BOARD OF DIRECTORS

MS. NAHEED HYDER	CHAIRPERSON
MR. KAMAL AFSAR	DIRECTOR
MR. AIJAZ 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 & Accident)
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

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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.,

The directors feel pleasure in presenting the un-audited financial statements of the Company for the 3rd Quarter ended September 30, 2006.

Review of business activities

The Directors would like to inform the shareholders that the accounts for the quarter reflect the surplus treaty premium received from 13 companies out of 31, which have furnished statutory returns to PRC mainly due to closure of offices on account of Eid holidays. The rest of the business reflects facultative business as per record of the Company. The business from these companies represents 90% of the total average business for the quarter 2005.

Your company has earned underwriting profit of Rs.275 million for nine months ended September 30, 2006. The Gross Premium for the period was Rs.3,180 million compared to Rs.2,886 million for the corresponding quarter of last year. The Net premium for the nine months ended September 30, 2006 was Rs.1,073 million compared to Rs.1,568 million for the corresponding quarter of last year. The net claims for the period were Rs.400 million, the net commission expenses were Rs.281 million and the management expenses were Rs.117 million.

Besides, the income from investment including other income for the period ended September 30, 2006 was recorded at Rs.677 million. Moreover, the value of company's Investment Portfolio has also substantially improved.

Your company has earned a pre-tax profit of Rs.887 million for the period ended September 30, 2006. Your company is making continuous efforts to improve the performance of the company.

Aijaz Akhtar Director	Fazal-i-Qadar Director	Naheed Hyder Chief Executive

Karachi:October 27, 2006

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

	Unaudited Sep. 30, 2006 (Rupees)	Audited 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	**786,023,297**	230,110,869
	2,344,442,382	1,788,529,954
	2,794,443,102	2,238,530,674
Underwriting Provisions		
– Provision for outstanding claims (including IBNR)	**514,535,184**	518,012,976
– Provision for unearned premium	**2,065,318,171**	2,114,756,145
– Provision for unearned commission	**77,934,205**	58,397,166
	2,657,787,560	2,691,166,287
Deferred Liability		
Employee benefits	**136,113,614**	132,515,177
Long term deposits	**12,393,310**	17,670,298
Creditors and Accruals		
Amount due to other persons and bodies carrying on insurance business	**670,161,262**	334,700,662
Deposits retained/received from other Companies	**27,433,232**	34,381,932
Current Maturity of lease liability	–	1,253,061
Other creditors and accruals	**18,235,544**	29,859,710
Taxation net	**162,597,116**	142,578,859
Retention money payable	**6,403,216**	6,379,025
	884,830,370	549,153,249
Other liabilities	–	–
Dividend payable	**7,534,107**	3,235,899
Surplus profit payable	**1,313,805**	1,313,805
	8,847,912	4,549,704
Total liabilities	**3,699,972,766**	3,395,054,715
CONTINGENCIES		
Total equity and liabilities	**6,494,415,868**	5,633,585,389

	Unaudited Sep. 30, 2006 (Rupees)	Audited Dec 31, 2005 (Rupees)
Cash and Bank deposits		
Cash and other equivalents	**92,457**	34,351
Current and other accounts	**286,706,853**	269,654,270
Deposits maturing within 12 months	**1,700,000**	1,700,000
	288,499,310	271,388,621
Loans (Considered good)		
– to employees	**27,144,015**	30,974,288
– to others	**4,065,119**	3,926,249
	31,209,134	34,900,537
Investments	**3,452,837,573**	2,872,639,778
Deferred taxation	**57,050,001**	43,050,001
Invetsment properties	**55,021,034**	57,822,167
Other Assets		
Amount due from persons and bodies carrying on insurance business	**483,307,331**	461,336,757
Deposits held by ceding companies	**51,189,305**	84,143,171
Accrued investment income	**76,424,397**	26,491,735
Other Receivables	**202,421,286**	190,471,420
Prepaid reinsurance ceded	**1,588,249,049**	1,290,424,332
Deferred commission expense	**178,402,478**	269,444,909
Stock of stationery	**543,702**	316,741
	2,580,537,548	2,322,629,065
Fixed assets		
Tangible		
Land and building	**23,761,491**	24,944,596
Furniture, fixture, books and office equipment	**2,705,379**	2,923,096
Vehicles	**2,794,398**	3,287,528
	29,261,268	31,155,220
Assets related to Bangladesh	–	–
	–	–
Total assets	**6,494,415,868**	5,633,585,389

The annexed notes1 to 7 form an integral part of these financial statements.

