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COMPANY INFORMATION

Registered Office

Tausi Court,
Tausi Road, Off Muthithi Road, Westlands,
P.O.Box 28889, 00200-City Square,
Nairobi, Kenya.

Branch Office

Biashara Bank Building,
Nyerere Avenue,
P.O Box 43020,
Mombasa, Kenya.

Board Of Directors

Mr Christopher Musau: Outgoing Chairman (resigned as chairman on 20th March,2006)

Mr Rasik C. Kantaria : Chairman (elected on 20th March,2006)

Mr Mukesh M. Patel : Director

Mr R.H Sanghrajka : Director

Mr Shantilal Shah : Director

Company Secretary

Mr S.R. Mehta

Auditors

Kanubhai & Company
Certified Public Accountants

Management Team

Kamaljit Sembi	General Manager
Rita Thatthi	General Manager
James Gatonye	Asst. General Manager
Archana Hasham	Asst. General Manager
Cosmas Kimathi	Manager
Nina Kalsi	Manager

Mission Statement:

Since inception we set out to make a difference in the Kenyan Insurance sector and everyday we have the same goal. The varied needs of our customers come first. This belief not only provides our vision for the future, but is the basis for every aspect of our activities. Our ultimate goal is to consistently offer unprecedented levels of dedication and quality of service. Our commitment to building deep and lasting relationships with each member of our business associates that will put us at the cutting edge of Kenya's insurance sector.

Assured Protection:

The Tausi Values: As we strengthen our position as a key player in Kenya's insurance market, the customer-focused principles and values that are at the heart of Tausi's operations will prove to be our greatest asset.

Dedication

Our goal is to make a unique and positive difference to each individual customer and Kenya's insurance industry as a whole. We believe that our talented people and rich range of products help us achieve that goal everyday. With lots of hard work and commitment it will be possible to reach that objective.

Versatility

We love challenges, and we love developing unique solutions for our customers. We don't let creativity and spontaneity get bogged down in bureaucratic methods and procedures. Our staff are taught to innovate and embrace change.

Integrity

We are in the business of taking care of risk. We have excelled at it because we keep our promises. A pleasant side effect of having integrity as our core value is that our clients are guaranteed of only the best service and therefore we attract only the best patronage.

Empathy

Because we care, we know the value of a kind word, a listening ear, and special attention to every request and every concern. We've made it this far because we put our client's needs first. We value our clients, and that's why we believe they have come to value us.

We Have Come a Long Way:

Our confidence springs from having a simple and clear objective: the world is far from perfect and sometimes things don't happen the way we hope or plan. Neither individuals nor companies can perform at their best if they aren't assured that their interests and assets are well protected. Tausi has provided that assurance since its inception, and will continue to do so.

Our procedures and processes are designed and constantly upgraded to meet our clients' specific needs and provide lasting solutions for every problem that they may approach us with.

Our attractive array of services and facilities are engineered to give our clients the best value for their money. Therefore it's no surprise that Tausi has experienced such a remarkable level of demand for its services.

CHAIRMAN'S STATEMENT

It gives me great pleasure to welcome you to the 14th Annual General Meeting of your company.

The Overview of the Kenyan Economy

The Kenyan Economy grew by 5% during the year compared with a 4.3% growth in 2004. There were significant performances occurring in most sectors, notably tourism, transport and communications, building and construction and manufacturing. However, growth in some sectors continued to be hampered by factors such as high energy costs and dilapidated infrastructure, among others.

The month-on-month underlying inflation was contained at 3.5% by the end of the year. The noticeably tight monetary policies adopted by the central bank contributed to the lower levels of inflation, though the overall inflation capped the year at 7.6% due to escalating oil prices and a prolonged drought that has devastated parts of the country. Inflation is expected to display volatility in the year ahead, especially the overall inflation as the impact of continued drought and high international oil prices bite. The Central Bank has commendably maintained a stable interest rate regime over the year 2005 and is expected to keep the interest rates stable over 2006. We expect short term interest rates to remain within a narrow range of those seen in 2005.

The Insurance Industry

In addition to the 41 existing insurance companies, three new companies have been licensed to operate in Kenya. As a result the Industry continues to remain intensely competitive with most companies having to underwrite business on thinner rates.

