4,500,000	(1,622,406)					(1,622,406)	
Aviation	74,271,162	498,635,923	492,045,053	67,680,292	72,421,522	478,633,920	452,681,470	46,469,072	21,211,220	(11,064,509)
Engineering	1,057,989	326,997,677	346,547,000	20,607,312		299,073,926	303,047,000	3,973,047	16,634,238	(5,550,091)
Total	80,573,152	931,929,799	916,627,864	65,271,217	74,094,246	852,173,614	831,004,403	52,925,035	12,346,182	(18,967,127)
TREATY	348,706,792	1,478,190,450	1,417,679,038	288,195,380	10,431,112	1,034,981,659	983,815,315	(40,735,232)	328,930,612	540,883,056
Grand Total	429,279,944	2,410,120,249	2,334,306,902	353,466,597	84,525,358	1,887,155,273	1,814,819,718	12,189,803	341,276,794	521,915,929

The annexed notes 1 to 9 form an integral part of these financial statements

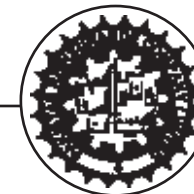
Asghar Inam Khalid
Chief Financial Officer

Nahed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Expenses for the half year ended June 30, 2006 (Unaudited)



Business underwritten inside Pakistan

Class	Quarter ended June 30,									2006	2005	
	Commission paid or payable (A)	Deferred Commission		Net commission expense (D=A+B-C)	Other management expenses (E)	Underwriting expense (F=D+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
-----R u p e e s-----												
Direct and												
Facultative Fire	7,816,210	24,863,200	21,817,958	10,861,452	1,151,615	12,013,067	8,443,792	20,402,035	19,789,247	9,056,580	2,956,487	(534,056)
Marine Cargo	583,386	117,223	291,693	408,916	761,471	1,170,387	202,914	-	101,457	101,457	1,068,930	440,965
Marine Hull	1,994,798	1,247,200	2,192,081	1,049,917	363,227	1,413,144	-	1,844,208	689,061	1,155,147	257,997	(119,326)
Accident	639,178	860,427	1,060,571	439,034	977,891	1,416,925	33,297	8,882	29,135	13,044	1,403,881	714,078
Aviation	1,389,765	1,836,672	2,110,359	1,116,078	941,554	2,057,632	2,924,287	5,459,217	5,324,567	3,058,937	(1,001,305)	(1,683,468)
Engineering	8,132,258	23,219,937	21,824,779	9,527,416	847,757	10,375,173	9,946,995	29,000,047	25,975,959	12,971,083	(2,595,910)	(7,005,837)
Total	20,555,595	52,144,659	49,297,441	23,402,813	5,043,515	28,446,328	21,551,285	56,714,389	51,909,426	26,356,248	2,090,080	(8,187,644)
TREATY	102,910,465	173,101,892	173,750,012	102,262,345	36,342,698	138,605,043	1,597,421	5,700,753	3,761,601	3,536,573	135,068,470	209,093,208
Grand Total	123,466,060	225,246,551	223,047,453	125,665,158	41,386,213	167,051,371	23,148,706	62,415,142	55,671,027	29,892,821	137,158,550	200,905,564

The annexed notes 1 to 9 form an integral part of these financial statements.

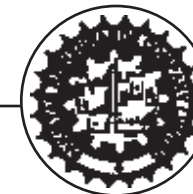
Asghar Inam Khalid
Chief Financial Officer

Nehed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Expenses for the half year ended June 30, 2006 (Unaudited)



