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Vision Statement

Our vision is to be a leading provider of reinsurance and risk management services in the region.

Mission Statement

Our mission is to provide secure reinsurance capacity and outstanding risk management advice in a profitable manner, conduct our business in a dependable and professional manner with the highest standards of customer service.

In fulfilling this mission, we are committed to:

- *Providing our clients, and particularly insurance companies in Pakistan, with comprehensive insurance, reinsurance, financial and business services of the highest quality and value*
- *Maintaining financial strength and stability through prudent business decisions and sound operations based on state of the art information technology*
- *Taking a long-term view of business relationships*

Practice the highest standards of integrity and professionalism

- *Continuously investing in knowledge required to support business decisions and long-term business strategy formulation*
- *Achieving consistent, long-term financial growth and profitability for our shareholders*
- *Attracting, retaining and developing capable and dedicated employees contributing to the growth and sharing in the success of the company*



Board of Directors

BOARD OF DIRECTORS

MRS. RUKHSANA SALEEM	CHAIRPERSON
MR. KAMAL AFSAR	DIRECTOR
MR. S.M. RAFIQUE AKHTAR/ALTERNATE	DIRECTOR
S. AIJAZ AKHTAR	
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	

AUDIT COMMITTEE

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

AUDITORS

KPMG TASEER HADI & CO.
Chartered Accountants

LEGAL ADVISOR

Aman Law Associates

HEAD OFFICE

PRC Towers, 32 - A, Lalazar Drive, M.T. Khan Road,
P.O. Box: 4777, Karachi - Pakistan.
Tel: (92-21)-9202908-14
Telex: 20428 PAKRE PK, Telefax: (92-21)-9202921 - 9202922
E-mail: picl@pk.netsolir.com
Website: www.pakre.org.pk

ZONAL OFFICE

AL-Jannat,
Bank Square, Lahore.

BANKERS

National Bank of Pakistan
Habib Bank Limited
MCB Bank Limited
United Bank Limited

Senior Management



Mr. Asghar Imam Khalid	Executive Director (F&A) / CFO
Mr. Fida Hussain Samoo	Executive Director / Sr. Manager (Re)
Mr. Shahzad Farooq Lodhi	Secretary / Manager (Estt & Admin)
Mrs. Ghazala Imran	Chief Manager (NZO), Lahore
Mr. Ayaz Hussain M. Gad	Sr. Manager (Marine / Fire / CR. Treaty)
Mr. Anzarul Hasan Hashmi	Manager (Accident)
Mr. Rahmatullah Khilji	Manager (Internal Audit)



Notice of Annual General Meeting

Notice is hereby given that the 7th Annual General Meeting of **PAKISTAN REINSURANCE COMPANY LIMITED** will be held on 27th April, 2007 on Friday at 11.00 a.m, at BEACH LUXURY HOTEL, Lalazar Drive, M.T. Khan Road, Karachi to transact the following business:-

1. To confirm the minutes of 6th Annual General Meeting held on 28th April, 2006.
2. To receive consider and adopt the audited accounts of the Company for the year ended 31st December, 2006 and the report of directors and auditors thereon.
3. To declare dividend and bonus, as recommended by the Board of Directors for the year ended 31st December, 2006.
4. To appoint auditors of the Company (PRC) for the year ending 31st December, 2007 and fix their remuneration.
5. To consider any other business with the permission of the Chair.

By Order of the Board

Shahzad F. Lodhi
(Company Secretary)

Dated: 31 March, 2007

NOTES

- 1) The share transfer books of the company shall remain closed from 20th April, 2007 to 27th April, 2007 (both days inclusive); no transfer will be accepted for registration during the period.
- 2) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid.



- (3) CDC Account Holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.
- A. For attending the meeting:
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced (Unless it has been provided earlier) at the time of the meeting.
- B. For appointing proxies:
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
 - iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his original NIC or original passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
- 4) Shareholders are requested to communicate to the Company of any change in their address,.



Directors' Report on the working of PRCL for the year ended December 31, 2006

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Gentlemen,

Your directors are pleased to present the 7th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2006.

Review of business activities

Economic growth and distribution of economic benefits to the people is the prime goal of the Government. The economic reforms agenda has laid the foundation of a stable and growing economy. There has been an increase in real GDP, growth and a remarkable progress has been made in the privatization program.

Keeping in line with the pace of national economic growth, the domestic insurance market also grew and the general insurance market has crossed Rs.25 billion mark, PRC has been able to achieve insurance market share of 18% and approximately 45% of reinsurance market share during the year 2006 which was the second year without compulsory cession.

PRCL was converted into a company in the year 2000 and is now operating under Insurance Ordinance, 2000, and Companies Ordinance, 1984. A number of steps to run it on commercial lines have already been taken. Paid up Capital has been enhanced, Corporate Culture is being introduced. Compulsory cession was withdrawn w.e.f. 01.01.2005. As already mentioned above, this was the first year of the company without compulsory cession since the inception of the company (formerly Corporation). The volume of the compulsory cession vis-a-vis market was 32% of the total business of the company. Withdrawal of compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2006, PRCL was selective in accepting business under treaty and facultative. Profit for the year 2006 rose to Rs.672 million as compared to Rs.594 million in 2005.

The salient features of the business operations during the year, 2006 are as under:-

	Dec. 31, 2006	Dec. 31, 2005
	<i>(Rupees in million)</i>	
Gross Premium	4,499	4,159
Retrocession	3,114	2,779
	<u>1,385</u>	<u>1,380</u>
Premium Reserve	+30	+625
Net Premium	<u>1,415</u>	<u>2,005</u>
Net Commission	367	620
Net Claims	777	823
Management expenses	146	171
Underwriting Profit/(Loss)	125	391
Investment Income	772	465
Exchange gain, rental & other income	31	76
Gen. & Admn. expense	25	27
Provisions for Doubtful debt/litigation	120	123
Profit before tax	783	782
Profit after tax	672	594

The Gross Premium of the company was Rs.4,499 million in the year 2006 as compared to Rs.4,159 million for the year 2005. The reason for increase in Gross premium is mainly due to increase in Facultative business.

Net premium of the company was Rs.1,415 million in the year 2006 as compared to Rs.2,005 million in the corresponding



period last year. In the year 2005, benefit of premium reserve accrued due to higher unearned premium on account of compulsory cession of 2004. The benefit of premium reserve was Rs.625 million in the year 2005 as compared to Rs.30 million in the year, 2006, the huge benefit on this account was unavailable in the form of Premium Reserve in the year 2006 and affected the net premium.

Net claims of the company for the year 2006 was Rs.777 million as compared to Rs.823 million in the last year showing a decrease of Rs.46 million. In the year 2006, the company has been selective in accepting business.

The commission expenses of the company were Rs.367 million in the year 2006 as compared to Rs.620 million for the year 2005 showing a decrease of Rs.253 million. The decrease in net commission expenses is due to commission received from abroad on various projects placed on fronting basis resulting in lower commission expenses.

The investment income in the year 2006 increased to Rs.772 million as compared to Rs.465 million in the year 2005. The increase in investment income was mainly due to increase in dividend income received from NIT, PICIC/PICIC.G.F., SNGPL/SSGC. The break-up value of PRC's share as at 31st December, 2006 was Rs.60.67 per share of Rs.10/= each and the earning per share was Rs.14.93.

The profit before tax was Rs.783 million. After making provision for taxation of Rs.111 million, the profit works out to Rs.672 million.

Department-wise results are as follows:-

Fire Department

The gross premium of Fire deptt. was Rs.1,620 million which contributed about 36% to the company's revenue. The net premium of this department was Rs.718 million. The claim ratio was 57% .

Marine Department

The Gross Premium of Marine dept. was Rs.451 million which contributed about 10% to the company's revenue. The net premium of this department was Rs.171 million. The claim ratio was 6%.

Aviation, Engineering & Accident Departments

The Gross Premium of Aviation, Engineering and Accident dept. was Rs.2,428 million which contributed about 54% to the company's revenue. The net premium of the dept. was Rs.526 million. The claim ratio was 37% .

Investment Plan

Investment Plan of PRC is being updated continually. The main objective of the Investment plan is to make prudent investment in safe securities as well as to ensure regular and maximum return on the investments. Accordingly, PRC has adopted the strategy of diversification, and the portfolio is being balanced between fixed income securities and equities.

Earlier, due to low interest rates and unstable market conditions, the return on investment income was low, however, with the diversification of investments and market stabilization, your company has been able to achieve average return of more than 20% during the year 2006, which is higher than the average market rate of return on investment during the year.

Investment

The investment as at the end of year 2006 has increased to Rs.3,588 million as compared to Rs.2,873 million in the year 2005, on lower cost or market value and amortised cost basis.

Income from investments

The Investment income in the year 2006 has increased to Rs.772 million as compared to Rs.465 million in the year 2005.



Profit

The profit before tax of the company for the year ended 31st December, 2006 is as follows:-

	(Rupees in million)
Net profit before tax	783.043
Less: Provision for taxation	<u>(111.200)</u>
Profit after tax	671.843
Add: Unappropriated profit brought forward	630.111
Final Dividend 2005	<u>(180.000)</u>
	<u>1,121.954</u>
Less: Transfer to General Reserve	<u>400.000</u>
Unappropriated profit carried forward	<u><u>721.954</u></u>

The auditors have qualified their report for the year ended December 31, 2006 in respect of amount due from and due to other persons and bodies carrying on insurance business and premium and claim reserves retained by cedants and retained from retrocessionaires. These amounts represent unreconciled items which are adjusted/recovered in due course after returns and supporting documents are received by the company. The company is in the process of obtaining confirmations and reconciling these balances with respective insurance companies.

Pension, Gratuity and Provident Funds

The value of investment in pension, gratuity and provident fund is as follows:-

	(Rs. in million)
Provident Fund	
- CPF	50
- GPF	26
Gratuity Fund	53
Pension	
- Staff	35
- Officer	19

Privatization of PRCL

Pakistan Reinsurance Company Limited has been placed on the privatisation list by the Privatization Commission. Privatization Commission has also issued Guidelines to all such organizations who are under privatization list for strict compliance which are being observed by PRCL.

Vision of the future

The operating environment for PRCL in 2007 will be further challenging as this would be third year without compulsory cession. PRCL will have to compete in the market for enhanced facultative business, to enable it to increase its profits.

In order to achieve the target/goal, its business strategy is to provide prompt service to insurance companies particularly with reference to facultative offers. PRCL is also concentrating on quality treaty and facultative business and profitable treaty cession and is in the process of increasing its retention capacity.

In view of above, the directors do not foresee any problem arising as a result of the above factor and a corporate plan has been prepared by the Company, which it shall vigorously implement.

Insurance Rules, 2002

The Insurance Rules, 2002 have been issued by the Federal Government in December, 2002. Moreover, SECP has also prescribed a new format for preparing financial statement by the insurance companies. The overall regulatory framework for the Insurance industry has become more stringent. Your company has taken every possible measure to comply with the requirements of Insurance Rules, 2002.



Statement on Corporate and Financial Reporting Frame Work

The directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Governance for the following:-

- a) The financial statements, prepared by the Company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
- b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.
- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.
- d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.
- e) The system of internal control, presently in place, is being continually reviewed by the internal audit dept. The process of review will continue to strengthen the system for its effective implementation.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

Board Meetings and Attendance

During the year, eight meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:-

S.No.	Name of Director	No. of meetings attended
1.	Ms. Naheed Hyder	Eight
2.	Mr.Fazlur Rehman Dittu	Eight
3.	Mr. Kamal Afsar	Three
4.	Mr. S.M. Rafique Akhtar/Alternate Mr. S.Aijaz Akhtar	Three
5.	Syed Yawar Ali	Eight
6.	Mr. Shamim Ahmed Khan	Seven
7.	Mr. Sikander Hayat Jamali	Three
8.	Mr. Haider Raza	Three
9.	Mr. Javed Syed	Three
10.	Mr. Fazal-I-Qadir	Four

Compliance with the Code of Corporate Governance

The Board is pleased to announce that your company has adopted and complied with the Code of Corporate Governance as per the provisions set out by the SECP and the consequent listing regulations of the Karachi and Lahore Stock Exchanges, on which your company is listed.

Audit Committee

The Board, in compliance with the Code of Corporate Governance, has established an Audit Committee consisting of the following members and has also approved its terms of reference.

Syed Yawar Ali	Chairman
Mr. S.M. Rafique Akhtar/alternate	Member
Mr. S. Aijaz Akhtar	
Mr. Fazlur Rehman Dittu	Member
Mr. Shamim Ahmed Khan	Member



Performance of the company during the last five years

	2006	2005	2004	2003	2002
	(Rs. in million)				
Gross Premium	4,499	4,159	5,241	4,697	3,500
Net Premium	1,415	2,005	2,289	2,133	1,612
Net Commission	367	620	774	219	556
Net Claims	777	823	1,329	1,011	848
Management Expenses	146	171	134	140	108
Underwriting Profit/(Loss)	125	391	51	76	76
Investment Income	772	465	360	333	269
Profit before Tax	783	782	391	366	457
Profit after Tax	672	594	326	297	333

Dividend

Your directors are pleased to declare a cash dividend of 20% and 20% Bonus shares for the year 2006.

Earning per share

The earning per share of the Company was Rs.14.93.

Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children:-

<u>Name</u>	<u>No. of Shares</u>	
	<u>Purchased</u>	<u>CDC/Physical/Disposal</u>
Mr. S.M. Rafique Akhtar		827,000/610

Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire, and being eligible offer themselves for re-appointment at the enhanced fee of Rs. 532,884/= for conduct of audit for the year 2007.

Appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants has been endorsed by Audit Committee and the Board of Directors of the Company for shareholders consideration at the forthcoming annual general meeting for re-appointment as external auditors of the company for year 2007 at the fee of Rs.532,884/= for conduct of audit for the year 2007 (including half yearly review and out of pocket expenses). The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

Pattern of shareholding

A statement of pattern of shareholding is separately shown in report.

Acknowledgement

In the end, your directors would like to thank all insurance companies their Chairmen, Directors, Officers and staff for the co-operation extended by them in running the affairs of the company.

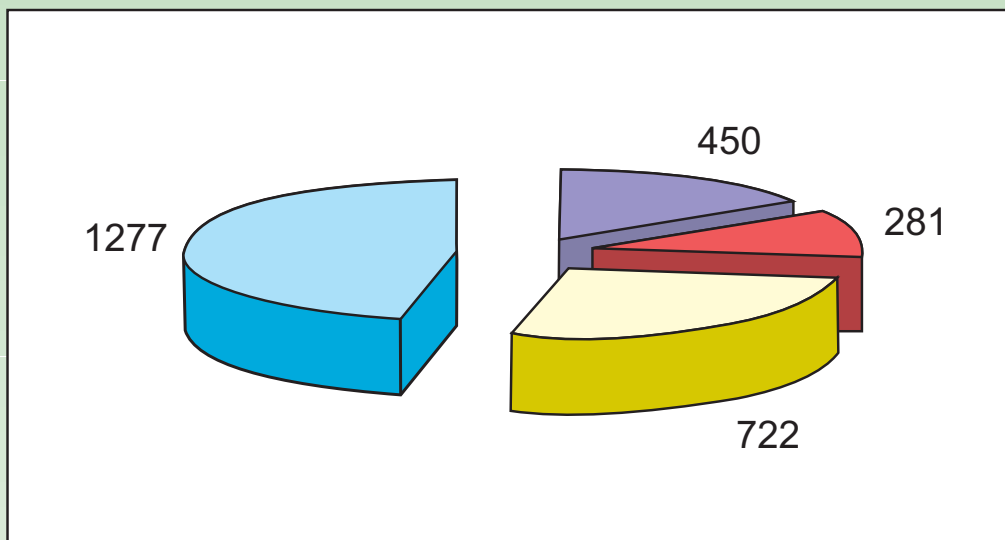
For and on behalf
of the Board of Directors

Rukhsana Saleem
Chairperson/CEO



BREAK-UP VALUE OF COMPANY'S SHARE AS AT 31ST DECEMBER 2006

Paid-up Capital	450
Reserve for Exceptional Losses	281
Retained Earnings	722
General Reserve	1277
Net worth (Owner's equity)	<u>2,730</u>



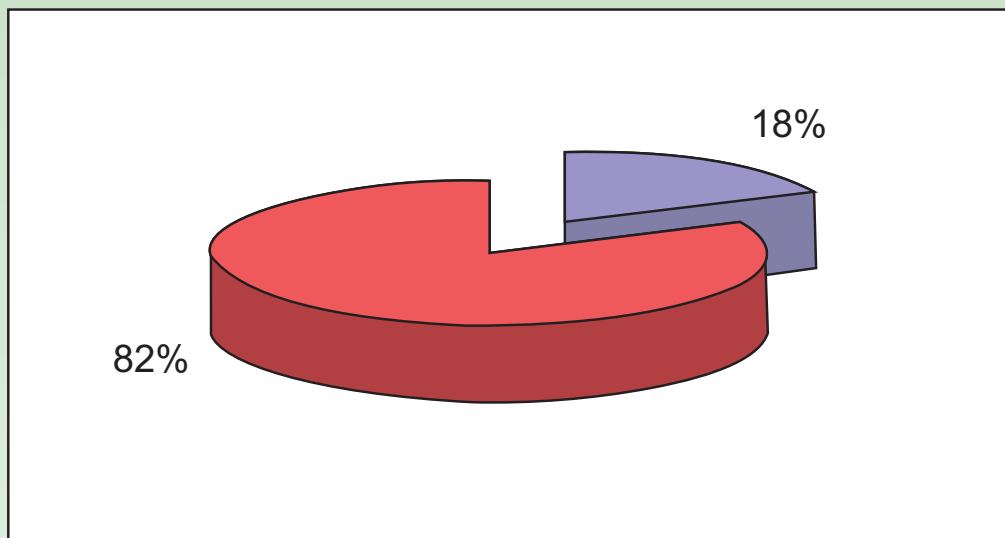
**Break-up value per share
of Rs.10/- each**

Rs. 61/=



PAKISTAN INSURANCE MARKET AND COMPANY'S SHARE 2006

	Rs. in million
1) Gross Premium	
(a) Insurance Market	25,000
(b) Company	4,499
2) Company's Share of Market	18%

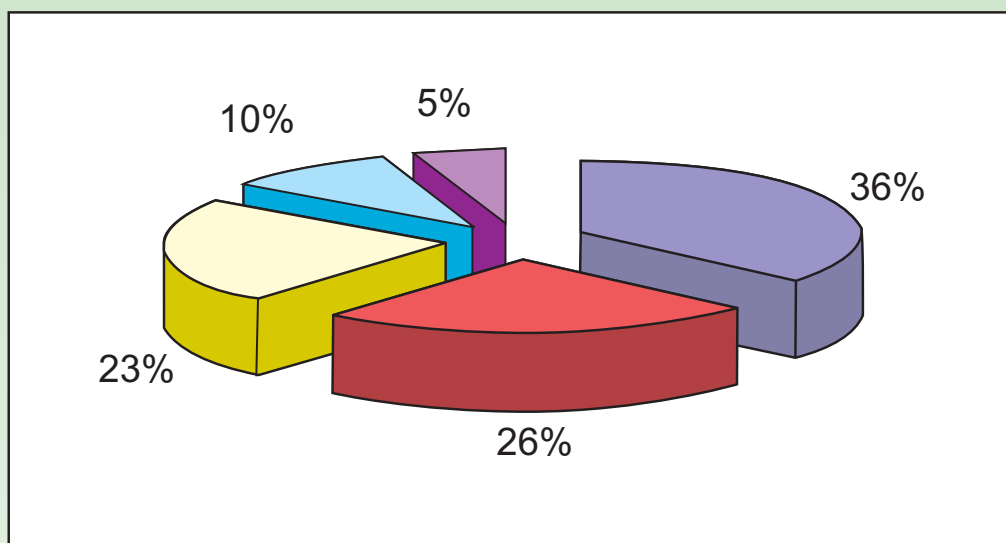




GROSS PREMIUM INCOME BY CLASS OF BUSINESS 2006

Rs. in million

Class of Business	Gross Premium	% of Total
(a) Fire	1,620	36
(b) Aviation	1,153	26
(c) Engineering	1,043	23
(d) Marine	451	10
(e) Accident	232	5
	4,499	100





RESERVES, PROVISIONS AND INVESTMENTS 2006

Rs. in million

1. RESERVES & PROVISIONS

A. FINANCIAL RESERVES

1) Reserve for Exceptional Losses	281	
2) General Reserve	1,277	
3) Retained Earnings	722	2,280

B. UNDERWRITING PROVISIONS

1) Outstanding Claims	670	
2) Unearned Premium	2,263	
3) Unearned Commission	69	
	3,002	
Less : Prepaid Reinsurance ceded	1,470	
Prepaid Commission	238	1,294
		3,574
		3,574

2. INVESTMENTS

1) NIT Units	646	
2) Stocks & Shares	881	
3) D.S.C	313	
4) Pakistan Investment Bonds	876	
5) Three Months Treasury Bill	892	
	3,608	
Less: Diminution in Stock & Shares	20	3,588
		3,588

Auditors' Report to the Members



We have audited the annexed financial statements comprising of:

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

of **Pakistan Reinsurance Company Limited (the Company)** as at 31 December 2006 together with the notes forming part thereof, for the year then ended.

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

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

- i) As more fully described in the notes 14, 18.1 and 23 to the financial statements, the balances of Rs. 493.66 million (net of provision amounting to Rs. 386 million) and Rs. 412.12 million were respectively due from and due to other persons and bodies carrying on insurance business. The Company is in process of obtaining confirmations and reconciling these balances as at 31 December 2006 with these persons and bodies. Further, as explained in note 18.2 to the financial statements, the Company has reversed certain claims lodged by other insurance companies amounting to Rs. 98 million due to the reason that appropriate documentation for substantiating these claims was not provided. Pending confirmation of various balances, finalisation of reconciliations and settlement 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.
- ii) As stated in notes 15 and 24 to the financial statements, as at 31 December 2006, the balances in respect of premium and claim reserves retained by cedants amounted to Rs. 32.72 million and balances in respect of premium and claim reserves retained from retrocessionaires amounted to Rs. 26.06 million. These balances have not been confirmed by respective insurance companies. Consequently, we are unable to verify these balances.



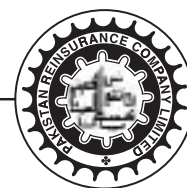
Except for the financial effect of the matters referred to in the preceding paragraphs, in our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change stated in note 5.22 to the financial statements with which we concur;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2006 and of the profit, its cash flows and changes in equity for the year then ended in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Dated: 28 March 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Compliance with the Code Of Corporate Governance for the year ended December 31, 2006



This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation NO.37 and No.XIII of listing regulations of the Karachi Stock Exchange(Guarantee) Ltd., and the Lahore Stock Exchange(Guarantee) Ltd., respectively for the purpose of establishing a framework of good governance by a listed company and additional frame work by a listed insurance company, whereby a listed company/listed insurance company is managed in compliance with the best practice of corporate governance.

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

1. The company encourages representation of independent non-executive Directors on its Board. At present, the Board include eight (out of nine) independent non-executive Directors. Out of eight non-executive directors, six are nominated by the major shareholders (i.e. GOP) and two are elected on 31.12.2004 for three years terms, effective from 1.1.2005.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies, including this company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. One casual vacancies have occurred in the year 2006 in the Board after introduction of the Code. The same have been filled by the resolution of the Board within fifteen days.
5. The Company has prepared a 'Statement of Ethics and Business Practices'.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board except terms and conditions of deputations of Government servants.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers were circulated normally 15 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. An orientation course was conducted for its Directors to apprise them of their duties and responsibilities.
10. There was no new appointment of CFO, Company Secretary and head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of Board members, all of whom are non-executive directors including Chairman, Audit Committee.



16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an internal audit department headed by Manager(Internal Audit). The Internal Audit department is in the process of strengthening.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold any shares of the company. The Board has ensured that the appointed actuaries complied with the requirement set out for them in this code.
21. The Company has established the committees namely Underwriting Committee, Claim Settlement Committee and Reinsurance Committee & Co-insurance.
22. We confirm that all other material principles contained in the Code have been complied with.

Fazal-i-Qadar
Director

Fazlur Rehman Dittu
Director

Rukhsana Saleem
Chief Executive

Review Report to the members on Statement of Compliance with best practices of Code of Corporate Governance



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Reinsurance Company Limited (“the Company”) to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2006.

Dated: 28 March 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



Balance Sheet as at

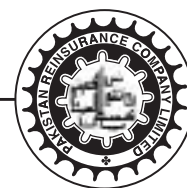
	<i>Note</i>	2006	2005 (Restated)
Share capital and reserves			
Authorized share capital 100,000,000 Ordinary shares of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Paid up share capital	6	450,000,720	450,000,720
Retained earnings		721,954,126	630,110,869
Exceptional losses reserve	7	281,000,000	281,000,000
General reserve		1,277,419,085	877,419,085
		2,280,373,211	1,788,529,954
		<u>2,730,373,931</u>	<u>2,238,530,674</u>
Underwriting provisions			
- Provision for outstanding claims (including IBNR)	9	669,922,164	518,012,976
- Provision for unearned premium	10	2,263,357,449	2,114,756,144
- Commission income unearned	11	69,370,524	58,397,167
Total underwriting provisions		3,002,650,137	2,691,166,287
Liabilities against assets subject to finance lease	8	-	-
Deferred liability - Employee benefits	12	123,817,001	132,515,177
Long term deposits	13	19,740,060	17,670,298
Creditors and accruals			
Amount due to other persons and bodies carrying on insurance business	14	412,127,526	334,700,662
Premium and claim reserves retained from retrocessionaires	15	26,055,623	34,381,932
Current maturity of lease liability	16	-	1,253,061
Other creditors and accruals	17	34,539,387	29,859,710
Taxation - Provision less payments	28	103,167,230	142,578,859
Retention money payable		6,410,112	6,379,025
		582,299,878	549,153,249
Other liabilities			
Dividend payable		4,177,252	3,235,899
Surplus profit payable		1,230,606	1,313,805
		5,407,858	4,549,704
TOTAL LIABILITIES		<u>3,733,914,934</u>	<u>3,395,054,715</u>
TOTAL EQUITIES AND LIABILITIES	<i>Rupees</i>	<u>6,464,288,865</u>	<u>5,633,585,389</u>
CONTINGENCIES	18		

The annexed notes from 1 to 44 form an integral part of these financial statements.

