

ZEP-RE (PTA REINSURANCE COMPANY)

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Foreword

In the year 2005, the Company maintained its focus of delivering quality services to our clientele and increasing shareholder value through underwriting of quality business. As a result the Company maintained its regional AA rating and an international BBB- rating by Global Credit Rating Company.

2005 also witnessed the relocation of ZEP-RE's offices from rented space to its new headquarter building 'ZEP-RE Place' situated in Upper Hill, Nairobi, Kenya. In this respect I wish to congratulate all members of the Company on the accomplishment of this milestone which is in fulfilment of ZEP-RE's greater goal of investing and contributing to the economic development of the region. I also wish to thank the Board, Management and staff of the Company for the colourful inauguration ceremony of the ZEP-RE Place in August 2005.

1. Business Environment

The year ended 31st December 2005 was a year of mixed fortunes within the COMESA region. Member States invested immense efforts towards addressing corporate governance issues, privatisation of business and general political stability. Despite these efforts investor confidence still remained low. The International Monetary Fund and World Bank were both slow in releasing the much needed donor funding as earlier anticipated. The high expectations that had been placed on trade growth following the signing of the peace agreement and the formation of Government of national unity in Somalia slowly fizzled.

The above notwithstanding currencies of most COMESA Member States appreciated against the United States Dollar (US\$) due to strong inter regional trade performance. During the same period however, the Sterling Pound (STG £) lost tremendously against the US\$ adversely affecting our investments held in STG £. Such foreign exchange rate fluctuations still pose a great challenge to our business because the Company still writes its business and invests in many different original currencies.

3. Operating results

The Company registered a growth in premium income of 8.3% to US\$ 26.39 million from US\$ 24.37 million in 2004, with the bulk of the premium income emanating from COMESA states in the Fire and Accident class.

The underwriting results declined by 28.3% from US\$ 2,357,652 in 2004 to US\$ 1,729,418 in 2005, mainly due to large claims incurred namely the Monsoon floods in India and the Skiida claim in Algeria.

Following an actuarial valuation of the Company's claims provisions, claims reserves increased from US\$ 6.1 million in 2004 to US\$ 8.1 million in 2005.

The Company's investment income improved from US\$ 369,944 in 2004 to US\$ 948,742 in 2005 reflecting an increase of 156%. The increase is directly attributable to an increase in the effective interest rates offered on short-term investments held by the Company in Government securities and deposits with financial institutions and rental income earned from ZEP-RE Place.

The Company achieved a profit of US\$ 1,837,349 in 2005 compared with US\$ 2,036,919 in 2004. The decline was mainly attributable to currency exchange losses and large claims paid in the year.

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4. Membership and Share Capital

In 2005 SORAS (Rwanda) was admitted into membership and acquired shares in ZEP-RE adding to the growing list of ZEP-RE's membership. Existing shareholders namely the Government of Djibouti, the Government of Rwanda, the Government of Sudan, National Insurance Corporation of Eritrea and Blue Shield Insurance Company also took up additional shares in the Company. COMESA Secretariat also requested to join the membership of the Company and paid US\$ 204,580 as share capital subscriptions. As a result of the above the paid up capital increased by 8% from US\$ 10,519,981 in 2004 to US\$ 11,361,744 in 2005. Recommendations to admit COMESA Secretariat will be presented to the 15th Annual General Assembly.

Once again I wish to take this opportunity to inform all interested parties that shares in ZEP-RE are still available to both current and prospective members. Both private and public institutions and Governments of the region are invited to acquire shares.

5. Corporate Governance

ZEP-RE is committed to the highest standards of corporate governance. Its governance structure is flexible enough to adapt to changes in the internal and external environment and the company strives to regularly review its processes, rules, regulations and structure with a view to ensuring the best performance of the Board, Board Committees and overall management of its business. ZEP-RE adheres to global standards and practices of good corporate governance.