Business underwritten inside Pakistan

Half Year ended June 30,

2006

2005

Class	Commission paid or payable	Deferred Commission		Net commission expense	Other management expenses	Commission from reinsurers		Opening	Closing	Net Commission Retrocession	Net Underwriting Expense	Net Underwriting Expense
	(A)	Opening (B)	Closing (C)	(D=A+B-C)	(E)	(F=D+E)	(G)	(H)	(I)	(J=G+H-I)	(K=F-J)	
-----R u p e e s-----												
Direct and												
Facultative Fire	24,357,533	18,242,275	21,817,958	20,781,850	2,312,393	23,094,243	25,615,590	11,476,005	19,789,247	17,302,348	5,791,895	(929,282)
Marine Cargo	817,831	577,667	291,693	1,103,805	1,525,685	2,629,490	202,914	-	101,457	101,457	2,528,033	1,310,622
Marine Hull	1,994,798	2,164,025	2,192,081	1,966,742	725,754	2,692,496	-	3,059,974	689,061	2,370,913	321,583	(74,008)
Accident	1,120,846	760,724	1,060,571	820,999	2,056,319	2,877,318	33,297	27,002	29,135	31,164	2,846,154	1,672,275
Aviation	1,938,717	2,513,305	2,110,359	2,341,663	1,872,405	4,214,068	4,751,357	7,035,755	5,324,567	6,462,545	(2,248,477)	(2,453,811)
Engineering	21,066,345	19,785,254	21,824,779	19,026,820	1,694,377	20,721,197	23,561,486	29,111,605	25,975,959	26,697,132	(5,975,935)	(12,764,618)
Total	51,296,070	44,043,250	49,297,441	46,041,879	10,186,933	56,228,812	54,164,644	50,710,341	51,909,426	52,965,559	3,263,253	(13,238,822)
TREATY	161,123,313	225,401,659	173,750,012	212,774,960	66,538,194	279,313,154	4,518,730	7,686,825	3,761,601	8,443,954	270,869,200	434,072,143
Grand Total	212,419,383	269,444,909	223,047,453	258,816,839	76,725,127	335,541,966	58,683,374	58,397,166	55,671,027	61,409,513	274,132,453	420,833,321

The annexed notes 1 to 9 form an integral part of these financial statements.

Asghar Inam Khalid
Chief Financial Officer

Nabeed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director



Condensed Interim Statement of Cash Flow for the half year ended 30 June, 2006 (Unaudited)

	30 June, 2006	30 June, 2005
	(Rupees)	
Operating Cash Flows:		
<u>Underwriting activities:-</u>		
Premium received	2,024,641,074	2,569,748,112
Reinsurance premium paid	(1,344,678,138)	(1,452,630,351)
Claims paid	(429,279,944)	(1,116,511,977)
Reinsurance and other recoveries received	84,525,358	291,005,264
Commission paid	(212,419,383)	(269,930,707)
Commission received	58,683,374	72,134,445
Deposits received from/paid to ceding companies	11,042,066	123,781,623
Expenses paid	(76,725,127)	(65,935,140)
Net cash flows from underwriting activities	115,789,280	151,661,269
<u>Other Operating Activities</u>		
Income tax paid	(23,192,007)	(87,571,400)
General management expenses paid	(7,974,675)	(8,626,800)
Loans recovered from employees	(4,688,307)	1,128,543
Advances, deposits received/adjusted	-	4,687,202
Other receipts/(payment)	(14,149,377)	1,210,606
Other payments - staff contribution	-	(59,177,492)
Net cash flows from other operating activities	(50,004,366)	(148,349,341)
Total cash flow from all operating activities	65,784,914	3,311,928
<u>Investment activities</u>		
Fixed Capital expenditure	(42,250)	(666,635)
Acquisition of investments	(648,239,640)	(1,017,913,080)
Rental income received	11,366,179	1,166,117
Dividend income received	124,455,000	37,307,755
Interest income on bank deposits	11,192,212	41,169,606
Investment income received	35,967,652	-
Sale proceeds of investments	602,255,100	978,404,730
Total Cash Flow from investment activities	136,954,253	39,468,493
<u>Financing activities</u>		
Dividend paid	(175,702,000)	(108,706,973)
Payments of finance leases	(1,070,689)	(993,555)
Total cash flows from financing activities	(176,772,689)	(109,700,528)
Net cash inflow / (outflow) from all activities	25,966,478	(66,920,107)
Cash and cash equivalents at beginning of the half year	271,388,621	314,794,182
Cash and cash equivalents at end of the half year	297,355,099	247,874,075