The continuing state of insecurity in the country is also of particular concern to the insurance industry with a high outgo on claims, especially in the theft classes of business. Theft of motor vehicles and car jacking incidents remain on the high. Workmen's Compensation claims continue to escalate due to increased number of employees turning to litigation as well as very high court awards being passed for minor injuries. As a result Reinsurers continue to impose additional restrictions on theft classes.

Your Company's Performance

The gross premium income rose from Kshs.581m in 2004 to KShs.672m in 2005, which is a growth rate of 15.66%. The marketing strategies put in place continue to bear fruits as the confidence of all our brokers and agents remains strengthened.

The net written premium of the company increased from KShs.391.6m in 2004 to 415.7m in 2005. After taking into account unearned premium reserves, I.B.N.R. Reserves, incurred claims, taxes and management expenses the company recorded an underwriting loss of KShs.3.19m as compared to a profit of KShs.3.74m in the previous year. This is mainly due to the high incurred claims ratio.

The Board has directed the Management to review its performance and improve the profitability of the Company.

Financial Performance

The increase in interest rates on treasury bonds and fixed deposits in banks has improved the investment income. The total investment income amounted to KShs.29.5m for the year 2005 as compared to KShs.12m in 2004 which includes the profit on sale of property. After taking into account expenses and depreciation, the company made a net profit of KShs.21.1m and the shareholders funds grew to KShs.138.2m compared to 122.3m in the previous year.

Future Outlook

Economic recovery is expected to sustain momentum with real GDP projected to grow by 5%. On the macroeconomic front, inflation is expected to ease and the infrastructure to improve.

We will continue with our aggressive marketing strategy for our products and services. Management training programmes for our staff will be enhanced wherever necessary. However, unless the security situation is improved, we may have to brace for losses under the theft classes of insurance. The liability claims too remain a source of concern with the high court awards and the trend of employees to file suit against their employers for very minor injuries.

Conclusion.

During the year Mr. Tushar Shah resigned from the company and Mr. K. S. Sembi was appointed as the General Manager and Principal Officer who together with Mrs. Rita Thatthi (General Manager) will be jointly responsible in directing and controlling the operations of the company.

I took over as Chairman of the Board from our long serving Chairman and colleague Mr. Chris Musau who had led the Board from inception to the year 2005. Mr. Musau has been instrumental in the development and growth of the Company. I also wish to thank the Management, the staff, the shareholders, customers, brokers and agents for their gratifying trust and confidence in us.

We shall reciprocate such trust and confidence through the continued provision of exemplary service.

Rasik C. Kantaria
Chairman

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2005 which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The company underwrites all classes general insurance business as defined by the Insurance Act.

RESULTS AND DIVIDEND

The net profit for the year of Shs 21,184,107/- has been added to retained earnings. The directors have recommended an amount of KShs.20 million from the retained earnings to be capitalized which results in paid up capital increasing from KShs.105 million to KShs.125million.

DIRECTORS

The directors who held office during the year and to the date of this report were:

Mr Christopher Musau
Mr Rasik Kantaria
Mr Mukesh Patel

Mr R.H Sanghrajka
Mr S.K Shantilal

AUDITORS

The company's auditors, Kanubhai & Company, continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

S.R MEHTA
COMPANY SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Mukesh M. Patel
Director

Shantilal K. Shah
Director



Tausi won the First runner-up position for the Best Claims Settlement Company in the year 2005 at the Association of Insurance Brokers of Kenya (AIBK) Bima Awards ceremony, which was held at Carnivore on 11th November, 2005.

This award is given in recognition of underwriters who have demonstrated special commitment to speedy settlement of claims.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED

We have audited the financial statements of Tausi Assurance Company Limited for the year ended 31st December 2005 set out on pages 4 to 5.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as described on page 2. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements, which are in agreement with the books of account, give a true and fair view of the state of the company's financial affairs at 31 December 2005 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Kanubhai & Company
Certified Public Accountants
Nairobi