Key aspects of our approach to corporate governance are as follows: -

The Board of Directors

The Board of ZEP-RE is elected by the General Assembly for a term of three (3) years and the Directors are eligible for re-election. The Board is responsible and accountable to shareholders for ensuring that ZEP-RE complies with the provisions of the Agreement establishing the Company, all relevant aspects of the law, the highest standards of corporate governance and business ethics.

The Board provides overall strategic direction, reviews performance and takes material policy decisions. Responsibility for implementing strategy and day to day operations is delegated by the Board to the Managing Director and top management. The Board meets at least four times a year and is composed of ten (10) non-executive Directors.

Board Committees

Subject to the fundamental, strategic, policy and formal matters reserved for its decision, the Board delegates some of its responsibilities to standing committees which operate within defined terms of reference laid down by the Board. Ad-hoc committees are formed for specific purposes and disbanded as required. During the period under review, the Board had the following standing committees: -

- The Board Audit Committee is chaired by Director Zeru Woldemichael and meets regularly to review effectiveness of internal controls and general financial matters.
- The Board Investments Committee is chaired by Director Johnson Githaka and meets regularly to review all policy issues pertaining to investments.

Training

To enable ZEP-RE discharge its corporate governance obligations effectively, the Company has initiated a training program meant to equip its Directors and Management with the best functional skills required in a modern corporate entity. The first of such corporate governance workshops is scheduled for March 2006.

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REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

6. Corporate Social Responsibility

The Company is conscious of its social responsibilities and continues to give particular attention to appropriate services that encourage community development and social capacity building. I am pleased to report that ZEP-RE supported two social responsibility initiatives in the region namely: Starehe Girls Centre, an education institution for needy girls located in Kenya and the Radiotherapy and Isotopes Centre, a health care institute specializing in radiology based in Khartoum, Sudan.

7. Growth and Expansion – Regional Offices.

As part of efforts to broaden the reach of the Company and enhance its growth, the Company intends to establish regional offices in markets that hold potential for business growth. Towards this end the Sudan contact office has been upgraded to a fully functional regional office commencing 2006 and will serve the North and North-Eastern regions of Africa with expansion potential for the Middle East

8. Way Forward

As reiterated in the past emphasis will continue to be placed on achieving the main objectives set out in our Corporate Plan namely growth, stability and profitability. The Board and Management remain dedicated to adding value to our client and shareholders and look forward to your continued support.

ZEP-RE (PTA REINSURANCE COMPANY)

REPORT OF THE DIRECTORS

The Directors of the Board take great pleasure in presenting their eleventh annual report with the audited financial statements for the year ended on 31 December 2005. The report is made in accordance with the provisions of Article 31 of the Agreement Establishing the PTA Reinsurance Company (ZEP-RE). In keeping with established Company practice, the business is divided into the following classes.

- Fire and accident (including Engineering and Motor)
- Marine and Aviation
- Life

A. PREMIUM INCOME AND FINANCIAL HIGHLIGHTS

The financial highlights are as shown below

	2005 US\$	2004 US\$
Gross Premium	26,395,619	24,373,057
Underwriting Profit	1,729,418	2,357,652
Investment Income	948,742	369,944
Management Expenses	1,822,216	1,781,027
Commission Expenses	4,834,579	4,528,661
Net Profit	1,837,349	2,036,919
Provision for Outstanding Claims	8,100,000	6,138,729
Unearned Premiums	7,606,366	7,533,626
Total Assets	37,610,326	29,484,930
Share Capital	11,361,744	10,519,981
Investments	22,523,937	14,708,118
Management Expense Ratio	9.58%	9.46%
Loss Ratio	53.54%	52..18%

B. OPERATIONS

The table below provides an analysis of some key indicators of the Company's business for the financial year ended 31 December 2005 compared to indicators for 2004

Description	2005 US\$	2004 US\$
Gross Premium	26,395,619	24,373,057
Retroceded Premium	7,379,530	5,538,992
Net Premium	19,016,089	18,834,065
Earned Premium	19,098,298	19,054,067
Claims Incurred	10,181,593	9,943,515
Commissions	4,834,579	4,528,661
Charges	530,422	443,212
Underwriting Profit	1,729,418	2,357,652