The annexed notes 1 to 9 form an integral part of these financial statements

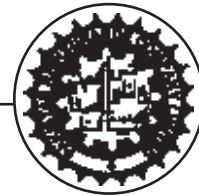
Asghar Imam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Cash Flow
for the half year ended 30 June, 2006 (Unaudited)



	30 June 2006 Rupees	30 June 2005 Rupees
<u>Reconciliation to profit and loss account</u>		
Operating cash flows	65,784,914	3,311,928
Depreciation expense	3,206,920	(3,619,121)
Exchange (gain) / Loss	15,263,820	16,367,478
Provision for doubtful debts	20,000,000	(23,000,000)
Rental income	(18,804,150)	8,663,201
Pension officers expense	2,497,000	-
Pension staff expense	1,802,000	-
Medical expense	5,239,000	-
Gratuity expense	(6,342,000)	-
Leave encashment	1,806,000	-
Provision for outstanding claims	3,477,792	-
Provision for unearned premium	126,606,633	-
Prepaid reinsurance prepaid	9,212,439	-
Provision for employee benefits	5,926,235	-
Dividend Income	(185,706,315)	34,962,315
Investment income	(47,816,261)	-
Interest Income	(11,192,212)	46,332,240
Amortisation of premium	7,557,362	(7,210,159)
Gain on sale of investment	(2,157,782)	-
(Decrease) / Increase in operating assets other than cash	473,082,584	(826,556,042)
(Increase) / Decrease in operating liabilities	(102,374,445)	919,632,196
	367,069,534	168,884,036
<u>Other adjustments:</u>		
Decrease / (Increase) in provision for diminution in value of investments	3,706,054	-
Income tax paid	(23,192,007)	87,571,400
	(19,485,953)	87,571,400
Profit before taxation	347,583,581	256,455,436
Provision for taxation	(66,000,000)	(82,258,720)
Profit after taxation	281,583,581	174,196,716
<u>Cash and cash equivalents:</u>		
Cash and other equivalent	67,561	44,443
Current and other accounts	295,857,538	246,129,632
Deposit maturing within 12 months	1,700,000	1,700,000
	297,355,099	247,874,075

The annexed notes 1 to 9 form an integral part of these financial statements.

Asghar Imam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director



Condensed Interim Statement of Investment Income for the half year ended 30 June, 2006 (Unaudited)

	Quarter ended June. 30, 2006	Quarter ended June. 30, 2005	Half Year ended June. 30 2006	Half Year ended June. 30 2005
	(Rupees)			
Income from non-trading investment				
Held to maturity investments				
Return on government securities	23,837,573	32,028,192	45,665,828	48,293,875
Amortization of premium on Pakistan investment Bond	(3,797,811)	(7,210,159)	(7,557,362)	(7,210,159)
Return on other fixed income securities and deposits	6,328,417	3,726,647	11,192,212	3,854,880
Income on treasury bills	4,869,020	5,843,134	14,494,834	7,952,306
Available for sale investments				
Dividend income	76,256,037	27,843,182	185,706,315	34,962,315
Gain on sale of non-trading investments				
Available for sale investments	2,157,782	-	2,157,782	-
Gain / (Loss) on revaluation of non-trading investments				
Available for sale investments	(3,506,768)	(5,275,598)	(3,706,053)	(5,275,598)
	<u>106,144,250</u>	<u>56,955,398</u>	<u>247,953,556</u>	<u>82,577,619</u>
Less: investment related expenses	536,193	435,110	1,080,986	1,283,064
Net investment income	<u>105,608,057</u>	<u>56,520,288</u>	<u>246,872,570</u>	<u>81,294,555</u>

The annexed notes 1 to 9 form an integral part of these financial statements

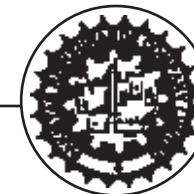
Asghar Imam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Condensed Interim Statement of Changes in Equity
for the half year ended June 30, 2006 (Unaudited)



	Share Capital	Reserve			Total	
	Issued Subscribed and paid-up	Exceptional Losses reserve	Revenue Reserves General Reserves	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 the half year ended 30.6.2006	-	-	-	281,583,581	281,583,581	281,583,581
Balance as at 30 June 2006	450,000,720	281,000,000	1,277,419,085	331,694,162	1,890,113,247	2,340,113,967

The annexed notes 1 to 9 form an integral part of these financial statements.