Executive Director (F&A)

Rukhsana Saleem
Chief Executive

December 31, 2006



	Note	2006	2005
Cash and bank deposits			
Cash and other equivalents		16,992	34,351
Current and other accounts		208,266,875	269,654,270
Deposits maturing within 12 months		1,700,000	1,700,000
	19	209,983,867	271,388,621
Loans - Secured and unsecured (considered good)			
- to employees		28,945,349	30,974,288
- to others		3,100,142	3,926,249
	20	32,045,491	34,900,537
Investments	21	3,588,323,007	2,872,639,778
Investment properties	22	54,087,325	57,822,167
Deferred taxation		87,346,888	43,050,001
Other assets			
Amount due from other persons and bodies carrying on insurance business	23	493,663,550	461,336,757
Premium and claim reserves retained by cedants	24	32,724,184	84,143,171
Accrued investment income	25	21,522,485	26,491,735
Sundry receivables	26	207,724,808	190,471,420
Prepaid reinsurance ceded	27	1,469,746,545	1,290,424,332
Deferred commission expense		238,217,500	269,444,909
Stock of stationery		289,707	316,741
		2,463,888,779	2,322,629,065
Fixed assets			
Tangible			
Land and building	29	23,367,122	24,944,596
Furniture, fixture, books and office equipment	30	2,616,363	2,923,096
Motor vehicles		2,630,023	3,287,528
		28,613,508	31,155,220
Assets relating to Bangladesh		-	-
	<i>Rupees</i>		
TOTAL ASSETS		6,464,288,865	5,633,585,389

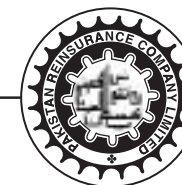
Fazlur Rehman Dittu
Director

Fazal-i-Qadar
Director

Pakistan Reinsurance Company Limited

21

Profit and Loss Account for the year ended December 31, 2006



Note	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Treaty	2006	2005
Revenue account									
	138,498,146	17,797,114	11,260,898	13,074,824	37,377,140	80,247,224	1,117,250,126	1,415,505,472	2,004,643,308
	14,857,502	602,384	1,298,285	(1,217,829)	(10,527,449)	12,920,207	758,776,565	776,709,665	822,690,172
31	4,741,218	3,754,836	1,237,675	3,807,477	4,358,336	3,309,179	125,124,623	146,333,344	170,624,066
	12,688,352	2,133,410	402,797	1,796,808	(7,367,255)	(16,647,453)	374,415,246	367,421,905	619,893,387
Underwriting result	106,211,074	11,306,484	8,322,141	8,688,368	50,913,508	80,665,291	(141,066,308)	125,040,558	391,435,683
Investment income-net								771,733,341	464,694,842
Rental income-net						32		26,065,423	26,547,577
Exchange (loss)/gain								(6,403,120)	40,563,284
Other income						33		11,701,610	9,867,218
General and administration expenses						34		(25,094,267)	(27,722,328)
Provision for doubtful debts								(120,000,000)	(123,000,000)
								658,002,987	390,950,593
Profit before tax								783,043,545	782,386,276
Provision for taxation						28		111,200,000	187,958,813
Profit after tax								671,843,545	594,427,463
								2006	2005
								----- Restated -----	-----
Profit and Loss Appropriation Account								230,110,869	148,183,586
Balance at the commencement of the year as previously reported								230,110,869	148,183,586
Effect of change in accounting policy with respect to reserve									
Transfer to general reserve						5.22		400,000,000	200,000,000
Balance at the commencement of year-restated								630,110,869	348,183,586
Profit after tax for the year								671,843,545	594,427,463
Transfers to general reserve								(400,000,000)	(200,000,000)
Final dividend								(180,000,288)	(112,500,180)
Balance of Unappropriated Profit at the end of Year							Rupees	721,954,126	630,110,869
Basic Earning per share of Rs. 10/- each						35	Rupees	14.93	13.21

The annexed notes from 1 to 44 form an integral part of these financial statements.

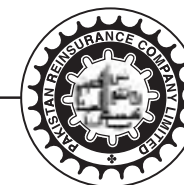
Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu
Director

Fazal-i-Qadar
Director

Statement of Premium for the year ended December 31, 2006



Class	Premium Written (A)	Unearned premium reserve		Premium earned (D=A+B-C)	Reinsurance ceded (E)	Prepaid reinsurance premium ceded		Re-insurance expense (H=E+F-G)	Net premium revenue	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		31 December 2006 (I=D-H)	31 December 2005
Business underwritten inside Pakistan										
Facultative										
Fire	966,705,343	238,631,634	464,018,565	741,318,412	727,754,867	180,722,443	305,657,044	602,820,266	138,498,146	28,554,297
Marine Cargo	24,322,124	4,139,078	5,837,310	22,623,892	8,044,630	-	3,217,852	4,826,778	17,797,114	6,505,535
Marine Hull	21,634,562	26,692,581	12,115,355	36,211,788	3,925,788	24,479,795	3,454,693	24,950,890	11,260,898	1,288,130
Accident	18,042,252	12,124,774	9,562,394	20,604,632	332,967	7,323,368	126,527	7,529,808	13,074,824	5,865,155
Aviation	1,149,976,457	630,479,868	574,988,229	1,205,468,096	1,105,961,554	615,110,179	552,980,777	1,168,090,956	37,377,140	20,462,386
Engineering	894,178,862	378,268,618	545,449,106	726,998,374	790,868,042	330,403,933	474,520,825	646,751,150	80,247,224	47,766,417
TOTAL	3,074,859,600	1,290,336,553	1,611,970,959	2,753,225,194	2,636,887,848	1,158,039,718	1,339,957,718	2,454,969,848	298,255,346	110,441,920
Treaty	1,424,306,425	824,419,592	651,386,490	1,597,339,527	477,493,614	132,384,614	129,788,827	480,089,401	1,117,250,126	1,894,201,388
GRAND TOTAL Rupees	4,499,166,025	2,114,756,145	2,263,357,449	4,350,564,721	3,114,381,462	1,290,424,332	1,469,746,545	2,935,059,249	1,415,505,472	2,004,643,308

The annexed notes from 1 to 44 form an integral part of these financial statements.

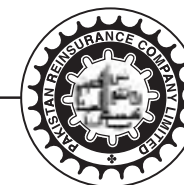
Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu

Fazal-i-Qadar

Statement of Claims for the year ended December 31, 2006



Class	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 expenses	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		31 December 2006 (I=D-H)	31 December 2005
Business underwritten inside Pakistan	----- Rupees -----									
Facultative										
Fire	10,256,836	86,818,011	91,418,677	14,857,502	-	68,968,099	68,968,099	-	14,857,502	21,425,458
Marine Cargo	418,799	-	183,585	602,384	-	-	-	-	602,384	180,741
Marine Hull	1,677,803	12,949,463	15,833,000	4,561,340	1,672,724	5,497,669	7,088,000	3,263,055	1,298,285	212,151
Accident	810,896	6,528,725	4,500,000	(1,217,829)	-	-	-	-	(1,217,829)	6,528,725
Aviation	260,970,068	498,635,923	90,484,823	(147,181,032)	254,298,809	478,633,920	87,681,528	(136,653,583)	(10,527,449)	(10,533,386)
Engineering	4,031,958	326,997,677	339,859,000	16,893,281	-	299,073,926	303,047,000	3,973,074	12,920,207	(13,984,397)
TOTAL	278,166,360	931,929,799	542,279,085	(111,484,354)	255,971,533	852,173,614	466,784,627	(129,417,454)	17,933,100	3,829,292
Treaty	643,452,888	1,478,190,450	1,656,701,406	821,963,844	40,847,238	1,034,981,659	1,057,321,700	63,187,279	758,776,565	818,860,880
GRAND TOTAL <i>Rupees</i>	921,619,248	2,410,120,249	2,198,980,491	710,479,490	296,818,771	1,887,155,273	1,524,106,327	(66,230,175)	776,709,665	822,690,172

The annexed notes from 1 to 44 form an integral part of these financial statements.

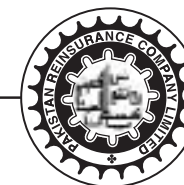
Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu

Fazal-i-Qadar

Statement of Expense for the year ended December 31, 2006



Class	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 expenses	
		Opening (B)	Closing (C)								31 December 2006 (K=F-J)	31 December 2005
----- Rupees -----												
Business underwritten inside Pakistan												
Facultative												
Fire	63,578,086	18,242,275	33,696,385	48,123,976	4,741,218	52,865,194	36,860,953	11,476,005	12,901,334	35,435,624	17,429,570	1,659,923
Marine Cargo	2,354,471	577,667	423,805	2,508,333	3,754,836	6,263,169	543,367	-	168,444	374,923	5,888,246	3,966,796
Marine Hull	2,828,402	2,164,025	1,470,769	3,521,658	1,237,675	4,759,333	490,723	3,059,974	431,836	3,118,861	1,640,472	(10,152)
Accident	2,305,808	760,724	1,222,078	1,844,454	3,807,477	5,651,931	33,297	27,002	12,653	47,646	5,604,285	4,143,193
Aviation	4,601,177	2,513,305	2,530,647	4,583,835	4,358,336	8,942,171	9,830,671	7,035,755	4,915,336	11,951,090	(3,008,919)	(4,778,755)
Engineering	61,705,630	19,785,254	34,555,152	46,935,732	3,309,179	50,244,911	82,075,191	29,111,605	47,603,611	63,583,185	(13,338,274)	(20,217,640)
TOTAL	137,373,574	44,043,250	73,898,836	107,517,988	21,208,721	128,726,709	129,834,202	50,710,341	66,033,214	114,511,329	14,215,380	(15,236,635)
Treaty	327,247,601	225,401,659	164,318,664	388,330,596	125,124,623	513,455,219	9,565,835	7,686,825	3,337,310	13,915,350	499,539,869	805,754,088
GRAND TOTAL Rupees	464,621,175	269,444,909	238,217,500	495,848,584	146,333,344	642,181,928	139,400,037	58,397,166	69,370,524	128,426,679	513,755,249	790,517,453

The annexed notes from 1 to 44 form an integral part of these financial statements.

Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu

Fazal-i-Qadar



Cash Flow Statement for the year ended December 31, 2006

	31 December 2006	31 December 2005
Operating Cash Flows		
Underwriting activities		
Premium received	4,346,839,232	4,744,925,134
Reinsurance premium paid	(3,043,357,718)	(3,252,227,182)
Claims paid	(921,619,248)	(1,677,201,154)
Reinsurance and other recoveries received	296,818,771	505,635,958
Commission paid	(464,621,175)	(516,811,823)
Commission received	139,400,037	129,082,167
Premium and claim reserves retained from retrocessionaires/ withheld by ceding companies	43,092,678	(9,696,695)
Expenses paid	(141,653,667)	(156,697,432)
Net cash flows from underwriting activities	254,898,910	(232,991,027)
Other Operating Activities		
Income tax paid	(194,908,517)	(29,618,241)
General administration expenses paid	(14,619,808)	(20,501,710)
Loans recovered from employees	2,855,046	140,523
Other receipts	8,036,150	6,824,849
Other payments - staff contribution	(23,857,224)	(2,724,000)
Net cash flows from other operating activities	(222,494,353)	(45,878,579)
Total cash flow from all operating activities	32,404,557	(278,869,606)
Investment activities		
Fixed capital expenditure	(142,484)	(769,869)
Acquisition of investments	(2,313,917,170)	(2,262,386,290)
Rental income received	30,457,452	27,646,388
Dividend income received	603,203,999	354,433,715
Interest income on bank deposits	11,028,987	4,127,957
Investment income received	53,700,000	138,741,312
Sale proceeds of investments	1,702,255,100	2,090,570,829
Total cash flow from investment activities	86,585,884	352,364,042
Financing activities		
Surplus paid	(83,199)	(767,696)
Dividend paid	(179,058,935)	(114,107,341)
Payments of finance leases	(1,253,061)	(2,024,960)
Total cash flows from financing activities	(180,395,195)	(116,899,997)
Net cash flow from all activities	(61,404,754)	(43,405,561)
Cash and cash equivalents at beginning of the year	271,388,621	314,794,182
Cash and cash equivalents at end of the year	209,983,867	271,388,621

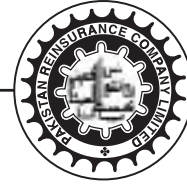
Rupees

Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu
Director

Fazal-i-Qadar
Director



	31 December 2006	31 December 2005
Reconciliation to profit and loss account		
Operating cash flows	32,404,557	(278,869,606)
Depreciation expense	(6,419,039)	7,220,618
Exchange (gain) / loss	(6,403,120)	(40,563,284)
Provision for doubtful debts/Litigation	(120,000,000)	123,000,000
Rental income	32,625,473	(32,856,783)
Pension officers expense	3,471,200	(1,529,000)
Pension staff expense	(345,023)	4,982,000
Medical expense	(8,089,000)	8,326,000
Gratuity expense	17,429,231	(10,235,000)
Compensated absences	3,418,000	4,680,000
Provision for outstanding claims	151,909,188	348,875,024
Provision for unearned premium	148,601,305	723,733,856
Prepaid reinsurance	179,322,213	(99,045,668)
Provision for employee benefits	8,698,176	13,794,880
Dividend income	649,163,245	(338,198,631)
Investment income	105,260,630	(148,355,748)
Amortisation of premium	(15,114,724)	14,585,502
Gain on sale of investment	2,157,782	-
(Decrease) / increase in operating assets other than cash	125,622,282	908,033,506
(Increase) / decrease in operating liabilities	(335,932,000)	(400,105,715)
	967,780,376	807,471,951
Other adjustments		
Decrease / (increase) in provision for diminution in value of investments	10,171,686	4,532,564
Income tax paid	(194,908,517)	(29,618,239)
	(184,736,831)	(25,085,675)
Profit before taxation	783,043,545	782,386,276
Provision for taxation	(111,200,000)	(187,958,813)
Profit after taxation	671,843,545	594,427,463
	<i>Rupees</i>	
Cash and cash equivalents		
Cash and other equivalent	16,992	34,351
Current and other accounts	208,266,875	269,654,270
Deposit maturing within 12 months	1,700,000	1,700,000
	209,983,867	271,388,621
	<i>Rupees</i>	

The annexed notes from 1 to 44 form an integral part of these financial statements.

Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu
Director

Fazal-i-Qadar
Director



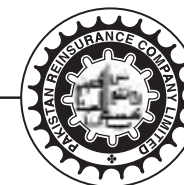
Statement of Investment Income for the year ended December 31, 2006

	31 December 2006	31 December 2005
Income from Non-Trading Investments		
Held to maturity		
Return on Government Securities	91,014,696	120,522,533
Return on other fixed income securities and deposits	14,245,934	4,127,957
Income on treasury bills	43,208,794	23,705,258
Amortization of premium on Pakistan Investment Bond	(15,114,724)	(14,585,501)
Available for sale		
Dividend income	649,163,245	338,198,631
Gain on sale of Non-Trading Investments		
Available for sale investments	2,157,782	-
(Loss) / Gain on Revaluation of Investments		
Available for sale	(10,171,686)	(4,534,134)
At fair value through profit or loss classified as held for trading	11,922	-
	774,515,963	467,434,744
Less: Investment related expenses	(2,782,622)	(2,739,902)
Net Investment Income	771,733,341	464,694,842

Rupees

The annexed notes from 1 to 44 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended December 31, 2006



	Note	Share capital	Reserves			Total	
		Issued subscribed and paid-up	Exceptional losses reserve	General reserve	Revenue reserves		
				Unappropriated profit	Total		
Balance as at 31 December 2004 as previously reported		450,000,720	281,000,000	877,419,085	148,183,586	1,306,602,671	1,756,603,391
Effect of change in accounting policy	5.22	-	-	(200,000,000)	200,000,000	-	-
Transfer to General Reserve declared subsequent to year end		-	-	(200,000,000)	200,000,000	-	-
Balance as at 31 December 2004 - restated		450,000,720	281,000,000	677,419,085	348,183,586	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)
Effect of change in accounting policy	5.22	-	-	200,000,000	(200,000,000)	-	-
Transfer to General Reserve declared subsequent to year end		-	-	200,000,000	(200,000,000)	-	-
Total income and expense recognized during the year - profit for the year 2005		-	-	-	594,427,463	594,427,463	594,427,463
Balance as at 31 December 2005 - restated		450,000,720	281,000,000	877,419,085	630,110,869	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)
Effect of change in accounting policy	5.22	-	-	400,000,000	(400,000,000)	-	-
Transfer to General Reserve declared subsequent to year end		-	-	400,000,000	(400,000,000)	-	-
Total income and expense recognized during the year - profit for the year 2006		-	-	-	671,843,545	671,843,545	671,843,545
Balance as at 31 December 2006	Rupees	<u>450,000,720</u>	<u>281,000,000</u>	<u>1,277,419,085</u>	<u>721,954,126</u>	<u>2,280,373,211</u>	<u>2,730,373,931</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu

Fazal-i-Qadar



Notes to the Financial Statements for the year ended December 31, 2006

1. STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the Company) is a public limited company 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 PRESENTATION

These financial statements have been prepared on the format of financial statements issued by Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated 12 December 2002.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984, the Insurance Ordinance 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Securities and Exchange Commission (Insurance) Rules 2002 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Securities and Exchange Commission (Insurance) Rules, 2002 or the requirements of the said directives take precedence.

3.1 The following standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after 01 January 2007, are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements.

IAS - 1	Presentation of Financial Statements- Amendments Relating to Capital Disclosures
IFRS - 2	Share Based Payments
IFRS - 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS - 6	Exploration for and Evaluation of Mineral Resources
IFRIC - 8	Scope of IFRS 2 Share Based Payments
IFRIC - 9	Reassessment of Embedded Derivatives
IFRIC - 10	Interim Financial Reporting and Impairment
IFRIC - 11	Group and Treasury Share Transactions
IFRIC - 12	Services Concession Arrangements

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost.

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgements / estimates and associated assumptions that affect the application



of policies and reported amounts of assets and liabilities, income and expenses. The judgements / estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimate about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision is made.

Significant areas requiring the management to use estimates in these financial statements relates to provision for outstanding claims including IBNR, impairment of assets, premium deficiency reserves, provision for income taxes, recoveries from reinsurers, staff retirement benefits and provision against premium due but unpaid.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified as follows:

5.1.1 Recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the company commits to purchase or sell the investment.

5.1.2 Measurement

(a) Investment at fair value through profit or loss -Held for trading

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments which are designated at fair value through profit or loss upon initial recognition.

Attributable transaction costs are recognised in profit or loss account when incurred.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account.

(b) Held to maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using effective interest rate method.

(c) Available for sale - marketable securities

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



Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002.

Unquoted

Unquoted investments are recorded at cost less impairment (if any).

5.2 Investment properties

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises of floor space in PRC Towers reserved for letting out on rentable basis. This is valued using the cost model i.e. at cost less accumulated depreciation and impairment loss, if any.

Depreciation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rates specified in note 22 to the financial statements.

5.3 Underwriting provisions

5.3.1 Provision for outstanding claims

A liability is recognised for outstanding claims incurred upto the balance sheet date and is considered to be incurred at the time of incident giving rise to the claim. Claims paid / payable is based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the Company upto the balance sheet date are recorded on the basis of actuarial valuation, results of which have been recognised in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs.

5.3.2 Claim recoveries

Claim recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised and are measured at the amounts expected to be received. Claims are reported net off reinsurance in the revenue account.

5.3.3 Provision for unearned premium

Provision for unearned / prepaid premium is made in the Revenue Account on the basis of 1/24 method as per Regulation 8 of Securities and Exchange Commission of Pakistan (Insurance) Rules, 2002, this provision is calculated by an actuary.

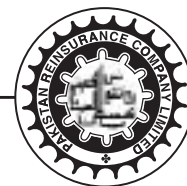
5.3.4 Premium deficiency reserve

Where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognised as a liability to meet the deficit.

The movement in the premium deficiency reserve is recorded as an expense and is a part of revenue account.

5.3.5 Prepaid reinsurance ceded

Reinsurance premium is recognised as an expense evenly over the period of the underlying policies. The portion of reinsurance premium not yet recognised as expense is recognised as prepayment.



5.3.6 Commission income unearned

Commission income receivable is taken to revenue account in accordance with the pattern of recognition of the reinsurance premium to which it relates.

5.4 Staff retirement benefits

Defined benefit plans

The company operates following defined benefit plans for its employees:

- Approved gratuity fund
- Approved pension fund
- Post retirement medical benefits

The Company operates defined benefit approved gratuity and pension funds for officers / employees who are entitled / have opted for either of the above funds. The Company also operates defined medical benefits, and recognizes liability for post retirement medical facilities to its eligible employees in accordance with requirements of IAS - 19 (Revised).

5.5 Compensated absences

Officers

The Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences based on actuarial valuation.

Staff

Staff have the option to encash absences of 30 days each year based on basic salary. The staff also have the option of one year's absences on full pay in respect of LPR. In case staff wish to encash his/her LPR such encashment of leaves upto the maximum of 6 months will be allowed, at the rate of basic plus all allowances except conveyance allowance.

5.6 Defined contribution plan

The Company operates defined contributory approved general and contributory provident funds (the funds) for all its eligible employees. The funds are administered by the trustees.

5.7 Taxation

Current

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

Deferred

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

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



The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

5.8 Fixed assets

Owned

Fixed assets except leasehold lands (other than land of PRC House and PRC Building, which has not been bifurcated) are stated at cost less accumulated depreciation calculated on written down values and accumulated impairment losses thereon. Leasehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 29 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is put to use whereas no depreciation is charged from the month in which the asset is disposed off. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets, if any, are included in current income.

Leased

Leased assets in terms of which the Company assumed substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of lease, less accumulated depreciation and accumulated impairment losses, if any.

The Company account for lease obligation by recording the assets and the corresponding liability there against determined on the basis discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective interest rate method.

5.9 Revenue recognition

Premium

Premium received / receivable under a policy are recognised evenly over the period of underlying policies or in accordance with the pattern of reinsurance service provided. Where the pattern of incidence of risk varies over the period of the policy, the premium is recognised as an income in accordance with the pattern of incidence of risk.

Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurance and (ii) adjusted for provision for unearned premium as described in note 5.3.3.

Premium recognition in case of coinsurance or pool arrangements is restricted to the Company's share only.



Commission

Commission and profit commission receivable from reinsurers are deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premiums to which they relate.

Investments

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

Profit / interest income from securities, bond and debentures are recognised on effective interest rate basis.

Dividend income is recognised when the right to receive such dividend is established.

Rental income

Rentals of PRC Towers are recognized as income on time proportion basis.

5.10 Reinsurance expense

Premium reinsured to reinsurers is recognised as a liability on attachment of the underlying policies reinsured or on inception of the reinsured contract in case of proportional and non-proportional basis respectively.

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

5.11 Acquisition cost

Commission expense incurred in obtaining and recording policies of reinsurance are deferred and recognised as assets. These deferred commission are amortised systematically over the reporting period over which the related premium revenue is recognised.

5.12 Provision for doubtful debts

General provisions, as considered adequate by management, are made to cover doubtful debts.

5.13 Expenses of management

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

5.14 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

5.15 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using year end spot foreign exchange rates. Non monetary assets and liabilities are translated into Pak Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in income currently. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.



5.16 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised in the profit and loss account.

5.17 Cash and cash equivalents

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

5.18 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.19 Segment reporting

(a) Primary segments

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

The perils covered under insurance include damages by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

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

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

Miscellaneous insurance provide cover against burglary, loss of cash in safe and cash in transit and personal accident money.

(b) Secondary segments

Revenues are attributed to geographical segments based on the location of the assets producing the revenues.

The Company generally accounts for intersegment sales and transfers, if any, as if the sales or transfers were made to third parties at current market prices.

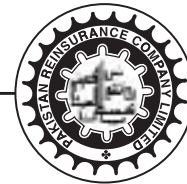
5.20 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

5.21 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, Amounts due from/to other persons and bodies carrying on insurance business premium and claim reserves retained from/by retrocessionaires/cedants ,accrued investment income, sundry receivables, liabilities against asset subject to finance lease ,provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable, Surplus profit payable.

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to



the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

5.22 Change in accounting policy relating to transfer to reserve

The Company during the year changed its accounting policy whereby transfer to reserves, except statutory reserves is now recognised in the year in which it is declared. Previously, the financial statements were adjusted for reserves approved subsequent to year end. The change was considered necessary in the light of circular number 6 of 2006 dated 19 June 2006, issued by Institute of Chartered Accountants of Pakistan, whereby the requirements of approved accounting standard International Accounting Standard 10, "Events after the balance sheet date", are now fully applicable to the Company.

Upto previous years, all transfers to reserves relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated to conform to the changed policy under the requirements of approved accounting standard International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". There is no effect of change in accounting policy.

6. PAID UP SHARE CAPITAL	2006	2005
Issued, subscribed and paid up 100,000,000 Ordinary Shares of Rs.10 each	<i>Rupees</i> <u>1,000,000,000</u>	<u>1,000,000,000</u>
8 Ordinary shares of Rs. 10 each fully paid in cash (2005: 8 ordinary shares of Rs. 10 each)	80	80
5,000,000 ordinary shares of Rs. 10 each issued for consideration other than cash (2005: 5,000,000 ordinary shares of Rs. 10 each)	50,000,000	50,000,000
40,000,064 (2005: 40,000,064) ordinary shares of Rs. 10 each issued as fully paid bonus shares	<i>Rupees</i> <u>400,000,640</u>	<u>400,000,640</u>
	450,000,720	450,000,720

7. EXCEPTIONAL LOSSES RESERVE

The reserve for exceptional losses represents amount set aside in prior years admissible previously under the Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company has been setting aside amounts to exceptional losses reserve through profit and loss appropriation account. The balance held in this account is accordingly treated as revenue reserve by the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

8.1 This represents vehicles leased from First Grindlays Modaraba. Minimum lease payments have been discounted using interest rate 7.5% per annum.



8.2 The amount of future payments for the finance leases and the periods in which these payments will become due are as follows:

	2006	2005
31 December 2004	-	-
31 December 2005	-	-
31 December 2006	-	1,284,584
		1,284,584
Less: Financial charges not due	-	(31,523)
	-	1,253,061
Less: Current portion shown under creditors and accruals	-	(1,253,061)
	<i>Rupees</i>	-
	Mark up	Principal
Payable within one year	-	-
Payable within one to five years	-	-
	<i>Rupees</i>	-

9. **PROVISION FOR OUTSTANDING CLAIMS (including IBNR)**

	2006 Rupees	2005 Rupees
Fire	229,205,021	88,459,384
Marine	78,224,055	100,724,538
Miscellaneous	362,493,088	328,829,054
	669,922,164	518,012,976

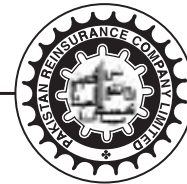
Represents estimated liabilities in respect of outstanding claims intimated by the ceding companies to the Company at the end of the year. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liabilities which would fall on the Company (net account). The Company, generally computes such liabilities on the basis of various forms received from the ceding companies including forms "H", "HH" and "HHH" (Annual statement of Estimated Liability for Outstanding Losses). In case where no information is received from the ceding companies, the estimated liability is recorded on the basis of actuarial valuation for the concerned class of business. At the end of the next accounting period / year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

In the year 2002 an amount of Rs.4.952 million representing brought forward claims from previous years which relate to Bangladesh (former East Pakistan) has been excluded from reserve for outstanding claims on Balance Sheet and has been taken along with other liabilities of Rs. 809,000 to net off Assets in Bangladesh of Rs. 15,974,000 (refer note 30).