ZEP-RE (PTA REINSURANCE COMPANY)

BALANCE SHEET
31 DECEMBER 2005

	Note	2005 US\$	2004 US\$
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	1,176,628	4,523,297
Prepaid operating leases	7	70,904	236,867
Investment property	8	4,436,894	-
Intangible assets	9	436,406	19,474
		6,120,832	4,779,638
CURRENT ASSETS			
Amounts due from reinsurance clients	10	10,995,138	10,242,758
Deposits retained by ceding companies		1,652,874	1,860,542
Sundry receivables & prepayments	11	673,841	376,120
Unquoted investments (shares)	12	848,750	848,750
Government securities held to maturity	13	6,136,930	3,468,419
Deposits with financial institutions	14	10,427,522	10,390,949
Bank and cash balances	15	754,439	337,024
		31,489,494	27,524,562
TOTAL ASSETS		37,610,326	32,304,200
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Amount due to reinsurance clients		3,811,269	3,376,271
Deposits retained on ceded reinsurance business		480,805	709,716
Other payables and accruals	16	588,540	715,890
		4,880,614	4,801,877
LONG TERM LOAN	17	1,907,843	1,676,630
DEFERRED INCOME		70,905	71,720
TECHNICAL PROVISIONS			
Outstanding claims		8,100,000	6,138,729
Unearned premiums		7,606,366	7,184,158
Total technical provisions	18	15,706,366	13,322,887
SHAREHOLDERS FUNDS			
Paid up share capital	19	11,361,744	10,519,981
Revaluation reserve		11,830	11,830
Cumulative translation adjustment		-	(250,000)
Revenue reserve		3,671,024	1,833,675
Proposed dividends	5	-	315,600
		15,044,598	12,431,086
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		37,610,326	32,304,200

The financial statements on pages 13 to 30 were approved by the board of directors on 23rd March 2006 and were signed on its behalf by:

Chairman

Managing Director

ZEP-RE (PTA REINSURANCE COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Share capital US\$	Revaluation reserve US\$	Cumulative translation adjustment US\$	Revenue reserve US\$	Proposed dividends US\$	Total US\$
At 1 January 2004	9,763,018	11,830	(609,703)	112,356	-	9,277,501
Share capital issued in the year	756,963	-	-	-	-	756,963
Write off to income statement	-	-	359,703	-	-	359,703
Net profit for the year	-	-	-	2,036,919	-	2,036,919
Proposed dividends	-	-	-	(315,600)	315,600	-
At 31 December 2004	10,519,981	11,830	(250,000)	1,833,675	315,600	12,431,086
At 1 January 2005	10,519,981	11,830	(250,000)	1,833,675	315,600	12,431,086
Share capital issued in the year	841,763	-	-	-	-	841,763
Write off to income statement	-	-	250,000	-	-	250,000
Net profit for the year	-	-	-	1,837,349	-	1,837,349
Dividends paid – 2004	-	-	-	-	(315,600)	(315,600)
At 31 December 2005	11,361,744	11,830	-	3,671,024	-	15,044,598

The revaluation reserve relates to the surplus on valuation of the company's freehold land (note 6).