PROFIT AND LOSS ACCOUNT AS AT 31ST DECEMBER 2005

	Notes	Total 2005	Total 2004
Gross Direct Premiums		663,529,207	575,670,843
Inward Premiums		8,595,831	5,392,617
Gross earned premiums	3(a)	672,125,038	581,063,460
Less: reinsurance premium ceded		256,386,889	189,463,020
Less Net UPRS		13,406,280	55,566,765
Net earned premiums		402,331,869	336,033,675
Investment income	4	22,704,587	14,499,746
Commissions earned	3(b)	58,532,715	45,239,076
Other income:	5	9,753,980	81,348
Net income		493,323,151	395,853,845
Increase/Decrease in Claims Liabilities		(12,465,509)	6,768,678
Claims Paid		343,394,156	329,918,028
Less: amounts recoverable from reinsurers		63,186,396	121,569,227
Net claims Incurred		267,742,251	215,117,479
Operating and other expenses		97,827,445	82,710,813
Commissions payable	3(b)	105,340,090	86,630,607
Total Outgo		203,167,535	169,341,420
Profit before tax		22,413,365	11,394,946
Income tax expense	2	4,139,230	3,954,457
Revaluation Reserve	6	2,909,972	5,654,936
Profit for the year after tax		21,184,107	13,095,425

The financial statements on pages 4 to 5 were approved for issue by the board of directors on 29th March 2006 and signed on its behalf by:

Mukesh M.Patel
 Director

Shantilal K.Shah
 Director

		Total 2005 KShs	Total 2004 KShs
Dividends:			
Interim dividend	9	-	-
Proposed final dividend	9	-	5,250,000
		-	5,250,000

Balance sheet as at 31st December 2005

	Notes	Total 2005	Total 2004
CAPITAL EMPLOYED			
Share capital	9	105,000,000	100,000,000
Share Capitalisation		0	5,000,000
Revaluation reserve for land and buildings	6	11,007,331	8,097,359
Retained earnings	7	22,187,159	3,913,024
Proposed dividends		0	5,250,000
Shareholders' funds		<u><u>138,194,490</u></u>	<u><u>122,260,383</u></u>
REPRESENTED BY:			
Assets			
Property and equipment	10	79,088,910	96,165,131
Intangible Assets	10	966,500	80,366
Loans receivable		34,749,314	32,282,221
Receivables arising out of reinsurance arrangements		14,075,730	30,000,566
Receivables arising out of direct insurance arrangements		107,198,155	104,294,737
Other receivables		29,434,109	1,038,860
Government securities held to maturity		44,053,235	44,257,812
Deposits with financial institutions		159,850,797	140,889,320
Cash and bank balances		31,716,952	23,903,393
Income Tax Recoverable		635,947	2,671,447
Total assets		<u><u>501,769,649</u></u>	<u><u>475,583,853</u></u>
Liabilities			
Provisions for unearned premium		175,438,700	162,032,420
Deferred income tax		50,360	(16,050)
Creditors arising from reinsurance contracts		52,803,251	44,041,738
Other payables		135,282,848	147,265,362
Current income tax payable		0	0
Total liabilities		<u><u>363,575,159</u></u>	<u><u>353,323,470</u></u>
Assets net of Liabilities		138,194,490	122,260,383

**STATEMENT OF CHANGES IN EQUITY
 YEAR ENDED 31 DECEMBER 2004**

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earnings	Revaluation Surplus	Proposed Dividends	Total
For the year ended 31st December 2004	KShs.	KShs.	KShs.	KShs.	KShs.
At 1st January 2003 as reported	100,000,000	2,046,612	4,884,847	-	106,931,459
Bonus Issue Share	-	-	-	-	-
Revaluation surplus	-	-	-	-	-
Net gains/(losses) not recognised in the profit and loss a/c	-	-	-	-	-
Net profit	-	7,233,499	-	-	7,233,499
Proposed final dividends for 2003	-	(5,000,000)	-	5,000,000	-
Year ended 31 December 2003	100,000,000	4,280,111	4,884,847	5,000,000	114,164,958
Net Profit for the year 2004		7,440,489	-	-	7,440,489
Bonus Issue	5,000,000	(2,557,576)	(2,442,424)	-	-
Dividends Paid - 2003	-	-	-	(5,000,000)	(5,000,000)
Revaluation on Property	-	-	5,654,936	-	5,654,936
Proposed final dividends for 2004	-	(5,250,000)	-	5,250,000	-
	105,000,000	3,913,024	8,097,359	5,250,000	122,260,383