Aejaz Inam Khalid
Chief Financial Officer

Nabeed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director



Notes to the Condensed Interim Financial Statements for the half year ended 30 June, 2006 (Unaudited)

1 THE COMPANY AND ITS OPERATIONS

- 1.1 Pakistan Reinsurance Company Limited (the company) was incorporated on 30 March, 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 PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. Its shares are quoted on Karachi and Lahore Stock Exchanges.

2 BASIS OF PREPARATION

These condensed interim financial statements are unaudited but subject to review by the auditors and are being submitted to the shareholders in accordance with the listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984 and being presented in condensed form in accordance with the requirements of the approved accounting standard International Accounting Standard - Interim Financial Reporting (IAS-34) as applicable in Pakistan and in the format prescribed by Securities and Exchange Commission of Pakistan (SECP) in its circular No.7 of 2003.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation followed in the preparation of these financial statements are the same as those applied in the preparation of financial statements for the year ended 31 December 2005.

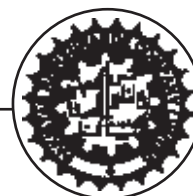
4 CONTINGENCIES

- 4.1 The Company is in process of reconciling balances of amount due to and due from other persons and bodies carrying on insurance business and have identified reconciling items of Rs.112.515 million (2005: Rs.85 million) as at 30 June 2006, which have not yet been agreed and settled with these insurance companies. Further, the Company is in process of reconciling balances with various other insurance companies. Consequently, the impact of possible adjustments on these balances and Revenue Account could not be quantified.

- 4.2 The Company has reversed certain claims lodged by insurance companies estimated at Rs.98.4 million in previous years due to the reason that appropriate documentation for substantiating these claims was not provided by the ceding companies.

There is a possibility that the Company may become liable to pay this amount in case ceding companies ultimately manage to provide the relevant supporting documents. However, these include a claim of Rs.6.36 million against which the Company had also made a counter claim of Rs.20.72 million.

- 4.3 Various ex-employees of the Company have lodged claims against the Company and/or ex-Chairman for their reinstatements and/or for damages amounting to Rs.1.02 billion (2005: Rs.1.02 billion). In certain cases, the Company and / or Ex-Chairman has also made counter claims against ex-employees for damages. However, the liability that may arise in these cases cannot be determined at this stage as these claims are pending in the Honourable High Court. Pending the ultimate outcome of the decision, no provision has been made in this respect in these financial statements. Due to this limitation, the amount of liability that may arise would be ultimately decided after the judgment of court is received. However, no provision is made as management is confident that no material liability will arise in this respect.



- 4.4 The Company has certain disputes with National Construction Company Limited (NCC) and other consultant / contractors, over the certification of final bills and breach of contract in relation to the construction of PRC Towers respectively.

NCC has filed a counter claim of Rs.133.6 million against the Company for financial loss and loss of goodwill against the original claim filed by the Company against NCC amounting to Rs.105.9 million for breach of contract for the construction of PRC Towers. In relation to the dispute with the consultants / contractors the total work as certified by Company's consultants amounted to Rs.200.76 million against the total contract price of Rs.208.94 million and the asset capitalised amounted to Rs.191.92 million only.

The Company has not made any provision against these claims, as it does not anticipate any liability in respect of these claims.

- 4.5 The Income Tax department had made add backs on account of excess allocation to "Reserve for unexpired risk" and "provision for diminution in value of investment" in the assessment year 2002-03, against which the Company filed an appeal before the Commissioner of Income tax (Appeals) which was decided in favour of the Company. Subsequently the Large Tax Payers' Unit has filed an appeal before the Income Tax Appellate Tribunal on account of the above two grounds amounting to Rs.417.8 million and Rs.13.4 million respectively on the plea that the learned CIT (A) has erred in deleting the above balance.