ZEP-RE (PTA REINSURANCE COMPANY)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 US\$	2004 US\$
OPERATING ACTIVITIES			
Profit for the year		1,837,349	2,036,919
Adjustments to reconcile operating profit To net cash generated from operations			
Loss on disposal of equipment		38,841	-
Depreciation and amortisation		104,750	54,252
Amortisation of deferred income		(815)	(815)
Technical provisions		2,383,479	2,635,050
Amounts due from reinsurance clients		(752,380)	(706,143)
Deposits retained by ceding companies		207,668	(484,030)
Sundry receivables and prepayments		(297,721)	(81,458)
Amounts due to reinsurance clients		434,998	(1,535,509)
Deposits retained on ceded reinsurance business		(228,911)	529,760
Other payables and accruals		(127,350)	345,036
Total adjustments		1,762,559	756,143
Net cash flow from operations		3,599,908	2,793,062
Adjustments for non-cash items taken to shareholders funds		250,000	359,703
		3,849,908	3,152,765
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of long term investments		-	(5,000)
Purchase of government securities		(307,593)	(400,509)
Redemption of government securities		383,256	-
Purchase of property, equipment and computer software		(1,491,947)	(2,693,600)
Proceeds from disposal of equipment		7,162	-
Net cash flows from investing activities		(1,409,122)	(3,099,109)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of issue of shares		841,763	756,963
Long term loan		231,213	1,676,630
Dividends paid		(315,600)	-
Cash flows from financing activities		757,376	2,433,593
Net movement in cash and cash equivalents		3,198,162	2,487,249
Cash and cash equivalents at the beginning of the year		13,795,883	11,308,634
Cash and cash equivalents at the end of the year	21	16,994,045	13,795,883

ZEP-RE (PTA REINSURANCE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

5 DIVIDENDS

At the annual general meeting to be held later in the year, a final dividend in respect of the year ended 31 December 2005 at the rate of 2.64% of the total paid up share capital, amounting to a total of US\$ 300,000 is to be proposed. No interim dividend was paid during the year.

During the year, the company adopted revised International Accounting Standard 10 (IAS 10) which affected the presentation of proposed dividends. In accordance with IAS 10, proposed dividends are no longer shown as a component of equity. The prior year balance has not been restated as the transitional provisions of the revised standard allow a prospective application of the revised standard.

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ZEP-RE (PTA REINSURANCE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY AND EQUIPMENT

	Freehold land US\$	Buildings US\$	Motor vehicles US\$	Office furniture & fittings US\$	Household furniture & fittings US\$	Office equipment US\$	Household equipment US\$	Computers US\$	Work in progress US\$	Total US\$
COST/VALUATION										
At 1 January 2004	99,764	-	135,184	61,876	9,628	101,602	2,483	152,402	1,734,479	2,297,418
Additions	-	-	-	44,361	3,280	11,757	624	30,241	2,576,459	2,666,722
Disposals	-	-	-	-	-	-	-	(23,551)	-	(23,551)
At 31 December 2004	99,764	-	135,184	106,237	12,908	113,359	3,107	159,092	4,310,938	4,940,589
At 1 January 2005	99,764	-	135,184	106,237	12,908	113,359	3,107	159,092	4,310,938	4,940,589
Additions	-	-	-	322,969	4,171	402	2,708	27,173	699,146	1,056,569
Disposals	-	-	-	(106,237)	-	-	-	(18,990)	-	(125,227)
Transfers	-	736,482	-	-	-	-	-	-	(5,010,084)	(4,273,602)
At 31 December 2005	99,764	736,482	135,184	322,969	17,079	113,761	5,815	167,275	-	1,598,329
Comprising:										
Cost	-	736,482	135,184	322,969	17,079	113,761	5,815	167,275	-	1,498,565
Valuation – 2003	99,764	-	-	-	-	-	-	-	-	99,764
At 31 December 2005	99,764	736,482	135,184	322,969	17,079	113,761	5,815	167,275	-	1,598,329

ZEP-RE (PTA REINSURANCE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY AND EQUIPMENT (Continued)