Asghar Imam Khalid
Chief Financial Officer

Naheed Hyder
Chief Executive

Aijaz Akhtar
Director

Fazal-i-Qadar
Director

Condensed Interim Profit and Loss Account
for Nine Months ended September 30, 2006 (Unaudited)

	Quarter ended September 30,							2006	2005
	Facultative						Treaty		
	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering			
	Rupees								
Revenue Account									
Net premium revenue	37,567,934	4,433,079	3,664,498	3,452,634	10,911,640	19,903,855	260,043,518	**339,977,158**	450,988,886
Net claims	3,258,479	312,885	16,772	(60,000)	4,094,011	155,025	51,284,197	**59,061,369**	(3,235,024)
Management expenses	1,486,347	1,291,374	364,772	909,536	1,183,880	1,116,919	33,869,259	**40,222,087**	46,212,706
Net commission	3,496,123	528,784	285,509	469,315	(1,756,701)	(4,174,900)	84,919,658	**83,767,788**	146,804,376
Underwriting result	29,326,985	2,300,036	2,997,445	2,133,783	7,390,450	22,806,811	89,970,404	**156,925,914**	261,206,828
Investment income								**395,982,202**	258,075,466
Rental income								**7,828,918**	7,858,995
Exchange (loss)/gain								**3,430,831**	(603,616)
Other income								**167,552**	132,839
General and administration expenses								**(4,555,100)**	(2,512,011)
Provision for doubtful debts								**(20,000,000)**	(25,000,000)
								382,854,221	237,951,673
Profit before tax								**539,780,135**	499,158,501
Provision for taxation								**85,451,000**	101,418,742
Profit after tax								**454,329,135**	397,739,759
Profit and loss appropriation account - Balance at the commencement of quarter								**331,694,162**	209,880,122
Profit after tax for the quarter								**454,329,135**	397,739,759
Profit and loss appropriation account - closing balance								**786,023,297**	607,619,881
Earning per share - basic								**10.10**	8.84

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Profit and Loss Account for Nine Months ended September 30, 2006 (Unaudited)

	Facultative						Treaty	Nine Months ended September 30, 2006	2005
	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering			
	Rupees								
Revenue Account									
Net premium revenue	88,361,555	12,205,301	7,305,692	8,945,033	26,382,954	63,612,710	866,410,767	**1,073,224,012**	1,568,106,647
Net claims	(21,739,295)	966,515	484,046	(1,682,406)	25,305,231	16,789,263	380,214,809	**400,338,163**	518,680,905
Management expenses	3,798,740	2,817,059	1,090,526	2,965,855	3,056,285	2,811,296	100,407,453	**116,947,214**	112,147,846
Net commission	6,975,625	1,531,132	(118,662)	1,259,150	(5,877,583)	(11,845,212)	289,250,664	**281,175,114**	501,702,557
Underwriting result	99,326,485	6,890,595	5,849,782	6,402,434	3,899,021	55,857,363	96,537,841	**274,763,521**	435,575,339
Investment income								**642,854,590**	339,370,021
Rental income								**23,268,308**	16,522,196
Exchange gain								**(11,832,989)**	21,941,747
Other income								**10,840,061**	1,343,445
General and administration expenses								**(12,529,775)**	(11,138,811)
Provision for doubtful debts								**(40,000,000)**	(48,000,000)
								612,600,195	320,038,598
Profit before tax								**887,363,716**	755,613,937
Provision for taxation								**151,451,000**	183,677,462
Profit after tax								**735,912,716**	571,936,475
Profit and loss appropriation account - Balance at the commencement of year								**230,110,869**	148,183,586
Profit after tax for quarter								**735,912,716**	571,936,475
Final Dividend								**(180,000,288)**	(112,500,180)
Profit and loss appropriation account - closing balance								**786,023,297**	607,619,881
Earning per share - basic								**16.35**	12.71

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Statement of Premiums
for Nine Months ended September 30, 2006 (Unaudited)