YEAR ENDED 31ST DECEMBER 2005

	Share Capital	Retained Earnings	Revaluation Surplus	Proposed Dividends	Total
For the year ended 31st December 2005	KShs.	KShs.	KShs.	KShs.	KShs.
At 1st January 2004 as reported	100,000,000	4,280,111	4,884,847	5,000,000	114,164,958
Bonus Issue Share	5,000,000	(2,557,576)	(2,442,424)	-	-
Dividends Paid	-	-	-	(5,000,000)	(5,000,000)
Revaluation surplus	-	-	5,654,936	-	5,654,936
Net gains/(losses) not recognised in the profit and loss a/c	-	-	-	-	-
Net profit		7,440,489	-	-	7,440,489
Proposed final dividends for 2004	-	(5,250,000)	-	5,250,000	-
Year ended 31 December 2004	105,000,000	3,913,024	8,097,359	5,250,000	122,260,383
Net Profit for the year 2005	-	18,274,135	-	-	18,274,135
Bonus Issue	-	-	-	-	-
Dividends Paid - 2004	-	-	-	(5,250,000)	(5,250,000)
Revaluation on Property	-	-	2,909,972	-	2,909,972
Proposed final dividends for 2005	-	-	-	-	-
	105,000,000	22,187,159	11,007,331	-	138,194,490

CASH FLOW STATEMENT

OPERATING ACTIVITIES	Notes	Dec 2005	Dec 2004
		Shs.	Shs.
Cash generated from operations		(28,415,825)	24,297,132
Investment Income		32,458,567	14,581,094
Revaluation surplus on Property		<u>2,909,972</u>	<u>5,654,936</u>
Net cash from operating activities		<u>6,952,713</u>	<u>44,533,162</u>
 INVESTING ACTIVITIES			
Purchase of fixed assets		(4,243,903)	(6,588,605)
Proceeds from sale of assets		28,900,000	200,000
Decrease/Increase in investments		(18,255,525)	(22,165,939)
Secured Loans Advanced		<u>(289,726)</u>	<u>(11,192,358)</u>
Net cash used in investing activities		<u>6,110,846</u>	<u>(39,746,902)</u>
 FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	(5,000,000)
Dividends Paid		<u>(5,250,000)</u>	-
Net cash from financing activities		<u>(5,250,000)</u>	<u>(5,000,000)</u>
 Movement in cash and cash equivalents			
Increase/Decrease in cash and cash equivalents		<u>7,813,559</u>	<u>(213,740)</u>
 Movement in cash and cash equivalents			
As as 1st January		23,903,393	24,117,133
increase/Decrease		<u>7,813,559</u>	<u>(213,740)</u>
As at 31st December		<u>31,716,952</u>	<u>23,903,393</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2005

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with and comply with International Financial Reporting Standards.(IFRS)

(a) Basis of preparation

The Financial statements are prepared under the historical cost basis as modified to include revaluation of certain property, and the carrying of investment property and available for sale - investment at fair value and incorporate the following principal accounting policies.

(b) Depreciation on Fixed Assets other than properties has been provided on the written down value basis to arrive at the residual value over the expected useful lives of the assets concerned at the following rates:-

Furniture, Fixtures & Equipment	12.5%
Computer Equipment	30%
Motor vehicle	25%
Properties- Leasehold Land	On the basis of residual lease period

c) Intangible Assets represent computer software which are stated at cost less amortisation. Amortisation is calculated to write off the cost of computer software on straight line method over its estimated useful life of 3 yrs.

d) Investment properties comprise of land and building and part of building held to earn rentals and/or for capital appreciation. They are treated as long-term investment and carried at fair value, representing open market value determined annually by external independent valuers. Leasehold land is carried at amortised value as per the requirements of IFRS 17. The cost of the leasehold land is being amortised over the remaining period of lease from the date of purchase.

(e) i. Income Recognition

Premium income is recognised on assumption of risks, less unearned premium. Unearned premium represents the proportion of premium written in periods up to the accounting date that relates to the unexpired terms of policies in force at the balance sheet date, and is computed using the 1/24th method.

ii. Claims incurred comprises claims paid in the year and changes in the provision of outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that year or earlier years.

iii. Outstanding Claims represent claims arising from incidents occurring prior to the accounting date and not settled and is computed on the basis of the best information available at the time the records for the year are closed. Provision is also made for the estimated cost of claims Incurred But Not Reported (IBNR) at the balance sheet date as per the guidelines given by the Commissioner of Insurance. This amount is included in the outstanding claims as at year end.