	Freehold land US\$	Buildings US\$	Motor vehicles US\$	Office furniture & fittings US\$	Household furniture & fittings US\$	Office equipment US\$	Household equipment US\$	Computers US\$	Work in progress US\$	Total US\$
DEPRECIATION										
At 1 January 2004	-	-	117,344	52,427	4,634	78,376	1,595	145,655	-	400,031
Charge for the year	-	-	9,548	7,807	2,485	5,549	278	15,145	-	40,812
Disposals	-	-	-	-	-	-	-	(23,551)	-	(23,551)
At 31 December 2004	-	-	126,892	60,234	7,119	83,925	1,873	137,249	-	417,292
At 1 January 2005	-	-	126,892	60,234	7,119	83,925	1,873	137,249	-	417,292
Charge for the year	-	8,592	4,149	40,371	3,527	5,560	617	20,817	-	75,041
Disposals	-	-	-	(60,234)	-	-	-	(18,990)	-	(79,224)
At 31 December 2005	-	8,592	131,041	40,371	10,646	89,485	2,490	139,076	-	413,109
NET BOOK VALUE										
At 31 December 2005	99,764	727,890	4,143	282,598	6,433	24,276	3,325	28,199	-	448,738
At 31 December 2004	99,764	-	8,292	46,003	5,789	29,434	1,234	21,843	4,310,938	4,523,297

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated fixed assets with a cost of US\$ 468,580 (2004 – US\$ 527,957) which are still in use. If depreciation had been charged during the year on the cost of those assets at normal rates, it would have amounted to US\$ 131,437 (2004 – US\$ 143,862). Freehold land was valued in February 2003 by professional valuers on an open market value basis. The resulting revaluation surplus was transferred to a revaluation surplus reserve.

Work in progress relates to costs incurred on construction of an office block. The office block was completed in 2005 and transferred to investment property.

ZEP-RE (PTA REINSURANCE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

	2005 US\$	2004 US\$
7	PREPAID OPERATING LEASES	
	COST	
	255,111	255,111
	(174,425)	-
	<u>80,686</u>	<u>255,111</u>
	AMORTISATION	
	18,244	15,573
	(11,133)	-
	2,671	2,671
	<u>9,782</u>	<u>18,244</u>
	NET BOOK VALUE	
	<u><u>70,904</u></u>	<u><u>236,867</u></u>

Prepaid operating leases represent leasehold properties owned by the Company. These properties were revalued at US\$ 90,235 in February 2003 by Gimco Limited, independent valuers, on an open market basis. The revaluation surplus has not been recognised in these financial statements in line with the provisions of International Accounting Standards (IAS) No.17.

	2005 US\$	2004 US\$
8	INVESTMENT PROPERTY	
	-	-
	4,273,602	-
	163,292	-
	<u>4,436,894</u>	<u>-</u>

Investment property represents an office block building constructed by the company and is carried at cost, which, in the opinion of the directors', approximates fair value.

ZEP-RE (PTA REINSURANCE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS

	Capital work in progress US\$	Other US\$	Total US\$
COST			
At 1 January 2004	-	185,099	185,099
Additions	-	26,878	26,878
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	211,977	211,977
	<hr/>	<hr/>	<hr/>
At 1 January 2005	-	211,977	211,977
Additions	408,078	27,300	435,378
	<hr/>	<hr/>	<hr/>
At 31 December 2005	408,078	239,277	647,355
	<hr/>	<hr/>	<hr/>
AMORTISATION			
At 1 January 2004	-	181,734	181,734
Amortisation charge	-	10,769	10,769
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	192,503	192,503
	<hr/>	<hr/>	<hr/>
At 1 January 2005	-	192,503	192,503
Amortisation charge	-	18,446	18,446
	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	210,949	210,949
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 2005	408,078	28,328	436,406
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2004	-	19,474	19,474
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The capital work in progress relates to a new reinsurance system SICS/nt whose development was in progress at 31 December 2005. The other intangible assets represent computer software in use by the company.

10 AMOUNTS DUE FROM REINSURANCE CLIENTS

Amounts due from reinsurance clients are stated net of receivables which, in the directors' opinion, cannot be recovered or receivables whose recovery is uncertain at year-end.