Business underwritten inside Pakistan

		Quarter ended September 30,								**2006**	2005
			Unearned premium reserve				Prepaid Reinsurance Premium ceded				
Class		Premium Written (A)	Opening (B)	Closing (C)	Premium earned (D=A+B-C)	Re-insurance Ceded (E)	Opening (F)	Closing (G)	Re-insurance expense (H=E+F-G)	Net premium Revenue (I=D-H)	Net premium Revenue
		Rupees									
Direct and Facultative	Fire	293,723,438	387,440,400	485,629,184	195,534,654	199,941,495	335,026,149	377,000,924	157,966,720	**37,567,934**	7,692,990
	Marine Cargo	5,743,323	2,373,145	2,871,662	5,244,806	–	811,727	–	811,727	**4,433,079**	1,996,439
	Marine Hull	828,542	17,476,936	9,692,699	8,612,779	–	5,512,485	564,204	4,948,281	**3,664,498**	549,450
	Accident	3,395,207	10,953,068	8,959,333	5,388,942	–	3,070,946	1,134,638	1,936,308	**3,452,634**	1,711,466
	Aviation	311,063,070	581,767,513	591,888,877	300,941,706	301,429,983	558,760,811	570,160,728	290,030,066	**10,911,640**	4,288,351
	Engineering	315,244,385	312,002,195	443,271,997	183,974,583	306,983,400	273,353,293	416,265,965	164,070,728	**19,903,855**	13,376,184
	Total	929,997,965	1,312,013,257	1,542,313,752	699,697,470	808,354,878	1,176,535,411	1,365,126,459	619,763,830	**79,933,640**	29,614,880
TREATY		220,091,012	676,136,254	523,004,419	373,222,847	213,200,559	123,101,360	223,122,590	113,179,329	**260,043,518**	421,374,006
	Grand Total	1,150,088,977	1,988,149,511	2,065,318,171	1,072,920,317	1,021,555,437	1,299,636,771	1,588,249,049	732,943,159	**339,977,158**	450,988,886

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Statement of Premiums for Nine Months ended September 30, 2006 (Unaudited)

Business underwritten inside Pakistan

Nine Months ended September 30,										2006	2005
			Unearned premium reserve				Prepaid Reinsurance Premium ceded				
	Class	Premium Written (A)	Opening (B)	Closing (C)	Premium earned (D=A+B-C)	Re-insurance Ceded (E)	Opening (F)	Closing (G)	Re-insurance expense (H=E+F-G)	Net premium revenue (I=D-H)	Net premium revenue
		-------------	-------------	-------------	-------------	R u p e e s	-------------	-------------	-------------	-------------	-------------
Direct and Facultative	Fire	765,411,246	238,631,634	485,629,184	518,413,696	626,330,622	180,722,443	377,000,924	430,052,141	**88,361,555**	10,288,483
	Marine Cargo	12,561,339	4,139,078	2,871,662	13,828,755	1,623,454	-	-	1,623,454	**12,205,301**	3,472,085
	Marine Hull	14,221,401	26,692,581	9,692,699	31,221,283	-	24,479,795	564,204	23,915,591	**7,305,692**	317,328
	Accident	12,301,289	12,124,774	8,959,333	15,466,730	332,967	7,323,368	1,134,638	6,521,697	**8,945,033**	3,789,594
	Aviation	868,888,032	630,479,868	591,888,877	907,479,023	836,146,618	615,110,179	570,160,728	881,096,069	**26,382,954**	12,357,893
	Engineering	574,519,084	378,268,618	443,271,997	509,515,705	531,765,027	330,403,933	416,265,965	445,902,995	**63,612,710**	33,093,224
	Total	2,247,902,391	1,290,336,553	1,542,313,752	1,995,925,192	1,996,198,688	1,158,039,718	1,365,126,459	1,789,111,947	**206,813,245**	63,318,607
TREATY		932,205,862	824,419,592	523,004,419	1,233,621,035	457,948,244	132,384,614	223,122,590	367,210,268	**866,410,767**	1,504,788,040
	Grand Total	3,180,108,253	2,114,756,145	2,065,318,171	3,229,546,227	2,454,146,932	1,290,424,332	1,588,249,049	2,156,322,215	**1,073,224,012**	1,568,106,647

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Statement of Claims
for Nine Months ended September 30, 2006 (Unaudited)