(f) Expenses and Commissions

Expenses and Commissions are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commission is shown as payable and receivable in respect of reinsurance business ceded. Depreciation provision is charged directly to the profit and loss account.

(g) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account for the year.

(h) Taxation

i) Current Taxation

Current taxation is provided at a rate prevailing for the year on the net profit adjusted in accordance with provisions of income tax.

ii) Deferred Tax

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

(i) Investment Income

Investment income comprises of interest and rent for the year and is stated net of investment expenses and is accounted on accrual basis.

(j) Retirement benefit obligations

The company operates a defined contribution for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the company and the employees. The company's contributions to the defined contribution scheme are charged to the profit and loss account in the year which they relate.

2. Current Tax

The tax on the company's profit before tax, differs from the theoretical amount that would arise using the basic tax rate as follows:

	2005	2004
Profit/Loss before tax	22,413,365	11,394,946
Expenses not deductible	3,731,520	4,710,183
Profit on sale of Assets	(9,241,738)	-
Surplus on redemption of quoted shares	(512,242)	-
Wear & Tear	<u>(2,814,838)</u>	<u>(2,823,545)</u>
	13,576,067	13,281,584
Tax calculated at 30%	4,072,820	3,984,475
Prior Year Adjustments	<u>-</u>	<u>-</u>
	<u>4,072,820</u>	<u>3,984,475</u>

3(a) Gross Earned Premium

The premium income of the company can be analysed as shown below:

Class of Insurance	2005	2004
	Kshs.	KShs.
Engineering	20,939,395	18,107,972
Fire Domestic	26,807,043	22,978,487
Fire Industrial	86,336,214	71,749,064
Public Liability	9,872,658	4,129,591
Marine	87,418,097	83,816,190
Motor Private	108,502,046	113,135,521
Motor Commercial	114,508,822	103,361,983
Personal Accident	15,568,567	12,532,279
Theft	85,251,384	70,995,377
Workmens Compensation	93,856,792	61,822,316
Miscellaneous	<u>23,064,020</u>	<u>18,434,680</u>
	672,125,038	581,063,460

(b) Commissions

Commissions Paid	105,340,090	86,630,607
Commissions Received	<u>58,532,715</u>	<u>45,239,076</u>
Net	46,807,375	41,391,531

4. Investment Income

	2005	2004
Interest from government securities	1,466,407	4,179,603
Bank Deposit interest	12,037,462	4,743,608
Loan Interest	6,244,068	3,031,557
Sub-Total	19,747,937	11,954,767
Rental Income from investment	2,956,650	2,544,980

Total Investment Income	<u>22,704,587</u>	<u>14,499,747</u>
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5. Other Income

i) Disposal of assets	2005	2004
Land		
Amount Realised on disposal	28,500,000	-
Less: Net Book Value		
Value	23,000,000	
Accumulated Depreciation	<u>1,372,280</u>	-
	(21,627,720)	
Add Revaluation Reserve	<u>2,250,708</u>	
Profit on sale of Assets	<u>9,122,988</u>	-
Motor Vehicle		
Amount Realised on disposal	400,000	200,000
Value At Cost:	500,000	500,000
Less: Accumulated Depreciation	<u>218,750</u>	<u>381,348</u>
	281,250	118,652
Profit on sale of Assets	<u>118,750</u>	<u>81,348</u>
ii) Quoted Shares		
Amount realised on redemption	2,256,717	-
Less: Cost	<u>1,744,475</u>	-
Surplus on Redemption	<u>512,242</u>	-

6. Revaluation surplus

The revaluation surplus represents solely the surplus on the revaluation of property.

Revaluation Surplus B/f		8,097,359
fair value gains for the year		2,500,000
<i>Add Amortisation Reversals:</i>		
Maua Close Property	1,372,280	
Tausi Court Land	585,184	
Tausi Court Building	<u>4,075,496</u>	<u>6,032,960</u>
		16,630,319
Less Reversals of Revaluation Maua Close b/f balance	2,250,708	
Amortisation(reversed)	<u>1,372,280</u>	3,622,988
Less: Reversal of Revaluation (Tausi Court Land)	<u>2,000,000</u>	<u>5,622,988</u>
Revaluation surplus as at 31/12/2005		<u><u>11,007,331</u></u>
Revaluation Surplus as per profit & Loss Account		
Balance as above	11,007,331	
Less B/f	<u>8,097,359</u>	2,909,972

7. Retained earnings

Included within the retained earnings are gains arising from the revaluation of investment properties whose distribution is subject to restrictions imposed by legislation: The Commissioner of Insurance has placed restrictions on distribution of gains arising from the revaluation of investment property.