	2005 US\$	2004 US\$
Gross receivables	11,516,553	10,730,531
Provision for bad and doubtful debts	(521,415)	(487,593)
	<hr/>	<hr/>
	10,995,138	10,242,758
	<hr/> <hr/>	<hr/> <hr/>

ZEP-RE (PTA REINSURANCE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 US\$	2004 US\$
11	SUNDRY RECEIVABLES & PREPAYMENTS	
	159,909	192,346
Staff receivables	22,136	15,704
Deposits	331,598	-
Prepayments – United Insurance Towers	3,679	-
Rent receivable	156,519	168,070
Others	<u>673,841</u>	<u>376,120</u>
	The prepayment for United Insurance Towers represents the deposit paid for the acquisition of the building.	
12	UNQUOTED INVESTMENTS (SHARES)	
	Available for sale:	
	Unquoted at cost:	
	30,000	30,000
African Insurance Organisation (AIO) Software Development Fund	100,000	100,000
African Trade Insurance Agency	718,750	718,750
Tanzania Reinsurance Company	<u>848,750</u>	<u>848,750</u>
13	GOVERNMENT SECURITIES HELD TO MATURITY	
	Treasury bills and bonds maturing:	
- within one year	5,812,084	3,067,910
- in one to five years	324,846	400,509
	<u>6,136,930</u>	<u>3,468,419</u>
	The effective interest rate at 31 December 2005 was 9.12% (2004 – 6.93%).	
14	DEPOSITS WITH FINANCIAL INSTITUTIONS	
	5,364,412	6,021,706
Lloyds Bank PLC – London	2,312,993	3,010,827
PTA Bank	2,551,114	889,189
Barclays Bank of Kenya Ltd	199,003	348,509
Kenya Commercial Bank Ltd	-	120,718
Sudanese French Bank – Khartoum	<u>10,427,522</u>	<u>10,390,949</u>
	The effective interest rate realised on deposits with financial institutions during the year was 3.78% (2004 – 3.13%).	
15	BANK AND CASH BALANCES	
	132,727	199,961
Kenya Commercial Bank Ltd	362,453	108,405
Lloyds Bank PLC – London	120,321	958
Barclays Bank of Kenya Ltd	138,639	27,379
Sudanese French Bank – Khartoum	299	321
Cash in hand	<u>754,439</u>	<u>337,024</u>

ZEP RE (PTA REINSURANCE COMPANY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2005 US\$	2004 US\$
16 OTHER PAYABLES AND ACCRUALS		
Provision for gratuity	170,567	155,898
Leave pay provision	70,486	100,212
Dividends payable	16,827	-
Others	330,660	459,780
	<u>588,540</u>	<u>715,890</u>

17 LONG TERM LOAN

This is a loan obtained from the PTA Bank for the construction of the Head Office building of the company. The loan is repayable in quarterly instalments over a period of seven years with effect from July 2006 and attracts interest at the rate of 7.15% per annum (2004 - 4.98%). It is secured by a charge on the Head Office building.

18 TECHNICAL PROVISIONS

The technical provisions for the year are made up of provisions for unearned premiums and outstanding claims. Unearned premiums have been calculated at 40% of the net premiums as shown in the Revenue Account.

	Fire and accident US\$	Marine & aviation US\$	Life US\$	2005 Total US\$	2004 Total US\$
Unearned premiums					
At 40% of net premiums	6,015,215	1,140,074	451,077	7,606,366	7,533,626
Less: unearned portfolio premiums	-	-	-	-	(349,468)
Provision carried forward	6,015,215	1,140,074	451,077	7,606,366	7,184,158
Outstanding claims	7,446,000	450,000	204,000	8,100,000	6,138,730
	<u>13,461,215</u>	<u>1,590,074</u>	<u>655,077</u>	<u>15,706,366</u>	<u>13,322,888</u>

Reconciliation of unearned premiums in the balance sheet to amounts charged in the revenue account.

Unearned premiums					
At 40% of net premiums	6,015,215	1,140,074	451,077	7,606,366	7,533,626
Less: earned portfolio premiums	(504,417)	70	-	(504,347)	-
Charged to revenue account	<u>5,510,798</u>	<u>1,140,144</u>	<u>655,077</u>	<u>7,102,019</u>	<u>7,533,626</u>

ZEP RE (PTA REINSURANCE COMPANY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 TECHNICAL PROVISIONS (continued)

The amount charged to the revenue account in respect of unearned premiums is the total amount. The amount carried forward in the balance sheet excludes the unearned premium portfolio component.