Business underwritten inside Pakistan

		Quarter ended September 30,								**2006**	2005
			Outstanding Claims			**Reinsurance and other recoveries**	**Reinsurance and other recoveries in respect of outstanding claims**		**Reinsurance and other recoveries**		
	Class	**Claims Paid (A)**	**Opening (B)**	**Closing (C)**	**Claims Expense (D=A+C-B)**	**Received (E)**	**Opening (F)**	**Closing (G)**	**Revenue (H=E+G-F)**	**Net claims expense (I=D-H)**	**Net claims expense**
		---R u p e e s---									
Direct and											
Facultative	Fire	3,258,479	58,571,186	58,571,186	3,258,479	–	68,968,099	68,968,099	–	**3,258,479**	6,178,312
	Marine Cargo	312,885	623,630	623,630	312,885	–	–	–	–	**312,885**	–
	Marine Hull	16,772	14,340,995	14,340,995	16,772	–	6,307,834	6,307,834	–	**16,772**	(99,083)
	Accident	(60,000)	4,500,000	4,500,000	(60,000)	–	–	–	–	**(60,000)**	–
	Aviation	171,471,889	492,045,053	492,045,053	171,471,889	167,377,878	452,681,470	452,681,470	167,377,878	**4,094,011**	120,308
	Engineering	155,025	346,547,000	346,547,000	155,025	–	303,047,000	303,047,000	–	**155,025**	(6,095,800)
	Total	175,155,050	916,627,864	916,627,864	175,155,050	167,377,878	831,004,403	831,004,403	167,377,878	**7,777,172**	103,737
TREATY		52,419,927	1,417,679,038	1,417,679,038	52,419,927	1,135,730	983,815,315	983,815,315	1,135,730	**51,284,197**	(3,338,761)
	Grand Total	**227,574,977**	**2,334,306,902**	**2,334,306,902**	**227,574,977**	**168,513,608**	**1,814,819,718**	**1,814,819,718**	**168,513,608**	**59,061,369**	**(3,235,024)**

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

Asghar Imam Khalid Chief Financial Officer	Naheed Hyder Chief Executive	Aijaz Akhtar Director	Fazal-i-Qadar Director

Condensed Interim Statement of Claims for Nine Months ended September 30, 2006 (Unaudited)

Business underwritten inside Pakistan

	Class	Claims Paid (A)	Outstanding Claims Opening (B)	Outstanding Claims 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)	Reinsurance and other recoveries in respect of outstanding claims Closing (G)	Reinsurance and other recoveries Revenue (H=E+G-F)	Net claims expense (I=D-H) 2006	Net claims expense 2005
		Rupees									
Direct and Facultative	Fire	6,507,530	86,818,011	58,571,186	(21,739,295)	–	68,968,099	68,968,099	–	**(21,739,295)**	3,245,752
	Marine Cargo	342,885	–	623,630	966,515	–	–	–	–	**966,515**	211,792
	Marine Hull	1,575,403	12,949,463	14,340,995	2,966,935	1,672,724	5,497,669	6,307,834	2,482,889	**484,046**	269,158
	Accident	346,319	6,528,725	4,500,000	(1,682,406)	–	–	–	–	**(1,682,406)**	–
	Aviation	245,743,051	498,635,923	492,045,053	239,152,181	239,799,400	478,633,920	452,681,470	213,846,950	**25,305,231**	(10,944,201)
	Engineering	1,213,014	326,997,677	346,547,000	20,762,337	–	299,073,926	303,047,000	3,973,074	**16,789,263**	(11,645,891)
	Total	255,728,202	931,929,799	916,627,864	240,426,267	241,472,124	852,173,614	831,004,403	220,302,913	**20,123,354**	(18,863,390)
TREATY		401,126,719	1,478,190,450	1,417,679,038	340,615,307	11,566,842	1,034,981,659	983,815,315	(39,599,502)	**380,214,809**	537,544,295
	Grand Total	656,854,921	2,410,120,249	2,334,306,902	581,041,574	253,038,966	1,887,155,273	1,814,819,718	180,703,411	**400,338,163**	518,680,905

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

Asghar Imam Khalid Chief Financial Officer	Naheed Hyder Chief Executive	Aijaz Akhtar Director	Fazal-i-Qadar Director

Condensed Interim Statement of Expenses for Nine Months ended September 30, 2006 (Unaudited)