Fire	2,382,000	2,382,000
Marine	1,470,000	1,470,000
Miscellaneous	1,100,000	1,100,000
	4,952,000	4,952,000

10. **PROVISION FOR UNEARNED PREMIUM**

Fire	856,084,690	779,194,529
Marine	101,433,314	91,131,280
Miscellaneous	1,305,839,445	1,244,430,335
	2,263,357,449	2,114,756,144



	2006 Rupees	2005 Rupees
11. COMMISSION INCOME UNEARNED		
Fire	14,948,880	17,320,398
Marine	1,620,542	4,377,618
Miscellaneous	52,801,102	36,699,151
	69,370,524	58,397,167
12. DEFERRED LIABILITY-EMPLOYEE BENEFITS		
Defined benefit obligations		
- Pension		
Officers	48,436,000	57,281,000
Staff	753,001	5,277,177
- Post retirement medical benefits	52,531,000	44,442,000
Compensated absences	22,097,000	25,515,000
38	123,817,001	132,515,177
13. LONG TERM DEPOSITS		
This represents deposits received from tenants in connection with letting of PRC Towers.		
14. AMOUNT DUE TO OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS		
Amount due to other persons and bodies carrying on insurance business	412,127,526	334,700,662
14.1 This includes Rs.258,349 (2005: Rs. 4,000,878) due to related parties.		
15. PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES		
Premium reserve withheld	(236,362)	1,730,500
Losses reserve withheld	19,298,296	25,546,980
Cash losses received from retrocessionaires	6,993,689	7,104,452
	26,055,623	34,381,932
This represents Company's retention of deposits withheld against the total amount retroceded to other companies.		
16. CURRENT MATURITY OF LEASE LIABILITY		
Current maturity of liabilities against assets subject to finance lease	-	1,253,061
17. OTHER CREDITORS AND ACCRUALS		
Bonus payable	9,879,487	6,556,478
Provision for litigation	16,075,253	16,075,253
Accrued expenses	7,471,867	5,913,564
Others	1,112,780	1,314,415
	34,539,387	29,859,710



18. CONTINGENCIES

18.1 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.348 million (2005: Rs.85 million) as at 31 December 2006, which have not yet been agreed and settled with these insurance companies. Further, the Company is in process of getting confirmation and reconciling balances with various other insurance companies. Consequently, the impact of possible adjustments on these balances and Profit and Loss account could not be quantified.

18.2 The Company has reversed certain claims lodged by insurance companies estimated at Rs.98 million in the 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 if 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.

18.3 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.20 (2005:Rs.1.02 billion) million. 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 in this respect as management is confident that no material liability will arise in this respect.

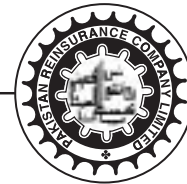
18.4 The Company has certain disputes with National Construction Company Limited (NCC) and other consultant / contractors, over the certification of final bills and breach of contract in relation to the construction of PRC Tower respectively. NCC has filed a counter claim of Rs.133.6 million against 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 and other consultant / contractors, over the certification of final bills and breach of contract in relation to the construction of PRC Towers respectively. The Company has not made any provision against these claims, as it does not anticipate any liability in respect of these claims.

18.5 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.

18.6 Case related to Export Credits Guarantee Scheme

Decreases have been awarded against the Company in two cases amounting to Rs. 31.92 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.

18.7 The company is a defendant in a case filed by Commercial Union for a claim of Rs. 50 Million pending the ultimate outcome of the decision, no provision has been made in the financial statements in this respect by the company.



19. CASH AND BANK BALANCES	2006 Rupees	2005 Rupees
Cash and other equivalents		
- Cash	16,992	34,351
Current and other accounts		
- Current account	47,053,476	21,606,843
- Deposit account	161,213,399	248,047,427
	208,266,875	269,654,270
 Deposits maturing within 12 months		
	1,700,000	1,700,000
	209,983,867	271,388,621
 20. LOANS - Secured and Unsecured (considered good)		
Loan to employees	28,945,349	30,974,288
Others	3,100,142	3,926,249
	32,045,491	34,900,537
20.1 Maturity of loans		
Receivable within one year	6,597,098	3,339,729
Receivable after one year	25,453,708	31,566,123
	32,050,806	34,905,852
 Provision against impaired loan	(5,315)	(5,315)
	32,045,491	34,900,537
 20.2 Age analysis of long term loans		
For period upto three years	13,325,957	14,612,883
For periods more than three years	18,719,534	20,287,654
	32,045,491	34,900,537
 20.3 Loans to employees represent mark-up free loans except house building loans and are secured against retirement benefits of respective employees including, where applicable, the assets for which the loan has been given. These loans are recoverable within 180 equal monthly installments. Other loans are unsecured.		
 21. INVESTMENTS	2006 Rupees	2005 Rupees
Available for sale		
Ordinary shares - listed	21.1 860,654,117	470,175,260
Ordinary shares - un-listed	21.2 617,613	5,182,615
National Investment Trust Units	21.3 646,115,801	645,090,617
	1,507,387,531	1,120,448,492
 Held to maturity		
Defence Saving Certificates		
Pakistan Investment Bonds	21.4 313,514,002	271,084,582
Treasury Bills (1 year)	21.5 875,617,794	890,732,518
	21.6 891,803,680	590,374,186
	2,080,935,476	1,752,191,286
	3,588,323,007	2,872,639,778

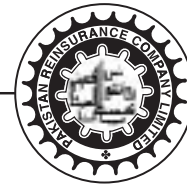


As mentioned in note 5.1.2 to these financial statements, available for sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on 31 December 2006 would have been higher by Rs. 5,699 million, and the net equity would have been higher by Rs.5,699 million.

		2006	2005
21.1 Investment in listed companies			
Cost of investment in listed companies	21.1.1	878,416,010	477,763,897
Less: Provision for diminution in value:			
Balance brought forward from last year		7,588,637	3,056,073
Provision made during the year		10,173,256	4,532,564
		17,761,893	7,588,637
	<i>Rupees</i>	860,654,117	470,175,260

21.1.1 Book values and market values of investment in listed companies are:

Name of Company	31 December 2006		
	Number of shares / certificates	Book value	Market value
Open-End Mutual Funds			
Pakistan Capital Market Fund	6,616	79,325	75,753
Close-End Mutual Funds			
BSJS Balanced Fund	346,204	2,978,100	3,946,726
Pakistan Premier Fund Limited	16,272	209,095	211,536
PICIC Growth Fund	30,406,721	557,893,244	855,949,196
PICIC Investment Fund	17,246	263,863	250,067
UTP Growth Fund	28,348	385,532	368,524
	30,814,791	561,729,834	860,726,049
Modarabas			
Investic Modaraba 1st	2,765	2,488	5,392
Investment Banks/COS/Securities			
Escort Investment Bank	16,846	285,539	229,106
Pakistan Industrial Credit and Investment Corporation (PICIC)	14,505,546	92,074,149	905,871,348
	14,522,392	92,359,688	906,100,454
Commercial Banks			
Allied Bank Limited	75,812	529,820	7,088,422
Askari Commercial Bank Limited	11,340	1,175,958	1,190,133
Bank Al-Falah Limited	3,333	159,150	139,319
Faysal Bank Limited	24,115	1,637,408	1,458,957
MCB Bank Limited	181,832	4,013,334	44,748,855
National Bank of Pakistan	3,541,175	9,005,196	794,108,494
PICIC Commercial Bank Limited	5,381	187,258	181,071
Prime Commercial Bank Limited	7,106	405,041	344,996
Saudi Pak Commercial Bank Limited	2,564	53,074	43,460
The Bank of Punjab	16,511	1,570,196	1,671,739
United Bank Limited	543	4,350	83,351
	3,869,712	18,740,785	851,058,797



Name of Company	31 December 2006		
	Number of shares / certificates	Book value	Market value
Insurance			
Adamjee Insurance Company Limited	408,514	10,000	61,481,357
Asia Insurance Company Limited	25,000	250,000	500,000
Central Insurance Company Limited	279,665	50,000	39,712,430
Crescent Star Insurance Company Limited	439,994	2,933,155	5,675,923
Habib Insurance Company Limited	624,804	256,787	40,299,858
Pakistan Guarantee Insurance Company Limited	22,029	173,000	61,681
PICIC Insurance Company Limited	489,023	4,890,230	9,169,181
Sterling Insurance Company Limited	23,250	232,500	162,750
Union Insurance Company Limited	56,227	500,000	1,984,251
United Insurance Company Limited	271,151	455,000	4,989,178
	2,639,657	9,750,672	164,036,609
Textile Spinning			
Brothers Textile Mills	16,853	50,559	42,132
Crescent Fibre	98,747	926,675	1,086,217
Khurshid Spinning Mills	7,600	13,300	12,160
Regent Textile Limited	5,000	50,000	85,000
Sahrish Textile Mills	13,510	23,642	20,265
	141,710	1,064,176	1,245,774
Textile Weaving			
Nakshbandi Industries Limited	463	4,425	4,121
Yousaf Weaving Mills	2,728	16,913	15,004
	3,191	21,338	19,125
Textile Composite			
Colony Mills	185,762	1,551,112	1,616,129
Dawood Lawrencepur	1,975	35,338	104,972
Gul Ahmed Textile Limited	9,942	105,328	253,521
Hussain Industries Limited	15,820	192,017	255,493
Kohinoor Industries	11,125	155,750	120,706
Muhammad Farooq Textile	5,174	33,372	29,233
Taj Textile	5,600	14,560	15,400
Towellers Limited	315,790	6,000,010	8,210,540
Usman Textile Limited	300	3,888	1,275
	551,488	8,091,375	10,607,269
Synthetic & Rayon			
Pakistan Synthetics Limited	2,846	24,760	19,922
Jute			
Amin Fabrics	45,738	150,000	276,715
Crescent Jute Product	157,314	1,250,055	220,240
	203,052	1,400,055	496,955



Name of Company	31 December 2006		
	Number of shares / certificates	Book value	Market value
Sugar and Allied Industries			
Bawany Sugar Mills Limited	59,574	131,400	428,933
Crescent Sugar Mills Limited	290,484	1,720,486	2,686,977
Fecto Sugar Mills Limited	1,182	8,109	31,854
Kohinoor Sugar Mills Limited	37,045	379,563	1,333,620
Mirpur Khas Sugar Mills Limited	7,216	19,900	512,336
Mirza Sugar Mills	5,495	14,836	15,661
Noor Sugar Mills Limited	57,246	1,244,920	2,118,102
Pangrio Sugar Mills Limited	100,000	1,337,000	505,000
Sakrand Sugar Mills	11,900	35,700	37,485
Shahtaj Sugar Mills Limited	2,217	16,607	136,124
Sind Abadgar Sugar Mills Limited	98,500	1,276,150	985,000
	670,859	6,184,671	8,791,092
Cement			
Dada Bhoy Cement Industries	17,300	124,560	103,800
Fauji Cement Company Limited	5,238	107,379	79,094
Gharibwal Cement Limited	53,337	109,891	538,704
Javedan Cement Limited	14,666	133,330	1,572,928
Lucky Cement Limited	7,343	771,015	439,846
Mustehkam Cement Limited	2,400	19,364	302,280
Zeal Pak Cement Limited	39,130	1,360,268	187,824
	139,414	2,625,807	3,224,476
Tobacco			
Lakson Tobacco Company Limited	21,206	36,893	7,846,220
Pakistan Tobacco Company Limited	70,140	234,209	4,979,940
	91,346	271,102	12,826,160
Refinery			
National Refinery Limited	339,320	6,275,195	87,883,880
Power Generation & Distribution			
Hubpower Company Limited	451,885	6,697,418	12,200,895
Karachi Electric Supply Corporation Limited	1,623,450	3,635,645	10,552,425
Kot Addu Power Company	10,000	430,500	407,000
Southern Electric Power	13,963	83,778	83,080
	2,099,298	10,847,341	23,243,400
Oil & Gas Marketing Companies			
Haroon Oil Mills Limited	5,000	49,750	850,000
Pakistan State Oil Company Limited	90,271	6,529,783	26,539,674
Sui Northern Gas Pipelines Limited	7,530,913	17,110,611	493,274,801
Sui Southern Gas Company Limited	9,671,792	36,461,488	227,287,112
	17,297,976	60,151,632	747,951,587
Oil & Gas Exploration Companies			
Oil & Gas Development Company Limited	10,761	1,536,670	1,234,287
Pakistan Oilfields Limited	6,474	2,199,541	2,264,281
Pakistan Petroleum Limited	3,200	802,880	742,400
	20,435	4,539,091	4,240,968



Name of Company	31 December 2006		
	Number of shares / certificates	Book value	Market value
Engineering			
Dadex Eternit Limited	533	995	31,980
Huffaz Seamless Pipe	83,460	558,000	4,502,667
Metropolitan Steel Corporation	3,492	32,369	78,221
Pakistan Engineering Company Limited	43,776	364,738	4,290,048
	131,261	956,102	8,902,916
Automobile Assembler			
Ghandhara Industries	173,724	1,645,613	5,524,423
Pak Suzuki Motor Company Limited	756	14,780	317,520
	174,480	1,660,393	5,841,943
Automobile Parts & Accessories			
Dewan Automotive Engineering	58,333	334,000	414,164
Transport			
Pakistan International Airlines Corporation "A"	2,497,778	9,875,646	17,609,335
Technology & Communication			
Pakistan Telecommunication Company Limited	438,246	6,957,077	19,414,298
Worldcall Telecom	3,672	46,634	39,474
	441,918	7,003,711	19,453,772
Fertilizer			
Fauji Fertilizer Bin Qasim	20,035	559,978	570,997
Fauji Fertilizer Company Limited	71,246	8,478,274	7,520,015
	91,281	9,038,252	8,091,012
Pharmaceuticals			
Glaxo Smithkline Beecham Co.	4,987	12,997	787,198
Chemicals			
BOC Pakistan Limited	4,582	641,480	646,749
ICI Pakistan Limited	864,276	8,642,760	99,823,878
Pakistan PTA Limited	2,365,949	23,620,633	11,593,150
Sardar Chemical Limited	500	10,000	1,500
	3,235,307	32,914,873	112,065,277
Paper and Board			
Packages Limited	680,511	31,824,394	142,907,310
Security Papers Limited	637,799	279,000	52,682,197
	1,318,310	32,103,394	195,589,507
Vanaspati & Allied Industries			
Universal Oil Mills Limited	30,000	300,000	240,000
Food & Personal Care Products			
Unilever Pakistan Limited	487	3,520	974,000
Miscellaneous			
Hashmi Can Company Limited	5,250	53,787	60,375
	81,406,260	878,416,010	4,052,583,161