8. Expenses of Management include:-

	2005	2004
	KShs.	KShs.
Directors' Emoluments	750,000	750,000
Auditors Remuneration	1,044,000	1,044,000
Depreciation & Amortisation	3,681,040	4,396,439

9. Share Capital

	2005	2004
	KShs.	KShs.
Authorised Share Capital		
1,250,000 ordinary shares of Shs.100/=, each	125,000,000	125,000,000
Issued & Paid Up Capital		
1,050,000 ordinary shares of Shs.100/=, each fully paid up.	105,000,000	105,000,000

10. ASSETS

(a) FIXED ASSETS

	Motor	Furniture,	Computer & Office	Total
	Vehicles	Fixtures and	Equipment	
	Kshs.	Equipment	Kshs.	Kshs.
Cost				
As at 01/01/2005	1,250,000	14,868,894	9,633,865	25,752,759
Additions during the period	-	860,498	1,933,655	2,794,153
Disposals	(500,000)	-	-	(500,000)
As at 31/12/2005	750,000	15,729,392	11,567,520	28,046,912
Depreciation				
As at 01/01/2005	406,047	5,332,938	6,815,683	12,554,668
Charge for the year on Disposals	140,676	1,299,557	1,425,551	2,865,784
	(218,750)	-	-	(218,750)
As at 31/12/2005	327,973	6,632,495	8,241,234	15,201,702
Net Book Value				
As at 31/12/2005	422,027	9,096,897	3,326,286	12,845,210
Net Book Value				
As at 31/12/2004	843,953	9,535,957	2,818,182	13,198,092

(b) LEASEHOLD PROPERTIES	Land	Tausi Court Building	Total
As at 01/01/2005	30,000,000	59,000,000	89,000,000
Additions during the period	-	-	-
Revaluations	(2,000,000)	2,500,000	500,000
Disposals	(23,000,000)		(23,000,000)
As at 31/12/2005	<u>5,000,000</u>	<u>61,500,000</u>	<u>66,500,000</u>
Depreciation			
As at 01/01/2005	1,957,464	4,075,496	6,032,960
Charge for the year	256,300	-	256,300
Reversals on Disposal	(1,957,464)	(4,075,496)	(6,032,960)
As at 31/12/2005	<u>256,300</u>	<u>-</u>	<u>256,300</u>
Net Book Value			
As at 31/12/2005	<u>4,743,700</u>	<u>61,500,000</u>	<u>66,243,700</u>
Net Book Value			
As at 31/12/2004	<u>28,042,536</u>	<u>54,924,504</u>	<u>82,967,040</u>

Property was last revalued during 2005 by R.R Oswald & Company, independent valuers, on the basis of the market value for existing use.

The resultant revaluation surplus, was credited to the revaluation reserve.

(c) COMPUTER SOFTWARE	Total	
	KShs.	KShs.
As at 01/01/2005	419,177	419,177
Additions during the period	1,449,750	1,449,750
Writeoff Software over 3yrs'	(419,177)	(419,177)
As at 31/12/2005	<u>1,449,750</u>	<u>1,449,750</u>
Depreciation		
As at 01/01/2005	338,811	338,811
Charge for the year	563,616	563,616
Software over 3yrs write off	(419,177)	(419,177)
As at 31/12/2005	<u>483,250</u>	<u>483,250</u>
Net Book Value		
As at 31/12/2005	<u>966,500</u>	<u>966,500</u>
Net Book Value		
As at 31/12/2004	<u>80,366</u>	<u>80,366</u>

11. Incorporation.

The Company is Incorporated in Kenya.

12. Currency

The financial statements are expressed in Kenya Shillings.

13. Comparatives

Where necessary comparative figures have been adjusted to conform with the changes in presentation in the current year.