Business underwritten inside Pakistan

	Class											Quarter ended September 30, 2006	2005
		Commission paid or payable (A)	Deferred Commission Opening (B)	Deferred Commission Closing (C)	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
		Rupees											
Direct and Facultative	Fire	23,680,993	21,817,958	32,860,999	12,637,952	1,486,347	14,124,299	9,293,355	19,789,247	19,940,773	9,141,829	**4,982,470**	585,701
	Marine Cargo	677,097	291,693	338,549	630,241	1,291,374	1,921,615	-	101,457	-	101,457	**1,820,158**	1,136,196
	Marine Hull	57,314	2,192,081	1,345,350	904,045	364,772	1,268,817	-	689,061	70,525	618,536	**650,281**	62,145
	Accident	424,100	1,060,571	1,007,032	477,639	909,536	1,387,175	-	29,135	20,811	8,324	**1,378,851**	1,145,201
	Aviation	1,563,477	2,110,359	2,601,156	1,072,680	1,183,880	2,256,560	3,476,351	5,324,567	5,971,537	2,829,381	**(572,821)**	(1,081,305)
	Engineering	22,849,458	21,824,779	32,309,019	12,365,218	1,116,919	13,482,137	37,482,844	25,975,959	46,918,685	16,540,118	**(3,057,981)**	(3,610,303)
	Total	49,252,439	49,297,441	70,462,105	28,087,775	6,352,828	34,440,603	50,252,550	51,909,426	72,922,331	29,239,645	**5,200,958**	(1,762,365)
TREATY		21,925,156	173,750,012	107,940,373	87,734,795	33,869,259	121,604,054	4,065,410	3,761,601	5,011,874	2,815,137	**118,788,917**	194,779,447
	Grand Total	71,177,595	223,047,453	178,402,478	115,822,570	40,222,087	156,044,657	54,317,960	55,671,027	77,934,205	32,054,782	**123,989,875**	193,017,082

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Statement of Expenses for Nine Months ended September 30, 2006 (Unaudited)

Business underwritten inside Pakistan

	Class	Commission paid or payable (A)	Deferred Commission Opening (B)	Deferred Commission Closing (C)	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
		Nine Months ended September 30,										**2006**	2005
		Rupees											
Direct and Facultative	Fire	48,038,526	18,242,275	32,860,999	33,419,802	3,798,740	37,218,542	34,908,945	11,476,005	19,940,773	26,444,177	**10,774,365**	(343,581)
	Marine Cargo	1,494,928	577,667	338,549	1,734,046	2,817,059	4,551,105	202,914	-	-	202,914	**4,348,191**	2,446,818
	Marine Hull	2,052,112	2,164,025	1,345,350	2,870,787	1,090,526	3,961,313	-	3,059,974	70,525	2,989,449	**971,864**	(11,863)
	Accident	1,544,946	760,724	1,007,032	1,298,638	2,965,855	4,264,493	33,297	27,002	20,811	39,488	**4,255,005**	2,817,476
	Aviation	3,502,194	2,513,305	2,601,156	3,414,343	3,056,285	6,470,628	8,227,708	7,035,755	5,971,537	9,291,926	**(2,821,298)**	(3,535,116)
	Engineering	43,915,803	19,785,254	32,309,019	31,392,038	2,811,296	34,203,334	61,044,330	29,111,605	46,918,685	43,237,250	**(9,033,916)**	(16,374,921)
	Total	100,548,509	44,043,250	70,462,105	74,129,654	16,539,761	90,669,415	104,417,194	50,710,341	72,922,331	82,205,204	**8,464,211**	(15,001,187)
TREATY		183,048,469	225,401,659	107,940,373	300,509,755	100,407,453	400,917,208	8,584,140	7,686,825	5,011,874	11,259,091	**389,658,117**	628,851,590
	Grand Total	283,596,978	269,444,909	178,402,478	374,639,409	116,947,214	491,586,623	113,001,334	58,397,166	77,934,205	93,464,295	**398,122,328**	613,850,403

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Statement of Cash Flow for Nine Months ended September 30, 2006 (Unaudited)