Rupees

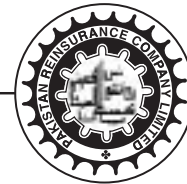


21.2 Investment in unlisted companies

		2006	2005
Cost of investment in unlisted companies	21.2.1	2,862,183	7,428,755
Less: Provision for diminution in value:			
Balance brought forward from last year		2,246,140	2,244,570
Provision (reversed)/made during the year		(1,570)	1,570
		2,244,570	2,246,140
	Rupees	617,613	5,182,615

21.2.1 Ordinary shares/certificate of Rs.10 each unless stated otherwise:

Name of Company	31 December 2006	
	Number of shares / certificates	Book value
Banks		
Industrial Development Bank of Pakistan (Break-up value is Rs.NIL per share based on financial statements for the year ended 30 June 2006) Chairman/Managing Director: Mr. Naeem Iqbal	6,213	618,227
The State Bank of Pakistan (Break-up value is Rs.140,666.25 per share based on financial statements for the year ended 30 June 2006) Governor: Shamshad Akhter	4,900	517,614
Development Financial Institutions		
National Investment Trust Limited (Break-up value is Rs. 3,459.22 per share based on financial statements for the year ended 30 June 2006) Managing Director & Chairman: Mr. Tariq Iqbal Khan	52,800	100,000
Insurance		
Indus Assurance	25,000	250,000
Cotton and Textile		
Afsar Textile Mill	1,000	9,950
Kohinoor Cotton Mill	22,397	219,801
Synthetic and Rayon		
Ravi Rayon Limited	24,800	254,078
Chemical		
Synthetic Chemical	20,000	200,000
Vanaspati and Allied Industries		
Burma Oil	861	6,470
Burma Soap	64	640
Miscellaneous		
Arag Industries	133,333	685,403
	227,455	1,626,342
	291,368	2,862,183
	21.2.2	
	Rupees	



21.2.2 Since the financial statements of the above entities are not available, therefore, the breakup value and the name of the chief executive can not be ascertained.

21.3 The Company holds 51,270,425 NIT units (2005: 51,248,705 units). The cost ranges from Rs. 6.80 to Rs. 14.00 per unit. The units repurchase price as at 31 December 2006 was Rs. 44.85 per unit.

21.4 Defence Saving Certificates

	Tenure	Maturity date	Effective interest rate	Carrying value	
				2006 Rupees	2005 Rupees
Defence Saving Certificates	10 Years	3 September 2009 to 16 March 2010	15.01% to 15.97%	<u>313,514,002</u>	<u>271,084,582</u>

21.5 Pakistan Investment Bonds

Tenure	Maturity date	Profit Repayment frequency	Coupon rate	2006 Rupees	2005 Rupees
5 to 10 years	31 December 2007 to 29 April 2014	Semi-annually	7% to 8%	<u>875,617,794</u>	<u>890,732,518</u>

21.6 Treasury bills

	Tenure	Maturity date	Face Value Rs.	Cost Rs.	2006 Rupees	2005 Rupees
Treasury bills	6 to 12 Months	01 February 2007 to 01 March 2007	900,000,000	879,853,600	<u>891,803,680</u>	<u>590,374,186</u>

21.7 Frozen Shares

This represents 7,530,913 ordinary shares of Sui Northern Gas Pipelines Limited which are frozen on the basis of Government of Pakistan (GoP) directives F.10(6&14)EN-94/2005 dated 13 April 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the Company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

22. INVESTMENT PROPERTIES

	2006							Book value	Rate %
	C O S T			D E P R E C I A T I O N					
	As at 01 January 2006	Addition / (Disposal)	As at 31 December 2006	As at 01 January 2006	For the year / (disposal)	As at 31 December 2006			
Lease hold land	572,406	-	572,406	-	-	-	572,406	-	
Building	89,151,323	-	89,151,323	37,717,252	2,571,704	40,288,956	48,862,367	5	
Electrical installation	18,995,068	-	18,995,068	17,348,930	329,228	17,678,158	1,316,910	20	
Air conditioning Plant	26,556,830	-	26,556,830	24,213,372	468,692	24,682,064	1,874,766	20	
Lift	21,085,825	-	21,085,825	19,259,730	365,219	19,624,949	1,460,876	20	
	<u>156,361,452</u>	<u>-</u>	<u>156,361,452</u>	<u>98,539,284</u>	<u>3,734,843</u>	<u>102,274,127</u>	<u>54,087,325</u>		



2 0 0 5

	C O S T			D E P R E C I A T I O N			Book value	Rate %
	As at 01 January 2005	Addition / (Disposal)	As at 31 December 2005	As at 01 January 2005	For the year / (disposal)	As at 31 December 2005		
Lease hold land	572,406	-	572,406	-	-	-	572,406	-
Building	89,151,323	-	89,151,323	35,010,196	2,707,056	37,717,252	51,434,071	5
Electrical installation	18,995,068	-	18,995,068	16,937,397	411,533	17,348,930	1,646,138	20
Air conditioning Plant	26,556,830	-	26,556,830	23,627,509	585,863	24,213,372	2,343,458	20
Lift	21,085,825	-	21,085,825	18,803,208	456,522	19,259,730	1,826,095	20
<i>Rupees</i>	156,361,452	-	156,361,452	94,378,310	4,160,975	98,539,284	57,822,167	

22.1 Buildings including related lease hold lands are held by the Company for both own use purposes and as investment properties. The carrying value of these buildings and lease hold lands have been allocated between the investment properties and assets held for own use on the basis of floor space occupied for respective purposes.

22.2 The market value of the investment properties is Rs. 557.740 million, as per valuation carried out by an independent valuer in 2004.

23. AMOUNT DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS

	2006	2005
Amount due from other persons and bodies carrying on insurance business	23.1 879,663,550	727,336,757
Provision for doubtful balances	(386,000,000)	(266,000,000)
<i>Rupees</i>	493,663,550	461,336,757

23.1 This includes Rs. 50,938,134 (2005: Rs. 40,583,915) due from related parties.

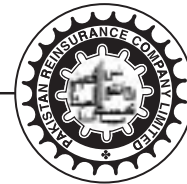
24. PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS

Premium reserve withheld by ceding companies	23,038,865	33,515,690
Losses reserve withheld by ceding companies	25,778,915	67,880,892
Cash losses paid to ceding companies	906,404	(253,411)
Provision for doubtful deposits	(17,000,000)	(17,000,000)
<i>Rupees</i>	32,724,184	84,143,171

24.1 This represents the retention of deposits by the ceding companies from the total amount ceded by them to the Company.

25. ACCRUED INVESTMENT INCOME

Dividend receivable	2,929,382	3,046,730
Interest accrued	4,961,856	7,150,281
Accrued rental income	15,628,781	16,294,724
	23,520,019	26,491,735
Provision for dividend receivable	(1,997,534)	-
<i>Rupees</i>	21,522,485	26,491,735



26. SUNDRY RECEIVABLES		2006 Rupees	2005 Rupees
Gratuity	38.1	105,890,000	90,038,000
Export Credit Guarantee Schemes	26.1	56,964,435	56,964,435
N.C.S. Cell		5,837,171	5,837,101
W.R.I. Karachi		13,885,278	13,884,517
W.R.I. Lahore		10,284,017	9,755,225
ECO Centre		33,481	69,371
P.R.C. Zonal Office Lahore		2,000	-
P.R.C. (W.R.I.) Karachi		511,243	511,243
ECO Reinsurance Pool		16,047,025	16,215,892
P.R.C Employees Provident Fund		1,879,719	-
Others		311,722	310,070
Receivable from ICP		4,565,000	-
Government Provident Fund Payable		53,905	52,138
Employees General Provident Fund		927,539	1,723,069
Employees Welfare Fund		61,687	86,695
Derivative financial instrument - Right Share		11,922	-
		<u>217,266,144</u>	<u>195,447,756</u>
Provision for doubtful debts		<u>(9,541,336)</u>	<u>(4,976,336)</u>
		<u>207,724,808</u>	<u>190,471,420</u>

26.1 This represents the total amount of income tax deposit by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme managed by the Company on behalf of the Government. The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the Company's income. The Company's appeal in this respect which was pending before High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan. During the year, the Company has filed an appeal in the Supreme Court of Pakistan in this respect.

27. PREPAID REINSURANCE CEDED

Facultative business

- Fire	305,657,044	180,722,443
- Marine Cargo	3,217,852	-
- Marine Hull	3,454,693	24,479,795
- Accident	126,527	7,323,368
- Aviation	552,980,777	615,110,179
- Engineering	474,520,825	330,403,933
	<u>1,339,957,718</u>	<u>1,158,039,718</u>

Treaty

	<u>129,788,827</u>	<u>132,384,614</u>
	<u>1,469,746,545</u>	<u>1,290,424,332</u>

28. TAXATION

Tax provision for current year of Rs.155 million (2005: Rs.231 million) has been made on the basis of taxable income under the Income Tax Ordinance, 2001, at the rates specified in the said Ordinance. Income tax assessments of the Company (formerly Pakistan Insurance Corporation) have been finalized upto and including assessment year 2001-2002 (Income year ended 31 December 2000).



The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of ECGS income in the Company's income. In case of assessment years 1995-96 to 2001-02 the difference in rate of unexpired risk and excess perquisites have been added back in assessment years 1995-96 to 2001-02. The Company is in second and third appeals on the above issues which are pending at ITAT / High Court level, respectively.

In case of ECGS, ITAT decided appeals against the Company in assessment years 1984-85 to 1994-95 and appeals for assessment years 1995-96 to 2001-02 are pending finalisation.

The Company's appeals on account of unexpired risk in assessment years 1995-96 to 2001-02 are pending with the Appellate Tribunal and in case of assessment years 1988-89 to 1995-96 appeal is at High Court level. The Company's appeal is also pending in High Court in respect of applicability of Section 80 D. Similarly the Company's appeal against the disallowances on account of excess perquisites are also pending in respect of assessment year 1995-96 to 2001-2002 with the Appellate Authority.

The Company has made adequate provision against various disallowances made by tax authorities.

28.1 Provision for taxation	2006	2005
Current	155,496,888	231,008,814
Deferred		
- for the year	(44,296,888)	(43,050,001)
	<i>Rupees</i> <u>111,200,000</u>	<u>187,958,813</u>

28.2 Relationship between tax expenses and accounting profit

Profit before tax	<u>783,043,545</u>	<u>782,386,276</u>
Tax at the applicable rate of 35%	274,065,241	273,835,197
Permanent differences	3,437,016	5,304,792
Tax effect of dividend income taxed at lower rate	(166,208,277)	(89,436,280)
Tax effect of property income being taxed separately	(93,980)	(1,744,896)
Charge for the year	<i>Rupees</i> <u>111,200,000</u>	<u>187,958,813</u>



29. **FIXED ASSETS**

Particulars	2 0 0 6									
	C O S T				D E P R E C I A T I O N					
	As at 01 January 2006	Addition / * transfer	Disposal / * transfer	As at 31 December 2006	As at 01 January 2006	For the year	Disposal / * transfer	As at 31 December 2006	Book value 31 December 2006	Rate %
PRC Building - Karachi	150,302	-	-	150,302	27,879	6,121	-	34,000	116,302	5
PRC House - Karachi	2,693,186	-	-	2,693,186	499,569	109,681	-	609,250	2,083,936	5
Lift	146	-	-	146	-	-	-	-	146	20
	2,843,634	-	-	2,843,634	527,448	115,802	-	643,250	2,200,384	
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	34,828,850	-	-	34,828,850	14,700,284	1,006,428	-	15,706,712	19,122,138	5
Electrical installation	7,420,825	-	-	7,420,825	6,777,727	128,620	-	6,906,347	514,478	20
Air conditioning plant	10,379,488	-	-	10,379,488	9,459,766	183,944	-	9,643,710	735,778	20
Lift	8,237,624	-	-	8,237,624	7,524,222	142,680	-	7,666,902	570,722	20
	61,090,409	-	-	61,090,409	38,461,999	1,461,672	-	39,923,671	21,166,738	
Furniture and fixture	9,462,506	4,475	-	9,466,981	8,543,913	92,071	-	8,635,984	830,997	10
Office equipment	1,454,851	90,835	-	1,545,686	475,584	154,142	-	629,726	915,960	15
	10,917,357	95,310	-	11,012,667	9,019,497	246,213	-	9,265,710	1,746,957	
Motor vehicles	2,913,012	* 5,936,400	-	8,849,412	2,664,921	49,618	* 3,504,850	6,219,389	2,630,023	20
Books	61,353	32,199	-	93,552	10,789	6,570	-	17,359	76,193	10
Computers	1,722,293	14,975	-	1,737,268	747,621	196,434	-	944,055	793,213	20
	4,696,658	5,983,574	-	10,680,232	3,423,331	252,622	3,504,850	7,180,803	3,499,429	
Leased vehicles	5,936,400	-	* 5,936,400	-	2,896,963	607,887	* (3,504,850)	-	-	20
<i>Rupees</i>	85,484,458	6,078,884	5,936,400	85,626,942	54,329,238	2,684,196	-	57,013,434	28,613,508	