The management is of the view that the decision will be made in favour of the Company and therefore no tax liability will arise in this case. Accordingly no provision has been made in the current financial statements in this regard.

- 4.6 Case related to Export Credits Guarantee Scheme

Decrease have been awarded against the Company in three cases amounting to Rs.35.02 million, pertaining to the export credit guarantees issued by Export Credits Guarantee Scheme (ECGS). The management is of the view that the said matter relates to ECGS and the Company has no responsibility for any liability in this respect. It further, contends that no liability will arise for the ECGS from such cases. The Scheme has been abolished by the Federal Government and also the accounts relevant to the Scheme have been transferred by the Company.

5. INVESTMENTS	30 June 2006	31 December 2005
	(Rupees)	
Held to Maturity		
-Government Securities	1,175,628,688	1,161,817,100
-Treasury bills	<u>298,715,120</u>	<u>590,374,186</u>
	<u>1,474,343,808</u>	<u>1,752,191,286</u>
Available for sale		
-Shares of listed and unlisted Companies 5.1	825,948,044	475,357,875
-Nit Units	<u>645,090,617</u>	<u>645,090,617</u>
	<u>2,945,382,469</u>	<u>2,872,639,778</u>



Notes to the Condensed Interim Financial Statements for the half year ended 30 June, 2006 (Unaudited)

The market value of investments as at 30 June 2006 was Rs.8,617 million (as at 31 December 2005: Rs.8,325 million).

5.1 Investment in listed and Unlisted Companies

Cost of investment in listed and unlisted companies 839,488,874 485,192,651

Less: Provision for diminution in value

Balance brought forward from last year	9,834,776	5,300,642
Provision / (Reversal) made during the period / year	3,706,054	4,534,134
	13,540,830	9,834,776
Rupees	<u>825,948,044</u>	<u>475,357,875</u>

6. FIXED ASSETS

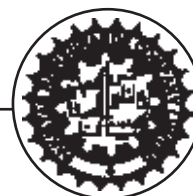
During the half year ended 30 June 2006 the Company has acquired fixed assets amounting to Rs.42,250 (30 June 2005: Rs.666,000) and no disposal has been made during the current and corresponding period.

7. TRANSACTIONS WITH RELATED PARTIES

	<u>Quarter ended 30 June</u>		<u>Half year ended 30 June</u>	
	2006	2005	2006	2005
	-----Rupees-----			
Balance at the beginning	25,605,000	67,124,000	36,584,000	63,617,000
Insurance premium				
Written during the period	53,867,000	56,107,000	54,540,000	62,991,000
Premium received - net	(18,693,000)	3,866,000	(30,345,000)	489,000
Balance at the end	60,779,000	127,097,000	60,779,000	127,097,000
Insurance commission paid	(15,930,137)	(21,435,000)	(17,339,000)	(23,131,000)
Insurance claims paid	(357,000)	(30,865,000)	(593,000)	(32,421,000)
Premium paid - net	1,783	76,764	4,285	73,426
Insurance commission received	734	150,180	1,781	151,884
Insurance claims received	28,018	382,904	32,412	392,249
Dividend income	-	3,726,647	55,517,076	3,854,880
Contributions / Provision for staff				
Retirement benefit plans	3,196,000	771,000	3,196,000	771,000
Remuneration to key personnel	928,821	1,192,995	1,746,112	2,213,855

The transactions with related parties are in the normal course of business at contracted rates and terms determined on commercial terms.

Notes to the Condensed Interim Financial Statements
for the half year ended 30 June, 2006 (Unaudited)



8. EARNING PER SHARE - BASIC

	Quarter ended		Half year ended	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
Profit after tax for the period	112,848,264	(28,498,231)	281,583,581	174,196,716
	(Rupees)			
Weighted average number of ordinary shares	45,000,072	45,000,072	45,000,072	45,000,072
	(Number)			
Earning per share - basic	2.51	(0.63)	6.26	3.87
	(Rupees)			

No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

9. GENERAL

9.1 All figures have been rounded off to the nearest rupees.

9.2 These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on August 24, 2006.

Asghar Imam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director