	Nine months Period ended Sep 30, 2006	Nine months Period ended Sep 30, 2005
	(Rupees)	
Operating Cash Flows:		
Underwriting activities:-		
Premium received	**3,229,546,227**	3,731,783,121
Reinsurance premium paid	**(2,156,322,215)**	(2,178,049,818)
Claims paid	**(581,041,574)**	(950,020,990)
Reinsurance and other recoveries received	**180,703,411**	431,340,085
Commission paid	**(374,639,409)**	(606,786,640)
Commission received	**93,464,295**	105,084,383
Due from person carrying on insurance business	**(61,970,574)**	492,938,001
Due to person carrying on insurance business	**323,627,611**	(311,343,616)
Deposits received from/paid to ceding companies	**26,005,166**	150,287,146
Expenses paid	**(116,947,214)**	(112,147,846)
Net cash flows from underwriting activities	**562,425,724**	753,083,536
Other Operating Activities		
Income tax paid	**(131,432,743)**	(20,469,927)
General management expenses paid	**(12,529,775)**	(11,138,811)
Loans recovered from employees	**3,691,403**	2,623,767
Advances, deposits received/adjusted	**(5,276,988)**	2,129,852
Premium reserve net	**(347,262,691)**	(847,674,012)
Reserve for prepaid commission	**110,579,470**	281,943,184
Reserve for outstanding claims	**(3,477,792)**	(309,210,161)
Other receipts/(payment)	**2,838,523**	1,343,445
Other payments - staff contribution	**(26,176,828)**	(6,580,691)
Net cash flows from other operating activities	**(409,047,421)**	(907,033,354)
Total cash flow from all operating activities	**153,378,303**	(153,949,818)
Investment activities		
Fixed Capital expenditure	**4,695,085**	(751,920)
Acquisition of investments	**(1,438,953,800)**	(1,610,686,200)
Rental income received	**28,575,116**	14,887,648
Dividend income received	**503,162,690**	286,575,670
Interest income on bank deposits	**11,269,551**	4,037,293
Investment income received	**45,463,499**	66,799,578
Sale proceeds of investments	**886,475,386**	1,470,361,195
Total Cash Flow from investment activities	**40,687,527**	231,223,264
Financing activities		
Dividend paid	**(175,702,080)**	(108,706,973)
Payments of finance leases	**(1,253,061)**	(1,504,437)
Total cash flows from financing activities	**(176,955,141)**	(110,211,410)
Net cash inflow / (outflow) from all activities	**17,110,689**	(32,937,964)
Cash and cash equivalents at beginning of the year	**271,388,621**	314,794,182
Cash and cash equivalents at end of the quarter	**288,499,310**	281,856,218

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

Asghar Imam Khalid	Naheed Hyder	Aijaz Akhtar	Fazal-i-Qadar
Chief Financial Officer	Chief Executive	Director	Director

Condensed Interim Statement of Investment Income for Nine Months ended September 30, 2006 (Unaudited)

	Quarter ended Sep. 30, 2006	Quarter ended Sep. 30, 2005	**Nine Months ended Sep. 30 2006**	Nine Months ended Sep. 30 2005
	---------- (Rupees) ----------			
Income from non-trading investment				
Held to maturity investments				
Return on government securities	**22,832,913**	21,704,341	**68,498,741**	69,998,216
Amortization of premium on Pakistan investment Bond	**(3,778,681)**	(3,749,222)	**(11,336,043)**	(10,959,381)
Return on other fixed income securities and deposits	**77,339**	182,413	**11,269,551**	4,037,293
Income on treasury bills	**11,215,742**	7,388,460	**25,710,576**	15,340,766
Available for sale investments				
Dividend income	**368,047,025**	234,329,073	**553,753,340**	269,291,388
Gainon sale of non-trading investments				
Available for sale investments	-	-	**2,157,782**	-
Gain on revaluation of non-trading investments				
Available for sale investments	**(1,380,592)**	(1,080,535)	**(5,086,645)**	(6,356,133)
	397,013,746	258,774,530	**644,967,302**	341,352,149
Less: investment related expenses	**1,031,726**	699,064	**2,112,712**	1,982,128
Net investment income	**395,982,020**	258,075,466	**642,854,590**	339,370,021

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

Asghar Imam Khalid Chief Financial Officer	Naheed Hyder Chief Executive	Aijaz Akhtar Director	Fazal-i-Qadar Director

Condensed Interim Statement of Changes in Equity for Nine Months ended September 30, 2006 (Unaudited)

	Share Capital	Reserve				Total
	Issued	Revenue Reserves				
	Subscribed and paid-up	Exceptional Losses reserve	General Reserves	Unappropriated Profit	Total	
	Rupees					
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 Nine months ended 30.9.2006	-	-	-	735,912,716	735,912,716	735,912,716
Balance as at September 30, 2006	450,000,720	281,000,000	1,277,419,085	786,023,297	2,344,442,382	2,794,443,102

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

Asghar Imam Khalid Chief Financial Officer	Naheed Hyder Chief Executive	Aijaz Akhtar Director	Fazal-i-Qadar Director

Notes to the Condensed Interim Financial Statements for Nine Months ended September 30, 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 PRC 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 3rd Quarter 2006, PRC received returns from thirteen general insurance companies and as such above accounts have been prepared by incorporating only these returns. 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 October 27, 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.

Asghar Imam Khalid	Aijaz Akhtar	Fazal-i-Qadar	Naheed Hyder
Chief Financial Officer	Director	Director	Chief Executive

Karachi October 27, 2006