Particulars	2 0 0 5									
	C O S T				D E P R E C I A T I O N					
	As at 01 January 2005	Addition / (transfer)	Disposal	As at 31 December 2005	As at 01 January 2005	For the year	Disposal	As at 31 December 2005	Book value 31 December 2005	Rate %
PRC Building - Karachi	150,302	-	-	150,302	21,436	6,443	-	27,879	122,423	5
PRC House - Karachi	2,693,186	-	-	2,693,186	384,115	115,454	-	499,569	2,193,617	5
Lift	146	-	-	146	-	-	-	-	146	20
	2,843,634	-	-	2,843,634	405,551	121,897	-	527,448	2,316,186	
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	34,828,850	-	-	34,828,850	13,640,886	1,059,398	-	14,700,284	20,128,566	5
Electrical installation	7,420,825	-	-	7,420,825	6,616,952	160,775	-	6,777,727	643,098	20
Air conditioning plant	10,374,988	4,500	-	10,379,488	9,230,586	229,180	-	9,459,766	919,722	20
Lift	8,237,624	-	-	8,237,624	7,345,871	178,351	-	7,524,222	713,402	20
	61,085,909	4,500	-	61,090,409	36,834,295	1,627,704	-	38,461,999	22,628,410	
Furniture and fixture	9,153,126	309,380	-	9,462,506	8,456,941	86,972	-	8,543,913	918,593	10
Office equipment	1,306,941	147,910	-	1,454,851	313,538	162,046	-	475,584	979,267	15
	10,460,067	457,290	-	10,917,357	8,770,479	249,018	-	9,019,497	1,897,860	
Motor vehicles	2,913,012	-	-	2,913,012	2,602,898	62,023	-	2,664,921	248,091	20
Books	36,774	24,579	-	61,353	6,036	4,753	-	10,789	50,564	10
Computers	1,438,793	283,500	-	1,722,293	513,232	234,389	-	747,621	974,672	20
	4,388,579	308,079	-	4,696,658	3,122,166	301,165	-	3,423,331	1,273,327	
Leased vehicles	5,936,400	-	-	5,936,400	2,137,104	759,859	-	2,896,963	3,039,437	20
<i>Rupees</i>	84,714,589	769,869	-	85,484,458	51,269,595	3,059,643	-	54,329,238	31,155,220	



30. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

Assets relating to Bangladesh comprise of fixed assets and investments and are as follows:

	2006	2005
Fixed Assets		
- Land and building	8,608,000	8,608,000
- Furniture and fixtures	4,000	4,000
	8,612,000	8,612,000
Investments		
- Stock and shares	7,112,000	7,112,000
- Debentures	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000
Less: Liabilities for outstanding claims (refer note 9)	4,952,000	4,952,000
Other liabilities	809,000	809,000
	5,761,000	5,761,000
	10,213,000	10,213,000
Less: Provision for loss on net assets in Bangladesh	10,213,000	10,213,000
	<i>Rupees</i> -	-

30.1 The realisability of these assets is not presently determinable and hence provision for the loss that may arise has been made in these financial statements after netting of liability for outstanding claims mentioned in note 9.

31. EXPENSES

Salaries, wages and benefits	113,150,565	111,909,395
Retirement benefits		
- Pension		
- Officer	38.1 (3,471,200)	(1,529,000)
- Staff	38.1 345,023	4,982,000
- Medical	38.1 8,089,000	8,326,000
- Gratuity	38.1 (17,429,231)	(10,235,000)
- Compensated absences	38.1 (3,418,000)	4,680,000
Travelling and conveyance	5,267,535	7,722,541
Entertainment expenses	3,140,056	3,666,004
Subscription and membership	285,543	350,296
Legal and professional	821,990	601,315
Telephone and electricity	15,094,413	15,229,313
Printing and stationery	1,908,816	3,368,226
Repairs and renewal	404,273	1,052,240
Others	31,487,233	29,549,844
Expense allocated to rental income	(6,560,050)	(6,309,206)
Expense allocated to investment income	(2,782,622)	(2,739,902)
	<i>Rupees</i> 146,333,344	170,624,066



	2006	2005
32. RENTAL INCOME - Net		
Rental income	32,625,473	32,856,783
Investment property related expenditure	(6,560,050)	(6,309,206)
	<i>Rupees</i> <u><u>26,065,423</u></u>	<u><u>26,547,577</u></u>

The rental income represents income from letting out of PRC Towers.

33. OTHER INCOME		
Interest on deposits held by ceding companies	1,674,946	2,553,673
Interest on loans	26,664	16,647
Management fee - ECO Reinsurance Pool	-	5,052,361
Liability written back	10,000,000	2,244,537
	<i>Rupees</i> <u><u>11,701,610</u></u>	<u><u>9,867,218</u></u>

34. GENERAL AND ADMINISTRATION EXPENSES			
Depreciation	22 & 29	6,419,039	7,220,618
Directors' fee		1,616,846	1,107,607
Auditors' remuneration	34.1	484,440	435,600
Advertisement and publicity		1,232,024	1,204,942
Training and research		150,500	362,440
Markup / Interest		31,523	177,204
Donation		-	10,000,000
Others		8,597,361	7,213,917
Provision against dividend receivable		1,997,534	-
Provision against other receivables		4,565,000	-
	<i>Rupees</i>	<u><u>25,094,267</u></u>	<u><u>27,722,328</u></u>

34.1 Auditors' remuneration

Audit fee	440,400	396,000
Out of pocket expenses	44,040	39,600
	<i>Rupees</i> <u><u>484,440</u></u>	<u><u>435,600</u></u>

35. BASIC EARNINGS PER SHARE			
Profit after tax for the year	<i>Rupees</i>	<u><u>671,843,545</u></u>	<u><u>594,427,463</u></u>
Weighted average number of ordinary shares	<i>Number</i>	<u><u>45,000,072</u></u>	<u><u>45,000,072</u></u>
Earnings per share	<i>Rupees</i>	<u><u>14.93</u></u>	<u><u>13.21</u></u>

36. FINANCIAL RISK MANAGEMENT

36.1 Reinsurance Risk

The Company in the normal course of business, undertakes reinsurance business and controls its exposure to potential losses from large risk, by retrocession to various companies. Its significant portion of reinsurance and retrocession is effected under treaty pact and excess of loss contracts.

The Company further evaluates the financial condition of ceding companies as well as it reinsures to minimize its exposures to significant losses from reinsurance insolvencies.

The Company continues to be remain under obligation of the ceding companies during the validity of the contract and as a result it remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under their agreements.



36.2 Credit risk and concentration of credit risk exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 4,586 million, the financial assets which are subject to credit risk amounted to Rs. 4,376 million. The Company considers itself as not being exposed to major concentration of credit risk.

The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure, review and conservative estimates of provisions for doubtful assets, if any, and through the prudent use of collateral policy. Subject to the effect of note 18.1 and 18.2 the management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

36.3 Foreign currency risk

The Company has no effective arrangement to mitigate the effect from fluctuation in foreign currency and it considers itself as not exposed to such risk due to relative stability of Pak rupees against foreign currencies and as it holds matching foreign currency balances amount, in the amount due to other companies.

36.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for investments which are stated at cost and in respect of amount due from persons carrying on insurance business subject to the effect of note 18.1 and 18.2.

The market value of investments is as follows:		2006	2005
Market value of available for sale investments	<i>Rupees</i>	<u><u>7,223,973,355</u></u>	<u><u>6,572,530,819</u></u>

36.5 Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments. The company has invested its funds in government securities, debentures, ordinary shares, National Investment Trust Units and close ended mutual funds, resulting in risk arising from fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

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

36.6 Liquidity risk

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

36.7 Interest rate risk

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated.

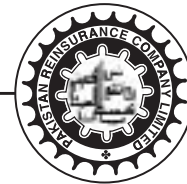


37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	2 0 0 6						Total
	Interest / mark-up bearing			Not-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	Rupees in 000						
Financial assets							
Cash and bank deposits	161,213	1,700	162,913	47,071	-	47,071	209,984
Loans	55	617	672	6,542	24,831	31,373	32,045
Investment	1,149,550	931,385	2,080,935	-	1,507,388	1,507,388	3,588,323
Amount due from other persons and bodies carrying on Insurance business	-	-	-	493,664	-	493,664	493,664
Premium and claim reserves retained from cedants	32,724	-	32,724	-	-	-	32,724
Accrued investment income	4,962	-	4,962	16,560	-	16,560	21,522
Sundry receivables	-	-	-	207,725	-	207,725	207,725
Total	1,348,504	933,702	2,282,206	771,562	1,532,219	2,303,781	4,585,987
Financial liabilities							
Liabilities against asset subject to finance lease	-	-	-	-	-	-	-
Provision for outstanding claims - net	-	-	-	669,922	-	669,922	669,922
Long term deposits	-	-	-	4,484	15,256	19,740	19,740
Amount due to other persons and bodies carrying on insurance business	-	-	-	412,128	-	412,128	412,128
Premium and claim reserves retained from retrocessionaires	26,056	-	26,056	-	-	-	26,056
Other creditors and accruals	-	-	-	34,539	-	34,539	34,539
Retention money payable	-	-	-	6,410	-	6,410	6,410
Dividend payable	-	-	-	4,177	-	4,177	4,177
Surplus profit payable	-	-	-	1,231	-	1,231	1,231
Total	26,056	-	26,056	1,132,891	15,256	1,148,147	1,174,203
On balance sheet gap	1,322,448	933,702	2,256,150	(361,329)	1,516,963	1,155,634	3,411,784



	2 0 0 5						Total
	Interest / mark-up bearing			Not-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	Rupees in 000						
Financial assets							
Cash and bank deposits	248,047	-	248,047	23,341	-	23,341	271,388
Loans	-	-	-	3,340	31,560	34,900	34,900
Investment	590,374	1,161,816	1,752,190	-	1,120,449	1,120,449	2,872,639
Amount due from other persons and bodies carrying on Insurance business	-	-	-	461,337	-	461,337	461,337
Premium and claim reserves retained from cedants	84,143	-	84,143	-	-	-	84,143
Accrued investment income	-	-	-	26,492	-	26,492	26,492
Other receivable	-	-	-	190,471	-	190,471	190,471
Total	922,564	1,161,816	2,084,380	704,981	1,152,009	1,856,990	3,941,370
Financial liabilities							
Liabilities against asset subject to finance lease	1,253	-	1,253	-	-	-	1,253
Provision for outstanding claims - net	-	-	-	518,013	-	518,013	518,013
Long term deposits	-	-	-	17,670	-	17,670	17,670
Amount due to other persons and bodies carrying on insurance business	-	-	-	334,701	-	334,701	334,701
Premium and claim reserves retained from retrocessionaires	34,382	-	34,382	-	-	-	34,382
Other creditors and accruals	-	-	-	29,860	-	29,860	29,860
Retention money payable	-	-	-	6,379	-	6,379	6,379
Dividend payable	-	-	-	3,236	-	3,236	3,236
Surplus profit payable	-	-	-	1,314	-	1,314	1,314
Total	35,635	-	35,635	911,173	-	911,173	946,808
On balance sheet gap	886,929	1,161,816	2,048,745	(206,192)	1,152,009	945,817	2,994,562



The effective interest rates for financial assets and liabilities are as follows:	2006	2005
Lease liability	-	7.5%
Investments	3.5% to 15.97%	3.5% to 15.97%
Premium and claim reserves retained by cedants	0.03%	0.03%
Bank balance	2.8%	0.03%
Premium and claim reserves retained from retrocessionaires	0.035%	0.035%

Financial assets and liabilities exposed to foreign exchange rate risk included in above amount to Rs.576.388 million and Rs.438.184 million respectively.

38. EMPLOYEE BENEFITS

38.1 Defined benefit plans

Pension and gratuity fund scheme

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of the above funds carried out by an actuary as at 31 December 2006.

Post retirement medical benefits

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of post retirement medical benefits scheme carried out by an actuary as at 31 December 2006.