As at 31 December 2005, net portfolio premiums of US\$ 504,347 were earned and hence not accounted for under technical reserves. As at 31 December 2004, net portfolio premiums of US\$ 349,468 were unearned and hence accounted for in the technical reserves.

19 CAPITAL STOCK AND PAID-UP CAPITAL

(i) The Authorised capital of the company is US\$ 27,280,000 divided into 20,000 shares of a par value of US\$ 1,364 each. The authorised capital stock of the company is divided into 50% called-up shares and the other half is callable.

(ii) The paid-up capital is made up as follows:-

	2005 US\$	2004 US\$
Capital allotted and subscribed	10,442,102	10,373,902
Called but unsubscribed	3,197,898	3,266,098
	<hr/>	<hr/>
Capital callable	13,640,000	13,640,000
Capital unpaid	(2,278,256)	(3,120,019)
	<hr/>	<hr/>
Subscribed and paid up capital	11,361,744	10,519,981
	<hr/> <hr/>	<hr/> <hr/>
	2005	2004
	No. of shares	No. of shares
Capital allotted and subscribed	7,655	7,605
Called but unsubscribed	2,345	2,395
	<hr/>	<hr/>
Capital callable	10,000	10,000
Capital unpaid	(1,670)	(2,287)
	<hr/>	<hr/>
Subscribed and paid up capital	8,330	7,713
	<hr/> <hr/>	<hr/> <hr/>

20 EARNINGS PER SHARE

Earnings per share is calculated on the profit for the year and the average of paid up shares during the year.

	2005	2004
Net profit for the year (US\$)	1,837,349	2,036,919
Paid up share capital	8,330	7,713
Earnings per share (Sh)	229.06	273.96
	<hr/> <hr/>	<hr/> <hr/>

ZEP RE (PTA REINSURANCE COMPANY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	2005 US\$	2004 US\$
Bank balances	754,439	337,024
Short term investments	10,427,522	10,390,949
Government securities maturing within one year	5,812,084	3,067,910
	<hr/>	<hr/>
Total	16,994,045	13,795,883
	<hr/> <hr/>	<hr/> <hr/>

26 CURRENCY

These financial statements are expressed in United States Dollars (US\$).

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Appendix I

SCHEDULE OF SHARE CAPITAL CONTRIBUTIONS YEAR ENDED 31 DECEMBER 2005

Country/ institution	Shareholder	Share- Holding %	Allotted & Issued	Shares Capital US\$	Shares callable payable Capital 50%	Paid-up US\$
Burundi	SOCABU	1.00	200	136,400	136,400	122,760
	Assurances Bicolor	0.50	100	68,200	68,200	68,200
Kenya	Kenya Re	20.00	4,000	2,728,000	2,728,000	2,728,000
	Govt. of Kenya	1.75	350	238,700	238,700	238,700
	Blue Shield	1.50	300	204,600	204,600	249,612
	United Insurance. (K)	1.25	250	170,500	170,500	126,360
Mauritius	Apollo Insurance	0.50	100	68,200	68,200	69,000
	Govt. of Mauritius**	0.50	100	68,200	68,200	136,400
Mozambique	EMOSE	0.80	160	109,120	109,120	109,120
Rwanda	Republic of Rwanda	7.34	1,467	1,000,494	1,000,494	1,358,846
	SONARWA	0.50	100	68,200	68,200	76,533
	SORAS	-	-	68,200	68,200	8,333
Sudan	Government of Sudan*	4.60	920	627,440	627,440	783,363
	United Insurance (S) Ltd	1.00	200	136,400	136,400	136,400
	Shiekan Ins. & Reins.	1.25	250	170,500	170,500	170,500
	Juba Insurance Company	1.00	200	136,400	136,400	136,400
Tanzania	NICIT	7.70	1,540	1,050,280	1,050,280	1,030,288
	ZIC	0.50	100	68,200	68,200	68,200
PPF	PPF	5.00	1,000	682,000	682,000	682,000
Uganda	NIC(U)	0.50	100	68,200	68,200	68,200
	PWIC	0.50	100	68,200	68,200	43,386
	SWIC	0.50	100	68,200	68,200	71,245
Zambia	ZSIC	1.60	320	218,240	218,240	218,240
	Government of Zambia	4.50	900	613,800	613,800	613,800
PTA Bank	PTA Bank	6.17	1,234	841,588	841,588	841,588
Zimbabwe	ZIM-RE	1.00	200	136,400	136,400	136,400
Madagascar	NY Havana**	0.50	100	68,200	68,200	131,574
D.R. Congo	SONAS	0.50	100	68,200	68,200	68,200
Eritrea	NICE*	2.50	500	341,000	341,000	391,000
Djibouti	Government of Djibouti	1.10	220	150,040	150,040	274,516
COMESA	COMESA Secretariat	-	-	-	-	204,580
Others	Unsubscribed	23.95	4,789	3,197,898	3,197,898	-
Total		100.00	20,000	13,640,000	13,640,000	11,361,744