14. Cash generated from operations	<u>2005</u>	<u>2004</u>
	KShs.	Kshs.
Profit/Loss before taxation	22,413,365	11,394,946
Adjustment for:-		
Depreciation on Assets	3,685,700	4,396,439
Profit/Loss on disposal of Assets	(9,241,738)	(81,348)
Investment Income	(32,458,567)	(14,581,094)
Revaluation surplus on Property	(2,909,972)	(5,654,936)
Premium & Claims Reserve	<u>940,771</u>	<u>62,335,442</u>
Operating Profit before working capital changes	(17,570,441)	57,809,450
Changes in working Capital		
Decrease/Increase in Debtors	(15,894,801)	(44,419,856)
Increase/Decrease in Creditors	<u>9,244,508</u>	<u>14,904,766</u>
Cash generated from operations	(24,220,734)	28,294,360
Income Tax Paid	<u>(4,195,091)</u>	<u>(3,997,228)</u>
Net Cash generated from operations	<u>(28,415,825)</u>	<u>24,297,132</u>

REVENUE ACCOUNT FOR THE YEAR ENDED 31/12/2005

	ENGINEERING	FIRE DOMESTIC	FIRE INDUSTRIAL	PUBLIC LIABILITY	MARINE	MOTOR PRIVATE	MOTOR COMMERCIAL	PERSONAL ACCIDENT	THEFT	WORKMENS COMPENSATION	MISCELLANEOUS	TOTAL DEC 2005	TOTAL DEC 2004
Gross Premium	20,939,395	26,807,043	86,336,214	9,872,658	87,418,097	108,502,046	114,508,822	15,568,567	85,251,384	93,856,792	23,064,020	672,125,038	58,1063,460
Change in Gross UPR	(82,566)	(30,687)	2,742,913	(831,568)	836,476	4,624,621	(3,872,086)	(565,131)	(2,314,437)	(13,870,309)	(43,507)	(13,406,280)	(55,566,765)
Gross Earned Premiums	20,856,829	26,776,356	89,079,127	9,041,090	88,254,573	113,126,667	110,636,736	15,003,436	82,936,947	79,986,483	23,020,513	658,718,758	525,496,695
Less: Reinsurances	18,114,288	14,856,272	70,224,300	1,339,893	58,101,231	10,551,548	11,946,961	11,186,118	47,155,055	4,452,454	8,458,769	256,386,889	189,463,020
Net Earned Premium	2,742,541	11,920,084	18,854,827	7,701,197	30,153,342	102,575,119	98,689,775	3,817,318	35,781,892	75,534,029	14,561,744	402,331,869	336,033,675
Gross claims Paid	4,794,840	11,345,584	9,011,749	649,941	28,291,753	86,844,803	77,365,815	3,591,233	46,744,267	67,890,523	6,863,649	343,394,156	329,918,028
Change in Gross O/s	(242,953)	(369,785)	841,596	(1,336,259)	2,387,894	537,007	(6,299,337)	(419,714)	(1,027,552)	(6,988,303)	245,897	(12,465,509)	6,768,677
Less Reinsurance Recoverable	3,775,410	7,841,663	5,059,326	2,027,563	13,400,382	0	2,862,982	1,752,163	25,737,531	0	729,376	63,186,396	121,569,227
Net Incurred Claims	776,477	3,134,136	4,794,019	(2,713,881)	17,479,265	87,381,810	68,209,896	1,419,356	19,979,184	60,902,220	6,380,169	267,742,251	215,117,479
Total Comm. Receivable	4,294,279	5,104,737	11,074,574	3,984,488	15,441,087	54,254	475,348	2,933,394	11,163,494	955,398	3,051,662	58,532,715	45,239,076
Total Commission Payable	3,984,515	4,803,410	19,360,221	2,201,863	14,093,742	10,772,123	11,418,953	2,684,531	16,017,142	17,821,889	2,181,701	105,340,090	86,630,607
Expenses of Management	2,834,138	3,628,321	11,685,568	1,336,259	11,832,000	14,685,703	15,498,717	2,107,199	11,538,736	12,703,475	3,121,705	90,971,822	75,780,660
Total Expenses & Commissions	2,524,374	3,326,994	19,971,215	(446,366)	10,484,655	25,403,572	26,442,322	1,858,336	16,392,384	29,569,966	2,251,744	137,779,195	117,172,191
Underwriting Surplus/Deficit	(558,310)	5,458,954	(5,910,406)	10,861,443	2,189,423	(10,210,262)	4,037,957	539,626	(589,676)	(14,938,157)	5,929,831	(3,189,576)	3,744,005

COMPANY GROWTH