Employees compensated absences

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves upto maximum of 6 months in respect of leave preparatory to retirement (LPR) on the basis of basic plus all allowances except conveyance allowance. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

	<u>Pension</u>		<u>Gratuity</u>	<u>Medical</u>	<u>Compensated absences</u>	<u>Total</u>
	<u>Officer</u>	<u>Employees</u>				
(Rupees in million)						
Reconciliation of payable to / (receivable) from defined benefit plan						
Present value of defined benefit obligation	95.959	90.353	(128.332)	67.459	22.097	147.536
Fair value of plan assets	(43.351)	(93.854)	-	-	-	(137.205)
Net actuarial gains / (losses) not recognized	(4.172)	4.254	22.442	(14.928)	-	7.596
	<u>48.436</u>	<u>0.753</u>	<u>(105.890)</u>	<u>52.531</u>	<u>22.097</u>	<u>17.927</u>
Charge / (prepaid) for defined benefit plan						
Current service cost	1.379	3.478	0.850	0.774	-	6.481
Interest cost	7.900	8.084	2.030	5.658	-	23.672
Expected return on plan assets	(3.694)	(7.957)	(13.172)	-	-	(24.823)
Actuarial (gains) / losses not recognized	(0.59)	-	(2.392)	4.047	-	1.065
	<u>4.995</u>	<u>3.605</u>	<u>(12.684)</u>	<u>10.479</u>	<u>(3.418)</u>	<u>2.977</u>



(Rupees in million)

	Pension		Gratuity	Medical	Compensated absences	Total
	Officer	Employees				
Reconciliation of the present value of the defined benefit obligations						
Present value of obligation as at 01 January	87.781	89.825	22.553	62.869	-	263.028
Current service cost	1.379	3.478	0.850	0.774	-	6.481
Interest cost	7.900	8.084	2.030	5.658	-	23.672
Benefits paid	(7.339)	(2.165)	(1.388)	(2.390)	-	(13.282)
Actuarial loss	6.238	(8.869)	0.866	0.548	-	(1.217)
Present value of obligation as at 31 December	95.959	90.353	24.911	67.459	-	278.682

Movement in net liability / (assets) recognized

Opening net liability	57.281	5.277	(90.038)	44.442	25.515	42.477
Expenses recognized	4.995	3.605	(12.684)	10.479	(3.418)	2.977
Contributions to the Fund / benefits paid during the year	(13.840)	(8.129)	(3.168)	(2.390)	-	(27.527)
Closing net liability	48.436	0.753	(105.890)	52.531	22.097	17.927

Movement in fair value of plan assets

Fair value at the beginning of the year	41.047	88.415	146.359	-	-	275.821
Expected return on plan assets	3.694	7.957	13.172	-	-	24.823
Contributions to the Fund	13.840	8.129	3.168	-	-	25.137
Benefits paid	(7.339)	(2.165)	(1.388)	-	-	(10.892)
Actuarial gain / (loss) on plan assets	(7.891)	(8.482)	(8.068)	-	-	(24.441)
Fair value at the end of the year	43.351	93.854	153.243	-	-	290.448

Actual return on plan assets

Expected return on plan assets	3.694	7.957	13.172	-	-	24.823
Actuarial gain / (loss) on plan assets	(7.891)	(8.482)	(8.068)	-	-	(24.441)
	(4.197)	(0.525)	5.104	-	-	0.382

Five year data on surplus / deficit of the plans and experience adjustments

(Rupees in million)

	Officers' Pension Fund				
	2006	2005	2004	2003	2002
Present value of defined benefit obligation	95.959	87.781	64.438	66.489	61.372
Fair value of plan assets	(43.351)	(41.047)	(31.339)	(8.879)	(9.379)
(Surplus) / deficit	52.608	46.734	33.099	57.610	51.993
Experience adjustments on plan liabilities	(6.238)	(23.264)	0.231	(6.364)	15.741
Experience adjustments on plan assets	(7.891)	14.522	16.580	(1.063)	10.095



(Rupees in million)

Employees' Pension Fund					
	2006	2005	2004	2003	2002
Present value of defined benefit obligation	90.353	89.825	87.376	79.873	53.716
Fair value of plan assets	(93.854)	(88.415)	(76.889)	(50.218)	(28.892)
(Surplus) / deficit	<u>(3.501)</u>	<u>1.410</u>	<u>10.487</u>	<u>29.655</u>	<u>24.824</u>
Experience adjustments on plan liabilities	8.869	5.040	0.701	(21.956)	(23.862)
Experience adjustments on plan assets	(8.482)	8.857	19.384	18.029	(1.970)

(Rupees in million)

Gratuity Fund					
	2006	2005	2004	2003	2002
Present value of defined benefit obligation	24.911	22.553	18.726	18.263	13.893
Fair value of plan assets	(153.243)	(146.359)	(130.075)	(145.755)	(57.898)
(Surplus) / deficit	<u>(128.332)</u>	<u>(123.806)</u>	<u>(111.349)</u>	<u>(127.492)</u>	<u>(44.005)</u>
Experience adjustments on plan liabilities	(0.866)	(2.283)	(0.004)	(3.571)	(0.127)
Experience adjustments on plan assets	(8.068)	6.565	(27.340)	76.965	(7.433)

Components of plan assets as a percentage of total plan assets

	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
Government securities	0.00%	52.15%	74.73%	-	-
Equity securities	89.34%	47.62%	25.26%	-	-
Others (including cash and bank balances)	10.66%	0.23%	0.01%	-	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

Expected contributions to the Funds in the next financial year

Expected charge for the year ending 31 December 2007	<u>6.675</u>	<u>1.806</u>	<u>(11.668)</u>	<u>9.620</u>	<u>-</u>
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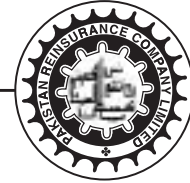
Actuarial valuation assumptions

Valuation discount rate	9.00%	9.00%	9.00%	9.00%	9.00%
Expected return in plan assets	9.00%	9.00%	9.00%	-	-
Salary Increase rate	7.00%	7.00%	7.00%	-	7.00%
Indexation in pension	2.50%	2.50%	-	-	-
Increase in cost of medical benefits	-	-	-	5.00%	-
Exposure Inflation rate	-	-	-	3.00%	-

38.2 Defined contribution plan - Provident Fund

Equal monthly contributions are made both by the Company and the employees to the contributory provident fund at the rate of 8.33% of the basic salary.

In case of general provident fund the contribution is made by the employees at the minimum rate of 10% of the basic salary.



(b) Geographical segment

Although the operations of the company are based primarily on business segments, the Company also operates in geographical area. The following table shows the distribution of the Company's revenue, total assets and total liabilities by geographical segments:

Locations:		2006		2005	
		Lahore	Karachi	Lahore	Karachi
Revenue - Net premium	<i>Rupees</i>	<u>115,824,004</u>	<u>1,299,681,468</u>	<u>106,287,916</u>	<u>1,898,355,392</u>
Total assets	<i>Rupees</i>	<u>266,689</u>	<u>6,464,022,176</u>	<u>298,154</u>	<u>5,633,287,235</u>
Total liabilities	<i>Rupees</i>	<u>68,975,830</u>	<u>3,664,939,104</u>	<u>62,985,873</u>	<u>3,332,068,842</u>

40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise companies under common directorship, staff retirement benefit funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment disclosed in note 41 of these financial statements, are as follows:

	2006 Rupees	2005 Rupees
Balance at the beginning	36,596,134	63,623,963
Insurance premium written during the period	87,964,264	90,989,484
Premium received	<u>(73,880,613)</u>	<u>(118,017,313)</u>
Balance at the end	<u>50,679,785</u>	<u>36,596,134</u>
Insurance commission paid	<u>30,750,760</u>	<u>40,469,815</u>
Insurance claims paid	<u>5,817,343</u>	<u>24,035,107</u>
Premium paid-net	<u>12,837</u>	<u>76,638</u>
Insurance commission received	<u>(5,347)</u>	<u>(423,402)</u>
Insurance claims received	<u>(87,290)</u>	<u>(646,213)</u>
Dividend income	<u>87,329,211</u>	<u>14,333,544</u>
Contributions / provision for staff retirement benefit plans	<u>9,787,878</u>	<u>2,664,000</u>

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



41. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2006	2005	2006	2005	2006	2005
Managerial remuneration	439,945	331,936	2,227,584	3,148,890	2,667,529	3,480,826
Bonus	104,220	-	565,161	757,358	669,381	757,358
Retirement benefits	109,440	82,590	146,551	287,584	255,991	370,174
House rent	307,966	-	1,590,703	2,204,220	1,898,669	2,204,220
Utilities	51,842	121,889	186,183	269,239	238,025	391,128
Medical expenses	267,840	323,641	552,021	1,139,042	819,861	1,462,683
Others	301,737	255,062	409,600	1,390,115	711,337	1,645,177
<i>Rupees</i>	1,582,990	1,115,118	5,677,803	9,196,448	7,260,793	10,311,566
Number of persons	1	1	9	11	10	12

The Company makes contribution based on actuarial calculations and provides certain household items for use of certain executives. Company maintained cars have been provided to Chief Executive, Executive Directors and Secretary of the Company.

42. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 28 March 2007 have proposed a cash dividend in respect of the year ended 31 December 2006 of Rs. 2 per share (20%) [2005: Rs. 4 per share (40%)] and bonus issue of 20% for the approval of the members in the Annual General Meeting to be held on 27 April 2007 The Board has also decided to transfer Rs. 500 million [2005: Rs. 400 million] to general reserve.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorized for issue on 28 March 2007 by the Board of Directors of the Company.

44. GENERAL

44.1 Corresponding figures have been reclassified and rearranged wherever necessary for the purpose of comparison.

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

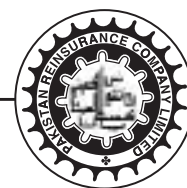
Executive Director (F&A)

Rukhsana Saleem
Chief Executive

Fazlur Rehman Dittu
Director

Fazal-i-Qadar
Director

Pattern of Holding of the Share held by the Shareholders as at December 31, 2006



No. of Share holders		No. of Share		Total Share held	
126	From	1	to	100	8862
158	From	101	to	500	63200
140	From	501	to	1000	129300
164	From	1001	to	5000	493480
085	From	5001	to	20000	943460
031	From	20001	to	50000	992450
012	From	50001	to	150000	917160
006	From	150001	to	300000	1387260
001	From	300001	to	400000	317600
004	From	400001	to	1000000	2876300
002	From	1000001	to	3000000	2937800
001	From	3000001	to	15000000	10983200
001	From	15000001	to	22950000	22950000
731					45000072

Categories of Shareholders	Number	Share held	Percentage
Directors, Chief Executive and their Family	14	827,682	1.84
Financial Institution	04	1,559,800	3.47
Investment & Modaraba Companies	05	50,000	0.11
Insurance Companies (General)	12	1,358,410	3.02
Insurance Companies (Life)	01	250,000	0.55
M/s. State Life Insurance Corp. of Pakistan	01	10,983,200	24.41*
Joint Stock Companies	30	219,966	0.49
Government of Pakistan Ministry of Commerce	01	22,950,000	51.00**
Administrative Abandoned Properties Organization	01	22,500	0.05
Staff Provident Fund (Adamjee Industries)	01	45,000	0.10
Others	15	2,105,050	4.68
General Public (Individuals)	646	4,628,464	10.29
Total	731	45,000,072	100.00

Shareholders having more than 15% Holdings (Name-Wise Detail)

* State Life Insurance Corporation of Pakistan 10,983,200 24.41

** Government of Pakistan 22,950,000 51.00



Additional Information regarding PRC Shares as at December 31, 2006

SHAREHOLDERS CATEGORY

S.No.	Name	No of Shares of Rs.10/=each
<u>INSURANCE COMPANIES</u>		
1	M/s. Alpha Insurance Co.	225,000
2	M/s. Adamjee Insurance Co.	288,360
3	M/s. Crescent Star Insurance Co.	300
4	M/s. E.F.U. General Insurance Co	324,290
5	M/s. E.F.U. Life Insurance Co.	250,000
6	M/s. East West Insurance Co.	19,800
7	M/s. Habib Insurance Co.	41,960
8	M/s. Century Insurance Co.	9,000
9	M/s. Premier Insurance Co.	317,600
10	M/s. Reliance Insurance Co.	15,000
11	M/s. United Insurance Co.	100
12	M/s. Cooperative Insurance Co.	117,000
13	M/s. State Life Insurance Corp.of Pakistan	10,983,200
<u>OTHERS</u>		
1	M/s. Staff Provident Fund	45,000
2	M/s. Abandoned Properties Organization Government of Pakistan	22,500
<u>INVESTMENT & MODARABA COMPANIES</u>		
1	M/s. First Dawood Investment Bank Ltd	15,000
2	M/s. First Dawood Investment Bank Ltd	5,000
3	M/s. First Dawood Investment Bank	1,000
4	M/s. Guardian Modaraba	22,000
5	M/s. Guardian Modaraba	7,000
<u>DIRECTORS</u>		
1	Mr. Aijaz Akhtar (Son)	90
2	Mr.Aamir Akhtar (Son)	90
3	Mr. M. Rafique Akhtar and Saira Akhtar (Self & Daughter)	30
4	Mrs. Razia Sultana (Wife)	150
5	Miss. Saira Akhtar	250
6	Mr. M. Rafique Akthar	827,000
<u>GOVERNMENT OF PAKISTAN'S DIRECTORS</u>		
1	Ms. Naheed Hyder	09
2	Syed Yawar Ali	09
3	Mr. Fazlur Rehman Dittu	09
4	Mr. Kamal Afsar	09
5	Mr. Shamim Ahmed Khan	09
6	Mr. Fazl-i-Qadar	09
7	Mr. Sikandar Hayat Jamali	09
8	Mr. S.M.Rafique Akhtar /Mr.S. Aijaz Akhtar	09
9	Mr. Javed Syed	09
	Ministry of Commerce	22,950,000
	Joint Stock Companies	219,966
	Finance Companies	1,559,800
	General Public (Individuals)	4,628,464
	Others	2,105,050

Form of Proxy



I/ We _____ of _____
being a member of Pakistan Reinsurance Company Limited hereby appoint

Mr. _____ of _____

or failing him _____ of _____

as my / our proxy in my our absence to attend and vote for me / us and on my / our behalf at the 7th Annual General Meeting of the Company to be held on Friday April 27, 2007 at 11:00 a.m. and at any adjournment thereof.

Signed this _____ day of April, 2007

Affix Rupees Five
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. _____
and / or CDC

Participant I.D. No. _____

and Sub Account No. _____

WITNESSES:

1. Signature: _____

Name: _____

Address: _____

NIC or
Passport No. _____

2. Signature: _____

Name: _____

Address: _____

NIC or
Passport No. _____

IMPORTANT:

1. No person shall be appointed a proxy who is not a shareholder of the company and qualified to vote, save that a company being member of the company may appoint as its proxy any officer of such company whether a member of the company or not.
2. The instrument appointing proxy and the power of attorney or other authority if any, under which it is signed shall be deposited with the company not less than 48 hours before the date of meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. The signature on the instrument of proxy must conform to the specimen signature filed with the company.
5. CDC Shareholders and their proxies are each requested to attach attested photocopy of their National Identity Card or Passport with this proxy form before submission to the company.
6. CDC Shareholders or their proxies are requested to bring with them their Original National Identity Card or Passport alongwith the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.