* Member has paid upfront for additional shares to be allocated by the 15th Annual General Assembly.

** Member paying up for the uncalled portion of shares allocated.

**SCHEDULE OF ZEP-RE'S MEMBERSHIP, SHARE CAPITAL
CONTRIBUTIONS AND OUTSTANDING BALANCES
YEAR ENDED 31 DECEMBER 2005**

Country/ institution	Shareholder	Shares Capital US\$	2005 Paid-up Voting power	Shares Capital US\$	2004 Paid-up Voting power
Burundi	SOCABU	122,760	1.08	122,760	1.17
	Assurances Bicolor	68,200	0.60	55,100	0.52
Kenya	Kenya Re	2,728,000	24.01	2,728,000	25.93
	Government of Kenya	238,700	2.10	238,700	2.27
	Blue Shield	249,612	2.20	204,600	1.94
	United Insurance. (K)	126,360	1.11	126,360	1.20
	Apollo Insurance	69,000	0.61	69,000	0.66
Mauritius	Govt. of Mauritius	136,400	1.20	136,400	1.30
Mozambique	EMOSE	109,120	0.96	109,120	1.04
Rwanda	Republic of Rwanda	1,358,846	11.96	1,000,494	9.51
	SONARWA	76,533	0.67	76,533	0.73
	SORAS	8,333	0.07	-	-
Sudan	Government of Sudan	783,363	6.89	693,852	6.60
	United Insurance (S) Ltd	136,400	1.20	109,120	1.04
	Shiekan Ins. & Reins.	170,500	1.50	170,500	1.62
	Juba Insurance Company	136,400	1.20	133,400	1.27
	NICIT	1,030,288	9.07	1,000,280	9.50
Tanzania	ZIC	68,200	0.60	68,200	0.65
PPF	PPF	682,000	6.00	682,000	6.48
Uganda	NIC(U)	68,200	0.60	68,200	0.65
	PWIC	43,386	0.38	42,122	0.40
	SWIC	71,245	0.63	71,245	0.68
Zambia	ZSIC	218,240	1.92	218,240	2.07
	Government of Zambia	613,800	5.40	613,800	5.83
PTA Bank	PTA Bank	841,588	7.41	841,588	8.00
Zimbabwe	ZIM-RE	136,400	1.20	136,400	1.30
Madagascar	NY Havana	131,574	1.16	114,820	1.09
D.R. Congo	SONAS	68,200	0.60	68,200	0.65
Eritrea	NICE	391,000	3.44	391,000	3.72
Djibouti	Government of Djibouti	274,516	2.42	229,947	2.19
COMESA	COMESA Secretariat	204,580	1.80	-	-
Total		11,361,744	100.00	10,519,981	100.00